

N.A. PROPERTIES (1994) LTD.  
FINANCIAL STATEMENTS  
MARCH 31, 2003

Auditor's Report

Balance Sheet

Statement of Operations and Deficit

Notes to the Financial Statements



## 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, 2003 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, 2003, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original Signed]

Fred J. Dunn, FCA  
Auditor General

Edmonton, Alberta  
April 24, 2003

**N.A. PROPERTIES (1994) LTD.**  
**BALANCE SHEET**  
**AS AT MARCH 31, 2003**  
(thousands of dollars)

	2003	2002
<b>ASSETS</b>		
Cash (Note 4)	\$ 2,474	\$ 2,421
Accounts receivable	6	6
Note receivable (Note 5)	10	8
	<u>2,490</u>	<u>2,435</u>
Restricted assets (Note 6)	-	141,106
	<u>\$ 2,490</u>	<u>\$ 143,541</u>
<b>LIABILITIES</b>		
Obligations under indemnities and commitments (Note 7)	\$ 502	\$ 793
Obligation to repay debentures (Note 6)	-	141,106
	<u>502</u>	<u>141,899</u>
<b>SHAREHOLDER'S EQUITY</b>		
Share capital (Note 8)	5,769	5,769
Deficit	(3,781)	(4,127)
	<u>1,988</u>	<u>1,642</u>
	<u>\$ 2,490</u>	<u>\$ 143,541</u>

The accompanying notes are part of these financial statements

On behalf of the Board:

Sole Director - Rod Matheson

**N.A. PROPERTIES (1994) LTD.**  
**STATEMENT OF OPERATIONS AND DEFICIT**  
**FOR THE YEAR ENDED MARCH 31, 2003**  
(thousands of dollars)

	2003	2002
<b>Revenue</b>		
Interest and other	\$ 71	\$ 114
Rental	-	18
	<u>71</u>	<u>132</u>
<b>Expenses</b>		
Indemnity (Note 7)	-	144
General and administrative	16	27
Rental operating expense	-	15
	<u>16</u>	<u>186</u>
Operating income (loss) before provision	55	(54)
Recovery of provision (Note 7)	291	371
Excess of revenue over expenses for the year	346	317
Deficit, beginning of year	(4,127)	(4,444)
Deficit, end of year	<u>\$ (3,781)</u>	<u>\$ (4,127)</u>

**N.A. PROPERTIES (1994) LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2003**  
(thousands of dollars)

**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 remaining assets. The Province of Alberta has indemnified the Company for assets 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 two years.

The Company also manages indemnities described in Note 7, and had an obligation to the credit union system described in Note 6.

**NOTE 3 SIGNIFICANT ACCOUNTING POLICIES****(a) Financial Statement Presentation**

A cash flow statement is not provided, as disclosure in the financial statements is considered adequate.

**(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 by Alberta Finance to provide competitive interest income while at the same time maintaining maximum security and liquidity of depositors’ capital.

**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, 2003 is \$10 (2002 - \$8). 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, 2003 is estimated to be \$26 (2002 – \$21) using the current interest rate in effect and adjusting the rate for a risk premium.

**NOTE 6 RESTRICTED ASSETS/OBLIGATION TO REPAY DEBENTURES**

On October 11, 2001, the Company entered into the Credit Union Deficit Financing Termination Agreement with the Province of Alberta, Credit Union Central Alberta Limited, the Credit Union Deposit Guarantee Corporation (CUDG) and SC Financial Ltd. The Company agreed to repay the outstanding debentures, based on the funding arrangements as determined in the Agreement. The debentures were originally issued to credit unions under the terms of the 1986 Credit Union Deficit Financing Agreement.

The obligation to repay debentures, in the amount of \$141,106, was settled during the year as follows:

Received from the province	\$ 77,510
Received from Credit Union Deposit Guarantee Corporation	1,804
Paid by the Company	<u>61,792</u>
Total	<u>\$ 141,106</u>

**NOTE 7 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 totaled \$3,053 at March 31, 2003 (2002 - \$7,348). The Company's indemnities expire in part in 2003, 2015 and in full in 2017.

**NOTE 8 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

		<u>2003</u>	<u>2002</u>
Issued			
1	Class "A" share	\$ 5,768	\$ 5,768
1,000	Class "B" shares	<u>1</u>	<u>1</u>
		<u>\$ 5,769</u>	<u>\$ 5,769</u>

**NOTE 9 CONTINGENCIES**

The Company had lawsuits filed by plaintiffs in two separate actions. Management considers the chance of liability under these legal proceedings not to be determinable and accordingly an estimate of any contingent loss cannot be made.

**NOTE 10 RELATED PARTY TRANSACTIONS**

There were no related party transactions in the year ended March 31, 2003, except as disclosed in Note 6.

**NOTE 11 FEES AND SALARIES**

There were no directors' fees or salaries paid during the year. The Company had no employees in 2003 and 2002.

**NOTE 12 BUDGET**

The Company's annual budget appears in the 2002-03 Government and Lottery Fund Estimates. The budget projected a net excess of revenue over expenses for the year of \$100. Since the Company has liquidated almost all of its assets, a detailed budget was not prepared.