



**PROVINCE OF  
NEWFOUNDLAND AND LABRADOR**

**FINANCIAL STATEMENTS OF  
CROWN CORPORATIONS,  
BOARDS AND AUTHORITIES  
(N – Z)**

**FOR THE YEAR ENDED  
31 MARCH 2006**



**Newfoundland  
Labrador**





# **Province of Newfoundland and Labrador**

## **Financial Statements of Crown Corporations, Boards and Authorities (N - Z)**

**For The Year Ended  
31 March 2006**



# INTRODUCTION

The Financial Statements of Crown Corporations, Boards and Authorities is a reproduction of the available audited financial statements of various Government organizations as approved by the applicable boards of these organizations. This report is produced alphabetically in two books, A to M and N to Z. The fiscal years noted in the table of contents are based on the fiscal year end of the organization. The Financial Statements of Crown Corporations, Boards and Authorities was represented by Volume IV of the Public Accounts in previous years.

Information on the financial position and results of operations of the Province for the 2005-06 fiscal year may be found in the following financial reports:

## **Public Accounts Volume I - Consolidated Summary Financial Statements**

This Volume presents the summary financial statements which consolidate the financial statements of the Consolidated Revenue Fund with the financial statements of various Crown Corporations, Boards and Authorities, as approved by Treasury Board, which are controlled by the Government of Newfoundland and Labrador.

## **Public Accounts Volume II - Consolidated Revenue Fund Financial Statements**

This Volume presents the financial position of the Consolidated Revenue Fund and the results of its activities on an accrual basis.

## **Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund**

This report presents the actual budgetary contribution (requirement) of the Consolidated Revenue Fund along with details on the actual revenues and expenditures, by program, using the modified cash basis of accounting.

The Financial Statements of Crown Corporations, Boards and Agencies is also available on the Government's website at: [www.fin.gov.nl.ca/comptrollergeneral/publications.htm](http://www.fin.gov.nl.ca/comptrollergeneral/publications.htm).



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The financial statements of the following agencies were not received in time for inclusion in this report:

<b>Name</b>	<b>Year</b>
Breast Screening Program for Newfoundland and Labrador	2006
C.A. Pippy Park Commission	2006
Grenfell Foundation Inc.	2006
Newfoundland and Labrador Farm Products	2006
Newfoundland and Labrador Legal Aid Commission	2005
	2006
Newfoundland Government Fund	2004
	2005



**NEWFOUNDLAND AND LABRADOR  
ARTS COUNCIL**

**FINANCIAL STATEMENTS**

**31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the Members  
Newfoundland and Labrador Arts Council  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Arts Council as at 31 March 2006 and the statement of revenues, expenses and deficit for the year then ended. These financial statements are the responsibility of the Council'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 Council as at 31 March 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'John L. Noseworthy', written over a light blue horizontal line.

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
30 June 2006

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**

**BALANCE SHEET**

**31 March**

**2006**

**2005**

**ASSETS**

**Current**

Cash	\$ -	\$ 6,878
Short term investments, at cost	2,127	883
Accounts receivable (Note 2)	53,709	70,657
Prepaid expenses	1,804	1,457

**57,640** **79,875**

**Arts Fund assets (Note 4)** **143,934** **140,148**

**\$ 201,574** **\$ 220,023**

**LIABILITIES AND EQUITY**

**Current**

Bank indebtedness	\$ 5,298	\$ -
Accounts payable and accrued liabilities	72,747	73,873
Deferred revenue (Note 5)	25,000	50,000

**103,045** **123,873**

**Equity**

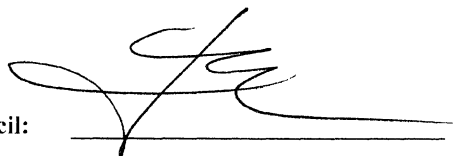
Deficit from operations	(45,405)	(43,998)
Arts Fund (Note 4)	143,934	140,148

**98,529** **96,150**

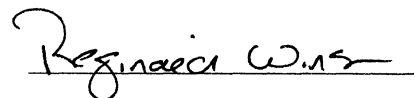
**\$ 201,574** **\$ 220,023**

*See accompanying notes*

Signed on behalf of the Council:



Chairperson



Member

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**  
**STATEMENT OF REVENUES, EXPENSES AND DEFICIT**  
**For the Year Ended 31 March**

**2006**

**2005**

	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<b>REVENUES</b>			
Province of Newfoundland and Labrador grants	\$ 950,000	\$ 950,000	\$ 739,700
Projects (Note 6)	163,656	166,656	122,637
Interest	1,511	2,000	1,060
	<u>1,115,167</u>	<u>1,118,656</u>	<u>863,397</u>
<b>EXPENSES</b>			
Grants awarded			
Project	332,981	335,000	236,104
Sustaining grants	245,500	250,000	250,000
Professional Artists Travel Fund grants	14,000	14,000	9,500
Labrador initiative	7,500	7,500	7,500
	<u>599,981</u>	<u>606,500</u>	<u>503,104</u>
Projects (Note 7)	269,595	275,656	123,537
Operating expenses (Note 8)	246,998	236,500	243,369
	<u>1,116,574</u>	<u>1,118,656</u>	<u>870,010</u>
<b>Excess of expenses over revenues</b>	<b>(1,407)</b>	<b>-</b>	<b>(6,613)</b>
<b>Deficit from operations, beginning of year</b>	<b>(43,998)</b>	<b>(43,998)</b>	<b>(37,385)</b>
<b>Deficit from operations, end of year</b>	<b>\$ (45,405)</b>	<b>\$ (43,998)</b>	<b>\$ (43,998)</b>

*See accompanying notes*



# NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

## NOTES TO FINANCIAL STATEMENTS

31 March 2006

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### Authority

The Newfoundland and Labrador Arts Council (the Council) operates under the authority of the *Arts Council Act* of the Province of Newfoundland and Labrador. The Council has the responsibility of fostering and promoting the study and enjoyment of and the production of works in the arts. The Council consists of twelve members appointed by the Lieutenant-Governor in Council.

### 1. Significant accounting policies

These financial statements have been prepared by the Council's management in accordance with Canadian generally accepted accounting principles. The budget disclosed in these financial statements is presented on an accrual basis. The Council does not prepare a statement of cash flows since the changes in cash flows are readily apparent from the other statements.

### 2. Accounts receivable

	<u>2006</u>	<u>2005</u>
Due from Province of Newfoundland and Labrador for strategic plan	\$ -	\$ 50,000
Harmonized Sales Tax	44,909	19,657
Other	8,800	1,000
	<u>\$ 53,709</u>	<u>\$ 70,657</u>

### 3. Capital assets

Capital assets, consisting of furniture, fixtures and equipment costing \$85,849, have been fully amortized.

### 4. Arts Fund

The Arts Fund was created pursuant to Section 9 of the *Arts Council Act*. The principal of the Fund is to be kept intact and only the interest earned on the invested principal may be disbursed, at the discretion of the Council, to foster and promote the study, enjoyment and production of works in the arts. This Fund is comprised of monies received from the Consolidated Revenue Fund of the Province of Newfoundland and Labrador and from gifts and bequests received without terms. Interest earned on the Fund is held in trust in the Fund until it is withdrawn. For the year ended 31 March 2006 interest of \$3,786 (2005 - \$3,215) has been earned through investment of the Fund.

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**4. Arts Fund (cont.)**

The Fund is comprised of monies received from:

	<u>2006</u>	<u>2005</u>
Province of Newfoundland and Labrador	\$ 40,000	\$ 40,000
Gifts and bequests as per Section 12(2) of the <i>Arts Council Act</i>	10,352	10,352
	<u>50,352</u>	<u>50,352</u>
Interest, beginning of year	89,796	96,581
Interest earned	3,786	3,215
Interest used to fund projects	-	(10,000)
Interest, end of year	<u>93,582</u>	<u>89,796</u>
Fund balance	<u>\$ 143,934</u>	<u>\$ 140,148</u>

At 31 March 2006, the Fund consists of investments of \$143,934. At 31 March 2005, the Fund consisted of investments of \$140,148.

**5. Deferred revenue**

Deferred revenue represents revenue relating to future operating periods. The revenue will be reported in the applicable future period to which it relates.

	<u>2006</u>	<u>2005</u>
Visiting Artists' Program Revenue	\$ 25,000	\$ -
Province of Newfoundland and Labrador grant for strategic plan	-	50,000
	<u>\$ 25,000</u>	<u>\$ 50,000</u>

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

**6. Revenues - Projects**

	2006		2005
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Arts Smarts	\$ 136,713	\$ 136,713	\$ 86,457
Winterset Award	12,800	12,800	14,823
Arts awards	10,500	13,000	8,500
HRDC – Summer Career Placement Program	3,143	3,143	1,857
Rhonda Payne Award	500	500	500
Interest from Arts Fund	-	-	10,000
Larry Jackson Award	-	500	500
	<u>\$ 163,656</u>	<u>\$ 166,656</u>	<u>\$ 122,637</u>

**7. Expenses - Projects**

	2006		2005
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Arts Smarts	\$ 136,713	\$ 136,713	\$ 79,892
Consultation/Strategic Plan	49,496	50,000	-
25 <sup>th</sup> Anniversary	46,277	50,000	-
Arts awards	20,617	22,000	25,965
Winterset Award	12,849	12,800	14,823
HRDC – Summer Career Placement Program	3,143	3,143	1,857
Rhonda Payne Award	500	500	500
Larry Jackson Award	-	500	500
	<u>\$ 269,595</u>	<u>\$ 275,656</u>	<u>\$ 123,537</u>

**8. Operating expenses**

	2006		2005
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Salaries and employee benefits	\$ 195,046	\$ 188,918	\$ 190,335
Travel and Council meetings	16,781	15,800	16,446
Office and postage	16,778	14,182	16,218
Project evaluating fees	9,520	9,800	8,633
Telephone	3,166	3,000	3,566
Advertising	2,696	2,000	1,896
Professional services	2,300	2,100	2,100
Miscellaneous	711	700	4,175
	<u>\$ 246,998</u>	<u>\$ 236,500</u>	<u>\$ 243,369</u>

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**9. Related party transactions**

The Council leases office space from the Province of Newfoundland and Labrador at an annual rate of \$1.

**10. Operating lease obligation**

A photocopier has been leased for a five year term commencing 1 November 2002. Future minimum lease payments over the next 2 years are as follows:

2007	\$4,422
2008	\$3,316

**11. Pensions**

Council staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Council and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Council's share of pension contributions for 2006 was \$12,003 (2005 - \$11,428).

**12. Economic dependence**

As a result of the Council's reliance on Provincial funding, the Council's ability to continue viable operations is dependent upon the decisions of the Province.

**13. Financial instruments**

The Council's financial instruments recognized on the balance sheet consist of short-term investments, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

**14. Income taxes**

The Council is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

**Newfoundland and Labrador Centre for  
Health Information  
Financial Statements  
March 31, 2006**

Grant Thornton 

## Auditors' Report

### To the Directors of the Newfoundland and Labrador Centre for Health Information

We have audited the statement of financial position of the **Newfoundland and Labrador Centre for Health Information** at March 31, 2006 and the statements of operations, changes in net assets and cash flows 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 Canadian 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 Newfoundland and Labrador Centre for Health Information as at March 31, 2006 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

St. John's, Newfoundland  
June 28, 2006

Grant Thornton LLP  
Chartered Accountants

# Newfoundland and Labrador Centre for Health Information

## Statements of Operations and Changes in Net Assets

Year Ended March 31	2006	2005
Revenue		
Government grants	\$ 2,624,319	\$ 1,924,319
Canada Health Infoway	1,074,548	2,884,360
Research funding	384,383	408,307
Other	895,347	350,138
Amortization of deferred capital contributions	<u>851,583</u>	<u>1,950,329</u>
	<u>5,830,180</u>	<u>7,517,453</u>
Expenditure		
Advertising	2,422	1,770
Consulting fees	1,447,789	2,596,431
Contract services	-	1,000
Data communications	107,244	132,400
Depreciation	883,353	1,857,261
Meetings	404	575
Miscellaneous	4,520	3,489
Office supplies	106,518	80,518
Primary health care equipment	172,028	-
Professional fees	50,122	4,368
Rent	143,841	122,462
Salaries and benefits	2,481,440	2,145,859
Software maintenance	215,378	118,159
Telephone	72,421	42,607
Training	31,827	16,423
Travel	<u>230,362</u>	<u>190,652</u>
	<u>5,949,669</u>	<u>7,313,974</u>
Excess of (expenditure over revenue) revenue over expenditure	<u>\$ (119,489)</u>	<u>\$ 203,479</u>
<hr/>		
Net assets, beginning of year	\$ 779,623	\$ 576,144
Excess of (expenditure over revenue) revenue over expenditure	<u>(119,489)</u>	<u>203,479</u>
Net assets, end of year	<u>\$ 660,134</u>	<u>\$ 779,623</u>

See accompanying notes to the financial statements.

# Newfoundland and Labrador Centre for Health Information Statement of Financial Position

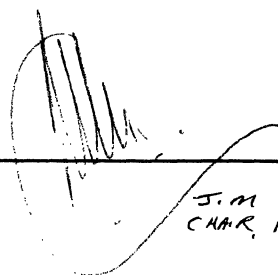
March 31	2006	2005
<b>Assets</b>		
Current		
Receivables (Note 3)	\$ 7,123,392	\$ 1,765,670
Equipment (Note 4)	<u>597,607</u>	<u>1,423,707</u>
	<b>\$ 7,720,999</b>	<b>\$ 3,189,377</b>
<b>Liabilities</b>		
Current		
Payables and accruals (Note 5)	\$ 253,750	\$ 203,430
Deferred capital contributions (Note 6)	513,945	746,918
Deferred revenue	<u>6,047,557</u>	<u>629,994</u>
	6,815,252	1,580,342
Deferred capital contributions (Note 6)	-	623,978
Accrued severance pay	<u>245,613</u>	<u>205,434</u>
	7,060,865	2,409,754
<b>Net Assets</b>		
Net assets	<u>660,134</u>	<u>779,623</u>
	<b>\$ 7,720,999</b>	<b>\$ 3,189,377</b>

Commitments (Note 8)

On behalf of the Board



Director



Director

BILL FANNING  
CHAIR, BOARD OF MANAGEMENT

JIM JONES  
CHAIR, FINANCE & AUDIT COMMITTEE

See accompanying notes to the financial statements.

Grant Thornton 



# Newfoundland and Labrador Centre for Health Information Statement of Cash Flows

Year Ended March 31

2006

2005

Increase (decrease) in cash and cash equivalents

## Operating

Excess of (expenditure over revenue) revenue over expenditure	\$ (119,489)	\$ 203,479
Items not requiring a cash outlay		
Depreciation	883,353	1,857,261
Amortization of deferred capital contributions	(851,583)	(1,950,329)
Increase in severance pay accrual	<u>40,179</u>	<u>51,423</u>
	(47,540)	161,834

Change in non-cash operating working capital (Note 7)	<u>110,160</u>	<u>26,433</u>
	<u>62,620</u>	<u>188,267</u>

## Financing

Capital contributions	<u>-</u>	<u>1,077,806</u>
	<u>-</u>	<u>1,077,806</u>

## Investing

Transfer to Department of Health and Community Services	(5,367)	(137,108)
Purchase of capital assets	<u>(57,253)</u>	<u>(1,132,285)</u>
	<u>(62,620)</u>	<u>(1,269,393)</u>

Decrease in cash and cash equivalents - (3,320)

Cash and cash equivalents

Beginning of year	<u>-</u>	<u>3,320</u>
End of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Grant Thornton 

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# Newfoundland and Labrador Centre for Health Information

## Notes to the Financial Statements

March 31, 2006

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### 1. Nature of operations

The Newfoundland and Labrador Centre for Health Information (the Centre) was established on August 22, 1997 to lead the development of a provincial Health Information Network, to promote information standards, and capture and analyze relevant health statistics in Newfoundland and Labrador. The Centre was formed to implement the recommendations of the Health System Information Task Force, including the Management Information Systems Project, which was administered by the Newfoundland and Labrador Health and Community Services Association.

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### 2. Summary of significant accounting policies

These financial statements have been prepared within the framework of Canadian generally accepted accounting principles, the more significant of which are as follows:

#### Basis of accounting

These financial statements include only the assets, liabilities, revenues and expenditures relating to the operations carried on under the name of Newfoundland and Labrador Centre for Health Information.

#### Use of estimates

In preparing the Centre's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

#### Revenue recognition

Government grants are recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred revenue. Revenue from research and other contracts is recognized as the related expenditures are incurred.

#### Administrative expenditures

The Centre is administered by contractual employees, salaried employees and employees seconded from and paid by the provincial Department of Health and Community Services. Administrative expenditures related to the Centre which are paid through the Department of Health and Community Services are not reflected in these statements.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

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# Newfoundland and Labrador Centre for Health Information

## Notes to the Financial Statements

March 31, 2006

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### 2. Summary of significant accounting policies (cont'd.)

#### Depreciation

Rates and basis of depreciation applied to write off the cost of equipment over their estimated lives are as follows:

Computer equipment	20%, straight line
Office furniture	15%, straight line
Computer software	33%, straight line
Unique Personal Identifier	33%, straight line
Pharmacy Network	33%, straight line

#### Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

#### Capital contributions

Capital contributions are recorded as deferred contributions and amortized to income on a straight line basis using the same rates as depreciation expense related to the capital assets purchased.

#### Severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continual service, and accordingly no provision has been made in accounts for employees with less than nine years of continual service. As well, no provision has been made for contractual employees and employees seconded from the provincial Department of Health and Community Services. Severance pay is payable when the employee ceases employment with the Centre.

#### Pension costs

Employees of the Centre are covered by the Public Service Pension Plan administered by the Government of Newfoundland and Labrador. Contributions to the plan are required from both the employees and the Centre. The annual contributions for pensions are recognized in the accounts on a current basis.

# Newfoundland and Labrador Centre for Health Information

## Notes to the Financial Statements

March 31, 2006

3. Receivables	<u>2006</u>	<u>2005</u>
Government of Newfoundland and Labrador	\$ 448,174	\$ 141,923
Eastern Health	5,553,722	382,577
Canada Health Infoway	808,679	425,017
Harmonized sales tax	-	635,748
Other	<u>312,817</u>	<u>180,405</u>
	<u>\$ 7,123,392</u>	<u>\$ 1,765,670</u>

4. Equipment			<u>2006</u>	<u>2005</u>
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer equipment	\$ 861,137	\$ 696,175	\$ 164,962	\$ 271,697
Office furniture	90,680	61,405	29,275	20,883
Computer software	1,374,311	978,817	395,494	832,751
Unique Personal Identifier	3,401,478	3,401,478	-	30,539
Pharmacy Network	<u>787,757</u>	<u>779,881</u>	<u>7,876</u>	<u>267,837</u>
	<u>\$ 6,515,363</u>	<u>\$ 5,917,756</u>	<u>\$ 597,607</u>	<u>\$ 1,423,707</u>

5. Payables and accruals	<u>2006</u>	<u>2005</u>
Trade and sundry	\$ 93,256	\$ 52,218
Vacation and compensatory pay	<u>160,494</u>	<u>151,212</u>
	<u>\$ 253,750</u>	<u>\$ 203,430</u>

6. Deferred capital contributions	<u>2006</u>	<u>2005</u>
Current		
Opening balance	\$ 746,918	\$ 859,026
Capital contributions	-	1,077,806
Transfer to Department of Health and Community Services	(5,367)	(137,108)
Purchase of capital assets	(57,253)	(1,052,806)
Amortization of deferred contribution	<u>(170,353)</u>	<u>-</u>
Ending balance	<u>\$ 513,945</u>	<u>\$ 746,918</u>
Long term		
Opening balance	\$ 623,978	\$ 1,521,501
Purchase of capital assets	57,253	1,052,806
Amortization of deferred contributions	<u>(681,231)</u>	<u>(1,950,329)</u>
Ending balance	<u>\$ -</u>	<u>\$ 623,978</u>

Grant Thornton 

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# Newfoundland and Labrador Centre for Health Information

## Notes to the Financial Statements

March 31, 2006

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<b>7. Supplemental cash flow information</b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Change in non-cash operating working capital		
Receivables	<b>\$ (5,357,722)</b>	\$ (54,904)
Payables and accruals	<b>50,320</b>	(177,692)
Deferred revenue	<b><u>5,417,562</u></b>	<u>259,029</u>
	<b><u>\$ 110,160</u></b>	<b><u>\$ 26,433</u></b>

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### **8. Commitment**

The Centre is committed under an operating lease agreement for the rental of office space to make payments of \$108,483 in 2007.

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### **9. Financial instruments**

The Centre's primary financial instruments recognized in the statement of financial position consist of receivables, payables and accruals, deferred capital contributions, deferred revenue, contractual obligations and accrued severance pay. The carrying value of the primary financial instruments of the Centre approximate fair value due to the normal trade credit terms and conditions of those instruments.



**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY  
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND  
FINANCIAL STATEMENTS  
31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

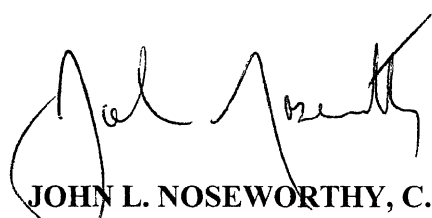
**AUDITOR'S REPORT**

To the Board of Directors  
Newfoundland and Labrador Crop Insurance Agency  
Corner Brook, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund as at 31 March 2006 and the statement of revenues, expenses and deficit for the year then ended. These financial statements are the responsibility of the Agency'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 Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund as at 31 March 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.



**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
28 June 2006



**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY  
 NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND  
 BALANCE SHEET**

**31 March** **2006** **2005**

**ASSETS**

**Current**

Cash	\$ 140,718	\$ 89,771
Accounts receivable (Note 2)	5,754	4,409
	\$ 146,472	\$ 94,180

**LIABILITIES AND EQUITY**

**Current**

Accounts payable and accrued liabilities (Note 3)	\$ 1,777	\$ 950
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**Equity**

Contributions – Province of Newfoundland and Labrador	280,000	280,000
Deficit	(135,305)	(186,770)
	144,695	93,230
	\$ 146,472	\$ 94,180

*See accompanying notes*

Signed on behalf of the Board:

C. MacDonald  
Chair

B. Spradale  
Member

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND DEFICIT**  
**For the Year Ended 31 March**

	2006	2005
<b>REVENUES</b>		
Government of Canada (Note 4)	\$ 143,679	\$ 156,671
Province of Newfoundland and Labrador (Note 4)	95,786	104,448
Premiums from insured persons	23,322	20,823
	<u>262,787</u>	<u>281,942</u>
<b>EXPENSES</b>		
Administration (Note 5)		
Arbitration expenses	-	1,411
Bank charges	37	67
Board expenses	2,056	1,669
Equipment supplies	2,790	-
Professional services	1,250	1,250
Purchased services	5,568	3,786
Refund of appeal fee	-	200
Salaries and employee benefits	141,833	140,579
Supplies	10,391	7,080
Transportation and communications	21,322	21,785
	<u>185,247</u>	<u>177,827</u>
Indemnity claims	26,075	92,266
	<u>211,322</u>	<u>270,093</u>
<b>Excess of revenues over expenses</b>	<b>51,465</b>	<b>11,849</b>
<b>Deficit, beginning of year</b>	<b>(186,770)</b>	<b>(198,619)</b>
<b>Deficit, end of year</b>	<b>\$ (135,305)</b>	<b>\$ (186,770)</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2006**

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**Authority**

The Newfoundland and Labrador Crop Insurance Agency (the Agency) operates under the authority of the *Crop Insurance Act*. The purpose of the Agency is to operate the Newfoundland and Labrador Crop Insurance Fund which provides insurance to farmers of the Province through restricting the amount of financial loss due to crop failure. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the Newfoundland and Labrador Crop Insurance Fund.

**1. Significant accounting policies**

These financial statements have been prepared by the Agency's management in accordance with Canadian generally accepted accounting principles. The Agency does not prepare a statement of cash flows since the changes in cash flows are readily apparent from the other statements.

**2. Accounts receivable**

	<u>2006</u>	<u>2005</u>
Province of Newfoundland and Labrador	\$ 1,055	\$ 1,217
Premiums from insured persons	7,754	6,247
	<u>8,809</u>	<u>7,464</u>
Less: allowance for doubtful accounts	3,055	3,055
	<u>\$ 5,754</u>	<u>\$ 4,409</u>

**3. Accounts payable and accrued liabilities**

	<u>2006</u>	<u>2005</u>
Claims overpayment	\$ (24)	\$ -
Province of Newfoundland and Labrador	1,801	950
	<u>\$ 1,777</u>	<u>\$ 950</u>

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2006**

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**4. Premium contributions and administration expenditures**

Under an agreement with the Government of Canada, the Province of Newfoundland and Labrador recovers 60% of the total government contribution for premiums and eligible administration expenses.

	<u>2006</u>	<u>2005</u>
Province of Newfoundland and Labrador		
Premiums contributions	\$ 21,767	\$ 33,317
Payments for administration	74,019	71,131
	<u>\$ 95,786</u>	<u>\$ 104,448</u>
Government of Canada		
Premiums contributions	\$ 32,651	\$ 49,975
Payments for administration	111,028	106,696
	<u>\$ 143,679</u>	<u>\$ 156,671</u>

**5. Payments on behalf of the Agency for administration**

Agency staff are employees of the Department of Natural Resources. Salaries and other costs of \$185,210 (2005 - \$177,560) applicable to the operation of the Agency have been paid by the Department and are reflected in these financial statements as expenses of the Agency and as revenue in the form of payments made by the Province and the Government of Canada.

**6. Economic dependence**

As a result of the Agency's reliance on Provincial funding to meet its operating costs, the Agency's ability to continue viable operations is dependent upon continued funding from the Province.

**7. Financial instruments**

The Agency's financial instruments recognized on the balance sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Any estimated impairment of accounts receivable has been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to the financial instruments.

**8. Income taxes**

The Agency is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

**Newfoundland and Labrador Film  
Development Corporation**

**Financial Statements**

March 31, 2006

**Auditors' Report**

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To the Board  
Newfoundland and Labrador Film Development Corporation

We have audited the balance sheet of Newfoundland and Labrador Film Development Corporation as at March 31, 2006 and the statement of operations, surplus, cash flow and schedule of receipts and commitments - Equity Investment Program 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 Canadian 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.

Note 1 describes the accounting policies used with respect to the Corporation's program grants, loans and equity investments and their recoveries, and costs incurred by Provincial government departments for services rendered. In this respect the financial statements are not in accordance with Canadian generally accepted accounting principles.

In our opinion, except for the effects of the failure to record program grants, loans and equity investments and costs incurred by Provincial government departments for services rendered as mentioned in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

*Pinsent & Associates*

**Pinsent & Associates**  
Certified General Accountants

St. John's, NL  
May 17, 2006

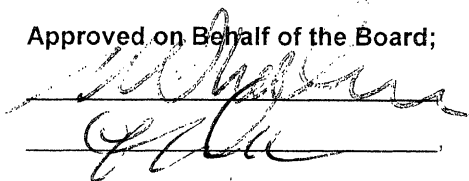
# Newfoundland and Labrador Film Development Corporation

## Balance Sheet

As At March 31, 2006

	Note	2006	2005
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 424,041	\$ 151,843
Accounts receivable	2.	16,035	26,655
Prepaid		6,633	8,768
<b>Total Current Assets</b>		<b>446,709</b>	<b>187,266</b>
Property, plant and equipment	3.	10,193	12,545
<b>Total Assets</b>		<b>\$ 456,902</b>	<b>\$ 199,811</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Payables and accruals		\$ 32,930	\$ 36,934
Equity investment program payables		272,945	39,533
Holdbacks payable - Equity investment program		122,759	111,971
<b>Total Current Liabilities</b>		<b>428,634</b>	<b>188,438</b>
<b>Total Liabilities</b>		<b>428,634</b>	<b>188,438</b>
<b>Equity</b>			
Share capital	4.	3	3
Surplus - end of year		28,265	11,370
<b>Total Equity</b>		<b>28,268</b>	<b>11,373</b>
<b>Total Liabilities &amp; Equity</b>		<b>\$ 456,902</b>	<b>\$ 199,811</b>

Approved on Behalf of the Board;



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

# Newfoundland and Labrador Film Development Corporation

## Statement of Operations

For the Year Ended March 31, 2006

	Note	2006	2005
<b>Revenue</b>			
Atlantic Canada Opportunities Agency - Business Development Program (BDP)		\$ 180,488	\$ 420,000
Government of Newfoundland and Labrador - Department of Tourism, Culture & Recreation		315,000	180,000
Interest income		-	1,573
<b>Total revenue</b>		<b>495,488</b>	<b>601,573</b>
<b>Operating expenses</b>			
Advertising and promotion		2,215	1,144
Amortization of tangible assets		3,872	4,228
Office administration		72,999	94,320
Professional fees		13,545	12,830
Salaries and wages		267,932	326,802
Municipal taxes		2,064	2,064
Miscellaneous expense		1,288	3,950
Conferences and travel		66,604	102,882
Sponsorships		57,054	41,427
Guest productions		1,688	-
Printed materials		2,101	1,863
Promotional materials and publications		9,336	14,567
<b>Total operating expenses</b>		<b>500,698</b>	<b>606,077</b>
<b>Net (Loss)</b>		<b>\$ (5,210)</b>	<b>\$ (4,504)</b>

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



# Newfoundland and Labrador Film Development Corporation

## Statement of Surplus

For the Year Ended March 31, 2006

	Note	2006	2005
Surplus - beginning of year	\$	11,371	\$ 35,822
Net income (loss)		(5,210)	(4,502)
Excess of receipts over commitments (commitments over receipts) - Equity Investment Program (EIP) - Schedule of Receipts and Commitments		22,104	(19,950)
<b>Surplus - end of year</b>	<b>\$</b>	<b>28,265</b>	<b>\$ 11,370</b>

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

# Newfoundland and Labrador Film Development Corporation

## Statement of Cash Flow

For the Year Ended March 31, 2006

	Note	2006	2005
Net income (loss) for the period	\$	(5,210)	\$ (4,502)
Excess of receipts over commitments (commitments over receipts)		22,104	(19,950)
Amortization		3,872	4,228
		20,766	(20,224)
Decrease (increase) in accounts receivable		10,620	(11,905)
Accounts payable and accrued liabilities		240,198	(165,036)
Decrease (increase) in prepaid expense		2,135	2,262
<b>Total cash flow from operating activities</b>		<b>273,719</b>	<b>(194,903)</b>
Property, plant and equipment additions		(1,521)	(1,063)
<b>Total cash flows from/used in investing activities</b>		<b>(1,521)</b>	<b>(1,063)</b>
Net increase in cash and cash equivalents		272,198	(195,966)
Net cash and cash equivalents, beginning of period		151,843	347,809
<b>Net cash and cash equivalents, end of period</b>	\$	<b>424,041</b>	\$ 151,843

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

# Newfoundland and Labrador Film Development Corporation

## Notes to the Financial Statements

March 31, 2006

### 1. Accounting Policies

#### **Basis of preparation**

The accounting policies of the Corporation are in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year except for policies relating to program grants, loans and equity investments. Outlined below are those policies considered particularly significant.

#### **Nature of operations**

The Corporation is incorporated under the laws of the Province of Newfoundland and Labrador. Its primary purpose is to promote the development of, and to stimulate employment and investment in, the Provincial film and video industry by providing financial and other assistance.

The Corporation has been designated by the Province's Finance Minister to administer the Newfoundland Film Tax Credit Program, including registration of productions, review of tax credit applications and recommendations to the Department of Finance.

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

#### **Measurement uncertainty**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have impact on future periods.

#### **Fair values**

The company has determined that the estimated fair value of the financial assets and liabilities do not differ considerably from their book value.

#### **Amortization**

Property, plant and equipment is carried at cost. Amortization is provided annually at rates indicated, calculated to write off the assets over their useful lives, except in the year of acquisition when one-half of the rate is used.

#### **Program grants, loans and equity investments**

Program grants, loans and equity investments are charged to current expenditures as disbursed. Recoveries derived from equity investments are recorded as revenue when received. Recoveries of project development loans are offset against expenditures when received.

Cost incurred by Provincial government departments providing certain services to the Corporation are not reflected in these statements.

# Newfoundland and Labrador Film Development Corporation

## Notes to the Financial Statements

March 31, 2006

### 2. Accounts Receivable

Accounts receivable consists of the items in the following table:

	2006	2005
Receivable - HST	\$ 1,439	\$ 5,257
Receivable - Atlantic Canada Opportunities Agency	3,610	21,398
Receivable - Equity Investment Program	10,986	-
<b>Total</b>	<b>\$ 16,035</b>	<b>\$ 26,655</b>

### 3. Property, Plant and Equipment

Property, plant and equipment consists of the following:

		2006	2005
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	30% \$ 32,395	\$ (28,179)	\$ 4,216
Furniture & fixtures	20% 21,275	(16,058)	5,217
Computer software	100% 1,899	(1,139)	760
<b>Total</b>	<b>\$ 55,569</b>	<b>\$ (45,376)</b>	<b>\$ 10,193</b>

### 4. Shareholders' Equity

Authorized:

600 common shares of no par value

Issued and outstanding shares:

600 common shares

	2006	2005
Common shares	\$ 3	\$ 3

### 5. Equity Investments

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefits to Newfoundlanders and Labradorians. Equity investments are made with the condition of repayment through participation in revenue generated by projects. Revenue is recorded as received.

The total of these equity investments of the Corporation to March 31, 2006 was \$7,219,263 (**2005** - \$5,646,230; **2004** - \$4,136,549; **2003** - \$3,516,975; **2002** - \$2,584,797; **2001** - \$1,770,781; **2000** - \$662,506).

Recoupment of \$49,152 had been received to March 31, 2006.

# Newfoundland and Labrador Film Development Corporation

## Notes to the Financial Statements

March 31, 2006

### 6. Project Development Loans

The Corporation provides loans to qualified applicants to support the process of film and video development that takes an idea through the stages of research, writing, market analysis and costing. This work must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. All project development loans are charged to current expenditures when disbursed.

Project development loans are interest free and are to be repaid on 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 to March 31, 2006 were \$1,462,842 (2005 - \$1,303,367; 2004 - \$1,124,214; 2003 - \$749,542; 2002 - \$509,756; 2001 - \$323,342; 2000 - \$179,393).

### 7. Commitments

The Corporation has entered into a three-year rental agreement with Imperial House Inc. commencing June 1, 2006.

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, 2006, the Corporation was contractually committed to advance funds totaling \$724,617 from the Equity Investment Program as investments and loans in respect of current and future projects subject to the availability of funds and terms and conditions outlined in the funding agreement.

	2006/2007
The Giggle Factory Inc. - "George Street TV"	\$ 50,000
The Giggle Factory Inc. - "Flower Hill"	61,021
Kickham East Productions Inc. - "Rabbittown"	50,000
Best Boy Productions Inc. - "Speaking Volumes"	10,000
Best Boy Productions Inc. - "The Flummies"	10,000
2M Innovations - "Hatching, Matching & Dispatching"	150,000
Pope Productions Inc. - "Romancing the Labrador"	25,000
Legends Productions Inc. - "Legends and Lore of the North Atlantic"	50,000
Hey Day Productions Inc. - "Heyday"	100,000
Sky Bridge Productions Inc. - "Ferry Command"	18,596
Above & Beyond Inc. - "Above & Beyond"	200,000
	<u>\$ 724,617</u>

### 8. Economic Dependence

The Corporation is economically dependant on the Provincial government for annual funding.

# Newfoundland and Labrador Film Development Corporation

## Notes to the Financial Statements

March 31, 2006

### 9. Financial Instruments

The Corporation's financial instruments consist of receivables, accounts payable, equity investment payables, holdback payables, and commitments. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risk arising from these financial instruments. The fair value of the instruments approximates their carrying values, unless otherwise noted.

### 10. Comparative Figures

Prior year figures have been reclassified where applicable to conform with the current year presentation.

# Newfoundland and Labrador Film Development Corporation

## Schedule of Receipts and Commitments - Equity Investment Program

For the Year Ended March 31, 2006

	Note	2006	2005
<b>Receipts:</b>			
Government Funding	Equity Investment Program	1,975,000	1,500,000
Recoupment	Equity Investment Program	5,906	18,399
<b>Reduction of funding:</b>			
Red Door Films Inc.	Red Door	-	89,045
<b>Funding which has lapsed:</b>			
Best Boy Productions Inc.	Deaf Defying	-	18,000
Factory Lane Productions Inc.	The Karluk	-	8,000
Rink Rat Productions Inc.	A Woman Between Two Islands	-	6,880
Rink Rat Productions Inc.	Dark Tickle	-	9,315
Springwater Productions Inc.	Mina Hubbards Way	-	23,000
Upskydown Films	Heber Peach	-	10,380
		<b>1,980,906</b>	<b>1,683,019</b>
<b>Current year commitments:</b>			
2M Innovations	Hatching Matching & Dispatching	251,696	212,735
Above and Beyond Inc.	Above and Beyond	399,322	151,222
Alpha Productions Inc.	Boys From the Fringe	-	300
Augusta Productions Inc.	Girl on the Road	9,000	-
Best Boy Productions Inc.	The Flummies	10,000	-
Best Boy Productions Inc.	Speaking Volumes	10,000	-
Danger Tree Films Inc.	South Coast	10,000	-
Edge of the Earth Productions Inc.	Traces	-	11,412
Edge of the Earth Productions Inc.	Birds Eye View	4,109	-
Edge of the Earth Productions Inc.	The Berry Pickers	4,115	-
Factory Lane Productions Inc.	Girl Culture	-	20,250
Fire Crown Productions Inc.	Stealing Mary	-	89,000
Fire Crown Productions Inc.	Kamataukatshuit Explored	4,750	-
Fire Crown Productions Inc.	Tricksters	36,000	-
George Street TV Productions	George Street TV	-	54,929
Girl Culture Inc.	Girl Culture	13,250	40,500
Hey Day Productions Inc.	Hey Day	100,000	-
Kickham East Productions Inc.	Crackie	-	11,100
Kickham East Productions Inc.	Salt Fish & Molasses	6,750	-
Lazybank Productions	Accordian Voices	-	7,040
Legends Productions Inc.	Legends and Lore	44,008	-

# Newfoundland and Labrador Film Development Corporation

## Schedule of Receipts and Commitments - Equity Investment Program

For the Year Ended March 31, 2006

		Note	2006	2005
<b>Current year commitments (cont'd)</b>				
Life with Derek Inc.	Life with Derek		<b>250,000</b>	750,000
Morag Productions Inc.	Destinies Apart		-	14,679
Morag Productions Inc.	Disaster at Sea		-	15,000
Morag Productions Inc.	Love and Savagery		<b>25,218</b>	18,284
Morag Productions Inc.	Surfing in Newfoundland		<b>12,587</b>	13,500
Morag Productions Inc.	Confessions of a Pot Smuggler		<b>20,216</b>	-
Muinijj Productions Inc.	Romancing the Labrador		<b>17,186</b>	-
Nanobody Productions Inc.	Nanobods		<b>5,000</b>	16,751
Newfound Films Inc.	Down to the Dirt		-	6,389
Newfound Films Inc.	St. John's West		<b>8,000</b>	-
Newfound Films Inc.	The King Hunt		<b>6,532</b>	-
Newfound Films Inc.	A Humorous History of NL		<b>8,066</b>	-
Opportunity Knox	Grown Up Movie Star		<b>11,538</b>	-
Pope Productions Inc.	Above and Beyond		-	171,457
Pope Productions Inc.	Legends and Lore		-	5,922
Pope Productions Inc.	Atlantic Sound		<b>9,245</b>	11,215
Pope Productions Inc.	Hey Day		-	13,457
Pope Productions Inc.	Tempting Providence		-	7,519
Pope Productions Inc.	Kicker		<b>12,704</b>	-
Rain Productions Inc.	Define Yourself		<b>15,000</b>	-
Red Ochre Productions Inc.	Making Love in St. Pierre		-	6,825
Rink Rat Productions Inc.	Maudie		<b>32,248</b>	-
Rink Rat Productions Inc.	The Sergeant's Son		<b>22,777</b>	-
Rink Rat Productions Inc.	To Think Like a Composer		<b>46,346</b>	-
Sky Bridge Productions	Ferry Command		<b>30,000</b>	11,404
Small Pond Productions	Rabittown		<b>89,494</b>	12,408
Springwater Productions Inc.	Homegrown		<b>24,858</b>	25,272
Springwater Productions Inc.	Jean Claude Roy		<b>15,952</b>	4,049
Springwater Productions Inc.	Breaking Ground		<b>29,475</b>	-
Strong Language Inc.	Grangeways		<b>7,515</b>	-
The Giggle Factory Inc.	Kent and Donny's Bits and Pieces		<b>5,727</b>	-
The Giggle Factory Inc.	George Street TV		<b>50,000</b>	-
Ruby Line Productions Inc.	Girl Culture		-	350



# Newfoundland and Labrador Film Development Corporation

## Schedule of Receipts and Commitments - Equity Investment Program

For the Year Ended March 31, 2006

	Note	2006	2005
<b>Current year commitments (cont'd)</b>			
50796 Newfoundland & Lab. Inc. Keeping Up with Cathy Jones		59,438	-
522721 Newfoundland & Lab. Inc. Young Triffie		240,680	-
		<u>1,958,802</u>	<u>1,702,969</u>
Excess of receipts over commitments (commitments over receipts)		22,104	(19,950)
Opening Balance		(9,389)	10,561
		<u>\$ 12,715</u>	<u>\$ (9,389)</u>
Closing Balance			



**NEWFOUNDLAND AND LABRADOR  
GOVERNMENT SINKING FUND**

**FINANCIAL STATEMENTS**

**31 MARCH 2005**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the Board of Trustees  
Newfoundland and Labrador Government Sinking Fund  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Government Sinking Fund as at 31 March 2005 and the statements of statutory contributions, retained earnings, revenues and expenses, and cash flows for the year then ended. These financial statements have been prepared to meet the information needs of the Board of Trustees and the Government of Newfoundland and Labrador under Section 39 of the *Financial Administration Act* and under the various debentures which require the establishment of sinking funds. 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 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 Fund as at 31 March 2005 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Board of Trustees of the Newfoundland and Labrador Government Sinking Fund and the Government of Newfoundland and Labrador to meet their information needs under Section 39 of the *Financial Administration Act* and under the various debentures which require the establishment of sinking funds. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purposes.

A handwritten signature in black ink, appearing to read "John L. Noseworthy".

**JOHN L. NOSEWORTHY, C.A.**  
Auditor General

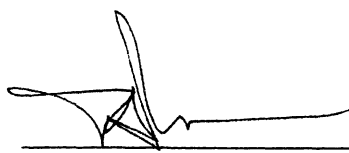
St. John's, Newfoundland and Labrador  
16 June 2005

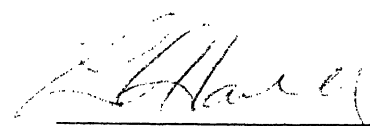
**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND  
BALANCE SHEET**

31 March	2005	2004
	(000's)	(000's)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 70	\$ 58
Term deposits and short-term investments, at cost	45,866	83,005
Interest and other receivables		
Province of Newfoundland and Labrador – guaranteed	9,884	9,439
Other	2,857	2,720
	<u>58,677</u>	<u>95,222</u>
<b>Investments, at amortized cost (Schedule 1)</b>		
Cost	631,708	543,848
Accumulated amortization of discounts and premiums	72,266	62,331
	<u>703,974</u>	<u>606,179</u>
	<u>\$ 762,651</u>	<u>\$ 701,401</u>
<b>LIABILITIES AND SINKING FUND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 11	\$ 7
Due to Province of Newfoundland and Labrador	28	372
	<u>39</u>	<u>379</u>
<b>Sinking fund equity</b>		
Statutory contributions (Statement 2)	415,296	386,495
Retained earnings (Statement 3)	347,316	314,527
	<u>762,612</u>	<u>701,022</u>
	<u>\$ 762,651</u>	<u>\$ 701,401</u>

*See accompanying notes*

Signed on behalf of the Board:

  
\_\_\_\_\_  
Chairperson

  
\_\_\_\_\_  
Member

**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND**  
**STATEMENT OF STATUTORY CONTRIBUTIONS**

For the Year Ended 31 March

	2005	2004
	(000's)	(000's)
<b>Balance, beginning of year</b>	<b>\$ 386,495</b>	<b>\$ 442,672</b>
Statutory contributions for the year	41,107	38,298
	427,602	480,970
Foreign currency translation adjustment	(12,306)	(17,489)
Statutory contributions applicable to redeemed debentures	-	(76,986)
<b>Balance, end of year</b>	<b>\$ 415,296</b>	<b>\$ 386,495</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND**  
**STATEMENT OF RETAINED EARNINGS**  
**For the Year Ended 31 March**

	2005	2004
	(000's)	(000's)
<b>Balance, beginning of year</b>	<b>\$ 314,527</b>	<b>\$ 329,974</b>
Excess of revenues over expenses	47,589	58,517
	<b>362,116</b>	388,491
Foreign currency translation adjustment	(10,699)	(13,487)
Surplus sinking fund income returned to Province	-	(37,361)
Retained earnings applicable to redeemed debentures	(4,101)	(23,116)
<b>Balance, end of year</b>	<b>\$ 347,316</b>	<b>\$ 314,527</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND****STATEMENT OF REVENUES AND EXPENSES**

For the Year Ended 31 March

2005

2004

(000's)

(000's)

**REVENUES**

Interest income

Debentures

S 37,251

\$ 40,037

Term deposits and short-term investments

1,509

992

Other

8

11

---

38,768

41,040

Amortization of discounts and premiums

9,162

7,849

(Loss) Gain on redemption and sale of investments(26)

9,932

---

47,904

58,821

**EXPENSES**

Salaries and benefits

202

206

General113

98

---

315

304

**Excess of revenues over expenses****S 47,589****\$ 58,517***See accompanying notes*



**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND**  
**STATEMENT OF CASH FLOWS**

<b>For the Year Ended 31 March</b>	<b>2005</b>	<b>2004</b>
	(000's)	(000's)
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 47,589	\$ 58,517
Adjustments for non-cash items		
Amortization of discounts and premiums	(9,162)	(7,849)
Loss (Gain) on redemption and sale of investments	26	(9,932)
	<b>38,453</b>	40,736
Change in non-cash working capital	(922)	4,252
	<b>37,531</b>	44,988
<b>Cash flows from investing activities</b>		
Purchase of investments	(146,832)	(82,834)
Proceeds from redemption and sale of investments	39,289	203,061
Statutory contributions	41,107	38,298
Payment to Province on wind-up of CPP sinking funds	(4,101)	(77,589)
Payment to Province of excess on maturing debentures	-	(362)
Payment to redemption bank account on early call	-	(59,512)
Effect of foreign currency on statutory payments	(12,306)	(17,489)
Effect of foreign currency on retained earnings	(10,699)	(13,487)
Effect of foreign currency on investments	18,884	27,791
	(74,658)	17,877
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(37,127)</b>	62,865
<b>Cash and cash equivalents, beginning of year</b>	<b>83,063</b>	20,198
<b>Cash and cash equivalents, end of year</b>	<b>\$ 45,936</b>	<b>\$ 83,063</b>
<b>Cash and cash equivalents include:</b>		
Cash	\$ 70	\$ 58
Term deposits and short-term investments	45,866	83,005
	<b>\$ 45,936</b>	<b>\$ 83,063</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND  
SCHEDULE OF INVESTMENTS**

31 March

2005

2004

	<u>Face Value or Par</u> (000's)	<u>Amortized Cost</u> (000's)	<u>Face Value or Par</u> (000's)	<u>Amortized Cost</u> (000's)
<b>Canadian</b>				
Province of Newfoundland and Labrador - guaranteed				
Province of Newfoundland and Labrador	\$ 160,493	\$ 166,939	\$ 136,590	\$ 140,586
Newfoundland and Labrador Municipal Financing Corporation	52,573	52,562	47,973	47,964
Coupons and residuals	302,346	147,589	178,060	106,672
	515,412	367,090	362,623	295,222
Other securities	49,855	51,872	35,669	37,191
Other coupons and residuals	42,969	31,218	42,970	29,287
	608,236	450,180	441,262	361,700
<b>U.S.</b>				
Province of Newfoundland and Labrador - guaranteed				
Province of Newfoundland and Labrador	130,660	144,723	134,583	148,801
Other securities	92,540	100,634	82,100	87,272
Other coupons and residuals	18,346	8,437	19,889	8,406
	241,546	253,794	236,572	244,479
<b>Total investments</b>	<b>\$ 849,782</b>	<b>\$ 703,974</b>	<b>\$ 677,834</b>	<b>\$ 606,179</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**Authority**

The Province of Newfoundland and Labrador issues debentures, most of which have sinking fund requirements. For debentures which have sinking fund requirements, the Province makes the required sinking fund payments (statutory contributions) to the Board of Trustees of the Newfoundland and Labrador Government Sinking Fund. This is an unincorporated body formed under the *Financial Administration Act*. All members of the Board are full-time employees of the Province and are appointed by the Lieutenant-Governor in Council.

**1. Basis of accounting**

These financial statements have been prepared by the Board's management in accordance with the significant accounting policies set out below to meet the information needs of the Board of Trustees of the Newfoundland and Labrador Government Sinking Fund and the Government of Newfoundland and Labrador under Section 39 of the *Financial Administration Act* and under the various debentures which require the establishment of sinking funds. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because the impact of foreign currency translation adjustments arising from the translation of U.S. denominated investments is not recognized in income during the year. These gains or losses are unrealized and it is intended that they will remain so since it is not the intention of the Fund that these investments, which are held in U.S. funds, will ever actually be converted to Canadian dollars.

The impact of foreign currency adjustments related to statutory contributions is reflected directly in the statement of statutory contributions and the impact of foreign currency adjustments on retained earnings is reflected directly in the statement of retained earnings.

(a) Investment transactions

- (i) Purchases: Investments are initially recorded at cost.
- (ii) Amortization: Discounts and premiums are amortized on a straight-line basis from the date of purchase until maturity.
- (iii) Sales: Sales of investments are at a negotiated selling price. Sales are recorded at the proceeds less the investment's average amortized cost, with any resulting gain or loss also recorded.
- (iv) Redemptions: On occasion, investments held in the Fund will be called for redemption by the issuer. In such instances, a gain is recorded equal to the redemption proceeds less the investment's average amortized cost.

**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**1. Significant accounting policies (cont.)**

- (b) Maturity of a Province of Newfoundland and Labrador debenture issue for which a sinking fund has been provided.

(i) General

Provision is made for redemption at debenture maturity by investing statutory contributions in interest bearing securities and other investments. Both the contributions and the interest are used to pay debenture holders when debentures mature.

A record is maintained of statutory contributions received on account of each issue and of income allocated to each issue (retained earnings). The dollar total of an issue's statutory contributions and allocated income is called its Sinking Fund Value.

At maturity, statutory contributions are reduced by the total amount of statutory contributions received over the life of the issue. Retained earnings are reduced by the excess of the debenture's Sinking Fund Value over statutory contributions received.

(ii) Cash flow

At maturity, cash is paid into a redemption bank account in an amount equal to the lesser of the total face value of the issue or the Sinking Fund Value of the issue, less the face value of the issue held in the Fund's investments. If the issue's Sinking Fund Value exceeds the total face value, the excess is paid to the Consolidated Revenue Fund of the Province of Newfoundland and Labrador. If the issue's Sinking Fund Value is less than the total face value, the difference is paid into the redemption bank account by the Province.

The Province of Newfoundland and Labrador has an option, pursuant to amendments to the Canada Pension Plan enacted by the *Canada Pension Plan Investment Board Act*, to refinance maturing Canada Pension Plan borrowings for a final twenty year term, provided sufficient monies are available in the Canada Pension Plan Investment Fund. As a result, the Province has enacted legislation stating that sinking funds not required to redeem an issue of securities may be paid into the Consolidated Revenue Fund of the Province of Newfoundland and Labrador as the Lieutenant-Governor in Council may direct. During the year, \$4,101,150 (2004 - \$77,589,000) in sinking funds related to Canada Pension Plan borrowings were paid into the Consolidated Revenue Fund as directed by Lieutenant-Governor in Council. An additional \$47,146,000 (2004 - \$50,738,000) in matured borrowings was refinanced for a final twenty year term.

**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2005**

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**1. Significant accounting policies (cont.)**

(c) Interest income

Interest income is recorded on an accrual basis.

(d) Foreign exchange translation

Assets, liabilities, revenues and expenses denominated in U.S. currency are translated as follows:

- (i) assets and liabilities are translated at the rate of exchange in effect at the balance sheet date; and
- (ii) revenues and expenses are translated at the rate of exchange in effect on the dates on which such items are recognized in income during the year, or an average of such.

Foreign currency translation adjustments arising from the translation of U.S. denominated investments are deferred and shown as separate components of the sinking fund equity. These gains or losses are unrealized and it is intended that they will remain so since it is not the intention of the Fund that these investments, which are held in U.S. funds, will ever actually be converted to Canadian dollars.

**2. Related party transactions**

The Newfoundland and Labrador Government Sinking Fund and the Province absorb all of the operating costs, with the exception of banking and custodial fees, of the Newfoundland and Labrador Municipal Financing Corporation Sinking Fund, which is administered by the same Board as the Newfoundland and Labrador Government Sinking Fund.

**3. Financial instruments**

The Newfoundland and Labrador Government Sinking Fund's short-term financial instruments recognized on the balance sheet consist of cash, term deposits and short-term investments, interest and other receivables, accounts payable and accrued liabilities and due to Province of Newfoundland and Labrador. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

The Fund holds long-term investments which have an amortized cost of \$703,974,000 (2004 - \$606,179,000). The face value of these investments is \$849,782,000 (2004 - \$677,834,000). The policy and intention of the Board is to hold these long-term investments to maturity. Therefore, their reported value is current fair value to the Corporation and there is no rate risk associated with these investments.

**4. Income taxes**

The Newfoundland and Labrador Government Sinking Fund is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.



**NEWFOUNDLAND AND LABRADOR  
GOVERNMENT SINKING FUND**

**FINANCIAL STATEMENTS**

**31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the Board of Trustees  
Newfoundland and Labrador Government Sinking Fund  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Government Sinking Fund as at 31 March 2006 and the statements of statutory contributions, retained earnings, revenues and expenses, and cash flows for the year then ended. These financial statements have been prepared to meet the information needs of the Board of Trustees and the Government of Newfoundland and Labrador under Section 39 of the *Financial Administration Act* and under the various debentures which require the establishment of sinking funds. 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 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 Fund as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Board of Trustees of the Newfoundland and Labrador Government Sinking Fund and the Government of Newfoundland and Labrador to meet their information needs under Section 39 of the *Financial Administration Act* and under the various debentures which require the establishment of sinking funds. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purposes.

A handwritten signature in black ink, appearing to read 'John L. Noseworthy'.

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
16 June 2006



**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND****BALANCE SHEET****31 March****2006****2005**

(000's)

(000's)

**ASSETS****Current**

Cash	\$ 69	\$ 70
Term deposits and short-term investments, at cost	12,185	45,866
Interest and other receivables		
Province of Newfoundland and Labrador – guaranteed	10,936	9,884
Other	3,665	2,857
	<u>26,855</u>	<u>58,677</u>

**Investments, at amortized cost (Schedule 1)**

Cost	739,689	631,708
Accumulated amortization of discounts and premiums	82,560	72,266
	<u>822,249</u>	<u>703,974</u>
	<u>\$ 849,104</u>	<u>\$ 762,651</u>

**LIABILITIES AND SINKING FUND EQUITY****Current**


Accounts payable and accrued liabilities	\$ 12	\$ 11
Due to Province of Newfoundland and Labrador	12	28
	<u>24</u>	<u>39</u>

**Sinking fund equity**

Statutory contributions (Statement 2)	454,350	415,296
Retained earnings (Statement 3)	394,730	347,316
	<u>849,080</u>	<u>762,612</u>
	<u>\$ 849,104</u>	<u>\$ 762,651</u>

*See accompanying notes*

Signed on behalf of the Board:


  
 Chairperson


  
 Member

**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND****STATEMENT OF STATUTORY CONTRIBUTIONS****For the Year Ended 31 March****2006****2005**

(000's)

(000's)

<b>Balance, beginning of year</b>	<b>\$ 415,296</b>	<b>\$ 386,495</b>
Statutory contributions for the year	44,472	41,107
	<b>459,768</b>	427,602
Foreign currency translation adjustment	(5,418)	(12,306)
<b>Balance, end of year</b>	<b>\$ 454,350</b>	<b>\$ 415,296</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND**  
**STATEMENT OF RETAINED EARNINGS**  
**For the Year Ended 31 March**

	<b>2006</b>	<b>2005</b>
	(000's)	(000's)
<b>Balance, beginning of year</b>	<b>\$ 347,316</b>	<b>\$ 314,527</b>
Excess of revenues over expenses	<u>52,373</u>	<u>47,589</u>
	<b>399,689</b>	<b>362,116</b>
Foreign currency translation adjustment	<b>(4,959)</b>	<b>(10,699)</b>
Retained earnings applicable to redeemed debentures	<u>-</u>	<u>(4,101)</u>
<b>Balance, end of year</b>	<b>\$ 394,730</b>	<b>\$ 347,316</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND****STATEMENT OF REVENUES AND EXPENSES****For the Year Ended 31 March**

	<b>2006</b>	<b>2005</b>
	(000's)	(000's)
<b>REVENUES</b>		
Interest income		
Debentures	\$ 41,558	\$ 37,251
Term deposits and short-term investments	1,227	1,509
Other	16	8
	<b>42,801</b>	<b>38,768</b>
Amortization of discounts and premiums	9,889	9,162
Loss on redemption and sale of investments	-	(26)
	<b>52,690</b>	<b>47,904</b>
<b>EXPENSES</b>		
Salaries and benefits	200	202
General	117	113
	<b>317</b>	<b>315</b>
<b>Excess of revenues over expenses</b>	<b>\$ 52,373</b>	<b>\$ 47,589</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND****STATEMENT OF CASH FLOWS****For the Year Ended 31 March**

	<b>2006</b>	<b>2005</b>
	(000's)	(000's)
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 52,373	\$ 47,589
Adjustments for non-cash items		
Amortization of discounts and premiums	(9,889)	(9,162)
Loss on redemption and sale of investments	-	26
	<b>42,484</b>	<b>38,453</b>
<u>Change in non-cash working capital</u>	<u>(1,875)</u>	<u>(922)</u>
	<b>40,609</b>	<b>37,531</b>
<b>Cash flows from financing activities</b>		
Statutory contributions	44,472	41,107
Payment to Province on wind-up of CPP sinking funds	-	(4,101)
Effect of foreign currency on statutory payments	(5,418)	(12,306)
Effect of foreign currency on retained earnings	(4,959)	(10,699)
	<b>34,095</b>	<b>14,001</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(122,323)	(146,832)
Proceeds from redemption and sale of investments	5,256	39,289
Effect of foreign currency on investments	8,681	18,884
	<b>(108,386)</b>	<b>(88,659)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(33,682)</b>	<b>(37,127)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>45,936</b>	<b>83,063</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 12,254</b>	<b>\$ 45,936</b>
<b>Cash and cash equivalents include:</b>		
Cash	\$ 69	\$ 70
Term deposits and short-term investments	12,185	45,866
	<b>\$ 12,254</b>	<b>\$ 45,936</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND****SCHEDULE OF INVESTMENTS****31 March****2006****2005**

	<u>Face Value or Par</u> (000's)	<u>Amortized Cost</u> (000's)	<u>Face Value or Par</u> (000's)	<u>Amortized Cost</u> (000's)
<b>Canadian</b>				
Province of Newfoundland and Labrador				
- guaranteed				
Province of Newfoundland and Labrador	\$ 180,870	\$ 190,526	\$ 160,493	\$ 166,939
Newfoundland and Labrador Municipal Financing Corporation	53,073	53,106	52,573	52,562
Coupons and residuals	319,123	167,231	302,346	147,589
	<b>553,066</b>	<b>410,863</b>	515,412	367,090
Other securities	70,087	72,939	49,855	51,872
Other coupons and residuals	57,804	38,202	42,969	31,218
	<b>680,957</b>	<b>522,004</b>	608,236	450,180
<b>U.S.</b>				
Province of Newfoundland and Labrador				
- guaranteed				
Province of Newfoundland and Labrador	143,926	162,114	130,660	144,723
Other securities	118,435	129,324	92,540	100,634
Other coupons and residuals	17,715	8,807	18,346	8,437
	<b>280,076</b>	<b>300,245</b>	241,546	253,794
<b>Total investments</b>	<b>\$ 961,033</b>	<b>\$ 822,249</b>	\$ 849,782	\$ 703,974

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**Authority**

The Province of Newfoundland and Labrador issues debentures, most of which have sinking fund requirements. For debentures which have sinking fund requirements, the Province makes the required sinking fund payments (statutory contributions) to the Board of Trustees of the Newfoundland and Labrador Government Sinking Fund. This is an unincorporated body formed under the *Financial Administration Act*. All members of the Board are full-time employees of the Province and are appointed by the Lieutenant-Governor in Council.

**1. Basis of accounting**

These financial statements have been prepared by the Board's management in accordance with the significant accounting policies set out below to meet the information needs of the Board of Trustees of the Newfoundland and Labrador Government Sinking Fund and the Government of Newfoundland and Labrador under Section 39 of the *Financial Administration Act* and under the various debentures which require the establishment of sinking funds. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because the impact of foreign currency translation adjustments arising from the translation of U.S. denominated investments is not recognized in income during the year. These gains or losses are unrealized and it is intended that they will remain so since it is not the intention of the Fund that these investments, which are held in U.S. funds, will ever actually be converted to Canadian dollars.

(a) Investment transactions

- (i) Purchases: Investments are initially recorded at cost.
- (ii) Amortization: Discounts and premiums are amortized on a straight-line basis from the date of purchase until maturity.
- (iii) Sales: Sales of investments are at a negotiated selling price. Sales are recorded at the proceeds less the investment's average amortized cost, with any resulting gain or loss also recorded.
- (iv) Redemptions: On occasion, investments held in the Fund will be called for redemption by the issuer. In such instances, a gain is recorded equal to the redemption proceeds less the investment's average amortized cost.

**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**1. Significant accounting policies (cont.)**

- (b) Maturity of a Province of Newfoundland and Labrador debenture issue for which a sinking fund has been provided.

(i) General

Provision is made for redemption at debenture maturity by investing statutory contributions in interest bearing securities and other investments. Both the contributions and the interest are used to pay debenture holders when debentures mature.

A record is maintained of statutory contributions received on account of each issue and of income allocated to each issue (retained earnings). The dollar total of an issue's statutory contributions and allocated income is called its Sinking Fund Value.

At maturity, statutory contributions are reduced by the total amount of statutory contributions received over the life of the issue. Retained earnings are reduced by the excess of the debenture's Sinking Fund Value over statutory contributions received.

(ii) Cash flow

At maturity, cash is paid into a redemption bank account in an amount equal to the lesser of the total face value of the issue or the Sinking Fund Value of the issue, less the face value of the issue held in the Fund's investments. If the issue's Sinking Fund Value exceeds the total face value, the excess is paid to the Consolidated Revenue Fund of the Province of Newfoundland and Labrador. If the issue's Sinking Fund Value is less than the total face value, the difference is paid into the redemption bank account by the Province.

(c) Interest income

Interest income is recorded on an accrual basis.

(d) Foreign exchange translation

Assets, liabilities, revenues and expenses denominated in U.S. currency are translated as follows:

- (i) assets and liabilities are translated at the rate of exchange in effect at the balance sheet date; and
- (ii) revenues and expenses are translated at the rate of exchange in effect on the dates on which such items are recognized in income during the year, or an average of such.

Foreign currency translation adjustments arising from the translation of U.S. denominated investments are deferred and shown as separate components of the sinking fund equity. These gains or losses are unrealized and it is intended that they will remain so since it is not the intention of the Fund that these investments, which are held in U.S. funds, will ever actually be converted to Canadian dollars.



**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**2. Related party transactions**

The Newfoundland and Labrador Government Sinking Fund and the Province absorb all of the operating costs, with the exception of banking and custodial fees, of the Newfoundland and Labrador Municipal Financing Corporation Sinking Fund, which is administered by the same Board as the Newfoundland and Labrador Government Sinking Fund.

**3. Financial instruments**

The Newfoundland and Labrador Government Sinking Fund's short-term financial instruments recognized on the balance sheet consist of cash, term deposits and short-term investments, interest and other receivables, accounts payable and accrued liabilities and due to Province of Newfoundland and Labrador. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

The Fund holds long-term investments which have an amortized cost of \$822,249,000 (2005 - \$703,974,000). The face value of these investments is \$961,033,000 (2005 - \$849,782,000). The policy and intention of the Board is to hold these long-term investments to maturity. Therefore, their reported value is current fair value to the Corporation and there is no rate risk associated with these investments.

**4. Income taxes**

The Newfoundland and Labrador Government Sinking Fund is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.



**NEWFOUNDLAND AND LABRADOR  
HOUSING CORPORATION**

**FINANCIAL STATEMENTS**

**31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the Chairperson and Members  
Newfoundland and Labrador Housing Corporation  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Housing Corporation as at 31 March 2006 and the statements of revenues, expenses and deficit, and cash flows 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 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 Corporation as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "John L. Noseworthy".

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
23 June 2006

# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## BALANCE SHEET

31 March

2006

2005

(000's)

(000's)

### ASSETS

Accounts receivable (Note 2)	\$ 1,852	\$ 1,337
Due from Canada Mortgage and Housing Corporation (CMHC)	-	53
Due from the Province of Newfoundland and Labrador		
- Labrador Housing Programs (Note 3)	5,805	6,569
Inventory and prepaid expenses (Note 4)	3,273	3,338
Mortgages and loans receivable (Note 5)	26,194	31,960
Receivable from municipalities re: land transfers (Note 6)	2,384	2,753
Repossessed units (Note 7)	7	7
Land assemblies (Note 8)	7,684	7,952
Rental properties (Note 9)	218,823	227,564
Capital assets (Note 10)	5,755	5,610
	<b>\$ 271,777</b>	<b>\$ 287,143</b>

### LIABILITIES AND EQUITY

Bank indebtedness	\$ 2,110	\$ 2,654
Accounts payable and accrued liabilities	9,200	7,780
Due to Canada Lands Corporation (CLC)	-	58
Due to CMHC	305	-
Deferred revenue (Note 11)	960	945
Group health and life insurance retirement benefits (Note 12)	10,158	9,432
Capital replacement fund (Note 13)	7,713	8,008
Mortgage insurance fund (Note 14)	3,245	3,393
Mortgages, debentures and similar indebtedness (Note 15)	36,555	44,524
CMHC investment in cost-shared programs (Note 16)	143,072	152,503
	<b>213,318</b>	<b>229,297</b>

### Equity

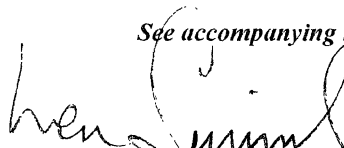
Contributed capital - Province of Newfoundland and Labrador (Note 17)	62,861	62,861
Deficit	(4,402)	(5,015)
	<b>58,459</b>	<b>57,846</b>
	<b>\$ 271,777</b>	<b>\$ 287,143</b>

Contingent liabilities (Note 18)


Commitments (Note 19)

Signed on behalf of the Board:

*See accompanying notes*



Chairperson



Member

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND DEFICIT**

**For the Year Ended 31 March**

	<b>2006</b>	<b>2005</b>
	(000's)	(000's)
<b>REVENUES</b>		
CMHC (Note 21)	\$ 59,588	\$ 60,730
Rent	19,275	19,573
Province of Newfoundland and Labrador operating grant	9,650	9,910
Interest	7,646	8,240
Land assemblies sales	561	597
Profit from land sales by municipalities	410	288
Other income	295	245
Gain on sale of rental properties	161	-
	<b>97,586</b>	<b>99,583</b>
<b>EXPENSES</b>		
CLC share of land assemblies profits	-	49
CMHC share of interest revenue	967	1,170
Community based housing operating subsidies	9,585	10,250
Grants to homeowners	7,601	7,728
Interest expense	3,698	4,089
Land assemblies costs (Note 8)	459	463
Losses on mortgages, loans and repossessions	475	261
Loss on sale of rental properties	-	190
Mortgage subsidies	1,785	2,053
Municipal receivable write-off	234	-
Net administration (Note 22)	15,437	14,068
Rent supplement subsidies	3,537	3,485
Rental properties write-down	-	418
Rental properties write-off	282	470
Rental unit expenses (Note 23)	52,913	52,144
	<b>96,973</b>	<b>96,838</b>
<b>Excess of revenues over expenses</b>	<b>613</b>	<b>2,745</b>
<b>Deficit, beginning of year</b>	<b>(5,015)</b>	<b>(7,760)</b>
<b>Deficit, end of year</b>	<b>\$ (4,402)</b>	<b>\$ (5,015)</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION****STATEMENT OF CASH FLOWS****For the Year Ended 31 March**

	<b>2006</b>	<b>2005</b>
	(000's)	(000's)
<b>Cash flows from operating activities:</b>		
Excess of revenues over expenses	\$ 613	\$ 2,745
Add (deduct) non-cash items:		
Mortgage subsidies	1,785	2,053
Losses on mortgages, loans and repossessions	475	261
Amortization of rental properties (Note 23)	6,495	6,144
Amortization of community based housing	622	567
Amortization of Labrador Housing Programs	819	837
Market value write-down of rental properties	-	418
Write-off of rental properties	282	470
Loss (Gain) on sale of rental properties	(161)	190
Amortization of capital assets	436	360
CLC portion of non-cash items	-	49
CMHC portion of non-cash items	791	1,029
Group health and life insurance retirement benefits (Note 12)	726	253
	<b>12,883</b>	<b>15,376</b>
<b>Net change in other operating items</b>	<b>1,479</b>	<b>1,774</b>
	<b>14,362</b>	<b>17,150</b>
<b>Cash flows from investing activities:</b>		
Advances of mortgages and loans	(1,969)	(2,364)
Principal recoveries of mortgages and loans	5,475	5,392
Investment in rental properties	-	(49)
Sale of rental properties	1,502	311
Investment in capital assets	(581)	(54)
Labrador Housing Programs	(55)	(140)
	<b>4,372</b>	<b>3,096</b>
<b>Cash flows from financing activities:</b>		
Repayments of mortgages, debentures, and similar indebtedness	(7,969)	(6,476)
Increase in CLC investment in land	-	1
Repayments of CLC investment in land	-	(50)
Repayments of CMHC investment in cost-shared programs	(10,221)	(10,227)
	<b>(18,190)</b>	<b>(16,752)</b>
<b>Decrease in bank indebtedness</b>	<b>544</b>	<b>3,494</b>
<b>Bank indebtedness, beginning of year</b>	<b>(2,654)</b>	<b>(6,148)</b>
<b>Bank indebtedness, end of year</b>	<b>\$ (2,110)</b>	<b>\$ (2,654)</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**Authority**

The Newfoundland and Labrador Housing Corporation (the Corporation) operates under authority of the *Housing Corporation Act*. The purpose of the Corporation is to provide cost-effective housing and related programs for the benefit of the residents of the Province with priority given to those most in need. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

**1. Significant accounting policies**

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Mortgages and loans receivable

An allowance for mortgages and loans impairment is estimated based on the value of accounts referred to a collection agency and the accounts with reported arrears balances. The security and source of funding for the accounts that are in arrears are considered in this estimation.

(b) Repossessed units

Repossessed units are valued at the lower of cost and net realizable value based on appraised values and the estimated recovery of cost through social housing rental programs.

(c) Land assemblies

Land assemblies are valued at the lower of cost and net realizable value. Items capitalized as the cost of land assemblies include land acquisition costs, development costs and interest.

Land assembly sales are recognized as earned. A portion of the sales revenue is deferred to cover future anticipated costs relative to the land sold. The percentage of revenue deferred is equal to the percentage of cost to complete on a project by project basis.

(d) Rental properties

Rental properties are valued at the lower of cost less accumulated amortization and net recoverable amount. Items capitalized as the cost of a project include land acquisition costs, development and construction costs, interest and other related carrying charges. In instances where properties have been transferred from Government departments, costs have been recorded at \$1. Amortization is calculated using the methods described below based on the expected future useful life of all assets as follows:



**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**1. Significant accounting policies (cont.)**

(d) Rental properties (cont.)

Non-profit housing	
- Capital cost	Sinking fund, 25-50 years
- Renovation costs	Sinking fund, 15 years
Market housing	
- Capital cost	2% declining balance
- Renovation costs	Straight line, 15 years

(e) Capital assets

All capital assets are capitalized at cost at the time of acquisition. Amortization is calculated using the methods described below based on the expected future useful life of all assets as follows:

Office buildings	2% declining balance
Furniture and office equipment	Straight line, 10 years
Computer hardware and software	Straight line, 4 years
Vehicles	Straight line, 5 years

(f) Severance pay

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service. The amount is payable when the employee ceases employment with the Corporation unless the employee transfers to another entity in the public service, in which case the liability is transferred with the employee to the other entity.

**2. Accounts receivable**

	<u>2006</u>	<u>2005</u>
	(000's)	(000's)
Rents	\$ 217	\$ 203
Miscellaneous	1,792	1,259
	<u>2,009</u>	<u>1,462</u>
Less: allowance for doubtful accounts	157	125
	<u>\$ 1,852</u>	<u>\$ 1,337</u>

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**3. Due from the Province of Newfoundland and Labrador - Labrador Housing Programs**

In March 2000, the Province directed the Corporation to fund the renovation of existing dwellings and construction of new dwellings in Northern Coastal Labrador. In March 2002, the Province directed the Corporation to fund the construction of a personal care home in Mary's Harbour.

Under these initiatives, title to these dwellings is held by the homeowners with the Province repaying the renovation and construction costs over a 15 year period. As at 31 March 2006 the amount due from the Province was \$5,805,000 (2005 - \$6,569,000).

**4. Inventory and prepaid expenses**

	<b>2006</b>	2005
	(000's)	(000's)
Inventory	\$ 527	\$ 481
Prepaid expenses	2,746	2,857
	<b>\$ 3,273</b>	<b>\$ 3,338</b>

**5. Mortgages and loans receivable**

	<b>2006</b>	2005
	(000's)	(000's)
Subsidized mortgages to homeowners	\$ 10,606	\$ 13,751
Residential Rehabilitation Assistance Program loans	9,081	11,883
Provincial Home Repair Program	6,951	8,056
Other mortgages and loans	2,970	2,619
	<b>29,608</b>	<b>36,309</b>
Less: allowance for impaired accounts	<b>3,414</b>	<b>4,349</b>
	<b>\$ 26,194</b>	<b>\$ 31,960</b>

The allowance for impaired mortgages and loans relates primarily to the Residential Rehabilitation Assistance Program loans portfolio.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**6. Receivable from municipalities re: land transfers**

In September 1998, the Province directed the Corporation to enter into agreements with municipalities to transfer its banked and developed industrial and commercial land. The agreements will transfer these lands to the municipalities under a mortgage arrangement and provide for a share of future land sales revenue to the Corporation.

The receivable is valued at the lower of the carrying value of the land at the date of transfer and the Corporation's share of the net realizable value of the land as outlined in the agreement. The estimated net realizable value is determined using management's best estimates of future sales. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates are not predictable. Consequently, adjustments to the carrying value of the receivable from municipalities re: land transfers are possible depending on the impact of any changes and management's best estimate of them.

As of 31 March 2006, twenty agreements have been completed for the transfer of lands to municipalities at a carrying value of \$2,384,000 (2005 - \$2,753,000).

**7. Repossessed units**

	<b>2006</b>	2005
	(000's)	(000's)
Repossessed units	\$ 41	\$ 24
Less: allowance for impairment	34	17
	<b>\$ 7</b>	<b>\$ 7</b>

**8. Land assemblies**

	<b>2006</b>	2005
	(000's)	(000's)
Land assemblies, beginning of year	\$ 7,952	\$ 8,452
Cost incurred during the year:		
Land acquisition and development	40	(175)
Interest, capitalized	151	138
	<b>8,143</b>	<b>8,415</b>
Less: cost of earned sales recognized during year	459	463
Land assemblies, end of year	<b>\$ 7,684</b>	<b>\$ 7,952</b>

# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## NOTES TO FINANCIAL STATEMENTS

31 March 2006

### 8. Land assemblies (cont.)

Land assemblies are valued at the lower of cost and net realizable value. The estimated net realizable value is determined using management's best estimates of future sales and costs. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates, are not predictable. Consequently, material adjustments to the carrying value of the asset are possible depending upon the impact of any changes and management's best estimate of them. In September 1998, the Province directed the Corporation to divest of the majority of its land holdings.

### 9. Rental properties

	2006			2005	
	Cost	Accumulated	Write down to Net Recoverable Amount	Net Book Value	Net Book Value
	(000's)	(000's)	(000's)	(000's)	(000's)
Non-profit housing					
- Capital cost	\$ 259,025	\$ 47,417	\$ 307	\$ 211,301	\$ 219,494
- Renovation costs	4,980	1,663	-	3,317	3,688
Market housing					
- Capital cost	6,635	2,563	-	4,072	4,221
Leased land	133	-	-	133	161
	<b>\$ 270,773</b>	<b>\$ 51,643</b>	<b>\$ 307</b>	<b>\$ 218,823</b>	<b>\$ 227,564</b>

### 10. Capital assets

	2006			2005	
	Cost	Accumulated	Net	Net	
	(000's)	(000's)	(000's)	Book Value	Book Value
	(000's)	(000's)	(000's)	(000's)	(000's)
Office buildings	\$ 7,732	\$ 2,482	\$ 5,250	\$ 5,123	\$ 5,123
Furniture and office equipment	127	77	50	62	62
Computer hardware	247	65	182	50	50
Computer software	88	75	13	202	202
Vehicles	2,018	1,758	260	173	173
	<b>\$ 10,212</b>	<b>\$ 4,457</b>	<b>\$ 5,755</b>	<b>\$ 5,610</b>	<b>\$ 5,610</b>

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

**11. Deferred revenue**

	<b>2006</b>	2005
	(000's)	(000's)
Rentals	\$ 960	\$ 945

Deferred revenue rentals consist of rental payments received by the Corporation in advance of the due dates.

**12. Group health and life insurance retirement benefits**

All retired employees of the Corporation are eligible to participate in the group insurance plans. Under the plans, the Corporation pays 50% of the total premium charged towards the benefits of both active employees and retirees for both the life insurance and health benefits under the plans. As at 31 March 2006, the plans provided benefits to 155 retirees.

**Group health and life insurance retirement benefits liability**

Details of the group health and life insurance retirement benefits liability are outlined in the table below:

	<b>Estimated Accrued Benefit Obligation</b>	<b>Unamortized Experience Losses 2006</b>	<b>Net Liability 2006</b>	Net Liability 2005	<b>Change</b>
	(000's)	(000's)	(000's)	(000's)	(000's)
Group health retirement benefits	\$ 10,196	\$(1,270)	\$ 8,926	\$ 8,277	\$ 649
Group life insurance retirement benefits	1,254	(22)	1,232	1,155	77
	<b>\$ 11,450</b>	<b>\$(1,292)</b>	<b>\$ 10,158</b>	<b>\$ 9,432</b>	<b>\$ 726</b>

There are no fund assets associated with these plans.

**Group health and life insurance retirement benefits expense**

In these statements group health and life insurance retirement benefits costs have been determined as the cost of benefits accrued during the period. Interest on the liability has been accrued for the same period.

The change in the liability for the current period is comprised of the following amounts:

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

**12. Group health and life insurance retirement benefits (cont.)**

	Corporation's Share of Current Period Costs (000's)	Interest Expense on the Liability (000's)	Corporation's Current Period Contributions (000's)	Current Period Amortization of Experience Changes (000's)	Change (000's)
Group health retirement benefits	\$ 210	\$ 531	\$ (142)	\$ 50	\$ 649
Group life insurance retirement benefits	16	71	(12)	2	77
	<u>\$ 226</u>	<u>\$ 602</u>	<u>\$ (154)</u>	<u>\$ 52</u>	<u>\$ 726</u>

**Experience gains or losses**

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount will be included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

The unamortized experience loss at 31 March 2006 resulted from a change in the discount rate used by the actuaries and an increase in health premium rates.

**13. Capital replacement fund**

In accordance with program guidelines for non-profit and urban native housing projects, sponsor groups are required to set aside funds for the replacement of major capital items. The funds are held on behalf of the project sponsors and are released as eligible capital replacement expenditures are incurred.

Transactions relating to the capital replacement fund during the year are as follows:

	2006 (000's)	2005 (000's)
Balance, beginning of year	\$ 8,008	\$ 7,599
Annual funding provisions	-	541
Capital replacement expenditures	<u>(295)</u>	<u>(132)</u>
Balance, end of year	<u>\$ 7,713</u>	<u>\$ 8,008</u>

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**14. Mortgage insurance fund**

Upon signing the Canada - Newfoundland Social Housing Agreement (see Note 21), the Corporation assumed liability for all losses and costs that may be incurred in respect of a portfolio of loans that are owned and were previously insured by Canada Mortgage and Housing Corporation (CMHC). In return, CMHC provided the Corporation with a \$3,000,000 mortgage insurance fund as protection against future losses. Losses on loans are deducted from the fund, while interest earnings were added to the fund until 1 April 2003. The Corporation ceased accruing interest as of 1 April 2003.

	<b>2006</b>	<b>2005</b>
	<b>(000's)</b>	<b>(000's)</b>
Balance, beginning of year	\$ 3,393	\$ 3,407
Losses for the year	<b>(148)</b>	(14)
Balance, end of year	<b>\$ 3,245</b>	\$ 3,393

The fund covers a portfolio of federal loans totaling \$166,107,440. The majority of these loans relate to either Social Housing projects that receive significant federal/provincial annual operating subsidies or nursing home accommodations with Provincial Government guarantees. While an independent actuarial valuation of the fund has not been carried out, the fund is considered adequate by the Corporation's management.

**15. Mortgages, debentures and similar indebtedness**

	<b>2006</b>	<b>2005</b>
	<b>(000's)</b>	<b>(000's)</b>
<b>With fixed terms of repayment</b>		
(a) CMHC fixed rate term debentures, at an interest rate of 4.12% repayable in blended annual installments of \$2,096,253, with final due dates ranging from December 2021 to January 2030	\$ 27,563	\$ 28,557
(b) Canadian Imperial Bank of Commerce fixed rate bankers acceptances, at an interest rate of 4.34%, due on 07 April 2006	<b>8,992</b>	15,967
	<b>\$ 36,555</b>	\$ 44,524

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**15. Mortgages, debentures and similar indebtedness (cont.)**

Principal repayments for the next five years on the \$36,555,000 of debt with fixed terms of repayment are as follows:

	(000's)
2007	\$ 9,982
2008	\$ 1,030
2009	\$ 1,073
2010	\$ 1,118
2011	\$ 1,165

**16. CMHC investment in cost-shared programs**

	2006 (000's)	2005 (000's)
Non-profit rental housing	\$ 90,158	\$ 91,100
Rural and native housing	45,697	52,073
Home repair assistance	7,217	9,330
	<b>\$ 143,072</b>	<b>\$ 152,503</b>

The principal and interest payments required to amortize CMHC's investment in non-profit rental housing and rural and native housing is funded entirely through the annual federal grant paid by CMHC, pursuant to the Canada - Newfoundland Social Housing Agreement signed in April 1997 (see Note 21).

Repayment of CMHC's investment in the home repair assistance programs has no fixed term and is dependant upon future repayments of principal and interest on mortgages and loans.

**17. Contributed capital - Province of Newfoundland and Labrador**

Contributed capital represents accumulated capital advances of \$62,861,000 made to the Corporation by the Province. These advances are utilized by the Corporation to develop housing projects, land assemblies and related programs for the benefit of the residents of the Province.

**18. Contingent liabilities**

- (a) Claims have been filed against the Corporation for:
  - (i) General damages related to the enforcement of a Sales and Development Agreement for a shopping mall complex.



**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**18. Contingent liabilities (cont.)**

- (ii) \$100,000 relating to funds withheld from a contractor for deficiencies on houses constructed. This claim was filed by the contractor against both the Corporation (the mortgagee) and the homeowners of the houses.
- (iii) Special damages related to an alleged breach of contract and/or negligence relating to the sale of an apartment and commercial complex property.

The above claims have not progressed far enough to enable the formation of a definite opinion as to their outcome. Therefore, the likelihood and the amount of loss to the Corporation is not determinable at this time.

- (b) The Corporation has provided guarantees on outstanding mortgage balances totaling \$403,800 for qualifying homeowners. Presently the probability of loss resulting from these guarantees is unlikely.
- (c) In 1996, the Corporation learned that possible environmental liabilities exist with respect to potential large quantities of fuel left in abandoned fuel storage facilities in the Stephenville area. The Corporation has removed some of the underground tanks and fuel lines and has undertaken some further study. To date, expenditures related to this work have totalled \$2,600,000. As well, based on the studies completed to date, further remediation is estimated to cost \$10,000,000.
- (d) In 1998, the Corporation learned that possible environmental liabilities exist with respect to environmental contaminants including hydrocarbons and various heavy metals in the soil and groundwater on 20 hectares of the total 102 hectares in the Paradise area. Title to this site had been transferred to the Town of Paradise during 1998-99 as part of the Corporation's land divestiture program; however, the Corporation will be liable for any costs that must be incurred to clean up the site. Information received from a study completed in January 2000 indicates that the estimated costs of undertaking site remediation based on the information to date is in the order of \$6,000,000.
- (e) During 1999, the Corporation learned of possible environmental liabilities relating to 16 underground fuel tanks in its Buckmaster's Circle rental property. As a result of an environmental study conducted in 2000, the cost of environmental remediation related to this property is estimated at \$1,000,000. To date, expenditures related to this work have totalled \$352,000.
- (f) During 2005, the Corporation learned of possible environmental liabilities relating to underground fuel tanks in its St. John's properties located on Cashin Avenue, Froude Avenue, Empire Avenue and Hoyles Avenue. The cost of environmental remediation is estimated at \$1,400,000.

# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## NOTES TO FINANCIAL STATEMENTS

31 March 2006

### 19. Commitments

The Corporation has commitments totaling \$2,139,462 comprised of uncompleted purchase and construction contracts at year end of \$683,182 and commitments under lending programs of \$1,456,280.

### 20. Financial instruments

The Corporation's short-term financial instruments recognized on the balance sheet consist of accounts receivable, due from/to CMHC, bank indebtedness, accounts payable and accrued liabilities, and due to CLC. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Any estimated impairment of accounts receivable has been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to the short-term financial instruments.

The Corporation's long-term financial instruments recognized on the balance sheet consist of due from the Province of Newfoundland and Labrador - Labrador Housing Programs, mortgages and loans receivable, receivable from municipalities re: land transfers, group health and life insurance retirement benefits, and mortgages, debentures and similar indebtedness. Any estimated impairment of mortgages and loans receivable and receivable from municipalities re: land transfers is provided for through an allowance for impaired accounts and no further credit risk exists for these long-term receivables. Interest rates on the majority of mortgages and loans receivable and on mortgages, debentures and similar indebtedness are fixed to maturity. Therefore, the carrying values of these long-term financial instruments approximate their fair value and these instruments are not subject to any material interest rate risk.

### 21. Revenue from CMHC

CMHC's share of program subsidies and administration costs are as follows:

	2006	2005
	(000's)	(000's)
1997 Canada-Newfoundland Social Housing Agreement	\$ 53,784	\$ 54,729
Provincial Home Repair Program	4,528	5,712
Affordable Housing Program	939	-
Residential Rehabilitation Assistance Program	325	276
Mortgages	12	13
	<b>\$ 59,588</b>	<b>\$ 60,730</b>

On 22 April 1997, the Corporation signed the Canada - Newfoundland Social Housing Agreement with CMHC replacing all existing social housing program agreements between the two parties relating to social housing programs, with the exception of certain loan and mortgage programs.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

**22. Net administration**

	2006 (000's)	2005 (000's)
Advertising and promotion	\$ 65	\$ 55
Computer system costs	1,161	960
General	449	402
Office equipment leases	54	46
Office equipment purchases	34	34
Office supplies	134	145
Rent, heat, light, cleaning and maintenance	1,027	984
Salaries and employee benefits	11,782	10,821
Telephone and postage	329	314
Travel and vehicle costs	402	320
<b>Total administration</b>	<b>15,437</b>	<b>14,081</b>
Less: recharged to capital projects	-	13
<b>Net administration</b>	<b>\$ 15,437</b>	<b>\$ 14,068</b>

**23. Rental unit expenses**

	2006 (000's)	2005 (000's)
Amortization	\$ 6,495	\$ 6,144
Bad debts	72	177
Heat, light and operating	8,598	8,713
Interest on long-term debt	19,873	20,258
Municipal taxes	4,640	4,474
Repairs and maintenance	13,235	12,378
	<b>\$ 52,913</b>	<b>\$ 52,144</b>

**24. Pensions**

Under the *Housing Corporation Act*, Corporation staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Corporation and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions for 2006 was \$929,000 (2005 - \$910,000).

# **NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS**

**31 March 2006**

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### **25. Self-insurance**

With the exception of certain high-risk projects, the Corporation follows the policy of self-insuring its rental properties for property damage such as fire, water and vandalism. The costs of these repairs are charged to rental unit expenses.

### **26. Province of Newfoundland and Labrador contribution**

The Province of Newfoundland and Labrador contributes approximately 10% of the Corporation's total revenues. The contribution enables the Corporation to carry out its overall mandate and to meet its fiscal challenges.

The Corporation's ability to continue to fulfill its mandate is dependent upon the decisions of the Province of Newfoundland and Labrador.

### **27. Income taxes**

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

**NEWFOUNDLAND AND LABRADOR HYDRO  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2005**

# AUDITORS' REPORT

To the **Lieutenant-Governor in Council**  
**Province of Newfoundland and Labrador**

We have audited the consolidated balance sheet of **Newfoundland and Labrador Hydro** as at December 31, 2005, and the consolidated statements of income and retained earnings and cash flows 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 Canadian 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 consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 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. As required by The Hydro Corporation Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.



Chartered Accountants  
St. John's, Newfoundland and Labrador  
Canada  
February 14, 2006

## CONSOLIDATED BALANCE SHEET

<i>As at December 31 (millions of dollars)</i>	2005	2004
<b>ASSETS</b>		
Capital assets (Note 2)		
Capital assets in service	2,672.8	2,653.5
Less contributions in aid of construction	106.5	106.9
	2,566.3	2,546.6
Less accumulated depreciation	851.0	816.3
	1,715.3	1,730.3
Construction in progress	66.3	54.2
	1,781.6	1,784.5
Current assets		
Cash and cash equivalents	3.0	4.0
Short-term investments	6.1	-
Accounts receivable	67.9	67.2
Current portion of long-term receivables (Note 3)	42.7	41.5
Current portion of rate stabilization plan (Note 3)	0.1	8.6
Fuel and supplies at average cost	59.7	48.3
Prepaid expenses	2.3	2.0
	181.8	171.6
Long-term receivables (Note 3)	64.7	97.7
Sinking funds (Note 10)	85.8	72.6
Investments (Note 4)	5.2	5.2
Deferred charges (Notes 3 and 6)	85.0	85.0
	2,204.1	2,216.6
<i>See accompanying notes</i>		

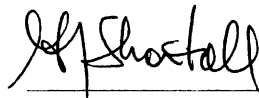
# CONSOLIDATED BALANCE SHEET

<i>As at December 31 (millions of dollars)</i>	2005	2004
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Long-term debt (Note 7)	1,174.8	1,407.6
Current liabilities		
Bank indebtedness	6.0	8.0
Accounts payable and accrued liabilities	59.8	49.1
Accrued interest	29.5	30.3
Long-term debt due within one year (Note 7)	222.6	28.4
Current portion of rate stabilization plan (Note 3)	1.3	-
Promissory notes (Note 7)	150.8	157.8
	<b>470.0</b>	<b>273.6</b>
Rate stabilization plan (Note 3)	10.6	5.5
Long-term payable (Note 8)	0.7	1.1
Employee future benefits (Note 9)	38.5	35.4
Non-controlling interest in LCDC	2.5	2.5
	<b>52.3</b>	<b>44.5</b>
Shareholder's equity		
Share capital		
Common shares of par value of \$1 each		
Authorized 25,000,000 shares; issued 22,503,942 shares	22.5	22.5
Contributed capital (Note 4)		
Lower Churchill Development	15.4	15.4
Muskrat Falls Project	2.2	2.2
Gull Island Project	96.4	96.4
Retained earnings	370.5	354.4
	<b>507.0</b>	<b>490.9</b>
Commitments and contingencies (Note 12)		
	<b>2,204.1</b>	<b>2,216.6</b>
<i>See accompanying notes</i>		

On behalf of the Board:



Dean MacDonald  
Director



Gerald J. Shortall  
Director



## CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

<i>Year ended December 31 (millions of dollars)</i>	<b>2005</b>	<b>2004</b>
Revenue		
Energy sales	<b>453.9</b>	439.8
Recovery of costs in rate stabilization plan (Note 3)	<b>56.5</b>	34.2
Guaranteed winter availability	<b>16.4</b>	14.6
Rentals and royalties	<b>0.3</b>	0.3
Other	<b>5.4</b>	4.6
	<b>532.5</b>	493.5
Expenses		
Operations and administration	<b>130.8</b>	123.4
Fuels	<b>84.5</b>	83.1
Amortization of costs in rate stabilization plan (Note 3)	<b>56.5</b>	34.2
Power purchased	<b>35.9</b>	36.1
Depreciation	<b>47.0</b>	45.8
Interest (Note 11)	<b>105.9</b>	103.7
	<b>460.6</b>	426.3
Net income	<b>71.9</b>	67.2
Retained earnings, beginning of year	<b>354.4</b>	337.8
	<b>426.3</b>	405.0
Dividends	<b>55.8</b>	50.6
Retained earnings, end of year	<b>370.5</b>	354.4
<i>See accompanying notes</i>		

## CONSOLIDATED STATEMENT OF CASH FLOWS

<i>Year ended December 31 (millions of dollars)</i>	2005	2004
Cash provided by (used in)		
Operating activities		
Net income	71.9	67.2
Adjusted for items not involving a cash flow		
Depreciation	47.0	45.8
Amortization of deferred charges	4.1	3.7
Rate stabilization plan	14.9	(3.1)
Loss on disposal of capital assets	3.9	1.7
Foreign exchange gain	(0.1)	(0.1)
Other	0.1	-
	141.8	115.2
Change in non-cash balances related to operations		
Accounts receivable	(0.7)	(10.7)
Fuel and supplies	(11.4)	0.2
Prepaid expenses	(0.3)	0.5
Accounts payable and accrued liabilities	13.0	(0.2)
Accrued interest	(0.8)	(0.2)
Employee future benefits	3.1	3.4
Long-term receivable	29.6	21.8
Long-term payable	(0.4)	1.1
	173.9	131.1
Financing activities		
Long-term debt retired	(32.4)	(20.8)
Increase in sinking funds	(19.5)	(21.6)
Foreign exchange loss recovered	1.5	2.7
Decrease in short-term borrowing	-	(1.8)
(Decrease) increase in promissory notes	(7.0)	8.0
Decrease in contributed capital	-	(3.6)
Dividends	(55.8)	(50.6)
	(113.2)	(87.7)
Investing activities		
Net additions to capital assets	(47.7)	(40.1)
Proceeds on disposal of capital assets	0.4	1.1
Increase in short-term investments	(6.1)	-
(Additions) reductions to deferred charges	(4.1)	0.5
Change in accounts payable related to investing activities	(2.2)	(2.3)
	(59.7)	(40.8)
Net increase in cash	1.0	2.6
Cash position, beginning of year	(4.0)	(6.6)
Cash position, end of year	(3.0)	(4.0)
Cash position is represented by		
Cash and cash equivalents	3.0	4.0
Bank indebtedness	(6.0)	(8.0)
	(3.0)	(4.0)
Supplementary disclosure of cash flow information		
Income taxes paid	0.2	0.2
Interest income received	0.3	0.2
Interest paid	111.9	112.0
<i>See accompanying notes</i>		

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Newfoundland and Labrador Hydro (Hydro) is incorporated under a special act of the Legislature of the Province of Newfoundland and Labrador (Province) as a Crown Corporation and its principal activity is the development, generation and sale of electric power. Hydro and its subsidiary and jointly controlled companies, other than Twin Falls Power Corporation Limited (Twin Falls), are exempt from paying income taxes under Section 149 (1) (d) of the Income Tax Act.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Preparation of these consolidated financial statements requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Actual results may differ from these estimates, including changes as a result of future decisions made by the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB).

### Rates and Regulations (Excluding Sales by Subsidiaries)

Hydro's earnings from its electrical sales to most customers within the Province are subject to rate regulation. As well, Hydro's borrowing and capital expenditure programs are also subject to review and approval by the PUB, which as an agency of the Province, is a related party. Rates are set through periodic general rate applications utilizing a cost of service (COS) methodology. The allowed rate of return on rate base is 7.5%. The effects of rate regulation on the financial statements are more fully disclosed in Note 3.

### Principles of Consolidation

The consolidated financial statements include the financial statements of Hydro and its subsidiary companies, Gull Island Power Company Limited (GIPCo), (100% owned) and Lower Churchill Development Corporation Limited (LCDC), (51% owned).

Effective June 18, 1999, Hydro, Churchill Falls (Labrador) Corporation Limited (CF(L)Co) and Hydro-Québec entered into a shareholders' agreement which provided, among other matters, that certain of the strategic operating, financing and investing policies of CF(L)Co be subject to approval jointly by representatives of Hydro and Hydro-Québec. Although Hydro retains its 65.8% ownership interest, the agreement changed the nature of the relationship between Hydro and Hydro-Québec, with respect to CF(L)Co, from that of majority and minority shareholders, respectively, to that of joint venturers. Accordingly, Hydro has adopted the proportionate consolidation method of accounting for its interest in CF(L)Co subsequent to the effective date of the shareholders' agreement.

CF(L)Co is incorporated under the laws of Canada and has completed and commissioned a hydroelectric generating plant and related transmission facilities situated in Labrador which has a rated capacity of 5,428 megawatts (CF(L)Co Project).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A power contract with Hydro-Québec, dated May 12, 1969 (Power Contract) provides for the sale of substantially all the energy from the CF(L)Co Project until 2041. CF(L)Co receives certain benefits from Hydro-Québec, including significant revenues, under a guaranteed winter availability contract through 2041.

CF(L)Co holds 33.33% of the equity share capital of Twin Falls and is a party with other shareholders in a participation agreement which gives CF(L)Co joint control of Twin Falls. This investment is accounted for by the proportionate consolidation method.

Under the terms and conditions of the Churchill Falls (Labrador) Corporation (Lease) Act, 1961, CF(L)Co must pay rentals and royalties to the Province annually.

A portion of Hydro's shareholding in CF(L)Co is deposited in a voting trust pursuant to an agreement with Hydro-Québec.

GPCo is incorporated under the laws of Canada. Its objective was to develop the hydroelectric potential at Gull Island on the Lower Churchill River in Labrador, and construct a direct current transmission system from Labrador to the island of Newfoundland (Gull Island Project), (Note 4).

LCDC is incorporated under the laws of Newfoundland and Labrador and was established with the objective of developing all or part of the hydroelectric potential of the Lower Churchill River (Lower Churchill Development), (Note 4).

Twin Falls is incorporated under the laws of Canada and has developed a 225 megawatt hydroelectric generating plant on the Unknown River in Labrador. The plant has been inoperative since 1974.

## Cash Equivalents and Short-Term Investments

Cash equivalents and short-term investments consist primarily of Canadian treasury bills and banker's acceptances. Those with original maturities at date of purchase of three months or less are classified as cash equivalents whereas those with original maturities beyond three months and less than twelve months are classified as short-term investments. Both are stated at cost, which approximates market value. There were short-term investments of \$6.1 million (2004 - nil) outstanding at December 31, 2005, bearing interest rates of 2.74% to 3.96% (2004 - nil) per annum.

## Capital Assets and Depreciation

Expenditures for additions, improvements and renewals are capitalized and normal expenditures for maintenance and repairs are charged to operations.

During 2004, Hydro adopted the recommendations of the Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3110, Asset Retirement Obligations. This new accounting standard requires that the company recognize the fair value of the future expenditures required to settle legal obligations associated with the retirement of capital assets, to the extent that it is reasonably estimable. As it is expected that Hydro's assets will be used for an indefinite period, no removal date can be determined and consequently, a reasonable estimate of the fair value of any related asset retirement obligation cannot be determined at this time. If it becomes possible to estimate the fair value of the cost of removing assets that Hydro is legally required to remove, an asset retirement obligation will be recognized at that time.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

### Capital Assets and Depreciation *Cont'd*

#### Hydro, GIPCo and LCDC

Construction in progress includes the costs incurred in preliminary feasibility studies, engineering and construction of new generation, transmission and distribution facilities. Interest is charged to construction in progress at rates equivalent to the weighted average cost of capital.

Contributions in aid of construction are funds received from customers and governments toward the incurred cost of capital assets, or the fair value of assets contributed. Contributions are treated as a reduction to capital assets and the net capital assets are depreciated.

Depreciation is calculated on hydroelectric generating plant and on transmission plant in service on the sinking fund method using interest factors ranging from 5.25% to 15.79%. Depreciation on other plant in service is calculated on the straight-line method. These methods are designed to fully amortize the cost of the facilities, after deducting contributions in aid of construction, over their estimated service lives.

Estimated service lives of the major assets are as follows:

#### Generation Plant

Hydroelectric . . . . .	50, 75 and 100 years
Thermal . . . . .	25 and 30 years
Diesel . . . . .	20 years

#### Transmission

Lines . . . . .	40 and 50 years
Switching stations . . . . .	40 years

#### Distribution System . . . . . 30 years

#### Other . . . . . 3 to 50 years

#### CF(L)Co

CF(L)Co uses the group depreciation method for certain capital assets other than the generation plant, transmission and terminals and service facilities.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

#### Generation Plant

Hydroelectric . . . . .	67 years
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#### Transmission and Terminals . . . . . 67 years

#### Service facilities . . . . . 67 years

#### Other . . . . . 5 to 100 years

Losses on other than normal retirements are charged to operations in the year incurred as adjustments to depreciation expense.

#### Debt Discount and Financing Expenses

These costs are amortized on a straight-line basis over the lives of the respective debt issues.

#### Promissory Notes

Promissory Notes bear interest from 2.80% to 3.70% per annum (2004 - 2.10% to 2.86%) with carrying value approximating fair value due to their short-term nature

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Revenue Recognition

Revenue is recognized on the accrual basis, as power deliveries are made, and includes an estimate of the value of electricity consumed by customers in the year, but billed subsequent to year-end. During 2005, a regulated utility customer accounted for 54% (2004 - 53%) of energy sales revenue.

Deferred revenue represents amounts billed under the Power Contract in excess of energy delivered. Amounts related to energy delivered in excess of the base amount, as defined by the Power Contract, are recorded as receivables. Differences between amounts related to energy delivered and the base amounts are determined annually and are subject to interest at 7% per annum (2004 - 7%).

## Foreign Currency Translation

Foreign currency transactions are translated into their Canadian dollar equivalent as follows:

- (a) At the transaction date, each asset, liability, revenue or expense is translated using exchange rates in effect at that date.
- (b) At each balance sheet date monetary assets and liabilities are adjusted to reflect exchange rates in effect at that date. Any resulting gain or loss is reflected in income.
  - (i) Under the provisions of the Power Contract CF(I)Co's exposure for a foreign exchange loss is limited. CF(I)Co recovers a portion of the difference between actual foreign exchange rates prevailing at the settlement dates of its First Mortgage Bonds and a Weighted Average Exchange Rate as defined in the Power Contract. The portion of the unrealized foreign exchange loss which is recoverable on the settlement dates, is included in long-term receivables (Note 3).

## Financial Instruments

From time to time, Hydro enters into interest rate swap agreements to manage interest rate risk. Net receipts or payments under the swap agreements are recorded as adjustments to interest expense.

## Employee Future Benefits

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions are expensed as incurred.

Hydro provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a severance payment upon retirement. The expected cost of providing these other employee future benefits is accounted for on an accrual basis, and has been actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs. The excess of net cumulative actuarial gains and losses over 10% of the accrued benefit obligation are amortized over the expected average remaining service life of the employee group, which is approximately 12 years.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 2. CAPITAL ASSETS

	Capital Assets in Service	Contributions in Aid of Construction	Accumulated Depreciation	Construction in Progress
<i>millions of dollars</i>	<b>2005</b>			
Generation Plant				
Hydroelectric	1,358.8	20.5	289.1	0.1
Thermal	231.7	-	180.8	0.8
Diesel	58.5	6.3	26.0	0.1
Transmission and Distribution	734.2	55.1	197.8	2.2
Service facilities	22.0	-	10.4	-
Other	267.6	24.6	146.9	63.1
	<b>2,672.8</b>	<b>106.5</b>	<b>851.0</b>	<b>66.3</b>

	2004			
<i>millions of dollars</i>				
Generation Plant				
Hydroelectric	1,350.4	20.5	278.2	0.2
Thermal	228.1	-	177.4	-
Diesel	56.8	6.5	24.1	0.4
Transmission and Distribution	730.9	55.1	183.2	0.2
Service facilities	22.0	-	10.1	-
Other	265.3	24.8	143.3	53.4
	<b>2,653.5</b>	<b>106.9</b>	<b>816.3</b>	<b>54.2</b>

Included in the above amounts are CF(L)Co assets in service amounting to \$641.9 million (2004 - \$639.3 million) which are pledged as collateral for long-term debt.

## 3. FINANCIAL STATEMENT EFFECTS OF RATE REGULATION

The following is a description of each of the circumstances in which rate regulation affects the accounting for a transaction or event. Regulatory assets represent future revenues associated with certain costs, incurred in current or prior periods, that are expected to be recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that are expected to be refunded to customers as a result of the rate-setting process.

### Capital Assets and Depreciation

The PUB permits an allowance for funds used during construction (AFUDC), based on Hydro's weighted average cost of capital, to be included in the cost of capital assets and depreciated over future periods as part of the total cost of the related asset. Since Hydro's AFUDC (7.6%) is lower than its cost of debt (8.0%), the amount capitalized is \$0.2 million (2004 - \$0.2 million) lower and interest expense is higher than that which would be permitted in the absence of rate regulation (Note 11).

Hydro depreciates its hydroelectric generating assets and transmission assets using the sinking fund method, as approved by the PUB. In the absence of rate regulation, these assets would likely be depreciated using the straight-line method (Note 2).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During 2005, pursuant to Order No. P.U. 7 (2002-2003) Hydro engaged an independent consultant to conduct a depreciation study. The scope of this study included a review of Hydro's depreciation methods as well as a statistical analysis of service life estimates and calculation of appropriate depreciation rates and annual and accrued depreciation balances as at December 31, 2004. Based on the results of this study, management estimates that accumulated depreciation is approximately \$170-180 million lower than it would otherwise be, and annual depreciation expense is \$10-11 million lower, primarily due to the use of sinking fund rather than straight-line depreciation for hydroelectric and transmission assets.

## Rate Stabilization Plan and Related Long-Term Receivable

Fuel expenses are included in allowed rates on a forecast basis. On January 1, 1986, Hydro, having received the concurrence of the PUB, implemented a Rate Stabilization Plan (RSP) which primarily provides for the deferral of fuel expense variances resulting from changes in fuel prices, levels of precipitation and load. Adjustments are required in retail rates to cover the amortization of the balance in the plan and are implemented on July 1 of each year. Similar adjustments required in industrial rates are implemented on January 1 of each year.

Pursuant to Order No. P.U. 7 (2002-2003) and Order No. P.U. 40 (2003) RSP balances which accumulated prior to December 31, 2003, have been converted to a long-term receivable which bears interest at the weighted average cost of capital and is to be recovered over a four-year period, which commenced in 2004. At December 31, 2005, the unamortized balance was \$104.9 million (2004 - \$134.0 million). Any subsequent balances accumulating in the RSP including financing charges, are to be recovered in the following year, with the exception of hydraulic variation, which will be recovered or refunded at a rate of 2.5% of the outstanding balance at year-end. Additionally, a fuel rider is calculated annually based on the forecast fuel price and is added to or subtracted from the rates that would otherwise be in effect.

Hydro recognizes the RSP balances as a regulatory asset or liability based on the expectation that rates will be adjusted annually to provide for the collection from, or refund to, customers in future periods. In the absence of rate regulation, generally accepted accounting principles would require that the cost of fuel be recognized as an operating expense in the period in which it was consumed. In 2005, \$6.3 million (2004 - \$5.9 million) was deferred in the RSP.

## Foreign Exchange Losses

The PUB has accepted the inclusion of realized foreign exchange losses related to long-term debt in rates charged to customers in future periods. Any such loss, net of any gain, is deferred to the time of the next rate hearing for inclusion in the new rates to be set at that time. Accordingly, these losses are recognized as a regulatory asset. In the absence of rate regulation, generally accepted accounting principles would require that Hydro include the losses in operating costs, in each year that the related debt was outstanding to reflect the exchange rates in effect on each reporting date.

Commencing in 2002, the PUB ordered Hydro's deferred realized foreign exchange losses be amortized over a forty-year period. This amortization, of \$2.2 million annually, is included in interest expense (Notes 6 and 10).



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 3. FINANCIAL STATEMENT EFFECTS OF RATE REGULATION *Cont'd*

### Deferred Regulatory Costs

Pursuant to Order No. P.U. 14 (2004), the PUB approved the deferral of external costs associated with the general rate application and hearing, to be amortized over a three-year period, which commenced in 2004. These costs are recognized as a regulatory asset. In the absence of rate regulation, generally accepted accounting principles would require that Hydro include these costs in operating costs in the year in which they were incurred. In 2005, \$0.7 million (2004 - \$0.4 million) of amortization was recognized in operations and administration expenses (Note 6).

### Deferred Major Extraordinary Repair

In its report dated April 13, 1992, the PUB recommended that Hydro adopt a policy of deferring and amortizing the costs of major extraordinary repairs in excess of \$0.5 million, subject to PUB approval on a case-by-case basis. In 2005, Hydro started an Asbestos Abatement Program at the Holyrood Thermal Generating Station. This program, which is to be carried out over a three-year period, commenced in 2005. Pursuant to Order P.U. No. 2 (2005) the PUB approved the deferral and amortization of these costs as a major extraordinary repair. Accordingly, the costs incurred in each year of the program will be recognized as a regulatory asset which will be amortized over the subsequent five-year period. In the absence of rate regulation, generally accepted accounting principles would require that Hydro expense the costs of the Asbestos Abatement Program in the year in which they were incurred. In 2005, \$0.1 million (2004 - nil) of amortization was recognized in operating costs, and \$3.9 million (2004 - nil) was deferred in relation to the Asbestos Abatement Program (Note 6).

### Deferred Study Costs

Pursuant to Order No. P.U. 14 (2004) the PUB directed Hydro to conduct an independent study of the treatment of Newfoundland Power's generation in Hydro's COS and an independent marginal cost study, and to accumulate these costs in a deferral account to be dealt with at the next general rate application (planned for 2006). Hydro intends to seek, and expects to receive, approval for recovery of these costs over a three-year period commencing in 2007. Accordingly, these costs, in the amount of \$0.1 million, have been recognized as a regulatory asset. In the absence of rate regulation, generally accepted accounting principles would require that Hydro include the cost of these studies in operating costs in the year in which they were incurred (Note 6).

### Deferred Purchased Power Savings

In 1997, Hydro interconnected communities in the area of L'Anse au Clair to Red Bay to the Hydro-Québec system. In its report dated July 12, 1996, the PUB recommended that Hydro defer the benefits of a reduced initial purchased power rate, to be amortized over a 30-year period. These savings are recognized as a regulatory liability. In the absence of rate regulation, generally accepted accounting principles would require that Hydro include the actual cost of purchased power in operating costs in the year in which they were incurred. At December 31, 2005, the unamortized balance was \$0.8 million, (2004 - \$ 0.8 million) and is included in accounts payable and accrued liabilities.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 4. INVESTMENTS

<i>millions of dollars</i>	2005	2004
Lower Churchill Option	5.2	5.2

LCDC was incorporated in 1978 pursuant to the provisions of an agreement (Principal Agreement), between the Province and the Government of Canada. The Province and the Government of Canada own equity interests of 51% and 49% of LCDC, respectively. The Principal Agreement provides that future issues of Class A common shares shall preserve, as nearly as possible, this ratio of beneficial ownership. Hydro is the designate for the Province's shareholding in LCDC.

Upon agreement to continue with the Lower Churchill Development, GIPCo's assets and the hydroelectric development rights to the Lower Churchill River, (Water Rights), will be acquired by LCDC pursuant to the provisions of an agreement between LCDC and the Province, (Option Agreement). The purchase price in respect of GIPCo's assets will be a maximum of \$100.0 million less \$5.2 million representing the value assigned to 520 Class A common shares of LCDC issued pursuant to the signing of the Option Agreement. As consideration for GIPCo's assets, LCDC will issue a 10% Convertible Demand Debenture in the amount of \$94.8 million. LCDC will issue 3,000 Class B common shares, without nominal or par value, to the Province in consideration of the Water Rights and the Province will transfer such shares to Hydro. The parties have agreed that the value of each Class B common share is \$10,000. The Option Agreement expires November 24, 2006.

Hydro holds 1,540 Class A common shares of LCDC which have a stated value of \$10,000 each. 520 shares were acquired in 1979 pursuant to signing of the Option Agreement and 510 shares were acquired in each of the years 1980 and 1981, by way of capital contributions from the Province.

## 5. JOINT VENTURE

The following amounts included in the consolidated financial statements represent Hydro's proportionate share of CF(L)Co's assets and liabilities at December 31, 2005, and its proportionate interest in CF(L)Co's operations for the year ended December 31, 2005.

<i>millions of dollars</i>	2005	2004
Current assets	32.9	25.1
Long-term assets	331.8	338.6
Current liabilities	24.4	23.8
Long-term liabilities	51.7	66.6
Revenues	66.4	63.9
Expenses	48.6	47.3
Net income	17.8	16.6
Cash provided by (used in)		
Operating activities	32.1	33.2
Financing activities	(19.2)	(21.0)
Investing activities	(11.5)	(5.3)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 6. DEFERRED CHARGES

<i>millions of dollars</i>	2005	2004
Debt discount, financing expenses and other	15.1	15.1
Accumulated amortization	12.4	11.3
	2.7	3.8
Regulatory costs	1.8	1.8
Major extraordinary repair	3.9	-
Study costs	0.1	-
Accumulated amortization	5.8	1.8
	4.6	1.4
Net Foreign exchange losses realized	86.3	86.3
Accumulated amortization	8.6	6.5
	77.7	79.8
Net deferred charges	85.0	85.0

## 7. LONG-TERM DEBT

<i>millions of dollars</i>	Hydro	CF(L)Co	Total	Hydro	CF(L)Co	Total
	2005			2004		
Summary of long-term debt						
Long-term debt	1,331.5	65.9	1,397.4	1,354.8	81.2	1,436.0
Less payments due within one year	208.4	14.2	222.6	13.8	14.6	28.4
	1,123.1	51.7	1,174.8	1,341.0	66.6	1,407.6

Required repayments of long-term debt and sinking fund requirements over the next five years will be as follows:

<i>millions of dollars</i>	2006	2007	2008	2009	2010
	222.6	22.5	209.1	9.1	44.1

The payments due within one year include sinking fund requirements of \$8.2 million (2004 - \$10.0 million).

Details of long-term debt are as follows:

### Hydro

Series	Interest Rate %	Year of Issue	Year of Maturity	2005	2004
<i>millions of dollars</i>					
AC	5.05	2001	2006	200.0	200.0
AA	5.50	1998	2008	200.0	200.0
V	10.50	1989	2014	125.0	125.0 (a)
X	10.25	1992	2017	150.0	150.0 (a)
Y	8.40	1996	2026	300.0	300.0 (a)
△B	6.65	2001	2031	300.0	300.0 (a)
△D	5.70	2003	2033	125.0	125.0 (a)
Total debentures				1,400.0	1,400.0
Less sinking fund investments in own debentures				69.2	62.8
				1,330.8	1,337.2
Government of Canada loans at 5.25% to 5.63% maturing in 2006 to 2014				0.1	16.4
Other				0.6	1.2
				1,331.5	1,351.8
Less payments due within one year				208.4	13.8
				1,123.1	1,341.0

(a) Sinking funds have been established for these issues

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 7. LONG-TERM DEBT *Cont'd*

Promissory notes, debentures and long-term loans are unsecured and unconditionally guaranteed as to principal and interest and where applicable, sinking fund payments, by the Province. The Province charges Hydro a guarantee fee of 1% annually on the total debt (net of sinking funds) guaranteed by the Province, outstanding as of the preceding December 31.

### CF(L)Co

<i>millions of dollars</i>	2005	2004
First Mortgage Bonds		
7.750% Series A due December 15, 2007 (U.S. \$21.2; 2004 - U.S. \$32.0)	24.8	38.3
7.875% Series B due December 15, 2007	2.2	3.2
General Mortgage Bonds		
7.500% due December 15, 2010	38.9	39.7
	65.9	81.2
Less payments due within one year	14.2	14.6
	51.7	66.6

The First Mortgage Bonds, Series A and B, are repayable in fixed semi-annual and in contingent annual sinking fund instalments. There have been no contingent repayments required in the last five years.

The Deed of Trust and Mortgage securing the General Mortgage Bonds provides for semi-annual sinking fund payments and a balloon payment at maturity. Each semi-annual payment is equal to 1% of the aggregate principal amount outstanding on January 1, preceding each payment date. The General Mortgage Bonds are subordinate to the First Mortgage Bonds.

Due to the contingent nature of the amounts of certain of the sinking fund instalments, it is not possible to be precise concerning long-term debt repayments over the next five years; however, fixed sinking fund payments are estimated to be as follows:

<i>millions of dollars</i>	2006	2007	2008	2009	2010
	14.2	14.2	0.7	0.7	35.9

Under the terms of long-term debt instruments, CI(L)Co may pay cash dividends only out of earnings, as defined, accumulated from September 1, 1976. A shareholders' agreement signed in June 1999, places additional restrictions on dividends, based on cash flow.

## 8. LONG-TERM PAYABLE

The long-term payable to Hydro-Québec, bears interest at 7.0% per annum and is repayable over a four-year period which commenced in September 2004. The current portion of \$0.4 million (2004 - \$0.4) is included in accounts payable and accrued liabilities.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 9. EMPLOYEE FUTURE BENEFITS

### Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employers' contributions of \$4.1 million (2004 - \$4.1 million) are expensed as incurred.

### Other Benefits

Additionally, Hydro provides group life insurance and healthcare benefits on a cost-shared basis to retired employees, and in certain cases, their surviving spouses, in addition to a severance payment upon retirement. The most recent actuarial valuation was performed as at December 31, 2004.

<i>millions of dollars</i>	2005	2004
Accrued benefit obligation		
Balance at beginning of year	46.4	39.5
Current service cost	1.6	1.6
Interest cost	3.0	2.8
Actuarial loss	-	4.2
Benefits paid	(2.0)	(1.7)
Balance at end of year	49.0	46.4
Plan deficit	49.0	46.4
Unamortized actuarial loss	(10.2)	(10.7)
Unamortized past-service cost	(0.3)	(0.3)
Accrued benefit liability at end of year	38.5	35.4

<i>millions of dollars</i>	2005	2004
Current service cost	1.6	1.6
Interest cost	3.0	2.8
Actuarial losses	-	4.2
	4.6	8.6
Adjustments		
Difference between actual actuarial loss and amount recognized	0.5	(3.4)
Benefit expense	5.1	5.2

The significant actuarial assumptions used in measuring the company's accrued benefit obligations and benefit expense are as follows:

	2005	2004
Discount rate	6.3%	6.3%
Rate of compensation increase	3.5%	3.5%
Assumed healthcare trend rates:		
	2005	2004
Initial healthcare expense trend rate	12.0%	12.0%
Cost trend decline to	5.0%	5.0%
Year that rate reaches the rate it is assumed to remain at	2010	2010

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 10. FINANCIAL INSTRUMENTS

### Fair Value

The estimated fair values of financial instruments as at December 31, 2005 and 2004, are based on relevant market prices and information available at the time. The fair value of long-term receivable, long-term debt and the long-term payable is estimated based on the quoted market price for the same or similar debt instruments. The fair value estimates below are not necessarily indicative of the amounts that Hydro might receive or incur in actual market transactions. As a significant number of Hydro's assets and liabilities, including fuels and supplies and capital assets, do not meet the definition of financial instruments, the fair value estimates below do not reflect the fair value of Hydro as a whole.

	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>millions of dollars</i>	2005		2004	
Financial Assets				
Sinking funds	85.8	102.0	72.6	81.0
Long-term receivable including amount due in one year	107.4	139.2	139.2	139.0
Financial Liabilities				
Long-term debt including amount due in one year	1,397.4	1,783.8	1,436.0	1,751.0
Long-term payable including amount due in one year	1.1	1.1	1.5	1.6

Cash and cash equivalents, short-term investments, accounts receivable, bank indebtedness, accounts payable, accrued interest and promissory notes are all short-term in nature and as such, their carrying value approximates fair value. At December 31, 2005, of the total accounts receivable balance outstanding approximately 52.4% (2004 - 51.8%) is due from a regulated utility, and 19.2% (2004 - 19.8%) from Hydro-Québec.

### Sinking Funds

Sinking fund investments consist of bonds, debentures, promissory notes and coupons issued by, or guaranteed by, the Government of Canada or any province of Canada, and have maturity dates ranging from 2009 to 2033. Hydro debentures, which Management intends to hold to maturity, are deducted from long-term debt while all other sinking fund investments are shown separately on the balance sheet as assets. Annual contributions to the various sinking funds are as per bond indenture terms, and are structured to ensure the availability of adequate funds at the time of expected bond redemption. Effective yields range from 4.50% to 9.86% (2004 - 4.77% to 9.86%).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 11. INTEREST EXPENSE

<i>millions of dollars</i>	2005	2004
Gross interest		
Long-term debt	108.3	110.4
Promissory notes	4.5	4.1
	112.8	114.5
Amortization of debt discount and financing expenses	1.0	1.1
Provision for foreign exchange losses	2.3	2.2
Foreign exchange gain	(0.1)	(0.2)
	116.0	117.6
Less		
Recovered from Hydro-Québec	1.5	2.2 (a)
Interest capitalized during construction	4.3	3.6
Interest earned	18.7	22.7
Net interest expense	91.5	89.1
Debt guarantee fee	14.4	14.6
Net interest and guarantee fee	105.9	103.7

*(a) Under the terms of the Power Contract, CF(L)Co recovers the difference between interest calculated at the rates prescribed in the Power Contract and interest paid on its long-term debt.*

CF(L)Co can request Hydro and Hydro-Québec to make advances against the issue of Subordinated Debt Obligations, to service its debt and to cover expenses if funds are not otherwise available. If such request fails to attract sufficient advances, CF(L)Co can require Hydro-Québec to make additional advances, against the issue of units of Subordinate Debentures and shares of common stock, to service its debt and to cover its expenses that remain unfunded.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 12. COMMITMENTS AND CONTINGENCIES

- (a) Under the terms of a sublease with Twin Falls, expiring on December 31, 2014, C.F.(L)Co is required to deliver to Twin Falls, at an agreed price, horsepower equivalent to the installed horsepower of the Twin Falls plant and to maintain Twin Falls' plant and equipment.

The results of an Environmental Site Assessment (ESA) conducted at the Twin Falls Generating Station indicated higher than acceptable concentrations of contaminants in the soil and waters adjacent to the powerhouse. Further testing was conducted to determine the extent of contamination. The recommendations arising from this testing indicate that remediation is not required, but further monitoring be carried out in 2006, 2010 and every five years thereafter. These recommendations are currently under review by the regulatory agencies.

- (b) Hydro has received claims instituted by various companies and individuals with respect to outages and other miscellaneous matters. The aggregate of these claims, less any amounts that have been provided for in Hydro's financial statements is approximately \$1.3 million (2004 - \$8.5 million). The final resolution of these matters is currently under negotiation.

Legal proceedings have been commenced against Hydro by one of its customers claiming approximately \$22.2 million related to outages and plant shutdowns. Hydro is defending this claim and Management believes that this claim will not be successful.

- (c) Outstanding commitments for capital projects total approximately \$13.9 million at December 31, 2005 (2004 - \$7.4 million).

## 13. SUBSEQUENT EVENTS

In January 2006, Hydro applied to Hydro-Québec TransÉnergie for transmission service to transmit Lower Churchill power from the Labrador/Québec border into Québec and other markets. Hydro-Québec will conduct an initial assessment and detailed engineering studies to determine feasibility. Hydro's deposit of \$17.2 million is refundable if the application is rejected or withdrawn prior to entering into a service agreement.

## 14. COMPARATIVE FIGURES

Certain of the 2004 comparative figures have been reclassified to conform with the 2005 financial statement presentation.



**NEWFOUNDLAND AND LABRADOR  
IMMIGRANT INVESTOR FUND LIMITED  
FINANCIAL STATEMENTS  
31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the Board of Directors  
Newfoundland and Labrador Immigrant Investor Fund Limited  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Immigrant Investor Fund Limited as at 31 March 2006 and the statement of revenues, expenses and surplus for the period 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 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 Corporation as at 31 March 2006 and the results of its operations for the period then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'John L. Noseworthy', written over a faint dotted line.

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
15 August 2006

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED  
BALANCE SHEET  
31 March 2006

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ASSETS

Current

Cash \$ 24,572,321  
Interest receivable 69,397

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24,641,718

Deferred financing costs (Note 2) 1,623,899

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\$ 26,265,617

LIABILITIES AND EQUITY

Current

Accounts payable and accrued liabilities \$ 3,000

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Obligations to investors (Note 3) 26,088,713

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26,091,713

Shareholder's equity

Share capital (Note 4)

Authorized

100 common shares of no par value

Issued

3 shares

-

Surplus 173,904

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\$ 26,265,617

Commitment (Note 5)

*See accompanying notes*

Signed on behalf of the Board:

  
Chairperson

  
Member

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**STATEMENT OF REVENUES, EXPENSES AND SURPLUS**  
**For the Period 28 April 2005 to 31 March 2006**

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**REVENUES**

Interest \$ 343,873

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**EXPENSES**

Audit fees 3,000

Amortization of deferred financing costs 166,945

Bank charges 24

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169,969

**Excess of revenues over expenses** **173,904**

**Surplus, beginning of period** **-**

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**Surplus, end of period** **\$ 173,904**

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*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**

**31 March 2006**

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**Authority**

Newfoundland and Labrador Immigrant Investor Fund Limited (the Corporation), was incorporated on 28 April 2005 under the *Corporations Act* of the Province of Newfoundland and Labrador (the Province). All shares of the Corporation are held by the Minister of Innovation, Trade and Rural Development on behalf of the Province. Its affairs are governed by a Board of Directors appointed by the Lieutenant Governor in Council.

The purpose of the Corporation is to receive, administer and invest the Newfoundland and Labrador allocation of funds received from immigrant investors by Citizenship and Immigration Canada (CIC) under its Business Immigration Program. Section 92(f) of the *Immigration and Refugee Protection Regulations* to the *Citizenship and Immigration Act* requires that during the allocation period, the provincial allocation must be used for the purpose of creating or continuing employment in Canada to foster the development of a strong and viable economy.

In April 2005 the Provincial Cabinet instructed the Board of Directors to direct the investment activities of the Corporation and refer projects to Cabinet for approval. The Board of Directors is also to ensure that all recommended investments are subject to a thorough financial and business analysis and that only those projects which will ensure the repayment of the investment by the required repayment date be considered for approval.

**1. Significant accounting policy**

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. The Corporation does not prepare a statement of cash flows since the changes in cash flows are readily apparent from the other statements.

(a) Deferred financing costs

Deferred financing costs are amortized, on a straight line basis, over the five year period during which the funds are available to the Corporation.

(b) Obligation to investors

An obligation to an investor is recognized upon receipt of funds from CIC.

**2. Deferred financing costs**

Deferred financing costs of \$1,623,899 consist of a seven percent commission paid to CIC approved financial institutions which market the program and assist investors in the administration of their investments. The marketing and financing fee was paid in connection with 664 of the 677 immigrant investors at 31 March 2006.

**3. Obligations to investors**

One of the conditions for the issuance of a visa to immigrants under the Citizenship and Immigration Canada (CIC), Business Immigration Program, is that they must invest \$400,000 in Canada for a period of five years. The amount of the investment is allocated to the participating provinces on the first day of the second month following the month payment is received from the investor. \$200,000 of the \$400,000 is divided equally among the participating provinces while the remaining \$200,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces. As at 31 March 2006, the Newfoundland and Labrador allocation of funds had been received from 677 investors.

These obligations to investors are secured by a non-transferable zero interest promissory note issued by CIC as agent for the Corporation and the guarantee of the Province of Newfoundland and Labrador. The guarantee is to CIC, as agent of the Corporation, who will repay investors. The promissory notes are repayable without interest, in full, five years from the date the funds were allocated to the Province or within 90 days after the receipt of a written request by the investor for repayment of the funds provided that such a request for repayment has been received by the agent before a visa has been issued to the investor. As at 31 March 2006, 29 of the 677 investors had not received a permanent resident visa.

Obligations to the 677 investors include funds for 45 investors in the amount of \$1,735,605 received in March 2006 but not allocated to the Province until 1 April 2006. The five year holding period for these investors did not commence until 1 April 2006.

Scheduled investment repayment dates are as follows:

31 May 2010	\$ 2,504,060
30 Jun 2010	2,465,536
31 Jul 2010	3,351,588
31 Aug 2010	2,889,300
30 Sept 2010	3,197,492
31 Oct 2010	2,889,300
30 Nov 2010	1,964,724
31 Dec 2010	1,851,312
31 Jan 2011	1,581,329
28 Feb 2011	1,658,467
31 Mar 2011	<u>1,735,605</u>
	<u>\$ 26,088,713</u>

**4. Share capital**

The Minister of Innovation, Trade and Rural Development holds 100% of the issued common shares of the Corporation on behalf of the Province of Newfoundland and Labrador.

**5. Commitment**

As at 31 March 2006 the Province had committed \$10 million of the Corporation's available funds to a potential borrower. This commitment of funds, that was due to expire 13 April 2006, was subsequently extended for an additional six months from that date because the borrower was not able to meet the conditions attached to the commitment. The borrower has asked the Province for a further extension beyond 13 October 2006, but a decision has not been made.

**6. Related party transactions**

For administrative purposes the Corporation is operated by the Department of Innovation, Trade and Rural Development. Expenses related to salaries, accommodations and administration are incurred directly by the Department and no provision is made in these financial statements for those expenditures. The amount of these expenses is not material to these financial statements.

**7. Financial instruments**

The purpose of the Corporation is to receive capital from immigrant investors and invest the funds for the purpose of creating and continuing employment in Canada to foster the development of a strong viable economy. At 31 March 2006, the Corporation had not invested any of the funds received from immigrant investors.

Fair value

The carrying value of interest receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. Due to the fact that the obligations to investors are guaranteed by the Province and the Corporation pays no interest, the face value of the obligations to investors is their fair value.

Interest rate risk

Interest rate risk reflects the risk that the Corporation's earnings will decline due to fluctuation in interest rates. The Corporation's cash is held in a bank account bearing an interest rate based on prime. There is no interest to be paid to investors and there is no interest rate risk.

Credit risk

Credit risk reflects the risk that parties owing monies to the Corporation will fail to discharge their obligations. There is no credit risk.

**8. Economic dependence**

As a result of its reliance on actions by Citizenship and Immigration Canada and investment decisions by the Government of Newfoundland and Labrador, the Corporation's ability to continue viable operations is dependent on such actions.

**9. Income taxes**

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.



**NEWFOUNDLAND AND LABRADOR  
INDUSTRIAL DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS**

**31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the Board of Directors  
Newfoundland and Labrador Industrial  
Development Corporation  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Industrial Development Corporation as at 31 March 2006 and the statements of revenues, expenses and surplus, and cash flows 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 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 Corporation as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "John L. Noseworthy".

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
23 June 2006

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT  
CORPORATION  
BALANCE SHEET**

<b>31 March</b>	<b>2006</b>	<b>2005</b>
	(000's)	(000's)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 166	\$ 163
Province of Newfoundland and Labrador grants receivable	-	1,750
Accounts receivable	50	-
	216	1,913
<b>Investments, at cost (Note 2)</b>	<b>33,950</b>	<b>33,950</b>
<b>Loans receivable (Note 3)</b>	<b>-</b>	<b>-</b>
	<b>\$ 34,166</b>	<b>\$ 35,863</b>
<b>LIABILITIES AND SURPLUS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1	\$ 1,751
<b>Long-term debt (Note 4)</b>	<b>29,411</b>	<b>29,411</b>
	29,412	31,162
<b>Surplus</b>	<b>4,754</b>	<b>4,701</b>
	<b>\$ 34,166</b>	<b>\$ 35,863</b>

*See accompanying notes*

Signed on behalf of the Board of Directors:

  
Chairperson

  
Director

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT  
CORPORATION**

**STATEMENT OF REVENUES, EXPENSES AND SURPLUS**

**For the Year Ended 31 March**

	<b>2006</b>	<b>2005</b>
	(000's)	(000's)
<b>REVENUES</b>		
Lease income (Note 2(d))	\$ 50	\$ -
Interest and investment income	4	6
Province of Newfoundland and Labrador grant (Note 2(d))	-	3,500
	<b>54</b>	<b>3,506</b>
<b>EXPENSES</b>		
Professional services	1	1
<b>Excess of revenues over expenses</b>	<b>53</b>	<b>3,505</b>
<b>Surplus, beginning of year</b>	<b>4,701</b>	<b>1,196</b>
<b>Surplus, end of year</b>	<b>\$ 4,754</b>	<b>\$ 4,701</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT  
CORPORATION**

**STATEMENT OF CASH FLOWS**

**For the Year Ended 31 March**

	<b>2006</b>	<b>2005</b>
	(000's)	(000's)
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 53	\$ 3,505
Changes in non-cash working capital	(50)	-
	<u>3</u>	<u>3,505</u>
<b>Cash flows from investing activities</b>		
Investment in Icewater Seafoods Inc.	-	(3,500)
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	-	(135)
<b>Net increase (decrease) in cash</b>	<b>3</b>	<b>(130)</b>
<b>Cash, beginning of year</b>	<b>163</b>	<b>293</b>
<b>Cash, end of year</b>	<b>\$ 166</b>	<b>\$ 163</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT  
CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**Authority**

The Newfoundland and Labrador Industrial Development Corporation (NIDC) operates under the authority of the *Industrial Development Corporation Act*. The primary purpose of NIDC is to provide long-term financing to industrial and resource-based companies. Funding is secured through various means including borrowing from the Province of Newfoundland and Labrador (Province). The affairs of NIDC are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

**1. Basis of accounting**

These financial statements have been prepared by NIDC's management in accordance with Canadian generally accepted accounting principles.

**2. Investments**

	<b>2006</b>	2005
	<b>(000's)</b>	(000's)
Water rights held in Labrador	<b>\$ 30,000</b>	\$ 30,000
INCO Limited, 5 Common Shares	-	-
Griffiths Guitars International Limited, 43,269 Preference Shares	<b>450</b>	450
<u>Icewater Seafoods Inc., 35,000 Preference Shares</u>	<u><b>3,500</b></u>	<u>3,500</u>
	<b>\$ 33,950</b>	\$ 33,950

(a) Water rights held in Labrador

Pursuant to an agreement dated 24 November 1978, the Lower Churchill Development Corporation Limited (LCDC) has the option of purchasing NIDC's water rights to the Lower Churchill River in consideration for the issuance of 3,000 Class B common shares without nominal or par value. These shares will then be transferred to Newfoundland and Labrador Hydro. This option was to expire 24 November 1996 but has been extended to 24 November 2006. LCDC was incorporated under the *Corporations Act* and is owned 51% by Newfoundland and Labrador Hydro and 49% by the Government of Canada. LCDC was established with the objective of developing all or part of the hydro-electric potential of the Lower Churchill Basin.

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT  
CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**2. Investments (cont.)**

(b) INCO Limited

During 1997-98, NIDC purchased five shares of INCO Limited at a cost of \$138.00 (\$27.60 per share).

(c) Griffiths Guitars International Limited

During 2003-04, NIDC converted a loan receivable from Griffiths Guitars International Limited to 43,269 preference shares. This was completed at the request of the Company as part of a refinancing package.

(d) Icewater Seafoods Inc.

During 2004-05, NIDC was authorized by the Province to provide funding to Icewater Seafoods Inc. in the amount of \$3,500,000 by way of a preference share investment in order to assist Icewater Seafoods Inc. in its acquisition of the Arnold's Cove seafood processing facility. These preference shares, having a par value of \$100 per share, are non-voting and redeemable with annual, fixed, preferential and cumulative dividends. The Province advanced funding to NIDC for this investment, by way of two \$1,750,000 grants. These advances were made in October 2004 and April 2005, with 17,500 preference shares purchased from each advance.

By Agreement dated 8 October 2004, NIDC has acquired for nominal consideration from High Liner Foods Incorporated, the previous operator of the Arnold's Cove seafood processing facility, its Enterprise Allocations, vessel designations and historic rights for Newfoundland offshore fishing areas, as defined by the Agreement.

By separate lease Agreement, also dated 8 October 2004, NIDC leased these Enterprise Allocations, vessel designations and historic rights for Newfoundland offshore fishing areas, to Icewater Seafoods Inc. and Icewater Harvesting Inc. This lease is for a period of twenty years and is subject to certain restrictions and conditions contained in the lease agreement.

**3. Loans receivable**

	2006 (000's)	2005 (000's)
Loans receivable	\$ 250	\$ 250
Allowance for doubtful accounts	(250)	(250)
	\$ -	\$ -

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT  
CORPORATION**  
NOTES TO FINANCIAL STATEMENTS  
31 March 2006

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**3. Loans receivable (cont.)**

During 1998-99, NIDC was authorized by the Province to provide a loan of \$250,000 to Picadilly Plastic Inc. The loan was repayable in blended semi-annual payments of principal and interest of \$37,709 commencing in August 2002. The loan was non-interest bearing for the first three years and thereafter was at an interest rate of 8.75%. In accordance with the Debenture Agreement securing the loan, NIDC subordinated its security position during 1999-00 which enabled the company to obtain additional long-term financing. Due to financial difficulties, Picadilly Plastic Inc. has not made any payments, has ceased operations, and its assets have been sold by the first mortgagor. An allowance for doubtful accounts of \$250,000 has been recorded in these financial statements for the full amount of this loan.

**4. Long-term debt**

	2006 (000's)	2005 (000's)
Non-interest bearing notes payable to the Province, no fixed terms of repayment or maturity dates	\$ 29,411	\$ 29,411

**5. Distribution of earnings**

Pursuant to Section 30 of the *Industrial Development Corporation Act*, the balance that the Minister of Finance considers to be available out of the net profits of NIDC is to be paid to the Province at such intervals and in a manner that the Minister may direct by notice to the Chairperson of the Board.

**6. Related party transactions**

NIDC is administered by employees of the Department of Finance. The costs of administration are paid directly by the Department and are not reflected in these financial statements.

**7. Financial instruments**

NIDC's short-term financial instruments recognized on the balance sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

NIDC's long-term financial instruments recognized on the balance sheet consist of loans receivable and non-interest bearing long-term debt. The carrying value of the long-term debt approximates fair value to NIDC and is not subject to any material interest rate risk. The loans receivable has been fully allowed for and is disclosed at a nil amount.



**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT  
CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**8. Economic dependence**

As a result of NIDC's reliance on Provincial funding, it's ability to continue viable operations is dependent upon the decisions of the Province.

**9. Income taxes**

NIDC is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.



*Financial Statements of*

## **NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION**

*March 31, 2006*

## Auditors' Report

To the Board of Directors of  
Newfoundland and Labrador Liquor Corporation

We have audited the balance sheet of the Newfoundland and Labrador Liquor Corporation as at March 31, 2006 and the statements of earnings, retained earnings and cash flows 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 Canadian 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants  
May 26, 2006

# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Statement of Earnings

Year ended March 31 (in thousands)

	<u>2006</u>	<u>2005</u>
	\$	\$
SALES	143,559	130,732
<hr/>		
COST OF GOODS SOLD		
Inventory, beginning of the year	26,418	22,723
Purchases	57,030	56,506
<hr/>		
Cost of goods available for sale	83,448	79,229
Less: inventory, end of the year	24,064	26,418
<hr/>		
	59,384	52,811
<hr/>		
GROSS PROFIT	84,175	77,921
<hr/>		
COMMISSION REVENUE ON SALE OF BEER	51,814	52,343
<hr/>		
OTHER INCOME		
Commission on licensee purchases	1,832	2,626
Interest	869	603
Miscellaneous	754	628
<hr/>		
	3,455	3,857
<hr/>		
EARNINGS FROM OPERATIONS	139,444	134,121
<hr/>		
ADMINISTRATIVE AND OPERATING EXPENSES (Schedule 1)	33,312	30,104
<hr/>		
NET EARNINGS	106,132	104,017
<hr/>		

# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Statement of Retained Earnings

Year ended March 31 (in thousands)

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	<u>2006</u>	<u>2005</u>
	\$	\$
BALANCE, BEGINNING OF YEAR	41,768	43,121
NET EARNINGS	106,132	104,017
	147,900	147,138
PAYMENTS TO THE PROVINCE OF NEWFOUNDLAND AND LABRADOR	(99,000)	(105,370)
BALANCE, END OF YEAR	48,900	41,768

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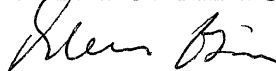
# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Balance Sheet

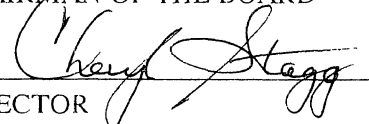
March 31 (in thousands)

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	23,136	14,957
Accounts receivable	5,152	5,830
Beer commissions receivable	4,413	4,550
Inventories, at cost (Note 3)	24,064	26,418
Prepaid expenses	814	521
	<u>57,579</u>	<u>52,276</u>
<b>CAPITAL AND LEASED ASSETS (Note 4)</b>	12,604	11,400
<b>INTANGIBLE ASSETS (Note 5)</b>	61	82
	<u>70,244</u>	<u>63,758</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	17,647	18,648
Accrued vacation pay	1,225	978
Current portion of obligation under capital lease (Note 6)	70	13
	<u>18,942</u>	<u>19,639</u>
<b>ACCRUED SEVERANCE PAY</b>	2,280	2,351
<b>OBLIGATION UNDER CAPITAL LEASE (Note 6)</b>	122	-
	<u>21,344</u>	<u>21,990</u>
<b>EQUITY</b>		
Retained earnings	48,900	41,768
	<u>70,244</u>	<u>63,758</u>

ON BEHALF OF THE BOARD:



CHAIRMAN OF THE BOARD



DIRECTOR

# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Statement of Cash Flows

Year ended March 31 (in thousands)

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net earnings	106,132	104,017
Adjustments for:		
Amortization	2,376	2,153
Gain on disposal of capital assets	-	(2)
Accrual for vacation pay	247	(49)
Accrual for severance pay	(71)	(57)
Net change in non-cash operating working capital	1,875	(366)
	<u>110,559</u>	<u>105,696</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of capital assets	-	3
Purchase of capital assets	(3,351)	(1,011)
	<u>(3,351)</u>	<u>(1,008)</u>
<b>FINANCING ACTIVITIES</b>		
Payments to the Province of Newfoundland and Labrador	(99,000)	(105,370)
Repayment of obligation under capital lease	(29)	(50)
	<u>(99,029)</u>	<u>(105,420)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>8,179</b>	<b>(732)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>14,957</b>	<b>15,689</b>
<b>CASH, END OF YEAR</b>	<b>23,136</b>	<b>14,957</b>



# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2006 (tabular amounts in thousands)

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### 1. DESCRIPTION OF BUSINESS

The Newfoundland and Labrador Liquor Corporation (the "Corporation") is a provincial crown corporation responsible for managing the importation, sale and distribution of beverage alcohol throughout Newfoundland and Labrador.

### 2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following accounting policies:

#### *Revenue recognition*

Revenue is recognized when goods have been sold and all contractual obligations have been met and collection is reasonably assured.

#### *Inventories*

Inventory is carried at the lower of average cost and net realizable value.

#### *Capital and leased assets*

Capital and leased assets are recorded at cost. Amortization is recorded over the expected useful life of the capital assets and over the term of the leased assets on a straight-line basis as follows:

Leasehold improvements	1 to 20 years
Buildings	20 years
Office furniture and equipment	5 years and 10 years
Store equipment and fixtures	5 years
Plant and warehouse equipment	5 years
Leased land	30 years
Motor vehicles	3 years

#### *Intangible assets*

Intangible assets consist of a trademark which is recorded at cost and amortized on a straight line basis over a ten-year period.

#### *Severance pay*

A liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such payment. No provision for severance pay liability is made for employees who have less than nine years of continual service.

# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2006 (tabular amounts in thousands)

### 2. ACCOUNTING POLICIES (Continued)

#### *Use of estimates*

The preparation of the Corporation's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 3. INVENTORIES

	<u>2006</u>	<u>2005</u>
	\$	\$
Head office	8,870	11,098
Branch stores	7,907	7,054
Stock in transit	6,149	7,190
Raw materials	1,120	1,035
Work in progress	18	41
	<u>24,064</u>	<u>26,418</u>

### 4. CAPITAL AND LEASED ASSETS

	<u>2006</u>		<u>2005</u>	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	1,123	-	1,123	1,123
Leasehold improvements	8,540	4,369	4,171	4,550
Buildings	7,329	4,715	2,614	2,696
Office furniture and equipment	5,139	1,815	3,324	1,778
Store equipment and fixtures	2,016	1,179	837	783
Plant and warehouse equipment	1,230	763	467	410
Leased land	249	208	41	49
Motor vehicles	46	19	27	11
	<u>25,672</u>	<u>13,068</u>	<u>12,604</u>	<u>11,400</u>

During the year, the Corporation acquired capital assets in the amount of \$3.6 million. Included in this total was \$0.2 million which was financed through a capital lease.

# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2006 (tabular amounts in thousands)

### 5. INTANGIBLE ASSETS

	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Trademark	203	142	61	82

### 6. OBLIGATION UNDER CAPITAL LEASE

	2006	2005
	\$	\$
IBM Canada Limited, capital equipment lease repayable in monthly instalments of \$6,132 to December 31, 2008	203	-
IBM Canada Limited, capital equipment lease repaid in June, 2005	-	16
	203	16
Less: interest on obligation	11	3
	192	13
Less: current portion	70	13
	122	-

### 7. FINANCIAL INSTRUMENTS

The Corporation's financial instruments included in current assets and current liabilities approximate fair value due to their short term to maturity. The obligation under capital lease bears interest at current borrowing rates available to the Corporation and therefore, reflects fair value.

# NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION

## Notes to the Financial Statements

March 31, 2006 (tabular amounts in thousands)

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### 8. LEASE COMMITMENTS

The Corporation has entered into rental leases covering retail outlets. Annual lease obligations for the next five years are as follows:

	\$
2007	1,068
2008	746
2009	456
2010	278
2011	254
	<hr/>
	2,802
	<hr/>

### 9. RELATED PARTY TRANSACTIONS

The Corporation is leasing office and warehouse space in St. John's from the Department of Works, Services and Transportation. These leases are rent free; however, all operating, leasehold and maintenance costs related to the buildings are the responsibility of the Corporation.

### 10. PENSIONS

The Corporation and its employees are subject to the Public Service Pensions Act effective June 26, 1973. Pension contributions deducted from employees' salaries are matched by the Corporation and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension expense for the year is \$1.0 million (2005 - \$0.9 million).

### 11. COMPARATIVE FIGURES

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

**NEWFOUNDLAND AND LABRADOR LIQUOR CORPORATION**  
**Schedule of Administrative and Operating Expenses**

Year ended March 31 (in thousands)

---

	<u>2006</u>	<u>2005</u>
	\$	\$
Salaries and employee benefits	18,146	14,998
Agency store commission and expenses	4,390	4,196
Amortization on capital and leased assets	2,376	2,153
Marketing	1,130	1,255
Rent and municipal taxes	1,635	1,511
Interest and bank charges	831	793
Other	4,804	5,198
	<hr/>	<hr/>
	33,312	30,104

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**NEWFOUNDLAND AND LABRADOR  
MUNICIPAL FINANCING CORPORATION**

**FINANCIAL STATEMENTS**

**31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the Board of Directors  
Newfoundland and Labrador Municipal Financing  
Corporation  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Municipal Financing Corporation as at 31 March 2006 and the statements of revenues, expenses and deficit, and cash flows 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 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 Corporation as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'John L. Noseworthy'.

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
29 June 2006



**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION  
BALANCE SHEET**

**31 March**

**2006**

**2005**

(000's)

(000's)

**ASSETS**

**Current**

Cash and term deposits	\$ 1,002	\$ 4,735
Investment - coupons (at cost)	3,898	5,076
- earned interest receivable	3,190	3,316
Accounts receivable	4,923	5,921
Accrued interest receivable	2,632	3,405
Current portion of loans receivable (Note 2)	31,231	33,383

46,876

55,836

**Long-term investment - coupons**

6,547

9,758

**Long-term loans receivable (Note 2)**

185,676

213,934

**Deferred charges (Note 3)**

692

873

\$ 239,791

\$ 280,401

**LIABILITIES AND DEFICIT**

**Current**

Accounts payable and accrued liabilities	\$ 65	\$ 143
Accrued interest payable	3,603	4,578
Current portion of debenture debt (Note 4)	35,098	39,951
Current portion of deferred revenue (Note 5)	270	455

39,036

45,127

**Long-term debenture debt (Note 4)**

198,682

234,657

**Deferred revenue (Note 5)**

416

522

**Reserve fund (Note 6)**

1,770

2,792

239,904

283,098

**Deficit**

(113)

(2,697)

\$ 239,791

\$ 280,401

*See accompanying notes*

Signed on behalf of the Board of Directors:



Chairperson



Director

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND DEFICIT**

**For the Year Ended 31 March**

	<b>2006</b>	<b>2005</b>
	(000's)	(000's)
<b>REVENUES</b>		
Interest on loans to municipal corporations	\$ 19,104	\$ 20,743
Short-term interest	796	1,116
Sinking fund income	577	1,152
Amortization of deferred revenue:		
Prepayment penalties	471	946
	<b>20,948</b>	<b>23,957</b>
<b>EXPENSES</b>		
Administrative and miscellaneous	159	203
Amortization of deferred charges:		
Issue expenses on debenture debt	132	194
Premiums and discounts on debenture debt	49	77
Interest on long-term debt	18,024	22,323
	<b>18,364</b>	<b>22,797</b>
<b>Excess of revenues over expenses</b>	<b>2,584</b>	<b>1,160</b>
<b>Deficit, beginning of year</b>	<b>(2,697)</b>	<b>(3,857)</b>
<b>Deficit, end of year</b>	<b>\$ (113)</b>	<b>\$ (2,697)</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**STATEMENT OF CASH FLOWS**

**For the Year Ended 31 March**

	<b>2006</b>	<b>2005</b>
	(000's)	(000's)
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 2,584	\$ 1,160
Add (deduct) non-cash items:		
Sinking fund income	(577)	(1,152)
Amortization of issue expenses on debenture debt	132	194
Amortization of premiums and discounts on debenture debt	49	77
Amortization of prepayment penalties	(471)	(946)
Accrued interest income on coupons	(589)	(810)
	<b>1,128</b>	<b>(1,477)</b>
Change in non-cash working capital	<b>718</b>	<b>3,867</b>
	<b>1,846</b>	<b>2,390</b>
<b>Cash flows from financing activities</b>		
Proceeds from debenture issues	-	30,000
Retirement of debentures	(39,951)	(65,451)
Premiums and discounts on debenture debt	-	(44)
Issue expenses on debenture debt	-	(161)
Assets transferred from Sinking Fund	-	12,324
Sinking fund payments	(300)	(300)
Prepayment penalties	180	144
Reserve fund advances received	-	9,000
Reserve fund allocations to municipal corporations	(1,022)	(6,208)
	<b>(41,093)</b>	<b>(20,696)</b>
<b>Cash flows from investing activities</b>		
Investment - coupons purchased	(790)	(440)
Investment - coupons redeemed	5,894	6,413
Loans to municipal corporations	(4,195)	(25,195)
Loan payments received from municipal corporations	34,605	35,434
	<b>35,514</b>	<b>16,212</b>
Decrease in cash and term deposits	(3,733)	(2,094)
Cash and term deposits, beginning of year	4,735	6,829
Cash and term deposits, end of year	\$ 1,002	\$ 4,735

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

---

**Authority**

Newfoundland and Labrador Municipal Financing Corporation (the Corporation) was created by the *Municipal Financing Corporation Act*. The Corporation's primary function is to provide long-term financing for the capital requirements of municipal corporations by the issuance of its securities, and relending the funds to municipal corporations. The Corporation's affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province of Newfoundland and Labrador (the Province).

**1. Significant accounting policies**

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Premiums, discounts and issue expenses on debenture debt

Premiums, discounts and issue expenses are deferred and amortized on a straight line basis over the life of the debenture issue to which they relate. In the case of the early retirement of debenture debt, a proportionate amount of the deferred balance is included with the gain or loss in the determination of net income for the period.

(b) Deferred revenue

Penalties are charged when municipal corporations prepay all or a portion of their loans with the Corporation. These penalties are deferred and amortized on a straight line basis over the average years remaining for these loans prior to payout.

**2. Loans receivable**

	<b>2006</b>	2005
	<b>(000's)</b>	(000's)
Loans receivable from municipal corporations	<b>\$ 216,907</b>	\$ 247,317
Less: current portion	<b>(31,231)</b>	(33,383)
<u>Long-term portion</u>	<u><b>\$ 185,676</b></u>	<u>\$ 213,934</u>

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION  
NOTES TO FINANCIAL STATEMENTS**

**31 March 2006**

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**2. Loans receivable (cont.)**

Loans to municipal corporations are made on the security of their debentures. Provisions exist for the recovery from the Province of any defaults by municipal corporations. Therefore, no allowance for doubtful accounts has been provided.

Principal payments receivable in each of the next five (5) years are as follows:

<u>Year</u>	<u>Amount</u> (000's)
2007	\$31,231
2008	\$28,542
2009	\$26,659
2010	\$23,458
2011	\$20,572

**3. Deferred charges**

	<u>2006</u> (000's)	<u>2005</u> (000's)
Issue expenses on debenture debt	\$ 497	\$ 629
<u>Premiums and discounts on debenture debt</u>	<u>195</u>	<u>244</u>
	<u>\$ 692</u>	<u>\$ 873</u>

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

**4. Debenture debt**

The Corporation's debenture debt is unconditionally and fully guaranteed as to principal, interest and sinking fund payments, if any, by the Province. Details of long-term debt outstanding at 31 March 2006 are as follows:

Series	Remaining Term	Interest Rate %	Sinking Fund Balance (000's)	2006 (000's)	2005 (000's)	
MFC-17	11 Dec 2006	10.250	\$ -	\$ 1,500	\$ 3,000	(a)
MFC-21	1 Dec 2006-08	10.875	10,102	15,000	15,000	
MFC-22	15 Jun 2006-09	10.500	-	5,000	6,250	(b)
MFC-24			-	-	1,787	
MFC-25			-	-	1,666	
MFC-26	30 May 2006	10.875	-	2,667	5,334	(c)
MFC-27	20 Nov 2006	10.250	-	1,666	3,332	(d)
MFC-28	30 Apr 2006-07	10.250	-	5,332	7,998	(e)
MFC-29	15 Dec 2006-07	9.500- 9.625	-	2,000	3,000	(f)
MFC-30	20 May 2006-08	9.000- 9.125	-	6,000	8,000	(g)
MFC-31	1 Dec 2006-08	8.250- 8.375	-	6,999	9,332	(h)
MFC-32	17 May 2007-08	9.250- 9.375	-	8,000	10,000	(i)
MFC-34	2 Sep 2006-07	9.960	-	10,000	10,000	
MFC-36	15 May 2006-10	9.375- 9.600	-	6,250	7,500	(j)
MFC-37	10 Jan 2007-11	8.125- 8.375	-	10,000	12,000	(k)
MFC-38	1 Jun 2006-13	5.625- 6.000	-	9,800	11,000	(l)
MFC-39	16 Dec 2006-13	5.750- 6.125	-	12,500	14,500	(m)
MFC-40	14 Dec 2006-14	6.500- 6.850	-	10,900	12,600	(n)
MFC-41	17 Oct 2006-10	6.350- 6.500	-	7,000	8,400	(o)
MFC-42	5 Apr 2006-11	5.250- 5.900	-	10,100	11,400	(p)
MFC-43	20 Sep 2006-16	5.500- 6.500	-	26,000	28,000	(q)
MFC-44	15 Mar 2007-17	5.000- 6.125	-	11,000	12,000	(r)
MFC-45	26 Mar 2007-13	4.250- 5.375	-	22,000	24,000	(s)
MFC-46	15 Feb 2012	5.200	-	10,000	10,000	
MFC-47	17 Mar 2007-19	3.100- 5.200	-	16,468	17,734	(t)
MFC-48	29 Mar 2007-20	3.300- 5.200	-	27,700	30,000	(u)
Total			<u>\$ 10,102</u>	<b>243,882</b>	283,833	
Less: sinking funds				<u>(10,102)</u>	(9,225)	(v)
Net debenture debt				<b>233,780</b>	274,608	
Less: current portion				<u>(35,098)</u>	(39,951)	
Long-term portion				<u>\$ 198,682</u>	\$ 234,657	

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**4. Debenture debt (cont.)**

- (a) On 11 December 2006, the Corporation is to redeem \$1,500,000.
- (b) On 15 June of each year, the Corporation is to redeem \$1,250,000 in the years 2006 to 2009 inclusive.
- (c) On 30 May 2006, the Corporation is to redeem the \$2,667,000.
- (d) On 20 November 2006, the Corporation is to redeem the \$1,666,000.
- (e) On 30 April of each year, the Corporation is to redeem \$2,666,000 in the years 2006 to 2007 inclusive.
- (f) On 15 December of each year, the Corporation is to redeem \$1,000,000 in the years 2006 to 2007 inclusive.
- (g) On 20 May of each year, the Corporation is to redeem \$2,000,000 in the years 2006 to 2008 inclusive.
- (h) On 1 December of each year, the Corporation is to redeem \$2,333,000 in the years 2006 to 2008 inclusive.
- (i) On 17 May of each year, the Corporation is to redeem \$6,000,000 in the year 2007 and \$2,000,000 in the year 2008.
- (j) On 15 May of each year, the Corporation is to redeem \$1,250,000 in the years 2006 to 2010 inclusive.
- (k) On 10 January of each year, the Corporation is to redeem \$2,000,000 in the years 2007 to 2011 inclusive.
- (l) On 1 June of each year, the Corporation is to redeem \$1,200,000 in the years 2006 to 2009 inclusive and \$1,250,000 in the year 2010 to 2013 inclusive.
- (m) On 16 December of each year, the Corporation is to redeem \$2,500,000 in the years 2006 to 2008 inclusive and \$1,000,000 in the years 2009 to 2013 inclusive.
- (n) On 14 December of each year, the Corporation is to redeem \$1,700,000 in the year 2006, \$1,800,000 in the year 2007, \$1,200,000 in the years 2008 to 2009 inclusive and \$1,000,000 in the years 2010 to 2014 inclusive.

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

---

**4. Debenture debt (cont.)**

- (o) On 17 October of each year, the Corporation is to redeem \$1,400,000 in the years 2006 to 2007 inclusive, \$1,600,000 in the years 2008 to 2009 inclusive and \$1,000,000 in the year 2010.
- (p) On 5 April of each year, the Corporation is to redeem \$1,400,000 in the years 2006 to 2007 inclusive, \$1,500,000 in the year 2008, \$1,600,000 in the year 2009, \$1,700,000 in the year 2010 and \$2,500,000 in the year 2011.
- (q) On 20 September of each year, the Corporation is to redeem \$2,000,000 in the year 2006, \$2,800,000 in the years 2007 to 2011 inclusive and \$2,000,000 in the years 2012 to 2016 inclusive.
- (r) On 15 March of each year, the Corporation is to redeem \$1,000,000 in the years 2007 to 2017 inclusive.
- (s) On 26 March of each year, the Corporation is to redeem \$2,000,000 in the years 2007 to 2012 inclusive and \$10,000,000 in the year 2013.
- (t) On 17 March of each year, the Corporation is to redeem \$1,266,000 in the years 2007 to 2008 inclusive, \$1,276,000 in the year 2009 and \$1,266,000 in the years 2010 to 2019 inclusive.
- (u) On 29 March of each year, the Corporation is to redeem \$2,300,000 in the years 2007 to 2015 inclusive and \$1,400,000 in the years 2016 to 2020 inclusive.
- (v) For debentures which have sinking fund requirements, the Corporation makes the required contributions to the Board of Trustees of the Newfoundland and Labrador Municipal Financing Corporation Sinking Fund. This is an unincorporated body appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province.

Estimated sinking fund requirements and debenture maturities over the next five (5) years are as follows:

Year Ending 31 March	Sinking Fund Requirements (000's)	Debenture Maturities (000's)	Total Amount (000's)
2007	\$300	\$35,098	\$35,398
2008	\$300	\$46,165	\$46,465
2009	-	\$28,209	\$28,209
2010	-	\$20,466	\$20,466
2011	-	\$18,566	\$18,566

Debenture maturities reflect only securities maturing without sinking funds.



**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**31 March 2006**

**5. Deferred revenue**

	<b>2006</b>	2005
	(000's)	(000's)
Deferred revenue	\$ 686	\$ 977
Less: current portion	(270)	(455)
<u>Long-term portion</u>	<u>\$ 416</u>	<u>\$ 522</u>

**6. Reserve fund**

The Province funds a reserve fund established to mitigate arrears with respect to municipal loans. The reserve fund is allocated as the Department of Municipal Affairs concludes negotiations with various municipal corporations with respect to restructuring debt due to the Corporation.

	<b>2006</b>	2005
	(000's)	(000's)
Balance, beginning of year	\$ 2,792	\$ -
Add: funds advanced to Corporation during year	-	9,000
Less: amounts allocated to municipal corporations for debt restructuring	(1,022)	(6,208)
<u>Balance, end of year</u>	<u>\$ 1,770</u>	<u>\$ 2,792</u>

**7. Financial instruments**

The Corporation's short-term financial instruments recognized on the balance sheet consist of cash and term deposits, short-term investments, accounts receivable, accrued interest receivable, accounts payable and accrued liabilities and accrued interest payable. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Since provisions exist for the recovery from the Province of any defaults by municipal corporations there is no credit risk associated with the Corporation's accounts receivable.

The Corporation's long-term financial instruments recognized on the balance sheet consist of long-term investments, long-term loans receivable and long-term debenture debt. The Corporation's policy is to hold its long-term investments to maturity, therefore their reported value is current fair value to the Corporation. Since provisions exist for the recovery from the Province of any defaults by municipal corporations there is no credit risk associated with the Corporation's long-term loans receivable and therefore, the amount presented in the balance sheet is the same as current fair value of the asset.

**NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION  
NOTES TO FINANCIAL STATEMENTS**

**31 March 2006**

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**7. Financial instruments (cont.)**

The majority of the Corporation's long-term debt is issued as serial debentures which are redeemed over a number of years at varying interest rates. In addition, the Corporation's long-term debenture debt is used to finance loans to the Province's various municipalities. The rates charged by the Corporation to these municipalities is calculated using the rates the Corporation is required to pay on its related debenture debt plus an additional percentage. Because provisions exist for the recovery from the Province of any defaults by municipal corporations and because the long-term debenture debt of the Corporation is specifically tied to these receivables, the long-term debenture debt as presented in the balance sheet is presented at current fair value and the Corporation is not subject to any rate risk relating to this debt.

**8. Economic dependence**

As a result of cost-sharing arrangements, the loans receivable from municipal corporations disclosed in Note 2 are serviced by both the municipal corporations and the Province. Due to the nature of these arrangements, the Province is in effect repaying a significant portion of the loans owing to the Corporation. Provisions exist for the recovery from the Province of any defaults by municipal corporations.

The Corporation's debentures are fully guaranteed by the Province as to principal, interest and sinking fund payments, if any. As at 31 March 2006, this guarantee covered net debenture debt and accrued interest totalling \$237,383,000 (2005 - \$279,186,000).

As a result, the Corporation's continued existence is dependent upon the decisions of the Province.

**9. Related party transactions**

The Corporation is administered by employees of the Department of Finance. The salary costs of these employees are paid by the Department of Finance, reimbursed by the Corporation, and are reflected in these financial statements.

**10. Income taxes**

The Corporation is a Crown corporation of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

**11. Going concern**

The Province of Newfoundland and Labrador has decided that it will no longer refinance its portion of completed municipal capital projects through the Corporation. As a result, the Corporation will be winding up its operations over the coming years as it repays its debenture debt.

**NEWFOUNDLAND AND LABRADOR  
STUDENT INVESTMENT AND  
OPPORTUNITY CORPORATION**

**FINANCIAL STATEMENTS**

**31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the Board of Directors  
Newfoundland and Labrador Student  
Investment and Opportunity Corporation  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Student Investment and Opportunity Corporation as at 31 March 2006 and the statement of revenues, expenses and surplus 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 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 Newfoundland and Labrador Student Investment and Opportunity Corporation as at 31 March 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'John L. Noseworthy'.

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
9 June 2006

**NEWFOUNDLAND AND LABRADOR STUDENT INVESTMENT AND  
OPPORTUNITY CORPORATION**

**BALANCE SHEET**

31 March

2006

2005

**ASSETS**

**Current**

Cash	\$ 2,377,709	\$ 2,270,348
Accounts receivable	6,949	4,886
Due from Province – operating grant	-	2,742
	\$ 2,384,658	\$ 2,277,976

**LIABILITIES AND EQUITY**

**Current**

Accounts payable	\$ 216,824	\$ 87,999
Due to Province – Special Purpose Fund	-	29,301
	216,824	117,300

**Equity**

Share capital (Note 2)	-	-
Equity	2,167,834	2,160,676
	\$ 2,384,658	\$ 2,277,976

**Commitments (Note 3)**

*See accompanying notes*

Signed on behalf of the Board:

  
\_\_\_\_\_  
Chairperson

  
\_\_\_\_\_  
Member

**NEWFOUNDLAND AND LABRADOR STUDENT INVESTMENT AND  
OPPORTUNITY CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND SURPLUS**  
**For the Year Ended 31 March**

**2006**

**2005**

**REVENUES**

Grants from the Province of Newfoundland and Labrador	\$ 6,234,000	\$ 6,233,932
Investment income	62,505	58,852
	<b>6,296,505</b>	<b>6,292,784</b>

**EXPENSES**

Administration (Note 4)	36,794	120,792
Programs:		
Student Works and Services Program (SWASP)		
– Paid Employment	1,300,661	1,348,009
Graduate Employment Program	1,011,129	1,006,533
Small Enterprise Co-op Placement Assistance Program	650,000	800,000
Newfoundland and Labrador Conservation Corps	500,000	500,000
Student Employment Program (High School Students)	488,347	489,730
Student Works and Services Program – Community Service	398,845	377,498
Grants to Youth Organizations	385,154	269,469
Student Works and Services Program – Post Secondary	360,000	360,000
Tutoring/Work Experience	235,833	220,846
Year Round SWASP	221,247	121,824
Faculty of Education Co-op Program	150,000	165,000
Career Related Transitional Wage Program	111,290	1,490
Youth Opportunities Program	100,000	748,802
Above and Beyond SWASP	80,000	80,000
Student Summer Support	76,737	60,603
Tutoring for Tuition Program	58,772	49,317
Newfoundland and Labrador Youth Advisory Program	55,335	75,633
Social Worker Recruitment Program	29,381	16,912
Marine Camp Program	23,985	40,000
Rural Practice Work Experience for Medical Students Program	15,837	18,399
	<b>6,289,347</b>	<b>6,870,857</b>

<b>Excess of revenues over expenses (expenses over revenues)</b>	<b>7,158</b>	<b>(578,073)</b>
<b>Surplus, beginning of year</b>	<b>2,160,676</b>	<b>2,738,749</b>
<b>Surplus, end of year</b>	<b>\$ 2,167,834</b>	<b>\$ 2,160,676</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR STUDENT INVESTMENT AND  
OPPORTUNITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2006**

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**Authority**

The Newfoundland and Labrador Student Investment and Opportunity Corporation (the Corporation) was incorporated on 29 March 2001 under *The Corporations Act* of the Province of Newfoundland and Labrador. The Province holds the only issued common share. The affairs of the Corporation are managed by a board of directors (the Board) appointed under the direction of the Minister of Human Resources, Labour and Employment. All of the board members are full-time employees of the Province of Newfoundland and Labrador.

The objective of the Board is to hold funds and direct expenditures for programs aimed at providing employment experience for students and to assist them in earning money towards their post-secondary education.

**1. Significant accounting policies**

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. The Board does not prepare a statement of cash flows since there are no investing and financing activities and the changes in cash flows are readily apparent from the other statements.

**2. Share capital**

Share capital consists of:

Authorized  
One no par value share

Issued and Outstanding  
One no par value share

Pursuant to the direction of the Lieutenant-Governor in Council, as at 31 March 2006, the Minister of Human Resources, Labour and Employment holds the only issued share of the Corporation on behalf of the Province.

**3. Commitments**

As at 31 March 2006, the Corporation has entered into agreements representing commitments of \$1,382,828 (31 March 2005 - \$1,376,781).

**NEWFOUNDLAND AND LABRADOR STUDENT INVESTMENT AND  
OPPORTUNITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2006**

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**4. Related party transactions**

The Corporation is administered by employees of the Department of Human Resources, Labour and Employment and the Department of Finance. Programs funded by the Corporation are primarily managed by the Department of Human Resources, Labour and Employment. Costs of administration are paid directly by the departments and are reimbursed by the Corporation, except for salary costs of \$95,534 which are not reimbursed.

**5. Economic dependence**

As a result of its reliance on future transfers from the Province of Newfoundland and Labrador to fund its approved programs and operating costs, the Corporation's ability to continue is dependent upon the decisions of Government.

**6. Income taxes**

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

**7. Financial instruments**

The Corporation's financial instruments recognized on the balance sheet consist of cash, accounts receivable and accounts payable. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.



**NEWFOUNDLAND HARDWOODS LIMITED**

Auditor's Report

Financial Statements

Year ended March 31, 2006

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## AUDITOR'S REPORT

To the Shareholders of Newfoundland Hardwoods Limited:

I have audited the balance sheet of Newfoundland Hardwoods Limited as at March 31, 2006 and the statements of income and retained earnings and cash flows 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, 2006 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

  
CHARTERED ACCOUNTANT

Clarenville, Newfoundland  
July 07, 2006

**NEWFOUNDLAND HARDWOODS LIMITED**

Balance Sheet

March 31, 2006

	<u>2006</u>	<u>2005</u>
<b><u>Assets</u></b>		
Current assets:		
Cash and term deposits	<u>\$ 127,237</u>	<u>128,987</u>
<b><u>Liabilities and Shareholders' Equity</u></b>		
Current liabilities:		
Payables and accruals	<u>\$ 1,500</u>	<u>1,500</u>
Total current liabilities	1,500	1,500
Contingent losses (Note 2)	--	--
Commitments (Note 3)	--	--
Shareholders' equity:		
Common shares of no par value:		
Authorized an unlimited number; issued and fully paid at stated value, 253 shares	25,300	25,300
Retained earnings, per accompanying statement	<u>100,437</u>	<u>102,187</u>
Total shareholders' equity	<u>125,737</u>	<u>127,487</u>
	<u>\$ 127,237</u>	<u>128,987</u>

See Accompanying Notes

Approved:

Director

Director

**NEWFOUNDLAND HARDWOODS LIMITED**

Statement of Income and Retained Earnings

Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Revenue - interest	\$ <u>    --</u>	<u>    --</u>
Administrative expenses:		
Fees	--	300
Professional and consulting fees	<u>1,750</u>	<u>1,800</u>
	<u>1,750</u>	<u>2,100</u>
Net loss	(1,750)	(2,100)
Retained earnings, beginning of year	<u>102,187</u>	<u>104,287</u>
Retained earnings, end of year	<u>\$ 100,437</u>	<u>102,187</u>

See Accompanying Notes

**NEWFOUNDLAND HARDWOODS LIMITED**

Statement of Cash Flows  
Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Cash provided by operating activities:		
Net loss	\$ (1,750)	(2,100)
Decrease in cash	(1,750)	(2,100)
Cash, beginning of year	<u>128,987</u>	<u>131,087</u>
Cash, end of year	<u>\$ 127,237</u>	<u>128,987</u>

See Accompanying Notes

**NEWFOUNDLAND HARDWOODS LIMITED**

Notes to the Financial Statements

March 31, 2006

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1. Divestiture:

During the 1996 fiscal year the company sold the property and equipment and inventory relating to its wood preservation and asphalt manufacturing operations. The Company has consequently ceased commercial operations.

2. Contingent losses:

Environmental concerns:

The Government of Newfoundland and Labrador, through an environmental indemnity, has released the current owner of any and all present and future liabilities which may result from the presence, release, loss, discharge, leakage or spillage of hazardous material on, at or from the properties formerly owned and operated by Newfoundland Hardwoods Limited up to the date of the said agreements.

3. Commitments:

The company had committed to the dismantling and removal of five surplus storage tanks from the present location. As of the balance sheet date, four of these tanks have been removed and the costs of such have been reflected in these financial statements.

**Newfoundland Ocean Enterprises Limited**  
**Consolidated Financial Statements**  
March 31, 2006

Grant Thornton 

## Auditors' Report

### To the Shareholders of Newfoundland Ocean Enterprises Limited

We have audited the consolidated balance sheet of **Newfoundland Ocean Enterprises Limited** at March 31, 2006 and the consolidated statements of earnings and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian 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 consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

St. John's, Newfoundland  
June 15, 2006

Grant Thornton LLP  
Chartered Accountants

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## Newfoundland Ocean Enterprises Limited

### Consolidated Statements of Earnings and Deficit

Year Ended March 31	2006	2005
Revenue		
Recoveries and sundry	\$ 1,324	\$ 328,450
Expenses		
Interest	8,263	32,230
Other costs	<u>5,302</u>	<u>6,355</u>
	<u>13,565</u>	<u>38,585</u>
Net (loss) earnings	<u>\$ (12,241)</u>	<u>\$ 289,865</u>
Deficit, beginning of year	\$ (90,749,245)	\$ (91,039,110)
Net (loss) earnings	<u>(12,241)</u>	<u>289,865</u>
Deficit, end of year	<u>\$ (90,761,486)</u>	<u>\$ (90,749,245)</u>

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See accompanying notes to the consolidated financial statements.

# Newfoundland Ocean Enterprises Limited

## Consolidated Balance Sheet

March 31 2006 2005

### Assets

#### Current

Cash	\$ 55,442	\$ 67,730
	<u>\$ 55,442</u>	<u>\$ 67,730</u>

### Liabilities



#### Current

Payables and accruals	\$ 13,928	\$ 13,975
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### Shareholders' Equity

Capital stock (Note 3)	3,000	3,000
Contributed surplus (Note 4)	90,800,000	90,800,000
Deficit	<u>(90,761,486)</u>	<u>(90,749,245)</u>
	<u>41,514</u>	<u>53,755</u>
	<u>\$ 55,442</u>	<u>\$ 67,730</u>

On behalf of the Board

 _____ Director	 _____ Director
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See accompanying notes to the consolidated financial statements.

Grant Thornton 

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## Newfoundland Ocean Enterprises Limited

### Consolidated Statement of Cash Flows

Year Ended March 31

2006

2005

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Increase (decrease) in cash and cash equivalents

<b>Operating activities</b>		
Net (loss) earnings	\$ (12,241)	\$ 289,865
Change in non-cash operating working capital	<u>(47)</u>	<u>(326,830)</u>
	<u>(12,288)</u>	<u>(36,965)</u>
<b>Financing activities</b>		
Repayment of bank borrowings	-	(5,450,000)
Contributed surplus	<u>-</u>	<u>5,400,000</u>
	<u>-</u>	<u>(50,000)</u>
Net decrease in cash and cash equivalents	(12,288)	(86,965)
Cash and cash equivalents		
Beginning of year	<u>67,730</u>	<u>154,695</u>
End of year	<u>\$ 55,442</u>	<u>\$ 67,730</u>

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See accompanying notes to the consolidated financial statements.

Grant Thornton 

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# Newfoundland Ocean Enterprises Limited

## Notes to the Consolidated Financial Statements

March 31, 2006

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### 1. Operations

The Company ceased active operations on January 1, 1998.

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### 2. Summary of significant accounting policies

#### Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are set out below.

#### Principles of consolidation

The consolidated financial statements include the accounts of Newfoundland Ocean Enterprises Limited, its wholly owned subsidiaries Marystown Shipyard Limited and Vinland Industries Limited, and Vinland Industries, a Limited Partnership.

#### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of any overdrafts. Bank borrowings are considered to be financing activities.

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### 3. Capital stock

	<u>2006</u>	<u>2005</u>
--	-------------	-------------

#### Authorized

An unlimited number of common shares of no par value

#### Issued

3 shares	<u>\$ 3,000</u>	<u>\$ 3,000</u>
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### 4. Contributed surplus

During the prior year, the Government of Newfoundland and Labrador advanced funds to the Company in the amount of \$5,400,000 to retire the operating loan.

During a prior year, the Government of Newfoundland and Labrador advanced funds to the Company in the amount of \$85,400,000 to retire the bankers' acceptances and certain other debt.

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# **Newfoundland Ocean Enterprises Limited**

## **Notes to the Consolidated Financial Statements**

March 31, 2006

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### **5. Financial instruments**

Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from the carrying amounts. Where amounts receivable and payable are subject to normal credit terms, their carrying amount is used as an approximation of their fair values.



**NEWVEST REALTY CORPORATION**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2005**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the Shareholder  
Newvest Realty Corporation

I have audited the balance sheet of Newvest Realty Corporation as at 31 December 2005 and the statements of income and retained earnings, and cash flows 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 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 materials respects, the financial position of the Corporation as at 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "John L. Noseworthy".

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
31 March 2006



**NEWVEST REALTY CORPORATION****BALANCE SHEET****31 December****2005****2004****(000's)****(000's)****ASSETS**

Income producing properties (Note 2)	\$ 148,087	\$ 125,639
Deferred charges (Note 3)	2,866	1,789
Prepaid expenses	333	94
Accounts receivable	405	126
Cash and short-term investments	2,078	2,905

**\$ 153,769****\$ 130,553****LIABILITIES AND EQUITY**

Mortgages payable (Note 4)	\$ 74,818	\$ 63,121
Accounts payable and accrued liabilities	2,487	1,614
Dividends payable (Note 5)	568	1,500

**77,873****66,235****Shareholder's equity**

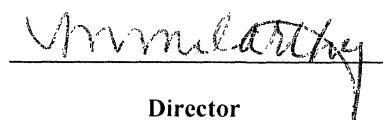
Share capital (Note 6)	68,405	60,405
Retained earnings	7,491	3,913

**75,896****64,318****\$ 153,769****\$ 130,553****Equity per share (Note 6)****\$ 11.10****\$ 10.65***See accompanying notes*

Signed on behalf of the Board:



Chairperson



Director

**NEWVEST REALTY CORPORATION**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**For the Year Ended 31 December**

	<b>2005</b>	<b>2004</b>
	(000's)	(000's)
<b>Income</b>		
Rents and parking	\$ 12,623	\$ 10,459
Expense recoveries	3,289	2,741
Investment and other income	50	33
	<u>15,962</u>	<u>13,233</u>
Less: Operating expenses	6,112	5,424
<b>Operating income</b>	<u>9,850</u>	<u>7,809</u>
<b>Other expenses</b>		
Administrative costs	230	55
Amortization of deferred charges	348	365
Asset management fees	422	345
Mortgage interest	3,936	3,071
	<u>4,936</u>	<u>3,836</u>
<b>Net income for the year</b>	4,914	3,973
<b>Retained earnings, beginning of year</b>	3,913	2,340
<b>Dividends (Note 5)</b>	<u>(1,336)</u>	<u>(2,400)</u>
<b>Retained earnings, end of year</b>	<u>\$ 7,491</u>	<u>\$ 3,913</u>

*See accompanying notes*

**NEWVEST REALTY CORPORATION****STATEMENT OF CASH FLOWS****For the Year Ended 31 December**

	<b>2005</b>	<b>2004</b>
	(000's)	(000's)
<b>Cash flows from operating activities</b>		
Net income for the year	\$ 4,914	\$ 3,973
Items not affecting cash		
Amortization of deferred charges	348	365
Changes in non-cash working capital		
Accounts receivable	(279)	(12)
Prepaid expenses	(239)	(43)
Accounts payable and accrued liabilities	873	306
	<u>5,617</u>	<u>4,589</u>
<b>Cash flows from investing activities</b>		
Additions to income producing properties	<u>(22,448)</u>	<u>(30,124)</u>
<b>Cash flows from financing activities</b>		
Deferred charges	(1,425)	(1,028)
Mortgage advances	13,197	18,500
Mortgage principal repayments	(1,500)	(1,149)
Dividends (Note 5)	(2,268)	(1,691)
Issuance of common shares (Note 6)	8,000	12,000
	<u>16,004</u>	<u>26,632</u>
<b>Increase (decrease) in cash and short-term investments during the year</b>	(827)	1,097
<b>Cash and short-term investments, beginning of year</b>	<u>2,905</u>	<u>1,808</u>
<b>Cash and short-term investments, end of year</b>	<u>\$ 2,078</u>	<u>\$ 2,905</u>

*See accompanying notes*

**NEWVEST REALTY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 December 2005**

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**Authority**

Newvest Realty Corporation was incorporated on 9 August 2001 under the provisions of the *Canada Business Corporations Act*. It is also registered under the *Corporations Act* of the Province of Newfoundland and Labrador. The Corporation has its headquarters in Toronto, Ontario. All shares of the Corporation are held by the Province of Newfoundland and Labrador Pooled Pension Fund (the Fund). Board members are appointed by the Pension Investment Committee of the Fund. The purpose of the Corporation is to invest monies received from the Fund in Canadian real estate property.

The Corporation has an Investment Services Agreement with Bentall Investment Management Limited Partnership dated 30 June 2001, under which Bentall Investment Management Limited Partnership is responsible for the acquisition, disposal, leasing and management of real estate properties and performance of all administrative functions on behalf of the Corporation.

**1. Significant accounting policies**

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

- (a) Cash and short-term investments represent unrestricted cash and highly liquid money-market investments.
- (b) Income producing properties held for investment are recorded at cost. Amortization is not recorded on properties as it is not considered meaningful when the objective of the business is to acquire, develop and hold property for eventual sale. The Corporation capitalizes all direct costs relating to the acquisition of all properties. Leasing costs are capitalized and amortized on a straight-line basis over the term of the respective lease.
- (c) The Corporation accounts for its investments in co-ownerships on a proportionate consolidation basis whereby the Corporation includes its pro-rata share of the assets, liabilities, revenue and expenses of the co-ownerships on a line-by-line basis.
- (d) Rental revenue includes rents from tenants under leases, property tax and operating cost recoveries, parking income and incidental income. Rental revenue with respect to rents from tenants under leases is recognized on a straight-line basis over the term of the lease.
- (e) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing these financial statements are reasonable and prudent; however, actual results may differ from these estimates.
- (f) The Corporation defers and amortizes financing costs over the term of the related mortgages.

**NEWVEST REALTY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 December 2005**

**2. Income producing properties**

For investment information purposes all properties are presented below at both cost and appraised values. Appraised values are in accordance with the Corporation's appraisal policy which requires that properties be appraised at least once every two years by professionally qualified independent appraisers. The external appraisals are completed in six month cycles on approximately one quarter of the Corporation's portfolio. The properties that are not externally appraised during each six month cycle are appraised by Bentall Investment Management Limited Partnership.

	2005		2004	
	Cost (000's)	Appraised Value (000's)	Cost (000's)	Appraised Value (000's)
(a) Bayview Chateau and White Rock Gardens, White Rock, British Columbia	\$ 9,590	\$ 10,925	\$ 9,494	\$ 10,150
(b) Sperling Plaza, Burnaby, British Columbia	16,148	17,800	16,148	16,300
(c) 440 Eglinton Avenue East, Toronto, Ontario	12,750	9,900	12,407	9,900
(d) 2 Silver Maple Court, Brampton, Ontario	22,661	21,760	22,233	21,760
(e) Park and Tilford Shopping Centre, North Vancouver, British Columbia	36,713	41,000	36,142	38,100
(f) TD Creekside Corporate Centre (50% interest), Mississauga, Ontario	29,284	30,500	29,215	29,215
(g) 2001 Bantree (50% interest), Ottawa, Ontario	10,418	10,418	-	-
(h) Thunder Centre (50% interest), Thunder Bay, Ontario	10,523	10,523	-	-
	<b>\$ 148,087</b>	<b>\$ 152,826</b>	<b>\$ 125,639</b>	<b>\$ 125,425</b>

**3. Deferred charges**

Deferred charges consist of costs incurred, net of accumulated amortization, with respect to obtaining debt financing, leasing and potential acquisitions. Amortization is recorded on a straight line basis over the term of the respective credit facility or over the remaining term of the respective leases to which the costs relate.

	2005			2004
	Cost (000's)	Accumulated Amortization (000's)	Net Carrying Value (000's)	Net Carrying Value (000's)
Tenant inducements and leasing costs	\$ 2,220	\$ 498	\$ 1,722	\$ 795
Deferred financing costs	639	145	494	579
Deferred recoverable expenditures	110	48	62	31
Pre-acquisition costs	-	-	-	282
Deferred lease revenue	588	-	588	102
	<b>\$ 3,557</b>	<b>\$ 691</b>	<b>\$ 2,866</b>	<b>\$ 1,789</b>

**NEWVEST REALTY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 December 2005**

**4. Mortgages payable**

Mortgages payable represent financing obtained by the Corporation for the acquisition of income producing properties. For investment information purposes, principal values and appreciated values are shown. Details are as follows:

	2005		2004	
	Principal Value (000's)	Appreciated Value (000's)	Principal Value (000's)	Appreciated Value (000's)
(a) Bayview Chateau and White Rock Gardens, White Rock, British Columbia. Mortgage, held by The Manufacturers Life Insurance Company, repayable in monthly installments of \$32,152, including interest calculated at a rate of 6.5% per annum, maturing 1 May 2007, secured by a freehold first mortgage registered against title to the property, a general security agreement, and a first general assignment of rents.	\$ 4,487	\$ 4,552	\$ 4,582	\$ 4,803
(b) 440 Eglinton Avenue East, Toronto, Ontario. Mortgage, held by TD Canada Trust, repayable in monthly installments of \$42,092, including interest calculated at a rate of 5.663% per annum, maturing 1 April 2013.	6,432	6,900	6,573	7,004
(c) 2 Silver Maple Court, Brampton, Ontario. Mortgage, held by The Great West Life Assurance Company, repayable in monthly installments of \$90,207, including interest calculated at a rate of 5.68% per annum, maturing 1 February 2013.	11,910	12,733	12,311	13,077
(d) Park and Tilford Shopping Centre, North Vancouver, British Columbia. Mortgage, held by The Great West Life Assurance Company, repayable in monthly installments of \$137,927, including interest calculated at a rate of 5.88% per annum, maturing 1 September 2010.	20,868	21,550	21,297	22,027
(e) TD Creekside Corporate Centre, Mississauga Ontario. Mortgage (50% interest), held by Metropolitan Life Insurance Company, repayable in monthly installments of \$115,194, including interest calculated at a rate of 5.71% per annum, maturing 1 July 2014, secured by a freehold first mortgage and charge of the property, a general security agreement, a first general assignment of rents, and a first specific assignment of a tenant lease.	18,002	18,701	18,358	18,358

**NEWVEST REALTY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 December 2005**

**4. Mortgages payable (cont.)**

	2005		2004	
	Principal Value (000's)	Appreciated Value (000's)	Principal Value (000's)	Appreciated Value (000's)
(f) 2001 Bantree, Ottawa, Ontario. Mortgage (50% interest), held by Equitable Life, repayable in monthly installments of \$77,631, including interest calculated at a rate of 5.09% per annum, maturing 1 August 2015, secured by a first mortgage and charge of the property, a first general assignment of leases and rents, a first specific assignment of leases, a first general security agreement of assets of the property, and assignment of insurance proceeds and endorsements to all policies.	6,571	6,571	-	-
(g) Thunder Centre, Thunder Bay, Ontario. Mortgage (50% interest), held by CIBC, repayable in monthly installments of \$76,479, including interest calculated at a rate of 4.99% per annum, maturing 1 September 2010, secured by a first mortgage and charge of the property, a first general assignment of leases and rents, a specific assignment of leases, assignment of the head lease with the vendor, and assignment of the letter of credit relative to the head lease.	6,548	6,548	-	-
	<b>\$ 74,818</b>	<b>\$ 77,555</b>	<b>\$ 63,121</b>	<b>\$ 65,269</b>

Annual principal repayments totaling \$14.1 million (2004 - \$8.0 million) to be made during the next five years are as follows:

	(000's)
2006	\$ 1,782
2007	6,163
2008	1,872
2009	1,986
2010	2,268
	<b>\$ 14,071</b>

**NEWVEST REALTY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 December 2005**

**5. Dividends payable**

Dividends are payable to the holder of common shares on a quarterly basis based on the net income for the quarter ended, less reasonable reserves as determined by Bentall Investment Management Limited Partnership, divided by the number of issued and outstanding common shares.

	<b>2005</b>	2004
	(000's)	(000's)
Dividends payable, beginning of year	\$ 1,500	\$ 791
Dividends declared	1,336	2,400
Dividends paid	(2,268)	(1,691)
Dividends payable, end of year	\$ 568	\$ 1,500

**6. Share capital**

The authorized capital of the Corporation consists of an unlimited number of common shares without par value. The shares may be issued only to the Province of Newfoundland and Labrador Pooled Pension Fund. The sale, transfer or other disposition of common shares is restricted.

Changes in share capital are as follows:

	<b>2005</b>		2004	
	<b>Number of shares</b>	<b>Amount (000's)</b>	Number of shares	Amount (000's)
Issued and outstanding, beginning of year	<b>6,040,500</b>	\$ 60,405	4,840,500	\$ 48,405
Issued during the year for cash	<b>800,000</b>	<b>8,000</b>	1,200,000	12,000
Issued and outstanding, end of year	<b>6,840,500</b>	\$ 68,405	6,040,500	\$ 60,405

Equity per share is calculated as net asset value divided by the number of shares issued and outstanding at year end.



**NEWVEST REALTY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 December 2005**

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**7. Co-ownerships**

The following amounts represent the Corporation's proportionate interest in unincorporated co-ownerships.

	<b>2005</b>	2004
	(000's)	(000's)
Assets	\$ 52,461	\$ 29,630
Liabilities	32,282	18,428
Income	2,842	1,055
Operating expenses	598	9
Mortgage interest	1,396	453

**8. Related party transactions**

During the year, charges of \$1,091,289 (2004 - \$819,769) were incurred for services from Bentall Investment Management Limited Partnership, a related party. These services are incurred in the normal course of business and are measured at the amount of consideration established and agreed to by the related parties.

The balances that have arisen from these transactions are charged in the financial statements to income producing properties, operating expenses and asset management fees.

**9. Subsequent event**

In conjunction with the purchase of Thunder Centre, Thunder Bay, Ontario, certain requirements of the purchase and sale contract required the vendor to make Head Lease payments to the purchaser, for 22 months from the date of sale, 1 September 2005. As at 31 March 2006, there remains an outstanding amount of \$227,057, (31 December 2005 - \$31,959), from the vendor with respect to these contracted amounts. These amounts remain collectible from the vendor and no provision for bad debt has been included in the financial statements.

During 2006, the Corporation has continued development of Phase II expansion of Thunder Centre, Thunder Bay, Ontario, which will add 55,459 square feet of retail space. As of 31 March 2006, 24,759 square feet of the expansion had been pre-leased with lease commencement dates ranging from 1 October 2006 to 1 April 2007.

**NEWVEST REALTY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 December 2005**

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**10. Financial instruments**

The Corporation's financial instruments recognized on the balance sheet consist of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, mortgages payable and dividends payable. The carrying values of these instruments approximate current fair value due to their nature and the terms and conditions associated with them.

**11. Income taxes**

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

*Financial Statements of*

**NORTHWEST ROTARY –  
JANEWAY HOSTEL CORPORATION**

*March 31, 2006*

## Auditors' Report

To the Board of Directors of  
Northwest Rotary – Janeway Hostel Corporation

We have audited the statement of financial position of the Northwest Rotary – Janeway Hostel Corporation as at March 31, 2006 and the statements of operations and deficit, changes in fund balances and cash flows for the year then ended. These financial statements have been prepared to comply with the mortgage agreement with Newfoundland and Labrador Housing Corporation. 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 Canadian 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 Northwest Rotary – Janeway Hostel Corporation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting disclosed in Note 2 to the financial statements.

These financial statements, which have not been and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Directors of Northwest Rotary – Janeway Hostel Corporation and Newfoundland and Labrador Housing Corporation to comply with the mortgage agreement with Newfoundland and Labrador Housing Corporation. The financial statements are not intended to be and should not be used by anyone other than the specific users or for any other purpose.

*Deloitte & Touche LLP*

Chartered Accountants  
June 30, 2006

# NORTHWEST ROTARY - JANEWAY HOSTEL CORPORATION

## Statement of Operations and Deficit

Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
REVENUE		
Canada Mortgage and Housing Corporation mortgage subsidy (Note 5)	23,741	23,741
Interest	177	57
	<u>23,918</u>	<u>23,798</u>
EXPENDITURES		
Interest on long-term debt	39,829	30,267
Security	34,599	34,224
Utilities	33,431	11,659
Professional fees	1,826	1,495
General	87	362
Repairs and maintenance	-	2,247
	<u>109,772</u>	<u>80,254</u>
EXCESS OF EXPENDITURES OVER REVENUE BEFORE AMORTIZATION	(85,854)	(56,456)
AMORTIZATION	(57,623)	(66,077)
EXCESS OF EXPENDITURES OVER REVENUE	(143,477)	(122,533)
DEFICIT, BEGINNING OF YEAR	(336,906)	(214,373)
DEFICIT, END OF YEAR	<u>(480,383)</u>	<u>(336,906)</u>

# NORTHWEST ROTARY - JANEWAY HOSTEL CORPORATION

## Statement of Changes in Fund Balances

Year Ended March 31, 2006

	2006			2005
	Unrestricted	Net	Total	Total
	Net Assets	Investment in Capital Assets		
	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	(734,229)	397,323	(336,906)	(214,373)
Excess of expenditures over revenue	(85,854)	(57,623)	(143,477)	(122,533)
Repayment of long-term debt	(57,621)	57,621	-	-
BALANCE, END OF YEAR	(877,704)	397,321	(480,383)	(336,906)

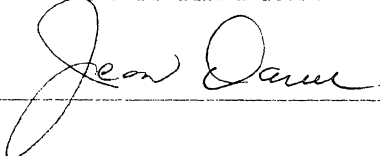
# NORTHWEST ROTARY - JANEWAY HOSTEL CORPORATION


## Statement of Financial Position

March 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	1,914	17,634
<hr/>		
CAPITAL ASSETS (Note 3)	1,320,844	1,378,467
REPLACEMENT RESERVE (Note 4)	153,943	149,558
<hr/>		
	1,476,701	1,545,659
<hr/>		
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Payables and accruals	8,108	6,927
Current portion of long-term debt (Note 5)	59,943	57,480
<hr/>		
	68,051	64,407
<hr/>		
LONG-TERM DEBT (Note 5)	863,580	923,664
DUE TO EASTERN REGIONAL HEALTH AUTHORITY - NON-INTEREST BEARING, NO SET TERMS OF REPAYMENT	871,510	744,936
REPLACEMENT RESERVE FUND (Note 4)	153,943	149,558
<hr/>		
	1,957,084	1,882,565
<hr/>		
<b>FUND BALANCES</b>		
Unrestricted	(877,704)	(734,229)
Investment in capital assets	397,321	397,323
<hr/>		
	(480,383)	(336,906)
<hr/>		
	1,476,701	1,545,659
<hr/>		

ON BEHALF OF THE BOARD:

 Director

 Director

# NORTHWEST ROTARY - JANEWAY HOSTEL CORPORATION

## Statement of Cash Flows

Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of expenditures over revenue	(143,477)	(122,533)
Adjustment for:		
Amortization	57,623	66,077
Change in non-cash operating working capital (Note 6)	1,181	740
	<u>(84,673)</u>	<u>(55,716)</u>
<b>INVESTING ACTIVITY</b>		
Increase in replacement reserve	4,385	3,333
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(57,621)	(66,075)
Advances from Eastern Regional Health Authority	126,574	129,950
	<u>68,953</u>	<u>63,875</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(11,335)</b>	<b>11,492</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>167,192</b>	<b>155,700</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>155,857</b>	<b>167,192</b>
<b>REPRESENTED BY</b>		
Cash	1,914	17,634
Replacement reserve	153,943	149,558
	<u>155,857</u>	<u>167,192</u>



# NORTHWEST ROTARY – JANEWAY HOSTEL CORPORATION

## Notes to Financial Statements

March 31, 2006

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### 1. NATURE OF OPERATIONS

The Northwest Rotary-Janeway Hostel Corporation (the "Hostel") was established to provide affordable, on-site accommodations to outpatients undergoing treatment and family members of inpatients. On June 28, 2003, the Hostel ceased operations, and transferred all of its services to the General Hospital Hostel Association.

The Hostel is incorporated under the Corporations Act of Newfoundland and is a registered charity under the Income Tax Act.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with significant accounting policies set out below to comply with the mortgage agreement with Newfoundland and Labrador Housing Corporation (NLHC). The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because:

- (a) amortization is not provided on the building over the estimated useful life of the assets but rather at a rate equal to the annual principal reduction of the mortgage;
- (b) amortization is not charged on other capital assets. A replacement reserve, in lieu of amortization, is required under the terms of the mortgage agreement with Canada Mortgage and Housing Corporation (CMHC); and
- (c) a reserve for future capital placement is appropriated annually from operations.

The other significant accounting policies are as follows:

#### *Revenue recognition*

Revenues are recognized as earned and when collection is reasonably assured.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

#### *Capital assets*

Capital assets are recorded at cost, except for donated assets, which are recorded at estimated fair market value.

Amortization is provided for buildings each year in an amount equal to the annual repayment of principal on the long-term debt, which approximates the useful life of the asset.

# NORTHWEST ROTARY – JANEWAY HOSTEL CORPORATION

## Notes to Financial Statements

March 31, 2006

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Use of estimates*

In preparing the Hostel's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

### 3. CAPITAL ASSETS

	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	95,000	-	95,000	95,000
Buildings	1,566,814	539,586	1,027,228	1,084,851
Furniture and equipment	192,404	-	192,404	192,404
Fencing	6,212	-	6,212	6,212
	<u>1,860,430</u>	<u>539,586</u>	<u>1,320,844</u>	<u>1,378,467</u>

The accounts include the value of land to which the Hostel does not have title. The title to the land resides with the Province of Newfoundland and Labrador with whom the Hostel has a 40 year lease.

### 4. REPLACEMENT RESERVE

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited in the amount of \$9,144 annually. As the facility has ceased operations there have been no contributions to the reserve since June, 2002. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC.

The Hostel has appropriated equity to the replacement reserve fund to satisfy the CMHC requirements.

	<u>2006</u>	<u>2005</u>
	\$	\$
Balance, beginning of year	149,558	146,225
Interest income	4,385	3,333
Balance, end of year	<u>153,943</u>	<u>149,558</u>

# NORTHWEST ROTARY – JANEWAY HOSTEL CORPORATION

## Notes to Financial Statements

March 31, 2006

### 5. LONG-TERM DEBT

	<u>2006</u>	<u>2005</u>
	\$	\$
Newfoundland and Labrador Housing Corporation, 4.24% first mortgage, maturing June 1, 2008, amortized to April 1, 2018 payable in blended monthly instalments of principal and interest of \$8,135.	923,523	981,144
Less: current portion	59,943	57,480
	<u>863,580</u>	<u>923,664</u>

As security for the mortgage, the Hostel has provided a first mortgage on land and building situated at Janeway Place, and an assignment of rents and leases.

The Hostel receives a subsidy from CMHC which reduces the effective interest rate to 2% per year.

Principal repayments required over the next five years are as follows:

	\$
2007	59,943
2008	62,512
2009	65,190
2010	67,984
2011	70,897

### 6. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash operating working capital is as follows:

	<u>2006</u>	<u>2005</u>
	\$	\$
Receivables	-	1,783
Payables and accruals	1,181	(1,043)
	<u>1,181</u>	<u>740</u>
Interest paid	<u>39,998</u>	<u>31,544</u>

# **NORTHWEST ROTARY – JANEWAY HOSTEL CORPORATION**

## **Notes to Financial Statements**

March 31, 2006

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### **7. FINANCIAL INSTRUMENTS**

The carrying value of the Hostel's financial instruments included in current assets and current liabilities approximates fair value due to the relatively short term to maturity of these instruments.

Long-term debt reflects fair value based on current borrowing rates available to the Hostel. The amount due to the Eastern Regional Health Authority is non-interest bearing with no set terms of repayment and therefore does not reflect fair value.

**NOVA CENTRAL SCHOOL DISTRICT**  
**AUDITORS' REPORT**  
**FINANCIAL STATEMENTS - JUNE 30, 2005**

## AUDITORS' REPORT

To the Members of the **Nova Central School District**

We have audited the balance sheet of the current and capital funds of the **Nova Central School District** as at June 30, 2005, and the related statements of current revenues, expenditures and Board deficiency, and statement of changes in capital fund position for the ten months 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 Canadian 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 June 30, 2005, and the results of its operations and the changes in its capital financial position for the ten months then ended in accordance with the basis of accounting and as explained in Note 1 to the financial statements, which is in compliance with reporting requirements established for school boards in the Province of Newfoundland and Labrador by the Department of Education.

As required by Section 66(2) of the Schools Act, 1997, we report that all employees collecting, receiving and depositing cash are adequately bonded.

These financial statements, which have not been, were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are intended for the information and use of the Board and the Province of Newfoundland and Labrador and may not be appropriate for any other purpose.

*Walters Hoffe*

Chartered Accountants

Gander, Newfoundland

November 22, 2005

**Nova Central School District**  
**Balance Sheet**  
**June 30, 2005**

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**Assets**

**Current Assets**

Cash (Supp. Info 1)	\$ 106,318
Accounts Receivable (Note 2)	2,211,210
Inventory, at cost	18,119
Prepaid Expenses (Supp. Info 3)	<u>208,186</u>
Total Current Assets	2,543,833
Restricted Cash - Scholarship Contributions	389,888
Property and Equipment (Sch. 8)	<u>166,284,667</u>
	<b><u>\$ 169,218,388</u></b>

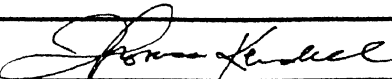
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**Liabilities and Board Equity**

**Current Liabilities**

Bank indebtedness (Note 3)	-
Accounts Payable and Accruals (Note 4)	\$ 11,730,367
Current Maturities (Sch. 9B)	<u>734,530</u>
Total Current Liabilities	12,464,897
Scholarship Contributions	389,888
Long Term Debt (Sch. 9)	4,957,037
Accrued Support Staff Severance	2,785,988
Accrued Teacher Severance	17,576,092
<b>Board Equity</b>	
Investment in Capital Assets (Note 6)	160,735,922
Board Deficiency (Note 8)	<u>(29,691,436)</u>
Total Board Equity	<u>131,044,486</u>
Commitments (Note 7)	
	<b><u>\$ 169,218,388</u></b>

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Approved:  Chairperson

 Treasurer

See accompanying notes.

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# Nova Central School District

## Statement of Current Revenues, Expenditures and Board Deficiency

Ten Months Ended June 30, 2005

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Current Revenues (Schedule 1)	
Local Taxation	
Provincial Government Grants	\$ 98,404,689
Donations	
Ancillary Services	65,004
Miscellaneous	1,208,163
	<u>99,677,856</u>
Current Expenditures	
Administration (Schedule 2)	\$ 2,644,681
Instruction (Schedule 3)	77,936,616
Operations and Maintenance (Schedule 4)	9,915,206
Pupil Transportation (Schedule 5)	7,900,185
Ancillary Services (Schedule 6)	-
Interest Expense (Schedule 9C)	6,067
Miscellaneous Expenses (Schedule 7)	-
	<u>98,402,755</u>
23 111	
Excess (Deficiency) of Revenue over Expenditure Before Teacher Severance, Summer Pay and Transfer to Capital	\$ 1,275,101
Teacher Severance	1,294,376
Teacher Summer Pay	(10,085,584)
Transfer to Capital	<u>(172,742)</u>
Net Increase (Decrease) in Board Equity	\$ (7,688,849)
Board Deficit, beginning of period	(22,002,587)
Board Deficit, end of period	<u>(29,691,436)</u>

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See accompanying notes.



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## Nova Central School District Statement of Changes in Capital Fund

Ten Months Ended June 30, 2005

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70	Capital Receipt		
71	Proceeds from Bank Loans		
011	School Construction		
012	Equipment		
013	Service Vehicles		
014	Pupil Transportation	\$	702,420
015	Other - Energy Performance Contracting		77,634
72	EIC Grants		
011	School Construction and Equipment		485,966
012	Other		43,769
73	Donations		
011	Cash Receipts		
012	Non-Cash Receipts		
013	Restricted Use		
74	Sale of Capital Assets Proceeds		
011	Land		
012	Buildings		
013	Equipment		
014	Service Vehicles		310
015	Pupil Transportation Vehicles		21,609
016	Other		
75	Other Capital Revenues		
011	Interest on Capital Fund Investments		
012	Premiums on Debentures		
013	Recoveries of Expenditures		
015	Insurance Proceeds		
017	Miscellaneous		
Total Capital Receipts			
77	Transfer from Reserve Account		
78	Transfer to/from Current Fund		172,742
<hr/>			
Total		\$	1,504,450
<hr/>			

See accompanying notes.

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## Nova Central School District Statement of Changes in Capital Fund (cont'd)

Ten Months Ended June 30, 2005

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80	Capital Disbursements		
81	Additions to Property and Equipment		
011	Land and Sites	\$	47,772
012	Building		538,515
013	Furniture and Equipment - School		154,681
014	Furniture and Equipment - Other		2,018
015	Services Vehicles		34,768
016	Pupil Transportation		702,420
017	Other		
82	Principal Repayment of Loans		
011	School Construction		
012	Equipment		
013	Services Vehicles		
014	Other		24,276
83	Miscellaneous Disbursements		
013	Other		
	Total Capital Disbursements	\$	<u>1,504,450</u>

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See accompanying notes.

# Nova Central School District

## Notes to the Financial Statements

June 30, 2005

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### 1. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Boards. Fund accounting can be defined as "accounting procedures in which a self-balancing group of accounts is provided for each fund." It is customary for School Boards to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the Board, relating to their use of fund accounting, is as follows:

- a) Grants received by the Board are recorded in either the current or capital funds depending on their source. Grants from the Department of Education are treated as current revenue while those from the Newfoundland and Labrador Education Investment Corporation are mostly recorded as capital revenues.
- b) Land, buildings and equipment are recorded in the accounts based on estimated values at January 1, 1997. Additions since that date are recorded at full cost in the capital fund.
- c) The Board does not calculate or record depreciation on any of its fixed assets.
- d) All capital expenditures financed out of current revenue funds are recorded as an expenditure in the current account.
- e) Principal Repayment of Pupil Transportation Loans are recorded as Current Expenditures. All other principal repayment of bank loans are recorded as Capital Expenditures.

### School Board Consolidation

In the Provincial Budget Speech of March 30, 2004, the Provincial Government announced the restructuring of school boards on the island portion of the province effective September 1, 2004. Under the terms of this restructuring, as of September 1, 2004, Nova Central School District was formed by the consolidation of Baie Verte, Central, Connaigre School District and the Lewisporte/Gander School District.

Also, as a result, the fiscal year for both former School Districts was extended to August 31st, 2004. As a result, the Financial Statements for the Nova Central School District were prepared for the 10 month period from September 1, 2004 to June 30, 2005

### Severance Pay

The Board has in effect severance pay policies whereby employees are entitled to a severance payment upon leaving employment with the Board. Under these policies, a permanent employee who has nine (9) or more years of continuous service in the employ of the School Board is entitled to be paid on resignation, retirement, termination by reasons of disability, expiry of recall rights, or in the event of death, to the employee's estate, severance pay equal to the amount obtained by multiplying the number of completed years of continuous employment by his weekly salary to a maximum of twenty (20) weeks pay. This liability for severance pay has been accrued in the accounts for all employees who have a vested right to receive such payments.

Severance pay for teachers is paid through the Department of Education. An amount of \$ 2,464,310 has been paid during the 2004-05 fiscal period and is included in employee benefits for teachers.

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**Nova Central School District**  
**Notes to the Financial Statements**

June 30, 2005

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	<u>2005</u>
<b>2. Accounts Receivable</b>	
<u>Current</u>	
11 131 Provincial Government Grant	\$ 1,262,651
132 Transportation	
133 Federal Government	529,429
134 School Taxes	
136 Other School Boards	
137 Rent	
138 Interest	
139 Travel Advances and Misc.	168,574
<u>Capital</u>	
11 231 EIC - Construction Grants	60,301
233 Local Contributions	
234 Other School Boards	
235 Other - Department of Education	<u>190,255</u>
	2,211,210
Less: Allowance for uncollectible Government grants	
	<u>\$ 2,211,210</u>

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**3. Bank Indebtedness - Current**

21 131 On Operating Credit	
132 On Current Account	
	<u>\$ -</u>

**Nova Central School District  
Notes to the Financial Statements**

June 30, 2005

4. Accounts Payable and Accruals		2005
<u>Current</u>		
21 111	Trade Payables	\$ 435,096
112	Accrued - Liabilities	49,529
113	- Interest	-
114	- Wages	787,050
115	Payroll Deductions	85,758
116	Retail Sales Tax	
117	Deferred Grants	269,324
119	Summer Pay - Teacher	10,085,584
122	Department of Education	18,026
<u>Capital</u>		
21 211	Trade Payables	
212	Accrued - Liabilities	
213	- Interest	
217	Deferred Grants	
218	Other	
		\$ 11,730,367

**5. Reserve Account - Capital**

Description:

Balance, beginning of period	\$ -
Less: Transfer to Capital Fund	-
Add: Transfer from Board Equity	-
Balance, end of period	\$ -

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**Nova Central School District**  
**Notes to the Financial Statements**

June 30, 2005

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	<u>2005</u>
<b>5A. Reserve Account - Current</b>	
Description:	
Balance, beginning of period	\$ -
Less: Current Expenditures	<u>                    </u>
Add: Transfer from Board Equity	<u>                    </u>
Balance, end of period	<u>\$ -</u>

**Nova Central School District  
Notes to the Financial Statements**

June 30, 2005

	<u>2005</u>
<b>6. Investment in Capital Assets</b>	
Investment in Capital Assets transferred from Lewisporte/Gander School District, August 31, 2004	\$ 87,579,228
Investment in Capital Assets transferred from Baie Verte, Central, Connaigre School District, August 31, 2004	<u>72,278,533</u>
Investment in Capital Assets, August 31, 2004 as previously stated	159,857,761
Prior Year Adjustment	
Restatement of opening Investment in Capital Assets for Baie, Verte Central Connaigre School District	<u>19,826</u>
Opening Investment in Capital Assets, August 31, 2004 as restated	159,877,587
Transfer of Operating Funds to Capital Fund	207,511
Transfer from Reserve	
Grants - EIC - Contribution for Capital Fund	485,966
- Other	9,000
Proceeds from Insurance	
Proceeds from Sale of Capital Assets	
- Land	
- Buildings	
- Vehicles	310
- Buses	21,609
	<u>160,601,983</u>
Deduct Adjustments:	
Cost of Assets Sold - Land	
- Buildings	
- Buses	(353,594)
- Service Vehicles	(76,577)
	<u>(430,171)</u>
Other - Pupil transportation loan payments made by current fund.	409,585
Energy Performance loan payments made by current fund	<u>154,525</u>
23 221 Investment in Capital Assets, end of period	<u>\$ 160,735,922</u>

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**Nova Central School District  
Notes to the Financial Statements**

June 30, 2005

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**7. Commitments**

At the Balance Sheet date, the District had the following commitments:

The District has entered into lease agreements with estimated future payments for the next five years as follows:

2006 - \$183,622  
2007 - \$114,032  
2008 - \$102,276  
2009 - \$64,403  
2010 - \$57,372

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## Nova Central School District Notes to the Financial Statements

June 30, 2005

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### 8. Board Deficiency

Board Deficiency transferred from Lewisporte/Gander School District August 31, 2004	\$ (10,837,958)
Board Deficiency transferred from Baie Verte, Central, Connaigre School District August 31, 2004	<u>(11,144,803)</u>
Opening Board deficiency August 31, 2004 as previously stated	(21,982,761)
Prior Year Adjustments: Restatement of opening Investment in Capital Assets for Baie, Verte Central Connaigre School District	<u>(19,826)</u>
Opening Board deficiency August 31, 2004 as restated	(22,002,587)
Net increase(decrease) in Board Equity (Page 5)	<u>(7,688,849)</u>
Board Deficiency, June 30, 2005	<u>\$ (29,691,436)</u>

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## Nova Central School District Notes to the Financial Statements

June 30, 2005

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### 9. Department of Education Receivables and Payables

As at June 30, 2005 the Board has recorded the following receivables from the Province of Newfoundland & Labrador - Department of Education.

#### Accounts Receivable - Current

Amounts due re: School Operations	\$	164,692
Amounts due re: Water Delivery		67,497
Amounts due re: Insurance - Carmanville		244,277
Amounts due re: Insurance - Eastport		47,886
Amounts due re: Transportation		357,168
Amounts due re: Redundancies		319,543
Amounts due re: Miscellaneous		61,588
	\$	<u>1,262,651</u>

#### Accounts Receivable - Capital

Amounts due re: Transportation - Service Vehicles	\$	34,768
Amounts due re: School Construction		60,301
Amounts due re: JCA Loan		155,487
	\$	<u>250,556</u>

#### Accounts Payable

Amounts due re: Transportation		18,026
Amounts due re: Teachers Payroll		18,026
	\$	<u>18,026</u>

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**Nova Central School District**  
**Current Revenues**

Schedule 1

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**Ten Months Ended June 30, 2005**

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Current Revenues

31	010	Local Taxation		
	011	School Taxes		
32	010	Provincial Government Grants		
	011	Regular Operating Grants	\$	15,658,165
	012	Special Grants (Details on bottom of Schedule 1)		449,504
	013	Payroll Tax		1,229,463
		Salaries and Benefits		
	017	Directors and Assistant Directors		787,017
	021	Regular Teachers		68,323,125
	021	Student Assistants		2,009,990
	022	Substitute Teachers		2,415,890
	030	Pupil Transportation		
	031	Board Owned		6,319,032
	032	Contracted		802,902
	033	Special Needs		325,399
	034	Other - GST On Contracts		84,202
				<hr/>
				98,404,689
				<hr/>
33	010	Donations		
	012	Cash Receipts		-
	013	Non Cash Receipts		-
	014	Restricted Use		-
				<hr/>
34	010	Ancillary Services		
	011	Revenue from Rental of Residences		
	015	Interest on Schools		
	021	Revenues from Rental of Schools and Facilities (Net)		10,400
	022	Internally Generated Funds - Snow Clearing and Other Incentives		54,604
	031	Cafeterias		
	032	Other		
				<hr/>
				65,004
				<hr/>

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**Nova Central School District**  
**Current Revenues**

Schedule 1 (cont'd)

**Ten Months Ended June 30, 2005**

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Current Revenues

35	010	Miscellaneous	
	011	Interest on Investments	25,796
	012	Bus Charters	
		Regular	120,324
		Lunch Hour Runs	57,932
	015	Institutes	
	021	Recoveries of Expenditures	465,907
	022	MUN Grant	
		Internship Program	4,747
		STEMNET	
		Intensive French	
	031	Revenues from Other School Boards	
	051	Insurance Proceeds	458,351
	061	Bilingual Education Revenue	2,796
	071	Operating Revenues from Native Peoples	
		Grant	
	081	Miscellaneous Federal Grant	954
	091	Textbooks	30,400
	092	Sundry	40,956
			<u>1,208,163</u>
36	011	Transfer from Capital	
		Total Current Revenues	<u>\$ 99,677,856</u>

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**Nova Central School District  
Current Revenues**

Schedule 1 (cont'd)

Ten Months Ended June 30, 2005

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Special Grants

French Monitor	41,911
French - Immersion	1,010
French Teacher Aide	23,009
French Enrichment	4,484
CFT Teacher TP - French	4,996
CFT Administration TP - French	14,164
French Second Language - Learning	16,189
Active Living	20,957
Textbook 8% Reimbursement	7,892
Textbook Replacement Savings	19,637
Water Delivery	52,515
Kinderstart	10,227
Strategic Planning - Bussing Pilot	5,814
Strategic Planning - Speech	20,435
Strategic Planning - Moving Forward	7,449
First Steps	4,349
Tutoring/Work Experience	20,336
Tutoring/Work Experience - CDLI	12,065
Leadership at Work	6,188
CDLI	21,143
Miscellaneous	134,734
	<hr/>
	\$ 449,504

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**Nova Central School District  
Administration Expenditures**

**Schedule 2**

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**Ten Months Ended June 30, 2005**

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51 011	Salaries and Benefits - Director and Assistant Directors	\$	787,017
012	Salaries and Benefits - Board Office Personnel		1,271,058
013	Office Supplies		45,357
014	Replacement Furniture and Equipment		39,597
015	Postage		34,445
016	Telephone		69,608
017	Office Equipment Rentals and Repairs		27,535
018	Bank Charges		
019	Electricity		56,153
021	Fuel		
022	Insurance		3,034
023	Repairs and Maintenance (Office Building)		29,012
024	Travel		56,849
025	Board Meeting Expenses		33,927
026	Election Expenses		
027	Professional Fees		73,669
028	Advertising		34,537
029	Membership Dues		37,194
031	Municipal Taxes		11,309
034	Miscellaneous		16,457
035	Payroll Tax		17,923
			<hr/>
Total Administration Expenditures		\$	<b>2,644,681</b>

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**Nova Central School District  
Instruction Expenditures**

Schedule 3

**Ten Months Ended June 30, 2005**

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52 010	Instructional Salaries (Gross)	
011	Teachers' Salaries - Regular	56,318,554
012	- Substitute	2,337,882
013	- Board Paid	
013	- Student Assistants	2,009,990
014	Augmentation	
015	Employee Benefits	11,996,993
016	School Secretaries - Salaries and Benefits	1,886,529
017	Payroll Tax	1,237,054
018	IMC Salary	29,653
		<hr/>
		75,816,655
		<hr/>
52 040	Instructional Materials	
041	General Supplies	486,802
042	Library Resource Materials	41,333
043	Teaching Aids	493,919
044	Textbooks	111,304
		<hr/>
		1,133,358
		<hr/>
52 060	Instructional Furniture and Equipment	
061	Replacement	159,120
062	Rentals and Repairs	166,805
		<hr/>
		325,925
		<hr/>
52 080	Instructional Staff Travel	
081	Program Co-ordinators	53,585
082	Teachers' Travel	164,582
083	Inservice and Conferences	176,817
		<hr/>
		394,984
		<hr/>
090	Other Instructional Costs	
52 091	Postage and Stationary	
092	Miscellaneous	265,694
		<hr/>
		265,694
		<hr/>
		\$ 77,936,616

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**Nova Central School District**  
**Operations and Maintenance Expenditures - Schools**

Schedule 4

**Ten Months Ended June 30, 2005**

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53 011	Salaries and Benefits - Janitorial	\$	2,806,895
012	Salaries and Benefits - Maintenance		1,396,435
013	Payroll Tax		64,621
014	Electricity		2,774,929
015	Fuel		591,453
016	Municipal Service Fees		108,521
017	Telephone		352,232
018	Vehicle Operating and Travel		100,997
019	Janitorial Supplies		193,586
021	Janitorial Equipment		8,156
022	Repairs and Maintenance - Building		807,663
023	- Equipment		4,539
024	Contracted Services - Janitorial		258,967
025	Snow Clearing		362,492
027	Other		83,720
			<hr/>
	Total Operations and Maintenance Expenditures	\$	<u>9,915,206</u>



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**Nova Central School District**  
**Pupil Transportation Expenditures**

Schedule 5

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**Ten Months Ended June 30, 2005**

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54 010	Operation and Maintenance of Board Owned Fleet		
011	Salaries and Benefits - Administration	\$	157,864
012	Salaries and Benefits - Drivers and Mechanics		4,181,021
013	Payroll Tax		58,747
014	Debt Repayment - Interest		131,184
015	- Principal		409,585
016	Bank Charges		
017	Gas and Oil		817,748
018	Licences		63,188
019	Insurance		207,578
021	Repairs and Maintenance - Fleet		443,065
022	- Building		34,061
023	Tires and Tubes		28,213
024	Heat and Light		60,670
025	Municipal Services		3,152
026	Snow Clearing		23,260
027	Office Supplies		13,361
029	Travel		2,494
031	Professional Fees		11,457
032	Miscellaneous		9,390
033	Telephone		31,644
			<hr/>
		\$	6,687,682
			<hr/>
54 040	Contracted Services		
041	Regular Transportation	\$	880,862
042	Handicapped	\$	331,641
			<hr/>
			1,212,503
			<hr/>
	Total Pupil Transportation Expenditures	\$	7,900,185
			<hr/>

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**Nova Central School District  
Ancillary Services and Miscellaneous Expenses**

**Ten Months Ended June 30, 2005**

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**Ancillary Services**

**Schedule 6**

55 Ancillary Services  
011 Operations of Teachers' Residence  
013 Janitorial  
031 Cafeterias  
032 Other

\$ -

---

\$ -

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**Miscellaneous Expenses**

**Schedule 7**

The Board has incurred the following miscellaneous expenses:

57 001 Miscellaneous

---

\$ -

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**Nova Central School District  
Details of Property and Equipment**

Schedule 8

**Ten Months Ended June 30, 2005**

	Balance August 31, 2004	Transfer Current Year	Additions 2005	Disposals 2005	Balance June 30, 2005
Land and Sites					
12 210 Land and Sites					
211 Land and Sites		1,658,711	47,772		1,706,483
12 212 Land Improvements		1,658,711	47,772	-	1,706,483
12 220 Buildings					
221 Schools		128,097,800	538,425		128,636,225
222 Administration		2,483,167	89		2,483,256
223 Residential					-
224 Recreation					-
225 Other - Maintenance		136,323			136,323
		130,717,290	538,514	-	131,255,804
12 230 Furniture & Equipment					
231 Schools		18,536,091	154,681		18,690,772
232 Administration		1,405,040	2,019		1,407,059
233 Residential					-
234 Recreation					-
235 Other - Maintenance		14,080			14,080
		19,955,211	156,700	-	20,111,911
12 240 Vehicles					
241 Service Vehicles		341,851		28,000	313,851
12 250 Pupil Transportation					
251 Land		60,817			60,817
252 Building		829,293			829,293
253 Vehicles - Buses		11,387,457	702,420	353,594	11,736,283
254 - Service		233,125	34,768	48,578	219,315
255 Equipment		50,262			50,262
256 Other					-
		12,560,954	737,188	402,172	12,895,970
12 260 Miscellaneous Capital Assets					
261 Other		648			648
<b>Total Property &amp; Equipment</b>		<b>\$ 165,234,665</b>	<b>\$ 1,480,174</b>	<b>\$ 430,172</b>	<b>\$ 166,284,667</b>

Land, buildings and equipment have been recorded in the accounts at estimated values at January 1, 1997. Additions since that date have been recorded at cost. Lands and sites on which some of the buildings are erected are vested in the former school boards or denominational education councils or churches. All real and personal property used for the purpose of education by Nova Central School District will be subject to the terms and conditions contained in Section 84 of the 1997 Schools Act.

**Nova Central School District  
Details of Long Term Debt**

Schedule 9

**Ten Months Ended June 30, 2005**

Bank loans, mortgages and debentures, approved by the Board and the Government of Newfoundland and Labrador

22 210 Loans Other Than Pupil Transportation

Ref.#

211 Bank Loans

___ Repayable \$ <u>15,452</u> monthly, maturing <u>2015</u>	\$ 1,711,393
___ Repayable \$ _____ monthly, maturing _____	
___ Repayable \$ _____ monthly, maturing _____	
___ Repayable \$ _____ monthly, maturing _____	
___ Repayable \$ _____ monthly, maturing _____	

Total 211 \$ 1,711,393

212 Mortgages

___ Repayable \$ _____ monthly, maturing _____	
___ Repayable \$ _____ monthly, maturing _____	
___ Repayable \$ _____ monthly, maturing _____	

Total 212                     

213 Vehicles

___ Repayable \$ <u>720</u> monthly, maturing 2007	16,570
___ Repayable \$ _____ monthly, maturing _____	

Total 213 16,570

214 Other - JCA

___ Repayable \$3,758 monthly, maturing 2008	<u>142,815</u>
--	----------------

Subtotal 1,870,778

215 Less: Current Maturities 239,170

Total Loans Other Than Pupil Transportation \$ 1,631,608

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## Nova Central School District Details of Long Term Debt

Schedule 9 (cont'd)

Ten Months Ended June 30, 2005

---

22 220 Loans - Pupil Transportation

Ref.#

221 Vehicle Bank Loans

Prime-1% Repayable \$2,677 monthly, maturing <u>2011</u>	\$	184,718
Prime-1% Repayable \$1,537 monthly, maturing <u>2011</u>		116,830
Prime-1% Repayable \$3,648 monthly, maturing <u>2012</u>		302,758
Prime-1% Repayable \$6,277 monthly, maturing <u>2013</u>		608,877
Prime-1% Repayable \$ 491 monthly, maturing <u>2007</u>		9,323
Prime-1% Repayable \$1,125 monthly, maturing <u>2014</u>		127,148
Prime-1% Repayable \$2,914 monthly, maturing <u>2015</u>		341,013
Prime-1% Repayable \$3,794 monthly, maturing <u>2016</u>		515,977
Prime-1% Repayable \$1,549 monthly, maturing <u>2011</u>		100,656
Prime-1% Repayable \$2,083 monthly, maturing <u>2011</u>		150,000
Prime-1% Repayable \$5,211 monthly, maturing <u>2011</u>		375,190
Prime-1% Repayable \$2,090 monthly, maturing <u>2013</u>		200,667
Prime-1% Repayable \$2,738 monthly, maturing <u>2014</u>		298,390
Prime-1% Repayable \$2,793 monthly, maturing <u>2015</u>		326,816
Prime-1% Repayable \$1,083 monthly, maturing <u>2016</u>		146,343
Prime-1% Repayable \$ 680 monthly, maturing <u>2006</u>		8,875
Prime-1% Repayable \$ 590 monthly, maturing <u>2006</u>		7,208

---

Subtotal	3,820,789
223 Less: Current Maturities	495,360
Total Loans - Pupil Transportation	<u>3,325,429</u>
Total Long Term Debt	<u>4,957,037</u>

**Nova Central School District  
Summary of Long Term Debt**

Schedule 9A

**Ten Months Ended June 30, 2005**

#

<u>Description</u>	<u>Ref.#</u>	<u>Rate</u>	<u>Balance August 31 2004</u>	<u>Loans Obtained During Period</u>	<u>Principal Repayment for Period</u>	<u>Balance June 30 2005</u>
A) School Construction		Prime - 1%	\$ 180,398		37,583	\$ 142,815
B) Equipment						
C) Service Vehicles			40,846		24,276	16,570
D) Other - Energy Performance Contracting		Prime - 1%	1,788,284	77,634	154,526	1,711,392
E) Pupil Transportation		Prime - 1%	<u>3,527,954</u>	<u>702,420</u>	<u>409,585</u>	<u>3,820,789</u>
Total Loans			\$ 5,537,482	\$ 780,054	\$ 625,970	\$ 5,691,566
Less: Current Maturities			\$ 661,629			734,530
Total Loans			<u>\$ 4,875,853</u>	<u>\$ 780,054</u>	<u>\$ 625,970</u>	<u>\$ 4,957,036</u>

---

**Nova Central School District  
Schedule of Current Maturities**

Schedule 9B

**June 30, 2005**

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Description	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
A) School Construction	\$ 230,530	230,530	230,530	192,940	185,424
B) Equipment					
C) Service Vehicles	8,640	7,930			
D) Other					
E) Pupil Transportation	<u>495,360</u>	<u>495,360</u>	<u>495,360</u>	<u>495,360</u>	<u>495,360</u>
Total	<u>\$ 734,530</u>	<u>\$ 733,820</u>	<u>\$ 725,890</u>	<u>\$ 688,300</u>	<u>\$ 680,784</u>

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**Nova Central School District  
Schedule of Interest Expenses**

Schedule 9C

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**Ten Months Ended June 30, 2005**

---

Description

012 Capital

School Construction

Equipment

Service Vehicles

149

Other

Pupil Transportation

131,184

Total Capital

131,333

013 Current - Operating Loans  
- Supplier Interest Charges

4,796

1,122

Total Current

5,918

Total Interest Expense

\$ 137,251



# Nova Central School District Supplementary Information

June 30 2005

2005

1. **Cash**

**Current**

11	110	Cash on Hand and in Bank		
	111	Cash on Hand	\$	485
	112	Bank - Current		103,959
	113	- Savings		
	114	- Teachers' Payroll		874
	115	- Non Teachers' Payroll		
	116	- Coupon (debenture)		1,000

**Capital**

11	210	Cash on Hand and in Bank		
	211	Cash on Hand		
	212	Bank - Current		
	213	- Savings		
	214	- Other		
Total Cash on Hand and in Bank			\$	<u>106,318</u>

2. **Short Term Investments**

**Current**

11	121	Term Deposits		
	122	Canada Savings Bonds		
	123	Other		

**Capital**

11	221	Term Deposits		
	222	Canada Savings Bonds		
	223	Other		
Total Short Term Investments				<u>-</u>

---

**Nova Central School District  
Supplementary Information (Con't)**

June 30, 2005

2005

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3. **Prepaid Expenses**

**Current**

11	141	Insurance	
	142	Municipal Service Fees	62,360
	143	Supplies	
	144	Other - WHSCC	76,489
		- Travel	
		- Miscellaneous	69,337

**Capital**

11 241 Other (Energy Performance)

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**\$ 208,186**

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**OFFICE OF THE HIGH SHERIFF  
OF NEWFOUNDLAND AND LABRADOR**

**FINANCIAL STATEMENTS**

**31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the High Sheriff of Newfoundland and Labrador  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Office of the High Sheriff of Newfoundland and Labrador as at 31 March 2006 and the statement of operations for the year then ended. These financial statements have been prepared to meet the information needs of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador under Section 10 of the *Sheriff's Act, 1991*. The financial statements are the responsibility of the High Sheriff. 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 Office of the High Sheriff of Newfoundland and Labrador as at 31 March 2006 and the results of its operations for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador to meet their information needs under Section 10 of the *Sheriff's Act, 1991*. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

A handwritten signature in black ink, appearing to read 'John L. Noseworthy'.

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
6 June 2006

**OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR  
BALANCE SHEET**

31 March

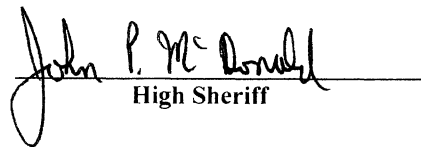
2006

2005

	Trust Fund (Note 2)	Revenue Fund (Note 3)	Trial and Jury Fund (Note 4)		
<b>ASSETS</b>					
Cash	\$ 73,915	\$ 10,406	\$ 17,210	\$ 101,531	\$ 91,403
Accounts receivable	257	111,415	3,305	114,977	139,069
Inventory held in trust (Note 1)	1	-	-	1	1
	<b>\$ 74,173</b>	<b>\$ 121,821</b>	<b>\$ 20,515</b>	<b>\$ 216,509</b>	<b>\$ 230,473</b>
<b>LIABILITIES</b>					
Trust account, court orders	\$ 71,369	\$ -	\$ -	\$ 71,369	\$ 72,563
Due to Consolidated Revenue Fund	2,804	121,821	515	125,140	137,910
Trial and jury account, accountable advance	-	-	20,000	20,000	20,000
	<b>\$ 74,173</b>	<b>\$ 121,821</b>	<b>\$ 20,515</b>	<b>\$ 216,509</b>	<b>\$ 230,473</b>

*See accompanying notes*

Signed on behalf of the Office:

  
High Sheriff

**OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR  
STATEMENT OF OPERATIONS**

**For the Year Ended 31 March**

**2006**

**2005**

	Trust Fund (Note 2)	Revenue Fund (Note 3)	Trial and Jury Fund (Note 4)		
<b>REVENUES</b>					
Court orders	\$ 2,499,923	\$ -	\$ -	\$ 2,499,923	\$ 3,049,336
Service fees	-	1,866,591	-	1,866,591	1,777,535
Registration fees, court orders	-	310,297	-	310,297	319,923
Replenishment of trial and jury bank account	-	-	15,015	15,015	43,483
Interest	3,775	-	508	4,283	4,628
	<b>\$ 2,503,698</b>	<b>\$ 2,176,888</b>	<b>\$ 15,523</b>	<b>\$ 4,696,109</b>	<b>\$ 5,194,905</b>
<b>EXPENSES</b>					
Court orders	\$ 2,499,923	\$ -	\$ -	\$ 2,499,923	\$ 3,049,336
Consolidated Revenue Fund	3,143	2,176,888	508	2,180,539	2,101,396
Trial and jury expenses	-	-	15,015	15,015	43,483
Bank fees	632	-	-	632	690
	<b>\$ 2,503,698</b>	<b>\$ 2,176,888</b>	<b>\$ 15,523</b>	<b>\$ 4,696,109</b>	<b>\$ 5,194,905</b>

*See accompanying notes*

**OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

---

**Authority**

The Office of the High Sheriff of Newfoundland and Labrador operates under the authority of the *Judgment Enforcement Act and Regulations*, implemented 1 June 1997 and the *Sheriff's Act, 1991*. The Office is the enforcement arm of the Supreme Court of Newfoundland and Labrador and the Provincial Courts (the Courts), and has the responsibility of enforcing all monetary judgments issued by these Courts. This includes the attachment and seizure of real and personal property. The Office is also responsible for the service of court documents, the administration of the jury system and court security.

**1. Basis of accounting**

These financial statements have been prepared by the Office of the High Sheriff of Newfoundland and Labrador in accordance with the significant accounting policies set out below to meet the information needs of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador under Section 10 of the *Sheriff's Act, 1991*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because revenues related to Court orders are being recognized on a cash basis and not all expenditures related to the operations of the Office are reflected in these statements.

**Significant accounting policies**

These financial statements have been prepared on the accrual basis of accounting except for Court order revenues which are recorded on a cash basis. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the High Sheriff of Newfoundland and Labrador, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for those expenditures.

(b) Inventory held in trust

Inventory consists of real or personal property seized by the Office of the High Sheriff of Newfoundland and Labrador as the result of a Court order and is recorded in these financial statements at a nominal value of \$1 as valuation of these assets is not readily determinable. These assets are recorded in the records of the Office at an estimated value for administrative purposes.

**2. Trust Fund**

A trust bank account has been established to accommodate the receipt of funds collected from defendants and the payment of these funds to plaintiffs.

**OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

---

**3. Revenue Fund**

Revenues collected for various services provided by the Office of the High Sheriff of Newfoundland and Labrador are deposited directly to the Province's Consolidated Revenue Fund.

**4. Trial and Jury Fund**

The Office of the High Sheriff of Newfoundland and Labrador is responsible for jury administration in the Province and maintains a recurring accountable advance of \$20,000 to pay expenses associated with this duty. This advance is replenished as required throughout the year by claims submitted to the Department of Justice.

**5. Related party transactions**

Service fees, search fees and registration fees collected, and interest earned, net of bank fees, are paid into the Province's Consolidated Revenue Fund.

**6. Income taxes**

The Office of the High Sheriff of Newfoundland and Labrador is a division of the Department of Justice and as such is not subject to Provincial or Federal income taxes.



**PRIVATE TRAINING CORPORATION**

**TRAIN OUT FUND**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2005**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the Board of Directors  
Private Training Corporation  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Private Training Corporation, Train Out Fund as at 31 December 2005 and the statements of revenue, expenses and surplus, and cash flows 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 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 Fund as at 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "John L. Noseworthy".

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
8 March 2006

**PRIVATE TRAINING CORPORATION  
TRAIN OUT FUND  
BALANCE SHEET**

**31 December**

**2005**

**2004**

**ASSETS**

**Current**

Cash	\$ 164,407	\$ 221,816
Short-term investments, at cost	979,292	713,746
Accounts receivable (Note 2)	72,245	51,313
	<u>\$ 1,215,944</u>	<u>\$ 986,875</u>

**LIABILITIES AND SURPLUS**

**Current**

Accounts payable	\$ 8,210	\$ 3,882
Train out payable	-	68,630
	<u>8,210</u>	<u>72,512</u>

<b>Surplus</b>	<u>1,207,734</u>	<u>914,363</u>
	<u>\$ 1,215,944</u>	<u>\$ 986,875</u>

*See accompanying notes*

Signed on behalf of the Corporation:

  
Chairperson

  
Director

**PRIVATE TRAINING CORPORATION**  
**TRAIN OUT FUND**  
**STATEMENT OF REVENUE, EXPENSES AND SURPLUS**  
**For the Year Ended 31 December**

	<b>2005</b>	<b>2004</b>
<b>REVENUE</b>		
Contributions from institutions	\$ 246,456	\$ 231,663
Train out cost revaluation (Note 3)	38,630	-
Interest	18,142	11,653
Bad debt recovery	3,822	-
	<b>307,050</b>	<b>243,316</b>
<b>EXPENSES</b>		
Bad debt	-	10,000
Board expenses (Note 4)	10,000	-
Chairperson stipend	1,358	1,743
Office expense	694	639
Professional fees	1,627	959
	<b>13,679</b>	<b>13,341</b>
<b>Excess of revenue over expenses</b>	<b>293,371</b>	<b>229,975</b>
<b>Surplus, beginning of year</b>	<b>914,363</b>	<b>684,388</b>
<b>Surplus, end of year</b>	<b>\$ 1,207,734</b>	<b>\$ 914,363</b>

*See accompanying notes*

**PRIVATE TRAINING CORPORATION  
TRAIN OUT FUND**

**STATEMENT OF CASH FLOWS**

**For the Year Ended 31 December**

**2005**

**2004**

**Cash flows from operating activities**

Excess of revenue over expenses	\$ 293,371	\$ 229,975
Change in non-cash working capital		
Accounts receivable	(20,932)	(7,917)
Bond receivable	-	100,000
Accounts payable	4,328	161
Train out payable	(68,630)	-
<b>Net increase in cash and cash equivalents</b>	<b>208,137</b>	<b>322,219</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>935,562</b>	<b>613,343</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,143,699</b>	<b>\$ 935,562</b>
<b>Cash and cash equivalents include:</b>		
Cash	\$ 164,407	\$ 221,816
Short-term investments, at cost	979,292	713,746
	<b>\$ 1,143,699</b>	<b>\$ 935,562</b>

*See accompanying notes*

**PRIVATE TRAINING CORPORATION**  
**TRAIN OUT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 December 2005**

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**Authority**

The Private Training Corporation (the Corporation), established 1 January 1999, operates under the authority of the *Private Training Institutions Act*. The purpose of the Corporation is to operate the Train Out Fund to provide compensation to students to complete their training where a private training institution fails to fulfill its training to students due to closure, and to monitor the financial operations of all private training institutions. Private training institutions make contributions to the Fund based on a percentage of the student tuition.

**1. Significant accounting policies**

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles.

**2. Accounts receivable**

	<u>2005</u>	<u>2004</u>
Contributions from institutions	\$ 85,272	\$ 68,162
Less: Allowance for doubtful accounts	13,027	16,849
	<u>\$ 72,245</u>	<u>\$ 51,313</u>

**3. Train out cost revaluation**

Since 2002 the financial statements have included an accrual of \$68,630 based on an estimate related to a train out cost. During 2005 this outstanding liability was settled and the actual payout was \$30,000. As a result, these financial statements reflect the adjustment made to the liability of \$38,630.

**4. Related party transaction**

Employees of the Department of Education perform certain duties related to the administration of the Train Out Fund. The Corporation reimburses the Department for these expenses.

**5. Financial instruments**

The Corporation's financial instruments recognized on the balance sheet consist of cash, short-term investments, accounts receivable, accounts payable, and train out payable. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Any estimated impairment of accounts receivable has been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to the financial instruments.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR  
POOLED PENSION FUND**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2005**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

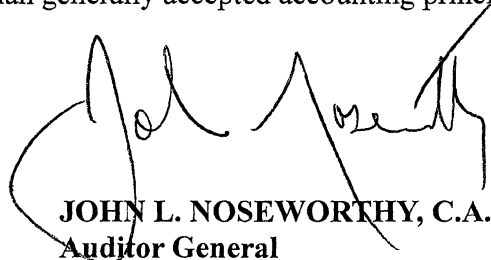
**AUDITOR'S REPORT**

To the Trustee  
Province of Newfoundland and Labrador  
Pooled Pension Fund  
St. John's, Newfoundland and Labrador

I have audited the consolidated statement of net assets available for benefits of the Province of Newfoundland and Labrador Pooled Pension Fund as at 31 December 2005 and the consolidated 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 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 consolidated financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at 31 December 2005 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.



**JOHN L. NOSEWORTHY, C.A.**  
Auditor General

St. John's, Newfoundland and Labrador  
30 June 2006

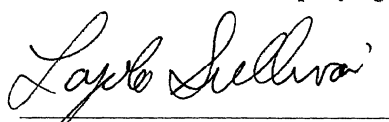


**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND  
CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**

<b>31 December</b>	<b>2005</b>	<b>2004</b>
	(000's)	(000's)
<b>ASSETS</b>		
Investments (Note 2)		
Short-term notes and deposits	\$ 81,448	\$ 92,984
Bonds and debentures	573,108	538,154
Equities - Canadian	1,604,010	1,303,451
- Foreign	854,111	777,066
Real estate (Note 3)	152,826	125,425
	<b>3,265,503</b>	<b>2,837,080</b>
Receivables		
Employee contributions	3,840	3,576
Employer contributions	3,753	3,514
Accrued investment income	9,275	7,806
Accounts receivable	405	126
	<b>17,273</b>	<b>15,022</b>
Cash	7,606	14,246
Prepaid expenses	333	94
Deferred charges	2,866	1,789
	<b>3,293,581</b>	<b>2,868,231</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	5,514	4,137
Refunds payable	1,164	433
Due to Province of Newfoundland and Labrador	3,350	1,754
Mortgages payable (Note 4)	77,555	65,269
	<b>87,583</b>	<b>71,593</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$ 3,205,998</b>	<b>\$ 2,796,638</b>

*See accompanying notes*

Signed on behalf of the Fund:

  
Minister of Finance  
Trustee

  
Chairperson  
Pension Investment Committee

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND  
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

**For the Year Ended 31 December**

**2005**

**2004**

	<b>Public Service Pension Plan</b>	<b>Teachers' Pension Plan</b>	<b>Uniformed Services Pension Plan</b>	<b>Members of the House of Assembly Pension Plan</b>	<b>Provincial Court Judges' Pension Plan</b>	<b>Total</b>	<b>Total</b>
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
<b>Increase in net assets</b>							
Investments (Note 5)							
Investment income	\$ 88,341	\$ 35,639	\$ 2,570	\$ 624	\$ 64	\$ 127,238	\$ 98,543
Gain on sale of investments	86,942	35,075	2,529	614	63	125,223	72,209
Current period change in market value of investments	122,765	49,527	3,571	866	88	176,817	117,725
	298,048	120,241	8,670	2,104	215	429,278	288,477
Contributions							
Employee	77,969	36,357	2,265	414	164	117,169	117,366
Employer (Note 6)	77,111	33,449	2,244	(42)	(4)	112,758	114,627
Special payments (Note 6)	60,000	66,222	20,000	-	-	146,222	163,500
Transfers from other plans (Note 13)	-	9,778	-	-	-	9,778	-
	513,128	266,047	33,179	2,476	375	815,205	683,970
<b>Decrease in net assets</b>							
Pensions	161,371	193,936	14,117	-	-	369,424	346,970
Refund of contributions with interest	14,641	1,752	261	-	1	16,655	13,686
Administrative costs (Note 7)	6,989	2,712	213	52	22	9,988	9,497
Transfers to other plans (Note 13)	-	-	-	9,778	-	9,778	325
	183,001	198,400	14,591	9,830	23	405,845	370,478
<b>Total increase (decrease) in net assets</b>	<b>330,127</b>	<b>67,647</b>	<b>18,588</b>	<b>(7,354)</b>	<b>352</b>	<b>409,360</b>	<b>313,492</b>
<b>Net assets available for benefits, beginning of year</b>	<b>1,921,474</b>	<b>813,325</b>	<b>43,972</b>	<b>16,661</b>	<b>1,206</b>	<b>2,796,638</b>	<b>2,483,146</b>
<b>Net assets available for benefits, end of year</b>	<b>\$2,251,601</b>	<b>\$880,972</b>	<b>\$62,560</b>	<b>\$ 9,307</b>	<b>\$1,558</b>	<b>\$3,205,998</b>	<b>\$2,796,638</b>

*See accompanying notes*

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

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**Authority and description**

The Province of Newfoundland and Labrador Pooled Pension Fund (the Fund) was created 1 July 1980 under the authority of the *Pensions Funding Act* for the purpose of providing for the funding of pension plans sponsored by the Province. The affairs of the Fund are managed by the Minister of Finance, as Trustee of the Fund. Section 9 of the *Act* states that where there are insufficient assets to meet the obligations of the Fund, or the equity apportioned to a plan is insufficient to meet the obligations of the plan, the Minister shall pay out of the Consolidated Revenue Fund sufficient monies as may be necessary to cover the deficiency.

The following pension plans participate in the Fund: Public Service Pension Plan, Teachers' Pension Plan, Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan and the Provincial Court Judges' Pension Plan.

**(a) Public Service Pension Plan**

(i) General

The Plan is a contributory defined benefit pension plan covering full-time employees of the Government of the Province of Newfoundland and Labrador and various Crown corporations, agencies and commissions created by or under a statute of the Province.

(ii) Employee contributions

Employee contributions are equal to 8.6% of the Canada Pension Plan (CPP) basic exemption, plus 6.8% of the employee's salary between the CPP basic exemption and the Year's Maximum Pensionable Earnings (YMPE) under the CPP, plus 8.6% of the employee's salary in excess of the YMPE.

(iii) Accrued service pensions

A service pension is available based on the number of years of pensionable service times 2% of the member's best five years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after 1 April 1967.

Employees who have reached age 50 and have at least 30 years of service are permitted to retire with a 0.5% reduction in pension benefit for each month under age 55.

Employees who have reached age 55 and have 30 years of service may retire with an unreduced pension. Employees age 55 or greater with less than 30 years service and with age and service equal to 85 may retire with a pension reduced by 0.5% for each month under age 60.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

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**Authority and description (cont.)**

**(a) Public Service Pension Plan (cont.)**

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service. Where an employee with at least 5 years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

(vi) Death refunds

The commuted value of the pension entitlement is payable when a survivor pension is not payable.

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension or commuted value.

(viii) Indexing

Effective 1 October 2002 and each 1 October thereafter the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 shall be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual pension or survivor benefit.

**(b) Teachers' Pension Plan**

(i) General

The Plan is a contributory defined benefit pension plan covering teachers employed by school boards or the Province of Newfoundland and Labrador and full-time employees of the Newfoundland and Labrador Teachers' Association.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

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**Authority and description (cont.)**

**(b) Teachers' Pension Plan (cont.)**

(ii) Employee contributions

Employee contributions are equal to 9.35% of salary.

(iii) Accrued service pensions

A service pension is available based on  $1/45^{\text{th}}$  of the member's best five years average salary times years of pensionable service prior to 1 January 1991, plus 2% of the member's best five years average salary times years of pensionable service after 1 January 1991. When a member who retired after 31 August 1998 reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after 1 April 1967.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

(vi) Death refunds

A refund equal to employee's contributions with interest is payable when a survivor pension is not payable.

(vii) Termination benefits

On termination of employment, a teacher may elect to receive a refund of the teacher's own contributions with interest or, if the teacher has at least five years pensionable service, may elect to receive a deferred pension.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

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**Authority and description (cont.)**

**(b) Teachers' Pension Plan (cont.)**

(viii) Indexing

Effective 1 September 2002 and each 1 September thereafter the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 shall be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual pension or survivor benefit. This provision only applies to a pension or survivor benefit where the teacher to whom that pension or benefit relates retires after 31 August 1998.

**(c) Uniformed Services Pension Plan**

(i) General

The Plan is a contributory defined benefit pension plan covering members of the Royal Newfoundland Constabulary, warders at various Provincial correctional institutions, and some members of the St. John's Regional Fire Department.

(ii) Employee contributions

Employee contributions are equal to 8.5% of the Canada Pension Plan (CPP) basic exemption, plus 6.7% of the employee's salary between the CPP basic exemption and the Year's Maximum Pensionable Earnings (YMPE) under the CPP, plus 8.5% of the employee's salary in excess of the YMPE. Grandfathered members contribute an additional 3.5% of salary, which is also matched by the Province.

(iii) Accrued service pensions

A service pension is available based on the number of years of pensionable service times 2% of the member's best three years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best three years average salary up to average YMPE times years of pensionable service after 1 April 1967. Grandfathered members have higher service pensions in recognition of higher contributions (as set out in Employee contributions above).

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

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**Authority and description (cont.)**

**(c) Uniformed Services Pension Plan (cont.)**

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service. For grandfathered members, the survivor pension is 55% of the member's accrued service pension. Where an employee with at least 5 years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

(vi) Death refunds

The commuted value of the pension entitlement is payable when a survivor pension is not payable.

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension or the commuted value.

**(d) Members of the House of Assembly Pension Plan**

(i) General

The Plan is a contributory defined benefit pension plan for Members of the House of Assembly. Members may elect not to participate in the Plan for their first term.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan.

(ii) Member contributions

Members are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Member contributions cease after seventeen years of service if elected before or during the 43<sup>rd</sup> General Assembly and after twenty years of service if elected since that time.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

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**Authority and description (cont.)**

**(d) Members of the House of Assembly Pension Plan (cont.)**

(iii) Calculation of allowances on retirement

A vested Member who is no longer an MHA or a minister may, on application and subject to eligibility criteria, receive an allowance from the Registered Plan that is the product of 2% of MHA and minister's salary for the best three calendar years. When a member reaches age 65, the amount of the registered allowance is reduced by 0.6% of the Member's average YMPE times years of service between 1 January 1998 and 31 December 2004. The amount of the registered allowance shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

A vested Member who is no longer an MHA or a minister may, on application and subject to eligibility criteria, receive an allowance from the Supplementary Plan. The Member's supplementary allowance is reduced by the amount of his or her registered allowance. The annual allowance is based on a percentage of the average of the Member's salary for the best three calendar years.

For Members elected for the first time before or during the 43<sup>rd</sup> General Assembly, the percentage is calculated at 5% for each of the first ten years, 4% for each of the next five years, and 2.5% for each of the next two years. Ministers receive an additional allowance calculated similarly and based on service and salary as a Minister (excluding Member's salary).

For Members elected for the first time after the 43<sup>rd</sup> General Assembly the percentage is 5% for each of the first ten years, 2.5% for each of the next ten years, and 2.0% for each year of other service. When a member reaches age 65, the amount of the supplementary allowance is reduced by 0.6% of the Member's average YMPE times years of service after 1 April 1967 (service between 1 January 1998 and 31 December 2004 excluded).

(iv) Disability pension

A disability pension equal to the amount of the registered allowance the Member would have been eligible to receive at 65 years of age is available if a Member becomes permanently disabled. Additional supplementary benefits are also available on disability.

(v) Survivor benefits

A survivor benefit equal to 60% of the Member's registered allowance that he or she would have received had he or she reached age 65 on the date of death is paid to the surviving principal beneficiary. If a Member dies before receiving an allowance and a survivor benefit is payable, the surviving principal beneficiary may elect to receive the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the Member's entitlement. Additional supplementary survivor benefits are also available.



**Authority and description (cont.)**

**(d) Members of the House of Assembly Pension Plan (cont.)**

(vi) Death refunds

The commuted value of the entitlement of a Member is payable when a survivor benefit is not payable.

(vii) Termination benefits

A Member who is no longer an MHA or a minister and who has been elected to only one general assembly or who has less than 5 years of service may elect to receive a refund of his or her contributions with interest.

A vested Member who is no longer an MHA or a minister may, subject to eligibility criteria, elect to transfer the commuted value of his or her entitlement under the Registered Plan to another approved retirement arrangement, or receive a deferred registered allowance. Also, the Member may receive a lump sum payment of his or her entitlement under the Supplementary Plan, or receive a deferred supplementary allowance.

**(e) Provincial Court Judges' Pension Plan**

(i) General

The Plan is a contributory defined benefit pension plan covering all Provincial Court judges appointed on or after 1 April 2002, and to a judge who elected on or before 1 April 2002 to join the Plan.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan.

(ii) Judges' contributions

Judges are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Judges' contributions cease when they have accrued and paid contributions for twenty years of pensionable service.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

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**Authority and description (cont.)**

**(e) Provincial Court Judges' Pension Plan (cont.)**

(iii) Calculation of allowances on retirement

The annual amount of the allowance paid from the Registered Plan to a vested judge on normal retirement is the product of 2% of his or her annual salary on ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years. The amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

The annual amount of the allowance paid from the Supplementary Plan to a vested judge on normal retirement is the product of 3.33% of his or her annual salary on ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years. A judge's supplementary allowance is reduced by the amount of the judge's registered allowance.

Normal retirement date is the first day of the month following the judge's 65<sup>th</sup> birthday.

(iv) Survivor benefits

A survivor benefit equal to 60% of the pensioner's or judge's registered allowance that he or she would have received had he or she reached age 65 on the date of death is paid to the surviving principal beneficiary. If a judge dies before receiving an allowance and a survivor benefit is payable, the surviving principal beneficiary may elect to receive the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the judge's entitlement.

(v) Death refunds

The commuted value of the entitlement of a judge is payable when a survivor benefit is not payable.

(vi) Termination benefits

A judge who has stopped serving as a judge and who has less than two years of judge's service may elect to receive a refund of his or her contributions with interest.

A judge who has at least two years of judge's service may, subject to eligibility criteria, elect to transfer the commuted value of his or her entitlement under the Registered Plan to another approved retirement arrangement, receive a lump sum payment of his or her entitlement under the Supplementary Plan, or receive a deferred allowance.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

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**Authority and description (cont.)**

**(e) Provincial Court Judges' Pension Plan (cont.)**

(vii) Indexing

Effective 1 October 2002 and each 1 October thereafter, the amount of the allowance or survivor benefit paid to an individual who has reached the age of 65 shall be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual allowance or survivor benefit.

**1. Significant accounting policies**

These consolidated financial statements have been prepared by the Fund's management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements present the aggregate financial position of the Fund as a separate financial reporting entity including the operations of its subsidiary Newvest Realty Corporation. They are prepared to assist plan members and others in reviewing the activities of the Fund for the fiscal period. Outlined below are the significant accounting policies followed.

(a) Principles of consolidation

These consolidated financial statements include the assets, liabilities and the changes in net assets of the Fund and Newvest Realty Corporation, a wholly-owned subsidiary incorporated on 9 August 2001 under the *Canada Business Corporations Act* to invest monies received from the Fund in Canadian real estate property. Inter-entity transactions and balances have been eliminated in these consolidated financial statements.

(b) Gains and losses on investments

The cost of sales for all investment dispositions is calculated as the weighted average of their costs.

(c) Investment income

Investment income is allocated to the pension plans under the Fund based on the respective equity position, calculated on a market basis, of each plan after giving effect to a time weighting of receipts and disbursements. The proportionate share of investment income is then attributed to each plan.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

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**1. Significant accounting policies (cont.)**

(c) Investment income (cont.)

Investment income consists of the following:

- (i) Dividend income which is recognized as of the date of record for North American equities and as of the date of receipt for non-North American equities.
- (ii) Bank interest and interest on bonds and debentures, and short-term notes and deposits, which is recognized as it is earned.
- (iii) Real estate income which is recognized on consolidation of Newvest Realty Corporation.
- (iv) Foreign exchange gains or losses.

(d) Current period change in the market value of investments

The current period change in the market value of investments is allocated to the pension plans under the Fund based on the respective equity position, calculated on a market basis, of each plan after giving effect to a time weighting of receipts and disbursements. The proportionate share of current period change in the market value of investments is then attributed to each plan.

**2. Investments**

All investments are valued as follows:

- (a) Short-term notes and deposits are valued at book value which approximates market value.
- (b) Bonds and debentures are valued at the last bid price on the valuation date.
- (c) Publicly traded equities are valued at the last board lot trade for a given stock. In instances where the quoted stock has not been traded on valuation date, the price of the last board lot bid price is quoted.
- (d) The Fund holds its real estate investments through its sole ownership interest in Newvest Realty Corporation. Income producing properties acquired by the Corporation during the current year are recorded at cost. These properties are presented at their appraised values in accordance with the Corporation's appraisal policy which requires that properties be appraised at least once every two years by professionally qualified independent appraisers. The external appraisals are completed in six month cycles on approximately one quarter of the Corporation's portfolio. The properties that are not externally appraised during each six month cycle are appraised by Bentall Investment Management Limited Partnership. Any increases or decreases in value resulting from the appraisal process are reflected in the Fund's financial statements on consolidation.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

**3. Real estate investments**

The Fund's investment in real estate as at 31 December 2005, which is comprised of real estate investments held by its wholly owned subsidiary, Newvest Realty Corporation, is as follows:

	<b>2005</b>	2004
	(000's)	(000's)
<b>Assets</b>		
Income producing properties (Appraised Value)	\$ 152,826	\$ 125,425
Other assets	5,682	4,914
<b>Total assets</b>	<b>\$ 158,508</b>	<b>\$ 130,339</b>
<b>Liabilities and Equity</b>		
Mortgages payable (Appreciated Value)	\$ 77,555	\$ 65,269
Other liabilities	3,055	3,114
Shareholders' equity	77,898	61,956
<b>Total liabilities and equity</b>	<b>\$ 158,508</b>	<b>\$ 130,339</b>
<b>Income and Expenses</b>		
Income	\$ 15,962	\$ 13,233
Operating expenses	(6,112)	(5,424)
Operating income	9,850	7,809
Other expenses	(4,936)	(3,836)
<b>Net income for the year</b>	<b>\$ 4,914</b>	<b>\$ 3,973</b>

**4. Mortgages payable**

Mortgages payable represent financing obtained by Newvest Realty Corporation for the acquisition of income producing properties. For investment information purposes, principal values and appreciated values are shown. Details are as follows:

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

**4. Mortgages payable (cont.)**

	2005		2004	
	Principal Value (000's)	Appreciated Value (000's)	Principal Value (000's)	Appreciated Value (000's)
(a) Bayview Chateau and White Rock Gardens, White Rock, British Columbia. Mortgage, held by The Manufacturers Life Insurance Company, repayable in monthly installments of \$32,152, including interest calculated at a rate of 6.5% per annum, maturing 1 May 2007, secured by a freehold first mortgage registered against title to the property, a general security agreement, and a first general assignment of rents.	\$ 4,487	\$ 4,552	\$ 4,582	\$ 4,803
(b) 440 Eglinton Avenue East, Toronto, Ontario. Mortgage, held by TD Canada Trust, repayable in monthly installments of \$42,092, including interest calculated at a rate of 5.663% per annum, maturing 1 April 2013.	6,432	6,900	6,573	7,004
(c) 2 Silver Maple Court, Brampton, Ontario. Mortgage, held by The Great West Life Assurance Company, repayable in monthly installments of \$90,207, including interest calculated at a rate of 5.68% per annum, maturing 1 February 2013.	11,910	12,733	12,311	13,077
(d) Park and Tilford Shopping Centre, North Vancouver, British Columbia. Mortgage, held by The Great West Life Assurance Company, repayable in monthly installments of \$137,927, including interest calculated at a rate of 5.88% per annum, maturing 1 September 2010.	20,868	21,550	21,297	22,027
(e) TD Creekside Corporate Centre, Mississauga Ontario. Mortgage (50% interest), held by Metropolitan Life Insurance Company, repayable in monthly installments of \$115,194, including interest calculated at a rate of 5.71% per annum, maturing 1 July 2014, secured by a freehold first mortgage and charge of the property, a general security agreement, a first general assignment of rents, and a first specific assignment of a tenant lease.	18,002	18,701	18,358	18,358

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

**4. Mortgages payable (cont.)**

	2005		2004	
	Principal Value (000's)	Appreciated Value (000's)	Principal Value (000's)	Appreciated Value (000's)
(f) 2001 Bantree, Ottawa, Ontario. Mortgage (50% interest), held by Equitable Life, repayable in monthly installments of \$77,631, including interest calculated at a rate of 5.09% per annum, maturing 1 August 2015, secured by a first mortgage and charge of the property, a first general assignment of leases and rents, a first specific assignment of leases, a first general security agreement of assets of the property, and assignment of insurance proceeds and endorsements to all policies.	6,571	6,571	-	-
(g) Thunder Centre, Thunder Bay, Ontario. Mortgage (50% interest), held by CIBC, repayable in monthly installments of \$76,479, including interest calculated at a rate of 4.99% per annum, maturing 1 September 2010, secured by a first mortgage and charge of the property, a first general assignment of leases and rents, a specific assignment of leases, assignment of the head lease with the vendor, and assignment of the letter of credit relative to the head lease.	6,548	6,548	-	-
	<b>\$ 74,818</b>	<b>\$ 77,555</b>	<b>\$ 63,121</b>	<b>\$ 65,269</b>

Annual principal repayments totalling \$14.1 million (2004 - \$8.0 million) to be made during the next five years are as follows:

(000's)
2006 - \$1,782
2007 - \$6,163
2008 - \$1,872
2009 - \$1,986
2010 - \$2,268
<b>\$14,071</b>

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

**5. Increase in net assets, investments**

	Investment income	Gain on sale of investments	Current period change in market value of investments	2005 Total	2004 Total
	(000's)	(000's)	(000's)	(000's)	(000's)
Canadian common stock	\$ 63,748	\$ 102,929	\$ 141,015	\$ 307,692	\$ 177,874
Foreign common stock	26,244	16,379	30,228	72,851	67,355
Bonds and debentures	29,163	5,915	1,212	36,290	38,303
Short-term notes and deposits	3,169	-	(2)	3,167	1,681
Real estate	4,914	-	4,364	9,278	3,264
	<b>\$ 127,238</b>	<b>\$ 125,223</b>	<b>\$ 176,817</b>	<b>\$ 429,278</b>	<b>\$ 288,477</b>

**6. Funding policy**

In accordance with legislation, the Province's funding requirement is to match employee contributions for current service. A matching of contributions may also occur for certain other types of prior service, which may be purchased under contract (see Note 9).

Also, the Province pays into the Fund amounts required to cover any actual plan deficiencies which may occur. A plan deficiency occurs when pension payments, refunds of contributions and administrative costs exceed a plan's fund balance.

During the 1997-98 fiscal year, the Province started to make special payments to the Fund on behalf of the Public Service Pension Plan to address the unfunded liability of that Plan. The Province contributed \$30 million in each of 1997-98 and 1998-99. In 1999-2000, 2000-01 and 2001-02 the Province contributed \$40 million each year. The Province's contribution in 2002-03 was \$45 million and increased to \$60 million in 2003-04. In accordance with legislation, contributions will continue at \$60 million yearly for the period of time that the Plan remains unfunded as established by the Province's actuary on a plan termination basis.

During the 1998-99 fiscal year, the Province started to make special payments to the Fund on behalf of the Teachers' Pension Plan to address the unfunded liability of that Plan. In accordance with legislation, the Province was to pay \$815 million to the Fund on behalf of the Plan. The Province paid \$166 million towards this in each of 1998-99 and 1999-00, and paid \$76 million each fiscal year since then. The Province paid \$66.222 million into the plan during 2005 and transferred \$9.778 million from the Members of the House of Assembly Pension Plan (Note 13). In March 2006, the Province made a special payment of \$1.953 billion to address the unfunded liability of the Plan (Note 14).



**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

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**6. Funding policy (cont.)**

On 18 February 2002, the Province approved a special \$20 million payment to the Fund for 2001-02, and for each of the next four fiscal years, to partially finance the unfunded pension liability under the Uniformed Services Pension Plan. The final \$20 million of these payments was received during the year.

On 14 March 2002, the Province approved a special \$7.5 million payment to the Fund for 2001-02, and for each of the next four fiscal years, to partially finance the unfunded pension liability under the Members of the House of Assembly Pension Plan. However, it was determined that such payments were not allowable under the *Income Tax Act* (Canada) to fund the Registered Plan. During 2005, the Province approved the discontinuation of payments scheduled to be made during 2005 and 2006.

**7. Administrative costs**

Administrative costs are direct costs of the Department of Finance, Pensions Division, and are allocated to the various pension plans based on a combination of expenses directly attributable to a plan, the number of members participating in the various pension plans and a time weighing of receipts and disbursements. Administrative costs are comprised as follows:

	<b>2005</b>	<b>2004</b>
	<b>(000's)</b>	<b>(000's)</b>
Investment management, consulting and custodial fees	\$ 7,204	\$ 6,548
Salaries and benefits	1,806	1,781
Computer charges	506	476
Actuarial consulting fees	138	341
Other expenses	181	196
Medical and professional fees	153	155
	<b>\$ 9,988</b>	<b>\$ 9,497</b>

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

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**8. Teachers' Indexing Fund**

The total fund balance relating to the Teachers' Pension Plan is comprised of the regular fund balance and the fund balance of the Teachers' Indexing Fund. In accordance with the most recent Teachers' Collective Agreement, contributions required to fund the indexing benefit introduced as of 1 September 2002 shall be deposited to a separate account. As at 31 December 2005 the increase and decrease in the net assets of the Fund related to the Teachers' Indexing Fund and the closing balance along with the closing balance of the Fund related to the Teachers' Regular Fund are comprised as follows:

	<u>2005</u>	<u>2004</u>
	(000's)	(000's)
Teachers' Indexing Fund:		
Increases in net assets		
Contributions	\$ 5,960	\$ 6,115
Investment income	2,976	1,386
	<u>8,936</u>	<u>7,501</u>
Decreases in net assets		
Pensions	4	2
Administrative costs	67	42
	<u>71</u>	<u>44</u>
Increase in net assets	8,865	7,457
Teachers' Indexing Fund balance, beginning of year	<u>16,326</u>	<u>8,869</u>
Teachers' Indexing Fund balance, end of year	<u>25,191</u>	<u>16,326</u>
Teachers' Regular Fund balance	<u>855,781</u>	<u>796,999</u>
Teachers' Pension Plan combined balance	<u>\$ 880,972</u>	<u>\$ 813,325</u>

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

**9. Obligations for pension benefits**

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and the best estimate assumptions of the Trustee of the Province of Newfoundland and Labrador Pooled Pension Fund. Actuarial valuations were performed for each plan as of the valuation dates noted below, by a firm of consulting actuaries. The unfunded liabilities at the most recent valuation date are shown in the following table. In addition, the table shows the unfunded liabilities for each plan as extrapolated by the actuaries to 31 December 2005.

Plan	Valuation Date	At Valuation Date			Extrapolated Unfunded Liability at 31 December 2005 (000's)
		Actuarial Present Value (000's)	Asset Value (000's)	Unfunded Liability (000's)	
Public Service Pension Plan	12/31/2003	\$ 3,636,500	\$ 1,671,110	\$ 1,965,390	\$ 1,860,890
Teachers' Pension Plan	08/31/2003	2,952,440	779,390	2,173,050	2,279,910
Uniformed Services Pension Plan	12/31/2003	238,660	28,990	209,670	192,140
Members of the House of Assembly Pension Plan	12/31/2003	71,930	1,000	70,930	(1,500)
Provincial Court Judges' Pension Plan	04/01/2002	571	549	22	(100)
		<b>\$ 6,900,101</b>	<b>\$ 2,481,039</b>	<b>\$ 4,419,062</b>	<b>\$ 4,331,340</b>

The actuarial present values for the Public Service Pension Plan, the Teachers' Pension Plan and the Uniformed Services Pension Plan include the effects of future pension benefits accruing to members for periods of prior service that are being purchased under contract. These contracts provide for deferred payment terms, subject to interest, and have not been recognized in the Fund's assets. As at 31 December 2005, the total estimated value of payments to be received on these contracts is \$4.4 million (2004 - \$4.9 million).

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2005**

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**10. Related party transactions**

The following investments were held by the Fund as at 31 December 2005:

<b>Description</b>	<b>Face Value (000's)</b>	<b>Market Value (000's)</b>
Province of Newfoundland and Labrador Debentures - Maturing from 11/03/2009 to 10/17/2033	\$ 11,049	\$ 12,381
Newfoundland and Labrador Hydro Debentures - Maturing 7/14/2017	1,000	1,531
	<b>\$ 12,049</b>	<b>\$ 13,912</b>

**11. Portfolio management**

In accordance with an agreement dated 1 February 1997, between the Minister of Finance as Trustee of the Province of Newfoundland and Labrador Pooled Pension Fund and the Royal Trust Corporation of Canada, custodial and administrative services for the Fund are performed by the Corporation, as agent for the Trustee.

As at 31 December 2005, the external investment fund counselling group was comprised of the following firms:

Baillie Gifford Overseas Limited  
 Bentall Investment Management Limited Partnership  
 Beutel, Goodman & Company Ltd.  
 Connor, Clark & Lunn Investment Management Ltd.  
 Genus Capital Management  
 Independence Investment Associates Inc.  
 Mulvihill Capital Management Inc.  
 Phillips, Hager & North Investment Management Ltd.  
 Sprucegrove Investment Management Ltd.  
 UBS Global Asset Management (Canada) Co.

**12. Financial instruments**

The Fund's financial instruments recognized in the Statement of Net Assets Available for Benefits consist of investments, which are carried at market value, and receivables, cash, accounts payable and accrued liabilities, refunds payable, due to Province of Newfoundland and Labrador, and mortgages payable, the carrying values of which approximate current fair value due to their nature and the terms and conditions of those instruments.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2005**

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**13. Transfers between plans**

During the year the House of Assembly approved amendments to the Members of the House of Assembly Pension Plan to retroactively bring the Plan into compliance with the requirements of the *Income Tax Act* (Canada). The Plan was restructured into two components, a registered pension plan which will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund, and a supplementary pension plan which will be administered within the accounts of the Consolidated Revenue Fund. Assets totaling \$9.778 million held in the registered component were transferred from the Members of the House of Assembly Pension Plan to the Teachers' Pension Plan as part of the Province's \$76 million payment due 1 September 2005.

**14. Subsequent event**

Teachers' Pension Plan

Subsequent to year end, the Province entered into an agreement with the Newfoundland and Labrador Teachers' Association to address the unfunded liability of the Teachers' Pension Plan. In accordance with the agreement, during March 2006 the Province made a contribution of \$1.953 billion to the Fund to help address the unfunded liability of the Plan.

**15. Income taxes**

The Fund is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.



**PROVINCIAL ADVISORY COUNCIL  
ON THE STATUS OF WOMEN -  
NEWFOUNDLAND AND LABRADOR**

**FINANCIAL STATEMENTS**

**31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the Board of Directors  
Provincial Advisory Council on the Status  
of Women - Newfoundland and Labrador  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Provincial Advisory Council on the Status of Women - Newfoundland and Labrador as at 31 March 2006 and the statements of revenues, expenses and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Council'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 Council as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'John L. Noseworthy', written over a faint circular stamp.

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
23 June 2006



**PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN -  
NEWFOUNDLAND AND LABRADOR**

**BALANCE SHEET**

**31 March**

**2006**

**2005**

**ASSETS**

**Current**

Cash	\$ 3,332	\$ 37,423
Accounts receivable	7,721	5,714
Prepaid expenses	1,247	1,247

12,300 44,384

**Capital assets (Note 2)** 21,300 24,677

\$ 33,600 \$ 69,061

**LIABILITIES AND DEFICIT**

**Current**

Accounts payable and accrued liabilities	\$ 16,635	\$ 7,006
Long-term debt payable within one year (Note 3)	4,959	4,998
Deferred revenue	-	30,000

21,594 42,004

**Long-term debt (Note 3)** 14,895 19,679

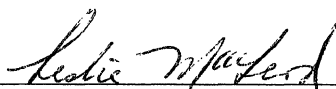
36,489 61,683

**Surplus (Deficit)** (2,889) 7,378

\$ 33,600 \$ 69,061

*See accompanying notes*

Signed on behalf of the Council:

  
President

  
Member

**PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN -  
 NEWFOUNDLAND AND LABRADOR  
 STATEMENT OF REVENUES, EXPENSES AND DEFICIT  
 For the Year Ended 31 March**

	<b>2006</b>	<b>2005</b>
<b>REVENUES</b>		
Province of Newfoundland and Labrador operating grant	\$ 317,142	\$ 297,600
Emerging Women's Group funding	46,487	-
Miscellaneous	12,241	12,703
	<b>375,870</b>	<b>310,303</b>
<b>EXPENSES</b>		
Amortization	3,377	4,606
Council meetings	38,340	23,070
Feminist Coalition Project	42,081	-
Interest on long-term debt	1,010	1,154
Operating expenses	60,714	65,250
Outreach	15,885	11,182
Salaries and employee benefits	210,037	187,427
Women's Provincial Conference	14,693	16,938
	<b>386,137</b>	<b>309,627</b>
<b>Excess of revenues over expenses (expenses over revenues)</b>	<b>(10,267)</b>	<b>676</b>
<b>Surplus, beginning of year</b>	<b>7,378</b>	<b>6,702</b>
<b>Surplus (Deficit), end of year</b>	<b>\$ (2,889)</b>	<b>\$ 7,378</b>

*See accompanying notes*

**PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN -  
NEWFOUNDLAND AND LABRADOR**

**STATEMENT OF CASH FLOWS**

**For the Year Ended 31 March**

**2006**

**2005**

**Cash flows from operating activities**

Excess of revenues over expenses (expenses over revenues) \$ (10,267) \$ 676

Adjustment for non-cash items

Amortization 3,377 4,606

(6,890) 5,282

Changes in non-cash working capital

Accounts receivable (2,007) 41,342

Accounts payable and accrued liabilities 9,629 (44,102)

Deferred revenue (30,000) 20,000

(29,268) 22,522

**Cash flows from financing activities**

Repayment of long-term debt (4,823) (4,606)

**Net increase (decrease) in cash (34,091) 17,916**

**Cash, beginning of year 37,423 19,507**

**Cash, end of year \$ 3,332 \$ 37,423**

*See accompanying notes*

**PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN -  
NEWFOUNDLAND AND LABRADOR**  
NOTES TO FINANCIAL STATEMENTS  
31 March 2006

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**Authority**

The Provincial Advisory Council on the Status of Women - Newfoundland and Labrador (the Council) was established under the *Status of Women Advisory Council Act*. The purpose of the Council is to advise the Minister responsible for the Status of Women, the Government and the public on matters of interest and concern to women. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

**1. Significant accounting policies**

These financial statements have been prepared by the Council's management in accordance with Canadian generally accepted accounting principles. Outlined below is the significant accounting policy followed.

Capital assets

The capital assets consist of land and building which were capitalized at cost at the time of acquisition. These assets have been financed by debt and were amortized, except for the capital cost of the land, over the term of the original debt. Minor capital asset purchases are charged to operations in the year of acquisition.

**2. Capital assets**

	<u>2006</u>			<u>2005</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 21,300	\$ -	\$ 21,300	\$ 21,300
Building	99,752	99,752	-	3,377
<b>Total</b>	<b>\$ 121,052</b>	<b>\$ 99,752</b>	<b>\$ 21,300</b>	<b>\$ 24,677</b>

**3. Long-term debt**

	<u>2006</u>	<u>2005</u>
Royal Trust first mortgage bearing interest at prime plus one percent with a capped rate of 5.875%, repayable in blended bi-weekly instalments of \$224; maturing 1 July 2009.	\$ 19,854	\$ 24,677
Less: current portion	4,959	4,998
	<b>\$ 14,895</b>	<b>\$ 19,679</b>

The long-term debt is secured by land and building at 131 LeMarchant Road in St. John's.

**PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN -  
NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**3. Long-term debt (cont.)**

The annual principal repayments of long-term debt required over the next four years, based on a capped rate of 5.875% are as follows:

2007	\$4,959
2008	\$5,213
2009	\$5,480
2010	\$4,202

**4. Lease commitments**

In May 2003 the Council entered into a 5 year agreement for the lease of office equipment requiring annual lease payments of \$4,189.

**5. Pensions**

Council staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Council and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Council's share of pension contributions for 2006 was \$11,192 (2005 - \$11,509).

**6. Economic dependence**

As the Council's revenue consists primarily of operating grants from the Province, its ability to continue viable operations is dependent upon the decisions of the Province.

**7. Financial instruments**

The Council's current financial instruments recognized on the balance sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

The Council's long-term debt is comprised of a mortgage of \$19,854 at prime plus one percent with a capped rate of 5.875%. There is no rate risk associated with the mortgage and the carrying value of the debt approximates fair value.

**8. Income taxes**

The Council is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.



**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

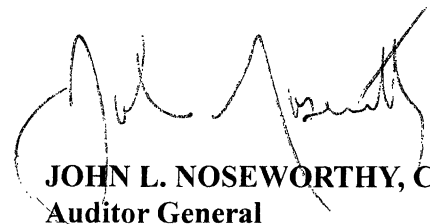
**AUDITOR'S REPORT**

To the Chairperson and Members  
Provincial Information and Library  
Resources Board  
Stephenville, Newfoundland and Labrador

I have audited the balance sheet of the Provincial Information and Library Resources Board as at 31 March 2006 and the statements of changes in net assets, revenue and expenses, and cash flows 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 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 Board as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
16 June 2006



**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**

**BALANCE SHEET**

**31 March**

**2006**

**2005**

**ASSETS**

**Current**

Cash	\$ 2,067,746	\$ 1,811,359
Accounts receivable (Note 2)	306,720	360,837
Prepaid expenses (Note 3)	184,404	189,719

2,558,870 2,361,915

<b>Long-term investments (Note 4)</b>	<b>23,492</b>	<b>23,492</b>
<b>Capital assets (Note 5)</b>	<b>1,957,985</b>	<b>2,028,834</b>

\$ 4,540,347 \$ 4,414,241

**LIABILITIES AND NET ASSETS**

**Current**

Accounts payable and accrued liabilities (Note 6)	\$ 617,330	\$ 502,298
Deferred revenue (Note 7)	945,642	919,419
Deposits - local libraries (Note 8)	7,007	7,521

1,569,979 1,429,238

<b>Severance pay liability</b>	<b>1,026,534</b>	<b>1,030,762</b>
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2,596,513 2,460,000

**Net assets**

Unrestricted net assets (deficit)	(14,151)	(74,593)
Net assets invested in capital assets	1,957,985	2,028,834

1,943,834 1,954,241

\$ 4,540,347 \$ 4,414,241

*See accompanying notes*

Signed on behalf of the Board:

  
 \_\_\_\_\_  
 Chairperson

  
 \_\_\_\_\_  
 Member

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**For the Year Ended 31 March**

**2006**

**2005**

	<b>Invested in Capital Assets</b>	<b>Unrestricted</b>		
<b>Net assets (deficit), beginning of year</b>	<b>\$ 2,028,834</b>	<b>\$ (74,593)</b>	<b>\$ 1,954,241</b>	<b>\$ 1,804,007</b>
Capital grant from Province	-	<b>370,000</b>	<b>370,000</b>	120,000
Less: Deferred capital grant	-	<b>(165,880)</b>	<b>(165,880)</b>	(20,000)
Excess of revenue over expenses (expenses over revenue)	<b>(571,470)</b>	<b>356,943</b>	<b>(214,527)</b>	50,234
Invested in capital assets	<b>500,696</b>	<b>(500,696)</b>	-	-
Proceeds from disposal of capital assets	<b>(75)</b>	<b>75</b>	-	-
<b>Net assets (deficit), end of year</b>	<b>\$ 1,957,985</b>	<b>\$ (14,151)</b>	<b>\$ 1,943,834</b>	<b>\$ 1,954,241</b>

*See accompanying notes*

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**

**STATEMENT OF REVENUE AND EXPENSES**

**For the Year Ended 31 March**

	2006	2005	
	<u>Actual</u>	<u>Budget</u> (Note 9)	
		<u>Actual</u>	
<b>REVENUE</b>			
Operating grant from the Province	\$ 8,216,200	\$ 8,216,200	\$ 7,929,399
Other grants			
Computerization projects	586,137	-	580,573
Literacy projects	65,000	-	75,000
Canadian Library Association	3,342	-	-
Interest	94,653	60,000	58,736
Miscellaneous	51,579	40,000	111,580
Fines and lost library materials	39,646	-	33,711
Gain on disposal of capital assets	-	-	17,590
	<b>9,056,557</b>	<b>8,316,200</b>	<b>8,806,589</b>
<b>EXPENSES</b>			
Amortization	570,346	-	510,471
Books and periodicals	916,554	1,073,542	933,408
Computerization of libraries	405,329	360,000	431,205
Conferences and workshops	3,177	55,000	1,740
Freight and postage	54,111	76,750	56,024
Grants - local libraries (Schedule)	433,188	400,000	384,432
Heat and light	7,022	7,000	7,001
Insurance	105,648	139,000	110,349
Literacy projects	88,061	-	48,202
Loss on disposal of capital assets	1,124	-	-
Miscellaneous	2,484	-	2,763
Office and library supplies	110,209	126,950	87,014
Professional fees	7,230	8,000	6,561
Rental of premises	348,961	355,625	348,961
Repairs and maintenance	15,983	17,650	14,676
Salaries and benefits	6,022,962	6,230,900	5,661,610
Telephone	65,282	72,500	65,305
Travel	113,413	183,975	99,730
	<b>9,271,084</b>	<b>9,106,892</b>	<b>8,769,452</b>
<b>Excess of revenue over expenses</b>			
<b>(expenses over revenue)</b>			
<b>before extraordinary item</b>	<b>(214,527)</b>	<b>(790,692)</b>	<b>37,137</b>
<b>Extraordinary item</b>	<b>-</b>	<b>-</b>	<b>13,097</b>
<b>Excess of revenue over expenses</b>			
<b>(expenses over revenue)</b>	<b>\$ (214,527)</b>	<b>\$ (790,692)</b>	<b>\$ 50,234</b>

*See accompanying notes*

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD****STATEMENT OF CASH FLOWS****For the Year Ended 31 March****2006****2005****Cash flows from operating activities**Excess of revenue over expenses  
(expenses over revenue)

\$ (214,527) \$ 50,234

Adjustments for non-cash items

Amortization

570,346 510,471

Loss (gain) on disposal of capital assets

1,124 (17,590)

Gain from extraordinary item

- (13,097)

356,943 530,018

Change in non-cash working capital

Accounts receivable

54,117 (194,348)

Prepaid expenses

5,315 (20,042)

Accounts payable and accrued liabilities

115,032 38,246

Deferred revenue

26,223 698,286

Deposits - local libraries

(514) 5,350

557,116 1,057,510

Decrease in severance pay liability

(4,228) (31,206)

552,888 1,026,304

**Cash flows from investing activities**

Additions to capital assets

(500,696) (363,246)

Proceeds from disposal of capital assets

75 18,020

Proceeds from extraordinary item

- 18,070

(500,621) (327,156)

**Cash flows from financing activities**

Capital grant

370,000 120,000

Deferred capital grant

(165,880) (20,000)

204,120 100,000

Net increase in cash

256,387 799,148

Cash, beginning of year

1,811,359 1,012,211

Cash, end of year

\$ 2,067,746 \$ 1,811,359

*See accompanying notes*

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES**  
**For the Year Ended 31 March**

**2006**

**2005**

**Eastern Division**

Arnold's Cove	\$ 1,092	\$ 825
Bay Roberts	60,086	59,803
Bell Island	1,285	1,055
Bonavista	3,647	3,534
Brigus	6,584	6,083
Burin	750	735
Carbonear	20,383	26,127
Catalina	4,553	3,473
Clarenville	28,854	14,980
Conception Bay South	7,641	6,601
Fortune	418	485
Fox Harbour	1,218	928
Garnish	1,046	1,331
Grand Bank	6,470	6,276
Harbour Grace	4,645	4,379
Holyrood	5,619	5,810
Marystown	5,872	5,669
Mount Pearl	12,580	9,453
Old Perlican	2,360	2,585
Placentia	31,818	15,091
Pouch Cove	2,647	2,512
St. Brides	6,394	6,309
St. Lawrence	1,084	698
Southern Harbour	1,440	2,622
Torbay	1,259	1,357
Trepassey	7,240	6,132
Victoria	1,278	720
Whitbourne	3,432	3,408
Winterton	839	625
	<b>232,534</b>	<b>199,606</b>

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD****SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES (Cont.)****For the Year Ended 31 March****2006****2005****Central Division**

Baie Verte	4,727	4,310
Bishop's Falls	1,022	920
Botwood	5,684	5,793
Buchans	1,096	2,138
Carmanville	4,721	6,085
Centerville	901	852
Change Islands	701	690
Fogo	883	889
Gambo	1,153	796
Gander	20,760	19,199
Gaultois	2,400	2,230
Glenwood	1,612	1,270
Glovertown	1,209	711
Grand Falls-Windsor	4,523	3,715
Greenspond	3,750	3,703
Harbour Breton	912	721
Hare Bay	978	1,003
Harry's Harbour	3,924	4,285
Hermitage	984	862
King's Point	4,878	3,073
LaScie	3,643	3,320
Lewisporte	4,333	4,413
Lumsden	1,680	1,438
Musgrave Harbour	773	798
Norris Arm	2,806	2,838
Point Leamington	1,623	1,083
Robert's Arm	4,490	2,536
St. Albans	1,391	1,321
Seal Cove	1,144	954
Springdale	620	1,078
Summerford	1,662	1,110
Twillingate	993	1,108
Wesleyville	739	687
	<b>92,715</b>	<b>85,929</b>

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD****SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES (Cont.)****For the Year Ended 31 March****2006****2005****Western Newfoundland -  
Labrador Division**

Bay St. George South	772	767
Burgeo	1,598	651
Cape St. George	503	627
Cartwright	784	643
Churchill Falls	515	608
Codroy Valley	518	565
Cormack	1,323	1,063
Corner Brook	5,035	4,375
Cow Head	4,694	5,230
Daniel's Harbour	1,612	558
Deer Lake	18,160	14,081
Happy Valley	658	495
Labrador City	15,571	14,778
L'Anse au Loup	956	2,022
Lark Harbour	747	964
Lourdes	584	519
Pasadena	1,713	2,652
Port au Port	3,256	4,065
Port aux Basques	11,180	10,114
Port Saunders	3,798	3,800
Ramea	820	973
Rocky Harbour	2,445	526
St. Anthony	952	1,302
St. Georges	783	748
St. Lunaire-Griquet	554	694
Sops Arm	825	735
Stephenville	21,802	19,715
Stephenville Crossing	757	808
Wabush	1,793	1,890
Woody Point	3,231	2,929
	<b>107,939</b>	<b>98,897</b>
	<b>\$ 433,188</b>	<b>\$ 384,432</b>

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**Authority**

The Provincial Information and Library Resources Board (the Board) operates under the authority of the *Public Libraries Act*. The purpose of the Board is to operate the public libraries in the Province. A majority of the members of the Board are appointed by the Lieutenant-Governor in Council. The Board reports to the Minister of Education.

**1. Significant accounting policies**

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. The budget disclosed in these financial statements is presented on a cash basis. Outlined below are the significant accounting policies followed.

(a) Reporting entity

The reporting entity for the purpose of these financial statements is the Board's head office and divisional offices. The Board's head office includes Administration, Technical Services and the Provincial Resource Library. These financial statements include expenditures for grants made to local libraries under the jurisdiction of the three divisional library boards detailed in the Schedule to the financial statements. Funds raised by local libraries in excess of the grants provided by the Board or any expenditures in excess of these grants are not reflected in these financial statements.

(b) Capital assets

All capital assets are capitalized at cost at the time of acquisition. Amortization is calculated using the straight line method based on the expected future life of all assets as follows:

Buildings	40 years
Furniture and equipment	10 years
Motor vehicles	5 years
Computer equipment	3 years
Software	5 years

(c) Severance pay

The calculation of severance pay is based on years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continuous service, and accordingly no provision has been made in the accounts for employees with less than nine years of continuous service. The amount is payable when the employee ceases employment with the Board. If the employee transfers to another entity included in the public service, then the liability is transferred with the employee to the other entity.



**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

**2. Accounts receivable**

	<u>2006</u>	<u>2005</u>
Federal Government		
Harmonized Sales Tax	\$ 40,354	\$ 35,231
Other	9,948	34,192
Provincial Government	212,855	268,962
Other	43,563	22,452
	<u>\$ 306,720</u>	<u>\$ 360,837</u>

**3. Prepaid expenses**

Prepaid expenses of \$184,404 (2005 - \$189,719) include inventory of supplies of \$53,144 (2005 - \$53,642) on hand at the Board's head office and the three divisional library board offices.

**4. Long-term investments**

Long-term investments consist of 1,678 shares of Sun Life Financial Services of Canada Inc. which were given to the Board as a result of the demutualization of Sun Life Assurance Company of Canada. The carrying value of the shares are recognized at the fair market value of \$23,492, as determined by the share price at the time of the transfer of shares to the Board. The fair market value of these shares was \$83,313 as at 31 March 2006 (2005 - \$66,197).

**5. Capital assets**

	<u>2006</u>			<u>2005</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 288,406	\$ -	\$ 288,406	\$ 288,200
Buildings	1,906,191	1,049,374	856,817	900,853
Furniture and equipment	1,274,516	903,236	371,280	472,362
Motor vehicles	132,010	109,126	22,884	41,074
Computer equipment	2,946,381	2,611,079	335,302	326,345
Software	104,120	20,824	83,296	-
	<u>\$ 6,651,624</u>	<u>\$ 4,693,639</u>	<u>\$ 1,957,985</u>	<u>\$ 2,028,834</u>

**PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**6. Accounts payable and accrued liabilities**

	<u>2006</u>	<u>2005</u>
Accounts payable	\$ 121,331	\$ 50,036
Accrued salaries and benefits	<u>495,999</u>	<u>452,262</u>
	<u>\$ 617,330</u>	<u>\$ 502,298</u>

**7. Deferred revenue**

Deferred revenue represents money received from funding agencies that has not been utilized, and is available for specified expenditures in future years:

	<u>2006</u>	<u>2005</u>
Federal Government	\$ 6,900	\$ 6,900
Provincial Government	<u>886,592</u>	<u>854,085</u>
Other	<u>52,150</u>	<u>58,434</u>
	<u>\$ 945,642</u>	<u>\$ 919,419</u>

**8. Deposits - local libraries**

Funds raised by some local libraries have been deposited with the Board to cover the cost of wages for additional opening hours and for the purchase of books, periodicals and computers. The balance on deposit at 31 March 2006 was \$7,007 (2005 - \$7,521).

**9. Budget**

The 2006 budgeted expenditure exceeded the Province's current year provision for operating grants for the Board. The difference would be funded from cash surpluses carried forward from prior years.

**10. Commitments**

The Board has entered into lease agreements for the rental of photocopiers, microfiche readers, postal equipment and various rental properties throughout the Province. Future minimum lease payments for the next five years are as follows:

2007	\$369,133
2008	\$286,598
2009	\$280,651
2010	\$262,812
2011	\$262,812

On 12 December 2005, the Board entered into an agreement with a company for the purchase of a library management system totalling \$291,995. As at 31 March 2006, the Board recorded \$119,738 for system components that were received by that date. The remaining \$172,257 will be recorded by the Board during 2006-07. In addition, the Board has a maintenance agreement with the same company totalling \$48,299 which will take effect when the system becomes operational during 2006-07.

# PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

## NOTES TO FINANCIAL STATEMENTS

31 March 2006

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### 11. Pensions

Under the *Public Libraries Act*, Board staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Board and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Board's share of pension contributions for 2006 was \$314,434 (2005 - \$310,811).

### 12. Income taxes

The Board is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

### 13. Economic dependence

As a result of the Board's reliance on Provincial funding, the Board's ability to continue viable operations is dependent upon decisions of the Province.

### 14. Financial instruments

The Board's financial instruments recognized on the balance sheet, in addition to the long-term investments described in Note 4, consist of cash, accounts receivable, accounts payable and accrued liabilities, and deposits - local libraries. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity or current market rate associated with them.



**PUBLIC ACCOUNTANTS LICENSING BOARD**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2005**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the Chair and Members  
Public Accountants Licensing Board  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Public Accountants Licensing Board as at 31 December 2005 and the statement of revenue, expenses and equity 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 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 Board as at 31 December 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'John L. Noseworthy'.

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
19 April 2006

**PUBLIC ACCOUNTANTS LICENSING BOARD**

**BALANCE SHEET**

**31 December**

**2005**

**2004**

**ASSETS**

**Current**

Cash	\$ 4,022	\$ -
Temporary investments, at cost	57,025	47,691
Sales tax receivable	820	748
Prepaid expense	610	779
	<hr/>	<hr/>
	\$ 62,477	\$ 49,218

**LIABILITIES AND EQUITY**

**Current**

Bank indebtedness	\$ -	\$ 560
Accounts payable and accrued liabilities	1,805	2,016
Deferred revenue	9,300	-

11,105 2,576

**Equity** 51,372 46,642

\$ 62,477 \$ 49,218

*See accompanying notes*

Signed on behalf of the Board:

  
Chair

  
Member

**PUBLIC ACCOUNTANTS LICENSING BOARD  
STATEMENT OF REVENUE, EXPENSES AND EQUITY**

**For the Year Ended 31 December**

**2005**

**2004**

**REVENUE**

Licences	\$ 24,400	\$ 24,700
Interest income	894	811
	<b>25,294</b>	<b>25,511</b>

**EXPENSES**

Advertising	4,871	3,110
Board remuneration	3,250	3,130
Insurance	970	773
Interest and bank charges	223	198
Meeting expense	1,779	1,912
Office supplies	856	387
Professional fees	1,465	1,517
Secretarial services	2,550	3,375
Travel	4,600	4,704
	<b>20,564</b>	<b>19,106</b>

<b>Excess of revenue over expenses</b>	<b>4,730</b>	<b>6,405</b>
<b>Equity, beginning of year</b>	<b>46,642</b>	<b>40,237</b>
<b>Equity, end of year</b>	<b>\$ 51,372</b>	<b>\$ 46,642</b>

*See accompanying notes*



# **PUBLIC ACCOUNTANTS LICENSING BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**31 December 2005**

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### **Authority**

The Public Accountants Licensing Board (the Board) was established under authority of the *Public Accountancy Act*. The powers of the Board include granting licences to practice as a public accountant under the *Act*, keeping a roll of persons licensed, and prescribing the educational standards and other qualifications of applicants for a licence.

### **1. Significant accounting policies**

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. The Board does not prepare a statement of cash flows since there are no investing and financing activities and the changes in cash flows are readily apparent from the other statements.

### **2. Financial instruments**

The Board's financial instruments recognized on the balance sheet consist of cash, temporary investments, sales tax receivable, bank indebtedness, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

### **3. Income taxes**

The Public Accountants Licensing Board is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.



*Financial Statements of*

## **PUBLIC HEALTH LABORATORY**

*March 31, 2006*

## Auditors' Report

To the Board of Trustees of  
Eastern Regional Health Authority

We have audited the statement of financial position of the Public Health Laboratory as at March 31, 2006 and the statement of operations and deficit for the year then ended. These financial statements are the responsibility of the Laboratory's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian 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 Laboratory as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants  
July 21, 2006

**PUBLIC HEALTH LABORATORY**  
**Statement of Operations and Deficit**  
Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
REVENUE		
Government of Newfoundland and Labrador	3,295,017	3,197,948
EXPENDITURES		
Wages and benefits	1,505,209	1,408,719
Laboratory supplies	1,416,835	1,316,093
Professional fees	127,257	179,103
Operating supplies	115,527	124,834
Repairs and maintenance	64,463	57,327
Printing, stationery and office	51,297	51,220
Telephone	11,992	10,691
Travel	9,780	20,724
Minor equipment	8,287	10,153
Bad debts	-	7,388
Interest on capital lease	-	2,082
	<b>3,310,647</b>	<b>3,188,334</b>
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) BEFORE UNDERNOTED ITEMS:	(15,630)	9,614
Amortization of capital assets	(149,886)	(202,142)
Amortization of deferred capital contributions	47,208	52,356
Decrease (increase) in severance pay accrual	4,704	(23,627)
EXCESS OF EXPENDITURES OVER REVENUE	(113,604)	(163,799)
DEFICIT, BEGINNING OF YEAR	(755,669)	(591,870)
DEFICIT, END OF YEAR	(869,273)	(755,669)


**PUBLIC HEALTH LABORATORY**


**Statement of Financial Position**

March 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	500	500
Receivables	40,000	15,222
	<u>40,500</u>	<u>15,722</u>
<b>CAPITAL ASSETS (Note 3)</b>	<b>214,334</b>	<b>356,162</b>
	<u>254,834</u>	<u>371,884</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Payables and accruals	91,590	99,458
Payable to Eastern Regional Health Authority	223,147	193,061
Accrued vacation pay	234,039	207,792
	<u>548,776</u>	<u>500,311</u>
<b>ACCRUED SEVERANCE PAY</b>	<b>443,594</b>	<b>448,298</b>
<b>DEFERRED CAPITAL CONTRIBUTIONS</b>	<b>131,737</b>	<b>178,944</b>
	<u>1,124,107</u>	<u>1,127,553</u>
<b>DEFICIT</b>		
Deficit	(869,273)	(755,669)
	<u>254,834</u>	<u>371,884</u>

ON BEHALF OF THE BOARD:

  
Trustee

  
Trustee

# PUBLIC HEALTH LABORATORY

## Notes to Financial Statements

March 31, 2006

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### 1. NATURE OF OPERATIONS

The purpose of the Public Health Laboratory (the "Laboratory") is to act as the provincial reference laboratory centre for clinical and public health microbiology and infectious disease surveillance and control. The Laboratory offers specialized and reference laboratory services to all physicians, hospitals, clinics and health related agencies in the province.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are as follows:

#### *Basis of accounting*

These financial statements include only the assets, liabilities, revenue and expenditures relating to the operations carried on under the name of the Public Health Laboratory.

#### *Revenue recognition*

Revenues are recognized as earned and when collection is reasonably assured.

#### *Capital assets*

Capital assets are recorded at cost.

Amortization is recorded on the straight-line basis at the following rates:

Equipment	15%
Computer equipment	20%

#### *Capital contributions*

Capital contributions are recorded as deferred contributions and amortized to income on a straight-line basis using the same rates as amortization related to the capital assets purchased.

#### *Accrued severance pay*

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. Severance is payable when the employee ceases employment with the Laboratory.

# PUBLIC HEALTH LABORATORY

## Notes to Financial Statements

March 31, 2006

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Pension costs*

Employees of the Public Health Laboratory are covered by the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador ("the Government"). Contributions to the plans are required from both the employees and the Laboratory. The annual contributions for pensions are recognized in the accounts on a current basis.

#### *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

### 3. CAPITAL ASSETS

	2006		2005
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Equipment	1,533,081	1,412,577	120,504
Computer equipment	602,290	508,460	93,830
	2,135,371	1,921,037	214,334
			356,162

During the current year Public Health Laboratory had capital purchases totalling \$8,058.

### 4. RELATED PARTY TRANSACTIONS

The Laboratory coordinates with Eastern Regional Health Authority to provide a reference laboratory centre. Transactions between these related parties are measured at their exchange value.

### 5. FINANCIAL INSTRUMENTS

The carrying value of the Laboratory's financial instruments included in current assets and current liabilities approximates fair value due to the relatively short term to maturity of these instruments.

### 6. STATEMENT OF CASH FLOWS

A statement of cash flows has not been prepared because it would not provide any additional useful information in understanding the cash flows during the year.



**REGISTRAR OF THE SUPREME COURT**

**FINANCIAL STATEMENTS**

**31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

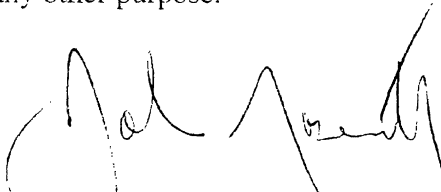
To the Registrar of the Supreme Court  
St. John's, Newfoundland and Labrador

I have audited the statement of fund balances of the Registrar of the Supreme Court as at 31 March 2006 and the statements of changes in fund balance for the Estate/Trust Fund, Supreme Court Fund and Administration Fund for the year then ended. These financial statements have been prepared to meet the information needs of the Registrar of the Supreme Court, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*. The financial statements are the responsibility of the Registrar. 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 balances of the Funds of the Registrar of the Supreme Court as at 31 March 2006 and the changes in fund balances for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Registrar of the Supreme Court, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador to meet their information needs under Section 67 of the *Judicature Act*. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.



**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
12 June 2006

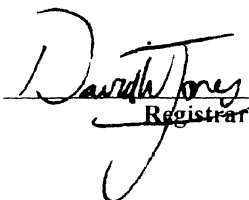
**REGISTRAR OF THE SUPREME COURT**  
**STATEMENT OF FUND BALANCES**  
**31 March**

**2006**                      **2005**

	Estate/Trust Fund (Note 2)	Supreme Court Fund (Note 3)	Administration Fund (Note 4)		
<b>ASSETS</b>					
Cash	\$ 4,609,545	\$ 6,852,898	\$ 208,204	\$ 11,670,647	\$ 10,852,154
Investments (Note 5)	15,018,122	1,727,135	-	16,745,257	17,351,694
Irrevocable letter of credit and securities	-	165,511	-	165,511	55,511
Real estate and other assets (Note 1)	1	-	-	1	1
<b>Total assets</b>	<b>\$ 19,627,668</b>	<b>\$ 8,745,544</b>	<b>\$ 208,204</b>	<b>\$ 28,581,416</b>	<b>\$ 28,259,360</b>
<b>Total Fund balances</b>	<b>\$ 19,627,668</b>	<b>\$ 8,745,544</b>	<b>\$ 208,204</b>	<b>\$ 28,581,416</b>	<b>\$ 28,259,360</b>

*See accompanying notes*

Signed:

  
 Registrar

**REGISTRAR OF THE SUPREME COURT  
STATEMENT OF CHANGES IN FUND BALANCE  
ESTATE/TRUST FUND**

**For the Year Ended 31 March**

**2006**

**2005**

**INCREASES**

Estate/trust assets received	\$ 4,716,337	\$ 5,141,325
Investment income	593,016	652,799
Pension, compensation and assistance	1,650,451	1,697,064
Revaluation of shares	8,396	-
Sale of chattels	20,530	37,560
Sale of real estate	592,936	2,268,848
	<b>7,581,666</b>	<b>9,797,596</b>

**DECREASES**

Commissions charged and paid to Administration Fund	376,391	289,069
Estate/trust disbursements	3,635,180	4,474,479
Estates/trusts completed	4,711,180	3,356,241
Excess interest paid to Administration Fund	26,741	-
Harmonized sales tax paid to Administration Fund	56,459	43,303
Revaluation of shares	-	41
Unclaimed estates paid to Administration Fund	33,774	45
	<b>8,839,725</b>	<b>8,163,178</b>

<b>Net increase (decrease)</b>	<b>(1,258,059)</b>	<b>1,634,418</b>
<b>Fund balance, beginning of year</b>	<b>20,885,727</b>	<b>19,251,309</b>
<b>Fund balance, end of year</b>	<b>\$ 19,627,668</b>	<b>\$ 20,885,727</b>

*See accompanying notes*

**REGISTRAR OF THE SUPREME COURT**  
**STATEMENT OF CHANGES IN FUND BALANCE**  
**SUPREME COURT FUND**  
**For the Year Ended 31 March**

	2006	2005
<b>INCREASES</b>		
Court actions (Payments into Court)	\$ 4,065,261	\$ 4,344,318
Divorce fees	7,110	6,660
Fees	1,484,585	1,365,002
Fines and bail	54,333	13,081
Investment income	204,071	136,089
Judgment recovery	400	200
Law Society fees	13,320	14,856
	<b>5,829,080</b>	<b>5,880,206</b>
<b>DECREASES</b>		
Commissions charged and paid to Administration Fund	3,353	1,857
Court actions (Payments out of Court)	2,719,018	1,386,554
Divorce fees	6,430	6,860
Excess interest paid to Administration Fund	15,000	-
Fees paid to Consolidated Revenue Fund	1,492,263	1,366,867
Fines and bail	32,808	-
Law Society fees	13,926	11,001
	<b>4,282,798</b>	<b>2,773,139</b>
<b>Net increase</b>	<b>1,546,282</b>	<b>3,107,067</b>
<b>Fund balance, beginning of year</b>	<b>7,199,262</b>	<b>4,092,195</b>
<b>Fund balance, end of year</b>	<b>\$ 8,745,544</b>	<b>\$ 7,199,262</b>

*See accompanying notes*

**REGISTRAR OF THE SUPREME COURT  
STATEMENT OF CHANGES IN FUND BALANCE  
ADMINISTRATION FUND  
For the Year Ended 31 March**

2006

2005

**INCREASES**

Commissions received from other Funds	\$ 379,744	\$ 290,926
Excess interest received from other Funds	41,741	-
Harmonized sales tax received from Estate/Trust Fund	56,459	43,303
Harmonized sales tax refunded from Federal Government	7,908	-
Refunds to Special Reserve Fund	1,281	4,000
Unclaimed and undistributable amounts received from other Funds	33,774	45
	<b>520,907</b>	<b>338,274</b>

**DECREASES**

Commissions paid to Consolidated Revenue Fund	384,061	291,526
Harmonized sales tax remitted to Federal Government	52,141	42,683
Office administration expenses paid from Special Reserve Fund	7,629	21,822
Professional fees	9,469	26,945
Unclaimed and undistributable amounts paid to Consolidated Revenue Fund	33,774	45
	<b>487,074</b>	<b>383,021</b>
<b>Net increase (decrease)</b>	<b>33,833</b>	<b>(44,747)</b>
<b>Fund balance, beginning of year</b>	<b>174,371</b>	<b>219,118</b>
<b>Fund balance, end of year</b>	<b>\$ 208,204</b>	<b>\$ 174,371</b>

*See accompanying notes*

**REGISTRAR OF THE SUPREME COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**Authority**

The Registrar of the Supreme Court (the Registrar) operates under the authority of the *Judicature Act*.

The Registrar administers estates of deceased persons when appointed personal representative by the Supreme Court of Newfoundland and Labrador and administers trusts of minors and mentally disabled persons when appointed guardian by the Court or by virtue of Section 20 of the *Mentally Disabled Persons' Estates Act*. The Registrar also has custody of monies paid to the Court in pending actions, as well as monies paid to the Court or to the Registrar under various statutes.

**1. Basis of accounting**

These financial statements have been prepared by the Registrar in accordance with the significant accounting policies set out below to meet the information needs of the Registrar, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because all receipts and disbursements are being recognized on a cash basis and not all expenditures related to the operations of the Registrar are reflected in these statements.

**Significant accounting policies**

These financial statements are prepared on the cash basis of accounting. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the Registrar, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for the cost of these items. However, office administration expenditures paid from the Registrar's Special Reserve Fund under Section 72(2) of the *Judicature Act* are recorded in these financial statements in the amount of \$7,629 for the 2005-06 year (2004-05 - \$21,822).

(b) Investments

Investments consist of Bank and Trust Company Guaranteed Investment Certificates, Canada Savings Bonds, mortgages, pre-arranged funerals, Registered Retirement Savings Plans/Income Funds, Registered Education Savings Plans and shares owned by estates at the dates of appointment of the Registrar. Such investments are recorded at face or market value, except for mortgages which are recorded at face value net of principal payments received.

**1. Basis of accounting (cont.)**

Significant accounting policies (cont.)

(c) Real estate and other assets

Real estate and other assets are recorded in these financial statements at an aggregate nominal value of \$1 as valuation of these assets is not readily determinable. These assets are recorded in the client accounts at estimated market value for administrative purposes.

(d) Capital assets

Capital assets are charged to expenditure in the year of acquisition.

**2. Estate/Trust Fund**

The Registrar, in certain cases, is appointed by the Court as personal representative of the estates of deceased persons or as guardian of the trusts of minors and mentally disabled persons. The trust accounts of the Registrar include monies and other assets held on behalf of such estates/trusts.

**3. Supreme Court Fund**

The Supreme Court Fund consists mainly of monies received by the Registrar under, inter alia, the following Acts, and Rules and Regulations thereunder:

- (a) *Automobile Insurance Act*
- (b) *Direct Sellers Act*
- (c) *Elections Act, 1991*
- (d) *Expropriation Act*
- (e) *Judicature Act*
- (f) *Leaseholds in St. John's Act*
- (g) *Life Insurance Act*
- (h) *Municipalities Act*
- (i) *Public Utilities Acquisition of Lands Act*
- (j) *Real Estate Trading Act*
- (k) *Residential Tenancies Act (2000)*
- (l) *Unified Family Court Act*

**4. Administration Fund**

The Administration Fund was established to record monies collected pursuant to the Rules of the Supreme Court of Newfoundland and Labrador. It is comprised primarily of a Special Reserve Fund consisting of interest earned in the Estate/Trust Fund and Supreme Court Fund in excess of that allocated to clients in accordance with Section 72(1) of the *Judicature Act*. Other monies flowing through the Administration Fund include commissions and unclaimed and undistributable assets to be paid over to the Consolidated Revenue Fund, and Harmonized Sales Tax collected on commissions to be paid over to the Federal Government.



**REGISTRAR OF THE SUPREME COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**5. Investments**

	<u>2006</u>	<u>2005</u>
Total investments held for all Funds is comprised of the following:		
Guaranteed Investment Certificates and Canada Savings Bonds	\$ 15,748,884	\$ 16,442,259
Mortgages	129,280	129,280
Pre-arranged funerals	239,578	214,518
Registered Retirement Savings Plans/Income Funds and Registered Education Savings Plans	616,610	545,711
Shares	10,905	19,926
	<u>\$ 16,745,257</u>	<u>\$ 17,351,694</u>

**6. Related party transactions**

Commissions earned and service fees are paid into the Province's Consolidated Revenue Fund.

**7. Income taxes**

The Registrar of the Supreme Court of Newfoundland and Labrador is an entity of the Crown and as such is not subject to Provincial or Federal income taxes.



**SPECIAL CELEBRATIONS CORPORATION  
OF NEWFOUNDLAND AND LABRADOR, INC.**

**FINANCIAL STATEMENTS**

**31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the Board of Directors  
Special Celebrations Corporation  
of Newfoundland and Labrador, Inc.  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Special Celebrations Corporation of Newfoundland and Labrador, Inc. as at 31 March 2006 and the statements of revenues, expenses and surplus, and cash flows 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 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 Corporation as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'John L. Noseworthy'.

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
14 July 2006

**SPECIAL CELEBRATIONS CORPORATION  
OF NEWFOUNDLAND AND LABRADOR, INC.  
BALANCE SHEET**

31 March

2006

2005

**ASSETS**

**Current**

Cash	\$ 63,479	\$ 204,778
Accounts receivable (Note 2)	526	423

	64,005	205,201
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**Tangible capital assets (Note 3)**

	\$ 64,005	\$ 205,201
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**LIABILITIES AND SHAREHOLDER'S EQUITY**

**Current**

Accounts payable and accrued liabilities	\$ 2,061	\$ 11,796
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**Shareholder's equity**

Share capital

Authorized and issued 500 common shares of no par value	1	1
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Surplus	61,943	193,404
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	61,944	193,405
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	\$ 64,005	\$ 205,201
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*See accompanying notes*

Signed on behalf of the Board:

  
Chairperson

  
Vice-Chairperson

**SPECIAL CELEBRATIONS CORPORATION  
OF NEWFOUNDLAND AND LABRADOR, INC.  
STATEMENT OF REVENUES, EXPENSES AND SURPLUS  
For the Year Ended 31 March**

**2006**

**2005**

**REVENUES**

Other (Note 4)	\$ 9,160	\$ -
Bank interest	2,469	3,576
	<b>11,629</b>	<b>3,576</b>

**EXPENSES**

Grants	141,000	-
Administration	2,090	715
Amortization	-	745
	<b>143,090</b>	<b>1,460</b>

**Excess of revenues over expenses (expenses over revenues)** (131,461) 2,116

**Surplus, beginning of year** 193,404 191,288

**Surplus, end of year** \$ 61,943 \$ 193,404

*See accompanying notes*

**SPECIAL CELEBRATIONS CORPORATION  
OF NEWFOUNDLAND AND LABRADOR, INC.  
STATEMENT OF CASH FLOWS  
For the Year Ended 31 March**

**2006**

**2005**

**Cash flows from operating activities**

Excess of revenues over expenses (expenses over revenues)	\$ (131,461)	\$ 2,116
Adjustment for non-cash items		
Amortization	-	745
	(131,461)	2,861
Changes in non-cash working capital	(9,838)	754
<b>Net increase (decrease) in cash</b>	<b>(141,299)</b>	<b>3,615</b>
<b>Cash, beginning of year</b>	<b>204,778</b>	<b>201,163</b>
<b>Cash, end of year</b>	<b>\$ 63,479</b>	<b>\$ 204,778</b>

*See accompanying notes*

**SPECIAL CELEBRATIONS CORPORATION  
OF NEWFOUNDLAND AND LABRADOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
31 March 2006**

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**Authority**

The Special Celebrations Corporation of Newfoundland and Labrador, Inc. (the Corporation) was incorporated under the *Corporations Act* on 27 August 1998. All shares of the Corporation are held by the Minister of Tourism, Culture and Recreation on behalf of the Province. The purpose of the Corporation is to plan, organize, manage and supervise tourism special events for the Government of Newfoundland and Labrador. Its affairs are governed by a Board of Directors appointed by the Minister of Tourism, Culture and Recreation.

**1. Significant accounting policies**

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles.

**2. Accounts receivable**

	2006	2005
Other	\$ -	\$ 4,529
Bank interest	188	348
Harmonized sales tax	338	75
	526	4,952
Less: Allowance for doubtful accounts	-	(4,529)
	\$ 526	\$ 423

During the year the Board of Directors authorized the write-off of \$4,529 accounts receivable that were determined to be no longer collectible.

**3. Tangible capital assets**

	2006			2005	
	Cost	Capital Grants	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 69,309	\$ 31,837	\$ 37,472	\$ -	\$ -
Furniture	9,778	9,778	-	-	-
	\$ 79,087	\$ 41,615	\$ 37,472	\$ -	\$ -

During the year the Board directed that all tangible capital assets be transferred to the Rooms Corporation.



**SPECIAL CELEBRATIONS CORPORATION  
OF NEWFOUNDLAND AND LABRADOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
31 March 2006**

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**4. Outstanding cheques**

Since May 2002, the Corporation had a number of stale dated outstanding cheques totaling \$9,160 which it had issued from April 1999 to May 2002. These cheques covered expenditures related to a number of grants and other immaterial operating expenses and were included as expenses in the Corporation's financial statements for the year in which they were made. Because these cheques have been outstanding for over three years, during the 2005-06 year the Corporation decided to write them off and record the \$9,160 as other revenue in the statement of revenues, expenses and surplus.

**5. Related party transactions**

The Province has provided certain office equipment and furnishings at no cost to the Corporation. These assets are not reflected in these financial statements.

**6. Economic dependence**

As a result of the Corporation's reliance on Provincial funding, the Corporation's ability to continue viable operations is dependent upon the decisions of the Province.

**7. Income taxes**

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

**8. Financial instruments**

The Corporation's financial instruments recognized on the balance sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

**9. Corporation status**

During the year Government authorized the Corporation to fund festivals, community celebrations and promotional events with its residual funds. Approval was also given to formally dissolve the Corporation once the remaining balance is exhausted.



**STUDENT LOAN CORPORATION OF  
NEWFOUNDLAND AND LABRADOR**

**FINANCIAL STATEMENTS**

**31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

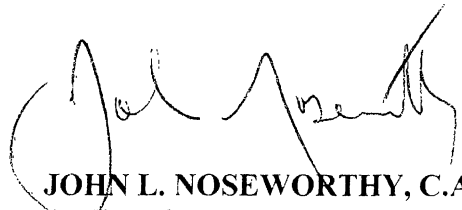
**AUDITOR'S REPORT**

To the Board of Directors  
Student Loan Corporation of Newfoundland and Labrador  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Student Loan Corporation of Newfoundland and Labrador as at 31 March 2006 and the statements of revenues, expenses and deficit, and cash flows 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 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 Corporation as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
9 June 2006

**STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**BALANCE SHEET**  
**31 March**

**2006**

**2005**

**ASSETS**

Cash	\$ 5,442,542	\$ 4,063,817
Accounts receivable	219,376	-
Prepaid expense	2,383	-
Student loans receivable (Note 2)	186,086,093	185,229,195
	<b>191,750,394</b>	<b>189,293,012</b>
<b>Capital assets (Note 3)</b>	<b>62,229</b>	<b>43,880</b>
	<b>\$ 191,812,623</b>	<b>\$ 189,336,892</b>


**LIABILITIES AND DEFICIT**

Accounts payable and accrued liabilities	\$ 348,552	\$ 245,452
Accrued vacation pay	44,737	-
Notes payable (Note 4)	206,000,000	213,000,000
Current portion – Obligation under capital lease (Note 5)	4,348	-
	<b>206,397,637</b>	<b>213,245,452</b>
<b>Accrued severance pay</b>	<b>38,844</b>	<b>-</b>
<b>Obligation under capital lease (Note 5)</b>	<b>15,942</b>	<b>-</b>
	<b>206,452,423</b>	<b>213,245,452</b>
<b>Deficit</b>	<b>(14,639,800)</b>	<b>(23,908,560)</b>
	<b>\$ 191,812,623</b>	<b>\$ 189,336,892</b>

*See accompanying notes*

Signed on behalf of the Board:

  
 Chairperson

  
 Director

**STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR  
STATEMENT OF REVENUES, EXPENSES AND DEFICIT**

**For the year ended 31 March**

**2006**

**2005**

**REVENUES**

Provincial grant revenue	\$ 28,246,951	\$ 16,624,719
Federal grant revenue	2,803,427	2,906,896
Student loan interest	11,553,910	9,525,669
Interest revenue	236,736	175,004
Other revenue	9,800	794

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	<b>42,850,824</b>	<b>29,233,082</b>
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**EXPENSES**

Administrative fees	1,367,349	1,471,188
Amortization	7,739	851
Bad debt expense	12,688,590	8,368,655
Bank charges	15,305	12,299
Grant expense – Federal	2,800,509	2,906,896
Grant expense – Provincial	7,298,216	4,277,914
Interest expense	6,247,532	5,032,092
Interest relief expense	2,320,681	1,861,293
Miscellaneous expenses	1,164	488
Operating expenses	157,040	143,015
Salaries	677,939	390,067
Transition fees	-	533,837

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	<b>33,582,064</b>	<b>24,998,595</b>
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<b>Excess of revenues over expenses</b>	<b>9,268,760</b>	<b>4,234,487</b>
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<b>Deficit, beginning of year</b>	<b>(23,908,560)</b>	<b>(28,143,047)</b>
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<b>Deficit, end of year</b>	<b>\$ (14,639,800)</b>	<b>\$ (23,908,560)</b>
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*See accompanying notes*

**STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**STATEMENT OF CASH FLOWS**

For the year ended 31 March

2006

2005

	2006	2005
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 9,268,760	\$ 4,234,487
Add non-cash items		
Amortization	7,739	851
Bad debt expense	12,688,590	8,368,655
	<u>21,965,089</u>	<u>12,603,993</u>
Changes in non-cash operating items		
Accounts receivable	(219,376)	3,015,004
Prepaid expense	(2,383)	-
Student loans receivable (Note 2)	(13,545,488)	(16,694,866)
Accounts payable and accrued liabilities	103,100	185,085
Accrued vacation pay	44,737	-
	<u>8,345,679</u>	<u>(890,784)</u>
Accrued severance pay	38,844	-
	<u>8,384,523</u>	<u>(890,784)</u>
<b>Cash flows from investing activities</b>		
Acquisition of capital assets	(4,349)	(44,731)
<b>Cash flows from financing activities</b>		
Repayment of notes payable	(7,000,000)	-
Repayment of capital lease obligation	(1,449)	-
	<u>(7,001,449)</u>	<u>-</u>
<b>Increase (decrease) in cash</b>	<b>1,378,725</b>	<b>(935,515)</b>
<b>Cash, beginning of year</b>	<b>4,063,817</b>	<b>4,999,332</b>
<b>Cash, end of year</b>	<b>\$ 5,442,542</b>	<b>\$ 4,063,817</b>

*See accompanying notes*

**STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2006**

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**Authority**

The Student Loan Corporation of Newfoundland and Labrador was established on 30 March 2004 under the authority of the *Student Financial Assistance Act*. The objective of the Corporation is to act as the lender for all Provincial student loans. The affairs of the Corporation are managed by a Board of Directors comprised of senior government officials.

**1. Significant accounting policies**

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed:

(a) Capital assets

All capital assets are recorded at cost at the time of acquisition. Amortization is calculated using the straight-line method based on the expected future life of all assets as follows:

Computer software	7 years
Computer hardware	4 years
Capital photocopier lease	5 years

(b) Severance pay

The calculation of severance pay is based on years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continuous service, and accordingly no provision has been made in the accounts for employees with less than nine years of continuous service. The amount is payable when the employee ceases employment with the Corporation. If the employee transfers to another entity included in the public service, then the liability is transferred with the employee to the other entity.

**2. Student loans receivable**

The student loan portfolio consists of Provincial loans issued on or after 1 August 2000 and Provincial loans issued prior to 1 August where the student was still in school and did not receive additional loans.

As at 31 March 2006 approximately 18,903 loans totalling \$117,969,897 (2005 - 20,100 loans totalling \$116,195,273) were being repaid at an average interest rate of prime plus 2.5% (Class B loans) while 11,749 loans totalling \$81,682,375 (2005 - 13,300 loans totalling \$83,061,338) were not being repaid as the student was either still in attendance at an approved education institution or was within 6 months after the end of the study period (Class A loans).



**STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2006**

**2. Student loans receivable (cont.)**

Student loans receivable consist of the following:

	<u>2006</u>	<u>2005</u>
<b>Loans receivable</b>		
Class B principal	\$ 117,969,897	\$ 116,195,273
Class A principal	81,682,375	83,061,338
Loans defaulted	31,822,379	20,488,903
Interest receivable	4,467,203	2,650,852
	<u>235,941,854</u>	<u>222,396,366</u>
Less: allowance for doubtful accounts	<u>(49,855,761)</u>	<u>(37,167,171)</u>
	<u>\$ 186,086,093</u>	<u>\$ 185,229,195</u>

The allowance for doubtful accounts represents the Corporation's best estimate of future probable losses with respect to loans receivable. The estimation of an appropriate allowance involves significant judgment. These financial statements represent management's best estimates based on available information.

The net increase in student loans receivable during the year consists of the following:

	<u>2006</u>	<u>2005</u>
Student loan interest	\$ 11,553,910	\$ 9,525,669
Interest relief	(2,320,681)	(1,861,293)
Student loan grants	(10,098,725)	(7,184,810)
Student loans disbursed	31,848,900	30,258,439
Student loan payments	(17,437,916)	(14,043,139)
	<u>\$ 13,545,488</u>	<u>\$ 16,694,866</u>

**3. Capital assets**

	<u>2006</u>			<u>2005</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer software	\$ 44,901	\$ 6,776	\$ 38,125	\$ 41,882
Computer hardware	4,179	727	3,452	1,998
Capital photocopier lease	21,739	1,087	20,652	-
	<u>\$ 70,819</u>	<u>\$ 8,590</u>	<u>\$ 62,229</u>	<u>\$ 43,880</u>

**STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2006**

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**4. Notes payable**

	<u>2006</u>	<u>2005</u>
Issue of floating rate notes dated 30 September 2005 maturing 2 October 2006 and bearing interest at the 3-month Canadian Bankers' Acceptance rate, payable quarterly.	<u>\$ 206,000,000</u>	<u>\$ 213,000,000</u>

**5. Obligation under capital lease**

The following is a schedule of future minimum lease payments under the capital lease expiring in December 2010.

Year Ended March 31	
2007	\$ 4,348
2008	4,348
2009	4,348
2010	4,348
2011	2,898
	<u>20,290</u>
Less: current portion	<u>4,348</u>
	<u>\$ 15,942</u>

**6. Related party transactions**

The Province unconditionally guarantees the principal and interest outstanding on the notes payable of \$206,000,000.

**7. Economic dependence**

As a result of its reliance on the Government of Newfoundland and Labrador to address the future funding requirements of the student loans program, the Corporation's ability to continue is dependent upon the decisions of Government.

**STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2006**

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**8. Financial instruments**

The Corporation's short-term financial instruments recognized on the balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities, and accrued vacation pay. The carrying values of these instruments approximate current fair value due to their nature and short-term maturity associated with them.

The Corporation's long-term financial instruments recognized on the balance sheet consist of student loans receivable, notes payable and accrued severance pay. The student loans receivable are reported at cost with provision being made for any decline in their value. Therefore, no further credit risk exists relating to these loans. The Corporation's notes payable is at a floating rate determined by the 3-month Canadian Bankers' Acceptance rate, maturing in October 2006. This may subject the Corporation to interest rate risk caused by changes in the interest rate. The carrying values of these long-term financial instruments approximate their current fair value.

**9. Income taxes**

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.



**TCRHB Housing Complex Inc.**

**Financial Statements**

March 31, 2006

**Grant Thornton** 

## Auditors' Report

To the Directors of  
TCRHB Housing Complex Inc.

We have audited the statement of financial position of **TCRHB Housing Complex Inc.** as at March 31, 2006 and the statements of operations and cash flows 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 Canadian 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

St. John's, Newfoundland  
June 22, 2006

Grant Thornton LLP  
Chartered Accountants

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## TCRHB Housing Complex Inc.

### Statement of Operations

Year Ended March 31	Budget	2006	2005
<b>Revenue</b>			
Rental income (Note 7)	\$ 34,200	\$ 33,594	\$ 35,559
Newfoundland and Labrador Housing Corporation (NLHC) subsidy (Note 8)	17,209	20,224	17,643
HST rebate	1,288	957	1,232
Interest	-	152	275
	<u>52,697</u>	<u>54,927</u>	<u>54,709</u>
<b>Expenditure</b>			
Administration fees	1,500	1,535	1,469
Depreciation	10,209	10,209	9,760
Heat and light	10,270	11,070	10,676
Insurance	710	341	646
Interest on long term debt	20,794	20,794	21,250
Professional fees	2,070	3,680	2,070
Property taxes	3,944	3,943	3,943
Repairs and maintenance	3,200	2,595	3,878
Snowclearing	-	760	1,017
	<u>52,697</u>	<u>54,927</u>	<u>54,709</u>
Excess of revenue over expenditure	\$ Nil	\$ Nil	\$ Nil

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See accompanying notes to the financial statements.

# TCRHB Housing Complex Inc. Statement of Financial Position

March 31 2006 2005

## Assets

Current		
Cash and cash equivalents	\$ 5,262	\$ 6,777
Receivables	972	1,249
Due from replacement reserve (Note 3)	-	524
Due from NLHC	<u>1,377</u>	<u>-</u>
	7,611	8,550
Replacement reserve fund (Note 3)	55,357	55,357
Property and equipment (Note 4)	<u>411,273</u>	<u>421,481</u>
	<u>\$ 474,241</u>	<u>\$ 485,388</u>

## Liabilities

Current		
Payables and accruals	\$ 7,618	\$ 5,747
Due to NLHC (Note 5)	-	2,803
Current portion of long term debt	<u>10,737</u>	<u>10,215</u>
	18,355	18,765
Long term debt (Note 6)	400,529	411,266
Replacement reserve fund (Note 3)	<u>55,357</u>	<u>55,357</u>
	<u>\$ 474,241</u>	<u>\$ 485,388</u>

On Behalf of the Board




Director
Director

See accompanying notes to the financial statements.

Grant Thornton 



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# TCRHB Housing Complex Inc.

## Statement of Cash Flows

Year Ended March 31	2006	2005
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Depreciation	\$ 10,209	\$ 9,760
Change in non-cash operating working capital (Note 9)	<u>(1,508)</u>	<u>(6,439)</u>
	<u>8,701</u>	<u>3,321</u>
<b>Financing</b>		
Repayment of long term debt	<u>(10,216)</u>	<u>(9,760)</u>
Net decrease in cash and cash equivalents	(1,515)	(6,439)
Cash and cash equivalents		
Beginning of year	<u>6,777</u>	<u>13,216</u>
End of year	<u>\$ 5,262</u>	<u>\$ 6,777</u>

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See accompanying notes to the financial statements.

Grant Thornton 

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# TCRHB Housing Complex Inc.

## Notes to the Financial Statements

March 31, 2006

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### 1. Nature of operations

Effective April 1, 2006, the TCRHB Housing Complex Inc. is operated by the Eastern Regional Integrated Health Authority. The Corporation was established to provide housing accommodations for senior citizens in Old Perlican and the surrounding area. As a housing corporation under the Canadian Income Tax Act, TCRHB Housing Complex Inc. is not subject to either federal or provincial income tax.

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### 2. Summary of significant accounting policies

#### Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are set out below.

#### Use of estimates

In preparing the Corporation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. Bank borrowings are considered to be financing activities.

#### Depreciation

Depreciation is provided on property and equipment purchased from loans by Newfoundland and Labrador Housing Corporation at a rate equal to the annual principal reduction of the mortgage. No depreciation is charged on other fixed assets.

#### Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

# TCRHB Housing Complex Inc.

## Notes to the Financial Statements

March 31, 2006

### 3. Replacement reserve fund

Under the terms of the agreement with Newfoundland and Labrador Housing Corporation, the Replacement Reserve Fund is to be credited annually with an amount determined by Newfoundland and Labrador Housing Corporation. These funds are held on deposit with Newfoundland and Labrador Housing Corporation. The funds in the account may only be used as approved by Newfoundland and Labrador Housing Corporation. Transactions in the reserve fund consisted of the following:

	<u>2006</u>	<u>2005</u>
Replacement reserve fund, beginning of year	\$ 55,357	\$ 60,168
Withdrawals during the year	-	(4,287)
Receivable from replacement reserve	-	(524)
Replacement reserve fund, end of year	<u>\$ 55,357</u>	<u>\$ 55,357</u>
Replacement reserve fund is comprised of:		
Principal	<u>\$ 55,357</u>	<u>\$ 55,357</u>

### 4. Property and equipment

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Property and equipment	\$ 496,135	\$ 84,862	\$ 411,273	\$ 421,481

### 5. Due to NLHC

	<u>2006</u>	<u>2005</u>
Due to NLHC, beginning of year	\$ 2,803	\$ 6,604
Net subsidy for the year	(20,224)	(17,643)
Payments received during the year	<u>16,044</u>	<u>13,842</u>
Due (from) to NLHC, end of year	<u>\$ (1,377)</u>	<u>\$ 2,803</u>

### 6. Long term debt

	<u>2006</u>	<u>2005</u>
Newfoundland and Labrador Housing Corporation, 5.05% mortgage, repayable in blended monthly instalments of \$2,587, maturing December 2027.	\$ 411,266	\$ 421,481
Less: current portion	<u>10,737</u>	<u>10,215</u>
	<u>\$ 400,529</u>	<u>\$ 411,266</u>

The mortgage is secured by the related land and buildings.

Annual principal repayments required in each of the next five years are due as follows:  
2007 - \$10,737; 2008 - \$11,286; 2009 - \$11,863; 2010 - \$12,470; and 2011 - \$13,108.

Grant Thornton 

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# TCRHB Housing Complex Inc.

## Notes to the Financial Statements

March 31, 2006

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7. Rental income	<u>2006</u>	<u>2005</u>
Rent	\$ 30,654	\$ 32,589
Electricity	2,000	2,020
Utilities	<u>940</u>	<u>950</u>
	<u>\$ 33,594</u>	<u>\$ 35,559</u>

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### 8. Newfoundland and Labrador Housing Corporation Subsidy

The project has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce operating costs to break even, enabling the project to provide housing to low income individuals. In accordance with Section 56.1, Canada Mortgage and Housing Corporation provides funding to Newfoundland and Labrador Housing Corporation who distributes subsidies to TCRHB Housing Complex Inc. The amount of assistance received in 2006 was \$20,224 (2005 - \$17,643).

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9. Supplemental cash flow information	<u>2006</u>	<u>2005</u>
Change in non-cash operating working capital		
Receivables	\$ 277	\$ (683)
Due to (from) NLHC	(3,656)	(4,325)
Payables and accruals	<u>1,871</u>	<u>(1,431)</u>
	<u>\$ (1,508)</u>	<u>\$ (6,439)</u>
Interest paid	<u>\$ 20,838</u>	<u>\$ 21,287</u>

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### 10. Related party transactions

Expenses include \$1,500 (2005 - \$1,512) paid to the Eastern Regional Integrated Health Authority for administration fees and expenses.

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### 11. Subsequent event

Effective April 1, 2006 the Avalon Health Care Institution Board operations were incorporated under the authority of the Eastern Regional Integrated Health Authority.

**THE BURIN PENINSULA HEALTH CARE  
FOUNDATION INC.**

AUDITORS' REPORT

FINANCIAL STATEMENTS - MARCH 31, 2006

AUDITORS' REPORT

To the Board of Directors of  
**The Burin Peninsula Health Care Foundation Inc.**

We have audited the balance sheet of **The Burin Peninsula Health Care Foundation Inc.** as at March 31, 2006 and the statements of operations and changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian 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 common with many charitable organizations, the Foundation derives certain of its revenue from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditure, assets and net assets.

In our opinion, except for the effect of adjustments, if any, we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the previous paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

  
Chartered Accountants

Gander, Newfoundland

June 19, 2006

# THE BURIN PENINSULA HEALTH CARE FOUNDATION INC.

## Balance Sheet

<u>March 31, 2006</u>	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current assets:		
Cash	<b>\$ 295,323</b>	302,433
Variable rate GIC's	<u>341,000</u>	<u>90,000</u>
Total current assets	<b>636,323</b>	392,433
Equipment - net of accumulated amortization of \$2,901 (2005 - \$2,601)	<u>101</u>	<u>401</u>
	<b><u>\$ 636,424</u></b>	<b><u>392,834</u></b>
<b>Liabilities</b>		
Current liabilities:		
Payable to Eastern Regional Integrated Health Authority:		
Operating	<b>\$ 36,034</b>	7,178
Capital donations (Note 3)	<b>291,189</b>	330,083
Trust funds liability (Note 4)	<u>121,555</u>	<u>82,960</u>
Total current liabilities	<b>448,778</b>	420,221
Net assets:		
Net assets, per accompanying statement (Note 6)	<u>187,646</u>	( 27,387)
	<b><u>\$ 636,424</u></b>	<b><u>392,834</u></b>

See accompanying notes

Approved:



Director

Director

Subject to the accompanying Auditors' Report

**THE BURIN PENINSULA HEALTH CARE FOUNDATION INC.**

**Statement of Operations and Changes in Net Assets**

<b>Year ended March 31, 2006</b>	<b>2006</b>	<b>2005</b>
Revenue:		
Fundraising programs:		
Capital equipment	<b>\$ 393,942</b>	234,651
50/50 lotto	<b>10,921</b>	9,294
Other donations	<b><u>110,511</u></b>	<u>7,585</u>
	<b>515,374</b>	251,530
Interest	<b><u>6,554</u></b>	<u>2,881</u>
	<b><u>521,928</u></b>	<u>254,411</u>
Expenditure:		
Donations (Note 5)	<b>222,058</b>	265,742
Fundraising programs	<b>32,939</b>	24,390
Salaries and benefits - net of recoveries	<b>51,160</b>	48,159
Administration	<b>438</b>	1,241
Amortization	<b><u>300</u></b>	<u>300</u>
	<b><u>306,895</u></b>	<u>339,832</u>
Excess (deficiency) of revenue over expenditure, before extraordinary items	<b>215,033</b>	( 85,421)
Extraordinary items:		
Write-off of old disputed payable to Eastern Regional Integrated Health Authority	-	30,597
Donation of OR table in 2003, subsequently funded by Government in 2005	<u>-</u>	<u>21,830</u>
	<u>-</u>	<u>52,427</u>
Excess (deficiency) of revenue over expenditure (Note 6)	<b>215,033</b>	( 32,994)
Net assets, beginning	<b><u>( 27,387)</u></b>	<u>5,607</u>
Net assets, ending	<b><u>\$ 187,646</u></b>	<u>( 27,387)</u>

**See accompanying notes**

**Subject to the accompanying Auditors' Report**



**THE BURIN PENINSULA HEALTH CARE FOUNDATION INC.**

**Statement of Cash Flow**

<b>Year ended March 31, 2006</b>	<b>2006</b>	<b>2005</b>
Cash flows:		
Operations:		
Excess (deficiency) of revenue over expenditure	<b>\$ 215,033</b>	( 32,994)
Amortization	<u>300</u>	<u>300</u>
	<b>215,333</b>	( 32,694)
Changes in:		
Receivables	-	5,605
Payables to Eastern Regional Integrated Health Authority	<b>( 10,038)</b>	145,478
Trust funds liability	<u>38,595</u>	<u>20,964</u>
Net increase in cash	<b>243,890</b>	139,353
Cash:		
Beginning	<u>392,433</u>	<u>253,080</u>
Ending	<b><u>\$ 636,323</u></b>	<u>392,433</u>
Represented by:		
Cash	<b>\$ 295,323</b>	302,433
Variable rate GIC's	<u>341,000</u>	<u>90,000</u>
	<b><u>\$ 636,323</u></b>	<u>392,433</u>

See accompanying notes

Subject to the accompanying Auditors' Report

# THE BURIN PENINSULA HEALTH CARE FOUNDATION INC.

## Notes to the Financial Statements

**March 31, 2006**

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### 1. Nature of operations:

The Foundation is a not-for-profit organization which raises funds to help the Eastern Regional Integrated Health Authority and is incorporated under the Corporations Act of Newfoundland and Labrador.

### 2. Significant accounting policies:

#### *Pledges*

Revenue from pledges is recognized in the year received since donations are recorded on the cash basis.

At year end, the following unrecorded pledges for the projects indicated had been committed from various donors:

DDR campaign	<b>\$ 50,000</b>
Blue Crest bus	<b><u>32,135</u></b>
	<b><u>\$ 82,135</u></b>

#### *Amortization*

Amortization on equipment is recorded on the straight line basis at a rate of 10%.

### 3. Payable to Eastern Regional Integrated Health Authority - capital donations:

	<u>2006</u>	<u>2005</u>
Digital radiology	<b>\$ 291,189</b>	308,008
Riggs room	-	951
Newborn hearing screening	-	<u>21,124</u>
	<b><u>\$ 291,189</u></b>	<b><u>330,083</u></b>

Subject to the accompanying Auditors' Report

**THE BURIN PENINSULA HEALTH CARE FOUNDATION INC.**

**Notes to the Financial Statements**

**March 31, 2006**

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**4. Trust funds liability:**

	<u>2006</u>	<u>2005</u>
Burin	\$ 7,660	6,057
Blue Crest	5,569	74,990
USM	3,801	1,913
Kidney dialysis	99,825	-
Eye care fund	<u>4,700</u>	<u>-</u>
	<u>\$ 121,555</u>	<u>82,960</u>

**5. Donation expenditure:**

	<u>2006</u>	<u>2005</u>
Digital radiology	\$( 16,818)	231,757
Bus - Blue Crest	107,466	-
Kidney dialysis	99,825	-
Eye care funds	4,700	-
Infant transport isolette	-	7,355
Infant workstation	21,600	-
Infusion pump/furniture (chemo room)	4,193	-
Newborn hearing screening	-	21,124
Geriatric chair	-	2,380
Other	<u>1,092</u>	<u>3,126</u>
	<u>\$ 222,058</u>	<u>265,742</u>

**6. Revenue and net asset deficiency:**

At times the Foundation is billed for donations for which it is committed, prior to fundraising being completed; consequently a deficiency may occur until the fundraising pledges are actually received.

**7. Income tax status:**

The Foundation is a charitable organization as defined in the Income Tax Act (Canada) and issues charitable receipts for donations received.

**Subject to the accompanying Auditors' Report**



**THE OFFICE OF THE COMMISSIONER OF  
PETROLEUM PRODUCTS PRICING**

**FINANCIAL STATEMENTS**

**MAY 25, 2004**

## AUDITORS' REPORT

To: The Office of the Commissioner of  
Petroleum Products Pricing

We have audited the statement of financial position of the Office of the Commissioner of Petroleum Products Pricing as at May 25, 2004 and the statements of operations and accumulated surplus for the period then ended. These financial statements are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian 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 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 Office as at May 25, 2004 and the results of its operations for the period then ended in accordance with Canadian generally accepted accounting principles.


*NKHK Chartered Accountants*  
St. John's, Newfoundland & Labrador  
October 25, 2005

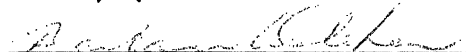
**THE OFFICE OF THE COMMISSIONER OF  
PETROLEUM PRODUCTS PRICING**

**Statement of Financial Position  
May 25, 2004**

	May 25 2004	March 31, 2004
<b>ASSETS</b>		
Current		
Cash	\$ 27,375	\$ 29,211
Short term investments	455,000	310,000
Assessments receivable	-	125,355
HST receivable	12,125	8,315
Prepaid expenses	4,227	-
	<b>498,727</b>	472,881
Capital assets (Notes 2(b) and (3))	<b>20,707</b>	21,926
	<b>\$519,434</b>	\$494,807
<b>LIABILITIES</b>		
Current		
Accounts payable and accruals	\$ 51,286	\$ 48,193
Payroll accruals	27,791	39,425
Deferred revenue (Note 2(c))	122,440	141,822
	<b>201,517</b>	229,440
<b>ACCUMULATED SURPLUS</b>		
Invested in capital assets	20,707	21,926
Unrestricted	297,210	243,441
	<b>317,917</b>	265,367
	<b>\$519,434</b>	\$494,807

Reviewed and Approved By:

 Minister

 Commissioner

**THE OFFICE OF THE COMMISSIONER OF  
PETROLEUM PRODUCTS PRICING**

**Statement of Accumulated Surplus  
Period From April 1, 2004 to May 25, 2004**

			Total	Total
	Invested in Capital Assets	Unrestricted	April 1, 2004 to May 25, 2004	Year Ended March 31, 2004
Balance as at beginning of period	\$ 21,926	\$243,441	<b>\$265,367</b>	\$ 56,915
Amortization of capital assets not previously recorded	(1,219)	-	<b>(1,219)</b>	(7,149)
Excess of revenues over expenses	-	53,769	<b>53,769</b>	215,601
Balance as at end of period	\$ 20,707	\$297,210	<b>\$317,917</b>	\$265,367



**THE OFFICE OF THE COMMISSIONER OF  
PETROLEUM PRODUCTS PRICING**

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**Statement of Operations**

**Period From April 1, 2004 to May 25, 2004**

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Revenues	
Assessments	\$135,943
Interest	1,058
	<hr/>
	137,001
	<hr/>
Expenses	
Consulting fees	1,888
Equipment lease	1,813
Office	5,367
Professional services	1,435
Rent	6,149
Salaries and associated costs	61,092
Telecommunications	2,184
Travel	3,304
	<hr/>
	83,232
	<hr/>
Excess of revenues over expenses	<b>\$ 53,769</b>

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# THE OFFICE OF THE COMMISSIONER OF PETROLEUM PRODUCTS PRICING

## Notes to Financial Statements

May 25, 2004

### 1. Authority

The Office of the Commissioner of Petroleum Products Pricing was constituted by the Government of Newfoundland and Labrador in accordance with the Petroleum Products Act 2001 and regulates fuel prices in accordance with the Act and Regulations.

### 2. Summary of significant accounting policies

These financial statements have, in all material respects, been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are set out below:

a) Operating revenues and expenses

Operating revenues and expenses are accounted for on the accrual basis.

b) Capital assets

Capital assets are recorded on the Statement of Financial Position at their historical cost and are amortized at 20% per annum on the straight-line basis. There was no amortization recorded for this period.

c) Assessment revenue/deferred revenue

Assessments are charged to oil companies on a calendar year basis. The 2004 assessment revenue of \$819,438 has been allocated to the various accounting periods which will occur in the 2004 calendar year and any amounts received in excess of the period revenue is recorded as deferred revenue.

d) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Office's management to make estimates and assumptions that affect the amounts reported in the financial statements and the notes related thereto. Actual results may differ from those estimates.

### 3. Capital assets

	Original Cost	Accumulated Amortization	Net Book Value
<b>Furniture and equipment</b>	\$ 40,554	\$ 19,847	\$ 20,707

# THE OFFICE OF THE COMMISSIONER OF PETROLEUM PRODUCTS PRICING

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Notes to Financial Statements  
May 25, 2004

## **4. Income taxes**

The Office is a Crown entity of the Province of Newfoundland and Labrador and, as such, is not subject to provincial or federal income taxes.

## **5. Lease commitment**

The Office has entered into a lease commitment for the rental of office space in the amount of \$3,074 per month (\$36,888 per annum) concluding July 31, 2006.

## **6. Comparative figures**

The comparative figures on the Statement of Financial Position have been reported upon by another Chartered Accountant.

## **7. Subsequent event**

On June 8, 2004, the Office was integrated with the Board of Commissioners of Public Utilities.



**THE OFFICE OF THE COMMISSIONER OF  
PETROLEUM PRODUCTS PRICING**

**FINANCIAL STATEMENTS**

**JUNE 7, 2004**

## AUDITORS' REPORT

To: The Office of the Commissioner of  
Petroleum Products Pricing

We have audited the statement of financial position of the Office of the Commissioner of Petroleum Products Pricing as at June 7, 2004 and the statements of operations and accumulated surplus for the period then ended. These financial statements are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian 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 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 Office as at June 7, 2004 and the results of its operations for the period then ended in accordance with Canadian generally accepted accounting principles.

*NKHK Chartered Accountants*

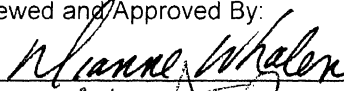
St. John's, Newfoundland & Labrador  
August 26, 2005

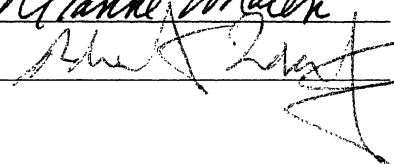
**THE OFFICE OF THE COMMISSIONER OF  
PETROLEUM PRODUCTS PRICING**

**Statement of Financial Position  
June 7, 2004**

	June 7 2004	May 25 2004
<b>ASSETS</b>		
Current		
Cash	\$ 27,375	\$ 27,375
Short term investments	455,000	455,000
HST receivable	12,125	12,125
Prepaid expenses	4,067	4,227
	<b>498,567</b>	498,727
Capital assets (Notes 2(b) and (3))	<b>20,574</b>	20,707
	<b>\$519,141</b>	\$519,434
<b>LIABILITIES</b>		
Current		
Accounts payable and accruals	\$ 52,378	\$ 51,286
Payroll accruals	37,495	27,791
Deferred revenue (Note 2(c))	90,308	122,440
	<b>180,181</b>	201,517
<b>ACCUMULATED SURPLUS</b>		
Invested in capital assets	20,574	20,707
Unrestricted	318,386	297,210
	<b>338,960</b>	317,917
	<b>\$519,141</b>	\$519,434

Reviewed and Approved By:

  
\_\_\_\_\_  
Minister

  
\_\_\_\_\_  
Commissioner

**THE OFFICE OF THE COMMISSIONER OF  
PETROLEUM PRODUCTS PRICING**

**Statement of Accumulated Surplus  
Period From May 26, 2004 To June 7, 2004**

			Total	Total
	Invested in Capital Assets	Unrestricted	May 26, 2004 to June 7, 2004	May 25 2004
Balance as at beginning of period	\$ 20,707	\$297,210	<b>\$317,917</b>	\$265,367
Amortization of capital assets not previously recorded	(133)	-	(133)	(1,219)
Excess of revenues over expenses	-	21,176	<b>21,176</b>	53,769
Balance as at end of period	\$ 20,574	\$318,386	<b>\$338,960</b>	\$317,917



**THE OFFICE OF THE COMMISSIONER OF  
PETROLEUM PRODUCTS PRICING**

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**Statement of Operations and Accumulated Surplus  
Period From May 26, 2004 to June 7, 2004**

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Revenues	
Assessments	<b>\$ 32,132</b>
<hr/>	
Expenses	
Consulting fees	302
Legal	105
Office supplies	315
Salaries and associated costs	10,007
Telecommunications	227
	<hr/>
	10,956
<hr/>	
Excess of revenues over expenses	<b>\$ 21,176</b>

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# THE OFFICE OF THE COMMISSIONER OF PETROLEUM PRODUCTS PRICING

## Notes to Financial Statements

June 7, 2004

### 1. Authority

The Office of the Commissioner of Petroleum Products Pricing was constituted by the Government of Newfoundland and Labrador in accordance with the Petroleum Products Act 2001 and regulates fuel prices in accordance with the Act and Regulations.

### 2. Summary of significant accounting policies

These financial statements have, in all material respects, been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are set out below:

a) Operating revenues and expenses

Operating revenues and expenses are accounted for on the accrual basis.

b) Capital assets

Capital assets are recorded on the Statement of Financial Position at their historical cost and are amortized at 20% per annum on the straight-line basis. There was no amortization recorded for this period.

c) Assessment revenue/deferred revenue

Assessments are charged to oil companies on a calendar year basis. The 2004 assessment revenue of \$819,438 has been allocated to the various accounting periods which will occur in the 2004 calendar year and any amounts paid in excess of the period revenue is recorded as deferred revenue.

e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Office's management to make estimates and assumptions that affect the amounts reported in the financial statements and the notes related thereto. Actual results may differ from those estimates.

### 3. Capital assets

	Original Cost	Accumulated Amortization	Net Book Value
<b>Furniture and equipment</b>	\$ 40,554	\$ 19,980	\$ 20,574

# THE OFFICE OF THE COMMISSIONER OF PETROLEUM PRODUCTS PRICING

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Notes to Financial Statements  
June 7, 2004

## 4. **Income taxes**

The Office is a Crown entity of the Province of Newfoundland and Labrador and, as such, is not subject to provincial or federal income taxes.

## 5. **Lease commitment**

The Office has entered into a lease commitment for the rental of office space in the amount of \$3,074 per month (\$36,888 per annum) concluding July 31, 2006.

## 6. **Comparative figures**

Comparative figures have not been presented since they are not meaningful compared to these financial statements.

## 7. **Subsequent event**

On June 8, 2004, the Office was integrated with the Board of Commissioners of Public Utilities.



**THE ROOMS CORPORATION OF  
NEWFOUNDLAND AND LABRADOR  
FINANCIAL STATEMENTS  
31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the Chairperson and Members  
The Rooms Corporation of  
Newfoundland and Labrador  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of The Rooms Corporation of Newfoundland and Labrador as at 31 March 2006 and the statements of revenues and expenses, surplus, and cash flows 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 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 Corporation as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "John L. Noseworthy".

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

St. John's, Newfoundland and Labrador  
21 June 2006



**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR  
STATEMENT OF REVENUES AND EXPENSES**

**For the Year Ended 31 March**

**2006**

**2005**

(Note 12)

**REVENUES**

Province of Newfoundland and Labrador	\$ 6,051,446	\$ 3,128,024
Fees	249,853	54,410
Government of Canada	225,167	117,426
Donations	81,114	33,119
External funding	18,813	66,660
	<b>6,626,393</b>	<b>3,399,639</b>

**EXPENSES (See Schedule)**

Advertising	389,649	49,542
Amortization expense	46,294	40,030
Appraisals and acquisitions	119,561	16,138
Building expenses	1,238,792	520,685
Building readiness and moving	39,363	48,858
Conference and registration fees	12,413	4,776
Exhibits	519,258	107,504
Meetings and openings	134,760	12,883
Office equipment	16,471	12,094
Office supplies	55,206	25,826
Professional services	350,950	64,420
Salaries and benefits	2,686,491	2,281,642
Telecommunications and courier	57,136	49,249
Travel	190,887	86,963
	<b>5,857,231</b>	<b>3,320,610</b>
<b>Excess of revenues over expenses</b>	<b>\$ 769,162</b>	<b>\$ 79,029</b>

*See accompanying notes*



**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**STATEMENT OF SURPLUS**  
**For the Year Ended 31 March**

	<b>2006</b>	<b>2005</b>
		(Note 12)
<b>Surplus, beginning of year</b>	<b>\$ 627,215</b>	<b>\$ 548,186</b>
<b>Excess of revenues over expenses</b>	<b>769,162</b>	<b>79,029</b>
<b>Surplus, end of year</b>	<b>\$ 1,396,377</b>	<b>\$ 627,215</b>

*See accompanying notes*

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended 31 March**

**2006**

**2005**

(Note 12)

**Cash flows from operating activities**

Excess of revenues over expenses	\$ 769,162	\$ 79,029
Add non-cash items:		
Amortization expense	46,294	40,030
	815,456	119,059
Net change in non-cash working capital items	(139,814)	(345,951)
	675,642	(226,892)

**Cash flows from investing activities**

Purchase of capital assets	(41,943)	(4,211)
Restricted cash	(2,370)	(26,000)
	(44,313)	(30,211)
<b>Increase (decrease) in cash</b>	<b>631,329</b>	<b>(257,103)</b>
<b>Cash, beginning of year</b>	<b>1,033,067</b>	<b>1,290,170</b>
<b>Cash, end of year</b>	<b>\$ 1,664,396</b>	<b>\$ 1,033,067</b>

*See accompanying notes*

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**Authority**

The Rooms Corporation of Newfoundland and Labrador (the Corporation) was established as a corporation under the *Rooms Act* on 19 May 2005. In accordance with the *Rooms Act*, the Corporation assumed title to and has been vested with all of the rights, liabilities, assets and property of The Rooms Corporation of Newfoundland and Labrador Inc. established as a corporation under the *Corporations Act* on 18 November 2002. The Corporation was established to: collect, preserve, present and make available for research historic artifacts, natural history specimen and archival records that represent and illustrate the significant history, culture and natural heritage of the Province; conduct research with respect to the history, natural history, culture and heritage of the Province; collect and present provincial, national and international contemporary and historic art; advance and promote the works of contemporary visual artists of the Province; support the development of cultural industries in the Province; strengthen the culture of the Province; and provide and enhance client services and partnerships to promote the cultural collections of the Province and to show other national and international collections. The Corporation is an agent of the Crown. The affairs of the Corporation are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

**1. Significant accounting policies**

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Capital assets

Capital assets to which the Corporation has title are recorded at cost at the time of acquisition. Amortization is calculated on a straight line basis as follows:

Computer equipment and software – 3 years  
Furniture and equipment – 7 years

(b) Deferred revenue

The Corporation follows the deferred method with respect to externally restricted revenue.

**2. Cash**

During 2005-06, the Corporation received \$2,370 from a private donor to purchase a series of photographs. To date these photographs have not been purchased. During 2004-05, the Corporation received \$26,000 from a private donor to sponsor an exhibit of a B-17 Bomber. To date, decisions relating to this exhibit have not been finalized. During 2003-04, the Corporation received \$25,000 from a private donor to be deposited into an endowment fund, when it is set up, for the future use of the Corporation. These funds, totalling \$53,370, have been deposited with the Corporation's general funds and are reported in these financial statements as restricted cash.

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

**2. Cash (cont.)**

The Corporation's general bank account is comprised of the following:

	<b>2006</b>	<b>2005</b>
		<b>(Note 12)</b>
General operating cash	\$ 1,664,396	\$ 1,033,067
Restricted cash	53,370	51,000
	<b>\$ 1,717,766</b>	<b>\$ 1,084,067</b>

**3. Accounts receivable**

	<b>2006</b>	<b>2005</b>
		<b>(Note 12)</b>
Province of Newfoundland and Labrador	\$ 136,000	\$ 114,900
Harmonized sales tax	98,069	41,063
Government of Canada	-	21,911
Other	8,245	9,119
	<b>\$ 242,314</b>	<b>\$ 186,993</b>

**4. Capital assets**

	<b>2006</b>			<b>2005</b>
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
				<b>(Note 12)</b>
Computer equipment and software	\$ 135,521	\$ 92,858	\$ 42,663	\$ 53,432
Furniture and equipment	47,923	13,253	34,670	28,253
Capital assets transferred to the Corporation (Note 5)	1	1	-	-
	<b>\$ 183,445</b>	<b>\$ 106,112</b>	<b>\$ 77,333</b>	<b>\$ 81,685</b>

These financial statements do not include the value of "The Rooms" building which contains the Provincial Archives, the Provincial Museum and the Art Gallery. Ownership of the building, which cost \$49.3 million to construct, is held by the Minister of Transportation and Works on behalf of the Province.

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2006**

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**5. Capital assets transferred to the Corporation**

During 2003-04, The Rooms Corporation of Newfoundland and Labrador Inc. assumed title to the capital assets of the Provincial Archives, the Provincial Museum and the Art Gallery of Newfoundland and Labrador. These assets have now been transferred to the Corporation. The costs and accumulated amortization of these assets are unknown and a reasonable estimate of the amounts involved could not be determined. Therefore, the cost has been recorded as \$1 and the accumulated amortization has been recorded at \$1.

**6. Deferred revenue**

	<b>2006</b>	<b>2005</b>
		(Note 12)
Province of Newfoundland and Labrador	\$ 219,979	\$ 371,257
Government of Canada	128,142	130,058
Other	55,267	42,712
	<b>\$ 403,388</b>	<b>\$ 544,027</b>

**7. Related party transactions**

The Corporation is administered by employees of the Department of Tourism, Culture and Recreation. Salaries and other costs of operations are paid directly by the Department and are reimbursed by the Corporation.

**8. Commitments**

The Corporation has entered into facility maintenance contracts representing commitments of \$719,982 for work which was not performed as of 31 March 2006. Of these total commitments, \$215,760 relates to work that will be performed by 31 March 2007 and the remaining \$504,222 is for long-term commitments.

**9. Financial instruments**

The Corporation's financial instruments recognized on the balance sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

**10. Economic dependence**

As a result of its reliance on future transfers from the Province of Newfoundland and Labrador to ultimately finance its costs of operations, the Corporation's ability to continue operations is dependent upon the decisions of Government.

**11. Income taxes**

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

**12. Comparative figures**

On 18 November 2002 the Province established The Rooms Corporation of Newfoundland and Labrador Inc. under the Province's *Corporations Act*. The Corporation was created as a temporary entity to manage the operations of the Rooms until formal legislation could be approved by the Legislature creating The Rooms Corporation of Newfoundland and Labrador. On 19 May 2005, The Rooms Corporation of Newfoundland and Labrador was created under the *Rooms Act* and in accordance with the *Act* the Corporation assumed title to all assets, liabilities, and property of The Rooms Corporation of Newfoundland and Labrador Inc. The Province now intends to dissolve the predecessor corporation. The comparative figures for 2005 as presented in these financial statements are those previously reported in the financial statements of the predecessor corporation.

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**SCHEDULE OF EXPENSES**  
**For the Year Ended 31 March 2006**

	<b>Museum</b>	<b>Archives</b>	<b>Art Gallery</b>	<b>Marketing and Development</b>	<b>Finance and General Operations</b>	<b>Total</b>
Advertising	\$ 23,691	\$ 9,914	\$ 40,920	\$295,300	\$ 19,824	\$ 389,649
Amortization expense	-	-	-	-	46,294	46,294
Appraisals and acquisitions	1,183	12,391	105,987	-	-	119,561
Building expenses	36,178	3,747	3,250	526	1,195,091	1,238,792
Building readiness and moving	1,203	5,807	-	-	32,353	39,363
Conference and registration fees	7,326	2,861	502	416	1,308	12,413
Exhibits	155,697	45,455	280,138	15,556	22,412	519,258
Meetings and openings	12,989	6,167	7,863	1,450	106,291	134,760
Office equipment	6,638	8,005	100	-	1,728	16,471
Office supplies	17,485	15,595	9,303	4,122	8,701	55,206
Professional services	74,123	49,587	52,743	87,810	86,687	350,950
Salaries and benefits	1,032,406	579,502	444,981	242,479	387,123	2,686,491
Telecommunications and courier	11,295	920	3,058	2,521	39,342	57,136
Travel	38,558	7,393	74,254	32,062	38,620	190,887
<b>Totals - 2006</b>	<b>\$1,418,772</b>	<b>\$747,344</b>	<b>\$1,023,099</b>	<b>\$682,242</b>	<b>\$1,985,774</b>	<b>\$5,857,231</b>
<b>Totals - 2005</b>	<b>\$1,293,587</b>	<b>\$597,147</b>	<b>\$ 589,005</b>	<b>\$ 59,309</b>	<b>\$ 781,562</b>	<b>\$3,320,610</b>





**Trinity-Conception-Placentia Health  
Foundation Inc.  
Financial Statements  
January 31, 2006**

Grant Thornton 

## Auditors' Report

To the Board of Directors of the  
**Trinity-Conception-Placentia Health Foundation Inc.**

We have audited the statement of financial position of the **Trinity-Conception-Placentia Health Foundation Inc.** at January 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian 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 common with many charitable organizations, the Foundation derives certain of its revenue from the general public in the form of donations and other fund raising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditure, assets and net assets.

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 previous paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at January 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

St. John's, Newfoundland  
May 17, 2006

Grant Thornton LLP  
Chartered Accountants

# Trinity-Conception-Placentia Health Foundation Inc.

## Statements of Operations and Changes in Net Assets


Year Ended January 31

2006

2005

Revenue		
Donations	\$ 319,565	\$ 325,546
50/50 Lotto	28,390	28,157
In Lieu Donations	21,406	61,755
Interest	3,627	1,604
HRDC grant	<u>985</u>	<u>12,015</u>
	<u>373,973</u>	<u>429,077</u>
Expenditure		
Fundraising projects	83,887	69,130
Interest and bank charges	1,465	1,023
Office supplies and postage	7,769	12,695
Other	3,380	936
Promotion	5,247	2,951
Telephone	2,110	2,281
Travel	14,115	8,761
Wages and benefits	<u>94,138</u>	<u>89,317</u>
	<u>212,111</u>	<u>187,094</u>
Excess of revenue over expenditure	<u>\$ 161,862</u>	<u>\$ 241,983</u>
<hr/>		
Unrestricted net assets, beginning of year	\$ 158,303	\$ 53
Excess of revenue over expenditure	161,862	241,983
Donations to Avalon Health Care Institutions Board	<u>(87,722)</u>	<u>(83,733)</u>
Unrestricted net assets, end of year	<u>\$ 232,443</u>	<u>\$ 158,303</u>

See accompanying notes to the financial statements.

Grant Thornton 



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# Trinity-Conception-Placentia Health Foundation Inc.

## Statement of Cash Flows

Year Ended January 31

2006

2005


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Increase (decrease) in cash and cash equivalents

<b>Operating</b>		
Excess of revenue over expenditure	\$ 161,862	\$ 241,983
Donations to Avalon Health Care Institutions Board	<u>(87,722)</u>	<u>(83,733)</u>
	74,140	158,250
Change in non-cash operating working capital (Note 3)	<u>85,987</u>	<u>(83,071)</u>
Net increase in cash and cash equivalents	160,127	75,179
Cash and cash equivalents		
Beginning of year	<u>118,434</u>	<u>43,255</u>
End of year	<u>\$ 278,561</u>	<u>\$ 118,434</u>

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See accompanying notes to the financial statements.

Grant Thornton 

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# Trinity-Conception-Placentia Health Foundation Inc.

## Notes to the Financial Statements

January 31, 2006

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### 1. Nature of operations

The Foundation raises funds to help support the Avalon Health Care Institutions Board.

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### 2. Summary of significant accounting policies

#### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

#### Pledges

Revenue from pledges is recognized in the year received since donations are recorded on the cash basis.

#### Contributions receivable

Revenue from contributions receivable for pledges is recognized in the year that pledges are reasonably estimated to be received and where ultimate collection is reasonably assured.

The total contributions receivable recognized in these financial statements are \$1,040 (2005 - \$3,645).

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

#### Revenue recognition

Interest revenue is recognized as it is earned.

Grant revenue is recognized in the year which the entitlement arises and related expenses are incurred. Grants received related to costs to be incurred in future periods are deferred until the period when the related expenses are recognized.

#### Contributed materials and services

Contributed materials and services are recognized as In Lieu Donations revenue when the fair value of the assets can be reasonably estimated and when the materials and services are used in the normal course of the Foundation's operations and would otherwise have been purchased.

#### Land held for resale

The land held for resale has been recorded in the financial statements at its appraised value at the date of contribution.

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Grant Thornton 

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# Trinity-Conception-Placentia Health Foundation Inc.

## Notes to the Financial Statements

January 31, 2006

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### 3. Supplemental cash flow information

	<u>2006</u>	<u>2005</u>
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Change in non-cash operating working capital

Receivables	\$ 2,740	\$ (4,346)
Payables and accruals	33,247	(30,225)
Deferred revenue	50,000	-
Other assets – land held for resale	<u>-</u>	<u>(48,500)</u>
	<u>\$ 85,987</u>	<u>\$ (83,071)</u>

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### 4. Income tax status

Trinity-Conception-Placentia Health Foundation Inc. is a charitable organization as defined in the Income Tax Act (Canada) and issues charitable receipts for donations received.

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### 5. Commitment

The Foundation has a commitment to the Avalon Health Care Institutions Board to provide a contribution of \$178,250 for capital equipment purchases.

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### 6. Financial instruments

Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from the carrying amounts. Where amounts receivable and payable are subject to normal credit terms, their carrying amount is used as an approximation.





*Financial Statements of*

## **WATERFORD FOUNDATION INC.**

*March 31, 2006*

## Auditors' Report

To the Members of the Board of Directors  
Health Care Foundation

We have audited the statement of financial position of the Waterford Foundation Inc. as at March 31, 2006 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian 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 common with many charitable organizations, the Foundation derives certain of its revenue from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and net assets.

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 Foundation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants  
June 7, 2006

**WATERFORD FOUNDATION INC.**  
**Statement of Operations and Changes in Net Assets**  
Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
REVENUE		
Ever Green Recycling	2,030,271	1,692,536
Mill Lane Enterprises	254,990	201,044
Grants	61,858	70,889
Interest	34,636	20,349
Lottery proceeds	18,440	16,500
Other fundraising activities	15,191	15,035
Special events	7,769	9,227
Amortization of deferred capital contributions	804	804
Donations	30	1,242
Gain on disposal of capital assets	-	4,195
	<u>2,423,989</u>	<u>2,031,821</u>
EXPENDITURES		
Ever Green Recycling	1,493,847	1,189,762
Salaries and benefits	270,273	233,427
Mill Lane Enterprises	144,568	100,591
Mill Lane operating subsidy (Note 4)	134,004	134,004
Mental health fund	52,940	41,615
Capital campaign	50,000	-
Amortization	39,854	27,176
Administrative and board	38,482	31,074
Bank service charges	7,761	6,667
Fundraising and public awareness	3,695	3,825
Special events	3,500	7,362
	<u>2,238,924</u>	<u>1,775,503</u>
EXCESS OF REVENUE OVER EXPENDITURES	185,065	256,318
NET ASSETS, BEGINNING OF YEAR	1,332,362	1,076,044
NET ASSETS, END OF YEAR	<u>1,517,427</u>	<u>1,332,362</u>

# WATERFORD FOUNDATION INC.

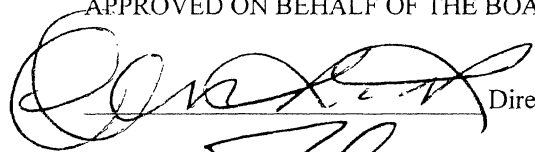
## Statement of Financial Position

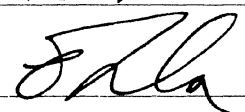
March 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and term deposits	1,571,772	1,262,649
Accounts receivable	45,034	63,500
Inventories	8,044	22,693
	<u>1,624,850</u>	<u>1,348,842</u>
CAPITAL ASSETS (Note 3)	154,633	152,518
INTANGIBLE ASSETS	1,475	1,967
	<u>1,780,958</u>	<u>1,503,327</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	200,048	109,606
Due to Eastern Regional Integrated Health Authority	58,411	52,983
Deferred contributions	4,000	6,500
	<u>262,459</u>	<u>169,089</u>
Deferred capital contributions	1,072	1,876
	<u>263,531</u>	<u>170,965</u>
<b>NET ASSETS</b>		
Net assets	1,517,427	1,332,362
	<u>1,517,427</u>	<u>1,332,362</u>
	<u>1,780,958</u>	<u>1,503,327</u>

Commitments (Note 6)

APPROVED ON BEHALF OF THE BOARD:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# WATERFORD FOUNDATION INC.

## Statement of Cash Flows

Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenditures	185,065	256,318
Adjustments for:		
Amortization	39,854	27,176
Gain on disposal of capital assets	-	(4,195)
Amortization of deferred capital contributions	(804)	(804)
Changes in non-cash operating working capital	126,485	(36,665)
	<u>350,600</u>	<u>241,830</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(41,477)	(81,995)
Proceeds from disposal of capital assets	-	16,000
Acquisition of intangible assets	-	(2,459)
	<u>(41,477)</u>	<u>(68,454)</u>
NET CHANGE IN CASH AND TERM DEPOSITS	309,123	173,376
CASH AND TERM DEPOSITS, BEGINNING OF YEAR	1,262,649	1,089,273
CASH AND TERM DEPOSITS, END OF YEAR	<u>1,571,772</u>	<u>1,262,649</u>
CASH AND TERM DEPOSITS ARE COMPRISED OF:		
Cash	303,672	273,012
Term deposits	1,268,100	989,637
	<u>1,571,772</u>	<u>1,262,649</u>

# WATERFORD FOUNDATION INC.

## Notes to the Financial Statements

March 31, 2006

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### 1. DESCRIPTION OF BUSINESS

The Waterford Foundation Inc. ("the Foundation") is a registered charitable organization incorporated to raise funds for public awareness and provide programs and services for mental health clients in Newfoundland and Labrador. The Health Care Foundation governs and manages the operations of the Foundation.

As a registered charity, the Foundation is exempt from income tax and may issue charitable donation receipts.

### 2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

#### *Revenue recognition*

The following revenue recognition policies have been adopted:

- a) Recycling revenue is recognized throughout the capturing, processing, packaging and shipping phases of the recycling operation.
- b) Mill Lane revenues (woodworking and textile sales) are recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured.
- c) Grant revenue is recognized when related expenditures have been incurred.
- d) Revenue from donations is recognized in the accounts of the Foundation in the year in which it is received.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, cash floats, deposits with banks, net of overdrafts and short-term investments.

#### *Inventories*

Inventories are valued at the lower of cost and net realizable value.

# WATERFORD FOUNDATION INC.

## Notes to the Financial Statements

March 31, 2006

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### 2. ACCOUNTING POLICIES (Continued)

#### *Capital assets*

Capital assets are recorded at cost and are amortized over their estimated useful lives at the following rates per annum:

Leasehold improvements	3 years, straight line
Motor vehicles	30%, declining balance
Equipment	30%, declining balance
Computer equipment	30%, declining balance

#### *Intangible assets*

Intangible assets are recorded at cost and amortized on a straight-line basis over a period of five years.

#### *Capital contributions*

Capital contributions are recorded as deferred contributions and amortized to income at the following rates per annum:

Computer equipment	30%, declining balance
--------------------	------------------------

#### *Use of estimates*

In preparing the Foundation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reporting amounts of revenue and expenses during the year. Actual results could differ from these estimates.

### 3. CAPITAL ASSETS

	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	\$ 189,823	\$ 180,515	\$ 9,308	\$ 19,571
Motor vehicles	58,249	16,575	41,674	52,249
Equipment	120,168	70,276	49,892	46,967
Computer equipment	20,186	16,074	4,112	5,876
Construction in progress	15,627	-	15,627	16,606
IT system under development	34,020	-	34,020	11,249
	438,073	283,440	154,633	152,518

# WATERFORD FOUNDATION INC.

## Notes to the Financial Statements

March 31, 2006

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### 4. MILL LANE OPERATING SUBSIDY

The Foundation is currently paying a subsidy of \$11,167 a month (2005 - \$11,167) to the Eastern Regional Integrated Health Authority, as a contribution towards the cost of the work therapy programs.

### 5. SUPPLEMENTAL CASH FLOW INFORMATION

	<u>2006</u>	<u>2005</u>
	\$	\$
Change in non-cash operating working capital		
Accounts receivable	18,466	(14,821)
Inventories	14,649	(22,693)
Accounts payable and accrued liabilities	90,442	(23,873)
Due to Eastern Regional Integrated Health Authority	5,428	18,222
Deferred contributions	(2,500)	6,500
	<u>126,485</u>	<u>(36,665)</u>
Interest received	<u>34,636</u>	<u>20,349</u>

#### *Restricted cash and cash equivalents*

Cash and cash equivalents in the amount of \$44,744 (2005 - \$37,915) is restricted for various programs at the Waterford Hospital.

### 6. COMMITMENTS

The Foundation has committed to allocate \$1,000,000 of its operating funds to construct a new facility for the Foundation. Project costs incurred to March 31, 2006 amounted to \$15,627.

The Foundation has also committed to allocate \$40,000 of its operating funds for the development of a new information technology system to be installed at the depots and head office. Costs incurred to March 31, 2006 amounted to \$34,020. Implementation is expected to occur within the next year.

The Foundation has also entered into agreements to lease space for \$68,400.



# **WATERFORD FOUNDATION INC.**

## **Notes to the Financial Statements**

**March 31, 2006**

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### **7. RELATED PARTY TRANSACTIONS**

The Foundation provides support to the Eastern Regional Integrated Health Authority to assist with the provision of certain services and programs for mental health program clients.

Transactions between these related parties are measured at their exchange value.

### **8. FINANCIAL INSTRUMENTS**

The carrying values of the Foundation's financial instruments approximate fair value due to the short-term maturity of those instruments.

### **9. COMPARATIVE FIGURES**

The figures presented for comparative purposes were reported upon by another firm of chartered accountants, who expressed an opinion without reservation on May 17, 2005.



**Western Regional Integrated Health Authority**

**Combined Funds**

**Financial Statements**

March 31, 2006

## Auditors' Report

To the Members of the Board of  
Western Regional Integrated Health Authority

We have audited the balance sheet of Western Regional Integrated Health Authority Combined Funds as at March 31, 2006, and the statements of changes in deficiency, operations and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian 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 Authority as at March 31, 2006, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

Corner Brook, Newfoundland and Labrador  
June 23, 2006

Grant Thornton LLP  
Chartered Accountants

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Canadian Member of Grant Thornton International

# Western Regional Integrated Health Authority

## Combined Funds

### Statement of Financial Position

(Note 1)

March 31

2006

2005

#### Assets

##### Current

Cash and cash equivalents	\$ 942,670	\$ 319,957
Receivables (Note 3)	4,083,609	6,608,678
Inventory	3,320,918	3,420,686
Prepaid expenses	<u>3,536,804</u>	<u>3,973,306</u>
	11,884,001	14,322,627

Due from associated funds (Note 4)	697,881	366,169
Capital assets (Note 5)	60,875,475	47,425,253
Trust funds on deposit	509,217	464,782
Restricted cash and investments	<u>134,242</u>	<u>125,548</u>
	<u>\$ 74,100,816</u>	<u>\$ 62,704,379</u>

#### Liabilities

##### Current

Bank indebtedness (Note 6)	\$ 20,385,098	\$ 18,985,234
Payables and accruals (Note 7)	19,590,919	19,059,335
Deferred contributions – operating	2,132,718	1,505,463
Deferred contributions - capital	1,582,297	5,768,223
Vacation pay accrual	6,037,758	5,676,871
Current portion of severance pay accrual	1,000,000	950,000
Current portion of long term debt (Note 8)	<u>887,500</u>	<u>640,200</u>
	51,616,290	52,585,326

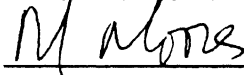
Severance pay accrual	21,262,462	21,246,912
Trust funds payable	509,217	464,782
Long term debt (Note 8)	6,812,025	7,132,903
Deferred contributions		
– unamortized portion of capital asset grants	<u>48,882,897</u>	<u>35,439,663</u>
	<u>129,082,891</u>	<u>116,869,586</u>

#### Deficiency

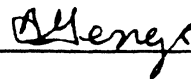
Net assets invested in capital assets	4,293,051	4,212,485
Related net assets, endowments	129,983	118,742
Deficiency (Note 9)	<u>(59,405,109)</u>	<u>(58,496,434)</u>
	<u>(54,982,075)</u>	<u>(54,165,207)</u>
	<u>\$ 74,100,816</u>	<u>\$ 62,704,379</u>

Contingencies and commitments (Note 12)

On behalf of the Board



Member



Member

See accompanying notes to the financial statements.

Grant Thornton 

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**Western Regional Integrated Health Authority****Combined Funds****Statement of Changes in Deficiency**

(Note 1)

March 31

2006

2005

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	Unrestricted	Capital	Endowments	Total	Total
			(Restricted)		
Balance.					
Beginning of year	\$ (58,496,434)	\$ 4,212,485	\$ 118,742	\$ (54,165,207)	\$ (49,918,487)
Prior period Adjustment	-	-	-	-	1,870,786
Balance restated	(58,496,434)	4,212,485	118,742	(54,165,207)	(48,047,701)
Operating deficit	(816,868)	-	-	(816,868)	(6,100,103)
Restricted interest Income	(11,241)	-	11,241	-	-
Funding received for prior year capital purchases	487,410	(487,410)	-	-	-
Unfunded capital purchases	(776,048)	776,048	-	-	-
Amortization of capital assets	5,184,383	(5,184,383)	-	-	-
Transfer of funds to WRIHA capital fund	-	-	-	-	(17,403)
Non-shareable interest on capital lease	15,570	(15,570)	-	-	-
Amortization of capital asset grants	(4,991,881)	4,991,881	-	-	-
Balance, end of year	<u>\$ (59,405,109)</u>	<u>\$ 4,293,051</u>	<u>\$ 129,983</u>	<u>\$ (54,982,075)</u>	<u>\$ (54,165,207)</u>

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See accompanying notes to the financial statements.

**Grant Thornton** 

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**Western Regional Integrated Health Authority****Combined Funds****Statement of Operations**

(Note 1)

Year Ended March 31	2006	2005
Revenue		
Provincial plan	\$ 184,479,931	\$ 165,281,703
Other	33,668,600	32,296,294
Board Fund	<u>1,442,529</u>	<u>1,248,300</u>
	<u>219,591,060</u>	<u>198,826,297</u>
Expenditures		
Administrative and support services	57,215,351	52,107,535
Nursing and medical services	72,970,090	73,530,338
Ambulatory care services	15,123,169	13,731,082
Diagnostic and therapeutic services	26,192,309	20,289,076
Community and social services	40,382,723	37,269,897
Educational services	4,066,314	3,937,932
General services	2,083,284	1,666,810
Board Fund	<u>1,740,179</u>	<u>1,404,551</u>
	<u>219,773,419</u>	<u>203,937,221</u>
Operating deficit before other items (Note 11)	<u>(182,359)</u>	<u>(5,110,924)</u>
Other items		
Increase in severance and vacation pay accrual	426,437	774,959
Amortization of capital assets	5,184,383	4,453,938
Non-sharable interest on capital lease	15,570	-
Amortization of capital asset grants	<u>(4,991,881)</u>	<u>(4,239,718)</u>
	<u>634,509</u>	<u>989,179</u>
Operating deficit	<u>\$ (816,868)</u>	<u>\$ (6,100,103)</u>

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See accompanying notes to the financial statements.

Grant Thornton 

# Western Regional Integrated Health Authority Combined Funds

## Statement of Cash Flows

(Note 1)

Year Ended March 31

2006

2005

Increase (decrease) in cash and cash equivalents

### Operating

Operating deficit	\$ (816,868)	\$ (6,100,103)
Increase in severance and vacation pay accrual	426,437	774,959
Amortization of capital assets	5,184,383	4,453,938
Amortization of capital assets – repayment of long term debt	653,110	600,989
Amortization of capital asset grants	(4,991,881)	(4,239,718)
(Gain) loss on sale of capital assets	(11,913)	1,197

**443,268** (4,508,738)

### Changes in

Receivables	2,525,070	4,492,988
Inventory	99,769	(126,428)
Prepaid expenses	436,502	(223,060)
Due from associated funds	(331,712)	499,387
Deferred contributions - operating	627,255	(120,201)
Payables and accruals	531,584	(587,865)

**4,331,736** (573,917)

### Financing

Increase in bank indebtedness	1,399,864	3,714,458
Capital contributions	14,249,188	4,400,633
Proceeds from long term debt	687,419	-
Repayment of long term debt – operating	(653,110)	(600,989)
Repayment of long term debt - capital	(107,887)	(189,851)
Transfer to capital fund	-	(17,403)

**15,575,474** 7,306,848

### Investing

Purchase of capital assets	(19,287,715)	(7,742,394)
Disposal of capital assets	11,913	46,786
Increase in restricted cash and investments	(8,695)	(4,451)
Capital contribution to operating fund	-	(778,392)

**(19,284,497)** (8,478,451)

Net increase (decrease) in cash and cash equivalents **622,713** (1,745,520)

Cash and cash equivalents

Beginning of year	<u>319,957</u>	<u>2,065,477</u>
End of year	<b>\$ 942,670</b>	<b>\$ 319,957</b>

See accompanying notes to the financial statements.

Grant Thornton 



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# Western Regional Integrated Health Authority

## Combined Funds

### Notes to the Financial Statements

March 31, 2006

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#### 1. Nature of operations

On April 1, 2005, the Government of Newfoundland and Labrador legislated an amalgamation of Health Care Boards in the Province. As a result of the amalgamation, Western Health Care Corporation amalgamated with the Western Regional Health and Community Services Board to form Western Regional Integrated Health Authority. The comparative figures have been presented to reflect this amalgamation.

The Western Regional Integrated Health Authority ("Western Health") was constituted under the Hospital's Act (Western Regional Integrated Health Authority) Constitution Order and is responsible for the management and control of the operations of acute and long term care facilities as well as community health services in the western region of the Province of Newfoundland and Labrador.

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#### 2. Summary of significant accounting policies

##### Use of estimates

In preparing Western Health's financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

##### Basis of presentation

Western Health applies fund accounting principles as follows:

The Operating Fund contains the assets, liabilities, revenues and expenditures of Western Health related to the provision of health and community services, which are funded by the Department of Health and Community Services (DOHCS).

The Board of Trustees Fund contains special purpose assets and those which may be expended at the discretion of the Board. Revenue and expenditures of this fund consist of items not shared by government and those approved by the Board. The Board of Trustees Fund financial statements are presented separately as well as included in the combined financial statements of the Board.

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# Western Regional Integrated Health Authority

## Combined Funds

### Notes to the Financial Statements

March 31, 2006

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#### 2. Summary of significant accounting policies (cont'd)

##### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks and short term deposits, with original maturities of three months or less. Bank borrowings are considered to be financing activities.

##### **Inventory**

Inventory is valued at average cost on a first-in, first-out basis.

##### **Capital assets**

Western Health has control over certain assets for which title resides with the Government of Newfoundland and Labrador. These assets have not been recorded in the financial statements of Western Health. Capital assets acquired after January 1, 1996 are recorded at cost. Assets are not amortized until placed in use. Assets that are acquired through long term borrowing are amortized at an amount equal to the annual principal repayment of the debt obligation. The remaining assets in use are amortized on a declining balance basis at the following rates:

Land improvements	2 ½%
Buildings	6 ¼%
Equipment	15%
Equipment under capital lease	15%
Vehicles	20%
Leasehold Improvements	20%

##### **Capital and operating leases**

A lease that transfers substantially all of the risks and rewards incidental to the ownership of property is accounted for as a capital lease. Assets acquired under capital lease result in a capital asset and an obligation being recorded equal to the lesser of the present value of the minimum lease payments and the property's fair value at the time of inception. All other leases are accounted for as operating leases and the related payments are expensed as incurred.

##### **Severance and vacation pay liability**

An accrued liability for severance and vacation pay is recorded in the accounts for all employees who have a vested right to receive such payments. Severance pay vests after nine years of continuous service and no provision has been made for employees with less than nine years of service.

##### **Revenue recognition**

Provincial plan revenue is recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred contributions - operating.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

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# Western Regional Integrated Health Authority

## Combined Funds

### Notes to the Financial Statements

March 31, 2006

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#### 2. Summary of significant accounting policies (cont'd)

Capital contributions expended are recorded as deferred contributions and amortized to income on a declining balance basis using the same rates as depreciation expense related to the capital assets purchased. Capital contributions expended for non-depreciable capital assets are recorded as direct increases in net assets. Non-expended capital contributions are deferred and are not amortized until expended.

Revenue from the sale of goods and services is recognized at the time the goods are delivered or the services are provided.

#### Pension costs

Employees of Western Health are covered by the Public Service Pension Plan and the Government Money Pension Plan administered by the Province of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Board. The annual contributions for pensions are recognized in the accounts on a current basis.

#### Financial instruments

Western Health's financial instruments include trade receivables, trade payables, due from associated funds, trust funds on deposit and payable, bank indebtedness and long term debt. It is management's view that the fair value of these instruments approximates their carrying value due to their short term to maturity.

Unless otherwise noted, it is management's opinion that Western Health is not exposed to significant credit, interest rate or currency risk arising from its financial instruments

#### Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

---

<b>3. Receivables</b>	<b><u>2006</u></b>	<b>(Note 1) <u>2005</u></b>
Province of Newfoundland and Labrador		
Capital contributions	\$ 437,200	\$ 122,526
Provincial Plan	67,090	680,426
MCP	442,092	1,549,430
Patient services	968,924	980,873
Employees' pay and travel advances	626,186	696,351
Harmonized sales tax rebate	-	387,161
Other	<u>1,542,117</u>	<u>2,191,911</u>
	<b><u>\$ 4,083,609</u></b>	<b><u>\$ 6,608,678</u></b>

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**Western Regional Integrated Health Authority**  
**Operating Fund**  
**Notes to the Financial Statements**

March 31, 2006

<b>4. Due from associated funds</b>	<b><u>2006</u></b>	<b>(Note 1) <u>2005</u></b>
Cottages	\$ 582,721	\$ 330,339
Associated Foundations	<u>115,160</u>	<u>35,830</u>
	<b><u>\$ 697,881</u></b>	<b><u>\$ 366,169</u></b>

Amounts due from associated funds are non-interest bearing with no set terms of repayment.

<b>5. Capital assets</b>	<b><u>2006</u></b>		
	<b><u>Cost</u></b>	<b><u>Accumulated Depreciation</u></b>	<b><u>Net Book Value</u></b>
Land	\$ 674,808	\$ -	\$ 674,808
Land improvements	147,791	67,254	80,537
Equipment under capital lease	7,162,767	3,068,752	4,094,015
Buildings	47,094,243	16,816,498	30,277,745
Parking lot	1,164,080	639,623	524,457
Equipment	66,136,299	41,273,218	24,863,081
Motor vehicles	694,478	402,749	291,729
Leasehold Improvements	<u>232,458</u>	<u>163,355</u>	<u>69,103</u>
	<b><u>\$ 123,306,924</u></b>	<b><u>\$ 62,431,449</u></b>	<b><u>\$ 60,875,475</u></b>

(Note 1)  
2005

	<b><u>Cost</u></b>	<b><u>Accumulated Depreciation</u></b>	<b><u>Net Book Value</u></b>
Land	\$ 575,472	\$ -	\$ 575,472
Land improvements	147,791	65,189	82,602
Equipment under capital lease	6,775,348	2,380,525	4,394,823
Buildings	35,348,840	15,531,376	19,817,464
Parking lot	1,164,081	610,276	553,805
Equipment	59,181,590	37,518,088	21,663,502
Motor vehicles	593,630	342,423	251,207
Leasehold Improvements	<u>232,458</u>	<u>146,080</u>	<u>86,378</u>
	<b><u>\$ 104,019,210</u></b>	<b><u>\$ 56,593,957</u></b>	<b><u>\$ 47,425,253</u></b>

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# Western Regional Integrated Health Authority

## Combined Funds

### Notes to the Financial Statements

March 31, 2006

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#### 6. Bank indebtedness

Western Health has signed an overdraft lending agreement with the Bank of Montreal with interest being charged at prime less 0.5% on any overdraft (March 31, 2006 – 5.5%; March 31, 2005 – 4.25%).

---

<b>7. Payables and accruals</b>	<b><u>2006</u></b>	<b>(Note 1) <u>2005</u></b>
Accounts payable and accrued liabilities	\$ 19,590,919	\$ 18,738,762
Provincial Plan	<u>-</u>	<u>320,573</u>
	<b><u>\$ 19,590,919</u></b>	<b><u>\$ 19,059,335</u></b>

During the year, the DOHCS agreed to forgive any repayment of provincial plan related to the fiscal years 1984 to 1992 so as to allow Western Health to use the funds to cover specific capital requirements.

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<b>8. Long term debt</b>	<b><u>2006</u></b>	<b>(Note 1) <u>2005</u></b>
5.5% mortgage, maturing in 2021, payable in blended monthly payments of \$14,647	\$ 1,812,685	\$ 1,887,606
8% mortgage, maturing in 2026, payable in blended monthly payments of \$9,523	1,163,838	1,185,559
7.875% mortgage, maturing in 2022, repayable in blended monthly payments of \$6,056	665,638	685,844
4.56% mortgage, maturing in 2020, repayable in blended monthly payments of \$2,304	286,968	-
Obligations under capital lease, 5.83%, maturing in 2011, payable in blended monthly payments of \$61,951	3,490,864	4,014,094
Obligations under capital lease, 9.43% maturing in 2007, payable in blended monthly payments of \$ 17,636	<u>279,532</u>	<u>-</u>
	<b>7,699,525</b>	7,773,103
Less current portion	<u>887,500</u>	<u>640,200</u>
	<b><u>\$ 6,812,025</u></b>	<b><u>\$ 7,132,903</u></b>

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# Western Regional Integrated Health Authority

## Combined Funds

### Notes to the Financial Statements

March 31, 2006

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#### 8. Long term debt (cont'd)

As security for the mortgages, Western Health has provided a first mortgage over land and buildings at the Corner Brook Interfaith Home, the Bay St. George Senior Citizens Home and Woody Point Clinic.

As security for the capital leases Western Health has provided specific capital equipment having a net book value of \$4,094,015, (2005 - \$4,394,822).

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<b>9. Deficiency</b>	<b><u>2006</u></b>	<b>(Note 1) <u>2005</u></b>
Accumulated operating deficit	<b>\$ 31,104,889</b>	\$ 30,622,651
Accrued severance pay	<b>22,262,462</b>	22,196,912
Accrued vacation pay	<b>6,037,758</b>	5,676,871
	<b><u>\$ (59,405,109)</u></b>	<b><u>\$ (58,496,434)</u></b>

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#### 10. Obligations under long term debt and leases

Western Health has acquired building additions and equipment under the terms of long term debt and capital leases. Payments under these obligations, scheduled to expire at various dates to 2011, are as follows:

Fiscal year ended

2007	\$ 887,500
2008	822,052
2009	779,700
2010	825,600
2011	<u>873,500</u>
	4,188,352
Less: current portion	<u>887,500</u>
	<b><u>\$ 3,300,852</u></b>

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#### 11. Transfer to Board of Trustees Funds

In accordance with DOHCS budget plan, the accumulated surplus (deficit) of all Provincial Health Boards was to remain in the Operating Funds for the March 31, 1997 to March 31, 1999 fiscal periods. Subsequent to March 31, 1999, DOHCS was to review the results of the three years operations and provide further guidance to all Boards. As at the date of release of these financial statements, DOHCS has not completed its review and, as such, these financial statements do not include any transfers of surpluses or deficits from the Operating Fund to the Board Fund for the March 31, 1997 to March 31, 2006 fiscal periods.

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**Western Regional Integrated Health Authority**  
**Combined Funds**  
**Notes to the Financial Statements**

March 31, 2006

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**12. Contingencies and commitments**

**Claims**

As of March 31, 2006, there were a number of claims against the Authority in varying amounts for which no provision has been made. It is not possible to determine the amounts, if any, that may ultimately be assessed against the Authority with respect to these claims.

**Operating leases**

Western Health has a number of agreements whereby it leases vehicles and office equipment, in addition to those disclosed under Note 10. These agreements range in terms from five to ten years. These leases are accounted for as operating leases. Future minimum lease payments under operating leases for the next five years are as follows:

Fiscal year ended

2007	\$ 524,000
2008	\$ 447,000
2009	\$ 400,000
2010	\$ 350,000
2011	\$ 350,000





WESTERN SCHOOL DISTRICT

FINANCIAL STATEMENTS/AUDITOR'S REPORT

June 30, 2005

Auditors' Report

To The Members of Western School District

We have audited the balance sheet of the current and capital funds of Western School District as at June 30, 2005, and the related statements of current revenues, expenditures and District equity, and statement of changes in capital fund position for the ten months then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian 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.

As required by Section 66 (2) of The Schools Act, we report that the employees whose duties include collecting, receiving or depositing of money are bonded in amounts considered to be sufficient.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District as at June 30, 2005 and the results of its operations and changes in its capital financial position for the ten months then ended, in accordance with Canadian generally accepted accounting principles and as explained in Note 1 to the financial statements, and are in compliance with reporting requirements established for School Districts in the Province of Newfoundland and Labrador by the Department of Education.

  
Chartered Accountants

Stephenville, NL  
City

October 18, 2005  
Date

Western School District

BALANCE SHEET

June 30, 2005

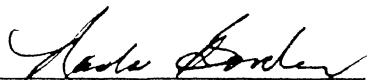
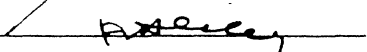
Assets

	<u>2005</u>
Current Assets	
Cash	\$ --
Short Term Investments (Supp.Info.2)	87,689
Accounts Receivable (Note 2)	12,421,494
Prepaid Expenses (Supp.Info.3)	<u>193,874</u>
Total Current Assets	<u>12,703,057</u>
Property and Equipment (schedule 8)	<u>161,845,706</u>
	<u>\$174,548,763</u>

Liabilities and District Equity

Current Liabilities	
Bank Indebtedness (Note 3)	403,411
Accounts Payable and Accrued (Note 4)	11,739,683
Vacation Pay Accrued	637,134
Current Maturities (schedule 9b)	<u>280,332</u>
Total Current Liabilities	<u>13,060,560</u>
Severance pay accrual	<u>20,543,961</u>
Long-Term Debt (schedule 9)	<u>1,983,819</u>
District Equity	
Investment in Capital Assets	159,634,030
Reserve account (Note 5)	200,987
District Equity	<u>(20,874,594)</u>
Total District Equity	<u>138,960,423</u>
	<u>\$174,548,763</u>

Approved:

Chair

Secretary

Western School District

STATEMENT OF CURRENT REVENUES, EXPENDITURES AND DISTRICT EQUITY

For the Ten Months Ended June 30, 2005

	<u>2005</u>
<b>Current Revenue (Schedule 1)</b>	
Provincial Government Grants	\$110,787,909
Donations	--
Ancillary Services	75,292
Miscellaneous	<u>403,446</u>
	<u>111,266,647</u>
 <b>Current Expenditures</b>	
Administration (Schedule 2)	2,760,590
Instruction (Schedule 3)	90,250,773
Operations and Maintenance (Schedule 4)	10,989,517
Pupil Transportation (Schedule 5)	6,211,030
Ancillary Services (Schedule 6)	52,294
Interest Expense (Schedule 9c)	77,066
Miscellaneous (Schedule 7)	<u>43,562</u>
	<u>110,384,832</u>
23 111 Excess of Revenue over Expenditures	881,815
Transfer to/from Capital	<u>116,053</u>
Net Increase/Decrease in District Equity	997,868
District Equity, Beginning of Year	<u>(21,872,462)</u>
District Equity, End of Year	<u><u>\$(20,874,594)</u></u>

See Accompanying Notes

Western School District

STATEMENT OF CHANGES IN Financial Position

For the Ten Months Ended June 30, 2005

	<u>2005</u>
60	<u>Operating Activities</u>
011	Excess of Revenue over Expenditures \$ 881,815
012	Changes in Non-Cash Working Capital
013	- Short-Term Investments 1,239
014	- Accounts Receivable (11,115,927)
015	- Prepaid Expenses (144,061)
014	- Accounts Payable, accruals & vacation payable 11,424,055
015	- Current Maturities --
016	Other (Specify)
	- Principal payments 204,497
	- Increase(Decrease)in severance pay accrual <u>(1,464,175)</u>
	<u>(212,557)</u>
61	<u>Financing Activities</u>
011	Proceeds from Bank Loans 78,047
012	Grants - Deficit Retirement --
013	Other Capital Revenues 124,663
014	Changes in Long-Term Debt (230,755)
015	Other (Specify) <u>--</u>
	<u>(28,045)</u>
62	<u>Investing Activities</u>
011	Proceeds on Sale of Capital Assets 3,004
012	Additions to Property and Equipment (63,404)
013	Other (Specify) <u>--</u>
	<u>(60,400)</u>
63	Increase (Decrease) in Cash <u>(301,002)</u>
64	Cash, Beginning of The Year <u>(102,409)</u>
65	Cash, End of The Year <u>\$ (403,411)</u>

See Accompanying Notes

Western School District

STATEMENT OF CHANGES IN CAPITAL FUND  
(Unaudited)  
For the Ten Months Ended June 30, 2005

	2005	
70	<u>Capital Receipts</u>	
71	Proceeds from Bank Loans	
011	- School Construction	\$ --
012	- Equipment	--
013	- Service Vehicles	78,047
014	- Pupil Transportation	--
015	- Other (Specify)	--
		<hr/> 78,047
72	EIC Grants	
011	School Construction and Equipment	124,664
012	Other - Transportation - Government	--
		<hr/> 124,664
73	Donations	
011	- Cash Receipts	--
012	- Non-Cash Receipts	--
013	- Restricted Use	--
		<hr/> --
74	Sale of Capital Assets - Proceeds	
011	- Land	--
012	- Buildings	--
013	- Equipment	--
014	- Service Vehicles	625
015	- Pupil Transportation Vehicles	2,379
016	- Other (Specify)	--
	- Accounts Receivable - Capital	--
		<hr/> 3,004
75	Other Capital Revenues	
011	- Interest on Capital Fund Investments	--
012	- Premiums on Debentures	--
013	- Recoveries of Expenditures	--
015	- Insurance Proceeds	--
016	- Native Peoples Grants	--
017	- Miscellaneous - Funds for Debt servicing - Bussing	204,497
		<hr/> 204,497
	Total Capital Receipts	<hr/> 410,212
77	Transfer from Reserve Account	<hr/> --
78	Transfer to/from Current Fund	<hr/> (116,053)
Total		<hr/> <u>\$ 294,159</u>

See Accompanying Notes

Western School District

STATEMENT OF CHANGES IN CAPITAL FUND (Cont'd)  
(Unaudited)

For the Ten Months Ended June 30, 2005

	<u>2005</u>
80 <u>Capital Disbursements</u>	
81 <u>Additions to Property &amp; Equipment</u>	
011    - Land and Sites	\$     --
012    - Buildings	63,404
013    - Furniture & Equipment - School	--
014    - Furniture & Equipment - Other	--
015    - Service Vehicles	--
016    - Pupil Transportation	--
017    - Other (Specify)	--
	<hr/>
	63,404
82 <u>Principal Repayment of Long-Term Debt</u>	
011    - School Construction	--
012    - Equipment	--
013    - Service Vehicles	10,233
014    - Other (Specify)	--
- Office	16,025
- Pupil transportation	204,497
	<hr/>
	230,755
83 <u>Miscellaneous Disbursements</u>	
013    - Other (Specify)	--
- Accounts payable	--
	<hr/>
	--
	<hr/>
Total Capital Disbursements	\$ <u>294,159</u>

Western School District

NOTES TO THE FINANCIAL STATEMENTS

For the Ten Months Ended June 30, 2005

1. Significant Accounting Policies:

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Districts. Fund accounting can be defined as "accounting procedures in which a self balancing group of accounts is provided for each fund". It is customary for School Districts to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the District, relating to their use of fund accounting, is as follows:

(a) Grants received by the District are recorded in either the current or capital funds depending on their source. Grants from the Department of Education are treated as current revenues while those from the Education Investment Corporation are recorded as capital revenues. Also, amounts paid to construction companies from the Education Investment Corporation on behalf of the District for capital projects are treated as capital revenues.

(b) Capital asset additions are recorded at full cost in the capital fund.

(c) The District does not calculate or record amortization on any of its capital assets.

(d) Principal repayment of Pupil Transportation Loans are recorded as Current Expenditures. All other principal repayment of bank loans are recorded as Capital Expenditures.



**Western School District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Ten Months Ended June 30, 2005**

2.	<b><u>Accounts Receivable</u></b>		<b><u>2005</u></b>
	<b><u>Current</u></b>		
11	131	Provincial Government	\$ 11,570,041
	132	Transportation	52,952
	133	Federal Government	4,670
	134	Projects	36,070
	135	HST receivable	514,725
	136	Bus Rentals	15,197
	137	Water Program-Provincial	37,444
	138	Interest	--
	139	Travel Advances and Miscellaneous	190,395
	<b><u>Capital</u></b>		
11	231	EIC - Construction Grants	--
	233	Local Contributions	--
	234	Other School Districts	--
	235	Other (Specify) - City of Corner Brook	--
			<u>\$ 12,421,494</u>
3.	<b><u>Bank Indebtedness</u></b>		
21	131	On Operating Credit	\$ 403,411
	132	On Capital Account	--
			<u>\$ 403,411</u>

Western School District

NOTES TO THE FINANCIAL STATEMENTS

For the Ten Months Ended June 30, 2005

4. Accounts Payable and Accrued

2005

Current

21	109	Scholarships	\$ 82,516
	110	Accounts payable-Trade	86,660
	111	Accrued Liabilities	280,129
	112	Wages Payable	10,953,039
	113	- Deferred Grants	308,988
	114	- Wages	--
	115	Payroll Deductions	--
	118	Other	8,378
	119	Payroll Tax	19,973

Capital

21	211	Trade Payable	--
	212	Accrued - Liabilities	--
	213	- Interest	--
	217	Deferred Grants	--
	218	Other (Specify)	--
			<hr/>
			<u>\$11,739,683</u>

Western School District

NOTES TO THE FINANCIAL STATEMENTS

For the Ten Months Ended June 30, 2005

5. Reserve Account

Description:

	<u>2005</u>
Balance, Beginning of Year	\$
Less Transfer from Reserve	<u>200,987</u>
 Add Transfer to Reserve	 <u>--</u>
Balance, End of Year	<u><u>\$ 200,987</u></u>

Western School District

NOTES TO THE FINANCIAL STATEMENTS

For the Ten Months Ended June 30, 2005

2005

6. Investment in Capital Assets, Beginning of Year	\$159,583,440
Add:	
Transfer of Operating funds to Capital Fund	(116,053)
Grants - EIC - Contribution for Capital Const.	124,664
- Other (Specify)	
Capital projects funded by EIC but paid directly to other sources on behalf of District.	
Donations (Specify)	
Proceeds from Sale of Capital Assets	
- Land	--
- Buildings	--
- Equipment	--
- Vehicles	3,004
- Other	--
Interest on Capital Fund Investments	
Recoveries of Expenditures - Prior	--
Insurance Proceeds - Capital	--
Native Peoples Grants - Capital	--
Excess of Revenue over Expenditures	
- Capital Fund	
Principal - Bussing loan	204,497
- Other	--
Capital asset valuation adjustment	--
	<u>159,799,552</u>
Deduct Adjustments:	
Cost of assets sold	
- Land	--
- Buildings	--
- Equipment	--
- Vehicles	165,522
- Other	--
	<u>165,522</u>
Other	--
23 221 Investment in Capital Assets, End of Year	<u>\$159,634,030</u>

Western School District

NOTES TO THE FINANCIAL STATEMENTS

For the Ten Months Ended June 30, 2005

7. Commitments

At balance sheet date the District had the following commitments:

8. Contingency

As of statement date, the following material contingencies are pending:

- a) A former vendor of a Prior School Board has a claim of approximately \$ 30,000 plus HST. The amount has not been recorded in the accounts. The likelihood of loss to the Board cannot be determined.
- b) A former Director of a prior School Board is claiming approximately \$ 31,000 in unpaid salary. The issue is currently under discussion by both parties. The amount has not been recorded in the accounts. The likelihood of loss to the Board cannot be determined.

9. District Deficit(Equity)

The School District has an accumulated operating deficit of \$ (20,874,594). A material amount of this operating deficit is contributed by a recorded teacher's severance pay accrual and non-teacher's severance pay accrual and vacation pay accrual of \$18,364,792 and \$2,179,169 and \$ 637,134 respectively, as required by the Provincial Government.

Accumulated operating deficit per financial statement	\$(20,874,594)
Less: teacher's severance pay accrual	18,364,792
: non-teacher's severance pay accrual	2,179,169
: Vacation pay accrual	<u>637,134</u>
Accumulated operating deficit less severance pay and vacation pay accrued	<u>\$ 306,501</u>

Western School District

## CURRENT REVENUES

For the Ten Months Ended June 30, 2005

		<u>2005</u>
32	010 Provincial Government Grants	
	011 Regular	\$ 15,539,196
	016 Special Grants (Details on bottom of Schedule 1)	1,820,442
	Salaries and Benefits	
	017 - Directors and Asst. Directors	868,929
	021 - Regular Teachers	82,370,242
	022 - Substitute Teachers	2,363,292
	023 - Student Assessments	2,013,585
	030 Pupil Transportation	
	031 - Board Owned	2,009,460
	032 - Contracted	3,069,731
	033 - Handicapped	<u>733,032</u>
		<u>110,787,909</u>
33	010 Donations	
	012 Cash Receipts	--
	011 Heritage fair	--
	013 Non-Cash Receipts	--
	014 Restricted Use	<u>--</u>
		<u>--</u>

Western School District**CURRENT REVENUES**

For the Ten Months Ended June 30, 2005

		<u>2005</u>
34	<b>010 Ancillary Services</b>	
	011 Revenues from Rental of Residences	\$ 21,386
	021 Revenues from Rental of Schools and Facilities (Net)	3,466
	031 Cafeterias	50,440
	032 Other - (Specify)	<u>    --</u>
		<u>75,292</u>
35	<b>010 Miscellaneous</b>	
	011 Interest on Investments	15,734
	012 Bus Charters	41,982
	021 Recoveries of Expenditures	76,892
	031 Revenues from Other Agencies	50,117
	041 Federal Rebates	--
	051 Insurance Proceeds	12,809
	061 Bilingual Education Revenue	--
	071 Operating Rev. from Native Peoples Grant	--
	081 Miscellaneous Federal Grants	--
	091 Textbooks	196,495
	092 Sundry	9,487
	094 Scholarship funds	<u>    --</u>
		<u>403,446</u>
	Total Current Revenues	<u>\$111,266,647</u>
	<b>Special Grants</b>	
	Social Worker	\$ --
	Learning Disabilities	--
	Debt Servicing	37,602
	Student Assistant Salaries	--
	Textbook Credit Allocation	--
	Pay equity	--
	Administration - Textbook	--
	Payroll tax	--
	Utilities	--
	Maintenance	--
	French Monitor	36,284
	French Immersion	44,156
	Peer Tutoring	--
	Bottled water	--
	Administrative Pay Adjustment	--
	Computers	--
	Surplus - substitutes	--
	Kinder - start	--
	Tutoring work experience	--
	Other (Specify)	
	- Miscellaneous grants	666,765
	- Redundancy grant	594,476
	- Maintenance reclassification	--
	- Drama Festival	--
	- Furniture	--
	- Other Projects	148,805
	- IGA Projects	18,531
	- HRDC Grants	<u>273,823</u>
		<u>\$ 1,820,442</u>

Western School District

## ADMINISTRATION EXPENDITURES

For the Ten Months Ended June 30, 2005

		<u>2005</u>
51	Salaries and Benefits	
011	- Directors and Asst. Directors	\$ 868,929
012	- District Office Personnel	552,377
013	Office Supplies	44,382
014	Replacement Furniture and Equipment	23,676
015	Postage	51,255
016	Telephone	89,619
017	Office Equipment Rentals and Repairs	27,866
018	Bank Charges	558
019	Electricity	11,607
021	Fuel	18,965
022	Insurance	6,666
023	Repairs and Maintenance (Office Building)	10,880
024	Travel	112,505
025	Board Meeting Expenses	14,478
026	Election Expenses	--
027	Professional Fees	133,516
028	Advertising	60,508
029	Membership Dues	41,716
031	Municipal Service Fees	9,177
032	Rental of Office Space	--
033	Janitor salaries/supplies	10,930
034	Miscellaneous	6,212
035	Relocation expenses	70,291
036	Redundancy Expenses	<u>594,477</u>
	<u>Total Administration Expenditures</u>	<u>\$ 2,760,590</u>



Western School District**INSTRUCTION EXPENDITURES**

For the Ten Months Ended June 30, 2005

		<u>2005</u>
52 010	<b>Instructional Salaries (Gross)</b>	
011	Teachers' Salaries - Regular	\$ 81,125,942
012	- Substitute	2,363,292
013	- District Paid	61,795
014	Student Assistants	2,013,585
015	Employee Benefits	--
016	School Secretaries - Salaries & Benefits	2,207,095
017	Employee Benefits	--
018	Other - French Monitor	--
		<u>87,771,709</u>
52 040	<b>Instructional Materials</b>	
041	General Supplies	70,589
042	Library Resource Materials	7,758
043	Teaching Aids	1,002,331
044	Textbooks	196,495
		<u>1,277,173</u>
52 060	<b>Instructional Furniture and Equipment</b>	
061	Replacement	4,824
062	Rentals and Repairs	592
063	Copier Cost	220,398
064	Replacement-Computer Equipment	45,755
065	Computer Repairs	55,140
		<u>326,709</u>
52 080	<b>Instructional Staff Travel</b>	
081	Program Co-ordinators	165,250
082	Teachers' Travel - within District	213,202
083	Teacher Travel - Out of District	47,698
084	Student travel	11,314
		<u>437,464</u>
52 090	<b>Other Instructional Costs</b>	
091	Postage and Stationery	--
092	Miscellaneous	1,658
097	Other District Projects	141,676
098	IGA Projects	20,007
099	HRDC Projects	274,377
		<u>437,718</u>
Total Instruction Expenditures		<u>\$ 90,250,773</u>

Western School District

## OPERATIONS AND MAINTENANCE EXPENDITURES - SCHOOLS

For the Ten Months Ended June 30, 2005

	<u>2005</u>
53 011 Salaries & Benefits - Janitorial	\$ 4,190,484
012 - Maintenance	831,948
013 Employee Benefits	298,861
014 Electricity	2,599,640
015 Fuel	1,111,780
016 Municipal Service Fee	237,980
017 Telephone	454,564
018 Vehicle Operating and Travel	171,695
019 Janitorial Supplies	176,106
021 Janitorial Equipment	1,225
022 Repairs and Maintenance - Buildings	527,855
023 - Equipment	3,028
024 Protective Clothing	11,264
025 Snow Clearing	373,087
026 Rentals	--
027 Other (Specify) - Repairs Covered By Insurance	--
	<hr/>
Total Operations and Maintenance	<u>\$10,989,517</u>

Western School District

## PUPIL TRANSPORTATION EXPENDITURE

For the Ten Months Ended June 30, 2005

		<u>2005</u>
54 010	<b>Operation and Maintenance of Board Owned Fleet</b>	
011	Salaries - Administration	\$ 83,914
012	- Drivers and Mechanics	1,513,116
013	Payroll Tax and Benefits	--
014	Debt Repayment - Interest	73,482
015	- Principal	204,497
016	Bank Charges	--
017	Gas and Oil	274,599
018	Licenses	2,279
019	Insurance	58,456
021	Repairs and Maintenance - Fleet	121,101
022	- Building	19,468
023	Tires and Tubes	15,469
024	Heat and Light	23,726
025	Municipal Service	5,053
026	Snow Clearing	11,184
027	Office Supplies	5,031
028	Rent	--
029	Travel	1,166
030	Protective Clothing	2,987
031	Professional Fees	--
032	Miscellaneous	4,245
033	Telephone	12,389
034	Vehicle Leases	--
035	Cleaning - Bus depot	<u>2,838</u>
		<u>2,435,000</u>
54 040	<b>Contracted Services</b>	
041	Regular Transportation	3,042,230
042	Handicapped	733,032
043	Miscellaneous	<u>768</u>
		<u>3,776,030</u>
	Pupil Transportation Expenditures	<u>\$ 6,211,030</u>

Western School District

## ANCILLARY SERVICES AND MISCELLANEOUS EXPENSES

For the Ten Months Ended June 30, 2005

Ancillary Services

The District owns and operates the following ancillary services:

	<u>2005</u>
55 <b>Ancillary Services</b>	
011    Operation of Teachers' Residences	\$    5,183
031    Cafeterias	47,111
032    Other (Specify)	<u>        --</u>
	<u>\$ 52,294</u>

Schedule 7

Miscellaneous Expenses (Specify)

The District has incurred the following miscellaneous expenses:

57 011    Miscellaneous Expenses	
-Human Resources Expenses	\$ 36,782
-Other	<u>6,780</u>
	<u>\$ 43,562</u>

Western School District

## DETAILS OF PROPERTY AND EQUIPMENT

For the Ten Months Ended June 30, 2005

	<u>Balance</u> <u>August 30, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2005</u>
12 210 <b>Land and Sites</b>				
211 Land and Sites	\$ 1,977,719	\$ --	\$ --	\$ 1,977,719
12 220 <b>Buildings</b>				
221 Schools	139,557,991	47,444	--	139,605,435
222 Administration	3,041,428	5,221	--	3,046,649
223 Residential	157,282	10,739	--	168,021
224 Recreational	--	--	--	--
225 Other (Specify)	--	--	--	--
	<u>142,756,701</u>	<u>63,404</u>	<u>--</u>	<u>142,820,105</u>
12 230 <b>Furniture and Equip.</b>				
231 Schools	11,528,316	--	--	11,528,316
232 Administration	970,429	--	--	970,429
233 Residential	1,534	--	--	1,534
234 Recreation	87,005	--	--	87,005
235 Other (Specify)	5,450	--	--	5,450
	<u>12,592,734</u>	<u>--</u>	<u>--</u>	<u>12,592,734</u>
12 240 <b>Vehicles</b>				
241 Service Vehicles	228,136	--	15,000	213,136
12 250 <b>Pupil Transportation</b>				
251 Land	--	--	--	--
252 Building	--	--	--	--
253 Vehicles - Buses	4,392,534	--	150,522	4,242,012
254 - Service	--	--	--	--
255 Equipment	--	--	--	--
256 Other (Specify)	--	--	--	--
	<u>4,392,534</u>	<u>--</u>	<u>150,522</u>	<u>4,242,012</u>
12 260 <b>Misc. Capital Assets -</b>				
261 Other (Specify)	--	--	--	--
Total Property and Equipment	<u>\$161,947,824</u>	<u>\$ 63,404</u>	<u>\$ 165,522</u>	<u>\$ 161,845,706</u>

Western School District

## DETAILS OF LONG-TERM DEBT

For the Ten Months Ended June 30, 2005

Bank loans, mortgage and debentures,  
approved by the District and the Government  
of Newfoundland and Labrador

	<u>2005</u>
22 210 Loans Other than Pupil Transportation	
<u>Ref. #</u>	
211 <b>Bank Loans</b>	
<u>Prime</u> Repayable \$ <u>1,023</u> monthly, maturing <u>2008</u>	\$ 34,789
_____ Repayable \$ _____ monthly, maturing _____	--
_____ Repayable \$ _____ monthly, maturing _____	--
_____ Repayable \$ _____ monthly, maturing _____	--
_____ Repayable \$ _____ monthly, maturing _____	--
_____ Repayable \$ _____ monthly, maturing _____	--
Total 211	<u>34,789</u>
212 <b>Mortgages</b>	
<u>7.9%</u> Repayable \$ <u>3,760</u> monthly, maturing <u>2016</u>	331,358
_____ Repayable \$ _____ monthly, maturing _____	--
_____ Repayable \$ _____ monthly, maturing _____	--
_____ Repayable \$ _____ monthly, maturing _____	--
_____ Repayable \$ _____ monthly, maturing _____	--
_____ Repayable \$ _____ monthly, maturing _____	--
Total 212	<u>331,358</u>
213 <b>Debentures</b>	
_____ Repayable \$ _____ monthly, maturing _____	--
_____ Repayable \$ _____ monthly, maturing _____	--
Total 213	<u>--</u>
214 Other (Please Specify)	<u>--</u>
Subtotal	<u>366,147</u>
215 Less Current Maturities	<u>34,293</u>
Total Loans Other Than Pupil Transportation	<u>331,854</u>

Western School District

## DETAILS OF LONG-TERM DEBT

For the Ten Months Ended June 30, 2005

22 220	Loans - Pupil Transportation				
					<u>2005</u>
	<u>Ref. #</u>				
221	<b>Vehicle Bank Loans</b>				
	<u>Prime</u> Repayable \$ <u>516</u> monthly, maturing <u>2011</u>			\$	37,165
	<u>Prime</u> Repayable \$ <u>523</u> monthly, maturing <u>2012</u>				38,691
	<u>Prime</u> Repayable \$ <u>521</u> monthly, maturing <u>2012</u>				43,772
	<u>Prime</u> Repayable \$ <u>523</u> monthly, maturing <u>2013</u>				49,692
	<u>Prime</u> Repayable \$ <u>542</u> monthly, maturing <u>2016</u>				72,627
	<u>Prime</u> Repayable \$ <u>548</u> monthly, maturing <u>2014</u>				59,138
	<u>Prime</u> Repayable \$ <u>359</u> monthly, maturing <u>2009</u>				15,059
	<u>Prime</u> Repayable \$ <u>960</u> monthly, maturing <u>2011</u>				60,916
	<u>Prime</u> Repayable \$ <u>512</u> monthly, maturing <u>2009</u>				23,021
	<u>Prime</u> Repayable \$ <u>2,456</u> monthly, maturing <u>2012</u>				191,569
	<u>Prime</u> Repayable \$ <u>4,954</u> monthly, maturing <u>2012</u>				416,122
	<u>Prime</u> Repayable \$ <u>3,662</u> monthly, maturing <u>2013</u>				351,513
	<u>Prime</u> Repayable \$ <u>1,095</u> monthly, maturing <u>2015</u>				119,373
	<u>Prime</u> Repayable \$ <u>1,117</u> monthly, maturing <u>2016</u>				138,536
	<u>Prime</u> Repayable \$ <u>1,675</u> monthly, maturing <u>2016</u>				207,641
	<u>Prime</u> Repayable \$ <u>542</u> monthly, maturing <u>2017</u>				<u>73,169</u>
	Total 221				<u>1,898,004</u>
222	<b>Land, Buildings and Equipment Bank Loans</b>				
	_____ Repayable \$ _____ monthly, maturing _____				--
	_____ Repayable \$ _____ monthly, maturing _____				--
	_____ Repayable \$ _____ monthly, maturing _____				--
	_____ Repayable \$ _____ monthly, maturing _____				--
	_____ Repayable \$ _____ monthly, maturing _____				<u>--</u>
	Total 222				<u>1,898,004</u>
	Subtotal				<u>1,898,004</u>
223	Less Current Maturities				<u>246,039</u>
	Total Loans - Pupil Transportation				<u>1,651,965</u>
	Total Long Term Debt				<u>\$ 1,983,819</u>

Western School District  
SUMMARY OF LONG-TERM DEBT

For the Ten Months Ended June 30, 2005

Description	Ref. #	Rate	Balance Beginning of Year	Loans Obtained During Year	Principal Repayment for Year	Balance End of Year
A) School Construction			\$ --	\$ --	\$ --	\$ --
B) Equipment			--	--	--	--
C) Service Vehicles			45,022	--	10,233	34,789
D) Other - Office			347,383	--	16,025	331,358
E) Pupil Transportation			<u>2,024,454</u>	<u>78,047</u>	<u>204,497</u>	<u>1,898,004</u>
Total Loans			<u>\$ 2,416,859</u>	<u>\$ 78,047</u>	<u>\$ 230,755</u>	<u>\$ 2,264,151</u>



Western School District

## SCHEDULE OF CURRENT MATURITIES

For the Ten Months Ended June 30, 2005

<u>Description</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
A) School Construction	\$ --	\$ --	\$ --	\$ --	\$ --
B) Equipment	--	--	--	--	--
C) Service Vehicles	12,279	12,279	10,231	--	--
D) Other - Office	22,014	23,549	25,307	27,195	29,225
E) Pupil Transportation					
	<u>246,039</u>	<u>246,039</u>	<u>246,039</u>	<u>242,530</u>	<u>235,597</u>
Total	<u>\$ 280,232</u>	<u>\$ 281,867</u>	<u>\$ 281,577</u>	<u>\$ 269,545</u>	<u>\$264,822</u>

Western School District

56 010

**SCHEDULE OF INTEREST EXPENSE****For the Ten Months Ended June 30, 2005**

	<u>Description</u>	<u>2005</u>
012	<b>Capital</b>	
	School Construction	\$ --
	Equipment	--
	Service Vehicles	1,429
	Other - Office	<u>22,294</u>
	<b>Total Capital</b>	<u>23,723</u>
013	<b>Current</b> - Operating Loans	53,343
014	- Supplier Interest Charges	<u>--</u>
	<b>Total Current</b>	<u>53,343</u>
	<b>Total Interest Expense</b>	<u>\$ 77,066</u>

**Western School District**

**SUPPLEMENTARY INFORMATION**

**For the Ten Months Ended June 30, 2005**

<b>1.</b>	<b><u>Cash</u></b>		<b><u>2005</u></b>
	<b><u>Current</u></b>		
11	110	Cash on Hand and in Bank	
	111	Cash on Hand	\$ --
	112	Bank - Current	--
	113	- Savings	--
	115	- Non-Teachers' Payroll	--
	116	- Coupon (Debenture)	--
	117	- Other (Specify)	--
	<b><u>Capital</u></b>		
11	210	Cash on Hand and in Bank	--
	211	Cash on Hand	--
	212	Bank - Current	--
	213	- Savings	--
	214	- Other (Specify)	--
		Total Cash on Hand & in Bank	<u>\$ --</u>
<b>2.</b>	<b><u>Short Term Investments</u></b>		
	<b><u>Current</u></b>		
11	121	Term Deposits - Scholarships	\$ 81,620
	122	Term Deposits - Other	5,173
	123	Other (Specify) - Shares	896
	<b><u>Capital</u></b>		
11	221	Term Deposits	--
	222	Canada Savings Bonds	--
	223	Other (Specify)	--
		Total Short Term Investments	<u>\$ 87,689</u>

Western School District

SUPPLEMENTARY INFORMATION

For the Ten Months Ended June 30, 2005

3. Prepaid Expenses

	<u>2005</u>
<u>Current</u>	
11 141 Insurance	\$ --
142 Municipal Service Fees	--
143 Work, health safety and Commissions	190,874
i44 Other (Specify) - Travel Advances	3,000
<u>Capital</u>	
11 241 Other (Specify)	--
	<hr/>
	<u>\$ 193,874</u>

**WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2005**

# AUDITORS' REPORT

To the Board of Directors of the  
Workplace Health, Safety and Compensation  
Commission of Newfoundland and Labrador

We have audited the statement of financial position of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador as at December 31, 2005 and the statements of operations, unfunded liability, comprehensive income and cash flows 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 Canadian 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 December 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.

The comparative figures for the year ended December 31, 2004 were audited by another firm of chartered accountants who expressed an opinion without reservation on those financial statements in their report dated March 4, 2005.

St. John's, Newfoundland  
March 3, 2006

  
Grant Thornton, LLP  
Chartered Accountants

# STATEMENT OF FINANCIAL POSITION

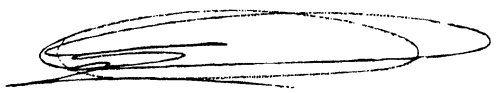
Years ended December 31

(dollars in thousands)	2005	2004
<b>Assets</b>		
Cash and cash equivalents (Note 4)	\$ 9,119	\$ 5,774
Receivables (Note 5)	13,649	15,662
Investments (Note 6)	653,199	572,804
Capital assets (Note 8)	10,267	9,599
	<b>\$ 686,234</b>	<b>\$ 603,839</b>
<b>Liabilities and Net Fund Deficiency</b>		
Payables and accruals (Note 9)	\$ 10,674	\$ 11,485
Benefit liabilities (Note 10)	729,185	693,805
<i>Total liabilities</i>	<b>739,859</b>	<b>705,290</b>
Reserves (Note 12)	913	971
Accumulated other comprehensive income (Note 13)	84,702	57,721
Unfunded liability (Note 14)	(139,240)	(160,143)
<i>Net fund deficiency</i>	<b>(53,625)</b>	<b>(101,451)</b>
	<b>\$ 686,234</b>	<b>\$ 603,839</b>

**Commitments (Note 22)**

**Contingencies (Note 23)**

On behalf of the Commission



Ralph Tucker  
Board Chairperson



Darren Roberts  
Director

The accompanying notes are an integral part of the financial statements.

# STATEMENT OF OPERATIONS

Years ended December 31

(dollars in thousands)	2005	2004
<b>Revenue</b>		
Assessments	\$ 158,217	\$ 166,965
Investment income (Note 6)	37,091	17,733
	<b>195,308</b>	<b>184,698</b>
<b>Expenses</b>		
Claims costs incurred (Note 10)		
Short-term disability	29,360	27,760
Long-term disability	54,990	56,356
Survivor benefits	6,013	5,121
Health care	37,917	40,464
Rehabilitation	1,489	1,329
Future administration costs	3,234	3,246
	<b>133,003</b>	<b>134,276</b>
Administration (Note 15)	21,016	21,383
Legislated obligations (Note 16)	6,505	6,177
Amortization	2,047	2,577
Other (Note 17)	1,225	1,162
	<b>163,796</b>	<b>165,575</b>
Surplus from operations	31,512	19,123
Actuarial adjustments (Note 10)	(10,609)	31,848
Surplus for the year	<b>\$ 20,903</b>	<b>\$ 50,971</b>

*The accompanying notes are an integral part of the financial statements.*



# STATEMENT OF UNFUNDED LIABILITY

Years ended December 31

(dollars in thousands)	2005	2004
Unfunded liability, beginning of year (as previously stated)	<b>\$ (114,755)</b>	\$ (171,090)
Changes in accounting policies:		
Future administration costs (Note 2(a))	<b>(45,388)</b>	(45,555)
Investment accounting (Note 2(b))	-	5,531
Unfunded liability, beginning of year (restated)	<b>(160,143)</b>	(211,114)
Surplus for the year	<b>20,903</b>	50,971
Unfunded liability, end of year	<b>\$ (139,240)</b>	\$ (160,143)

*The accompanying notes are an integral part of the financial statements.*

# STATEMENT OF COMPREHENSIVE INCOME

Years ended December 31

(dollars in thousands)	2005	2004
Surplus for the year	<b>\$ 20,903</b>	\$ 50,971
Other comprehensive income:		
Unrealized gains on available-for-sale investments	<b>42,761</b>	27,815
Realized gains on available-for-sale investments included in surplus from operations	<b>(17,576)</b>	(5,630)
Amortization of reversal of investment gains (Notes 2 and 13)	<b>1,796</b>	1,796
Net change in other comprehensive income for the year	<b>26,981</b>	23,981
Comprehensive income	<b>\$ 47,884</b>	\$ 74,952

*The accompanying notes are an integral part of the financial statements.*

# STATEMENT OF CASH FLOWS

Years ended December 31

(dollars in thousands)	2005	2004
<b>Cash flow from operating activities</b>		
Cash received from:		
Employers, for assessments	<b>\$ 160,230</b>	\$ 165,701
Investment income	<b>11,471</b>	9,617
	<b>171,701</b>	175,318
Cash paid to:		
Claimants or third parties on their behalf	<b>(108,232)</b>	(104,972)
Suppliers and employees, for administrative and other goods and services	<b>(29,557)</b>	(27,085)
Third party, from reserve fund	<b>(58)</b>	(2)
	<b>(137,847)</b>	(132,059)
Net cash provided from operating activities	<b>33,854</b>	43,259
<b>Cash flow from investing activities</b>		
Purchase of investments	<b>(27,795)</b>	(60,392)
Purchase of capital assets	<b>(2,714)</b>	(2,234)
Net cash used for investing activities	<b>(30,509)</b>	(62,626)
Net increase (decrease) in cash and cash equivalents	<b>3,345</b>	(19,367)
Cash and cash equivalents		
Beginning of year	<b>5,774</b>	25,141
End of year	<b>\$ 9,119</b>	\$ 5,774

*The accompanying notes are an integral part of the financial statements.*

# NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2005 and 2004

## 1. Nature of operations

The Workplace Health, Safety and Compensation Commission (the Commission) was established by the Newfoundland Legislature in 1951, under the *Workplace Health, Safety and Compensation Act (the Act)*, as amended. The Commission is responsible for, in accordance with the provisions of *the Act*, preventing and reducing the occurrence of workplace injuries and diseases through the promotion of health and safety in workplaces; the establishment of occupational health and safety certification standards and certification of trainers; facilitating the claims management process and administering the payment of benefits to injured workers and dependents of fatally injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and investing funds, following investment policies which are approved by the Commission within guidelines established under the *Insurance Companies Act* (Canada). An independent Workplace Health, Safety and Compensation Review Division is established under *the Act* to make rulings on any appeals pertaining to the Commission's assessment or benefit decisions. The Commission does not receive government funding or other assistance.

The Commission administers *the Act* for two groups of employers, referred to as assessment-based employers and self-insured employers. Assessment-based employers are insured through "collective liability" and are required to contribute to the Commission's Insurance Fund, whereas self-insured employers are individually liable. The Commission pays the actual cost of claims for self-insured employers and bills them on a monthly basis for payments related to short-term disability, health care, rehabilitation, extended earnings loss, permanent functional impairment awards and survivor benefits, together with their proportionate share of administration costs.

## 2. Change in accounting policy

### (a) Future administration costs

In 2005, the Commission changed its accounting policy to include a provision in the benefit liabilities for future administration costs associated with existing claims. During the year, prior years' financial statements were restated to include a provision for the future cost of administering claims. The effect of the restatement was to increase the benefit liabilities and unfunded liability at December 31, 2003 and December 31, 2004 by \$45,555,000 and \$45,388,000, respectively. In addition, the restatement has the effect of increasing current year benefit costs by \$2,315,000 and decreasing prior year benefit costs by \$167,000.

**(b) Investment accounting**

Effective January 1, 2004, the Commission adopted, prospectively, the Canadian Institute of Chartered Accountants new accounting standard for Financial Instruments which requires that investments be recorded at fair value.

Previously, fixed-term investments were recorded at amortized cost and equity investments were recorded at moving average market value. Unrealized gains and losses occurring during the year, together with realized gains and losses on the disposal of investments, were deferred and amortized on a straight-line basis over a five-year period.

Under the new standard all investments are required to be carried at fair value and realized gains and losses on the disposal of investments are recognized as investment income in the year in which they occur. Unrealized gains and losses are recorded as a component of other comprehensive income until realized.

At January 1, 2004, investments had a fair value of \$480.0 million and a cost basis of \$439.1 million. As a result of adopting the new standard, the \$40.9 million excess of fair value over cost has been recorded as an adjustment to the opening balance of accumulated other comprehensive income. In addition, the balance of previously recognized unrealized investment gains of \$7.2 million has been charged to the opening balance of accumulated other comprehensive income in accordance with the transitional provisions of the Financial Instruments accounting standard and will be amortized over a period of four years. The \$5.5 million of previously deferred realized investment gains have been applied to the opening unfunded liability.

**3. Significant accounting policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The Commission's significant accounting policies are as follows:

**(a) Cash and cash equivalents**

Cash and cash equivalents include cash and short-term investments in money market instruments which will be liquidated in the near term.

**(b) Assessments revenue**

At the beginning of each year, an assessment is levied on employers by applying their industry assessment rate to their estimated payrolls. The assessment levy is payable by installments within the current year. At year-end, assessment income is adjusted based on a review of the employers' actual payrolls.

**(c) Assessments receivable**

Due to varying economic conditions, actual employers' payrolls may differ from original estimates. Therefore, at year-end, a provision for accrued assessments is recorded based on historical assessment information.

# NOTES TO FINANCIAL STATEMENTS CONTINUED

Years ended December 31, 2005 and 2004

## **(d) Investments**

Investments are designated as available-for-sale and are recorded at fair value. The Commission applies settlement date accounting for investments. Gains and losses realized on the disposal of investments are recorded in operating surplus in the year. Unrealized gains and losses are recorded in other comprehensive income until realized. Interest and dividend income are recognized in the period earned.

## **(e) Capital assets**

Capital assets are reported at cost and are amortized monthly on a straight-line basis over their estimated useful lives. The periods used are as follows:

Building	40 years
Furniture and equipment	10 years
Computer equipment	1 to 5 years
Systems development	1 to 5 years
Equipment under capital lease	3 to 5 years

## **(f) Benefit liabilities**

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or business practices in respect of existing claims and for future costs of administering claims. No provision has been made for future claims related to latent occupational disease, because they cannot be reasonably estimated.

The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

Benefit liabilities related to self-insured employers will be the responsibility of those employers when paid in future years. Accordingly, these benefit liabilities have not been determined by actuarial valuation and thus are not included in the Commission's benefit liabilities.

## **(g) Reserves**

In accordance with Section 20.5 (1) of *the Act*, the Commission maintains a special reserve fund for the purpose of health and safety research. *The Act* permits the Commission to allocate up to a maximum of 2% of its total assessment and investment income in each calendar year to establish and maintain this special fund.

In accordance with Section 116 (1) of *the Act*, the Commission may, at its discretion, establish reserves for the following:

- to meet an increase in the capitalization of compensation payments payable in future years where the increase cannot be provided without placing an undue burden on the employers in an industrial classification;
- to meet the loss arising from a disaster or other circumstances which would unfairly burden the employers in an industrial classification; or
- subject to the approval of the Lieutenant-Governor in Council, to meet the costs of particular needs of the Commission that it considers necessary.

**(h) Use of accounting estimates**

**1) Benefit liabilities**

An actuarial valuation of the benefit liabilities is prepared by an independent firm of consulting actuaries who have rendered their opinion that the valuation was prepared in accordance with accepted actuarial practice, and that the actuarial assumptions are appropriate. The Commission believes that the amount provided for benefit liabilities as at December 31, 2005, is adequate, recognizing that actuarial assumptions as disclosed in Note 11 may change over time to reflect underlying economic trends. When they do, it is possible to cause a material change in the actuarial present value of the future payments.

**2) Assessments revenue**

Accounts receivable at year-end include an estimate of annual premium revenues for the year that have not yet been received from employers. The recorded amounts are based upon management's best information and judgment, having regard to actual experience in preceding years. However, until all employers actually submit their final annual payroll information to the Commission, the recorded assessments revenue for the year and the estimated amounts receivable at year-end are subject to measurement uncertainty.

**(i) Financial instruments**

The Commission's financial instruments consist of cash and cash equivalents, receivables, investments and accounts payable and accruals. The carrying value of financial instruments, with the exception of investments, approximate their fair values due to their immediate or short-term maturity and normal credit terms. The fair value of investments is based on quoted market prices.

**(j) Post-employment benefits and annual leave**

Costs for employee future benefits related to severance pay and annual leave are accrued over the periods in which the employees render services in return for these benefits.

# NOTES TO FINANCIAL STATEMENTS CONTINUED

Years ended December 31, 2005 and 2004

## 4. Cash and cash equivalents

(dollars in thousands)	2005	2004
Money market instruments	\$ 3,456	\$ 3,965
Bank balances	5,663	1,809
	<b>\$ 9,119</b>	<b>\$ 5,774</b>

The Commission has established an operating line of credit with its banker in the amount of \$20,000,000. Advances on the line of credit bear interest at the bank's prime interest rate minus 1.8%. The credit facility is unsecured and was utilized during 2005 in the amount of \$15,000,000. The credit facility was not utilized during 2004.

## 5. Receivables

(dollars in thousands)	2005	2004
Assessments	\$ 6,118	\$ 7,144
Accrued assessments	6,000	7,000
Other	1,531	1,518
	<b>\$ 13,649</b>	<b>\$ 15,662</b>

## 6. Investments

(dollars in thousands)	2005		2004	
	Fair Value	Cost	Fair Value	Cost
Fixed term	\$ 211,927	\$ 212,867	\$ 183,205	\$ 177,150
Equities	440,329	351,094	386,954	329,899
Accrued interest	943	943	2,645	2,645
	<b>\$ 653,199</b>	<b>\$ 564,904</b>	<b>\$ 572,804</b>	<b>\$ 509,694</b>

At December 31, 2005, \$5,000,000 of short-term money market instruments, the proceeds of which were transferred in January 2006, were classified as investments.



Investment income is comprised of the following:

(dollars in thousands)	2005	2004
Interest and dividends	\$ 15,073	\$ 13,288
Realized investment gains	25,971	8,116
Reversal of recognized unrealized investment gains (Note 2)	(1,796)	(1,796)
	<b>39,248</b>	19,608
Less: Portfolio management expenses	(2,157)	(1,875)
<b>Total investment income</b>	<b>\$ 37,091</b>	<b>\$ 17,733</b>

The Commission's asset mix policy for 2005 and 2004 is presented below:

	Asset Mix	Tolerance Range
Bonds, Canadian	35%	±5%
Equities, Canadian	35%	±5%
Equities, United States	15%	±3%
Equities, Europe, Asia and Far East (EAFE)	15%	±3%

## 7. Financial instruments

### (a) Market risk management

The Commission invests in publicly and privately traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The Commission uses derivative financial instruments for trading purposes. There were no derivative instruments held at December 31, 2005.

### (b) Credit risk management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. Of the fixed income assets in the investment portfolio, 91.8% (2004; 97.8%) have at least an 'A' credit rating. The Commission does not anticipate that any issuers will fail to meet their obligations.

The Commission may invest in short term commercial debt or paper rated R1 or higher. Provincial short-term debt and debt of agencies guaranteed by the provinces may be rated lower than R1. The short term portfolio investments held with any one corporate issuer is limited to 10%, at any given time, of the Commission's estimated annual cash receipts.

# NOTES TO FINANCIAL STATEMENTS CONTINUED

Years ended December 31, 2005 and 2004

## c) Foreign exchange risk management

The Commission has certain investments denominated in foreign currencies. The Commission does not undertake hedging strategies for the currency risk of foreign investments and currency fluctuations influenced by short-term returns. These fluctuations are not expected to affect the long-term position of the investment portfolio. As at December 31, 2005, the Commission's holdings in foreign equities and pooled equity funds had a market value of \$200.8 million (2004; \$185.8 million) representing 31.0% (2004; 32.5%) of the market value of the total investment portfolio.

## (d) Interest rate risk management

Fluctuations in interest rates are managed by actively controlling the duration of the fixed income portfolio. The table below represents the remaining term to maturity of the Commission's fixed term investments.

Remaining Term to Maturity					
Fair Value (dollars in thousands)	Within 1 Year	1 Year To 5 Years	Over 5 Years	Total 2005	Total 2004
Fixed term investments	\$ 31,554	\$ 62,679	\$ 117,694	\$ 211,927	\$ 183,205

## 8. Capital assets

(dollars in thousands)	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 11	\$ -	\$ 11	\$ 11
Building	7,660	4,455	3,205	3,421
Furniture and equipment	2,603	2,083	520	635
Computer equipment	7,180	5,700	1,480	1,521
Systems development	14,237	9,194	5,043	3,994
Equipment under capital lease	17	9	8	17
	<b>\$ 31,708</b>	<b>\$ 21,441</b>	<b>\$ 10,267</b>	<b>\$ 9,599</b>

Included in systems development costs for 2005 is \$2,049,000 (2004; \$1,490,000) related to business improvement projects.

## 9. Payables and accruals

(dollars in thousands)	2005	2004
Accounts payable	\$ 6,023	\$ 6,184
Annual leave and post-employment benefits, due to employees	3,293	3,264
Credit balances due to employers	1,358	2,037
	<b>\$ 10,674</b>	<b>\$ 11,485</b>

## 10. Benefit liabilities and claims costs

An independent consulting actuary completes a valuation of benefit liabilities of the Commission on a periodic basis, not to exceed two years. Such a valuation was performed as at December 31, 2005.

An analysis of the components of, and changes in, benefit liabilities is as follows:

(dollars in thousands)	2005						2004 (restated)	
	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilit- ation	Future Admin. cost	Total	Total
Balance, Beginning of year	\$ 48,122	\$ 406,094	\$ 54,600	\$ 135,695	\$ 3,906	\$45,388	<b>\$ 693,805</b>	\$ 696,349
Add:								
Claims costs incurred:								
Current year injuries	26,011	24,325	1,690	27,101	1,233	-	<b>80,360</b>	81,198
Prior years' injuries	3,349	30,665	4,323	10,816	256	3,234	<b>52,643</b>	53,078
	<u>29,360</u>	<u>54,990</u>	<u>6,013</u>	<u>37,917</u>	<u>1,489</u>	<u>3,234</u>	<b>133,003</b>	134,276
Deduct:								
Claims payments:								
Current year injuries	8,762	358	131	7,204	5	-	<b>16,460</b>	16,135
Prior year' injuries	16,834	40,973	6,527	26,193	1,245	-	<b>91,772</b>	88,837
	<u>25,596</u>	<u>41,331</u>	<u>6,658</u>	<u>33,397</u>	<u>1,250</u>	<u>-</u>	<b>108,232</b>	104,972
Balance before actuarial adjustments	51,886	419,753	53,955	140,215	4,145	48,622	<b>718,576</b>	725,653
Actuarial adjustments	(4,502)	(2,771)	840	18,370	(409)	(919)	<b>10,609</b>	(31,848)
Balance, end of year	<u>\$ 47,384</u>	<u>\$ 416,982</u>	<u>\$ 54,795</u>	<u>\$ 158,585</u>	<u>\$ 3,736</u>	<u>\$ 47,703</u>	<b>\$ 729,185</b>	\$ 693,805

# NOTES TO FINANCIAL STATEMENTS CONTINUED

Years ended December 31, 2005 and 2004

## 11. Actuarial assumptions

The benefit liabilities are based on projections of future benefit payments which reflect long-term estimates of economic and actuarial assumptions and methods, modified for current trends. As these assumptions may change over time, it is possible that such changes could cause a material change in the actuarial present value of future benefit liabilities.

The table below lists the principal economic assumptions used.

	2005		2004	
	CPI-Indexed Awards	Other Payments	CPI-Indexed Awards	Other Payments
Gross rate of return	7.12%	7.12%	7.12%	7.12%
Inflation Year 1	2.10%	3.50%	1.72%	3.50%
Inflation rate future years	3.50%	3.50%	3.50%	3.50%
Net rate of return Year 1	4.92%	3.50%	5.31%	3.50%
Net rate of return future years	3.50%	3.50%	3.50%	3.50%

## 12. Reserves

As provided by legislation, the Commission maintains a reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace. During 2005, \$58,000 (2004; \$2,000) was charged to the reserve.

### 13. Change in accumulated other comprehensive income

In accordance with its accounting policy on investments the Commission records unrealized gains and losses in accumulated other comprehensive income. The changes in accumulated other comprehensive income in the year are as follows:

(dollars in thousands)	2005	2004
Balance, beginning of year	\$ 57,721	\$ -
Change in accounting policy (Note 2 (b))		
Excess of fair value over cost	-	40,925
Reversal of recognized unrealized investment gains	-	(7,185)
	57,721	33,740
Net change in other comprehensive income for the year	26,981	23,981
Balance, end of year	\$ 84,702	\$ 57,721

### 14. Change in unfunded liability

(dollars in thousands)	2005	2004
Unfunded liability, beginning of year (as previously stated)	\$ (114,755)	\$ (171,090)
Future administration costs (Note 2(a))	(45,388)	(45,555)
Investment accounting (Note 2(b))	-	5,531
Unfunded liability, beginning of year (restated)	(160,143)	(211,114)
Favourable revenue variance	40,700	48,300
Interest on unfunded liability	(11,400)	(15,446)
Investment income variance	2,100	(13,500)
Liability adjustments for prior years' claims	(10,609)	31,848
Other	112	(231)
Unfunded liability, end of year	\$ (139,240)	\$ (160,143)

# NOTES TO FINANCIAL STATEMENTS CONTINUED

Years ended December 31, 2005 and 2004

## 15. Administration expenses

(dollars in thousands)	2005	2004
Salaries and employee benefits	\$ 16,753	\$ 17,270
Office and communications	2,084	2,154
Building operations	629	602
Travel and vehicle operating	499	619
Professional fees	1,051	738
	<b>\$ 21,016</b>	<b>\$ 21,383</b>

## 16. Legislated obligations

The Commission is required by legislation to reimburse the provincial government for a portion of the operating costs of the Department of Government Services, the Department of Human Resources, Labour and Employment and the Labour Relations Agency, in delivering their occupational health and safety mandate and all of the costs of the Workplace Health, Safety and Compensation Review Division. The Commission is required to fund the operating costs of the employer and worker advisor positions and the Statutory Review. Total expenses incurred by the Commission for legislated obligations are detailed below:

(dollars in thousands)	2005	2004
Government Departments and Labour Relations Agency	\$ 5,017	\$ 4,893
Workplace Health, Safety and Compensation Review Division	1,026	884
Employer and Worker Advisors	400	400
Statutory Review on Workers' Compensation	62	-
	<b>\$ 6,505</b>	<b>\$ 6,177</b>

## 17. Other expenses

(dollars in thousands)	2005	2004
External training initiatives	\$ 606	\$ 671
Business improvement projects	619	491
	<b>\$ 1,225</b>	<b>\$ 1,162</b>

External training represents funding provided to the Newfoundland and Labrador Federation of Labour and the Newfoundland and Labrador Construction Safety Association (NLCSA) for return-to-work training programs. A two-year agreement with the Newfoundland and Labrador Federation of Labour expires December 31, 2006.

## 18. Related party transactions

These financial statements include amounts resulting from normal operating transactions with various provincial government departments, agencies, and crown corporations with which the Commission may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements and are settled under normal trade terms.

## 19. Industry levy

The Commission has levied a surcharge of \$0.10 per \$100 of payroll on employers in the construction sector to fund a portion of the operating costs of safety and health training programs conducted by the Newfoundland and Labrador Construction Safety Association. The amounts collected on behalf of the Association totaled \$380,000 in 2005 (2004; \$368,000) and are not included in the Statement of Operations.

## 20. Self-insured employers

These financial statements include the effects of transactions carried out for self-insured employers, principally federal and provincial government bodies, who directly bear the costs of their own incurred claims and a share of administration costs. Aggregate amounts of such assessment revenue and offsetting expenses included in the Statement of Operations are as follows:

(dollars in thousands)	2005	2004
Assessments revenue	\$ 8,669	\$ 8,116
Claims costs incurred:		
Short-term disability	665	779
Long-term disability	3,277	3,054
Survivor benefits	445	467
Health care	2,752	2,554
Administration charges	1,530	1,262
	\$ 8,669	\$ 8,116

## 21. Pension costs

All permanent employees of the Commission are covered by the Public Service Superannuation Plan administered by the Province of Newfoundland and Labrador. Contributions to the plan are required from both the employees and the Commission. The annual contributions of \$1,063,000 (2004; \$1,080,000) for pensions are recognized in the accounts on a current basis.

# NOTES TO FINANCIAL STATEMENTS CONTINUED

Years ended December 31, 2005 and 2004

## 22. Commitments

The Commission has committed to lease payments for office premises and equipment as follows:

(dollars in thousands)	Capital	Operating	Total
2006	10	146	156
2007	-	146	146
2008	-	146	146
2009	-	146	146

## 23. Contingencies

The Commission may be liable for the future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, the liabilities cannot be reasonably estimated and have not been recorded in these financial statements.

## 24. Comparative figures

Certain of the comparative information has been reclassified to conform with the presentation adopted in the current year.