

PUBLIC ACCOUNTS
OF THE
PROVINCE OF NOVA SCOTIA
FOR THE
Fiscal Year Ended March 31
1996

VOLUME 2 - AGENCIES AND FUNDS

PRINTED BY ORDER OF THE LEGISLATURE



Nova Scotia

HALIFAX, N.S.
1997

PROVINCE OF NOVA SCOTIA
TABLE OF CONTENTS**AGENCIES AND FUNDS**

Check Inns Limited	5
Environmental Trust Fund	10
Fisheries Development Fund	15
Gross Revenue Insurance Plan - Revenue Protection Component	20
Housing Development Corporation	25
Housing Development Fund	34
Industrial Expansion Fund	41
Insured Prescription Drug Plan Trust Fund	50
Members' Retiring Allowance Account	55
Nova Scotia Business Development Corporation	59
Nova Scotia Crop and Livestock Insurance Commission	66
Nova Scotia Farm Loan Board	73
Nova Scotia Film Development Corporation	79
Nova Scotia Gaming Corporation	86
Nova Scotia Grain and Forage Commission	104
Nova Scotia Hospital	111
Nova Scotia Innovation Corporation	122
Nova Scotia Legal Aid Commission	128
Nova Scotia Liquor Commission	136
Nova Scotia Liquor License Board	143
Nova Scotia Municipal Finance Corporation	148
Nova Scotia Police Commission	155
Nova Scotia Power Finance Corporation	160
Nova Scotia Primary Forest Products Marketing Board	169
Nova Scotia Research Foundation Corporation	173
Nova Scotia Resource Recovery Fund	184
Nova Scotia Resources Limited	192
Nova Scotia Talent Trust	200
Nova Scotia Teachers' Pension Fund	204
Nova Scotia Utility and Review Board	212
Provincial Community Pasture Board	220
Provincial Resort Hotels	225
Public Service Superannuation Fund	226
Public Trustee	234
Queen Elizabeth II Health Sciences Centre	239
Sherbrooke Restoration Commission	257
Trade Centre Limited	266
Transportation Trust Fund	276
Upper Clements Family Theme Park Limited	278
Victims' Assistance Fund	283
Waterfront Development Corporation Limited	285

AUDITORS' REPORT

To the Shareholder of
Check Inns Limited

We have audited the balance sheet of Check Inns Limited as at March 31, 1996, and the statements of loss and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 1996, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

DOANE RAYMOND
Chartered Accountants

Halifax, Nova Scotia
July 18, 1996

PROVINCE OF NOVA SCOTIA

CHECK INNS LIMITED

BALANCE SHEET

March 31, 1996

ASSETS

	1996	1995
Current		
Cash	\$ 4,720	\$ 108,193
Receivable		
Trade	---	4,486
Economic Renewal Agency	118,076	15,036
Prepays	---	2,325
	<u>122,796</u>	<u>130,040</u>
Computer software (Note 3)	138,320	184,427
	<u>\$ 261,116</u>	<u>\$ 314,467</u>

LIABILITIES

Current		
Payables and accruals	\$ 2,625	\$ 4,695

SHAREHOLDERS' EQUITY

Capital Stock		
Authorized:		
5,000 common shares with par value of \$1 each		
Issued:		
3 common shares	3	3
Retained earnings	<u>258,488</u>	<u>309,769</u>
	<u>258,491</u>	<u>309,772</u>
	<u>\$ 261,116</u>	<u>\$ 314,467</u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

CHECK INNS LIMITED

Statement of Loss and Retained Earnings

year ended March 31, 1996

	1996	1995
Revenue		
Commissions and service charges		
Billings \$	---	\$ 2,563
Interest income	2,980	16,069
	<u>2,980</u>	<u>18,632</u>
Recoveries (write-offs) due to no-shows, cancellations, rate changes and doubtful accounts	---	7,819
	<u>2,980</u>	<u>26,451</u>
Other revenue	---	15,840
	<u>2,980</u>	<u>42,291</u>
Expenses		
Advertising	---	1,099
Computer services	2,325	40,582
Dues, fees and conventions	---	2,119
Insurance	---	914
Office and miscellaneous expenses	1,120	10,071
Professional fees	2,500	3,000
Provision for bad debts	2,209	61,971
Rent and taxes - office space	---	39,457
Salaries	---	43,587
Telephone	---	26,599
Travel	---	984
	<u>8,154</u>	<u>230,383</u>
Loss before depreciation	(5,174)	(188,092)
Depreciation	46,107	46,107
Net loss	<u>(51,281)</u>	<u>(234,199)</u>
Retained earnings, beginning of year	309,769	543,968
Retained earnings, end of year \$	<u>258,488</u>	<u>\$ 309,769</u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

CHECK INNS LIMITED

Statement of Changes in Financial Position

year ended March 31, 1996

	1996	1995
Cash derived from (applied to)		
Operating		
Net loss \$	(51,281) \$	(234,199)
Depreciation	46,107	46,107
	<u>(5,174)</u>	<u>(188,092)</u>
Change in non-cash operating working capital		
Receivables	(98,554)	63,121
Prepays	2,325	3,063
Payables and accruals	(2,070)	(89,674)
Unearned revenue	---	(2,250)
	<u>(103,473)</u>	<u>(213,832)</u>
Investing		
Purchase of computer software	---	(230,534)
Cash used	(103,473)	(444,366)
Cash		
Beginning of year	108,193	552,559
End of year \$	<u>4,720</u> \$	<u>108,193</u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

CHECK INNS LIMITED

Notes to the Financial Statements

March 31, 1996

1. General

The company was incorporated under the Province of Nova Scotia's Company's Act March 31, 1978. The fundamental purpose of the company is to develop and maintain a reservation and information system for hotel, motel and other accommodations throughout the province of Nova Scotia. On May 1, 1994, the Province of Nova Scotia entered into a contract with Corporatel, a partnership of Corporate Research Associates Inc. and Corporate Communications Limited, for Corporatel to operate the "Check Inns" Information and Reservation System for the period May 1, 1994 to April 30, 1999. Under the terms of the agreement, the Province of Nova Scotia through Check Inns Limited retains the rights to the software being used and Corporatel is to bill the Province on the basis of prescribed rates for incoming and outgoing calls made through their facilities.

2. Accounting policy**Depreciation**

Depreciation of software is calculated over the five year period 1995 to 1999 on the straight-line basis.

Furniture, office equipment and leasehold improvements are expensed in the year acquired.

3 Computer software

			1996	1995
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer software	\$ 230,534	\$ 92,214	\$ 138,320	\$ 184,427

AUDITOR'S REPORT

To the Chair and Members of the Nova Scotia
Round Table on Environment and Economy

I have audited the balance sheet of the Environmental Trust Fund as at March 31, 1996 and the statement of revenues, expenses and Fund equity for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many similar organizations, the Fund derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Fund and I was not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenses, assets and Fund equity.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1996 and the results of its operations for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

E.R. SALMON, F.C.A.
Auditor General

Halifax, Nova Scotia
July 4, 1996

PROVINCE OF NOVA SCOTIA

ENVIRONMENTAL TRUST FUND

BALANCE SHEET

as at March 31, 1996

ASSETS

	1996	1995
Cash \$	---	\$ 6
Investments (Schedule 1)	4,762	4,605
Interest receivable	104	14
	<u>\$ 4,866</u>	<u>\$ 4,625</u>

FUND EQUITY

Fund equity \$	<u>4,866</u>	<u>\$ 4,625</u>
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PROVINCE OF NOVA SCOTIA

ENVIRONMENTAL TRUST FUND

Statement of Revenues, Expenses and Fund Equity

for the year ended March 31, 1996

	1996	1995
Revenues		
Interest	\$ 241	\$ 666
Expenses		
Environmental grants and assistance	---	19,058
Excess (deficiency) of revenues over expenses	241	(18,392)
Fund equity, beginning of year	4,625	23,017
Fund equity, end of year	\$ 4,866	\$ 4,625

PROVINCE OF NOVA SCOTIA**ENVIRONMENTAL TRUST FUND****Notes to Financial Statements****March 31, 1996****1. Authority**

Effective January 1, 1995 the authority for Environmental Trust Fund operations is the Environment Act. The purpose of the Trust is to fund programs for environmental research and management and conservation of the environment.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the treatment of administrative expenses. Administrative expenses incurred on behalf of the Fund are included in the expenditures of the Nova Scotia Department of Environment. These amounts are not reflected in the financial statements.

PROVINCE OF NOVA SCOTIA

ENVIRONMENTAL TRUST FUND

Schedule of Investments

March 31, 1996

Investment	Interest Rate	Maturity Date	Cost
Toronto Dominion Bank, Term Deposit	5.25%	October 30, 1996	\$ 4,762

The investments of the Environmental Trust Fund are recorded at cost, which approximates their market value.

AUDITOR'S REPORT

To the Minister of Fisheries; and
To the Chairperson and Members of
the Nova Scotia Fisheries Loan Board

I have audited the balance sheet of the Fisheries Development Fund as at March 31, 1996 and the statement of continuity of fund for the year then ended. These financial statements are the responsibility of the Loan Board's management. My responsibility is to express an opinion on these financial statements based upon my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fisheries Development Fund as at March 31, 1996 and the continuity of the fund for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 3, 1996

PROVINCE OF NOVA SCOTIA

FISHERIES DEVELOPMENT FUND

BALANCE SHEET

as at March 31, 1996

ASSETS

	1996	1995
Loans Receivable - net of allowance for doubtful accounts (Schedule 1)	\$ 43,098,136	\$ 43,888,070
Due from Consolidated Fund		
Loans authorized but unadvanced	2,272,399	3,081,641
Free balance	92,651,835	91,097,908
Applicants' funds on deposit	178,155	48,807
	<u>95,102,389</u>	<u>94,228,356</u>
	<u>\$ 138,200,525</u>	<u>\$ 138,116,426</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Applicants' funds on deposit	\$ 178,155	\$ 48,807
Fisheries Development Fund	138,022,370	138,067,619
	<u>\$ 138,200,525</u>	<u>\$ 138,116,426</u>

PROVINCE OF NOVA SCOTIA
FISHERIES DEVELOPMENT FUND
STATEMENT OF CONTINUITY OF FUND
for the year ended March 31, 1996

	1996	1995
Balance, beginning of year	\$ 138,067,619	\$ 138,115,841
<i>Deduct:</i> Increase in allowance for doubtful accounts	(1,421)	(18,957)
Accounts written off	(43,828)	(29,265)
Balance, end of year	<u>\$ 138,022,370</u>	<u>\$ 138,067,619</u>
 Comprising:		
Loans receivable	\$ 43,098,136	\$ 43,888,070
Loans authorized but unadvanced	2,272,399	3,081,641
Free balance	<u>92,651,835</u>	<u>91,097,908</u>
	<u>\$ 138,022,370</u>	<u>\$ 138,067,619</u>

PROVINCE OF NOVA SCOTIA**FISHERIES DEVELOPMENT FUND****Notes to Financial Statements****March 31, 1996****1. Authority**

The Fisheries Development Fund was established pursuant to Section 12 of the Fisheries Development Act. The purpose of the Fund is to finance the activities of the Fisheries Loan Board.

The object and purpose of the Board is to make loans and guarantees of loans to fishermen, companies, cooperatives, associations and other persons in order to encourage, sustain, improve and develop the fishing industry of Nova Scotia.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policies.

Administrative Expenses, Interest Revenue and Expense

Administrative expenses of the Board, and the differential between capital advance interest charges from the Department of Finance and interest revenues earned on loans are included in the expenditures of the Department of Fisheries. These amounts are not reflected in the attached financial statements, nor is accrued loan interest receivable.

3. Deferment Program

Order-in-Council 93-968 and 96-211 dated December 21, 1993 and March 26, 1996 respectively, approved an assistance program for borrowers affected by quota cuts and groundfish fishery closure, in cases where economic hardship resulted. Borrowers can apply to have the principal and/or interest portion of their loan payment deferred until March 31, 1997. As of March 31, 1996 49 borrowers (1995 - 63) have loans outstanding under the program, representing loans receivable of \$4,517,510 (1995 - \$6,076,113).

4. Guarantees

On August 30, 1995 the government's Priorities and Planning Committee directed that, as of April 1, 1996, the Aquaculture Loan Guarantee program be transferred from the Economic Renewal Agency to the Department of Fisheries. Existing authorized aquaculture loan guarantees of \$3,720,000 granted under the Industrial Development Act will be transferred to the Department for administration under the Fisheries Development Act. The Fisheries Loan Board will administer the guarantees on behalf of the Department.

Schedule 1

PROVINCE OF NOVA SCOTIA
FISHERIES DEVELOPMENT FUND
Continuity of Loans Receivable
for the year ended March 31, 1996

	1996	1995
Loans Receivable		
Balance, beginning of year	\$ 44,810,249	\$ 46,499,217
<i>Add:</i> Advances during the year	8,991,419	7,251,300
	53,801,668	53,750,517
<i>Deduct:</i> Repayments during the year	9,736,103	8,911,003
Accounts written off	43,828	29,265
	9,779,931	8,940,268
Balance, end of year	44,021,737	44,810,249
Allowance for Doubtful Accounts	923,601	922,179
Loans Receivable - net of allowance for doubtful accounts	\$ 43,098,136	\$ 43,888,070

AUDITOR'S REPORT

To the Minister of Agriculture and Marketing

I have audited the balance sheet of the Gross Revenue Insurance Plan - Revenue Protection Component as at March 31, 1996, and the statement of income and fund balance for the year then ended. These financial statements are the responsibility of the Department of Agriculture and Marketing. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Gross Revenue Insurance Plan - Revenue Protection Component as at March 31, 1996, and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. SALMON, F.C.A.
Auditor General

Halifax, Nova Scotia
November 8, 1996

PROVINCE OF NOVA SCOTIA
GROSS REVENUE INSURANCE PLAN -
REVENUE PROTECTION COMPONENT

BALANCE SHEET

as at March 31, 1996

	ASSETS		1996	1995
Current Assets				
Premiums receivable				
Producers	\$	12,148	\$	150,093
Provincial Government		11		1,415
Federal Government		62		2,358
Accrued interest receivable		8,518		3,978
Due from GRIP (Crop Insurance)		9		---
Due from Province of Nova Scotia		480,017		1,200
Other receivable		3,431		4,735
		<u>504,196</u>		<u>163,779</u>
	\$		\$	
LIABILITIES AND FUND BALANCE				
Current Liabilities				
Unearned premiums	\$	---	\$	64,897
Due to GRIP (Crop Insurance)		---		2,841
Advances repayable				
Provincial Government		---		25,942
Federal Government		---		48,178
Provision for payment of unsettled indemnities (Note 3)		<u>86,129</u>		<u>263,586</u>
		86,129		405,444
Fund Balance				
Surplus (deficit)		<u>418,067</u>		<u>(241,665)</u>
	\$	<u>504,196</u>	\$	<u>163,779</u>

PROVINCE OF NOVA SCOTIA
GROSS REVENUE INSURANCE PLAN -
REVENUE PROTECTION COMPONENT
Statement of Income and Fund Balance
for the year ended March 31, 1996

	1996	1995
Revenues		
Premiums contributions (Note 4)		
Producers \$	253,939 \$	294,428
Provincial Government	190,474	220,845
Federal Government	317,481	368,102
Interest earned on fund balance	23,083	7,865
Interest earned on overdue producers' accounts	1,766	148
	<u>786,743</u>	<u>891,388</u>
Expenses		
Interest on advances	2,331	2,381
Indemnity claims (Note 3)	<u>124,680</u>	<u>818,725</u>
	<u>127,011</u>	<u>821,106</u>
Net income	659,732	70,282
Fund balance, beginning of year	<u>(241,665)</u>	<u>(311,947)</u>
Fund balance, end of year \$	<u><u>418,067</u></u> \$	<u><u>(241,665)</u></u>

PROVINCE OF NOVA SCOTIA
GROSS REVENUE INSURANCE PLAN -
REVENUE PROTECTION COMPONENT

Notes to Financial Statements

March 31, 1996

1. Authority

Effective April 1, 1991, insurance on grains and oilseeds has been offered under a Tripartite Gross Revenue Insurance Plan (GRIP). The National Agreement Establishing a Tripartite Gross Revenue Insurance Plan for Crops was signed by the Minister of Agriculture and Marketing under the authority of the Natural Products Act. Under this program, producers purchase both crop insurance and revenue protection insurance.

These statements include only the Revenue Protection Component of GRIP, as required by Agriculture Canada. The Revenue Protection Component is administered by the Nova Scotia Crop and Livestock Insurance Commission staff on behalf of the Minister of Agriculture and Marketing.

The Crop Insurance Component of GRIP is included on the financial statements of the Nova Scotia Crop and Livestock Insurance Commission as required by Agriculture Canada.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. All administrative expenses associated with this program are reflected on the financial statements of the Nova Scotia Crop and Livestock Insurance Commission and have not been included on these statements.

3. Provision for Payment of Unsettled Indemnities

Winter Grain is planted in the fall, but not harvested until the following fall.

The provision represents the final indemnity payments for losses incurred in the fiscal year, but not paid until after year end for Winter Grain planted in the fall of 1994. No insurance was written for Winter Grain planted in the fall of 1995 due to the pending termination of the Province's participation in the insurance program (see Note 6).

4. Premium Contributions

Under the Revenue Protection Component of GRIP, producers pay 33.33% of the insurance premiums, the Provincial Government pays 25% and the Federal Government pays 41.67%.

The GRIP agreement provides for interest-bearing advances to the Revenue Protection Component fund when payments for indemnities exceed premiums collected on a cash basis. The Provincial Government provides 35% of the required advance and the Federal Government 65%. The interest rates on advances are established by the respective Ministers of Finance. The advances are repaid in the same ratio as funds become available in the account.

5. Insurance Coverage

As at March 31, 1996, the total insurance coverage under the Gross Revenue Insurance Plan was \$2.9 million (1995 - \$3.7 million). This includes both the Crop Insurance component of \$1.7 million (1995 - \$2.2 million) and the Revenue Protection component of \$1.2 million (1995 - \$1.5 million).

6. Gross Revenue Insurance Plan Termination

In accordance with Section 20.2(a) of the National Tripartite Gross Revenue Insurance Plan Agreement, the Province has given notice that it will terminate its participation in the plan on March 31, 1998. In accordance with Section 20.5 of the Agreement, the surplus is to be refunded to the federal government, provincial government and producers based upon the respective premiums paid by each party.

AUDITOR'S REPORT

To the Minister of Housing and Municipal Affairs

I have audited the balance sheet of the Nova Scotia Housing Development Corporation as at March 31, 1996, and the statements of revenues and expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Housing Development Corporation as at March 31, 1996, and the results of its operations and the changes in the fund balance for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 12, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

BALANCE SHEET

as at March 31, 1996

ASSETS

	1996	1995
Current Assets		
Accounts receivable and accrued interest \$	230,722	\$ 317,382
Current portion of mortgages receivable	890,289	735,906
Housing Development Corporation Fund (Note 4)	---	4,706,502
	<u>1,121,011</u>	<u>5,759,790</u>
Mortgages receivable (Note 5)	34,338,669	40,461,271
Fixed assets (Note 6)	89,479,938	87,330,481
	<u>\$ 124,939,618</u>	<u>\$ 133,551,542</u>

LIABILITIES

Current liabilities		
Housing Development Corporation Fund (Note 4) \$	5,146,106	\$ ---
Current portion of long-term liabilities	5,743,599	5,602,696
	<u>10,889,705</u>	<u>5,602,696</u>
Long-term liabilities		
Notes payable (Note 7)	25,395,847	40,831,786
Mortgages payable (Note 8)	88,332,977	86,795,971
	<u>113,728,824</u>	<u>127,627,757</u>
Reserve for interest fluctuation		
(Note 9)	321,089	321,089
	<u>\$ 124,939,618</u>	<u>\$ 133,551,542</u>

Contingency (Note 10)

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Statement of Revenues and Expenditures

for the year ended March 31, 1996

	1996	1995
Revenues		
Interest revenue	\$ 4,405,987	\$ 5,641,142
Recoveries from provincial government departments	<u>9,174,240</u>	<u>8,745,341</u>
	<u>13,580,227</u>	<u>14,386,483</u>
Expenditures		
Interest on long-term debt	12,549,510	13,647,672
Amortiation	992,473	867,052
Administration fee (Note 3)	34,744	---
Transfer to (from) reserve for interest fluctuation	---	(135,370)
Miscellaneous	<u>3,500</u>	<u>7,129</u>
	13,580,227	14,386,483
Excess of revenues over expenditures		
(Note 3)	<u>---</u>	<u>---</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Statement of Changes in Fund Balance

for the year ended March 31, 1996

	1996	1995
Funds provided by (used for):		
Operations		
Excess of revenues over expenses \$	---	---
Add: Expenses not requiring cash		
Transfer to (from) reserve for		
interest fluctuation	---	(135,370)
Amortization	992,473	867,052
Change in accounts receivable and accrued		
interest	86,660	77,520
	<u>1,079,133</u>	<u>809,202</u>
Investing activities		
Mortgages receivable	5,968,219	7,352,078
Investment in fixed assets	<u>(3,141,930)</u>	<u>(6,454,258)</u>
	2,826,289	897,820
Financing activities		
Net proceeds from issue of long-term debt	2,696,986	6,873,855
Repayment of long-term debt	<u>(16,455,016)</u>	<u>(10,871,324)</u>
	<u>(13,758,030)</u>	<u>(3,997,469)</u>
Decrease in fund balance during the year	(9,852,608)	(2,290,447)
Fund balance, beginning of year	<u>4,706,502</u>	<u>6,996,949</u>
Fund balance, end of year \$	<u>(5,146,106)</u>	<u>4,706,502</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Notes to Financial Statements

March 31, 1996

1. Authority

On June 17, 1986 the Nova Scotia Housing Development Corporation Act established the Nova Scotia Housing Development Corporation. The purpose of the Corporation is to provide long-term mortgage financing through outside lenders for the Public Non-Profit Housing Program, and the home ownership programs of the Department of Housing and Municipal Affairs, and loan guarantees for housing purposes.

2. Accounting Policies**Mortgages Receivable**

Mortgages receivable are carried at cost less allowance for doubtful recoveries, as indicated in Note 5. Mortgages receivable are carried at cost even though some borrowers' payments are subsidized by the Department of Housing and Municipal Affairs. The Corporation estimates that approximately \$1.8 million of the present balance of mortgages receivable outstanding will be repaid by the Province of Nova Scotia through future subsidies, over the remaining life of the portfolio.

Fixed Assets

Fixed assets are carried at cost which includes the cost of site investigation, land, construction, administration and interest during construction.

Amortization

The capital cost of fixed assets is reduced each year by the amount of the principal repaid on the related mortgage financing the project. Mortgages are obtained for periods of 20 to 35 years. The principal portion of mortgage repayments increases as the mortgages approach maturity.

The capital cost of fixed assets and the related mortgages payable were reduced during the year ended March 31, 1996 by \$992,473 (1995 - \$867,052).

3. Administration and Management

The administration and management of the Nova Scotia Housing Development Corporation are carried out by the staff of the Department of Housing and Municipal Affairs. The Corporation will pay an administration fee to the Department to the extent that the interest revenues earned by the Corporation exceed expenses, net interest costs and reserve provisions in any year.

4. Housing Development Corporation Fund

To provide working capital for the Nova Scotia Housing Development Corporation, the Housing Development Corporation Fund was established by Order-In-Council. The Fund is set up as a revolving account which records all receipts and expenditures and allows the Corporation to borrow up to \$20 million. If the fund reflects a receivable from the Province of Nova Scotia, interest is paid to the Corporation at the provincial borrowing rate. Conversely, the Corporation is required to pay interest to the Province, at the provincial borrowing rate, if the Fund is in a liability position.

5. Mortgages Receivable

Mortgages receivable have amortization periods of 25 years and five or ten-year renewal terms. Aggregate monthly payments are approximately \$356,000, including interest. Interest rates vary from 8.05% to 14.50% with renewal dates ranging from April 1, 1996 to March 31, 2001.

The mortgages are secured by registered first mortgages on the related properties.

The mortgages receivable, by program, are as follows:

	1996	1995
Self-Help Housing	\$ 5,522,188	\$ 7,263,610
Family Benefits Housing	8,466,342	8,902,812
Shell Housing	1,749,474	2,198,545
Family Modest Housing	<u>19,747,306</u>	<u>23,088,562</u>
	<u>35,485,310</u>	<u>41,453,529</u>
Less: Current portion due within one year	890,289	735,906
Allowance for doubtful recoveries	<u>256,352</u>	<u>256,352</u>
	<u>1,146,641</u>	<u>992,258</u>
	<u>\$ 34,338,669</u>	<u>\$ 40,461,271</u>

Estimated principal repayments for the next four years are as follows:

1997-1998	\$ 734,849
1998-1999	\$ 816,650
1999-2000	\$ 907,553
2000-2001	\$ 1,008,576

6. Fixed Assets

Fixed assets, by program, are as follows:

	1996	1995
Public Non-Profit Housing		
Senior Citizens Units	\$ 50,844,313	\$ 49,145,331
Family Units	25,067,635	25,201,422
	<u>75,911,948</u>	<u>74,346,753</u>
Halifax-Dartmouth Metro Area Demonstration		
Program Projects	1,217,698	1,224,716
Family Benefits Rental Units	792,912	808,430
Vimy Non-Profit Project	1,125,239	---
Nova Scotia Youth Centre, Waterville	10,432,141	10,950,582
	<u>\$ 89,479,938</u>	<u>\$ 87,330,481</u>

The Corporation entered into an agreement with Canada Mortgage and Housing Corporation to purchase the Vimy Non-Profit Project in September 1995. However, title documents did not receive final approval until May 1996.

7. Notes Payable

Notes payable consist of 26 individual series payable to Hongkong Bank Trust Company with amortization periods of 25 years and five or ten year renewal terms. Monthly payments are \$657,000, including interest. Interest rates vary from 7.30% to 12.125% with renewal dates ranging from April 1, 1996 to February 1, 2000.

The notes payable are secured by an assignment of mortgages receivable. However, portions of the outstanding balances maybe unsecured due to mortgages receivable payouts or foreclosures.

Notes payable, by program, are as follows:

	1996	1995
Self-Help Housing	\$ 4,866,831	\$ 7,093,865
Family Benefits Housing	7,819,016	9,285,850
Shell Housing	1,722,630	2,411,837
Family Modest Housing	15,584,676	26,664,144
	29,993,153	45,455,696
Less: Current portion due within one year	4,597,306	4,623,910
	<u>\$ 25,395,847</u>	<u>\$ 40,831,786</u>

Estimated principal repayments for the next four years are as follows:

1997-1998	\$	5,127,581
1998-1999	\$	5,719,194
1999-2000	\$	5,049,879
2000-2001	\$	2,824,487

8. Mortgages Payable

Mortgages payable are comprised of individual mortgages from various lenders for Public Non Profit Housing projects and Metro Area Demonstration projects. These mortgages have amortization periods of 35 years with either five or ten year renewal terms.

The Family Benefits Rental Units mortgage has a 25 year amortization period and a renewal term of 10 years. The mortgage payable for the Nova Scotia Youth Centre in Waterville has a 20 year amortization period and a renewal term of 5 years. The Vimy Non-Profit Project mortgage has a 23 year amortization period and a renewal term of 5 years.

Mortgages are secured by assignment of real property and are payable in monthly instalments of interest and principal totalling \$736,000. Interest rates vary from 6.25% to 12.254% with renewal dates ranging from April 1, 1996 to June 1, 2001.

Mortgages payable by program are as follows:

	1996	1995
Public Non-Profit Housing		
Senior Citizens Units	\$ 50,844,313	\$ 49,560,177
Family Units	<u>25,066,967</u>	<u>25,230,852</u>
	75,911,280	74,791,029
Halifax-Dartmouth Metro Area		
Demonstration Projects	1,217,698	1,224,716
Family Benefits Rental Units	792,912	808,430
Vimy Non-Profit Project	1,125,239	---
Nova Scotia Youth Centre, Waterville	<u>10,432,141</u>	<u>10,950,582</u>
	89,479,270	87,774,757
Less: Current portion due within one year	<u>1,146,293</u>	<u>978,786</u>
	<u>\$ 88,332,977</u>	<u>\$ 86,795,971</u>

Estimated principal repayments for the next four years are as follows:

1997-1998	\$	1,236,119
1998-1999	\$	1,333,472
1999-2000	\$	1,439,026
2000-2001	\$	1,553,516

In 1986 the Province entered into a new Federal/Provincial Operating Agreement on Social Housing. Under the new Operating Agreement, Canada Mortgage and Housing Corporation agrees to insure loans received by the Nova Scotia Housing Development Corporation from approved lenders for capital financing of Public Non-Profit Housing projects.

9. Reserve for Interest Fluctuation

The Corporation borrows from a private lender to finance first mortgages. Interest rates committed on mortgages are determined well in advance of the borrowing date. There is considerable risk that the interest rate obtained on borrowing will exceed that committed on mortgage advances resulting in a loss to the Corporation. Similarly, interest rates obtained on renewal of the private lender loans at their five and ten year anniversaries could be higher than the rate on the first mortgage advances.

The Corporation has therefore established a reserve from interest fluctuation to offset possible future interest losses. The reserve is funded by an excess of revenues over expenses caused by favourable borrowing and lending activity.

10. Contingent Liability

The Corporation provides mortgage guarantees of interest and principal to lenders financing certain housing projects. As at March 31, 1996 a total of 28 (1995 - 23) mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was \$22,818,144 (1995 - \$16,424,293).

11. Comparative Figures

Prior year comparative figures have been restated, where necessary, to conform to the financial statement presentation adopted for the current year.

AUDITOR'S REPORT

To the Minister of Housing and Municipal Affairs

I have audited the balance sheet of the Housing Development Fund as at March 31, 1996, and the statement of continuity of fund balance for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Housing Development Fund as at March 31, 1996 and the continuity of the fund balance for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 12, 1996

PROVINCE OF NOVA SCOTIA

HOUSING DEVELOPMENT FUND

BALANCE SHEET

as at March 31, 1996

ASSETS	1996	1995
Accounts receivable and advances \$	9,231 \$	56,824
Temporary advances on behalf of the Nova Scotia Housing Development Corporation	6,762,759	6,468,297
Mortgages receivable (Note 3)	23,208,445	25,312,698
Investment in land and housing projects (Note 4)	105,939,986	106,683,226
	<u>\$ 135,920,421</u>	<u>\$ 138,521,045</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable \$	284,950 \$	715,343
Contractors' holdback payable	81,087	422,127
Notes payable (Note 5)	<u>40,220,743</u>	<u>42,930,278</u>
	<u>40,586,780</u>	<u>44,067,748</u>

Fund Balance

Advances from Consolidated Fund (Authorized \$154,000,000)	98,473,641	97,528,720
Less: Allowance for doubtful recoveries	<u>3,140,000</u>	<u>3,075,423</u>
Net advances	<u>95,333,641</u>	<u>94,453,297</u>
	<u>\$ 135,920,421</u>	<u>\$ 138,521,045</u>

PROVINCE OF NOVA SCOTIA

HOUSING DEVELOPMENT FUND

STATEMENT OF CONTINUITY OF FUND BALANCE

as at March 31, 1996

	1996	1995
Balance, beginning of the year	\$ 97,528,720	\$ 95,535,695
<i>Add:</i> Advances	14,075,223	21,177,484
<i>Less:</i> Recoveries	<u>13,130,302</u>	<u>19,184,459</u>
Balance, end of the year	<u>\$ 98,473,641</u>	<u>\$ 97,528,720</u>

PROVINCE OF NOVA SCOTIA**HOUSING DEVELOPMENT FUND****Notes to Financial Statements****March 31, 1996****1. Authority**

The Provincial share of capital housing programs is financed through the Housing Development Fund as established by Section 20(1) of the Housing Act. These programs include the construction of lease purchase housing units, low interest loans for home construction and rehabilitation, the assembly and servicing of land, and the construction of public housing.

2. Accounting Policies**Mortgages Receivable**

Mortgages receivable are carried at cost less allowance for doubtful recoveries. Mortgages receivable are carried at cost even though some borrowers' payments are subsidized by the Department of Housing and Municipal Affairs. It is estimated that approximately \$2.5 million of the present balance of mortgages receivable will be repaid by the Province of Nova Scotia through future subsidies, over the remaining life of the portfolio.

Public Housing

Public housing projects are carried at cost which includes the cost of site investigation, land, construction, administration and interest during construction.

Section 40 projects are jointly owned by Canada Mortgage and Housing Corporation and the Department of Housing and Municipal Affairs. Therefore, only the Department's 25% share of costs are reflected in these financial statements. Section 43 projects are owned by the Department, and are reflected at their full costs.

Amortization of Public Housing

The capital cost of public housing projects is reduced over periods of 35 to 50 years, with the amount of the annual reduction increasing over the amortization period.

The capital cost of public housing projects was reduced during the year ended March 31, 1996 by \$589,534 (1995 - \$592,141).

Investment in Land and Land Assembly

Land and land assembly projects are carried at cost of acquisition plus servicing costs, capitalized interest charges and administrative costs where applicable. If recovery is doubtful the net capital cost is reduced to its estimated net realizable value.

Profit or loss on sale of land is recognized when the sale of the project is complete. Until then, land sales are carried as deferred revenue, and deducted from Investment in Land and Housing Projects.

Operating Revenues and Expenditures

The Provincial share of operating expenditures related to capital programs is funded by the Department of Housing and Municipal Affairs legislative vote. Operating revenues consist primarily of interest revenue on loan programs and are credited to the revenues of the Province. Operating expenditures include administrative costs of the Fund, the Province's share of operating deficits on public housing projects, and grants and assistance associated with capital and other programs. Details of operating revenues and expenditures are reported in the Province's Public Accounts Volume 1.

3. Mortgages Payable

Mortgages receivable have amortization periods of 25 to 35 years and renewal terms ranging from 5 to 35 years. Monthly payments are \$356,000, including interest. Interest rates vary from 6% to 13.75% with renewal dates ranging from April 1, 1996 to March 31, 2021.

The mortgages are secured by a registered first or second mortgage on the related properties or a promissory note.

	1996	1995
Mortgages Receivable	\$ 23,438,445	\$ 26,246,131
Less: Allowance for doubtful accounts	<u>230,000</u>	<u>933,433</u>
	<u>\$ 23,208,445</u>	<u>\$ 25,312,698</u>

Estimated principal repayments for the next five years are as follows:

1996-1997	\$	2,783,000
1997-1998	\$	2,497,000
1998-1999	\$	2,272,000
1999-2000	\$	2,101,000
2000-2001	\$	1,949,000

4. Investment in Land and Housing Projects

	1996	1995
Public Housing - Section 40	\$ 52,952,490	\$ 53,236,896
Public Housing - Section 43	29,645,360	29,950,487
Other Housing Projects	9,743,135	10,126,174
Investment in Housing Projects	<u>92,340,985</u>	<u>93,313,557</u>
Investment in Land Projects	75,865,281	71,148,294
Less: Land sales to date on projects in progress	<u>60,513,800</u>	<u>57,550,152</u>
Unrecovered costs	<u>15,351,481</u>	<u>13,598,142</u>
Department owned foreclosed properties	<u>1,157,520</u>	<u>1,913,517</u>
	108,849,986	108,825,216
Less: Allowance for doubtful recoveries	<u>2,910,000</u>	<u>2,141,990</u>
	<u>\$ 105,939,986</u>	<u>\$ 106,683,226</u>

5. Notes Payable

Notes payable are comprised of notes from the Canada Mortgage & Housing Corporation (CMHC) and Atlantic Canada Opportunities Agency (ACOA). The amortization period for the Public Housing notes payable is 50 years and for the Land Assembly projects the period is 20 years.

The notes payable for the Co-Operative Housing and Residential Rehabilitation Assistance programs have various amortization periods. The note payable to ACOA has an amortization period of 20 years.

The note payable to ACOA has an amortization period of 20 years.

	1996	1995
Notes Payable to CMHC		
Public Housing - Annual installments of principal and interest are \$2,230,000. The interest rates vary from 6.375% to 7.15 %. The interest rates for a portion of these notes payable are fixed for their remaining amortization periods and the remainder have a renewal date of January 1, 1999	\$ 26,618,802	\$ 26,902,689
Land Assembly - Annual installments of principal and interest of \$860,000 are based on a fixed interest rate of 10.15%	4,223,211	4,639,773
Co-Operative Housing - The monthly installment, interest rate and amortization period are based on individual mortgages issued to various borrowers. The monthly installment payable is 75% of the aggregate amount received from the individual borrowers.	8,799,083	10,960,402

Residential Rehabilitation Assistance Program -

The monthly installment, interest rate and amortization period are based on individual mortgages issued to various borrowers. The monthly installment payable is 75% of the aggregate amount received from the individual borrowers.

566,625	402,302
40,207,721	42,905,166

Notes Payable to ACOA

Annual installments of interest and principal of \$14,000 are based on a fixed rate of 7.708%

13,022	25,112
\$ 40,220,743	\$ 42,930,278

6. Comparative Figures

Prior year comparative figures have been restated, where necessary, to conform to the financial statement presentation adopted for the current year.

AUDITOR'S REPORT

To the Minister of the Nova Scotia Economic Renewal Agency

I have audited the balance sheet of the Industrial Expansion Fund as at March 31, 1996, and the statements of continuity of fund for the year then ended. These financial statements are the responsibility of the Nova Scotia Business Development Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the fund as at March 31, 1996 and the continuity of fund for the year then ended in accordance with the accounting policies detailed in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 3, 1996

PROVINCE OF NOVA SCOTIA

INDUSTRIAL EXPANSION FUND

BALANCE SHEET

as at March 31, 1996

ASSETS

	1996	1995
	(in thousands)	
Loans and Shares, at cost		
Loans - Industrial Development Act	\$ 89,812	\$ 109,180
Loans - Venture Corporations Act (Note 3)	3,467	5,052
Shares	10,000	9,500
	<u>103,279</u>	<u>123,732</u>
Less: Provision for Concessionary Assistance (Note 4)	49,695	70,655
Allowance for Doubtful Accounts	18,961	20,326
	<u>68,656</u>	<u>90,981</u>
	<u>34,623</u>	<u>32,751</u>
Other Assets	1,775	1,775
Less: Provision for Decline in Value	500	500
	<u>1,275</u>	<u>1,275</u>
Due from Consolidated Fund		
Guarantees (Note 5)	54,153	65,204
Less: Provision for Payment under Guarantees	3,224	3,707
	<u>50,929</u>	<u>61,497</u>
Assistance Authorized but Unadvanced (Note 6)	1,719	3,592
	<u>52,648</u>	<u>65,089</u>
	<u>\$ 88,546</u>	<u>\$ 99,115</u>

FUNDING AUTHORIZED AND COMMITTED

Authorized, Net of Write-Offs		
Industrial Development Act	\$ 312,193	\$ 342,114
Venture Corporations Act	6,738	8,261
Contributed Surplus (Note 7)	1,984	1,984
	<u>320,915</u>	<u>352,359</u>
Less: Provision for Concessionary Assistance and Possible Losses on Assistance (Note 8)	72,380	95,188
Net Fund Balance	248,535	257,171
Less: Uncommitted Balance of Fund (Note 9)	159,989	158,056
	<u>\$ 88,546</u>	<u>\$ 99,115</u>

Contingency (Note 10)

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

INDUSTRIAL EXPANSION FUND

Statement of Continuity of Fund

Under the Industrial Development Act

for the year ended March 31, 1996

	1996	1995
	(in thousands)	
Balance, beginning of year	\$ 342,114	\$ 345,614
<i>Add:</i> Guarantees authorized	---	16,000
<i>Deduct:</i> Loans and guarantees rescinded or expired	10,793	19,500
Reduction of special reserve	487	---
Accounts written-off	18,641	---
	<u>29,921</u>	<u>19,500</u>
Balance, end of year	<u>\$ 312,193</u>	<u>\$ 342,114</u>
Comprising:		
Loans, shares and other assets	\$ 99,674	\$ 118,538
Guarantees in effect and utilized	33,000	44,011
Loans and other investments authorized but unadvanced, and guarantees in effect but not utilized	22,686	24,569
Uncommitted balance	<u>156,833</u>	<u>154,996</u>
	<u>\$ 312,193</u>	<u>\$ 342,114</u>

See accompanying notes to financial statements

PROVINCE OF NOVA SCOTIA

INDUSTRIAL EXPANSION FUND

Statement of Continuity of Fund

Under the Venture Corporations Act

for the year ended March 31, 1996

	1996	1995
	(in thousands)	
Balance, beginning of year	\$ 8,261	\$ 8,518
<i>Deduct:</i> Accounts written-off	1,523	257
Balance, end of year	<u>\$ 6,738</u>	<u>\$ 8,261</u>
Comprising:		
Loans advanced	\$ 3,467	\$ 5,052
Loans authorized but unadvanced	185	185
Uncommitted balance	3,086	3,024
	<u>\$ 6,738</u>	<u>\$ 8,261</u>

See accompanying notes to financial statements

PROVINCE OF NOVA SCOTIA

INDUSTRIAL EXPANSION FUND

Statement of Continuity of Fund

Under the Terms of the Canada-Nova Scotia

Development Fund Agreement

for the year ended March 31, 1996

	1996	1995
	(in thousands)	
Balance, beginning of year	\$ 1,984	\$ 2,321
<i>Deduct:</i> Transfer of contributed surplus	---	337
Balance, end of year	<u>\$ 1,984</u>	<u>\$ 1,984</u>
Comprising:		
Acquired assets	\$ 845	\$ 845
Loans advanced	1,069	1,072
Loans authorized but unadvanced	---	31
Uncommitted balance	70	36
	<u>\$ 1,984</u>	<u>\$ 1,984</u>

See accompanying notes to financial statements

PROVINCE OF NOVA SCOTIA**INDUSTRIAL EXPANSION FUND****Notes to Financial Statements****March 31, 1996****1. Authority**

The Industrial Expansion Fund was established under the Industrial Development Act. The Fund is used for the purposes of establishing, assisting, developing or expanding industries in the Province.

The Business Development Corporation Act provides that the Industrial Expansion Fund may be administered by the Nova Scotia Business Development Corporation. A ministerial letter of assignment was issued authorizing the Corporation to administer the Industrial Expansion Fund as it related to the accounts sent to the Corporation for administration from time to time. The Corporation's activities are administered through a division of the Nova Scotia Economic Renewal Agency.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by paragraph (a) below.

(a) Administrative expenses, interest revenue and expense

Administrative expenses of the Fund, and revenues earned on guarantees, are included in the accounts of the Nova Scotia Economic Renewal Agency and are not reflected in the financial statements. Interest and other income earned on loans and shares is included in the accounts of the Department of Finance. In addition, accrued loan interest is not recognized as a receivable in the financial statements of the Fund.

(b) Provision for Concessionary Assistance

The Fund provides for the effect of the decrease in the valuation of certain loans and shares due to the assistance being provided with concessionary terms.

(c) Allowance for Doubtful Accounts

The Fund provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis. In addition, a general reserve is provided on any unreserved assistance outstanding.

3. Venture Corporations Act

The Venture Corporations Act was assented to June 5, 1980 and came into force January 28, 1981. This Act was enacted to provide a means of encouraging investment in small businesses in Nova Scotia.

A company that qualifies as a venture corporation may receive loans under this Act, the proceeds of which must be used to purchase shares or grant unsecured loans to eligible small businesses. Principal repayments and accrual of interest are not required to commence until the tenth anniversary of such loans.

The Act directs that money provided shall be financial assistance within the meaning of the Industrial Development Act, and payments made pursuant to the Act shall be made out of the Industrial Expansion Fund.

During the year two venture corporations repaid a total of \$62,084 (1995 - \$537,433) against the principal balance of their loans.

	1996	1995
	(in thousands)	
Loans made to venture corporations	\$ 3,467	\$ 5,052
Less: Allowance for doubtful accounts	2,796	4,121
	<u>\$ 671</u>	<u>\$ 931</u>

4. Provision for Concessionary Assistance

Concessionary assistance is the difference between the net present value at year end of the anticipated future repayments to be received by the Fund and the amount of assistance advanced to an economic entity on the usual established commercial terms of the Fund.

The terms of concessionary assistance through the Fund include low interest rates, extended repayment terms and forgiveness clauses. This assistance is recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to or recovery of the net present value of this assistance between years is reflected in the Provision for Concessionary Assistance.

The assistance outstanding, provision for concessionary assistance and net book value (NBV) related to each of loans and shares is as follows:

	1996			1995
	Assistance Outstanding	Provision for Concessionary Assistance	NBV	NBV
	(in thousands)			
Loans	\$ 76,205	\$ 47,715	\$ 28,490	\$ 26,549
Shares	6,000	1,980	4,020	3,898
	<u>\$ 82,205</u>	<u>\$ 49,695</u>	<u>\$ 32,510</u>	<u>\$ 30,447</u>

5. Guarantees

Guarantees have been provided for the following purposes:

	1996	1995
	(in thousands)	
Authorized		
Bank loan guarantees	\$ 14,153	\$ 21,000
Mortgage guarantee	---	4,204
Performance guarantee	40,000	40,000
	<u>\$ 54,153</u>	<u>\$ 65,204</u>
In Effect and Utilized		
Bank loan guarantees	\$ 8,000	\$ 14,807
Mortgage guarantee	---	4,204
Performance guarantee	25,000	25,000
	33,000	44,011
In Effect but not Utilized	21,153	21,193
	<u>\$ 54,153</u>	<u>\$ 65,204</u>

6. Assistance Authorized but Unadvanced

	1996	1995
	(in thousands)	
Loans	\$ 619	\$ 1,992
Shares	1,100	1,600
	<u>\$ 1,719</u>	<u>\$ 3,592</u>

7. Contributed Surplus

Contributed surplus represents the balance of funds provided to the Industrial Expansion Fund for the purpose of providing assistance in accordance with the terms of the Canada-Nova Scotia Development Fund Agreement.

8. Provision for Concessionary Assistance and Possible Losses on Assistance

The following is a continuity of the provision:

	1996	1995
	(in thousands)	
Balance , beginning of year	\$ 95,188	\$ 92,187
<i>Add:</i> Current year (recovery) provision	(2,645)	3,258
<i>Less:</i> Accounts written-off	(20,163)	(257)
Balance , end of year	<u>\$ 72,380</u>	<u>\$ 95,188</u>

9. Uncommitted Balance of Fund

	1996	1995
	(in thousands)	
Consolidated Fund	\$ 159,989	\$ 157,570
Special Reserve Account	---	486
	<u>\$ 159,989</u>	<u>\$ 158,056</u>

10. Contingency

The Fund has entered into agreements which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. An estimate of the amount of future costs under these agreements cannot be made with any certainty.

11. Subsequent Event

On August 30, 1995 the government's Priorities and Planning Committee directed that, as of April 1, 1996, the Aquaculture Loan Guarantee Program be transferred from the Economic Renewal Agency to the Department of Fisheries. Existing authorized aquaculture loan guarantees of \$1,750,000 granted under the Industrial Development Act will be transferred to the Department for administration under the Fisheries Development Act.

AUDITOR'S REPORT

To the Minister of Health, the Minister of Finance; and
To the Chair and Members of the Seniors' Pharmacare Board

I have audited the balance sheet of the Insured Prescription Drug Plan Trust Fund as at March 31, 1996, and the statements of revenues, expenses, and fund balance for the year then ended. These financial statements are the responsibility of the management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Insured Prescription Drug Plan Trust Fund as at March 31, 1996 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
July 31, 1996

PROVINCE OF NOVA SCOTIA
INSURED PRESCRIPTION DRUG PLAN TRUST FUND

BALANCE SHEET

as at March 31, 1996

ASSETS

	1996
Cash	\$ 286,229
Receivables	
Seniors	463,065
Low Income Trust Fund (Note 4)	1,677,427
Investments (Note 2)	<u>19,812,699</u>
	<u>\$ 22,239,420</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Payables and accruals	\$ 1,486,598
Payable to Province of Nova Scotia (Note 3)	<u>20,752,822</u>
	22,239,420
Fund Balance	---
	<u>\$ 22,239,420</u>

PROVINCE OF NOVA SCOTIA
INSURED PRESCRIPTION DRUG PLAN TRUST FUND

Statement of Revenues, Expenses and Fund Balance

for the year ended March 31, 1996

1996

Revenues

Seniors

Premiums paid by seniors	\$ 9,057,512
Premiums paid from the Low Income Trust Fund (Note 4)	13,163,474
Co-payments to pharmacies	<u>9,136,455</u>
	<u>31,357,441</u>

Department of Health

Department's 50% share of expenses	41,147,168
--	------------

Investment income	<u>104,182</u>
	<u>72,608,791</u>

Expenses

Provider claims	81,926,063
Patient claims	71,562
Public nursing home claims	<u>296,711</u>
	<u>82,294,336</u>

Excess of Expenses over Revenues	9,685,545
---	-----------

Additional contribution from Province of Nova Scotia (Note 3)	<u>9,685,545</u>
---	------------------

Excess of Revenues and Additional Contribution over Expenses	---
---	-----

Fund Balance, beginning of year	<u>---</u>
--	------------

Fund Balance, end of year	<u><u>\$ ---</u></u>
--	----------------------

PROVINCE OF NOVA SCOTIA**INSURED PRESCRIPTION DRUG PLAN TRUST FUND****Notes to Financial Statements****March 31, 1996****1. Authority**

Seniors' Pharmacare is a voluntary prescription drug insurance plan with costs shared equally between seniors and the Government of Nova Scotia effective April 1, 1995. The Insured Prescription Drug Plan Trust Fund was established pursuant to Order-In-Council 95-557 on July 25, 1995. Contributions made by seniors and government are placed in the Insured Prescription Drug Plan Trust Fund and are used to pay Seniors' Pharmacare program costs.

2. Significant Accounting Policies**Investments**

Investments consist of government and corporate bonds, and short-term investments. All investments are carried at cost which approximate market value.

Premium Revenues

Premium revenues are recorded on the accrual basis.

Claim Expenses

Claim expenses are recorded on the accrual basis. Claims, submitted by providers, are subject to audit by the program administrators. Any adjustments to claims as a result of these audits are recorded in the year of settlement.

Administration of Program

Maritime Medical Care Inc. administers Seniors' Pharmacare on behalf of the Department of Health, on a cost recovery basis. Administration costs for the 1995-96 fiscal year were paid by the Province of Nova Scotia and are not reported in these financial statements.

3. Transitional Provisions

Seniors' Pharmacare is funded equally by government and seniors. However, for the 1995-96 fiscal year, revenues from seniors were not sufficient to meet 50% of the program expenses. The Province of Nova Scotia has agreed to provide an additional contribution of \$9,685,545 equal to the excess of the seniors' share of program expenses over revenues from seniors for the current fiscal year.

During the year claims were paid on behalf of seniors who would have been eligible for the previous Seniors' Pharmacare Program but who had not paid the required premium for the new Program initiated on April 1, 1995. This was done as a transitional provision because applications and invoices for premiums for the 1995-96 coverage year were not mailed to seniors until the fall of 1995. As well, the co-payment year for 1995-96 was for the fifteen months ended March 31, 1996. Program changes during the 1996-97 fiscal year will prohibit the payment of claims for seniors not authorized for the Program and who have not paid the required premium. In addition, the co-payment year for 1996-97 will be for the twelve months ended March 31, 1997.

4. Low Income Trust Fund

The Insured Prescription Drug Plan Low Income Trust Fund was established pursuant to Order-In-Council 95-558 on July 25, 1995. The Province of Nova Scotia's contributions to the Low Income Trust Fund are used to assist low income seniors with Seniors' Pharmacare premiums and co-payments costs. These financial statements include the premium revenues for which the Low Income Trust Fund is responsible but do not include the assets, liabilities, fund balance, revenues and other expenses of the Low Income Trust Fund.

5. Comparative Figures

There are no comparative figures since this is the first year of the Insured Prescription Drug Plan Trust Fund.

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the statement of the accounts established under the Members' Retiring Allowances Act for the year ended March 31, 1996. This financial statement is the responsibility of the Department of Finance. My responsibility is to express an opinion on the financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this statement presents fairly, in all material respects, the transactions of the accounts established under the Members' Retiring Allowances Act for the year ended March 31, 1996 in accordance with the provisions of the Members' Retiring Allowances Act as disclosed in the notes to the financial statement.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 31, 1996

PROVINCE OF NOVA SCOTIA
STATEMENT OF THE ACCOUNTS ESTABLISHED UNDER
THE MEMBERS' RETIRING ALLOWANCES ACT
for the year ended March 31, 1996

	1996	1995
Balance, beginning of year	\$ 43,336,131	\$ 40,414,076
<i>Add:</i>		
Standard contributions		
Members	255,377	261,291
Government	255,377	261,291
Interest	3,608,575	3,431,767
Additional government contributions (Note 3)	<u>760,915</u>	<u>1,133,871</u>
	<u>4,880,244</u>	<u>5,088,220</u>
<i>Deduct:</i>		
Allowances (Pensions)	2,145,273	2,166,165
Professional Services	<u>8,696</u>	<u>---</u>
	<u>2,153,969</u>	<u>2,166,165</u>
Balance, end of year	<u>\$ 46,062,406</u>	<u>\$ 43,336,131</u>
Note: Number of contributors during the year	45	44
Number of persons receiving allowances during the year	85	88

PROVINCE OF NOVA SCOTIA
THE ACCOUNTS ESTABLISHED UNDER
THE MEMBERS' RETIRING ALLOWANCES ACT

Notes to Financial Statement

for the year ended March 31, 1996

1. Authority and Description of Plans

Members of the House of Assembly are entitled to receive allowances pursuant to provisions of the Members' Retiring Allowances Act. The Act, as amended November 25, 1993, establishes in the Consolidated Fund of the Province a Members' Retiring Allowance Account and the Members' Supplementary Retiring Allowance Account to which members and government contributions and interest are credited, and payments to pensioners and terminating members are charged. If, at any time, the balances of the accounts are insufficient to make required payments, an amount will be credited to the accounts from the Consolidated Fund.

Members contribute 10% of indemnities, allowances and salaries and the Province contributes an equal amount. Contributions cease after 15 years. Pensions are paid on the basis of the average indemnities, allowances and salaries for the three highest years, at the rate of 5% for each year for which contributions were made. As of November 25, 1993 there is no longer a minimum retiring allowance.

A member qualifies for benefits on ceasing to be a member after having served five years during two or more General Assemblies, and having attained age 55 (increased from age 50 as of November 25, 1993). Former members who qualify for a retiring allowance may make application for an actuarially reduced allowance as early as 45 years of age (increased from age 40 as of November 25, 1993). Retiring allowances are increased annually on January 1 by the lesser of the increase in the consumer price index or 6%.

2. Significant Account Policies

In accordance with the provisions of the Members' Retiring Allowances Act this financial statement has been prepared on the cash basis of accounting. Contributions to the accounts are recorded when received and allowances and refunds are recorded in the accounts when paid. An amount representing interest on the balances in the accounts is calculated and credited to the accounts annually.

For reporting purposes, the contributions and allowances under the Members' Retiring Allowance Account and the Members' Supplementary Retiring Allowance account are combined.

3. Actuarial Valuation

Actuarial valuations of benefits under the Members' Retiring Allowances Act are carried out periodically and provide an estimate of liabilities at a point in time, calculated on the basis of various assumptions with respect to pension plan costs and interest rates. The latest actuarial valuation was conducted by Sobeco Ernst & Young based on information as of September 30, 1993, but taking into account the changes to the Act made effective November 25, 1993.

The actuarial valuation projects liabilities for each member on the basis of service earned to that date and the projected average indemnities, allowances and salaries at the date of retirement.

The valuation indicated that at September 30, 1993 the pension plan had actuarial liabilities of \$39,590,000 and assets of \$29,150,000, resulting in a deficit of \$10,440,000. The valuation was based on the following key assumptions.

Investment earnings	- pre-retirement rate of 8%
	- post-retirement rate of 3.85% from fifth year onward, with a graded scale during years 1 to 4
Salary escalation	- graded scale ranging from 0% to 4% over 5 years, thereafter at 4%
Cost of living escalation	- graded scale ranging from 2% to 4% over 5 years, thereafter at 4%

On March 31, 1994 the government made a special contribution of \$10,440,000 to eliminate the unfunded actuarial liability as of September 30, 1993.

The September 30, 1993 valuation indicated that the Province will be required to contribute 39.6% of total payroll (indemnities, allowances and salaries) of contributing members, including the 10% matching portion. Based on the total payroll for all members, the required contribution is 33.8%, or 25.2% excluding the matching portion, for the year ended March 31, 1996. During the year the Province made additional contributions of \$760,915 (1995 - \$1,133,871).

A Department of Finance internally prepared estimate indicated that there is no deficiency in the accounts as at March 31, 1996.

AUDITOR'S REPORT

To the Minister of the Nova Scotia Economic Renewal Agency; and
To the Chairman and Members of the Board of Directors
of the Nova Scotia Business Development Corporation

I have audited the balance sheet of the Nova Scotia Business Development Corporation as at March 31, 1996, and the statement of continuity of fund for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996, and the continuity of fund for the year then ended in accordance with the accounting policies detailed in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 3, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION

NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION FUND

BALANCE SHEET

as at March 31, 1996

ASSETS

	1996	1995
	(in thousands)	
Loans and Shares, at cost		
Loans Receivable	\$ 138,033	\$ 134,730
Community Business Loan Program	4,190	3,191
Shares	10,178	12,811
	<u>152,401</u>	<u>150,732</u>
Less: Provision for Concessionary Assistance (Note 3)	32,093	34,678
Allowance for Doubtful Accounts	18,720	14,560
	<u>50,813</u>	<u>49,238</u>
	<u>101,588</u>	<u>101,494</u>
Industrial Parks (Note 4)	24,191	24,056
Other Assets (Note 5)	7,368	11,344
Less: Provision for Decline in Value	2,328	3,810
	<u>5,040</u>	<u>7,534</u>
Due from Consolidated Fund		
Guarantees (Note 6)	22,455	27,743
Less: Provision for Payment under Guarantees	5,955	7,345
	16,500	20,398
Assistance Authorized but Unadvanced	45,765	27,362
	<u>62,265</u>	<u>47,760</u>
	<u>\$ 193,084</u>	<u>\$ 180,844</u>

FUNDING AUTHORIZED AND COMMITTED

Authorized, Net of Write-Offs	\$ 315,141	\$ 319,316
Less: Provision for Concessionary Assistance and Possible Losses on Assistance (Note 7)	59,096	60,393
Net Fund Balance	256,045	258,923
Less: Uncommitted Balance of Fund	62,961	78,079
	<u>\$ 193,084</u>	<u>\$ 180,844</u>

Contingency (Note 8)

See accompanying notes to financial statements

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION
NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION FUND

Statement of Continuity of Fund

for the year ended March 31, 1996

	1996	1995
	(in thousands)	
Balance, beginning of year	\$ 319,316	\$ 317,936
<i>Add:</i> Additional funds authorized	3,000	3,000
<i>Deduct:</i> Accounts written-off	7,175	1,620
Balance, end of year	<u>\$ 315,141</u>	<u>\$ 319,316</u>
 Comprising:		
Loans receivable, shares and other assets	\$ 159,768	\$ 162,076
Industrial Parks	24,191	24,056
Guarantees in effect and utilized.	17,307	20,141
Loans and other investments authorized but unadvanced, and guarantees in effect but not utilized.	50,914	34,964
Uncommitted balance	62,961	78,079
	<u>\$ 315,141</u>	<u>\$ 319,316</u>

See accompanying notes to financial statements

PROVINCE OF NOVA SCOTIA**NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION****NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION FUND****Notes to Financial Statements****March 31, 1996****1. Authority**

The Nova Scotia Business Development Corporation was established pursuant to the Business Development Corporation Act. The Act provided for the creation of the Nova Scotia Business Development Corporation Fund. The object of the Corporation is to encourage business development in the Province by providing financial assistance to business through the fund, or such other assistance as may be determined by the Governor-in-Council. The Corporation's activities are administered through a division of the Nova Scotia Economic Renewal Agency.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by paragraphs (a), (c) and (d) below.

Administrative Expenses, Interest Revenue and Expense

(a) Administrative expenses of the Corporation, and the revenues earned on guarantees are included in the accounts of the Nova Scotia Economic Renewal Agency and are not reflected in the financial statements. In addition, accrued loan interest is not recognized as a receivable in the financial statements of the Fund. Interest and other income earned on loans and shares is included in the accounts of the Department of Finance.

Industrial Parks

(b) Industrial parks are carried at cost of acquisition plus direct costs of improvements, net of proceeds of disposal. Selling prices are established using a number of considerations and may be set to provide financial assistance. The park lands are reflected on an aggregate basis at the lower of cost or estimated market value.

(c) The buildings in the parks are carried at book value. No depreciation is charged on the buildings.

(d) Effective April 1, 1994 operational responsibility for the industrial parks was transferred to the Department of Transportation and Public Works. Revenues and expenses associated with the operation of the industrial parks are accounted for by the Department of Transportation and Public Works and are not reflected in these financial statements.

Other Assets

- (e) Properties which are rented to third parties under capital lease arrangements are carried at unamortized cost. A portion of rent received on capital leases is recorded as a reduction in the carrying value of individual assets.

Properties acquired through foreclosure are carried at the cost of foreclosure acquisition.

Properties acquired through default of capital leases are carried at the unamortized value of the lease.

When a permanent reduction in the value of a property under a capital lease arrangement becomes known, the carrying cost of the property is reduced to net realizable value.

Properties in default under capital lease arrangements and properties acquired through foreclosure are subject to a provision for write down annually to estimated realizable value.

Provision for Concessionary Assistance

- (f) The Corporation provides for the effect of the decrease in valuation of certain loans and shares due to the assistance being provided with concessionary terms.

Allowance for Doubtful Accounts

- (g) The Corporation provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis except for loans under the Community Business Loan Program for which a blanket provision is determined based on past year's loan performance. In addition, a general reserve is provided on any unreserved assistance outstanding.

3. Provision for Concessionary Assistance

Concessionary assistance is the difference between the net present value at year end of the anticipated future repayments to be received by the Fund and the amount of assistance advanced to an economic entity on the usual established commercial terms of the Corporation.

The terms of concessionary assistance through the Corporation include low interest rates, extended repayment terms and forgiveness clauses. This assistance is recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to or recovery of the net present value of this assistance between years is reflected in the Provision for Concessionary Assistance.

7. Provision for Concessionary Assistance and Possible Losses on Assistance

The following is a continuity of the provision:

	1996	1995
	(in thousands)	
Balance , beginning of year	\$ 60,393	\$ 67,751
Add: Current year provision (recovery)	5,878	(5,738)
Deduct: Accounts written-off	<u>(7,175)</u>	<u>(1,620)</u>
Balance , end of year	<u>\$ 59,096</u>	<u>\$ 60,393</u>

8. Contingency

The Corporation has entered into agreements which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. An estimate of the amount of future costs under these agreements cannot be made with any certainty.

9. Subsequent Event

On August 30, 1995 the government's Priorities and Planning Committee directed that, as of April 1, 1996, the Aquaculture Loan Guarantee Program be transferred from the Economic Renewal Agency to the Department of Fisheries. Existing authorized aquaculture loan guarantees of \$1,970,000 granted under the Business Development Corporation Act will be transferred to the Department for administration under the Fisheries Development Act.

10. Comparative Figures

Certain prior year's figures have been reclassified to conform with the presentation adopted for the current year.

AUDITOR'S REPORT

To the Minister of Agriculture and Marketing; and
To the Chair and Members of the Nova Scotia Crop and
Livestock Insurance Commission

I have audited the balance sheet of the Nova Scotia Crop and Livestock Insurance Commission as at March 31, 1996, and the statement of income and fund balances for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1996 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
July 3, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

BALANCE SHEET

as at March 31, 1996

ASSETS

	1996	1995
Current Assets		
Cash	\$ 54,958	\$ 37,499
Short-term investments	4,723,883	4,249,464
Accounts receivable	19,321	12,315
Accrued interest receivable	79,917	16,211
Due (to) from GRIP revenue protection component	(9)	2,841
	<u>\$ 4,878,070</u>	<u>\$ 4,318,330</u>

LIABILITIES AND FUND BALANCES

Current Liabilities

Unearned premiums	\$ 31,784	\$ 31,653
Deposits for insurance	7,081	740
Provision for payment of unsettled indemnities (Note 3)	<u>15,554</u>	<u>18,104</u>
	<u>\$ 54,419</u>	<u>\$ 50,497</u>

Fund Balances

Crop insurance	3,633,520	3,222,572
GRIP crop insurance	268,732	204,172
Livestock insurance	<u>921,399</u>	<u>841,089</u>
	<u>\$ 4,823,651</u>	<u>\$ 4,267,833</u>
	<u>\$ 4,878,070</u>	<u>\$ 4,318,330</u>

Commitment (Note 4)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Statement of Income and Fund Balances

for the year ended March 31, 1996

	Crop Insurance	GRIP Crop Insurance	Livestock Insurance	GRIP Revenue Insurance and Other	Totals	
					1996	1995
Revenues						
Insurance premiums (Schedule A)	\$ 458,245	\$ 89,406	\$ 26,866	\$ ---	\$ 574,517	\$ 608,885
Interest income	236,180	9,734	60,714	---	306,628	248,154
	<u>694,425</u>	<u>99,140</u>	<u>87,580</u>	<u>---</u>	<u>881,145</u>	<u>857,039</u>
Expenses						
Indemnity claims (Schedule A)	283,477	34,580	7,270	---	325,327	505,102
Bad debt expense	---	---	---	---	---	2,358
Administrative expenses (Schedule B) *	409,245	---	5,180	103,607	518,032	545,598
	<u>692,722</u>	<u>34,580</u>	<u>12,450</u>	<u>103,607</u>	<u>843,359</u>	<u>1,053,058</u>
Income (loss) before Government contributions	1,703	64,560	75,130	(103,607)	37,786	(196,019)
Government contributions (Note 5)	409,245	---	5,180	103,607	518,032	545,598
Net Income	<u>410,948</u>	<u>64,560</u>	<u>80,310</u>	<u>---</u>	<u>555,818</u>	<u>349,579</u>
Fund Balance						
Beginning of year	3,222,572	204,172	841,089	---	4,267,833	3,918,254
End of year	<u>\$ 3,633,520</u>	<u>\$ 268,732</u>	<u>\$ 921,399</u>	<u>\$ ---</u>	<u>\$ 4,823,651</u>	<u>\$ 4,267,833</u>

* The administrative expenses associated with GRIP Crop Insurance have been included with those of Crop Insurance.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Notes to Financial Statements

March 31, 1996

1. Authority

The Nova Scotia Crop and Livestock Insurance Commission was established pursuant to Section 2(1) of the Nova Scotia Crop and Livestock Insurance Act. The function of the Commission is to administer plans of crop and livestock insurance, and conduct programs relating to these plans.

Effective April 1, 1991, insurance on grains and oilseeds has been offered under a tripartite Gross Revenue Insurance Plan (GRIP). Under this program, producers purchase both crop insurance and revenue protection insurance.

These statements include the Crop Insurance component of GRIP, which is cost shared by the Federal and Provincial governments in the same way as other crop insurance premiums. The revenue protection insurance component of GRIP is reported in separate financial statements, as required by Agriculture Canada, and is not included on these financial statements.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging furniture and equipment purchases to expense in the year of acquisition.

3. Provision for Payment of Unsettled Indemnities

Any indemnities for losses incurred in the fiscal year not paid as of year end have been recorded in the financial statements, with the exception of indemnities for Winter Grain.

Winter Grain is planted in the fall, but is not harvested until the following fall. Therefore, crop yields for Winter Grain are not known until well after the annual financial statements have been prepared. Crop yields can fluctuate dramatically depending upon factors such as weather conditions during the growing and harvesting seasons. As a result, the occurrence and amount of losses relating to this year's crop, if any, cannot be reasonably estimated at this time and therefore no provision has been recorded in the financial statements. In most cases, the indemnity expense for Winter Grain will be recorded in the year it is paid.

4. Commitment

The Commission entered into a five-year lease agreement for office space, with an option to renew for a further five years at prevailing market rates. The lease, which expires February 28, 1997, calls for monthly payments of \$2,363, plus the Commission's portion of any increase in the landlord's operating costs in excess of the

base amount. The Commission is entitled to a rebate of operating costs should they fall below the base amount. In addition, the Commission is required to pay its proportionate share of any increase in property taxes over the base amount.

5. Government Contributions

Under the crop insurance programs, producers pay 50% of the insurance premiums and the Federal and Provincial governments each pay 25%. Neither the Federal nor Provincial governments cost share in the insurance premiums of the livestock insurance program or in non-refundable deposits.

For the 1996 and 1995 fiscal years, the Federal government contributed 48.5% of the total administrative expenses. The Provincial government funded the remainder.

6. Insurance Coverage

The total insurance coverage under the original program as of March 31, 1996 was \$33,954,774 (1995 - \$32,585,667), comprising crop insurance of \$10,045,374 (1995 - \$8,656,067) and livestock insurance of \$23,909,400 (1995 - \$23,929,600). The total insurance coverage under the Gross Revenue Insurance Plan was \$2,919,997 (1995 - \$3,754,143), comprising \$1,703,129 (1995 - \$2,224,592) for the crop insurance component and \$1,216,868 (1995 - \$1,529,551) for the revenue protection component.

The Province is party to an agreement with the Government of Canada, whereby, the Province makes advances to a fund administered by the Government of Canada called the Crop Re-Insurance Fund of Canada for Nova Scotia. The purpose of this Fund is to assist the Province of Nova Scotia when there is a requirement by the Province to make advances to the Commission for the payment of crop insurance indemnities. Transactions concerning this Fund are recorded by the Province and are not reflected in the accounting records of the Commission.

There is no Re-insurance Fund for livestock or the crop insurance component of GRIP. The Province is responsible for any deficiency in these funds.

7. Public Service Superannuation Fund

All full time employees of the Commission are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Commission is not responsible for any unfunded liability.

8. Gross Revenue Insurance Plan

In accordance with Section 20.2(a) of the Canada/Nova Scotia Crop Insurance Agreement, the Province has given notice that it will terminate its participation in the plan on March 31, 1998.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Premium Revenue and Indemnity Claims

for the year ended March 31, 1996

	Premium Revenue					Indemnity Claims	
	Farmer	Federal	Provincial	1996	1995	1996	1995
Crop Insurance							
Spring grain	\$ 3,431	\$ 1,715	\$ 1,715	\$ 6,861	\$ 7,099	\$ 11,172	\$ 15,216
Winter grain	4,108	2,054	2,054	8,216	36	---	1,073
Tree fruit	108,740	54,371	54,371	217,482	244,987	74,194	219,237
Tobacco	10,112	5,057	5,057	20,226	17,221	---	---
Corn	2,738	1,369	1,369	5,476	5,873	1,785	145
Peas & Beans	50,309	25,155	25,155	100,619	105,407	51,436	71,452
Blueberries	23,383	11,691	11,691	46,765	41,944	51,217	45,613
Strawberries	8,048	4,025	4,025	16,098	20,291	7,389	18,733
Forage	925	463	463	1,851	2,060	---	449
Soybeans	195	97	97	389	160	---	265
Potatoes	17,132	8,565	8,565	34,262	35,849	86,284	17,780
	<u>229,121</u>	<u>114,562</u>	<u>114,562</u>	<u>458,245</u>	<u>480,927</u>	<u>283,477</u>	<u>389,963</u>
GRIP Crop Insurance							
Spring grain	20,972	10,487	10,487	41,946	46,325	32,895	84,298
Corn	16,198	8,099	8,099	32,396	33,480	857	13,768
Winter grain	3,169	1,585	1,585	6,339	13,421	828	10,099
Soybeans	4,363	2,181	2,181	8,725	9,800	---	574
	<u>44,702</u>	<u>22,352</u>	<u>22,352</u>	<u>89,406</u>	<u>103,026</u>	<u>34,580</u>	<u>108,739</u>
Livestock Insurance							
Dairy	26,866	---	---	26,866	24,932	7,270	6,400
Total	<u>\$ 300,689</u>	<u>\$ 136,914</u>	<u>\$ 136,914</u>	<u>\$ 574,517</u>	<u>\$ 608,885</u>	<u>\$ 325,327</u>	<u>\$ 505,102</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Administrative Expenses

for the year ended March 31, 1996

	Crop & GRIP Crop Insurance	Livestock Insurance	GRIP Revenue Insurance	Other	Totals	
					1996	1995
Personnel	\$ 278,599	\$ 3,526	\$ 63,478	\$ 7,054	\$ 352,657	\$ 360,833
Transportation and communication	43,167	546	9,835	1,093	54,641	62,462
Information	6,062	78	1,382	154	7,676	9,889
Professional and special services	11,574	146	2,637	293	14,650	23,660
Office accommodation and equipment rental	27,233	345	6,205	689	34,472	32,691
Repair and maintenance of equipment	1,817	23	414	46	2,300	1,878
Utilities, materials and supplies	4,459	56	1,016	113	5,644	7,501
Capital purchases less than \$50,000	6,180	78	1,408	156	7,822	9,475
Other expenditures	30,154	382	6,871	763	38,170	37,209
	<u>\$ 409,245</u>	<u>\$ 5,180</u>	<u>\$ 93,246</u>	<u>\$ 10,361</u>	<u>\$ 518,032</u>	<u>\$ 545,598</u>

AUDITOR'S REPORT

To the Minister of Agriculture and Marketing; and
To the Chairman and Members of the Nova Scotia Farm Loan Board

I have audited the balance sheet of the Nova Scotia Farm Loan Board as at March 31, 1996. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements presents fairly, in all material respects, the financial position of the Board as at March 31, 1996 in accordance with the accounting policies set out in Note 2 of the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 1, 1996

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD

BALANCE SHEET

as at March 31, 1996

ASSETS

	1996	1995
	(in thousands)	
Accounts receivable	\$ 886	\$ 366
Loans receivable (Note 3, Schedule 1)	140,333	138,748
Real estate (Note 4)	6,157	7,007
	<u>\$ 147,376</u>	<u>\$ 146,121</u>

LIABILITIES

Insurance reserve (Note 5)	\$ 1,740	\$ 1,178
Advance from Department of Finance (Note 6)	<u>145,636</u>	<u>144,943</u>
	<u>\$ 147,376</u>	<u>\$ 146,121</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA FARM LOAN BOARD

Notes to Balance Sheet

March 31, 1996

1. Authority

The Nova Scotia Farm Loan Board operates under the authority of the Agricultural and Rural Credit Act. The Board was established to increase agricultural activities in the Province by providing financial assistance to farmers.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policy.

Administrative expenses of the Board, and the interest and lease revenues earned are included in the records of the Nova Scotia Department of Agriculture and Marketing. Capital advance interest charges are recorded in the accounts of the Department of Finance. These amounts are not reflected in these financial statements. These statements also exclude accrued loan interest receivable.

3. Loans Receivable

	1996	1995
	(in thousands)	
Farm loans	\$ 143,177	\$ 142,102
Timber loans	2,142	1,766
	<u>145,319</u>	<u>143,868</u>
Less: Allowance for doubtful accounts	4,986	5,120
	<u>\$ 140,333</u>	<u>\$ 138,748</u>

Included in farm loans at March 31, 1996 are loan advances of \$467,321 (1995 - \$1,595,800) held in trust by private sector lawyers. The funds are to be disbursed to borrowers upon the completion of certain legal requirements stipulated by the Board.

4. Real Estate - at lower of cost and net realizable value	1996	1995
	(in thousands)	
Real estate being leased or held \$	1,187 \$	1,261
Land bank	5,389	6,242
Land consolidation		
Agricultural Rural Development		
Agreement (ARDA)	195	227
Less: Federal Government share of cost of		
ARDA properties	(98)	(114)
Held for Department of Agriculture and		
Marketing	458	458
	7,131	8,074
Less: Allowance for doubtful recoveries	974	1,067
	\$ 6,157	\$ 7,007

5. Insurance Reserve

The Board requires borrowers to participate in a group life and disability insurance program administered by the Board. The carrier of the insurance will pay claims up to 100% and above 125% of premiums received from borrowers during the year. The insurance reserve will be used to fund the portion of claims that fall between these two limits. In addition, the Board may use the reserve to maintain or reduce future premiums charged to borrowers under the policy and pay for professional services related to the program.

Of the total reserve, \$1,170,000 is held by the Department of Finance which reduces the Board's advances from the Department. The remaining \$570,000 is held by the carrier of the insurance plan, and is included in the accounts receivable of the Board. Interest is paid by the insurance plan carrier on an annual basis for certain funds and on a daily basis for other funds, and the interest rates used are set at the beginning of each policy year. The funds held by the Department of Finance bear no interest.

6. Advance from Department of Finance

	1996	1995
	(in thousands)	
Advance from Department of Finance	\$ 153,336	\$ 152,308
Less: Insurance reserve	1,740	1,178
Allowance for doubtful accounts and recoveries	5,960	6,187
	<u>7,700</u>	<u>7,365</u>
	<u>\$ 145,636</u>	<u>\$ 144,943</u>

7. Commitments

As at March 31, 1996, the Board had authorized loans of \$4,170,284 (1995 - \$3,343,582) which had not been disbursed.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD
Continuity of Loans Receivable
for the year ended March 31, 1996

	1996	1995
	(in thousands)	
Loans receivable		
Balance, beginning of year	\$ 143,868	\$ 136,834
<i>Add:</i> Advances made		
Farm loans	20,340	24,243
Timber loans	510	393
Net transfer from real estate	---	632
	20,850	25,268
<i>Deduct:</i> Payments received		
Farm loans	18,326	18,159
Timber loans	134	75
Net transfers to real estate	939	---
	19,399	18,234
Balance, end of year	145,319	143,868
Allowance for doubtful accounts	4,986	5,120
Loans receivable, net of allowance	\$ 140,333	\$ 138,748

AUDITOR'S REPORT

To the Minister of the Nova Scotia Economic Renewal Agency; and
To the Chair and Members of the Board of Directors of the
Nova Scotia Film Development Corporation

I have audited the balance sheet of Nova Scotia Film Development Corporation as at March 31, 1996 and the statement of operations and surplus for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations for the year then ended in accordance with the accounting principles described to in Note 2 to the financial statements.

Financial statements for the year ended March 31, 1995 were reported on by Lyle Tilley Davidson.

E.R. SALMON, F.C.A.
Auditor General

Halifax, Nova Scotia
June 14, 1996

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FILM DEVELOPMENT CORPORATION

BALANCE SHEET

as at March 31, 1996

ASSETS

	1996	1995
Current		
Cash and short-term investments	\$ 703,724	\$ 698,405
Demand notes receivable	80,859	---
	\$ 784,583	\$ 698,405

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 21,609	\$ 23,993
Unearned revenue	657	1,374
	22,266	25,367

SURPLUS

Surplus (Note 3)	762,317	673,038
	\$ 784,583	\$ 698,405

Contingent Commitments - \$740,400 (1995 - \$1,141,787) (Note 3)

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Statement of Operations and Surplus

for the year ended March 31, 1996

	1996	1995
Revenue		
Contributions from the Nova Scotia Economic Renewal Agency (Note 4) \$	1,590,800 \$	1,598,800
Recovery of equity investments (Note 5)	81,163	41,611
Production Guide advertising	32,333	23,335
Interest and other income	59,001	37,264
	<u>1,763,297</u>	<u>1,701,010</u>
Expenditures		
Assistance programs		
Equity investments (Note 5)	953,815	745,600
Project development loans (Note 6)	143,474	57,530
Special project grants	125,175	70,838
	<u>1,222,464</u>	<u>873,968</u>
Less: Recovery of loans	(16,000)	---
	<u>1,206,464</u>	<u>873,968</u>
Administrative expenses (Schedule 1)	467,554	349,660
	<u>1,674,018</u>	<u>1,223,628</u>
Excess of Revenue over Expenditures	89,279	477,382
Surplus - beginning of year	673,038	195,656
Surplus - end of year \$	<u>762,317</u> \$	<u>673,038</u>

PROVINCE OF NOVA SCOTIA**NOVA SCOTIA FILM DEVELOPMENT CORPORATION****Notes to Financial Statements****for the year ended March 31, 1996****1. Authority**

The Nova Scotia Film Development Corporation was incorporated through an act proclaimed by the Governor in Council on August 1, 1990. The chief purpose of the Corporation is to promote the development of, and to create and stimulate employment and investment in, the Nova Scotia film and video industry by providing financial and other assistance.

The Corporation is exempt from income taxes under Section 149 of the Income Tax Act.

On January 26, 1996 the Nova Scotia government announced the release of regulations governing the new Nova Scotia Film Tax Credit. The Corporation was designated at that time by the Minister of Finance to administer the Tax Credit Program. This administration includes registration of productions and review of tax credit applications.

2. Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles except for the undernoted items:

- (i) Program grants, loans and equity participation are charged to current expenditure as disbursed. Any recovery derived from equity investments is recorded as revenue when received.
- (ii) Capital asset acquisitions are recorded as current expenditures. Any proceeds from disposal thereof are recorded as revenues.
- (iii) A statement of changes in financial position is not provided since disclosure in the statement of operations and surplus and the balance sheet is considered adequate.
- (iv) The act of incorporation required the establishment of a special account known as the Nova Scotia Film Development Corporation Fund. Any investments or guarantees were to be charged to the fund and corporate administrative expenses were to be paid from the Consolidated Fund of the Province. No Fund has been established and all charges and expenses of the Corporation have been paid out of an appropriation from the Province's Consolidated Fund.

3. Surplus and Contingent Commitments

Because of the lead times required to obtain all the resources necessary to complete film and video productions, the Corporation approves applications for funding which will not result in program disbursements until subsequent fiscal periods.

As at March 31, 1996, the Corporation is contractually committed to advance funds totalling \$740,400 (1995 - \$1,141,787) as investments and loans in respect of current and future projects.

4. Economic Dependence/Services Provided

The Corporation is economically dependent on the Nova Scotia Economic Renewal Agency for annual funding.

During the year the following services were provided to the Corporation, by other government entities.

Legal Services	\$ 44,000
Rent	30,000
	<u>\$ 74,000</u>

The cost of these services is not reflected in these financial statements.

5. Equity Investments

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide significant employment and economic benefit to Nova Scotians. Equity investments are made with the expectation of repayment through participation in revenues generated by projects. Future revenues are not determinable due to the nature of the film industry and have not been reflected in these financial statements. Revenue is recorded as received. During the year the Corporation received \$81,163 (1995 - \$41,611). The total equity investment portfolio of the Corporation to March 31, 1996 is \$5,080,043. Repayments to March 31, 1996 have been \$168,521 and the portfolio net of repayment totals \$4,911,522. Additionally, the Corporation administers \$1,689,994 of investments, made prior to August, 1990 by the Province, to which it is eligible for participation in revenues.

6. Project Development Loans

The Corporation provides loans to qualified applicants to support the essential process of development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. Development loans are interest free and are repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party. Total development loans outstanding on March 31, 1996 were \$458,770.

In 1992 the Corporation also issued interest bearing demand promissory notes as a financing alternative. On March 31, 1996 the Corporation had \$101,065 promissory notes outstanding and the notes had in excess of \$33,000 interest receivable.

All loans are charged to current expenditures when disbursed.

7. Public Service Superannuation Fund

All full-time employees of the Corporation are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Corporation's administrative expenses.

The Public Service Superannuation Fund is administered by the Department of Finance. The Corporation is not responsible for any unfunded liability.

8. Comparative Figures

Certain prior year's figures have been reclassified to conform with the presentation adopted for the current year.

Schedule 1

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Administrative Expenses

for the year ended March 31, 1996

	1996	1995
Salaries and Benefits \$	218,928 \$	163,419
Staff Training	1,959	869
Audit	6,563	6,509
Advertising	31,924	21,901
Bank Charges	785	1,190
Bad Debts	1,151	---
Consultants	830	---
Courier Services	3,717	3,086
Dues, Fees and Subscriptions	1,631	2,145
Entertainment	3,326	5,268
Insurance	1,107	959
Location Scout	8,892	8,343
Repairs & Maintenance	1,354	2,353
Production Guide	34,592	23,992
Board Honorarium & Expenses	17,663	18,914
Capital Equipment	30,118	17,518
Photocopier/Fax Rent	6,542	3,871
Office Supplies	5,895	4,390
Postage	6,178	---
Printing	7,241	7,469
Photos	3,777	3,659
Library	3,416	2,192
Conferences/Marketing	4,187	4,132
Telephone and Fax	8,200	7,637
Business Travel Expenses	57,578	39,844
Total \$	<u>467,554</u> \$	<u>349,660</u>

AUDITOR'S REPORT

To the Minister responsible for the Nova Scotia Gaming Corporation; and
To the Chairman and Members of the Board of the Nova Scotia Gaming Corporation

I have audited the balance sheet of the Nova Scotia Gaming Corporation as at March 31, 1996 and the statements of revenue, expenses and income allocation and retained earnings for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Nova Scotia Gaming Corporation has prepared the financial statements related to casino gaming based upon their interpretation of the Operating Contract between the Corporation and Metropolitan Entertainment Group. This interpretation results in the adoption of an income allocation approach which does not recognize the shortfalls referred to in Note 3(h) as an expense for the period. In my opinion, generally accepted accounting principles require that these shortfalls be recognized as an expense for the period. If these expenses had been recognized, income of the Corporation would have been reduced by \$2,143,409.

In my opinion, except for the matter referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 26, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

BALANCE SHEET

as at March 31, 1996

ASSETS

Current

Due from Atlantic Lottery Corporation Inc.	\$	9,104,004
Due from Metropolitan Entertainment Group		271,817
Prepays		1,361
		<u>9,377,182</u>

Long-term

Investment in Atlantic Lottery		100
Corporation Inc. (Note 4)		
Investment in Interprovincial Lottery		1
Corporation (Note 5)		
Due from Atlantic Lottery Corporation Inc. (Note 6)		800,816
Fixed assets (Note 7)		37,118
		<u>838,035</u>
	\$	<u>10,215,217</u>

LIABILITIES

Current

Accounts payable	\$	305,512
Deferred revenue (Note 2(c))		8,333,334
Due to VLT Problem Gaming Fund		58,469
Due to Province of Nova Scotia (Note 8)		717,086
		<u>9,414,401</u>

EQUITY

Fixed assets of Atlantic Lottery Corporation Inc. (Note 6)		800,816
	\$	<u>10,215,217</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

Statement of Revenue, Expenses and Income Allocation

for the year ended March 31, 1996

Revenue

Atlantic Lottery Corporation Inc. (Schedule I)		
Profit distribution	\$	104,618,522
Sheraton Halifax Casino (Schedule II)		
Revenue after Casino Win Tax		29,055,447
Sheraton Sydney Casino (Schedule III)		
Revenue after Casino Win Tax		11,660,863
		<u>145,334,832</u>

Expenses and Income Allocation

Atlantic Lottery Corporation Inc. (Schedule I)		635,355
Sheraton Halifax Casino (Schedule II)		
Operating Expenses		19,431,535
Allocation of income - operator (Note 3(e))		9,117,721
Sheraton Sydney Casino (Schedule III)		
Operating Expenses		8,859,256
Allocation of income - operator (Note 3(e))		2,801,607
Corporation (Schedule IV)		552,552
		<u>41,398,026</u>
Net Income	\$	<u>103,936,806</u>

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA GAMING CORPORATION
Statement of Retained Earnings
for the year ended March 31, 1996

Balance, beginning of year	\$	---
Net income		103,936,806
Payments to Province of Nova Scotia		<u>103,936,806</u>
Balance, end of year	\$	<u>---</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

Notes to the Financial Statements

for the year ended March 31, 1996

1. Description of Business

The Nova Scotia Gaming Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the Gaming Control Act. The purpose of the Corporation is to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province and other provinces that have an agreement with Nova Scotia respecting any such lottery schemes.

In accordance with Section 128(1) of the Gaming Control Act the Nova Scotia Lottery Commission was dissolved effective April 4, 1995. All rights, obligations and liabilities of the Nova Scotia Lottery Commission related to the Atlantic Lottery Commission Inc. were vested with the Nova Scotia Gaming Corporation. The following assets and liabilities of the former Nova Scotia Lottery Commission were assumed by the Corporation:

Cash	\$	4,687
Due from Atlantic Lottery Corporation Inc.	\$	8,107,710
Due from Atlantic Lottery Corporation Inc.	\$	804,642
Investment in Atlantic Lottery Corporation Inc.	\$	100
Investment in Interprovincial Lottery Corporation	\$	1
Equity in fixed assets of Atlantic Lottery Corporation Inc.	\$	804,642
Commission payable by the Corporation	\$	14,685
Due to Province of Nova Scotia	\$	8,097,813

Operating results for Atlantic Lottery Corporation Inc. for the four day period ending April 4, 1995 have been included in the results of operation of the Nova Scotia Gaming Corporation for the year ended March 31, 1996. Included in Schedule IV are approximately \$35,000 of expenses incurred by the Corporation before April 1, 1995 which were included in the operating results for the year ended March 31, 1996.

2. Accounting Policies

(a) Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principals.

(b) Casino Revenue

In accordance with industry practice, casino revenues are reported as the net win from gaming activities, which is the difference between amounts wagered and amounts paid as winnings. Casino revenues are reported net of accruals for anticipated amounts to be paid as winnings for progressive slot machine jackpots.

(c) Deferred Revenue/Income Guarantee

In accordance with the Operating Contract between Metropolitan Entertainment Group (Operator) and the Nova Scotia Gaming Corporation (Note 3), an income guarantee was provided to ensure Total Provincial Revenue in each of the first four years of operation would not be less than \$25 million. Total Provincial Revenue includes the aggregate of casino win tax paid to the Province of Nova Scotia, annual registration fees of \$100,000 paid to the Nova Scotia Gaming Control Commission and the share of profit allocated to the Nova Scotia Gaming Corporation as described in the Operating Contract.

On June 1, 1995 Sheraton Casinos Nova Scotia paid the Nova Scotia Gaming Corporation \$25 million, which represented a prepayment of the first year of the income guarantee. Commencement date of the guarantee period was August 1, 1995 with an expiry date of July 31, 1999. If Total Provincial Revenue falls below the \$25 million requirement in any of year two through year four of the guarantee period, the Operator is obligated to pay the deficiency within 90 days after the end of the guarantee period.

Pursuant to the Operating Contract, the Nova Scotia Gaming Corporation and the Operator have agreed that if Total Provincial Revenue exceeds \$25 million in any of year two through to year five then any previously paid deficiencies can be offset against Total Provincial Revenue earned in excess of \$25 million. In any year in which Total Provincial Revenue exceeds \$25 million up to and including year five the Corporation will not record the surplus revenue earned to the extent of previously paid deficiencies as this amount is to be repaid to the Operator.

The prepayment of \$25 million for the first year of the income guarantee was recorded as deferred revenue of the Corporation. During the period from August 1, 1995 to March 31, 1996 the Nova Scotia Gaming Corporation reduced the balance of the deferred revenue as casino win tax was earned by the Province of Nova Scotia, as income was allocated to the Nova Scotia Gaming Corporation from the Halifax Casino and when the \$100,000 annual registration fee was paid to the Nova Scotia Gaming Control Commission. As at March 31, 1996 the Nova Scotia Gaming Corporation recognized the amount of the deferred revenue balance earned by virtue of the expiration of eight months of the initial guarantee period. The Nova Scotia Gaming Corporation has reduced the balance of the deferred revenue to \$8.3 million to reflect the remaining four months of Total Provincial Revenue yet to be earned.

The amount owed to the Province of Nova Scotia was increased by \$6.4 million to recognize the amount of the income guarantee earned as at March 31, 1996. In the event the Halifax and Sydney Casinos generate Total

Provincial Revenue less than or in excess of \$8.3 million during the period April 1, 1996 through July 31, 1996, an adjustment will be required to the Province account to reflect this difference. The impact of the income guarantee in the next three years will be recorded through the Province of Nova Scotia account at year end. Subsequent adjustments required based on Provincial revenue earned during the period April 1 - July 31 will be recorded in the second quarter report of the Corporation.

Deferred Revenue as at March 31, 1996

Balance as at June 1, 1995	\$	25,000,000
<i>Less:</i>		
Share of profit to Corporation (Schedule II)		506,191
Earned by the Province of Nova Scotia		
Nova Scotia Gaming Control Commission		100,000
Casino Win Tax - Halifax Casino (Schedule II)		6,985,584
Casino Win Tax - Sydney Casino (Schedule III)		2,669,465
Income Guarantee (Note 8)		<u>6,405,426</u>
Balance as at March 31, 1996	\$	<u><u>8,333,334</u></u>

(d) **Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation. Depreciation is provided on the declining balance basis at the following annual rates.

Computer equipment	30%
Office equipment	20%

(e) **VLT Problem Gaming Contributions**

The VLT (Video Lottery Terminal) Problem Gaming Fund was established in the current fiscal year by agreement between the Lounge and Beverage Room Association of Nova Scotia and the Nova Scotia Gaming Corporation. The Lounge and Beverage Room Association of Nova Scotia agreed that its members would contribute 1% of their gross commission receivable from the Atlantic Lottery Corporation Inc. in respect of VLT revenues provided the number of VLT's and the commission rate would not be reduced for three years. The Nova Scotia Gaming Corporation agreed to contribute from its revenues receivable from Atlantic Lottery Corporation Inc. an amount equal to all contributions made by the members of the Association. The Nova Scotia Gaming Corporation is responsible for the administration of the fund which is designated for problem gaming initiatives.

3. The Operating Contract

(a) **Term**

On May 31, 1995 the Nova Scotia Gaming Corporation entered into an Operating Contract with Metropolitan Entertainment Group (Sheraton Casinos Nova Scotia/Operator), a partnership between ITT Sheraton Canada Ltd. and Purdy's Wharf Development, to operate casinos in Halifax and

Sydney for a period expiring on December 31, 2015. The Operating Contract provides Metropolitan Entertainment Group with the exclusive right to operate casino gaming in Nova Scotia as an agent on behalf of the Corporation.

The Operator was required, pursuant to the Halifax Interim Casino Construction Contract and the Sydney Casino Construction Contract, to develop, finance and construct a temporary casino facility in Halifax and a permanent casino complex in Sydney to be operational by June 1, 1995 and August 1, 1995 respectively. All operating and capital assets and related liabilities in respect of each casino complex are, in accordance with the terms of the Operating Contract, the property of Metropolitan Entertainment Group and are therefore recorded on their financial statements. In addition, the Operator is required to develop, finance and construct a permanent casino complex pursuant to the terms of the Halifax Casino Construction Contract with a scheduled completion date of September 30, 1998.

(b) Purchase Option

Upon expiration of the Operating Contract in 2015 the Corporation has the option to purchase each of the Halifax and Sydney casino complexes for the price of \$1.00. The Corporation also has an option to purchase either of the two casino complexes in year 10 or year 15 of the Contract. This early purchase option requires the Corporation to pay out the balance of the Operator's capital investment, the outstanding principal balance of development financing and the net present value of the projected income allocation due to the Operator for the balance of the term of the Contract. The Operator's initial capital investment (development costs) totalled \$23.6 million in Halifax and \$23.8 million in Sydney and will be recovered through an allocation of income as described in Note 3(e). The Corporation is required to approve these development costs (Note 3 (j)).

(c) Termination of Operating Contract

The Nova Scotia Gaming Corporation and the Operator have the right to terminate the Operating Contract prior to its expiration if either party is in breach of certain terms. The Corporation may terminate the Operating Contract if an event of default has occurred and the Operator has not cured the default within a prescribed time period. The provisions of the income guarantee would remain in full force and effect until such time as the full sum of \$100 million with respect to Total Provincial Revenue has been paid by the Operator.

The Operator may terminate the Operating Contract if an Operator termination event as described in Section 6.6.1 of the Operating Contract occurs and is not remedied by the Corporation within a prescribed period of time. The Corporation would be required to pay the balance of the Operator's capital investment, the outstanding principal balance of the Development Financing and the net present value of the projected income allocation due to the Operator for the balance of the term of the Contract.

(d) **Win Tax**

The Province of Nova Scotia is entitled to a casino win tax which is equal to 20% of casino revenue (Note 2(b)).

(e) **Allocation of Income - Operator**

The Operator is entitled to an allocation of income from each casino calculated with reference to the following items, which are listed according to their priority in Section 4.7 of the Operating Contract.

- An amount based upon the Operator's capital investment (development costs) in Halifax and Sydney with respect to each Casino Complex, which amount is amortized straight-line over a three year term in Halifax and a ten year term in Sydney, with interest calculated at 12% on the total outstanding capital investment.
- An amount equal to 1.5% of casino revenue before taxes to fund a capital replacement reserve. Disbursements from this reserve are approved in advance by the Nova Scotia Gaming Corporation through the annual capital budget approval process.
- An amount equal to 3% of casino revenues in Sydney as a Base Fee and 10% of casino revenue, less win tax, Base Fee and non-property expenses as an Incentive Fee.
- An amount equal to the Operator's shortfall in any one year that income is insufficient to make allocations, as described above. The Operator will track the amount of the shortfall and will be entitled to increased future income allocations by an amount equal to the accumulated shortfall plus interest at prime plus 1% during the period in which the shortfall is outstanding.
- An amount equivalent to 35% of cash available for distribution, as defined in the Operating Contract from the Halifax casino.

(f) **Allocation of Income - Corporation**

The Nova Scotia Gaming Corporation is entitled to an allocation of income equivalent to 65% of cash available for distribution in the Halifax Casino as defined in the Operating Contract.

The Nova Scotia Gaming Corporation is entitled to an allocation of income equivalent to 100% of the cash available for distribution in the Sydney Casino as defined in the Operating Contract. The Province of Nova Scotia has agreed to distribute 50% of this profit to First Nations Bands which have signed gaming agreements with the Nova Scotia Gaming Corporation. The Corporation has agreed to pay the remaining 50% of its share of this profit to a special purpose fund from which payments to qualified Nova Scotia charities will be made.

(g) Operating Period

Income to be earned by the Corporation and the Operator is calculated based upon the operating period which is defined in the Operating Contract as the calendar year. The Nova Scotia Gaming Corporation's annual financial statements are prepared based upon a March 31st year-end. Any income previously earned by the Operator or the Corporation during the operating period ended December 31, 1995 cannot be subsequently adjusted in the event the Operator has a shortfall in subsequent years.

(h) Allocation of Income in Subsequent Years

During the year, the income was insufficient to allocate to the Operator the maximum allocation to which the Operator is entitled with reference to their capital investment. In the three month period ended March 31, 1996 the Operator's shortfall amounted to \$459,799 in Halifax, and in the eight month period ended March 31, 1996 the Operator's shortfall amounted to \$1,683,610 in Sydney. These amounts are not expenses of the Corporation and accordingly, have not been recorded in the financial statements. These amounts will be eligible for allocation to the Operator from income in subsequent years as the income is earned and will be accounted for at that time.

(i) Public Education and Problem Gaming Contribution

A public education and problem gaming fund has been established to provide funds for programs related to problem gaming. Metropolitan Entertainment Group and the Nova Scotia Gaming Corporation have agreed to an annual contribution of \$1,000,000 to be paid to a trust fund to be jointly administered by the Department of Health, Nova Scotia Gaming Corporation and the Nova Scotia Gaming Control Commission. As at March 31, 1996 contributions totalled \$833,333, which have been allocated as an expense between the Halifax and Sydney casinos pro-rata based upon gaming revenues.

(j) Approvals

The Nova Scotia Gaming Corporation is required to approve, annually, the Operator's business plan, including the annual operating budget and the annual capital budget. The Corporation is also required to approve development costs with respect to the Halifax Temporary Casino, Halifax Permanent Casino and the Sydney Permanent Casino.

Schedule II and Schedule III have been prepared based on the audited financial statements of Metropolitan Entertainment Group for the year ended December 31, 1995 and unaudited Halifax and Sydney Casino schedules for the three month period ended March 31, 1996.

The audited financial statements of Metropolitan Entertainment Group and the unaudited schedules for the three month period ended March 31, 1996 were prepared on the assumption that the 1995 and 1996 Operating Budgets and the development costs of the Halifax temporary casino and Sydney permanent casino were approved.

Approvals for the 1995 and 1996 operating budget as well as the development costs for both the Halifax temporary and Sydney permanent casino are outstanding pending resolution of certain issues. Certain adjustments which may be material to the financial statements of the Nova Scotia Gaming Corporation could be required upon completion of this approval process.

4. Atlantic Lottery Corporation Inc.

- (a) The Atlantic Lottery Corporation Inc. was incorporated in September 1976 under the Canada Business Corporations Act to conduct and manage lotteries in Atlantic Canada. The Nova Scotia Gaming Corporation holds one of four shares of this Corporation. Each of the other shares is held by the Provinces of Newfoundland, New Brunswick and Prince Edward Island or agencies thereof.

Atlantic Lottery Corporation Inc. distributes the profit of the Corporation to the Nova Scotia Gaming Corporation and the other three shareholders based upon certain agreed criteria.

(b) Video Lottery Profit Distribution

Video Lottery (VLT) revenue earned in the Province of Nova Scotia is recorded net of amounts paid as winnings and operating expenses as follows:

Net VLT Receipts	\$	99,182,741
Administration Revenue		<u>138,541</u>
Total Net Revenue		<u>99,321,282</u>
VLT Retailer Commission		27,505,342
VLT Ticket Costs		145,433
VLT Operating Expenses		<u>7,947,920</u>
Total VLT Expenses		<u>35,598,695</u>
Net VLT Profit		63,722,587
Less: VLT Problem Gaming Contribution on behalf of Lounge and Beverage Room Association of Nova Scotia (Note 2(e))		<u>297,548</u>
Net VLT Profit Distribution	\$	<u>63,425,039</u>

Included in VLT Operating Expenses are salaries and benefits of technical and sales staff totalling \$698,493 and notional financing charges of \$435,891.

There are certain corporate operating expenses attributable to the VLT program which have not been allocated (see Note 4(c)).

(c) Regular Lottery Profit Distribution

All four provinces share in the net profit from regular lottery sales based upon each province's percentage of net sales of lottery products as follows:

	Atlantic Lottery Corporation	Nova Scotia Gaming Corporation's Share
Sales	\$ 433,745,869	\$ 163,005,101
Less: Prize Expense	230,821,610	84,108,469
Sales Discounts	365,417	204,201
	<u>231,187,027</u>	<u>84,312,670</u>
Net Sales	202,558,842	78,692,431
Direct costs		
Sales commission	29,606,085	
Winning ticket cashing fee	1,879,619	
Ticket costs	<u>9,092,635</u>	
Total direct costs	40,578,339	
Corporate Operating Costs	<u>46,922,645</u>	
Net Lottery profit	\$ <u>115,057,858</u>	44,699,023
Less: Lottery retailer bonus		<u>3,733,336</u>
Lottery profit distribution		40,965,687
Breakopen charity		<u>227,796</u>
Regular lottery profit distribution		\$ <u>41,193,483</u>

The Net Sales in Nova Scotia totalling \$78.6 million account for 38.85% of total net sales of the Atlantic Lottery Corporation Inc. The Nova Scotia Gaming Corporation is entitled to a 38.85% share of the Net Lottery Profit of \$115 million. This profit entitlement of \$44,699,023 is reduced by \$3,733,336 which represents a special 3% bonus paid to lottery retailers in Nova Scotia on the first \$400,000 of gross annual sales excluding Video Lottery, Celebration and Breakopen games.

The Nova Scotia Gaming Corporation assists certain charities by offering them a commission of 18.3% on all Breakopen lottery tickets sold. this commission earned by charities is 5.8% higher than that paid to other lottery retailers. The Breakopen charity profit distribution of \$227,796 is comprised of total sales of Breakopen lottery tickets net of prizes less commissions and other direct costs.

(d) Expenses

The Corporation is obligated to make direct payments totalling \$200,000 annually to three provincial government bodies as follows:

The Department of Education and Culture (on behalf of the Cultural Federations of Nova Scotia)	\$ 50,000
The Department of Agriculture and Marketing (on behalf of the Exhibition Association of Nova Scotia)	50,000
The Sport and Recreation Commission (on behalf of Sport Nova Scotia)	100,000
	<u>\$ 200,000</u>

Bonus Commission totalling \$55,523 were paid directly by the Nova Scotia Gaming Corporation to various non-profit community organizations. The Corporation is obligated to pay these commission, which are equal to 10% of the face amount of the tickets sold, on a quarterly basis. Such amounts must be used by the recipient for the benefit of a volunteer community project.

5. Interprovincial Lottery Corporation

The Interprovincial Lottery Corporation was incorporated on August 16, 1976 under the Canada Business Corporations Act. The primary purpose of the Corporation is to administer nation-wide lottery games on behalf of the 10 Canadian provinces (see Atlantic Lottery Corporation Inc., Note 4(a)). The Nova Scotia Gaming Corporation holds one of ten shares of this Corporation.

6. Equity in Fixed Assets of Atlantic Lottery Corporation Inc.

Certain of Atlantic Lottery Corporation Inc.'s fixed assets used exclusively in a province are financed by reducing that shareholder's profits by an imputed principal and interest amount equal to the cost of the fixed assets. Principal is amortized over the life of the fixed asset. A long-term receivable is recorded to recognize the outstanding cash balance due to the Nova Scotia Gaming Corporation and a corresponding equity interest in the fixed assets of Atlantic Lottery Corporation Inc. is reported.

7. Fixed Assets

	Cost	Accumulated Depreciation	Net Book Value
Office Equipment	\$ 22,157	\$ 2,216	\$ 19,941
Computers	20,142	2,965	17,177
	<u>\$ 42,299</u>	<u>\$ 5,181</u>	<u>\$ 37,118</u>

8. Due to/from the Province of Nova Scotia

All cash received by the Corporation is immediately transferred to the Province of Nova Scotia's bank account. The Corporation recorded a total of \$121,313,166 of cash receipts transferred to the Province's bank account during the year, which had been recorded as receivable from the Province of Nova Scotia. The Province of Nova Scotia issued cheques totalling \$2,032,971 on

behalf of the Corporation during the year which had been accumulated in the Due to the Province of Nova Scotia account. Casino win tax earned by the Province of Nova Scotia totalled \$9,655,049 as at March 31,1996 and this balance had been accumulated in the Due to the Province of Nova Scotia account. The Province of Nova Scotia was also entitled to \$6,405,426 in relation to the first eight month period of the \$25 million income guarantee (Note 2(c)).

At year end the balances in both the due to and due from Province of Nova Scotia accounts and the net income earned by the Nova Scotia Gaming Corporation are combined as follows:

Due from the Province of Nova Scotia		\$	(121,313,166)
Due to the Province of Nova Scotia			
Net income of the Corporation	103,936,806		
Casino win tax earned by the Province of Nova Scotia			
Sheraton Halifax Casino	6,985,584		
Sheraton Sydney Casino	2,669,465		
Cheques issued on behalf of the Corporation	2,032,971		
Income guarantee (Note 2(c))	6,405,426		122,030,252
Balance due to the Province of Nova Scotia end of year		\$	<u>717,086</u>

9. Goods and Services Tax

The Corporation has accounted for Goods and Services Tax ("GST") in accordance with interim arrangements agreed upon between the Corporation and the Federal Government. These arrangements are anticipated to be confirmed in new GST regulations which have not yet been issued. Adjustments, if any, will be accounted for during the year in which the regulations are amended by the Federal Government.

10. Commitments

The Corporation is required to make certain lease payments over the next five years as follows:

1997	\$	31,000
1998	\$	31,000
1999	\$	30,000
2000	\$	30,000
2001	\$	12,000

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

Atlantic Lottery Corporation Inc.

Schedule of Distributed Profit and Expenses

for the year ended March 31, 1996

Distributed Profit

Regular lottery (Note 4(c))	\$	41,193,483
Video lottery (Note 4(b))		<u>63,425,039</u>
		<u>104,618,522</u>

Expenses

Special payments (Note 4(d))		200,000
Bonuses commissions (Note 4(d))		55,523
Professional		82,284
VLT problem gaming contribution (Note 2(e))		<u>297,548</u>
		<u>635,355</u>
	\$	<u>103,983,167</u>

Schedule 2

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

Sheraton Halifax Casino

Schedule of Operating Results

for the ten month period ended March 31, 1996

Casino revenue before taxes	\$	34,927,918
Casino win tax		<u>(6,985,584)</u>
Casino revenue after taxes		27,942,334
Beverage, food and other revenue		<u>1,113,113</u>
Total net revenues		<u>29,055,447</u>
Operating Expenses		
Salaries and benefits		11,286,818
Other expenses including cost of food and beverages		825,347
Public education and problem gaming contribution (Note 3(i))		620,666
General administration and marketing		3,099,994
Premise expense		1,657,723
Goods and Services Tax		<u>1,940,987</u>
		<u>19,431,535</u>
Income to be allocated		<u>9,623,912</u>
Allocation of Income		
Operator (Note 3(e))		
Amortization of capital investment		8,304,551
Capital replacement reserve		540,606
Share of profit to Operator		<u>272,564</u>
		<u>9,117,721</u>
Share of profit to Corporation (Notes 3(f) and 3(h))		<u>506,191</u>
	\$	<u><u>9,623,912</u></u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

Sheraton Sydney Casino

Schedule of Operating Results

for the eight month period ended March 31, 1996

Casino revenue before taxes	\$ 13,347,321
Casino win tax	<u>(2,669,465)</u>
Casino revenue after taxes	10,677,856
Beverage, food and other revenue	<u>983,007</u>
Total net revenues	<u>11,660,863</u>
Operating Expenses	
Salaries and benefits	5,662,633
Other expenses including cost of food and beverages	752,918
Public education and problem gaming contribution (Note 3(i))	212,667
General administration and marketing	984,666
Premise expense	671,007
Goods and Services Tax	<u>575,365</u>
	<u>8,859,256</u>
Income to be allocated	<u>2,801,607</u>
Allocation of Income	
Operator (Note 3(e))	
Amortization of capital investment	1,852,473
Capital replacement reserve	214,954
Base fee	429,910
Incentive fee	<u>304,270</u>
	<u>2,801,607</u>
Share of profit to Corporation (Notes 3(f) and 3(h))	<u>---</u>
	<u>\$ 2,801,607</u>

Schedule 4

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GAMING CORPORATION

Schedule of Expenses

for the year ended March 31, 1996

Salaries and benefits	\$	254,908
Travel		46,298
Professional and other fees		166,408
Computer equipment		2,990
Office equipment		9,248
Depreciation		5,181
Rent		14,862
Occupancy taxes		1,081
Printing and stationery		17,586
Telecommunications		6,428
Training		3,586
Membership dues		3,341
Meetings		2,792
Postage and freight		3,382
Office		7,114
Advertising		3,265
Periodicals		4,082
	\$	<u>552,552</u>

AUDITOR'S REPORT

To the Minister of Agriculture and Marketing; and
To the Vice-Chairman and Members of the
Nova Scotia Grain and Forage Commission

I have audited the balance sheet of the Nova Scotia Grain and Forage Commission as at July 31, 1996 and the statement of income and retained earnings for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at July 31, 1996 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
September 24, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GRAIN AND FORAGE COMMISSION

BALANCE SHEET

as at July 31, 1996

ASSETS

	1996	1995
Current		
Cash (Note 2)	\$ 1,087,330	\$ 1,080,934
Accounts receivable	120,370	157,337
Due from Nova Scotia Grain Marketing Board	29,217	---
Accrued interest	3,621	5,919
Prepaid expenses (Note 3)	183,082	210,923
	<u>\$ 1,423,620</u>	<u>\$ 1,455,113</u>

LIABILITIES AND EQUITY

Current		
Accounts payable	\$ 11,370	\$ 12,667
Due to Nova Scotia Grain Marketing Board (Note 4)	75,000	75,000
Advance from Department of Agriculture and Marketing (Note 5)	133,150	157,568
	<u>219,520</u>	<u>245,235</u>
Retained Earnings	1,204,100	1,209,878
	<u>\$ 1,423,620</u>	<u>\$ 1,455,113</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GRAIN AND FORAGE COMMISSION

Statement of Income and Retained Earnings

for the year ended July 31, 1996

	1996	1995
Administration (Schedule A)		
Revenue	\$ 45,685	\$ 94,184
Expenses	<u>338,748</u>	<u>221,652</u>
	(293,063)	(127,468)
Operations (Schedule A)		
Revenue (Note 4)	---	157,664
Expenses (Note 4)	<u>---</u>	<u>269,552</u>
	---	(111,888)
Loss Before Government Contributions	(293,063)	(239,356)
Contributions by the Province of Nova Scotia (Note 6)	<u>287,285</u>	<u>364,383</u>
Net (Loss) Income	(5,778)	125,027
Retained Earnings, beginning of year	<u>1,209,878</u>	<u>1,084,851</u>
Retained Earnings, end of year	<u>\$ 1,204,100</u>	<u>\$ 1,209,878</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GRAIN AND FORAGE COMMISSION

Notes to Financial Statements

July 31, 1996

1. Authority

The Commission was established in 1977 by the Provincial Grain Commission Act. An amendment to the Act in 1992 changed the name of the Commission to the Nova Scotia Grain and Forage Commission. The purpose of the Commission is to provide grain and forage drying, storage and handling facilities for the farmers of Nova Scotia. During the year four facilities were in operation; one in Steam Mill, Kings County, one in Bayhead, Colchester County, and two in Middleton, Annapolis County.

2. Cash

Cash includes the general cash of the Commission, as well as funds to be used for advance payments to producers to cover the costs of producing grains.

The Commission is authorized to make advance payments to producers through the Nova Scotia Grain Marketing Board. The advances are recovered when the Nova Scotia Grain Marketing Board sells the grains.

	1996	1995
General operating accounts	\$ 634,896	\$ 601,002
Advance payment account	452,434	479,932
	<u>\$ 1,087,330</u>	<u>\$ 1,080,934</u>

3. Prepaid Expenses

	1996	1995
Administration expenses	\$ ---	\$ 833
Capital grant	49,932	52,522
Operating grant	133,150	157,568
	<u>\$ 183,082</u>	<u>\$ 210,923</u>

The \$49,932 prepaid capital grant represents the portion of the \$75,000 capital grant payable to the Nova Scotia Grain Marketing Board that relates to the Commission's 1996-97 fiscal year (Note 4).

The \$133,150 prepaid operating grant represents the portion of the \$200,000 operating grant paid to the Nova Scotia Grain Marketing Board that relates to the Commission's 1996-97 fiscal year (Note 4).

4. Joint Initiative

On April 19, 1995 the Minister of Agriculture and Marketing, the Nova Scotia Grain and Forage Commission and the Nova Scotia Grain Marketing Board signed an agreement to enter into a joint initiative regarding the future operations of the Commission's facilities. The agreement created Grain and Forage Nova Scotia (GFNS), an entity jointly governed by the Commission, Marketing Board and representatives of the Nova Scotia Forage Council. The mandate of GFNS is to facilitate the transition to a private sector provision of storage and drying services to the grain and forage sectors. The agreement, and accordingly GFNS expires on March 31, 1998, unless an agreement is executed by the three parties to extend the arrangements.

The agreement provided for the transfer of the management, operation and maintenance of the Commission's facilities to the Marketing Board, including all revenues and costs associated with such. The Commission retained ownership of all facilities, equipment and land, as well as other assets such as cash, receivables and inventory. All inventory of the Commission was subsequently sold to the Marketing Board on June 1, 1995 at prevailing market prices. The Commission will maintain insurance coverage on the facilities, equipment and inventory.

The Minister of Agriculture and Marketing agrees to provide funding to the Commission, and the Commission agrees to forward it to the Marketing Board, of \$200,000 in the year ending March 31, 1997, and \$175,000 in 1997-98. In each of the two years funding will also be provided for the salary of one employee seconded to the Marketing Board for the duration of the agreement. The Commission will, from its own funds, pay for the Marketing Board's maintenance, repair and capital improvement of Commission owned facilities to a maximum of \$75,000 in each of the following two years. Any improvements or additions become the property of the Commission. The Commission is also empowered to make interest free loans to the Marketing Board for the purposes of providing cash advances to producers.

The Nova Scotia Grain and Forage Commission, for the duration of this agreement, retains all of its established legislative authorities and accountabilities. The agreement may be terminated upon 90 days written notice by any of the parties to the agreement.

5. Advance from Department of Agriculture and Marketing

The advance represents the portion of the \$200,000 operating grant (1995 - \$225,000) receivable from the Department that relates to the Commission's 1996-97 fiscal year (Note 4).

6. Government Contributions

The Department of Agriculture and Marketing paid various operations and administration expenses of the Nova Scotia Grain and Forage Commission totalling \$287,285 for the year ended July 31, 1996 (1995 - \$364,383).

7. Public Service Superannuation Fund

All full-time employees of the Commission are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's expenses. The Public Service Superannuation Fund is administered by the Department of Finance.

8. Comparative Figures

Certain prior year's comparative figures in the Statement of Income and Retained Earnings and Schedule A have been reclassified to conform with the presentation adopted for the current year.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA GRAIN AND FORAGE COMMISSION

Revenues and Expenses

for the year ended July 31, 1996

	1996	1995
Administration revenues		
Interest	\$ 40,546	\$ 56,627
Other	2,927	8,704
Profit on Commission owned grain	---	26,695
Rent	---	2,158
Recovery on bad debts	2,212	---
	<u>45,685</u>	<u>94,184</u>
Administration expenses		
Construction and equipment purchases	---	328
Nova Scotia Grain Marketing Board		
- operating grant	224,418	67,432
- capital grant	48,373	22,478
Office expenses	2,844	14,689
Other	6,086	7,745
Provision for bad debts	---	108
Rent	---	5,864
Salaries, wages and benefits	57,027	81,435
Travel and meetings	---	21,573
	<u>338,748</u>	<u>221,652</u>
Loss on Administration	\$ <u>293,063</u>	\$ <u>127,468</u>
Operations revenues		
Handling, drying and storage fees	\$ ---	\$ 157,664
Operations expenses		
Fuel and electricity	---	40,151
Handling and other costs	---	12,021
Maintenance, rentals and repairs	---	25,621
Salaries, wages and benefits	---	191,759
	<u>---</u>	<u>269,552</u>
Operating Loss	\$ <u>---</u>	\$ <u>111,888</u>

AUDITOR'S REPORT

To the Chairman and Members of the Board of Management of the Nova Scotia Hospital

I have audited the balance sheet of the Nova Scotia Hospital as at March 31, 1996, and the statements of shareable revenues and expenses, ancillary operations, non-shareable surplus, and retained surplus for the year then ended. These financial statements are the responsibility of the Hospital's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 1996 and the results of its operations for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 5, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOSPITAL

BALANCE SHEET

as at March 31, 1996

ASSETS

	1996	1995
Current Assets		
Cash	\$ 3,400	\$ 2,700
Accounts receivable (Note 3)	6,038,592	5,265,896
Inventory (Note 4)	2,992,864	1,804,541
Prepaid expenses	181,739	168,547
	<u>9,216,595</u>	<u>7,241,684</u>
Estimated Year-end Adjustments Due from (to)		
Department of Health (Note 7)	40,649	(109,477)
	<u>9,257,244</u>	<u>7,132,207</u>
Restricted Funds (Note 5)	<u>210,761</u>	<u>259,948</u>
	<u>\$ 9,468,005</u>	<u>\$ 7,392,155</u>

LIABILITIES AND EQUITY

Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,014,929	\$ 2,071,301
Deferred revenue (Note 6)	1,123,461	1,187,900
	<u>3,138,390</u>	<u>3,259,201</u>
Due to Department of Finance (Note 8)	5,703,436	3,394,216
Equity		
Non-shareable surplus	3,222	46,094
Retained surplus (Note 10)	412,196	432,696
	<u>9,257,244</u>	<u>7,132,207</u>
Restricted Funds (Note 5)	<u>210,761</u>	<u>259,948</u>
	<u>\$ 9,468,005</u>	<u>\$ 7,392,155</u>

Commitments (Note 11)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOSPITAL

Statement of Shareable Revenues and Expenses

Hospital Operations

for the year ended March 31, 1996

	1996 Actual	1996 Budget	1995 Actual
Shareable Revenues			
Inpatient Services			
Department of Health	\$ 26,694,260	\$ 26,693,851	\$ 28,075,641
Non-insured services	488,597	31,000	212,418
	<u>27,182,857</u>	<u>26,724,851</u>	<u>28,288,059</u>
Other			
M.S.I. - Doctors	3,778,931	3,862,600	3,769,494
Dietary	462,540	558,500	591,713
Room rentals	12,798	12,000	14,993
Services to other Institutions	458,100	601,500	557,440
Capital equipment	250,000	250,000	341,379
Sundry	103,293	105,300	188,255
	<u>5,065,662</u>	<u>5,389,900</u>	<u>5,463,274</u>
	<u>32,248,519</u>	<u>32,114,751</u>	<u>33,751,333</u>
Shareable Expenses			
Nursing services	7,943,801	7,677,800	8,097,399
Medical staff	3,917,518	3,913,500	3,836,907
Diagnostic and therapeutic	5,371,443	5,210,300	4,710,325
Drugs and medical/surgical supplies	330,661	366,700	337,210
Administration	3,587,665	3,538,351	3,333,467
Employee benefits	3,001,082	3,168,300	3,198,997
Educational programs	409,263	417,100	404,726
Dietary	1,774,868	1,826,600	2,216,628
Laundry and linen	171,096	201,600	210,691
Housekeeping	856,515	950,500	1,132,660
Plant operation and maintenance	3,166,730	3,113,500	3,488,003
Ancillary operations -			
Clozapine Program	442,218	450,000	299,629
Capital equipment	755,281	569,500	1,043,884
Other support services	644,078	711,000	913,609
	<u>32,372,219</u>	<u>32,114,751</u>	<u>33,224,135</u>
(Deficit) Surplus (Note 10)	\$ (123,700)	\$ ---	\$ 527,198

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOSPITAL

Statement of Ancillary Operations

Central Laundry

for the year ended March 31, 1996

	1996	1995
Revenue		
Sales of clean laundry	\$ 1,685,293	\$ 1,505,124
Miscellaneous	25,401	---
Expenditure guarantee recovery	54,723	25,246
	<u>\$ 1,765,417</u>	<u>\$ 1,530,370</u>
Expenses		
Salaries	776,949	730,121
Employee benefits	117,493	137,962
Linen replacement	24,244	31,791
Motor vehicle repairs and operations	56,638	45,372
Water	24,070	19,230
Electricity	38,304	30,600
Steam	85,988	68,693
Administrative assessment	639,103	452,597
Rent	9,996	9,996
Other expenses	1,181	29,931
One-time employee severance expense	---	153,599
	<u>1,773,966</u>	<u>1,709,892</u>
Expenses in Excess of Revenue	8,549	179,522
Recovery from Partners	<u>8,549</u>	<u>---</u>
Deficit (Notes 7 and 16)	<u>\$ ---</u>	<u>\$ 179,522</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOSPITAL

Statement of Ancillary Operations

Central Drug Distribution

for the year ended March 31, 1996

	1996		1995
	Actual	Budget	Actual
Shareable Revenues			
Gross Profit on Drug Sales			
Drug sales	\$ 19,240,434	\$ 18,000,000	\$ 18,074,399
Cost of sales	<u>19,138,030</u>	<u>17,830,000</u>	<u>17,965,360</u>
	<u>102,404</u>	<u>170,000</u>	<u>109,039</u>
Other Revenue			
Department of Health grant	268,800	269,200	268,800
Other	<u>102,176</u>	<u>100,000</u>	<u>95,850</u>
	<u>370,976</u>	<u>369,200</u>	<u>364,650</u>
	<u>473,380</u>	<u>539,200</u>	<u>473,689</u>
Shareable Expenses			
Salaries	328,889	312,900	324,401
Employee benefits	49,251	46,900	51,146
Freight	75,754	137,100	85,175
Other expenses	<u>45,912</u>	<u>42,300</u>	<u>29,937</u>
	<u>499,806</u>	<u>539,200</u>	<u>490,659</u>
Deficit (Note 7)	<u>\$ 26,426</u>	<u>\$ ---</u>	<u>\$ 16,970</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOSPITAL

Statement of Non-Shareable Surplus

for the year ended March 31, 1996

	1996	1995
Balance, beginning of year	\$ 46,094	\$ 47,913
<i>Add:</i> Non-shareable revenues (Note 9)	5,728	8,563
Donation from Foundation	13,949	---
	<u>65,771</u>	<u>56,476</u>
<i>Less:</i> Non-shareable expenses	13,949	10,382
Outreach program development	48,600	---
	<u>62,549</u>	<u>10,382</u>
Balance, end of year	<u>\$ 3,222</u>	<u>\$ 46,094</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA HOSPITAL

Statement of Retained Surplus

for the year ended March 31, 1996

	1996	1995
Balance, beginning of year	\$ 432,696	\$ 403,775
<i>Add:</i> Transfer from current year's surplus		
(Note 10)	---	216,645
Adjustment to previous year's surplus		
retention calculation	---	23,098
	<u>432,696</u>	<u>643,518</u>
 <i>Less:</i> Renovations to forensic unit	 ---	 190,822
Catalyst Enterprises	20,500	20,000
	<u>20,500</u>	<u>210,822</u>
Balance, end of year	<u>\$ 412,196</u>	<u>\$ 432,696</u>

PROVINCE OF NOVA SCOTIA**NOVA SCOTIA HOSPITAL****Notes to Financial Statements****March 31, 1996****1. Authority**

An Act to incorporate the Nova Scotia Hospital was proclaimed in 1967 to provide for the continuance of the Hospital.

The Nova Scotia Hospital is dedicated to the provision of exemplary psychiatric health care through the integration of service, education and research programs in the mental health field.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following:

Fixed Assets

These financial statements do not include the costs associated with construction and renovation projects of the Nova Scotia Hospital carried out by the Department of Transportation and Public Works.

These financial statements do not include the costs of the land and buildings of the Hospital. Title for those assets rests with the Province of Nova Scotia.

Equipment purchases are expensed in the year of acquisition.

Operating Costs

These financial statements do not include certain Hospital expenses which are absorbed by the Department of Transportation and Public Works.

Final Settlements

Adjustments to prior years' operating results arising from the final settlement process of the Department of Health are charged to equity in the year they are determined.

3. Accounts Receivable

Accounts receivable includes \$250,000 (1995 - \$185,776) for equipment purchase claims submitted to the Department of Health.

4. Inventory

Inventory is valued at average cost and comprises:

	1996	1995
Drug Distribution Program	\$ 2,779,814	\$ 1,572,735
Linen	132,646	177,800
Stationery	9,549	9,345
Food	18,933	---
General	21,923	26,653
Maintenance	21,170	7,206
Medical/surgical	8,829	10,802
	<u>\$ 2,992,864</u>	<u>\$ 1,804,541</u>

The Nova Scotia Hospital operates a central drug distribution program, available to all hospitals and other authorized health care facilities in the Province.

5. Restricted Funds

These funds include monies designated for restricted purposes by the Hospital and monies held in trust for patients. These funds have been segregated from normal operating assets with a corresponding liability account established for the fulfilment of the restricted purposes and balances held for the patients.

6. Deferred Revenue

This amount represents an advance payment to the Hospital from the Department of Health for funding for the 1996-97 fiscal year.

7. Estimated Year-end Adjustments Due from (to) Department of Health

This account represents the net amount due from (to) the Department of Health at the end of the fiscal year. Recovery and payment of the annual surplus/deficit is dependent upon the approval by the Department of Health of the Hospital's final settlement claim.

	1996	1995
Deficit 1993-94	\$ 16,797	\$ 16,797
Budget reductions 1993 -94	(12,213)	(12,213)
(Surplus) Deficit 1994-95		
Hospital operations, net	(310,553)	(310,553)
Central laundry	179,522	179,522
Central drug distribution	16,970	16,970
Deficit 1995-96		
Hospital operations, net	123,700	---
Central drug distribution	26,426	---
Due from (to) Department of Health	<u>\$ 40,649</u>	<u>\$ (109,477)</u>

8. Due to Department of Finance

The Department of Finance processes and records the receipts and disbursements of the Nova Scotia Hospital. As a result, the cumulative difference between receipts and disbursements is recognized as a liability to the Department of Finance at year-end.

9. Non-Shareable Revenues

The non-shareable revenues represent 20 percent of certain rental revenues which the Hospital is entitled to retain.

10. Retained Surplus

In May 1987 the Department of Health issued a policy statement permitting hospitals to retain part or all of the unspent portions of their budget at the end of each fiscal year. The purpose is to encourage hospitals to operate as efficiently as possible. This policy limits the annual retained surplus to \$500,000, and requires approval by the Department of any expenditures charged to it.

	1996	1995
Current year's surplus (deficit) allocation:		
Transferred to retained surplus	--- \$	216,645
Estimated year-end adjustment due to (from)		
Department of Health (Note 7)	(123,700)	310,553
	<u>\$ (123,700)</u>	<u>\$ 527,198</u>

The \$216,645 transfer from the 1994-95 surplus into retained surplus is subject to the approval of the Department of Health.

11. Commitments

The Hospital is liable at fiscal year-end for vacation pay earned by its employees but not yet paid. Vacation pay is funded in the year of payment by the Department of Health to the extent that it forms part of the Hospital's overall net cost of shareable operations. The amount of the liability at the fiscal year end, estimated to be \$179,036 (1995 - \$246,000), is not reflected in these financial statements.

12. Costs Paid by the Province of Nova Scotia

In 1996 the Province paid \$921,815 for expenditures of the Hospital. This comprised \$10,741 (1995 - \$41,222) for maintenance expenditures and \$911,074 (1995 - \$538,595) related to capital expenditures.

13. Public Service Superannuation Fund

All full-time employees of the Nova Scotia Hospital are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Hospital's operating expenses.

The Public Service Superannuation Fund is administered by the Department of Finance. The Hospital is not responsible for any unfunded liability.

14. Comparative Figures

Certain prior year's figures have been reclassified to conform with the presentation adopted for the current year.

15. Tri-Facilities Program

On June 30, 1994, the Nova Scotia Hospital (NSH) entered into an agreement with the Izaak Walton Killiam - Grace Health Centre for Children, Women and Families (IWK - GHC) and the Atlantic Child Guidance Centre to establish the Tri-Facilities project. The purpose of the project is to provide mental health care, research and education for children and adolescents.

In 1996 costs of \$2,748,227 (1995 - \$2,824,968) incurred by the NSH in providing child mental health services were recovered from the IWK - GHC and are not included on the NSH 1996 financial statements.

16. Central Laundry Operations

In July 1994, the Hospital contracted with a private sector firm for management of the Hospital's central laundry operation. The intent is for the laundry operation to be self-financing with any surplus/deficit to be shared by the partner hospitals. The Department of Health has agreed in principle to fund the operating deficit for 1994-95 only.

AUDITOR'S REPORT

To the Minister of the Nova Scotia Economic Renewal Agency; and
To the Chairman and Member of the Board of Directors of the
Nova Scotia Innovation Corporation

I have audited the balance sheets of the Nova Scotia Innovation Corporation as at March 31, 1995 and March 31, 1996, and the statements of income and retained earnings, and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and March 31, 1996 and the results of its operations and changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 28, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

BALANCE SHEET

as at March 31, 1996

ASSETS		1996	1995
Current			
Cash	\$	386,991	\$ ---
Accounts receivable		54,882	---
		<u>441,873</u>	<u>---</u>
Property, Plant and Equipment, net (Note 4)		<u>184,485</u>	<u>---</u>
	\$	<u><u>626,358</u></u>	\$ <u><u>---</u></u>
LIABILITIES AND EQUITY			
Current			
Accounts payable	\$	98,863	\$ ---
Deferred revenue		15,889	---
Due to Nova Scotia Research Foundation Corporation (Note 5)		<u>327,831</u>	<u>55,160</u>
		<u>442,583</u>	<u>55,160</u>
Deferred Government Assistance (Note 6)		<u>184,485</u>	<u>---</u>
Equity			
Retained earnings (deficit)		<u>(710)</u>	<u>(55,160)</u>
	\$	<u><u>626,358</u></u>	\$ <u><u>---</u></u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA INNOVATION CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS

as at March 31, 1996

	1996	1995
Revenues, Recoveries and Grants		
Grant from Province of Nova Scotia (Note 6) \$	893,701 \$	---
Business development (Note 7)	445,318	---
Investment Income	4,850	---
	1,343,869	---
Expenses		
Business development	578,868	---
Administration and occupancy	516,235	55,160
Corporate communications	166,362	---
Amortization	27,954	---
	1,289,419	55,160
Net Income (loss)	54,450	(55,160)
Retained Earnings (deficit), beginning of year	(55,160)	---
Retained Earnings (deficit), end of year \$	(710) \$	(55,160)

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA INNOVATION CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
for the year ended March 31, 1996

	1996	1995
Cash From (Used In) Operations		
Net income (loss) \$	54,450 \$	(55,160)
Add (deduct): Amortization	27,954	---
Amortization of Deferred Government Assistance	(27,954)	---
Working capital adjustments	<u>332,541</u>	<u>55,160</u>
	<u>386,991</u>	<u>---</u>
Cash Used In Investing Activities		
Capital asset purchases	<u>(212,439)</u>	<u>---</u>
Cash From Financing Activities		
Deferred Government Assistance	<u>212,439</u>	<u>---</u>
Net Change in Cash Position	<u>386,991</u>	<u>---</u>
Ending Cash Balance	386,991	---
Beginning Cash Balance	---	---
Net Change in Cash Position \$	<u><u>386,991</u></u> \$	<u><u>---</u></u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Financial Statements

March 31, 1996

1. Authority

The Nova Innovation Corporation (InNOVAcorp) was established on February 6, 1995 by the Innovation Corporation Act. Its purpose is to build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world. InNOVAcorp combines the technology role of the Nova Scotia Economic Renewal Agency, the business incubation facilities of the Technology Innovation Centre, the advisory role of the Council of Applied Science and Technology and the management of the Nova Scotia First Fund.

2. Subsequent Events

Dissolution of Nova Scotia Research Foundation Corporation (NSRFC).

Effective April 1, 1996 NSRFC was dissolved and its enabling legislation was revoked. All right, title, interest and obligations of NSRFC were transferred to InNOVAcorp on that date. The financial impact of this event on InNOVAcorp is indeterminate pending the completion of a market valuation of the resources and obligations previously held by NSRFC. Once known, these amounts will be reflected as assets and liabilities of InNOVAcorp. The fair market value of the net assets transferred to InNOVAcorp will be recorded as contributed surplus.

Acquisition of Nova Scotia First Fund Assets.

At the February 1, 1996 meeting of its Board of Directors, InNOVAcorp's proposal to assume the management of the Nova Scotia First Fund (NSFF) was approved. On May 1, 1996 the Province transferred \$8,828,291 of NSFF assets to InNOVAcorp. The remaining NSFF assets (approximately \$3 million) will be transferred to InNOVAcorp when the investment in which they have been placed matures.

3. Accounting Policies

InNOVAcorp's financial statements have been prepared in accordance with generally accepted accounting principles. The principle accounting policies followed by InNOVAcorp are as follows:

(a) Property, Plant and Equipment

Property, plant and equipment purchased by InNOVAcorp is stated at cost. Amortization is based on the declining balance method over the estimated economic life of the related class of assets as follows:

Computer equipment	30%
Furniture and fixtures	20%

(b) Government Grants

The portion of the annual grant received from the Province of Nova Scotia used for the acquisition of property, plant and equipment is deferred and amortized to income on the same basis as the related assets. The remainder of the grant is recognized as income in the year it is received.

4. Property, Plant and Equipment

	Cost	Accumulated Amortization	Net
Computer Equipment	\$ 134,205	\$ 20,131	114,074
Furniture and fixtures	78,234	7,823	70,411
	<u>\$ 212,439</u>	<u>\$ 27,954</u>	<u>184,485</u>

5. Due to Nova Scotia Research Foundation Corporation

During the year the Nova Scotia Research Foundation Corporation paid expenditures totalling \$968,699 (1995 - \$55,160) on behalf of the Corporation. InNOVAcorp was also charged \$144,627 as an allocation of management remuneration, administrative services and occupancy costs incurred on its behalf. A total of \$840,655 was reimbursed to NSRFC and the remainder is reflected in the amount due to Nova Scotia Research Foundation Corporation at March 31, 1996.

6. Government Assistance

Total assistance provided by the Province during the year was \$1,067,185. The portion of the assistance used to finance the purchase of property, plant and equipment has been deferred. This amount of \$212,439 has been amortized by \$27,954 for the year ended March 31, 1996.

7. Program Administration

The Corporation received \$252,087 during the year for administering the Canada-Nova Scotia Technology Development Agreement. An amount of \$227,426 has been recognized in Business Development revenue. The remainder has been included in deferred revenue.

8. Commitments

On March 21, 1996, InNOVAcorp entered into an agreement with the Applied Microelectronics Institute (AMI) to facilitate the privatization of that entity. All of the resources and obligations of AMI will be transferred to InNOVAcorp on a mutually agreed upon date. On the same date, the resources and obligations of AMI will be transferred by InNOVAcorp to a newly formed private company in exchange for preferred shares. An external valuation of AMI will be undertaken to determine the amount to be assigned to the preferred shares.

AUDITOR'S REPORT

To the Minister of Justice; and

To the Chair and Members of the Nova Scotia Legal Aid Commission

I have audited the balance sheet of the Nova Scotia Legal Aid Commission as at March 31, 1996, and the statement of revenues, expenses and surplus for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Legal Aid Commission as at March 31, 1996 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 14, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA LEGAL AID COMMISSION

BALANCE SHEET

as at March 31, 1996

ASSETS

	1996	1995
		Restated (Note 8)
Current		
Cash	9,289 \$	26,623
Investments (Note 3)	1,594,592	1,130,762
Receivables - Province of Nova Scotia	204,563	330,509
Other	9,531	8,781
Prepaid expenses	<u>58,190</u>	<u>102,221</u>
	1,876,165	1,598,896
Trust fund - public service awards (Note 4)	336,604	234,834
Furniture, equipment, and leasehold improvements (Note 2)	<u>1</u>	<u>1</u>
	<u>\$ 2,212,770</u>	<u>\$ 1,833,731</u>

LIABILITIES AND SURPLUS

Current		
Accounts payable and accruals		
Supplies and services	82,173 \$	74,120
Accrued private solicitors' fees (Note 5)	946,386	876,891
Employee benefits	<u>133,816</u>	<u>---</u>
	1,162,375	951,011
Long-term		
Early retirement incentive program (Note 6)	51,456	---
Public service awards (Note 7)	<u>525,700</u>	<u>423,929</u>
	577,156	423,929
Surplus (Notes 5 and 8)	<u>473,239</u>	<u>458,791</u>
	<u>\$ 2,212,770</u>	<u>\$ 1,833,731</u>

Commitments and contingencies (Note 10)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA LEGAL AID COMMISSION

Statement of Revenues, Expenses and Surplus

for the year ended March 31, 1996

	1996	1995
		Restated (Note 8)
Revenues		
Grant - Province of Nova Scotia	\$ 10,885,063	\$ 11,201,309
Interest	182,751	127,804
Other income	10,957	50,850
	<u>11,078,771</u>	<u>11,379,963</u>
Expenses (Schedule I)		
Directors' fees	37,431	31,867
Equipment and maintenance	45,877	85,970
Leasehold improvements	6,472	3,619
Library	124,303	156,810
Membership, meetings and conferences	285,303	317,302
Office disbursements	288,799	369,368
Private solicitors' fees (Note 5)	2,374,848	2,616,768
Professional and other fees	64,267	40,485
Salaries and benefits	6,675,645	6,379,044
Supplies and services	915,481	935,628
Travel	245,897	248,353
	<u>11,064,323</u>	<u>11,185,214</u>
Excess of revenues over expenses (Note 5)	<u>14,448</u>	<u>194,749</u>
Surplus, as previously reported	458,791	354,874
Restatement of prior years' expenditures (Note 8)	---	(90,832)
As restated	<u>458,791</u>	<u>264,042</u>
Surplus, end of year (Note 5)	<u>\$ 473,239</u>	<u>\$ 458,791</u>

PROVINCE OF NOVA SCOTIA**NOVA SCOTIA LEGAL AID COMMISSION****Notes to Financial Statements****March 31, 1996****1. Authority**

The Nova Scotia Legal Aid Commission was established pursuant to Section 3(1) of the Legal Aid Act. The Legal Aid Act and Regulations stipulate that the Commission can provide legal services to persons whose income is derived primarily from municipal or provincial social assistance or to persons in an equivalent position.

Commission activities are funded by a grant from the Province of Nova Scotia. The Province in turn receives a contribution from the Government of Canada for legal aid provided by the Commission.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging furniture and equipment acquisitions and leasehold improvements to expenses in the year of purchase.

3. Investments

Investments consist of banker acceptance notes and are valued at cost which approximates market value.

4. Trust Fund - Public Service Awards

The Commission follows the provisions of the Civil Service Act with respect to the payment of public service awards to retiring employees. The Commission is responsible for the funding and eventual payment of these awards.

The Commission maintains a trust fund to help provide for the eventual payment of awards and to administer public service award advances. The Commission provides contributions, from general operating funds, to help defray future obligations for public service awards.

In prior years, employees with 15 years of employment could apply for an advance on their public service award. Advances are repayable upon retirement or termination, together with interest at the provincial borrowing rate which existed at the time of the advance. As at March 31, 1996 six employees have received advances. Advances plus accrued interest at March 31, 1996 totalled \$128,209 (1995 - \$146,441).

	1996	1995
Balance, beginning of year	\$ 234,834	\$ 204,910
<i>Add:</i> Contribution from operating funds	85,000	51,349
Interest on public service award advances	10,782	11,928
Interest on investments	5,988	2,698
	<u>101,770</u>	<u>65,975</u>
<i>Less:</i> Public service awards paid to retiring employees	---	36,051
Balance, end of year	<u>\$ 336,604</u>	<u>\$ 234,834</u>
Consisting of:		
Cash	\$ 46,112	\$ 1
Securities and accrued interest on securities	162,283	88,392
Receivable - public service award advances and accrued interest on advances	<u>128,209</u>	<u>146,441</u>
	<u>\$ 336,604</u>	<u>\$ 234,834</u>

5. Accrued Private Solicitors' Fees

The Commission assigns cases to private solicitors where a conflict of interest arises, or when choice of counsel is elected by the client in certain criminal cases. At the end of each fiscal year the Commission has a liability for work conducted by private solicitors that is not yet billed and paid. The balance of \$946,386 as at March 31, 1996 (1995 - \$876,891) was estimated using a system that incorporates average costs and time frames for similar cases over the last two years.

Due to an element of uncertainty in the estimation process, the difference between the estimated and actual liability may be material. Management of the Commission is confident that the actual current liability is somewhere in the range of \$574,000 to \$1,050,000. Consequently, private solicitors' fees expense could range from \$2,002,000 to \$2,478,000, excess of revenues over expenses could range from \$89,000 to \$382,000 and end of year surplus could range from \$370,000 to \$846,000.

In addition to the \$946,386 liability for unbilled private solicitor fees, a further expenditure after March 31, 1996 of approximately \$505,106 may be required to complete these cases. Due to the reasons discussed above, this balance could range from approximately \$401,488 to \$878,262.

The surplus balance of the Commission is committed to fund the eventual completion of private solicitor cases outstanding at year end.

6. Early Retirement Incentive Program

The Commission is participating in an Early Retirement Incentive Program offered by the Province of Nova Scotia to crown agencies. A liability in the amount of \$56,369 has been accrued on March 31, 1996. This amount represents management's best estimate of the present value of the future payments required under the Program. Of the total liability, \$4,913 has been classified on the balance sheet as current and \$51,456 has been classified as long-term.

The present value of pension benefits to be paid by the Commission is expensed in the year an employee opts to take early retirement under the Program. Two employees will be eligible for early retirement in the 1996-97 fiscal year.

7. Public Service Awards

Employees of the Commission are entitled to public service awards upon retirement. The awards are based on the number of years of service of the employee, and are earned at the rate of one week's pay for every year of service, to a maximum of 26 weeks.

In 1996, the Commission engaged an outside consultant to estimate the liability relating to the awards. The present value of obligations respecting public service awards at March 31, 1996 was estimated to be \$525,700. As the Commission has public service awards trust funds of \$336,604, there is an unfunded liability of \$189,096.

8. Restatement of Prior Years' Expenditures

In previous years the Commission did not estimate the full cost of its future obligations for public service awards already earned by its employees. The cost was estimated in the current year, and is represented by the unfunded liability discussed in Note 7.

The Commission had been recording expenses for membership fees and office rent using the cash basis of accounting. The statements have been adjusted to the accrual basis of accounting for these items to comply with generally accepted accounting principles.

The adjustment of the above items has been applied retroactively, and as a result, the previously reported balances for 1995 have been adjusted as follows:

Prepaid expenses asset - increased	\$	102,221
Public service award liability - increased		(189,095)
Membership fees expenses - decreased		(2,709)
Supplies and services - rent expense - decreased		<u>(1,249)</u>
Beginning surplus - decreased	\$	<u><u>(90,832)</u></u>

The previously reported excess of revenues over expenses for 1995 increased by \$3,958.

9. Client Trust Funds

On March 31, 1996, \$9,400 (1995 - \$29,331) was held in trust for clients. These trust funds are accounted for separately and are not reflected in the financial statements.

10. Commitments and Contingencies

- (a) The Commission has entered into lease agreements for eleven of its offices. The remaining two offices do not have formal lease agreements. Lease agreements typically call for payment of a base rent plus a provision for the Commission's portion of operating costs and property taxes. Lease terms vary by office.

Minimum lease payments for signed lease agreements for the next five years, not including operating costs and taxes, are as follows:

1996/97	C\$377,940
1997/98	C\$343,147
1998/99	C\$325,734
1999/2000	C\$312,260
2000/2001	C\$226,123

- (b) The Commission provides funding to Dalhousie Legal Aid Services. The Commission has agreed to provide up to \$233,000 to Dalhousie Legal Aid Services for the year ending March 31, 1997.
- (c) Certain employees of the Commission may acquire additional pensionable service under the Public Service Superannuation Act by purchasing eligible prior years' service. In the event that an employee elects to purchase the additional pensionable service, the Commission is required to match the employee's contribution. The Commission estimates its future costs could be in the range of \$100,000 to \$150,000 should all eligible employees elect to purchase prior years' service.

11. Pensions

Pursuant to Section 7 of the Legal Aid Act, all permanent employees of the Commission are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Commission's operating expenses. The Commission is not responsible for any unfunded liability with respect to the superannuation fund.

Schedule 1

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA LEGAL AID COMMISSION

Schedule of Expenses

for the year ended March 31, 1996

	1996		1995
	Budget (as of Nov. 1995)	Actual	Restated (Note 8) Actual
Directors' fees	\$ 45,000	\$ 37,431	\$ 31,867
Equipment and maintenance			
Office furniture and equipment	19,000	13,165	53,154
Office machine leasing	15,200	8,028	8,465
Office machine maintenance	25,000	24,684	24,351
	<u>59,200</u>	<u>45,877</u>	<u>85,970</u>
Leasehold improvements	3,500	6,472	3,619
Library	146,000	124,303	156,810
Membership, meetings and conferences			
Membership and dues	252,400	244,347	269,536
Meetings and conferences	46,000	40,956	47,766
	<u>298,400</u>	<u>285,303</u>	<u>317,302</u>
Office disbursements			
Civil and Family	196,700	182,385	222,252
Criminal	75,000	96,591	141,220
Young Offender	6,200	9,823	5,896
	<u>277,900</u>	<u>288,799</u>	<u>369,368</u>
Private solicitors' fees			
Civil and Family - conflicts	1,296,700	1,331,919	1,378,555
Criminal - choice of counsel	200,000	100,007	190,515
Criminal - conflicts	737,900	694,430	821,748
Young Offender - conflicts	197,500	248,492	225,950
	<u>2,432,100</u>	<u>2,374,848</u>	<u>2,616,768</u>
Professional and other fees			
Professional fees	33,500	36,948	40,485
Duty counsel fees	35,000	27,319	---
	<u>68,500</u>	<u>64,267</u>	<u>40,485</u>
Salaries and benefits	6,478,079	6,675,645	6,379,044
Supplies and services			
General cleaning and office expense	66,000	63,286	62,009
Heat, light and water	35,000	28,751	27,647
Printing and stationery	81,500	86,955	88,050
Rent, insurance and taxes	501,100	485,836	489,516
Telephone and postage	280,000	250,653	268,406
	<u>963,600</u>	<u>915,481</u>	<u>935,628</u>
Travel	258,300	245,897	248,353
	<u>\$ 11,030,579</u>	<u>\$ 11,064,323</u>	<u>\$ 11,185,214</u>

AUDITORS' REPORT

To the Honourable Minister
in charge of Administration
Liquor Control Act
Province of Nova Scotia
Halifax, Nova Scotia

We have audited the balance sheet of The Nova Scotia Liquor Commission as at March 31, 1996 and the statements of income and changes in financial position for the year then ended. These financial statements are the responsibility of the commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Nova Scotia Liquor Commission as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG
Chartered Accountants

Halifax, Canada
June 14, 1996

PROVINCE OF NOVA SCOTIA
THE NOVA SCOTIA LIQUOR COMMISSION

BALANCE SHEET

March 31, 1996, with comparative figures for 1995

	1996	1995
	(in thousands)	
ASSETS		
Current assets		
Cash	3,958	2,108
Accounts receivable	714	962
Inventories of stock in warehouse and stores	12,374	13,275
Prepaid expenses	293	94
	17,339	16,439
Property and equipment		
Furniture, fixtures and portable equipment	11,376	10,334
Other equipment	6,689	6,164
Land and buildings	10,803	10,556
Capital and leasehold improvements	17,959	16,421
	46,827	43,475
Less: Accumulated depreciation and amortization	33,338	30,359
	13,489	13,116
Assets under capital lease	10,831	10,831
Less: Accumulated amortization	5,485	4,934
	5,346	5,897
	\$ 36,174	\$ 35,452
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	6,790	5,825
Current portion of obligations under capital leases (Note 2)	184	160
	6,974	5,985
Long-term liability		
Obligations under capital lease (Note 2)	9,581	9,765
Due to Minister of Finance		
Balance, beginning of year	19,702	19,529
Remittances	19,702	19,529
	---	---
Current year		
Net income	113,363	67,543
Remittances	93,744	47,841
Balance, end of year	19,619	19,702
	\$ 36,174	\$ 35,452

Operating Leases (Note 4)

Contingencies (Note 5)

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

THE NOVA SCOTIA LIQUOR COMMISSION

Statement of Income

year ended March 31, 1996, with comparative figures for 1995

	1996	% of Sales (in thousands)	1995	% of Sales
Net Sales	\$ 319,713	100.0	\$ 319,941	100.0
Cost of goods sold	<u>161,481</u>	<u>50.5</u>	<u>162,309</u>	<u>50.7</u>
	158,232	49.5	157,632	49.3
Stores' operating expenses (Note 3)	<u>30,537</u>	<u>9.6</u>	<u>30,369</u>	<u>9.5</u>
Income, store operations	127,695	39.9	127,263	39.8
Administrative expenses (Note 3)	17,705	5.5	17,850	5.6
Other revenue	(4,914)	(1.5)	(5,209)	(1.6)
Other expenses	<u>750</u>	<u>0.2</u>	<u>614</u>	<u>0.2</u>
	13,541	4.2	13,255	4.2
Income before unusual item	114,154	35.7	114,008	35.6
Early retirement program	<u>791</u>	<u>0.3</u>	<u>2,055</u>	<u>0.6</u>
Income from operations	113,363	35.4	111,953	35.0
Maintenance of Royal Canadian Mounted Police	<u>---</u>	<u>---</u>	<u>44,410</u>	<u>13.9</u>
Net income	\$ <u>113,363</u>	35.4	\$ <u>67,543</u>	21.1

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

THE NOVA SCOTIA LIQUOR COMMISSION

Statement of Changes in Financial Position

year ended March 31, 1996, with comparative figures for 1995

	1996	1995
	(in thousands)	
Cash provided by (used in):		
Operations:		
Income from operations \$	113,363	\$ 111,953
Maintenance of Royal Canadian Mounted Police	---	44,410
Net income	113,363	67,543
Depreciation and amortization not involving cash	3,540	3,231
Change in non-cash operating working capital	1,915	(951)
	<u>118,818</u>	<u>69,823</u>
Financing:		
Principal payments on obligations under capital lease	(160)	(139)
Investments:		
Additions to property and equipment (net)	(3,362)	(2,559)
Other:		
Remittances to Minister of Finance	(113,446)	(67,370)
Increase (decrease) in cash	1,850	(245)
Cash, beginning of year	<u>2,108</u>	<u>2,353</u>
Cash, end of year \$	<u><u>3,958</u></u>	<u><u>\$ 2,108</u></u>

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

THE NOVA SCOTIA LIQUOR COMMISSION

Notes to Financial Statements

year ended March 31, 1996

The Nova Scotia Liquor Commission administers the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989.

1. Significant accounting policies

(a) Inventories:

Inventories of stock in warehouse and stores are valued at the lower of cost and net realizable value. Customs and excise tax have not been included where payment is due upon shipment from bonded warehouse.

(b) Property and equipment:

Property and equipment are stated at cost. Depreciation and amortization are provided on the straight-line basis at the following annual rates:

Asset	Rate
Furniture, fixtures, portable equipment, other equipment and capital and leasehold improvements	10%
Land and buildings	5%

In the year of addition, depreciation is charged at the full annual rate.

Land costs which normally would not be depreciated are written off due to the retention of proceeds by the Province of Nova Scotia.

(c) Assets under capital lease:

Assets under capital lease are amortized over their estimated useful lives using the straight-line method.

2. Obligations under capital lease

The Nova Scotia Liquor Commission has an obligation under a capital lease, which matures in 2011. The obligation represents the total present value of future minimum lease payments discounted at the rate implicit in the lease which is 13.8%. The following is a schedule by years of future minimum lease

payments together with the balance of the obligation under capital lease as of March 31, 1996:

1997	\$	1,537,000
1998		1,536,000
1999		1,537,000
2000		1,536,000
2001		1,537,000
2002-2011		<u>16,516,000</u>
Total minimum lease payments		24,199,000
Less: Amounts representing interest		<u>(14,434,000)</u>
Balance of obligation		9,765,000
Less: Current portion of obligations under capital lease		<u>184,000</u>
	\$	<u><u>9,581,000</u></u>

3. Expenses

Depreciation of property and equipment, amortization of leasehold improvements and capital leases is recorded in expenses as follows:

	1996	1995
	(in thousands)	
Stores' operating expenses	\$ 2,130	\$ 1,912
Administrative expenses	<u>1,410</u>	<u>1,319</u>
	<u>\$ 3,540</u>	<u>\$ 3,231</u>

Administrative expenses also include the following:

Interest on obligation under capital lease	\$ <u>1,376</u>	\$ <u>1,397</u>
--	-----------------	-----------------

4. Operating leases:

The Nova Scotia Liquor Commission leases buildings, premises and equipment under operating leases which expire at various dates between 1996 and 2011. Some of these operating leases contain renewal options at the end of the initial lease term.

The following is an approximate schedule by years of future minimum rental payments required under operating leases that have initial lease terms in excess of one year, as of March 31, 1996:

1997	\$	2,337,000
1998		2,104,000
1999		1,940,000
2000		1,694,000
2001		1,282,000
2002-2011		<u>5,321,000</u>
Total minimum payments required	\$	<u><u>14,678,000</u></u>

5. Contingencies

The Nova Scotia Liquor Commission is included in actions by Air Canada and Air Nova to recover certain amounts paid in respect of liquor purchases from various liquor boards. The outcome of this action is not determinable at the present time.

6. Pension plan and retirement obligations

Full time employees of the Nova Scotia Liquor Commission are members of the Nova Scotia Public Service Superannuation Plan.

AUDITORS' REPORT

To the Honourable Minister
in charge of Administration
Liquor Control Act
Province of Nova Scotia
Halifax, Nova Scotia

We have audited the balance sheet of The Nova Scotia Liquor License Board as at March 31, 1996 and the statement of income for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1996 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

KPMG
Chartered Accountants

Halifax, Nova Scotia
May 28, 1996

PROVINCE OF NOVA SCOTIA
THE NOVA SCOTIA LIQUOR LICENSE BOARD
BALANCE SHEET

March 31, 1996, with comparative figures for 1995

ASSETS

	1996	1995
Current Assets		
Cash	\$ 4,064	\$ ---
Prepaid expenses	<u>1,000</u>	<u>4,685</u>
	<u>5,064</u>	<u>4,685</u>
Accounts receivable	<u>81,261</u>	<u>94,832</u>
	<u>\$ 86,325</u>	<u>\$ 99,517</u>

LIABILITIES

Current liabilities		
Accounts payable and accruals	\$ 27,568	\$ 60,716
Deferred revenue	4,500	3,150
Due to Nova Scotia Liquor Commission	<u>5,294</u>	<u>4,643</u>
	37,362	68,509
ERIP payable (Note 2)	---	115,579
Due to (from) Minister of Finance:		
Balance, beginning of year	(84,571)	29,419
Current year:		
Net income	5,394,534	4,652,011
Remittances	<u>(5,261,000)</u>	<u>(4,766,001)</u>
Balance, end of year	<u>48,963</u>	<u>(84,571)</u>
	<u>\$ 86,325</u>	<u>\$ 99,517</u>

Contingencies (Note 3)

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

THE NOVA SCOTIA LIQUOR LICENSE BOARD

Statement of Income

year ended March 31, 1996, with comparative figures for 1995

	1996	1995
Revenue:		
License fees	\$ 6,126,630	\$ 6,187,127
License sales and renewals	432,356	414,726
License application fees	56,100	61,550
Interest	10,044	7,383
Miscellaneous revenue	722	631
	<u>6,625,852</u>	<u>6,671,417</u>
Administrative expenses	<u>907,704</u>	<u>2,175,949</u>
Net operating income	5,718,148	4,495,468
Other revenue	---	214,408
Other expense (Note 4)	268,922	---
ERIP expense	<u>54,692</u>	<u>57,865</u>
Net income	<u>\$ 5,394,534</u>	<u>\$ 4,652,011</u>

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA**THE NOVA SCOTIA LIQUOR LICENSE BOARD****Notes to Financial Statements****year ended March 31, 1996**

The Nova Scotia Liquor License Board is regulated by the Liquor Control Act of Nova Scotia. The Board's revenue is derived from the sale and renewal of licenses throughout Nova Scotia as well as a license fee on all liquor purchased by licensees during the year from The Nova Scotia Liquor Commission.

The Board amalgamated with the Nova Scotia Gaming Control Commission during the year and the Gaming Control Commission assumed responsibility for many of the Board's administrative expenses. The Board will continue to operate separately until the Liquor Control Act of Nova Scotia is changed to reflect the amalgamation.

1. Significant accounting policy**(a) Furniture, equipment and leasehold improvements:**

Purchases of furniture, equipment and leasehold improvements are expensed in the year of the acquisition.

(b) Administrative expenses:

Certain administrative expenses were assumed by the Nova Scotia Gaming Control Commission as employees moved to the Gaming Control Commission during the year. Only administrative expenses which are entirely "liquor related" are now borne by the Board.

2. ERIP payable

The Board has participated in an Early Retirement Incentive Program as offered by the Province of Nova Scotia to all Provincial Government employees. The full amount of this liability has been assumed by the Nova Scotia Gaming Control Commission subsequent to their amalgamation with the Board.

3. Contingencies

Actions have been commenced by two airlines to recover taxes paid on liquor consumed during flights. The outcome of these actions are undeterminable at the present time.

4. Other expenses

As a result of the amalgamation with the Nova Scotia Gaming Control Commission, the majority of the Nova Scotia Liquor License Board's employees were transferred to the Commission's payroll at various times throughout the year. In relation to this, the Board was charged to \$154,752 for Public Service Awards accruing up to the date of the employee's transfer to the Commission.

In addition, the Board was also charged \$114,170, representing the value of unfunded pensions which are currently being paid to former Board employees.

Both of the above amounts were determined by an actuarial calculation.

AUDITORS' REPORT

To the Directors of the
Nova Scotia Municipal Finance Corporation

We have audited the statement of financial position of Nova Scotia Municipal Finance Corporation as at March 31, 1996 and the statements of revenue, expenditure and reserve fund and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

DOANE RAYMOND
Chartered Accountants

Halifax, Canada
May 17, 1996

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

STATEMENT OF FINANCIAL POSITION

March 31, 1996

	1996	1995
ASSETS		
Current assets		
Cash	\$ 815,283	\$ 13,595
Short-term investments, at amortized cost (market - \$8,000,000; 1995-\$6,996,947)	8,000,000	6,991,302
Accrued interest receivable	20,189,121	20,074,756
Principal due within one year on loans to units	<u>88,918,800</u>	<u>48,149,155</u>
	117,923,204	75,228,808
Long-term assets		
Loans to units (Note 2)	562,289,567	559,355,646
Less: Principal included in current assets	<u>88,918,800</u>	<u>48,149,155</u>
	473,370,767	511,206,491
Investments, at amortized cost (market - \$3,693,047)	<u>3,616,331</u>	---
	<u>476,987,098</u>	<u>511,206,491</u>
Deferred charges		
Discount on debenture debt	2,048,041	1,955,677
Less: Accumulated amortization	<u>1,521,588</u>	<u>1,372,074</u>
	526,453	583,603
	<u>\$ 595,436,755</u>	<u>\$ 587,018,902</u>
Trust fund assets (Note 3)	<u>\$ 138,406,723</u>	<u>\$ 116,890,097</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 15,522	\$ 19,594
Accrued interest payable	20,404,466	20,114,885
Principal due within one year on debenture debt	<u>88,766,000</u>	<u>43,003,000</u>
	109,185,988	63,137,479
Long-term debt		
Debentures payable (Note 4)	568,426,000	560,329,000
Less: Principal included in current liabilities	<u>88,766,000</u>	<u>43,003,000</u>
	479,660,000	517,326,000
Deferred credits		
Discount on loans to units	2,080,247	1,986,043
Less: Accumulated amortization	<u>1,635,323</u>	<u>1,485,809</u>
	444,924	500,234
EQUITY		
Reserve Fund	<u>6,145,843</u>	<u>6,055,189</u>
	<u>\$ 595,436,755</u>	<u>\$ 587,018,902</u>
Trust funds under administration (Note 3)	<u>\$ 138,406,723</u>	<u>\$ 116,890,097</u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Statement of Revenue, Expenditure and Reserve Fund

year ended March 31, 1996

	1996	1995
Revenue		
Interest on loans to units	\$ 58,473,729	\$ 58,189,060
Amortization of discount on loans to units	147,605	162,320
Interest on short-term investments	742,746	360,295
Current discount on loans to units	<u>279,093</u>	<u>331,814</u>
	59,643,173	59,043,489
Expenditure		
Interest on debenture debt	58,991,874	58,203,162
Amortization of discount on debenture debt	149,514	146,813
Debenture issue expenses	251,915	283,045
Administrative expenses (Note 5)	<u>159,216</u>	<u>153,232</u>
	59,552,519	58,786,252
Net revenue, being an increase in reserve fund	90,654	257,237
Reserve fund, beginning of year	<u>6,055,189</u>	<u>5,797,952</u>
Reserve fund, end of year	<u>\$ 6,145,843</u>	<u>\$ 6,055,189</u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Statement of Changes in Financial Position

year ended March 31, 1996

	1996	1995
Cash derived from:		
Net revenue	\$ 90,654	\$ 257,237
Add (deduct) items not involving cash:		
Amortization of discount on loans to units	(147,605)	(162,320)
Amortization of discount on debenture debt	149,514	146,813
	92,563	241,730
Issue of debentures of \$51,100,000 net of discount of \$92,364 (1995 - \$46,000,000 net of discounts of \$119,932)	51,007,636	46,680,068
Principal received on loans to units	48,149,154	41,539,264
Change in non-cash working capital (Note 7)	171,144	---
	99,420,497	88,461,062
Cash applied to:		
Loans of \$51,083,076 to units on security of debentures, net of discounts of \$92,296 (1995- \$46,927,036 net of discounts of \$120,429)	(50,990,780)	(46,806,607)
Principal payment on debenture debt	(43,003,000)	(39,736,000)
Change in non-cash working capital (Note 7)	---	(193)
Purchase of investments, net of discounts of \$883,669	(3,616,331)	---
	(97,610,111)	(86,542,800)
Increase in cash	1,810,386	1,918,262
Cash and short-term investments		
Beginning of year	7,004,897	5,086,635
End of year	\$ 8,815,283	\$ 7,004,897

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Notes to the Financial Statements

March 31, 1996

The Corporation was created by the Municipal Finance Corporation Act, which was proclaimed on July 31, 1979. The corporation began operations on January 1, 1980 and has a March 31 fiscal year-end. The object of the Corporation is to provide financing of approved capital projects for municipalities, municipal enterprises, including district school boards, and hospitals through a central borrowing authority.

1. Significant accounting policies:

- (a) Discounts on debenture debt and loans to units are being amortized over the life of the debentures payable and the loans receivable to which they relate, using the debentures outstanding method.
- (b) The Reserve Fund was created from interest earnings on funds which had been advanced by the Province of Nova Scotia and have since been repaid and interest on other surplus monies available from time to time, as well as from discounts on loans to units. The purpose of the Reserve Fund is to provide a capital base for the Corporation as well as to provide for funds which may be required for administrative purposes and timing differences.

2. Loans to units

- (a) Loans to units are made on the security of their debentures, due in annual instalments for periods up to a maximum of twenty years. Due to existing provision for the recovery of any defaults by units, an allowance for doubtful accounts is not required.
- (b) Principal payments receivable in each of the next five years are as follows:

1997	\$	88,918,800
1998	\$	46,474,496
1999	\$	59,535,592
2000	\$	112,260,910
2001	\$	127,963,928

3. Trust funds under administration:

Trust Fund assets totalling \$138,406,723 (1995 - \$116,890,087) are held on behalf of certain municipal units. These funds represent sinking funds which are held by the Corporation to be applied to the repayment of outstanding debenture debt of the respective municipalities at maturity.

4. Debentures payable:

- (a) The debenture debt outstanding at March 31, 1996 totalling \$568,426,000 (1995 - \$560,329,000) is in Canadian funds and is fully guaranteed by the Province of Nova Scotia.

Series	Date Issued	Maturity Date	Interest Rate	Debt Outstanding
A	Jan. 4/80	1996 to 2000	11.250	\$ 5,000,000
B	July 2/80	1996 to 2000	12.000	3,500,000
C	Dec. 19/80	1996 to 2000	13.375	6,250,000
D	Dec. 19/80	1996 to 2000	13.375	2,500,000
F	Dec. 22/81	1996	15.000	35,000,000
K	Sept. 7/83	1996 to 1998	12.750	2,100,000
M	Aug. 28/84	1996 to 1999	14.250	400,000
N	Apr. 2/85	1996 to 2005	12.000-12.500	5,275,000
P	Dec. 11/85	1996 to 2000	10.750-11.000	3,500,000
Q	July 22/86	1996	9.750-10.000	6,292,000
R	Nov. 5/86	1996	10.000	3,209,000
S	May 14/87	1996 to 1997	8.500-8.750	8,273,000
T	Dec. 15/87	1996 to 1997	10.500-10.750	8,362,000
U	May 11/88	1996 to 1998	10.250-10.375	5,756,000
V	Nov. 3/88	1996 to 1998	10.750-11.000	31,300,000
W	Apr. 26/89	1999	11.250	40,100,000
X	Nov. 16/89	1999	10.500	43,000,000
Y	June 21/90	2000	11.750	44,000,000
Z	Nov. 15/90	2000	11.900	59,000,000
AA	May 29/91	1996 to 2001	10.125-10.500	21,940,000
AB	Oct. 30/91	1996 to 2001	9.250-9.750	28,560,000
AC	May 13/92	1996 to 2002	9.000-9.875	38,435,000
AD	Dec. 9/92	1996 to 2002	7.000-8.500	33,800,000
AE	May 5/93	1996 to 2003	6.625-8.500	21,760,000
AF	Nov. 18/93	1996 to 2003	5.625-7.625	17,300,000
AG	July 13/94	1996 to 2004	7.250-9.250	16,580,000
AH	Dec. 8/94	1996 to 2004	7.000-9.750	26,134,000
AI	May 2/95	1996 to 2005	8.250-9.125	17,300,000
AJ	Nov. 14/95	1996 to 2005	6.625-8.125	33,800,000
				<u>\$ 568,426,000</u>

- (b) Interest is payable semi-annually.

Principal payments due in each of the next five years are as follows:

1997	\$ 88,766,000
1998	\$ 43,306,000
1999	\$ 60,193,000
2000	\$ 113,426,000
2001	\$ 132,545,000

5. Administrative expenses:

	1995/96 Budget	1995/96 Actual	1994/95 Actual
Salaries and benefits	\$ 121,100	\$ 118,697	118,911
Travel	4,000	71	73
Equipment and maintenance	10,000	4,509	839
Printing	2,300	1,565	1,994
Postage	4,000	3,084	3,210
Telecommunications	6,700	4,450	5,516
Stationery and supplies	5,000	5,052	1,826
Professional services	5,000	5,630	5,000
Bank charges	9,000	8,994	8,311
Directors' fees and expenses	5,600	2,945	4,577
Professional development	4,720	1,257	1,080
Dues and subscriptions	1,480	1,838	1,314
Insurance	800	756	581
Other	500	368	---
	<u>\$ 180,200</u>	<u>\$ 159,216</u>	<u>\$ 153,232</u>

6. Taxes:

The corporation is not subject to Provincial or Federal Taxes.

7. Change in non-cash working capital

	1996	1995
Accrued interest receivable	\$ (114,365)	\$ 63,874
Accounts payable	(4,072)	(756)
Accrued interest payable	289,581	(63,311)
	<u>\$ 171,144</u>	<u>\$ (193)</u>

AUDITORS' REPORT

To the Chair and Members of the
Nova Scotia Police Commission

We have audited the balance sheet of The Nova Scotia Police Commission as at March 31, 1996 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Commission as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The comparative figures for the year ended March 31, 1995 are based upon unaudited financial statements.

DOANE RAYMOND
Chartered Accountants

Halifax, Nova Scotia
May 29, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POLICE COMMISSION

BALANCE SHEET

March 31, 1996

	1996	1995 (Unaudited)
ASSETS		
Current		
Cash	\$ 70,869	\$ 20,302
Accounts receivable	963	230
	<u>\$ 71,832</u>	<u>\$ 20,532</u>
LIABILITIES		
Current		
Payables and accruals	\$ 19,647	\$ 7,428
Due to Province of Nova Scotia	52,832	13,104
	<u>\$ 72,479</u>	<u>\$ 20,532</u>

See accompany notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POLICE COMMISSION

Statement of Operations

year ended March 31, 1996

	1996	1995 (Unaudited)
Revenue		
Grant from the Province of Nova Scotia - gross \$	257,300	\$ 210,533
Refundable portion	<u>(39,082)</u>	<u>(13,104)</u>
Net grant	218,218	197,429
Interest income	<u>1,335</u>	<u>---</u>
	<u>219,553</u>	<u>197,429</u>
Expenses		
Commission		
Salaries, wages and benefits	147,891	135,348
Travel	10,643	13,385
Investigation services	8,714	1,218
Equipment	7,758	14,761
Office supplies and services	5,951	6,544
Telephone	1,856	3,761
Printing and copying	2,630	1,246
Dues and fees	1,451	320
Audit	1,000	---
Transcription	967	873
Repairs and maintenance	473	1,696
Other expenses	<u>71</u>	<u>1,177</u>
	<u>189,405</u>	<u>180,329</u>
Review Board		
Salaries, wages and benefits	19,804	11,629
Travel	9,025	4,194
Dues and fees	937	---
Transcription	350	---
Other expenses	32	145
Consulting and expert witnesses	<u>---</u>	<u>1,132</u>
	<u>30,148</u>	<u>17,100</u>
	<u>219,553</u>	<u>197,429</u>
Operating surplus for the year \$	<u>---</u>	<u>\$ ---</u>

See accompany notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POLICE COMMISSION

Statement of Changes in Financial Position

year ended March 31, 1996

	1996	1995 (Note 4)
Cash derived from (applied to)		
Operating		
Increase in accounts receivable \$	(733) \$	---
Increase in accounts payable	11,219	---
Increase in due to Province of Nova Scotia	<u>40,081</u>	<u>---</u>
Increase in cash	50,567	---
 Cash		
Beginning of year	<u>20,302</u>	<u>---</u>
End of year \$	<u><u>70,869</u></u> \$	<u><u>---</u></u>

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA**NOVA SCOTIA POLICE COMMISSION****Notes to the Financial Statements****March 31, 1996****1. Incorporation**

The Nova Scotia Police Commission was incorporated pursuant to the Police Act of Nova Scotia, Chapter 348 of the Revised Statutes of Nova Scotia, 1989.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging fixed asset acquisitions to expense in the year of purchase.

3. Pensions

The full time employees of the Commission are entitled, as Civil Servants, to receive pension benefits under the Public Service Superannuation Act. The Plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Commission is not responsible for any unfunded liability.

4. Comparative Figures

During 1995, the Commission separated its accounting records from those of the Provincial financial reporting system. Comparative cash balances are unavailable for 1994 and previous fiscal years. As a result, no comparative figures exist for the Statement of Changes in Financial Position.

AUDITORS' REPORT

To the Board of Directors
Nova Scotia Power Finance Corporation

We have audited the statement of financial position of Nova Scotia Power Finance Corporation as at March 31, 1996, and the statement of earnings and retained earnings for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

DELOITTE & TOUCHE
Chartered Accountants

Halifax, Nova Scotia
June 24, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POWER FINANCE CORPORATION

(Formerly Nova Scotia Power Corporation - See Note 1)

Statement of Financial Position

as at March 31, 1996

	ASSETS	
	1996	1995
	(in millions)	
Notes receivable - Nova Scotia Power Inc. (Note 2)	\$ 37.1	\$ 650.1
Accrued interest due from Nova Scotia Power Inc.	6.6	36.9
	<u>\$ 43.7</u>	<u>\$ 687.0</u>
	LIABILITIES	
Long-term debt (Note 3)	\$ 37.1	\$ 650.1
Accrued interest on long-term debt	6.6	36.9
	<u>43.7</u>	<u>687.0</u>
	EQUITY	
Retained earnings	---	---
	<u>\$ 43.7</u>	<u>\$ 687.0</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POWER FINANCE CORPORATION

(Formerly Nova Scotia Power Corporation - See Note 1)

Statement of Earnings and Retained Earnings

year ended March 31, 1996

	1996	1995
	(in millions)	
Revenue		
Interest on matching notes (Note 5) \$	21.6 \$	81.1
Expenses		
Interest on long-term debt (Note 5)	21.6	81.1
Net earnings	---	---
Retained earnings, beginning of year	---	---
Retained earnings, end of year \$	<u>---</u> \$	<u>---</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POWER FINANCE CORPORATION

Notes to the Financial Statements

year ended March 31, 1996

1. Reorganization and Privatization

In 1992, the Province of Nova Scotia passed legislation to facilitate the reorganization and privatization of the business of Nova Scotia Power Corporation (N.S.P.C.). In effecting this, pursuant to the Asset Transfer Agreement effective on August 10, 1992, N.S.P.C. transferred all of its existing assets, liabilities and equity except for long-term debt and related sinking funds to Nova Scotia Power Inc. (N.S.P.I.) in exchange for:

- a) matching notes receivable equivalent to outstanding long-term debt, and matching notes payable equivalent to sinking fund assets; and
- b) 20,134,666 fully paid common shares of N.S.P.I., issued to the Province of Nova Scotia, which were subsequently sold on August 12, 1992 by the Province of Nova Scotia as a secondary offering. Concurrently, the \$13.3 million of contributed surplus of N.S.P.C. was transferred to the retained earnings of N.S.P.I.

Subsequent to the reorganization and privatization, the business activities of N.S.P.C. continued under N.S.P.I. N.S.P.C. changed its name to Nova Scotia Power Finance Corporation (N.S.P.F.C.) which continues to hold the long-term debt and sinking fund assets.

Under the terms of the matching notes receivable, N.S.P.I. is responsible for the long-term debt of N.S.P.F.C.

2. Notes Receivable - Nova Scotia Power Inc.

	1996	1995
	(in millions)	
Matching notes receivable (Note 1)	\$ 229.0	\$ 988.4
Less: Sinking fund matching notes payable (Note 1)	(191.9)	(338.3)
	<u>\$ 37.1</u>	<u>\$ 650.1</u>

3. Long-Term Debt

	1996	1995
	(in millions)	
Bonds and debentures, net of sinking funds and defeasance investments	\$ 37.1	\$ 626.3
Notes - Government of Canada	---	23.8
	<u>\$ 37.1</u>	<u>\$ 650.1</u>

Bonds, debentures and notes payable, which are guaranteed by the Province of Nova Scotia, are expressed in Canadian dollars at March 31, 1996. A number of the bond and debenture issues are redeemable prior to maturity at the option of the Corporation. Bonds, debentures and notes payable are summarized by years of maturity and by currency in which they are payable in the following table:

Years of Maturity	1996			Weighted Average Coupon Rate %	1995	
	(1) Principal Outstanding				Principal Outstanding Total	Weighted Average Coupon Rate %
	Canadian	Foreign	Total			
	(in millions)					
1996	\$ 19.4	\$ ---	\$ 19.4	\$	100.0	
1997	9.6	---	9.6		19.5	
1998	---	---	---		9.6	
1999	---	---	---		---	
2000	---	---	---		---	
1-5 years	29.0	---	29.0	9.45	129.1	11.30
6-10 years	200.0	---	200.0	9.41	322.0	10.11
11-15 years	---	---	---	---	---	---
16-20 years	---	---	---	---	173.8	10.53
21-25 years	---	---	---	---	195.0	11.54
26-30 years	---	---	---	---	168.5	9.40
31-40 years	---	---	---	---	---	---
Total long-term debt (Schedule 1)	229.0	---	229.0	<u>9.41</u>	988.4	<u>10.50</u>
Less: Sinking funds (Schedule 1)	(191.9)	---	(191.9)		(338.3)	
Net long-term debt (Schedule 2)	<u>\$ 37.1</u>	<u>\$ ---</u>	<u>\$ 37.1</u>		<u>\$ 650.1</u>	
Currency payable:						
Canadian dollars		\$	37.1	\$	504.2	
United States dollars			---		145.9	
		\$	<u>37.1</u>	\$	<u>650.1</u>	

(1) Principal outstanding at March 31, 1996 is stated net of related defeasance assets. Details of defeasance to March 31, 1996 are provided in Schedule 1 to the financial statements.

(2) Amounts payable in foreign currencies and those sinking fund investments denominated in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements.

4. Debt Defeasance

On reorganization, N.S.P.I. and N.S.P.F. committed, subject to certain conditions, to effect defeasance of N.S.P.F.'s long-term debt through repayment of the matching notes by December 31, 1997 in order to fully remove the debt from its balance sheet by that date. Defeasance requires qualifying assets to be set aside by the debtor to be used solely for satisfying scheduled future payments of principal and interest of a specific obligation.

Under the terms of the Defeasance Agreement, subject to certain factors, minimum amounts of debt to be defeased are as follows:

December 31	Annual Amount (in millions)
1993	\$ 200.0
1994	300.0
1995	400.0
1996	250.0
1997	231.6
	<u>\$ 1,381.6</u>

As at March 31, 1996, \$1,434.0 million of debt had been defeased (1995 - \$859.2 million) (Schedule 1).

5. Interest

	1996	1995
	(in millions)	
Interest on long-term debt	\$ 76.7	\$ 120.5
Less: Sinking fund earnings	<u>(55.1)</u>	<u>(39.4)</u>
	21.6	81.1
Less: Interest on matching notes - N.S.P.I.	<u>21.6</u>	<u>81.1</u>
	<u>\$ ---</u>	<u>\$ ---</u>

6. General and Administrative Expenses

Under the terms of the privatization agreements, N.S.P.I. is responsible for the payment of N.S.P.F.C. expenses. During the year, \$20,430 of such expenses were incurred by N.S.P.F.C. and recovered by it from N.S.P.I.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POWER FINANCE CORPORATION

Long-Term Debt and Sinking Funds

as at March 31, 1996

Series	Date of Maturity		Rate	Amount Outstanding	Defeasance To Date	Net Undeferred Balance	(1)(2) Sinking Funds
Debentures							
"O"	October 21, 2001	(3)	9.75%	\$ 50,000,000	---	\$ 50,000,000	47,308,847
"Q"	February 22, 2002	(3)	9.25%	50,000,000	---	50,000,000	46,971,369
"S"	July 21, 2002	(3)	9.25%	50,000,000	---	50,000,000	44,953,152
"V"	January 10, 2003	(3)	9.375%	50,000,000	---	50,000,000	44,000,000
"AA"	July 15, 2005	(3)	11.50%	50,000,000	50,000,000	---	---
"AE"	December 1, 2002	(3)	13.50%	100,000,000	100,000,000	---	---
"AF"	December 20, 2003	(3)	12.50%	75,000,000	75,000,000	---	---
"AG"	February 14, 2005	(3)	12.125%	100,000,000	100,000,000	---	---
"AH"	November 15, 2012		10.875%	150,000,000	150,000,000	---	---
"AJ"	April 27, 2014		11.25%	200,000,000	200,000,000	---	---
"AK"	January 10, 2020		10.25%	150,000,000	150,000,000	---	---
"AM"	February 26, 2031		11.00%	200,000,000	200,000,000	---	---
"AN"	April 1, 2021 (U.S.)	(2)	9.40%	408,960,000	408,960,000	---	---
"DO02"	July 7, 1997		10.25%	9,568,900	---	9,568,900	8,601,646
Savings Bonds							
"SB05"	July 8, 1996		9.00%	19,397,800	---	19,397,800	---
Total long-term debt				\$ 1,662,926,700	\$ 1,433,960,000	\$ 228,966,700	\$ 191,835,014

- (1) Sinking funds are maintained on a pooled basis. Presentation by individual debenture issue, above, is based upon management allocation.
- (2) Amounts payable in foreign currencies and those sinking fund investments denominated in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements.
- (3) Callable issues. Under the terms of the privatization agreements, all options must be exercised.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA POWER FINANCE CORPORATION

Continuity of Long-Term Debt

August 10, 1992 to March 31, 1996

Long-term debt, August 10, 1992 (Note 1)	\$	2,152,879,732
Less: Sinking funds, August 10, 1992		(420,560,964)
Net long-term debt, August 10, 1992		<u>1,732,318,768</u>

Less: Retired, funded or defeased:

	<u>Debt Retirement</u>	<u>Sinking Fund Growth</u>	<u>Defeasance</u>	
Year ended March 31,				
1993	\$ (1,371,458)	\$ (57,498,429)	\$ (130,872,250)	(189,742,137)
Year ended March 31,				
1994	(238,449,609)	69,597,333	(373,507,887)	(542,360,163)
Year ended March 31,				
1995	(65,543,679)	70,132,288	(354,775,338)	(350,186,729)
Year ended March 31, 1996				
Repayment of Government of Canada advances	(23,756,886)	---	---	(23,756,886)
Sinking fund instalments	---	(303,289,545)	---	(303,289,545)
Sinking fund earnings	---	(55,140,111)	---	(55,140,111)
Retirement of debentures	(150,001,600)	10,000,000	---	(140,001,600)
Transfer to defeasance	---	495,592,200	(495,592,200)	---
Retirement of savings bonds	(89,800)	---	---	(89,800)
Defeasance investments received from N.S.P.I.	---	---	(89,952,325)	(89,952,325)
Foreign currency translation	(10,740,000)	(667,786)	10,740,000	(667,786)
	<u>(184,588,286)</u>	<u>146,494,758</u>	<u>(574,804,525)</u>	<u>(612,898,053)</u>
	<u>\$ (489,953,032)</u>	<u>\$ 228,725,950</u>	<u>\$ (1,433,960,000)</u>	<u>\$ (1,695,187,082)</u>

Net long-term debt, March 31, 1996 (Note 3)	\$	<u>37,131,686</u>
--	----	-------------------

Comprised of:

Long-term debt (Schedule 1)	\$	1,662,926,700
Less: Sinking funds		(191,835,014)
Defeasance investments		<u>(1,433,960,000)</u>
	\$	<u>37,131,686</u>

AUDITOR'S REPORT

To the Chair and Members of the
Nova Scotia Primary Forest Products Marketing Board; and
To the Minister of Natural Resources

I have audited the balance sheet of the Nova Scotia Primary Forest Products Marketing Board as at March 31, 1996 and the statement of revenues, expenses and fund balance for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1996 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
July 12, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

BALANCE SHEET

as at March 31, 1996

ASSETS

	1996	1995
Current		
Cash	200 \$	200
Due from processors	44,415	63,851
Due from Province of Nova Scotia	540,379	433,330
	<u>\$ 584,994</u>	<u>\$ 497,381</u>

LIABILITIES AND FUND BALANCE

Current		
Due to bargaining agents	35,932 \$	43,850
Fund Balance	<u>549,062</u>	<u>453,531</u>
	<u>\$ 584,994</u>	<u>\$ 497,381</u>

Commitment (Note 3)

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Statement of Revenues, Expenses and Fund Balance

for the year ended March 31, 1996

	1996	1995
Revenues		
Charges against suppliers	\$ 587,228	\$ 644,653
Less: Bargaining agents funding (Note 1)	410,391	441,981
	<u>176,837</u>	<u>202,672</u>
Interest on fund balance	37,219	29,075
	<u>214,056</u>	<u>231,747</u>
Expenses		
Salaries	80,639	92,004
Travel	8,450	3,468
Supplies and services	3,987	4,979
Board member per diems	12,000	1,350
Equipment and maintenance	125	2,388
Lease payments - equipment	3,492	2,907
Lease payments - office space	7,136	21,783
Legal fees	1,545	450
Other	1,151	359
	<u>118,525</u>	<u>129,688</u>
Excess of revenues over expenses	95,531	102,059
Fund balance, beginning of year	453,531	351,472
Fund balance, end of year	\$ <u>549,062</u>	\$ <u>453,531</u>

PROVINCE OF NOVA SCOTIA**NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD****Notes to Financial Statements****March 31, 1996****1. Authority**

The Nova Scotia Primary Forest Products Marketing Board was established by the Primary Forest Products Marketing Act.

The objectives of the Board are: to provide for the organization and funding of bargaining agents, to provide for the registration of bargaining agents, to provide for the resolution of bargaining disputes, to facilitate and support the continued development of the forest resources held by private woodlot owners, and to enable private woodlot owners to have a fair share of the available market and receive a reasonable return for the sale of primary forest products.

The Board imposes separate charges against producers of primary forest products for the purpose of providing funding of bargaining agents, and for funding the operations of the Board.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging equipment purchases to expense in the year the costs are incurred.

3. Office Lease Commitment

On October 1, 1994, the Department of Transportation and Public Works entered into a five-year lease agreement for office space on behalf of the Board. The lease agreement requires monthly payments of \$552, which are billed to the Board by the Department of Transportation and Public Works.

AUDITOR'S REPORT

To the Minister of the Nova Scotia Economic Renewal Agency; and
To the Chairman and Members of the Board of Directors of the
Nova Scotia Research Foundation Corporation

I have audited the consolidated balance sheet of the Nova Scotia Research Foundation Corporation as at March 31, 1996 and the consolidated statements of revenues and expenses, retained earnings, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies described in the notes to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 28, 1996

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA RESEARCH FOUNDATION CORPORATION

CONSOLIDATED BALANCE SHEET

as at March 31, 1996

ASSETS

	1996	1995
Current		
Cash and short-term investments \$	1,612,780	\$ 2,381,783
Accounts receivable	979,030	1,213,213
Inventory	178,349	250,241
Due from InNOVAcorp (Note 1)	327,831	55,160
	3,097,990	3,900,397
Funds and Investments		
Research Endowment Fund (Note 3)	1,000,000	1,000,000
Other investments (Note 4)	276,503	178,000
	1,276,503	1,178,000
Deferred Development Costs (Note 5)	---	144,408
Fixed Assets (Schedule 2)		
Land and buildings	2,843,267	2,843,267
Equipment	1,214,043	1,203,661
	4,057,310	4,046,928
	\$ 8,431,803	\$ 9,269,733

LIABILITIES AND EQUITY

Current		
Accounts payable		
Trade \$	502,348	\$ 437,195
Province of Nova Scotia	1,926,763	3,165,172
Current portion of Early Retirement Incentive Plans (Note 6)	24,410	45,749
Deferred revenue	431,695	332,048
	2,885,216	3,980,164
Long-Term		
Early Retirement Incentive Plans (Note 6)	1,439,475	1,486,575
Fund Balances		
Research Endowment Fund	1,000,000	1,000,000
Equity		
Contributed surplus (Schedule 2)	4,057,310	4,046,928
Retained earnings (deficit)	(950,198)	(1,243,934)
	3,107,112	2,802,994
	\$ 8,431,803	\$ 9,269,733

Loan Guarantee (Note 7)

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA RESEARCH FOUNDATION CORPORATION

Consolidated Statement of Revenues and Expenses

for the year ended March 31, 1996

	1996	1995
Revenues		
Contracts (Note 8)	\$ 4,013,861	\$ 3,910,332
Grant from Province of Nova Scotia	<u>2,711,375</u>	<u>2,786,000</u>
	<u>6,725,236</u>	<u>6,696,332</u>
Expenses (Schedule 1)		
Scientific and engineering (Note 5)	4,902,517	5,404,031
Administrative and occupancy	<u>1,813,370</u>	<u>1,374,615</u>
	<u>6,715,887</u>	<u>6,778,646</u>
Income (loss) before investment income and early retirement expense	<u>9,349</u>	<u>(82,314)</u>
Investment Income		
Research Endowment Fund	68,948	68,490
Short-term investments	195,162	96,136
Royalties	<u>156,196</u>	<u>101,012</u>
	<u>420,306</u>	<u>265,638</u>
Income before Early Retirement Incentive		
Plans Expense	<u>429,655</u>	<u>183,324</u>
Early Retirement Incentive Plans Expense	133,168	117,367
Early Retirement Incentive Plan; 1994-1998 Implementation Cost (Note 6)	<u>2,751</u>	<u>298,735</u>
	<u>135,919</u>	<u>416,102</u>
Net Income (Loss)	<u>\$ 293,736</u>	<u>\$ (232,778)</u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA RESEARCH FOUNDATION CORPORATION

Consolidated Statement of Retained Earnings

for the year ended March 31, 1996

	1996	1995
Balance, beginning of year	\$ (1,243,934)	\$ (1,011,156)
Net income (loss) for the year	<u>293,736</u>	<u>(232,778)</u>
Balance, end of year	<u>\$ (950,198)</u>	<u>\$ (1,243,934)</u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA RESEARCH FOUNDATION CORPORATION

Consolidated Statement of Changes in Financial Position

for the year ended March 31, 1996

	1996	1995
Cash From (Used In) Operations		
Net income (loss)	\$ 293,736	\$ (232,778)
Add (deduct):		
Capital asset purchases	151,361	83,226
Equipment sale	(32,426)	(1,681)
Net development costs amortized	144,408	11,582
Early Retirement Incentive Plan; 1994-98 implementation cost	2,751	298,735
Working capital adjustments	(1,040,205)	1,516,904
	<u>(480,375)</u>	<u>1,675,988</u>
Cash From (Used In) Investing Activities		
Purchase of Silvagen debentures	---	(42,000)
Capital asset purchases	(151,361)	(83,226)
Investment in Jellet Biotek Ltd.	(98,503)	---
Equipment sales	32,426	1,681
Conversion of Silvagen debentures (Note 4)	178,000	---
Acquisition of Silvagen shares (Note 4)	(178,000)	---
	<u>(217,438)</u>	<u>(123,545)</u>
Cash Used In Financing Activities		
Early Retirement Incentive Plans principal payments	(71,190)	(102,248)
Net Change in Cash position	<u>\$ (769,003)</u>	<u>\$ 1,450,195</u>
Ending Cash Balance	<u>\$ 1,612,780</u>	<u>\$ 2,381,783</u>
Beginning Cash Balance	<u>2,381,783</u>	<u>931,588</u>
Net Change in Cash Position	<u>\$ (769,003)</u>	<u>\$ 1,450,195</u>

Cash is composed of cash and short-term investments.

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA**NOVA SCOTIA RESEARCH FOUNDATION CORPORATION****Notes to the Consolidated Financial Statements****March 31, 1996****1. Nova Scotia Innovation Corporation**

Effective April 1, 1996, the Nova Scotia Research Foundation Corporation was dissolved and its enabling legislation was repealed. All right, title, interest, and obligations of the Nova Scotia Research Foundation Corporation were transferred to the Nova Scotia Innovation Corporation (InNOVAcorp) on this date.

InNOVAcorp was established by an Act on February 6, 1995. The purpose of InNOVAcorp is to develop and market Nova Scotia's science and technology capabilities.

During the year the Corporation paid certain expenditures on behalf of InNOVAcorp. An amount of \$144,627 was also charged to InNOVAcorp as an allocation of management remuneration, administration services and occupancy costs. These amounts, less reimbursements, are reflected in the amount Due from InNOVAcorp at March 31, 1996.

2. Accounting Policies**(a) Principles of Consolidation**

The consolidated financial statements include the accounts of Nova Scotia Research Foundation Corporation and its wholly owned subsidiary company, Nova Magnetics Limited.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles modified by (d) and (f) below.

(b) Short-term investments

Short-term investments are valued at the lower of cost or net realizable value.

(c) Inventory

Inventory is valued at the lower of cost or net realizable value. The balance at March 31, 1996 has been reduced by \$75,000 to recognize a write-down to net realizable value. This amount is included in Scientific and Engineering expenses.

(d) Other investments

Other investments are accounted for using the cost method.

(e) Fixed assets and contributed surplus

Fixed assets are acquired by purchase, donation or construction.

The costs of purchased capital additions and the fair market values of donated capital additions are recorded as fixed assets with an offsetting credit to contributed surplus.

When fixed assets are constructed by the Corporation, the related material, labour and overhead costs are included as fixed assets in the year of expenditure.

When fixed assets are acquired out of the general revenues of the Corporation, they are charged to expenses in the year of acquisition.

When the costs of equipment have been carried on the Corporation's financial statements for ten years, that cost is removed from both the fixed asset and contributed surplus accounts.

(f) Government assistance

Funds received for the acquisition of equipment are offset against the cost of this equipment. Funds received for operating expenses incurred are recorded as revenue in the same year as the expenses were incurred.

(g) Grant in lieu of taxes

The Department of Municipal Affairs paid a grant of approximately \$399,700 (1995 - \$307,000) to the City of Dartmouth on behalf of the Corporation in lieu of commercial taxes and business occupancy taxes. This amount is not recorded in these financial statements.

3. Research Endowment Fund

Subject to any directions provided by the Government in Council, the Fund is administered and controlled by the Corporation. The Fund is on deposit in the Corporation's current account pending transfer to InNOVAcorp in 1996-97.

4. Other Investments

Other investments consist of the following:

Description	Cost	
	1996	1995
Investment in Silvagen Inc. Common Shares (49.75%) - see (a) \$	178,000 \$	---
Investment in Jellett Biotek Ltd. - see (b)	98,503	---
Silvagen Inc. - Series I-IV Convertible Debentures	---	178,000
Accrued Interest on Convertible Debentures	---	28,683
Less: Allowance for Doubtful Accrued Interest	---	(28,683)
	<u>\$ 276,503</u>	<u>\$ 178,000</u>

(a) On December 31, 1995 the Corporation converted its debentures in Silvagen Inc. to common shares.

Subsequent to year end, the common shares in Silvagen Inc. were sold by InNOVAcorp to British Columbia Resources Inc. (BCRI) in exchange for BCRI common shares and cash. InNOVAcorp also obtained a license to use Silvagen's technology, and an interest in Silvagen's working capital related to certain tax credits receivable as of September 30, 1994.

InNOVAcorp has agreed to assume Silvagen's obligation under a repayable contribution to the Atlantic Canada Opportunities Agency (ACOA) as part of this transaction.

- (b) During the year, the Corporation provided bridge financing to Jellett Biotek Ltd. (JBL). The amount is non-interest bearing and has no specified terms of repayment.

Subsequent to year end, a Letter of Intent has been signed between InNOVAcorp and JBL. The terms of the agreement provide for the exchange of the bridge financing and an additional cash consideration into common shares of JBL.

5. Deferred Development Costs

The Corporation has not succeeded in its attempt to commercialize the technology related to these costs. As a result, the balance of \$144,408 has been written-off and included in Scientific and Engineering expenses as at March 31, 1996.

6. Early Retirement Incentive Plans

1991 Plan

In February 1991, the Province of Nova Scotia announced its intention to implement an Early Retirement Incentive Plan. As an outside agency, the Corporation was invited to participate providing it agreed to pay the Province all costs of the plan not covered by the Public Service Superannuation Fund. By a resolution of the Board of Directors on March 18, 1991 the Corporation's participation was authorized.

A liability in the amount of \$211,798 has been accrued as at March 31, 1996 (1995 - \$217,834). This amount represents management's best estimate of the present value of the future payments required under the plan. Of the total liability, \$8,352 (1995 - \$6,163) has been classified on the balance sheet as current and \$203,446 (1995 - \$211,671) has been classified as long-term.

1994-98 Plan

In November 1993, the Province of Nova Scotia announced its intention to implement an Early Retirement Incentive Plan. As an outside agency, the Corporation was invited to participate providing it agreed to pay the Province all costs of the Plan not covered by the Public Service Superannuation Fund. By a resolution of the Board of Directors on January 20, 1994 the Corporation's participation was authorized.

A liability in the amount of \$1,252,087 has been accrued as at March 31, 1996 (1995 - \$1,314,490). This amount represents management's best estimate of the present value of the future payments required under the Plan. Of the total liability, \$16,058 (1995 - \$39,586) has been classified on the balance sheet as current and \$1,236,029 (1995 - \$1,274,904) has been classified as long-term.

Aggregate payments required under the plans in each of the next five years are as follows:

	Estimated Cash Flows	Imputed Interest	Principal Reduction
1996-97	\$ 154,491	\$ 130,081	24,410
1997-98	189,020	127,400	61,620
1998-99	134,997	121,478	13,519
1999-00	139,901	119,505	20,396
2000-01	144,203	117,020	27,183

7. Loan Guarantee

The Corporation has provided a guarantee of \$50,000 to the Royal Bank of Canada as security for a loan and line of credit from the bank to the Applied Microelectronics Institute.

8. Government Assistance

Contract revenues include government assistance of \$680,337 (1995 - \$774,258) for direct expenses incurred for the Technical People in Industry (TPI) program. TPI is an ACOA sponsored program administered by the Corporation, which provides partial salary support to companies employing new technical skills.

Contract revenues also include funds received for operating expenses incurred by the Corporation under various other Federal and Provincial government assistance programs.

9. Public Service Awards

Employees of the Corporation are entitled to Public Service Awards on retirement. The Awards are based on the number of years of service of the employee, and are earned at the rate of one week's pay for every year of service, to a maximum of 26 weeks. The cost of the Award is provided for by the Corporation at the time the employee retires.

10. Related Party Transactions

During the year the Corporation had business transactions with entities to which it is related. The terms of these transactions are the same as with unrelated parties.

11. Comparative Figures

Certain of the 1995 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1996.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA RESEARCH FOUNDATION CORPORATION

Schedule of Consolidated Expenses

for the year ended March 31, 1996

	1996	1995
Scientific and Engineering		
Salaries	\$ 2,372,442	\$ 2,889,386
Fringe benefits	349,624	448,270
Travel	167,204	176,060
Industrial Support - TPI (Note 8)	680,337	774,258
Other	1,290,694	1,054,727
Capital equipment purchases	42,216	61,330
	<u>4,902,517</u>	<u>5,404,031</u>
Administrative and Occupancy		
Salaries	1,001,030	735,591
Fringe benefits	123,491	113,121
Travel	23,950	19,728
Utilities	186,271	169,149
Other	369,483	315,130
Capital equipment purchases	109,145	21,896
	<u>1,813,370</u>	<u>1,374,615</u>
Total Expenses	\$ <u>6,715,887</u>	\$ <u>6,778,646</u>

Schedule 2

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA RESEARCH FOUNDATION CORPORATION

Continuity of Consolidated Fixed Assets and Contributed Surplus

for the year ended March 31, 1996

	Land and Buildings	Equipment	Contributed Surplus
Balance, beginning of year	\$ 2,843,267	\$ 1,203,661	\$ 4,046,928
<i>Add:</i> Purchases during the year	---	144,478	144,478
<i>Less:</i> Equipment write-off (Note A)	---	134,096	134,096
Balance, end of year	<u>\$ 2,843,267</u>	<u>\$ 1,214,043</u>	<u>\$ 4,057,310</u>

Note A: The equipment balance has been reduced by \$134,096 to reflect the write-off of all equipment over 10 years old.

Note B: During the ten years ended March 31, 1996, the Corporation acquired operational assets costing \$8,434,135, of which \$4,369,247 (land and buildings - \$584,230, equipment - \$3,785,017) was funded by various Federal and Provincial government assistance programs. Since government assistance received for the acquisition of fixed assets is offset against the cost of the fixed assets, the above schedule and the Corporation's balance sheet only record fixed assets and contributed surplus of \$4,057,310.

Assets purchased by Nova Magnetics Limited are expensed in the year of acquisition and are not included in the above. Nova Magnetics Limited purchased equipment totalling \$6,883 (1995 - \$695) during the year ended March 31, 1996.

AUDITORS' REPORT

To the Board of the
Nova Scotia Resource Recovery Fund

We have audited the balance sheet of the Nova Scotia Resource Recovery Fund as at February 6, 1996 and the statement of revenue, expenses and fund equity for the thirteen months period then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Fund derives revenues based upon financial assistance agreements between the Minister of Environment and external parties. These agreements require the payment of a fixed fee or a fee based on production volumes or sales amounts. No verification is made by Fund management of production volumes or sales amounts and we were unable to verify these by other means. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Fund and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, assets and fund equity.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Fund as at February 6, 1996 and the results of its operations for the thirteen month period then ended in accordance with generally accepted accounting principles.

The comparative figures for 1994 as based upon financial statements which were reported on by the Auditor General of Nova Scotia.

DOANE RAYMOND
Chartered Accountants

Halifax, Nova Scotia
March 11, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA RESOURCE RECOVERY FUND

BALANCE SHEET

as at February 6, 1996

	February 6 1996	December 31 1994
ASSETS		
Current		
Cash	\$ 216,513	\$ 202,672
Receivables - Financial Assistance Agreements	115,889	557,767
Accrued interest receivable	21,614	36,753
Investments (Schedule 1)	2,860,651	2,294,500
	<u>\$ 3,214,667</u>	<u>\$ 3,091,692</u>
LIABILITIES AND FUND EQUITY		
Current		
Payables and accruals	\$ 60,801	\$ 102,896
Fund Equity		
Restricted (Note 3)	105,948	146,296
Unrestricted	<u>3,047,918</u>	<u>2,842,500</u>
	<u>3,153,866</u>	<u>2,988,796</u>
	<u>\$ 3,214,667</u>	<u>\$ 3,091,692</u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA RESOURCE RECOVERY FUND

Statement of Revenue, Expenses and Fund Equity - Unrestricted Fund

	January 1, 1995 to February 6, 1996	January 1, 1994 to December 31, 1994
Revenue		
Financial Assistance Agreements (Schedule 2)	\$ 742,948	\$ 1,082,416
Expenses		
Administration	96,244	71,524
Program (Schedule 3)	653,237	575,038
	<u>749,481</u>	<u>646,562</u>
Excess of revenue over expenses (expenses over revenue) before interest income	(6,533)	435,854
Interest income	219,575	105,932
Excess of revenue over expenses	<u>\$ 213,042</u>	<u>\$ 541,786</u>
Fund equity, beginning of year	\$ 2,834,876	\$ 2,293,090
Excess of revenue over expenses	213,042	541,786
Fund equity, end of year	<u>\$ 3,047,918</u>	<u>\$ 2,834,876</u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA RESOURCE RECOVERY FUND

Statement of Revenue, Expenses and Fund Equity - Restricted Fund

	January 1, 1995 to February 6, 1996	January 1, 1994 to December 31, 1994
Revenue		
Financial Assistance Agreements (Schedule 2)	\$ 125,510	\$ 142,074
Expenses - capital		
Program (Schedule 3)	<u>173,482</u>	<u>10,159</u>
Excess of revenue over expenses (expenses over revenue)	<u>\$ (47,972)</u>	<u>\$ 131,915</u>
Fund equity, beginning of year	\$ 153,920	\$ 22,005
Excess of revenue over expenses (expenses over revenue)	<u>(47,972)</u>	<u>131,915</u>
Fund equity, end of year	<u>\$ 105,948</u>	<u>\$ 153,920</u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA**NOVA SCOTIA RESOURCE RECOVERY FUND****Notes to the Financial Statements****February 6, 1996****1. Authority**

The Resource Recovery Fund commenced operations September 1, 1990 pursuant to the Recycling Act. The Fund helps provide effective waste management practices, and encourages recycling and protection of the environment. Effective January 1, 1995 the Recycling Act was repealed and the Fund's authority is vested in the Environment Act. Effective February 6, 1996, in accordance with Section 6(1)(c) of the Solid Waste Resource Management Regulations and the agreement between the Minister of Environment and the Board of the newly incorporated not for profit corporation, Resource Recovery Fund Board Incorporated, the assets and liabilities will be transferred to the new corporation.

2. Summary of Significant Accounting Policies**Fixed Assets**

Purchases of capital equipment are expensed in the year of acquisition.

Administrative Expenses

Most administrative expenses are borne by the Fund; however those related to office premises, supplies and certain administrative functions are paid by the Nova Scotia Department of Environment.

3. Restricted Equity

Contributions received pursuant to the agreement dated February 5, 1991 with the Grocery Products Manufacturers of Canada are restricted to capital expenditures.

4. Programs Authorized but Unadvanced

The Nova Scotia Resource Recovery Fund provides financial assistance and incentives under programs approved by its Board. As at February 6, 1996, \$190,940 of authorized program expenditures has not yet been expended.

SCHEDULE 1

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA RESOURCE RECOVERY FUND

Investments

February 6, 1996

	Interest Rate	Maturity Date	Cost
ScotiaBank - Bankers Acceptance	5.75%	March 25, 1996	\$ 2,856,790
ScotiaBank - Treasury Bills	5.25%	September 19, 1996	3,861
			<u>\$ 2,860,651</u>

The investments of the Resource Recovery Fund are recorded at cost which approximates market value.

See accompanying notes to the financial statements.

SCHEDULE 2

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA RESOURCE RECOVERY FUND

Financial Assistance Agreements

	January 1, 1995 to February 6, 1996	January 1, 1994 to December 31, 1994
Unrestricted		
Canadian Soft Drink Association \$	1,507 \$	200,000
Canadian Council of Grocery Distributors	49,990	100,000
Nova Scotia Liquor Commission	582,934	675,613
Nova Scotia Daily Newspapers	58,514	56,803
Nova Scotia Fluid Milk Processors	50,003	50,000
	<u>742,948</u>	<u>1,082,416</u>
Restricted		
Grocery Products Manufacturers of Canada	125,510	142,074
	<u>\$ 868,458</u>	<u>\$ 1,224,490</u>

See accompanying notes to the financial statements.

SCHEDULE 3

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA RESOURCE RECOVERY FUND

Program Expenses

	January 1, 1995 to February 6, 1996	January 1, 1994 to December 31, 1994
Unrestricted		
Residential Curbside Recycling	\$ 265,339	\$ 150,280
Depot Drop Off Recycling	17,028	32,039
Recycling Subsidy	---	145,240
Recycling Promotion, Demonstration, Education and Research	352,108	201,404
Derelict Vehicles	<u>18,762</u>	<u>46,075</u>
	<u>653,237</u>	<u>575,038</u>
Restricted		
Residential Curbside Recycling	2,612	10,159
Depot Drop Off Recycling	2,870	---
Recycling Promotion, Demonstration, Education and Research	168,000	---
	<u>173,482</u>	<u>10,159</u>
	<u>\$ 826,719</u>	<u>\$ 585,197</u>

See accompanying notes to the financial statements.

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the consolidated balance sheet of Nova Scotia Resources Limited as at December 31, 1995, and the consolidated statements of earnings and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Generally accepted accounting principles require that gains and losses on foreign currency translation of long-term monetary items be deferred and amortized over the term of the related debt. The company follows the policy of recording gains and losses in the year of occurrence. If these amounts had been deferred and amortized net earnings would have decreased by \$7.5 million (December 31, 1994 - \$1.8 million increase). Unamortized foreign exchange losses carried forward would be \$6.8 million (December 31, 1994 - \$14.3 million). In addition, the opening deficit would have been reduced by \$14.3 million (December 31, 1994 - \$16.1 million).

In our opinion, except for the effect of not deferring and amortizing foreign exchange gains and losses on long-term monetary items, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG Peat Marwick Thorne
Chartered Accountants

Halifax, Nova Scotia
March 5, 1996

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA RESOURCES LIMITED
CONSOLIDATED BALANCE SHEET

December 31, 1995

ASSETS

	1995	1994
	(in thousands)	
Oil and gas properties (Note 3)	\$ 17,308	\$ 25,242
Receivables and other assets (Note 4)	6,588	11,280
Collateral deposit (Note 5)	1,922	5,124
Cash and short-term investments	1,589	844
	<u>\$ 27,407</u>	<u>\$ 42,490</u>

LIABILITIES

Commercial paper (Note 6)	\$ 274,304	\$ 305,615
Long-term borrowing (Note 7)	138,903	142,729
Provision for site restoration	17,500	17,500
Payables and accruals	8,215	7,322
	<u>438,922</u>	<u>473,166</u>
Minority interest in subsidiary company	---	100

SHAREHOLDERS' DEFICIENCY

Capital stock		
Authorized		
40,000 common shares without par value		
Issued and outstanding		
3 common shares	1	1
Deficit	<u>(411,516)</u>	<u>(430,777)</u>
	<u>(411,515)</u>	<u>(430,776)</u>
	<u>\$ 27,407</u>	<u>\$ 42,490</u>

Future operations (Note 1)
Contingency (Note 10)
Subsequent event (Note 11)

The accompanying notes are an integral part of these consolidated financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA RESOURCES LIMITED

Consolidated Statement of Earnings and Deficit

year ended December 31, 1995

	Nine Months Ended December 31	
	1995	1994
	(in thousands)	
Revenue		
Oil and gas revenue	\$ 100,763	\$ 97,314
Royalties	2,341	2,622
	<u>98,422</u>	<u>94,692</u>
Gain on sale of oil and gas properties	---	3,489
Gain on sale of other assets	2,442	---
Other income	162	---
	<u>101,026</u>	<u>98,181</u>
Expenses		
Production	56,715	47,078
General and administrative	748	737
Depreciation and depletion	7,388	14,599
	<u>64,851</u>	<u>62,414</u>
Earnings before financing cost and income taxes		
	<u>36,175</u>	<u>35,767</u>
Financing cost (Note 8)	16,928	24,407
Income taxes (recovery) (Note 9)	(14)	83
Net earnings	<u>\$ 19,261</u>	<u>\$ 11,277</u>
Deficit, beginning of period	\$ 430,777	\$ 442,054
Net earnings	19,261	11,277
Deficit, end of period	<u>\$ 411,516</u>	<u>\$ 430,777</u>

The accompanying notes are an integral part of these consolidated financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA RESOURCES LIMITED

Consolidated Statement of Changes in Financial Position

year ended December 31, 1995

	Nine Months Ended December 31	
	1995	1994
	(in thousands)	
Cash derived from (applied to)		
Operating		
Net earnings	\$ 19,261	\$ 11,277
Depreciation and depletion	7,388	14,599
Gain on sale of oil and gas properties	---	(3,489)
Gain on sale of other assets	(2,442)	---
	<u>24,207</u>	<u>22,387</u>
Change in non-cash operating working capital items	<u>8,710</u>	<u>7,721</u>
	<u>32,917</u>	<u>30,108</u>
Financing		
Decrease in commercial paper	(31,311)	(31,557)
Increase (decrease) in long-term borrowing	(3,826)	1,943
Issuance (repurchase) of capital stock by subsidiary	(100)	100
	<u>(35,237)</u>	<u>(29,514)</u>
Investing		
Recoveries (expenditures) on oil and gas properties	565	(5,344)
Proceeds on sale of oil and gas properties	---	5,455
Proceeds on sale of other assets	2,500	---
	<u>3,065</u>	<u>111</u>
Increase in cash	745	705
Cash and short-term investments, beginning of period	<u>844</u>	<u>139</u>
Cash and short-term investments, end of period	<u>\$ 1,589</u>	<u>\$ 844</u>

The accompanying notes are an integral part of these consolidated financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA RESOURCES LIMITED

Notes to the Consolidated Financial Statements

December 31, 1995

1. Future operations

These financial statements have been prepared on the going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Doubts arise due to the company's deficit of \$411.5 million and its commercial paper and long-term borrowing of \$274.3 million and \$138.9 million respectively which would impair the company's ability to continue as a going concern without the support of its shareholder, the Province of Nova Scotia, who has guaranteed the debt.

The shareholder has advertised that the Company and all of its assets are for sale and proposals have been received from certain interested parties. No decisions have been made to sell the assets other than the properties in western Canada referred to in Note 11.

2. Accounting policies**(a) Basis of presentation**

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. A significant part of the Company's activities are conducted jointly with others and accordingly, these financial statements reflect only the Company's proportionate interest in these activities.

(b) Oil and gas properties

The Company accounts for oil and gas properties in accordance with the Canadian guideline on full cost accounting.

Under this method, all costs associated with the acquisition, exploration and development of oil and gas properties are capitalized in one cost centre. Depletion is calculated using the unit of production method based on gross proved reserves before royalties. A ceiling test is applied to ensure that the capitalized costs do not exceed the estimated future revenues net of production, site restoration, administration and financing costs.

(c) Provision for site restoration

The provision for future removal and site restoration costs for the Nova Scotia offshore is based on current estimates and has been fully charged against income as part of depletion expense.

(d) Foreign currency translation

Assets and liabilities denominated in U.S. dollars have been translated to Canadian dollars using the exchange rate on December 31, 1995. Transactions during the period are recorded using the monthly average exchange rate.

Based on a proposed change to generally accepted accounting principles, the Company recognizes gains and losses on foreign currency translation of long-term borrowings in the year of occurrence. Generally accepted accounting principles require foreign exchange gains and losses on long-term monetary items to be deferred and amortized over the term of the related debt.

(e) **Crude oil hedging**

The Company periodically uses forward contracts and options to hedge against the potential adverse impact of volatile commodity prices. Gains or losses on these instruments are recognized in earnings when the hedged items are recognized in earnings.

(f) **Revenue recognition**

Revenue from the oil fields offshore Nova Scotia is recorded at current sales price once the oil is delivered.

3. Oil and gas properties

The Company has a 50% working interest in the Panuke and Cohasset oil fields offshore Nova Scotia which have a net book value of \$10 million as at December 31, 1995 (1994 - \$17 million). The Company also has interests in certain oil and gas producing properties in western Canada. As at December 31, 1995, the net book value of these western properties was \$7 million (1994 - \$8 million). The accumulated depletion on these interests at December 31, 1995 was \$236 million (1994 - \$229 million).

In applying the ceiling test to its oil and gas reserves, the Company used commodity prices as at December 31, 1995 to determine the net recoverable amount from its oil and gas activities. The Company compared this net recoverable amount to the carrying value of the oil and gas properties and has determined that no writedown is required.

4. Receivable and other assets

	1995	1994
	(in thousands)	
Accounts receivable - trade	\$ 422	\$ 7,139
Inventory in tanker	3,348	456
Prepaid expenses	709	1,294
Receivable - insurance claim	---	1,388
Receivable - J.V. partner	783	869
Receivable - Offshore Infrastructure Fund	1,268	---
Other assets	58	134
	<u>\$ 6,588</u>	<u>\$ 11,280</u>

5. Collateral deposit

The Company has cash on deposit as collateral security for financial and performance obligations. These cash deposits are interest bearing to the Company.

6. Commercial paper

In 1986 the Company established a Euro Commercial Paper Programme under which it issues short-term notes, guaranteed by the Province of Nova Scotia, to an aggregate principle amount not exceeding U.S. \$250 million. The notes are denominated to U.S. dollars and the principal balance outstanding at December 31, 1995 was U.S. \$182 million (1994 - \$203 million). The average coupon rate for issuances in the year was 6.34% (1994 - 4.99%). At December 31, 1995, the rate for new issues in the three month term was approximately 5.77% (1994 - 6.27%).

To support the Euro Commercial Paper Programme, the Company has arranged a credit facility which provides committed bank funding to U.S. \$250 million. The principal balance outstanding at December 31, 1995 was U.S. \$20 million (1994 - \$16 million). Repayment of advances is guaranteed by the Province of Nova Scotia.

7. Long-term borrowing

On November 14, 1990 the Company borrowed U.S. \$101.7 million pursuant to a Swiss franc loan agreement and swap transaction. The loan is for 130 million Swiss francs but the swap has the effect of converting the entire transaction to a seven year U.S. dollar loan for the amount received in 1990. Interest is payable semi-annually and principal is repayable in a single amount on November 14, 1997. Subsequent to the November 14, 1990 transactions, a second swap was completed which fixes the interest rate on U.S. \$50 million at 8.91%. The remainder of the loan bears interest at a floating rate. The floating rate at December 31, 1995 was 6.0% (1994 - 6.375%) while the average floating rate for the year was 6.4% (1994 - 5.4%). The amount outstanding at December 31, 1995 has been adjusted to reflect the exchange rate on that date. Repayment of this loan has been guaranteed by the Province of Nova Scotia.

8. Financing cost

The Company's debt is denominated in U.S. dollars. Financing costs are a combination of interest and foreign exchange gains or losses recorded for transactions during the year plus the foreign exchange on conversion of debt to Canadian dollars at the statement date. During the period the actual interest expense amounted to \$28.5 million (December 31, 1994 - \$18.5 million) less an accounting recognition of the appreciation in the Canadian dollar from \$1.4028 at January 1, 1995 to 1.3652 at December 31, 1995 which amounted to \$11.6 million in financing revenue (December 31, 1994 - \$5.9 million in financing cost).

9. Income taxes

As a Crown corporation, the Company is not taxable under the provisions of the Income Tax Act of Canada.

The Company's oil and gas operations are conducted through a subsidiary, Nova Scotia Resources (Ventures) Limited. This subsidiary is a taxable corporation and has approximately \$457 million of deductions available to reduce future taxable income. The tax benefit related to the deductions has not been recognized in these financial statements.

10. Contingency

The Company is a defendant in lawsuits by three former officers which allege breach of contract or wrongful dismissal, breach of duty of fairness and defamation and claim damages. Discovery proceedings will begin in April 1996. The litigation is in its preliminary stages and the outcome is not currently determinable.

11. Subsequent event

Subsequent to December 31, 1995, the Company sold its interests in certain oil and gas producing properties in western Canada having a net book value of \$7 million for proceeds of \$4.7 million. The Company has recorded gains totalling \$5.9 million on the sale of oil and gas properties and other assets in the past two years related to these interests in western Canada and had incurred writedowns of \$3.3 million on the properties in 1994. On an overall basis the net gain, ignoring operating profits, was as follows:

Gain on sale of properties in 1995 and 1994	\$	5.9 million
Writedown of properties in 1994		(3.3) million
Loss on sale of properties in 1996		(2.3) million
Net gain	\$	<u>0.3 million</u>

AUDITOR'S REPORT

To the Chairman and Members of the
Nova Scotia Talent Trust

I have examined the statement of financial position of the Nova Scotia Talent Trust as at March 31, 1996 and the statement of revenues, expenses and fund balances for the year then ended. These financial statements are the responsibility of the Trust's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained the following paragraph, I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many similar organizations, the Trust derives revenue from fund raising and donation activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Trust and I was not able to determine whether any adjustments might be necessary to fund raising and donation revenues, excess of revenues over expenses, assets and Trust equity.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of the fund raising and donation revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 1996 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
July 31, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA TALENT TRUST

STATEMENT OF FINANCIAL POSITION

as at March 31, 1996

	1996	1995
ASSETS		
Cash	\$ 4,285	\$ 7,159
Short-term investments, at cost (Note 2)	10,325	5,000
Accrued interest	1,071	141
Accounts receivable	<u>528</u>	<u>---</u>
	16,209	12,300
Long-term investments, at cost (Note 2)	<u>20,000</u>	<u>---</u>
	<u>\$ 36,209</u>	<u>\$ 12,300</u>

FUND BALANCES		
Fund Balance - unappropriated	\$ 9,836	\$ 12,300
Fund Balance - appropriated (Note 4)	<u>26,373</u>	<u>---</u>
	<u>\$ 36,209</u>	<u>\$ 12,300</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA TALENT TRUST

Statement of Revenues, Expenses and Fund Balances

for the year ended March 31, 1996

	1996	1995
Revenues		
Grant - Province of Nova Scotia \$	50,000	\$ 50,000
Fund-raising activities	29,446	---
Donations	---	2,050
Interest earned	1,886	446
	<u>81,332</u>	<u>52,496</u>
Expenses		
Talent Trust grants	54,710	47,525
Administration expenses (Note 3)	2,713	3,653
	<u>57,423</u>	<u>51,178</u>
Excess of revenues over expenses	23,909	1,318
Fund Balance, beginning of period	<u>12,300</u>	<u>10,982</u>
Fund Balance, end of period \$	<u><u>36,209</u></u>	<u><u>\$ 12,300</u></u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA TALENT TRUST

Notes to Financial Statements

March 31, 1996

1. Authority

The Nova Scotia Talent Trust was established pursuant to a special resolution of the Nova Scotia Companies Act. The purpose of the Trust is to assist in the education and advancement of Nova Scotians in the visual and performing arts.

2. Investments

	Interest Rate	Maturity Date	Cost
(a) Short-Term			
Royal Bank GIC	6.00%	Nov. 01, 1996	\$ 5,325
Royal Bank GIC	6.25%	Sept. 11, 1996	5,000
			<u>\$ 10,325</u>
(b) Long-Term			
Royal Bank GIC	6.50%	Sept. 11, 1997	\$ 5,000
Royal Bank GIC	6.75%	Sept. 11, 1998	5,000
Royal Bank GIC	7.00%	Sept. 11, 1999	5,000
Royal Bank GIC	7.25%	Sept. 11, 2000	5,000
			<u>\$ 20,000</u>

3. Administrative Expenses

These financial statements do not reflect administrative expenses incurred by the Provincial Department of Education and Culture on behalf of the Trust.

4. Trust Equity - Appropriated

The Board has appropriated \$25,000 of the Trust's equity for purposes of an endowment fund. Each year, the principle and interest will be reinvested until the balance is sufficient to establish an endowment fund. For the period ended March 31, 1996, interest in the amount of \$1,373 was earned on the investments.

AUDITOR'S REPORT

To the Minister of Finance; and
To the President of the
Nova Scotia Teachers' Union

I have examined the statement of net assets available for benefits and accrued benefits and deficiency of the Nova Scotia Teachers' Pension Fund as at March 31, 1996 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and deficiency of the Fund as at March 31, 1996 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 14, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA TEACHERS' PENSION FUND

Statement of Net Assets Available for Benefits

and Accrued Pension Benefits and Deficiency

as at March 31, 1996

	1996	1995
	(in thousands)	
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Investments (Note 3)	\$ 1,814,605	\$ 1,560,544
Receivable from School Boards (Note 8)	99,240	81,790
Receivable from the Province of Nova Scotia (Note 4)	287,477	290,313
Contributions receivable		
Employees'	1,849	2,535
Employers'	7,616	4,357
Accrued interest	20,502	20,512
Net investment transactions outstanding	4,075	---
Other receivable	10	10
Cash	475	728
Total Assets	<u>2,235,849</u>	<u>1,960,789</u>
Liabilities		
Net investment transactions outstanding	---	9,025
Accounts payable	15,653	14,398
Total liabilities	<u>15,653</u>	<u>23,423</u>
Net Assets Available for Benefits	2,220,196	1,937,366
Actuarial asset value adjustment (Note 5)	75,297	79,027
Actuarial value of net assets available for benefits	<u>\$ 2,295,493</u>	<u>\$ 2,016,393</u>
ACCRUED PENSION BENEFITS AND DEFICIENCY		
Accrued pension benefits (Note 5)	\$ 2,945,154	\$ 2,830,571
Deficiency	(649,661)	(814,178)
Accrued pension benefits and deficiency	<u>\$ 2,295,493</u>	<u>\$ 2,016,393</u>

Actuarial Valuation (Note 5)

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA TEACHERS' PENSION FUND

Statement of Changes in Net Assets Available for Benefits

for the year ended March 31, 1996

	1996	1995
	(in thousands)	
Increase in Assets		
Investment activities (Note 6)	\$ 274,189	\$ 107,517
Interest on receivable from Province of Nova Scotia (Note 4)	22,914	23,095
Interest on receivable from School Boards (Note 8)	6,992	3,793
	<u>304,095</u>	<u>134,405</u>
Contributions		
Employers' - matched	44,165	48,604
Employees' - matched	44,165	48,604
Employers' - unmatched		
- School Boards	31,558	94,478
- Province	11,085	10,313
Employees' - unmatched	1,124	1,674
Transfers from other pension plans	1,994	2,763
	<u>134,091</u>	<u>206,436</u>
Total increase in assets	<u>438,186</u>	<u>340,841</u>
Decrease in Assets		
Benefits paid	149,340	127,742
Operating expenses (Note 7)	3,167	2,081
Refund of contributions and interest	1,468	1,593
Transfers to other pension plans	1,381	3,528
Total decrease in assets	<u>155,356</u>	<u>134,944</u>
Increase in Net Assets	<u>282,830</u>	<u>205,897</u>
Net Assets Available for		
Benefits at Beginning of Year	<u>1,937,366</u>	<u>1,731,469</u>
Net Assets Available for		
Benefits at End of Year	<u>\$ 2,220,196</u>	<u>\$ 1,937,366</u>

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA**NOVA SCOTIA TEACHERS' PENSION FUND****Notes to Financial Statements****March 31, 1996****1. Authority and Description of Plan**

Teachers in the Province are entitled to receive pension benefits pursuant to the provisions of a plan established under the Teachers' Pension Act. The operation of the plan is conducted within the Nova Scotia Teachers' Pension Fund to which employee and employer matching contributions and investment income are credited and payments to pensioners and terminating employees are charged. The Fund is invested in federal, provincial, municipal and corporate securities which qualify as eligible investments under the Provincial Finance Act.

The plan is funded by employee contributions and matching employer contributions of 8.3% of salary equal to or less than the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan and 9.9% of salary in excess of the YMPE.

Pensions are paid on the basis of the average salary for the five highest years at the rate of 2% for each year of pensionable service. Benefits paid are integrated with Canada Pension Plan benefits at age 65.

Pension payments are increased annually on January 1st at a rate equal to the increase in the Consumer Price Index (CPI) minus 1%, to a maximum of 6%. Pensions payable on or after January 1, 1976 which have been increased by less than the compound increase in CPI since the year in which the pension first became payable, are increased annually on January 1 by the lesser of 6% or the percentage required until the percentage increase in pensions payable equals the compounded increase in CPI.

On May 13, 1993 the Province agreed to assume responsibility for \$300 million of the unfunded liability and also contribute \$10 million annually, escalated at 7.5%, for 10 years in addition to other matching contributions.

2. Summary of Significant Accounting Policies**(a) Basis of Presentation**

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity.

Certain comparative figures have been reclassified to conform with the current year's presentation.

(b) Investments

- (i) Investments are reported as of the trade date and are stated at market value. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.
- (ii) The derivative contracts held by the Fund are recorded at the estimated amounts that the Fund would receive or pay to terminate the contracts at the reporting date, with the resulting gain or loss being recognized in unrealized investment income.
- (iii) Investments held in the Fund include debentures of the Province of Nova Scotia and the Nova Scotia Municipal Finance Corporation with total market value of \$58.6 million (2.6% of Total Assets) as at March 31, 1996.

(c) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. The market value of foreign investments and cash balances held at year end are translated at the rate in effect at that date. The resulting gain or loss from changes in these rates is included in unrealized investment income.

3. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employer. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives. Derivative products such as foreign currency forwards and money market to equity swaps have been used during the year to adjust the assets diversification toward the target asset mix. Through the equity swap contracts, investment returns equating money market securities are exchanged for returns equivalent to those which would have been earned by investing directly in equity securities.

- (a) Market value of investments before allocating the effect of derivative contracts.

	1996	1995
	(in thousands)	
Money market instruments	\$ 104,378	\$ 111,208
Bonds, debentures, coupons and mortgages	671,470	638,496
Equities - Canadian	622,493	504,612
- US	205,033	200,665
- Other foreign	206,644	103,332
Derivatives	4,587	2,231
	<u>\$ 1,814,605</u>	<u>\$ 1,560,544</u>

(b) Derivative contracts

The following summarizes the "notional" principal amounts of the derivative contracts outstanding as at March 31, 1996. The principal amounts are termed notional because they are not exchanged themselves but serve as the basis upon which the payment of returns and the market value of the contracts are determined.

Contract Type	1996		1995	
	Notional Principal	Unrealized Gain	Notional Principal	Unrealized Gain
(in thousands)				
Foreign Currency				
Forwards				
- Sell	\$ 100,000 US	\$ 3,303	C\$50,000 US	\$ 1,119
- Buy	\$ 25,000 US	(378)	n/a	n/a
Money Market to				
Equity Swaps	\$ 121,665 CDN	1,662	C\$25,543 CDN	1,112
		<u>\$ 4,587</u>		<u>\$ 2,231</u>

(c) Market value of investments after allocating the effect of derivative contracts.

	1996	1995
(in thousands)		
Money market instruments	\$ 35,213	\$ 85,665
Bonds, debentures, coupons and mortgages	618,970	638,496
Equities - Canadian	744,158	530,155
- US	205,033	200,665
- Other foreign	206,644	103,332
Derivatives	<u>4,587</u>	<u>2,231</u>
	<u>\$ 1,814,605</u>	<u>\$ 1,560,544</u>

4. Agreement to Address Unfunded Liability

On November 25, 1993 the Teachers' Pension Act was amended to incorporate the terms of an agreement signed May 13, 1993 between the Nova Scotia Teachers' Union and the Government of Nova Scotia to address the unfunded liability in the Nova Scotia Teachers' Pension Plan.

As part of this agreement the Province assumed responsibility for \$300 million of the unfunded liability. This receivable bears interest at the effective rate of 8% compounded semi-annually. Payments made by the Province to the Fund have reduced this outstanding principal to \$287.5 million as at March 31, 1996 with the Fund earning \$22.9 million in interest for the year.

5. Actuarial Valuation

Actuarial valuations of the Nova Scotia Teachers' Pension Fund are required every three years by the Teachers' Pension Act, and provide an estimate of the Fund liabilities at a point in time, calculated on the basis of various assumptions with respect to pension costs and rates of return on investments. The latest report on the actuarial valuation of the Fund was prepared on May 25, 1995 by Sobeco, Ernst & Young Inc. based on information as of July 31, 1994.

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected 5 year average salary at the expected date of retirement. The major economic assumptions used in this and the previous valuation were as follows:

	July 31, 1994	July 31, 1991
Inflation	4% annually	2% first 5 years, 3% thereafter
Average Salary Increase	Minus 3% for the first year 0% for the second and third year 0.75% real thereafter	0% for the first two years 4% real for the third year 0% real thereafter
Real Rate of Return on Investments	4.5% annually	8% for the first five years 5.5% for the sixth to tenth years 4.5% for the eleventh to fifteenth years 3.5% thereafter

A Department of Finance internally prepared estimate indicated that the unfunded liability as at March 31, 1996 was approximately \$649.7 million. This represents a reduction in the unfunded liability since the last valuation date (July 31, 1994) of approximately \$174.5 million.

There are two main reasons for the decline in the unfunded liability. The first is favourable investment experience relative to actuarial assumptions. The last valuation assumed that assets would grow at an effective annual rate of 8.5%, which is equivalent to 14.6% for the 20-month period from July 31, 1994 to March 31, 1996. The actual return of investments over that period was approximately 27.6%, giving a gain on investments relative to actuarial assumptions of approximately 13.0%.

The second reason for the decline is a gain on indexing of pension benefits relative to actuarial assumptions. Benefits are indexed each January 1 to the rate of increase in the Consumer Price Index over the 12 month period ending the previous October 31, less 1.0% (minimum of 0%). For the last valuation, it was assumed that indexing would be 3.0% each year. Actual indexing was 0.0% on January 1, 1995 and 0.8% on January 1, 1996. This represents a gain for the Fund relative to actuarial assumptions. The Department of Finance estimate, prepared using standard actuarial methodology, indicated that the gain was approximately \$72.7 million.

The actuarial asset value adjustment of \$75,297,000 includes the actuarial present value of the balance of the commitment by the Province to pay an additional \$10 million annually escalating at 7.5% per year for the remaining term of 7 years, amounting to \$84,896,000 as at March 31, 1996, less an actuarial adjustment to the receivable from the Province of Nova Scotia of \$8,127,000, less an actuarial adjustment to school board ERP payments receivable of \$1,472,000. These adjustments are caused by a difference between the actuarial discount rate used in the most recent valuation (8.5%) and the rates used to calculate the receivables when they were originally recorded.

6. Investment Activities

	1996		1995
	(in thousands)		
Interest income			
Money Market securities	\$ 5,814	\$	9,666
Bonds, debentures and coupons	56,717		60,396
Mortgages	107		133
Dividend Income			
Canadian equities	14,057		12,636
Foreign equities	6,716		5,813
Derivatives Income	13,047		187
Other Income	141		71
Net Gain on Investments *	<u>177,590</u>		<u>18,615</u>
	<u>\$ 274,189</u>	\$	<u>107,517</u>

* Includes unrealized gains of \$111.0 million (\$28.8 - 1995).

7. Operating Expenses

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of the operating expenses.

	1996		1995
	(in thousands)		
Investment management fees	\$ 2,282	\$	1,250
Professional services	154		209
Salaries	436		408
Supplies and services	133		99
Travel	24		19
Other	<u>138</u>		<u>96</u>
	<u>\$ 3,167</u>	\$	<u>2,081</u>

8. Early Retirement Program

On July 22, 1994 the Governor in Council authorized an early retirement program (ERP) for teachers. Eligible teachers employed by a school board on June 5, 1994 and who reached or will reach 52 years of age with an age and pensionable years of service totalling 82 or more between June 5, 1994 and July 31, 1998 qualify for the program. The additional cost for each teacher who opts for the ERP is to be paid by the employing school board (\$97,400 per teacher). This cost may be paid by monthly instalments over a maximum of seven years with interest at 8% per annum.

AUDITORS' REPORT

To the Chair and Members of the
Nova Scotia Utility and Review Board

We have audited the balance sheet of the Nova Scotia Utility and Review Board as at March 31, 1996 and the statements of operations, accumulated surplus, and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted my audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Doane Raymond
Chartered Accountants

Halifax, Nova Scotia
May 23, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA UTILITY AND REVIEW BOARD

BALANCE SHEET

March 31, 1996

ASSETS

	1996	1995
Current		
Cash	\$ 1,196	\$ 348,824
Short-term investments		
Board operations	734,184	416,268
War service pension	193,443	199,601
Accounts receivable (Note 4)	77,875	38,289
Prepays	7,499	---
Inventory (Note 5)	5,989	---
	<u>\$ 1,020,186</u>	<u>\$ 1,002,982</u>

LIABILITIES

Current		
Payables and accruals	\$ 77,790	\$ 120,984
Long-Term		
War service pension liability (Note 6)	193,443	199,601
Public service award liability (Note 7)	74,412	70,352
Advances for working capital (Note 8)	125,000	125,000
	<u>392,855</u>	<u>394,953</u>
	<u>470,645</u>	<u>515,937</u>
Surplus (Note 2)		
Surplus - Province of Nova Scotia	417,422	366,988
Surplus - Utilities	132,119	120,057
	<u>549,541</u>	<u>487,045</u>
	<u>\$ 1,020,186</u>	<u>\$ 1,002,982</u>

Commitments (Note 10)

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Operations

year ended March 31, 1996

	1996	1995
Revenue		
Grant from the Province of Nova Scotia (Note 2) \$	2,097,219	\$ 2,334,166
Assessments to utilities (Note 2)	501,672	533,277
Recoveries (Note 9)	364,215	70,811
Interest	40,183	46,008
	<u>3,003,289</u>	<u>2,984,262</u>
Expenses		
Salaries, wages and benefits	1,792,779	1,850,598
Consulting and legal fees	367,484	115,572
Rent and business taxes (Note 10)	340,411	321,914
Travel	171,329	211,059
Transcribing and printing	49,249	25,080
Equipment (Note 3)	44,367	80,043
Public service awards	34,304	10,235
Telephone and facsimile	31,354	30,434
Office supplies and services	30,536	24,838
Dues and fees	23,697	25,172
Maintenance	14,940	16,810
Books and reports	14,089	17,345
Staff training and development	12,664	5,292
Postage and couriers	8,212	10,145
Sundry expenses	5,378	3,407
Amortization of War Service pension liability	---	53,947
Advertising	---	8,065
	<u>2,940,793</u>	<u>2,809,956</u>
Operating surplus for the year \$	<u><u>62,496</u></u>	<u><u>\$ 174,306</u></u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Accumulated Surplus

year ended March 31, 1996

	1996		
	Province of Nova Scotia	Utilities	Total
Balance, beginning of year	\$ 366,988	\$ 120,057	\$ 487,045
Operating surplus for year	<u>50,434</u>	<u>12,062</u>	<u>62,496</u>
Balance, end of year	<u>\$ 417,422</u>	<u>\$ 132,119</u>	<u>\$ 549,541</u>

	1995		
	Province of Nova Scotia	Utilities	Total
Balance, beginning of year	\$ 225,103	\$ 87,636	\$ 312,739
Operating surplus for year	<u>141,885</u>	<u>32,421</u>	<u>174,306</u>
Balance, end of year	<u>\$ 366,988</u>	<u>\$ 120,057</u>	<u>\$ 487,045</u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Changes in Financial Position

year ended March 31, 1996

	1996	1995
Cash derived from (applied to)		
Operating		
Operating surplus \$	62,496 \$	174,306
Decrease (increase) in accounts receivable	(39,586)	31,543
Decrease in payables and accruals	(43,194)	(70,247)
Decrease (increase) in prepaids	(7,499)	9,222
Increase in inventory	(5,989)	---
	(33,772)	144,824
Investing and Financing		
Increase in short-term investments	(311,758)	(261,848)
Increase (decrease) in war service pension liability	(6,158)	48,239
Increase in public service award liability	4,060	10,235
	(313,856)	(203,374)
Decrease in cash	(347,628)	(58,550)
Cash, beginning of year	348,824	407,374
Cash, end of year \$	1,196 \$	348,824

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA UTILITY AND REVIEW BOARD

Notes to the Financial Statements

March 31, 1996

1. Incorporation

The Nova Scotia Utility and Review Board was created on December 14, 1992, through the proclamation of the Utility and Review Board Act, Chapter 11 of the Acts of 1992. The Board consolidated the operations of the former Board of Commissioners of Public Utilities, the Municipal Board, the Expropriation Compensation Board, and the Tax Review Board. All assets and liabilities of the former boards were transferred to and assumed by the Nova Scotia Utility and Review Board.

2. Authority

The Nova Scotia Utility and Review Board has those functions, powers and duties conferred upon it by Section 4 of the Utility and Review Board Act. Sections 15(1) of the Public Utilities Act requires the Board to estimate its expenses in administering that Act and assess them against the public utilities of the province. Expenses incurred by the Board in administering all other Acts are recovered from the Province of Nova Scotia. Any operating surpluses or deficits are allocated to the Province and the public utilities based on the prorata share of revenue contributed in each year.

3. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging fixed asset acquisitions to expense in the year of purchase.

Short-term investments are valued at cost plus interest accrued to year end, which approximates market value.

4. Accounts Receivable

	1996	1995
Province of Nova Scotia \$	11,795	7,868
Public Utilities	53,947	19,664
Other	12,133	10,757
	<u>\$ 77,875</u>	<u>\$ 38,289</u>

5. Inventory

Inventory consists of Daily Bus Inspection books held for resale and are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method of valuation.

6. Pensions

Public Service Superannuation Fund

Pursuant to Section 10 of the Utility and Review Board Act, all full time employees of the Board are entitled to receive pension benefits under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Board is not responsible for any unfunded liability.

War Service Pension Liability

Employees of the Board are entitled to purchase pension service credits for certain years of war service. Increases in an employee's pension as a result of the purchase of war service credits are the responsibility of the Board and are billed to the Board as pensions are paid. Employee pension contributions are used to defray future obligations for war service credits. The Board of Commissioners of Public Utilities, one of the predecessor boards, transferred its war service liability to the Nova Scotia Utility and Review Board on consolidation.

An actuarial review done subsequent to the 1995 year end revealed the actuarial present value of pension benefits at March 31, 1995 to be \$199,601 which is now fully funded.

The status of the liability account is as follows:

	1996	1995
Employee contributions \$	44,311	\$ 44,311
Board contributions	140,580	140,580
Accumulated interest	<u>103,371</u>	<u>91,187</u>
	288,262	276,078
Less: pension payments to date	<u>94,819</u>	<u>76,477</u>
	<u>\$ 193,443</u>	<u>\$ 199,601</u>

7. Public Service Award Liability

The Board follows the provision of the Civil Service Act with respect to the payment of public service awards to retiring employees. The Board is responsible for the funding and eventual payment of these awards.

In addition to an annual general provision of approximately 1% of salary expenditure to defray future obligations for public service awards, the Board has established a specific liability for employees who are nearing retirement.

8. Advances for Working Capital

The following advance was transferred to the Nova Scotia Utility and Review Board from the Board of Commissioners of Public Utilities on consolidation:

	1996	1995
Province of Nova Scotia \$	<u>125,000</u>	<u>\$ 125,000</u>

The authority for the advance for working capital from the Province was contained in Section 14 of Chapter 380, RSNS 1989, the Public Utilities Act. The advance is non-interest bearing, with no set terms of repayment.

9. Recoveries

Consultants are engaged by the Board pursuant to the Public Utilities Act to provide advice related to utility administration and expert evidence during hearings. Consulting fees for specific hearings may, in some cases, be recovered directly from the public utilities involved.

The Board also recovers certain transcription, copying and other expenses from various sources.

10. Commitments

The Nova Scotia Utility and Review Board has assumed the lease of the former Board of Commissioners of Public Utilities. The lease, which expires October 31, 1999, calls for the payment of a base rent plus the Board's portion of common costs such as maintenance, power, water and property taxes.

The Board has renegotiated the lease for a 1,600 square foot portion of its existing premises, 1,000 square feet of which has been sublet to the Department of Supply and Services to be occupied by the Nova Scotia Police Commission. Amendments to the lease came into force on November 1, 1994.

Revised minimum lease payments by fiscal year for the remaining lease term, not including common costs, are as follows:

1997	\$	213,048
1998		213,048
1999		213,048
2000		<u>124,278</u>
	\$	<u><u>763,422</u></u>

AUDITOR'S REPORT

To the Minister of Agriculture and Marketing; and
To the Acting Chair and Members of the Provincial Community Pasture Board

I have audited the balance sheet of the Provincial Community Pasture Board as at March 31, 1996 and the statement of income and retained earnings for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1996 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
July 2, 1996

PROVINCE OF NOVA SCOTIA
PROVINCIAL COMMUNITY PASTURE BOARD

BALANCE SHEET

as at March 31, 1996

	1996	1995
ASSETS		
Current		
Accounts receivable	\$ 4,288	\$ 1,538
Livestock - at lower of cost and net realizable value (cost - 1996 \$29,750; 1995 \$31,600) (Note 2)	17,600	18,000
	\$ 21,888	\$ 19,538

LIABILITIES AND EQUITY

Current Liabilities		
Accounts payable	\$ 169	\$ 1,146
Retained Earnings	21,719	18,392
	\$ 21,888	\$ 19,538

PROVINCE OF NOVA SCOTIA
PROVINCIAL COMMUNITY PASTURE BOARD
Statement of Income and Retained Earnings
for the year ended March 31, 1996

	1996	1995
Revenues (Schedule A)	\$ 69,136	\$ 64,664
Expenses (Schedule A)	<u>162,032</u>	<u>184,255</u>
Net loss on pasture operations	92,896	119,591
Loss on livestock (Note 3)	<u>5,316</u>	<u>4,066</u>
Net loss before government contribution	98,212	123,657
Contribution by the Province of Nova Scotia	<u>101,539</u>	<u>123,678</u>
Net income	3,327	21
Retained earnings, beginning of year	<u>18,392</u>	<u>18,371</u>
Retained earnings, end of year	<u>\$ 21,719</u>	<u>\$ 18,392</u>

PROVINCE OF NOVA SCOTIA

PROVINCIAL COMMUNITY PASTURE BOARD

Notes to Financial Statements

March 31, 1996

1. Authority

The Provincial Community Pasture Board was established pursuant to Section 176(1) of the Agriculture and Marketing Act. The purpose of the Board is to establish, conduct and operate community pastures at such locations as the Board deems advisable.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging land, building and equipment acquisitions to expense in the year of purchase.

Livestock is comprised of breeding bulls on-hand at the end of the fiscal year. The bulls are valued at the lower of cost and net realizable value. The carrying-cost of bulls sold and any write-down of bulls to net realizable value is charged to expenses.

Further, under Section 183 of the Agriculture and Marketing Act, the administration costs of the Board are expenses of the Department of Agriculture and Marketing, and are not reflected in these financial statements.

3. Loss on Livestock

	1996	1995
Sale of bulls	\$ 1,424	\$ 4,534
Carrying-cost of bulls sold	<u>2,400</u>	<u>4,800</u>
Loss on bulls sold	976	266
Write-down of bulls to net realizable value	3,750	3,800
Loss of bull due to illness	<u>590</u>	<u>---</u>
	<u>\$ 5,316</u>	<u>\$ 4,066</u>

PROVINCE OF NOVA SCOTIA

PROVINCIAL COMMUNITY PASTURE BOARD

Pasture Operations

for the year ended March 31, 1996

	Cape Mabou	Cape John	Other	Totals	
				1996	1995
Revenues					
Pasture fees	\$ 27,139	\$ 34,057	\$ ---	\$ 61,196	\$ 58,193
Pasture rentals	---	---	440	440	471
Sale of vehicle	---	---	7,500	7,500	6,000
	<u>27,139</u>	<u>34,057</u>	<u>7,940</u>	<u>69,136</u>	<u>64,664</u>
Expenses					
Bulls feed and care	3,555	5,699	---	9,254	7,759
Electricity	204	161	---	365	274
Equipment maintenance	1,222	633	---	1,855	7,218
Equipment purchases	---	---	28,500	28,500	34,482
Fencing	1,415	480	---	1,895	4,273
Fertilizer and lime	15,287	13,197	---	28,484	27,001
Insurance	1,020	1,020	---	2,040	1,442
Miscellaneous	1,400	800	---	2,200	2,552
Operating assistance	---	---	4,100	4,100	4,500
Supplies and services	12,866	14,787	26	27,679	31,364
Wages	29,071	26,589	---	55,660	63,390
	<u>66,040</u>	<u>63,366</u>	<u>32,626</u>	<u>162,032</u>	<u>184,255</u>
Net loss on pasture					
operations	<u>\$ 38,901</u>	<u>\$ 29,309</u>	<u>\$ 24,686</u>	<u>\$ 92,896</u>	<u>\$ 119,591</u>

PROVINCE OF NOVA SCOTIA

PROVINCIAL RESORT HOTELS

Statement of User Fees and Expense

for the year ended March 31, 1996

	Pines Resort Hotel	Keltic Lodge	Liscombe Lodge	Totals	
				1996	1995
User Fees					
Rooms	\$ 1,415,209	\$ 1,337,321	\$ 505,290	\$ 3,257,820	\$ 3,131,938
Food	1,043,737	1,303,873	443,553	2,791,163	2,524,973
Beverage	206,901	202,816	60,882	470,599	425,633
Other	<u>389,692</u>	<u>78,320</u>	<u>119,033</u>	<u>587,045</u>	<u>541,637</u>
	<u>3,055,539</u>	<u>2,922,330</u>	<u>1,128,758</u>	<u>7,106,627</u>	<u>6,624,181</u>
Expense					
Salaries & Wages	1,309,236	1,367,179	605,821	3,282,236	3,094,648
Travel	9,864	11,644	2,482	23,990	23,781
Supplies & Services	1,271,620	1,188,054	466,744	2,926,418	2,714,160
Other	<u>197,945</u>	<u>221,668</u>	<u>104,683</u>	<u>524,296</u>	<u>344,661</u>
	<u>2,788,665</u>	<u>2,788,545</u>	<u>1,179,730</u>	<u>6,756,940</u>	<u>6,177,250</u>
Operating Profit					
(Loss)	\$ <u>266,874</u>	\$ <u>133,785</u>	\$ <u>(50,972)</u>	\$ <u>349,687</u>	\$ <u>446,931</u>

Note: This financial statement reflects user fees and current expenditures of the Provincial Resort Hotels budgeted under the Economic Renewal Agency. \$616,611 in furniture and equipment purchases, is included in current expenditures.

The following is not included in this statement: \$807,375 in capital expenditures for construction, renovation and upgrading of facilities under Public Works and Special Projects (details of these expenditures are included in Volume 1 of the Public Accounts of the Province of Nova Scotia); \$372,146 for golf course maintenance at the Pines Resort Hotel and \$104,382 in maintenance costs accounted for by the Department of Supply and Services.

AUDITOR'S REPORT

To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued pension benefits and surplus (deficiency) of the Nova Scotia Public Service Superannuation Fund as at March 31, 1996 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Department of Finance. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and surplus (deficiency) of the Fund as at March 31, 1996 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 14, 1996

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

Statement of Net Assets Available for Benefits

and Accrued Pension Benefits and Surplus (Deficiency)

as at March 31, 1996

	1996	1995
	(in thousands)	
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Investments (Note 3)	\$ 1,940,274	\$ 1,677,486
Contributions receivable		
Employees'	2,226	2,258
Employers'	2,141	2,189
Accrued income	18,831	19,540
Net investment transactions outstanding	4,274	26,169
Other receivables	10	10
Cash	597	768
Total Assets	<u>1,968,353</u>	<u>1,728,420</u>
Liabilities		
Accounts payable	<u>10,356</u>	<u>11,012</u>
Total Liabilities	<u>10,356</u>	<u>11,012</u>
Net Assets Available for Benefits	1,957,997	1,717,408
Actuarial asset value adjustment (Note 4)	<u>1,244</u>	<u>1,150</u>
Actuarial value of net assets available for benefits	<u>\$ 1,959,241</u>	<u>\$ 1,718,558</u>
ACCRUED PENSION BENEFITS AND SURPLUS (DEFICIENCY)		
Accrued pension benefits (Note 4)	\$ 1,953,991	\$ 1,853,333
Surplus (deficiency)	<u>5,250</u>	<u>(134,775)</u>
Accrued pension benefits and surplus (deficiency)	<u>\$ 1,959,241</u>	<u>\$ 1,718,558</u>

Actuarial Valuation (Note 4)

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

Statement of Changes in Net Assets Available for Benefits

for the year ended March 31, 1996

	1996	1995
	(in thousands)	
Increase in Assets		
Investment activities (Note 5)	\$ 289,462	\$ 114,652
Contributions		
Employers' - matched	28,455	29,564
Employees' - matched	28,455	29,564
Employees' - unmatched	190	148
Interest on the purchases of prior years' service	1,427	1,704
Transfers from other pension plans	2,845	4,968
	61,372	65,948
Total increase in assets	350,834	180,600
Decrease in Assets		
Benefits paid	101,203	91,499
Operating expenses (Note 6)	2,968	1,970
Refund of contributions and interest	1,128	1,621
Transfers to other pension plans	4,946	5,094
Total decrease in assets	110,245	100,184
Increase in Net Assets	240,589	80,416
Net Assets Available for Benefits		
at Beginning of Year	1,717,408	1,636,992
Net Assets Available for Benefits		
at End of Year	\$ 1,957,997	\$ 1,717,408

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

Notes to Financial Statements

March 31, 1996

1. Authority and Description of Plan

Employees of the Province and certain of its entities are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The operation of the plan is conducted within the Nova Scotia Public Service Superannuation Fund to which employee and employer matching contributions and investment income are credited and payments to pensioners and terminating employees are charged. The Fund is invested in federal, provincial, municipal and corporate securities which qualify as eligible investments under the Provincial Finance Act.

The plan is funded by employee and matching employer (including participating agencies) contributions of 5.4% of salary equal to or less than the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan and 7% of salary in excess of the YMPE.

Pensions are paid on the basis of the average salary for the five highest years at the rate of 2% for each year of pensionable service. Benefits paid are integrated with Canada Pension Plan benefits at age 65.

Pension payments are increased annually on January 1st at a rate equal to the lesser of the increase in the Consumer Price Index or 6%.

The Public Service Superannuation Act now allows employees who attain the age of 50 and who have age and years of pensionable service totalling 80, to retire from the public service.

2. Summary of Significant Accounting Policies**(a) Basis of Presentation**

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity.

Certain comparative figures have been reclassified to conform with the current year's presentation.

(b) Investments

- (i) Investments are reported as of the trade date and are stated at market value. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

- (ii) The derivative contracts held by the Fund are recorded at the estimated amounts that the Fund would receive or pay to terminate the contracts at the reporting date, with the resulting gain or loss being recognized in unrealized investment income.
- (iii) Investments held in the Nova Scotia Public Service Superannuation Fund include debentures of the Province of Nova Scotia and the Nova Scotia Municipal Finance Corporation with total market value of \$72.8 million (3.7% of Total Assets) as at March 31, 1996.

(c) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. The market value of foreign investments and cash balances held at year end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in unrealized investment income.

3. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employer. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives. Derivative products such as foreign currency forwards and money market to equity swaps have been used during the year to adjust the asset diversification toward the target asset mix. Through the equity swap contracts, investment returns equating money market securities are exchanged for returns equivalent to those which would have been earned by investing directly in equity securities.

- (a) Market value of investments before allocating the effect of derivative contracts.

	1996	1995
	(in thousands)	
Money market instruments	\$ 143,434	\$ 77,689
Bonds, debentures, coupons and mortgages	833,683	781,680
Equities - Canadian	581,136	484,647
- US	193,803	228,211
- Other foreign	185,086	103,028
Derivatives	<u>3,132</u>	<u>2,231</u>
	<u>\$ 1,940,274</u>	<u>\$ 1,677,486</u>

- (b) Derivative contracts

The following summarizes the "notional" principal amounts of the derivative contracts outstanding as at March 31, 1996. The principal amounts are termed notional because they are not exchanged themselves but serve as the basis upon which the payment of returns and the market value of the contracts are determined.

Contract Type	1996		1995	
	Notional Principal	Unrealized Gain (in thousands)	Notional Principal	Unrealized Gain
Foreign Currency Forwards				
- Sell	\$ 100,000 US	\$ 3,303	50,000 US	\$ 1,119
- Buy	\$ 25,000 US	(378)	n/a	n/a
Money Market to Equity				
Swaps	\$ 113,370 CDN	207	25,543 CDN	1,112
		<u>\$ 3,132</u>		<u>\$ 2,231</u>

(c) Market value of investments after allocating the effect of derivative contracts.

	1996	1995
	(in thousands)	
Money market instruments	\$ 77,564	\$ 52,146
Bonds, debentures, coupons and mortgages	786,184	781,680
Equities - Canadian	694,506	510,190
- US	193,803	228,211
- Other foreign	185,086	103,028
Derivatives	<u>3,132</u>	<u>2,231</u>
	<u>\$ 1,940,275</u>	<u>\$ 1,677,486</u>

4. Actuarial Valuation

Actuarial valuations of the Nova Scotia Public Service Superannuation Fund are carried out at least every three years and provide an estimate of the fund liabilities at a point in time, calculated on various assumptions with respect to pension costs and rates of return on investments. The latest report on the actuarial valuation of the Fund was prepared on October 10, 1995 by Morneau, Coopers & Lybrand based on information as of March 31, 1995.

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected 5 year average salary at the expected date of retirement (including an assumption that 90% of eligible members will elect to retire early under the terms of the Early Retirement Incentive Program in effect until March 31, 1998). The major economic assumptions used in this and the previous valuation were as follows:

	March 31, 1995	March 31, 1992
Inflation	3.5% annually	4.0% annually
Average Salary Increase	0.5% real plus 1.0% merit increases	0.5% real plus 1.3% merit increases
Real Rate of Return on Investments	4.5% annually	4.5% annually
Average Retirement Age	61 years	62 years

A Department of Finance internally prepared estimate indicated that as at March 31, 1996 the plan was fully funded. The last valuation estimated that the Fund was 93% funded as at March 31, 1995, with an unfunded liability of approximately \$135 million.

The main reason for the improvement in actuarial position was favourable investment experience relative to actuarial assumptions. The last valuation assumed that assets would grow at an effective annual rate of 8.16%. The actual return on investments for the 12 months ending March 31, 1996 was approximately 17.3%, giving a gain on investments relative to actuarial assumptions of approximately 9.1%.

The actuarial asset value adjustment of \$1,244,000 represents the approximate actuarial present value of outstanding employee and employer contributions which are due as a result of service buy-backs.

5. Investment Activities

	1996	1995
	(in thousands)	
Interest Income		
Money market securities	\$ 5,938	\$ 7,911
Bonds, debentures and coupons	67,242	74,168
Mortgages	131	138
Dividend Income		
Canadian equities	13,574	12,174
Foreign equities	7,294	6,586
Derivatives Income	11,293	187
Other Income	151	82
Net Gain on Investments *	<u>183,839</u>	<u>13,406</u>
	<u>\$ 289,462</u>	<u>\$ 114,652</u>

* Includes unrealized gains of \$97.7 million (\$23.1- 1995)

6. Operating Expenses

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of the operating expenses.

	1996	1995
	(in thousands)	
Investment management fees	\$ 2,397	\$ 1,458
Professional services	75	95
Salaries	397	344
Supplies and services	19	38
Travel	16	8
Other	<u>64</u>	<u>27</u>
	<u>\$ 2,968</u>	<u>\$ 1,970</u>

7. Benefits Paid

The Nova Scotia Public Service Superannuation Fund is not part of the Consolidated Fund of the Province. However, Provincial legislation and regulations provide that certain payments to pensioners are charged to the Consolidated Fund of the Province, to certain Crown Corporations, or to other participating agencies, rather than to the Nova Scotia Public Service Superannuation Fund. These payments amounted to \$11,150,000 for the year ended March 31, 1996 (1995 - \$10,211,000).

8. Early Retirement Incentive Program

On February 8, 1994 the Governor-In-Council authorized an Early Retirement Incentive Program (ERIP) for civil servants. Employees that attain the age of 50 but are not yet 65, and their combined age and pensionable service years equals 80 or more between April 1, 1994 and March 31, 1998 qualify for the program. The program provides up to an additional five years of pensionable service, to a maximum of 35 years total service, or service equal to the difference between age 65 and the employee's age at retirement, whichever is the lesser.

The portion of the pension payments attributable to the additional years of service are charged to the Consolidated Fund of the Province not the Fund.

AUDITOR'S REPORT

To the Minister of Justice and the Public Trustee

I have audited the balance sheet of the Public Trustee as at March 31, 1996 and the statement of continuity of assets for the year then ended. These financial statements are the responsibility of the Public Trustee. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many trust funds, it is not possible to verify by audit procedure that all the assets of any given trust actually came under the administration of the Public Trustee. Accordingly, my verification of trust assets was limited to those recorded in the records.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to verify the completeness of the assets of the trust funds, these financial statements present fairly, in all material respects, the financial position of the Public Trustee as at March 31, 1996 and the continuity of assets for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 21, 1996

PROVINCE OF NOVA SCOTIA

PUBLIC TRUSTEE

BALANCE SHEET

as at March 31, 1996

	1996	1995
ASSETS		
Estates and Trusts		
Cash	\$ 404,454	\$ 187,918
Securities, real estate and other assets	12,438,855	11,641,162
Common Fund securities (Note 4)	<u>904,042</u>	<u>1,016,286</u>
	13,747,351	12,845,366
Special Reserve Fund (Note 5)		
Cash and securities	903,346	804,945
	<u>\$ 14,650,697</u>	<u>\$ 13,650,311</u>
LIABILITIES		
Estates and Trusts		
Estates and trusts balances	\$ <u>13,747,351</u>	\$ <u>12,845,366</u>
Special Reserve Fund (Note 5)		
Restricted funds	848,716	758,286
Funds transferable to Province of Nova Scotia	<u>54,630</u>	<u>46,659</u>
	903,346	804,945
	<u>\$ 14,650,697</u>	<u>\$ 13,650,311</u>

PROVINCE OF NOVA SCOTIA

PUBLIC TRUSTEE

Statement of Continuity of Assets

for the year ended March 31, 1996

	Estates and Trusts	Special Reserve Fund	Fees Earned	1996 Total	1995 Total (Note 6)
Balance, beginning of year	\$ 12,845,366	\$ 804,945	\$ ---	\$ 13,650,311	\$ 12,205,741
<i>Add:</i>					
Assets acquired during the year	7,800,177	---	---	7,800,177	8,817,674
Income earned	841,943	---	---	841,943	521,623
Fees earned	---	---	333,565	333,565	289,897
Interest earned on Special Reserve Fund investments	---	54,630	---	54,630	46,659
Excess interest transferred from Common Fund	---	90,430	---	90,430	64,842
	<u>8,642,120</u>	<u>145,060</u>	<u>333,565</u>	<u>9,120,745</u>	<u>9,740,695</u>
<i>Less:</i>					
Distributions of estates and trusts	7,554,268	---	---	7,554,268	7,415,551
Transfers to the Province Fees	---	---	333,565	333,565	289,897
Undistributable estates and trusts (per Section 28)	185,867	---	---	185,867	544,080
Investment income earned on Special Reserve Fund	---	46,659	---	46,659	46,597
	<u>7,740,135</u>	<u>46,659</u>	<u>333,565</u>	<u>8,120,359</u>	<u>8,296,125</u>
Balance, end of year	<u>\$ 13,747,351</u>	<u>\$ 903,346</u>	<u>\$ ---</u>	<u>\$ 14,650,697</u>	<u>\$ 13,650,311</u>

PROVINCE OF NOVA SCOTIA**PUBLIC TRUSTEE****Notes to Financial Statements****March 31, 1996****1. Authority**

The Office of the Public Trustee was established pursuant to the Public Trustee Act. The Public Trustee is empowered to perform the duties of a guardian, custodian, trustee, and executor or administrator of an estate. All investments by the Public Trustee are to be made in accordance with the Trustee Act.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policies.

- a) The Office of the Public Trustee uses a modified cash basis of accounting. These financial statements do not include accrued interest receivable on investments.

The Public Trustee is responsible for administering certain non-cash assets such as real estate, personal effects and chattels. These assets are valued and recorded in the financial records at an estimated market value at the date control is assumed. If market value is not readily ascertainable, they are each recorded at a nominal value of \$1.

- b) Administration expenses of the Office of the Public Trustee are provided for by the general administration vote of the Department of Justice. These expenses are not reflected in the statement of continuity of assets (see Note 3).
- c) Securities consist of bonds, debentures, stocks and deposit certificates. Securities purchased by the Public Trustee are valued at cost. Securities taken over by the Public Trustee are valued at face value or market value.

3. Operating Costs

Certain operating costs are absorbed by various government departments and are not reflected in the statement of continuity of assets. These costs of operating the Office of the Public Trustee are offset by fees charged for administering estates and by investment income.

	1996	1995
Department of Justice		
- Salaries and benefits	\$ 513,662	\$ 514,197
- Other operating costs	77,143	54,782
Department of Supply and Services		
- Rent	59,868	60,150
	<u>650,673</u>	<u>629,129</u>
Less transfers to Province		
- Fees	333,565	289,897
- Special Reserve Fund income	46,659	46,597
	<u>380,224</u>	<u>336,494</u>
Net cost to the Province	<u>\$ 270,449</u>	<u>\$ 292,635</u>

4. Common Fund Securities

Section 30 of the Public Trustee Act permits the Public Trustee to invest monies, not subject to any express trust or direction for investment thereof, in a Common Fund. Investments of the Common Fund are valued at cost.

5. Special Reserve Fund

Section 32 of the Public Trustee Act provides for the establishment of a Special Reserve Fund. The purposes of the Fund are to provide for any deficiencies between income earned on investments of the Common Fund and interest required to be paid to estates comprising the Common Fund; and also to provide for any deficiency between the aggregate amount of sums invested and the realized value of investments of the Common Fund.

The Fund consists of investment income earned on Common Fund securities in excess of interest paid to Common Fund estates. Income earned on securities held in the Special Reserve Fund also forms part of the Fund.

Income earned on securities held in the Special Reserve Fund is eligible for transfer annually to the Province. The remainder of the Fund is restricted to the purposes described above.

6. Comparative Figures

Certain comparative figures for the year ended March 31, 1995 have been reclassified to conform with the presentation adopted for the current year.

AUDITORS' REPORT

To the Board of Directors of
Queen Elizabeth II Health Sciences Centre

We have audited the statement of financial position - operating and capital fund of the Queen Elizabeth II Health Sciences Centre as at March 31, 1996 and the statements of fund balances, revenues and expenditures, equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Centre management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with stated accounting policies as set out in Note 2 to the financial statements.

DELOITTE & TOUCHE
Chartered Accountants

Halifax, Nova Scotia
July 30, 1996

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Statement of Financial Position - Operating and Capital Fund

as at March 31, 1996

	Operating Fund	Capital Fund	Total 1996	Total 1995
	(in thousands)			
ASSETS				
Current				
Cash and short-term investments	\$ 11,557	\$ ---	\$ 11,557	\$ 1,213
Investment held in trust (Note 3)	4,294	---	4,294	4,058
Accounts receivable (Note 4)	8,904	---	8,904	8,057
Due from Nova Scotia Department of Health (Note 5)	5,166	---	5,166	18,105
Due to/from other funds	(1,056)	1,056	---	---
Inventory (Notes 2 and 6)	3,940	---	3,940	3,374
Prepaid expenses	1,883	---	1,883	2,198
	<u>34,688</u>	<u>1,056</u>	<u>35,744</u>	<u>37,005</u>
Restricted cash and short-term investments (Notes 2 and 10)	7,053	---	7,053	5,460
	<u>41,741</u>	<u>1,056</u>	<u>42,797</u>	<u>42,465</u>
Workers' Compensation Board (Note 14)	3,986	---	3,986	3,986
Capital assets (Notes 2 and 7)	---	123,689	123,689	165,488
	<u>\$ 45,727</u>	<u>\$ 124,745</u>	<u>\$ 170,472</u>	<u>\$ 211,939</u>
LIABILITIES				
Current				
Bank indebtedness	\$ ---	\$ ---	\$ ---	\$ 931
Accounts payable and accrued liabilities (Note 8)	32,510	---	32,510	34,432
Due to Nova Scotia Government Department of Finance	2,698	---	2,698	3,168
Deferred revenue (Note 9)	11,401	---	11,401	11,705
Current portion of long-term debt (Note 11)	---	220	220	307
	<u>46,609</u>	<u>220</u>	<u>46,829</u>	<u>50,543</u>
Restricted liabilities (Notes 2 and 10)	7,053	---	7,053	5,460
	<u>53,662</u>	<u>220</u>	<u>53,882</u>	<u>56,003</u>
Long-term debt (Note 11)	---	210	210	416
	<u>53,662</u>	<u>430</u>	<u>54,092</u>	<u>56,419</u>

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Statement of Financial Position - Operating and Capital Fund (Cont'd)

as at March 31, 1996

	Operating Fund	Capital Fund	Total 1996	Total 1995
	(in thousands)			
FUND BALANCE				
Operating Deficiency	(9,369)	---	(9,369)	(10,580)
Surplus Retention	1,434	---	1,434	1,434
Investment in capital assets	---	124,315	124,315	164,666
	(7,935)	124,315	116,380	155,520
	<u>\$ 45,727</u>	<u>\$ 124,745</u>	<u>\$ 170,472</u>	<u>\$ 211,939</u>

Contingency and commitments (Notes 5, 12(c), 13, 15 and 16)

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Statement of Fund Balances

year ended March 31, 1996

	1996	1995
OPERATING FUND		
(in thousands)		
Balance, beginning of year	\$ (10,580)	\$ (5,748)
Net operating revenues over expenditures (expenditures over revenues)	1,211	(4,643)
Transfers to Surplus Fund	---	(189)
	<u>1,211</u>	<u>(4,832)</u>
Balance, end of year	<u>\$ (9,369)</u>	<u>\$ (10,580)</u>
SURPLUS RETENTION FUND		
Balance, beginning of year	\$ 1,434	\$ 1,245
Transfers from Operating Fund	---	189
Balance, end of year	<u>\$ 1,434</u>	<u>\$ 1,434</u>
CAPITAL FUND		
Balance, beginning of year	\$ 164,666	\$ 136,684
Capital funding (Schedule C)	22,423	36,121
Amortization (Schedule C)	(6,178)	(8,139)
Disposition of old Halifax Infirmary (Note 5)	(56,596)	---
Balance, end of year	<u>\$ 124,315</u>	<u>\$ 164,666</u>
Total	<u>\$ 116,380</u>	<u>\$ 155,520</u>

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Statement of Revenues and Expenditures

Operating Fund

year ended March 31, 1996

	1996	1995
	(in thousands)	
Patient Care		
Revenues (Schedule A)	\$ 288,330	\$ 301,086
Expenditures (Schedule B)	<u>302,620</u>	<u>309,248</u>
	<u>(14,290)</u>	<u>(8,162)</u>
Affiliated programs		
Revenues (Schedule A)	15,163	15,498
Expenditures (Schedule B)	<u>15,901</u>	<u>15,947</u>
	<u>(738)</u>	<u>(449)</u>
Environmental		
Revenues (Schedule A)	2,900	4,580
Expenditures (Schedule B)	<u>2,900</u>	<u>4,917</u>
	<u>---</u>	<u>(337)</u>
Results from operating activities	(15,028)	(8,948)
Funding adjustments (Note 5)	<u>14,000</u>	<u>6,243</u>
	<u>(1,028)</u>	<u>(2,705)</u>
Research		
Revenues (Schedule A)	9,031	6,550
Expenditures (Schedule B)	<u>(7,431)</u>	<u>5,452</u>
	1,600	1,098
Opening balance	<u>5,453</u>	<u>4,349</u>
Ending funds available for research	7,053	5,447
Funds committed to future projects	<u>(7,053)</u>	<u>(5,460)</u>
	<u>---</u>	<u>(13)</u>
Other		
Revenues (Schedule A)	9,957	6,428
Expenditures (Schedule B)	<u>7,596</u>	<u>6,979</u>
	<u>2,361</u>	<u>(551)</u>
Previous year's final settlement adjustments	(122)	(1,374)
Net revenues over expenditures (expenditures over revenues)	<u>\$ 1,211</u>	<u>\$ (4,643)</u>

PROVINCE OF NOVA SCOTIA
QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Statement of Changes in Financial Position

year ended March 31, 1996

	1996	1995
	(in thousands)	
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net revenues over expenditures (expenditures over revenues)		
- operating	\$ 1,211	\$ (4,643)
Changes in non-cash working capital items (Schedule D)	<u>9,145</u>	<u>17,571</u>
	<u>10,356</u>	<u>12,928</u>
Financing		
Capital funding (Schedule C)	22,423	36,121
Repayment of capital leases	(292)	---
Proceeds of capital leases	---	723
Equity contributions from predecessor sites	<u>---</u>	<u>132,181</u>
	<u>22,131</u>	<u>169,025</u>
Investing		
Capital contributions from predecessor sites	---	(137,608)
Assets acquired (Schedule C)	(22,523)	(36,019)
Amortization of capital assets	1,547	
Worker's compensation claims	<u>---</u>	<u>(3,986)</u>
	<u>(20,976)</u>	<u>(177,613)</u>
Restricted Funding	<u>1,593</u>	<u>5,460</u>
Net cash inflow	13,104	9,800
Cash position, beginning of year	9,800	---
Cash position, end of year	<u>\$ 22,904</u>	<u>\$ 9,800</u>
Represented by:		
Cash and short-term investments	\$ 11,557	\$ 1,213
Bank indebtedness	---	(931)
Investments held in trust	4,294	4,058
Restricted cash and short-term investments	<u>7,053</u>	<u>5,460</u>
	<u>\$ 22,904</u>	<u>\$ 9,800</u>

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Notes to the Financial Statements

year ended March 31, 1996

1. Queen Elizabeth II Health Sciences Centre

On July 8, 1994, the Province of Nova Scotia announced the formation of the Queen Elizabeth II Health Sciences Centre ("QEII"), a merger of Camp Hill Medical Centre, Victoria General Hospital, Cancer Treatment and Research Foundation of Nova Scotia and Nova Scotia Rehabilitation Corporation. An Act of the Legislature of the Province of Nova Scotia, proclaiming the incorporation of the QEII, was passed on February 27, 1996.

The QEII is dedicated to the provision of exemplary health care through the integration of patient care, teaching and research within a compassionate and caring Centre community, in partnership with other providers. It is the principal centre for the provision of these services in the Maritime Provinces.

2. Significant Accounting Policies

a) Financial Statements

These financial statements consolidate the accounts of the four predecessor institutions for the year ended March 31, 1996, presented on a single entity basis. Inter-hospital transactions have been eliminated.

b) Fund Accounting

The QEII maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating activity from capital activity.

c) Investments

Investments are stated at cost.

d) Inventories

Inventories are stated at cost, being the lower of cost and net realizable value.

e) Capital Assets

At March 31, 1996, the financial statements of the QEII reflect a mixture of accounting policies in respect to these assets, due to various practices of the four predecessor institutions.

All sites have projects that are carried out by the Nova Scotia Department of Supply and Services and these financial statements do not include the associated costs. Details of construction and other costs paid by the Nova Scotia Department of Supply and Services during the year are included in Note 12.

i) *Camp Hill Medical Centre ("CHMC")*

No value has been recorded for land at the Camp Hill site as the land is owned by the Province of Nova Scotia.

The Camp Hill site buildings are not recorded in the financial statements as title is presently held in the name of the Province of Nova Scotia. The Camp Hill medical Centre has requested title transfer from the Province for the Camp Hill site land and buildings, for which construction has been completed.

The Province of Nova Scotia has approved the design, construction and equipping of a new Halifax Infirmary building. The capital construction cost of the new facility to March 31, 1996 is recorded at cost in the amount of \$114,509,717. To facilitate construction, titles to the new hospital building complexes also are in the name of the Province of Nova Scotia.

Amortization of equipment assets is provided in the accounts at a rate of 100% in the year of acquisition, except for certain assets which are not yet in use pending the move to the new Halifax Infirmary.

ii) *Victoria General Hospital ("VGH")*

The costs of construction and maintenance projects are funded either through the Hospital's operating budget, capital budget or receive Order-in-Council grant approval.

These financial statements do not include the costs of the land and buildings of the Hospital, title for which rests with the Province of Nova Scotia.

Equipment purchases are expensed in the year of acquisition, except for certain assets which have been financed through capital leases. These assets are recorded at cost less accumulated amortization. Amortization is equal to the current year's reduction in related capital lease obligations.

iii) *Cancer Treatment & Research Foundation ("CTRF")*

Equipment purchases are expensed in the year of acquisition.

iv) *Nova Scotia Rehabilitation Centre Corporation ("NSRC")*

The corporation has recorded additions to its building (but not the original building) and its equipment assets at cost. No amortization is provided in the accounts for building additions. Amortization of equipment assets is provided in the accounts at a rate of 100% in the year of acquisition.

f) Restricted Assets and Liabilities

Restricted cash and short-term investments are designated for restricted purposes by independent funders, by regulation or by resolution of the QEII Board of Directors. The corresponding restricted liability represents the unexpended fund balance.

g) Pledges

No accrual is made for donation revenues pledged but not yet received.

h) Compensation Accruals

Retirement allowances, including Long Service awards, are not accrued in the financial statements.

3. Investments Held in Trust

During 1994/95, the Board of Directors of the VGH approved the transfer of \$3,480,000 to the Victoria General Hospital Foundation for investment purposes. During 1994/95, the Board of Directors of the NSRC approved the transfer of \$500,000 to the Nova Scotia Rehabilitation Centre Foundation for investment purposes. These funds are invested and disbursed at the discretion of the administration of the QEII. The balance of the investment including accrued interest at March 31, 1996 is \$4,294,181 (1995 - \$4,057,688).

4. Accounts Receivable

	1996	1995
	(in thousands)	
Accounts receivable	\$ 9,785	\$ 8,508
Allowance for doubtful accounts	(881)	(451)
	<u>\$ 8,904</u>	<u>\$ 8,057</u>

5. Nova Scotia Department of Health

	1996	1995
	(in thousands)	
1995/96 claims	\$ 14,000	\$ ---
1994/95 operating claims	6,003	6,243
1993/94 operating claims	---	501
Environmental claims	4,407	4,955
Severance	3,103	---
Construction grants	2,006	6,346
Long-term care	1,467	1,231
Bone marrow transplants	443	182
Other claims	222	1,377
Capital grants	928	2,793
	<u>32,579</u>	<u>23,628</u>

Funding advance - February 1996	(14,000)	---
Advance on 1994/95 operating claim	(6,000)	---
Wage Rollback Program	(1,318)	(1,314)
New Halifax Infirmary	(1,860)	---
Fund Rollback Program	(4,235)	(4,209)
	<u>\$ 5,166</u>	<u>\$ 18,105</u>

All amounts due are subject to review and approval by the Nova Scotia Department of Health. The Centre's claim in respect of 1994/95 losses from shareable operations has been submitted (but not yet approval) by the Department of Health.

The 1995/96 claim has been prepared in accordance with the Memorandum of Understanding signed between the QEII and the Department of Health. The claim represents amounts due from the Department of Health in respect of operating losses for the 1995/96 fiscal year and in respect of the anticipated transfer of the old Halifax Infirmary title to the Department of Health. The Memorandum of Understanding reads as follows:

- 2.1 Province will acquire title to the old Halifax Infirmary site in exchange for the elimination of the 1995/96 operating deficits up to the time labour adjustments are resolved,
- 2.2 If the Province does not wish to obtain title to the "old Halifax Infirmary site", approval is given to allow the private sale of this asset to offset the operating deficit.

The transaction has been recorded as accrued revenue of \$14,000,000 for extinguishment of the 1995/96 operating loss. The capital fund and asset pool have been written down by the building's carrying value of \$56,595,835.

6. Inventories

	1996	1995
	(in thousands)	
Drugs	\$ 2,285	\$ 1,615
General supplies	832	803
Medical and surgical supplies	823	956
	<u>\$ 3,940</u>	<u>\$ 3,374</u>

7. Capital Assets (see Note 2)

	<u>Net Book Value</u>	
	1996	1995
	(in thousands)	
New construction	\$ 114,509	\$ 99,764
Building and additions	7,377	63,629
Building service equipment	1,479	1,771
Land and land improvements	324	324
	<u>\$ 123,689</u>	<u>\$ 165,488</u>

8. Accounts Payable

	1996	1995
	(in thousands)	
Trade payables/accrued liabilities	\$ 26,960	\$ 28,840
Vacation pay accrual	5,060	5,102
VAC payable	490	490
	<u>\$ 32,510</u>	<u>\$ 34,432</u>

9. Deferred Revenue

This amount represents an advance payment to the Centre from the Nova Scotia Department of Health and the Department of Veterans Affairs for funding for the 1996/97 fiscal year.

10. Restricted Liabilities

These assets and liabilities represent funds, the use of which is restricted by various conditions.

	1996	1995
	(in thousands)	
Abbie J. Lane Trust Fund	\$ 64	\$ 65
Charitable funds	63	81
Centre for Clinical Research	3,535	2,485
Camp Hill Research	2,951	2,061
Other	440	768
	<u>\$ 7,053</u>	<u>\$ 5,460</u>

11. Long-Term Debt

	1996	1995
	(in thousands)	
Obligation under Capital Lease		
Bank of Montreal Leasing Corporation, sixty monthly blended payments of \$18,232 to October 28, 1996, effective annual rate of interest of 10.5%	\$ 123	\$ 319
Equipment Purchase Agreement		
Versa Services Ltd., sixty monthly payments of principal only (non-interest bearing) to August 31, 1998	307	404
	430	723
Current portion	(220)	(307)
	<u>\$ 210</u>	<u>\$ 416</u>

Minimum principal payments required in each of the next four years are:

	(in thousands)
1996/97	\$ 220
1997/98	97
1998/99	97
1999/2000	16
	<u>\$ 430</u>

12. Pension Funds

a) Public Service Superannuation Fund

Most employees of the VGH and CTRF are eligible to join the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Centre's operating expenses. The Public Service Superannuation Fund is administered by the Nova Scotia Department of Finance. The Centre is not responsible for any unfunded liability.

b) Nova Scotia Association of Health Organizations

The NSRC and CHMC participate in the multi-employer plan administered by the Nova Scotia Association of Health Organizations. The most recent Actuarial Valuation was conducted as at December 31, 1993 and showed a funding excess for the entire plan of \$2,131,000.

c) Long-Term Disability Plan

Most employees of the VGH and the CTRF are eligible to join a Long-Term Disability Plan which is funded equally by employee and employer contributions. The employer's contributions are included in the Centre's operating expenses. The plan is currently administered by the Province of Nova Scotia who has disclosed an unfunded liability of approximately \$12,000,000 for VGH and CTRF employees. The ultimate responsibility for funding the liability has not been resolved between the Province of Nova Scotia and the QEII.

13. Environmental Expenditures

During the year, the Centre incurred approximately \$2,900,000 (1995 - \$4,917,000) of costs associated with the environmental illness claims which have been recorded in these financial statements. Management believes that additional costs will be incurred during fiscal 1996/97 on environmental illness claims. No provision has been made for future claims as the amount of the claim is unknown and the Centre has not yet made any formal commitments for these expenditures.

14. Due from Workers' Compensation Board of Nova Scotia

Outstanding claims with the Workers' Compensation Board of Nova Scotia are determined to be \$3,986,426. These claims are for salary costs of employees who have been ill and were unable to work due to an air quality problem in buildings at the Camp Hill Medical Centre. The amount eventually recovered from the Workers' Compensation Board will be dependent upon its final review of these outstanding claims. In the event that the Workers' Compensation Board of Nova Scotia does not honour the claim, the Centre will seek recovery from the Province of Nova Scotia.

15. Construction of New Halifax Infirmary Building

The construction of the new Halifax Infirmary building is estimated to cost \$130,000,000 and is expected to be completed in 1996. To March 31, 1996, the Centre has paid \$114,509,717 of the total costs. The Centre has entered into significant commitments to suppliers for the completion of the building.

The funding for the building was committed as follows:

Province of Nova Scotia	\$ 104,000,000
Camp Hill Medical Centre	\$ 26,000,000

A capital campaign was undertaken by the Camp Hill Medical Centre Foundation to support the Camp Hill Medical Centre commitment. The objective of the campaign is to raise \$10,000,000 with term pledges from the private sector payable up to the year 2002. Should the pledges, for any reason, not be fully recovered, the QEII will be responsible for finding alternate funding for any shortfall.

16. Commitments

In June, 1996, the Centre entered into a contractual agreement for approximately \$8 million to purchase and implement a new patient care information system.

17. Comparative Figures

Certain of the March 31, 1995 comparative figures have been reclassified to conform with current year financial statement presentation.

PROVINCE OF NOVA SCOTIA
QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule of Revenues

Operating Fund

year ended March 31, 1996

	Patient Care	Affiliated Programs	Environ- mental	Research	Other	1996 Total
	(in thousands)					
Inpatient						
Department of						
Health \$	208,166 \$	11,727 \$	2,900 \$	--- \$	2,862 \$	225,655
Federal	536	---	---	---	---	536
VAC Chronic	13,700	---	---	---	---	13,700
Non-resident	1,567	---	---	---	---	1,567
Workers'						
Compensation						
Board	2,199	---	---	---	---	2,199
Other	(131)	---	---	---	---	(131)
	<u>226,037</u>	<u>11,727</u>	<u>2,900</u>	<u>---</u>	<u>2,862</u>	<u>243,526</u>
Outpatient						
Department of						
Health	47,086	---	---	---	---	47,086
Federal	156	---	---	---	---	156
Non-resident	1,548	---	---	---	---	1,548
Workers'						
Compensation						
Board	389	---	---	---	---	389
Other	340	---	---	---	---	340
Ambulance	74	---	---	---	---	74
	<u>49,593</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>49,593</u>

Schedule A

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule of Revenues (Cont'd)

Operating Fund

year ended March 31, 1996

	Patient Care	Affiliated Programs	Environ- mental (in thousands)	Research	Other	1996 Total
Other						
Contract revenue \$	---	---	---	8,335	---	8,335
Preferred accommodation . . .	2,296	---	---	---	1,572	3,868
Medical Education	---	3,436	---	---	---	3,436
Laboratory	3,385	---	---	---	---	3,385
Dietary	275	---	---	---	2,868	3,143
Ortho/prosthetics	2,380	---	---	---	---	2,380
Donations	---	---	---	---	1,653	1,653
Psychiatry	1,392	---	---	---	---	1,392
Plant	1,175	---	---	---	---	1,175
Radiology	890	---	---	---	---	890
Interest	---	---	---	10	756	766
Other	268	---	---	311	173	752
Overhead	---	---	---	375	---	375
Rentals	304	---	---	---	24	328
Parking	264	---	---	---	49	313
Pharmacy	71	---	---	---	---	71
	<u>12,700</u>	<u>3,436</u>	<u>---</u>	<u>9,031</u>	<u>7,095</u>	<u>32,262</u>
Total revenues	\$ 288,330	\$ 15,163	\$ 2,900	\$ 9,031	\$ 9,957	\$ 325,381

The 1995 revenue figures have been excluded as the classification of revenue has been changed during the year and is not readily comparable.

PROVINCE OF NOVA SCOTIA
QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule of Expenditures

Operating Fund

year ended March 31, 1996

	Patient Care	Affiliated Programs	Environ- mental	Research	Other	1996 Total
	(in thousands)					
Compensation \$	217,224 \$	15,001 \$	2,797 \$	2,913 \$	2,246 \$	240,181
Medical and surgical supplies	24,279	16	---	12	---	24,307
Plant and maintenance supplies	18,451	60	---	445	918	19,874
Fees and administrative supplies and services	13,035	608	98	1,255	575	15,571
Drugs	15,289	44	---	12	1	15,346
Other supplies	4,557	122	5	2,025	3,081	9,790
Lab supplies	4,493	1	---	57	---	4,551
Dietary supplies	2,713	1	---	---	775	3,489
Diagnostic imaging supplies	2,579	48	---	---	---	2,627
Research overhead	---	---	---	712	---	712
Total expenditures	<u>\$ 302,620</u>	<u>\$ 15,901</u>	<u>\$ 2,900</u>	<u>\$ 7,431</u>	<u>\$ 7,596</u>	<u>\$ 336,448</u>

The 1995 expenditure figures have been excluded as the classification of expenditures has been changed during the year and is not readily comparable.

Schedule C

PROVINCE OF NOVA SCOTIA
QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule of Revenues and Expenditures

Capital Fund

year ended March 31, 1996

	CHMC	VGH	NSRC	CTRF	1996 Total	1995 Total
	(in thousands)					
Capital Funding						
Department of						
Health \$	16,219 \$	2,616 \$	69 \$	1,736 \$	20,640	30,460
Interest	---	---	---	---	---	20
Foundations	---	---	---	---	---	5,614
Other	208	1,459	117	(1)	1,783	27
	<u>\$ 16,427</u>	<u>\$ 4,075</u>	<u>\$ 186</u>	<u>\$ 1,735</u>	<u>\$ 22,423</u>	<u>\$ 36,121</u>
Capital Expenditures						
New facilities \$	8,953 \$	---	---	---	8,953 \$	27,880
Facility						
improvements	48	1,552	86	93	1,779	3,906
Equipment	7,640	3,326	---	825	11,791	4,233
	<u>\$ 16,641</u>	<u>\$ 4,878</u>	<u>\$ 86</u>	<u>\$ 918</u>	<u>\$ 22,523</u>	<u>\$ 36,019</u>
Amortization of						
capital fund \$	<u>296</u>	<u>4,878</u>	<u>86</u>	<u>918</u>	<u>6,178</u>	<u>8,139</u>
Amortization of						
capital assets \$	<u>1,255</u>	<u>292</u>	<u>---</u>	<u>---</u>	<u>1,547</u>	<u>---</u>

PROVINCE OF NOVA SCOTIA
QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Changes in Non-Cash Working Capital Items

year ended March 31, 1996

	1996	1995
	(in thousands)	
Decrease (increase) in		
Accounts receivable	\$ (847)	\$ (8,057)
Due from Nova Scotia Department of Health	12,939	(18,105)
Inventory	(566)	(3,374)
Prepaid expenses	315	(2,198)
Increase (decrease) in		
Accounts payable	(1,922)	34,432
Due to Nova Scotia Government		
Department of Finance	(470)	3,168
Deferred revenue	(304)	11,705
Increase in non-cash working capital items	\$ <u>9,145</u>	\$ <u>17,571</u>

AUDITORS' REPORT

To the Members of the
Sherbrooke Restoration Commission

We have audited the balance sheet of Sherbrooke Restoration Commission as at March 31, 1996 and the statements of revenue and expenditures, fund balances, and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles set out in the notes to the financial statements.

DELOITTE & TOUCHE
Chartered Accountants

Halifax, Nova Scotia
May 9, 1996

PROVINCE OF NOVA SCOTIA

SHERBROOKE RESTORATION COMMISSION

BALANCE SHEET

as at March 31, 1996

	1996	1995 (Restated - Note 6)
OPERATING FUND		
Assets		
Cash	\$ ---	\$ 67,516
Accounts receivable	27,414	8,264
Inventory	85,208	72,620
Prepaid expenses	21,853	25,503
	<u>\$ 134,475</u>	<u>\$ 173,903</u>
Liabilities		
Bank indebtedness	\$ 13,555	\$ ---
Accounts payable	22,439	21,395
Deferred revenue	---	27,804
	<u>35,994</u>	<u>49,199</u>
Fund balance	<u>98,481</u>	<u>124,704</u>
	<u>\$ 134,475</u>	<u>\$ 173,903</u>

INVESTMENT IN PROPERTY, BUILDINGS AND FURNISHINGS FUND

Assets		
Property, buildings and furnishings	<u>\$ 3,747,799</u>	<u>\$ 3,593,100</u>
Fund balance	<u>\$ 3,747,799</u>	<u>\$ 3,593,100</u>

PROVINCE OF NOVA SCOTIA

SHERBROOKE RESTORATION COMMISSION

Statement of Revenue and Expenditures

year ended March 31, 1996

	Budget 1996	Actual 1996	Actual 1995
Revenue			
Operating grants			
Board of Governors of the Nova Scotia Museum	\$ 766,300	\$ 766,300	\$ 790,000
Capital grants			
Department of Supply and Services (Note 3)	100,000	133,972	146,508
Nova Scotia Museum	---	32,948	23,896
	<u>100,000</u>	<u>166,920</u>	<u>170,404</u>
Program revenue (Schedule 2)	<u>189,190</u>	<u>275,697</u>	<u>179,731</u>
Other			
Gate admissions	140,000	102,597	98,164
Interest	13,500	16,162	12,096
Miscellaneous	6,900	8,353	7,974
	<u>160,400</u>	<u>127,112</u>	<u>118,234</u>
Total revenue	<u>1,215,890</u>	<u>1,336,029</u>	<u>1,258,369</u>
Expenditures			
General operating (Schedule 1)	582,940	583,885	536,987
Program (Schedule 2)	570,950	623,668	544,928
Capital	113,900	154,699	154,502
Total expenditures	<u>1,267,790</u>	<u>1,362,252</u>	<u>1,236,417</u>
Net (expenditure) revenue	<u>\$ (51,900)</u>	<u>\$ (26,223)</u>	<u>\$ 21,952</u>

PROVINCE OF NOVA SCOTIA

SHERBROOKE RESTORATION COMMISSION

Statement of Fund Balances

year ended March 31, 1996

	1996	1995 (Restated - Note 6)
OPERATING FUND		
Balance, beginning of year	\$ 124,704	\$ 30,132
Net (expenditure) revenue	(26,223)	21,952
Change in accounting policy (Note 6)	---	72,620
Balance, end of year	<u>\$ 98,481</u>	<u>\$ 124,704</u>

INVESTMENT IN PROPERTY, BUILDINGS AND FURNISHINGS FUND

Balance, beginning of year	<u>\$ 3,593,100</u>	<u>\$ 3,438,598</u>
Additions		
Furnishings and equipment	20,727	2,408
Renovations - Department of Supply and Services	133,972	145,003
Displays and exhibits	---	7,091
	<u>154,699</u>	<u>154,502</u>
Balance, end of year	<u>\$ 3,747,799</u>	<u>\$ 3,593,100</u>

PROVINCE OF NOVA SCOTIA
SHERBROOKE RESTORATION COMMISSION

Statement of Changes in Financial Position

year ended March 31, 1996

	1996	1995
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net (expenditure) revenue \$	(26,223) \$	21,952
Add capital expenditures charged to operations	<u>154,699</u>	<u>154,502</u>
	128,476	176,454
Changes in non-cash operating capital items (Note 5)	<u>(54,848)</u>	<u>27,834</u>
	<u>73,628</u>	<u>204,288</u>
Investing		
Additions to property, buildings and furnishings	<u>(154,699)</u>	<u>(154,502)</u>
Net cash (outflow) inflow	(81,071)	49,786
Cash position, beginning of year	<u>67,516</u>	<u>17,730</u>
(Bank indebtedness) cash, end of year \$	<u>(13,555) \$</u>	<u>67,516</u>

PROVINCE OF NOVA SCOTIA**SHERBROOKE RESTORATION COMMISSION****Notes to the Financial Statements****year ended March 31, 1996****1. Description of Operations**

The Commission operates the Sherbrooke Village Restoration Project. It is accountable to the Board of Governors of the Nova Scotia Museum for all disbursements made out of monies received by the Commission.

2. Accounting Policies

The financial statements have been prepared in accordance with accounting policies considered appropriate for organizations of this type. The more significant of these accounting policies are summarized below:

a) Fund Accounting

The assets and liabilities of the Commission are segregated into two funds - Operating and Investment in Property, Buildings and Furnishings. The Operating Fund assets and liabilities are those which are used for the general operations of the Commission. The Investment in Property, Buildings and Furnishings Fund comprises assets of enduring benefit and any related debt.

b) Depreciation

Depreciation is not recorded on the property, buildings and furnishings.

c) Property, Buildings and Furnishings

Property, buildings and furnishings reflect all expenditures of the Commission from June 15, 1971 to March 31, 1974 and all expenditures of a capital nature thereafter. These capital expenditures have been made by the Commission on behalf of the Province of Nova Scotia, with the Province being the beneficial owner of the assets.

d) Inventories

Inventories of finished goods for resale and raw materials are accounted for at the lower of cost and market (Note 6).

3. Capital Grants - Department of Supply and Services

The Commission receives grants for capital projects from the Nova Scotia Department of Supply and Services. The portion of these grants relating to reimbursement for Workers' Compensation is applied directly to reduce the Workers' Compensation expense, rather than to revenue.

4 Pension Plan

The Commission has a defined benefit pension plan which covers all employees. The plan is contributory and provides retirement benefits based on length of service and average earnings as defined. The last actuarial was carried out in 1996, and covered the financial position of the plan as at December 31, 1995. At that time, the assets of the plan amounted to \$594,739 and the liabilities amounted to \$514,341, with the result that the plan had a surplus of \$80,398 at that date.

5. Changes in Non-cash Operating Working Capital Items

	1996	1995
Accounts receivable	\$ (19,150)	\$ 768
Accounts payable	1,044	7,398
Prepaid expenses	3,650	(8,136)
Deferred revenue	(27,804)	27,804
Inventory	(12,588)	---
	<u>\$ (54,848)</u>	<u>\$ 27,834</u>

6. Change in Accounting Policy

During the year, the Commission changed its accounting policy regarding inventories. Inventories previously expensed are now recorded at the lower of cost or market. The effect of this change was to increase the fund balance in the operating fund by \$72,620, representing the inventory on hand at March 31, 1995.

PROVINCE OF NOVA SCOTIA

SHERBROOKE RESTORATION COMMISSION

Schedule of General Operating Expenditures

year ended March 31, 1996

	Budget 1996	Actual 1996	Actual 1995
Advertising and brochures	\$ 12,000	\$ 31,830	22,124
Bad debts	---	(672)	1,823
Freight	1,500	2,469	1,344
Heat, light and power	50,000	50,452	43,158
Insurance and taxes	4,800	3,068	4,433
Interest and bank charges	3,000	2,372	2,797
Maintenance supplies	13,700	15,612	14,296
Miscellaneous	12,765	8,226	10,260
Motor vehicles	3,000	4,504	3,847
Office supplies and postage	5,500	8,145	7,162
Sewer and water	39,000	40,086	31,538
Professional fees	4,500	4,675	4,300
Property maintenance and security salaries . . .	139,250	127,092	138,569
Pension plan and other benefits	64,500	59,653	57,085
Salaries and wages - Administration	155,425	148,958	141,119
Staff and Commission training	31,000	27,062	14,586
Special projects wages	---	9,442	1,461
Telephone	12,000	14,710	15,193
Travel	7,000	11,191	9,057
Workers' compensation	24,000	15,010	12,835
	<u>\$ 582,940</u>	<u>\$ 583,885</u>	<u>\$ 536,987</u>

Schedule 2

PROVINCE OF NOVA SCOTIA

SHERBROOKE RESTORATION COMMISSION

Schedule of Program Revenue and Expenditures

year ended March 31, 1996

	1996 Budget	1996 Net Expenditures	1995 Net Expenditures
Blacksmith shop	\$ 7,295	\$ 8,684	\$ 7,632
Boat shop	---	1,316	---
Costume shop	15,840	15,110	15,718
Craft shop	19,355	681	17,441
Emporium	3,480	(1,925)	(145)
Exhibit operations	16,455	15,380	16,757
Jordan barn	27,340	28,634	28,001
Pottery shop	23,225	22,607	24,793
Restaurant	(3,500)	(2,183)	(3,016)
Print shop	500	393	841
Sawmill operations	21,675	16,203	23,645
Ambrotype Studio	4,880	7,252	5,248
Turner shop	21,285	16,890	20,454
Woodworking shop	25,660	28,437	29,079
Education program	(3,190)	(3,941)	(9,638)
Guides	201,460	194,433	188,387
	<u>\$ 381,760</u>	<u>\$ 347,971</u>	<u>\$ 365,197</u>
Program expenditures	\$ 570,950	\$ 623,668	\$ 544,928
Less: Program revenue	<u>189,190</u>	<u>275,697</u>	<u>179,731</u>
Net expenditures	<u>\$ 381,760</u>	<u>\$ 347,971</u>	<u>\$ 365,197</u>

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Trade Centre Limited as at March 31, 1996 and the statements of loss and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the company taken as a whole. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG PEAT MARWICK THORNE
Chartered Accountants

Halifax, Canada
June 6, 1996

PROVINCE OF NOVA SCOTIA

TRADE CENTRE LIMITED

BALANCE SHEET

March 31, 1996, with comparative figures for 1995

	1996	1995
ASSETS		
Current assets:		
Cash	\$ 156,153	\$ 182,101
Short-term investments	3,226,112	2,444,549
Accounts receivable (Note 2)	724,613	775,189
Due from the Province of Nova Scotia	---	584,391
Inventories	79,763	73,790
Prepaid expenses	41,856	35,862
	<u>4,228,497</u>	<u>4,095,882</u>
Portfolio investments	784,301	178,335
Property and equipment (Note 3):		
Land, building, furniture and equipment and		
Tenant leaseholds	33,106,457	33,158,029
Less: Accumulated depreciation and amortization	14,039,209	13,011,915
	<u>19,067,248</u>	<u>20,146,114</u>
	<u>\$ 24,080,046</u>	<u>\$ 24,420,331</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	\$ 439,936	\$ 597,401
Due to the Province of Nova Scotia	2,359,154	2,214,776
Event deposits	236,975	247,390
Deferred revenue	28,787	36,477
	<u>3,064,852</u>	<u>3,096,044</u>
Deferred capital assistance (Note 4)	784,301	178,335
Shareholder's equity:		
Capital stock:		
Authorized: 1,000,000 common shares without		
par value		
Issued and outstanding: 100 common shares	100	100
Contributed surplus (Note 5)	45,173,101	45,173,101
Deficit	(24,942,308)	(24,027,249)
	<u>20,230,893</u>	<u>21,145,952</u>
	<u>\$ 24,080,046</u>	<u>\$ 24,420,331</u>

Commitments (Note 8)

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

TRADE CENTRE LIMITED

Statement of Loss and Deficit

Year ended March 31, 1996, with comparative figures for 1995

	1996	1995
Revenues:		
Convention centre (Schedule 1)	\$ 4,127,398	\$ 3,802,500
Office tower (Schedule 2)	1,872,113	1,825,295
World Trade Centre (Schedule 3)	441,731	369,909
	<u>6,441,242</u>	<u>5,997,704</u>
Expenses:		
Event expenses	2,321,414	2,333,290
Salaries, wages and benefits	1,488,765	1,620,769
Administration	503,930	415,247
Advertising and marketing	364,856	346,596
Maintenance	641,534	579,912
Energy	514,695	495,286
Taxes and Insurance	945,285	941,841
	<u>6,780,479</u>	<u>6,732,941</u>
Loss before amortization and depreciation	(339,237)	(735,237)
Depreciation and amortization	<u>1,078,866</u>	<u>1,148,194</u>
Loss before subsidies and interest income on short-term investments	(1,418,103)	(1,883,431)
City of Halifax operating subsidy (Note 6)	430,290	425,020
Province of Nova Scotia operating subsidy (surplus) (Note 7)	(91,053)	310,217
Interest income on short-term investments	163,807	112,710
Loss for the year	(915,059)	(1,035,484)
Deficit, beginning of year	<u>(24,027,249)</u>	<u>(22,991,765)</u>
Deficit, end of year	<u>\$ (24,942,308)</u>	<u>\$ (24,027,249)</u>

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

TRADE CENTRE LIMITED

Statement of Changes in Financial Position

Year ended March 31, 1996, with comparative figures for 1995

	1996	1995
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (915,059)	\$ (1,035,484)
Items not involving cash:		
Depreciation and amortization	1,078,866	1,148,194
Change in non-cash operating working capital	<u>584,002</u>	<u>203,021</u>
	747,809	315,731
Financing:		
Increase in deferred capital assistance	975,000	---
Investments:		
Purchases of portfolio investments	(605,966)	(178,335)
Deferred capital assistance used for capital projects	(369,034)	(83,867)
Repayment of note receivable	<u>7,806</u>	<u>4,379</u>
	<u>(967,194)</u>	<u>(257,823)</u>
Increase in cash	755,615	57,908
Cash, beginning of year	<u>2,626,650</u>	<u>2,568,742</u>
Cash, end of year	<u>\$ 3,382,265</u>	<u>\$ 2,626,650</u>

Cash position is defined as cash plus short-term investments.

See accompanying notes to financial statements.

PROVINCE OF NOVA SCOTIA

TRADE CENTRE LIMITED

Notes to Financial Statements

Year ended March 31, 1996

The Trade Centre Limited is incorporated under the laws of the Province of Nova Scotia and its principal business activities include the operation of a trade and convention centre and leasing of office and commercial space.

1. Significant accounting policies:

(a) Divisional operations:

The Trade Centre Limited consists of three divisions; the Convention Centre the World Trade Centre and the Office Tower. Revenue and expenditures are recorded on the accrual basis.

(b) Short-term investments:

Short-term investments are recorded at the lower of cost and market.

(c) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(d) Portfolio investments:

Portfolio investments are recorded at the lower of cost and market.

(e) Property and equipment:

Property and equipment is stated at cost, net of government assistance. Depreciation and amortization is provided on the straight-line basis over the following terms:

Asset	Rate
Building	30 years
Furniture and equipment	5 years
Tenant leaseholds	Lease term plus one renewal period

2. Accounts receivable:

	1996	1995
Convention centre events	\$ 372,225	\$ 488,077
Office tower rents	149,531	83,491
World Trade Club	80,960	57,301
Note receivable	17,358	27,437
Miscellaneous	<u>243,646</u>	<u>162,466</u>
	863,720	818,772
Less: Allowance for doubtful accounts	<u>(139,107)</u>	<u>(43,583)</u>
	<u>\$ 724,613</u>	<u>\$ 775,189</u>

3. Property and equipment:

	Cost	Accumulated Depreciation and Amortization	1996 Net	1995 Net
Land	\$ 1	\$ ---	\$ 1	\$ 1
Building	30,259,663	11,334,092	18,925,571	19,934,226
Furniture and equipment	1,955,701	1,942,574	13,127	22,285
Tenant leaseholds	<u>891,092</u>	<u>762,543</u>	<u>128,549</u>	<u>189,602</u>
	<u>\$ 33,106,457</u>	<u>\$ 14,039,209</u>	<u>\$ 19,067,248</u>	<u>\$ 20,146,114</u>

4. Deferred capital assistance:

The Province of Nova Scotia has allowed the centre to use certain amounts of accrued savings from operations towards future capital projects. An amount of \$875,000 was approved during the year for scheduled projects.

The City of Halifax provided a further contribution of \$100,000 toward certain of these scheduled capital projects.

During the year the centre expended an amount of \$369,034 of these funds on capital projects.

The remaining balance of \$784,301 at March 31, 1996 has been reflected as deferred capital assistance in these financial statements until used for the purposes intended.

5. Contributed surplus:

	1996	1995
Government of Canada	\$ 2,750,000	\$ 2,750,000
City of Halifax	1,500,000	1,500,000
Province of Nova Scotia	<u>40,923,101</u>	<u>40,923,101</u>
	<u>\$ 45,173,101</u>	<u>\$ 45,173,101</u>

Contributed surplus consists of non-repayable grants from the three levels of government as set forth above to assist in the financing of the capital cost of the project. These grants have been treated as contributed surplus since they have been received by virtue of the Province of Nova Scotia's position as the sole shareholder of the Trade Centre Limited.

6. Operating subsidy from the City of Halifax:

Pursuant to the Financing Agreement of May 14, 1982, the City of Halifax makes an annual contribution to the operating deficit of the Convention Centre. In this respect, the Trade Centre Limited has recognized the contribution relating to the 1996 fiscal year in these financial statements.

9. Province of Nova Scotia operating subsidy (surplus):

The Province of Nova Scotia operating subsidy (surplus) represents the loss (income) for the year before depreciation and amortization and interest income on short-term investments.

8. Commitments:

a) Operating leases:

The company leases various assets under operating leases with terms expiring in 1997 and 1998. The following is a schedule by year of the future minimum lease payments due on operating leases with an initial term in excess of one year as at March 31, 1996:

1997	\$	31,045
1998		8,728

b) Contractual obligations:

The centre is committed under contracts to capital expenditures totalling approximately \$460,000 relating to the construction of the tunnel project linking Scotia Square to the convention centre and Halifax Metro Centre. Additional capital expenditures of approximately \$160,000 have been budgeted for fiscal 1997. All of these expenditures will be funded through deferred capital assistance.

9. Related party transactions:

The Trade Centre Limited rents significant office tower space to departments and agencies of the Province of Nova Scotia.

For the year ended March 31, 1996, rental revenue and tenant recoveries included \$1,419,982 (1995 - \$1,379,246) received from departments and agencies of the Province of Nova Scotia.

10. Comparative figures:

Certain of the comparative figures for 1995 have been reclassified to conform with the financial statement presentation adopted for 1996.

Schedule 1

PROVINCE OF NOVA SCOTIA

TRADE CENTRE LIMITED

Schedule of Revenue and Expenses - Convention Centre

Year ended March 31, 1996, with comparative figures for 1995

	1996	1995
Convention revenue	\$ 4,127,398	\$ 3,802,500
Expenses:		
Event expenses	2,021,643	2,131,873
Salaries, wages and benefits	1,068,584	1,202,737
Administration	273,444	234,420
Advertising and marketing	354,992	337,479
Maintenance	366,175	336,626
Energy	316,833	306,091
Taxes and insurance	533,827	532,493
	<u>4,935,498</u>	<u>5,081,719</u>
Loss before subsidy	(808,100)	(1,279,219)
City of Halifax operating subsidy	430,290	425,020
Loss from operations	<u>\$ (377,810)</u>	<u>\$ (854,199)</u>

PROVINCE OF NOVA SCOTIA

TRADE CENTRE LIMITED

Schedule of Revenue and Expenses - Office Tower

Year ended March 31, 1996, with comparative figures for 1995

	1996	1995
Revenue:		
Rental revenue	\$ 1,133,880	\$ 1,126,442
Recovery of operating expenses	<u>738,233</u>	<u>698,853</u>
	1,872,113	1,825,295
Expenses:		
Business centre operations	41,585	4,637
Salaries, wages and benefits	198,541	204,941
Administration	86,003	25,000
Maintenance	250,883	226,504
Energy	197,862	189,195
Taxes and insurance	<u>400,855</u>	<u>398,685</u>
	1,175,729	1,048,962
Transfer of operating costs to World Trade Centre	<u>125,259</u>	<u>100,043</u>
	1,050,470	948,919
Income from operations	<u>\$ 821,643</u>	<u>\$ 876,376</u>

Schedule 3

PROVINCE OF NOVA SCOTIA

TRADE CENTRE LIMITED

Schedule of Revenue and Expenses - World Trade Centre

Year ended March 31, 1996, with comparative figures for 1995

	1996	1995
World Trade Centre revenues	\$ 441,731	\$ 369,909
Expenses:		
Event expenses	258,186	196,780
Salaries, wages and benefits	221,640	213,091
Administration	144,483	155,827
Marketing	9,864	9,117
Maintenance	24,476	16,782
Taxes	10,603	10,663
	<u>669,252</u>	<u>602,260</u>
Add transfer of operating costs - office tower	<u>125,259</u>	<u>100,043</u>
	<u>794,511</u>	<u>702,303</u>
Loss from operations	\$ <u>(352,780)</u>	\$ <u>(332,394)</u>

PROVINCE OF NOVA SCOTIA

TRANSPORTATION TRUST FUND

Continuity of Transportation Trust Fund

for the year ended March 31, 1996

	1996	1995
Balance, beginning of year	\$ ---	\$ ---
<i>Add:</i> Revenue collected during year	36,048,682.07	35,918,244.69
	<u>36,048,682.07</u>	<u>35,918,244.69</u>
<i>Deduct:</i> Refund of Payments	459,535.89	599,235.16
Department of Transportation and Communications Expenditures (Schedule 1)	35,589,146.18	35,319,009.53
	<u>36,048,682.07</u>	<u>35,918,244.69</u>
Balance - end of year	<u>\$ ---</u>	<u>\$ ---</u>

Schedule 1

PROVINCE OF NOVA SCOTIA

TRANSPORTATION TRUST FUND

Transportation Trust Fund Expenditures

for the year ended March 31, 1996

Highway	1996	1995
101	\$ 5,102,695.00	\$ 5,131,295.64
102	6,663,834.00	1,807,934.61
103	974,376.00	1,465,377.23
104	19,887,372.18	24,020,531.87
105	1,875,332.00	1,065,416.89
107	---	958,048.87
111	13,973.00	333,933.78
118	145,127.00	---
125	382,134.00	536,470.64
Trunk 4	544,303.00	---
Total Expenditure	<u>\$ 35,589,146.18</u>	<u>\$ 35,319,009.53</u>

AUDITOR'S REPORT

To the Shareholder of the
Upper Clements Family Theme Park Limited

I have audited the balance sheet of Upper Clements Family Theme Park Limited as at March 31, 1996 and the statement of income and deficit for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1996, and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. SALMON, F.C.A.
Auditor General

Halifax, Nova Scotia
July 16, 1996

PROVINCE OF NOVA SCOTIA

UPPER CLEMENTS FAMILY THEME PARK LIMITED

BALANCE SHEET

as at March 31, 1996

	1996	1995
ASSETS		
Current		
Cash	\$ 1,235	\$ 925
Accounts receivable	---	480
	<u>\$ 1,235</u>	<u>\$ 1,405</u>
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 460	\$ 1,111
Due to Province of Nova Scotia	1,142	1,142
Current portion of long-term liability	<u>8,388</u>	<u>5,542</u>
	<u>9,990</u>	<u>7,795</u>
Long-term		
Disability benefits	<u>63,432</u>	<u>68,938</u>
Equity		
Capital stock	1	1
Contributed surplus (Note 2)	5,667,174	5,667,174
Deficit	<u>(5,739,362)</u>	<u>(5,742,503)</u>
	<u>(72,187)</u>	<u>(75,328)</u>
	<u>\$ 1,235</u>	<u>\$ 1,405</u>

Contingency (Note 6)

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA
UPPER CLEMENTS FAMILY THEME PARK LIMITED

Statement of Income and Deficit

for the year ended March 31, 1996

	1996	1995
Revenue	\$ ---	\$ 338
Expenses		
Maintenance and repairs	1,700	4,972
Professional fees	1,492	5,628
Telephone	---	4,983
Wages and LTD benefits (Note 4)	3,220	82,790
Dues and fees	365	---
Miscellaneous	82	---
	<u>6,859</u>	<u>98,373</u>
Income (Loss) from Operations	<u>(6,859)</u>	<u>(98,035)</u>
Other Income		
Interest income	---	228
Contributions from the Province (Note 5)	10,000	22,000
	<u>10,000</u>	<u>22,228</u>
Net Income (Loss)	3,141	(75,807)
Deficit, beginning of year	<u>(5,742,503)</u>	<u>(5,666,696)</u>
Deficit, end of year	<u>\$ (5,739,362)</u>	<u>\$ (5,742,503)</u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

UPPER CLEMENTS FAMILY THEME PARK LIMITED

Notes to Financial Statements

March 31, 1996

1. Authority

The Upper Clements Family Theme Park Limited was created by Order-in-Council #88-17 for the purpose of assisting in the establishment and operation of a family theme park.

2. Transfer to Province of Nova Scotia

On April 6, 1994 the Company transferred all of its fixed assets to its shareholder, the Province of Nova Scotia. No gain or loss was realized on the transfer of these assets to the Province, and the related contributed surplus was reduced.

The Province subsequently entered into a leasing arrangement with a third party to continue the operations of the park. Revenue and costs associated with that lease are included in the accounts of the Province.

3. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The Nova Scotia Economic Renewal Agency provides administrative services to the Company, the costs of which are not reflected in these statements.

4. WCB and LTD Benefits

In 1994-95, a change in accounting policy was implemented to account for the estimated long-term liability associated with workers' compensation (WCB) and long-term disability (LTD) benefits of former employees. The effect of the change was to increase WCB and LTD benefit expenses for that year by \$80,557.

In 1995-96, changes were made to the assumptions used to estimate the long-term liability. These changes resulted in a recovery on the estimated long-term liability of \$8,320. This amount has been netted against the WCB and LTD benefit expenses.

5. Contributions from the Province of Nova Scotia

The Company is economically dependent on contributions from the Province of Nova Scotia to continue operating. During the year the Company received \$10,000 (1995 - \$22,000) in contributions from the Province. The extent to which this assistance will be received in the future has not been determined.

6. Contingent Liability

An action was commenced by an individual for injuries incurred at the park. The likelihood of a payment being made on this claim and the amount involved is unknown.

PROVINCE OF NOVA SCOTIA

VICTIMS' ASSISTANCE FUND

BALANCE SHEET

as at March 31, 1996

ASSETS

	1996	1995
Cash	\$ 298,421.00	\$ 219,223.57
Investments	<u>1,975,450.00</u>	<u>1,889,118.40</u>
	<u>\$ 2,273,871.00</u>	<u>\$ 2,108,341.97</u>

LIABILITIES

Fund	\$ <u>2,273,871.00</u>	\$ <u>2,108,341.97</u>
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**Continuity of Fund
for the year ended March 31, 1996**

	1996	1995
Balance, beginning of year	\$ <u>2,108,341.97</u>	\$ <u>1,953,959.15</u>
Receipts:		
Investment income	128,765.60	99,343.69
Bank interest	18,844.97	9,829.92
Fine surcharge revenue	<u>824,225.08</u>	<u>813,048.62</u>
	971,835.65	922,222.23
Disbursements	<u>806,306.62</u>	<u>767,839.41</u>
Balance, end of year	<u>\$ 2,273,871.00</u>	<u>\$ 2,108,341.97</u>

PROVINCE OF NOVA SCOTIA

VICTIMS' ASSISTANCE FUND

Note to the Financial Statements

March 31, 1996

Investments at March 31, 1996 consisted of the following:

\$1,000,000.00 Royal Bank Bankers Acceptance 5.1400%	
March 5, 1996 to June 4, 1996	\$ 987,350.00
\$1,000,000.00 Bank of Nova Scotia Bank Bankers Acceptance	
5.1700% February 7, 1996 to May 2, 1996	<u>988,100.00</u>
	<u>\$ 1,975,450.00</u>

AUDITORS' REPORT

To the Shareholders of
Waterfront Development Corporation Limited

We have audited the balance sheet of Waterfront Development Corporation Limited as at March 31, 1996, and the statements of earnings and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

DOANE RAYMOND
Chartered Accountants

Halifax, Nova Scotia
May 16, 1996

PROVINCE OF NOVA SCOTIA
WATERFRONT DEVELOPMENT CORPORATION LIMITED

BALANCE SHEET

March 31, 1996

	1996	1995
ASSETS		
Cash	\$ ---	\$ 337,135
Receivables - trade	49,249	20,786
- Province	42,018	---
- Other	7,073	11,601
Prepays	121,130	6,500
Real estate and development projects (Note 3)	17,975,566	17,572,515
	<u>\$ 18,195,036</u>	<u>\$ 17,948,537</u>
LIABILITIES		
Bank indebtedness (Note 4)	\$ 59,801	\$ ---
Payables and accruals	358,187	257,328
Deferred revenue	---	3,531
Loan payable (Note 5)	5,400,000	5,850,000
	<u>5,817,988</u>	<u>6,110,859</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)	3	3
General Development Fund (Note 7)	1,155,000	630,000
Contributed surplus	13,747,826	13,747,826
Deficit	(2,525,781)	(2,540,151)
	<u>12,377,048</u>	<u>11,837,678</u>
	<u>\$ 18,195,036</u>	<u>\$ 17,948,537</u>

Commitment (Note 10)

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA
WATERFRONT DEVELOPMENT CORPORATION LIMITED

Statement of Earnings and Deficit

year ended March 31, 1996

	1996	1995
Revenue		
Rents	\$ 1,724,274	\$ 1,628,888
Recoveries	48,898	63,933
Interest income	22,615	21,419
Other income	---	5,000
	<u>1,795,787</u>	<u>1,719,240</u>
 Property Expenses		
Property taxes	112,571	118,220
Operating	309,683	297,356
Depreciation and amortization	185,197	207,084
	<u>607,451</u>	<u>622,660</u>
Income before other items	<u>1,188,336</u>	<u>1,096,580</u>
 Corporate expenses		
Directors fees and expenses	41,758	14,137
Doubtful accounts	15,477	6,850
Office operations	39,720	35,634
Professional fees - audit and legal	17,231	23,368
- consultants	68,087	25,102
Public relations	68,073	19,931
Salaries and benefits	222,409	184,290
Tall Ships	14,262	---
	<u>487,017</u>	<u>309,312</u>
Loan interest		
Expense	423,626	457,620
Contributions from the Province of Nova Scotia	<u>(351,235)</u>	<u>(360,800)</u>
	<u>72,391</u>	<u>96,820</u>
 Depreciation on facilities for public access	 89,558	 54,797
	<u>648,966</u>	<u>460,929</u>
 Net earnings	 539,370	 635,651
Transfer to General Department Fund (Note 7)	<u>525,000</u>	<u>630,000</u>
Transfer to Deficit	14,370	5,651
Deficit, beginning of year	<u>(2,540,151)</u>	<u>(2,545,802)</u>
Deficit, end of year	<u>\$ (2,525,781)</u>	<u>\$ (2,540,151)</u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA
WATERFRONT DEVELOPMENT CORPORATION LIMITED

Statement of Changes in Financial Position

year ended March 31, 1996

	1996	1995
Cash derived from (applied to)		
Operating		
Net earnings	\$ 539,370	\$ 635,651
Depreciation and amortization	<u>274,755</u>	<u>261,881</u>
	<u>814,125</u>	<u>897,532</u>
Change in non-cash operating working capital (Note 8)	<u>(87,783)</u>	<u>165,831</u>
	<u>726,342</u>	<u>1,063,363</u>
Financing		
Decrease in other receivable	4,528	4,520
Decrease in loan payable	(450,000)	(1,300,000)
Government assistance for capital expenditures	<u>850,000</u>	<u>---</u>
	<u>404,528</u>	<u>(1,295,480)</u>
Investing		
Purchase of		
Equipment	(1,224)	(10,344)
Real estate and construction projects	<u>(1,526,582)</u>	<u>(44,161)</u>
	<u>(1,527,806)</u>	<u>(54,505)</u>
Net decrease in cash	(396,936)	(286,622)
Cash, net of bank indebtedness		
Beginning of year	<u>337,135</u>	<u>623,757</u>
End of year	<u>\$ (59,801)</u>	<u>\$ 337,135</u>

See accompanying notes to the financial statements.

PROVINCE OF NOVA SCOTIA

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Notes to the Financial Statements

March 31, 1996

1. Nature of Operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor in Council No. 76-373 dated March 30, 1976.

The Corporation's mission is the stewardship, long-term development and revitalization of the Halifax and Dartmouth waterfronts, including the encouragement of promotional activity to attract public attention and use of these areas.

2. Summary of Significant Accounting Policies

Capitalization

All expenditures directly related to acquisition, renovation and development are included in the cost of real estate.

Government assistance

Government assistance for capital projects are accounted for as a reduction in the capital cost of the applicable project.

Income taxes

As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of the Income Tax Act.

Depreciation

Building and equipment

Assets are depreciated on a straight-line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.

Long-term lease

The cost of the lease referred to in Note 3 is amortized over its term.

Development costs

Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum. Net costs for projects constructed on lands not owned by the Corporation are written off against contributed surplus. The difference between any proceeds received on the disposal of a development project and its net book value is charged to or written off against contributed surplus.

3. Real estate and development projects

	Cost	Accumulated Depreciation	1996 Net Book Value	1995 Net Book Value
Real estate and development projects	\$ 22,164,817	\$ 4,189,251	\$ 17,975,566	\$ 17,572,515

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

4. Bank indebtedness

The bank indebtedness is a general operating line of credit to a maximum of \$1,000,000 bearing interest at prime.

5. Loan payable

Toronto Dominion Bank demand loan bearing interest at bank prime less one-half percent. The loans are secured by a guarantee of the Province of Nova Scotia.

6. Capital stock

	1996	1995
Authorized		
5,000 shares without nominal or par value		
Issued:		
3 shares	\$ 3	\$ 3

The shares are held in trust by representatives of the Province for the Queen in Right of the Province of Nova Scotia.

7. General Development Fund

The Board of Directors has established a fund for future development and promotional projects. Expenditures from this fund will be at their discretion.

8. Change in non-cash operating working capital

	1996	1995
Receivables	\$ (70,481)	\$ 4,331
Prepays	(114,630)	(6,500)
Payables and accruals	100,859	166,984
Deferred revenue	(3,531)	1,016
	<u>\$ (87,783)</u>	<u>\$ 165,831</u>

9. Public Sector Unpaid Leave Act

The Corporation is in compliance with the Public Sector Compensation Restraint Act. The 3% reduction in salary cost from April 1, 1995 to March 31, 1996 was \$3,170.

10. Commitments

The Corporation has entered into a lease agreement for the Queen's Wharf. Minimum lease payments over the next five years are as follows:

1997	\$	6,500
1998		6,500
1999		6,500
2000		6,500
2001		6,500

11. Subsequent events

- (i) The Corporation entered into an agreement to sell a property for an amount of \$80,000. The closing date for this agreement is June 1, 1996.
- (ii) The Corporation entered into an agreement with Fisherman's Market Limited to purchase property for \$687,500. The closing occurred on April 15, 1996.
- (iii) As part of lease renegotiations, the Corporation has committed to upgrade a property for an amount of \$253,000. Of this amount, \$150,000 will be treated as an interest bearing loan repayable to the Corporation over a ten year period.

12. Comparative figures

Certain of the comparative amounts have been restated to conform to presentation adopted in the current year.