

## **N.A. PROPERTIES (1994) LTD.**

### **Financial Statements** YEAR ENDED MARCH 31, 2005

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## AUDITOR'S REPORT

### **To the Shareholder of N.A. Properties (1994) Ltd.**

I have audited the balance sheet of N.A. Properties (1994) Ltd. as at March 31, 2005 and the statement of operations 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 Canadian 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta  
May 20, 2005

*[Original Signed]*  
Fred J. Dunn, FCA  
Auditor General

N.A. PROPERTIES (1994) LTD.

## BALANCE SHEET

As at March 31, 2005 (*thousands*)

	2005	2004
<b>ASSETS</b>		
Cash (Note 4)	\$ 2,568	\$ 2,524
Accounts receivable	6	6
Note receivable (Note 5)	14	12
	<u>\$ 2,588</u>	<u>\$ 2,542</u>
<b>LIABILITIES</b>		
Obligations under indemnities and commitments (Note 6)	\$ 964	\$ 1,102
<b>SHAREHOLDER'S EQUITY</b>		
Share capital (Note 7)	5,769	5,769
Deficit	(4,145)	(4,329)
	<u>1,624</u>	<u>1,440</u>
	<u>\$ 2,588</u>	<u>\$ 2,542</u>

On behalf of the Board:

Sole Director - Rod Matheson

## STATEMENT OF OPERATIONS AND DEFICIT

For the Year Ended March 31, 2005 (*thousands*)

	2005	2004
<b>Revenue</b>		
Interest and other	\$ 64	\$ 77
<b>Expense</b>		
General and administrative	18	25
Operating income before provision	46	52
Recovery of (provision for) obligations under indemnities and commitments (Note 6)	138	(600)
<b>Excess (deficiency) of revenue over expense for the year</b>	184	(548)
<b>Deficit, beginning of year</b>	(4,329)	(3,781)
<b>Deficit, end of year</b>	<u>\$ (4,145)</u>	<u>\$ (4,329)</u>

*The accompanying notes are part of these financial statements.*

N.A. PROPERTIES (1994) LTD.

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2005

(thousands)

### NOTE 1 AUTHORITY

N.A. Properties (1994) Ltd. (the "Company") was continued on March 31, 1994 as an amalgamated corporation under the *Business Corporation Act*, Statutes of Alberta 2000, Chapter B-9, as amended. The Province of Alberta owns all issued shares of the Company and accordingly the Company is exempt from income tax.

### NOTE 2 NATURE OF OPERATIONS

The Company's mandate is to dispose of its remaining assets. The Province of Alberta has indemnified the Company for all net losses, expenses or liabilities existing or subsequently incurred by the Company. There were no recoveries from the Province of Alberta in satisfaction of this indemnity in the past three years.

The Company also manages indemnities described in Note 6.

### NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Financial Statement Presentation

A cash flow statement is not provided due to the limited nature of the Commission's operations. All information about the Commission's cash flows are contained within the financial statements.

#### (b) Fair Value

The carrying value of cash and accounts receivable approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of other financial assets and liabilities are provided in the applicable notes to the financial statements.

### NOTE 4 CASH

Cash is deposited in the Consolidated Cash Investment Trust Fund which is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2005, securities held by the Fund have an average effective market yield of 2.79% per annum (2004 - 2.11% per annum).

### NOTE 5 NOTE RECEIVABLE

The non-interest bearing note receivable in the amount of \$933 was issued in November 1987 and matures in the year 2027. The carrying value of the note receivable as at March 31, 2005 is \$14 (2004 - \$12). The note receivable is discounted by 20% based on the yield in effect at the time of issuance and adjusting the rate for a risk premium. The fair market value of the note at March 31, 2005 is estimated to be \$42 (2004 - \$34) using the current interest rate in effect and adjusting the rate for a risk premium.

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## NOTE 6 INDEMNITIES AND COMMITMENTS

In the past, the Company provided indemnities of principal and interest on mortgages sold to a Canadian chartered bank. The principal and interest on these mortgages totalled \$2,058 at March 31, 2005 (2004 - \$2,239). The Company's indemnities expire in part in 2015 and in full in 2017. The Company estimates its liability under the indemnities annually, based on its assessment of the mortgages.

Changes in the Company's obligations under indemnities and commitments are as follows.

	2005	2004
Beginning balance	\$ 1,102	\$ 502
(Recovery of) provision for obligations under indemnities and commitments	(138)	600
Ending balance	<u>\$ 964</u>	<u>\$ 1,102</u>

## NOTE 7 SHARE CAPITAL

Authorized

Unlimited number of Class "A" voting shares  
 Unlimited number of Class "B" voting shares  
 Unlimited number of Class "C" non-voting shares  
 Unlimited number of Class "D" non-voting shares  
 Unlimited number of Class "E" voting shares  
 Unlimited number of Class "F" non-voting shares

	2005	2004
Issued		
1      Class "A" share	\$ 5,768	\$ 5,768
1,000    Class "B" shares	1	1
	<u>\$ 5,769</u>	<u>\$ 5,769</u>

## NOTE 8 CONTINGENCIES

The Company has one lawsuit filed by plaintiffs outstanding. Management considers the liability under these legal proceedings not to be determinable and accordingly an estimate of any contingent loss cannot be made.

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**NOTE 9 RELATED PARTY TRANSACTIONS**

Other than interest earned from the Consolidated Cash Investment Trust Fund, there were no other related party transactions in the year ended March 31, 2005.

**NOTE 10 FEES AND SALARIES**

There were no director's fees or salaries paid during the year. The Company had no employees in 2005 and 2004.

**NOTE 11 BUDGET**

The Company's annual budget appears in the 2004-05 Government and Lottery Fund Estimates. The budget projected a net excess of revenue over expenses for the year of \$nil. Since the Company has liquidated almost all of its assets, a detailed budget was not prepared.