



# *Public Accounts*

for the fiscal year ended 31 March, 2005

## **Volume 3**

## **Financial Statements of Crown Corporations, Boards, Commissions**

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

3





New  Nouveau  
**Brunswick**  
C A N A D A

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for the fiscal year ended 31 March, 2005

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Corporations, Boards, Commissions**

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3



**TABLE OF CONTENTS**

Advisory Council on the Status of Women	1
Algonquin Golf Limited	7
Algonquin Properties Limited	17
Board of Commissioners of Public Utilities of the Province of New Brunswick	27
Fiscal Stabilization Fund	49
Forest Protection Limited	55
Kings Landing Corporation	69
Lotteries Commission of New Brunswick	79
New Brunswick Advisory Council on Seniors	85
New Brunswick Advisory Council on Youth	91
New Brunswick Arts Board	97
New Brunswick Credit Union Deposit Insurance Corporation	105
New Brunswick Crop Insurance Commission	113
New Brunswick Distance Education Network	125
New Brunswick Electric Finance Corporation	131
New Brunswick Highway Corporation	147
New Brunswick Insurance Board	155
New Brunswick Investment Management Corporation	163
New Brunswick Liquor Corporation	171
New Brunswick Municipal Finance Corporation	183
New Brunswick Museum	191
New Brunswick Power Holding Corporation	201
New Brunswick Public Libraries Foundation	233
New Brunswick Research and Productivity Council	239
New Brunswick Securities Commission	249
New Brunswick Tire Stewardship Board	259
Premier's Council on the Status of Disabled Persons	267
Provincial Holdings Ltd.	273
Regional Development Corporation	281
Regional Development Corporation - Special Operating Agency	289
Service New Brunswick	295
Strait Crossing Finance Inc.	307

## 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 Provincial Reporting Entity as described in Note 1 to the financial statements. They include a Statement of Financial Position, a Statement of Operations, a Statement of Cash Flow and a Statement of Change in Net Debt. Volume I also contains the Auditor's Report, Statement of Responsibility, management's comments on the results for the year 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, supplier, 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 2004 in excess of \$40,000.

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**FINANCIAL STATEMENTS**

**ADVISORY COUNCIL ON THE STATUS OF WOMEN**

**31 MARCH 2005**

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## 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 2005 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 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Daryl C. Wilson'.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
1 June 2005




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**ADVISORY COUNCIL ON THE STATUS OF WOMEN  
BALANCE SHEET  
31 MARCH 2005**

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	2005	2004
<b>ASSETS</b>		
Accounts receivable - Province of New Brunswick	<u>\$ 52,955</u>	<u>\$ 73,294</u>
<b>LIABILITIES AND SURPLUS</b>		
Surplus	<u>\$ 52,955</u>	<u>\$ 73,294</u>

Approved by the Council

  
\_\_\_\_\_  
Chairperson

  
\_\_\_\_\_  
Member

**ADVISORY COUNCIL ON THE STATUS OF WOMEN  
STATEMENT OF REVENUE, EXPENSE AND SURPLUS  
FOR THE YEAR ENDED 31 MARCH 2005**

	2005 Budget	2005 Actual	2004 Actual
<b>REVENUE</b>			
Grants - Province of New Brunswick	\$ 414,146	\$ 414,146	\$ 451,000
<b>EXPENSE</b>			
Personal services	244,746	247,343	222,346
Other services	153,900	161,655	243,163
Materials and supplies	9,000	17,102	11,102
Property and equipment (Note 2)	6,500	8,385	7,119
	<u>414,146</u>	<u>434,485</u>	<u>483,730</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE</b>	<u>\$ -</u>	( 20,339)	( 32,730)
Surplus, beginning of year		<u>73,294</u>	<u>106,024</u>
<b>SURPLUS, end of year</b>		<u>\$ 52,955</u>	<u>\$ 73,294</u>

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**ADVISORY COUNCIL ON THE STATUS OF WOMEN  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**1. Purpose of the organization**

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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 policy**

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It is the policy of the Council to charge purchases of property and equipment to expense in the year in which the expenditure is incurred.

**3. Expenses not included in these financial statements**

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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 information technology services, human resource services and the financial administration of the Council.

**4. Statement of cash flows**

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



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**FINANCIAL STATEMENTS**

**ALGONQUIN GOLF LIMITED**

**31 DECEMBER 2004**

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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 2004 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 2004 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  
Acting Auditor General

Fredericton, N.B.  
31 October 2005

**ALGONQUIN GOLF LIMITED**  
**BALANCE SHEET**  
**31 DECEMBER 2004**

	2004	2003
<b>ASSETS</b>		
Current assets		
Cash and short term investments	\$ 10,901	\$ 10,790
Accounts receivable	10,695	6,134
Pro Shop inventory	48,444	84,189
Prepaid expenses	51,799	67,408
	<u>121,839</u>	<u>168,521</u>
Capital assets (Note 3)	5,517,073	5,978,881
	<u>\$ 5,638,912</u>	<u>\$ 6,147,402</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 2,772,617</u>	<u>\$ 2,434,606</u>
Long term liabilities		
Deferred contributions related to capital assets (Note 5)	1,655,350	1,762,147
Due to Province of New Brunswick (Note 4)	3,959,853	3,959,853
Interest on construction loan	297,822	297,822
Leases payable (Note 7)	113,022	69,463
	<u>6,026,047</u>	<u>6,089,285</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	(3,219,284)	(2,436,021)
	<u>(3,159,753)</u>	<u>(2,376,490)</u>
	<u>\$ 5,638,912</u>	<u>\$ 6,147,402</u>

Approved by the Board

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

**ALGONQUIN GOLF LIMITED**  
**STATEMENT OF REVENUE, EXPENSE AND DEFICIT**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

	Budget (Note 9)	2004 Actual	2003 Actual
<b>REVENUE</b>			
Green fees and rentals	\$ 1,314,500	\$ 990,200	\$ 1,148,936
Food sales	105,505	78,462	66,947
Beverage sales	106,780	100,447	107,162
RDC grant (Note 5)	106,800	106,797	106,797
Pro Shop	245,000	145,960	187,205
Interest	-	109	181
Land sale	-	25,299	-
	<u>1,878,585</u>	<u>1,447,274</u>	<u>1,617,228</u>
<b>EXPENSE</b>			
Direct costs	1,179,725	949,681	955,848
Pro Shop cost of sales	184,759	84,518	116,923
Administrative and general	173,099	143,119	200,629
Advertising and promotion	142,833	127,765	153,894
Heat, light, power and water	87,099	47,532	60,675
Property taxes	63,000	61,930	61,280
Management fees	53,154	39,452	45,308
Interest on construction loan (Note 4)	268,572	268,572	287,093
Interest on leases	-	10,081	11,899
Amortization – capital assets	540,000	497,887	543,653
	<u>2,692,241</u>	<u>2,230,537</u>	<u>2,437,202</u>
<b>NET LOSS</b>	<u>\$ (813,656)</u>	<u>(783,263)</u>	<u>(819,974)</u>
Deficit, beginning of year		<u>(2,436,021)</u>	<u>(1,616,047)</u>
<b>DEFICIT, end of year</b>		<u>\$ (3,219,284)</u>	<u>\$ (2,436,021)</u>



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**ALGONQUIN GOLF LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

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	2004	2003
<b>CASH PROVIDED BY (USED FOR):</b>		
Operating activities:		
Net loss for the year	\$ (783,263)	\$ (819,974)
Add items not involving cash:		
Loss on sale of capital assets	91,800	21,126
Amortization	497,887	543,653
RDC contributions related to capital assets (Note 5)	(106,797)	(106,797)
Gain on sale of land	(25,299)	-
Increase of non-cash components of working capital	759,081	856,024
	<u>433,409</u>	<u>494,032</u>
Financing activities		
Reduction of capital lease liability	(133,171)	(117,551)
Repayment of principal portion of the loan	(308,547)	(304,117)
	<u>(441,718)</u>	<u>(421,668)</u>
Investing activities:		
Purchase of capital assets	(16,879)	(72,213)
Sale of land	25,299	-
	<u>8,420</u>	<u>(72,213)</u>
<b>INCREASE IN CASH</b>	111	151
Cash Position, beginning of year	<u>10,790</u>	<u>10,639</u>
<b>CASH POSITION, end of year</b>	<u>\$ 10,901</u>	<u>\$ 10,790</u>

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**ALGONQUIN GOLF LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 2004**

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**1. Description of Operations**

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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**

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Capital Assets

- a) A reserve for replacement of equipment 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 has been approved by management on a straight line basis at the rates shown in Note 3.

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**ALGONQUIN GOLF LIMITED  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2004**

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**3. Capital Assets**

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<b>Capital Assets</b>	<b>Rate</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Unamortized Balance</b>
Land	0%	\$ 211,556	\$ -	\$ 211,556
Buildings	5%	1,383,461	310,501	1,072,960
Golf Course Improvements	5%	4,958,769	1,114,077	3,844,692
Golf Course Equipment	20%	635,911	446,535	189,376
External Improvements	15%	244,196	140,081	104,115
Computer Hardware & Software	20%	8,444	4,553	3,891
Furniture and Fixtures	8%	75,219	26,233	48,986
Building Improvements	10%	28,866	6,483	22,383
Automotive Equipment	20%	31,856	12,742	19,114
		<u>\$7,578,278</u>	<u>\$2,061,205</u>	<u>\$5,517,073</u>

**4. Due to Province of New Brunswick**

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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 year. However, in the upcoming year, the Province of New Brunswick has agreed to allow Algonquin Golf Limited to make an interest only payment of \$263,841 on 31 March 2005. There will be a final installment of principal and interest of \$1,673,803 on 31 March, 2013. The loan bears interest at the rate of 6% compounded semi-annually not in advance, beginning in 1999. Interest on this loan for 2004 was \$268,572 (2003 - \$287,093).

**5. Deferred Contribution**

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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.

**6. Contributed Surplus**

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

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**ALGONQUIN GOLF LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 2004**

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**7. Obligations Under Capital Leases**

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Capital leases are in place for golf course equipment. The gross amount of assets under capital lease is \$266,941 with accumulated amortization totaling \$85,673. The total future principal and interest payments for capital leases amount to \$188,525. That amount includes \$176,259 in principal and \$12,266 in interest. Of the \$176,259, \$63,237 is due in current year and appears in current liabilities.

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

<u>Fiscal Year</u>	
2005	77,604
2006	54,148
2007	33,189
2008	<u>23,584</u>
	<b><u>\$ 188,525</u></b>

**8. Related Party Transactions**

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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 \$2.8 million (2003 - \$2.4 million), \$2.5 million is payable to Algonquin Properties Limited. (2003 - \$1.8 million) This payable is related to the transfer of revenues, expenses, assets and liabilities between the two corporations since 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.

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**ALGONQUIN GOLF LIMITED  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2004**

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**9. Budget**

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The budget figures, as shown in the statement of revenue, expense and deficit, have been approved by the Board of Directors. They have not been audited.



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**FINANCIAL STATEMENTS**

**ALGONQUIN PROPERTIES LIMITED**

**31 DECEMBER 2004**

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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 2004 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 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 2004 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  
Acting Auditor General


Fredericton, N. B.  
31 October 2005



**ALGONQUIN PROPERTIES LIMITED**  
**BALANCE SHEET**  
**31 DECEMBER 2004**

	2004	2003
<b>ASSETS</b>		
Current assets		
Cash and short term investments (Note 6)	\$ 1,459,014	\$ 2,105,106
Accounts receivable (Note 5c)	2,656,420	1,984,081
Inventories, at cost	167,413	166,735
Prepaid expenses	90,410	86,785
	<u>4,373,257</u>	<u>4,342,707</u>
Capital assets (Note 3)	13,724,724	14,324,715
	<u>\$ 18,097,981</u>	<u>\$ 18,667,422</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 420,596	\$ 509,019
Advance deposits	292,368	53,634
	<u>712,964</u>	<u>562,653</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	(23,153,411)	(22,433,659)
	<u>17,385,017</u>	<u>18,104,769</u>
	<u>\$ 18,097,981</u>	<u>\$ 18,667,422</u>

Approved by the Board

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

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**ALGONQUIN PROPERTIES LIMITED  
STATEMENT OF REVENUE AND EXPENSE  
FOR THE YEAR ENDED 31 DECEMBER 2004**

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	Budget (Note 8)	Actual 2004	Actual 2003
<b>REVENUE</b>			
Room sales	\$ 5,550,915	\$ 4,430,866	\$ 4,575,491
Food sales	2,764,146	2,281,254	2,338,098
Beverage sales	854,075	586,718	671,084
Telephone	110,325	60,935	91,348
Other sport activities	138,505	163,374	128,727
Miscellaneous	219,678	233,523	207,895
Interest	-	15,289	31,352
	<u>9,637,644</u>	<u>7,771,959</u>	<u>8,043,995</u>
<b>EXPENSE</b>			
Direct costs	4,830,245	4,166,043	4,130,748
Administrative and general	966,575	900,803	1,147,569
Advertising and promotion	776,942	641,743	664,199
Repairs and maintenance	1,172,281	643,291	658,077
Heat, light, power and water	473,776	585,228	547,468
Property taxes	340,200	341,955	334,733
Management fees	289,129	225,388	238,951
Amortization – capital assets	1,085,000	987,260	1,076,776
	<u>9,934,148</u>	<u>8,491,711</u>	<u>8,798,521</u>
<b>NET LOSS</b>	<u>\$ (296,504)</u>	<u>\$ (719,752)</u>	<u>\$ (754,526)</u>

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**ALGONQUIN PROPERTIES LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2004**

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	2004	2003
Capital stock		
Opening and closing balance	\$ 300,000	\$ 300,000
Deficit		
Opening balance	(22,433,659)	(21,679,133)
Net Loss	(719,752)	(754,526)
Ending balance	(23,153,411)	(22,433,659)
Contributed surplus		
Opening and closing balance	40,238,428	40,238,428
<b>Total equity</b>	<b>\$ 17,385,017</b>	<b>\$ 18,104,769</b>

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**ALGONQUIN PROPERTIES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

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	2004	2003
<b>CASH PROVIDED BY (USED FOR):</b>		
Operating activities:		
Net loss for the year	\$ (719,752)	\$ (754,526)
Add item not involving cash:		
Amortization	987,260	1,076,776
Increase of non-cash components of working capital	(526,331)	(768,673)
	<u>(258,823)</u>	<u>(446,423)</u>
Financing activities:	-	-
Investing activities:		
Purchases of capital assets	(387,269)	(352,978)
	<u>(387,269)</u>	<u>(352,978)</u>
<b>DECREASE IN CASH</b>	(646,092)	(799,401)
Cash position, beginning of year	<u>2,105,106</u>	<u>2,904,507</u>
<b>CASH POSITION, end of year</b>	<u>\$ 1,459,014</u>	<u>\$ 2,105,106</u>

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**ALGONQUIN PROPERTIES LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 2004**

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**1. Description of operations**

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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%	23,934,116	10,906,073	13,028,043
Operating equipment	8 – 20%	3,529,017	2,962,618	566,399
		<u>\$ 27,593,415</u>	<u>\$ 13,868,691</u>	<u>\$ 13,724,724</u>

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

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**ALGONQUIN PROPERTIES LIMITED  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2004**

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**4. Contributed Surplus**

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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**

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- (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 2004, Fairmont Hotels Inc. headquarters invoiced the Algonquin Hotel for a total of \$1,062,601 (2003 - \$985,673) for such services. The Algonquin also paid for \$53,062 (2003 - \$249,172) of goods and services from other Fairmont Hotels during 2004. 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 \$2.5 million (2003 - \$1.8 million). This amount will be reimbursed when sufficient funds are available.

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**ALGONQUIN PROPERTIES LIMITED  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2004**

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**6. Short Term Investments**

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As of December 31, 2004 Algonquin Properties Limited held short term investments in the amount of \$1,000,000 (2003 - \$700,000). They are in the form of Government of New Brunswick Treasury Bills and valued at lower of cost or market value.

**7. Fire Damage**

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In 2004 a building know as Fort Tipperary was gutted by fire and later determined to be totally destroyed. This building was a fully depreciated asset of Algonquin Properties Limited and is insured.

**8. Budget**

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





**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**FINANCIAL STATEMENTS**

**MARCH 31, 2005**

39 Canterbury Street  
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New Brunswick  
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**TEED  
SAUNDERS  
DOYLE & CO.**  
**Chartered Accountants**

Member of DFK Accountancy Group Inc.  
(Canada) and DFK International

**AUDITORS' REPORT**

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

We have audited the statements of financial position of the Board of Commissioners of Public Utilities of the Province of New Brunswick as at March 31, 2005 and the statements of operations and changes in 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Teed Saunders Doyle & Co.*

CHARTERED ACCOUNTANTS

Saint John, NB  
May 25, 2005

Saint John Partners  
John H. Teed      David L. Doyle  
Andrew P. Logan      D. Alan Colwell



Fredericton Partners  
Brian J. Saunders      Ralph D. Gorman  
David H. Bradley

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF ELECTRIC UTILITIES**

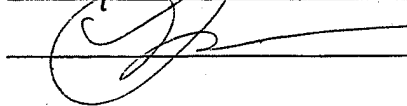
**STATEMENT OF FINANCIAL POSITION**

**AS AT MARCH 31, 2005**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Notes 2 and 3)	\$ 707,892	\$ 539,481
Accounts receivable (Notes 3 and 4)	26,588	10,615
Account receivable from Automobile Insurance Division (Note 3)	-	39,256
Prepaid expenses	<u>968</u>	<u>218</u>
	<u>735,448</u>	<u>589,570</u>
<b>CASH HELD IN TRUST</b> (Notes 3 and 5)	<u>56,442</u>	<u>24,371</u>
<b>CAPITAL</b> (Notes 2 and 6)	<u>50,248</u>	<u>59,455</u>
<b>DEFERRED FUTURE EMPLOYEE BENEFITS</b> (Notes 2 and 9)	<u>-</u>	<u>29,916</u>
	<u>\$ 842,138</u>	<u>\$ 703,312</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 3)	\$ <u>36,656</u>	\$ <u>26,325</u>
<b>CASH HELD IN TRUST</b> (Notes 3 and 5)	<u>56,442</u>	<u>24,371</u>
<b>FUTURE EMPLOYEE BENEFITS</b> (Notes 2 and 9)	<u>84,507</u>	<u>34,190</u>
<b>SURPLUS</b>		
<b>SURPLUS</b>	<u>664,533</u>	<u>618,426</u>
	<u>\$ 842,138</u>	<u>\$ 703,312</u>
<b>COMMITMENT</b> (Note 10)		

**APPROVED ON BEHALF OF THE BOARD:**

 \_\_\_\_\_ Chairman

 \_\_\_\_\_ Secretary

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF ELECTRIC UTILITIES**

**STATEMENT OF OPERATIONS AND CHANGES IN SURPLUS**

**FOR THE YEAR ENDED MARCH 31, 2005**

	<u>2005</u>	<u>2004</u>
<b>REVENUE (Note 2)</b>		
Assessment of electric utilities (Note 7)	\$ 775,310	\$ 605,259
Licensing	28,900	-
Interest and other income	<u>8,258</u>	<u>11,421</u>
	812,468	616,680
<b>DIRECT EXPENSES (Note 2)</b>	<u>169,466</u>	<u>169,628</u>
	<u>643,002</u>	<u>447,052</u>
<b>COMMON EXPENSES</b>		
Salaries and benefits	485,450	379,140
Office and administration	58,925	64,993
Training	31,496	29,205
Library and publications	2,965	1,329
Computer maintenance	2,713	1,987
Professional fees	4,367	4,727
Amortization	<u>10,979</u>	<u>18,223</u>
	<u>596,895</u>	<u>499,604</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	46,107	(52,552)
<b>SURPLUS AT BEGINNING OF YEAR</b>	<u>618,426</u>	<u>670,978</u>
<b>SURPLUS AT END OF YEAR</b>	<u>\$ 664,533</u>	<u>\$ 618,426</u>

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF ELECTRIC UTILITIES**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED MARCH 31, 2005**

	<u>2005</u>	<u>2004</u>
<b>CASH PROVIDED BY (USED IN)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ 46,107	\$ (52,552)
Item not involving cash		
Amortization	<u>10,979</u>	<u>18,223</u>
	57,086	(34,329)
<b>Changes in non-cash working capital balances</b>		
Accounts receivable	(15,973)	1,582
Account receivable from Automobile Insurance Division	39,256	(39,256)
Prepaid expenses	(750)	20
Deferred future employee benefits	29,916	(29,916)
Accounts payable and accrued liabilities	10,331	10,860
Future employee benefits	<u>50,317</u>	<u>34,190</u>
	<u>170,183</u>	<u>(56,849)</u>
<b>Investing activities</b>		
Purchase of capital assets	<u>(1,772)</u>	<u>(10,383)</u>
<b>INCREASE (DECREASE) IN CASH</b>	168,411	(67,232)
<b>CASH AT BEGINNING OF YEAR</b>	<u>539,481</u>	<u>606,713</u>
<b>CASH AT END OF YEAR</b>	\$ <u>707,892</u>	\$ <u>539,481</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	\$ 8,258	\$ 11,171

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF ELECTRIC UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**1. PURPOSE OF THE ORGANIZATION**

The Board of Commissioners of Public Utilities of the Province of New Brunswick has regulatory responsibility for electric utilities, automobile insurers, the public motor bus industry and natural gas distribution in New Brunswick. The Board operates with funds received from the industries it regulates, with the exception of the public motor bus industry, where it carries out its responsibilities with funds from the Provincial Department of Transportation.

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**

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

**Capital Assets**

Capital assets are recorded at cost. Minor expenditures for furniture and fixtures are expensed in the year of acquisition. Amortization is being provided for using the straight-line method at the following annual rates:

Computer equipment	33 1/3%
Vehicle	20%
Leasehold improvements	10%

**Future Employee Benefits**

On April 1, 2003, the Board adopted the new accounting standard on future employee benefits using the prospective application method. The Board initially amortized the transitional obligation on a straight-line basis over 8 years, the average remaining service period of employees expected to receive benefits as of March 31, 2004. In the current year, the remaining transitional obligation was expensed.

**Revenue**

The Board records revenue on an accrual basis.

**Allocations**

Certain amounts in the statement of financial position and statement of operations have been allocated between the Board's three divisions based on management's best judgment and actual activity during the year.

**Direct Expenses**

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

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF ELECTRIC UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**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.

**Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

**3. FINANCIAL INSTRUMENTS**

The Board of Commissioners of Public Utilities of the Province of New Brunswick's financial instruments consist of cash, accounts receivable, accounts receivable from the Automobile insurance Division, cash held in trust and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Board of Commissioners of Public Utilities of the Province of New Brunswick is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

**4. ACCOUNTS RECEIVABLE**

	<u>2005</u>	<u>2004</u>
Accounts receivable	\$ 13,628	\$ -
HST receivable	12,335	10,615
Travel advances	<u>625</u>	<u>-</u>
	<u>\$ 26,588</u>	<u>\$ 10,615</u>

**5. CASH HELD IN TRUST**

Cash of \$56,442 (2004 - \$24,371) 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.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF ELECTRIC UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**6. CAPITAL ASSETS**

	2005			2004
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 36,904	\$ 32,433	\$ 4,471	\$ 5,403
Vehicle	6,737	2,519	4,218	5,565
Leasehold improvements	<u>69,265</u>	<u>27,706</u>	<u>41,559</u>	<u>48,487</u>
	<u>\$ 112,906</u>	<u>\$ 62,658</u>	<u>\$ 50,248</u>	<u>\$ 59,455</u>

**7. ASSESSMENT OF 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.

	2005	2004
Gross electric utilities' earnings	\$ <u>1,315,874,479</u>	\$ <u>1,275,484,976</u>
Estimate of common expenses	\$ 621,736	\$ 631,243
Less: estimate of interest income	<u>(8,000)</u>	<u>(5,000)</u>
Estimate of net common expenses	613,736	626,243
Estimate of direct expenses	<u>780,000</u>	<u>625,000</u>
Surplus from prior year	<u>1,393,736</u> <u>(618,426)</u>	<u>1,251,243</u> <u>(645,984)</u>
Assessment of electric utilities	<u>\$ 775,310</u>	<u>\$ 605,259</u>

**8. 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, 2005 and March 31, 2004 as the Attorney General submitted no costs to the Board to be collected in its assessment.



**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF ELECTRIC UTILITIES**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**9. FUTURE EMPLOYEE BENEFITS**

**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 \$25,772. The Province has advised the Board that the plan was 91.5% funded as at April 1, 2002. Any short fall in the funding of the plan is guaranteed by the Province of New Brunswick, which is the sponsor of the plan.

**Retiring Allowances**

Following the guidelines set forth by the Province of New Brunswick, employees of the Board with a minimum of five continuous years of service are entitled to a retirement allowance based on their salary and full years of service up to a maximum of 25 years.

**10. COMMITMENT**

The Board has negotiated a lease of its office premises for a ten year period commencing March 1, 2001. This cost is allocated between the divisions of the Board as described in Note 2.

The minimum annual lease payments due within the next five years is as follows:

2006	\$	126,112
2007		149,923
2008		149,923
2009		149,923
2010		149,923

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF AUTOMOBILE INSURERS**

**STATEMENT OF FINANCIAL POSITION**

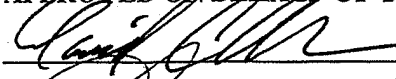
**AS AT MARCH 31, 2005**

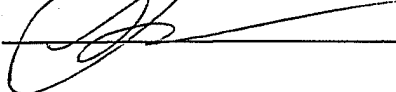
	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Notes 1 and 2)	\$ 85,529	\$ -
Accounts receivable (Note 2)	10,686	-
HST receivable (Note 2)	24,044	14,167
Prepaid expenses	<u>218</u>	<u>218</u>
	<u>120,477</u>	<u>14,385</u>
<b>CAPITAL (Notes 1 and 4)</b>	<u>50,248</u>	<u>59,455</u>
<b>DEFERRED FUTURE EMPLOYEE BENEFITS (Notes 1 and 5)</b>	<u>-</u>	<u>29,916</u>
	<u>\$ 170,725</u>	<u>\$ 103,756</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 2)	\$ 9,450	\$ 71,099
Account payable to Electric Utilities Division (Note 2)	-	39,256
Due to the Province of New Brunswick	<u>-</u>	<u>400,000</u>
	<u>9,450</u>	<u>510,355</u>
<b>FUTURE EMPLOYEE BENEFITS (Notes 1 and 5)</b>	<u>67,606</u>	<u>34,190</u>
<b>SURPLUS (DEFICIT)</b>		
<b>SURPLUS (DEFICIT)</b>	<u>93,669</u>	<u>(440,789)</u>
	<u>\$ 170,725</u>	<u>\$ 103,756</u>

COMMITMENT (Note 6)

SUBSEQUENT EVENT (Note 7)

APPROVED ON BEHALF OF THE BOARD:

 Chairman

 Secretary

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF AUTOMOBILE INSURERS**

**STATEMENT OF OPERATIONS AND CHANGES IN SURPLUS (DEFICIT)**

**FOR THE YEAR ENDED MARCH 31, 2005**

	<u>2005</u>	<u>2004</u>
<b>REVENUE (Note 1)</b>		
Assessment of automobile insurers (Note 3)	\$ 1,185,780	\$ 419,846
Interest	<u>8,258</u>	<u>11,171</u>
	1,194,038	431,017
<b>DIRECT EXPENSES (Note 1)</b>	<u>205,119</u>	<u>557,178</u>
	<u>988,919</u>	<u>(126,161)</u>
<b>COMMON EXPENSES</b>		
Salaries and benefits	369,271	343,996
Office and administration	61,867	64,029
Training	2,299	3,062
Library and publications	2,965	1,329
Computer maintenance	2,713	1,987
Professional fees	4,367	4,727
Amortization	<u>10,979</u>	<u>18,223</u>
	<u>454,461</u>	<u>437,353</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	534,458	(563,514)
<b>SURPLUS (DEFICIT) AT BEGINNING OF YEAR</b>	<u>(440,789)</u>	<u>122,725</u>
<b>SURPLUS (DEFICIT) AT END OF YEAR</b>	\$ <u>93,669</u>	\$ <u>(440,789)</u>

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF AUTOMOBILE INSURERS**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED MARCH 31, 2005**

	<u>2005</u>	<u>2004</u>
<b>CASH PROVIDED BY (USED IN)</b>		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 534,458	\$ (563,514)
Item not involving cash		
Amortization	<u>10,979</u>	<u>18,223</u>
	545,437	(545,291)
Changes in non-cash working capital balances		
Account receivable	(10,686)	-
HST receivable	(9,877)	(10,826)
Prepaid expenses	-	20
Deferred future employee benefits	29,916	(29,916)
Accounts payable and accrued liabilities	(61,649)	63,418
Account payable to Electrical Utilities Division	(39,256)	39,256
Due to Province of New Brunswick	(400,000)	400,000
Future employee benefits	<u>33,416</u>	<u>34,190</u>
	<u>87,301</u>	<u>(49,149)</u>
Investing activities		
Purchase of capital assets	<u>(1,772)</u>	<u>(10,383)</u>
<b>INCREASE (DECREASE) IN CASH</b>	85,529	(59,532)
<b>CASH AT BEGINNING OF YEAR</b>	<u>-</u>	<u>59,532</u>
<b>CASH AT END OF YEAR</b>	\$ <u>85,529</u>	\$ <u>-</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	\$ 8,258	\$ 11,171

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF AUTOMOBILE INSURERS**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash**

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

**Capital Assets**

Capital assets are recorded at cost. Minor expenditures for furniture and fixtures are expensed in the year of acquisition. Amortization is being provided for using the straight-line method at the following annual rates:

Computer equipment	33 1/3%
Vehicle	20%
Leasehold improvements	10%

**Future Employee Benefits**

On April 1, 2003, the Board adopted the new accounting standard on future employee benefits using the prospective application method. The Board initially amortized the transitional obligation on a straight-line basis over 8 years, the average remaining service period of employees expected to receive benefits as of March 31, 2004. In the current year, the remaining transitional obligation was expensed.

**Revenue**

The Board records revenue on an accrual basis.

**Allocations**

Certain amounts in the statement of financial position and statement of operations have been allocated between the Board's three divisions based on management's best judgment and actual activity during the year.

**Direct Expenses**

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

**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.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF AUTOMOBILE INSURERS**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

**2. FINANCIAL INSTRUMENTS**

The Board of Commissioners of Public Utilities of the Province of New Brunswick's financial instruments consist of cash, accounts receivable, HST receivable, accounts payable and accrued liabilities and accounts payable to the Electric Utilities Division. Unless otherwise noted, it is management's opinion that the Board of Commissioners of Public Utilities of the Province of New Brunswick is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

**3. ASSESSMENT OF AUTOMOBILE INSURERS**

In accordance with Section 9.1(1) of the Public Utilities Act, the 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>2005</u>	<u>2004</u>
Automobile insurers' premiums	\$ <u>490,962,000</u>	\$ <u>407,280,000</u>
Assessment of premiums	\$ <u>1,185,780</u>	\$ <u>419,846</u>

**4. CAPITAL ASSETS**

	<u>2005</u>			<u>2004</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 36,904	\$ 32,433	\$ 4,471	\$ 5,403
Vehicle	6,737	2,519	4,218	5,565
Leasehold improvements	<u>69,265</u>	<u>27,706</u>	<u>41,559</u>	<u>48,487</u>
	<u>\$ 112,906</u>	<u>\$ 62,658</u>	<u>\$ 50,248</u>	<u>\$ 59,455</u>

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF AUTOMOBILE INSURERS**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**5. FUTURE EMPLOYEE BENEFITS**

**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 \$23,356. The Province has advised the Board that the plan was 91.5% funded as at April 1, 2002. Any short fall in the funding of the plan is guaranteed by the Province of New Brunswick, which is the sponsor of the plan.

**Retiring Allowances**

Following the guidelines set forth by the Province of New Brunswick, employees of the Board with a minimum of five continuous years of service are entitled to a retirement allowance based on their salary and full years of service up to a maximum of 25 years.

**6. COMMITMENT**

The Board has negotiated a lease of its office premises for a ten year period commencing March 1, 2001. This cost is allocated between the divisions of the Board as described in Note 1.

The minimum annual lease payments due within the next five years is as follows:

2006	\$	126,112
2007		149,923
2008		149,923
2009		149,923
2010		149,923

**7. SUBSEQUENT EVENT**

In September 2004, the Province of New Brunswick enacted legislation to establish the New Brunswick Insurance Board. Consequently, effective April 1, 2005, the Board is no longer involved in the regulation of Automobile Insurers, and as a result, the surplus of \$93,669 less the unfunded portion of the net capital assets, will be transferred to the New Brunswick Insurance Board.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF NATURAL GAS**

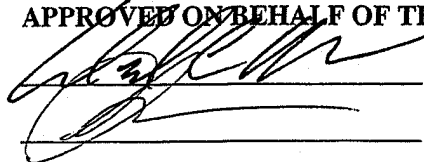
**STATEMENT OF FINANCIAL POSITION**

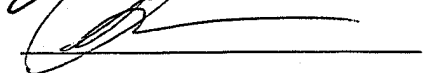
**AS AT MARCH 31, 2005**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Notes 1 and 2)	\$ 84,394	\$ 131,623
Accounts receivable (Notes 2 and 4)	21,260	4,289
Prepaid expenses	<u>968</u>	<u>218</u>
	<u>106,622</u>	<u>136,130</u>
<b>CAPITAL (Notes 1 and 5)</b>	<u>74,198</u>	<u>75,884</u>
<b>DEFERRED FUTURE EMPLOYEE BENEFITS (Notes 1 and 6)</b>	<u>-</u>	<u>29,916</u>
	<u>\$ 180,820</u>	<u>\$ 241,930</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 2)	\$ 37,644	\$ 18,034
Deferred revenue	<u>23,120</u>	<u>13,155</u>
	<u>60,764</u>	<u>31,189</u>
<b>FUTURE EMPLOYEE BENEFITS (Notes 1 and 6)</b>	<u>89,336</u>	<u>34,190</u>
<b>SURPLUS</b>		
<b>SURPLUS</b>	<u>30,720</u>	<u>176,551</u>
	<u>\$ 180,820</u>	<u>\$ 241,930</u>

**COMMITMENT (Note 7)**

**APPROVED ON BEHALF OF THE BOARD:**

 Chairman

 Secretary



**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF NATURAL GAS**

**STATEMENT OF OPERATIONS AND CHANGES IN SURPLUS**

**FOR THE YEAR ENDED MARCH 31, 2005**

	<u>2005</u>	<u>2004</u>
<b>REVENUE (Note 1)</b>		
Assessment of natural gas distributors (Note 3)	\$ 453,947	\$ 499,997
Franchise fees submitted by Department of Natural Resources and Energy	271,570	262,640
Marketers' filing fees	4,502	2,500
Interest and other income	<u>8,508</u>	<u>12,189</u>
	738,527	777,326
<b>DIRECT EXPENSES (Note 1)</b>	<u>222,498</u>	<u>120,556</u>
	<u>516,029</u>	<u>656,770</u>
<b>COMMON EXPENSES</b>		
Salaries and benefits	518,644	461,142
Office and administration	61,867	64,387
Training	26,255	40,637
Library and publications	2,965	1,329
Computer maintenance	2,713	1,987
Professional fees	4,367	4,727
Vehicle maintenance	24,203	19,340
Amortization	<u>20,846</u>	<u>27,301</u>
	<u>661,860</u>	<u>620,850</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	(145,831)	35,920
<b>SURPLUS AT BEGINNING OF YEAR</b>	<u>176,551</u>	<u>140,631</u>
<b>SURPLUS AT END OF YEAR</b>	<u>\$ 30,720</u>	<u>\$ 176,551</u>

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF NATURAL GAS**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED MARCH 31, 2005**

	<u>2005</u>	<u>2004</u>
<b>CASH PROVIDED BY (USED IN)</b>		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (145,831)	\$ 35,920
Item not involving cash		
Amortization	<u>20,846</u>	<u>27,301</u>
	(124,985)	63,221
Changes in non-cash working capital balances		
Accounts receivable	(16,971)	215
Prepaid expenses	(750)	20
Deferred future employee benefits	29,916	(29,916)
Accounts payable and accrued liabilities	19,610	4,122
Deferred revenue	9,965	13,155
Future employee benefits	<u>55,146</u>	<u>34,190</u>
	<u>(28,069)</u>	<u>85,007</u>
Investing activities		
Purchase of capital assets	<u>(19,160)</u>	<u>(10,383)</u>
<b>INCREASE (DECREASE) IN CASH</b>	(47,229)	74,624
<b>CASH AT BEGINNING OF YEAR</b>	<u>131,623</u>	<u>56,999</u>
<b>CASH AT END OF YEAR</b>	\$ <u>84,394</u>	\$ <u>131,623</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	\$ 8,258	\$ 12,189

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF NATURAL GAS**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash**

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

**Capital Assets**

Capital assets are recorded at cost. Minor expenditures for furniture and fixtures are expensed in the year of acquisition. Amortization is being provided for using the straight-line method at the following annual rates:

Computer equipment	33 1/3%
Safety vehicles	20%
Vehicle	20%
Leasehold improvements	10%

**Future Employee Benefits**

On April 1, 2003, the Board adopted the new accounting standard on future employee benefits using the prospective application method. The Board initially amortized the transitional obligation on a straight-line basis over 8 years, the average remaining service period of employees expected to receive benefits as of March 31, 2004. In the current year, the remaining transitional obligation was expensed.

**Revenue**

The Board records revenue on an accrual basis.

**Allocations**

Certain amounts in the statement of financial position and statement of operations have been allocated between the Board's three divisions based on management's best judgment and actual activity during the year.

**Direct Expenses**

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

**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.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF NATURAL GAS**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't)**

**Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

**2. FINANCIAL INSTRUMENTS**

The Board of Commissioners of Public Utilities of the Province of New Brunswick's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Board of Commissioners of Public Utilities of the Province of New Brunswick is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

**3. ASSESSMENT OF 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>2005</u>	<u>2004</u>
Estimate of common expenses	\$ 822,568	\$ 748,436
Less: estimate of interest income	(8,000)	(5,000)
Less: amounts from Department of Natural Resources and Energy	<u>(271,570)</u>	<u>(262,640)</u>
Estimate of net common expenses	542,998	480,796
Estimate of direct expenses	<u>87,500</u>	<u>77,350</u>
	630,498	558,146
Surplus from prior year	<u>(176,551)</u>	<u>(58,149)</u>
Assessment of natural gas distribution	\$ <u>453,947</u>	\$ <u>499,997</u>

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF NATURAL GAS**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**4. ACCOUNT RECEIVABLE**

	<u>2005</u>	<u>2004</u>
Accounts receivable	\$ 10,686	\$ -
HST receivable	9,949	4,289
Travel advances	<u>625</u>	<u>-</u>
	<u>\$ 21,260</u>	<u>\$ 4,289</u>

**5. CAPITAL ASSETS**

	<u>2005</u>			<u>2004</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 36,904	\$ 32,433	\$ 4,471	\$ 5,403
Safety vehicles	75,903	51,953	23,950	16,430
Vehicle	6,737	2,519	4,218	5,564
Leasehold improvements	<u>69,265</u>	<u>27,706</u>	<u>41,559</u>	<u>48,487</u>
	<u>\$ 188,809</u>	<u>\$ 114,611</u>	<u>\$ 74,198</u>	<u>\$ 75,884</u>

**6. FUTURE EMPLOYEE BENEFITS**

**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 \$31,410. The Province has advised the Board that the plan was 91.5% funded as at April 1, 2002. Any short fall in the funding of the plan is guaranteed by the Province of New Brunswick, who is the sponsor of the plan.

**Retiring Allowances**

Following the guidelines set forth by the Province of New Brunswick, employees of the Board with a minimum of five continuous years of service are entitled to a retirement allowance based on their salary and full years of service up to a maximum of 25 years.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE  
PROVINCE OF NEW BRUNSWICK**

**REGULATION OF NATURAL GAS**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**7. COMMITMENT**

The Board has entered into a lease of its office premises for a ten year period commencing March 1, 2001. This cost is allocated between the divisions of the Board as described in Note 1.

The minimum annual lease payments due within the next five years is as follows:

2006	\$	126,112
2007		149,923
2008		149,923
2009		149,923
2010		149,923

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**FINANCIAL STATEMENTS**

**TRUST FUND NO. 33**

**FISCAL STABILIZATION FUND**

**31 MARCH 2005**

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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 2005 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 2005 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  
Acting Auditor General

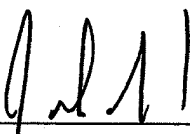
Fredericton, N. B.  
7 September 2005



**TRUST FUND NO. 33  
FISCAL STABILIZATION FUND  
STATEMENT OF FINANCIAL POSITION  
31 MARCH 2005**

	2005	2004
<b>ASSETS</b>		
Cash and short-term investments	\$ -	\$ 66,723,263
Accrued interest receivable	-	180,400
Fixed term investments	-	34,993,548
	<u>\$ -</u>	<u>\$ 101,897,211</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Current liabilities		
Accounts payable to Province of New Brunswick Consolidated Fund	\$ -	\$ 101,897,211
Fund equity	-	-
	<u>\$ -</u>	<u>\$ 101,897,211</u>

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

  
 \_\_\_\_\_  
 John Mallory  
 Deputy Minister of Finance

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**TRUST FUND NO. 33  
FISCAL STABILIZATION FUND  
STATEMENT OF REVENUE, EXPENDITURE AND FUND EQUITY BALANCE  
FOR THE YEAR ENDED 31 MARCH 2005**

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	2005	2004
<b>REVENUE</b>		
Investment income	\$ 538,439	\$ 5,242,821
<b>EXPENDITURE</b>		
Contribution to Province of New Brunswick Consolidated Fund	538,439	104,150,666
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE</b>	-	( 98,907,845)
Fund Equity balance, beginning of year	-	98,907,845
<b>FUND EQUITY BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

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**TRUST FUND NO. 33  
FISCAL STABILIZATION FUND  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**1. General**

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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**

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**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.

**3. Statement of cash flows**

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



*Financial Statements of*

**FOREST PROTECTION LIMITED**

*March 31, 2005*

**Deloitte & Touche LLP**

# Deloitte

Deloitte & Touche LLP  
Brunswick House  
44 Chipman Hill, 7th Floor  
P.O. Box 6549  
Saint John NB E2L 4R9  
Canada  
Tel: (506) 632-1080  
Fax: (506) 632-1210  
www.deloitte.ca

## Auditors' Report

To the Shareholders,  
Forest Protection Limited

We have audited the balance sheet of Forest Protection Limited as at March 31, 2005 and the statements of operations and unrestricted net assets (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, 2005 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 29, 2005

**FOREST PROTECTION LIMITED****Balance Sheet**

as at March 31, 2005

	2005	2004
<b>CURRENT ASSETS</b>		
Cash	\$ 230,748	\$ -
Accounts receivable	117,053	212,771
Inventories	801,794	795,859
Prepaid expenses	-	17,663
	<b>1,149,595</b>	<b>1,026,293</b>
<b>CAPITAL ASSETS (Note 2)</b>	<b>11,907,936</b>	<b>12,424,853</b>
	<b>\$ 13,057,531</b>	<b>\$ 13,451,146</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Bank indebtedness	\$ -	\$ 25,706
Operating loans (Note 3)	833,333	1,339,167
Accounts payable	194,701	287,084
Deferred revenue	275,157	303,833
Current portion of capital lease obligation (Note 4)	12,475	11,375
	<b>1,315,666</b>	<b>1,967,165</b>
<b>RESERVE FOR RETIRING ALLOWANCE (Note 5)</b>	<b>60,572</b>	<b>58,186</b>
<b>CAPITAL LEASE OBLIGATION (Note 4)</b>	<b>321,672</b>	<b>334,124</b>
<b>EQUITY</b>		
Capital stock (Note 6)	2,000	2,000
Contributed surplus	715,888	715,888
Net investment in capital assets	11,573,785	12,079,353
Business opportunity fund	200,000	-
Net assets internally restricted for equipment replacement	(1,071,480)	(2,031,775)
Unrestricted net assets (Deficit)	(60,572)	326,205
	<b>11,359,621</b>	<b>11,091,671</b>
	<b>\$ 13,057,531</b>	<b>\$ 13,451,146</b>

APPROVED BY THE BOARD

*[Signature]* Director  
*[Signature]* Director

**FOREST PROTECTION LIMITED****Statement of Operations and Unrestricted Net Assets (Deficit)**

year ended March 31, 2005

	2005	2004
<b>REVENUES</b>		
Contributions from owners		
Province of New Brunswick	\$ 2,710,474	\$ 2,978,007
Industry	425,055	522,921
Other revenue	2,023,229	1,260,459
Interest - Operating account	6,045	3,363
	<b>5,164,803</b>	<b>4,764,750</b>
<b>OPERATING EXPENSES (Note 7)</b>		
Overhead	833,708	706,716
Pest control	434,709	557,054
Fire suppression	2,287,798	2,089,941
Research and development	887,685	871,401
	<b>4,443,900</b>	<b>4,225,112</b>
<b>OTHER</b>		
Interest on investments	-	(3,870)
Interest expense	34,378	33,790
Amortization of capital assets	676,448	411,143
Reserve for retiring allowance	2,386	58,186
Sale of aircraft parts	(2,798)	(2,848)
Remediation reserve	-	(200,000)
Gain on disposal of capital assets - operating	(5,293)	(10,650)
Gain on disposal of TBMs	(252,168)	-
	<b>452,953</b>	<b>285,751</b>
<b>EXCESS OF REVENUES OVER EXPENSES BEFORE UNDERNOTED</b>	<b>267,950</b>	<b>253,887</b>
<b>UNRESTRICTED NET ASSETS (DEFICIT) AT BEGINNING OF YEAR</b>	<b>326,205</b>	<b>(198,091)</b>
	<b>594,155</b>	<b>55,796</b>
Transfer from net investment in capital assets	505,568	245,245
Transfer to net assets internally restricted for Business opportunity fund	(200,000)	-
Transfer from (to) net assets internally restricted for equipment replacement	(960,295)	25,164
<b>UNRESTRICTED NET ASSETS (DEFICIT) AT END OF YEAR</b>	<b>\$ (60,572)</b>	<b>\$ 326,205</b>



**FOREST PROTECTION LIMITED**  
**Statement of Changes in Net Assets**  
**year ended March 31, 2005**

	2005	2004
<b>NET INVESTMENT IN CAPITAL ASSETS</b>		
Balance at beginning of year	\$ 12,079,353	\$ 6,725,623
Transfers from (to) unrestricted operations:		
Acquisition of capital assets	159,528	161,398
Principal portion of capital lease	11,352	4,500
Proceeds on disposed or retired assets	(5,293)	(10,650)
Amortization of capital assets	(676,448)	(411,143)
Gain on disposal of capital assets	5,293	10,650
	(505,568)	(245,245)
Transfer from net assets internally restricted for equipment replacement:		
Acquisition of capital assets	-	5,598,975
	(505,568)	5,353,730
Balance at end of year	\$ 11,573,785	\$ 12,079,353

**FOREST PROTECTION LIMITED**  
**Statement of Changes in Net Assets**  
 year ended March 31, 2005

	2005	2004
<b>NET ASSETS INTERNALLY RESTRICTED FOR EQUIPMENT REPLACEMENT</b>		
Balance at beginning of year	\$ (2,031,775)	\$ 3,592,364
Transfers (to) from unrestricted operations:		
Interest earned on funds invested	-	3,870
Transfer of Unrestricted Net Assets	739,707	1,909
Sale of TBMs	252,168	-
Sale of aircraft parts	2,798	2,848
Interest expense	(34,378)	(33,791)
	960,295	(25,164)
Transfer to net investment in capital assets:		
Aircraft	-	(5,598,975)
Balance at end of year	\$ (1,071,480)	\$ (2,031,775)

**FOREST PROTECTION LIMITED****Statement of Cash Flows**

year ended March 31, 2005

	2005	2004
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	\$ 267,950	\$ 253,887
Amortization of capital assets	676,448	411,143
Remediation reserve	-	(200,000)
Retirement allowance	2,386	58,186
Gain on disposal of capital assets	(5,293)	(10,650)
Changes in non-cash operating working capital items:		
Accounts receivable	95,718	(5,125)
Prepaid expenses	17,663	(837)
Interest receivable	-	569
Inventories	(5,936)	11,120
Accounts payable	(92,384)	26,637
Deferred revenue	(28,677)	(219,268)
	<u>927,875</u>	<u>325,662</u>
<b>FINANCING</b>		
Increase (decrease) in operating loans	(505,834)	1,339,167
Capital lease obligation repayment	(11,352)	(4,501)
	<u>(517,186)</u>	<u>1,334,666</u>
<b>INVESTING</b>		
Acquisition of capital assets	(159,528)	(5,760,373)
Net change in short-term investments	-	3,360,897
Deposit on aircrafts	-	237,255
Proceeds on sale of capital assets	5,293	10,650
	<u>(154,235)</u>	<u>(2,151,571)</u>
<b>NET CASH INFLOW (OUTFLOW)</b>	<b>256,454</b>	<b>(491,243)</b>
<b>CASH POSITION, BEGINNING OF YEAR</b>	<b>(25,706)</b>	<b>465,537</b>
<b>CASH POSITION, END OF YEAR</b>	<b>\$ 230,748</b>	<b>\$ (25,706)</b>

**FOREST PROTECTION LIMITED****Notes to the Financial Statements**year ended March 31, 2005

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**1. ACCOUNTING POLICIES**

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

*Operations and net investment in capital assets*

- a. The Company is an organization that carries out pest control, fire suppression and research and development programs comprised predominantly of forest protection activities. The costs of the pest control programs, including all overhead expenditures, are shared between various owners, including, the Province of New Brunswick and other organizations on the basis of approved cost sharing formulas. Costs directly attributable to fire suppression activities are recovered directly from the Province of New Brunswick and other jurisdictions. The net cost of research and development activities, after deducting revenues received, is recovered on the basis of a separate approved cost sharing formula. The Company is not taxable in Canada 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 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 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, 2005

#### 1. ACCOUNTING POLICIES (continued)

##### *Net assets internally restricted*

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; and
- operating surpluses arising from unrestricted operations.

h. By authority of the Board of Directors, \$200,000 of the unrestricted net asset have been allocated to the business opportunity fund.

##### *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.

##### *Revenue recognition*

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured.

#### 2. CAPITAL ASSETS

	Cost	Accumulated Depreciation	Net Book Value	
			2005	2004
Land	\$ 75,000	\$ -	\$ 75,000	\$ 75,000
Building and mobile homes	741,645	258,897	482,748	477,691
Aircraft	12,906,482	1,872,375	11,034,107	11,499,131
Equipment	1,263,336	947,255	316,081	373,031
	<u>\$ 14,986,463</u>	<u>\$ 3,078,527</u>	<u>\$ 11,907,936</u>	<u>\$ 12,424,853</u>

## FOREST PROTECTION LIMITED

### Notes to the Financial Statements

year ended March 31, 2005

#### 3. OPERATING LOANS

The operating loans bear interest at rates ranging from Royal Bank Prime to Royal Bank Prime minus .55%.

#### 4. CAPITAL LEASE OBLIGATION

Capital lease obligation consisted of the following at March 31:

	<u>2005</u>	<u>2004</u>
Capital lease obligations	\$ 334,147	\$ 345,522
Less current portion of capital lease obligation	(12,475)	(11,375)
Capital lease obligation, net of current portion	<u>\$ 321,672</u>	<u>\$ 334,147</u>

The minimum future capital lease payments are as follows at March 31, 2005:

Year ending	Capital lease
2006	\$ 43,200
2007	43,200
2008	43,200
2009	43,200
2010	43,200
2011 and thereafter	<u>384,299</u>
	<u>600,299</u>
Less amount representing interest	<u>266,152</u>
	<u>\$ 334,147</u>

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**FOREST PROTECTION LIMITED**  
**Notes to the Financial Statements**  
**year ended March 31, 2005**

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**5. RESERVE FOR RETIRING ALLOWANCE**

The Company provides a retiring allowance for regular employees equal to one week's salary for each year of service, to a maximum of 25 weeks, payable upon retirement.

The amount represents the present value of the estimated liability for current employees based on a retirement age of 65.

**6. CAPITAL STOCK**

	<u>2005</u>	<u>2004</u>
	\$	\$
Authorized		
500 common shares \$10 par value each		
Issued and outstanding		
200 common shares	\$ 2,000	\$ 2,000

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**FOREST PROTECTION LIMITED**  
**Notes to the Financial Statements**  
year ended March 31, 2005

**7. OPERATING EXPENSES**

	<u>2005</u>	<u>2004</u>
<b>PROGRAM EXPENDITURES</b>		
Salaries and wages	\$ 1,451,688	\$ 1,397,478
Employer contributions	193,492	205,249
Transportation and communications	263,294	160,021
Remediation expenses	-	179,546
Consultants' fees, legal fees, audit, contractual, services, insurance, etc.	926,717	1,062,529
Maintenance and repairs (contractual)	962,443	707,247
Rentals	166,646	170,848
Interest on capital lease	31,848	2,700
Pesticides, materials and supplies	447,772	339,494
Expenses charged to operations	4,443,900	4,225,112
Principal portion of capital lease	11,352	4,500
Capitalized - capital assets	159,528	161,398
<b>Total program expenditures</b>	<b>\$ 4,614,780</b>	<b>\$ 4,391,010</b>

**PROGRAM EXPENDITURES BY OPERATIONAL DIVISION**

Overhead expenditures	\$ 833,708	\$ 706,716
Pest control expenditures	434,709	557,054
Research and development expenditures	887,685	871,401
Fire suppression - operational	2,287,798	2,089,941
	<b>\$ 4,443,900</b>	<b>\$ 4,225,112</b>

**8. PENSION LIABILITY**

The Company maintains a defined contribution pension plan for regular and contracted employees. The Company's contribution to the plan for the fiscal 2005 was \$ 37,599 (2004 - \$36,006).



**FOREST PROTECTION LIMITED**  
**Notes to the Financial Statements**  
**year ended March 31, 2005**

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**9. STATEMENT OF CASH FLOWS ADDITIONAL INFORMATION**

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

	<u>2005</u>	<u>2004</u>
	\$	\$
Interest received	6,045	3,364
Interest paid	34,378	29,920



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**FINANCIAL STATEMENTS**  
**KINGS LANDING CORPORATION**  
**31 MARCH 2005**

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## 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 2005 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the 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 2005 and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Daryl C. Wilson'.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
29 April 2005

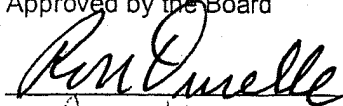
**KINGS LANDING CORPORATION  
STATEMENT OF FINANCIAL POSITION  
31 MARCH 2005**

	2005	2004
<b>ASSETS</b>		
Current assets		
Cash	\$ 30,643	\$ -
Marketable securities	5,270	5,190
Accounts receivable	18,031	37,464
Prepaid expenses	23,449	21,555
Inventories (Note 1 (c))	76,023	78,301
	<u>153,416</u>	<u>142,510</u>
Kings Landing Collection (Note 1(d))	1	1
Capital assets, net (Note 1(e))	2,026,768	1,805,069
	<u>\$ 2,180,185</u>	<u>\$ 1,947,580</u>


**LIABILITIES AND NET ASSETS**

Current liabilities		
Bank indebtedness	\$ -	\$ 114,893
Accounts payable and accrued liabilities	62,372	89,247
Deferred revenue	6,677	5,029
Deferred revenue - workforce adjustment	54,283	-
	<u>123,332</u>	<u>209,169</u>
Deferred contributions related to capital assets (Note 1(g))	1,994,886	1,771,535
Net assets		
Net assets invested in capital assets	31,881	33,534
Unrestricted net assets	30,086	( 66,658)
	<u>61,967</u>	<u>( 33,124)</u>
	<u>\$ 2,180,185</u>	<u>\$ 1,947,580</u>

Approved by the Board



Chairperson



Director

**KINGS LANDING CORPORATION  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED 31 MARCH 2005**

	Budget 2005 (Note 3)	Actual 2005	Actual 2004
<b>REVENUE</b>			
Admissions	\$ 367,410	\$ 307,715	\$ 354,227
Emporium	261,145	189,178	223,219
Food services	471,600	452,748	458,443
Education	85,100	80,887	87,112
Other operating revenue	45,600	89,963	66,424
	<u>1,230,855</u>	<u>1,120,491</u>	<u>1,189,425</u>
Grants			
Provincial operating	1,362,900	1,363,300	1,346,361
Provincial capital	50,000	31,863	47,792
Workforce adjustment	-	84,523	-
Other	-	-	20,674
Employment programs	25,000	34,286	49,471
Amortization of deferred contributions (Note 1(g))	-	101,184	95,364
	<u>1,437,900</u>	<u>1,615,156</u>	<u>1,559,662</u>
	<u>2,668,755</u>	<u>2,735,647</u>	<u>2,749,087</u>
<b>EXPENSE</b>			
Interpretation			
Interpretation	510,645	553,675	636,626
Education	66,662	56,222	83,834
Emporium	184,550	176,222	197,184
	<u>761,857</u>	<u>786,119</u>	<u>917,644</u>
Curatorial			
Maintenance	373,654	342,936	354,592
Security	156,277	159,820	168,643
Curatorial	256,171	224,880	319,314
	<u>786,102</u>	<u>727,636</u>	<u>842,549</u>
Visitor services	121,320	121,459	137,122
Public relations	200,225	185,428	211,643
Administration	236,525	261,288	248,967
Food services	390,545	371,265	375,810
Amortization	-	102,836	97,130
Workforce adjustment	-	84,525	-
	<u>948,615</u>	<u>1,126,801</u>	<u>1,070,672</u>
	<u>2,496,574</u>	<u>2,640,556</u>	<u>2,830,865</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE</b>	<u>\$ 172,181</u>	<u>\$ 95,091</u>	<u>\$ (81,778)</u>

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**KINGS LANDING CORPORATION  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 31 MARCH 2005**

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	Net assets Invested in Capital Assets	Unrestricted Net Assets	Total 2005	Total 2004
Balance, beginning of year	\$ 33,534	\$ (66,658)	\$ (33,124)	\$ 48,654
Excess (deficiency) of revenue over expense	(1,653)	96,744	95,091	(81,778)
Balance, end of year	\$ 31,881	\$ 30,086	\$ 61,967	\$ (33,124)

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**KINGS LANDING CORPORATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2005**

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	2005	2004
<b>CASH PROVIDED BY (USED FOR):</b>		
Operating activities		
Excess (deficiency) of revenue over expense	\$ 95,091	\$ (81,778)
Add item not involving cash:		
Amortization	102,836	97,130
Amortization of deferred contributions	(101,184)	(95,364)
Decrease (increase) of non-cash components of working capital	48,793	( 49,620)
	<u>145,536</u>	<u>( 129,632)</u>
Financing and investing activities:		
Purchases of capital assets	(324,535)	( 291,873)
Government grant for purchase of capital assets	324,535	263,530
	<u>-</u>	<u>( 28,343)</u>
<b>INCREASE (DECREASE) IN CASH</b>	145,536	( 157,975)
Cash position, beginning of year	<u>(114,893)</u>	43,082
<b>CASH POSITION, end of year</b>	<u>\$ 30,643</u>	<u>\$ (114,893)</u>



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**KINGS LANDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**1. Summary of significant accounting policies**

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**(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:

	2005	2004
Emporium	\$ 60,533	\$ 56,324
Less: Provision for obsolescence	( 12,339)	( 8,748)
	<u>48,194</u>	<u>47,576</u>
Fabrics	6,169	8,330
Food and liquor	19,309	20,875
Other	2,351	1,520
	<u>\$ 76,023</u>	<u>\$ 78,301</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 \$163,368 (2004 - \$62,182) were donated.

**KINGS LANDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

**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 the sewage treatment plant which is amortized on a straight line basis over thirty years, the estimated useful life of the asset.

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	2005	2004
Land		\$ 1	\$ 1
Buildings	5%	2,245,366	2,211,946
Computer hardware	20%	10,000	10,000
Equipment	10%	25,964	25,964
Automotive equipment	20%	108,694	108,694
Sewage treatment plant	30 years	520,979	229,865
		<u>2,911,004</u>	<u>2,586,470</u>
Less: Accumulated amortization		( 884,236)	( 781,401)
Total capital assets, net		<u>\$ 2,026,768</u>	<u>\$ 1,805,069</u>

**(f) Contributed services**

Volunteers contribute about 3,000 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. These contributions are amortized on the same basis as the assets to which they relate. The changes in the deferred contributions balance of the period are as follows:

	2005	2004
Beginning balance	\$ 1,771,535	\$ 1,603,369
Additional Grants	324,535	263,530
Less amounts amortized to revenue	( 101,184)	( 95,369)
Ending balance	<u>\$ 1,994,886</u>	<u>\$ 1,771,535</u>

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**KINGS LANDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**2. Income tax status**

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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**

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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.

Prior to the receipt of the fiscal 2005 provincial operating grant, the Corporation estimated that it would require a \$155,000 line of credit to temporarily fund its operations. The 2005 budget on the statement of operations represents the Corporation's plan to fund the repayment of this line of credit.



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**FINANCIAL STATEMENTS**

**LOTTERIES COMMISSION OF NEW BRUNSWICK**

**31 MARCH 2005**

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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 2005 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 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

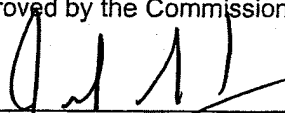
K. D. Robinson, CA  
Deputy Auditor General

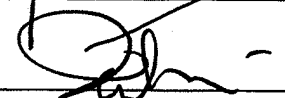
Fredericton, N. B.  
12 July 2005

**LOTTERIES COMMISSION OF NEW BRUNSWICK  
BALANCE SHEET  
31 MARCH 2005**

<b>ASSETS</b>	<b>2005</b>	<b>2004</b>
<b>Current assets</b>		
Due from Atlantic Lottery Corporation Inc.	\$ 211,906	\$ 754,083
<b>Other assets</b>		
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>\$ 212,007</u>	<u>\$ 754,184</u>
<b>LIABILITIES AND CONTRIBUTED SURPLUS</b>		
<b>Current liabilities</b>		
Due to Province of New Brunswick (Note 4)	\$ 211,906	\$ 754,083
<b>Contributed surplus (Note 2)</b>		
	<u>101</u>	<u>101</u>
	<u>\$ 212,007</u>	<u>\$ 754,184</u>

Approved by the Commission

  
 \_\_\_\_\_ Member

  
 \_\_\_\_\_ Member

**LOTTERIES COMMISSION OF NEW BRUNSWICK  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 2005**

	2005		2004
	Budget	Actual	Actual
<b>REVENUE</b>			
Share of net profit of Atlantic Lottery Corporation Inc. (Note 1)	\$ 121,096,000	\$ 122,744,669	\$ 119,318,902
Other revenue (Note 3)	29,000	24,510	22,865
	<u>121,125,000</u>	<u>122,769,179</u>	<u>119,341,767</u>
<b>EXPENDITURE</b>			
To the Province of New Brunswick (Note 1)			
Ordinary account revenue	117,586,000	114,812,366	113,335,887
Sport Development Trust Fund	500,000	500,000	500,000
Arts Development Trust Fund	700,000	700,000	700,000
Agreements with First Nations	-	4,348,446	2,469,268
Commission inspection expenses	1,137,000	1,206,426	1,137,000
Administrative costs	175,000	175,000	175,000
Department of Health and Wellness (Gambling addiction; education and treatment)	757,000	757,000	757,000
Department of Finance	270,000	269,941	267,612
	<u>121,125,000</u>	<u>122,769,179</u>	<u>119,341,767</u>
<b>EXCESS OF REVENUE OVER EXPENDITURE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



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**LOTTERIES COMMISSION OF NEW BRUNSWICK  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**1. Summary of significant accounting policies**

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**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.

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 2005, eight First Nations have signed agreements involving lottery revenues. In order for the First Nations to receive profits from the Lotteries Commission of New Brunswick, the agreements must be activated and the reserve must have a gaming commission. During the year, there were five active agreements with reserves having gaming commissions: Woodstock, St. Mary's, Elsipogtog, Oromocto and Burnt Church.

**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.

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**LOTTERIES COMMISSION OF NEW BRUNSWICK  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**2. Contributed surplus**

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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**

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	2005	2004
Current liability		
Balance, beginning of year	\$ 754,083	\$ 1,420,480
Income for the year	122,769,179	119,341,767
	<hr/>	<hr/>
Funds available to Province of New Brunswick	123,523,262	120,762,247
Less remittances during the year	123,311,356	120,008,164
Balance, end of year	<u>\$ 211,906</u>	<u>\$ 754,083</u>

**5. 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.

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**FINANCIAL STATEMENTS  
NEW BRUNSWICK  
ADVISORY COUNCIL ON SENIORS  
31 MARCH 2005**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Chair and Members  
New Brunswick Advisory Council on Seniors

I have audited the balance sheet of the New Brunswick Advisory Council on Seniors as at 31 March 2005 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 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Daryl C. Wilson".

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
2 June 2005

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**NEW BRUNSWICK ADVISORY COUNCIL ON SENIORS  
BALANCE SHEET  
31 MARCH 2005**

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	2005	2004
<b>ASSETS</b>		
Accounts receivable - Province of New Brunswick	<u>\$ 191,141</u>	<u>\$ 152,248</u>
<b>LIABILITIES AND SURPLUS</b>		
Surplus	<u>\$ 191,141</u>	<u>\$ 152,248</u>

Approved by the Council

*Anne Robichaud* Chair

*R. Johnson* Member

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**NEW BRUNSWICK ADVISORY COUNCIL ON SENIORS  
STATEMENT OF REVENUE, EXPENSE AND SURPLUS  
FOR THE YEAR ENDED 31 MARCH 2005**

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	2005 Budget	2005 Actual	2004 Actual
<b>REVENUE</b>			
Grants - Province of New Brunswick	\$ 204,146	\$ 204,146	\$ 200,000
<b>EXPENSE</b>			
Personal services	84,646	54,695	2,850
Other services	113,600	100,728	19,754
Materials and supplies	3,500	2,628	1,325
Property and equipment (Note 2)	2,400	7,202	23,823
	<u>204,146</u>	<u>165,253</u>	<u>47,752</u>
<b>EXCESS OF REVENUE OVER EXPENSE</b>	<u>\$ -</u>	38,893	152,248
Surplus, beginning of year		152,248	-
<b>SURPLUS, end of year</b>		<u>\$ 191,141</u>	<u>\$ 152,248</u>

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**NEW BRUNSWICK ADVISORY COUNCIL ON SENIORS  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**1. Purpose of the organization**

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The Council, an organization for study and consultation, has a mission to advise government on questions of interest and concern to seniors in the Province. The Council was established under the New Brunswick Advisory Council on Seniors Act, which came into force on 1 April 2003.

**2. Significant accounting policy**

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It is the policy of the Council to charge purchases of property and equipment to expense in the year in which the expenditure is incurred. These purchases consist mainly of computer and other office equipment.

**3. Expenses not included in these financial statements**

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

**4. Statement of cash flows**

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

**5. Significant commitment**

---

The Council is committed to the rental of its Fredericton office until 31 March 2009 at an annual cost of \$19,134.





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**FINANCIAL STATEMENTS**

**NEW BRUNSWICK**

**ADVISORY COUNCIL ON YOUTH**

**31 MARCH 2005**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Chairperson and Members  
New Brunswick Advisory Council on Youth

I have audited the balance sheet of the New Brunswick Advisory Council on Youth as at 31 March 2005 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 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Daryl C. Wilson".

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
14 June 2005

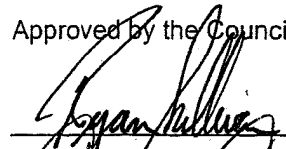
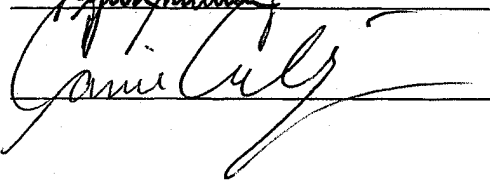
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**NEW BRUNSWICK ADVISORY COUNCIL ON YOUTH  
BALANCE SHEET  
31 MARCH 2005**

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	2005	2004
<b>ASSETS</b>		
Current assets		
Accounts receivable	\$ 61,359	\$ 98,324
<b>LIABILITIES AND SURPLUS</b>		
Current liabilities		
Deferred revenue	\$ 20,474	\$ 24,217
Surplus	40,885	74,107
	<u>\$ 61,359</u>	<u>\$ 98,324</u>

Approved by the Council

Chairperson

Member

**NEW BRUNSWICK ADVISORY COUNCIL ON YOUTH  
STATEMENT OF REVENUE, EXPENSE AND SURPLUS  
FOR THE YEAR ENDED 31 MARCH 2005**

	2005 Budget	2005 Actual	2004 Actual
<b>REVENUE</b>			
Operating grant from the Province of New Brunswick	\$ 147,000	\$ 147,000	\$166,600
Other grants	-	7,094	9,691
Miscellaneous	-	-	395
Administration fee revenue	-	-	3,500
Health Canada - Anti-tobacco	-	31,205	21,655
Rural dialogue follow-up	-	29,058	30,469
	<u>147,000</u>	<u>214,357</u>	<u>232,310</u>
<b>EXPENSE</b>			
Salaries and benefits	89,260	106,203	92,496
Travel and conference	20,250	23,446	18,016
Printing and photocopying	1,350	2,245	1,364
Telephone	8,650	8,080	7,014
Office expenses	10,195	14,308	7,992
Public relations and advertising	-	399	430
Honoraria	8,000	5,638	4,463
Furniture and equipment	4,000	8,624	22,798
Professional services	1,475	2,024	6,746
Translation	1,000	6,410	2,311
Rent	2,640	2,296	23,096
Repairs and maintenance	-	571	3,135
Miscellaneous	180	870	100
Special projects	-	-	85
Health Canada - Anti-tobacco	-	31,205	21,655
Rural dialogue follow-up	-	35,260	30,469
	<u>147,000</u>	<u>247,579</u>	<u>242,170</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE</b>	<u>\$ -</u>	<u>(33,222)</u>	<u>(9,860)</u>
Surplus, beginning of year		<u>74,107</u>	<u>83,967</u>
<b>SURPLUS, end of year</b>		<u>\$ 40,885</u>	<u>\$ 74,107</u>

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**NEW BRUNSWICK ADVISORY COUNCIL ON YOUTH  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**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 Council undertook a name change and reorganization upon proclamation of the *New Brunswick Advisory Council on Youth Act* on October 9, 2003. The New Brunswick Advisory Council on Youth is a provincial body established for study and consultation on matters relating to young people between the ages of 15 and 24.

**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. Expenses not included in the financial statements**

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The Department of Finance has assumed responsibility for costs of information technology services, human resource services and the financial administration of the Council.

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.

**4. 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.



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**FINANCIAL STATEMENTS**  
**NEW BRUNSWICK ARTS BOARD**  
**31 MARCH 2005**

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# FINANCIAL REPORT 2004-2005

## Auditor's Report

To the members of the *New Brunswick Arts Board*:

I have audited the records *New Brunswick Arts Board* as of March 31, 2005. I have carried out tests on these records that are normally carried out on a non-profit organization of this type.

I hereby state that, in my opinion, the attached statements present fairly the financial position of *New Brunswick Arts Board* as of March 31, 2005, in accordance with generally accepted accounting principles.

Sandy Brewer  
Certified General Accountant

May 25, 2005  
Douglas, NB



## FINANCIAL STATEMENTS

New Brunswick Arts  
Board  
Statement of Financial  
Position  
For the Year Ended  
March 31, 2005

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current Assets		
Bank	\$ 1,850	\$ 1,750
HST receivable	\$ 12,027	\$ 19,672
Prepaid expenses	\$ 10,282	\$ 5,009
Accounts receivable	\$ 10,677	\$142,896
	<u>\$ 34,836</u>	<u>\$169,327</u>
Other		
Investments (Note 3)	\$664,663	\$679,052
	<u>\$664,663</u>	<u>\$679,052</u>
<b>Total Assets</b>	<b>\$699,499</b>	<b>\$848,379</b>
<b>LIABILITIES</b>		
Current Liabilities		
Cheques in excess of funds on deposit	\$ 34,480	\$ 66,515
Accounts payable and accrued liabilities	\$ 2,750	\$ 23,008
Employee deductions payable	\$ 63	\$ 74
	<u>\$ 37,293</u>	<u>\$ 89,597</u>
Grants and Programs Payable (Note 6)	\$563,041	\$658,569
Fund Balances		
Unrestricted	\$ 99,165	\$100,213
	<u>\$ 99,165</u>	<u>\$100,213</u>
<b>Total Liabilities, Grants and Programs Payable, and Fund Balances</b>	<b>\$699,499</b>	<b>\$848,379</b>

*Paul E. Dwyer*

Acting Chair

*Debbie Snow*

Secretary Treasurer

New Brunswick Arts  
Board  
Statement of  
Operations  
For the Year Ended  
March 31, 2005

	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>		
Excellence Awards	\$ 500	\$ 21,000
Annual allocation	\$ 700,000	\$ 700,000
Special initiatives	\$ -	\$ 80,000
Culture and Sport Secretariat	\$ 402,325	\$ 302,325
Sponsorships	\$ 0	\$ 1,500
Other grants/revenue	\$ 12,802	\$ 161,050
Interest earned	\$ 13,426	\$ 24,229
Grants recovered	\$ 20,362	\$ 20,684
Expense reimbursement	\$ 8,851	\$ -
HST recovered to 100%	\$ -	\$ 47,447
<b>Total Revenue</b>	<b>\$1,158,266</b>	<b>\$1,358,235</b>
<b>EXPENSES</b>		
Capital assets (Note 4)	\$ 5,838	\$ 4,903
Salaries and benefits (Note 7)	\$ 243,880	\$ 208,483
Administration	\$ 77,574	\$ 83,450
Board and committee expenses	\$ 26,647	\$ 32,477
Jury expenses	\$ 39,631	\$ 39,025
Special initiatives	\$ 28,796	\$ 33,333
Excellence awards ceremonies	\$ 32,604	\$ 31,412
Grants and scholarships (Note 8)	\$ 699,971	\$ 888,795
<b>Total Expenses</b>	<b>\$1,154,941</b>	<b>\$1,321,878</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 3,325</b>	<b>\$ 36,357</b>
<b>BEGINNING FUND BALANCE</b>	<b>\$ 100,213</b>	<b>\$ 63,856</b>
<b>PRIOR PERIOD ADJUSTMENTS (Note 9)</b>	<b>\$ (4,373)</b>	<b>\$ -</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 99,165</b>	<b>\$ 100,213</b>

New Brunswick Arts  
Board  
Statement of Cash  
Flow  
For the Year Ended  
March 31, 2005

	<u>2005</u>	<u>2004</u>
<b>CASH PROVIDED BY OPERATIONS</b>		
Excess of revenues over expenses	\$ 3,325	\$ 36,357
Add back:		
Changes in non-cash working capital	\$ 114,322	\$(147,258)
Prior period adjustments	\$ (4,373)	\$ -
Grants and programs payable	\$ (95,528)	\$(142,524)
<b>Net Cash Provided in Operating Activities</b>	<b>\$ 17,746</b>	<b>\$(253,425)</b>
<b>Net Cash Provided in Investing Activities</b>		
Investments	\$ 14,389	\$ 254,863
<b>Increase in Cash During the Year</b>	<b>\$ 32,135</b>	<b>\$ 1,438</b>
<b>Cash at the Beginning of the Year</b>	<b>\$ (64,765)</b>	<b>\$(66,203)</b>
<b>Cash at the End of the Year</b>	<b>\$ (32,630)</b>	<b>\$ (64,765)</b>
<b>Cash at the End of the Year Consists of:</b>		
Bank	\$ 1,850	\$ 1,750
Cheques in excess of funds on deposit	\$ (34,480)	\$ (66,515)
	\$ (32,630)	\$ (64,765)

New Brunswick Arts  
Board  
Note to Financial  
Statements  
For the Year Ended  
March 31, 2005

**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 committed from various organizations.

**3. Investments**

The investment amount includes an amount deposited in a Money Market account as well as an amount invested in a short term investment with an annual interest rate of 2.39% and maturity date of March 30, 2006:

\$15,898 (Money market account)  
\$648,765 (Short-term investment)

**4. Capital Assets**

The following capital assets have been expensed:

\$ 520 (Office furniture)  
\$ 5,318 (Office equipment)

**5. Contributions**

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

**6. Commitments**

The non-for-profit organization is committed to pay out previous years' grants and scholarships that were determined and authorized in previous years, 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, 2005
Artist in Residence February 2002	\$ 690
Presentation February 2002	\$ 5,760
Arts Builder March 2002	\$ 45,916
Aboriginal Arts 2002-2003	\$ 300
Arts by Invitation 2002-2003	\$ 1,687
Creation/Documentation April 2002	\$ 2,100
Arts Builder September 2002	\$ 9,100
Artist in Residence February 2003	\$ 1,650
Art Scholarships February 2003	\$ 6,750
Arts Builder March 2003	\$ 20,000
Creation/Documentation April 2003	\$ 2,100
Emerging Artist April 2003	\$ 2,100
Arts Builder September 2003	\$ 51,200
Creation/Documentation October 2003	\$ 8,400
Emerging Artist October 2003	\$ 2,100
Arts by Invitation December 2003	\$ 152
Arts Netlantic January 2004	\$ 500
Arts by Invitation February 2004	\$ 1,560
Artist in Residence February 2004	\$ 33,845
Art Scholarships February 2004	\$ 8,350
Presentation February 2004	\$ 8,400
Aboriginal Arts April 2004	\$ 4,200
Creation/Documentation April 2004	\$ 20,195
Emerging Artists April 2004	\$ 3,500
Arts by Invitation August 2004	\$ 305
Aboriginal Arts October 2004	\$ 3,600

New Brunswick Arts Board

Creation/Documentation October 2004	\$ 39,550
Emerging Artists October 2004	\$ 7,350
Arts by Invitation December 2004	\$ 600
Excellence Awards 2005	\$ 26,000
Arts by Invitation January 2005	\$ 154
Artists in Residence February 2005	\$ 83,043
Art Scholarships February 2005	\$ 72,500
Presentation February 2005	\$ 89,150
Arts by Invitation March 2005	\$ 234
<b>Total Grants Payable</b>	<b>\$563,041</b>

**7. Salaries and Benefits**

Executive salaries and benefits for the year ended March 31, 2005, were \$67,799 (\$54,481 for 2004). The 2004 salaries are for a nine-month period as there was a change in staff during the year.

**8. Grants and Scholarships**

This amount represents the total grants and scholarships awarded for the 2004-2005 fiscal year.

**9. Prior Period Adjustments**

Subsidy receivable from Arts Neltantic at March 31, 2004 not received.	\$(6,000)
Jury expenses accrued at March 31, 2004 not realized.	<u>\$ 1,627</u>
	\$(4,373)

**10. Change in Financial Statement Presentation**

The current year financial statement presentation has been changed from the presentation on the March 31, 2004 financial statements as follows:

On the **Balance Sheet**, "Investments" has been moved from *Current Assets* to *Other*.

On the **Statement of Cash Flow**, "Cash Position" now includes only the bank amounts shown in *Current Assets* and *Current Liabilities*. The March 31, 2004 financial statements included the *Investments* amount in this figure.



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**FINANCIAL STATEMENTS**

**NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION**

**31 DECEMBER 2004**

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## 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 2004 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 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Daryl C. Wilson'.

Daryl C. Wilson, FCA  
Auditor General

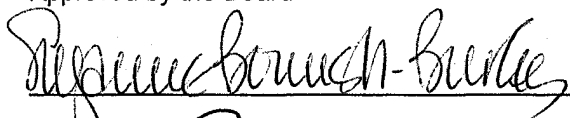
Fredericton, N. B.  
4 March 2005




**NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION  
BALANCE SHEET  
31 DECEMBER 2004**

	2004	2003
<b>ASSETS</b>		
Cash	\$ 14,929	\$ 17,010
Accounts receivable	401	771
Assets held in trust funds (Note 4)	2,763,055	1,188,000
	<u>\$ 2,778,385</u>	<u>\$ 1,205,781</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 328	\$ -
Advances - stabilization boards (Note 2(a))	15,002	17,781
<b>NET ASSETS OF THE DEPOSIT INSURANCE FUND (Note 5)</b>	<u>2,763,055</u>	<u>1,188,000</u>
	<u>\$ 2,778,385</u>	<u>\$ 1,205,781</u>
Contingent liability (Note 8)		

Approved by the Board

 Chairperson

 Director

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**NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION  
STATEMENT OF REVENUE, EXPENDITURE AND NET ASSETS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

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	<u>2004</u>	<u>2003</u>
<b>REVENUE</b>		
Contributions - Administrative expenses	\$ 2,779	\$ 7,391
Contributions - Deposit Insurance Fund (Note 5)	1,648,374	100,946
	<u>1,651,153</u>	<u>108,337</u>
<b>EXPENDITURE</b>		
Professional services and other	1,599	1,114
Board of Directors	1,180	6,278
Distributions - Deposit Insurance Fund (Note 5)	73,319	32,278
	<u>76,098</u>	<u>39,670</u>
<b>EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR</b>	1,575,055	68,667
<b>NET ASSETS OF THE DEPOSIT INSURANCE FUND - BEGINNING OF YEAR</b>	<u>1,188,000</u>	<u>1,119,333</u>
<b>NET ASSETS OF THE DEPOSIT INSURANCE FUND - END OF YEAR</b>	<u>\$ 2,763,055</u>	<u>\$ 1,188,000</u>

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**NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2004**

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**1. Authority and objective**

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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, at least one of whom is appointed by the Minister.

**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 expenses 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 2004**

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**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 2004:

	<b>Book Value</b>	<b>Market Value</b>
Cash	\$ 3,380	\$ 3,380
Interest receivable	10,487	10,487
Contribution receivable (refundable)	(59,065)	(59,065)
Government of Canada Bonds	356,473	361,243
Provincial and Municipal Bonds	1,477,054	1,518,752
Public Utility Bonds	208,098	206,589
Corporate Bonds	766,628	766,624
Total - 2004	<u>\$ 2,763,055</u>	<u>\$ 2,808,010</u>
Total - 2003	<u>\$ 1,188,000</u>	<u>\$ 1,208,912</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.

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**NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2004**

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**5. Deposit Insurance Fund - continued**

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In the event that the Corporation is obliged to make a payment under section 223 of the *Credit Unions Act* that should exceed the amount maintained in the deposit insurance fund, the Corporation may seek a loan or a loan guarantee pursuant to section 228 of the Act.

At 31 December 2004 the balance in the trust fund accounts administered by l'Office de Stabilisation de la Fédération des Caisses Populaires Acadiennes Limitée and by the Brunswick Credit Union Federation Stabilization Board Limited was as follows:

	Fund Balance as at 31 December 2003	Contribution/ (Distribution) to/(from) Corporation	Fund Balance as at 31 December 2004
L'Office de Stabilisation de la Fédération des Caisses Populaires Acadiennes Limitée	\$ 458,627	\$ (73,319)	\$ 385,308
Brunswick Credit Union Federation Stabilization Board Limited	729,373	1,648,374	2,377,747
Total	<u>\$ 1,188,000</u>	<u>\$ 1,575,055</u>	<u>\$ 2,763,055</u>

**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.

**7. 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.

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**NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2004**

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**8. Contingent liability**

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At 31 December 2004 a large credit union was under the supervision of the stabilization board of which it is a member. No request for assistance from the stabilization board, nor any request for payment of deposit insurance by the Corporation, has been received to the date of the financial statements. No amount has been recorded as a liability for future requests as the likelihood of such requests being received and paid is undeterminable at this time. (See Note 5)

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**FINANCIAL STATEMENTS**

**NEW BRUNSWICK**

**CROP INSURANCE COMMISSION**

**31 MARCH 2005**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Chairperson 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 2005 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 2005 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.  
29 August 2005



**NEW BRUNSWICK CROP INSURANCE COMMISSION  
BALANCE SHEET  
31 MARCH 2005**

	2005	2004
<b>ASSETS</b>		
Accounts receivable		
- Canada	\$ 411,998	\$ 135,916
- Other	1,023	297
	<u>413,021</u>	<u>136,213</u>
Crop Insurance Trust Account (Note 2)	4,590,210	8,430,756
	<u>\$ 5,003,231</u>	<u>\$ 8,566,969</u>

**LIABILITIES AND SURPLUS**

Accounts payable		
Indemnities	\$ 2,742,158	\$ 732,099
Province of New Brunswick	2,103	11,426
Canada	2,120	2,086,672
	<u>2,746,381</u>	<u>2,830,197</u>
Deferred revenue (Note 4)	63,288	61,957
Surplus	2,193,562	5,674,815
	<u>\$ 5,003,231</u>	<u>\$ 8,566,969</u>

Approved by the Commission

Sérgio Bourgeois

Chairperson

[Signature]

Member

**NEW BRUNSWICK CROP INSURANCE COMMISSION  
STATEMENT OF REVENUE AND EXPENSE  
FOR THE YEAR ENDED 31 MARCH 2005**

	2005	2004
<b>REVENUE</b>		
Premiums from producers (Schedule A)	\$ 625,691	\$ 289,303
Premiums contributions		
- Province of New Brunswick	536,489	540,786
- Canada	802,949	811,179
	<u>1,965,129</u>	<u>1,641,268</u>
Contributions for administration		
- Province of New Brunswick	376,631	361,204
- Canada	564,946	541,807
Interest from producers	2,379	5,862
	<u>2,909,085</u>	<u>2,550,141</u>
<b>EXPENSE</b>		
Indemnities (Schedule B)	5,429,109	1,539,431
Administration (Schedule C)	941,577	903,011
Crop Reinsurance Fund of New Brunswick	9,826	8,206
Crop Reinsurance Fund of Canada for New Brunswick	9,826	2,092,126
	<u>6,390,338</u>	<u>4,542,774</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE FOR THE YEAR</b>	<u>\$ (3,481,253)</u>	<u>\$ (1,992,633)</u>

---

**NEW BRUNSWICK CROP INSURANCE COMMISSION  
STATEMENT OF SURPLUS  
FOR THE YEAR ENDED 31 MARCH 2005**

---

	2005	2004
Surplus, beginning of year	\$ 5,674,815	\$ 7,667,448
Excess (deficiency) of revenue over expense for the year	<u>( 3,481,253)</u>	<u>( 1,992,633)</u>
<b>SURPLUS, END OF YEAR</b>	<u>\$ 2,193,562</u>	<u>\$ 5,674,815</u>

---

**NEW BRUNSWICK CROP INSURANCE COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2005**

---

	2005	2004
<b>CASH PROVIDED BY (USED FOR)</b>		
Operating activities:		
Excess (deficiency) of revenue over expense for the year	\$ (3,481,253)	\$ (1,992,633)
(Increase) decrease in accounts receivable	( 276,808)	( 112,317)
Increase (decrease) in accounts payable	( 83,816)	2,724,608
Increase in deferred revenue	1,331	1,750
(Increase) decrease in trust account	3,840,546	( 621,408)
Cash provided by operations	-	-
<b>CASH POSITION AT BEGINNING AND AT END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>

---

**NEW BRUNSWICK CROP INSURANCE COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**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
60%	25%	30%	45%
70%	30%	28%	42%
80%	40%	24%	36%

**(b) Administrative expense contributions**

The Province of New Brunswick and Canada pay 40% and 60% respectively of all costs incurred in the administration of the crop insurance program.

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**NEW BRUNSWICK CROP INSURANCE COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2005**

---

**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 (0.5% of total premiums in 2005 and 2004) is submitted to each of the Crop Reinsurance Fund of Canada for New Brunswick and the Crop Reinsurance Fund of New Brunswick. According to the Canada–New Brunswick Implementation Agreement, if either the Crop Reinsurance Fund of Canada for New Brunswick or the Crop Reinsurance Fund of New Brunswick is in a deficit position, any credit balance in the provincial insurance fund in excess of 50% of total premiums received in that fiscal year shall be paid as an additional premium to the reinsurance funds. Accordingly, an additional payment of \$2,083,920 was paid to the Crop Reinsurance Fund of Canada for New Brunswick in 2004. Contributions are made by the Funds for a portion of any operating deficits incurred by the Commission on a crop year basis.

<b>Crop Reinsurance Fund of Canada for New Brunswick</b>	<b>2005</b>	<b>2004</b>
Deficit, 1 April	\$ -	\$ (2,092,126)
Premiums submitted	9,826	8,206
Additional premium	-	2,083,920
Surplus, 31 March	<u>\$ 9,826</u>	<u>\$ -</u>

<b>Crop Reinsurance Fund of New Brunswick</b>	<b>2005</b>	<b>2004</b>
Surplus, 1 April	\$ 2,176,721	\$ 2,168,515
Premiums submitted	9,826	8,206
Surplus, 31 March	<u>\$ 2,186,547</u>	<u>\$ 2,176,721</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 2005**

---

	2005	2004
Potatoes	\$ 450,112	\$ 145,418
Spring grain	83,304	65,658
Apples	30,414	22,305
Blueberries	31,133	38,380
Strawberries	18,724	15,995
Canola	-	1,547
Sweet corn	3,766	-
Processing carrots	8,238	-
	<u>\$ 625,691</u>	<u>\$ 289,303</u>

---

**SCHEDULE B****NEW BRUNSWICK CROP INSURANCE COMMISSION  
SCHEDULE OF INDEMNITIES  
FOR THE YEAR ENDED 31 MARCH 2005**

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	2005	2004
Potatoes	\$ 4,067,822	\$ 765,278
Spring grain	1,119,947	534,438
Apples	141,313	116,728
Blueberries	56,481	26,304
Strawberries	23,569	34,823
Canola	-	61,860
Sweet corn	9,236	-
Processing carrots	10,741	-
	<hr/>	<hr/>
	\$ 5,429,109	\$ 1,539,431



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**SCHEDULE C****NEW BRUNSWICK CROP INSURANCE COMMISSION  
SCHEDULE OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED 31 MARCH 2005**

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	2005	2004
Personnel	\$ 635,982	\$ 634,632
Information costs	1,452	2,373
Transportation and communication	64,442	61,246
Utilities, material and supplies	3,883	4,558
Professional services	150,849	114,950
Repairs and maintenance	7,749	5,852
Office accommodations and equipment rentals	48,444	52,158
Capital equipment	7,569	7,053
Other	21,207	20,189
	<u>\$ 941,577</u>	<u>\$ 903,011</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, 2005

Peter G. Gaulton  
Chartered Accountant

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

Bus: (506) 634-7393  
7609  
Fax: (506) 652-8618

Res: (506) 634-

E Mail: gaultonp@nbnet.nb.ca

## AUDITOR'S REPORT

To the Director's of New Brunswick Distance Education Network Inc.:

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, 2005 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, 2005, and the results of operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for non-profit organizations.

Saint John, NB  
August 9, 2005

  
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

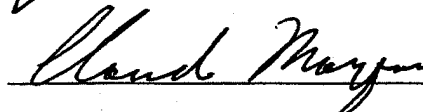
For the year ended March 31, 2005

	2005	2004
<b>ASSETS</b>		
Current:		
Cash in bank	\$ 243,302	\$ 163,580
Accounts receivable	5,760	430,150
Harmonized sales tax recoverable	242	8,194
	<u>\$ 249,304</u>	<u>\$ 601,924</u>
<b>LIABILITIES</b>		
Current:		
Accounts payable	\$ 5,400	\$ 303,812
<b>NET ASSETS</b>		
Unrestricted net assets	243,904	298,112
	<u>\$ 249,304</u>	<u>\$ 601,924</u>
Related party transactions (note 4)		Discontinuance of activities (note 5)

See accompanying notes to financial statements

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, 2005

	2005	2004
<b>Receipts:</b>		
Federal Government	\$ 271	\$ 17,614
Provincial Government	-	272,000
Universities/colleges	1,000	625,666
Expense recovery	892	79,177
Harmonized sales tax rebate	-	6,916
Miscellaneous	3,411	5,158
	5,574	1,006,531
<b>Disbursements:</b>		
Bank charges	268	723
Professional service contracts	-	831,861
Meetings	-	10,945
Travel	681	23,300
Professional services	6,200	6,525
Public relations and advertising	-	2,705
Professional development	-	4,095
Telephone	-	274
Miscellaneous	379	6,408
Bad debts	233	-
	7,761	886,836
Excess of receipts over disbursements (disbursements over receipts)	(2,187)	119,695
Net assets, beginning of year	298,112	178,417
	295,925	298,112
Transfer Connect NB Branché bank account to New Brunswick Community Learning Access Network (NB CLAN)	(52,021)	-
<b>Net assets, end of year</b>	<b>\$ 243,904</b>	<b>\$ 298,112</b>

# 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, 2005

	2005	2004
Cash provided by (used in)		
Operations:		
Excess of receipts over disbursements (disbursements over receipts)	\$ (2,187)	\$ 119,695
Decrease (increase) in accounts receivable	424,390	(376,238)
Decrease (increase) in HST recoverable	7,952	33,859
Increase (decrease) in accounts payable	(298,412)	192,051
Decrease in deferred revenue	-	(272,000)
Transfer of funds to NB CLAN	(52,021)	-
Increase (decrease) in cash during the period	79,722	(302,633)
Cash, beginning of year	163,580	466,213
<b>Cash, end of year</b>	<b>\$ 243,302</b>	<b>\$ 163,580</b>
Consisting of:		
Bank - Operating account	\$ 243,302	\$ 111,733
- Community Access account	-	51,847
	<b>\$ 243,302</b>	<b>\$ 163,580</b>

# 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, 2005

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## 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. The company is not taxable under the income tax laws of Canada and New Brunswick.

## 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 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.

## 5. Discontinuance of activities

During the year the corporation did not seek any new funding sources and does not expect to seek new funding sources in the future.



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**FINANCIAL STATEMENTS**

**NEW BRUNSWICK**

**ELECTRIC FINANCE CORPORATION**

**31 MARCH 2005**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Shareholder of  
New Brunswick Electric Finance Corporation

I have audited the balance sheet of the New Brunswick Electric Finance Corporation as at 31 March 2005 and the statements of income and deficit and cash flows for the six-month period then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2005 and the results of its operations and its cash flows for the six-month period then ended in accordance with Canadian generally accepted accounting principles.

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

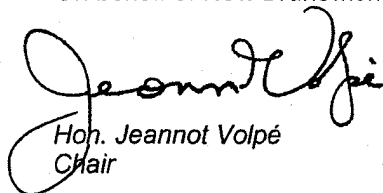
K. D. Robinson, CA  
Deputy Auditor General

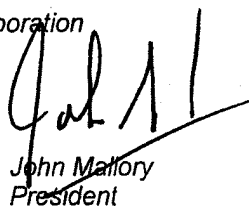
Fredericton, N. B.  
18 November 2005

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION**  
**BALANCE SHEET**  
**MARCH 31, 2005**

ASSETS	MARCH 31, 2005	OCTOBER 1, 2004
<b>Current Assets</b>		
Cash	\$ 114,421	\$ -
Short-term notes receivable from NB Power Holding Corporation	339,799,231	295,594,710
Accounts receivable from the NB Power Group	4,852,597	-
Accrued interest receivable from the NB Power Group	59,150,670	70,618,190
Prepaid expense	419,699	-
Current portion of long-term notes receivable from the NB Power Group	357,010,000	163,010,000
	<u>761,346,618</u>	<u>529,222,900</u>
<b>Long-Term Assets</b>		
Long-term notes receivable from the NB Power Group (Note 3)	2,458,480,000	2,673,990,000
Investment in the NB Power Group	135,660,951	140,000,006
	<u>2,594,140,951</u>	<u>2,813,990,006</u>
<b>Other Assets</b>		
Deferred debt costs, less amounts amortized	46,238,133	49,786,791
<b>Total Assets</b>	<u>\$ 3,401,725,702</u>	<u>\$ 3,392,999,697</u>

On behalf of New Brunswick Electric Finance Corporation

  
Hon. Jeannot Volpé  
Chair

  
John Mallory  
President

See accompanying notes to the financial statements

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION**  
**BALANCE SHEET**  
**MARCH 31, 2005**

<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>MARCH 31, 2005</b>	<b>OCTOBER 1, 2004</b>
<b>Current Liabilities</b>		
Short-term indebtedness (Note 4)	\$ 422,016,976	\$ 378,169,595
Accrued interest payable on debenture debt	73,398,195	82,426,696
Accounts payable - NB Power Group	4,011,919	-
Accounts payable - Other	52,597	-
Current portion of long-term debt	437,317,801	137,160,116
	<u>936,797,488</u>	<u>597,756,407</u>
<b>Long-term Debt</b>		
Debentures (Note 4)	3,085,443,130	3,400,335,931
Less Sinking fund (Note 4)	434,904,480	418,141,127
	<u>2,650,538,650</u>	<u>2,982,194,804</u>
<b>Shareholder's Equity</b>		
Capital stock (Note 5)	1	1
Deficit	( 185,610,437)	( 186,951,515)
	<u>( 185,610,436)</u>	<u>( 186,951,514)</u>
<b>Total Liabilities and Shareholder's Equity</b>	<b>\$ 3,401,725,702</b>	<b>\$ 3,392,999,697</b>

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**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION**  
**STATEMENT OF INCOME AND DEFICIT**  
**FOR THE SIX-MONTH PERIOD ENDED MARCH 31, 2005**

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**Revenue**

Interest from the NB Power Group	\$	99,278,077
Special payments in lieu of taxes (Note 6)		15,788,919
Net income from the NB Power Group		460,945
Debt portfolio management fee (Note 3)		10,088,704
Sinking fund earnings		13,056,022
Investment income		55,420
Administration recovery		52,597
		<u>138,780,684</u>

**Expenses**

Long-term interest expense		117,430,116
Short-term interest expense		5,007,549
Debt portfolio management fee (Note 4)		11,272,718
Amortization of deferred debt costs		3,548,657
Unrealized foreign exchange losses		127,969
Other expenses		52,597
		<u>137,439,606</u>

**NET INCOME FOR THE PERIOD**

Deficit, beginning of period

DEFICIT, end of period

\$	1,341,078
	<u>( 186,951,515)</u>
\$	<u>(185,610,437)</u>

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**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION  
STATEMENT OF CASH FLOWS  
FOR THE SIX-MONTH PERIOD ENDED MARCH 31, 2005**

---

**CASH PROVIDED BY (USED FOR):**

**Operating Activities:**

Net income for the period	\$ 1,341,078
Add (deduct)	
Net income from the NB Power Group	( 460,945)
Sinking fund earnings	( 13,056,022)
Amortization of debt costs	3,548,657
Unrealized foreign exchange losses	127,969
Decrease in non-cash components of working capital <sup>1</sup>	5,674,099
	<u>( 2,825,164)</u>

**Financing Activities:**

Sinking fund installments	( 17,410,300)
Principal paid on debenture debt	( 1,160,115)
	<u>( 18,570,415)</u>

**Investing activities:**

Principal repayments made by the NB Power Group	21,510,000
	<u>21,510,000</u>

<b>INCREASE (DECREASE) IN CASH</b>	<b>114,421</b>
Cash position, beginning of period	-
<b>CASH POSITION, end of period</b>	<b>\$ 114,421</b>

<sup>1</sup> Non-cash components of working capital include short-term notes receivable from NB Power Holding Corporation, accounts receivable from NB Power Group (excluding dividends receivable), accrued interest receivable from NB Power Group, prepaid expenses, short-term indebtedness, accrued interest payable on debenture debt and accounts payable.

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**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005**

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**1. FORMATION AND BASIS OF PRESENTATION OF THE NEW BRUNSWICK ELECTRIC  
FINANCE CORPORATION**

---

**Basis of presentation**

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The New Brunswick Electric Finance Corporation ("NBEFC") is classified as a government business enterprise and the financial results of the NB Power Holding Corporation and its subsidiaries are recorded on an equity basis of accounting.

**Formation**

NBEFC was established under the *Electricity Act* ("Act"), which came into force on October 1, 2004 and is incorporated under the Business Corporations Act of New Brunswick.

NBEFC has as its mandate to manage the assets, liabilities, rights and obligations that NBEFC received as part of the restructuring of New Brunswick Power Holding Corporation, and to dispose or otherwise deal with them as it sees fit.

Upon the proclamation of the *Electricity Act*, New Brunswick Power Corporation was restructured into the New Brunswick Power Holding Corporation with four subsidiary companies:

- New Brunswick Power Generation Corporation;
- New Brunswick Power Nuclear Corporation;
- New Brunswick Power Transmission Corporation, and
- New Brunswick Power Distribution and Customer Service Corporation.

As a result of the restructuring, the former New Brunswick Power Corporation's debt, accrued interest, deferred debt charges and sinking funds as of September 30, 2004 were transferred to NBEFC.

In exchange, as of October 1, 2004, NBEFC received promissory notes from each New Brunswick Power Holding Corporation's subsidiaries, including accrued interest, and a \$140-million equity share in New Brunswick Transmission Corporation. In addition, NBEFC relieved the newly formed NB Power Holding Corporation and its subsidiaries ("NB Power Group") of New Brunswick Power Corporation's \$187 million deficit.

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**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2005**

---

**1. FORMATION AND BASIS OF PRESENTATION OF THE NEW BRUNSWICK ELECTRIC FINANCE CORPORATION (continued)**

---

The following is a summary of the amounts transferred and received from the NB Power Group:

(\$ millions)	Transferred	Received	Variance
Long-term debt	\$ 2,837.0	\$ 3,537.5	\$ (700.5)
Sinking Funds	-	(418.1)	418.1
Short-term debt	295.6	378.2	(82.6)
Accrued interest	70.6	82.4	(11.8)
	3,203.2	3,580.0	(376.8)
Deferred debt costs	-	(49.8)	49.8
Common equity share	140.0	-	140.0
Contributed surplus	187.0	-	187.0
	\$ 3,530.2	\$ 3,530.2	\$ -

NBEFC holds one Class "B" non-voting share of nominal value in the Holding Corporation as well as in its subsidiaries. NBEFC holds an additional one thousand Class "B" non-voting common shares in New Brunswick Transmission Corporation assigned a value of \$140 million.

NBEFC receives debt service payments, debt portfolio management fees, dividends and special payments in lieu of taxes from the newly formed companies.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

a) Foreign currency translation

Monetary assets and liabilities held in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date, except where such items have been hedged. In such cases, the rates established by the hedge are used in the translation. Revenue and expense items are translated at the rates of exchange in effect at the respective transaction dates. Gains and losses arising on translation of monetary assets and liabilities are included in income.

b) Short-term notes receivable from New Brunswick Power Holding Corporation

Short-term notes receivable from New Brunswick Power Holding Corporation are reported on the balance sheet at cost.



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**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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c) Long-term notes receivable from the NB Power Group

Loans to the NB Power Group are recorded at par value in Canadian dollars.

d) Long-term debt

Long-term debentures payable are reported on the balance sheet at par value in Canadian dollars. The estimated fair value of long-term debt is disclosed in the notes to the financial statements using market value 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.

e) Deferred debt costs

Discounts and premiums, issue expenses and deferred interest relating to debt refinancing are deferred and amortized to income on a straight-line basis over the life of the related security.

**3. LONG-TERM NOTES RECEIVABLE FROM THE NB POWER GROUP**

---

The long-term notes receivable from the NB Power Group require a one per cent pay down of the original principal amount of each note on the anniversary date of its maturity. These payments will be made until the actual maturity date of the debenture, at which time the remaining principal amount will be repaid.

All interest payments are due on a semi-annual basis with the exception of the following three NB Power Generation Corporation issues: 7.5% Feb. 3, 2006, 7.5% Feb. 26, 2007 and 5.5% Feb. 25, 2013.

The following is a maturity schedule for the total amount of long-term notes receivable from the NB Power Group as of March 31, 2005:

(\$ millions) Date of Maturity	Weighted Average Coupon Rate	Principal Repayments
Fiscal Year Ending:		
March 31, 2007	6.8	\$ 227.2
March 31, 2008	6.8	335.3
March 31, 2009	7.1	268.6
March 31, 2010	6.4	393.1
1-5 years	6.8	1,224.2
6-10 years	6.5	1,081.3
11-16 years	7.6	153.0
	6.7	\$ 2,458.5

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**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005**

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**3. LONG-TERM NOTES RECEIVABLE FROM THE NB POWER GROUP (continued)**

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**Debt Portfolio Management Fee**

Pursuant to subsection 37(4) of the Act, the Lieutenant Governor in Council under Order in Council 2005-160 ordered an annual debt portfolio management fee to be paid by the NB Power Group to NBEFC. The fee is .6489% of the total of long-term and short-term indebtedness to NBEFC, less accounts receivable, measured as at the opening balance sheet date.

**4. DEBT**

---

**Short-term debt**

NBEFC borrowed all of its short-term funds from the Province of New Brunswick for the six-month period ending March 31, 2005. The short-term borrowings due to the Province of New Brunswick were \$422 million at March 31, 2005 (\$378.2 at October 1, 2004).

**Long-term debt**

The following is the long-term debt outstanding, payable to the Province of New Brunswick, as at March 31, 2005:

(\$ millions)	March 31 2005	October 1 2004
Debentures guaranteed by the Province of New Brunswick	\$ 125.0	\$ 125.0
Debentures held by the Province of New Brunswick	3,393.3	3,407.0
Other loans	4.4	5.5
	<u>3,522.7</u>	<u>3,537.5</u>
Less current portion of long-term debt	437.3	137.2
	<u>3,085.4</u>	<u>3,400.3</u>
Less Sinking Funds	434.9	418.1
<b>Long-term debt</b>	<b>\$ 2,650.5</b>	<b>\$ 2,982.2</b>

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**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005**

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**4. DEBT (Continued)**

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The following is a maturity schedule for the total amount of NBEFC's long-term debt outstanding.

(\$ millions) Date of Maturity	Weighted Average Coupon Rate	Canadian Dollar	US Dollar	March 31 2005
Fiscal Year Ending:				
March 31, 2006	5.7	\$ 437.2	\$ -	\$ 437.2
March 31, 2007	5.6	107.1	-	107.1
March 31, 2008	4.7	356.0	-	356.0
March 31, 2009	7.3	275.5	-	275.5
March 31, 2010	5.9	400.5	-	400.5
1-5 years	5.8	1,576.3	-	1,576.3
6-10 years	7.0	1,494.0	-	1,494.0
11-24 years	8.8	150.0	302.4	452.4
	6.7	\$ 3,220.3	\$ 302.4	\$ 3,522.7

**Sinking Funds**

Pursuant to section 12 of the *Provincial Loans Act*, the Minister of Finance maintains a General Sinking Fund for the repayment of funded debt. On debentures issued to the Province of New Brunswick by the former NB Power, NBEFC is required to contribute 1% of the debenture debt outstanding on the anniversary date of each issue.

The Minister of Finance also maintains a Sinking Fund for a debenture issued by the former NB Power and guaranteed by the Province of New Brunswick. NBEFC is required to contribute 1% of the debt outstanding on the anniversary date of the issue.

Sinking Fund earnings are reflected in NBEFC's income, and Sinking Fund investments are deducted from long-term debt.

On March 31, 2005, the amount of the General Sinking Fund accumulated for the repayment of NBEFC debt was \$434.9 million.

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**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2005**

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**4. DEBT (Continued)**

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The following estimated payments are required in each of the next five years to meet the Sinking Fund provisions of existing debt.

(\$ millions) Fiscal Year Ending	Sinking Fund Installments
March 31, 2006	\$33.9
March 31, 2007	\$29.5
March 31, 2008	\$29.1
March 31, 2009	\$25.6
March 31, 2010	\$22.8

**Cross-currency Interest Rate Swaps**

Upon the restructuring, the New Brunswick Power Corporation transferred the following cross-currency interest rate swaps to NBEFC:

7.63% Debentures, due February 2013 – US \$100 million

A cross-currency interest rate swap transaction with Canadian banks that results in an effective fixed interest rate of 7.75% on CDN \$159 million.

6.75% Debentures, due August 2013 – US \$100 million

A cross-currency interest rate swap transaction with Canadian banks that results in an effective fixed interest rate of 6.8% on CDN \$159 million.

**Debt Portfolio Management Fee**

NBEFC pays an annual debt portfolio management fee to the Province of New Brunswick, amounting to .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.

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**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2005**

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**5. CAPITAL STOCK**

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NBEFC has one voting common share of nominal value, issued and outstanding to Her Majesty the Queen in right of the Province, as represented by the Minister of Finance.

NBEFC is authorized to issue an unlimited number of common shares without nominal or par value.

**6. SPECIAL PAYMENTS IN LIEU OF TAXES**

---

Effective Oct. 1, 2004, NBEFC is eligible to received special payments in lieu of taxes from the NB Power Group. The special payments in lieu of taxes consist of:

- an income tax component based on accounting net income multiplied by a rate of 35.12 per cent
- a capital tax component based upon the large corporation tax rules contained in the federal and provincial income tax acts

NBEFC permits the NB Power Group to recognize future special payments in lieu of taxes benefit of current losses when it is more likely that sufficient income will be generated in future periods to utilize losses previously incurred. NB Power Group are not permitted to use other provisions for future special payments in lieu of taxes as a result of any temporary differences as the tax basis of assets and liabilities and their carrying amounts for accounting purposes are considered to be the same for the purposes of the calculation.

Special payments in lieu of income taxes are calculated on an individual company level. During the period, the New Brunswick Distribution and Customer Service Corporation incurred a net loss and recorded, as an asset, a reduction in a future special payment in lieu of income taxes in amount of \$5.4 million.

**7. DIVIDENDS**

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NBEFC, as the holder of Class B shares of the NB Power Group, pursuant to the Shareholder's Agreement, is entitled to receive dividends when declared by the NB Power Group's Boards of Directors. The designated percentage of the dividends declared may vary based upon the discretion of NBEFC and the financial position of each of the NB Power Group. The holder of the Class A shares cannot be paid dividends until such time that there are no longer any Class B shares outstanding.

Dividends are declared and paid at an individual company level. During the period, the New Brunswick Power Transmission Corporation declared a \$4.8 million dividend.

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**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2005**

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**8. FINANCIAL INSTRUMENTS**

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**Fair value of financial instruments**

The fair value of financial instruments have been estimated by reference to quoted market prices or from valuations supplied by counter-parties for actual or similar instruments at the period end, unless otherwise noted.

**Foreign Exchange Risk Management**

Foreign exchange or currency risk is the risk that the principal and interest payments on foreign debt will fluctuate in Canadian dollar terms due to fluctuations in foreign exchange rates. NBEFC was transferred two swap agreements in the restructuring, which converts foreign currency cash flows into Canadian dollar cash flows.

NBEFC has also assigned a percentage of the US dollar denominated Sinking Fund assets to provide an effective hedge against outstanding US dollar debentures. The Sinking Fund assets and outstanding debentures are translated to Canadian dollars at the current exchange rate with the resulting gains or losses recorded in income in the current period.

**Fair value of debt and sinking funds**

(\$ millions)	March 31 2005	October 1 2004
<b>Long - Term Debt</b>		
Book value	\$ 3,522.8	\$ 3,537.5
Fair value	\$ 4,029.6	\$ 4,030.0
<b>Sinking Funds</b>		
Book value	\$ 434.9	\$ 418.1
Fair value	\$ 477.9	\$ 458.7

**Fair value of other financial assets and liabilities**

The fair values of other financial assets and liabilities are not materially different from their carrying values.

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**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2005**

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**8. FINANCIAL INSTRUMENTS (continued)**

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**Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. All of NBEFC's credit risk lies with the NB Power Group. NBEFC actively monitors the financial health of the NB Power Group on an ongoing basis. The maximum credit risk exposure is deemed to be the sum of amounts receivable from the NB Power Group. Amounts receivable is \$3,219.3 million (October 1, 2004 - \$3,203.2 million).

**9. CONTINGENT LIABILITIES**

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**Guarantees**

Since the newly formed NB Power Group have not yet established their own credit rating, NBEFC has provided guarantees to a number of financial institutions for obligations of Holdco and its subsidiaries. Guarantees have been provided to:

1. The Royal Bank of Canada ("RBC") for obligations of Holdco and its subsidiaries, limited to CDN \$100 million. This guarantee is to cover the day-to-day transactions between RBC and Holdco and its NB Power group of companies.
2. RBC for the New Brunswick Power Generation Corporation's ("Genco") obligations under an International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement limited to CDN \$29 million. Genco entered into this agreement on Oct. 1, 2004. The ISDA covers foreign exchange derivatives related to the cost of purchasing fuel in US dollars.
3. Morgan Stanley and J. Aron for Genco's obligations under ISDA Master Agreements totalling USD \$120 million. These agreements were entered into by the former New Brunswick Power Corporation and were transferred to Genco upon the restructuring. The ISDAs are related to the purchasing of commodities in US dollars.
4. CIBC for Genco's obligations under ISDA Master Agreements totalling USD \$45 million. This agreement was entered into by the former New Brunswick Power Corporation and was transferred to Genco upon the restructuring. The ISDA is related to the purchasing of commodities in US dollars.
5. Hydro-Quebec to cover an agreement entered into by Genco to purchase power from Hydro-Quebec. The guarantee is limited to US \$5 million.
6. New Brunswick System Operator for Genco's obligations limited to CDN \$5 million, and New Brunswick System Operator for New Brunswick Power Distribution and Customer Service Corporation's obligations of CDN \$10 million. Participants in the New Brunswick electricity market are required to post collateral with the New Brunswick System Operator.





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**FINANCIAL STATEMENTS**

**NEW BRUNSWICK HIGHWAY CORPORATION**

**31 MARCH 2005**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To 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 2005 and the statement of revenue and expense 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 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

K. D. Robinson, CA  
Acting Auditor General

Fredericton, N. B.  
7 September 2005

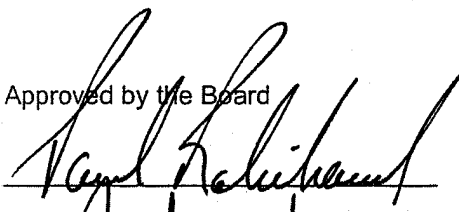
**NEW BRUNSWICK HIGHWAY CORPORATION  
BALANCE SHEET  
31 MARCH 2005**

	2005	2004
<b>ASSETS</b>		
Due from Province of New Brunswick	\$ 898,446,082	\$ 913,549,105
Accounts receivable (Note 6)	13,493,429	13,262,294
Prepaid expenses	888,451	-
Fredericton-Moncton highway land (Note 4)	1	1
Fredericton-Moncton highway (Note 4)	840,523,737	858,599,516
Trans-Canada highway project - work in progress (Note 5)	32,240,353	-
Trans-Canada highway project - completed sections (Note 5)	1	-
	<u>\$ 1,785,592,054</u>	<u>\$ 1,785,410,916</u>

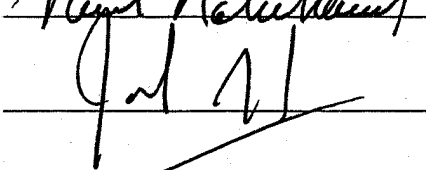
**LIABILITIES AND EQUITY**

Accounts payable	\$ 2,106,013	\$ 2,306,352
Accrued interest payable	85,923,416	87,531,016
Contractor's deposit (Note 8)	1,800,000	-
Other monies held in trust	-	20,000
Capital lease obligation (Note 7)	822,998,533	836,954,031
Deferred contribution from Province of New Brunswick (Note 3)		
Fredericton-Moncton highway	840,523,737	858,599,516
Trans-Canada highway project	32,240,353	-
Contribution from Province of New Brunswick (Notes 4, 5)	2	1
	<u>\$ 1,785,592,054</u>	<u>\$ 1,785,410,916</u>

Approved by the Board



Chairperson



Member

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**NEW BRUNSWICK HIGHWAY CORPORATION  
STATEMENT OF REVENUE AND EXPENSE  
FOR THE YEAR ENDED 31 MARCH 2005**

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	2005		2004
	Budget	Actual	
<b>REVENUE</b>			
Province of New Brunswick	\$ 68,699,771	\$ 67,693,627	\$68,698,129
Fredericton-Moncton highway - amortization of deferred contribution from Province of New Brunswick (Note 3)	-	18,075,779	18,075,779
	<u>68,699,771</u>	<u>85,769,406</u>	<u>86,773,908</u>
<b>EXPENSE</b>			
Highway operations and maintenance (Note 9)	9,121,000	8,821,258	9,493,118
Traffic count operations and maintenance (Note 9)	237,000	237,203	168,993
Operating and administrative expense	600,000	181,811	418,050
New Brunswick (F-M) Project Company Inc. administrative expenditures	247,000	49,422	175,457
Trans-Canada highway maintenance (Note 9)	986,000	895,162	334,021
Fredericton-Moncton highway - amortization expense (Note 3)	-	18,075,779	18,075,779
Interest expense	57,508,771	57,508,771	58,108,490
	<u>68,699,771</u>	<u>85,769,406</u>	<u>86,773,908</u>
<b>EXCESS OF REVENUE OVER EXPENSE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**NEW BRUNSWICK HIGHWAY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2005**

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**1. New Brunswick Highway Corporation**

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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 and the Trans-Canada 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 and the Trans-Canada highway from the Quebec border to Longs Creek are conducted in accordance with agreement terms.

**2. Summary of significant accounting policies**

---

**Physical assets**

Capital assets are amortized on a straight-line basis over fifty years. NBHC receives a capital grant from the Province for acquisition of assets, which is amortized at the same rate as the assets. Assets under construction are carried as work in progress until completion.

**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 asset and an obligation at the inception of the lease.

**3. Change in accounting policy**

---

NBHC adopted tangible capital asset reporting in 2005 in accordance with Public Sector Accounting Board (PSAB) guidelines. As a result of this adoption, there has been no net effect on the balance sheet, however, NBHC now reports work in progress – Trans-Canada highway project, Fredericton-Moncton highway and a deferred contribution from the Province of New Brunswick. Also, there has been no net effect on the statement of revenue and expense, however, NBHC now reports amortization of deferred contribution from Province of New Brunswick and amortization expense.

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**NEW BRUNSWICK HIGHWAY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**4. Fredericton-Moncton highway**

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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 is 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.

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.

	2005	2004
Fredericton-Moncton highway		
Cost	\$ 903,788,964	\$ 903,788,964
Less: Accumulated amortization	63,265,227	45,189,448
Net book value	<u>\$ 840,523,737</u>	<u>\$ 858,599,516</u>

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.

**5. Trans-Canada highway project**

---

NBHC is responsible for the design, construction and financing of the Grand Falls to Aroostook and the Perth-Andover to Woodstock sections (98 km) and for the operation, maintenance and rehabilitation of the entire Quebec border to Longs Creek section (261 km) of the Trans-Canada highway (TCH), as well as Route 95 from Woodstock to the US boarder (14 km).

The Trans-Canada Highway Project Co. Ltd was created as a wholly owned subsidiary of NBHC to facilitate the completion of the twinning of the Trans-Canada highway.

On 4 February 2005 the Province through NBHC entered into agreements with a private sector consortium, Brun-Way Group Joint Venture and the Trans-Canada Highway Project Co. Ltd to develop, design, build, operate, manage, maintain and rehabilitate a four-lane highway between the Quebec border and Longs Creek for a guaranteed maximum construction price of \$543,762,000 as adjusted in accordance with the provisions of the Design-Build Agreement.

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**NEW BRUNSWICK HIGHWAY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**5. Trans-Canada highway project - continued**

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The Province is in the process of acquiring land and making improvements along the corridor. Work in progress at 31 March 2005 was \$32,240,353. Completed sections of the highway have been transferred from the Province to NBHC in a non-arm's length transaction. The transfer has been treated as an equity contribution for financial statement purposes and has been recorded at the nominal amount of one dollar. The remaining sections of the corridor will be transferred at some point prior to completion.

**6. Accounts receivable**

---

The accounts receivable balance at 31 March 2005 of \$13,493,429 (2004 - \$13,262,294) 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.

**7. Capital lease obligation**

---

Due to the elimination of tolls under the 1 March 2000 amendments to the Fredericton-Moncton highway 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 2005 was \$823.0 million (2004 - \$837.0 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 \$1.71 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>
2005 - 2006	\$72.8
2006 - 2007	\$73.2
2007 - 2008	\$73.5
2008 - 2009	\$73.6
2009 - 2010	\$74.0

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**NEW BRUNSWICK HIGHWAY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**8. Contractor's deposit**

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The balance at 31 March 2005 of \$1,800,000 (2004 - \$0) is comprised of the Trans-Canada highway project H.A.D.D. (Harmfully Altered, Disrupted or Destroyed) deposit. This was required from the Developer, Brun-Way Group Joint Venture, so as to meet TCH contractual agreements regarding environmental and wildlife habitat protection.

**9. Revenue and expense**

---

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

Also, under the terms of agreements between NBHC and the Province signed in November 2003, NBHC is responsible to make scheduled payments for summer and winter maintenance on opened sections of the Saint-Leonard to Longs Creek corridor of the Trans-Canada highway until 31 May 2005.

**10. Staff resources**

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

**11. Statement of cash flows**

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



Financial Statements Of  
**New Brunswick Insurance Board**

March 31, 2005

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

### To the members of New Brunswick Insurance Board:

I have audited the statement of financial position of the New Brunswick Insurance Board as at March 31, 2005 and the statements of operations and surplus and cash flows for the period then ended. These financial statements are the responsibility of the Board. 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 Board, as well as, evaluating the overall financial statement presentation.

In my opinion these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2005 and the results of its operations for the period then ended in accordance with Canadian generally accepted accounting principles.

Saint John, NB  
June 20, 2005



Chartered Accountant

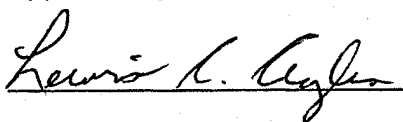
# New Brunswick Insurance Board

## Statement of Financial Position

For the period ended March 31, 2005

	2005
<b>Assets</b>	
Current:	
Cash in bank	\$ 1,020,189
Scotiabank GIC's (1-year cashable; 2.5%)	600,000
Accounts receivable	5,376
Harmonized sales tax recoverable	45,193
Prepaid expenses	1,800
	<u>1,672,558</u>
Capital assets (note 3)	129,007
Less: accumulated amortization	(24,242)
	<u>104,765</u>
	<u>\$ 1,777,323</u>
<b>Liabilities</b>	
Current:	
Accounts payable and accrued liabilities	\$ 52,429
Employee deductions payable	17,542
Province of NB loan payable(note 4)	500,000
Capital lease obligation- current portion(note 5)	6,076
Deferred assessments	1,190,187
	<u>1,766,234</u>
Long-term:	
Capital lease obligation(note 5)	11,089
	<u>-</u>
<b>Surplus</b>	<u>\$ 1,777,323</u>
Commitment (note 6)	

Approved by the board:

 Chairperson

 Vice-chairperson

# New Brunswick Insurance Board

## Statement of Operations and Surplus

For the period October 1, 2004 to March 31, 2005

	2005
<b>Receipts</b>	
Assessments	\$ 617,710
Interest income	2,671
	<b>620,381</b>
<b>Disbursements</b>	
Wages and benefits	208,040
Interest and bank charges	1,050
Travel	28,544
Advertising	5,501
Per diems	24,750
Stipends	22,500
Actuarial services	231,969
Rent	26,900
Amortization expense	24,242
Office expenses	2,529
Professional services	22,525
Training	5,974
Architectural	5,029
Telephone	4,356
Rentals	5,973
Memberships	370
Miscellaneous	129
	<b>620,381</b>
<b>Excess of receipts over disbursements, being surplus at end of year</b>	<b>\$ NIL</b>

## New Brunswick Insurance Board

### Statement of Cash Flows

For the period October 1, 2004 to March 31, 2005

	2005
Cash provided by (used in):	
Operations	
Excess of receipts over disbursements	\$ -
Item not involving an outlay of cash	
Amortization expense	24,242
	<u>24,242</u>
Decrease (increase) in accounts receivable	(5,376)
Decrease (increase) in HST recoverable	(45,193)
Increase (decrease) in prepaid expenses	(1,800)
Increase (decrease) in accounts payable	52,429
Increase (decrease) in employee deductions payable	17,542
Increase (decrease) in capital lease obligation	17,165
Increase (decrease) in loan payable	500,000
Increase (decrease) in deferred revenue	1,190,187
	<u>1,749,196</u>
Investing	
Purchase of capital assets	(129,007)
Purchase of Scotiabank GIC's	(600,000)
	<u>(729,007)</u>
Increase in cash during the year, being cash at end of year	<u>\$ 1,020,189</u>
Interest paid during the year	<u>\$ 851</u>

See accompanying notes to financial statements

# New Brunswick Insurance Board

## Notes to Financial Statements

For the period October 1, 2004 to March 31, 2005

### 1. Purpose of the organization

Effective October 15, 2004, the New Brunswick Insurance Board commenced regulatory responsibility for automobile insurers in New Brunswick. Board operations began October 1, 2004.

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

### 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) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis over 5 years on all assets except for equipment under capital lease. The equipment under capital lease is amortized on an annual basis at an amount equal to the principal portion of the long-term debt repayments.

### 3. Capital assets

	2005		
	Cost	Accumulated Amortization	Net book Value
Computer equipment	\$ 44,922	\$ 8,984	\$ 35,938
Computer software	1,030	206	824
Equipment under capital lease	19,508	2,342	17,166
Vehicles	22,043	4,409	17,634
Furniture and fixtures	41,504	8,301	33,203
	<b>\$ 129,007</b>	<b>\$ 24,242</b>	<b>\$ 104,765</b>

# New Brunswick Insurance Board

Notes to Financial Statements

For the period October 1, 2004 to March 31, 2005

## 4. Province of NB loan payable

The Board received a working-capital loan from the Province of New Brunswick. The loan is unsecured bearing no interest and must be repaid by June 1, 2005. Subsequent to year end, the loan was fully repaid.

## 5. Obligation under capital lease

The following is a schedule of future minimum lease payments under the capital lease, expiring October 2007, together with the balance of the obligation.

2006	\$ 7,664
2007	7,664
2008	<u>4,471</u>
	19,799
Less: amount representing interest at a rate of 11.002%	<u>(2,634)</u>
Balance of obligation	17,165
Less: current portion	<u>(6,076)</u>
	<u>\$ 11,089</u>

## 6. Future employee benefits

### Pension Plan:

The Board and its employees participate in a contributory defined benefit pension plan, administered by the Province of New Brunswick and 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 \$9,051. Any shortfall in the funding of the plan is guaranteed by the Province of New Brunswick, which is the sponsor of the plan.

## 7. Commitment

The Board has negotiated an operating lease of its office premises for a period of 5 years commencing January 1, 2005. Minimum annual payments under the lease total approximately \$100,000.

## 8. Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires the Board 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 period. By their nature, these estimates are subject to measurement uncertainty.





**Financial Statements of**

**NEW BRUNSWICK INVESTMENT  
MANAGEMENT CORPORATION**

**Year ended March 31, 2005**

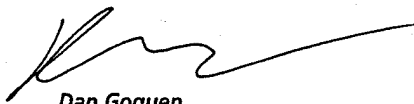
## MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING

The Financial Statements of the New Brunswick Investment Management Corporation are the responsibility of the management of the Corporation. They have been approved by its Board of Directors.

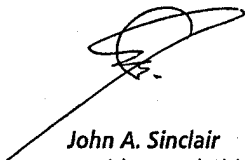
Management prepared the financial statements in accordance with generally accepted accounting principles.

The New Brunswick Investment Management Corporation maintains books of account, systems of information and systems of financial and management control which provide reasonable assurance that accurate financial information is available, that assets are protected and that resources are managed efficiently.

The Board of Directors oversees financial reporting through its Audit Committee. The committee reviews matters related to accounting, auditing, internal control systems, the financial statements and report of the external auditors.



**Dan Goguen**  
Vice-President, Finance and Administration



**John A. Sinclair**  
President and Chief Executive Officer

## 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, 2005 and the statement of operations and changes in net assets 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, 2005 and the results of its operations and changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**KPMG**

*KPMG LLP*  
Chartered Accountants

Fredericton, NB, Canada  
May 5, 2005

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION****Statement of Financial Position**

March 31, 2005, with comparative figures for 2004

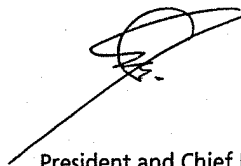
	2005	2004
<b>Assets</b>		
Current assets:		
Cash	\$ 60,930	\$ 4,950
Accounts receivable, Pension Funds	2,080,572	2,063,620
Other receivables	18,360	8,587
Prepaid expenses	263,233	273,489
	<u>2,423,095</u>	<u>2,350,646</u>
Capital assets (note 3)	241,030	286,828
	<u>\$ 2,664,125</u>	<u>\$ 2,637,474</u>
<b>Liabilities, Deferred Contributions and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,936,940	\$ 1,929,630
Harmonized Sales Tax	96,073	75,042
Current portion of pension liability (note 5)	22,530	22,149
	<u>2,055,543</u>	<u>2,026,821</u>
Pension liability (note 5)	301,199	323,825
Employee future benefit liability (note 6)	66,353	-
Deferred contributions related to capital assets (note 7)	241,030	286,828
Net assets	-	-
Commitment (note 4)	<u>\$2,664,125</u>	<u>\$ 2,637,474</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 Operations and Changes in Net Assets**

Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
<b>Revenue:</b>		
Fees:		
Public Service Superannuation Fund	\$ 4,603,007	\$ 4,651,713
Teachers' Pension Fund	4,066,065	4,161,675
Judges' Superannuation Fund	35,437	32,322
Amortization of deferred contributions related to capital assets	143,759	157,134
Other	905	34,197
	<u>8,849,173</u>	<u>9,037,041</u>
<b>Expenses:</b>		
Salaries and benefits	3,658,806	4,175,903
Other services (note 8)	4,988,264	4,635,285
Materials and supplies	58,344	68,719
Amortization of capital assets	143,759	157,134
	<u>8,849,173</u>	<u>9,037,041</u>
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to financial statements.

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION****Notes to Financial Statements**

Year ended March 31, 2005

---

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 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 annual rates shown in note 3.

**(d) Revenue recognition:**

Fees for services are recognized in revenue as services are performed and collection is probable.

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 (continued)

Year ended March 31, 2005

#### 3. Capital assets:

	Rate	Cost	Accumulated depreciation	2005	2004
				Net book value	Net book value
Computer equipment	33 1/3%	\$ 369,020	\$ 299,282	\$ 69,738	\$ 83,008
Furniture and equipment	8%	329,654	206,266	123,388	138,024
Leasehold improvements	10%	278,216	230,312	47,904	65,796
		\$ 976,890	\$ 735,860	\$ 241,030	\$ 286,828

#### 4. Commitments:

The Corporation leases premises and equipment under various operating leases which expire at various dates between 2006 and 2012.

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

2006	\$ 245,700
2007	245,700
2008	245,700
2009	245,700
2010	245,700
Later years through 2012	450,450
	<u>\$ 1,678,950</u>

#### 5. Pension liability:

The Corporation has an estimated liability of \$324,000 (2004 - \$346,000) and salary and benefit expense of nil (2004 - \$346,000) for special supplemental pension relating to past service awarded during 2003-2004. This amount is equivalent to the commuted value of the expected payments. The ultimate cost to the Corporation will vary based on the rise in the consumer price index and demographic factors. Changes in the expected liability are recorded in the period the change occurs. Payments to date and future payments will be received from an increase in the fees charged to the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund.

#### 6. Employee future benefits:

##### (a) Pension:

Full-time employees of the Corporation are covered by the Public Service Superannuation Plan (the "Plan") of the Province of New Brunswick. The Plan is a defined benefit multi-employer plan under which contributions are made by both the Corporation and the employees. For the year ended March 31, 2005, the Corporation expensed contributions of \$178,895 under the terms of the Plan (2004 - \$191,774). The Corporation has no direct liability or entitlement to any unfunded liability or surplus in the plan related to its current or former employees.

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Notes to Financial Statements (continued)

Year ended March 31, 2005

#### 6. Employee future benefits (Continued):

##### b) Retirement allowance:

Full-time employees of the Corporation are entitled to be paid a retirement allowance upon their retirement based upon years of service. Over the service life of its employees, the Corporation accrues the estimated future liability based upon actuarial estimates and assumptions. The accrued liability is reduced by actual payments made. This is an unfunded program with no specific assets segregated to meet the obligations when they come due.

The significant assumptions used in determining the accrued benefit obligation are as follows:

	Assumptions
Annual discount rate	5.50%
Annual salary increases	3.00%
Mortality	None
Termination of employment	Public Service Superannuation Plan experience
Retirement age	15% at Age 57 60% at Age 60 25% at Age 63
Actuarial cost method	Projected Unit Credit pro-rated on service

Based upon an actuarial valuation dated March 31, 2005, the Corporation's accrued transitional obligation as of April 1, 2003, was \$118,300. This amount is being amortized on a straight-line basis over the estimated average remaining service life of active employees. The unamortized transitional obligation at March 31, 2005, is \$105,847.

The Corporation expensed \$66,353 during the year ended March 31, 2005, which includes current service cost, interest on the accrued liability and amortization of the transitional obligation.

#### 7. Deferred contributions related to capital assets:

	2005	2004
Balance, beginning of year	\$ 286,828	\$ 383,702
Additional contributions received, net	97,961	60,260
Less amounts amortized to revenue	(143,759)	(157,134)
Balance, end of year	\$ 241,030	\$ 286,828

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**  
**Notes to Financial Statements (continued)**

Year ended March 31, 2005

**8. Other services:**

	2005	2004
External management fees and expenses	\$ 2,954,067	\$ 2,743,700
Custodial services	185,932	160,346
Travel	193,566	209,316
Office rent	241,965	295,323
Professional services	281,923	242,594
Information systems	970,970	818,867
Other	159,841	165,139
	<u>\$ 4,988,264</u>	<u>\$ 4,635,285</u>

**9. Fair value of financial assets and financial liabilities:**

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



**NEW BRUNSWICK LIQUOR CORPORATION  
AUDITED FINANCIAL STATEMENTS  
MARCH 31, 2005**



## MANAGEMENT REPORT

170 chemin Wisley Road  
PO Box / C.P. 20787  
Fredericton, NB  
Canada E3B 5B8

tel. / tél. : 506.452.6826  
fax. / téléc. : 506.462.2024  
www.anbl.com

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.  
Vice-President & CFO

June 6, 2005



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

Telephone (506) 452-8000  
Fax (506) 450-0072  
Internet [www.kpmg.ca](http://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, 2005 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, 2005 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 6, 2005

**BALANCE SHEET**

MARCH 31

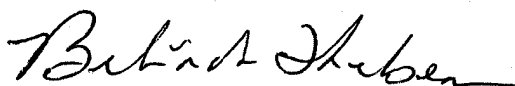
<b>Assets</b>	<b>2005</b>	<b>2004</b>
<i>Current Assets</i>		
Cash	\$ 172 940	\$ 328 470
Accounts receivable	1 723 166	1 653 325
Inventories (note 1)	17 380 969	17 287 840
Prepaid expenses	497 216	646 565
Total current assets	<u>19 774 291</u>	<u>19 916 200</u>
<i>Deferred Charges</i>		
Past service pension	1 065 894	1 142 034
Deposit - injured workers (note 2)	784 820	801 564
Total deferred charges	<u>1 850 714</u>	<u>1 943 598</u>
<i>Fixed Assets</i>		
Property, plant and equipment (note 3)	<u>10 518 060</u>	<u>10 425 290</u>
Total Assets	<u><u>\$ 32 143 065</u></u>	<u><u>\$ 32 285 088</u></u>
 <b>Liabilities</b>		
<i>Current Liabilities</i>		
Outstanding cheques in excess of funds on deposit	\$ 2 268 774	
Accounts payable and accrued liabilities	14 878 999	\$ 16 067 589
Current portion of past service pension liability	391 116	344 253
Total current liabilities	<u>17 538 889</u>	<u>16 411 842</u>
<i>Long Term Debt</i>		
Past service pension liability (note 5)	<u>2 914 072</u>	<u>3 305 188</u>
 <b>Equity of the Province of New Brunswick</b>		
Balance at beginning of year	12 568 058	14 382 399
Net income	<u>121 824 602</u>	<u>118 642 398</u>
	134 392 660	133 024 797
Payments to the Province of New Brunswick	<u>122 702 556</u>	<u>120 456 739</u>
Balance at end of year	<u>11 690 104</u>	<u>12 568 058</u>
Total Liabilities and Equity	<u><u>\$ 32 143 065</u></u>	<u><u>\$ 32 285 088</u></u>

Commitments (note 6)

See accompanying notes to financial statements

APPROVED BY THE BOARD:

Director



Director



## INCOME STATEMENT

Year ended March 31

	Budget 2005	Actual 2005	Actual 2004
Total sales (note 7)	\$333 543 712	\$331 049 835	\$321 913 395
Less: commissions	4 685 961	4 601 670	4 553 279
Net sales	<u>328 857 751</u>	<u>326 448 165</u>	<u>317 360 116</u>
Cost of sales	171 826 994	169 387 381	165 316 294
Gross profit	<u>157 030 757</u>	<u>157 060 784</u>	<u>152 043 822</u>
Other income	1 190 360	1 644 730	1 249 991
	<u>158 221 117</u>	<u>158 705 514</u>	<u>153 293 813</u>
Operating expenses	<u>37 883 833</u>	<u>36 880 912</u>	<u>34 651 415</u>
Net income	<u><u>\$120 337 284</u></u>	<u><u>\$121 824 602</u></u>	<u><u>\$118 642 398</u></u>

See accompanying notes to financial statements

## STATEMENT OF CASH FLOWS

Year ended March 31

	2005	2004
<b>Cash from Operations</b>		
Net income	\$121 824 602	\$118 642 398
Items not involving cash:		
Depreciation	1 753 376	1 734 457
Amortization of past service pension deferred charge	76 140	76 140
(Gain) loss on sale of property, plant and equipment	(3 059)	41 338
Decrease in deposit - injured workers	16 744	80 773
Change in non-cash working capital	1 066 563	1 895 348
Decrease in past service pension liability	(344 253)	(292 987)
Cash available from operations	<u>124 390 113</u>	<u>122 177 467</u>
<b>Net Capital Investments</b>		
Additions to property, plant and equipment	(1 860 835)	(1 537 754)
Proceeds from sale of property, plant and equipment	17 748	9 401
Net cash used for capital investments	<u>(1 843 087)</u>	<u>(1 528 353)</u>
<b>Payments to the Province of New Brunswick</b>	<u>(122 702 556)</u>	<u>(120 456 739)</u>
<b>Increase (Decrease) in Cash</b>	(155 530)	192 375
<b>Cash at Beginning of Year</b>	<u>328 470</u>	<u>136 095</u>
<b>Cash at End of Year</b>	<u><u>\$ 172 940</u></u>	<u><u>\$ 328 470</u></u>

See accompanying notes to financial statements

**Schedule of Sales**

Year ended March 31

	Budget 2005	Actual 2005	Actual 2004
Spirits	\$ 75 296 014	\$ 75 324 164	\$ 73 022 532
Wine	42 356 024	43 304 492	40 177 125
Other beverages	21 430 655	18 976 656	19 166 689
Beer	194 461 019	193 444 523	189 547 049
	<u>\$333 543 712</u>	<u>\$331 049 835</u>	<u>\$321 913 395</u>

**Schedule of Cost of Sales**

Year ended March 31

	Spirits	Wine	Other beverages	Beer	2005 Total	2004 Total
Inventories at beginning of year	\$ 5 607 586	\$ 6 532 538	\$ 1 247 101	\$ 3 789 830	\$ 17 177 055	\$ 16 021 039
Purchases	17 455 641	15 514 206	7 938 644	110 964 828	151 873 319	149 678 309
Freight	574 226	1 409 883	420 946	222 940	2 627 995	2 527 259
Duty and excise tax	11 777 819	2 136 286	748 213	281 076	14 943 394	14 266 742
	<u>35 415 272</u>	<u>25 592 913</u>	<u>10 354 904</u>	<u>115 258 674</u>	<u>186 621 763</u>	<u>182 493 349</u>
Inventories at end of year	5 605 736	6 570 060	1 123 765	3 934 821	17 234 382	17 177 055
	<u>\$29 809 536</u>	<u>\$19 022 853</u>	<u>\$ 9 231 139</u>	<u>\$111 323 853</u>	<u>\$169 387 381</u>	<u>\$165 316 294</u>

**Schedule of Other Income**

Year ended March 31

	Budget 2005	Actual 2005	Actual 2004
Merchandising programs	\$ 1 015 484	\$ 1 236 042	\$ 1 018 350
Private importation revenue	53 468	56 822	47 633
Commission on collection of licensee user fees		3 340	45 742
Beer voucher administration fees	15 000	16 104	15 486
Unredeemed beverage container deposits	82 884	95 964	80 045
Subscriptions to sales reports	11 200	11 230	15 235
Gain (Loss) on sale of property, plant and equipment	( 13 876)	3 059	( 41 338)
Interest on deposit - injured workers		78 959	35 255
Sundry	26 200	143 210	33 583
	<u>\$1 190 360</u>	<u>\$1 644 730</u>	<u>\$1 249 991</u>

**Schedule of Operating Expenses**

Year ended March 31

	Budget 2005	Actual 2005	Actual 2004
Salaries - stores, warehouse and maintenance	\$15 090 896	\$15 034 024	\$14 220 996
- administration	3 618 631	3 724 772	3 383 078
Employee benefits	5 079 575	4 749 426	4 385 160
Rent	3 563 140	3 441 153	3 114 095
Heat and light	1 052 162	1 087 249	1 005 911
Depreciation	2 147 318	1 753 376	1 734 457
Training programs	180 091	149 003	141 660
Trucking	540 713	731 215	581 064
Repairs to property, plant and equipment	441 167	470 563	436 831
Property taxes	371 700	374 711	460 428
Minor equipment and supplies	683 938	593 526	450 337
Security	279 748	252 509	264 038
Retail automation system maintenance	271 446	259 755	268 914
Travel	330 259	283 460	304 803
Beverage container redemption costs	456 855	532 230	443 638
Shopping bags	266 130	271 641	257 100
Data processing	357 163	305 906	294 844
Telecommunications	606 743	547 161	503 580
Motor vehicle operation	48 340	48 307	49 630
Cleaning	198 414	184 854	181 366
Shortages	50 400	58 815	54 301
Bad debt			14 538
Management meetings	77 587	56 234	56 489
Postage	80 700	79 450	80 049
Professional services	241 914	196 209	243 256
Bank charges	1 227 740	1 183 485	1 118 686
Warehouse maintenance and supplies	45 190	51 189	50 601
Insurance	153 862	77 447	123 753
Advertising and promotions	263 030	254 477	294 755
Directors' remuneration	38 050	35 650	36 875
Other	120 931	93 115	96 182
	<u>\$37 883 833</u>	<u>\$36 880 912</u>	<u>\$34 651 415</u>

# NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2005

## **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**

### **Revenue Recognition**

Revenue is recognized when goods are sold, all contractual obligations have been met and the amount is reasonably determinable.

### **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.

### **Retiring Allowances**

The cost of the retirement allowance earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement age of employees

The transitional liability related to the retirement allowance is amortized on a straight-line basis over the estimated remaining service period of the employees that participate in the plan (twelve years).

Any excess of the net actuarial gain (loss) over 10% of the benefit obligation is amortized over the estimated remaining service period of active employees.



## Summary of Significant Accounting Policies (continued)

### Use of Estimates

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

### 1. Inventories

	2005	2004
Spirits, wine, other beverages and beer	\$17 234 382	\$17 177 055
Supplies	<u>146 587</u>	<u>110 785</u>
	<u><b>\$17 380 969</b></u>	<u><b>\$17 287 840</b></u>

### 2. Deposit - Injured Workers

In conjunction with the conversion to the assessed basis of payment with the Workplace Health, Safety and Compensation Commission (WHSCC), the Corporation has placed the sum of \$1 000 000 on deposit in trust 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 accrues interest at WHSCC's accounting rate of return for the applicable year. Interest earned in 2005 was \$78 959 (\$35 255 in 2004). The actual cost of claims is deducted from the deposit in the year the expense is incurred. Actual costs for 2005 were \$95 854 (\$116 028 in 2004). 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	2005 Net	2004 Net
Land	\$ 209 075		\$ 209 075	\$ 209 075
Paving	517 431	\$ 459 789	57 642	53 295
Buildings	11 564 838	7 040 723	4 524 115	4 313 276
Leasehold improvements	5 080 723	3 200 615	1 880 108	1 656 740
Furniture, fixtures and equipment	8 762 248	7 411 467	1 350 781	1 370 381
Automotive equipment	229 872	133 794	96 078	68 673
Retail automation equipment	1 671 009	1 632 610	38 399	37 438
Software and services	3 923 071	2 306 459	1 616 612	1 904 323
Refrigeration equipment	<u>3 261 065</u>	<u>2 515 815</u>	<u>745 250</u>	<u>812 089</u>
	<u><b>\$35 219 332</b></u>	<u><b>\$24 701 272</b></u>	<u><b>\$10 518 060</b></u>	<u><b>\$10 425 290</b></u>

#### 4. Employee Future Benefits

##### *Pension*

Employees of the Corporation belong to the New Brunswick Public Service Superannuation Plan, a multi-employer, defined benefit pension plan. Contributions are made by both the Corporation and the employees. For the year ended March 31, 2005, the Corporation expensed contributions of \$1 141 926 (\$1 100 608 in 2004) under the terms of the Plan. The Corporation has no direct liability or entitlement to any unfunded liability or surplus in the Plan related to its current or former employees except as disclosed in Note 5.

##### *Retiring Allowances*

Employees of the Corporation are entitled to a retirement allowance based on years of service and rate of pay in the year of retirement or death. This program is funded in the year the allowance is paid. The most recent valuation determined the accrued actuarial liability for this benefit was \$3 112 500 as at March 31, 2005. At the end of this fiscal year the Corporation had recorded a total liability of \$1 382 000. Costs of \$402 000 relating to this program were expensed during the year (\$353 000 in 2004). The valuation used the projected benefit method pro-rated on service and included management's best estimates of a discount rate of 6% and expected salary escalation of 2.5%.

#### 5. Past Service Pension Liability

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 2002-2003 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 was 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%.

	2005	2004
Past service pension liability	\$3 305 188	\$3 649 441
Current portion of past service pension liability	<u>391 116</u>	<u>344 253</u>
	<u><b>\$2 914 072</b></u>	<u><b>\$3 305 188</b></u>

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

2006	\$ 391 116
2007	442 141
2008	497 658
2009	558 017
2010	623 595

## 6. Commitments

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2006 and 2016. 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, 2005, initial lease terms in excess of one year:

2006	\$ 3 134 516
2007	2 928 306
2008	2 720 674
2009	2 356 378
2010	2 193 670
2011 to 2016	<u>4 904 710</u>
	<u><u>\$18 238 254</u></u>

## 7. 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.

## 8. 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 past service pension liability approximate their carrying amounts.

## 9. Comparative Figures

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



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**FINANCIAL STATEMENTS**

**NEW BRUNSWICK  
MUNICIPAL FINANCE CORPORATION**

**31 DECEMBER 2004**

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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 2004 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 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Daryl C. Wilson".

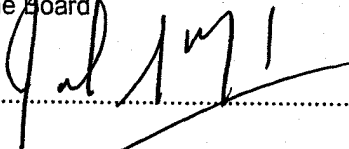
Daryl C. Wilson, FCA  
Auditor General

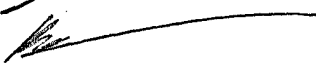
Fredericton, N. B.  
7 April 2005

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
BALANCE SHEET  
31 DECEMBER 2004**

<b>ASSETS</b>	<b>2004</b>	<b>2003</b>
Cash and short-term investments	\$ 1,081,181	\$ 427,544
Accrued interest receivable from municipalities and municipal enterprises	5,140,970	5,114,030
Accrued investment income receivable	3,851	14,751
	<u>6,226,002</u>	<u>5,556,325</u>
Long term investments	405,000	520,000
Unamortized premiums less discounts	( 138,523)	9,455
	<u>266,477</u>	<u>529,455</u>
Loans to municipalities and municipal enterprises (Note 3)	466,353,000	421,418,000
	<u>\$ 472,845,479</u>	<u>\$ 427,503,780</u>
<b>LIABILITIES AND RETAINED EARNINGS</b>		
Accounts payable	\$ 2,667	\$ 3,319
Accrued interest payable on debenture debt	5,150,433	5,119,808
Debenture debt (Note 4)	466,638,000	421,418,000
	<u>471,791,100</u>	<u>426,541,127</u>
Retained earnings	1,054,379	962,653
	<u>\$ 472,845,479</u>	<u>\$ 427,503,780</u>

Approved by the Board

  
..... Director

  
..... Director

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

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	2004	2003
<b>REVENUE</b>		
Interest from municipalities and municipal enterprises	\$ 23,313,994	\$ 22,995,499
Retained for debenture issue expenses	158,939	125,977
Investment income	46,859	58,611
	<u>23,519,792</u>	<u>23,180,087</u>
<b>EXPENSE</b>		
Interest paid on debentures	23,331,309	23,001,277
Amortization of premium	5,243	13,324
Other expenses	91,514	93,209
	<u>23,428,066</u>	<u>23,107,810</u>
<b>NET INCOME FOR THE YEAR</b>	91,726	72,277
Retained earnings, beginning of year	962,653	890,376
<b>RETAINED EARNINGS, end of year</b>	<u>\$ 1,054,379</u>	<u>\$ 962,653</u>



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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

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	2004	2003
<b>CASH PROVIDED BY (USED FOR):</b>		
Operating activities:		
Net income for the year	\$ 91,726	\$ 72,277
Add (deduct)		
Amortization of premium	5,243	13,324
Decrease (increase) in non-cash components of working capital	13,934	5,610
	<u>110,903</u>	<u>91,211</u>
Financing activities:		
Proceeds on sale of debentures	104,968,307	92,291,864
Funds retained for debenture issues expenses	( 158,939)	( 125,977)
Principal paid on debenture debt	<u>( 60,739,000)</u>	<u>( 58,680,000)</u>
	44,070,368	33,485,887
Investing activities:		
Loans to municipalities and municipal enterprises	( 104,809,368)	( 92,165,887)
Principal repayments made by municipalities and municipal enterprises	61,024,000	58,680,000
Long term investments	257,734	-
	<u>( 43,527,634)</u>	<u>( 33,485,887)</u>
<b>INCREASE IN CASH</b>	653,637	91,211
Cash position, beginning of year	<u>427,544</u>	<u>336,333</u>
<b>CASH POSITION, end of year</b>	<u>\$ 1,081,181</u>	<u>\$ 427,544</u>

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2004**

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**1. General**

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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.

**2. Summary of significant accounting policies**

---

a) Loans to municipalities and municipal enterprises and debenture debt

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.

b) Investments

Long-term investments are recorded at par value, and adjusted for any unamortized premiums less discounts. Discounts and premiums are deferred and amortized to income on a straight-line basis over the remaining life of the related security.

**3. 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) Principal payments receivable in each of the next five years are:

2005	\$67,532,000
2006	\$64,122,000
2007	\$59,789,000
2008	\$51,652,000
2009	\$47,885,000

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2004**

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**4. Debenture debt**

- (a) The following debenture debt outstanding at 31 December 2004 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	\$ 1,124,000
"Y"	07 June 1995	07 June 1996 to 2005	7.125% to 8.125%	13,611,000	2,885,000
* "Z"	20 Dec. 1995	20 Dec. 1996 to 2005	6.25% to 7.875%	39,032,000	8,019,000
"AA"	24 July 1996	24 July 1997 to 2006	5.625% to 7.875%	19,028,000	6,397,000
"AB"	02 Dec. 1996	02 Dec. 1997 to 2006	3.625% to 6.625%	38,610,000	12,327,000
* "AC"	16 Oct. 1997	16 Oct. 1998 to 2007	4.125% to 6%	36,187,000	14,089,000
"AD"	18 Dec. 1997	18 Dec. 1998 to 2007	4.25% to 5.75%	34,346,000	13,782,000
"AE"	25 Aug. 1998	25 Aug. 1999 to 2008	5.25% to 5.625%	26,566,000	10,997,000
"AF"	15 Dec. 1998	15 Dec. 1999 to 2008	5.125% to 5.5%	29,838,000	15,200,000
"AG"	11 Aug. 1999	11 Aug. 2000 to 2009	5.2% to 5.75%	31,633,000	17,252,000
**"AH"	14 Dec. 1999	14 Dec. 2000 to 2009	5.7% to 6.5%	33,575,000	19,061,000
"AI"	10 Aug. 2000	10 Aug. 2001 to 2010	6.1% to 6.4%	31,887,000	19,744,000
"AJ"	19 Dec. 2000	19 Dec. 2001 to 2010	6% to 6.125%	27,801,000	17,119,000
"AK"	17 July 2001	17 July 2002 to 2011	4.45% to 6.2%	28,920,000	22,130,000
"AL"	30 Nov. 2001	30 Nov. 2002 to 2011	2.45% to 5.5%	42,281,000	31,426,000
"AM"	12 July 2002	12 July 2003 to 2012	3.375% to 5.75%	52,016,000	43,163,000
**"AN"	23 Dec. 2002	23 Dec. 2003 to 2012	3.1% to 5.6%	24,625,000	20,363,000
"AO"	28 July 2003	28 July 2004 to 2013	3.05% to 5.0%	41,532,000	38,266,000
"AP"	17 Dec. 2003	17 Dec 2004 to 2013	2.75% to 5.125%	51,873,000	47,335,000
**"AQ"	8 July 2004	8 July 2005 to 2014	2.75% to 5.50%	27,040,000	27,040,000
"AR"	16 Dec. 2004	16 Dec. 2005 to 2014	2.75% to 4.80%	78,919,000	78,919,000
				<u>\$ 743,762,000</u>	<u>\$ 466,638,000</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:

2005	\$67,295,000
2006	\$63,935,000
2007	\$59,660,000
2008	\$51,588,000
2009	\$47,891,000



# **The New Brunswick Museum**

**Consolidated Financial Statements**  
**March 31, 2005**



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

June 3, 2005

## 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, 2005 and the consolidated statement of financial operations and changes in fund balances for the year then ended. These consolidated 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, 2005 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, 2005

	General Fund \$	Property and Equipment Fund \$	Restricted Fund \$	Endowment Fund \$	2005 \$	2004 \$
<b>Assets</b>						
Cash	54,244	—	54	57,071	111,369	171,761
Short-term investments (note 3)	108,627	—	350,501	—	459,128	314,109
Account receivable – trade	60,136	—	—	19,799	79,935	56,156
Accounts receivable – grants	48,218	—	140,135	—	188,353	32,636
Inventory	47,301	—	—	—	47,301	31,625
Due from Province of New Brunswick	—	—	12,707	—	12,707	122,264
	318,526	—	503,397	76,870	898,793	728,551
<b>Investments (note 3)</b>	—	—	—	1,122,913	1,122,913	933,486
<b>Property and equipment (note 4)</b>	—	142,810	45,647	—	188,457	157,924
<b>Collection and accessions</b>	2	—	—	—	2	2
	318,528	142,810	549,044	1,199,783	2,210,165	1,819,963
<b>Liabilities and Fund Balances</b>						
Accounts payable and accrued liabilities	163,193	—	106,368	20,250	289,811	190,944
Interfund loan	13,859	—	(2,787)	(11,072)	—	—
Due to Province of New Brunswick	121,856	—	—	—	121,856	—
	298,908	—	103,581	9,178	411,667	190,944
<b>Fund balances</b>						
Unrestricted	19,620	—	—	—	19,620	18,877
Internally restricted	—	—	114,753	33,134	147,887	144,502
Externally restricted	—	—	285,063	49,653	334,716	389,336
Endowments	—	—	—	1,107,818	1,107,818	918,380
Property and equipment	—	142,810	45,647	—	188,457	157,924
	19,620	142,810	445,463	1,190,605	1,798,498	1,629,019
	318,528	142,810	549,044	1,199,783	2,210,165	1,819,963

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, 2005

	General Fund \$ (note 6)	Property and Equipment Fund \$	Restricted Fund \$	Endowment Fund \$	2005 \$	2004 \$
<b>Revenue</b>						
<b>Grants</b>						
Provincial	2,004,000	—	71,068	—	2,075,068	1,933,413
Federal	—	—	36,204	—	36,204	33,998
Department of Canadian Heritage	—	—	152,500	—	152,500	44,700
Investment income	6,000	—	5,605	48,647	60,252	59,136
Webster Foundation	—	—	—	30,100	30,100	40,260
Museum services (note 5)	163,282	—	15,983	—	179,265	132,197
Other grants and bequests	—	—	75,691	29,000	104,691	137,785
Donations	—	—	62,412	4,051	66,463	35,517
	<u>2,173,282</u>	<u>—</u>	<u>419,463</u>	<u>111,798</u>	<u>2,704,543</u>	<u>2,417,006</u>
<b>Expenditures</b>						
Salaries and benefits	1,586,337	—	191,387	—	1,777,724	1,563,363
Materials, supplies and services	493,333	—	226,256	—	719,589	633,412
Acquisitions	44,326	—	3,079	42,782	90,187	34,207
Amortization of property and equipment	41,323	—	22,151	—	63,474	58,210
Research grants	—	—	—	3,750	3,750	2,500
	<u>2,165,319</u>	<u>—</u>	<u>442,873</u>	<u>46,532</u>	<u>2,654,724</u>	<u>2,291,692</u>
<b>Excess (deficiency) of revenue over expenditures</b>	7,963	—	(23,410)	65,266	49,819	125,314
<b>Gain on sale of investments</b>	—	—	—	119,660	119,660	60,805
<b>Internal transfer</b>	(7,220)	30,533	17,537	(40,850)	—	—
<b>Net surplus</b>	743	30,533	(5,873)	144,076	169,479	186,119
<b>Fund balance – Beginning of year</b>	18,877	112,277	451,336	1,046,529	1,629,019	1,442,900
<b>Fund balance – End of year</b>	<u>19,620</u>	<u>142,810</u>	<u>445,463</u>	<u>1,190,605</u>	<u>1,798,498</u>	<u>1,629,019</u>



# The New Brunswick Museum

## Notes to Consolidated Financial Statements For the year ended March 31, 2005

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### 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

#### 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 are stated at cost and are 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%

In the year of acquisition, amortization is calculated over the number of months the related asset is available for use.

# The New Brunswick Museum

## Notes to Consolidated Financial Statements

### For the year ended March 31, 2005

---

## 2 Significant accounting policies (continued)

### 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.

### 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.

### Inventory

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

# **The New Brunswick Museum**

## **Notes to Consolidated Financial Statements**

### **For the year ended March 31, 2005**

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## **2 Significant accounting policies (continued)**

### **Collections and accessions**

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

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.

### **Contributed services**

Volunteers contributed approximately 2,849 hours to assist the Museum in carrying out its service delivery activities.

### **Management 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.

### **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.

**The New Brunswick Museum**  
**Notes to Consolidated Financial Statements**  
**For the year ended March 31, 2005**

**3 Investments**

Investments comprise the following:

	2005		2004	
	Cost \$	Market value \$	Cost \$	Market value \$
<b>Short-term investments</b>				
Treasury bills	459,128	457,876	314,109	317,175
<b>Long-term investments</b>				
Bonds	784,191	826,727	732,027	792,028
Equity	338,722	495,097	201,459	407,715
	<u>1,122,913</u>	<u>1,321,824</u>	<u>933,486</u>	<u>1,199,743</u>

**4 Property and equipment**

	2005		2004	
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Computer equipment	245,625	161,694	83,931	51,691
Vehicles and equipment	268,293	189,402	78,891	75,446
Furniture	77,898	52,263	25,635	30,787
	<u>591,816</u>	<u>403,359</u>	<u>188,457</u>	<u>157,924</u>

**5 Museum services**

Museum services consist of the following revenue and expenditures:

	2005 \$	2004 \$
<b>Revenue</b>		
Gift shop, programs and other	268,987	157,468
Admissions	103,553	101,691
Facility rentals	32,633	18,852
Membership	12,035	12,809
	<u>417,208</u>	<u>290,820</u>
<b>Expenditures</b>		
Gift shop, programs and other	237,943	158,623
	<u>179,265</u>	<u>132,197</u>

**The New Brunswick Museum**  
Notes to Consolidated Financial Statements  
For the year ended March 31, 2005

**6 General Fund revenue and expenditures – Detailed comparison to budget**

	2005 Actual \$	2005 Budget (unaudited) \$
<b>Revenue</b>		
Provincial	2,004,000	2,000,000
Museum services	163,282	154,000
Investment income	6,000	6,000
	<u>2,173,282</u>	<u>2,160,000</u>
<b>Expenditures</b>		
Salaries and benefits	1,586,337	1,697,500
Operations	293,623	256,600
Curatorial and library	124,403	120,700
Marketing and development	94,545	76,500
Exhibition and technical services	48,236	37,500
Outreach	26,514	10,000
Visitor services	22,194	23,200
	<u>2,195,852</u>	<u>2,222,000</u>
	(22,570)	(62,000)
Less: Amortization of property and equipment not included in the above	(41,323)	–
Add: Capital expenditures included above	<u>71,856</u>	<u>–</u>
<b>Excess of revenue over expenditures (expenditures over revenue)</b>	<u>7,963</u>	<u>(62,000)</u>

**7 Commitments**

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

	\$
Year ending March 31, 2006	19,883
2007	16,376
2008	12,768



*Combined Financial Statements of*

**NEW BRUNSWICK POWER  
HOLDING CORPORATION**

*for the year ended March 31, 2005*

**Deloitte & Touche LLP**



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## Auditors' Report

To the Honourable Hermenegilde Chiasson,  
Lieutenant-Governor of New Brunswick,  
Fredericton, New Brunswick

Sir:

We have audited the combined balance sheet of New Brunswick Power Holding Corporation (the "Corporation") as at March 31, 2005 and the combined 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 combined financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script that reads "Deloitte &amp; Touche LLP".

Chartered Accountants

June 6, 2005

Except as to Note 25 which is as of August 4, 2005



**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**COMBINED STATEMENT OF INCOME**  
(in millions)

For the year ended March 31	2005	2004
<b>Revenues (Note 4)</b>		
Sales of power		
In-province	\$ 1,049	\$ 1,009
Out-of-province	251	246
Miscellaneous	62	56
Transmission	41	-
	<u>1,403</u>	<u>1,311</u>
<b>Expenses</b>		
Fuel and purchased power	497	467
Transmission (Note 4)	46	-
Operations, maintenance and administration	384	355
Amortization and decommissioning (Note 5)	219	213
Taxes, other than special payments in lieu of income taxes (Note 6)	41	33
Write-off of fuel handling system costs (Note 7)	-	44
	<u>1,187</u>	<u>1,112</u>
Income before finance charges & special payments in lieu of income taxes	216	199
Finance charges (Note 8)	202	217
Income (loss) before special payments in lieu of income taxes	14	(18)
Special payments in lieu of income taxes (Note 9)	5	-
<b>Net income (loss) for the year</b>	<b>\$ 9</b>	<b>\$ (18)</b>

**COMBINED STATEMENT OF DEFICIT**

For the year ended March 31	2005	2004
Deficit, beginning of year	\$ (195)	\$ (177)
Net income (loss) for the year	9	(18)
Dividends declared (Note 10)	(5)	-
<b>Deficit, end of year</b>	<b>\$ (191)</b>	<b>\$ (195)</b>

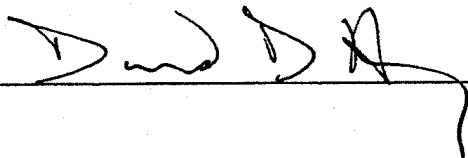
**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**COMBINED BALANCE SHEET**  
(in millions)

As at March 31	2005	2004
<b>Current Assets</b>		
Cash and short-term investments (Note 11)	\$ 4	\$ 7
Accounts receivable (Note 21)	217	181
Materials, supplies and fuel	106	96
Prepaid expenses	3	3
	<u>330</u>	<u>287</u>
<b>Property, Plant and Equipment (Note 12)</b>		
Land, buildings, plant and equipment, at cost	6,320	6,016
Less: accumulated amortization	3,047	2,870
	<u>3,273</u>	<u>3,146</u>
<b>Long-Term Assets</b>		
Nuclear decommissioning and used fuel management funds (Note 13)	189	176
Other investments (Note 14)	6	-
	<u>195</u>	<u>176</u>
<b>Other Assets</b>		
Future special payments in lieu of income taxes (Note 9)	5	-
Deferred debt costs, less amounts amortized (Note 2)	-	50
Deferred pension benefit (Note 15)	71	67
Other deferred charges	-	3
	<u>76</u>	<u>120</u>
<b>Total Assets</b>	<b>\$ 3,874</b>	<b>\$ 3,729</b>

ON BEHALF OF NEW BRUNSWICK POWER HOLDING CORPORATION



Chairman



President and Chief Executive Officer

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**COMBINED BALANCE SHEET**  
(in millions)

As at March 31	2005	2004
<b>Current Liabilities</b>		
Short-term indebtedness (Note 16)	\$ 340	\$ 477
Accounts payable and accruals (Note 21)	199	201
Accrued interest (Note 21)	60	70
Current portion of long-term debt (Note 17)	357	69
	<u>956</u>	<u>817</u>
<b>Long-Term Debt (Note 17)</b>		
Debentures and other loans	2,459	3,217
Less: sinking funds	-	403
	<u>2,459</u>	<u>2,814</u>
<b>Deferred Liabilities</b>		
Plant decommissioning and used nuclear fuel management (Note 18)	251	240
Other (Note 19)	72	53
	<u>323</u>	<u>293</u>
<b>Shareholders' Equity</b>		
Capital stock (Note 10)	140	-
Contributed surplus (Note 2)	187	-
Deficit	(191)	(195)
	<u>136</u>	<u>(195)</u>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 3,874</b>	<b>\$ 3,729</b>

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**COMBINED STATEMENT OF CASH FLOWS**  
(in millions)

For the year ended March 31	2005	2004
<b>Operating Activities</b>		
Net income (loss) for the year	\$ 9	\$ (18)
Amounts charged or credited to operations not requiring a current cash payment (Note 20)	236	274
	<u>245</u>	<u>256</u>
Nuclear decommissioning and used fuel management funds installments and earnings	(13)	(156)
Decommissioning liability expenditures	(1)	(3)
Additions to deferred charges	-	(5)
Net change in non-cash working capital balances	(51)	29
	<u>180</u>	<u>121</u>
<b>Investing Activities</b>		
Expenditure on property, plant and equipment, net of proceeds on disposal and customer contributions	(335)	(497)
Other investments	(6)	-
	<u>(341)</u>	<u>(497)</u>
<b>Financing Activities</b>		
Debt retirements	(58)	(102)
Sinking fund installments and earnings	(27)	(55)
Proceeds from long-term debt obligations	297	296
Increase (decrease) in short-term indebtedness	(54)	182
	<u>158</u>	<u>321</u>
Net cash outflow	(3)	(55)
Cash, beginning of year	7	62
<b>Cash, end of year</b>	<u>\$ 4</u>	<u>\$ 7</u>

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2005  
(in millions)

## 1. INCORPORATION & BASIS OF PRESENTATION

### Incorporation

The New Brunswick Power Corporation (NB Power) was established as a Crown Corporation of the Province of New Brunswick in 1920 by enactment of the New Brunswick *Electric Power Act*.

On Oct. 1, 2004 the Province of New Brunswick proclaimed the *Electricity Act*, which resulted in the reorganization of NB Power and the restructuring of the electricity industry in New Brunswick. NB Power was continued as New Brunswick Power Holding Corporation (Holdco) with four new subsidiary operating companies that commenced operations on this date. The subsidiaries include

- New Brunswick Power Generation Corporation\* (Genco)
- New Brunswick Power Nuclear Corporation (Nuclearco)
- New Brunswick Power Transmission Corporation (Transco)
- New Brunswick Power Distribution & Customer Service Corporation (Disco)

\* Including the New Brunswick Power Coleson Cove Corporation (Colesonco), formed as a subsidiary of Genco upon restructuring, and NB Coal Limited (NB Coal)

### Basis of presentation

The accompanying combined financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with the preceding year. The combined financial statements include the accounts of Holdco and those of its subsidiaries listed above (collectively the Corporation).

## 2. RESTRUCTURING

### Government entities

The *Electricity Act* resulted in the establishment of the New Brunswick Electric Finance Corporation (Electric Finance), a Crown Corporation and agent of the Crown, whose purpose is to facilitate the conversion of NB Power's debt to appropriate levels in the subsidiary operating companies and to assume and reduce the remaining portion of NB Power's debt.

The *Electricity Act* also resulted in the establishment of the New Brunswick System Operator (System Operator), a not-for-profit body whose primary objective is to independently direct the operation of the electricity market and maintain the long-term adequacy and reliability of the electricity system.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
 For the year ended March 31, 2005  
 (in millions)

**2. RESTRUCTURING (continued)**

**Debt restructuring**

On Oct. 1, 2004, Electric Finance assumed the obligations of NB Power with respect to notes and debt instruments previously issued to the Province or to other third-party debt holders. These obligations included all notes and debentures existing at Sept. 30, 2004, including US dollar debentures and cross-currency interest rate swaps, as well as related accrued interest and deferred debt costs.

In exchange for the transfer of the above items, Electric Finance issued a new debt portfolio to the Corporation, along with related accrued interest, which was reduced by common share equity and contributed surplus to offset the deficit that existed at Sept. 30, 2004.

The following is a summary of the amounts transferred and received from Electric Finance

	Received	Transferred	Variance
Long-term debt	\$ 2,837	\$ 3,537	\$ (700)
Sinking funds	-	(418)	418
Short-term debt	295	378	(83)
Accrued interest	71	83	(12)
	3,203	3,580	(377)
Deferred debt costs	-	(50)	50
Common share equity	140	-	140
Contributed surplus	187	-	187
<b>Total</b>	<b>\$3,530</b>	<b>\$ 3,530</b>	<b>\$ -</b>

**Common shares**

As part of the incorporation of the new operating companies and the restructuring of NB Power, the following common shares were issued or transferred:

- Holdco issued one Class A common voting share of nominal value to the New Brunswick Minister of Energy
- each subsidiary company issued one Class A voting common share of nominal value to Holdco
- Colesonco issued one Class A voting common share of nominal value to Genco
- the voting common shares of NB Coal were transferred from Holdco to Genco
- each company, excluding NB Coal, issued one Class B non-voting common share of nominal value to Electric Finance
- Transco issued an additional 1,000 Class B non-voting common shares to Electric Finance with a stated value of \$140 million

**Transfer of net assets**

On Oct. 1, 2004, the assets and liabilities associated with each of the business segments were transferred from Holdco to the respective operating companies at their net book value.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2005  
(in millions)

## 2. RESTRUCTURING (continued)

### Result of capital restructuring

The above-noted transactions resulted in the following allocation of assets, liabilities, equity and contributed surplus amounts as at Oct. 1, 2004:

	Holdco	Genco*	Nuclearco	Transco	Disco	Total
Net Assets	\$ 5	\$ 1,950	\$ 382	\$ 345	\$ 661	\$ 3,343
Opening Deficit	165	22	-	-	-	187
Short term debt	5	69	113	4	104	295
Accrued Interest Payable	-	47	7	5	12	71
Long term debt	-	1,834	262	196	545	2,837
Contributed Surplus	165	22	-	-	-	187
Common Share Equity	-	-	-	140	-	140

\* including Colesonco and NB Coal

### Significant inter-company agreements

On Oct. 1, 2004 the following contracts were entered into:

#### Power Purchase Agreement – NB Power Nuclear Corporation

Disco and Nuclearco entered into a power purchase agreement whereby Disco will purchase 95 per cent of the Point Lepreau Generating Station capacity and 95 per cent of the electricity produced by the station. The term of the agreement is until the end of the current service life of the generating station if it is not refurbished, or 25 years after the refurbished station returns to service if it is refurbished, with annual renewal options in favour of Disco thereafter.

#### Power Purchase Agreement – NB Power Coleson Cove Corporation

Disco and Colesonco entered into a 25 year power purchase agreement whereby Disco will purchase tolling capacity and related services to convert fuel to electricity. The agreement requires the sale of all energy generated at the Coleson Cove Generating Station to Disco.

#### Power Purchase Agreement – NB Power Generation Corporation

Disco and Genco entered into a long-term power purchase agreement whereby Genco will supply capacity and energy to Disco. The agreement continues until nominated capacity under the terms of the agreement is reduced to zero. The commitment at March 31, 2005 was 2,425 MW of base capacity and 1,258 MW of peaking capacity, including capacity supplied through third-party power purchase agreements.

Under this power purchase agreement, Genco is also responsible to procure and deliver fuel on behalf of Disco to the Coleson Cove Generating Station.

**NEW BRUNSWICK POWER HOLDING CORPORATION  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2005  
(in millions)

**3. SIGNIFICANT ACCOUNTING POLICIES**

**a. 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 and allowance for funds used during construction, 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 on capital construction projects within unregulated businesses based on the cost of long-term borrowings. Allowance for funds used during construction is capitalized monthly on capital construction projects within regulated businesses based on the weighted average cost of capital.

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.

The cost of distribution system 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.

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. All assets are amortized on a straight-line basis.

The main categories of property, plant and equipment are being amortized based on the following estimated service lives:

<u>Assets</u>	<u>Years</u>
Hydro generating facilities	35 - 100
Thermal generating stations	25 - 35
Nuclear generating station	25
Combustion turbine generating stations	25
Terminals and substations	40
Transmission system	45 - 60
Distribution system	10 - 35
Buildings	
- General	40
- Head Office	50
Communications and computer systems	3 - 15
Mining equipment	20 - 35
Motor vehicles	4 - 10

**b. 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.



**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2005  
(in millions)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c. 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.

**d. Deferred debt costs**

As part of restructuring, the deferred debt costs were transferred to Electric Finance on Oct. 1, 2004 (see Note 2). Prior to restructuring, the Corporation amortized 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 pertained.

**e. Foreign exchange transactions**

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian 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.

**f. 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.

**g. Sinking funds**

As part of restructuring, the sinking funds were transferred to Electric Finance on Oct. 1, 2004 (see Note 2). Prior to restructuring, the Minister of Finance of the Province of New Brunswick, as Trustee for the Corporation, maintained sinking funds for all debenture issues. Sinking fund earnings are reflected in the Corporation's income and sinking fund investments deducted from long-term debt as a legally enforceable right to offset did exist.

**h. Asset retirement obligations**

Nuclear and Thermal Generating Stations

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 following costs have been recognized as a liability as at March 31, 2005:

- 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 and 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, 2005

**NEW BRUNSWICK POWER HOLDING CORPORATION  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2005  
(in millions)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**h. Asset retirement obligations (continued)**

The liability for used nuclear fuel management is increased for nuclear fuel bundles used 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.

The calculations of the anticipated future costs are based on detailed studies that 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 the various assumptions and estimates inherent in the calculations, the Corporation reviews such calculations periodically.

In accordance with the Nuclear Fuel Waste Act, which came into force in November 2002, the Nuclear Waste Management organization was formed to prepare and review alternatives and provide recommendations for long-term management of used nuclear fuel. The Nuclear Waste Management organization's recommendations are to be submitted within three years of the Act coming into force. The federal government will determine the strategy for dealing with the long-term management of used nuclear fuel based on submitted alternatives. The strategy determined by the federal government could significantly change management's estimate of the used nuclear fuel management liability.

Hydro Generating Stations

The Corporation currently has no intention of decommissioning its hydro generating stations. With either maintenance efforts or rebuilding, the assets are expected to be used for the foreseeable future. Therefore, no removal date can be determined and consequently a reasonable estimate of the fair value of any related asset retirement obligations cannot be made at this time. If at some future date it becomes possible to estimate a fair value cost of removing assets that the Corporation is legally required to remove, an asset retirement obligation will be recognized at that time.

Transmission and Distribution Assets

Although some of the Corporation's transmission and distribution assets may have asset retirement obligations, the Corporation expects to use the majority of its transmission and distribution assets for an indefinite period of time. Therefore, no removal date can be determined and consequently a reasonable estimate of the fair value of any related asset retirement obligation cannot be made at this time. If at some future date it becomes possible to estimate the fair value cost of removing assets that the Corporation is legally required to remove, an asset retirement obligation will be recognized at that time.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2005  
(in millions)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**i. Pension plans**

Corporation employees are members of the Province of New Brunswick Public Service Superannuation Plan. This multi-employer, defined benefit plan provides pensions based on length of service and the average of the highest five consecutive years of earnings. Pension benefits paid are escalated each year based on the Consumer Price Index to a maximum of 5 or 6% depending on retirement date. The Corporation and its employees make contributions to the plan as prescribed in the Public Service Superannuation Act and its regulations. NB Coal maintains a private defined benefit pension plan for its employees.

Under both plans, future salary levels affect the amount of employee future benefits, and therefore the projected benefit method pro-rated on services has been used to determine the accrued benefit obligation. The expected return on plan assets is based on the fair value of plan assets. Actuarial gains or losses in excess of 10% of the greater of the accrued benefit obligation and the fair value of the plan assets at the beginning of the year 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 also 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. 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 expected retirement dates. 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 present value of the estimated future costs of early retirement 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.

**m. Derivative financial instruments**

In accordance with its hedging policies and objectives, the Corporation 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.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2005

(in millions)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**m. Derivative financial instruments (continued)**

Hedge accounting, which allows deferral of gains and losses until settlement, is applied when the derivative instrument is designated as a hedge and the derivative is expected to be effective throughout the life of the hedged item. Effectiveness is achieved when changes in the cash flows or fair value of the derivative instrument substantially offset changes in the cash flows or fair value of the hedged item. The Corporation assesses both at inception and on an ongoing basis whether the derivatives used in hedging transactions are effective.

Effective derivatives that meet hedge criteria are not recorded on the balance sheet and any gain or losses on these instruments are deferred and only recognized at the settlement date. Derivative instruments not meeting hedge criteria are accounted for on the balance sheet at fair value and subsequent changes in fair value are recorded in earnings.

If a derivative instrument ceases to exist and is not replaced, the termination gain or loss is deferred and recognized when the hedged item is settled. If a hedged item ceases to exist or is no longer probable of occurring, any previously deferred gains or losses associated with a derivative instrument are recognized in earnings. If a hedging relationship is terminated or ceases to be effective, any previously deferred gains or losses are carried forward and recognized in earnings in the same period as the hedged item and any subsequent gains or losses on the fair value of the instrument are recognized in earnings.

The Corporation uses derivative financial instruments to manage the following risks

- foreign currency exchange rates
- interest rates
- heavy fuel oil and natural gas prices

Foreign Currency Exchange Rates and Interest Rates

The Corporation enters into Canadian dollar – US dollar forward contracts to hedge exchange risk related to forecasted US dollar purchases. Gains or losses on forward contracts hedging forecasted US dollar purchases are deferred and recognized at the settlement date as part of the underlying item. In the event that a forward contract is terminated, the realized gain or loss would also be deferred and recognized in income at the settlement date of the related underlying item.

As part of restructuring, the existing cross-currency interest rate swaps were transferred to Electric Finance on Oct. 1, 2004 (see Note 2). Prior to restructuring, the Corporation entered into Canadian dollar – US dollar cross-currency interest rate swaps to hedge exchange risk related to interest and principal obligations on US dollar denominated long-term debt.

The Corporation periodically enters into interest rate swaps to hedge against the interest rate exposure associated with the future issuance of debt. The gains or losses on these interest rate swaps that meet the hedge criteria are accounted for on a settlement basis and are recognized only when the debt is refinanced. The resulting gains or losses are deferred and amortized to interest expense over the new debt term.

Heavy Fuel Oil and Natural Gas Prices

The Corporation enters into heavy fuel 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 purchase contracts largely based on natural gas prices. Gains or losses on these swaps are recognized at the settlement dates as an adjustment to the related underlying item.

**NEW BRUNSWICK POWER HOLDING CORPORATION  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2005

(in millions)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**n. Special payments in lieu of taxes**

Effective October 1, 2004, the Corporation is required to make special payments in lieu of taxes to Electric Finance. Total special payments in lieu of taxes consists of

- an income tax component based on accounting net income multiplied by a rate of 35.12 per cent
- a capital tax component based upon the large corporation tax rules contained in the federal and provincial income tax acts

The Corporation also recognizes the future special payments in lieu of taxes benefit of current losses when it is more likely that sufficient income will be generated in future periods to utilize losses previously incurred. No other provisions are made for future special payments in lieu of taxes as a result of any temporary differences as the tax basis of assets and liabilities and their carrying amounts for accounting purposes are considered to be the same for the purposes of the calculation.

**o. Use of estimates**

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. See Note 3(h) regarding the estimate of the nuclear used fuel management liability.

**4. REVENUES**

**In-province sales of power**

The Corporation is regulated under a system whereby annual average rate increases greater than three per cent 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 (PUB).

**Transmission revenue**

The PUB also regulates the Open Access Transmission Tariff (OATT), that establishes non-discriminatory access to the transmission system for generators and customers inside and outside the province and generates revenues for Transco to operate and maintain the transmission system.

In its March 2003 decision, the PUB approved an initial revenue requirement that is the basis for the existing OATT rates. The OATT rates were effective Sept. 30, 2003.

On Oct. 1, 2004, the System Operator assumed responsibility for the design and administration of the OATT. As such, Transco bills the System Operator for the majority of its revenue requirement, which the System Operator collects through the OATT from the various load and load-serving customers including Genco, Nuclearco, and Disco.

**Other**

Total revenue includes \$99 million (2004 - \$84 million) of sales to customers in the United States.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2005  
(in millions)

**5. AMORTIZATION AND DECOMMISSIONING**

	2005	2004
Amortization	\$ 201	\$ 196
Decommissioning	18	17
<b>Amortization and decommissioning</b>	<b>\$ 219</b>	<b>\$ 213</b>

**6. TAXES, OTHER THAN SPECIAL PAYMENTS IN LIEU OF INCOME TAXES**

	2005	2004
Property taxes	\$ 18	\$ 16
Utility and right of way taxes	17	17
Special payments in lieu of provincial capital taxes	6	-
<b>Taxes, other than special payments in lieu of income taxes</b>	<b>\$ 41</b>	<b>\$ 33</b>

Utility taxes reflect amounts charged by the Province of New Brunswick on the net book value of assets not covered by property taxes.

**7. WRITE-OFF OF FUEL HANDLING SYSTEM COSTS**

The Corporation received environmental approvals and commenced a project in December 2002 to refurbish the 998 MW Coleson Cove Generating Station to extend its life and convert it to burn Orimulsion® fuel.

The project also included development and construction of facilities and pipeline capable of handling Orimulsion® fuel. The Corporation had signed a memorandum of understanding for the development of these facilities. The site chosen required investment in a fixed jetty, storage tanks, pumping and piping to the existing pipelines used to transport heavy fuel oil to the generating station.

Of the expenses incurred on the fuel delivery system, \$44 million was not expected to provide future service value and was expensed in the year ended March 31, 2004.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2005  
(in millions)

**8. FINANCE CHARGES**

	2005	2004
Interest expense	\$ 223	\$ 240
Less: Income from sinking funds, trust funds, and other	(21)	(31)
	202	209
Guarantee / debt management fee	21	20
Amortization of deferred debt costs	3	7
Unrealized foreign exchange gains	-	(1)
Realized foreign exchange gains	(2)	(2)
	224	233
Less: Interest capitalized	(22)	(16)
Finance charges	\$ 202	\$ 217

Interest paid during the period was \$221 million (2004 - \$241 million). Interest received on investments during the period was \$20 million (2004 - \$27 million).

**9. SPECIAL PAYMENTS IN LIEU OF INCOME TAXES**

	2005	2004
Income before special payments in lieu of income taxes	\$ 14	\$ -
Less: Income up to October 1 <sup>st</sup>	(8)	-
Income subject to special payments in lieu of income taxes	6	-
Income tax rate	35.12%	-
	2	-
Special payments in lieu of federal capital taxes	3	-
Total special payments in lieu of income taxes	\$ 5	\$ -

**Components of special payments in lieu of income taxes**

	2005	2004
Provision for current special payments in lieu of income taxes	\$ 7	\$ -
Provision for future special payments in lieu of income taxes	(5)	-
Special payments in lieu of federal capital taxes	3	-
	\$ 5	\$ -

Special payments in lieu of income taxes are calculated at an individual company level. During the period that special payments in lieu of income taxes was applicable, Disco incurred a net loss and recorded a future special payments in lieu of income taxes amount, reducing the overall provision.

**NEW BRUNSWICK POWER HOLDING CORPORATION  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2005  
(in millions)

**10. CAPITAL STOCK**

The Corporation has one Class A voting common share of nominal value, issued and outstanding to the Minister of Energy.

The Corporation has 1,006 Class B non-voting common shares issued and outstanding to Electric Finance with a stated value of \$140 million.

The Corporation, with Electric Finance's approval, is authorized to issue an unlimited number of Class A or Class B shares without nominal or par value.

**Dividends**

The holder of the Class B shares, NBEFC, is entitled to receive dividends when declared by the Corporation's Boards of Directors. The designated percentage of the dividends declared may vary based upon the discretion of the Shareholder and the financial position of the Corporation. The holder of the Class A shares cannot be paid dividends until such time that there are no longer any Class B shares outstanding.

Dividends are declared and paid at an individual company level.

**11. CASH AND SHORT-TERM INVESTMENTS**

	2005	2004
Cash	\$ 3	\$ 4
Short-term investments	1	3
<b>Cash and short-term investments</b>	<b>\$ 4</b>	<b>\$ 7</b>



**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2005  
(in millions)

**12. PROPERTY, PLANT AND EQUIPMENT**

	2005			2004		
	Cost	Accumulated amortization	Net Book Value	Cost	Accumulated amortization	Net Book Value
Power generating stations	\$ 4,433	\$ 2,187	\$ 2,246	\$ 3,742	\$ 2,052	\$ 1,690
Transmission system	291	137	154	284	132	152
Terminals and substations	452	232	220	428	220	208
Distribution system	727	314	413	709	296	413
Buildings and properties	59	31	28	59	30	29
Communications and computer systems	95	51	44	86	42	44
Mining equipment and related assets	53	53	-	53	52	1
Motor vehicles	51	33	18	50	32	18
Miscellaneous assets	13	9	4	18	14	4
Construction-in-progress*	146	-	146	587	-	587
<b>Total</b>	<b>\$ 6,320</b>	<b>\$ 3,047</b>	<b>\$ 3,273</b>	<b>\$ 6,016</b>	<b>\$ 2,870</b>	<b>\$ 3,146</b>

\*Construction-in-progress at March 31, 2005 includes \$90 million (2004 - \$71 million) of expenditures on the Point Lepreau Generating Station Refurbishment Project.

**NEW BRUNSWICK POWER HOLDING CORPORATION  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2005  
(in millions)

**13. NUCLEAR DECOMMISSIONING AND USED FUEL MANAGEMENT FUNDS**

	2005	2004
<u>Used Nuclear Fuel Management Funds</u>		
The used nuclear fuel management trust funds are comprised of:		
1. The Corporation has established a used nuclear fuel segregated fund held in a custodial account to meet the license conditions of the Point Lepreau Generating Station set by the Canadian Nuclear Safety Commission (CNSC). Funding requirements are reviewed at the time of each license renewal.	\$ 81	\$ 76
2. The Corporation has also established a trust fund pursuant to the NFWA.		
The Nuclear Fuel Waste Act requires major owners of used nuclear fuel in Canada to establish trust funds to finance the long-term management of used nuclear fuel. The Act requires the Corporation to contribute \$4 million annually in November of each year until a long – term disposal plan is chosen. Further funding requirements beyond this time will be based on the plan chosen (see Note 3(h)). The funds contained in the established fund to meet the license conditions of the generating station described above will also be used to meet these requirements.	28	24
	109	100
<u>Nuclear Decommissioning Fund</u>		
The Corporation has established a decommissioning segregated fund held in a custodial account to meet the license conditions for the Point Lepreau Generating Station set by the CNSC.	80	76
<b>Total nuclear decommissioning and used fuel management funds</b>	<b>\$ 189</b>	<b>\$ 176</b>

**14. OTHER INVESTMENTS**

The Corporation entered into a 15-year agreement to have an outside party build and operate an ash separation facility at the Belledune Generating Station to process the flyash produced at the plant. The \$6 million investment represents the Corporation's required share of the cost of the facility. Pursuant to this agreement, the Corporation will receive royalties on the sale of the processed ash over the term of the agreement.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2005  
(in millions)

**15. DEFERRED PENSION BENEFIT**

Corporation employees are members of the Province of New Brunswick Public Service Superannuation Plan as described in Note 3(i). Pension assets and liabilities for the Public Service Superannuation Plan are measured as at March 31, 2005 while the assets and liabilities for the NB Coal plan are measured as at Dec. 31, 2004. The most recent actuarial valuation done for funding purposes for the Public Service Superannuation Plan was April 1, 2002. The next valuation for funding purposes is required to be completed as at April 1, 2005.

The significant assumptions of management include the following

- discount rate used to determine the accrued benefit obligation – 5.75 per cent (2004 – 6.0 per cent)
- expected long-term rate of return on plan assets – 6.75 per cent (2004 – 7.0 per cent)
- salary increases – 2.5 per cent (2004 – 2.5 per cent)

The costs recognized for the period are:

	2005	2004
Current service cost	\$ 15	\$ 13
Interest on accrued benefit obligation	54	50
Actual gain on plan assets	(61)	(153)
Difference between actual and expected return on plan assets	7	106
Actuarial losses on accrued benefit obligation	53	8
Difference between actuarial loss recognized for the year and actuarial loss on accrued benefit obligation for the year	(45)	3
Amortization of transitional asset	(3)	(3)
<b>Costs recognized</b>	<b>\$ 20</b>	<b>\$ 24</b>

An update of an accounting valuation to March 31, 2004 increased the accrued benefit obligation and the unamortized losses by \$73 million, resulting in no change to the pension asset.

The status of the assets and obligations of the Corporation's share of the Public Service Superannuation Plan and NB Coal's private plan as at March 31, 2005 was as follows

	2005	2004
Pension fund assets at fair value	\$ 841	\$ 778
Accrued benefit obligation	987	883
Pension deficit	(146)	(105)
Unamortized transitional obligation	(37)	(40)
Unamortized losses	254	212
<b>Deferred pension benefit</b>	<b>\$ 71</b>	<b>\$ 67</b>

In accordance with prescribed regulations, employees contributed \$10 million (2004 - \$10 million) and the Corporation contributed \$23 million to the plans (2004 - \$23 million) during the year. Total contributions to date in excess of pension expense in the amount of \$71 million (2004 - \$67 million) have been recorded as a deferred charge.

**NEW BRUNSWICK POWER HOLDING CORPORATION  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2005  
(in millions)

**16. SHORT-TERM INDEBTEDNESS**

The Corporation borrows funds for temporary purposes from Electric Finance. The short-term borrowings due to Electric Finance were \$340 million at March 31, 2005. The \$477 million of short-term borrowings due in the prior year were payable to the Province of New Brunswick.

**17. LONG-TERM DEBT**

	2005	2004
Debentures held by Electric Finance	\$ 2,815	\$ -
Debentures held or guaranteed by the Province of New Brunswick	-	3,280
Other	1	6
	<u>2,816</u>	<u>3,286</u>
Less: payments due within one year	(357)	(69)
Long-term debt	2,459	3,217
Less: sinking funds	-	(403)
Long-term debt	<u>\$ 2,459</u>	<u>\$ 2,814</u>

**Restructuring**

On Oct. 1, 2004, the existing debt portfolio of the Corporation, along with the sinking funds, was transferred to Electric Finance in exchange for a new reduced debt portfolio (see Note 2).

**Terms**

The maturity dates of the debentures range from 2005 – 2020. The terms of the debentures are such that the Corporation is required to make an annual principal repayment of 1 per cent of the original amount of each debenture on the anniversary date of its maturity. These payments will be made until the actual maturity date of the debenture, at which time the remaining principal amount will be repaid.

There were no US dollar debentures outstanding at March 31, 2005 (2004 - \$650 million). As part of restructuring, all existing US dollar debentures were transferred to Electric Finance on Oct. 1, 2004 (see Note 2).

**Interest rates**

The debentures bear interest at fixed rates ranging from 2.96 per cent to 10 per cent. The weighted average coupon interest rate on all debentures outstanding at March 31, 2005 is 6.71 per cent (2004 – 6.89 per cent).

**Guarantee and debt management fee**

Prior to restructuring, the Corporation paid an annual guarantee fee to the Province of New Brunswick, amounting to 0.6489 per cent 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 opening balance sheet date. Effective October 1, 2004 the Corporation is required to pay a debt management fee to Electric Finance amounting to 0.6489 per cent of the total of long-term debt and short-term indebtedness, measured as at the opening balance sheet date.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2005  
(in millions)

**17. LONG-TERM DEBT (continued)****Principal repayments**

Long-term debt principal repayments are due as follows:

Year ending	Principal repayment
March 31, 2006	\$ 357
March 31, 2007	160
March 31, 2008	403
March 31, 2009	269
March 31, 2010	393
March 31, 2011 and thereafter	1,234

**18. PLANT DECOMMISSIONING AND USED NUCLEAR FUEL MANAGEMENT**

The Corporation's nuclear generating station produces used nuclear fuel in the form of radioactive 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 also provides for decommissioning its thermal generating stations at the end of their service lives.

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

	2005	2004
<u>Used Nuclear Fuel Management</u>		
Balance, beginning of year	\$ 66	\$ 61
Add: Liabilities incurred	65	1
Add: Accretion expense	5	4
Balance, end of year	136	66
<u>Nuclear Decommissioning</u>		
Balance, beginning of year	138	129
Add: Accretion expense	9	9
Less: Revision to cash flows, net of liabilities incurred	(72)	-
Balance, end of year	75	138
<u>Thermal Decommissioning</u>		
Balance, beginning of year	36	35
Add: Liabilities incurred	1	-
Add: Accretion expense	3	2
Less: Expenditures	-	(1)
Balance, end of year	40	36
Total used nuclear fuel management and plant decommissioning liability	\$ 251	\$ 240

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2005  
(in millions)

**18. PLANT DECOMMISSIONING AND USED NUCLEAR FUEL MANAGEMENT (continued)**

**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 liability is partially funded (see Note 13). 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 \$885 million
- the management of the used nuclear fuel will require cash expenditures until 2048 to settle the liability
- the credit adjusted risk-free rate at which the estimated cash flows have been discounted is 7.1 per cent for the initial recognition of the liability and 5.9 per cent for the subsequent recognition of the additional liability

**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 liability is partially funded (see Note 13). 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 \$642 million
- the decommissioning of the nuclear generating station will require cash expenditures until 2076 to settle the liability
- the credit adjusted risk-free rate at which the estimated cash flows have been discounted is 7.1 per cent for the initial recognition of the liability and 5.9 per cent for the subsequent recognition of the additional liability

**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 liability is not funded. 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 \$98 million
- the decommissioning of the thermal generating stations will require cash expenditures until 2033 to settle the liability
- the credit adjusted risk-free rates at which the estimated cash flows have been discounted are 7.1 per cent for the initial recognition of the liability and 6.3 per cent for the subsequent recognition of the additional liability

**19. DEFERRED LIABILITIES – OTHER**

	2005	2004
Early retirement programs	\$ 57	\$ 30
Retirement allowance program	9	15
Other future employee benefits payable	2	1
NB Coal land reclamation	2	-
NB Coal environmental liability	9	10
	79	56
Less: amounts due within one year	(7)	(3)
Deferred liabilities - other	\$ 72	\$ 53

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2005

(in millions)

**19. DEFERRED LIABILITIES – OTHER (continued)**

**Retirement allowance liability**

The interest rate used in the calculation of this obligation was 5.75 per cent (2004 – 6.0 per cent) and the assumed rate of salary escalation was 2.5 per cent (2004 – 2.5 per cent). The latest actuarial calculation was completed as at April 1, 2004.

The estimated retirement allowance obligation at March 31, 2005 is \$26 million (2004 - \$28 million). The retirement allowance expense for the period ended March 31, 2005 was \$4 million (2004 - \$4 million). The cumulative amount expensed in excess of amounts paid out under the retirement allowance program is recorded as a deferred liability.

**NB Coal environmental liability**

The Corporation and its subsidiary NB Coal have developed a long-term plan to treat acidic water drainage from an inactive mine. The plan involves using a permanent water treatment facility to treat the site for as long as required. NB Coal has recognized an environmental liability equal to the net present value of the expected future costs.

	2005	2004
Balance, beginning of year	\$ 10	\$ 11
Add: Accretion expense	1	1
Less: Expenditures	(2)	(2)
Balance, end of year	\$ 9	\$ 10

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

	2005	2004
Amortization and decommissioning	\$ 219	\$ 213
Amortization of deferred debt costs	3	7
Unrealized foreign exchange gains	-	(1)
Used nuclear fuel liabilities incurred	1	1
Retirement expenses less related funding	17	7
Pension expenses less related funding	(4)	1
Future payments in lieu of income taxes	(5)	-
Write-off of fuel handling system costs	-	44
Other	5	2
Amounts not requiring a current cash payment	\$ 236	\$ 274

**NEW BRUNSWICK POWER HOLDING CORPORATION  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2005

(in millions)

**21. RELATED PARTY TRANSACTIONS**

Related parties of the Corporation include Electric Finance and the System Operator.

**Revenues and expenses**

The following related party revenue and expenses are included in the financial results for the year ended March 31, 2005:

	Electric Finance	System Operator
Transmission revenue	\$ -	\$ 41
Miscellaneous revenue	-	5
Transmission expense	-	46
Interest expense	100	-
Debt management fee	10	-
Special payments in lieu of provincial capital taxes	6	-
Special payments in lieu of income taxes*	10	-

\*Excluding the future payments in lieu of income taxes provision

**Receivables and payables**

The following related party receivable and payable balances existed as at March 31, 2005

	Electric Finance	System Operator
Accounts receivable	\$ 4	\$10
Accounts payable	5	7
Accrued interest	60	-

**Dividends**

During the period, Transco declared \$5 million in dividends, payable to Electric Finance.

**Debt and guarantees**

The Corporation has short and long-term debt payable to Electric Finance (Note 16 and 17) as at March 31, 2005.

Electric Finance has also provided certain guarantees for the Corporation to significant third-party creditors with respect to banking arrangements, trade payables and derivative financial instrument obligations.



**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2005  
(in millions)

## 22. FINANCIAL INSTRUMENTS

### Fair value of financial instruments

The fair value of financial instruments have been estimated by reference to quoted market prices or from valuations supplied by counter-parties for actual or similar instruments at the period end, unless otherwise noted.

### Interest rate and foreign exchange risk management

At March 31, 2005, the Corporation had no forward cross-currency interest rate swaps outstanding. As part of restructuring, the cross-currency interest rate swaps were transferred to Electric Finance on Oct. 1, 2004 (see Note 2).

<u>Cross-Currency Interest Rate Swaps</u>	<u>2005</u>	<u>2004</u>
US debt amount (in millions)	\$ -	\$ 400
Weighted average interest rate	-	6.04%
Weighted average exchange rate	-	1.5883
Fair value liability (in millions)	\$ -	\$ (122)

At March 31, 2005, the Corporation had outstanding foreign exchange contracts maturing over the next 18 months as follows

<u>Foreign Exchange Contracts</u>	<u>2005</u>	<u>2004</u>
Net commitment to purchase USD (in millions)	\$ 265	\$ 106
Weighted average exchange rate	1.2738	1.4879
Fair value liability (in millions)	\$ (18)	\$ (18)

### Fuel price risk management

At March 31, 2005, the Corporation had outstanding heavy fuel oil swap contracts maturing over the next 18 months as follows

<u>Heavy Fuel Oil Swaps</u>	<u>2005</u>	<u>2004</u>
Notional amount (in barrels)	5.0 million	3.3 million
Weighted average fixed price/barrel (in USD)	\$ 27.86	\$ 21.92
Fair value asset (in millions)	\$ 36	\$ 9

At March 31, 2005, the Corporation had outstanding natural gas swap contracts maturing over the next 18 months as follows

<u>Natural Gas Swaps</u>	<u>2005</u>	<u>2004</u>
Notional amount (in btu's)	13.0 million	10.1 million
Weighted average fixed price/btu (in USD)	\$ 7.12	\$ 5.95
Fair value asset (in millions)	\$ 33	\$ 14

Under these contracts, 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 and purchased power.

**NEW BRUNSWICK POWER HOLDING CORPORATION  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2005  
(in millions)

**22. FINANCIAL INSTRUMENTS (continued)**

**Fair value of long-term debt**

Long-term Debt	2005	2004
Book value (in millions)	\$ 2,816	\$ 3,286
Fair value (in millions)	\$ 3,126	\$ 3,879

**Fair value of nuclear decommissioning and used fuel management funds**

Nuclear Decommissioning & Used Fuel Management Funds	2005	2004
Book value (in millions)	\$ 189	\$ 176
Fair value (in millions)	\$ 202	\$ 183

**Fair value of other financial assets and liabilities**

The fair values of other financial assets and liabilities are not materially different from their carrying values.

**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 maximum credit risk exposure is deemed to be the sum of accounts receivable net of applicable reserves and the total unrealized gains on other financial instruments exposed to credit risk. Accounts receivable net of applicable reserves is \$217 million (2004 - \$181 million). The total unrealized gains on other financial instruments exposed to credit risk is \$69 million (2004 - \$23 million).

**23. COMMITMENTS & CONTINGENCIES**

**Belledune wharf**

The Corporation has entered into an operating lease expiring in 2013 with a 20-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 re-powered an existing 100 MW unit to a 280 MW combined cycle natural gas unit, which began commercial operation effective September 2001.

The Corporation 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.

The Corporation has also 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.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2005  
(in millions)

**23. COMMITMENTS & CONTINGENCIES (continued)**

**Power purchase agreements**

The Corporation has entered into a 20-year power purchase agreement to purchase all the capacity and electrical energy produced by a 90 MW co-generation facility that began production in December 2004.

The Corporation has an outstanding power purchase agreement for 38.5 MW of capacity and energy from a co-generation facility that expires in 2027.

The Corporation has signed a contract to purchase all the electrical energy of a wind generation facility to be constructed by a third party. The facility is to be in service on or before March 31, 2006. The contract is for 20 years and is for approximately 20MW per year.

**Orimulsion® fuel supply**

The Corporation has an agreement with Bitor America Corporation to purchase Orimulsion® fuel for the Dalhousie Generating Station to 2014. The Corporation also entered into a contract with Bitumenes Orinoco, S.A. (Bitor S.A.) a wholly-owned subsidiary of Petroleos de Venezuela, S.A. (PDVSA) for the purchase of Orimulsion® fuel for the Coleson Cove Generating Station for a 20-year term, beginning with the date of first delivery. Bitor S.A. has failed to deliver Orimulsion® fuel to Coleson Cove Generating Station, breaching the terms of the contract. In February 2004, the Corporation filed a lawsuit against Bitor S.A. and PDVSA for breach of contract. Discussions between the parties are ongoing.

**Transmission power line**

The Corporation is constructing a 345Kv transmission power line in New Brunswick to Woodland, Maine, U.S. The total cost of the project to the Corporation is estimated to be \$50 million. To ensure the financial viability of the project, Commitment Agreements were signed with load serving entities in the Maritimes and Northern Maine, including the Corporation. Each entity committed to the equivalent of long-term firm reservations for 25 years, subject to regulatory approvals.

**Transmission reservations**

For the purposes of delivering electricity to out-of-province markets, the Corporation has committed to certain long-term transmission reservations with the System Operator.

**24. SEGMENTED INFORMATION**

The Corporation is organized and operates under five reportable business segments. On Oct. 1, 2004, the restructuring of NB Power resulted in each of the business segments becoming incorporated companies (see Note 1). As these segments existed for the full year, the results presented are representative of the full year activities of the segments. These results will differ from the individual company statements which only report the results of the segment for the period since Oct. 1, 2004, when the company commenced operations.

**Genco**

Responsible for the operation and maintenance of the oil, hydro, coal, Orimulsion®, and diesel-powered generating stations of the Corporation.

**Nuclearco**

Responsible for operating and maintaining the Point Lepreau Generating Station.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2005  
(in millions)

**24. SEGMENTED INFORMATION (continued)**

**Transco**

Responsible for operating and maintaining the transmission system of the Corporation.

**Disco**

Responsible for operating and maintaining the distribution system of the Corporation. Disco is designated as the standard service supplier for the Province of New Brunswick and is obligated to provide standard services to residential, commercial, wholesale and industrial customers located throughout the province.

**Holdco**

Provides corporate and shared services to the Corporation's other business segments.

**Financial Overview**

	Genco	Nuclearco	Transco	Disco	Holdco	Elim	Total
Sales of power							
In-province	\$ -	\$ -	\$ -	\$ 1,049	\$ -	\$ -	\$ 1,049
Out-of-province	239	12	-	-	-	-	251
Inter-company	607	213	-	4	-	(824)	-
Miscellaneous	22	1	6	33	-	-	62
Transmission	-	-	88	-	-	(47)	41
Other inter-company	1	-	8	7	139	(155)	-
<b>Total revenues</b>	<b>869</b>	<b>226</b>	<b>102</b>	<b>1,093</b>	<b>139</b>	<b>(1,026)</b>	<b>1,403</b>
Fuel & purchased power	488	12	-	820	-	(823)	497
Transmission	33	2	3	55	-	(47)	46
Operations, maintenance, & administration	111	135	44	119	55	(80)	384
Amortization & decommissioning	84	73	18	41	3	-	219
Taxes, other than special payments in lieu of income taxes	15	6	8	12	-	-	41
Finance charges	83	11	14	34	128	(68)	202
Special payments in lieu of income taxes	27	(3)	6	5	(30)	-	5
<b>Total expenses</b>	<b>841</b>	<b>236</b>	<b>93</b>	<b>1,086</b>	<b>156</b>	<b>(1,018)</b>	<b>1,394</b>
<b>Net income (loss) for the year</b>	<b>\$ 28</b>	<b>\$ (10)</b>	<b>\$ 9</b>	<b>\$ 7</b>	<b>\$ (17)</b>	<b>\$ (8)</b>	<b>\$ 9</b>
<b>Total assets</b>	<b>\$ 2,196</b>	<b>\$ 637</b>	<b>\$ 369</b>	<b>\$ 759</b>	<b>\$ 363</b>	<b>\$ (450)</b>	<b>\$ 3,874</b>
<b>Capital expenditures</b>	<b>\$ 238</b>	<b>\$ 30</b>	<b>\$ 28</b>	<b>\$ 39</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 335</b>

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2005  
(in millions)

**25. SUBSEQUENT EVENTS**

On Aug. 4, 2005, Electric Finance provided consent to the Corporation to refurbish the Point Lepreau Generating Station. The planned refurbishment has a forecasted construction cost of approximately \$1 billion and will extend the useful life of the station to 2034. The maintenance outage for the refurbishment will begin in the spring of 2008 and is scheduled to be completed by fall 2009.

**26. COMPARATIVE FIGURES**

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



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**FINANCIAL STATEMENTS**

**NEW BRUNSWICK  
PUBLIC LIBRARIES FOUNDATION**

**31 MARCH 2005**

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Office of the  
Auditor GeneralBureau 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 2005 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 (deficiency) 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 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Daryl C. Wilson".

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
5 July 2005



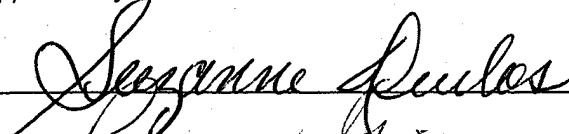
**NEW BRUNSWICK PUBLIC LIBRARIES FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
31 MARCH 2005**

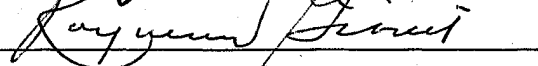
	2005	2004
<b>ASSETS</b>		
Current assets		
Cash	\$ 506,298	\$ 384,164
Accounts receivable	-	89,272
	<u>\$ 506,298</u>	<u>\$ 473,436</u>

**LIABILITIES AND NET ASSETS**

Due to Province of New Brunswick (Note 5)	\$ 471,725	\$ 236,402
Due to Minister of Finance	638	-
Deferred revenue	62,010	71,114
Net assets	<u>(28,075)</u>	<u>165,920</u>
	<u>\$ 506,298</u>	<u>\$ 473,436</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 2005**

	2005	2004
<b>REVENUE</b>		
Public donations	\$ 164,162	\$ 6,108
Grants from the Department of Education	100,000	48,249
Bank interest	4,576	8,519
Miscellaneous revenue	13,517	-
Funding from Industry Canada	-	42,272
Funding from the Department of Family and Community Services	49,104	886
	<u>331,359</u>	<u>106,034</u>
<b>EXPENDITURE</b>		
Salaries and related expense	78,063	89,150
Advertising, office supplies and printing	52,734	10,436
Books, magazines and other	314,197	105,305
Telephone	1,509	1,893
Meetings	1,464	1,952
Travel	2,765	6,519
Postage	54,828	941
Professional services	14,959	-
Maintenance	2,968	-
Other	1,867	1,636
	<u>525,354</u>	<u>217,832</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE</b>	<b>(193,995)</b>	<b>(111,798)</b>
Net assets, beginning of year	165,920	277,718
<b>NET ASSETS, end of year</b>	<b><u>\$ (28,075)</u></b>	<b><u>\$ 165,920</u></b>

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**NEW BRUNSWICK PUBLIC LIBRARIES FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**1. Authority and Objective**

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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**

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

**3. Statement of cash flows**

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

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**NEW BRUNSWICK PUBLIC LIBRARIES FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**4. Related party transactions**

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The Friends of the New Brunswick Public Libraries Foundation Inc. (Friends) and the New Brunswick Public Libraries Foundation (Foundation) are subject to common significant influence. The trustees of the Friends consist of the board members of the Foundation, who receive no compensation for their services.

The administration of the Friends is performed by the management of the Foundation. Certain direct and indirect costs of operating the Friends are absorbed by the Foundation.

Funds received by the Friends may be provided to the Foundation. Up to 31 March 2005 there have been no funds received by the Foundation from the Friends.

**5. Due to Province of New Brunswick**

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The \$471,725 (\$236,402 – 2004) due to the Province of New Brunswick represents the amount due to the Department of Education for the annual operating costs of the Foundation.

The Department of Education pays these operating costs on behalf of the Foundation throughout the fiscal year. At the beginning of each fiscal year, the Foundation reimburses the Department of Education for prior years' expenditures.

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**CONSOLIDATED FINANCIAL STATEMENTS**  
**NEW BRUNSWICK**  
**RESEARCH AND PRODUCTIVITY COUNCIL**  
**31 MARCH 2005**

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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 2005 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 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

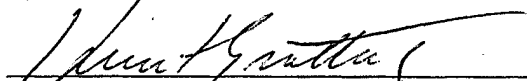
Daryl C. Wilson, FCA  
Auditor General

Fredericton, N.B.  
8 June 2005

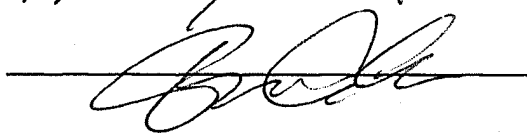
**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
31 MARCH 2005**

	Operating Fund	Capital Fund	2005 Total	2004 Total
<b>ASSETS</b>				
Current assets				
Cash and term deposits	\$ 971,706	\$ -	\$ 971,706	\$ 1,210,115
Accounts receivable	1,400,556	-	1,400,556	1,690,300
Work in progress	287,873	-	287,873	267,225
Prepaid expenses	28,660	-	28,660	62,766
	2,688,795	-	2,688,795	3,230,406
Long term investments, at cost (Note 3)	69,757	2,139,040	2,208,797	2,215,555
Capital assets, net (Note 4)	-	2,844,859	2,844,859	2,528,475
	\$ 2,758,552	\$ 4,983,899	\$ 7,742,451	\$ 7,974,436
<b>LIABILITIES AND FUND BALANCES</b>				
Current liabilities				
Accounts payable and accrued liabilities	\$ 856,396	\$ -	\$ 856,396	\$ 1,205,461
Deferred revenue	425,338	-	425,338	307,855
Current portion of long term debt (Note 5)	-	59,400	59,400	132,074
	1,281,734	59,400	1,341,134	1,645,390
Long term debt				
Accrued retirement benefits	451,293	-	451,293	405,910
Notes payable (Note 5)	-	85,208	85,208	144,608
	451,293	85,208	536,501	550,518
Deferred contributions (Note 6)	-	131,580	131,580	79,180
Fund balances				
Unrestricted	1,025,525	-	1,025,525	1,317,071
Board restricted (Note 7)	-	2,139,040	2,139,040	2,136,990
Invested in capital assets	-	2,568,671	2,568,671	2,245,287
	1,025,525	4,707,711	5,733,236	5,699,348
	\$ 2,758,552	\$ 4,983,899	\$ 7,742,451	\$ 7,974,436

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 2005**

	Operating Fund	Capital Fund	2005 Total	2004 Total
<b>REVENUE</b>				
Operations	\$ 7,047,920	\$ -	\$ 7,047,920	\$ 7,820,098
Operating grant				
Province of New Brunswick	740,700	-	740,700	740,700
Interest	83,808	-	83,808	92,148
Sundry	81,241	-	81,241	88,960
Gain on sale of capital assets	-	1,000	1,000	4,284
	<u>7,953,669</u>	<u>1,000</u>	<u>7,954,669</u>	<u>8,746,190</u>
<b>EXPENSE</b>				
Operations	5,780,042	-	5,780,042	5,993,676
General and administrative	1,661,718	-	1,661,718	1,783,286
Amortization (Notes 4 and 6)	475,566	-	475,566	464,674
Bad Debts	3,455	-	3,455	30,917
	<u>7,920,781</u>	<u>-</u>	<u>7,920,781</u>	<u>8,272,553</u>
<b>EXCESS OF REVENUE OVER EXPENSE</b>	32,888	1,000	33,888	473,637
Fund balances, beginning of year	1,317,071	4,382,277	5,699,348	5,225,711
Interfund adjustment	(324,434)	324,434	-	-
<b>FUND BALANCES, end of year</b>	<u>\$ 1,025,525</u>	<u>\$ 4,707,711</u>	<u>\$ 5,733,236</u>	<u>\$ 5,699,348</u>



**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2005**

	Operating Fund	Capital Fund	2005 Total	2004 Total
<b>CASH PROVIDED BY (USED FOR):</b>				
Operating activities				
Excess of revenue over expense	\$ 32,888	\$ 1,000	\$ 33,888	\$ 473,637
Amortization	475,566	-	475,566	464,674
Gain on sale of capital assets	-	(1,000)	(1,000)	(4,284)
Net change in non-cash working capital	(1,054)	-	(1,054)	19,034
Net cash provided by operating activities	507,400	-	507,400	953,061
Financing and investing activities				
Purchase or transfer of long-term investment	8,808	(2,050)	6,758	(34,128)
Accrual of retirement allowance entitlements	45,383	-	45,383	(89,395)
Proceeds from long term loan	-	-	-	100,000
Payment of long term loans	-	(59,400)	(59,400)	(40,650)
Proceeds on disposal of capital assets	-	1,000	1,000	8,000
Deferred contributions towards capital assets	-	74,293	74,293	70,867
Acquisition of capital assets	-	(813,843)	(813,843)	(617,202)
Net cash provided (used) in financing and investing activities	54,191	(800,000)	(745,809)	(602,508)
<b>NET INCREASE (DECREASE) IN CASH</b>	561,591	(800,000)	(238,409)	350,553
Cash and term deposits, beginning of year	1,210,115	-	1,210,115	859,562
Interfund transfer (Note 7)	(800,000)	800,000	-	-
<b>CASH AND TERM DEPOSITS, end of year</b>	<b>\$ 971,706</b>	<b>\$ -</b>	<b>\$ 971,706</b>	<b>\$ 1,210,115</b>

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**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 2005**

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**1. Purpose of the organization**

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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**

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**(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.

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**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 2005**

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**3. Long-term investments**

Investments held at 31 March 2005 have a market value of \$2,240,306 (2004 - \$2,273,025). The fundamental source of uncertainty to which long-term 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.

**4. Capital assets**

	Amortization Rates	2005	2004
Vehicles	25 percent	\$ 11,880	\$ 14,343
Computer equipment	25 percent	1,380,480	1,307,246
Other equipment	12.5 percent	6,992,990	6,321,912
Building	3 percent	2,305,064	2,247,415
Cost		10,690,414	9,890,916
Less: accumulated amortization		7,845,555	7,362,441
Capital assets, net		<u>\$ 2,844,859</u>	<u>\$ 2,528,475</u>

Amortization expense is comprised of the following amounts:

	2005	2004
Amortization of assets	\$ 497,459	\$ 476,863
Amortization of deferred contributions	( 21,893)	( 12,189)
	<u>\$ 475,566</u>	<u>\$ 464,674</u>

**5. Note payable**

	2005	2004
Atlantic Canada Opportunities Agency, interest free, payable \$3,750 quarterly through May 1, 2006	\$ 17,004	\$ 32,004
Atlantic Canada Opportunities Agency, interest free, payable \$4,850 quarterly through November 1, 2006	33,854	53,254
Atlantic Canada Opportunities Agency, interest free, payable \$6,250 quarterly through October 1, 2008	93,750	118,750
	144,608	204,008
Less: current portion	59,400	59,400
	<u>\$ 85,208</u>	<u>\$ 144,608</u>

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**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 2005**

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**6. Deferred contributions**

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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.

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

	2005	2004
Deferred contributions at 1 April	\$ 79,180	\$ 20,502
Contributions to the cost of equipment	74,293	70,867
Amortization of deferred contributions	( 21,893)	( 12,189)
Deferred contributions at 31 March	<u>\$ 131,580</u>	<u>\$ 79,180</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 \$2,139,040 as at 31 March 2005 (2004 - \$2,136,990). 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 2005 transfer of \$800,000 from the Operating Fund to the Capital Fund (2004 - \$800,000).

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**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 2005**

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**8. Related party transactions**

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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.

	2005	2004
Revenue from services provided for the year		
Government departments and agencies	\$ 988,710	\$ 955,441
Accounts receivable at 31 March		
Government departments and agencies	\$ 167,811	\$ 292,518



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**FINANCIAL STATEMENTS**  
**NEW BRUNSWICK SECURITIES**  
**COMMISSION**  
**31 MARCH 2005**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

The Chair and Members  
New Brunswick Securities Commission

I have audited the balance sheet of the New Brunswick Securities Commission as at 31 March 2005 and the statements of income, fund balances and cash flows for the nine months 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 2005 and the results of its operations and its cash flows for the nine months then ended in accordance with Canadian generally accepted accounting principles.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
5 May 2005

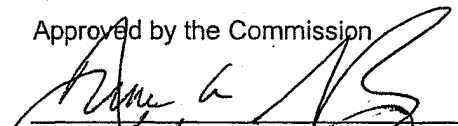


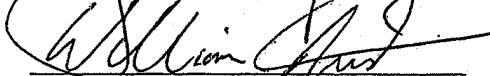
**NEW BRUNSWICK SECURITIES COMMISSION  
BALANCE SHEET  
31 MARCH 2005**

	2005
<b>ASSETS</b>	
Current assets	
Cash (Note 3)	\$ 1,180,527
Accounts receivable	15,267
Prepaid expenses	7,651
	<u>1,203,445</u>
Investments held for designated purposes (Note 3)	564,154
Capital assets (Note 5)	54,436
	<u>\$ 1,822,035</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Current liabilities	
Accounts payable and accrued liabilities	\$ 126,648
Accrued salaries and benefits	47,082
Accrued vacation liabilities	29,935
	<u>203,665</u>
Accrued benefit liabilities (Note 8)	<u>241,247</u>
Total liabilities	<u>444,912</u>
Fund balances	
General	812,969
Fee stabilization reserve (Note 4)	500,000
Market enhancement reserve (Note 4)	64,154
	<u>1,377,123</u>
	<u>\$ 1,822,035</u>

*The accompanying notes and schedules are part of these financial statements*

Approved by the Commission

  
Chair

  
Member

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**NEW BRUNSWICK SECURITIES COMMISSION  
STATEMENT OF INCOME  
FOR THE NINE MONTHS ENDED 31 MARCH 2005**

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	2005
<b>REVENUE</b>	
Fees	
Distribution of securities	\$ 2,897,791
Registrations	2,220,400
Financial filings	913,548
Exemptions and orders	138,475
Other	652
Administrative penalties and settlements	64,000
Enforcement cost recoveries	2,000
Investment income	33,540
	<u>6,270,406</u>
 <b>EXPENSES</b>	
Salaries and benefits	1,199,704
Administration	218,318
Professional services	112,263
Travel	73,021
Canadian Securities Administrators Initiatives	43,160
Premises	41,476
Amortization	18,146
	<u>1,706,088</u>
 <b>EXCESS OF REVENUE OVER EXPENSES</b>	 <u><u>\$ 4,564,318</u></u>

**NEW BRUNSWICK SECURITIES COMMISSION  
STATEMENT OF FUND BALANCES  
FOR THE NINE MONTHS ENDED 31 MARCH 2005**

	General	Fee Stabilization Reserve	Market Enhancement Reserve	Total
Balance, 1 July 2004	\$ -	\$ -	\$ -	\$ -
Excess of revenue over expenses	4,564,318	-	-	4,564,318
Disposition of surplus operating funds (Note 6)	(3,187,195)	-		(3,187,195)
Investment income reallocation	(154)	-	154	-
Allocation to reserves (Note 4)	(564,000)	500,000	64,000	-
Expense reallocation	-	-	-	-
Balance, 31 March 2005	<u>\$ 812,969</u>	<u>\$ 500,000</u>	<u>\$ 64,154</u>	<u>\$ 1,377,123</u>

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**NEW BRUNSWICK SECURITIES COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS ENDED 31 MARCH 2005**

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	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Excess of revenue over expenses	\$ 4,564,318
Adjustment for amortization - capital assets	18,146
	<u>4,582,464</u>
Changes in non-cash working capital	
Accounts receivable	(15,267)
Prepaid expenses	(7,651)
Accounts payable and accrued liabilities	126,648
Accrued salaries and benefits	47,082
Accrued vacation liabilities	29,935
Accrued benefit liabilities	241,247
	<u>5,004,458</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Disposition of surplus operating funds	(3,187,195)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Acquisition of capital assets	(72,582)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>1,744,681</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	-
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,744,681</u>
<b>Represented by:</b>	
Cash	\$ 1,180,527
Investments held for designated purposes	\$ 564,154

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**NEW BRUNSWICK SECURITIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**1. Nature of the Corporation**

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The New Brunswick Securities Commission is a Provincial Corporation operating under the Securities Act (New Brunswick) established on 1 July 2004. The business of the Commission is the regulation of the New Brunswick capital market, including the administration of the Act, the Securities Regulation and the New Brunswick Securities Commission rules.

The mission of the Commission is to foster a fair and efficient capital market in New Brunswick and confidence in that market. In carrying out its mission, the Commission strives to balance the needs of investors for adequate protection with the needs of industry to access capital necessary for continued economic growth.

As a Crown corporation, the Commission is exempt from income taxes.

**2. Significant accounting policies**

---

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The accounting policies of significance to the Commission are as follows:

**(a) Revenue recognition**

Fees are recognized when earned which is normally upon receipt.

Recovery of the costs of investigations and administrative penalty revenues are recognized upon the date of decision unless management determines there is no reasonable assurance as to ultimate collection, in which case recovery is recognized when cash is received.

Investment income is recorded on the accrual basis.

**(b) Capital assets**

Capital assets are recorded at cost and amortized using the straight line method starting in the year of acquisition over their estimated useful lives as follows:

Office furniture and equipment – four years  
Computers and electronic equipment – three years  
Automobile – four years  
Leasehold improvements – over term of lease

**(c) 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

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**NEW BRUNSWICK SECURITIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**2. Significant accounting policies - continued**

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**(d) Restricted cash**

Consistent with s. 25(4) of the Securities Act, revenue received by the Commission from administrative penalties shall not be used for the normal operating expenditures of the Commission and must only be used for endeavours or activities that in the opinion of the Commission enhance the capital market in New Brunswick

**(e) Employee benefit plan**

The Commission provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan, as the Commission has insufficient information to apply defined benefit accounting to this pension plan. Pension costs included in these financial statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years.

**(f) Financial instruments**

The Commission's financial instruments consist of cash and short-term deposits, accounts receivable, restricted short-term deposits, and accrued liabilities. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

**3. Cash and investments held for designated purposes**

---

The Commission maintains two separate bank accounts. The first is comprised of the operating account and those monies attributable to the fee stabilization reserve. The second account is maintained for the market enhancement reserve. Under the terms of the Commission's banking agreement, both accounts earn interest at prime less 2% calculated daily.

**4. Reserves**

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**Fee Stabilization Reserve**

The Commission has established a reserve consistent with subsection 25(6) of the Securities Act to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature, and for changes in market activity that have an effect on revenue. The intent is to fund the reserve, through an annual charge to retained earnings, over a maximum of five years, until the reserve reaches an accumulated balance of \$500,000.

**Market Enhancement Reserve**

The Commission collects administrative penalties under section 186 of the Securities Act. Consistent with subsection 25(4) of the Securities Act, these amounts are not used for the normal operating expenditures of the Commission. Instead, they are used for endeavours or activities that enhance

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**NEW BRUNSWICK SECURITIES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2005**

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**4. Reserves - continued**

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the capital market in New Brunswick. Market enhancement reserve funds are maintained separate from the normal operating funds of the Commission and generate their own investment revenue.

**Public Legal Education and Information Service**

As a result of enforcement activity associated with the Securities Branch of the Department of Justice, the predecessor organization for the Commission, certain voluntary payments were made to the Public Legal Education and Information Service of New Brunswick (PLEIS). These payments were made with the acknowledgement that they were to foster the mandate of PLEIS as it relates to financial markets. As at 31 March 2005 the balance of these funds held by PLEIS was \$101,977. The Commission, as a result of its relationship and arrangements with PLEIS, has a significant ability to influence expenditures and those expenditures would have a similar purpose as to those from the market enhancement reserve.

**5. Capital assets**

---

	Cost	2005 Accumulated Amortization	Net Book Value
Office furniture and equipment	\$ 40,748	\$ 10,187	\$ 30,561
Computers and electronic equipment	3,636	909	2,727
Automobile	28,198	7,050	21,148
Leasehold improvements	-	-	-
	<u>\$ 72,582</u>	<u>\$ 18,146</u>	<u>\$ 54,436</u>

**6. Disposition of surplus operating funds**

---

The disposition of surplus operating funds consists of payments to the Consolidated Fund of the Province of New Brunswick subject to the approval of the Board of Management and consistent with subsection 25(5) of the Securities Act.

**7. Commitments, contingencies and guarantees**

---

Set out below are details of commitments to organizations outside the Commission and contingencies from guarantees and legal actions. Any losses arising from the settlement of contingencies are treated as expenses in the year of settlement.

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**NEW BRUNSWICK SECURITIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**7. Commitments, contingencies and guarantees – continued**

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**(a) Commitments**

Commitments arising from contractual obligations associated primarily with the lease of the premises and rental of office equipment at 31 March 2005 amounted to \$30,800. The premises lease expires

31 July 2005 and it is expected that the Commission will be in an over-hold position on that date. These commitments become expenses of the Commission when the terms of the contracts are met.

The Department of Supply and Services subsidized the Commission's lease costs by \$25,663 in 2004-05 and is expected to subsidize by \$11,404 in 2005-06. This is a result of leasing arrangements that existed prior to the establishment of the Commission.

2005-06	\$ 24,700
2006-07	3,700
2007-08	2,400
Total	<u>\$ 30,800</u>

**(b) Legal actions**

The Commission is involved in various legal proceedings arising from its regulatory activities. Management considers the chance of liability under these legal proceedings not to be determinable and, accordingly, an estimate of any contingent loss cannot be made. The Commission is not aware of any legal proceedings against it at the date of these financial statements.

**8. Accrued benefit liabilities**

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Accrued benefit liabilities pertains to employee retiring allowances.

**9. Related party transaction**

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The Department of Justice, a related party to the Commission, provides certain services on a cost-recovery basis to the Commission. These services are primarily of an information technology nature such as providing the data storage, back-up, data protection and support for the Commission. The Commission expended \$37,275 during the reporting period on this service.

The Translation Bureau for the Government of New Brunswick also provides translation services to the Commission on a cost-recovery basis. Total expenditures during the period were \$24,252.



NEW BRUNSWICK TIRE STEWARDSHIP BOARD

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# FINANCIAL STATEMENTS



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

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

## AUDITORS' REPORT

To the Board of Directors

We have audited the statement of financial position of the New Brunswick Tire Stewardship Board as at December 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the 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.

The Board derives revenue from the collection of tire levies pursuant to the provisions of the Clean Environment Act, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these fee and levy revenues was limited to the amounts recorded in the records of the Board and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets, liabilities and surplus.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the fee and levy revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2004 and the results of its operations and changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Fredericton, Canada  
February 3, 2005

## NEW BRUNSWICK TIRE STEWARDSHIP BOARD

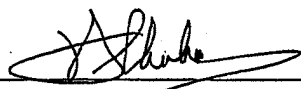
**STATEMENT OF FINANCIAL POSITION**

December 31, 2004, with comparative figures for 2003

	2004	2003
<b>Assets</b>		
Cash	\$ 131,709	\$ 749,216
Accounts receivable	484,929	408,347
Investments	1,791,100	1,514,313
Advance to Tire Recycling Atlantic Canada Corporation (note 2)	286,172	-
Prepaid expenses	2,989	2,657
Capital assets (note 3)	18,251	9,849
	<b>\$ 2,715,150</b>	<b>\$ 2,684,382</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 21,059	\$ 1,836,046
Accrued processing fees	1,080,622	300,000
<b>Net assets:</b>		
Invested in capital assets	17,893	9,849
Unrestricted	1,595,576	538,487
	<b>1,613,469</b>	<b>548,336</b>
	<b>\$ 2,715,150</b>	<b>\$ 2,684,382</b>

See accompanying notes to financial statements.

On behalf of the Board:



Director

## NEW BRUNSWICK TIRE STEWARDSHIP BOARD

**STATEMENT OF OPERATIONS**

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Fees and levies	\$ 2,732,926	\$ 2,600,807
Expenses:		
Scrap tire processing costs	3,010,943	2,275,026
Salaries and employee benefits	163,040	150,154
Travel	28,677	26,523
Board meetings	3,157	2,386
Professional services	44,853	69,030
Consulting fees	105,051	10,224
Off the Road recycling project	71,764	-
Communication and translation	33,553	35,338
Office	14,530	19,517
Telephone	5,740	5,026
Rent	11,205	12,420
Insurance	5,622	3,432
Training and subscriptions	1,387	2,259
Interest and bank charges	735	1,649
Depreciation	6,553	6,485
Donations	14,400	-
Recyclable Development Program	48,500	-
Security service	3,304	4,891
	<u>3,573,014</u>	<u>2,624,360</u>
	(840,088)	(23,553)
Other income:		
Investment income	92,703	88,168
Harmonized sales tax (note 4)	1,812,518	-
	<u>1,905,221</u>	<u>88,168</u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 1,065,133</b>	<b>\$ 64,615</b>

See accompanying notes to financial statements.

## NEW BRUNSWICK TIRE STEWARDSHIP BOARD

**STATEMENT OF CHANGES IN NET ASSETS**

Year ended December 31, 2004, with comparative figures for 2003

	Invested in capital assets	Unrestricted	2004 Total	2003 Total
Balance, beginning of year	\$ 9,849	\$ 538,487	\$ 548,336	\$ 483,721
Excess (deficiency) of revenue over expenses	(6,553)	1,071,686	1,065,133	64,615
Net change in investment in capital assets	14,597	(14,597)	-	-
Balance, end of year	\$ 17,893	\$ 1,595,576	\$ 1,613,469	\$ 548,336

See accompanying notes to financial statements.

## NEW BRUNSWICK TIRE STEWARDSHIP BOARD

**STATEMENT OF CASH FLOWS**

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 1,065,133	\$ 64,615
Depreciation, not involving cash	6,553	6,485
Changes in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(76,582)	49,206
Increase in prepaid expenses	(332)	(1,695)
Increase (decrease) in accounts payable and accrued liabilities	(1,814,987)	137,612
Increase in accrued processing fees	780,622	75,000
	(39,593)	331,223
Financing and investing activities:		
Capital assets acquired	(14,955)	(5,777)
Increase in investments	(276,787)	(62,752)
Increase in advance to Tire Recycling Atlantic Canada Corporation	(300,000)	-
Decrease in advance to Tire Recycling Atlantic Canada Corporation	13,828	-
	(577,914)	(68,529)
Increase (decrease) in cash position	(617,507)	262,694
Cash position, beginning of year	749,216	486,522
Cash position, end of year	\$ 131,709	\$ 749,216

See accompanying notes to financial statements.

## NEW BRUNSWICK TIRE STEWARDSHIP BOARD

**NOTES TO FINANCIAL STATEMENTS**

Year ended December 31, 2004

The New Brunswick Tire Stewardship Board (the "Board") is a not-for-profit organization incorporated under the Clean Environment Act. The principal business activity is overseeing the collection and recycling of used tires on behalf of the Minister of Environment for the Province of New Brunswick.

**1. Significant accounting policies:****(a) General:**

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

**(b) Investments:**

Investments are carried at cost. If the market value of the investments becomes lower than cost and this decline is considered to be other than temporary, the investments are written down to market value.

**(c) Fees and levies:**

The New Brunswick Tire Stewardship Board requires retail registrants to remit to the Board, a levy on prescribed new tires sold. Revenue is recognized by the Board at the time tires are sold.

**(d) Capital assets:**

Capital assets are recorded at cost. Depreciation is recorded using the following method and annual rates:

Asset	Basis	Rate
Office equipment	Straight-line	5 years
Furniture and fixtures	Straight-line	5 years
Computer equipment	Straight-line	3 years

**(e) Scrap tire processing costs:**

The Board remits a portion of all levies to Tire Recycling Atlantic Canada Corporation (TRACC). Half of the amount payable is remitted at time of collection and half is payable when TRACC has sold products containing the recycled material. The total amount due to TRACC is accounted for at time of pickup.

## NEW BRUNSWICK TIRE STEWARDSHIP BOARD

**NOTES TO FINANCIAL STATEMENTS**

Year ended December 31, 2004

**1. Significant accounting policies (continued):**

## (f) Use of estimates:

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

**2. Advance to Tire Recycling Atlantic Canada Corporation:**

The amount advanced to TRACC is supported by a demand promissory note, secured by a general security agreement, bearing interest at 3.75%, repayable in monthly instalments of \$5,476 including principal and interest and due September 2009.

**3. Capital assets:**

	Cost	Accumulated depreciation	2004 Net book value	2003 Net book value
Office equipment	\$ 16,774	\$ 15,055	\$ 1,719	\$ 633
Furniture and fixtures	10,759	6,966	3,793	4,413
Computer equipment	43,666	30,927	12,739	4,803
	<b>\$ 71,199</b>	<b>\$ 52,948</b>	<b>\$ 18,251</b>	<b>\$ 9,849</b>

**4. Harmonized sales tax:**

After extensive discussion between the Board and the Canada Revenue Agency, it was determined that the Board was entitled to full relief from GST/HST. Effective March 26, 2004, the Board was added to the list of Government of New Brunswick Entities. HST accrued from prior year's billings has been recognized as a separate line item under the statement of operations.

**5. Fair value of financial assets and financial liabilities:**

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

The fair value of investments at December 31, 2004 was \$1,781,497 (2003 - \$1,515,515) based on published listings of market values.



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**FINANCIAL STATEMENTS**  
**PREMIER'S COUNCIL ON THE**  
**STATUS OF DISABLED PERSONS**  
**31 MARCH 2005**

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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 2005 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 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Daryl C. Wilson".

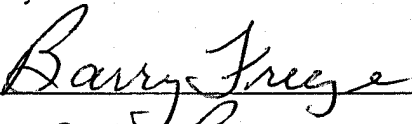
Daryl C. Wilson, FCA  
Auditor General

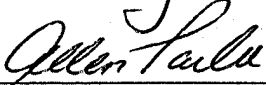
Fredericton, N.B.  
21 June 2005

**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS  
BALANCE SHEET  
31 MARCH 2005**

	2005	2004
<b>ASSETS</b>		
Current assets		
Cash	\$ 89,486	\$ 14,356
Accounts receivable	1,835	3,913
Prepaid expenses	2,902	2,557
	<u>\$ 94,223</u>	<u>\$ 20,826</u>
<b>LIABILITIES AND SURPLUS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,788	\$ 5,794
Deferred revenue	64,000	-
	<u>70,788</u>	<u>5,794</u>
Surplus	23,435	15,032
	<u>\$ 94,223</u>	<u>\$ 20,826</u>

Approved by the Council

  
 \_\_\_\_\_ Chairperson

  
 \_\_\_\_\_ Member

**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS  
STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS  
FOR THE YEAR ENDED 31 MARCH 2005**

	2005 Budget (Note 3)	2005 Actual	2004 Actual
<b>REVENUE</b>			
Grants - Province of New Brunswick	\$ 256,000	\$ 256,000	\$ 252,000
Miscellaneous revenue	3,200	3,632	6,983
	<u>259,200</u>	<u>259,632</u>	<u>258,983</u>
<b>EXPENDITURE</b>			
Salaries and employee benefits	198,175	199,651	190,158
Furniture and equipment	2,500	721	2,299
Office supplies	3,700	2,343	3,488
Telephone	4,200	2,832	3,835
Printing	11,000	8,695	9,301
Translation	7,500	1,093	5,353
Honoraria	7,400	7,175	6,500
Travel expenses	7,500	5,963	6,332
Postage	7,000	3,881	3,157
Maintenance	1,200	1,377	882
Hotel expenses	7,500	5,103	5,861
Parking	2,800	2,700	2,535
Council meetings	5,000	3,028	3,162
Consultations and seminars	-	1,135	125
Meals	1,800	1,358	1,396
Library and subscriptions	1,700	1,485	1,479
Office equipment rental	2,100	2,009	2,007
Insurance	550	496	643
Miscellaneous	201	26	293
Bank charges	250	158	161
	<u>272,076</u>	<u>251,229</u>	<u>248,967</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE FOR THE YEAR</b>	<u>\$ (12,876)</u>	8,403	10,016
Surplus, beginning of year		15,032	5,016
<b>SURPLUS, END OF YEAR</b>		<u>\$ 23,435</u>	<u>\$ 15,032</u>

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**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**1. Summary of significant accounting policies**

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**(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. The Province also pays for certain other services.

**2. Other activities – Disability Awareness Week**

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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 various sources. Should the committee not receive sufficient funding, the Council is responsible for expenditures not reimbursed.

**3. Budget**

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The budget figures as shown in the statement of revenue, expenditure and surplus have been approved by the members of the Council. They have not been audited.

**4. Statement of cash flows**

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



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**FINANCIAL STATEMENTS**  
**PROVINCIAL HOLDINGS LTD.**  
**31 MARCH 2005**

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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 2005 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the 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 2005 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

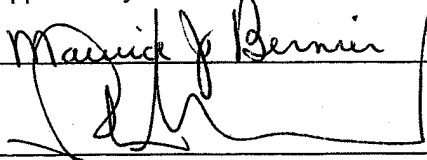
Fredericton, N. B.  
4 November 2005



**PROVINCIAL HOLDINGS LTD.  
BALANCE SHEET  
31 MARCH 2005**

	2005	2004
<b>ASSETS</b>		
Current assets		
Cash and short-term investments	\$ 492,136	\$ 565,605
Interest receivable	27,671	4,665
Miscellaneous receivable	10,184	2,745
	<u>529,991</u>	<u>573,015</u>
Industrial development projects (Notes 2 and 3)		
Loans to client companies	4,566,210	4,760,408
Shares in client companies	2,941,045	2,941,045
Building held for development purposes	310,000	310,000
	<u>7,817,255</u>	<u>8,011,453</u>
Less: Provision for loss	<u>5,423,284</u>	<u>3,399,440</u>
	<u>2,393,971</u>	<u>4,612,013</u>
	<u>\$ 2,923,962</u>	<u>\$ 5,185,028</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current liabilities		
Accounts payable - due to Province of New Brunswick	\$ -	\$ 110,424
Accounts payable - other	42,617	31,713
Provision for loss on guaranteed loans	92,595	100,000
	<u>135,212</u>	<u>242,137</u>
Long-term debt		
Due to Province of New Brunswick (Note 3)	6,447,256	6,623,498
Less: Provision for loss on industrial development projects (Note 2)	<u>4,423,285</u>	<u>2,371,485</u>
	<u>2,023,971</u>	<u>4,252,013</u>
Capital stock		
Authorized: 500 common shares, par value of \$10 each		
Issued: 500 shares	5,000	5,000
Retained earnings	<u>759,779</u>	<u>685,878</u>
	<u>764,779</u>	<u>690,878</u>
	<u>\$ 2,923,962</u>	<u>\$ 5,185,028</u>

Approved by the Board

  
\_\_\_\_\_  
Director

Director

Director

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**PROVINCIAL HOLDINGS LTD.  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 MARCH 2005**

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	2005	2004
<b>REVENUE</b>		
Provincial contribution	\$ 200,000	\$ -
Loss recovery - provincially funded (Note 2)	2,051,800	1,018,261
Interest income	91,185	81,235
Miscellaneous revenue	7,500	15,000
	<u>2,350,485</u>	<u>1,114,496</u>
<b>EXPENSE</b>		
Development grant	200,000	-
Bad debts	2,049,055	999,762
Miscellaneous	10	290
Holding costs for investment in building	25,758	31,683
Interest	1,761	-
	<u>2,276,584</u>	<u>1,031,735</u>
<b>NET INCOME FOR THE YEAR</b>	73,901	82,761
Retained earnings, beginning of year	685,878	603,117
<b>RETAINED EARNINGS, end of year</b>	<u>\$ 759,779</u>	<u>\$ 685,878</u>

**PROVINCIAL HOLDINGS LTD.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2005**

	2005	2004
<b>CASH PROVIDED BY (USED FOR)</b>		
Operating activities:		
Net income for the year	\$ 73,901	\$ 82,761
Add (deduct) items not requiring, or generating cash		
Bad debt expense	2,049,055	999,762
Bad debt recovery - provincially funded	(2,051,800)	(868,924)
Uncollectible investment income	-	(16,950)
Loss recovery - provincially funded	-	(149,337)
	<u>71,156</u>	<u>47,312</u>
Changes in non-cash working capital components*	(129,965)	39,284
	<u>(58,809)</u>	<u>86,596</u>
Investing activities:		
Industrial development projects - recoveries		
Loans	176,242	389,029
Industrial development projects - investments		
Loans	(14,660)	(13,888)
	<u>161,582</u>	<u>375,141</u>
Financing activities:		
Repayments to the Province	(176,242)	(339,029)
	<u>(73,469)</u>	<u>122,708</u>
<b>INCREASE (DECREASE) IN CASH</b>	<u>(73,469)</u>	<u>122,708</u>
Cash position, beginning of year	565,605	442,897
	<u>565,605</u>	<u>442,897</u>
<b>CASH POSITION, end of year</b>	<u>\$ 492,136</u>	<u>\$ 565,605</u>

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

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**PROVINCIAL HOLDINGS LTD.  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**1. Description of operations**

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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**

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**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.

**3. Long-term debt**

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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**

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The Company has guaranteed loans to two client companies. Under one agreement, the amount guaranteed shall not exceed the lesser of \$2,480,000 or 50% of the balance of the loan. The contingent liability in respect of this guarantee was \$1,166,934 (2004 - \$1,761,682) at 31 March 2005.

Under the other agreement, the amount guaranteed shall not exceed the lesser of \$1,000,000 or the balance of the loans. The contingent liability in respect to this guarantee was \$500,000 at 31 March 2005.

In both cases, any resulting loss will be borne by the Province of New Brunswick and will not be reflected as an expense of the Company.

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**PROVINCIAL HOLDINGS LTD.  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**5. Outstanding commitments**

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At 31 March 2005, the Company had an outstanding commitment in respect of an industrial development grant of \$880,000 (2004 - \$0).



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**FINANCIAL STATEMENTS**

**REGIONAL DEVELOPMENT CORPORATION**

**31 MARCH 2005**

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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 2005 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 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

K. D. Robinson, CA  
Deputy Auditor General

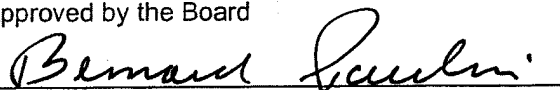
Fredericton, N. B.  
26 August 2005



**REGIONAL DEVELOPMENT CORPORATION  
BALANCE SHEET  
31 MARCH 2005**

	2005	2004
<b>ASSETS</b>		
Current assets		
Cash	\$ 2,358,321	\$ 690,864
Accounts receivable		
Canada - Regional Economic Development Agreement	3,703,231	4,542,239
- Other agreements	2,448,860	2,691,726
Province of New Brunswick - operating and capital funds	439,227	5,511,401
Other	59,675	119,443
Prepays	9,708	-
	<u>9,019,022</u>	<u>13,555,673</u>
Other assets		
Advance to Fundy Trail Endowment Fund - In Trust (Note 2)	4,000,000	3,800,000
Loans receivable	3,100,000	837,969
Less: Provision for loss - loans receivable	(1,800,000)	-
	<u>5,300,000</u>	<u>4,637,969</u>
	<u>\$ 14,319,022</u>	<u>\$ 18,193,642</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable		
Province of New Brunswick - claims on Canada	\$ 6,141,006	\$ 6,956,902
Deferred revenue	442,908	1,988,849
Provision for losses on guaranteed loans	62,308	450,000
Other	3,672,800	4,159,922
	<u>10,319,022</u>	<u>13,555,673</u>
Due to Province of New Brunswick		
Fundy Trail Endowment Fund - In Trust (Note 2)	4,000,000	3,800,000
Loan payable	1,800,000	837,969
Less: Provision for loss - loan payable	(1,800,000)	-
	<u>4,000,000</u>	<u>4,637,969</u>
	<u>\$ 14,319,022</u>	<u>\$ 18,193,642</u>

Approved by the Board



Chairperson



Director

**REGIONAL DEVELOPMENT CORPORATION  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 2005**

	2005	2004
<b>REVENUE</b>		
Federal contribution (Schedule 1)	\$ 10,162,109	\$ 9,751,544
Provincial contribution (Schedule 2)	45,666,376	44,959,870
Other contributions	365,961	262,432
	<u>56,194,446</u>	<u>54,973,846</u>
<b>EXPENDITURE</b>		
Cost shared agreements		
Regional Economic Development Agreement	9,282,481	8,851,757
Regional Economic Development Agreement - Special initiatives	2,089,605	-
Atlantic Canada tourism marketing	724,000	724,000
International Business Development Agreement	168,000	290,368
	<u>12,264,086</u>	<u>9,866,125</u>
Developmental funding		
Acadian Peninsula Economic Development Fund	4,659,930	6,108,737
Total Development Fund	3,001,456	4,193,878
Restigouche-Chaleur Economic Development Fund	2,761,026	3,910,357
Community Economic Development Fund	1,020,199	1,366,040
Miramichi Regional Economic Development Fund	2,025,697	-
	<u>13,468,308</u>	<u>15,579,012</u>
Other activities		
Grants to RDC - SOA (Note 1)	15,305,183	12,284,584
Special initiatives	3,406,084	4,365,898
Official languages and intergovernmental cooperation	4,432,729	6,234,602
Operations	2,388,028	2,035,506
Youth Community Assistance Program	2,054,886	1,932,747
Centres scolaires communautaires	1,710,500	1,715,500
Community Events Program	121,334	115,194
Tobacco sales enforcement	150,000	124,280
Aboriginal affairs Initiative	277,922	587,439
Other projects (Schedule 3)	615,386	132,959
	<u>30,462,052</u>	<u>29,528,709</u>
	<u>56,194,446</u>	<u>54,973,846</u>
<b>EXCESS OF REVENUE OVER EXPENDITURE</b>	<u>\$ -</u>	<u>\$ -</u>

**REGIONAL DEVELOPMENT CORPORATION  
SCHEDULES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

	2005	2004
<b>Schedule 1 - Revenue - Federal Contribution</b>		
Regional Economic Development Agreement	\$ 6,497,738	\$ 6,196,230
Regional Economic Development Agreement - Special initiatives	1,348,924	-
	<u>7,846,662</u>	<u>6,196,230</u>
Other activities		
Official languages and intergovernmental cooperation	1,721,544	2,744,669
Centres scolaires communautaires	282,500	282,500
Tobacco sales enforcement	150,000	124,280
Aboriginal Economic Development Program	161,403	403,865
	<u>2,315,447</u>	<u>3,555,314</u>
	<u>\$ 10,162,109</u>	<u>\$ 9,751,544</u>
<b>Schedule 2 - Revenue - Provincial Contribution</b>		
Cost shared agreements		
Regional Economic Development Agreement	\$ 2,418,782	\$ 2,393,095
Regional Economic Development Agreement - Special initiatives	740,681	-
Atlantic Canada tourism marketing	724,000	724,000
International Business Development Agreement	168,000	290,368
	<u>4,051,463</u>	<u>3,407,463</u>
Developmental funding		
Acadian Peninsula Economic Development Fund	4,659,930	6,108,737
Total Development Fund	3,001,456	4,193,878
Restigouche - Chaleur Economic Development Fund	2,761,026	3,910,357
Community Economic Development Fund	1,020,199	1,366,040
Miramichi Regional Economic Development Fund	2,025,697	-
	<u>13,468,308</u>	<u>15,579,012</u>
Other activities		
Grant to RDC - SOA (Note 1)	15,305,183	12,284,584
Special initiative	3,406,084	4,365,898
Official languages and intergovernmental cooperation	2,711,185	3,489,933
Operations	2,388,028	2,035,506
Youth Community Assistance Program	2,054,886	1,932,747
Centres scolaires communautaires	1,428,000	1,433,000
Community Events Program	121,334	115,194
Aboriginal affairs initiative	116,519	183,574
Other projects	615,386	132,959
	<u>28,146,605</u>	<u>25,973,395</u>
	<u>\$ 45,666,376</u>	<u>\$ 44,959,870</u>

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**REGIONAL DEVELOPMENT CORPORATION  
SCHEDULES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

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	2005	2004
<hr/> <b>Schedule 3 - Expenditure - Other Projects</b> <hr/>		
Provision for loss	\$ 609,439	\$ (213,580)
DIIR - Special initiative - administration expenses	5,947	346,539
	<hr/> \$ 615,386	<hr/> \$ 132,959

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**REGIONAL DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**1. General comments on operations**

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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**

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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 and operation 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. Commitments**

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Under the Regional Economic Development Agreement, the provincial government has committed funds subsequent to 31 March 2005 totalling approximately \$0.9 million (31 March 2004 - \$5.7 million).

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

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**REGIONAL DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**4. 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 2005 the contingent liability in respect of these guarantees was \$3,262,308 (31 March 2004 - \$3,419,003). Any resulting losses will be borne by the Corporation.

**5. 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.

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**FINANCIAL STATEMENTS**  
**REGIONAL DEVELOPMENT CORPORATION**  
**SPECIAL OPERATING AGENCY**  
**31 MARCH 2005**

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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 2005 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 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'K D Robinson'.

K. D. Robinson, CA  
Deputy Auditor General

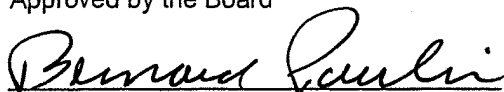
Fredericton, N. B.  
26 August 2005



**REGIONAL DEVELOPMENT CORPORATION  
SPECIAL OPERATING AGENCY  
BALANCE SHEET  
31 MARCH 2005**

<b>ASSETS</b>	<b>2005</b>	<b>2004</b>
Current assets		
Accounts receivable		
Canada - Infrastructure Agreement	\$ 3,815,165	\$ 4,935,396
Canada - Other special initiatives	714,351	-
	<u>\$ 4,529,516</u>	<u>\$ 4,935,396</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable		
Province of New Brunswick - Operating and capital funds	\$ 2,810,844	\$ 1,125,922
Equity	<u>1,718,672</u>	<u>3,809,474</u>
	<u>\$ 4,529,516</u>	<u>\$ 4,935,396</u>

Approved by the Board



Chairperson



Director

**REGIONAL DEVELOPMENT CORPORATION  
SPECIAL OPERATING AGENCY  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 2005**

	2005	2004
<b>REVENUE</b>		
Federal contribution		
- Infrastructure Agreement	\$ 16,371,008	\$ 13,457,074
- Other special initiatives	1,969,486	-
	<u>18,340,494</u>	<u>13,457,074</u>
Provincial contribution		
- Infrastructure Agreement	14,663,936	10,751,500
- Canada Winter Games 2003	-	333,084
- Community Economic Development Agencies	641,247	1,200,000
	<u>15,305,183</u>	<u>12,284,584</u>
	<u>33,645,677</u>	<u>25,741,658</u>
<b>EXPENDITURE</b>		
Infrastructure Agreement	32,570,316	27,098,316
Canada Winter Games 2003	-	333,084
Community Economic Development Agencies	1,196,677	1,196,677
Other special initiatives	1,969,486	-
	<u>35,736,479</u>	<u>28,628,077</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE</b>	( 2,090,802)	( 2,886,419)
Equity, beginning of year	3,809,474	6,695,893
<b>EQUITY, end of year</b>	<u>\$ 1,718,672</u>	<u>\$ 3,809,474</u>

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**REGIONAL DEVELOPMENT CORPORATION  
SPECIAL OPERATING AGENCY  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2005**

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**1. General comments on operations**

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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 2005 totalling approximately \$8.4 million.

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

**4. Statement of cash flows**

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





***Service New Brunswick***  
***Services Nouveau-Brunswick***

**Financial Statements**

**March 31, 2005**

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**Service New Brunswick**

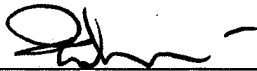
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**MANAGEMENT REPORT**

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.



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Jacques Dubé  
President



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Carol Macdonald, CA  
Vice President Corporate Services

Fredericton, N B Canada  
May 27, 2005

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**Service New Brunswick**

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**AUDITORS' REPORT**

To the Members of the Board:

We have audited the balance sheet of Service New Brunswick as at March 31, 2005 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, 2005 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  
May 27, 2005

*Ernst + Young LLP*

Chartered Accountants

## Service New Brunswick

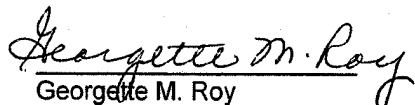
### BALANCE SHEET As at March 31


ASSETS	2005	2004
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 16,960,730	\$ 8,521,384
Partner cash (Note 4)	11,603,186	8,608,977
Land titles assurance cash (Note 2)	1,676,934	1,212,477
Accounts receivable (Note 5)	2,033,459	1,642,639
Prepaid expenses	1,239,021	974,453
	33,513,330	20,959,930
<b>LONG TERM ASSETS</b>		
Equipment (Note 6)	2,562,665	3,019,648
System development (Notes 2, 6, and 10)	16,180,977	17,625,512
	18,743,642	20,645,160
	<b>\$ 52,256,972</b>	<b>\$ 41,605,090</b>

### LIABILITIES & EQUITY

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 6,007,733	\$ 5,931,123
Partner remittances payable (Note 4)	11,603,186	8,608,977
Deferred funding from the Province	6,333,750	-
Deferred revenue	58,413	55,702
Land titles assurance (Note 8)	1,676,934	1,212,477
	25,680,016	15,808,279
<b>EQUITY</b>	26,576,956	25,796,811
	<b>\$ 52,256,972</b>	<b>\$ 41,605,090</b>

Commitments Note 12  
See accompanying notes

  
Georgette M. Roy  
Chairman

  
Jacques Dubé  
President



## Service New Brunswick

### STATEMENT OF INCOME AND CHANGES IN EQUITY For the year ended March 31

REVENUES	2005	2004
Provincial services	\$ 25,468,806	\$ 25,271,512
Municipal services	7,003,558	6,592,455
Registry fees	14,756,634	13,892,603
Products and services	2,762,423	2,573,359
Software sales and consulting	397,038	7,400
Interest	364,841	453,552
Salary recoveries	91,514	140,665
	<b>50,844,814</b>	<b>48,931,546</b>
<b>EXPENSES</b>		
Personnel services	30,224,331	28,635,235
Communications and computer services	4,807,290	4,871,879
Space and equipment services	5,017,106	4,971,508
Amortization	3,730,850	3,865,292
Professional and banking services	3,563,033	2,919,757
Travel and meetings	1,156,569	1,053,995
Materials and supplies	786,314	730,857
Furniture and equipment	470,546	609,234
Other	308,630	488,090
	<b>50,064,669</b>	<b>48,145,847</b>
<b>NET INCOME</b>	<b>780,145</b>	<b>785,699</b>
<b>OPENING EQUITY</b>	<b>25,796,811</b>	<b>25,011,112</b>
<b>ENDING EQUITY</b>	<b>\$ 26,576,956</b>	<b>\$ 25,796,811</b>

See accompanying notes

## Service New Brunswick

### STATEMENT OF CASH FLOWS

For the year ended March 31

	2005	2004
<b>Cash and cash equivalents provided by (used in)</b>		
<b>Operations</b>		
Net income	\$ 780,145	\$ 785,699
Amortization	<u>3,730,850</u>	<u>3,865,292</u>
	4,510,995	4,650,991
Deferred funding from the Province	6,333,750	-
Change in non-cash working capital (Note 9)	<u>(576,067)</u>	223,778
	<b>10,268,678</b>	<b>4,874,769</b>
<b>Investments</b>		
Additions to equipment	(627,112)	(575,949)
Additions to system development	(1,202,220)	(3,235,417)
Proceeds from disposal	-	14,802
	<b>(1,829,332)</b>	<b>(3,796,564)</b>
<b>Increase in cash</b>	<b>8,439,346</b>	<b>1,078,205</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>8,521,384</b>	<b>7,443,179</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 16,960,730</b>	<b>\$ 8,521,384</b>

See accompanying notes

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**Service New Brunswick**

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**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2005

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**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. Management has segregated cash equal to the amount of Partner cash (Note 4) and the amount accumulated under Land Titles Assurance (Note 8).

**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 \$5,000 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.

**CGI Commercial Alliance Agreement**

Funds received from CGI Information Systems and Management Consultants Inc. (CGI), under this Agreement (Note 10), are applied against the capital cost of the related investment.

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## Service New Brunswick

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### Amortization

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

Furniture, databases and systems	10 years
Leasehold improvements	duration of lease up to 10 years
Equipment and 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 2005	Year Ended 2004
Accounts receivable	\$ 383,964	\$ 200,015
Accounts payable	606,071	834,330
Net liability	\$ 222,107	\$ 634,315

The Statement of Income and Changes in Equity contains the following related entity amounts:

	Year Ended 2005	Year Ended 2004
Revenue	\$ 33,499,615	\$ 32,591,915
Expense	1,688,392	1,676,755
Net revenue	\$ 31,811,223	\$ 30,915,160

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## Service New Brunswick

### 4. PARTNER CASH AND REMITTANCES PAYABLE

Service New Brunswick collects cash on behalf of the Province of New Brunswick and other business partners. The following amounts were payable to the Province and other partners at year end.

	Year Ended 2005	Year Ended 2004
Province	\$ 9,436,754	\$ 7,089,230
Other partners	2,166,432	1,519,747
	<u>\$ 11,603,186</u>	<u>\$ 8,608,977</u>

### 5. ACCOUNTS RECEIVABLE

	Year Ended 2005			Year Ended 2004
	Accounts Receivable	Allowance for Doubtful Accounts	Net	Net
<b>Current</b>				
HST rebate	\$ 663,526	\$ -	\$ 663,526	\$ 652,308
Corporate registry	243,168	58,663	184,505	278,219
Province of NB	383,964	4,554	379,410	199,029
Trade	600,799	11,177	589,622	353,227
Employee computer loans	186,240	-	186,240	159,856
Interest receivable	30,156	-	30,156	-
	<u>\$ 2,107,853</u>	<u>\$ 74,394</u>	<u>\$ 2,033,459</u>	<u>\$ 1,642,639</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. LONG TERM ASSETS

	Year Ended 2005		
	Cost	Accumulated Amortization	Net
<b>Equipment</b>			
Computers and software	\$ 3,192,858	\$ 2,251,140	\$ 941,718
Furniture and equipment	1,443,460	887,842	555,618
Leasehold improvements	2,298,896	1,256,112	1,042,784
Vehicles	26,985	4,440	22,545
	<u>\$ 6,962,199</u>	<u>\$ 4,399,534</u>	<u>\$ 2,562,665</u>
<b>System development</b>			
Systems	\$ 28,574,867	\$ 13,570,288	\$ 15,004,579
Databases	1,018,040	1,014,344	3,696
Work in process	1,172,702	-	1,172,702
	<u>\$ 30,765,609</u>	<u>\$ 14,584,632</u>	<u>\$ 16,180,977</u>

### Service New Brunswick

Equipment	Year Ended 2004		
	Cost	Accumulated Amortization	Net
Computers and software	\$ 6,771,942	\$ 5,525,316	\$ 1,246,626
Furniture and equipment	1,843,001	1,169,658	673,343
Leasehold improvements	2,136,742	1,044,358	1,092,384
Vehicles	7,910	615	7,295
	<u>\$10,759,595</u>	<u>\$ 7,739,947</u>	<u>\$ 3,019,648</u>
<b>System development</b>			
Systems	\$27,601,939	\$ 10,926,456	\$ 16,675,483
Databases	1,018,040	1,011,421	6,619
Work in process	943,410	-	943,410
	<u>\$29,563,389</u>	<u>\$ 11,937,877</u>	<u>\$ 17,625,512</u>

#### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Year Ended 2005	Year Ended 2004
Trade payables	\$ 3,148,328	\$ 2,963,252
Salary and benefit accruals	2,127,033	1,748,111
Payroll deductions payable	126,301	385,430
Province of New Brunswick payables	606,071	834,330
	<u>\$ 6,007,733</u>	<u>\$ 5,931,123</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*. An assurance fee of \$5.00 is charged for each registration in the Land Titles registry.

	Year Ended 2005	Year Ended 2004
Opening balance	\$ 1,212,477	\$ 757,255
Assurance fees collected	486,790	457,855
Less: claims	(22,333)	(2,633)
Ending balance	<u>\$ 1,676,934</u>	<u>\$ 1,212,477</u>

## Service New Brunswick

### 9. CHANGE IN NON-CASH WORKING CAPITAL

	Year Ended 2005	Year Ended 2004
Accounts receivable	\$ (390,820)	\$ 442,366
Prepaid expenses	(264,568)	(407,687)
Accounts payable	76,610	169,335
Deferred revenue	2,711	19,764
	\$ (576,067)	\$ 223,778

### 10. CGI COMMERCIAL ALLIANCE AGREEMENT

CGI Information Systems and Management Consultants Inc. (CGI) and Service New Brunswick signed a seven-year agreement in 2001. Under the terms of the agreement, CGI provides up to \$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 contracting 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. All solutions and other intellectual property developed under this Agreement are jointly owned by CGI and SNB.

Under this agreement, Service New Brunswick received \$309,031 in the year ended March 31, 2005 and \$408,733 in the year ended March 31, 2004. The total amount received since 2002 was \$1,788,266.

### 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, 2005, the Corporation expensed contributions of \$1,752,902 under the terms of the plan. The comparable amount for the year ended March 31, 2004 was \$1,721,481. 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.
  
- 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 the actuarial estimate and assumptions used by the Province of New Brunswick. 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 \$221,234 at March 31, 2005 and \$220,093 at March 31, 2004.

### Service New Brunswick

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- 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 the year ended March 31, 1996. 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 \$396,044 at March 31, 2005 and \$474,265 at March 31, 2004.

#### 12. LEASE COMMITMENTS

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

2006	\$ 2,871,478
2007	2,130,417
2008	1,644,567
2009	1,421,450
2010	1,235,239
Thereafter	<u>1,851,564</u>
	<u>\$11,154,715</u>

#### 13. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to minor reclassifications in the financial statement presentation adopted for the current year.

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Financial Statements of

**STRAIT CROSSING FINANCE INC.**

Year ended October 30, 2004



KPMG LLP  
Chartered Accountants  
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Fredericton NB E3B 6Z3  
Canada

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www.kpmg.ca

## AUDITORS' REPORT

To the Shareholder of Strait Crossing Finance Inc.

We have audited the statement of financial position of Strait Crossing Finance Inc. as at October 30, 2004 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, 2004 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  
November 22, 2004



# STRAIT CROSSING FINANCE INC.

## Statement of Financial Position

October 30, 2004, with comparative figures for 2003

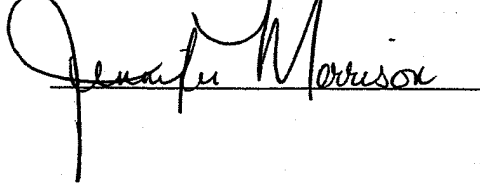
	2004	2003
<b>Assets</b>		
Current assets:		
Cash	\$ 1	\$ 1
Accounts receivable	1,384	1,241
	<u>\$ 1,385</u>	<u>\$ 1,242</u>

## Liabilities and Shareholder's Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,384	\$ 1,241
Shareholder's equity:		
Share capital:		
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
1 Share	1	1
	<u>\$ 1,385</u>	<u>\$ 1,242</u>

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, 2004, with comparative figures for 2003

	2004	2003
Revenue:		
Financial maintenance fee (note 2(d))	\$ 20,897	\$ 19,372
Expenses:		
Trustee fees	18,587	17,127
Professional services	2,070	1,955
Filing fees	240	290
	<u>20,897</u>	<u>19,372</u>
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, 2004

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## 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, 2004

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## 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.

## 3. Fair value of financial assets and financial liabilities:

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