



Public Accounts

for the fiscal year ended 31 March
2003

Volume 3

Financial Statements of
Crown Corporations,
Boards, Commissions

Printed by
Authority of the Legislature
Fredericton, N.B.



Public Accounts

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2003

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Fredericton, N.B.
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INTRODUCTION VOLUME III

The Public Accounts of the Province of New Brunswick are presented in five volumes.

Volume I contains the audited financial statements of the reporting entity of the Province as described in Note 1 to the financial statements. They include a Statement of Financial Position, a Statement of Revenue and Expenditure, a Statement of Cash Flow and a Statement of Net Debt. Volume I also contains the Auditor's Report, Statement of Responsibility and a variance analysis.

Volume II contains unaudited supplementary information to the Financial Statements presented in Volume I. It presents summary statements for revenue and expenditure as well as five-year comparative statements. This volume also contains detailed information on Supplementary Appropriations, Funded Debt, statements of the General Sinking Fund, Securities Held, and revenue and expenditure by government department (this includes salary, travel, vendor, grant and contribution, and loan disbursement listings).

This volume contains the financial statements of those corporations, boards and commissions which are accountable for the administration of their financial affairs and resources to the Government or Legislature of the Province. The Government or Legislature also has the power to control these organizations either through ownership or through legislative provisions.

Volume IV contains the financial statements of various trust funds which the Province administers as Trustee.

Volume V contains salary listings of certain government organizations, including Regional Health Authorities, New Brunswick Power Corporation and New Brunswick Liquor Corporation. The salary listings are for employees who received earnings during the year ended 31 December 2002 in excess of \$40,000.

FINANCIAL STATEMENTS

ADVISORY COUNCIL ON THE STATUS OF WOMEN

31 MARCH 2003

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Chairperson and Members
Advisory Council on the Status of Women

I have audited the balance sheet of the Advisory Council on the Status of Women as at 31 March 2003 and the statement of revenue, expense and surplus 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 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script that reads 'K. D. Robinson'.

K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
9 July 2003

**ADVISORY COUNCIL ON THE STATUS OF WOMEN
BALANCE SHEET
31 MARCH 2003**

	2003	2002
ASSETS		
Accounts receivable - Province of New Brunswick	\$ 125,000	\$ 139,197
LIABILITIES AND SURPLUS		
Accounts payable	\$ 19,976	\$
Surplus	105,024	139,197
	<u>\$ 125,000</u>	<u>\$ 139,197</u>

Approved by the Council

Kaylan Stirling
Jeannette

Chairperson

Member

**ADVISORY COUNCIL ON THE STATUS OF WOMEN
STATEMENT OF REVENUE, EXPENSE AND SURPLUS
FOR THE YEAR ENDED 31 MARCH 2003**

	2003 Budget	2003 Actual	2002 Actual
REVENUE			
Grants - Province of New Brunswick	\$ 443,900	\$ 439,127	\$ 429,992
Other	-	4,000	-
	<u>443,900</u>	<u>443,127</u>	<u>429,992</u>
EXPENSE			
Personal services	240,500	218,677	131,486
Other services	273,939	229,955	134,003
Materials and supplies	9,700	9,083	8,561
Property and equipment	11,000	18,985	8,490
Contributions and grants	-	600	13,030
	<u>535,139</u>	<u>477,300</u>	<u>295,570</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	<u>\$ (91,239)</u>	(34,173)	134,422
Surplus, beginning of year		<u>139,197</u>	4,775
SURPLUS, end of year		<u>\$ 105,024</u>	<u>\$ 139,197</u>

**ADVISORY COUNCIL ON THE STATUS OF WOMEN
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

1. Purpose of the organization

The Advisory Council on the Status of Women advises the New Brunswick government on matters relating to the status of women and brings before the public issues of concern to women.

2. Significant accounting policies

It is the policy of the Council to charge all fixed asset purchases to expense in the year in which the expenditure is incurred.

3. Expenses not included in these financial statements

The rental of the Council's office is paid for by the Province of New Brunswick and has not been included in the Council's expenses.

The Department of Finance has assumed responsibility for the costs of the financial administration of the Council.

FINANCIAL STATEMENTS
ALGONQUIN GOLF LIMITED
31 DECEMBER 2002

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Shareholder of
Algonquin Golf Limited

I have audited the balance sheet of Algonquin Golf Limited as at 31 December 2002 and the statements of revenue, expense 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 December 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

K.D. Robinson

K. D. Robinson, CA
Deputy Auditor General

Fredericton, N.B.
10 April 2003



ALGONQUIN GOLF LIMITED
BALANCE SHEET
31 DECEMBER 2002

ASSETS	2002	2001
Current assets:		
Cash and short term investments	\$ 10,639	\$ 257,771
Accounts receivable	14	1,983
Pro Shop inventory	55,655	-
Prepaid expenses	45,995	2,950
	<u>112,303</u>	<u>262,704</u>
Capital assets (Note 3)	<u>6,326,072</u>	<u>6,793,583</u>
	<u>\$ 6,438,375</u>	<u>\$ 7,056,287</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,473,960	\$ 917,178
Long term liabilities		
Deferred contributions related to capital		
Assets (Note 5)	1,868,944	1,975,741
Due to Province of New Brunswick (Note 4)	4,268,400	4,572,514
Interest on construction loan	297,822	284,543
Leases payable (Note 7)	85,764	162,607
	<u>6,520,930</u>	<u>6,995,405</u>
Capital stock		
Issued and fully paid 1 common share	<u>1</u>	<u>1</u>
Contributed surplus (Note 6)	59,531	59,531
Deficit	<u>(1,616,047)</u>	<u>(915,828)</u>
	<u>(1,556,516)</u>	<u>(856,297)</u>
	<u>\$ 6,438,375</u>	<u>\$ 7,056,287</u>

Approved by the Board


 _____ Director

 _____ Director

ALGONQUIN GOLF LIMITED
STATEMENT OF REVENUE, EXPENSE AND DEFICIT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Budget	2002	2001
REVENUE			
Green fees and rentals	\$ 1,295,350	\$ 1,111,598	\$1,111,076
Food sales	77,450	79,152	78,180
Beverage sales	79,224	95,849	75,360
RDC grant (Note 5)	106,797	106,797	106,797
Pro Shop commission	-	-	21,159
Pro Shop	198,500	224,177	-
Interest	-	1,995	12,155
	<u>1,757,321</u>	<u>1,619,568</u>	<u>1,404,727</u>
EXPENSE			
Direct costs	986,258	934,846	844,233
Pro Shop cost of sales	103,220	117,381	-
Administrative and general	238,333	188,078	125,720
Advertising and promotion	103,539	112,402	117,533
Heat, light, power and water	60,451	43,195	58,613
Property taxes	63,000	61,280	61,213
Management fees	65,875	43,676	38,648
Interest on construction loan (Note 4)	-	300,372	296,057
Interest on leases	-	13,682	18,223
Amortization – capital assets	-	504,875	500,541
	<u>1,620,676</u>	<u>2,319,787</u>	<u>2,060,781</u>
NET PROFIT / (LOSS)	<u>\$ 136,645</u>	<u>(700,219)</u>	<u>(656,054)</u>
Deficit, beginning of year		<u>(915,828)</u>	<u>(259,774)</u>
DEFICIT, end of year		<u>\$ (1,616,047)</u>	<u>\$(915,828)</u>

ALGONQUIN GOLF LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	2001
CASH PROVIDED BY (USED FOR):		
Operating activities:		
Net loss for the year	\$ (700,219)	\$ (656,054)
Add item not involving cash:		
Amortization	504,875	500,541
Increase / (decrease) of non-cash components of working capital	(138,889)	29,084
	<u>(334,233)</u>	<u>(126,429)</u>
Financing activities		
Interest to the Province on the loan for construction	300,372	296,057
RDC contributions related to capital assets (Note 5)	(106,797)	(106,797)
Capital Leases	(79,673)	(72,216)
	<u>113,902</u>	<u>117,044</u>
Investing activities:		
Purchases of capital assets – construction	(26,801)	(16,913)
	<u>(26,801)</u>	<u>(16,913)</u>
DECREASE IN CASH	(247,132)	(26,298)
Cash Position, beginning of year	<u>257,771</u>	<u>284,069</u>
CASH POSITION, end of year	<u>\$ 10,639</u>	<u>\$ 257,771</u>

ALGONQUIN GOLF LIMITED
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2002

1. Description of Operations

Algonquin Golf Limited was incorporated on 29 May 1998 under the New Brunswick Business Corporations Act. Its purpose is to own and operate the golf course previously owned by Algonquin Properties Limited. The company is wholly owned by the Province of New Brunswick.

The first year of operations was 2000; the course opened on July 1. At that time, the golf course assets owned by Algonquin Properties Limited - buildings, equipment and land - were transferred from Algonquin Properties Limited to Algonquin Golf Limited. After this transfer, the assets, revenues and expenses of the golf course were recorded in the Algonquin Golf Limited financial statements. The company has a management agreement which contracts the day-to-day management of the course to Fairmont Hotels Inc.

2. Summary of Significant Accounting Policies

Capital Assets

- a) A reserve for replacement of capital items has been established pursuant to the management agreement with Fairmont Hotels Inc. The agreement states that each year an amount equal to four percent (4%) of gross revenue will be added to this reserve. Purchase of furniture, fixtures, course equipment and minor enhancements will be charged against this reserve up to the balance in the account.
- b) Replacement costs of china, glassware and other clubhouse supplies are charged to expense in the year of purchase.
- c) Amortization of capital assets of the course have been approved by management on a straight line basis at the rates shown in Note 3.

3. Capital Assets

Work on the redesign, construction and furnishings of the new signature golf course at the Algonquin golf course site began in January of 1998. The work was completed and the course opened for operation in the summer of 2000. As of December 2002, the following costs had been incurred:

ALGONQUIN GOLF LIMITED
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2002

Capital Assets	Rate	Cost	Accumulated Amortization	Unamortized Balance
Land	0%	\$ 211,557	\$ -	\$ 211,557
Buildings	5%	1,377,250	172,156	1,205,094
Golf Course Improvements	5%	4,958,770	618,202	4,340,568
Golf Course Equipment	20%	766,462	380,062	386,400
External Improvements	15%	178,196	66,824	111,372
Computer Hardware & Software	20%	5,876	1,175	4,701
Furniture and Fixtures	8%	70,986	14,197	56,789
Building Improvements	10%	11,988	2,397	9,591
		<u>\$7,581,085</u>	<u>\$1,255,013</u>	<u>\$6,326,072</u>

4. Due to Province of New Brunswick

The full amount of the loan from the Province totaling \$4,572,514 was received over a period of three years with the final amount received in the year 2000. This loan is repayable no later than 31 March 2013, commencing with an interest only payment on March 31, 2002 of \$300,372 and then through blended payments of principal and interest each and every year together with a final installment of principal and interest of \$1,148,476 on March 31, 2013. The loan bears interest at the rate of 6% compounded semi-annually not in advance, beginning in 1999. Interest accrued on this loan for 2002 was \$300,372 (2001 - \$296,057).

5. Deferred Contribution

In 1998, Algonquin Golf Limited received a non-repayable contribution of \$2,135,936 from the Regional Development Corporation towards costs associated with the redesign, construction, furnishings and equipment for the new signature golf course at the Algonquin golf site. The full amount was recorded as deferred revenue until the opening of the course. This amount is being amortized over the same period as the assets, which the contribution was used to fund, at a rate of 5% annually.

ALGONQUIN GOLF LIMITED
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2002

6. Contributed Surplus

The contributed surplus represents the book value of the former clubhouse building that was transferred from Algonquin Properties Limited.

7. Obligations Under Capital Leases

Capital leases are in place for golf carts and golf maintenance equipment. The gross amount of assets under capital lease is \$387,805 with accumulated amortization totaling \$190,734. Leases for both the golf carts and golf maintenance equipment are set to expire by 2005 and the total future principal and interest payments for capital leases amounts to \$181,282. That amount includes \$170,566 in principal and \$10,716 in interest. Of the \$170,566, \$84,802 is due in current year and appears in current liabilities.

Minimum annual principal and interest payments in each of the next three years are as follows:

Fiscal Year

2003	\$93,354
2004	\$85,212
2005	<u>\$2,716</u>
	<u>\$181,282</u>

ALGONQUIN GOLF LIMITED
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2002

8. Related Party Transactions

Under the Management Agreement, Fairmont Hotels Inc. may:

- purchase goods identified as goods of the operator through the purchasing department of the operator and the operator shall charge a purchasing fee in the amount of 5% of the cost,
- contract for advertising and promotional programs for the Algonquin as a member of the operator hotel chain, the cost of which shall be paid by the operator,
- contract for public relations programs and conduct public relations activities for the Algonquin as a member of the operator's hotel chain the cost of which shall be paid to the operator.

These types of expenditures are allocated to the appropriate expense items on the Statement of Revenue, Expense and Deficit.

Of the total accounts payable and accrued liabilities of \$1,473,960 (2001 - \$917,178), \$778,895 is payable to Algonquin Properties Limited. (2001 - \$492,445) This payable is related to the transfer of revenues, expenses, assets and liabilities between the two corporations when the golf course officially opened on July 1, 2000 as well as the work done for the course which was paid for by Algonquin Properties Limited. The amount will be reimbursed when sufficient funds are available.

FINANCIAL STATEMENTS

ALGONQUIN PROPERTIES LIMITED

31 DECEMBER 2002

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Shareholder of
Algonquin Properties Limited

I have audited the balance sheet of Algonquin Properties Limited as at 31 December 2002 and the statements of revenue and expense, changes in equity 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 31 December 2002 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 cursive script that reads "K. D. Robinson".


K. D. Robinson, CA
Deputy Auditor General


Fredericton, N. B.
10 April 2003

ALGONQUIN PROPERTIES LIMITED
BALANCE SHEET
31 DECEMBER 2002

	2002	2001
ASSETS		
Current assets		
Cash and short term investments (Note 6)	\$ 2,904,507	\$ 2,531,626
Accounts receivable (Note 5c)	1,094,032	793,204
Inventories, at cost	195,724	107,535
Prepaid expenses	101,439	43,135
	<u>4,295,702</u>	<u>3,475,500</u>
Capital assets (Note 3)	15,048,513	15,693,736
	<u>\$ 19,344,215</u>	<u>\$ 19,169,236</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 447,111	\$ 397,475
Due to Fairmont Hotels Inc.	-	213,502
Advance deposits	37,809	20,939
	<u>484,920</u>	<u>631,916</u>
Capital stock		
Authorized		
10,000 common shares aggregate value not to exceed \$100,000		
9,000 8% non-cumulative redeemable preferred shares with a par value of \$100 each		
Issued and fully paid		
5,000 common shares	50,000	50,000
2,500 preferred shares	250,000	250,000
	<u>300,000</u>	<u>300,000</u>
Contributed Surplus (Note 4)	40,238,428	40,238,428
Deficit	(21,679,133)	(22,001,108)
	<u>18,859,295</u>	<u>18,537,320</u>
	<u>\$ 19,344,215</u>	<u>\$ 19,169,236</u>

Approved by the Board


 _____ Director


 _____ Director

ALGONQUIN PROPERTIES LIMITED
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2002

	Budget	2002	2001
REVENUE			
Room sales	\$ 4,630,237	\$ 5,306,864	\$ 4,507,054
Food sales	2,305,642	2,666,640	2,233,718
Beverage sales	614,226	772,486	577,436
Telephone	89,661	99,528	84,903
Other sport activities	111,720	125,971	92,423
Miscellaneous	88,137	353,565	115,708
Interest	-	31,662	72,704
	<u>7,839,623</u>	<u>9,356,716</u>	<u>7,683,946</u>
EXPENSE			
Direct costs	4,022,656	4,482,227	3,580,654
Administrative and general	808,496	1,117,797	802,525
Advertising and promotion	614,418	624,484	599,223
Repairs and maintenance	598,311	615,459	734,122
Heat, light, power and water	426,872	468,478	420,406
Property taxes	337,500	330,510	330,321
Management fees	321,626	281,238	356,392
Amortization – capital assets	-	1,114,548	1,082,152
	<u>7,129,879</u>	<u>9,034,741</u>	<u>7,905,795</u>
NET INCOME (LOSS)	<u>\$ 709,744</u>	<u>\$ 321,975</u>	<u>\$ (221,849)</u>

**ALGONQUIN PROPERTIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2002**

	2002	2001
Capital stock		
Opening and closing balance	\$ 300,000	\$ 300,000
Deficit		
Opening balance	\$ (22,001,108)	\$ (21,779,259)
Net Income (Loss)	321,975	(221,849)
Ending balance	\$ (21,679,133)	\$ (22,001,108)
Contributed surplus		
Opening and closing balance	\$ 40,238,428	\$ 40,238,428
Total equity	\$ 18,859,295	\$ 18,537,320

**ALGONQUIN PROPERTIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2002**

	2002	2001
CASH PROVIDED BY (USED FOR):		
Operating activities:		
Net income (loss) for the year	\$ 321,975	\$ (221,849)
Add item not involving cash:		
Amortization	1,114,548	1,082,152
Increase of non-cash components of working capital	(594,317)	(62,153)
	<u>842,206</u>	<u>798,150</u>
Financing activities:		
	<u>-</u>	<u>-</u>
Investing activities:		
Purchases of capital assets – renovations	(469,325)	(647,749)
	<u>(469,325)</u>	<u>(647,749)</u>
INCREASE IN CASH	372,881	150,401
Cash Position, beginning of year	<u>2,531,626</u>	<u>2,381,225</u>
CASH POSITION, end of year	<u>\$ 2,904,507</u>	<u>\$ 2,531,626</u>

ALGONQUIN PROPERTIES LIMITED
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2002

1. Description of operations

The Company is wholly-owned by the Province of New Brunswick and administers the operations of the Algonquin Hotel. By means of a management agreement, the Company has contracted the day-to-day management of the hotel operations to Fairmont Hotels Inc.

2. Summary of significant accounting policies

(a) A reserve for replacement of equipment has been established pursuant to the management agreement with Fairmont Hotels Inc. to represent limits on the replacement of equipment chargeable to the operation of the hotel. The agreement states that each year an amount equal to four percent (4%) of gross revenue will be added to this reserve. Purchases of furniture, fixtures and equipment are charged against this reserve up to the balance in the account.

(b) Replacement costs of china, glassware, silverware, utensils, linen, and similar equipment are charged to expense in year of purchase pursuant to the management agreement with Fairmont Hotels Inc.

(c) Amortization of capital assets has been approved by management on a straight-line basis at the rates shown in Note 3.

3. Capital assets

	Rate	Cost	Accumulated Amortization	Unamortized Balance
Land	-	\$ 130,282	\$ -	\$ 130,282
Buildings, improvements and equipment	2.5 – 10%	23,454,547	9,252,996	14,201,551
Operating equipment	8 – 20%	3,268,340	2,551,660	716,680
		<u>\$ 26,853,169</u>	<u>\$ 11,804,656</u>	<u>\$ 15,048,513</u>

Assets are charged for a full year's amortization in the year of purchase.

ALGONQUIN PROPERTIES LIMITED
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2002

4. Contributed Surplus

Contributed surplus results from the forgiveness by the Province of New Brunswick, during 1999 and 2000, of all loans and advances, including accrued interest.

5. Related party transactions

(a) Employees of the Province and Fairmont Hotels Inc., who are on business in connection with the management and operation of the Algonquin Hotel, are provided reasonable room accommodations, meals, laundry and valet services without charge.

All other goods and services provided by the Hotel to provincial employees are charged to those employees at fair market value.

(b) Under the Management Agreement, Fairmont Hotels Inc. (the operator) may:

- purchase goods identified as goods of the Operator through the purchasing department of the Operator and the Operator shall charge the corporate purchasing fee described in the annual budget;
- contract for advertising and promotional programs for the Algonquin as a member of the Operator's hotel chain, the cost of which shall be paid to the Operator;
- contract for public relations programs and conduct public relations activities for the Algonquin as a member of the Operator's hotel chain, the cost of which shall be paid to the Operator;
- obtain the services of the Operator's reservation facility known as the Global Reservation Centre, at rates mutually agreed to by the parties from time to time; and,
- obtain technical and specialized operational expertise (personnel of the Operator), at rates to be negotiated between both parties. This type of expertise would generally be related to a capital renovation program.

During 2002, Fairmont Hotels Inc. headquarters invoiced the Algonquin Hotel for a total of \$1,157,929 (2001 - \$1,111,700) for such services. The Algonquin also paid for \$59,265 (2001 - \$18,789) of goods and services from other Fairmont Hotels during 2002. These amounts have been allocated to the appropriate expense items on the Statement of Revenue and Expense.

c) The operations of the Golf Course were separated from the Hotel operations on July 1, 2000 when the course became fully operational. The receivable is related to the transfer of revenues, expenses, assets and liabilities between the two corporations. The total receivable from Algonquin Golf Limited is \$778,895 (2001 - \$492,445). This amount will be reimbursed when sufficient funds are available.

**ALGONQUIN PROPERTIES LIMITED
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2002**

6. Short Term Investments

As of December 31, 2002 Algonquin Properties Limited held short term investments in the amount of \$540,000 (2001 - \$1,800,000). They are in the form of Government of New Brunswick Treasury Bills and valued at lower of cost or market value.

**Board of Commissioners of Public Utilities
of the Province of New Brunswick
Financial Statements**

March 31, 2003

Grant Thornton 





Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Board of Commissioners of Public Utilities of the Province of New Brunswick

We have audited the balance sheets of the **Board of Commissioners of Public Utilities of the Province of New Brunswick** at March 31, 2003 and the statements of revenue and expenses and surplus (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting policies set out in the notes to the financial statements.

Grant Thornton LLP

Saint John, New Brunswick
May 16, 2003

Grant Thornton LLP
Chartered Accountants

4th Floor, Brunswick House
44 Chipman Hill
Saint John, New Brunswick
E2L 2A9
T (506) 634-2900
F (506) 634-4569
E SaintJohn@GrantThornton.ca
W www.GrantThornton.ca

**Board of Commissioners of Public Utilities
of the Province of New Brunswick - Regulation of Electric Utilities
Statements of Revenue and Expenses and Surplus**

Year Ended March 31	2003	2002
Revenue		
Assessment on electric utilities (Note 6)	\$ 1,686,606	\$ 793,314
Interest	<u>8,258</u>	<u>7,846</u>
	<u>1,694,864</u>	<u>801,160</u>
Expenses		
Salaries and benefits	386,846	383,310
Office and administration	71,198	101,201
Training	27,251	30,901
Depreciation	20,906	20,950
Professional fees	4,500	3,500
Library and publications	2,404	3,360
Direct expenses	<u>535,775</u>	<u>365,630</u>
	<u>1,048,880</u>	<u>908,852</u>
Excess (deficiency) of revenue over expenses	\$ <u>645,984</u>	\$ <u>(107,692)</u>
<hr/>		
Surplus, beginning of year	\$ 24,994	\$ 132,686
Excess (deficiency) of revenue over expenses	<u>645,984</u>	<u>(107,692)</u>
Surplus, end of year	\$ <u>670,978</u>	\$ <u>24,994</u>

See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities
of the Province of New Brunswick - Regulation of Electric Utilities
Balance Sheet**

March 31	2003	2002
Assets		
Current		
Cash	\$ 606,713	\$ 667,173
Receivables (Note 3)	12,196	16,364
Prepaid expenses	238	717
Due from Natural Gas fund	-	50,309
Due from Automobile Insurance fund	-	68,145
	<u>619,147</u>	<u>802,708</u>
Cash held in trust (Note 4)	35,192	-
Capital assets (Note 5)	<u>67,294</u>	<u>88,200</u>
	<u>\$ 721,633</u>	<u>\$ 890,908</u>
Liabilities		
Current		
Payables and accruals	\$ 15,463	\$ 15,914
Deferred revenue	-	850,000
	<u>15,463</u>	<u>865,914</u>
Cash held in trust (Note 4)	<u>35,192</u>	-
	<u>50,655</u>	<u>865,914</u>
Surplus	<u>670,978</u>	<u>24,994</u>
	<u>\$ 721,633</u>	<u>\$ 890,908</u>

Commitment (Note 9)

On behalf of the Board




Chairman Secretary

See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities
of the Province of New Brunswick - Regulation of Electric Utilities
Statement of Cash Flows**

Year Ended March 31	2003	2002
Increase (decrease) in cash and cash equivalents		
Operating		
Excess (deficiency) of revenue over expenses	\$ 645,984	\$ (107,692)
Depreciation	<u>20,906</u>	<u>20,950</u>
	666,890	(86,742)
Changes in		
Receivables	4,168	(5,447)
Prepays	479	(717)
Payables and accruals	(451)	(57,312)
Deferred revenue	<u>(850,000)</u>	<u>850,000</u>
	<u>(178,914)</u>	<u>699,782</u>
Investing		
Transfer of computer equipment from Natural Gas division	-	(2,695)
Proceeds on disposal of computer equipment	-	133
Purchase of computer equipment	-	(18,279)
Purchase of office equipment	-	(667)
Purchase of leasehold improvements	<u>-</u>	<u>(31,014)</u>
	<u>-</u>	<u>(52,522)</u>
Financing		
Due from Natural Gas fund	50,309	(50,309)
Due from Automobile Insurance fund	<u>68,145</u>	<u>(68,145)</u>
	<u>118,454</u>	<u>(118,454)</u>
Net (decrease) increase in cash and cash equivalents	(60,460)	528,806
Cash and cash equivalents, beginning of year	<u>667,173</u>	<u>138,367</u>
Cash and cash equivalents, end of year	\$ <u>606,713</u>	\$ <u>667,173</u>

See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities
of the Province of New Brunswick - Regulation of Electric Utilities
Notes to the Financial Statements**

March 31, 2003

1. Nature of operations

The Board of Commissioners of Public Utilities has regulatory responsibility for electric utilities, automobile insurers, the public motor bus industry and natural gas distribution in New Brunswick.

The Board is exempt from income tax under Section 149(1)(d) of the Income Tax Act of Canada.

2. Summary of significant accounting policies

Cash on hand

One bank account is maintained for the Board. The balance of this account is allocated to each of the regulated divisions of the Board based on actual transactions.

Furniture and fixtures

Furniture and fixtures are expensed in the year of acquisition.

Computer equipment

Depreciation of computer equipment is recorded using the straight line method and a rate of 33 1/3%.

Leasehold improvements

Leasehold improvements are being amortized using the straight-line method over the ten year term of the lease.

Direct expenses

Direct expenses include hearing costs, travel, training and other out of pocket expenses directly attributable to a specific public utility.

Allocations

Certain balance sheet and income statement amounts have been allocated between the three divisions of the Board based on management's best judgement and actual activity during the year.

Statement of Cash Flows

For the purpose of the statement of cash flows the Board considers cash on hand and balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash or cash equivalents. Bank borrowings are considered to be financing activities.

**Board of Commissioners of Public Utilities
of the Province of New Brunswick- Regulation of Electric Utilities
Notes to the Financial Statements**

March 31, 2003

3. Receivables	<u>2003</u>	<u>2002</u>
Accounts receivable	\$ -	\$ 581
HST receivable	11,712	13,112
Travel advances	<u>484</u>	<u>2,671</u>
	<u>\$ 12,196</u>	<u>\$ 16,364</u>

4. Cash held in trust

Cash of \$35,192 (2002 - \$nil) relating to the regulation of the public motor bus industry in New Brunswick was being held in trust by the Board on behalf of the New Brunswick Department of Transportation.

During the year, the Board conducted hearings, pursuant to the provisions of the Motor Carrier Act. Direct expenses associated with these hearings were paid by the Board, from fees collected from licensed motor carriers, with the approval of the Department of Transportation. No overhead expenses were paid from these fees.

5. Capital assets			<u>2003</u>	<u>2002</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 47,936	\$ 36,054	\$ 11,882	\$ 25,861
Leasehold improvements	<u>69,265</u>	<u>13,853</u>	<u>55,412</u>	<u>62,339</u>
	<u>\$ 117,201</u>	<u>\$ 49,907</u>	<u>\$ 67,294</u>	<u>\$ 88,200</u>

6. Assessment on electric utilities

In accordance with Section 9 of the Public Utilities Act, public utilities are assessed each year for their individual direct expenses together with their share of common expenses. Each utility's share of common expenses is based on the proportion of its gross earnings to the aggregate of gross earnings for all utilities. Assessments are adjusted to include the audited surplus or deficit from the prior year.

**Board of Commissioners of Public Utilities
of the Province of New Brunswick- Regulation of Electric Utilities
Notes to the Financial Statements**

March 31, 2003

6. Assessment on electric utilities (continued)	<u>2003</u>	<u>2002</u>
Gross electric utilities' earnings	<u>\$ 1,321,271,218</u>	<u>\$ 1,312,097,698</u>
Estimate of common expenses	\$ 546,600	\$ 540,000
Less: estimate of interest income	<u>(5,000)</u>	<u>(14,000)</u>
Estimate of net common expenses	<u>541,600</u>	526,000
Estimate of direct expenses	<u>1,170,000</u>	<u>400,000</u>
	<u>1,711,600</u>	926,000
Surplus from prior year	<u>(24,994)</u>	<u>(132,686)</u>
Assessment on electric utilities	<u>\$ 1,686,606</u>	<u>\$ 793,314</u>

7. Assessment for public intervener

Pursuant to Section 9(1.1) of the Public Utilities Act, the costs of the Agent for the Attorney General with respect to interventions made are to be collected by the Board from the public utilities regulated by the Board and paid to the Minister of Finance. No such amounts were collected and paid during the Board's fiscal years ended March 31, 2003 and March 31, 2002 as the Attorney General submitted no costs to the Board to be collected in its assessment.

8. Employee pension plan

The Board and its employees participate in a contributory defined benefit pension plan, administered by the Province of New Brunswick under the Public Service Superannuation Act. The plan provides pensions to employees of the Provincial Government and certain Crown Corporations and agencies based on the length of service and highest successive five year average salary. The expense for this pension plan is equivalent to the annual contribution of \$24,625. The Province has advised the Board that the plan was 91.5% funded as at April 1, 2002.

9. Commitment

The Board has negotiated a lease of its office premises for a 10 year period commencing March 1, 2001. Minimum annual payments under the lease total approximately \$126,000. This cost is allocated between the divisions of the Board as described in Note 2.

**Board of Commissioners of Public Utilities
of the Province of New Brunswick - Regulation of Automobile Insurers
Statements of Revenue and Expenses and Surplus (Deficit)**

Year Ended March 31 2003 2002

Revenue		
Assessment on automobile insurers (Note 2)	\$ 537,885	\$ 345,259
Interest	<u>8,259</u>	<u>7,846</u>
	<u>546,144</u>	<u>353,105</u>
Expenses		
Salaries and benefits	200,272	183,115
Office and administration	78,657	103,044
Training	4,800	1,114
Depreciation	20,906	20,949
Professional fees	4,500	3,500
Library and publications	2,404	3,360
Actuarial consulting fees	100,456	128,029
Commissioners' per diems	5,032	7,026
Commissioners' travel	1,643	3,569
Hearing advertisement	<u>2,669</u>	<u>4,400</u>
	<u>421,339</u>	<u>458,106</u>
Excess (deficiency) of revenue over expenses	\$ <u>124,805</u>	\$ <u>(105,001)</u>
<hr/>		
(Deficit) surplus, beginning of year	\$ (2,080)	\$ 102,921
Excess (deficiency) of revenue over expenses	<u>124,805</u>	<u>(105,001)</u>
Surplus (deficit), end of year	\$ <u>122,725</u>	\$ <u>(2,080)</u>

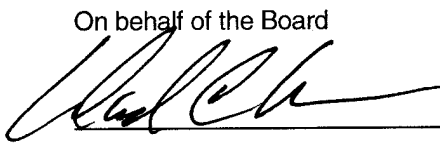

See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities
of the Province of New Brunswick - Regulation of Automobile Insurers
Balance Sheet**

March 31	2003	2002
Assets		
Current		
Cash	\$ 59,532	\$ -
Receivables (Note 3)	3,341	16,364
Prepays	<u>238</u>	<u>717</u>
	63,111	17,081
Capital assets (Note 4)	<u>67,294</u>	<u>88,200</u>
	<u>\$ 130,405</u>	<u>\$ 105,281</u>
Liabilities		
Current		
Payables and accruals	\$ 7,680	\$ 39,216
Due to Electric Utilities fund	<u>-</u>	<u>68,145</u>
	7,680	107,361
Surplus (deficit)	<u>122,725</u>	<u>(2,080)</u>
	<u>\$ 130,405</u>	<u>\$ 105,281</u>

Commitment (Note 6)

On behalf of the Board

 Chairman  Secretary

See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities
of the Province of New Brunswick - Regulation of Automobile Insurers
Statement of Cash Flows**

Year Ended March 31

2003

2002

Increase (decrease) in cash and cash equivalents

Operating

Excess (deficiency) of revenue over expenses	\$ 124,805	\$ (105,001)
Depreciation	<u>20,906</u>	<u>20,949</u>

	145,711	(84,052)
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Changes in

Receivables	13,023	(9,699)
Prepays	479	(717)
Payables and accruals	<u>(31,536)</u>	<u>(12,375)</u>

	<u>127,677</u>	<u>(106,843)</u>
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Investing

Transfer of computer equipment from Natural Gas division	-	(2,695)
Proceeds on disposal of computer equipment	-	133
Purchase of computer equipment	-	(18,278)
Purchase of office equipment	-	(667)
Purchase of leasehold improvements	<u>-</u>	<u>(31,014)</u>

	<u>-</u>	<u>(52,521)</u>
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Financing

Due to Electrical Utilities fund	<u>(68,145)</u>	<u>68,145</u>
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Net increase (decrease) in cash and cash equivalents	59,532	(91,219)
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Cash and cash equivalents, beginning of year	<u>-</u>	<u>91,219</u>
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Cash and cash equivalents, end of year	\$ <u>59,532</u>	\$ <u>-</u>
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See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities
of the Province of New Brunswick - Regulation of Automobile Insurers
Notes to the Financial Statements**

March 31, 2003

1. Summary of significant accounting policies

Cash on hand

One bank account is maintained for the Board. The balance of this account is allocated to each of the regulated divisions of the Board based on actual transactions.

Furniture and fixtures

Furniture and fixtures are expensed in the year of acquisition.

Computer equipment

Depreciation of computer equipment is recorded using the straight line method and a rate of 33 1/3%.

Leasehold improvements

Leasehold improvements are being amortized using the straight-line method over the ten year term of the lease.

Allocations

Certain balance sheet and income statement amounts have been allocated between the three divisions of the Board based on management's best judgement and actual activity during the year.

Statement of Cash Flows

For the purpose of the statement of cash flows the Board considers cash on hand and balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash or cash equivalents. Bank borrowings are considered to be financing activities.

2. Assessment on automobile insurers

In accordance with Section 9.1(1) of the Public Utilities Act, automobile insurers of New Brunswick are assessed each year. The portion of the total assessment allocated to each insurer is the proportion that the insurer's net receipts are of total net receipts for all insurers conducting business in New Brunswick. That proportion is applied to the budget for the ensuing year, adjusted to include the audited surplus or deficit from the prior year.

	<u>2003</u>	<u>2002</u>
Automobile insurers' receipts	\$ <u>407,280,000</u>	\$ <u>366,751,000</u>
Assessment on receipts	\$ <u>537,885</u>	\$ <u>345,259</u>

**Board of Commissioners of Public Utilities
of the Province of New Brunswick - Regulation of Automobile Insurers
Notes to the Financial Statements**

March 31, 2003

3. Receivables	<u>2003</u>	<u>2002</u>
Accounts receivable	\$ -	\$ 581
HST receivable	3,341	13,112
Travel advances	<u>-</u>	<u>2,671</u>
	<u>\$ 3,341</u>	<u>\$ 16,364</u>

4. Capital assets			<u>2003</u>	<u>2002</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 47,936	\$ 36,054	\$ 11,882	\$ 25,861
Leasehold improvements	<u>69,265</u>	<u>13,853</u>	<u>55,412</u>	<u>62,339</u>
	<u>\$ 117,201</u>	<u>\$ 49,907</u>	<u>\$ 67,294</u>	<u>\$ 88,200</u>

5. Employee pension plan

The Board and its employees participate in a contributory defined benefit pension plan, administered by the Province of New Brunswick under the Public Service Superannuation Act. The plan provides pensions to employees of the Provincial Government and certain Crown Corporations and agencies based on the length of service and highest successive five year average salary. The expense for this pension plan is equivalent to the annual contribution of \$12,749. The Province has advised the Board that the plan was 91.5% funded as at April 1, 2002.

6. Commitment

The Board has negotiated a lease of its office premises for a 10 year period commencing March 1, 2001. Minimum annual payments under the lease total approximately \$126,000. This cost is allocated between the divisions of the Board as described in Note 1.

**Board of Commissioners of Public Utilities
of the Province of New Brunswick – Regulation of Natural Gas
Statements of Revenue and Expenses and Surplus**

Year Ended March 31 2003 2002

Revenue		
Assessment on natural gas distributors (Note 2)	\$ 580,363	\$ 417,278
Franchise fees submitted by Department of Natural Resources and Energy	250,000	250,000
Marketers' filing fees	-	1,000
Interest	<u>8,259</u>	<u>7,846</u>
	<u>838,622</u>	<u>676,124</u>
Expenses		
Salaries and benefits	483,900	382,362
Office and administration	72,929	109,962
Training	28,156	21,879
Depreciation	36,177	32,246
Vehicle maintenance	13,707	10,690
Professional fees	4,500	3,500
Library and publications	2,404	3,360
Direct expenses	<u>138,700</u>	<u>78,365</u>
	<u>780,473</u>	<u>642,364</u>
Excess of revenue over expenses	\$ <u>58,149</u>	\$ <u>33,760</u>
<hr/>		
Surplus, beginning of year	\$ 82,482	\$ 48,722
Excess of revenue over expenses	<u>58,149</u>	<u>33,760</u>
Surplus, end of year	\$ <u>140,631</u>	\$ <u>82,482</u>

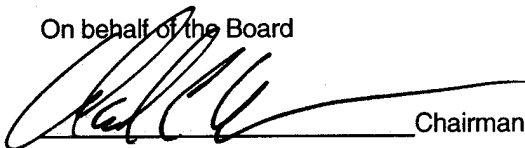
See accompanying notes to the financial statements.

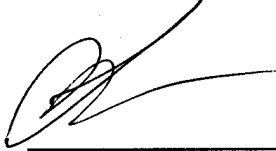
**Board of Commissioners of Public Utilities
of the Province of New Brunswick – Regulation of Natural Gas
Balance Sheet**

March 31	2003	2002
Assets		
Current		
Cash	\$ 56,999	\$ -
Receivables (Note 3)	4,504	16,364
Prepays	<u>238</u>	<u>717</u>
	61,741	17,081
Capital assets (Note 4)	<u>92,801</u>	<u>128,978</u>
	<u>\$ 154,542</u>	<u>\$ 146,059</u>
Liabilities		
Current		
Payables and accruals	\$ 13,911	\$ 13,268
Due to Electric Utilities fund	<u>-</u>	<u>50,309</u>
	13,911	63,577
Surplus	<u>140,631</u>	<u>82,482</u>
	<u>\$ 154,542</u>	<u>\$ 146,059</u>

Commitment (Note 6)

On behalf of the Board


Chairman


Secretary

See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities
of the Province of New Brunswick – Regulation of Natural Gas
Statement of Cash Flows**

Year Ended March 31 2003 2002

Increase (decrease) in cash and cash equivalents

Operating		
Excess of revenue over expenses	\$ 58,149	\$ 33,760
Depreciation	<u>36,177</u>	<u>32,246</u>
	94,326	66,006
 Changes in		
Receivables	11,860	11,308
Prepays	479	(717)
Payables and accruals	<u>643</u>	<u>(303,823)</u>
	<u>107,308</u>	<u>(227,226)</u>
 Investing		
Transfer of computer equipment to other divisions	-	5,390
Proceeds on disposal of capital assets	-	133
Purchase of computer equipment	-	(18,277)
Purchase of leasehold improvements	-	(31,014)
Purchase of motor vehicles	-	(19,870)
Purchase of office equipment	<u>-</u>	<u>(667)</u>
	<u>-</u>	<u>(64,305)</u>
 Financing		
Due to Electric Utilities fund	<u>(50,309)</u>	<u>50,309</u>
 Net increase (decrease) in cash and cash equivalents	56,999	(241,222)
 Cash and cash equivalents, beginning of year	<u>-</u>	<u>241,222</u>
 Cash and cash equivalents, end of year	\$ <u>56,999</u>	\$ <u>-</u>

See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities
of the Province of New Brunswick - Regulation of Natural Gas
Notes to the Financial Statements**

March 31, 2003

1. Summary of significant accounting policies

Cash on hand

One bank account is maintained for the Board. The balance of this account is allocated to each of the regulated divisions of the Board based on actual transactions.

Furniture and fixtures

Furniture and fixtures are expensed in the year of acquisition.

Computer equipment

Depreciation of computer equipment is recorded using the straight line method and at a rate of 33 1/3%.

Leasehold improvements

Leasehold improvements are being amortized using the straight-line method over the ten year term of the lease.

Motor vehicles

Depreciation of vehicles is recorded using the straight-line method at rates of 20% and 33 1/3%.

Direct expenses

Direct expenses include hearing costs, travel, training, safety costs and other out of pocket expenses directly attributable to a specific public utility.

Allocations

Certain balance sheet and income statement amounts have been allocated between the three divisions of the Board based on management's best judgement and actual activity during the year.

Statement of Cash Flows

For the purpose of the statement of cash flows the Board considers cash on hand and balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash or cash equivalents. Bank borrowings are considered to be financing activities.

**Board of Commissioners of Public Utilities
of the Province of New Brunswick - Regulation of Natural Gas
Notes to the Financial Statements**

March 31, 2003

2. Assessment on natural gas distributors

In accordance with Section 87 of the Natural Gas Distribution Act, natural gas distributors are assessed each year for their individual direct expenses together with their share of common expenses as determined by the Board. Fees paid by single end use franchisees to the Department of Natural Resources and Energy were submitted by the Department to the Board to be used to reduce common expenses for regulation of natural gas. Assessments are adjusted to include the audited surplus or deficit from the prior year.

	<u>2003</u>	<u>2002</u>
Estimate of common expenses	\$ 744,845	\$ 642,000
Less: estimate of interest income	(5,000)	(16,000)
amounts from Department of Natural Resources and Energy	<u>(250,000)</u>	<u>(250,000)</u>
Estimate of net common expenses	489,845	376,000
Estimate of direct expenses	<u>173,000</u>	<u>90,000</u>
	662,845	466,000
Surplus from prior year	<u>(82,482)</u>	<u>(48,722)</u>
Assessment on natural gas distribution	\$ <u>580,363</u>	\$ <u>417,278</u>

3. Receivables

	<u>2003</u>	<u>2002</u>
Accounts receivable	\$ -	\$ 581
HST receivable	4,020	13,112
Travel advances	<u>484</u>	<u>2,671</u>
	\$ <u>4,504</u>	\$ <u>16,364</u>

4. Capital assets

	<u>2003</u>		<u>2002</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 47,936	\$ 36,054	\$ 11,882	\$ 25,861
Leasehold improvements	69,265	13,853	55,412	62,339
Motor vehicles	<u>58,516</u>	<u>33,009</u>	<u>25,507</u>	<u>40,778</u>
	\$ <u>175,717</u>	\$ <u>82,916</u>	\$ <u>92,801</u>	\$ <u>128,978</u>

**Board of Commissioners of Public Utilities
of the Province of New Brunswick - Regulation of Natural Gas
Notes to the Financial Statements**

March 31, 2003

5. Employee pension plan

The Board and its employees participate in a contributory defined benefit pension plan, administered by the Province of New Brunswick under the Public Service Superannuation Act. The plan provides pensions to employees of the Provincial Government and certain Crown Corporations and agencies based on the length of service and highest successive five year average salary. The expense for this pension plan is equivalent to the annual contribution of \$30,803. The Province has advised the Board that the plan was 91.5% funded as at April 1, 2002.

6. Commitment

The Board has entered into a lease of its office premises for a 10 year period commencing March 1, 2001. Minimum annual payments under the lease total approximately \$126,000. This cost is allocated between the divisions of the Board as described in Note 1.



FINANCIAL STATEMENTS

TRUST FUND NO. 33

FISCAL STABILIZATION FUND

31 MARCH 2003

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Honourable Jeannot Volpé
Minister of Finance
Province of New Brunswick

I have audited the statement of financial position of the Fiscal Stabilization Fund as at 31 March 2003 and the statement of revenue, expenditure and fund equity balance for the year then ended. These financial statements are the responsibility of the Fund's trustee. 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 the Fund's trustee, 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 2003 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 "D. Wilson".

Daryl C. Wilson, FCA
Auditor General

Fredericton, N. B.
12 November 2003

**TRUST FUND NO. 33
FISCAL STABILIZATION FUND
STATEMENT OF FINANCIAL POSITION
31 MARCH 2003**

ASSETS	2003	2002
Cash and short-term investments	\$ 147,838,123	\$ 112,320,137
Accrued interest receivable	488,072	415,308
Receivable from Province of New Brunswick Consolidated Fund	-	30,000,000
Fixed term investments	60,981,650	60,965,573
	<u>\$ 209,307,845</u>	<u>\$ 203,701,018</u>
 LIABILITIES AND FUND EQUITY		
Current liabilities		
Accounts payable to Province of New Brunswick Consolidated Fund	\$ 110,400,000	\$ -
Fund equity	98,907,845	203,701,018
	<u>\$ 209,307,845</u>	<u>\$ 203,701,018</u>

The accompanying notes are an integral part of these financial statements



John Mallory
Deputy Minister of Finance

**TRUST FUND NO. 33
FISCAL STABILIZATION FUND
STATEMENT OF REVENUE, EXPENDITURE AND FUND EQUITY BALANCE
FOR THE YEAR ENDED 31 MARCH 2003**

	2003	2002
REVENUE		
Contribution from Province of New Brunswick Consolidated Fund	\$ -	\$ 100,000,000
Investment income	5,606,827	3,701,018
	<u>5,606,827</u>	<u>103,701,018</u>
EXPENDITURE		
Contribution to Province of New Brunswick Consolidated Fund	<u>110,400,000</u>	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	(104,793,173)	103,701,018
Fund Equity balance, beginning of year	<u>203,701,018</u>	<u>100,000,000</u>
FUND EQUITY BALANCE, end of year	<u>\$ 98,907,845</u>	<u>\$ 203,701,018</u>

**TRUST FUND NO. 33
FISCAL STABILIZATION FUND
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

1. General

The Fiscal Stabilization Fund was established on March 31, 2001 in accordance with the Fiscal Stabilization Fund Act ("Act").

The Minister of Finance, in accordance with the Act, holds the Fiscal Stabilization Fund in trust. The purpose of the Fund is to assist in stabilizing the fiscal position of the Province of New Brunswick from year to year and to improve long-term fiscal planning.

Transfers out of the Fund are made for the sole purpose mentioned above and with the approval of the Lieutenant-Governor in Council.

2. Significant Accounting Policy

Fixed term investments

These investments are in fixed term, interest bearing securities of Canadian governments or similar securities guaranteed by Canadian governments. They are recorded at cost net of any discount or premium on purchase. Any discount or premium is amortized over the life of the security and included in investment income.

Financial Statements of

FOREST PROTECTION LIMITED

March 31, 2003

Deloitte & Touche LLP

Deloitte & Touche LLP
Brunswick House
44 Chipman Hill
P.O. Box 6549, Station A
Saint John, New Brunswick
E2L 4R9

Tel: (506) 632-1080
Fax: (506) 632-1210 (7th Floor)
Fax: (506) 637-9460 (8th Floor)

**Deloitte
& Touche**

Auditors' Report

To the Shareholders,
Forest Protection Limited

We have audited the balance sheet of Forest Protection Limited as at March 31, 2003 and the statements of operations and unrestricted net deficit, changes in net assets 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 financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2003 and the results of its operations, the changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

April 30, 2003

**Deloitte
Touche
Tohmatsu**

FOREST PROTECTION LIMITED**Balance Sheet**

as at March 31, 2003

	2003	2002
CURRENT ASSETS		
Cash	\$ 471,894	\$ 162,604
Accounts receivable	207,646	281,720
Inventories - aircraft spare parts	797,492	752,909
- other	9,487	4,478
Prepaid expenses	16,826	-
Assets internally restricted for equipment replacement		
Cash	\$ (6,357)	\$ 42,647
Short-term investments (Market Value \$3,361,079; 2002 - \$3,226,647)	3,360,897	3,208,485
Deposit on aircrafts	237,255	237,255
Interest receivable	569	63,280
	5,095,709	4,753,378
CAPITAL ASSETS (Note 2)	6,725,623	6,961,546
	\$ 11,821,332	\$ 11,714,924
CURRENT LIABILITIES		
Accounts payable	\$ 260,447	\$ 228,328
Remediation reserve (Note 3)	200,000	440,000
Deferred revenue	523,101	264,063
Current portion of long-term debt	-	48,416
	983,548	980,807
EQUITY		
Capital stock (Note 4)	2,000	2,000
Contributed surplus	715,888	715,888
Net investment in capital assets	6,725,623	6,913,130
Net assets internally restricted for equipment replacement	3,592,364	3,551,667
Unrestricted net deficit	(198,091)	(448,568)
	10,837,784	10,734,117
	\$ 11,821,332	\$ 11,714,924

APPROVED BY THE BOARD


 Director


 Director

FOREST PROTECTION LIMITED
Statement of Operations and Unrestricted Net Deficit
year ended March 31, 2003

	2003	2002
REVENUES		
Contributions from participants		
Province of New Brunswick	\$ 2,809,734	\$ 2,312,103
Industry	420,490	551,344
Other revenue	856,866	773,381
Interest operating	5,988	10,255
	<u>4,093,078</u>	<u>3,647,083</u>
OPERATING EXPENSES (Note 5)		
Overhead	722,356	651,131
Pest control	608,552	599,722
Fire suppression	1,804,476	1,649,286
Research and development	826,428	725,687
	<u>3,961,812</u>	<u>3,625,826</u>
OTHER		
Interest on investments	(89,700)	(332,705)
Interest on long term debt	1,588	4,401
Amortization of capital assets	379,475	174,334
Aircraft leases	-	376,683
Sale of aircraft parts	(9,568)	(10,899)
Remediation reserve (Note 3)	(240,000)	440,000
Gain on disposal of investment	-	(50,545)
Gain on disposal of capital assets - operating	(14,196)	(157,689)
	<u>27,599</u>	<u>443,580</u>
EXCESS OF (EXPENSES OVER REVENUE)		
REVENUE OVER EXPENSES	103,667	(422,323)
UNRESTRICTED NET DEFICIT		
AT BEGINNING OF YEAR	(448,568)	-
	<u>(344,901)</u>	<u>(422,323)</u>
Transfer from net investment in capital assets	235,923	141,902
Transfer to net assets internally restricted for equipment replacement	(89,113)	(168,147)
	<u>(198,091)</u>	<u>(448,568)</u>
UNRESTRICTED NET DEFICIT		
AT END OF YEAR	\$ (198,091)	\$ (448,568)

FOREST PROTECTION LIMITED
Statement of Changes in Net Assets
year ended March 31, 2003

	<u>2003</u>	<u>2002</u>
NET INVESTMENT IN CAPITAL ASSETS		
Balance at the beginning of the year	\$ 6,913,130	\$ 1,693,714
Transfers from (to) unrestricted operations:		
Acquisition of capital assets	143,552	32,432
Proceeds on assets disposed of or retired	(14,196)	(157,689)
Amortization of capital assets	(379,475)	(174,334)
Gain on disposal of capital assets	14,196	157,689
	<u>(235,923)</u>	<u>(141,902)</u>
Transfer from net assets internally restricted for equipment replacement:		
Acquisition of capital assets	48,416	5,361,318
Total transferred from net investment in capital assets	<u>(187,507)</u>	<u>5,219,416</u>
Balance at end of year	\$ 6,725,623	\$ 6,913,130

FOREST PROTECTION LIMITED
Statement of Changes in Net Assets
year ended March 31, 2003

	2003	2002
NET ASSETS INTERNALLY RESTRICTED FOR EQUIPMENT REPLACEMENT		
Balance at the beginning of the year	\$ 3,551,667	\$ 8,744,838
Transfers (to) from unrestricted operations:		
Interest earned on funds invested	89,700	332,705
Transfer of prior year deficit	(8,567)	-
Gain on disposal of investment	-	50,545
Sale of aircrafts	-	155,080
Sale of aircraft parts	9,568	10,899
Interest expense on building loan	(1,588)	(4,401)
Aircraft lease	-	(376,681)
	89,113	168,147
Transfer to net investment in capital assets:		
Building	(48,416)	(45,603)
Aircraft	-	(5,315,715)
	(48,416)	(5,361,318)
Balance at end of year	\$ 3,592,364	\$ 3,551,667

FOREST PROTECTION LIMITED**Statement of Cash Flows**

year ended March 31, 2003

	2003	2002
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of (expenses over revenues) revenues over expenses	\$ 103,667	\$ (422,323)
Amortization of capital assets	379,475	174,334
Gain on disposal of capital assets	(14,196)	(157,689)
Gain on disposal of investment	-	(50,545)
Changes in non-cash operating working capital items:		
Accounts receivable	74,074	(214,925)
Prepaid expenses	(16,826)	
Interest receivable	62,711	(63,280)
Inventories - aircraft spare parts	(44,583)	(69,170)
- other	(5,009)	(3,454)
Accounts payable	32,119	69,783
Remediation reserve	(240,000)	440,000
Deferred revenue	259,038	29,310
	590,470	(267,959)
FINANCING		
Repayment of long-term debt	(48,416)	(45,603)
INVESTING		
Acquisition of capital assets	(143,552)	(5,348,147)
Net change in short-term investments	(152,412)	5,560,372
Deposit on aircrafts	-	(237,255)
Proceeds on sale of capital assets	14,196	157,689
	(281,768)	132,659
NET CASH (OUTFLOW) INFLOW	260,286	(180,903)
CASH POSITION, BEGINNING OF YEAR	205,251	386,154
CASH POSITION, END OF YEAR	\$ 465,537	\$ 205,251

FOREST PROTECTION LIMITED**Notes to the Financial Statements**year ended March 31, 2003

1. ACCOUNTING POLICIES*Operations and net investment in capital assets*

- a. The Company is a non-profit organization and carries out an annual program comprising pest control, fire suppression and research and development of forest protection activities. The costs of the pest control program including all overhead expenditures are shared between various participating companies and the Province of New Brunswick on the basis of an approved cost sharing formula. Costs directly attributable to fire suppression activities are recovered from the Province of New Brunswick. The net cost of research and development activities, after deducting revenues received, is recovered from the participating companies and the Province of New Brunswick on the basis of a separate approved cost sharing formula. The Company is not taxable under section 149(1)(l) of the Income Tax Act.
- b. Program expenditures include all costs incurred during the year, including the cost of property, plant and equipment and inventories consumed during the year. Costs funded are reduced by proceeds on disposal of capital assets, except for aircraft sales, which are transferred to Net Assets Internally Restricted for Equipment Replacement.
- c. Capital assets acquired during the year which remained on hand at the year end are recorded in the financial statements as Net Investment in Capital Assets.
- d. Inventories acquired up to October 31, 1975 are valued at historical cost, if determinable, or at an estimated replacement value at that date. Inventories acquired after October 31, 1975 are valued at acquisition cost. Consumable supplies, except for pesticides, aviation fuel and lubricants, on hand at the end of each year are not included in the inventory balance.
- e. Land and buildings acquired before October 31, 1975, are recorded at estimated cost. All other capital assets, including buildings acquired subsequent to October 31, 1975 are valued at historical cost.
- f. Amortization of property, plant and equipment is calculated as follows:

Building and mobile homes	-	10% straight-line
Aircraft	-	4% straight-line
Equipment	-	20% straight-line

FOREST PROTECTION LIMITED
Notes to the Financial Statements
year ended March 31, 2003

1. ACCOUNTING POLICIES (Continued)

Net assets internally restricted for equipment replacement

g. By authority of the Board of Directors, the following sources of funds are to be transferred to this account for the purpose of replacing the Company's equipment:

- proceeds received from aircraft sales;
- proceeds from legal actions, less the cost of pursuing these actions; and,
- operating surpluses arising from unrestricted operations.

Statement of cash flows

For the purpose of the statement of cash flows the Company considers cash on hand to be balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash or cash equivalents. Bank borrowings are considered to be financing activities.

Short-term investments

Discounts and premiums arising from the acquisition of short-term investments are amortized on a straight-line basis over the remaining term of the investment.

2. CAPITAL ASSETS

	Cost	Accumulated Depreciation	Net Book Value	
			2003	2002
Land	\$ 75,000	\$ -	\$ 75,000	\$ 75,000
Building and mobile homes	327,705	175,075	152,630	174,612
Aircraft	7,266,874	1,085,012	6,181,862	6,463,565
Equipment	1,529,908	1,213,777	316,131	248,369
	<u>\$ 9,199,487</u>	<u>\$ 2,473,864</u>	<u>\$ 6,725,623</u>	<u>\$ 6,961,546</u>

FOREST PROTECTION LIMITED**Notes to the Financial Statements**

year ended March 31, 2003

3. REMEDIATION RESERVE

The Company is involved with the remediation of the old Charlo Airport due to contamination. This work has already begun and is expected to be finished in fiscal 2003. To date, the Company has incurred \$300,000 in remediation costs and management expects that the additional costs will be \$200,000. Accordingly, \$200,000 has been accrued.

4. CAPITAL STOCK

	2003	2002
Authorized		
500 common shares \$10 par value each		
Issued and outstanding		
200 common shares	\$ 2,000	\$ 2,000

5. OPERATING EXPENSES

	2003	2002
PROGRAM EXPENDITURES		
Salaries and wages	\$ 1,247,690	\$ 1,242,765
Employer contributions	170,456	149,603
Transportation and communications	161,624	188,409
Remediation expenses	238,570	-
Consultants' fees, legal fees, audit, contractual, services, insurance, etc.	961,149	681,318
Maintenance and repairs (contractual)	658,006	706,480
Rentals	157,263	318,905
Insecticides, materials and supplies	367,054	338,346
Expenses charged to operations	3,961,812	3,625,826
Capitalized - capital assets	143,552	32,432
Total program expenditures	\$ 4,105,364	\$ 3,658,258

	2003	2002
PROGRAM EXPENDITURES BY OPERATIONAL DIVISION		
Overhead expenditures	\$ 722,356	\$ 651,131
Pest control expenditures	608,552	599,722
Research and development expenditures	826,428	1,649,286
Fire suppression - operational	1,804,476	725,687
	\$ 3,961,812	\$ 3,625,826

FOREST PROTECTION LIMITED**Notes to the Financial Statements****year ended March 31, 2003**

6. COMMITMENT TO PURCHASE

The Company has entered into a contract with Conair Aviation to purchase 3 aircrafts in the next year. The remaining commitment on the three aircraft totals \$3,987,768 U.S. The three aircraft were delivered April 1, 2003.

7. STATEMENT OF CASH FLOWS

During the year, the Company received and paid the following:

	\$
Interest received	95,691
Interest paid	1,588



FINANCIAL STATEMENTS

KINGS LANDING CORPORATION

31 MARCH 2003

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

The Chairperson and Directors
Kings Landing Corporation
Prince William, New Brunswick

I have audited the statement of financial position of Kings Landing Corporation as at 31 March 2003 and the statements of operations and changes in net assets 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 2003 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script that reads "K.D. Robinson".

K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
2 June 2003

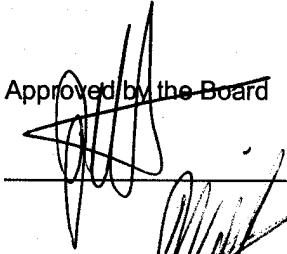
KINGS LANDING CORPORATION
STATEMENT OF FINANCIAL POSITION
31 MARCH 2003

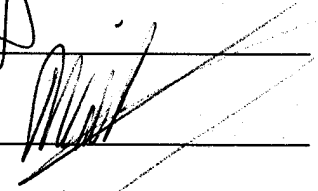
	2003	2002
ASSETS		
Current assets		
Cash	\$ 14,739	\$ 22,744
Cash restricted for purchase of capital assets	28,343	-
Marketable securities	5,031	-
Accounts receivable	22,423	12,201
Prepaid expenses	21,601	18,140
Inventories (Note 1 (c))	76,361	83,760
	<u>168,498</u>	<u>136,845</u>
Kings Landing Collection (Note 1(d))	1	1
Capital assets, net (Note 1(e))	1,610,326	1,674,005
	<u>\$ 1,778,825</u>	<u>\$ 1,810,851</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued liabilities	\$ 106,296	\$ 190,379
Deferred revenue	20,506	24,242
	<u>126,802</u>	<u>214,621</u>
Deferred contributions related to capital assets (Note 1(g))	1,603,369	1,636,861
Net assets		
Net assets invested in capital assets	35,300	37,144
Unrestricted net assets	13,354	(77,775)
	<u>48,654</u>	<u>(40,631)</u>
	<u>\$ 1,778,825</u>	<u>\$ 1,810,851</u>

Approved by the Board


 _____ Chairperson


 _____ Director

**KINGS LANDING CORPORATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 MARCH 2003**

	Budget 2003	Actual 2003	Actual 2002
REVENUE			
Admissions	\$ 353,000	\$ 386,876	\$ 345,896
Emporium	275,000	290,763	263,030
Food services	489,815	520,623	468,682
Education	85,000	77,883	84,854
Other operating revenue	113,000	80,236	121,409
	<u>1,315,815</u>	<u>1,356,381</u>	<u>1,283,871</u>
Grants			
Provincial Operating	1,327,900	1,329,691	1,347,179
Provincial Capital	60,000	60,000	74,998
Provincial Emergency	-	92,400	59,682
Provincial One Time	-	35,990	-
Other	-	57,272	-
Employment Programs	-	25,222	55,000
Department of Agriculture, Fisheries and Aquaculture - Orchard Project	-	15,000	-
Amortization of deferred contributions (Note 1(g))	-	84,992	92,293
	<u>1,387,900</u>	<u>1,700,567</u>	<u>1,629,152</u>
	<u>2,703,715</u>	<u>3,056,948</u>	<u>2,913,023</u>
EXPENSE			
Interpretation			
Interpretation	651,000	625,956	627,068
Education	98,500	88,862	96,154
Emporium	244,525	235,283	213,150
	<u>994,025</u>	<u>950,101</u>	<u>936,372</u>
Curatorial			
Maintenance	397,000	377,520	388,341
Security	150,739	160,163	160,925
Curatorial	324,000	346,060	332,810
	<u>871,739</u>	<u>883,743</u>	<u>882,076</u>
Visitor services	115,000	138,299	108,783
Public relations	231,000	190,966	244,958
Administration	273,000	320,680	317,557
Food services	400,985	397,038	408,836
Amortization	-	86,836	94,294
	<u>1,019,985</u>	<u>1,133,819</u>	<u>1,174,428</u>
	<u>2,885,749</u>	<u>2,967,663</u>	<u>2,992,876</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	<u>\$ (182,034)</u>	<u>\$ 89,285</u>	<u>\$ (79,853)</u>

**KINGS LANDING CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2003**

	Net assets Invested in Capital Assets	Unrestricted Net Assets	Total 2003	Total 2002
Balance, beginning of year	\$ 37,144	\$ (77,775)	\$ (40,631)	\$ 39,222
Excess (deficiency) of revenue over expense	(1,844)	91,129	89,285	(79,853)
Balance, end of year	<u>\$ 35,300</u>	<u>\$ 13,354</u>	<u>\$ 48,654</u>	<u>\$ (40,631)</u>

**KINGS LANDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

1. Summary of significant accounting policies

(a) General comments on operations

Kings Landing Corporation is a provincial Crown agency incorporated by an Act of the New Brunswick Legislature. The Corporation serves the people of New Brunswick and visitors to the province by operating a living historical village as a dynamic, progressive outdoor museum.

(b) Revenue recognition

Kings Landing Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Inventories

Inventories are valued at the lower of cost and net realizable value, and comprise the following:

	2003	2002
Emporium	\$ 56,060	\$ 66,918
Less: Provision for obsolescence	(8,300)	(8,300)
	<u>47,760</u>	<u>58,618</u>
Fabrics	9,449	10,593
Food and liquor	17,086	12,901
Other	2,066	1,648
	<u>\$ 76,361</u>	<u>\$ 83,760</u>

(d) Kings Landing Collection

The Kings Landing Collection is composed of some 70 major historical structures and thousands of individual artifacts from the period between 1780 and 1900. The structures and artifacts are not replaceable as each piece represents a unique aspect of New Brunswick history. In recognition of this, the collection is valued at \$1 and individual pieces purchased by the Corporation are expensed in the year of acquisition. Similarly, costs of maintaining the collection are expensed as incurred. During the year, artifacts worth an estimated \$315,960 (2002 - \$66,868) were donated.

**KINGS LANDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

1. Summary of significant accounting policies - continued

(e) Other capital assets

Purchased or contributed capital assets, except those of a historical nature, are recorded at cost or appraised value where cost is not determinable. Amortization is recorded using a fixed percentage on the declining balance method. The exception is computer equipment which is amortized on a straight line basis over five years, the estimated useful life of the assets.

Kings Landing Corporation has 91.5 acres of land spread on both sides of the St. John River. Approximately 40 acres are used for site purposes. Because its purpose is to serve as a site for the collection, the land has been recorded at a value of \$1.

Details of capital assets are as follows:

	Amortization Rate	2003	2002
Land		\$ 1	\$ 1
Buildings	5%	2,172,145	2,148,988
Computer hardware	20%	10,000	10,000
Equipment	10%	25,964	25,964
Automotive equipment	20%	86,486	86,486
		<u>2,294,596</u>	<u>2,271,439</u>
Less: Accumulated amortization		(684,270)	(597,434)
Total capital assets, net		<u>\$ 1,610,326</u>	<u>\$ 1,674,005</u>

(f) Contributed services

Volunteers contribute about 8,000 hours per year to assist Kings Landing Corporation in carrying out its activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(g) Deferred contributions related to capital assets

Deferred contributions related to capital assets represent capital assets which are not part of the historical collection and were donated to Kings Landing Corporation. The changes in the deferred contributions balance of the period are as follows:

	2003	2002
Beginning balance	\$ 1,636,861	\$ 1,729,154
Add grant for storage facility	51,500	-
Less amounts amortized to revenue	(84,992)	(92,293)
Ending balance	<u>\$ 1,603,369</u>	<u>\$ 1,636,861</u>

**KINGS LANDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

2. Income tax status

The Corporation is a registered charitable organization under the Income Tax Act and is able to issue donation receipts for income tax purposes. In order to maintain its status, the Corporation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

3. Budget

The budget figures, as shown in the statement of operations, have been approved by the Board of Directors of the Corporation. They have not been audited.

4. Statement of cash flows

This statement was not prepared as the information it would contain was not considered significant.

5. Comparative figures

Certain 2002 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2003.

FINANCIAL STATEMENTS

LOTTERIES COMMISSION OF NEW BRUNSWICK

31 MARCH 2003

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Members of the
Lotteries Commission of New Brunswick

I have audited the balance sheet of the Lotteries Commission of New Brunswick as at 31 March 2003 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 Commission as at 31 March 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

KD Robinson

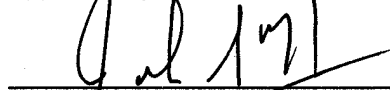
K. D. Robinson, C.A
Deputy Auditor General

Fredericton, N. B.
9 June 2003

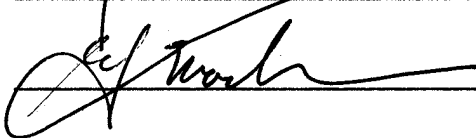
**LOTTERIES COMMISSION OF NEW BRUNSWICK
BALANCE SHEET
31 MARCH 2003**

	2003	2002
ASSETS		
Current assets		
Due from Atlantic Lottery Corporation Inc.	\$ 1,420,480	\$ 566,806
Other assets		
Investment in share capital of Atlantic Lottery Corporation Inc.	100	100
Investment in share capital of Interprovincial Lottery Corporation	1	1
	<u>101</u>	<u>101</u>
	<u>\$ 1,420,581</u>	<u>\$ 566,907</u>
LIABILITIES AND CONTRIBUTED SURPLUS		
Current liabilities		
Due to Province of New Brunswick (Note 4)	\$ 1,420,480	\$ 566,806
Contributed surplus (Note 2)	101	101
	<u>\$ 1,420,581</u>	<u>\$ 566,907</u>

Approved by the Commission



Member



Member

**LOTTERIES COMMISSION OF NEW BRUNSWICK
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2003**

	<u>2003</u>		<u>2002</u>
	Budget	Actual	Actual
REVENUE			
Share of net profit of Atlantic Lottery Corporation Inc. (Note 1)	\$ 113,539,000	\$ 110,051,699	\$ 89,727,280
Other revenue (Note 3)	23,000	25,248	24,380
	<u>113,562,000</u>	<u>110,076,947</u>	<u>89,751,660</u>
EXPENDITURE			
To the Province of New Brunswick (Note 1)			
Ordinary account revenue	110,023,000	105,926,751	86,230,908
Sport Development Trust Fund	500,000	500,000	500,000
Arts Development Trust Fund	700,000	700,000	700,000
Agreements with First Nations	-	733,993	454,678
Commission inspection expenses	1,137,000	1,137,000	1,077,854
Administrative costs	175,000	175,000	74,113
Department of Health and Wellness (Gambling addiction; education and treatment)	757,000	652,966	714,107
Department of Finance	270,000	251,237	-
	<u>113,562,000</u>	<u>110,076,947</u>	<u>89,751,660</u>
EXCESS OF REVENUE OVER EXPENDITURE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LOTTERIES COMMISSION OF NEW BRUNSWICK
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

1. Summary of significant accounting policies

New Brunswick's share of Atlantic Lottery Corporation Inc. profit

The profit of Atlantic Lottery Corporation Inc. is distributed to each of the four Atlantic Provinces or their lottery agencies. The Lotteries Commission of New Brunswick's share for the current year represents the calculated profit of the Atlantic Lottery Corporation in New Brunswick as determined by the Amended and Restated Unanimous Shareholders' Agreement signed August 8, 2000.

Payments to the Province of New Brunswick

The Lotteries Commission of New Brunswick remits the profits it receives from Atlantic Lottery Corporation Inc. to the Province of New Brunswick. Beginning in 1999, Atlantic Lottery Corporation began advancing these funds during the month rather than paying the full amount in the subsequent month.

The profits from certain types of lotteries have been designated as revenue for specific trust funds operated by the Province of New Brunswick. Annual lottery profits designated for the Arts and Sport Development Trust Funds have each been set by the Province at a minimum of seven hundred thousand dollars and five hundred thousand dollars respectively.

The Lotteries Act provides that the First Nations may be paid 95% of all profits received from the Atlantic Lottery Corporation Inc. for the operation of video lottery on reserves having agreements with the Province. Where these agreements are in place the Province also rebates all provincial earnings from the sale of breakopen tickets sold on reserves. As of 31 March 2003, five First Nations have signed agreements involving lottery revenues: Fort Folly, Oromocto, Woodstock, St. Mary's and Burnt Church. The Province has one other signed agreement which is with Madawaska-Maliseet. It does not, however, receive any lottery revenues by way of the agreement.

Investments

The New Brunswick government does not operate any lottery but the Province is a shareholder in Atlantic Lottery Corporation Inc. and in the Interprovincial Lottery Corporation. Atlantic Lottery Corporation Inc. is a jointly-owned corporation of the four Atlantic provinces and is responsible to develop, organize, undertake, conduct and manage lotteries in Atlantic Canada. Atlantic Lottery Corporation Inc. also markets and handles regionally the products of the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is a corporation jointly owned by the ten Canadian provinces.

The investments in Atlantic Lottery Corporation Inc. and Interprovincial Lottery Corporation are carried at cost. Net profits of these corporations are distributed annually to the shareholders.

**LOTTERIES COMMISSION OF NEW BRUNSWICK
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

2. Contributed surplus

This amount represents funds paid by the Province of New Brunswick on behalf of the Lotteries Commission of New Brunswick to Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation in exchange for share capital.

3. Other revenue

The Province of New Brunswick requires that charitable/non-profit groups pay a small fee for their licenses for gaming activities such as bingo, raffles etc.

4. Statement of transactions with the Province of New Brunswick

	2003	2002
Current liability		
Balance, beginning of year	\$ 566,806	\$ 1,125,161
Income for the year	110,076,947	89,751,660
	<hr/>	<hr/>
Funds available to Province of New Brunswick	110,643,753	90,876,821
Less remittances during the year	109,223,273	90,310,015
Balance, end of year	<u>\$ 1,420,480</u>	<u>\$ 566,806</u>

FINANCIAL STATEMENTS
NB AGRIEXPORT INC.
31 MARCH 2003

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Shareholder of
NB Agriexport Inc.

I have audited the balance sheet of NB Agriexport Inc. as at 31 March 2003 and the statement of income and deficit 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 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script that reads "K. D. Robinson".

K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
10 September 2003

**NB AGRIEXPORT INC.
BALANCE SHEET
31 MARCH 2003**

	2003	2002
ASSETS		
Current assets		
Cash and short-term investments	\$ 105,435	\$ 112,253
Accounts receivable	73,636	123,148
Interest receivable	350	467
	<u>179,421</u>	<u>235,868</u>
Investments (Note 2)	734,300	734,300
Less: Provision for loss	<u>734,300</u>	<u>734,300</u>
	-	-
	<u>\$ 179,421</u>	<u>\$ 235,868</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable	<u>\$ 10,348</u>	<u>\$ 33,087</u>
Due to the Province of New Brunswick	960,350	984,467
Less: Provision for loss	<u>500,000</u>	<u>500,000</u>
	<u>460,350</u>	<u>484,467</u>
Capital stock		
Authorized and issued:		
One common share, no par value	-	-
Deficit	<u>(291,277)</u>	<u>(281,686)</u>
	<u>\$ 179,421</u>	<u>\$ 235,868</u>

Approved by the Board

M. Maloney

Director

[Signature]

Director

**NB AGRIEXPORT INC.
STATEMENT OF INCOME AND DEFICIT
FOR THE YEAR ENDED 31 MARCH 2003**

	2003	2002
Income		
Interest	\$ 5,737	\$ 6,119
Grants	1,576	27,087
Province of New Brunswick (Note 3)	-	713,765
Other	-	293
	<u>7,313</u>	<u>747,264</u>
Expenses		
Loan guarantee payout (Note 3)	-	713,765
Interest	15,918	15,184
Office	986	386
Projects	-	47,270
	<u>16,904</u>	<u>776,605</u>
NET INCOME (LOSS) FOR THE YEAR	(9,591)	(29,341)
Deficit, beginning of year	<u>(281,686)</u>	<u>(252,345)</u>
DEFICIT, end of year	<u>\$(291,277)</u>	<u>\$(281,686)</u>

**NB AGRIEXPORT INC.
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

1. Description of operations

NB Agriexport Inc. was established on 23 May 1996 under the Business Corporations Act of the Province of New Brunswick.

The Corporation is wholly owned by the Province of New Brunswick and has as its mandate: to provide a focal point for the Department of Agriculture, Fisheries and Aquaculture's international market development efforts; to facilitate exporters' access to international markets; and to help exporters manage the risks of international marketing.

It is the intention of government that NB Agriexport Inc. be phased out. This phasing out requires the Corporation to honour current outstanding agreements. The outstanding agreements are in the process of being transferred to the Department of Business New Brunswick.

2. Investments

During the 1999/2000 fiscal year, the Corporation purchased 500 Class B, non-voting, preferred shares of a company for \$500,000. Funding for this investment was provided by the Province of New Brunswick by way of an interest-free working capital advance. This investment has been fully provided for by the Province. The balance at 31 March 2003 stands at \$500,000.

The remaining investment balance represents moneys invested in a project to promote the export of cattle.

3. Loan guarantee payout

The Corporation had guaranteed a loan of a company involved in the export of agricultural products. This resulted in a payout of \$713,765. The resulting loss was borne by the Province of New Brunswick.

4. Statement of cash flows

This statement was not prepared as the information it would contain was not considered significant.

5. Income and expenses not included in these financial statements

Most of the direct and indirect costs of operating the corporate office are absorbed by the Province of New Brunswick. The administration of the Corporation's affairs is carried out by employees of the Province of New Brunswick under the direction of the Corporation's Board of Directors. All salary costs and most travel expenses associated with these employees are paid by the Province. Beginning in May 2002 bank account interest is deposited directly to the accounts of the Province.

FINANCIAL STATEMENTS
NEW BRUNSWICK ARTS BOARD
31 MARCH 2003

FINANCIAL REPORT 2002-2003

Auditor's Report

To the Board of Directors of the New Brunswick Arts Board:

I have audited the statement of financial position for the New Brunswick Arts Board as at March 31, 2003 and the statements of operations and cash flow for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2003 and the results of its operations and its cash flow for the year then ended in accordance with generally accepted accounting principles.



Sandra Brewer, CGA

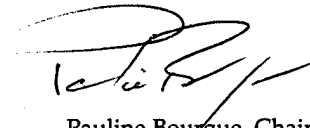
FINANCIAL STATEMENTS

New Brunswick Arts
Board
Statement of Financial
Position
For the Year Ended
March 31, 2003

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets		
Petty cash	\$ 244	\$ 521
Bank	\$ 1,750	\$474,776
Investments	\$933,915	\$278,231
HST receivable	\$ 22,517	\$ 19,983
Prepaid expenses	\$ 4,662	\$ 45,133
Accounts receivable	<u>\$ 30,275</u>	<u>\$ 58,416</u>
Total Assets	\$993,363	\$877,060
LIABILITIES		
Current Liabilities		
Cheques in excess of funds on deposit	\$ 68,197	\$ -
Accounts payable and accrued liabilities	\$ 55,647	\$ 92,704
Employee deductions payable	\$ 4,570	\$ -
Deferred Revenue (Note 6)	<u>\$ -</u>	<u>\$ 50,230</u>
Total Current Liabilities	\$128,414	\$142,934
GRANTS AND PROGRAMS PAYABLE	\$801,093	\$670,649
FUND BALANCES		
Unrestricted	<u>\$ 63,856</u>	<u>\$ 63,477</u>
Total Liabilities, Grants and Programs Payable, and Fund Balances	<u>\$993,363</u>	<u>\$877,060</u>



Approved by:
Michel Leblanc, Treasurer



Pauline Bourque, Chair

New Brunswick Arts
Board
Statement of
Operations
For the Year Ended
March 31, 2003

	<u>2003</u>	<u>2002</u>
REVENUES		
Excellence Awards	\$ 18,070	\$ 18,581
Annual allocation	\$ 700,000	\$ 700,000
Special initiatives	\$ 447,000	\$ 602,000
Culture and Sport Secretariat	\$ 189,325	\$ -
Sponsorships	\$ 27,000	\$ -
Other grants/revenue	\$ 201,388	\$ 210,595
Interest earned	\$ 19,706	\$ 14,574
Grants recovered	<u>\$ 27,369</u>	<u>\$ 36,205</u>
Total Revenue	\$1,629,858	\$1,581,955
EXPENSES		
Capital assets	\$ 5,477	\$ 26,010
Start-up cost expenses	\$ -	\$ 895
Salaries and benefits (Note 7)	\$ 187,300	\$ 162,591
Administration	\$ 75,618	\$ 82,663
Board and committee expenses	\$ 32,845	\$ 41,903
Jury expenses	\$ 38,295	\$ 44,048
Special initiatives	\$ 293,441	\$ 112,587
Excellence awards ceremonies	\$ 31,934	\$ 19,055
Grants and scholarships	<u>\$ 964,569</u>	<u>\$1,102,861</u>
Total Expenses	\$1,629,479	\$1,592,613
EXCESS OF REVENUE OVER EXPENSES	\$ 379	\$ (10,658)
BEGINNING FUND BALANCE	<u>\$ 63,477</u>	<u>\$ 74,135</u>
ENDING FUND BALANCE	<u>\$ 63,856</u>	<u>\$ 63,477</u>

New Brunswick Arts
Board
Statement of Cash
Flow
For the Year Ended
March 31, 2003

	<u>2003</u>	<u>2002</u>
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 379	\$ (10,658)
Add back:		
Changes in non-cash working capital	\$ (16,639)	\$ (6,189)
Grants and programs payable	<u>\$ 130,444</u>	<u>\$ 288,306</u>
NET CASH PROVIDED IN OPERATING ACTIVITIES	\$114,184	\$ 271,459
NET CASH PROVIDED IN FINANCING ACTIVITIES	\$ -	\$ -
Net increase in cash	\$114,184	\$ 271,459
Cash at the beginning of the year	<u>\$753,528</u>	<u>\$ 482,069</u>
CASH AT THE END OF THE YEAR	\$867,712	\$753,528

New Brunswick Arts
Board
Note to Financial
Statements
For the Year Ended
March 31, 2003

1. **General**

The non-for-profit organization was a branch of the New Brunswick government until January 2000. At this time, the organization became an arm's length agency. The purpose of the non-for-profit organization is to provide grants and scholarships to qualifying individuals and organizations to enable them to perform various art functions.

2. **Significant Accounting Policies**

These financial statements have been prepared in accordance with generally accepted accounting principles applied within the framework of the accounting policies summarized below.

Capital Assets: Capital assets are being expensed.

Revenue Recognition: Revenue is recognized when funds are received less the amounts committed for grants to be paid out at a later date. As these grants are paid, the amount is deducted from the grants payable amount and added to revenue. Revenue received in connection with specific activities is being deferred to the period of activity (see Deferred Revenue).

3. **Capital Assets**

The following capital assets have been expensed: \$5,477 (Office furniture)

4. **Contributions**

The non-for-profit organization is predominately funded by government. Contributions are received based on budgets presented to the government.

5. **Commitments**

The non-for-profit organization is committed to pay out previous years' grants and scholarships that were determined and authorized prior to the organization separating from government (December 31, 1999), as well as current year's commitments that were determined based on current programs. The total balance of these commitments is as follows:

Grants Payable	March 31, 2003
1997 - 1999	\$ 2,395
1999 - 2000	\$ 9,217
Arts Scholarships February 2000	\$ 550
Creation/Documentation April 2000	\$ 1,113
Emerging Artist April 2000	\$ 3,400
Arts-by-Invitation 2000-2001	\$ 2,299
Artist-in-Residence February 2001	\$ 9,600
Presentation February 2001	\$ 1,920
Creation/Documentation April 2001	\$ 3,500
Creation/Documentation October 2001	\$ 419
Artist-in-Residence February 2002	\$ 19,530
Arts Builder March 2002	\$ 175,891
Arts Scholarships February 2002	\$ 3,250
Aboriginal Arts 2002-2003	\$ 7,689
Arts-by-Invitation 2002-2003	\$ 11,255
Creation/Documentation 2002-2003	\$ 48,310
Emerging Artist April 2002	\$ 5,670
Emerging Artist October 2002	\$ 9,030
Arts Builder September 2002	\$ 266,600
Arts Scholarships February 2003	\$ 70,000
Artist-in-Residence February 2003	\$ 63,455
Presentation February 2003	\$ 86,000
Total Grants Payable	\$ 801,093

6. **Deferred revenues**

Deferred revenue consists of amounts received in connection with the Atlantic Cultural Space Conference held in May 2002. This amount consist of: \$50,230 (Government Funding \$48,000 and Admissions Revenue \$2,230).

7. **Salaries and Benefits**

Executive salaries and benefits for the year ended March 31, 2003, were \$65,829 (67,991 for 2002. There were 27 pay periods in 2002 and 26 in 2003).

8. **Grants and Scholarships**

This amount represents the total grants and scholarships awarded for the 2002-2003 fiscal year as well as adjustments to previous year's grants and scholarships.

FINANCIAL STATEMENTS

**NEW BRUNSWICK CREDIT UNION
DEPOSIT INSURANCE CORPORATION**

31 DECEMBER 2002

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Chairperson and Directors of the
New Brunswick Credit Union Deposit Insurance Corporation

I have audited the balance sheet of the New Brunswick Credit Union Deposit Insurance Corporation as at 31 December 2002 and the statement of revenue, expenditure and net assets 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 December 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

K D Robinson


K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
26 February 2003

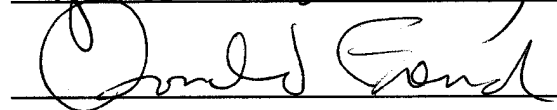
**NEW BRUNSWICK CREDIT UNION
DEPOSIT INSURANCE CORPORATION
BALANCE SHEET
31 DECEMBER 2002**

	2002	2001
ASSETS		
Cash	\$ 7,434	\$ 9,255
Accounts receivable	2,738	2,517
Assets held in trust funds (Note 4)	1,119,333	1,393,985
	<u>\$ 1,129,505</u>	<u>\$ 1,405,757</u>
LIABILITIES		
Advances - stabilization boards (Note 2 (a))	\$ 10,172	\$ 11,772
Liabilities of the trust funds	-	1,492
	<u>10,172</u>	<u>13,264</u>
NET ASSETS OF THE DEPOSIT INSURANCE FUND (Note 5)	<u>1,119,333</u>	<u>1,392,493</u>
	<u>\$ 1,129,505</u>	<u>\$ 1,405,757</u>

Approved by the Board



Chairperson



Director

**NEW BRUNSWICK CREDIT UNION
DEPOSIT INSURANCE CORPORATION
STATEMENT OF REVENUE, EXPENDITURE AND NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2002**

	2002	2001
REVENUE		
Contributions - stabilization boards (note 5)	\$ 144,473	\$ 79,584
EXPENDITURE		
Professional services and other	890	2,421
Board of Directors	710	492
Distributions - stabilization boards (note 5)	416,033	-
	<u>417,633</u>	<u>2,913</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE FOR THE YEAR	(273,160)	76,671
NET ASSETS OF THE DEPOSIT INSURANCE FUND - BEGINNING OF YEAR	1,392,493	1,315,822
NET ASSETS OF THE DEPOSIT INSURANCE FUND - END OF YEAR	<u>\$ 1,119,333</u>	<u>\$ 1,392,493</u>

**NEW BRUNSWICK CREDIT UNION
DEPOSIT INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2002**

1. Authority and objective

The Corporation is an independent entity created under the provisions of the *Credit Unions Act* proclaimed on 31 January 1994. The mandate of the Corporation is to provide deposit insurance to members of credit unions in New Brunswick. Currently, a maximum basic coverage of \$60,000 is provided for insured deposits of each credit union member. The Corporation may also assist stabilization boards in providing financial assistance to credit unions.

The affairs of the Corporation are administered by a Board of Directors of five persons. The Superintendent of credit unions is responsible for the administration of the *Credit Unions Act* and is the Chairperson of the Board. Each stabilization board appoints two representatives to the Board of Directors of the Corporation.

2. Significant accounting policies

(a) Contributions – Administrative expenses

The Corporation receives advances from the stabilization boards to cover its administrative expenses. The Corporation records portions of the advances as revenue when expenses are incurred.

The Corporation operates as a separate entity within the Credit Unions, Co-operatives and Trust Companies Branch of the Department of Justice. As such the Branch assumes the salary and some overhead costs which relate to the administration of the Corporation.

(b) Contributions/Distributions – Deposit insurance fund

Contributions to the deposit insurance fund are recorded as revenue as they become due for payment.

When the balance of the deposit insurance fund exceeds the amount required, as calculated by the Corporation, the excess from the trust funds is distributed to the stabilization boards. This distribution is recorded with the expenses of the Corporation.

(c) Accrual for deposit insurance losses

The Corporation accrues expenses for any known or likely losses from specific credit unions, which it expects cannot be paid or assumed by the stabilization board of which the credit union is a member. No such expenditures have been recorded by the Corporation since it began operations in 1994.

(d) Assets held in trust funds

Investments held in the trust funds are recorded at cost except when a decline in value has occurred that is other than temporary.

**NEW BRUNSWICK CREDIT UNION
DEPOSIT INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2002**

3. Income taxes

The Corporation is subject to income taxes under the *Income Tax Act*. The provisions of the Act generally exclude assessments contributed to the deposit insurance fund from taxable income.

4. Assets held in trust funds

The trust funds held the following assets at 31 December 2002:

	Book Value	Market Value
Cash	\$ 8,024	\$ 8,024
Interest receivable	8,238	8,238
Contribution receivable	30,544	30,544
Government of Canada Bonds	202,316	210,263
Provincial and Municipal Bonds	665,498	696,438
Public Utility Bonds	204,713	203,586
Total - 2002	<u>\$ 1,119,333</u>	<u>\$ 1,157,093</u>
Total - 2001	<u>\$ 1,393,985</u>	<u>\$ 1,429,267</u>

5. Deposit Insurance Fund

Section 223 of the *Credit Unions Act* requires that the Corporation establish and maintain a deposit insurance fund. The Corporation is required by the Act to maintain the fund in two separate accounts. Each account consists of the amount paid into the fund by one of the stabilization boards together with investment income, less any expenditures charged to the account.

The Corporation has entered into a trust agreement with each stabilization board for the administration and investment of the funds in their respective account. Under the terms of the agreements, each stabilization board will invest the funds in accordance with the investment policy of the Corporation.

The Net Assets of the Deposit Insurance Fund must be maintained at a level determined annually by a formula approved by the Board of Directors of the Corporation. The formula requires that a risk rating be given to each caisse populaire and credit union.

The amount of assets of the trust funds is adjusted annually based on the requirement of the formula. This results in a contribution to the trust funds or a distribution to the stabilization boards.

**NEW BRUNSWICK CREDIT UNION
DEPOSIT INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2002**

5. Deposit Insurance Fund - continued

At 31 December 2002 the balance in the trust fund account administered by the Office de Stabilisation de la Fédération des Caisses Populaires Acadiennes Limitée was \$490,905 (2001 - \$906,938). The balance in the trust fund account administered by the Brunswick Credit Union Federation Stabilization Board Limited at the same date was \$628,428 (2001 - \$485,555).

6. Related parties

Transactions between the Corporation, the two stabilization funds and the two trust funds are considered related party transactions. Each of the two stabilization boards nominates two directors to sit as directors of the Corporation. Each stabilization board exercises significant influence on the activities of the Corporation.



FINANCIAL STATEMENTS

NEW BRUNSWICK

CROP INSURANCE COMMISSION

31 MARCH 2003

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Chairman and Members of the
New Brunswick Crop Insurance Commission

I have audited the balance sheet of the New Brunswick Crop Insurance Commission as at 31 March 2003 and the statements of revenue and expense, surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 Commission as at 31 March 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

K D Robinson

K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
21 July 2003

**NEW BRUNSWICK CROP INSURANCE COMMISSION
BALANCE SHEET
31 MARCH 2003**

	2003	2002
ASSETS		
Accounts receivable		
- Canada	\$ 23,599	\$ 283,382
- Other	297	-
	<u>23,896</u>	<u>283,382</u>
Crop Insurance Trust Account (Note 2)	7,809,348	6,346,166
	<u>\$ 7,833,244</u>	<u>\$ 6,629,548</u>
LIABILITIES AND SURPLUS		
Accounts payable		
Indemnities	\$ 63,418	\$ 149,729
Province of New Brunswick	4,844	2,062
Canada	37,327	-
	<u>105,589</u>	<u>151,791</u>
Deferred revenue (Note 4)	60,207	47,361
Surplus	7,667,448	6,430,396
	<u>\$ 7,833,244</u>	<u>\$ 6,629,548</u>

Approved by the Commission

Lozold Bourgeois
And Allie

Chairman

Member

**NEW BRUNSWICK CROP INSURANCE COMMISSION
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED 31 MARCH 2003**

	2003	2002
REVENUE		
Premiums from producers (Schedule A)	\$ 289,281	\$ 375,935
Premiums contributions		
- Province of New Brunswick	745,502	1,167,149
- Canada	745,502	1,167,149
	<u>1,780,285</u>	<u>2,710,233</u>
Contributions for administration		
- Province of New Brunswick	425,447	490,058
- Canada	425,447	490,058
Interest from producers	1,585	2,023
	<u>2,632,764</u>	<u>3,692,372</u>
EXPENSE		
Indemnities (Schedule B)	491,213	764,571
Administration (Schedule C)	850,895	980,115
Crop Reinsurance Fund of New Brunswick	26,705	78,597
Crop Reinsurance Fund of Canada for New Brunswick	26,705	78,597
Interest and other expense	194	-
	<u>1,395,712</u>	<u>1,901,880</u>
EXCESS OF REVENUE OVER EXPENSE FOR THE YEAR	<u>\$ 1,237,052</u>	<u>\$ 1,790,492</u>

**NEW BRUNSWICK CROP INSURANCE COMMISSION
STATEMENT OF SURPLUS
FOR THE YEAR ENDED 31 MARCH 2003**

	2003	2002
Surplus, beginning of year	\$ 6,430,396	\$ 4,639,904
Excess of revenue over expense for the year	<u>1,237,052</u>	<u>1,790,492</u>
SURPLUS, END OF YEAR	<u>\$ 7,667,448</u>	<u>\$ 6,430,396</u>

NEW BRUNSWICK CROP INSURANCE COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2003

	2003	2002
CASH PROVIDED BY (USED FOR)		
Operating activities:		
Excess of revenue over expense for the year	\$ 1,237,052	\$ 1,790,492
(Increase) decrease in accounts receivable	259,486	(235,856)
Increase (decrease) in accounts payable	(46,202)	(48,695)
Increase (decrease) in deferred revenue	12,846	4,334
Increase in trust account	(1,463,182)	(1,510,275)
Cash provided by operations	-	-
CASH POSITION AT BEGINNING AND AT END OF YEAR	\$ -	\$ -

**NEW BRUNSWICK CROP INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

1. Description of operations

The Crop Insurance Act, assented to on 10 June 1966, serves as the basis for the establishment of the Commission. Regulation 95-122 under the Act establishes the Commission and sets out its powers and duties.

The Commission is responsible for administering the delivery to producers of a crop insurance plan to provide insurance protection against losses of production. This plan is funded through producer premiums and through contributions from the Province of New Brunswick and the Government of Canada.

All accounting transactions are recorded through the Consolidated Fund of the Province of New Brunswick. Administrative expenses provided by the Province are allocated to the Commission.

2. Crop Insurance Trust Account

The Province of New Brunswick maintains a trust account for the Commission. All cash receipts and disbursements of the Commission are made through this account.

3. Revenue – Province of New Brunswick and Government of Canada

(a) Premium contributions

The contributions of the producer, the Province of New Brunswick and Canada towards the necessary premiums are as follows:

Coverage Level	Producer Share	Province Share	Federal Share
50%	Free	50%	50%
65%	50% of buy up	25% of buy up	25% of buy up
80%	80% of incremental buy up	10% of incremental buy up	10% of incremental buy up

(b) Administrative expense contributions

The Province of New Brunswick and Canada each pay 50% of all costs incurred in the administration of the crop insurance program.

**NEW BRUNSWICK CROP INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

3. Revenue – Province of New Brunswick and Government of Canada - continued

(c) Crop Reinsurance Funds

On an annual basis a reinsurance premium based on total crop insurance premiums (1.5% of total premiums in 2003 and 2.9% in 2002) is submitted to each of the Crop Reinsurance Fund of Canada for New Brunswick and the Crop Reinsurance Fund of New Brunswick. Contributions are made by the Funds for a portion of any operating deficits incurred by the Commission on a crop year basis.

Crop Reinsurance Fund of Canada for New Brunswick	2003	2002
Excess of claims over premiums, 1 April	\$ 2,118,831	\$ 2,197,428
Premiums submitted	(26,705)	(78,597)
Excess of claims over premiums, 31 March	<u>\$ 2,092,126</u>	<u>\$ 2,118,831</u>

Crop Reinsurance Fund of New Brunswick	2003	2002
Excess of premiums over claims, 1 April	\$ (2,141,810)	\$ (2,063,213)
Premiums submitted	(26,705)	(78,597)
Excess of premiums over claims, 31 March	<u>\$ (2,168,515)</u>	<u>\$ (2,141,810)</u>

4. Deferred revenue

The deferred revenue represents premiums paid in advance by the producers.

SCHEDULE A**NEW BRUNSWICK CROP INSURANCE COMMISSION
SCHEDULE OF PRODUCER PREMIUMS
FOR THE YEAR ENDED 31 MARCH 2003**

	2003	2002
Potatoes	\$ 176,648	\$ 286,320
Spring grain	47,702	33,578
Apples	19,796	17,701
Blueberries	28,464	21,814
Strawberries	16,671	16,522
	<u>\$ 289,281</u>	<u>\$ 375,935</u>

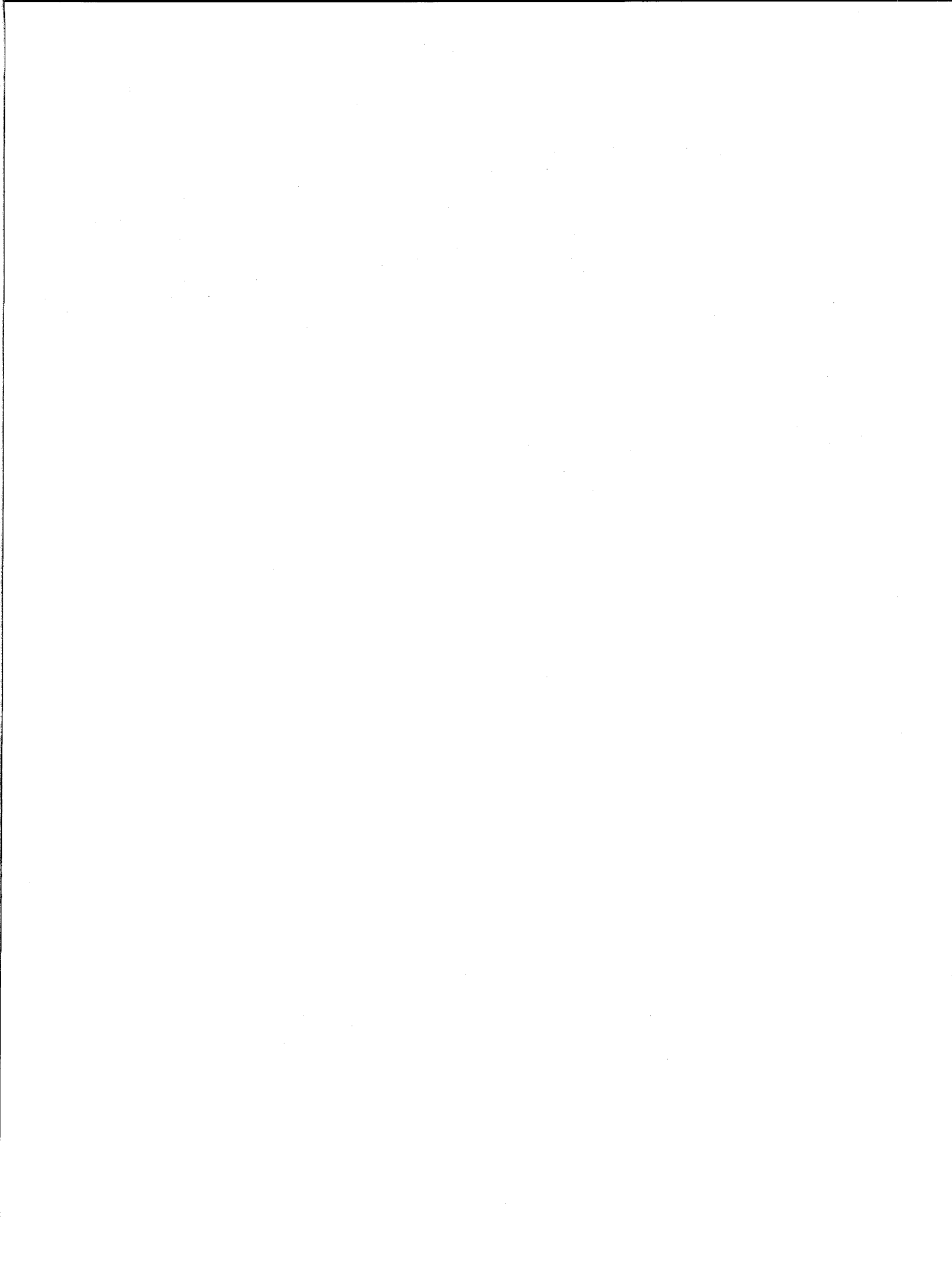
SCHEDULE B**NEW BRUNSWICK CROP INSURANCE COMMISSION
SCHEDULE OF INDEMNITIES
FOR THE YEAR ENDED 31 MARCH 2003**

	2003	2002
Potatoes	\$ 78,261	\$ 297,782
Spring grain	49,064	88,404
Apples	4,215	96,672
Blueberries	332,085	234,114
Strawberries	27,588	47,599
	<hr/> \$ 491,213	<hr/> \$ 764,571

SCHEDULE C

**NEW BRUNSWICK CROP INSURANCE COMMISSION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED 31 MARCH 2003**

	2003	2002
Personnel	\$ 580,906	\$ 684,149
Data information processing costs	4,356	6,656
Transportation and communication	64,341	76,812
Utilities, material and supplies	3,917	9,732
Professional services	93,821	106,078
Repairs and maintenance	8,639	9,147
Office accommodations and equipment rentals	52,061	52,424
Capital equipment	22,620	11,265
Other	20,234	23,852
	<u>\$ 850,895</u>	<u>\$ 980,115</u>



Financial Statements Of

**New Brunswick Distance Education Network Inc. /
Réseau de Formation à Distance
du Nouveau-Brunswick Inc.**

(Incorporated under the laws of New Brunswick without share capital)

March 31, 2003

Peter G. Gaulton
Chartered Accountant

Peter G. Gaulton Professional Corporation
Chartered Accountant
74 Adelaide Street
Saint John, NB
E2K 1W5

Bus: (506) 634-7393
Fax: (506) 652-8618

Res: (506) 634-7609
E Mail: gaultonp@nbnet.nb.ca

AUDITOR'S REPORT

I have examined the statement of financial position of New Brunswick Distance Education Network Inc. / Réseau de Formation à Distance du Nouveau-Brunswick Inc. for the year ended March 31, 2003 and the statements of operations and net assets 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 March 31, 2003, and the results of operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

June 27, 2003
Saint John, NB


Chartered Accountant

**New Brunswick Distance Education Network Inc. /
Réseau de Formation à Distance
du Nouveau-Brunswick Inc.**

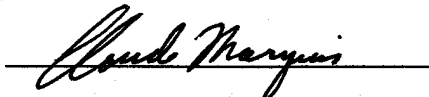
(Incorporated under the laws of New Brunswick without share capital)

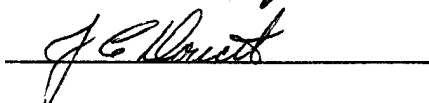
Statement of Financial Position

For the year ended March 31, 2003

	2003	2002
ASSETS		
Current:		
Cash in bank	\$ 466,213	\$ 209,808
Accounts receivable	53,912	709,568
Harmonized sales tax recoverable	42,053	-
	\$ 562,178	\$ 919,376
LIABILITIES		
Current:		
Accounts payable	\$ 111,761	\$ 9,089
Harmonized sales tax payable	-	306,469
Deferred revenue (note 4)	272,000	600,000
	383,761	915,558
NET ASSETS		
Unrestricted net assets	178,417	3,818
	\$ 562,178	\$ 919,376

Approved by the board:

 Director

 Director

New Brunswick Distance Education Network Inc. / Réseau de Formation à Distance du Nouveau-Brunswick Inc.

(Incorporated under the laws of New Brunswick without share capital)

Statement of Operations and Net Assets

For the year ended March 31, 2003

	2003	2002
Receipts:		
Federal Government	\$ 130,826	\$ 273,367
Provincial Government (note 4)	378,000	153,767
Harmonized sales tax rebate	14,390	-
Miscellaneous	3,961	5,760
	<u>527,177</u>	<u>432,894</u>
Disbursements:		
Bank charges	286	72
Interest on Harmonized Sales Tax (reversal) (note 5)	(116,688)	35,268
Professional service contracts	444,784	228,355
C.A.S.E. program	17	(3,704)
Cspace - salaries and operations	-	31,723
Meetings	-	2,035
Office and supplies	253	55
Travel	14,916	13,921
Professional services	5,744	8,471
Public relations and advertising	-	-
Miscellaneous	3,266	1,529
	<u>352,578</u>	<u>317,725</u>
Excess of receipts over disbursements	174,599	115,169
Net assets (deficiency), beginning of year	3,818	(111,351)
Net assets, end of year	<u>\$ 178,417</u>	<u>\$ 3,818</u>

**New Brunswick Distance Education Network Inc. /
Réseau de Formation à Distance
du Nouveau-Brunswick Inc.**

(Incorporated under the laws of New Brunswick without share capital)

Statement of Cash Flows

For the year ended March 31, 2003

	2003	2002
Cash provided by (used in)		
Operations:		
Excess of receipts over disbursements	\$ 174,599	\$ 115,169
Decrease (increase) in accounts receivable	655,656	(673,077)
Decrease (increase) in HST recoverable	(42,053)	-
Increase (decrease) in HST payable	(306,469)	28,384
Increase (decrease) in accounts payable	102,672	(76,012)
Increase (decrease) in deferred revenue	(328,000)	600,000
Increase (decrease) in cash during the period	256,405	(5,536)
Cash, beginning of year	209,808	215,344
Cash, end of year	\$ 466,213	\$ 209,808
Consisting of:		
Bank - Operating account	\$ 258,706	\$ 25,723
- Community Access account	207,507	184,085
	\$ 466,213	\$ 209,808

New Brunswick Distance Education Network Inc. / Réseau de Formation à Distance du Nouveau-Brunswick Inc.

(Incorporated under the laws of New Brunswick without share capital)

Notes to Financial Statements

For the year ended March 31, 2003

1. Purpose of the organization

The company is a non-profit company incorporated in 1994 for the purpose of seeking funding and partnership arrangements to facilitate access to distance education in New Brunswick and to support the development of the advanced training technologies sector of the provincial economy.

2. Significant Accounting Policies

(a) Method of accounting:

The corporation follows the deferral method of accounting for receipts. Restricted receipts are recognized as revenue in the year in which the related expenses are incurred. Unrestricted receipts are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Donated services:

Donated services are not recorded in the records.

3. Services in kind

The corporation is operated entirely by volunteer services of directors and committee members. Due to the difficulty of determining the fair market value for those services they are not recorded in the financial statements.

4. Related party transactions

The company's Board of Directors consists of employees of the Province of New Brunswick. The company receives grants from the Province of New Brunswick to assist in training and development costs of its programs. These grants are reflected as deferred revenue in the attached statement of financial position until costs are incurred. At that time, the grants are applied to reduce the costs of its programs and are reflected in the statement of operations and net assets. During the current year, the company entered into new contracts with the Province of New Brunswick totalling \$50,000 (2002: \$753,767) of which \$NIL (2002: \$600,000) was deferred to the following year. Of the \$600,000 received and deferred from the Province of New Brunswick in 2002, \$272,000 has been deferred to the 2004 fiscal year.

5. Interest on Harmonized Sales Tax(HST)

In prior years' a liability was recorded on the books for interest accruing on a HST debt which had not been settled. During the year the organization came to a settlement with the federal government for an amount less than what was accrued. This resulted in a recovery on the current year's statement of operations.

6. Comparative figures

Certain figures have been restated to conform with presentation adopted for this year.

FINANCIAL STATEMENTS

NEW BRUNSWICK HIGHWAY CORPORATION

31 MARCH 2003

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

The Chairperson and Directors
New Brunswick Highway Corporation
Fredericton, New Brunswick

I have audited the balance sheet of the New Brunswick Highway Corporation as at 31 March 2003 and the statement of revenue and expenditure 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 2003 and the results of its operations for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

KD Robinson


K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
27 June 2003

**NEW BRUNSWICK HIGHWAY CORPORATION
BALANCE SHEET
31 MARCH 2003**

	2003	2002
ASSETS		
Due from Province of New Brunswick	\$ 895,807,487	\$ 853,032,396
Accounts receivable (Note 4)	13,274,039	12,610,633
Prepaid expenses	936,622	423,174
Land (Note 5)	1	1
	<u>\$ 910,018,149</u>	<u>\$ 866,066,204</u>
LIABILITIES AND EQUITY		
Accounts payable	\$ 2,013,158	\$ 2,210,431
Accrued interest payable	64,257,927	19,224,284
Capital lease obligation (Note 6)	843,747,063	844,631,488
Contribution from Province of New Brunswick (Note 5)	1	1
	<u>\$ 910,018,149</u>	<u>\$ 866,066,204</u>

Approved by the Board

 Chairperson

 Member

**NEW BRUNSWICK HIGHWAY CORPORATION
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2003**

	2003		
	Budget	Actual	2002
REVENUE			
Province of New Brunswick	\$ 66,057,195	\$ 64,823,259	\$ 29,529,906
EXPENDITURE			
Highway operations and maintenance (Note 7)	8,226,000	8,085,588	5,967,674
Traffic count operations and maintenance (Note 7)	164,000	162,357	159,396
Operating and administrative expense	1,190,000	569,295	699,815
New Brunswick (F-M) Project Company Inc. administrative expenditures	670,000	198,824	175,018
Interest expense	55,807,195	55,807,195	22,528,003
	<u>66,057,195</u>	<u>64,823,259</u>	<u>29,529,906</u>
EXCESS OF REVENUE OVER EXPENDITURE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NEW BRUNSWICK HIGHWAY CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

1. New Brunswick Highway Corporation

The New Brunswick Highway Corporation (NBHC) is a provincial Crown Corporation incorporated by an Act of the New Brunswick Legislature effective 29 March 1995.

NBHC is the signatory for the Province in all agreements relating to the Fredericton-Moncton highway project. As such, NBHC is responsible for monitoring, controlling and administering those agreements to ensure that agreement terms are respected by other signatories and that provincial commitments are met. This includes ensuring that construction of the highway and any required refurbishments are completed as required in those agreements. It also includes ensuring that the ongoing operation, management, and maintenance of the Fredericton-Moncton highway are conducted in accordance with agreement terms.

2. Summary of significant accounting policies

Accrual Accounting

The financial statements are prepared using the accrual basis of accounting whereby revenues and expenditures are allocated to the year in which they are earned or incurred irrespective of the date on which the related cash transactions are effected.

Physical Assets

The cost of acquiring physical assets is expensed in the year of acquisition.

Leases

Long term leases, under which the Corporation, as lessee, assumes substantially all the benefits and risks of ownership of leased property, are classified as capital leases. The present value of a capital lease is accounted for as an expenditure and an obligation at the inception of the lease.

3. Fredericton-Moncton highway

In January 1998, the Province through NBHC entered into agreements with a private sector consortium and the New Brunswick (F-M) Project Company Inc., a not-for-profit company, to develop, design, build, operate, manage, maintain and rehabilitate a four lane toll highway between Longs Creek and Moncton. Effective 1 March 2000, the agreements were amended to eliminate tolling on the highway.

NBHC leases land to the New Brunswick (F-M) Project Company Inc. which owns all improvements to these lands, in particular the four lane highway, and subleases the improvements back to NBHC. NBHC is responsible for making the sublease payments to the New Brunswick (F-M) Project Company Inc.

NBHC is also responsible for making monthly traffic volume payments to the New Brunswick (F-M) Project Company Inc. The traffic volume payments are used to repay principal and interest on the toll-based debt. Any amount in excess of that required to repay the debt is returned to NBHC.

**NEW BRUNSWICK HIGHWAY CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

4. Accounts receivable

The accounts receivable balance at 31 March 2003 of \$13,274,039 (2002 - \$12,610,633) is comprised of amounts paid by NBHC to the New Brunswick (F-M) Project Company Inc. to maintain a tolling reserve fund as required in the agreements with toll-based lenders.

5. Land

The transfer of the land corridor required for the Fredericton-Moncton highway by the Province to NBHC has been treated as an equity contribution for financial statement purposes and has been recorded at the nominal amount of one dollar.

6. Capital lease obligation

Due to the elimination of tolls under the 1 March 2000 amendments to the agreements, the payment arrangements are now being accounted for as a capital lease in accordance with the recommendations of the Canadian Institute of Chartered Accountants. Consequently, a capital lease obligation was accrued during the 1999-2000 fiscal year. The net present value of that capital lease obligation at 31 March 2003 was \$843.7 million (2002 - \$844.6 million).

Under the agreements NBHC will be required to make total future lease payments to the New Brunswick (F-M) Project Company Inc. of approximately \$1.830 billion, including principal and interest.

Annual principal and interest payments in each of the next five years are as follows:

<u>Fiscal Year</u>	<u>(millions)</u>
2003 - 2004	\$42.0
2004 - 2005	\$72.6
2005 - 2006	\$72.8
2006 - 2007	\$73.2
2007 - 2008	\$73.5

7. Revenue and expenditure

Under the terms of the amended Operation, Management, Maintenance and Rehabilitation Agreement, NBHC is responsible to make scheduled payments for the operation, management, maintenance and rehabilitation of the highway and for costs relating to the traffic volume monitoring system.

8. Staff resources

The Corporation has no employees. Staff support is provided by the Department of Transportation and the Department of Finance.

**NEW BRUNSWICK HIGHWAY CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

9. Statement of cash flows

This statement was not prepared as the information it would contain was not considered to be significant.





Financial Statements of

**NEW BRUNSWICK INVESTMENT
MANAGEMENT CORPORATION**

Year ended March 31, 2003



KPMG LLP
Chartered Accountants

Frederick Square
77 Westmorland Street Suite 700
Fredericton NB E3B 6Z3
Canada

Telephone (506) 452-8000
Telefax (506) 450-0072
www.kpmg.ca

AUDITORS' REPORT

To the Directors of New Brunswick Investment Management Corporation

We have audited the statement of financial position of New Brunswick Investment Management Corporation as at March 31, 2003 and the statement of revenue and expenses 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Fredericton, Canada
April 15, 2003



NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Statement of Financial Position

March 31, 2003, with comparative figures for 2002

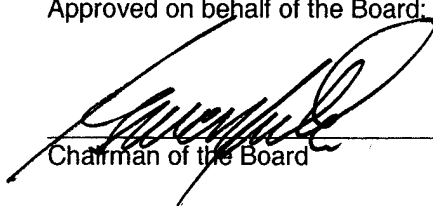
	2003	2002
Assets		
Current assets:		
Cash	\$ 10,507	\$ 10,858
Accounts receivable, Pension Funds	976,396	1,112,864
Prepaid expenses	226,189	149,527
	<u>1,213,092</u>	<u>1,273,249</u>
Capital assets (note 3)	383,702	412,293
	<u>\$ 1,596,794</u>	<u>\$ 1,685,542</u>

Liabilities and Deferred Contributions

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,147,152	\$ 1,172,427
Harmonized Sales Tax	65,940	100,822
	<u>1,213,092</u>	<u>1,273,249</u>
Deferred contributions related to capital assets	383,702	412,293
Commitment (note 4)		
	<u>\$ 1,596,794</u>	<u>\$ 1,685,542</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Chairman of the Board



President and Chief Executive Officer

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Statement of Revenue and Expenses

Year ended March 31, 2003, with comparative figures for 2002

	2003	2002
Revenue:		
Fees:		
Public Service Superannuation Fund	\$ 3,784,711	\$ 3,307,591
Teachers' Pension Fund	3,480,007	3,108,129
Judges' Superannuation Fund	26,998	24,390
Amortization of deferred contributions related to capital assets	166,310	130,319
Other	4,424	2,072
	<u>7,462,450</u>	<u>6,572,501</u>
Expenses:		
Salaries and benefits	3,149,031	3,383,446
Other services (note 5)	4,074,362	2,989,290
Materials and supplies	72,747	69,446
Amortization of capital assets	166,310	130,319
	<u>7,462,450</u>	<u>6,572,501</u>
	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2003

New Brunswick Investment Management Corporation (the "Corporation") was established pursuant to the New Brunswick Investment Management Corporation Act which was proclaimed on March 11, 1996. The Corporation is exempt from income taxes.

Its legislated mandate is to:

- act as trustee for the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund ("the Funds");
- provide investment counseling services and other services for certain trust funds;
- promote the development of the financial services industry and capital markets in the Province;
- have regard to investment opportunities in the Province in developing its investment policies, and;
- carry out such other activities or duties as may be authorized or required by the Act or as the Lieutenant-Governor in Council may direct.

1. Significant accounting policies:

(a) Accounting entity:

The Corporation is an entity separate from the pension funds for which it is trustee. Expenses of the Corporation are fully funded, primarily by the Funds.

(b) Basis of accounting:

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

(c) Capital assets:

Capital assets are recorded at cost and amortization is calculated on a straight-line basis using the annual rates shown in note 3.

(d) Revenue recognition:

Fees for services are recognized in revenue as services are performed.

The Corporation follows the deferral method of accounting for contributions. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at rates corresponding with amortization rates for the related capital assets.

2. Statement of cash flows:

A statement of cash flows has not been prepared as the required cash flow information is readily apparent from the other financial statements.

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2003

3. Capital assets:

				2003	2002
	Rate	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	33 1/3%	\$ 518,911	\$ 411,318	\$ 107,593	\$ 101,373
Furniture and equipment	8%	339,917	158,860	181,057	188,891
Leasehold improvements	10%	256,802	161,750	95,052	122,029
		\$ 1,115,630	\$ 731,928	\$ 383,702	\$ 412,293

4. Commitment:

The Corporation leases premises under an operating lease which expires on January 31, 2012.

Future minimum payments, by year and in aggregate, are as follows:

2004	\$ 245,700
2005	245,700
2006	245,700
2007	245,700
Later years through 2012	1,187,550
	<u>\$ 2,170,350</u>

5. Other services:

	2003	2002
External management fees and expenses	\$ 2,295,590	\$ 1,451,314
Custodial services	106,583	102,378
Travel	204,296	199,692
Office rent	233,150	171,331
Professional services	389,616	335,815
Information systems	688,159	595,198
Other	156,968	133,562
	<u>\$ 4,074,362</u>	<u>\$ 2,989,290</u>

6. Fair value of financial assets and financial liabilities:

The fair value of the Corporation's cash, accounts receivable Pension Funds, accounts payable and accrued liabilities approximate their carrying amounts.

**NEW BRUNSWICK LIQUOR CORPORATION
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2003**



NB Liquor Alcool N-B

MANAGEMENT REPORT

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the Corporation. This responsibility includes the selection of appropriate accounting policies and making judgements and estimates consistent with Canadian generally accepted accounting principles.

The Corporation maintains an accounting system and related controls to provide management and the Board with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with Canadian generally accepted accounting principles.

Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

Barbara Winsor
President & CEO

Richard A. Smith, C.G.A., C.M.A.
Controller & CFO

June 2, 2003

170 Wilsey Road
PO Box 20787
Fredericton NB
Canada E3B 5B8

Tel.: (506) 452-6826
Fax: (506) 462-2024
www.nbliquor.com

170 chemin Wilsey
Case postale 20787
Fredericton NB
Canada E3B 5B8

Téléphone : (506) 452-6826
Télécopieur : (506) 462-2024
www.alcoolnb.com

New  Nouveau
Brunswick



KPMG LLP
Chartered Accountants
Frederick Square
77 Westmorland Street Suite 700
Fredericton NB E3B 6Z3
Canada

Telephone (506) 452-8000
Telefax (506) 450-0072
www.kpmg.ca

AUDITORS' REPORT

To the Directors of New Brunswick Liquor Corporation

We have audited the balance sheet of the New Brunswick Liquor Corporation as at March 31, 2003 and the statements of income 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Fredericton, Canada
June 2, 2003



KPMG LLP, a Canadian limited liability partnership is the Canadian member of KPMG International, a Swiss nonoperating association.

BALANCE SHEET

	MARCH 31	
Assets	2003	2002
<i>Current Assets</i>		
Cash	\$ 136 095	\$ 180 010
Accounts receivable	1 622 364	2 030 398
Inventories (note 1)	16 165 041	17 093 753
Prepaid expenses	454 322	383 640
Total current assets	<u>18 377 822</u>	<u>19 687 801</u>
<i>Deferred Charges</i>		
Past service pension	1 218 174	-
Deposit - injured workers (note 2)	882 337	-
Total deferred charges	<u>2 100 511</u>	<u>-</u>
<i>Fixed Assets</i>		
Property, plant and equipment (note 3)	<u>10 672 732</u>	<u>9 968 531</u>
Total Assets	<u>\$31 151 065</u>	<u>\$29 656 332</u>
 Liabilities		
<i>Current Liabilities</i>		
Outstanding cheques in excess of funds on deposit	\$ 1 698 532	\$ 514 892
Accounts payable and accrued liabilities	11 127 706	10 757 341
Current portion of past service pension liability	292 987	-
Total current liabilities	<u>13 119 225</u>	<u>11 272 233</u>
<i>Long Term Debt</i>		
Pension liability (note 4)	<u>3 649 441</u>	<u>2 724 254</u>
 Equity of the Province of New Brunswick		
Balance at beginning of year	15 659 845	13 028 411
Net income	110 046 889	106 822 123
	<u>125 706 734</u>	<u>119 850 534</u>
Payments to the Province of New Brunswick	111 324 335	104 190 689
Balance at end of year	<u>14 382 399</u>	<u>15 659 845</u>
Total Liabilities and Equity	<u>\$31 151 065</u>	<u>\$29 656 332</u>

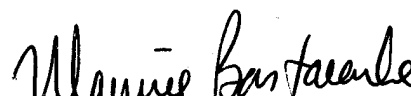
Commitments (note 5)

See accompanying notes to financial statements

APPROVED BY THE BOARD:



Director



Director

INCOME STATEMENT

Year ended March 31

	Budget 2003	Actual 2003	Actual 2002
Total sales (note 6)	\$307 380 153	\$305 003 366	\$295 877 374
Less: commissions	4 322 036	4 349 581	4 298 666
Net sales	<u>303 058 117</u>	<u>300 653 785</u>	<u>291 578 708</u>
Cost of sales	159 266 903	158 565 994	154 798 129
Gross profit	<u>143 791 214</u>	<u>142 087 791</u>	<u>136 780 579</u>
Other income	1 124 615	1 113 130	935 545
	<u>144 915 829</u>	<u>143 200 921</u>	<u>137 716 124</u>
Operating expenses	<u>32 856 741</u>	<u>33 154 032</u>	<u>30 894 001</u>
Net income	<u>\$112 059 088</u>	<u>\$110 046 889</u>	<u>\$106 822 123</u>

See accompanying notes to financial statements

STATEMENT OF CASH FLOWS

Year ended March 31

	2003	2002
Cash from Operations		
Net income	\$110 046 889	\$106 822 123
Items not involving cash:		
Depreciation and amortization	2 066 250	1 739 222
Loss on sale of property, plant and equipment	54 882	198 258
Change in non-cash working capital	2 820 069	(2 557 494)
Increase in deposit - injured workers	(882 337)	-
Cash available from operations	<u>114 105 753</u>	<u>106 202 109</u>
Net Capital Investments		
Additions to property, plant and equipment	(2 852 084)	(2 075 795)
Proceeds from sale of property, plant and equipment	26 751	76 830
Net cash used for capital investments	<u>(2 825 333)</u>	<u>(1 998 965)</u>
Payments to the Province of New Brunswick	<u>(111 324 335)</u>	<u>(104 190 689)</u>
Increase (Decrease) in Cash	(43 915)	12 455
Cash at Beginning of Year	<u>180 010</u>	<u>167 555</u>
Cash at End of Year	<u>\$ 136 095</u>	<u>\$ 180 010</u>

See accompanying notes to financial statements

Schedule of Sales

Year ended March 31

	Budget 2003	Actual 2003	Actual 2002
Spirits	\$ 71 511 147	\$ 70 527 987	\$ 69 106 642
Wine	32 209 649	35 940 932	31 758 252
Other beverages	19 796 353	18 687 289	15 959 875
Beer	183 863 004	179 847 158	179 052 605
	<u>\$307 380 153</u>	<u>\$305 003 366</u>	<u>\$295 877 374</u>

Schedule of Cost of Sales

Year ended March 31

	Spirits	Wine	Other beverages	Beer	2003 Total	2002 Total
Inventories at beginning of year	\$ 5 375 457	\$ 7 632 611	\$ 1 106 987	\$ 2 822 735	\$ 16 937 790	\$ 13 550 002
Purchases	15 803 417	13 335 984	8 537 586	104 521 282	142 198 269	142 780 468
Freight	493 344	1 135 178	355 589	245 897	2 230 008	2 268 455
Duty and excise tax	11 750 225	1 104 476	144 586	221 679	13 220 966	13 136 994
	<u>33 422 443</u>	<u>23 208 249</u>	<u>10 144 748</u>	<u>107 811 593</u>	<u>174 587 033</u>	<u>171 735 919</u>
Inventories at end of year	5 086 482	6 832 858	1 057 363	3 044 336	16 021 039	16 937 790
	<u>\$28 335 961</u>	<u>\$16 375 391</u>	<u>\$ 9 087 385</u>	<u>\$104 767 257</u>	<u>\$158 565 994</u>	<u>\$154 798 129</u>

Schedule of Other Income

Year ended March 31

	Budget 2003	Actual 2003	Actual 2002
Merchandising programs	\$ 900 000	\$ 952 317	\$ 878 995
Private importation revenue	45 468	47 021	56 466
Commission on collection of licensee user fees	46 000	46 737	46 464
Beer voucher administration fees	10 000	14 629	14 578
Unredeemed beverage container deposits	85 776	60 848	68 398
Subscriptions to sales reports	13 000	12 000	16 240
Loss on sale of property, plant and equipment	(29 629)	(54 882)	(198 258)
Sundry	54 000	34 460	52 662
	<u>\$1 124 615</u>	<u>\$1 113 130</u>	<u>\$ 935 545</u>

Schedule of Operating Expenses

Year ended March 31

	Budget 2003	Actual 2003	Actual 2002
Salaries - stores, warehouse and maintenance	\$13 521 370	\$13 606 993	\$12 650 218
- administration	3 178 533	3 221 801	2 823 822
Employee benefits	3 659 871	4 012 714	3 981 821
Rent	3 150 447	2 986 128	2 918 286
Heat and light	937 494	1 004 140	885 341
Depreciation	2 412 700	2 066 250	1 948 780
Training programs	211 500	165 332	187 660
Trucking	458 568	557 191	448 563
Repairs to property, plant and equipment	407 312	453 962	464 132
Property taxes	426 500	417 078	416 763
Minor equipment and supplies	517 385	471 480	465 563
Security	252 666	252 802	233 898
Retail automation system maintenance	225 390	231 291	232 920
Travel	293 037	284 623	301 903
Beverage container redemption costs	374 000	374 720	384 929
Shopping bags	187 819	246 606	206 128
Data processing	362 274	332 900	345 165
Telecommunications	382 236	342 018	303 339
Motor vehicle operation	36 660	39 848	34 803
Cleaning	177 922	172 294	157 275
Shortages	35 640	39 204	35 263
Bad debt	-	-	5 944
Management meetings	56 236	59 942	50 177
Postage	73 540	65 225	66 320
Professional services	171 100	320 472	116 264
Bank charges	865 800	1 013 254	870 216
Warehouse maintenance and supplies	24 900	51 941	28 751
Insurance	57 300	54 608	37 982
Advertising and promotions	263 600	180 700	159 430
Directors' remuneration	36 000	38 053	36 787
Other	98 941	90 462	95 558
	<u>\$32 856 741</u>	<u>\$33 154 032</u>	<u>\$30 894 001</u>

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2003

General

This Crown Corporation is incorporated under the New Brunswick Liquor Corporation Act and its primary business activity is the purchase, distribution and sale of alcoholic beverages throughout the Province of New Brunswick.

Summary of Significant Accounting Policies

Inventories

Inventory of goods for resale is valued at cost, which is lower than net realizable value.
Inventory of supplies is valued at cost.

Past Service Pension

Past service pension costs are being amortized on a straight-line basis over sixteen years.

Deposit - Injured Workers

The cost of claims for employees injured prior to April 1, 2002 is being deducted from a deposit held in trust with the Workplace, Health, Safety and Compensation Commission and expensed as an employee benefit as incurred.

Property, Plant and Equipment

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

Buildings	2 1/2%
Paving	10%
Refrigeration equipment	10%
Software and services	10%
Retail automation equipment	20%
Furniture, fixtures and equipment	20%
Automotive equipment	20%

Leasehold improvements are depreciated on the straight-line basis over the remaining lease term.

Early Retirement Program

The cost of early retirement programs is charged to employee benefits in the year the obligation can be reasonably estimated.

Retiring Allowances

The estimated cost of retiring allowances payable to employees aged fifty-five and older as of March 31, 2003 has been charged to employee benefits at their current rate of pay.

1. Inventories

	2003	2002
Spirits, wine, other beverages and beer	\$16 021 039	\$16 937 790
Supplies	<u>144 002</u>	<u>155 963</u>
	<u><u>\$16 165 041</u></u>	<u><u>\$17 093 753</u></u>

2. Deposit - Injured Workers

During the year the New Brunswick Liquor Corporation changed to the assessed basis of payment with the Workplace, Health, Safety and Compensation Commission (WHSCC). As a result, the Corporation placed the sum of \$1 000 000 on deposit in trust with WHSCC to cover the estimated cost of claims for employees injured prior to the conversion date of April 1, 2002. This deposit will be held for the period of June 1, 2002 to May 31, 2009 and will accrue interest at WHSCC's accounting rate of return for the applicable year. The interest earned in 2003 was \$11 719. The actual cost of claims will be deducted from the deposit in the year the expense is incurred. The actual costs for 2003 were \$129 382. At the end of the seven-year period or at any time prior, upon request of the Corporation, WHSCC will calculate the future costs associated with these claims, whereupon the Corporation will be responsible for a one-time payment of the amount. From that point forward, WHSCC will assume responsibility for the liability. It is anticipated that the amount currently on deposit will be sufficient to cover all future costs associated with injuries that occurred prior to April 1, 2002.

3. Property, Plant and Equipment

	Cost	Accumulated Depreciation	2003 Net	2002 Net
Land	\$ 209 075		\$ 209 075	\$ 209 075
Paving	488 278	\$ 441 388	46 890	14 568
Buildings	10 802 231	6 700 195	4 102 036	3 836 581
Leasehold improvements	4 630 729	3 028 062	1 602 667	1 508 753
Furniture, fixtures and equipment	7 723 945	6 359 974	1 363 971	894 613
Automotive equipment	251 599	148 482	103 117	83 001
Retail automation equipment	1 629 258	1 583 833	45 425	361 260
Software and services	3 772 983	1 534 278	2 238 705	2 102 456
Refrigeration equipment	3 334 625	2 373 779	960 846	958 224
	<u><u>\$32 842 723</u></u>	<u><u>\$22 169 991</u></u>	<u><u>\$10 672 732</u></u>	<u><u>\$9 968 531</u></u>

4. Pension Liability

The employees of the New Brunswick Liquor Corporation belong to the New Brunswick Public Service Superannuation Plan, a multi-employer, defined benefit pension plan.

Pursuant to a 1991 regulation under the Public Service Superannuation Act (NB), the New Brunswick Liquor Corporation was to contribute annually, until such time as the benefits were fully funded, sufficient amounts into the pension trust fund to amortize \$7 900 000 of the pension liability. The amortization period was estimated to be twenty-five years.

Through some of the payment period, experience gains had been identified by actuarial valuations of the Plan from 1992 to 1999 and these gains were amortized over the estimated remaining service life of active contributors. After March 31, 2000, no payments to the pension trust fund were made as a result of actuarial valuations that determined the Plan was fully funded.

An actuarial valuation of the Public Service Superannuation Plan as at April 1, 2002 was completed during the 2002-03 fiscal year. This valuation determined that the Plan was no longer fully funded and that the Corporation's share of the liability was now estimated to be \$3 942 428. The pension liability presently bears interest at 7.12% per year, and the Corporation is required to reinstate annual payments starting in 2004. The amount of these payments will increase each year at the rate of the Canadian Consumer Price Index plus 2%.

	2003	2002
Pension liability	\$3 942 428	\$2 724 254
Current portion of past service pension liability	<u>292 987</u>	<u>-</u>
	<u>\$3 649 441</u>	<u>\$2 724 254</u>

Principal payments in each of the following five years on the long-term debt will be approximately as follows:

2004	\$ 292 987
2005	335 000
2006	381 000
2007	431 000
2008	485 000

5. Commitments

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2004 and 2014. Certain of these operating leases contain renewal options at the end of the initial lease term. The following is a schedule, by years, of future minimum lease payments required under operating leases that have, as of March 31, 2003, initial lease terms in excess of one year:

2004	\$ 2 624 170
2005	2 332 680
2006	2 115 580
2007	1 974 726
2008	1 833 641
2009 to 2014	<u>4 162 641</u>
	<u>\$15 043 438</u>

6. Total Sales

Total sales reported include sales to retail customers, licensed establishments and agency stores. These amounts do not include subsequent resale by licensed establishments and agency stores.

7. Fair Value of Financial Assets and Liabilities

The fair value of the Corporation's cash, accounts receivable, outstanding cheques in excess of funds on deposit, accounts payable and accrued liabilities and pension liability approximate their carrying amounts.

8. Comparative Figures

Certain 2002 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2003.



FINANCIAL STATEMENTS

NEW BRUNSWICK

MUNICIPAL FINANCE CORPORATION

31 DECEMBER 2002

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Board of Directors
New Brunswick Municipal Finance Corporation

I have audited the balance sheet of the New Brunswick Municipal Finance Corporation as at 31 December 2002 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 material respects, the financial position of the Corporation as at 31 December 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

K D Robinson

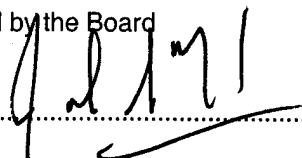
K. D. Robinson, CA
Deputy Auditor General


Fredericton, N. B.
20 February 2003

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
BALANCE SHEET
31 DECEMBER 2002**

	2002	2001
ASSETS		
Cash and short-term investments	\$ 336,333	\$ 256,945
Accrued interest receivable from municipalities and municipal enterprises	5,024,873	4,518,626
Accrued investment income receivable	14,949	14,366
	<u>5,376,155</u>	<u>4,789,937</u>
Long term investments	520,000	520,000
Add: Unamortized premium	22,779	36,103
	<u>542,779</u>	<u>556,103</u>
Loans to municipalities and municipal enterprises (Note 2)	386,693,000	366,936,000
	<u>\$ 392,611,934</u>	<u>\$ 372,282,040</u>
LIABILITIES AND RETAINED EARNINGS		
Accounts payable	\$ 3,685	\$ 4,019
Accrued interest payable on debenture debt	5,024,873	4,518,626
Debenture debt (Note 3)	386,693,000	366,936,000
	<u>391,721,558</u>	<u>371,458,645</u>
Retained earnings	890,376	823,395
	<u>\$ 392,611,934</u>	<u>\$ 372,282,040</u>

Approved by the Board

.....  Director

.....  Director

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2002**

	2002	2001
REVENUE		
Interest from municipalities and municipal enterprises	\$ 23,359,327	\$ 23,392,348
Retained for debenture issue expenses	119,962	106,802
Investment income	57,546	61,383
	<u>23,536,835</u>	<u>23,560,533</u>
EXPENSE		
Interest paid on debentures	23,359,327	23,392,348
Amortization of premium	13,324	13,324
Other expenses	97,203	96,414
	<u>23,469,854</u>	<u>23,502,086</u>
NET INCOME FOR THE YEAR	66,981	58,447
Retained earnings, beginning of year	823,395	764,948
RETAINED EARNINGS, end of year	<u>\$ 890,376</u>	<u>\$ 823,395</u>

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2002**

	2002	2001
CASH PROVIDED BY (USED FOR):		
Operating activities:		
Net income for the year	\$ 66,981	\$ 58,447
Add (deduct)		
Amortization of premium	13,324	13,324
Decrease (increase) in non-cash components of working capital	(917)	2,624,556
	<u>79,388</u>	<u>2,696,327</u>
Financing activities:		
Proceeds on sale of debentures	76,007,176	70,632,010
Funds retained for debenture issues expenses	(119,962)	(106,802)
Principal paid on debenture debt	(56,884,000)	(55,173,000)
	<u>19,003,214</u>	<u>15,352,208</u>
Investing activities:		
Loans to municipalities and municipal enterprises	(75,887,214)	(70,525,208)
Principal repayments made by municipalities and municipal enterprises	56,884,000	55,173,000
	<u>(19,003,214)</u>	<u>(15,352,208)</u>
INCREASE IN CASH	79,388	2,696,327
Cash position, beginning of year	<u>256,945</u>	<u>(2,439,382)</u>
CASH POSITION, end of year	<u>\$ 336,333</u>	<u>\$ 256,945</u>

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2002**

1. Summary of significant accounting policies

The Corporation was established under the New Brunswick Municipal Finance Corporation Act which came into force on 1 February 1983. The purpose of the Corporation is to provide financing for municipalities and municipal enterprises through a central borrowing authority.

Loans to municipalities and municipal enterprises and debenture debt are recorded at par value. Any discount or premium arising on the issuance of debenture debt is transferred to the municipality or municipal enterprise, and accounted for in their financial statements.

2. Loans to municipalities and municipal enterprises

- (a) Loans to municipalities and municipal enterprises are made on the security of their debentures due in annual instalments for periods up to a maximum of fifteen years.
- (b) The terms of the loans to municipalities and municipal enterprises are identical to those on the debenture debt outstanding.

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2002

3. Debenture debt

- (a) The following debenture debt outstanding at 31 December 2002 is in Canadian funds and is fully guaranteed by the Province of New Brunswick.

<u>Series</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rates</u>		<u>Original Amount</u>	<u>Outstanding</u>
"U"	29 July 1993	29 July 1994 to 2008	5.5% to 8.375%	\$	34,442,000	\$ 4,990,000
"V"	23 Dec. 1993	23 Dec. 1994 to 2003	4.75% to 7.5%		23,856,000	4,289,000
* "W"	09 Aug. 1994	09 Aug. 1995 to 2004	8% to 9.75%		30,860,000	7,569,000
* "X"	21 Dec. 1994	21 Dec. 1995 to 2004	7.25% to 9.5%		14,243,000	3,595,000
"Y"	07 June 1995	07 June 1996 to 2005	7.125% to 8.125%		13,611,000	5,917,000
* "Z"	20 Dec. 1995	20 Dec. 1996 to 2005	6.25% to 7.875%		39,032,000	15,292,000
"AA"	24 July 1996	24 July 1997 to 2006	5.625% to 7.875%		19,028,000	10,057,000
"AB"	02 Dec. 1996	02 Dec. 1997 to 2006	3.625% to 6.625%		38,610,000	19,458,000
* "AC"	16 Oct. 1997	16 Oct. 1998 to 2007	4.125% to 6%		36,187,000	20,813,000
"AD"	18 Dec. 1997	18 Dec. 1998 to 2007	4.25% to 5.75%		34,346,000	19,350,000
"AE"	25 Aug. 1998	25 Aug. 1999 to 2008	5.25% to 5.625%		26,566,000	16,162,000
"AF"	15 Dec. 1998	15 Dec. 1999 to 2008	5.125% to 5.5%		29,838,000	20,165,000
"AG"	11 Aug. 1999	11 Aug. 2000 to 2009	5.2% to 5.75%		31,633,000	23,103,000
** "AH"	14 Dec. 1999	14 Dec. 2000 to 2009	5.7% to 6.5%		33,575,000	25,275,000
"AI"	10 Aug. 2000	10 Aug. 2001 to 2010	6.1% to 6.4%		31,887,000	25,835,000
"AJ"	19 Dec. 2000	19 Dec. 2001 to 2010	6% to 6.125%		27,801,000	22,692,000
"AK"	17 July 2001	17 July 2002 to 2011	4.45% to 6.2%		28,920,000	26,758,000
"AL"	30 Nov. 2001	30 Nov. 2002 to 2011	2.45% to 5.5%		42,281,000	38,732,000
"AM"	12 July 2002	12 July 2003 to 2012	3.375% to 5.75%		52,016,000	52,016,000
** "AN"	23 Dec. 2002	23 Dec. 2003 to 2012	3.1% to 5.6%		24,625,000	24,625,000
				\$	<u>613,357,000</u>	<u>\$ 386,693,000</u>

These debentures were sold directly to funds administered by the Province of New Brunswick.

- (b) Principal payments due in each of the next five years are:

2003	\$58,680,000
2004	\$52,935,000
2005	\$52,263,000
2006	\$48,544,000
2007	\$43,850,000



The New Brunswick Museum

Consolidated Financial Statements
March 31, 2003



PricewaterhouseCoopers LLP
Chartered Accountants
300 Brunswick House
44 Chipman Hill
PO Box 789
Saint John, New Brunswick
Canada E2L 4B9
Telephone +1 (506) 632 1810
Facsimile +1 (506) 632 8997

May 1, 2003

Auditors' Report

**To the Directors of
The New Brunswick Museum**

We have audited the consolidated balance sheet of **The New Brunswick Museum** (the "Museum") as at March 31, 2003 and the consolidated statement of financial operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Museum'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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 Museum as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

The New Brunswick Museum

Consolidated Balance Sheet

As at March 31, 2003

	General Fund \$	Property and Equipment Fund \$	Restricted Fund \$	Endowment Fund \$	2003 \$	2002 \$
Assets						
Cash	46,764	—	448	5,282	52,494	117,475
Short-term investments (note 3)	36,659	—	358,512	—	395,171	272,946
Account receivable – trade	15,614	—	—	14,007	29,621	49,847
Accounts receivable – grants	26,773	—	44,194	—	70,967	46,650
Inventory	47,859	—	—	—	47,859	30,483
Due from Province of New Brunswick	—	—	16,919	—	16,919	21,530
	173,669	—	420,073	19,289	613,031	538,931
Investments (note 3)	—	—	—	918,076	918,076	911,131
Property and equipment (note 4)	—	113,027	50,373	—	163,400	133,329
Collection and accessions	2	—	—	—	2	2
	173,671	113,027	470,446	937,365	1,694,509	1,583,393
Liabilities and Fund Balances						
Accounts payable and accrued liabilities	133,830	—	83,664	1,000	218,494	139,520
Interfund loan	3,770	—	(1,498)	(2,272)	—	—
Due to Province of New Brunswick	33,115	—	—	—	33,115	35,654
	170,715	—	82,166	(1,272)	251,609	175,174
Fund balances						
Unrestricted	2,956	—	—	—	2,956	17,062
Internally restricted	—	—	86,882	62,716	149,598	194,397
Externally restricted	—	—	251,025	106,243	357,268	319,452
Endowments	—	—	—	769,678	769,678	743,979
Property and equipment	—	113,027	50,373	—	163,400	133,329
	2,956	113,027	388,280	938,637	1,442,900	1,408,219
	173,671	113,027	470,446	937,365	1,694,509	1,583,393

Approved by the Board of Directors

 Director

 Director

The New Brunswick Museum

Consolidated Statement of Financial Operations and Changes in Fund Balances
For the year ended March 31, 2003

	General Fund \$ (note 6)	Property and Equipment Fund \$	Restricted Fund \$	Endowment Fund \$	2003 \$	2002 \$
Revenue						
Grants						
Provincial	1,779,000	—	59,613	—	1,838,613	1,644,897
Federal	—	—	27,837	—	27,837	30,864
Department of Canadian Heritage	—	—	—	—	—	46,950
Investment income	6,031	—	488	55,295	61,814	63,699
Webster Foundation	—	—	—	41,190	41,190	57,640
Museum services (note 5)	143,771	—	851	—	144,622	136,281
Other grants and bequests	—	—	106,201	12,500	118,701	63,369
Donations	—	—	94,375	2,429	96,804	24,572
Miscellaneous income	5,319	—	—	—	5,319	6,236
	<u>1,934,121</u>	<u>—</u>	<u>289,365</u>	<u>111,414</u>	<u>2,334,900</u>	<u>2,074,508</u>
Expenditures						
Salaries and benefits	1,321,691	—	129,833	—	1,451,524	1,320,484
Materials, supplies and services	542,659	—	54,121	—	596,780	716,283
Amortization of property and equipment	33,442	—	22,176	—	55,618	95,447
Acquisitions	40,010	—	159,980	19,005	218,995	47,822
Scholarships	—	—	—	2,000	2,000	2,000
	<u>1,937,802</u>	<u>—</u>	<u>366,110</u>	<u>21,005</u>	<u>2,324,917</u>	<u>2,182,036</u>
Excess (deficiency) of revenues over expenditures	(3,681)	—	(76,745)	90,409	9,983	(107,528)
Gain on sale of investments	—	—	—	24,698	24,698	33,021
Internal transfer	(10,425)	44,227	117,850	(151,652)	—	—
Fund balance – Beginning of year	17,062	68,800	347,175	975,182	1,408,219	1,482,726
Fund balance – End of year	<u>2,956</u>	<u>113,027</u>	<u>388,280</u>	<u>938,637</u>	<u>1,442,900</u>	<u>1,408,219</u>

The New Brunswick Museum

Notes to Consolidated Financial Statements

March 31, 2003

1 Nature of organization

The New Brunswick Museum (the "Museum") is incorporated under the laws of the Province of New Brunswick. As New Brunswick's provincial museum, it is the principal repository and steward of material that documents or represents the natural and human history of New Brunswick and other related regions. The New Brunswick Museum works in partnership with institutions and communities to collect, preserve, research and interpret material to foster a greater understanding and appreciation of New Brunswick provincially and globally.

The Museum is registered as a charitable organization under the Income Tax Act (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Museum must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2 Significant accounting policies

(a) Financial statement presentation

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Museum, the accounts of the Museum are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into separate funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors (the "Board") or various funding authorities.

These consolidated financial statements include the accounts of The New Brunswick Museum and its subsidiary, The New Brunswick Museum Foundation, Inc.

For financial reporting purposes, the accounts have been classified into the following four groupings.

General Fund

This fund reflects the day-to-day operating transactions of the Museum.

Property and Equipment Fund

This fund reports the assets, liabilities, revenues and expenses related to the Museum's furniture and equipment. The Museum's premises are provided by the Province of New Brunswick.

Furniture and equipment is stated at cost and is amortized on a straight-line basis over the estimated useful life of the assets as follows:

Computer equipment	33%
Vehicles and equipment	20%
Furniture	10%

The New Brunswick Museum

Notes to Consolidated Financial Statements

March 31, 2003

Restricted Fund

This fund includes amounts received by the Museum which are designated to be for certain restricted activities. Such restricted activities include the following:

Grants – Amounts received from various governments and private agencies to finance specific projects.

Department of Canadian Heritage – Amounts received from the Federal Museum's Assistance Program which provides financial assistance for specific projects that foster access by present and future generations of Canadians to their human, natural, artistic and scientific heritage.

Bequests and donations – Amounts received from sources which place specific restrictions on their use.

Internally restricted fund – Amounts restricted by the Board for exhibitions and gallery upgrades. This also includes funds received from activities of the staff in the curatorial departments to assist in financing specific project expenditures.

Endowment Fund

This fund includes amounts held for the long-term benefit of the Museum.

Webster Foundation – Contributions from the Webster Foundation are applied towards certain humanities programs under the General Fund.

(b) Investments

Investments purchased by the Museum are valued at cost and investments donated to the Museum are valued at fair market value at the date of receipt. Investment income is recognized as earned.

(c) Inventory

Inventory consisting of publications and items held for resale is valued at the lower of cost and net realizable value determined on a first-in, first-out basis.

(d) Collections and accessions

Collections and accessions are recorded at a nominal value. Additions to the collections are expensed in the year of acquisition.

The New Brunswick Museum

Notes to Consolidated Financial Statements

March 31, 2003

The collections of the Museum comprise a wide range of subject matter from the humanities, archives, library and natural science, which are relevant to New Brunswick and have been continually acquired since the institution's foundation in 1842. The humanities holdings, numbering about 100,000 artifacts, include history and technology artifacts, fine and decorative arts and archival material. The archives and research library holds 250 meters of archival material, 45,000 monographs and 500 periodical titles. The natural science holdings, numbering about 300,000 specimens or specimen lots, include botanical, palaeontology and zoological collections.

(e) Contributed services

Volunteers contributed approximately 1,646 hours to assist the Museum in carrying out its service delivery activities.

(f) 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, liabilities, revenues and expenditures during the reporting period. Estimates are used for, but not limited to, doubtful accounts, inventory obsolescence and amortization. Actual results could differ from those estimates.

(g) Financial instruments

The Museum's financial instruments recognized in the consolidated balance sheet consist of cash, accounts receivable, investments and accounts payable and accrued liabilities. The fair values of these instruments approximates their carrying value unless otherwise noted.

3 Investments

Investments comprise the following:

	2003		2002	
	Cost \$	Market value \$	Cost \$	Market value \$
Short-term investments				
Treasury bills	395,171	394,957	272,946	272,678
Long-term investments				
Bonds	716,983	728,361	742,179	729,274
Equity	201,093	377,710	151,952	385,279
GICs	-	-	17,000	17,000
	918,076	1,106,071	911,131	1,131,553

The New Brunswick Museum

Notes to Consolidated Financial Statements

March 31, 2003

4 Property and equipment

			2003	2002
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	208,059	165,945	42,114	39,511
Vehicles and equipment	230,851	145,396	85,455	65,833
Furniture	71,020	35,189	35,831	27,985
	<u>509,930</u>	<u>346,530</u>	<u>163,400</u>	<u>133,329</u>

5 Museum services

Museum services consist of the following revenue and expenditures:

	2003	2002
	\$	\$
Revenue		
Gift shop and programs	178,313	147,012
Admissions	98,857	102,638
Facility rentals	19,626	15,323
Membership	12,666	11,759
	<u>309,462</u>	<u>276,732</u>
Expenditures		
Gift shop and programs	164,840	140,451
	<u>144,622</u>	<u>136,281</u>

The New Brunswick Museum

Notes to Consolidated Financial Statements
March 31, 2003

6 General Fund revenue and expenditures – Detailed comparison to budget

	2003 Actual \$	2003 Budget (unaudited) \$
Revenue		
Provincial	1,779,000	1,779,200
Museum services	143,771	141,200
Investment income	6,031	5,000
Miscellaneous income	5,319	-
	1,934,121	1,925,400
Expenditures		
Salaries and benefits	1,321,691	1,429,500
Operations	262,968	304,200
Curatorial and library	178,433	126,000
Marketing and development	121,990	85,500
Exhibition and technical services	56,735	39,000
Visitor services	21,254	23,200
Outreach	18,960	10,000
	1,982,031	2,017,400
	(47,910)	(92,000)
Less: Amortization of property and equipment not included in the above	(33,442)	-
Add: Capital expenditures included above	77,671	-
Excess of expenditures over revenue	(3,681)	(92,000)

The New Brunswick Museum

Notes to Consolidated Financial Statements

March 31, 2003

7 Commitments

Minimum annual commitments under long-term operating leases are as follows:

	\$
Year ending March 31, 2004	31,376
2005	19,363
2006	7,216
2007	3,608

8 Comparative figures

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

**NEW BRUNSWICK POWER CORPORATION
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2003**



Énergie NB Power

Deloitte & Touche LLP
Brunswick House
44 Chipman Hill
P.O. Box 6549, Station A
Saint John, New Brunswick
E2L 4R9

Tel: (506) 632-1080
Fax: (506) 632-1210 (7th Floor)
Fax: (506) 637-9460 (8th Floor)

**Deloitte
& Touche**

AUDITORS' REPORT

The Honourable Marilyn Trenholme Counsell, MD
Lieutenant Governor of New Brunswick
Fredericton, New Brunswick

Madam:

We have audited the consolidated balance sheet of New Brunswick Power Corporation as at March 31, 2003 and the consolidated statements of income and deficit 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, 2003 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 12, 2003

**Deloitte
Touche
Tohmatsu**

NEW BRUNSWICK POWER CORPORATION
CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
Year ended March 31, 2003
(in millions)

	2003	2002 Restated (See Note 2)
REVENUES		
Sales of power (Note 3)		
In-province	\$ 993	\$ 919
Out-of-province	227	359
Miscellaneous	53	41
	1,273	1,319
EXPENSES		
Purchased power	112	103
Fuel	415	389
Operation, maintenance and administration	364	339
Amortization and decommissioning (Note 4)	216	213
	1,107	1,044
Income before finance charges	166	275
Finance charges (Note 5)	243	256
NET INCOME (LOSS) FOR THE YEAR	(77)	19
DEFICIT		
Opening deficit as previously reported		(164)
Effect of change in accounting policy (Note 2)		45
Opening deficit as restated	(100)	(119)
Deficit end of year	\$ (177)	\$ (100)

NEW BRUNSWICK POWER CORPORATION
CONSOLIDATED BALANCE SHEET
as at March 31, 2003
(in millions)

	2003	2002 Restated (See Note 2)
PROPERTY, PLANT AND EQUIPMENT (Note 6)		
Land, buildings, plant and equipment, at cost	\$ 5,607	\$ 5,458
Less: accumulated amortization	<u>2,725</u>	<u>2,598</u>
	<u>2,882</u>	<u>2,860</u>
LONG-TERM ASSETS		
Used nuclear fuel trust fund (Note 7)	<u>20</u>	<u>-</u>
CURRENT ASSETS		
Cash and short-term investments (Note 8)	62	17
Accounts receivable	188	169
Materials, supplies and fuel	98	102
Prepaid expenses	<u>7</u>	<u>5</u>
	<u>355</u>	<u>293</u>
DEFERRED CHARGES		
Deferred debt costs, less amounts amortized	56	42
Deferred pension benefit (Note 9)	68	61
Other deferred charges (Note 10)	<u>6</u>	<u>-</u>
	<u>130</u>	<u>103</u>
	<u>\$ 3,387</u>	<u>\$ 3,256</u>

ON BEHALF OF NEW BRUNSWICK POWER CORPORATION



Chairman



Director

NEW BRUNSWICK POWER CORPORATION
CONSOLIDATED BALANCE SHEET
as at March 31, 2003
(in millions)

	2003	2002 Restated (See Note 2)
LONG-TERM DEBT (Note 11)		
Debentures and other loans	\$ 2,999	\$ 2,530
Less: sinking funds	<u>387</u>	<u>359</u>
	<u>2,612</u>	<u>2,171</u>
CURRENT LIABILITIES		
Short-term indebtedness (Note 12)	295	-
Accounts payable and accruals	184	149
Accrued interest	71	73
Current portion of long-term debt (Note 11)	<u>132</u>	<u>719</u>
	<u>682</u>	<u>941</u>
DEFERRED LIABILITIES		
Plant decommissioning and used nuclear fuel management (Note 13)	225	209
Other (Note 14)	<u>45</u>	<u>35</u>
	<u>270</u>	<u>244</u>
DEFICIT		
Deficit (Note 2)	<u>(177)</u>	<u>(100)</u>
	<u>\$ 3,387</u>	<u>\$ 3,256</u>

NEW BRUNSWICK POWER CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOW
Year ended March 31, 2003
(in millions)

	2003	2002 Restated (See Note 2)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES :		
OPERATING		
Net income (loss) for the year	\$ (77)	\$ 19
Amounts charged or credited to operations not requiring a current cash payment (Note 15)	<u>210</u>	<u>215</u>
	133	234
Used nuclear fuel trust fund payment	(20)	-
Net change in non-cash working capital balances	<u>15</u>	<u>(35)</u>
	<u>128</u>	<u>199</u>
FINANCING		
Debt retirements net of sinking fund proceeds	(829)	(229)
Sinking fund installments and earnings	(56)	(56)
Proceeds from long-term debt obligations	721	283
Increase (decrease) in short-term indebtedness	<u>295</u>	<u>(102)</u>
	<u>131</u>	<u>(104)</u>
INVESTING		
Expenditure on property, plant and equipment	(219)	(140)
Proceeds on disposal and customer contributions	<u>5</u>	<u>5</u>
	<u>(214)</u>	<u>(135)</u>
NET CASH INFLOW (OUTFLOW)	45	(40)
CASH AND SHORT-TERM INVESTMENTS		
BEGINNING OF YEAR	<u>17</u>	<u>57</u>
END OF YEAR	<u>\$ 62</u>	<u>\$ 17</u>

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

1. SIGNIFICANT ACCOUNTING POLICIES

The New Brunswick Power Corporation ("the Corporation"), established in 1920 as a Crown Corporation of the Province of New Brunswick by enactment of the New Brunswick Electric Power Act, has a corporate mission to provide for the continuous supply of energy adequate for the needs and future development of the Province and to promote economy and efficiency in the generation, distribution, supply, sale and use of power.

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The financial statements include the accounts of the Corporation and those of its wholly owned subsidiary, NB Coal Limited (NB Coal).

a. Regulation

The Corporation is regulated under a system whereby annual average rate increases greater than three percent, or the Consumer Price Index, whichever is higher, require regulatory review by the Board of Commissioners of Public Utilities of the Province of New Brunswick (Public Utilities Board). The Corporation must also apply to the Public Utilities Board before making any expenditure greater than \$75 million in relation to upgrading, maintaining or decommissioning a generating facility.

b. Property, plant and equipment

The cost of additions to property, plant and equipment is the original cost of contracted services, direct labour and material, interest on funds used during construction and indirect charges for administration and other expenses, less credits for the value of power generated during commissioning. Property, plant and equipment also includes the present value of asset retirement obligations related to the disposal of used nuclear fuel and decommissioning of the nuclear and thermal generating stations.

Interest during construction is capitalized monthly based on the cost of long-term borrowings. When significant assets are removed from service for extended periods of time for refurbishment, interest during construction is charged based on the net book value of the asset concerned.

Contributions in aid of construction which include amounts received from customers as well as research and development grants in respect of new facilities, are netted against the cost of related assets. Amounts received from customers are being amortized over the estimated service lives of the related assets.

The cost of distribution assets retired, net of dismantlement and salvage, is charged to accumulated amortization. For all other property, plant and equipment dispositions, the cost and accumulated amortization is removed from the accounts with the gain or loss on disposal being reflected in income.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Property, plant and equipment (continued)

Amortization is provided for all assets sufficient to amortize the cost of such assets, less estimated salvage value, over their estimated service lives. The estimated service lives of fixed assets are periodically reviewed and any changes are applied prospectively. Amortization is suspended when significant assets are removed from service for extended periods for refurbishment. Amortization is provided on certain mining equipment on an increasing charge basis, the amortization amount being based on the amount of related debt retirement required during the year. All other assets are amortized on a straight-line basis. Amortization is provided on the net cost of property, plant and equipment in respect of which grants have been provided and on amounts contributed by customers.

The main categories of property, plant and equipment have been amortized based on the following average estimated service lives:

Assets	Years
Hydro Generating Stations	70
Thermal Generating Stations	35
Nuclear Generating Station	27*
Combustion Turbine Generating Stations	25
Terminals and Substations	40
Transmission System	35 - 55
Distribution System	10 - 35
Buildings	
- General	40
- Head Office	50
Communications and Computer Systems	3 - 15
Mining Equipment	20 - 35
Motor Vehicles	4 - 10

* Effective April 1, 2002, the service life of the nuclear generating station was extended from 25 years to 27 years.

c. Cash and short-term investments

Cash and short-term investments, which are stated at cost, consist of balances with banks and investments in money market instruments.

d. Inventories

Inventories of materials and supplies, and fuel, other than nuclear fuel, are valued at average cost. Nuclear fuel is valued at cost using the first-in, first-out method.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Deferred debt costs

The Corporation amortizes debenture discounts and premiums, the expenses of issues, and the deferred interest related to debt refinancing, over the lives of the issues to which they pertain.

f. Foreign exchange transactions

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian (Cdn) dollars at rates of exchange prevailing at the balance sheet date except where such items have been hedged by the acquisition of a forward exchange contract, in which case the rate established by the terms of the contract is used in the translation. Exchange gains and losses resulting from foreign currency translation are reflected in income.

g. Long-term debt

Long-term debt is recorded on the balance sheet at cost. The estimated fair value of long-term debt is disclosed in the notes to the financial statements using market values or estimates of market values based on debt with similar terms and maturities. The estimated fair value does not include costs that would be incurred to exchange or settle the debt.

h. Plant decommissioning and used nuclear fuel management

In order to provide for the estimated future costs of permanently disposing of used nuclear fuel and decommissioning the nuclear and thermal generating stations to return the sites to a state of unrestricted use, the Corporation recognizes these liabilities taking into account the time value of money. The Corporation does not provide for the estimated future costs of decommissioning hydro generating stations as there is currently no intention to decommission these assets.

The following costs have been recognized as a liability as at March 31, 2003:

- The estimated present value of the costs of decommissioning the nuclear and thermal generating stations at the end of their useful lives
- The estimated present value of the fixed cost portion of used nuclear fuel management activities that are required regardless of the volume of fuel consumed
- The estimated present value of the variable cost portion of used nuclear fuel management activities to take into account actual fuel volumes incurred up to March 31, 2003

The liability for used nuclear fuel management is increased for fuel generated each year with the corresponding amounts charged to operations through fuel expense.

The liabilities for nuclear and thermal plant decommissioning and used nuclear fuel management are increased for the passage of time by calculating accretion (interest) on the liabilities. The accretion expense is calculated using the Corporation's credit adjusted risk free rate and is included with amortization expense.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Plant decommissioning and used nuclear fuel management (continued)

The calculations of the anticipated future costs are based on detailed studies which take into account various assumptions regarding the method and timing of dismantlement of the nuclear and thermal generating stations, the cost of transportation of nuclear material to permanent disposal facilities, and estimates of inflation rates in the future.

Expenditures incurred on a current basis relating to used nuclear fuel management and plant decommissioning are charged against the deferred liability accounts.

In view of potential developments in the technology of decommissioning and used nuclear fuel management, and because of the various assumptions and estimates inherent in the calculations, the Corporation reviews such calculations periodically.

i. Pension plans

Corporation employees are members of the Province of New Brunswick Public Service Superannuation Plan. This multi-employer plan provides pensions based on length of service and the average of the highest five consecutive years of earnings. The Corporation and its employees make contributions to the plan as prescribed in the Public Service Superannuation Act and its regulations. N.B. Coal maintains a private contributory defined benefit pension plan for its employees.

Under both plans, pension costs are actuarially determined using the projected benefit method, pro-rated on services and management's best estimate assumptions.

Experience gains or losses in excess of 10% of the greater of the pension assets and pension obligations are amortized over the expected average remaining service life of the employee group. The transitional asset (fair market value of the plan assets less the accrued benefit obligation as determined at April 1, 2000), is amortized over the average remaining service life of the employee group.

j. Retirement allowance

The Corporation has a retirement allowance program for employees that provides a lump-sum payment equal to one week of pay for each full year of employment to a maximum of 26 weeks of pay. The actuarial present value of accrued retirement allowance obligations for past service is amortized on a straight-line basis over the expected average remaining service life of the employee group.

k. Early retirement programs

The total cost of such programs is charged to income in the year the program is initiated, irrespective of when payments are actually made.

l. Revenue

Billings to residential and general service customers are rendered monthly on a cyclical basis. All other customers are billed at the end of each month. Revenue in respect of items not billed at the end of a fiscal period is estimated and accrued.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Derivative financial instruments

The Corporation periodically uses derivative financial instruments to manage the following risks:

- Interest rates
- Foreign currency
- Electricity, oil and natural gas prices

In accordance with its hedging policies and objectives, the Corporation only enters into derivative financial instruments to manage underlying exposures. The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its hedging objectives and strategy underlying various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific forecasted transactions. The Corporation assesses both at the inception and on an ongoing basis whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items and therefore qualify for hedge accounting.

Interest Rates

The Corporation enters into interest rate swaps to hedge against the interest rate exposure associated with future refinancing of debt. The gains or losses on these interest rate swaps that meet the hedge criteria are accounted for on a settlement basis and therefore are recognized only when the debt is refinanced. The resulting gains or losses are deferred and amortized over the new debt term. In the event that the interest rate swaps do not meet the hedge criteria, the derivative is carried at fair value, and changes in fair value would be recognized immediately in income. Gains or losses on interest rate swaps that are terminated would be recognized under current or deferred assets or liabilities on the balance sheet, and would be amortized over the existing debt term.

Foreign Currency

The Corporation enters into Canadian dollar – US dollar forward contracts or Canadian dollar – US dollar cross currency interest rate swaps to hedge exchange risk related to forecasted US dollar purchases, and interest and principal obligations on US dollar denominated long-term debt.

Gains or losses on forward contracts hedging US dollar purchases that meet the hedge criteria are recognized through income at the settlement date. In the event that the hedge does not meet the hedge criteria, the derivative is carried at fair value, and changes in fair value would be recognized immediately in income.

Gains or losses on forward contracts and cross currency interest rate swaps hedging US dollar interest and principal repayments that meet the hedging criteria are recognized through income at the settlement date. Interest is accrued at the hedged rate. Hedged

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Derivative financial instruments (continued)

outstanding US dollar denominated debt is translated to Canadian dollars at the hedged rate. In the event that a cross currency interest rate swap is terminated, the realized gain or loss would be recognized under current or deferred assets or liabilities on the balance sheet, and amortized over the debt term.

Also, the Corporation has assigned certain US dollar denominated sinking fund assets to provide a hedge against US\$ 239 million in outstanding debentures.

Electricity, Oil and Natural Gas Prices

The Corporation periodically enters into electricity swaps to hedge the exposure related to changes in electricity prices on committed export sales. The Corporation also enters into oil and natural gas swaps to hedge the anticipated exposure related to changes in the cost of heavy fuel oil in the operations of its generating stations and on a purchase contract based on natural gas prices.

Gains or losses on these swaps that meet the hedge criteria are recognized at the settlement dates of the swaps. In the event that these swaps do not meet the hedge criteria or the forecasted purchase or sale is no longer probable of occurring, the derivative is carried at fair value, and changes in fair value would be recognized immediately in income.

n. Use of estimates

General

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from the estimates.

2. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2002, the Corporation adopted the Canadian Institute of Chartered Accountants (CICA) standard for asset retirement obligations. This standard applies to the plant decommissioning and used nuclear fuel management liabilities recorded by the Corporation. The new standard requires the recognition of the net present value of these liabilities when incurred. Income and retained earnings from prior years have been restated to reflect the new standard. Adoption of the new standard had an immaterial impact on net income in 2003 and 2002. Opening retained earnings in 2003 was increased by \$45 million (2002 - \$45 million). After restatement, in 2002, property, plant and equipment increased by \$20 million and plant decommissioning and used nuclear fuel management liability decreased by \$25 million.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

3. SALES

- a) Power sales to the Province of New Brunswick and other government owned organizations are recorded at normal commercial rates.
b) Out-of-province sales include \$128 million (2002 - \$195 million) to utilities in the United States.

4. AMORTIZATION AND DECOMMISSIONING

	2003	2002
Amortization expense	\$ 190	\$ 199
Charges for decommissioning	<u>26</u>	<u>14</u>
	<u>\$ 216</u>	<u>\$ 213</u>

The change in service life of the Point Lepreau generating station from 25 to 27 years decreased amortization expense in 2003 by \$17 million. Also during the year an environmental liability to treat acidic water drainage from an inactive mine was established by NB Coal, increasing decommissioning expense by \$11 million.

5. FINANCE CHARGES

	2003	2002
Interest expense	\$ 243	\$ 247
Less: Income from sinking funds and other investments	<u>(27)</u>	<u>(24)</u>
	216	223
Provincial government guarantee fee	18	19
Amortization of deferred debt costs	6	4
Unrealized foreign exchange (gains) losses	(3)	4
Realized foreign exchange losses	<u>15</u>	<u>11</u>
	252	261
Less: Interest capitalized	<u>(9)</u>	<u>(5)</u>
	<u>\$ 243</u>	<u>\$ 256</u>

Interest paid on debt during the year was \$257 million (2002 - \$263 million). Interest received on investments during the year was \$23 million (2002 - \$22 million).

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

6. PROPERTY, PLANT AND EQUIPMENT

	2003		2002	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Power generating stations	\$ 3,731	\$ 1,926	\$ 3,725	\$ 1,825
Transmission system	278	126	272	121
Terminals and substations	417	213	408	203
Distribution system	719	306	693	288
Buildings and properties	58	29	58	27
Communications and computer systems	79	34	62	26
Mining equipment and related assets	53	49	74	65
Motor vehicles	50	30	48	31
Miscellaneous assets	17	12	20	12
Construction-in-progress*	205	-	98	-
	<u>\$ 5,607</u>	<u>\$ 2,725</u>	<u>\$ 5,458</u>	<u>\$ 2,598</u>

*Construction-in-progress at March 31, 2003 includes \$59 million of expenditures on the Point Lepreau refurbishment project. The forecasted total project spending of \$850 million has not received final approval.

7. USED NUCLEAR FUEL TRUST FUND

The federal Nuclear Fuel Waste Act (NFWA), came into force in November 2002. The NFWA requires major owners of nuclear waste in Canada to establish trust funds and make annual payments to these funds to finance the long-term management of nuclear fuel waste. Pursuant to the NFWA, the Corporation established and contributed \$20 million to its Nuclear Fuel Waste Trust fund in 2002. The NFWA requires the Corporation to contribute \$4 million annually for the next three years (2003 to 2005) to its trust fund.

8. CASH AND SHORT-TERM INVESTMENTS

	2003	2002
Cash	\$ 60	\$ 13
Short-term investments	2	4
	<u>\$ 62</u>	<u>\$ 17</u>

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2003

(in millions)

9. DEFERRED PENSION BENEFIT

Corporation employees are members of the Province of New Brunswick Public Service Superannuation Plan (Public Service Plan) as described in Note 1i. Actuarial valuations are prepared periodically to determine the costs of the pension benefits and the appropriate amounts of contributions to the fund. The latest actuarial valuation completed on the Public Service Plan was April 1, 2002.

The actuarial method used incorporates management's or the plan owner's best estimate assumptions to determine the present value of accrued pension benefit obligations based on projections of salaries and wages to normal retirement dates. The pension calculations were completed using a discount rate of 6.5% on the obligation and a rate of return of 7.5% on assets. Salary increases are assumed to be 2.5% and inflation is assumed to be 2%.

The status of the costs and obligations of the Corporation's share of the Public Service Plan and NB Coal's private plan as at March 31, 2003 was as follows:

	2003	2002
Pension fund assets (market value)	<u>\$ 621</u>	<u>\$ 678</u>
Accrued pension obligations	<u>\$ 756</u>	<u>\$ 676</u>
Pension surplus (deficit)	<u>\$ (135)</u>	<u>\$ 2</u>
Cost of benefits for the year	\$ 12	\$ 10
Interest cost on accrued benefits	45	43
Interest on pension fund assets	(51)	(49)
Amortization of transitional surplus	(3)	(4)
Amortization of gains/losses	<u>2</u>	<u>2</u>
Pension expense	<u>\$ 5</u>	<u>\$ 2</u>

Employees contributed \$10 million (2002 - \$9 million) and the Corporation contributed \$12 million to the plan (2002 - \$11 million) during the year. Benefit payments from the plan to retirees were \$28 million (2002 - \$29 million). Total contributions to date in excess of pension expense in the amount of \$68 million (2002 - \$61 million) have been recorded as an asset under deferred charges.

10. OTHER DEFERRED CHARGES

Other deferred charges include a \$5 million prepayment for handling costs for Orimulsion fuel delivery at Coleson Cove and a \$1 million investment in a transmission project. The fuel handling prepayment will be charged to fuel expense based on volume of fuel delivered.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

11. LONG-TERM DEBT

	2003	2002
Debentures guaranteed by the Province of New Brunswick	\$ 125	\$ 125
Debentures and notes held by the Province of New Brunswick	2,998	3,114
Other loans	8	10
	<u>3,131</u>	<u>3,249</u>
Less: Payments due within one year	132	719
	<u>\$ 2,999</u>	<u>\$ 2,530</u>

Debentures and notes

Date of maturity	Average Interest Rate	Canadian	US	2003	2002
Years ending:					
March 31, 2003	8.0%				685
March 31, 2004	7.5%	100	-	100	100
March 31, 2005	-	-	-	-	-
March 31, 2006	5.9%	400	-	400	200
March 31, 2007	6.8%	70	-	70	70
March 31, 2008	4.8%	-	317	317	-
		570	317	887	1,055
1-5 Years	5.8%	570	317	887	1,055
6-10 years	7.5%	1,300	159	1,459	975
11-30 Years	8.4%	250	527	777	1,209
		2,120	1,003	\$3,123	\$3,239
Debentures and notes					

Loans payable in annual installments of principal and interest at rates varying from 4.5% to 8.25% per annum to the year 2011.

	8	10
	<u>8</u>	<u>10</u>
Total long-term debt	<u>\$3,131</u>	<u>\$3,249</u>

The US\$ debenture balance outstanding at March 31, 2003 is US\$ 650 million. Substantially all of this foreign debt is hedged as described below.

The weighted average coupon interest rate on all debentures and notes outstanding at March 31, 2003 is 7.24% (2002 – 8.06%).

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

11. LONG-TERM DEBT (continued)

Long-term debt payments

Long-term debt maturities and sinking fund requirements in respect of debt outstanding at March 31, 2003 are as follows for the five years ending March 31, 2008:

	Debt maturities and sinking fund obligations (in millions \$)
Year ending March 31, 2004	132
Year ending March 31, 2005	31
Year ending March 31, 2006	431
Year ending March 31, 2007	97
Year ending March 31, 2008	341

Exchange rates in effect at March 31, 2003 or the applicable hedge rates are used for debt denominated in foreign currencies.

Cross-currency interest rate swaps

- a) 7.625% Debentures, due February 15, 2013 – US \$100 million

With respect to this debt, the Corporation has entered into a cross-currency interest rate swap transaction with Canadian banks that results in an effective fixed interest rate of 7.75125% on CDN \$159 million.

- b) 6.75% Debentures, due August 15, 2013 – US \$100 million

With respect to this debt, the Corporation has entered into a cross-currency interest rate swap transaction with Canadian banks that results in an effective fixed interest rate of 6.80025% on CDN \$159 million.

- c) 3.50% Debentures, due October 23, 2007 – US \$200 million

With respect to this debt, the Corporation has entered into a cross-currency interest rate swap transaction with the Province of New Brunswick that results in an effective fixed interest rate of 4.7925% on CDN \$317 million.

Sinking funds

The Minister of Finance of the Province of New Brunswick, as Trustee for the Corporation, maintains a sinking fund for all debenture issues where required. Sinking fund earnings are reflected in the Corporation's income. Corporation debentures held in the fund are cancelled at maturity or on the debenture call date. Sinking fund investments are deducted from long-term debt except where the legally enforceable right to offset does not exist. The amount not offset and reclassified as investments is immaterial in 2003 and 2002. The Corporation has assigned certain US denominated sinking fund assets to provide a hedge against US \$239 million in outstanding debentures.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

11. LONG-TERM DEBT (continued)

Guarantee fee

The Corporation pays an annual guarantee fee to the Province of New Brunswick, amounting to 0.6489% of the total of long-term debt guaranteed by the Province, debentures held by the Province and short-term indebtedness to the Province, less the balance held in sinking funds, measured as at the previous year end.

12. SHORT-TERM INDEBTEDNESS

The Corporation borrows funds for temporary purposes from the Province of New Brunswick. The short-term borrowings from the Province of New Brunswick are \$295 million at March 31, 2003 (2002 - \$0 million).

The Corporation may also borrow from banks from time to time. Such borrowings are payable on demand. The Corporation has bank lines of credit, guaranteed by the Province of New Brunswick, for short-term borrowings totaling \$89 million.

NB Coal has bank lines of credit totaling \$4 million, which are secured by a general assignment of book debts.

13. PLANT DECOMMISSIONING AND USED NUCLEAR FUEL MANAGEMENT

The Corporation's nuclear generating station produces nuclear waste in the form of radioactive nuclear fuel bundles. The used nuclear fuel will need to be disposed of and the nuclear station will need to be dismantled and decommissioned at the end of its service life.

The Corporation is also required to decommission its thermal generating stations at the end of their useful lives.

The liability for plant decommissioning and used nuclear fuel management consists of the following.

<u>Used Nuclear Fuel Management</u>	2003	2002
Balance, beginning of year	\$ 56	\$ 54
Add: Liabilities incurred	1	1
Add: Accretion expense	4	4
Less: Expenditures	-	(3)
Balance, end of year	<u>61</u>	<u>56</u>

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

13. PLANT DECOMMISSIONING AND USED NUCLEAR FUEL MANAGEMENT (continued)

	2003	2002
<u>Nuclear Decommissioning</u>		
Balance, beginning of year	120	112
Add: Liabilities incurred	-	-
Add: Accretion expense	9	8
Less: Expenditures	-	-
Balance, end of year	<u>129</u>	<u>120</u>
<u>Thermal Decommissioning</u>		
Balance, beginning of year	33	31
Add: Liabilities incurred	-	-
Add: Accretion expense	2	2
Less: Expenditures	-	-
Balance, end of year	<u>35</u>	<u>33</u>
Total plant decommissioning and used nuclear fuel management liability at end of year	<u>\$ 225</u>	<u>\$ 209</u>

Liability for Used Nuclear Fuel Management

The liability for used nuclear fuel management costs represents the cost of managing the radioactive used nuclear fuel bundles generated by the nuclear station. The key assumptions on which the liability is based are:

- The total undiscounted amount of the estimated cash flows required to settle the liability is \$445 million.
- The management of the used nuclear fuel will require cash expenditures until 2047 to settle the liability.
- The credit adjusted risk free rate at which the estimated cash flows have been discounted is 7.1%.

Liability for Nuclear Decommissioning

The liability for nuclear decommissioning represents the costs of decommissioning the nuclear generating station after the end of its service life. The key assumptions on which the liability is based are:

- The total undiscounted amount of the estimated cash flows required to settle the liability is \$468 million.
- The decommissioning of the nuclear generating station will require cash expenditures until 2052 to settle the liability.
- The credit adjusted risk free rate at which the estimated cash flows have been discounted is 7.1%.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

13. PLANT DECOMMISSIONING AND USED NUCLEAR FUEL MANAGEMENT (continued)

Liability for Thermal Decommissioning

The liability for thermal decommissioning represents the costs of decommissioning the thermal generating stations after the end of their service lives. The key assumptions on which the liability is based are:

- The total undiscounted amount of the estimated cash flows required to settle the liability is \$93 million.
- The decommissioning of the thermal generating stations will require cash expenditures until 2033 to settle the liability.
- The credit adjusted risk free rate at which the estimated cash flows have been discounted is 7.1%.

14. DEFERRED LIABILITIES – OTHER

	2003	2002
Early retirement programs	\$ 24	\$ 27
Retirement allowance program	13	10
Other future employee benefits payable	1	-
NB Coal environmental liability	11	-
	49	37
Less: Amounts due within one year	4	2
	\$ 45	\$ 35

Retirement allowance liability

The Corporation has a retirement allowance program for employees as described in Note 1j. Actuarial calculations are prepared to determine the amount of the Corporation's obligations for retirement allowances. The actuarial method used incorporates management's best estimate assumptions to determine the present value of the accrued retirement allowance obligation based on projections of salaries and wages to normal retirement dates. The interest rate used in the calculation of this obligation was 6.5% and the assumed rate of salary escalation was 2.5%. The latest actuarial calculation was done as at April 1, 2002.

The retirement allowance obligation as at March 31, 2003 is \$27 million (2002 - \$24 million). The retirement allowance expense for the year ended March 31, 2003 was \$4 million (2002 - \$4 million). The cumulative amount expensed in excess of amounts paid out under the retirement allowance program has been set up as a deferred liability.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

14. DEFERRED LIABILITIES – OTHER (continued)

NB Coal environmental liability

During the year, the Corporation and its subsidiary, NB Coal, developed a long-term plan to treat acidic water drainage from an inactive mine. The plan involves building a permanent water treatment facility which will be used to treat the site for as long as required. During the year, NB Coal recognized an environmental liability equal to the net present value of the expected future costs.

15. AMOUNTS CHARGED OR CREDITED TO OPERATIONS NOT REQUIRING A CURRENT CASH PAYMENT

	2003	2002
Amortization and decommissioning	\$ 216	\$ 213
Amortization of deferred debt costs	6	4
Unrealized foreign exchange (gains) losses	(3)	4
Disposal of nuclear fuel consumed during the year	1	1
Retirement expenses less related cash payments	3	2
Reduction in pension expense	(7)	(9)
Other deferred charges	(6)	-
	<u>\$ 210</u>	<u>\$ 215</u>

16. FINANCIAL INSTRUMENTS

Foreign exchange risk management

At March 31, 2003, the Corporation had outstanding forward exchange contracts representing a net commitment to purchase US\$263 million (2002 – US\$ 355 million) maturing over the next eighteen months. The weighted average rate of exchange protected by these contracts is 1.5554.

The fair value of forward exchange contracts as at March 31, 2003 is \$409 million (2002 - \$568 million). If the contracts had been closed out at March 31, 2003 the loss would have been \$17 million (2002 – gain of \$12 million).

At March 31, 2003, the Corporation had outstanding forward cross-currency interest rate swaps effectively hedging principal and interest payments associated with US \$400 million debt. The debt was converted at a weighted-average exchange rate of 1.5883 and interest rate of 6.04%. If the swaps had been closed out at March 31, 2003 the loss would have been \$21 million.

The Corporation has hedged \$239 million of its remaining \$250 million US dollar denominated debt with certain US denominated sinking fund assets.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

16. FINANCIAL INSTRUMENTS (continued)

Fuel price risk management

At March 31, 2003, the Corporation had outstanding heavy fuel oil swap contracts totaling \$84 million (2002 - \$79 million) maturing over the next eighteen months. The fair market value of the heavy fuel swap agreements as at March 31, 2003 is \$92 million (2002 - \$89 million).

At March 31, 2003, the Corporation had outstanding natural gas swap contracts totaling \$8 million (2002 - \$15 million) maturing over the next twelve months. The fair market value of the natural gas swap agreements as at March 31, 2003 is \$11 million (2002 - \$19 million).

Under the agreements, the Corporation exchanges monthly payments based on the differential between a fixed price and a monthly cumulative floating price for the associated fuel. The differential to be paid or received is reflected in the cost of fuel.

If the outstanding swap contracts for which gains and losses accrue to the Corporation had been closed out at March 31, 2003, the gain would have been \$8 million for heavy fuel oil swaps (2002 - gain of \$10 million), and \$3 million for natural gas swaps (2002 - gain of \$4 million).

Electricity risk management

At March 31, 2003, the Corporation had no forward dated electricity swap contracts outstanding. (2002 - \$8 million). The fair market value of the electricity swap agreements as at March 31, 2002 was \$9 million with an unrecognized loss of \$1 million.

Interest rate risk management

At March 31, 2003, the Corporation had no forward dated interest rate swap agreements outstanding. The agreements at March 31, 2002 had a notional principal of \$225 million with an unrecognized loss of \$4 million.

Fair value of debt and sinking funds

The estimated fair value of long term debt as at March 31, 2003 is \$3,639 million compared to a book value of \$3,131 million (2002 - \$3,685 million compared to \$3,249 million). The estimated fair value of all sinking funds as at March 31, 2003 is \$420 million compared to a book value of \$387 million (2002 - \$381 million compared to \$359 million).

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation conducts a thorough assessment of debtors prior to granting credit and actively monitors the financial health of its debtors on an on-going basis. The estimated fair value of credit risk is deemed to be the sum of accounts receivable net of applicable reserves and the total gross unrealized gains for financial instruments. Accounts receivable, net of applicable reserves is \$188 million (2002 - \$169 million). Foreign exchange, interest rate and fuel price risk management represents a gross unrealized loss, net of gains, of \$27 million (2002 - \$21 million gain).

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

17. COMMITMENTS

Coleson Cove Generating Station Refurbishment

The Corporation received environmental approvals and began construction in December 2002 to refurbish the 998 megawatt Coleson Cove generating station and convert it to burn Orimulsion fuel. Expenditures to March 31, 2003 amounted to \$106 million. The estimated total cost of the refurbishment is \$747 million. The refurbishment and conversion is expected to be completed by November 2004.

Belledune Wharf

The Corporation has entered into an operating lease expiring in 2013, with a twenty year renewal option, for the port facility at Belledune. This lease provides for annual charges of approximately \$5 million.

Courtenay Bay Generating Station

The Corporation has entered into a lease agreement for site facilities, expiring in 2021, with a five year option to extend. The tenant has repowered an existing 100 MW unit to a 280 MW combined cycle natural gas unit which began commercial operation effective September 2001.

The Corporation has also entered into a related power purchase and transmission access agreement expiring in 2021, with a five year option to extend, with the same third party. The Corporation will purchase all the electrical energy produced by the re-powered 280 MW combined cycle natural gas unit during the winter period, November 1 to March 31, and from time to time, some or all of the electrical energy produced during the summer period.

Gas Transportation Agreement

The Corporation has entered into an agreement expiring in 2015, for firm natural gas transportation service to the re-powered Courtenay Bay Generating Station. The cost of transportation will be recovered from the tenant referred to in the lease of the generating station.

Orimulsion Fuel Supply

The Corporation has entered into a twenty year agreement to purchase Orimulsion fuel for the Dalhousie generating station from 1990, continuing year to year thereafter unless terminated by either party. Also, the Corporation has signed a memorandum of understanding for the purchase of Orimulsion fuel for the Coleson Cove generating station for a twenty year term, beginning in 2004.

Fuel Off Loading and Delivery

The Corporation has signed a memorandum of understanding for the use of facilities to off load fuel from marine tankers, provide temporary storage, and deliver the fuel by pipeline to the Coleson Cove generating station for a twenty year term.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

17. COMMITMENTS (continued)

Computer Equipment

The Corporation has entered into operating leases relating to computer equipment. The future minimum lease payments under these leases are as follows:

	2003	2002
2004	\$ 4	\$ 4
2005	3	3
2006	1	2
	<u>\$ 8</u>	<u>\$ 9</u>

18. CONTINGENCY

The Canadian government has ratified the Kyoto Protocol. The Corporation is not able to estimate the full impact the ratification will have on its future business, as the provincial and federal governments have not finalised their implementation plans.

19. SUBSEQUENT EVENTS

Restructuring the Corporation

In April, 2003 the Province of New Brunswick enacted the "Electricity Act". This Act provides for:

- The restructuring of New Brunswick Power Corporation into five crown corporations:
 - New Brunswick Power Holding Corporation
 - New Brunswick Power Nuclear Corporation
 - New Brunswick Power Generation Corporation
 - New Brunswick Power Transmission Corporation
 - New Brunswick Power Distribution and Customer Service Corporation
- The establishment of a New Brunswick System Operator. It will be a not for profit organization whose primary objective is to independently direct the operation and maintain the adequacy and reliability of the transmission grid.
- The establishment of the New Brunswick Electric Finance Corporation. This Corporation will facilitate the conversion of New Brunswick Power Corporation's debt to appropriate levels of debt in the operating companies through a debt equity swap, and will assume and reduce the remaining portion of the Corporation's debt. Payments from the operating companies to the Electric Finance Corporation, in the form of dividends and special payments, will be used to service and reduce the debt assumed by the Electric Finance Corporation.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2003
(in millions)

19. SUBSEQUENT EVENTS (continued)

The Act also allows for the Province of New Brunswick to:

- Cause the Generation Corporation to sell all or part of its assets comprising the Coleson Cove generating station, or enter into an agreement including a trust, lease, partnership, joint venture or operating agreement, with respect to the Coleson Cove generating station.
- Cause the Nuclear Corporation to enter into an arrangement including a trust, lease, partnership, joint venture or operating agreement with respect to the Point Lepreau nuclear generation facility.
- Allow the System Operator to establish the electricity market rules for New Brunswick
- Effect the transferring of officers, employees, assets, liabilities, rights and obligations of New Brunswick Power Corporation to the New Brunswick Power Holding Corporation, the four operating companies, the System Operator and the Electric Finance Corporation. The transfers of assets, liabilities, rights and obligations will be done at their book values.

The Act received royal assent on April 11, 2003 and is expected to be proclaimed some time during 2003-04.

The operating companies will be expected to:

- Operate on a commercial basis, achieving return on equity targets
- Borrow without a provincial guarantee, except for the Nuclear Corporation which will remain an agent of the Crown
- Make payments in lieu of taxes and dividends

20. COMPARATIVE FIGURES

Certain 2002 figures have been reclassified to conform with 2003 financial statement presentation.



FINANCIAL STATEMENTS

**NEW BRUNSWICK
PUBLIC LIBRARIES FOUNDATION**

31 MARCH 2003

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Chairperson and Directors
New Brunswick Public Libraries Foundation

I have audited the statement of financial position of the New Brunswick Public Libraries Foundation as at 31 March 2003 and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with 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 common with many charitable organizations, the organization derives revenue from the general public, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to public donations, excess of revenue over expenditure, assets and net assets.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of the contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at 31 March 2003 and the results of its operations and changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

K D Robinson


K. D. Robinson, CA
Deputy Auditor General

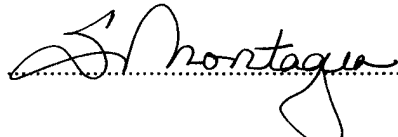
Fredericton, N. B.
6 August 2003

**NEW BRUNSWICK PUBLIC LIBRARIES FOUNDATION
STATEMENT OF FINANCIAL POSITION
31 MARCH 2003**

	2003	2002
ASSETS		
Current assets		
Cash (Trust Account)	\$ 342,084	\$ 236,063
Accounts receivable	25,726	353
	<u>\$ 367,810</u>	<u>\$ 236,416</u>
LIABILITIES AND NET ASSETS		
Due to Province of New Brunswick	\$ 65,092	\$ 50,000
Deferred revenue	25,000	-
Net assets	<u>277,718</u>	<u>186,416</u>
	<u>\$ 367,810</u>	<u>\$ 236,416</u>

Approved by the Board

..... Chairperson

..... Director

**NEW BRUNSWICK PUBLIC LIBRARIES FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2003**

	2003	2002
REVENUE		
Grants from the Department of Education	\$ 100,000	\$ 100,000
Bank interest	6,394	6,506
Public donations	-	338
	<hr/> 106,394	<hr/> 106,844
EXPENDITURE		
Salaries and related expense	8,430	-
Advertising, office supplies and printing	3,173	-
Meetings	411	-
Travel	2,833	-
Other	245	-
	<hr/> 15,092	<hr/> -
EXCESS OF REVENUE OVER EXPENDITURE	91,302	106,844
Net assets, beginning of year	<hr/> 186,416	<hr/> 79,572
NET ASSETS, end of year	<hr/> \$ 277,718	<hr/> \$ 186,416

**NEW BRUNSWICK PUBLIC LIBRARIES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

1. Authority and Objective

The New Brunswick Public Libraries Foundation is an independent entity created under the provisions of the New Brunswick Public Libraries Foundation Act proclaimed 1 March 1998. The mandate of the Foundation is

- (1) to receive gifts of real and personal property, including money, to support public library services in the Province, including support for capital projects for public library facilities, purchase of materials, equipment and supplies for public libraries and support for such library services as may be delivered through the public library system in the Province,
- (2) to invest and administer the property received,
- (3) to encourage, facilitate and carry out programs and activities that will directly or indirectly increase the financial support of or confer a benefit on public libraries in the Province,
- (4) to make grants and gifts in support of the public library system in the Province,
- (5) to promote the use and benefits of public libraries in the Province, and
- (6) to assist public library boards in raising funds for public libraries in the Province.

The affairs of the Foundation are administered by a Board of Directors of ten persons appointed by the Lieutenant-Governor in Council. The Department of Education is responsible for the administration of the New Brunswick Public Libraries Foundation Act.

2. Expenses not included in these financial statements

Certain direct and indirect costs of operating the Foundation are absorbed by the Province of New Brunswick through the Department of Education.



CONSOLIDATED FINANCIAL STATEMENTS
NEW BRUNSWICK
RESEARCH AND PRODUCTIVITY COUNCIL
31 MARCH 2003

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

The Honourable Bernard Lord
Premier of the Province of New Brunswick

- and -

The Chairman and Members of the
New Brunswick Research and Productivity Council

I have audited the consolidated statement of financial position of the New Brunswick Research and Productivity Council as at 31 March 2003 and the consolidated statements of operations and changes in fund balances 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 consolidated financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 2003 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 cursive script that reads 'K D Robinson'.


K. D. Robinson, CA
Deputy Auditor General


Fredericton, N.B.
28 May 2003

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 MARCH 2003**

	Operating Fund	Capital Fund	2003 Total	2002 Total
ASSETS				
Current assets				
Cash and term deposits	\$ 859,562	\$ -	\$ 859,562	\$ 879,053
Accounts receivable	1,765,729	-	1,765,729	1,855,475
Work in progress	114,825	-	114,825	201,887
Prepaid expenses	54,948	-	54,948	31,082
	<u>2,795,064</u>	<u>-</u>	<u>2,795,064</u>	<u>2,967,497</u>
Long term investments, at cost (Note 3)	390,452	1,790,975	2,181,427	1,944,711
Capital assets, net (Note 4)	-	2,391,852	2,391,852	2,365,912
	<u>\$ 3,185,516</u>	<u>\$ 4,182,827</u>	<u>\$ 7,368,343</u>	<u>\$ 7,278,120</u>
LIABILITIES AND FUND BALANCES				
Current liabilities				
Accounts payable and accrued liabilities	\$ 1,302,881	\$ -	\$ 1,302,881	\$ 950,214
Deferred revenue	204,286	-	204,286	111,616
Current portion of long term debt (Note 5)	-	34,400	34,400	34,400
	<u>1,507,167</u>	<u>34,400</u>	<u>1,541,567</u>	<u>1,096,230</u>
Long term debt				
Accrued retirement benefits	495,305	-	495,305	527,275
Notes payable (Note 5)	-	85,258	85,258	119,658
	<u>495,305</u>	<u>85,258</u>	<u>580,563</u>	<u>646,933</u>
Deferred contributions (Note 6)	-	20,502	20,502	16,056
Fund balances				
Unrestricted	1,183,044	-	1,183,044	1,524,183
Board restricted (Note 7)	-	1,790,975	1,790,975	1,798,920
Invested in capital assets	-	2,251,692	2,251,692	2,195,798
	<u>1,183,044</u>	<u>4,042,667</u>	<u>5,225,711</u>	<u>5,518,901</u>
	<u>\$ 3,185,516</u>	<u>\$ 4,182,827</u>	<u>\$ 7,368,343</u>	<u>\$ 7,278,120</u>

Approved by the Council





Chairman

Executive Director

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL
CONSOLIDATED STATEMENT OF OPERATIONS AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 31 MARCH 2003**

	Operating Fund	Capital Fund	2003 Total	2002 Total
REVENUE				
Operations	\$ 7,334,570	\$ -	\$ 7,334,570	\$ 7,291,248
Operating grant		-		
Province of New Brunswick	740,700	-	740,700	740,700
Interest	114,012	-	114,012	127,085
Sundry	80,097	-	80,097	91,105
Gain (loss) on sale of capital assets	-	(1,176)	(1,176)	169
	<u>8,269,379</u>	<u>(1,176)</u>	<u>8,268,203</u>	<u>8,250,307</u>
EXPENSE				
Operations	6,231,127	-	6,231,127	6,033,377
General and administrative	1,594,791	-	1,594,791	1,597,400
Restructuring (Note 9)	256,281	-	256,281	-
Amortization (Notes 4 and 6)	450,875	-	450,875	432,499
Bad Debts	28,319	-	28,319	37,688
	<u>8,561,393</u>	<u>-</u>	<u>8,561,393</u>	<u>8,100,964</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	(292,014)	(1,176)	(293,190)	149,343
Fund balances, beginning of year	1,524,183	3,994,718	5,518,901	5,369,558
Interfund adjustment (Note 7)	(49,125)	49,125	-	-
FUND BALANCES, end of year	\$ 1,183,044	\$ 4,042,667	\$ 5,225,711	\$ 5,518,901

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2003**

	Operating Fund	Capital Fund	2003 Total	2002 Total
CASH PROVIDED BY (USED FOR):				
Operating activities				
Excess (deficiency) of revenue over expense	\$ (292,014)	\$ (1,176)	\$ (293,190)	\$ 149,343
Amortization	450,875	-	450,875	432,499
Loss (gain) on sale of capital assets	-	1,176	1,176	(169)
Net change in non-cash working capital	598,279	-	598,279	288,758
Net cash provided by operating activities	757,140	-	757,140	870,431
Financing and investing activities				
Purchase or transfer of long-term investment	(244,661)	7,945	(236,716)	(195,711)
Accrual of retirement allowance entitlements	(31,970)	-	(31,970)	58,732
Proceeds from long term loan	-	-	-	73,754
Payment of long term loans	-	(34,400)	(34,400)	(16,100)
Proceeds on disposal of capital assets	-	2,000	2,000	4,500
Deferred contributions towards capital assets	-	23,337	23,337	-
Acquisition of capital assets	-	(498,882)	(498,882)	(532,377)
Net cash used in financing and investing activities	(276,631)	(500,000)	(776,631)	(607,202)
NET INCREASE (DECREASE) IN CASH	480,509	(500,000)	(19,491)	263,229
Cash and term deposits, beginning of year	879,053	-	879,053	615,824
Interfund transfer (Note 7)	(500,000)	500,000	-	-
CASH AND TERM DEPOSITS, end of year	\$ 859,562	\$ -	\$ 859,562	\$ 879,053

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2003**

1. Purpose of the organization

The New Brunswick Research and Productivity Council is a non-profit organization incorporated under the Research and Productivity Council Act 1962. The objectives of the Council are to promote, stimulate and expedite continuing improvement in productive efficiency and expansion in the various sectors of the New Brunswick economy. The Council provides independent research, testing and technical services to enterprises primarily within New Brunswick on a fee-for-service basis.

2. Significant accounting policies

(a) Fund accounting

Revenue and expense associated with delivery of services and administrative support are reported in the Operating Fund. The Capital Fund reports assets, liabilities, gains and expenditures related to the acquisition, disposal and financing of capital assets, as well as the amount of net assets restricted for capital purposes.

(b) Revenue recognition

Revenue is determined to be earned and is recorded in the Operating Fund on a percentage of completion basis when services are performed. The value of work completed but not billed is reported as Work in Progress, while amounts which have been paid or billed in advance, but for which work has not been done, are reflected as Deferred Revenue. All interest income is reported in the Operating Fund in the year it is earned, while gains and losses relating to disposal of capital assets are reported in the Capital Fund in the year the disposal occurs.

(c) Capital assets

Capital assets are recorded in the Capital Fund at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives. Amortization expense is recorded in the Operating Fund as part of the cost of service delivery.

(d) Consolidation policy

These consolidated financial statements include the accounts of the Council and those of its wholly-owned subsidiary, Minuvar Ltd.

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2003**

3. Long-term investments

The following investments are carried at cost. The fundamental source of uncertainty to which these investments are exposed is interest rate risk. Interest rate risk is the risk that the value of an investment will fluctuate due to future changes in market interest rates.

	<u>2003</u>
Fixed Income	
Province of Nova Scotia notes, due 27 April 2002, extendable at issuer's option until 2010. Interest at 5.50% is paid annually.	\$ 1,000,000
Bell Canada medium term note, due 1 December 2003. Interest at 6.25% is paid semi-annually.	50,000
Government of Canada, due 1 June 2004. Interest at 3.5% is paid semi-annually.	100,000
Government of Canada, due 1 September 2004. Interest at 5.0% is paid semi-annually.	200,000
City of Hamilton, due 25 October 2004. Interest at 4.25% is paid semi-annually.	144,000
Farm Credit Corporation, due 15 July 2005. Interest at 4.4% is paid semi-annually.	143,000
Farm Credit Canada, due 15 August 2005. Interest at 4.25% is paid monthly.	250,000
Farm Credit Corporation medium term notes, due 15 November 2005. Interest at 5.00% is paid semi-annually.	50,000
Government of Canada, due 1 December 2005. Interest at 4.25% is paid semi-annually.	140,000
CU Inc., due 6 November 2006. Interest at 4.84% is paid semi-annually.	100,000
	<u>2,177,000</u>
Unamortized net discount/premium	4,427
	<u>\$ 2,181,427</u>

The value of investments held at 31 March 2002 was \$1,944,711.

Investments held at 31 March 2003 have a market value of \$2,268,021 (2002 - \$1,869,187).

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2003**

4. Capital assets

	Amortization Rates	2003	2002
Vehicles	25 percent	\$ 14,343	\$ 14,343
Computer equipment	25 percent	1,257,938	1,204,898
Other equipment	12.5 percent	5,831,062	5,478,284
Building	3 percent	2,202,954	2,113,065
Cost		<u>9,306,297</u>	<u>8,810,590</u>
Less: accumulated amortization		6,914,445	6,444,678
Capital assets, net		<u>\$ 2,391,852</u>	<u>\$ 2,365,912</u>

Amortization expense is comprised of the following amounts:

	2003	2002
Amortization of assets	\$ 469,766	\$ 448,514
Amortization of deferred contributions	(18,891)	(16,015)
	<u>\$ 450,875</u>	<u>\$ 432,499</u>

5. Note payable

	2003	2002
Atlantic Canada Opportunities Agency, interest free, payable \$3,750 quarterly through May 1, 2006	\$ 47,004	\$ 62,004
Atlantic Canada Opportunities Agency, interest free, payable \$4,850 quarterly through November 1, 2006	72,654	92,054
	<u>119,658</u>	<u>154,058</u>
Less: current portion	34,400	34,400
	<u>\$ 85,258</u>	<u>\$ 119,658</u>

6. Deferred contributions

Deferred contributions reported in the Capital Fund represent the unamortized portion of external contributions received towards the cost of specific capital assets. Amortization of deferred contributions is calculated at the same rate as amortization of the assets to which they relate, and is netted with amortization expense for presentation purposes. This method of presentation became effective 1 April 1995.

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2003**

6. Deferred contributions - continued

The changes for the year in the deferred contributions balance reported in the Capital Fund are as follows:

	2003	2002
Deferred contributions at 31 March	\$ 16,056	\$ 32,071
Contributions to the cost of equipment	23,337	-
Amortization of deferred contributions	(18,891)	(16,015)
Deferred contributions at 31 March	<u>\$ 20,502</u>	<u>\$ 16,056</u>

Contributions towards the cost of capital assets in years prior to 1 April 1995 were credited to the cost of the related assets and thus reduced the net asset value subject to amortization. Since the Council's inception it has been the recipient of capital funding from a variety of programs; details concerning the amount and classification of assets funded through these programs are not reasonably determinable. For this reason, capital assets purchased prior to 1 April 1995 continue to be carried at cost net of external contributions.

7. Inter-fund transfers and internally restricted fund balances

The board of directors of the New Brunswick Research and Productivity Council internally restricted resources amounting to \$1,790,975 as at 31 March 2003 (2002 - \$1,798,920). This internally restricted amount is intended for the acquisition of capital assets and payment of capital obligations and is not available for other purposes without the approval of the board of directors. This amount includes a 31 March 2003 transfer of \$500,000 from the Operating Fund to the Capital Fund (2002 - \$600,000).

8. Related party transactions

During the year the Council provided services to government departments and Crown agencies of the Province of New Brunswick. The Council provides these services under its normal terms and conditions.

	2003	2002
Revenue from services provided for the year		
Government departments and agencies	\$ 956,214	\$ 996,457
Accounts receivable at 31 March		
Government departments and agencies	\$ 125,358	\$ 407,376

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2003**

9. Restructuring

During the year the Council implemented several changes in staffing in order to achieve administrative efficiencies, as a consequence of the termination of a major, long-standing agreement with the National Research Council, and in order to pursue new directions in the provision of analytical services. Restructuring includes termination-related expenses, and where applicable, the cost of recruiting new employees.

FINANCIAL STATEMENTS

**PREMIER'S COUNCIL ON THE
STATUS OF DISABLED PERSONS**

31 MARCH 2003

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Chairperson and Members of
Premier's Council on the Status of Disabled Persons

I have audited the balance sheet of the Premier's Council on the Status of Disabled Persons as at 31 March 2003 and the statement of revenue, expenditure and surplus 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 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

K D Robinson

K. D. Robinson, CA
Deputy Auditor General

Fredericton, N.B.
18 June 2003

**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS
BALANCE SHEET
31 MARCH 2003**

	2003	2002
ASSETS		
Current assets		
Cash	\$ 4,990	\$ 8,794
Accounts receivable	2,846	5,131
Prepaid expenses	2,662	1,439
	<u>\$ 10,498</u>	<u>\$ 15,364</u>
LIABILITIES AND SURPLUS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,482	\$ 9,384
Surplus	5,016	5,980
	<u>\$ 10,498</u>	<u>\$ 15,364</u>

Approved by the Council

Barry Freeze

Chairperson

Alan A. Muhl TREASURER

Member

**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS
STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS
FOR THE YEAR ENDED 31 MARCH 2003**

	2003 Budget	2003 Actual	2002 Actual
REVENUE			
Grants - Province of New Brunswick	\$ 247,700	\$ 250,900	\$ 236,300
Miscellaneous revenue	1,866	355	4,636
	<u>249,566</u>	<u>251,255</u>	<u>240,936</u>
EXPENDITURE			
Salaries and employee benefits	188,366	183,762	179,209
Furniture and equipment	2,500	2,451	2,573
Office supplies	3,295	3,770	3,283
Telephone	3,280	3,343	3,168
Printing	10,000	9,787	9,882
Translation	5,500	7,284	4,599
Honoraria	8,000	7,225	6,676
Travel expenses	9,000	6,512	7,359
Postage	7,000	6,414	6,962
Maintenance	2,600	1,194	2,334
Hotel expenses	6,500	5,946	5,827
Parking	2,557	2,332	2,548
Council meetings	3,500	2,932	2,605
Consultations and seminars	-	1,402	582
Meals	2,400	1,495	1,909
Library and subscriptions	1,800	2,435	1,725
Office equipment rental	3,000	2,257	2,623
Insurance	560	568	525
Miscellaneous	300	910	260
Bank charges	135	200	134
Disability Awareness Week (Note 2)	1,360	-	8,412
	<u>261,653</u>	<u>252,219</u>	<u>253,195</u>
EXCESS OF EXPENDITURE OVER REVENUE FOR THE YEAR	<u>\$ (12,087)</u>	(964)	(12,259)
Surplus, beginning of year		5,980	18,239
SURPLUS, END OF YEAR		<u>\$ 5,016</u>	<u>\$ 5,980</u>

**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

1. Summary of significant accounting policies

(a) Capital assets

It is the policy of the Council to charge all capital asset purchases to expense in the period in which the expenditure is incurred.

(b) Services provided by the Province of New Brunswick

The Council uses an office for which rent is paid by the Province of New Brunswick. Therefore, no rental charge has been included in the Council's expenses.

2. Other activities – Disability Awareness Week

The Council acts as a co-ordinator for Disability Awareness Week (D.A.W.). The Council pays for some costs incurred in holding this event on behalf of the provincial D.A.W. committee. These funds are reimbursed to the Council from grants received by the provincial D.A.W. committee from Human Resources Development Canada (H.R.D.C.). Should the committee not receive sufficient funding from H.R.D.C. the Council is responsible for expenditures not reimbursed.



FINANCIAL STATEMENTS
PROVINCIAL HOLDINGS LTD.
31 MARCH 2003

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Shareholder of
Provincial Holdings Ltd.

I have audited the balance sheet of Provincial Holdings Ltd. as at 31 March 2003 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 31 March 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KD Robinson

K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
18 July 2003

**PROVINCIAL HOLDINGS LTD.
BALANCE SHEET
31 MARCH 2003**

	2003	2002
ASSETS		
Current assets		
Cash and short-term investments	\$ 442,897	\$ 654,018
Interest receivable	4,160	5,165
Miscellaneous receivable	220	-
Prepaid	-	18,696
	<u>447,277</u>	<u>677,879</u>
Industrial development projects (Notes 2(a) and 3)		
Loans to client companies	5,246,273	5,697,266
Shares in client companies	2,941,045	2,941,045
Building held for development purposes	310,000	-
	<u>8,497,318</u>	<u>8,638,311</u>
Less: Provision for loss	<u>2,627,353</u>	<u>2,813,284</u>
	<u>5,869,965</u>	<u>5,825,027</u>
Capital assets (Note 2(b))		
Land and building, at cost	-	975,000
Less: Accumulated amortization	-	35,750
	<u>-</u>	<u>939,250</u>
	<u>\$ 6,317,242</u>	<u>\$ 7,442,156</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable - due to Province of New Brunswick	\$ 89,487	\$ -
Accounts payable - other	10,335	456
	<u>99,822</u>	<u>456</u>
Long-term debt		
Due to Province of New Brunswick (Note 3)	7,976,488	8,446,572
Less: Provision for loss on industrial development projects (Note 2(a))	<u>2,367,185</u>	<u>1,613,285</u>
	<u>5,609,303</u>	<u>6,833,287</u>
Capital stock		
Authorized: 500 common shares, par value of \$10 each	5,000	5,000
Issued and fully paid: 500 shares	603,117	603,413
Retained earnings	<u>608,117</u>	<u>608,413</u>
	<u>\$ 6,317,242</u>	<u>\$ 7,442,156</u>

Approved by the Board

Maurice J. Bernier Director

Jeanne Lefebvre Director

**PROVINCIAL HOLDINGS LTD.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 MARCH 2003**

	2003	2002
REVENUE		
Loss recovery - provincially funded (Note 2(a))	\$ 753,900	\$ -
Interest income	59,943	106,704
Dividend income	-	149,676
Grants to industry and municipalities	-	134,327
Gain on sale of capital asset	-	29,056
Miscellaneous revenue	1,000	-
	<u>814,843</u>	<u>419,763</u>
EXPENSE		
Loss on sale of capital asset	753,900	-
Bad debts	14,069	-
Amortization on building (Note 2(b))	20,350	40,419
Real estate commission	11,550	-
Miscellaneous	200	18,193
Rent	125	-
Property tax	13,433	14,493
Grants to industry and municipalities	-	708,065
Accounting and legal fees	1,512	12,514
	<u>815,139</u>	<u>793,684</u>
NET INCOME (LOSS) FOR THE YEAR	(296)	(373,921)
Retained earnings, beginning of year	<u>603,413</u>	<u>977,334</u>
RETAINED EARNINGS, end of year	<u>\$ 603,117</u>	<u>\$ 603,413</u>

**PROVINCIAL HOLDINGS LTD.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2003**

	2003	2002
CASH PROVIDED BY (USED FOR)		
Operating activities:		
Net income (loss) for the year	\$ (296)	\$ (373,921)
Add (deduct) items not requiring, or generating cash		
Amortization	20,350	40,419
Bad debt expense	14,069	-
Loss (gain) on sale of capital asset	753,900	(29,056)
Loss recovery - provincially funded	(753,900)	-
	<u>34,123</u>	<u>(362,558)</u>
Changes in non-cash working capital components*	118,848	(953,764)
	<u>152,971</u>	<u>(1,316,322)</u>
Investing activities:		
Industrial development projects - recoveries		
Loans	315,061	1,195,436
Shares	-	208,955
Industrial development projects - investments		
Loans	(64,069)	(386,716)
Shares	-	(945,000)
Property purchase	(310,000)	-
Proceeds from land and building sale	165,000	450,000
	<u>105,992</u>	<u>522,675</u>
Financing activities:		
Advance from Province	-	895,000
Repayments to the Province	(470,084)	(1,056,836)
	<u>(470,084)</u>	<u>(161,836)</u>
INCREASE (DECREASE) IN CASH	(211,121)	(955,483)
Cash position, beginning of year	<u>654,018</u>	<u>1,609,501</u>
CASH POSITION, end of year	<u>\$ 442,897</u>	<u>\$ 654,018</u>

* Non-cash working capital components include accounts receivable, prepaid and accounts payable.

**PROVINCIAL HOLDINGS LTD.
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

1. Description of operations

Provincial Holdings Ltd. was established in 1973 under the Companies Act of the Province of New Brunswick. The Company is wholly owned by the Province of New Brunswick and is responsible for administering industrial development project investments. The administration of the Company's affairs is carried out by employees of the Province of New Brunswick under the direction of the Company's Board of Directors. All costs associated with these employees are paid by the Province.

2. Summary of significant accounting policies

(a) Industrial development projects

The Company's investments in industrial development projects are carried at cost except where, by agreement, interest on such projects is capitalized. In these cases the capitalized interest is added to the cost of the investment.

To recognize potential losses relating to industrial development project investments, the Company maintains a provision for loss against its investments. Pursuant to Treasury Board minute 74-57, any losses arising on investments funded by advances from the Province of New Brunswick will be borne by the Province through a corresponding reduction in the long term debt of the Company. As a result of this undertaking by the Province, any losses recorded as an expense by the Company are offset by a recovery from the Province.

(b) Capital assets

Amortization on the building is being taken at 4% per annum on a declining balance basis.

3. Long-term debt

Pursuant to Treasury Board Minute 74-57, advances from the Province of New Brunswick are interest free and are to be repaid from recoveries of amounts invested in industrial development projects.

4. Contingent liabilities

The Company has guaranteed loans to two client companies. Under one agreement, the amount guaranteed shall not exceed the lesser of \$7,500,000 or 50% of the balance of the loan. The contingent liability in respect of this guarantee was \$2,634,597 (2002 - \$4,630,502) at 31 March 2003. In this case, any resulting loss will be borne by the Province of New Brunswick and will not be reflected as an expense of the Company.

The other agreement is new in 2003 and consists of a line of credit for \$100,000.

FINANCIAL STATEMENTS
REGIONAL DEVELOPMENT CORPORATION
31 MARCH 2003

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

Lieutenant-Governor in Council
- and -
The Chairperson and Directors
Regional Development Corporation
Fredericton, New Brunswick

I have audited the balance sheet of the Regional Development Corporation as at 31 March 2003 and the statement of revenue and expenditure 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 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script that reads 'K.D. Robinson'.

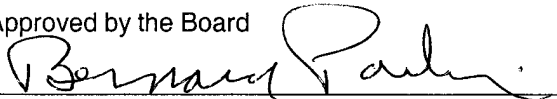
K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
5 September 2003

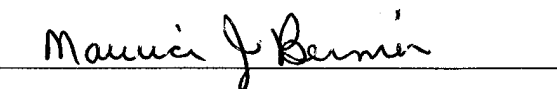
**REGIONAL DEVELOPMENT CORPORATION
BALANCE SHEET
31 MARCH 2003**

	2003	2002
ASSETS		
Current assets		
Cash	\$ 82,565	\$ 813,913
Accounts receivable		
Canada - Regional Economic Development Agreement	626,219	3,686,978
- Other agreements	1,150,600	2,933,610
Province of New Brunswick - operating and capital funds	4,821,352	2,894,650
Other	20,448	41,198
Prepays	290,000	-
	<u>6,991,184</u>	<u>10,370,349</u>
Other assets		
Advance to Fundy Trail Endowment Fund - In Trust (Note 2)	3,600,000	3,400,000
Loan receivable (Note 3)	629,144	-
	<u>\$ 11,220,328</u>	<u>\$ 13,770,349</u>
LIABILITIES		
Current liabilities		
Accounts payable		
Government of Canada	\$ -	\$ 20,292
Province of New Brunswick - claims on Canada	1,759,656	6,605,084
Deferred revenue	2,786,664	713,143
Provision for losses on guaranteed loans	850,000	-
Other	1,594,864	3,031,830
	<u>6,991,184</u>	<u>10,370,349</u>
Due to Province of New Brunswick		
Fundy Trail Endowment Fund - In Trust (Note 2)	3,600,000	3,400,000
Loan receivable (Note 3)	629,144	-
	<u>\$ 11,220,328</u>	<u>\$ 13,770,349</u>

Approved by the Board



Chairperson



Director

**REGIONAL DEVELOPMENT CORPORATION
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2003**

	2003	2002
REVENUE		
Federal contribution (Schedule 1)	\$ 7,990,626	\$ 7,757,311
Provincial contribution (Schedule 2)	45,751,535	42,491,084
	<u>53,742,161</u>	<u>50,248,395</u>
EXPENDITURE		
Agreements and Programs		
Regional Economic Development Agreement	8,457,096	8,424,708
Acadian Peninsula Economic Development Fund	4,578,478	6,019,900
Total Development Fund	5,019,879	4,830,884
Youth Community Assistance Program	2,349,559	2,331,528
Community Economic Development Fund	1,180,940	119,903
Atlantic Canada Tourism Partnership	856,012	927,603
International Business Development Agreement	218,000	304,878
Aboriginal Economic Development Program	43,771	31,221
	<u>22,703,735</u>	<u>22,990,625</u>
Other Activities		
Grants to RDC - SOA (Note 1)	18,380,468	12,286,450
Official Languages and Intergovernmental Cooperation	3,936,741	2,444,499
Centres scolaires communautaires	1,712,400	1,680,669
Special Projects	2,901,497	2,439,784
Other Initiatives (Schedule 3)	952,665	6,160,207
Provision for loss	850,000	-
Operations	2,304,655	2,152,636
Government Grants Program	-	93,525
	<u>31,038,426</u>	<u>27,257,770</u>
	<u>53,742,161</u>	<u>50,248,395</u>
EXCESS OF REVENUE OVER EXPENDITURE	<u>\$ -</u>	<u>\$ -</u>

**REGIONAL DEVELOPMENT CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

	2003	2002
Schedule 1 - Revenue - Federal contribution		
Regional Economic Development Agreement	\$ 5,906,570	\$ 6,217,121
Other Activities		
Official Languages and Intergovernmental Cooperation	1,677,276	1,097,483
Centres scolaires communautaires	282,500	282,500
Tobacco Sales Enforcement	124,280	125,000
Cultural Strategy Program	-	35,207
	<u>2,084,056</u>	<u>1,540,190</u>
	<u>\$ 7,990,626</u>	<u>\$ 7,757,311</u>
Schedule 2 - Revenue - Provincial contribution		
Agreements and Programs		
Regional Economic Development Agreement	\$ 2,550,526	\$ 2,207,587
Acadian Peninsula Economic Development Fund	4,578,478	6,019,900
Total Development Fund	5,019,879	4,830,884
Youth Community Assistance Program	2,349,559	2,331,528
Community Economic Development Fund	1,180,940	119,903
Atlantic Canada Tourism Partnership	856,012	927,603
International Business Development Agreement	218,000	304,878
Aboriginal Economic Development Program	43,771	31,221
	<u>16,797,165</u>	<u>16,773,504</u>
Other Activities		
Grant to RDC - SOA (Note 1)	18,380,468	12,286,450
Official Languages and Intergovernmental Cooperation	2,259,465	1,347,016
Centres scolaires communautaires	1,429,900	1,398,169
Special Projects	2,901,497	2,439,784
Other Initiatives	828,385	6,000,000
Operations	2,304,655	2,152,636
Provision for Loss	850,000	-
Government Grants Program	-	93,525
	<u>28,954,370</u>	<u>25,717,580</u>
	<u>\$ 45,751,535</u>	<u>\$ 42,491,084</u>

**REGIONAL DEVELOPMENT CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

	2003	2002
Schedule 3 - Expenditure - Other Initiatives		
Premier's Action Committee	\$ 335,627	\$ -
Queen's Visit	201,925	-
Restigouche-Chaleur Initiative	172,376	-
Community Events Program	117,737	-
Greater Moncton Airport Authority	-	3,200,000
Atlantic Baptist University	-	2,800,000
Tobacco Sales Enforcement	125,000	125,000
Cultural Strategy Program	-	35,207
	\$ 952,665	\$ 6,160,207

**REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

1. General comments on operations

The Regional Development Corporation is a provincial Crown agency incorporated by an Act of the New Brunswick Legislature. The Corporation has administrative responsibility for all provincially delivered programs under the Regional Economic Development Agreement. The Corporation is also responsible for a number of other projects assigned to it by the Province.

Federal contributions are in some instances paid directly to project recipients. Such payments are not recorded in the revenues and expenditures of the Corporation.

The Regional Development Corporation established a Special Operating Agency (SOA) effective 31 March 1994. Amounts provided to the Corporation by the Province, which were subsequently transferred to the SOA, are shown in the Corporation's statement of revenue and expenditure. Amounts provided by other agencies or departments of government to the SOA are included in the financial statement of the SOA but are not included in these financial statements.

2. Fundy Trail Endowment Fund

The Province of New Brunswick and the Government of Canada have agreed to the establishment of this fund. The sole purpose of the fund is to assist in the construction of a scenic roadway from St. Martins, N.B. to Alma, N.B.

The Province of New Brunswick has advanced \$5 million to this fund. This \$5 million was advanced through the Regional Development Corporation. At a future date all or part of this \$5 million may be returned to the Regional Development Corporation. This date is to be no later than 31 March 2010.

Loans such as these, that are significantly concessionary because they earn a low rate of return, are originally recorded as assets at the net present value of the expected future cash flows. The net present value is calculated at each year end using the Province's borrowing rate at the time the loan was issued.

3. Loan Receivable

The loan receivable is interest free and therefore concessionary in nature. The loan is recorded at the net present value of its estimated future cash flows using the Province's borrowing rate at the time the loan was issued. The difference between the nominal value of the loan and its net present value is recorded as an expenditure

4. Commitments

Under the Regional Economic Development Agreement, the provincial government has committed funds subsequent to 31 March 2003 totalling approximately \$7.2 million.

Such commitments are made subject to funds being approved by the Legislature of New Brunswick.

**REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

5. Contingent liabilities

Contributions received from the federal government under federal/provincial cost sharing agreements are subject to adjustment following audits by federal authorities. Adjustments as a result of federal audits will be reflected in the financial statements of the Corporation in the period of settlement.

The Corporation has guaranteed loans of certain organizations. At 31 March 2003 the contingent liability in respect of these guarantees was \$3,650,079 (31 March 2002 - \$3,388,500). Any resulting losses will be borne by the Corporation.

FINANCIAL STATEMENTS
REGIONAL DEVELOPMENT CORPORATION
SPECIAL OPERATING AGENCY
31 MARCH 2003

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

Lieutenant Governor in Council
- and -
The Chairperson and Directors
Regional Development Corporation
Fredericton, New Brunswick

I have audited the balance sheet of the Regional Development Corporation - Special Operating Agency as at 31 March 2003 and the statement of revenue and expenditure 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 Regional Development Corporation - Special Operating Agency as at 31 March 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
5 September 2003

**REGIONAL DEVELOPMENT CORPORATION
SPECIAL OPERATING AGENCY
BALANCE SHEET
31 MARCH 2003**

ASSETS	2003	2002
Current assets		
Accounts receivable		
Canada - Infrastructure Agreement	\$ 2,944,906	\$ 1,527,371
Province of New Brunswick - Operating and capital funds	3,750,987	8,302,406
	<u>\$ 6,695,893</u>	<u>\$ 9,829,777</u>
EQUITY		
Equity	<u>\$ 6,695,893</u>	<u>\$ 9,829,777</u>

Approved by the Board

Bernard Paulin

Chairperson

Maurice J. Bernier

Director

**REGIONAL DEVELOPMENT CORPORATION
SPECIAL OPERATING AGENCY
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2003**

	2003	2002
REVENUE		
Federal contribution		
- Infrastructure Agreement	\$ 13,560,882	\$ 2,647,454
Provincial contribution		
- Infrastructure Agreement	10,857,840	9,529,000
- Canada Winter Games 2003	6,322,628	1,557,450
- Community Economic Development Agencies	1,200,000	1,200,000
- Planning initiatives	13,727	-
	<u>18,394,195</u>	<u>12,286,450</u>
	<u>31,955,077</u>	<u>14,933,904</u>
EXPENDITURE		
Infrastructure Agreement	27,096,356	5,302,088
Canada Winter Games 2003	6,795,928	1,084,150
Community Economic Development Agencies	1,196,677	904,079
Special Tourism Initiatives	-	1,430,007
Restigouche/Chaleur Initiative	-	103,881
Planning Initiatives	-	75,768
Metz Farms Initiatives	-	70,000
	<u>35,088,961</u>	<u>8,969,973</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	(3,133,884)	5,963,931
Equity, beginning of year	9,829,777	3,865,846
EQUITY, end of year	<u>\$ 6,695,893</u>	<u>\$ 9,829,777</u>

**REGIONAL DEVELOPMENT CORPORATION
SPECIAL OPERATING AGENCY
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

1. General comments on operations

The Regional Development Corporation Special Operating Agency (SOA) was established effective 31 March 1994. The SOA was formed initially for the purpose of providing financial management for the Canada - New Brunswick Infrastructure Agreement. The Agency is now also responsible for a number of other projects assigned to it by the Province.

The equity balance for the SOA represents amounts funded by the Province for future expenditures by the SOA.

2. Contingent liabilities - federal contribution

Contributions received from the federal government under federal/provincial cost sharing agreements are subject to adjustment following audits by federal authorities. Adjustments as a result of federal audits will be reflected in the financial statements of the Agency in the period of settlement.

3. Commitments

Under the Canada-New Brunswick Infrastructure Agreement, the provincial government has committed funds subsequent to 31 March 2003 totalling approximately \$17.7 million.

Such commitments are made subject to funds being approved by the Legislature of New Brunswick.





Service New Brunswick
Services Nouveau-Brunswick

Financial Statements

March 31, 2003

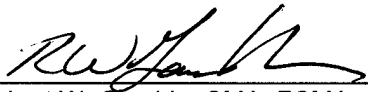
Service New Brunswick

MANAGEMENT REPORT

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the Corporation.

The Corporation maintains an accounting system and related controls to provide management and the Board with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

It is the responsibility of the Board to oversee management's performance of its financial reporting responsibilities and to review and approve the financial statements. Upon the recommendation of the Audit Committee, these financial statements are approved by the Board of the Corporation.



Robert W. Gamble, CMA, FCMA
President



Carol Macdonald, CA
Vice President Finance and Administration

Fredericton, N B Canada
June 4, 2003

Service New Brunswick

AUDITORS' REPORT

To the Members of the Board:

We have audited the balance sheet of Service New Brunswick as at March 31, 2003 and the statements of income and changes in equity 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Saint John, N B Canada
June 4, 2003

Ernst & Young LLP


Chartered Accountants

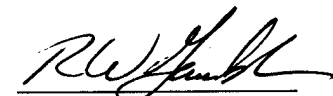
Service New Brunswick

BALANCE SHEET As at March 31, 2003

	2002/03	2001/02
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,200,434	\$ 7,957,928
Partner cash (Note 4)	8,477,891	-
Accounts receivable (Note 5)	2,085,005	3,754,978
Prepaid expenses	566,766	827,148
	19,330,096	12,540,054
LONG TERM ASSETS		
Equipment (Note 6)	3,828,136	4,505,901
System development (Note 6)	17,894,881	14,973,988
	21,723,017	19,479,889
	\$41,053,113	\$32,019,943
LIABILITIES & EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	\$ 5,761,788	\$ 8,082,400
Partner remittances payable (Note 4)	8,477,891	-
Deferred revenue	35,938	46,178
Land titles assurance (Note 8)	757,255	335,950
	15,032,872	8,464,528
EQUITY	26,020,241	23,555,415
	\$41,053,113	\$32,019,943

Commitments Note 12
See accompanying notes


Georgette Roy
Chairman


Robert W. Gamble
President

Service New Brunswick

STATEMENT OF INCOME AND CHANGES IN EQUITY

For the year ended March 31, 2003

	2002/03	2001/02
REVENUES		
Provincial services	\$ 26,123,423	\$ 26,027,539
Municipal services	6,328,818	6,204,104
Registry fees	13,775,552	12,184,113
Products and services	2,226,109	1,840,540
Government project assistance (Note 9)	-	1,200,000
CGI (Note 10)	820,502	250,000
Interest	422,615	563,903
Software sales	257,845	73,151
Salary recoveries	150,493	110,890
	50,105,357	48,454,240
EXPENSES		
Personnel services	27,829,235	27,031,052
Communications and computer services	4,750,954	4,293,581
Space and equipment services	4,673,145	3,992,566
Amortization	3,931,124	3,627,051
Professional services	3,151,675	3,308,676
Travel and meetings	1,029,018	1,103,228
Materials and supplies	969,930	880,528
Furniture and equipment	616,381	803,470
Other	689,069	596,790
	47,640,531	45,636,942
NET INCOME	2,464,826	2,817,298
OPENING EQUITY	23,555,415	20,738,117
ENDING EQUITY	\$26,020,241	\$23,555,415

See accompanying notes

Service New Brunswick

STATEMENT OF CASH FLOWS

For the year ended March 31, 2003

	2002/03	2001/02
Cash and cash equivalents provided by (used in)		
Operations		
Net income	\$ 2,464,826	\$ 2,817,298
Items not involving cash:		
Amortization	3,931,124	3,627,051
Change in non-cash working capital	(400,497)	(549,031)
	5,995,453	5,895,318
Financing		
Increase in Land Titles Assurance	421,305	314,935
Decrease in long-term accounts receivable	-	440,570
	421,305	755,505
Investments		
Additions to equipment	(1,086,038)	(1,562,204)
Additions to system development	(5,091,771)	(4,907,349)
Proceeds from disposal	3,557	-
	(6,174,252)	(6,469,553)
Increase in cash	242,506	181,270
Cash and cash equivalents, beginning of year	7,957,928	7,776,658
Cash and cash equivalents, end of year	\$8,200,434	\$ 7,957,928

See accompanying notes

Service New Brunswick

NOTES TO FINANCIAL STATEMENTSFor the year ended March 31, 2003

1. SERVICE NEW BRUNSWICK

Service New Brunswick is a non-taxable Crown Corporation established under the *Service New Brunswick Act*. Its mission is:

- making government services more accessible; and
- being stewards for authoritative information.

2. ACCOUNTING POLICIES**General**

The Corporation follows Canadian generally accepted accounting principles (GAAP).

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and short term, highly liquid financial instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

The carrying values of the Corporation's financial instruments approximate fair market values because of their short-term maturity and normal credit terms.

Long-term assets

Investments in information systems and databases and in physical assets having a value of \$2,000 or greater are capitalized and written off to income in accordance with the amortization policy.

Revenue

Revenue is recognized on an accrual basis as earned with an offset, in the case of Corporate Registry annual filing, for fees from businesses likely to be inactive. Amounts deemed receivable but uncollected are recognized as bad debt expense.

Pension expense

Service New Brunswick employees are part of a multi-employer plan. Although the plan is a defined benefit plan, only current year contributions are expensed.

Service New Brunswick

Amortization

Amortization is computed on a straight-line basis on original cost with rates as follows:

Databases and systems	10 years
Furniture and equipment	10 years
Leasehold improvements	duration of lease up to 10 years
Vehicles	5 years
Computers and software	4 years

Measurement uncertainty

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

3. RELATED ENTITY TRANSACTIONS

Service New Brunswick is solely owned by the Province of New Brunswick. The Balance Sheet contains the following related entity amounts:

	Year Ended 2003	Year Ended 2002
Accounts receivable	\$ 338,909	\$ 1,370,803
Accounts payable	808,076	471,190
Partner remittances payable	6,680,984	-

Revenues of \$33,280,303 were earned and expenses of \$1,978,405 were incurred with the Province of New Brunswick for the year ended March 31, 2003. Comparative figures are not available for the year ended March 31, 2002.

4. PARTNER CASH AND REMITTANCES PAYABLE

Service New Brunswick collects cash on behalf of the Province of New Brunswick and other business partners. At March 31, 2003, \$6,680,984 was payable to the Province and \$1,796,907 was payable to other partners. New banking arrangements commenced in the year ended March 31, 2003 and, as a result, there are no comparative amounts for the prior year.

Service New Brunswick

5. ACCOUNTS RECEIVABLE

	Year Ended 2003			Year Ended 2002
	Accounts Receivable	Allowance for Doubtful Accounts	Net	Net
Current				
HST rebate	\$ 640,796	\$ -	\$ 640,796	\$ 886,872
Corporate registry	368,189	70,812	297,377	336,600
Province of NB	338,909	-	338,909	1,370,803
Software sales	322,825	-	322,825	379,355
Trade	279,312	4,892	274,420	260,404
Employee PC loans	158,187	-	158,187	152,568
Interest receivable	52,491	-	52,491	118,376
CGI	-	-	-	250,000
	<u>\$2,160,709</u>	<u>\$ 75,704</u>	<u>\$2,085,005</u>	<u>\$ 3,754,978</u>

The Corporation's trade accounts receivable do not represent significant concentration of credit risk because the accounts are owed by a large number of organizations on normal credit terms. Most other receivables are deemed collectable because of the nature of the debtor or the transactions.

6. CAPITAL ASSETS

	Year Ended 2003		
	Cost	Accumulated Amortization	Net
Equipment			
Computers and software	\$ 6,492,599	\$ 4,525,305	\$ 1,967,294
Furniture and equipment	1,759,598	1,022,699	736,899
Leasehold improvements	1,931,449	824,425	1,107,024
Vehicles	18,120	1,201	16,919
	<u>\$10,201,766</u>	<u>\$ 6,373,630</u>	<u>\$ 3,828,136</u>
System development			
Systems	\$23,632,804	\$ 8,499,379	\$ 15,133,425
Databases	1,018,040	1,004,215	13,825
Work in process	2,747,631	-	2,747,631
	<u>\$27,398,475</u>	<u>\$ 9,503,594</u>	<u>\$ 17,894,881</u>

Service New Brunswick

Equipment	Year Ended 2002		
	Cost	Accumulated Amortization	Net
Computers and software	\$ 7,541,149	\$ 4,881,804	\$ 2,659,345
Furniture and equipment	1,848,056	994,199	853,857
Leasehold improvements	1,833,247	846,756	986,491
Vehicles	18,604	12,396	6,208
	<u>\$11,241,056</u>	<u>\$ 6,735,155</u>	<u>\$ 4,505,901</u>
System development			
Systems	\$19,063,504	\$ 6,361,382	\$ 12,702,122
Databases	1,018,040	971,334	46,706
Work in process	2,225,160	-	2,225,160
	<u>\$22,306,704</u>	<u>\$ 7,332,716</u>	<u>\$ 14,973,988</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Year Ended 2003	Year Ended 2002
Trade payables	\$ 2,902,004	\$ 4,961,118
Salary and benefit accruals	1,670,057	1,762,349
Payroll deductions payable	381,651	887,743
Province of New Brunswick payables	808,076	471,190
	<u>\$ 5,761,788</u>	<u>\$ 8,082,400</u>

8. LAND TITLES ASSURANCE

Under the *Land Titles Act*, the Province guarantees title to real property registered under Land Titles. The Corporation has established a fund, based on actuarial estimate, to provide for potential claims respecting indemnification pursuant to the *Land Titles Act*.

Service New Brunswick

9. GOVERNMENT PROJECT ASSISTANCE

In the year ended March 31, 2002, the Corporation received funding from the Regional Development Corporation and the Canada Customs and Revenue Agency towards the development of the Business Registry System. Both related revenue and expenses are included in these statements.

	Year Ended 2002
Regional Development Corporation	\$ 1,000,000
Canada Customs and Revenue Agency	200,000
	\$ 1,200,000

No monies were due or received for the year ended March 31, 2003.

10. CGI AGREEMENT

CGI, an information technology services firm, and Service New Brunswick signed a seven-year agreement in 2001. Under the terms of the agreement, CGI provides \$3.5 million to the Corporation in exchange for considerations that enable CGI to establish credibility as experts in the provision of e-government services. The considerations provided by Service New Brunswick include the use of CGI resources for project management and technical architecture, presentations of Service New Brunswick systems to potential clients, and exclusive access to CGI to market g-commerce software developed for Service New Brunswick. Under this agreement, Service New Brunswick earned \$820,502 for the year ended March 31, 2003 and \$250,000 for the year ended March 31, 2002.

11. EMPLOYEE FUTURE BENEFITS

- a) Regular employees of Service New Brunswick are covered by the Public Service Superannuation Plan of the Province of New Brunswick. The Superannuation Plan is a defined benefit multi-employer plan under which contributions are made by both Service New Brunswick and the employees. For the year ended March 31, 2003, the Corporation expensed contributions of \$1,544,719 under the terms of the plan. Service New Brunswick has no direct liability or entitlement to any unfunded liability or surplus in the plan related to its current or former employees.
-

Service New Brunswick

- b) Regular employees of Service New Brunswick are entitled to a paid retirement allowance prior to their retirement based upon years of service. Over the service life of its employees, the Corporation accrues the estimated future liability based upon actuarial estimate and assumptions. The accrued liability is reduced by actual payments made. The significant assumptions used in determining the accrued liability are 0.89% of payroll costs to provide for the current service cost and 7.55% of the accrued liability to provide for interest costs. The obligation was \$212,611 at March 31, 2003 and \$206,340 at March 31, 2002.
- c) Service New Brunswick incurred a liability related to an early retirement incentive offered to employees, including those of the Corporation, by the Province of New Brunswick in 1995/96. Pursuant to an agreement with the Province, the amount of the obligation and expense recorded was equal to the amount of the employer contributions that the Corporation would have otherwise funded to the Public Service Superannuation Plan. The Corporation annually reduces the recorded obligation by the amount it remits to the Province. The benefit obligation was \$418,532 at March 31, 2003 and \$433,758 at March 31, 2002.

12. LEASE COMMITMENTS

The following are future minimum payments for leased premises and equipment for the years ended:

2004	\$2,967,848
2005	2,828,956
2006	2,245,835
2007	1,508,785
2008	1,167,043
Thereafter	2,782,438
	<u>\$13,500,905</u>

Financial Statements of

STRAIT CROSSING FINANCE INC.

Year ended October 30, 2002



KPMG LLP
Chartered Accountants

Frederick Square
77 Westmorland Street Suite 700
Fredericton NB E3B 6Z3
Canada

Telephone (506) 452-8000
Telefax (506) 450-0072
www.kpmg.ca

AUDITORS' REPORT

To the Shareholders of Strait Crossing Finance Inc.

We have audited the statement of financial position of Strait Crossing Finance Inc. as at October 30, 2002 and the statement of earnings and retained earnings for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 Company as at October 30, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Fredericton, Canada
December 23, 2002



STRAIT CROSSING FINANCE INC.

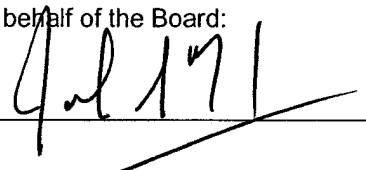
Statement of Financial Position

October 30, 2002, with comparative figures for 2001

	2002	2001
Assets		
Current assets:		
Cash	\$ 1	\$ 1
Accounts receivable	6,882	1,450
	\$ 6,883	\$ 1,451
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 6,882	\$ 1,450
Shareholders' equity:		
Share capital:		
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
1 Share	1	1
	\$ 6,883	\$ 1,451

See accompanying notes to financial statements.

On behalf of the Board:



 _____ Director

STRAIT CROSSING FINANCE INC.

Statement of Earnings and Retained Earnings

Year ended October 30, 2002, with comparative figures for 2001

	2002	2001
Revenue:		
Financial maintenance fee (note 2(d))	\$ 21,438	\$ 17,141
Expenses:		
Trustee fees	19,358	15,090
Professional services	1,840	1,811
Filing fees	240	240
	21,438	17,141
Net earnings, being retained earnings, end of year	\$ -	\$ -

See accompanying notes to financial statements.

STRAIT CROSSING FINANCE INC.

Notes to Financial Statements

Year ended October 30, 2002

1. Incorporation:

Strait Crossing Finance Inc. (SC Finance or the Company) was incorporated under the Canada Business Corporations Act as a special purpose corporation. Its sole business is restricted to the issuance and sale of Indexed Fully Amortizing Bonds due April 1, 2032, the lending of money to and making payments to Strait Crossing Development Inc. (SC Development) and matters related thereto.

The outstanding share of SC Finance is owned by Her Majesty the Queen in Right of New Brunswick. No shareholder is entitled to transfer any shares of SC Finance. SC Finance is exempt from taxes otherwise payable under the provisions of section 149(1)(d) of the Income Tax Act (Canada).

2. Transactions and agreements:

(a) Issue of Bonds:

On October 7, 1993, SC Finance issued Indexed Fully Amortizing Bonds (the "Bonds") in the principal amount of \$661,542,612 maturing on April 1, 2032. The Bonds will bear interest at an annual real rate, compounded annually, equivalent to 4.50% compounded semi-annually. Irrespective of any decline in the level of the consumer price index over any period after May 27, 1992, the aggregate payment to be made on the Bonds on May 31, 1997 will not be less than \$35,012,328 and on April 1, 1998 will equal at least \$41,900,000. On any subsequent Payment Date, the aggregate payment to be made on the Bonds will be not less than the highest payment made on any previous Payment Date, except for the payment made on April 1, 2032. No interest payments are required on the Bonds until May 31, 1997. Commencing May 31, 1997 and thereafter on April 1st of each year, 36 annual payments are due on account of principal and interest, such that all interest and principal will be fully repaid as of April 1, 2032.

(b) Subsidy Agreement and Assignment:

Also on October 7, 1993, SC Finance entered into a Subsidy Agreement with the Government of Canada whereby Canada agreed to make payments to SC Finance which correspond in timing and amount with the payments required on the Bonds, as described above. On the same date, SC Finance irrevocably assigned its rights to receive payments under the Subsidy Agreement to the Bond Trustee. The recourse of the Bondholders is limited to the Bond Trustee's right to receive payments under the Subsidy Agreement. Since an obligation of the Government of Canada has been irrevocably assigned to a trust, solely to satisfy the scheduled interest and principal repayment requirements of the Bonds, the Bonds are considered extinguished for financial reporting purposes. Accordingly, the Bonds payable and the amounts receivable under the Subsidy Agreement have been removed from the Company's statement of financial position.

STRAIT CROSSING FINANCE INC.

Notes to Financial Statements

Year ended October 30, 2002

2. Transactions and agreements (continued):

(c) Developer Loan Agreement:

The proceeds from the issuance of Bonds were loaned by SC Finance to SC Development pursuant to a Developer Loan Agreement (the "Agreement") dated October 7, 1993. The Promissory Note from SC Development is unsecured and bears interest at a rate equivalent to that owing on the Bonds. The Promissory Note cannot be assigned or transferred by SC Finance without the consent of SC Development. The repayment terms of the Promissory Note are matched exactly with the payments required on the Bonds.

Under the terms of the Agreement, when the Bond Trustee receives a payment from the Government of Canada under the Subsidy Agreement, SC Finance must, on the same day, make a Contribution in the same amount to SC Development provided that SC Finance has received the required payment from SC Development under the Promissory Note.

Since the Promissory Note from SC Development is exactly matched by SC Finance's obligation to make Contributions to SC Development, and SC Finance and SC Development intend to settle these assets and liabilities simultaneously, the Promissory Note from SC Development and the Contributions due to SC Development have been removed from the Company's statement of financial position.

(d) Financial Maintenance Fee:

Under the Developer Loan Agreement, SC Finance is entitled to receive a Financial Maintenance Fee from SC Development to compensate SC Finance for on-going financial services. The Financial Maintenance Fee is to be equal to the costs SC Finance incurs with respect to the maintenance of records, including the fees and expenses of the Bond Trustee, less any other net revenues received.

FINANCIAL STATEMENTS

YOUTH COUNCIL OF NEW BRUNSWICK

31 MARCH 2003

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Chairperson and Members
Youth Council of New Brunswick

I have audited the balance sheet of the Youth Council of New Brunswick as at 31 March 2003 and the statement of revenue, expense and surplus 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 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

K D Robinson

K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
22 July 2003


**YOUTH COUNCIL OF NEW BRUNSWICK
BALANCE SHEET
31 MARCH 2003**

	2003	2002
ASSETS		
Current assets		
Cash	\$ 93,722	\$ 67,950
Accounts receivable	10,245	78,847
	<u>\$ 103,967</u>	<u>\$ 146,797</u>
LIABILITIES AND SURPLUS		
Current liabilities		
Accounts payable	\$ 9,927	\$ 82,308
Accrued salaries payable	-	1,875
Deferred revenue	10,073	-
	<u>20,000</u>	<u>84,183</u>
Surplus	83,967	62,614
	<u>\$ 103,967</u>	<u>\$ 146,797</u>

Approved by the Council



Chairperson



Member

**YOUTH COUNCIL OF NEW BRUNSWICK
STATEMENT OF REVENUE, EXPENSE AND SURPLUS
FOR THE YEAR ENDED 31 MARCH 2003**

	2003 Budget	2003 Actual	2002 Actual
REVENUE			
Operating grant from the Province of New Brunswick	\$ 126,000	\$ 129,200	\$ 122,413
Other grants	33,000	87,057	95,891
Miscellaneous	-	509	24,316
Administration fee revenue	6,200	7,070	20,258
Youth Connexions Jeunesse (Note 4)	-	-	331,119
	<u>165,200</u>	<u>223,836</u>	<u>593,997</u>
EXPENSE			
Salaries and benefits	96,278	84,323	117,640
Travel, accommodations and meals	10,000	12,097	27,541
Printing and photocopying	2,000	3,724	8,450
Telephone	7,000	4,108	5,042
Office expenses	6,250	4,867	10,382
Public relations and advertising	2,250	425	650
Honoraria	3,000	2,513	2,113
Furniture and equipment	-	16	6,342
Professional services	2,000	5,690	1,646
Translation	1,000	625	10,770
Professional development	1,000	-	-
Repairs and maintenance	750	-	-
Bank charges	300	219	240
Conference and meeting	2,000	275	995
Miscellaneous	25,200	218	3,500
Special projects	49,000	83,383	81,434
Youth Connexions Jeunesse (Note 4)	-	-	304,418
	<u>208,028</u>	<u>202,483</u>	<u>581,163</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	<u>\$ (42,828)</u>	21,353	12,834
Surplus, beginning of year		<u>62,614</u>	49,780
SURPLUS, end of year		<u>\$ 83,967</u>	<u>\$ 62,614</u>

**YOUTH COUNCIL OF NEW BRUNSWICK
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2003**

1. Purpose of the organization

The Council was established by a cabinet decision in May 1986 and the appointment of the Council was announced in March 1987. The Council began operations in May 1987.

The Youth Council's mission statement reads as follows:

The Youth Council of New Brunswick is the provincial body representative of youth which voices the interests, needs, concerns and perspectives of young people aged 15 - 24, and presents recommendations to government and the public. This is achieved by acting as an advisory and advocacy body, through resource co-ordination and by research and consultation. Through its actions, the Youth Council of New Brunswick strives to be a catalyst for increasing youth involvement in society.

2. Capital assets

It is the policy of the Council to charge all capital asset purchases to expense in the period in which the expenditure is incurred.

3. Services provided by the Province of New Brunswick

The Council uses an office building owned by the Province of New Brunswick and there are no rental charges.

4. Youth Connexions Jeunesse

Effective 1 April 2002 the Council discontinued the operations of Youth Connexions Jeunesse.

