



# Public Accounts

for the fiscal year ended 31 March 2007

## VOLUME 3

FINANCIAL  
STATEMENTS OF  
CROWN CORPORATIONS,  
BOARDS, COMMISSIONS

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

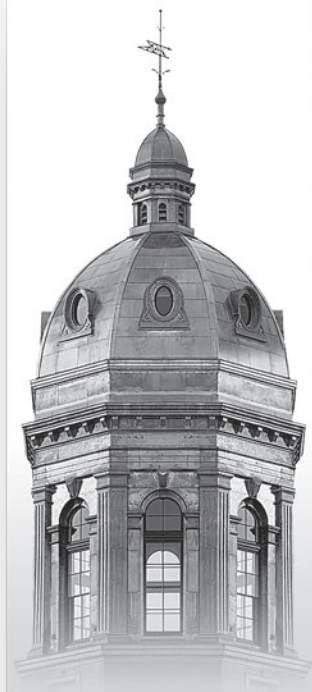


# Public Accounts

for the fiscal year ended 31 March 2007

## VOLUME 3

FINANCIAL  
STATEMENTS OF  
CROWN CORPORATIONS,  
BOARDS, COMMISSIONS



New  Nouveau  
**Brunswick**

ISSN 0382-1277





## 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 Group of Companies and New Brunswick Liquor Corporation. The salary listings are for employees who received earnings during the year ended 31 December 2006 in excess of \$40,000.

---

**TABLE OF CONTENTS**

Advisory Council on the Status of Women	1
Algonquin Golf Limited	7
Algonquin Properties Limited	17
Atlantic Education International Inc.	27
Forest Protection Limited	35
Fundy Linen Service Inc.	53
Kings Landing Corporation	63
Lotteries Commission of New Brunswick	73
New Brunswick Advisory Council on Seniors	79
New Brunswick Advisory Council on Youth	83
New Brunswick Arts Board	89
New Brunswick Credit Union Deposit Insurance Corporation	99
New Brunswick Crop Insurance Commission .	107
New Brunswick Distance Education Network	119
New Brunswick Electric Finance Corporation	125
New Brunswick Energy and Utilities Board	143
New Brunswick Highway Corporation	165
New Brunswick Insurance Board	175
New Brunswick Investment Management Corporation	183
New Brunswick Legal Aid Services Commission	193
New Brunswick Liquor Corporation	201
New Brunswick Municipal Finance Corporation	213
New Brunswick Museum	221
New Brunswick Power Holding Corporation	231
New Brunswick Public Libraries Foundation	267
New Brunswick Research and Productivity Council	273
New Brunswick Securities Commission	283
New Brunswick Tire Stewardship Board	295
Premier's Council on the Status of Disabled Persons	305
Provincial Holdings Ltd.	311
Regional Development Corporation	319
Regional Development Corporation - Special Operating Agency	327
Regional Health Authorities	
Beauséjour Regional Health Authority 1	333
South-East Regional Health Authority	347
Atlantic Health Sciences Corporation	365
Regional Health Authority 3	385
Regional Health Authority 4	401
Regional Health Authority 5	421
Regional Health Authority 6	435
Miramichi Regional Health Authority	449
Service New Brunswick	465
Strait Crossing Finance Inc.	479

---

FINANCIAL STATEMENTS

**ADVISORY COUNCIL ON THE STATUS OF WOMEN**

31 MARCH 2007

---

Office of the  
Auditor General

Bureau du  
vérificateur général

## AUDITOR'S REPORT

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

I have audited the balance sheet of the Advisory Council on the Status of Women as at 31 March 2007 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 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Michael Ferguson, CA  
Auditor General

Fredericton, N.B.

18 October 2007



---

**ADVISORY COUNCIL ON THE STATUS OF WOMEN  
BALANCE SHEET  
31 MARCH 2007**

---

	2007	2006
<b>ASSETS</b>		
Accounts receivable - Province of New Brunswick	\$ 60,761	\$ 56,085
<b>SURPLUS</b>		
Surplus	\$ 60,761	\$ 56,085

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 2007**

---

	2007 Budget	2007 Actual	2006 Actual
<b>REVENUE</b>			
Grants - Province of New Brunswick	\$ 430,900	\$ 430,900	\$ 422,417
<b>EXPENSE</b>			
Personal services	255,400	231,799	232,474
Other services	161,800	167,333	165,632
Materials and supplies	8,100	17,244	15,111
Contributions and grants	-	1,500	4,900
Property and equipment (Note 2)	5,600	8,348	1,170
	<u>430,900</u>	<u>426,224</u>	<u>419,287</u>
<b>EXCESS OF REVENUE OVER EXPENSE</b>	<u>\$ -</u>	4,676	3,130
Surplus, beginning of year		<u>56,085</u>	<u>52,955</u>
<b>SURPLUS, end of year</b>		<u>\$ 60,761</u>	<u>\$ 56,085</u>

---

**ADVISORY COUNCIL ON THE STATUS OF WOMEN  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2007**

---

**1. Purpose of the organization**

---

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

**2. Significant accounting policy**

---

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**

---

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. Translation costs of \$18,829 are also provided by the Province and are not 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**

---

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*

**ALGONQUIN GOLF LIMITED**

*December 31, 2006*

# 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

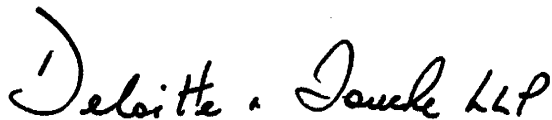
## Auditors' Report

To the Shareholder,  
Algonquin Golf Limited

We have audited the balance sheet of Algonquin Golf Limited as at December 31, 2006 and the statements of operations and deficit 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 December 31, 2006 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

May 7, 2007

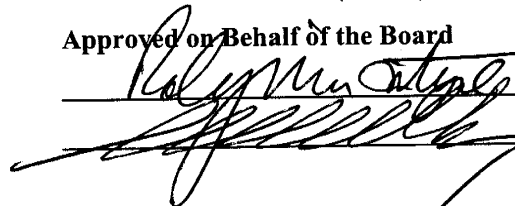
**ALGONQUIN GOLF LIMITED****Balance Sheet**


as at December 31, 2006

	2006	2005
<b>CURRENT ASSETS</b>		
Cash and short-term investments	\$ 11,283	\$ 11,022
Accounts receivable	29	18
Pro shop inventory	63,620	79,343
Prepaid expenses	2,326	12,717
	77,258	103,100
<b>CAPITAL ASSETS, NET (Note 4)</b>	<b>4,705,429</b>	<b>5,102,696</b>
	<b>\$ 4,782,687</b>	<b>\$ 5,205,796</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 96,635	\$ 22,228
Current portion of due to Province of New Brunswick - principal (Note 5)	4,221,716	-
- interest	584,915	248,925
Current portion of capital lease obligation (Note 6)	35,770	54,614
	4,939,036	325,767
<b>LONG TERM LIABILITIES</b>		
Due to Algonquin Properties Limited	3,050,260	2,873,466
Due to Province of New Brunswick - principal (Note 5)	-	3,945,795
- interest	-	335,990
Obligations under capital leases (Note 6)	26,886	62,655
Deferred contribution related to capital assets (Note 7)	1,441,757	1,548,554
	4,518,903	8,766,460
	9,457,939	9,092,227
<b>DEFICIT</b>		
Capital stock		
Authorized		
Issued and fully paid 1 common share	1	1
Contributed surplus (Note 8)	59,531	59,531
Deficit	(4,734,784)	(3,945,963)
	(4,675,252)	(3,886,431)
	<b>\$ 4,782,687</b>	<b>\$ 5,205,796</b>

Basis of Presentation (Note 2)

Approved on Behalf of the Board

 Director

 Director

**ALGONQUIN GOLF LIMITED**  
**Statement of Operations and Deficit**  
for the year ended December 31, 2006

	2006	2005
<b>REVENUE</b>		
Green fees and rentals	\$ 838,937	\$ 998,057
Food sales	68,735	93,494
Beverage sales	81,462	83,938
RDC grant (Note 7)	106,797	106,797
Pro shop	157,393	145,070
Interest	308	127
	<u>1,253,632</u>	<u>1,427,483</u>
<b>EXPENSES</b>		
Direct costs	845,103	883,733
Pro shop cost of sales	146,340	82,996
Administrative and general	133,953	144,845
Advertising and promotion	96,834	108,473
Heat, light, power and water	13,746	33,450
Property taxes	64,326	63,162
Management fees	34,396	39,617
Interest on loan payable (Note 5)	275,920	339,036
Interest on leases	4,070	6,713
Amortization - capital assets	427,765	452,137
	<u>2,042,453</u>	<u>2,154,162</u>
<b>LOSS FOR THE YEAR</b>	(788,821)	(726,679)
<b>DEFICIT, BEGINNING OF YEAR</b>	(3,945,963)	(3,219,284)
<b>DEFICIT, END OF YEAR</b>	<u>\$ (4,734,784)</u>	<u>\$ (3,945,963)</u>

**ALGONQUIN GOLF LIMITED**  
**Statement of Cash Flows**  
for the year ended December 31, 2006

	2006	2005
<b>CASH PROVIDED BY (USED):</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the year	\$ (788,821)	\$ (726,679)
Amortization - capital assets	427,765	452,137
RDC contributions related to capital assets (Note 7)	(106,797)	(106,797)
	(467,853)	(381,339)
Net change in non-cash working capital items related to operations	100,510	40,441
	(367,343)	(340,898)
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(30,498)	(22,979)
	(30,498)	(22,979)
<b>FINANCING ACTIVITIES</b>		
Increase in due to Algonquin Properties Limited	176,794	362,572
Repayment of capital leases	(54,613)	(73,770)
Increase in Due to Province of New Brunswick	275,921	75,196
	398,102	363,998
<b>NET CASH INFLOW</b>	261	121
<b>CASH POSITION, BEGINNING OF YEAR</b>	11,022	10,901
<b>CASH POSITION, END OF YEAR</b>	\$ 11,283	\$ 11,022

**ALGONQUIN GOLF LIMITED**  
**Notes to the Financial Statements**  
**for the year ended December 31, 2006**

---

**1. DESCRIPTION OF OPERATIONS**

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

On July 1, 2000, the golf course assets owned by Algonquin Properties Limited, represented by buildings, equipment and land - were transferred to Algonquin Golf Limited. The Company has a management agreement which contracts the day-to-day management of the course to Fairmont Hotels Inc.

**2. BASIS OF PRESENTATION**

These financial statements have been prepared on the basis of accounting principles applicable to a going concern. The Company has incurred operating losses in each of the last four years, has an accumulated deficit of \$4,734,784 and a working capital deficiency of \$4,861,778 as at December 31, 2006. The Company's continued existence as a going concern is dependant on continuing financial support from Algonquin Properties Limited and the Province of New Brunswick and the achievement of profitable operations.

If the going concern assumption was not appropriate for these financial statements, adjustments may be necessary to the carrying values of assets and liabilities, the reported loss for the year and the balance sheet classification used.

**ALGONQUIN GOLF LIMITED**  
**Notes to the Financial Statements**  
for the year ended December 31, 2006

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*Cash and cash equivalents*

Cash and cash equivalents include cash and short-term investments with maturities of three months or less.

*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. Purchases 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 is recorded on a straight-line basis at the rate indicated in Note 4.

*Revenue recognition*

Revenues are recognized when goods and services are provided and ultimate collection is reasonably assured.

*Use of accounting estimates*

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

*Inventories*

Inventory is comprised of golf and related supplies. Inventory is valued at the lower of cost and net realizable value. Cost is determined on an average cost basis.

*Long lived assets*

Long lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

**ALGONQUIN GOLF LIMITED**  
**Notes to the Financial Statements**  
for the year ended December 31, 2006

**4. CAPITAL ASSETS**

	Cost	Amortization	Net 2006	Net 2005
Land	\$ 211,556	\$ -	\$ 211,556	\$ 211,556
Buildings	1,401,549	449,752	951,797	1,003,787
Golf Course Improvements	4,958,768	1,609,953	3,348,815	3,596,753
Golf Course Equipment	648,322	571,129	77,193	114,441
External Improvements	265,296	219,670	45,626	85,421
Computer Hardware & Software	10,325	8,683	1,642	3,707
Furniture & Fixtures	75,220	38,268	36,952	42,970
Building Improvements	28,866	12,257	16,609	19,495
Automotive Equipment	46,636	31,397	15,239	24,566
	\$ 7,646,538	\$ 2,941,109	\$ 4,705,429	\$ 5,102,696

**5. DUE TO PROVINCE OF NEW BRUNSWICK**

Financing from the Province bears interest at 6% compounded semi-annually, not in advance, and matures on March 31, 2013. In 2006, the Province of New Brunswick agreed to accept an interest only payment of \$263,872. As at December 31, 2006 the interest payment due has not been made and therefore the loan has now been classified as a current liability. Under the terms of the original loan agreement the balance of the loan was repayable in blended annual installments of \$591,207 to 2012 and a final installment of \$2,168,926 on March 31, 2013.

**6. OBLIGATIONS UNDER CAPITAL LEASES**

Capital leases are in place for golf course equipment. The gross amount of assets under capital lease is \$281,721 with accumulated amortization totaling \$197,345. The total future principal and interest payments for capital leases amount to \$65,240.

	<u>Fiscal Year</u>	
2007	\$	37,725
2008		27,515
		<u>65,240</u>
Less interest		<u>2,584</u>
	\$	<u>62,656</u>



**ALGONQUIN GOLF LIMITED**  
**Notes to the Financial Statements**  
**for the year ended December 31, 2006**

---

**7. DEFERRED CONTRIBUTION**

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

**8. CONTRIBUTED SURPLUS**

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

**9. RELATED PARTY TRANSACTIONS**

Under the Management Agreement, Fairmont Hotels Inc. may:

- Purchase goods identified as goods of the Operator through the purchasing department of the Operator and the Operator shall charge a purchasing fee in the amount of 5% of the cost.
- Contract for advertising and promotional programs for the Algonquin as a member of the Operator'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.

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

The \$3.1 million (2005 - \$2.9 million) payable to Algonquin Properties Limited relates to the transfer of revenues, expenses, assets and liabilities between the two corporations when the golf course officially opened on July 1, 2000 as well as the work done for the course which was paid for by Algonquin Properties Limited. The amount will be reimbursed when sufficient funds are available.

**10. STATEMENT OF CASH FLOWS**

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

	2006	2005
	\$	\$
Interest paid	279,990	270,554
Interest received	308	127



*Financial Statements of*

**ALGONQUIN PROPERTIES LIMITED**

*December 31, 2006*

# 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

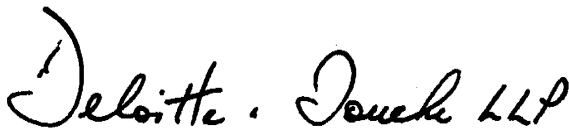
## Auditors' Report

To the Shareholder,  
Algonquin Properties Limited

We have audited the balance sheet of Algonquin Properties Limited as at December 31, 2006 and the statements of operations and deficit 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 December 31, 2006 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

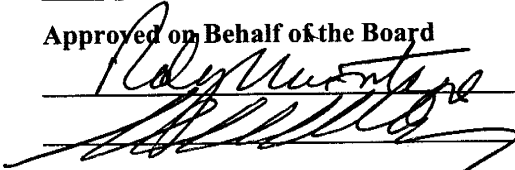
May 7, 2007


**ALGONQUIN PROPERTIES LIMITED****Balance Sheet**

as at December 31, 2006

	2006	2005
<b>CURRENT ASSETS</b>		
Cash and short-term investments	\$ 2,419,287	\$ 1,124,276
Accounts receivable	404,607	225,839
Inventory, at cost	121,240	141,360
Prepaid expenses	70,727	59,736
	3,015,861	1,551,211
<b>DUE FROM ALGONQUIN GOLF LIMITED (Note 5)</b>	3,050,260	2,873,466
<b>CAPITAL ASSETS, NET (Note 3)</b>	12,231,216	12,965,773
	\$ 18,297,337	\$ 17,390,450
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 349,446	\$ 315,108
Due to Province of NB - Working Capital Advance	1,500,000	-
Advance deposits	207,420	181,529
Current portion of capital lease obligation (Note 6)	13,137	12,922
	2,070,003	509,559
<b>OBLIGATION UNDER CAPITAL LEASE (NOTE 6)</b>	19,687	32,823
<b>SHAREHOLDER'S EQUITY</b>		
Capital stock	300,000	300,000
Contributed surplus (Note 4)	40,238,428	40,238,428
Deficit	(24,330,781)	(23,690,360)
	16,207,647	16,848,068
	\$ 18,297,337	\$ 17,390,450

Approved on Behalf of the Board

 Director

 Director

**ALGONQUIN PROPERTIES LIMITED**  
**Statement of Operations and Deficit**  
for the year ended December 31, 2006

	2006	2005
<b>REVENUE</b>		
Room sales	\$ 4,412,784	\$ 4,601,509
Food sales	2,543,282	2,854,963
Beverage sales	576,646	614,694
Telephone	30,297	37,696
Other sport activities	266,050	269,786
Miscellaneous	222,112	289,777
Interest	38,236	13,748
	<u>8,089,407</u>	<u>8,682,173</u>
<b>EXPENSE</b>		
Direct costs	4,213,212	4,523,401
Administrative and general	1,071,557	1,022,890
Advertising and promotion	677,950	718,266
Repairs and maintenance	595,608	664,587
Heat, light, power and water	613,173	656,640
Property taxes	337,875	340,636
Management fees	241,320	259,613
Amortization - capital assets	979,133	1,033,089
	<u>8,729,828</u>	<u>9,219,122</u>
<b>LOSS FOR THE YEAR</b>	(640,421)	(536,949)
<b>DEFICIT, BEGINNING OF YEAR</b>	(23,690,360)	(23,153,411)
<b>DEFICIT, END OF YEAR</b>	<u>\$ (24,330,781)</u>	<u>\$ (23,690,360)</u>

**ALGONQUIN PROPERTIES LIMITED****Statement of Cash Flows**

December 31, 2006

	2006	2005
<b>CASH PROVIDED BY (USED):</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the year	\$ (640,421)	\$ (536,949)
Amortization - capital assets	979,133	1,033,089
Loss on disposal of capital assets	(46,904)	-
	385,616	496,140
Net change in non-cash working capital items related to operations	(109,410)	(236,179)
	276,206	259,961
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(291,480)	(235,686)
Increase in long-term receivable from Algonquin Golf Limited	(176,794)	(349,451)
	(468,274)	(585,137)
<b>FINANCING ACTIVITIES</b>		
Repayment of capital lease obligation	(12,921)	(9,562)
Increase in due to Province of NB - Working Capital Advance	1,500,000	-
	1,487,079	(9,562)
<b>NET CASH INFLOW (OUTFLOW)</b>	1,295,011	(334,738)
<b>CASH POSITION, BEGINNING OF YEAR</b>	1,124,276	1,459,014
<b>CASH POSITION, END OF YEAR</b>	\$ 2,419,287	\$ 1,124,276

---

**ALGONQUIN PROPERTIES LIMITED**  
**Notes to the Financial Statements**  
**for the year ended December 31, 2006**

---

**1. DESCRIPTION OF OPERATIONS**

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



**ALGONQUIN PROPERTIES LIMITED**  
**Notes to the Financial Statements**  
for the year ended December 31, 2006

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Algonquin Properties Limited is incorporated under the laws of the Province of New Brunswick. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

*Cash and cash equivalents*

Cash and cash equivalents include cash and short-term investments with maturities of three months or less.

*Capital assets*

Capital assets are recorded at cost. Amortization is based on their estimated useful life using the method indicated below:

Buildings, improvements and equipment	straight-line method	2.5 - 10%
Operating equipment	straight-line method	8 - 20%

Assets are charged for a full year's amortization in the year of purchase. 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 operations 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. Replacement costs of china, glassware, silverware, utensils, linen, and similar equipment are charged to expense in the year of purchase pursuant to the management agreement with Fairmont Hotels Inc.

*Revenue recognition*

Revenue from hotel operations are recognized when services are provided and ultimate collection is reasonably assured. Hotel operations revenues are generated primarily from room occupancy and food and beverage services.

*Use of accounting estimates*

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

*Inventories*

Inventory is comprised of operating supplies including food and beverage. Inventory is valued at the lower of cost and net realizable value. Cost is determined on the most recent supplier invoice price.

*Long lived assets*

Long lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

**ALGONQUIN PROPERTIES LIMITED**  
**Notes to the Financial Statements**  
for the year ended December 31, 2006

**3. Capital Assets**

	Cost	Amortization	Net 2006	Net 2005
Land	\$ 130,282	\$ -	\$ 130,282	\$ 130,282
Building	11,667,316	5,182,170	6,485,146	6,764,618
Building improvements	3,966,441	3,228,465	737,976	904,907
Structural improvements	7,125,143	3,216,388	3,908,755	4,193,761
Building equipment	1,041,599	695,071	346,528	323,268
Major furniture & equipment	2,669,985	2,369,957	300,028	309,530
Minor furniture & equipment	262,833	181,140	81,693	57,960
Pool, tennis and cove gates	337,960	224,506	113,454	129,896
Automotive equipment	52,649	52,649	-	-
Computer hardware & software	739,890	625,531	114,359	135,241
External improvements	22,100	9,105	12,995	16,310
	\$ 28,016,198	\$ 15,784,982	\$ 12,231,216	\$ 12,965,773

**4. CONTRIBUTED SURPLUS**

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

## **ALGONQUIN PROPERTIES LIMITED**

### **Notes to the Financial Statements for the year ended December 31, 2006**

---

#### **5. RELATED PARTY TRANSACTIONS**

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.

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 2006, Fairmont Hotels Inc. headquarters invoiced the Algonquin Hotel for a total of \$971,831 (2005 - \$1,071,710) for such services. The Algonquin also paid for \$26,612 (2005 - \$87,682) of goods and services from other Fairmont Hotels during 2006. These amounts have been reported in the appropriate expense items in the Statement of Operations and Deficit.

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 \$ 3.1 million (2005 - \$2.9 million). This amount will be reimbursed when sufficient funds are available.

**ALGONQUIN PROPERTIES LIMITED**  
**Notes to the Financial Statements**  
for the year ended December 31, 2006

---

**6. OBLIGATIONS UNDER CAPITAL LEASES**

Capital leases are in place for equipment. The gross amount of assets under capital lease is \$58,123 with accumulated amortization totaling \$14,878. The total future principal and interest payments for capital leases amount to \$35,046.

<u>Fiscal Year</u>	
2007	\$ 14,288
2008	8,520
2009	8,520
2010	3,718
	<u>\$ 35,046</u>
Less interest	<u>2,222</u>
	<u>32,824</u>

**7. STATEMENT OF CASH FLOWS**

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

	2006	2005
	\$	\$
Interest paid	1,693	1,505
Interest received	38,236	13,784

**8. CONTINGENT LIABILITY**

During the year, the Department of Supply and Services, on behalf of Algonquin Properties, completed the re-construction of Fort Tipperary, a facility owned by the Company that was destroyed by fire in 2004. Algonquin Properties is liable to the Department of Supply and Services for the amount that the cost of re-construction exceeds the proceeds from the insurance claim. This amount is not expected to exceed \$300,000.

**ATLANTIC EDUCATION INTERNATIONAL INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

Suite 102  
Priestman Centre  
565 Priestman Street  
Fredericton  
New Brunswick  
E3B 5X8

Tel (506) 458-8727  
Fax (506) 450-3777  
E-mail tsdfr@teedsaundersdoyle.com

**TEED  
SAUNDERS  
DOYLE & CO.**  
**Chartered Accountants**

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

## AUDITORS' REPORT

To the Directors of Atlantic Education International Inc.

We have audited the statement of financial position of Atlantic Education International Inc. as at December 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization'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 December 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Our previous auditor's report dated June 7, 2007 has been withdrawn and the financial statements have been revised to reflect a correction of an accounting error described in Note 6.

July 24, 2007  
Fredericton, NB

*Teed Saunders Doyle & Co*  
CHARTERED ACCOUNTANTS

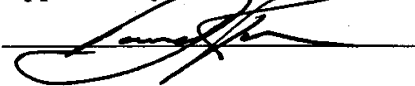
**ATLANTIC EDUCATION INTERNATIONAL INC.**

**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2006**

	<b>ASSETS</b>	<b>2006</b>	<b>2005</b>
<b>Current Assets</b>			
Cash		\$ 48,280	\$ 517,375
Accounts receivable		970,762	891,700
Due from AKD International Inc. (note 3)		<u>30,537</u>	<u>-</u>
		<b>\$ 1,049,579</b>	<b>\$ 1,409,075</b>
	<b>LIABILITIES</b>		
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 408,463	\$ 468,141
Deferred revenue		376,215	379,440
Due to AKD International Inc. (note 3)		<u>-</u>	<u>222,548</u>
		<u>784,678</u>	<u>1,070,129</u>
<b>Long Term Debt</b>			
Loan payable (note 4)		<u>30,000</u>	<u>30,000</u>
	<b>NET ASSETS</b>		
<b>Capital Stock (note 5)</b>		3	3
<b>Unrestricted Net Assets</b>		<u>234,898</u>	<u>308,943</u>
		<u>234,901</u>	<u>308,946</u>
		<b>\$ 1,049,579</b>	<b>\$ 1,409,075</b>

Approved By The Board:



**ATLANTIC EDUCATION INTERNATIONAL INC.**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u>
Net Assets At Beginning Of Year	\$ 308,943	\$ 64,166
Excess (Deficiency) Of Receipts Over Disbursements For The Year	<u>(74,045)</u>	<u>244,777</u>
Net Assets At End Of Year	<u>\$ 234,898</u>	<u>\$ 308,943</u>



**ATLANTIC EDUCATION INTERNATIONAL INC.****STATEMENT OF OPERATIONS****FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u>
<b>Receipts</b>	\$ <u>367,734</u>	\$ <u>603,293</u>
<b>Disbursements</b>		
Administration	214,052	198,640
Education costs		
Enhanced program	30,714	35,987
Summer and winter camps	80,928	57,843
Other	12,475	14,402
Travel	<u>103,610</u>	<u>51,644</u>
	<u>441,779</u>	<u>358,516</u>
<b>Excess (Deficiency) Of Receipts Over Disbursements For The Year</b>	\$ <u>(74,045)</u>	\$ <u>244,777</u>

**ATLANTIC EDUCATION INTERNATIONAL INC.****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>Cash Provided By (Required For):</b>		
<b>Operating Activities</b>		
Excess (deficiency) of receipts over disbursements for the year	\$ (74,045)	\$ 244,777
Changes in non-cash operating working capital		
Accounts receivable	(79,062)	(150,939)
Accounts payable and accrued liabilities	(59,678)	112,369
Deferred revenue	(3,225)	73,755
Due to/from AKD International Inc.	<u>(253,085)</u>	<u>175,661</u>
<b>Increase (Decrease) In Cash During The Year</b>	(469,095)	455,623
<b>Cash Position At Beginning Of Year</b>	<u>517,375</u>	<u>61,752</u>
<b>Cash Position At End Of Year</b>	\$ <u>48,280</u>	\$ <u>517,375</u>

**ATLANTIC EDUCATION INTERNATIONAL INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**1. Significant Accounting Policies**

**Use of Estimates**

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

**Financial Instruments**

The carrying values of cash, accounts receivable and accounts payable and other liabilities approximate fair values due to the short-term maturity of these instruments. The fair value of the loan payable to the New Brunswick Department of Advanced Education and Labour has not been determined because there is no ready market for this financial instrument. It is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from financial instruments.

**Revenue**

Revenue from tuition and course fees is recognized on the basis of instruction completed in relation to the start and end dates of the programs.

**2. Purpose Of The Organization**

Atlantic Education International Inc. operates to promote the international export of New Brunswick education and training products. The company is a crown corporation owned by the Province of New Brunswick and is therefore exempt from income tax.

**3. Due To (From) AKD International Inc.**

	<u>2006</u>	<u>2005</u>
<b>Receipts</b>	\$ <u>1,204,553</u>	\$ <u>1,369,379</u>
<b>Disbursements</b>		
Accommodations	351,175	502,042
Education costs		
Post-secondary program	434,248	363,470
Enhanced program	563,505	242,000
Summer and winter camps	22,314	3,684
Other	<u>86,396</u>	<u>82,522</u>
	<u>1,457,638</u>	<u>1,193,718</u>
<b>Excess (Deficiency) Of Receipts Over Disbursements For The Year</b>	(253,085)	175,661
<b>Balance At Beginning Of Year</b>	<u>222,548</u>	<u>46,887</u>
<b>Balance At End Of Year</b>	\$ <u>(30,537)</u>	\$ <u>222,548</u>

**ATLANTIC EDUCATION INTERNATIONAL INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**4. Loan Payable**

The Department of Advanced Education and Labour contributed an initial amount of \$30,000 to assist in the cash flow of the corporation. This contribution is repayable when the cash flow of the corporation allows. There are no interest, security or specific terms of repayment.

**5. Capital Stock**

		<u>2006</u>	<u>2005</u>
Authorized	An unlimited number of common shares without nominal or par value		
Issued	1 common share	\$ <u>3</u>	\$ <u>3</u>

**6. Correction Of An Accounting Error**

Financial statements for the year ended December 31, 2006 were previously released. Those financial statements have herein been corrected for an accounting error that overstated the accounts payable to the Department of Advanced Education and Labour in the amount of \$301,077 and thus overstated correlating expenses for the year by this same amount.

*Consolidated Financial Statements of*

**FOREST PROTECTION LIMITED**

*March 31, 2007*



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 consolidated balance sheet of Forest Protection Limited as at March 31, 2007 and the consolidated statements of operations and unrestricted net assets (deficit), changes in net investment in capital assets, business opportunity fund, net assets internally restricted for equipment replacement and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007 and the results of its operations, the changes in net investment in capital assets, business opportunity fund, net assets internally restricted for equipment replacement 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 "Deloitte &amp; Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants


May 10, 2007

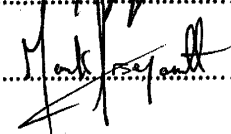
**FOREST PROTECTION LIMITED****Consolidated Balance Sheet**

as at March 31, 2007

	2007	2006
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 460,061	\$ 165,488
Accounts receivable	197,872	81,610
Inventories	884,788	845,958
Prepaid expenses	12,925	-
	<u>1,555,646</u>	<u>1,093,056</u>
<b>CAPITAL ASSETS (Note 3)</b>	<b>10,723,887</b>	<b>11,305,174</b>
<b>INTANGIBLE ASSET (Note 4)</b>	<b>59,000</b>	<b>-</b>
	<u>\$ 12,338,533</u>	<u>\$ 12,398,230</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 360,958	\$ 298,262
Deferred revenue	365,948	512,491
Income taxes payable	40,197	-
Current portion of capital lease obligation (Note 5)	15,038	13,701
	<u>782,141</u>	<u>824,454</u>
<b>CAPITAL LEASE OBLIGATION (Note 5)</b>	<b>292,933</b>	<b>307,971</b>
<b>RESERVE FOR RETIRING ALLOWANCE (Note 6)</b>	<b>69,606</b>	<b>61,844</b>
<b>NON-CONTROLLING INTEREST</b>	<b>28,294</b>	<b>-</b>
<b>EQUITY</b>		
Capital stock (Note 7)	2,000	2,000
Contributed surplus	715,888	715,888
Net investment in capital assets	10,410,102	10,983,498
Business opportunity fund	-	100,000
Net assets internally restricted for equipment replacement	(147,474)	(535,581)
Unrestricted net assets (deficit)	185,043	(61,844)
	<u>11,165,559</u>	<u>11,203,961</u>
	<u>\$ 12,338,533</u>	<u>\$ 12,398,230</u>

APPROVED BY THE BOARD

..... Director

..... Director

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

year ended March 31, 2007

	2007	2006
<b>REVENUES</b>		
Contributions from owners		
- Province of New Brunswick	\$ 2,742,045	\$ 2,645,245
- Industry	353,428	345,261
Other revenue	1,565,941	2,265,144
Product sales	752,000	-
Interest earned	28,669	5,633
	<b>5,442,083</b>	<b>5,261,283</b>
<b>OPERATING EXPENSES (Note 8)</b>		
Fire suppression	2,242,011	2,311,566
Overhead	895,578	859,319
Research and development	693,060	1,194,810
Pest control	568,964	279,418
Business opportunity	249,336	88,087
	<b>4,648,949</b>	<b>4,733,200</b>
<b>OTHER (INCOME) EXPENSE</b>		
Amortization of capital assets	699,826	687,969
Amortization of intangible asset	59,000	-
Reserve for retiring allowance	7,762	1,272
Interest and bank charges	385	7,445
Foreign exchange gain	(3,102)	-
Sale of aircraft parts	(826)	(12,943)
	<b>763,045</b>	<b>683,743</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE UNDERNOTED ITEMS</b>	<b>30,089</b>	<b>(155,660)</b>
Provision for income taxes	40,197	-
<b>INCOME BEFORE NON-CONTROLLING INTEREST</b>	<b>(10,108)</b>	<b>(155,660)</b>
Non-controlling interest	(28,294)	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<b>(38,402)</b>	<b>(155,660)</b>
<b>UNRESTRICTED NET ASSETS (DEFICIT) AT BEGINNING OF YEAR</b>	<b>(61,844)</b>	<b>(60,572)</b>
Transfer from net investment in capital assets	573,396	590,287
Transfer from net assets internally restricted for Business Opportunity Fund	100,000	100,000
Transfer to net assets internally restricted for equipment replacement	(388,107)	(535,899)
<b>UNRESTRICTED NET ASSETS (DEFICIT) AT END OF YEAR</b>	<b>\$ 185,043</b>	<b>\$ (61,844)</b>



**FOREST PROTECTION LIMITED****Consolidated Statement of Changes in Business Opportunity Fund**

year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
<b>BUSINESS OPPORTUNITY FUND</b>		
Balance at beginning of year	\$ 100,000	\$ 200,000
Transfers to unrestricted operations:		
Expenses net	-	(86,430)
Transfer	(100,000)	(13,570)
	<u>(100,000)</u>	<u>(100,000)</u>
Balance at end of year	\$ -	\$ 100,000

**FOREST PROTECTION LIMITED****Consolidated Statement of Changes in Net Assets**

year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
<b>NET INVESTMENT IN CAPITAL ASSETS</b>		
Balance at beginning of year	\$ 10,983,498	\$ 11,573,785
Transfers from (to) unrestricted operations:		
Acquisition of capital assets	112,004	85,207
Principal portion of capital lease	13,701	12,475
Amortization of capital assets	(699,101)	(687,969)
	<u>(573,396)</u>	<u>(590,287)</u>
Balance at end of year	\$ 10,410,102	\$ 10,983,498

**FOREST PROTECTION LIMITED****Consolidated Statement of Changes in Net Assets**

year ended March 31, 2007

	2007	2006
<b>NET ASSETS INTERNALLY RESTRICTED FOR EQUIPMENT REPLACEMENT</b>		
Balance at beginning of year	\$ (535,581)	\$ (1,071,480)
Transfers (to) from unrestricted operations:		
Transfer of Unrestricted Net Assets	387,281	530,401
Sale of aircraft parts	826	12,943
Interest expense	-	(7,445)
	<b>388,107</b>	<b>535,899</b>
Balance at end of year	\$ (147,474)	\$ (535,581)

**FOREST PROTECTION LIMITED**  
**Consolidated Statement of Cash Flows**  
year ended March 31, 2007

	2007	2006
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Excess of revenues over expenses		
(expenses over revenues)	\$ (38,402)	\$ (155,660)
Amortization of capital assets	699,826	687,969
Amortization of intangible asset	59,000	-
Non-controlling interest	28,294	-
Retirement allowance provision	7,762	1,272
Changes in non-cash operating working capital items:		
Accounts receivable	(116,352)	35,443
Inventories	(38,830)	(44,164)
Prepaid expenses	(12,925)	-
Accounts payable	(30,214)	103,561
Income taxes payable	40,197	-
Deferred revenue	(146,543)	237,334
	<b>451,813</b>	<b>865,755</b>
<b>FINANCING</b>		
Decrease in operating loans	-	(833,333)
Capital lease obligation repayment	(13,701)	(12,475)
	<b>(13,701)</b>	<b>(845,808)</b>
<b>INVESTING</b>		
Acquisition of capital assets	(118,539)	(85,207)
Acquisition of intangible assets	(25,000)	-
	<b>(143,539)</b>	<b>(85,207)</b>
<b>NET CASH INFLOW (OUTFLOW)</b>	<b>294,573</b>	<b>(65,260)</b>
<b>CASH POSITION, BEGINNING OF YEAR</b>	<b>165,488</b>	<b>230,748</b>
<b>CASH POSITION, END OF YEAR</b>	<b>\$ 460,061</b>	<b>\$ 165,488</b>

**FOREST PROTECTION LIMITED**  
**Notes to the Consolidated Financial Statements**  
 year ended March 31, 2007

---

**1. ACCOUNTING POLICIES**

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

*Principles of consolidation*

The consolidated financial statements include the accounts of the Company and its subsidiary Sylvar Technologies Inc. All inter-company transactions have been eliminated.

*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's subsidiary (Sylvar Technologies Inc.) is 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 consolidated 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 recorded 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 recorded 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 Consolidated Financial Statements**  
**year ended March 31, 2007**

---

**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, the Company has established a business opportunity fund. New business opportunity expenses are allocated against the fund.

*Intangible assets*

Intangible assets with a finite life are accounted for at cost and amortized based on their estimated useful lives on the straight-line method.

*Cash and cash equivalents*

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of acquisition.

*Short-term investments*

Discounts and premiums arising from the acquisition of short-term investments are amortized on a straight-line basis over the 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. INCORPORATION OF SYLVAR TECHNOLOGIES INC.**

On June 26, 2006, the Company, along with another entity, incorporated a new forest pest control technology company, Sylvar Technologies Inc. (Sylvar). The Company's 90% ownership interest in Sylvar was acquired for \$90 cash. The results of operations of the subsidiary are included in the consolidated financial statements from the effective date of acquisition.

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

year ended March 31, 2007

**3. CAPITAL ASSETS**

	Cost	Accumulated Depreciation	Net Book Value	
			2007	2006
Land	\$ 75,000	\$ -	\$ 75,000	\$ 75,000
Building and mobile homes	741,645	389,448	352,197	417,472
Aircraft	12,943,420	2,888,425	10,054,995	10,563,758
Furniture & fixtures	1,482	124	1,358	-
Computer equipment	4,318	540	3,778	-
Equipment	1,421,506	1,184,947	236,559	248,944
	<u>\$ 15,187,371</u>	<u>\$ 4,463,484</u>	<u>\$ 10,723,887</u>	<u>\$ 11,305,174</u>

**4. INTANGIBLE ASSET**

During the year, the Company purchased aircraft maintenance assets from an existing supplier. In addition to the tangible assets acquired, the Company entered into a consulting agreement with the previous owner. The amount paid in excess of the fair value of the tangible assets in the amount of \$118,000 is considered additional compensation payable to the previous owner for his assistance in establishing an efficient maintenance department in the Company. The \$118,000 is being amortized over the term of the consulting agreement being 1 year.

**5. CAPITAL LEASE OBLIGATION**

	2007	2006
Capital lease obligation	\$ 307,971	\$ 321,672
Less current portion	(15,038)	(13,701)
Capital lease obligation, net of current portion	<u>\$ 292,933</u>	<u>\$ 307,971</u>

**FOREST PROTECTION LIMITED**  
**Notes to the Consolidated Financial Statements**  
year ended March 31, 2007

---

**5. CAPITAL LEASE OBLIGATION (continued)**

Future capital lease payments are as follows at March 31, 2007:

Year ending	
2008	\$ 43,200
2009	43,200
2010	43,200
2011	43,200
2012	43,200
2013 and thereafter	293,420
	<u>509,420</u>
Less amount representing interest	201,449
	<u>\$ 307,971</u>

**6. RESERVE FOR RETIRING ALLOWANCE**

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

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

**7. CAPITAL STOCK**

	<u>2007</u>	<u>2006</u>
Authorized		
500 common shares \$10 par value each		
Issued and outstanding		
200 common shares	\$ 2,000	\$ 2,000

---



**FOREST PROTECTION LIMITED**  
**Notes to the Consolidated Financial Statements**  
year ended March 31, 2007

**8. OPERATING EXPENSES**

	<u>2007</u>	<u>2006</u>
Salaries and wages	\$ 1,746,725	\$ 1,566,182
Consultants' fees, legal fees, audit, contractual services, insurance, etc.	1,022,551	1,042,075
Maintenance and repairs (contractual)	592,811	832,679
Pesticides, materials and supplies	504,386	587,980
Transportation and communications	331,655	308,928
Employer contributions	242,771	215,830
Rentals	167,021	148,801
Interest on capital lease	29,499	30,725
Rent - Laboratory and equipment	11,530	-
Expenses charged to operations	4,648,949	4,733,200
Capitalized - capital assets	236,539	85,207
Principal portion of capital lease	13,701	12,475
Total program expenditures	\$ 4,899,189	\$ 4,830,882

**PROGRAM EXPENDITURES BY OPERATIONAL DIVISION**

Fire suppression - operational	\$ 2,242,011	\$ 2,311,566
Overhead expenditures	895,578	859,319
Research and development expenditures	693,060	1,194,810
Pest control expenditures	568,964	279,418
Business opportunity	249,336	88,087
	\$ 4,648,949	\$ 4,733,200

**9. PENSION LIABILITY**

The Company maintains a defined contribution pension plan for regular and contracted employees. The Company's contribution to the plan for fiscal 2007 was \$42,741 (2006 - \$39,333).

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

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

	<u>2007</u>	<u>2006</u>
	\$	\$
Interest received	28,669	5,633
Interest paid	29,884	38,170

# 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

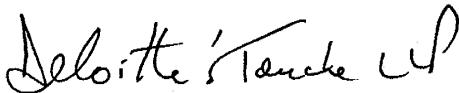
## Additional Information

The Directors,  
Forest Protection Limited

We have completed our examination of the financial statements of Forest Protection Limited for the year ended March 31, 2007. Our report to the shareholders dated May 10, 2007 describes the scope of our examination and opinion. The following schedules are included for your reference but are not necessary for a fair presentation of the financial position and the results of operations of the Company:

- Schedule of Revenue and Expenditure by Department
- Consolidated Balance Sheet- Work Sheet
- Consolidated Work Sheet for Operations and Unrestricted Net Assets (Deficit)
- Consolidated Work Sheet for Cash Flows

Our examination was intended to enable us to form an opinion on the financial statements as a whole and was not such as to enable us to express an opinion on all the details contained in these schedules.



Chartered Accountants

May 10, 2007

**FOREST PROTECTION LIMITED**  
**Schedule of Revenue and Expenditure by Department**  
 year ended March 31, 2007

Department Number	Department	Total Annual Budget	Revenue to Date	Expenditures	Financial Statement Presentation Entries	Total Expenditures	Principal Payment on Capital Lease	Capital Expenditures
10	Administration	\$ 863,700	\$ 883,093	\$ 897,027	\$ (1,499)	\$ 895,528	\$ -	\$ 1,499
30	Firebombing	1,694,400	1,713,045	1,740,124	(27,769)	1,712,355	13,701	14,068
31	Birding	345,800	349,965	304,876	(5,068)	299,808	-	5,068
33	Fire Supp. BC	-	484,684	229,848	-	229,848	-	-
34	Fire Supp. U.S.A	430,500	-	-	-	-	-	-
40	Surveys & Assessment	146,200	146,207	149,855	-	149,055	-	-
41	Aerial Treatment (Herb. - D.N.R.)	70,000	49,101	49,039	-	49,039	-	-
44	Other (NS/ON/DND)	300,000	359,354	143,681	-	143,681	-	-
45	Bowwater - Herbicide	60,900	-	-	-	-	-	-
48	FPL/NRCam/UNB Windtunnel	10,000	-	-	-	-	-	-
50	Business Opportunity	200,000	127,083	197,267	(116,369)	80,898	-	116,369
55	Sylvar	-	237,569	227,189	-	227,189	-	-
600-800	R & D Projects	1,000,000	699,244	693,060	-	693,060	-	-
	<b>Forest Protection Limited</b>	<b>5,121,500</b>	<b>5,049,345</b>	<b>4,631,166</b>	<b>(150,705)</b>	<b>4,480,461</b>	<b>13,701</b>	<b>137,004</b>
	Sylvar Technologies Inc.	-	757,847	433,597	-	433,597	-	6,535
	Intercompany eliminations	-	(265,109)	(265,109)	-	(265,109)	-	-
	<b>Total</b>	<b>\$ 5,121,500</b>	<b>\$ 5,542,083</b>	<b>\$ 4,799,654</b>	<b>\$ (150,705)</b>	<b>\$ 4,648,949</b>	<b>\$ 13,701</b>	<b>\$ 143,539</b>
	Less: Business opportunity fund		(100,000)					93,000
	Revenue, Net		\$ 5,442,083					\$ 256,539

Equipment Replacement Fund  
 Balance ERF March 31, 2006 \$ (535,581)  
 A/C Parts Sale Profit 826  
 Balance ERF March 31, 2007 (534,755)  
 Transfer from Unrestricted Net Assets 387,281  
 \$ (147,474)

\*Administration Fees 15%: \$34,500; R&D: \$21,522; Other: \$34,477; Sylvar \$20,000

**FOREST PROTECTION LIMITED**  
**Consolidated Balance Sheet- Work Sheet**  
as at March 31, 2007

	FPL	Sylvar	Eliminations	Consolidated
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 112,828	\$ 347,233	\$ -	\$ 460,061
Accounts receivable	230,050	8,590	(40,768)	197,872
Subscriptions receivable	-	100	(100)	-
Inventories	884,788	-	-	884,788
Prepaid expenses	-	12,925	-	12,925
	1,227,666	368,848	(40,868)	1,555,646
INVESTMENT IN SYLVAR TECHNOLOGIES INC.	90	-	(90)	-
CAPITAL ASSETS	10,718,077	5,810	-	10,723,887
INTANGIBLE ASSET	59,000	-	-	59,000
	\$ 12,004,833	\$ 374,658	\$ (40,958)	\$ 12,338,533
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 350,398	\$ 51,418	\$ (40,858)	\$ 360,958
Deferred revenue	365,948	-	-	365,948
Income tax payable	-	40,197	-	40,197
Current portion of capital lease obligation	15,038	-	-	15,038
	731,384	91,615	(40,858)	782,141
CAPITAL LEASE OBLIGATION	292,933	-	-	292,933
RESERVE FOR RETIRING ALLOWANCE	69,606	-	-	69,606
NON CONTROLLING INTEREST	-	-	28,294	28,294
<b>EQUITY</b>				
Capital stock	2,000	100	(100)	2,000
Contributed surplus	715,888	-	-	715,888
Net investment in capital assets	10,410,102	-	-	10,410,102
Business opportunity fund	-	-	-	-
Net assets internally restricted for equipment replacement	(147,474)	-	-	(147,474)
Unrestricted net assets (deficit)	(69,606)	282,943	(28,294)	185,043
	10,910,910	283,043	(28,394)	11,165,559
	\$ 12,004,833	\$ 374,658	\$ (40,958)	\$ 12,338,533

**FOREST PROTECTION LIMITED****Consolidated Work Sheet for Operations and Unrestricted Net Assets (Deficit)**

year ended March 31, 2007

<b>REVENUES</b>	<b>FPL</b>	<b>Sylvar</b>	<b>Eliminations</b>	<b>Consolidated</b>
Product sales	\$ -	\$ 752,000	\$ -	\$ 752,000
Interest	22,822	5,847	-	28,669
Contributions	3,095,473	-	-	3,095,473
Other revenue	1,831,050	-	(265,109)	1,565,941
	<b>4,949,345</b>	<b>757,847</b>	<b>(265,109)</b>	<b>5,442,083</b>
<b>PROGRAM EXPENDITURES</b>				
Salaries and wages	1,661,398	192,358	(107,031)	1,746,725
Consultants' fees, legal fees, audit, contractual, services, insurance, etc.	999,748	91,618	(68,815)	1,022,551
Amortization of capital assets	699,101	725	-	699,826
Maintenance and repairs (contractual)	593,093	-	(282)	592,811
Pesticides, materials and supplies	472,556	-	(2,880)	469,676
Transportation and communications	305,458	55,592	(29,395)	331,655
Employer contributions	233,560	19,969	(10,758)	242,771
Rentals	185,149	-	(18,128)	167,021
Amortization of intangible assets	59,000	-	-	59,000
Materials and supplies	-	47,490	(12,780)	34,710
Interest on capital lease	29,499	-	-	29,499
Rent - Laboratory and equipment	-	11,530	-	11,530
Reserve for retiring allowance	7,762	-	-	7,762
Interest and bank charges	-	385	-	385
Royalties	-	15,040	(15,040)	-
Miscellaneous	-	-	-	-
Sale of Aircraft parts	(826)	-	-	(826)
US exchange	(3,102)	-	-	(3,102)
	<b>5,242,396</b>	<b>434,707</b>	<b>(265,109)</b>	<b>5,411,994</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER</b>				
<b>EXPENSES BEFORE UNDERNOTED ITEMS</b>	<b>(293,051)</b>	<b>323,140</b>	<b>-</b>	<b>30,089</b>
Provision for income taxes	-	40,197	-	40,197
Income before non-controlling interest	(293,051)	282,943	-	(10,108)
Non-controlling interest	-	-	(28,294)	(28,294)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER</b>				
<b>EXPENSES FOR THE YEAR</b>	<b>(293,051)</b>	<b>282,943</b>	<b>(28,294)</b>	<b>(38,402)</b>
<b>UNRESTRICTED NET ASSETS (DEFICIT)</b>				
<b>AT BEGINNING OF YEAR</b>	<b>(61,844)</b>	<b>-</b>	<b>-</b>	<b>(61,844)</b>
Transfer from net investment in capital assets	573,396	-	-	573,396
Transfer from net assets internally restricted for Business opportunity fund	100,000	-	-	100,000
Transfer to net assets internally restricted for equipment replacement	(388,107)	-	-	(388,107)
<b>UNRESTRICTED NET ASSETS (DEFICIT)</b>				
<b>AT END OF YEAR</b>	<b>\$ (69,606)</b>	<b>\$ 282,943</b>	<b>\$ (28,294)</b>	<b>\$ 185,043</b>

**FOREST PROTECTION LIMITED**  
**Consolidated Work Sheet for Cash Flows**  
year ended March 31, 2007

	FPL	Sylvar	Eliminations	Consolidated
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>				
<b>OPERATING</b>				
Excess of (expenses over revenues)				
revenues over expenses	\$ (293,051)	\$ 282,943	\$ (28,294)	\$ (38,402)
Amortization of capital assets	699,101	725	-	699,826
Amortization of intangible assets	59,000	-	-	59,000
Non-controlling interest	-	-	28,294	28,294
Retirement allowance	7,762	-	-	7,762
Changes in non-cash operating working capital items:				
Accounts receivable	(148,440)	32,078	10	(116,352)
Inventories	(38,830)	-	-	(38,830)
Prepaid expenses	-	(12,925)	-	(12,925)
Accounts payable	(40,864)	50,847	-	9,983
Deferred revenue	(146,543)	-	-	(146,543)
	<b>98,135</b>	<b>353,668</b>	<b>10</b>	<b>451,813</b>
<b>FINANCING</b>				
Capital stock issuance	-	100	(100)	-
Capital lease obligation repayment	(13,701)	-	-	(13,701)
	<b>(13,701)</b>	<b>100</b>	<b>(100)</b>	<b>(13,701)</b>
<b>INVESTING</b>				
Acquisition of capital assets	(112,004)	(6,535)	-	(118,539)
Acquisition of intangible assets	(25,000)	-	-	(25,000)
Investment in Subsidiary	(90)	-	90	-
	<b>(137,094)</b>	<b>(6,535)</b>	<b>90</b>	<b>(143,539)</b>
<b>NET CASH (OUTFLOW) INFLOW</b>	<b>(52,660)</b>	<b>347,233</b>	<b>-</b>	<b>294,573</b>
<b>CASH POSITION, BEGINNING OF YEAR</b>	<b>165,488</b>	<b>-</b>	<b>-</b>	<b>165,488</b>
<b>CASH POSITION, END OF YEAR</b>	<b>\$ 112,828</b>	<b>\$ 347,233</b>	<b>-</b>	<b>\$ 460,061</b>

**FUNDY LINEN SERVICE INC.**

(Incorporated under the laws of New Brunswick)

**FINANCIAL STATEMENTS**

**MARCH 31, 2007**

39 Canterbury Street  
P.O. Box 6668  
Saint John  
New Brunswick  
E2L 4S1

Tel (506) 636-9220  
Fax (506) 634-8208  
E-mail [tsdsj@teedsaundersdoyle.com](mailto:tsdsj@teedsaundersdoyle.com)

**TEED  
SAUNDERS  
DOYLE & CO.**  
**Chartered Accountants**

Member of DFK Canada and DFK International

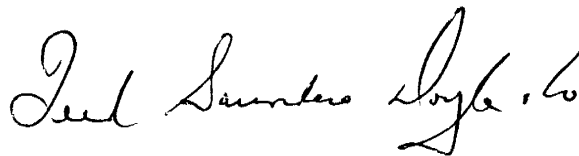
**AUDITORS' REPORT**

To the Members of Fundy Linen Service Inc.

We have audited the statement of financial position of Fundy Linen Service Inc. as at March 31, 2007 and the statements of operations, changes in unrestricted net assets, changes in net assets restricted for capital replacement 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS

Saint John, NB  
May 17, 2007

Saint John Partners  
John H Teed      David L. Doyle  
Andrew P. Logan      Peter L. Logan



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

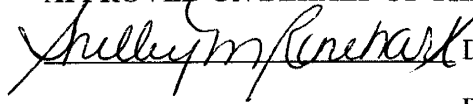


**FUNDY LINEN SERVICE INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2007**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Note 3)	\$ 411,354	\$ 487,432
Investments (Notes 2 and 3)	468,317	1,263,417
Accounts receivable (Note 3)	213,479	221,405
Inventory of supplies (Note 2)	266,276	243,083
Prepaid expenses	<u>83,305</u>	<u>100,848</u>
	<u>1,442,731</u>	<u>2,316,185</u>
<b>CAPITAL (Notes 2, 4 and 5)</b>	<u>3,994,945</u>	<u>2,464,552</u>
	<u>\$ 5,437,676</u>	<u>\$ 4,780,737</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 3)	\$ 623,539	\$ 539,937
Accounts payable - special expense (Notes 2 and 3)	5,742	91,108
Deferred revenue	-	200,000
Principal due within one year on long-term debt	<u>73,433</u>	<u>-</u>
	<u>702,714</u>	<u>831,045</u>
<b>LONG-TERM (Notes 3 and 5)</b>	<u>415,955</u>	<u>-</u>
<b>RETIREMENT ALLOWANCES PAYABLE (Note 2)</b>	<u>550,574</u>	<u>265,689</u>
<b>NET ASSETS</b>		
<b>UNRESTRICTED NET ASSETS</b>	4,485,721	2,868,893
<b>NET ASSETS RESTRICTED FOR CAPITAL REPLACEMENT (Note 2)</b>	<u>(717,288)</u>	<u>815,110</u>
	<u>3,768,433</u>	<u>3,684,003</u>
	<u>\$ 5,437,676</u>	<u>\$ 4,780,737</u>

**COMMITMENTS (Note 6)**

**APPROVED ON BEHALF OF THE BOARD:**

 Director  
 \_\_\_\_\_ Director

**FUNDY LINEN SERVICE INC.****STATEMENT OF OPERATIONS****FOR THE YEAR ENDED MARCH 31, 2007**

	<u>2007</u>	<u>2006</u>
<b>REVENUE</b> (Note 2)	\$ <u>6,316,391</u>	\$ <u>5,561,667</u>
<b>EXPENSES</b>		
Production	1,897,108	1,752,587
Delivery	371,833	360,727
Plant operations and maintenance	1,331,522	1,313,423
Linen replacement	1,004,153	821,340
General and administrative	1,135,709	827,162
Loss on disposal of capital assets	2,006	-
Interest on long-term debt	<u>44,303</u>	<u>-</u>
	<u>5,786,634</u>	<u>5,075,239</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE AMORTIZATION, INTEREST INCOME AND SPECIAL EXPENSE</b>	529,757	486,428
<b>AMORTIZATION</b>	<u>524,015</u>	<u>395,320</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE INTEREST INCOME AND SPECIAL EXPENSE</b>	5,742	91,108
<b>INTEREST INCOME</b>	<u>84,430</u>	<u>42,842</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE SPECIAL EXPENSE</b>	90,172	133,950
<b>SPECIAL EXPENSE</b> (Note 2)	<u>(5,742)</u>	<u>(91,108)</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ <u>84,430</u>	\$ <u>42,842</u>

**FUNDY LINEN SERVICE INC.**

**STATEMENT OF CHANGES IN UNRESTRICTED NET ASSETS**

**FOR THE YEAR ENDED MARCH 31, 2007**

	<u>2007</u>	<u>2006</u>
<b>BALANCE AT BEGINNING OF YEAR</b>	\$ 2,868,893	\$ 3,114,280
<b>EXCESS OF REVENUE OVER EXPENSES</b>	84,430	42,842
<b>TRANSFER FROM NET ASSETS RESTRICTED FOR CAPITAL REPLACEMENT FOR CAPITAL ASSET PURCHASES</b>	<u>2,059,943</u>	<u>107,091</u>
	5,013,266	3,264,213
<b>TRANSFER TO NET ASSETS RESTRICTED FOR CAPITAL REPLACEMENT</b>	<u>527,545</u>	<u>395,320</u>
<b>BALANCE AT END OF YEAR</b>	<u>\$ 4,485,721</u>	<u>\$ 2,868,893</u>

**FUNDY LINEN SERVICE INC.**

**STATEMENT OF CHANGES IN NET ASSETS RESTRICTED FOR CAPITAL  
REPLACEMENT**

**FOR THE YEAR ENDED MARCH 31, 2007**

	<u>2007</u>	<u>2006</u>
<b>BALANCE AT BEGINNING OF YEAR</b>	\$ 815,110	\$ 526,881
<b>AMORTIZATION</b>	524,015	395,320
<b>PROCEEDS ON DISPOSAL OF CAPITAL ASSETS</b>	<u>3,530</u>	<u>-</u>
	1,342,655	922,201
<b>FUNDS USED TO PURCHASE CAPITAL ASSETS</b>	<u>2,059,943</u>	<u>107,091</u>
<b>BALANCE AT END OF YEAR</b>	<u>\$ (717,288)</u>	<u>\$ 815,110</u>

**FUNDY LINEN SERVICE INC.****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED MARCH 31, 2007**

	<u>2007</u>	<u>2006</u>
<b>CASH PROVIDED BY (USED IN)</b>		
Operating activities		
Excess of revenue over expenses	\$ 84,430	\$ 42,842
Items not involving cash		
Amortization	524,015	395,320
Loss on disposal of capital assets	2,006	-
Retirement allowances payable	<u>284,885</u>	<u>70,444</u>
	895,336	508,606
Changes in non-cash working capital balances		
Accounts receivable	7,926	90,147
Accounts receivable - special revenue	-	91,010
Inventory of supplies	(23,193)	72,380
Prepaid expenses	17,543	(21,693)
Accounts payable and accrued liabilities	83,601	19,461
Accounts payable - special expense	(85,366)	91,108
Deferred revenue	<u>(200,000)</u>	<u>200,000</u>
	<u>695,847</u>	<u>1,051,019</u>
Investing activities		
Purchase of capital assets	(2,059,943)	(107,091)
Proceeds on disposal of capital assets	3,530	-
Decrease (increase) in investments	<u>795,100</u>	<u>(501,212)</u>
	<u>(1,261,313)</u>	<u>(608,303)</u>
Financing activities		
Proceeds of long-term debt	1,000,000	-
Repayment of long-term debt	<u>(510,612)</u>	<u>-</u>
	<u>489,388</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH</b>	(76,078)	442,716
<b>CASH AT BEGINNING OF YEAR</b>	<u>487,432</u>	<u>44,716</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 411,354</u>	<u>\$ 487,432</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	\$ 84,430	\$ 42,842
Interest paid	44,303	-

## FUNDY LINEN SERVICE INC.

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

#### 1. PURPOSE OF THE ORGANIZATION

Fundy Linen Service Inc. provides linen services for health care facilities in southern New Brunswick. Fundy Linen Service Inc. is a not-for-profit organization and, as such, is exempt from income taxes.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Investments

The investments are stated at cost. The market value at March 31, 2007 was \$468,317 (2006 - \$1,263,417).

##### Inventory of Supplies

Inventory of supplies is stated at the lower of cost and net realizable value. All linen inventory purchased is charged to linen expense as it is put into the laundry system. Linen inventory consists of only new unused linen.

##### Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is being provided for using the straight-line method at the following annual rates:

Building	5 %
Paving	4 %
Laundry equipment	6 2/3 %
Office equipment	6 2/3 %
Computer hardware and software	33 1/3 %

##### Retirement Allowances Payable

The collective agreement between the company and C.U.P.E. Union Local 2291 provides for the payment of a severance allowance to employees having continuous service of five or more years who retire in accordance with the pension plan or are terminated due to disability, death or lay-off. The total estimated retirement allowance payable at March 31, 2007 has been recognized as a liability.

##### Net Assets Restricted for Capital Replacement

The net assets restricted for capital replacement are to be used to finance capital expenditures. An annual allocation equal to amortization expense is made to the account.

##### Revenue Recognition

Revenue is recognized as linen is shipped and when collection is reasonably assured.

##### Special Expense

Excess of revenue over expenses before interest income and special expense is repaid to the members.

## FUNDY LINEN SERVICE INC.

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

#### 2. 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue 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 company's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities, accounts payable - special expense and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

#### 4. CAPITAL ASSETS

	2007			2006
	Cost	Accumulated Amortization	Net	Net
Land	\$ 58,485	\$ -	\$ 58,485	\$ 58,485
Building	2,997,167	2,798,715	198,452	218,654
Paving	75,628	37,950	37,678	27,212
Equipment	<u>9,963,840</u>	<u>6,263,510</u>	<u>3,700,330</u>	<u>2,160,201</u>
	<u>\$ 13,095,120</u>	<u>\$ 9,100,175</u>	<u>\$ 3,994,945</u>	<u>\$ 2,464,552</u>

#### 5. LONG-TERM DEBT

	2007	2006
Loan payable to the Royal Bank of Canada in monthly instalments of \$8,205 including interest at 5.75%, due December 2011, secured by equipment.	\$ 489,388	\$ -
Less instalments included in current liabilities	<u>73,433</u>	<u>-</u>
	<u>\$ 415,955</u>	<u>\$ -</u>

Principal due within each of the next five years is as follows:

2008	\$ 73,433
2009	77,769
2010	82,361
2011	87,223
2012	168,602

**FUNDY LINEN SERVICE INC.****NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2007****6. OPERATING LEASE COMMITMENTS**

The company leases three motor vehicles and office equipment which have been accounted for as operating leases. The minimum annual lease payments due in each of the next four years are as follows:

2008	\$	54,817
2009		54,817
2010		15,135
2011		1,431

**7. ECONOMIC DEPENDENCE**

During the year, the organization had sales of \$5,831,598 (2006 - \$5,117,428) to Atlantic Health Sciences Corporation, representing 92.3% of revenues (2006 - 92.0%).





---

**FINANCIAL STATEMENTS**

**KINGS LANDING CORPORATION**

**31 MARCH 2007**

---

Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

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

I have audited the statement of financial position of Kings Landing Corporation as at 31 March 2007 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 2007 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 "Michael Ferguson", with a long, sweeping flourish extending to the right.

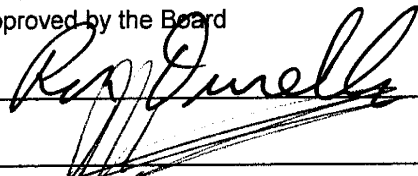
Michael Ferguson, CA  
Auditor General

Fredericton, N.B.  
25 May 2007

**KINGS LANDING CORPORATION  
STATEMENT OF FINANCIAL POSITION  
31 MARCH 2007**

	2007	2006
<b>ASSETS</b>		
Current assets		
Cash and short term investments	\$ 151,541	\$ 263,310
Accounts receivable	94,143	93,837
Prepaid expenses	28,105	20,888
Inventories (Note 1(c))	113,360	98,482
	<u>387,149</u>	<u>476,517</u>
Kings Landing Collection (Note 1(d))	1	1
Capital assets, net (Note 1(e))	1,935,162	1,994,169
	<u>\$ 2,322,312</u>	<u>\$ 2,470,687</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 139,708	\$ 119,566
Working capital advance payable	200,000	200,000
Deferred revenue	36,115	6,473
Deferred revenue - workforce adjustment	18,250	36,266
	<u>394,073</u>	<u>362,305</u>
Deferred contributions related to capital assets (Note 1(g))	<u>1,893,984</u>	<u>1,941,923</u>
Net assets		
Net assets invested in capital assets	41,180	52,247
Unrestricted net assets	(6,925)	114,212
	<u>34,255</u>	<u>166,459</u>
	<u>\$ 2,322,312</u>	<u>\$ 2,470,687</u>

Approved by the Board



Chairperson

Director

**KINGS LANDING CORPORATION  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED 31 MARCH 2007**

	Budget 2007 (Note 2)	Actual 2007	Actual 2006
<b>REVENUE</b>			
Admissions	\$ 308,000	\$ 285,914	\$ 300,423
Gift Store	209,200	219,927	168,196
Food services	510,800	469,475	451,645
Interpretation & Education	113,200	116,105	96,838
Other operating revenue	24,300	66,360	49,286
	<u>1,165,500</u>	<u>1,157,781</u>	<u>1,066,388</u>
Grants			
Provincial operating	1,399,500	1,493,739	1,383,872
Provincial capital	200,000	186,543	32,833
Workforce adjustment	-	18,016	18,016
Marketing Grants	170,000	104,623	144,082
Employment programs	45,300	23,403	44,995
Built Heritage Program	-	-	25,000
Amortization of deferred contributions (Note 1(g))	-	93,407	98,184
	<u>1,814,800</u>	<u>1,919,731</u>	<u>1,746,982</u>
	<u>2,980,300</u>	<u>3,077,512</u>	<u>2,813,370</u>
<b>EXPENSE</b>			
Interpretation & Education	767,200	652,381	663,644
Gift Store	182,600	189,863	166,674
Maintenance	505,500	550,561	320,434
Security	175,700	208,732	159,813
Curatorial	189,700	176,301	175,955
Injured Workers	-	61,964	28,812
Visitor services	109,900	119,657	122,128
Public relations	289,700	347,914	349,178
Administration	344,300	346,881	247,034
Food services	404,200	438,278	357,362
Amortization	-	99,168	99,828
Workforce adjustment	-	18,016	18,016
	<u>2,968,800</u>	<u>3,209,716</u>	<u>2,708,878</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE</b>	<b>\$ 11,500</b>	<b>\$ (132,204)</b>	<b>\$ 104,492</b>

---

**KINGS LANDING CORPORATION  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 31 MARCH 2007**

---

	<b>Net assets Invested in Capital Assets</b>	<b>Unrestricted Net Assets</b>	<b>Total 2007</b>	<b>Total 2006</b>
Balance, beginning of year	\$ 52,247	\$ 114,212	\$ 166,459	\$ 61,967
Investment in capital assets	(5,306)	5,306	-	-
Excess (deficiency) of revenue over expense	(5,761)	(126,443)	(132,204)	104,492
Balance, end of year	<u>\$ 41,180</u>	<u>\$ (6,925)</u>	<u>\$ 34,255</u>	<u>\$ 166,459</u>

**KINGS LANDING CORPORATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2007**

	2007	2006
<b>CASH PROVIDED BY (USED FOR):</b>		
Operating activities		
Excess (deficiency) of revenue over expense	\$ (132,204)	\$ 104,492
Add items not involving cash:		
Amortization	99,168	99,828
Amortization of deferred contributions	(93,407)	(98,184)
Decrease (increase) of non-cash components of working capital	9,368	(56,729)
	<u>(117,075)</u>	<u>49,407</u>
Financing and investing activities:		
Purchases of capital assets	(40,162)	(67,233)
Government grant for purchase of capital assets	45,468	45,220
Working capital advance payable	-	200,000
	<u>5,306</u>	<u>177,987</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>(111,769)</b>	<b>227,394</b>
Cash and short term investments, beginning of year	<u>263,310</u>	<u>35,916</u>
<b>Cash and short term investments, end of year</b>	<b>\$ 151,541</b>	<b>\$ 263,310</b>
Cash	\$ (5,680)	\$ 58,030
Short term investments	157,221	205,280
<b>Cash and short term investments, end of year</b>	<b>\$ 151,541</b>	<b>\$ 263,310</b>

**KINGS LANDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2007**

---

**1. Summary of significant accounting policies**

---

**(a) General comments on operations**

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

**(b) Revenue recognition**

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

**(c) Inventories**

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

	2007	2006
Gift store	\$ 73,620	\$ 60,642
Less: Provision for obsolescence	(12,339)	(12,339)
	<u>61,281</u>	<u>48,303</u>
Fabrics	8,455	8,118
Food and liquor	41,187	39,304
Other	2,437	2,757
	<u>\$ 113,360</u>	<u>\$ 98,482</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 \$55,250 (2006 - \$84,581) were donated.

**KINGS LANDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2007**

**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	Cost	Accumulated Amortization	Net Book Value	2006
Land	Indefinite	\$ 1	\$ -	1	\$ 1
Buildings	5%	2,283,550	890,054	1,393,496	1,466,838
Computer Hardware	20%	20,993	4,199	16,794	20,993
Auto Equipment	20%	67,203	51,229	15,974	19,968
Sewage Treatment Plant	30 years	529,032	60,297	468,735	486,369
Assets Under Construction	N/A	40,162	-	40,162	-
Total		<u>\$ 2,940,941</u>	<u>\$ 1,005,779</u>	<u>1,935,162</u>	<u>\$ 1,994,169</u>

**(f) Contributed services**

Volunteers contribute about 2,000 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:

	2007	2006
Beginning balance	\$ 1,941,923	\$ 1,994,887
Additional grants	45,468	45,220
Less amounts amortized to revenue	(93,407)	(98,184)
Ending balance	<u>\$ 1,893,984</u>	<u>\$ 1,941,923</u>



**KINGS LANDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2007**

---

**1. Summary of significant accounting policies - continued**

---

**(h) Retirement Allowance**

No accrual has been recorded for employee retirement allowances as this is provided for by the Province of New Brunswick.

**(i) Injured Workers**

The Corporation is responsible for benefit payments to the Workplace Health, Safety, and Compensation Commission for injured employees. All amounts billed by the Commission are accrued. The estimated value of unbilled payments is unknown, therefore, no accrual has been made for this amount.

**2. Budget**

---

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

**3. Commitment**

---

The Board of Directors of the Corporation is committed to taking remedial action to maintain the useful life of a building that contains asbestos. Artifacts and equipment have been stored in the building. The estimated cost of this project is \$300,000.

**4. Comparative figures**

---

Certain 2006 figures have been reclassified to conform to the 2007 financial statement presentation.



---

**FINANCIAL STATEMENTS**

**LOTTERIES COMMISSION OF NEW BRUNSWICK**

**31 MARCH 2007**

---

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 2007 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 2007 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 'Michael Ferguson'.

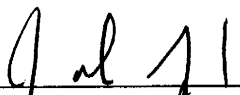
Michael Ferguson, CA  
Auditor General

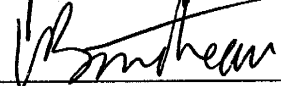
Fredericton, N. B.  
29 June 2007

**LOTTERIES COMMISSION OF NEW BRUNSWICK  
BALANCE SHEET  
31 MARCH 2007**

	2007	2006
<b>ASSETS</b>		
Current assets		
Due from Atlantic Lottery Corporation Inc.	\$ 2,090,873	\$ 644,458
Other assets		
Investment in share capital of Atlantic Lottery Corporation Inc.	100	100
Investment in share capital of Interprovincial Lottery Corporation	1	1
	<u>101</u>	<u>101</u>
	<u>\$ 2,090,974</u>	<u>\$ 644,559</u>
<b>LIABILITIES AND CONTRIBUTED SURPLUS</b>		
Current liabilities		
Due to Province of New Brunswick (Note 4)	\$ 2,090,873	\$ 644,458
Contributed surplus (Note 2)	101	101
	<u>\$ 2,090,974</u>	<u>\$ 644,559</u>

Approved by the Commission

  
 \_\_\_\_\_ Member

  
 \_\_\_\_\_ Member

**LOTTERIES COMMISSION OF NEW BRUNSWICK  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 2007**

	2007		2006
	Budget	Actual	Actual
<b>REVENUE</b>			
Share of net profit of Atlantic Lottery Corporation Inc. (Note 1)	\$ 111,300,000	\$ 120,838,452	\$ 117,554,662
Other revenue (Note 3)	25,000	29,403	23,875
	<u>111,325,000</u>	<u>120,867,855</u>	<u>117,578,537</u>
<b>EXPENDITURE</b>			
To the Province of New Brunswick (Note 1)			
Ordinary account revenue	107,786,000	109,786,016	107,921,709
Sport Development Trust Fund	500,000	500,000	500,000
Arts Development Trust Fund	700,000	700,000	700,000
Agreements with First Nations	-	7,516,485	6,076,797
Commission inspection expenses	1,137,000	1,199,979	1,180,450
Administrative costs	175,000	175,000	175,000
Department of Health (Gambling addiction; education and treatment)	757,000	749,123	757,000
Department of Finance	270,000	241,252	267,581
	<u>111,325,000</u>	<u>120,867,855</u>	<u>117,578,537</u>
<b>EXCESS OF REVENUE OVER EXPENDITURE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**LOTTERIES COMMISSION OF NEW BRUNSWICK  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2007**

---

**1. Summary of significant accounting policies**

---

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

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

**Payments to the Province of New Brunswick**

The Lotteries Commission of New Brunswick remits the profits it receives from Atlantic Lottery Corporation Inc. to the Province of New Brunswick.

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 2007, 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 seven active agreements with reserves having gaming commissions: Woodstock, St. Mary's, Elsipogtog, Oromocto, Burnt Church, Eel River Bar and Madawaska.

**Investments**

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

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

**LOTTERIES COMMISSION OF NEW BRUNSWICK  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2007**

---

**2. Contributed surplus**

---

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

**3. Other revenue**

---

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

**4. Statement of transactions with the Province of New Brunswick**

---

	2007	2006
Current liability		
Balance, beginning of year	\$ 644,458	\$ 211,906
Income for the year	120,867,855	117,578,537
	<hr/>	<hr/>
Funds available to Province of New Brunswick	121,512,313	117,790,443
Less remittances during the year	119,421,440	117,145,985
Balance, end of year	<u>\$ 2,090,873</u>	<u>\$ 644,458</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.

**6. Outstanding claims**

---

There are currently several outstanding claims against the Commission in regards to the removal of video lottery terminals from locations other than liquor licensed establishments. These claims are expected to reach the discovery stage before the courts in the fall of 2007. The likely outcome of these legal actions cannot be determined at this time.



---

**FINANCIAL STATEMENTS**

**NEW BRUNSWICK**

**ADVISORY COUNCIL ON SENIORS**

**31 MARCH 2007**

---

---

**NEW BRUNSWICK ADVISORY COUNCIL ON SENIORS  
BALANCE SHEET  
31 MARCH 2007**

---

	2007	2006
<b>ASSETS</b>		
Accounts receivable - Province of New Brunswick	<u>\$ 295,857</u>	<u>\$ 234,211</u>
<b>LIABILITIES AND SURPLUS</b>		
Surplus	<u>\$ 295,857</u>	<u>\$ 234,211</u>

---

**NEW BRUNSWICK ADVISORY COUNCIL ON SENIORS  
STATEMENT OF REVENUE, EXPENSE AND SURPLUS  
FOR THE YEAR ENDED 31 MARCH 2007**

---

	<b>2007 Budget</b>	<b>2007 Actual</b>	<b>2006 Actual</b>
<b>REVENUE</b>			
Grants - Province of New Brunswick	\$ 217,700	\$ 217,700	\$ 209,917
<b>EXPENSE</b>			
Personal services	99,100	57,965	56,504
Other services	111,100	95,244	105,287
Materials and supplies	3,500	2,281	2,608
Property and equipment (Note 2)	4,000	564	2,448
	<u>217,700</u>	<u>156,054</u>	<u>166,847</u>
<b>EXCESS OF REVENUE OVER EXPENSE</b>	<u>\$ -</u>	61,646	43,070
Surplus, beginning of year		<u>234,211</u>	<u>191,141</u>
<b>SURPLUS, end of year</b>		<u>\$ 295,857</u>	<u>\$ 234,211</u>

---

**NEW BRUNSWICK ADVISORY COUNCIL ON SENIORS  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2007**

---

**1. Purpose of the organization**

---

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**

---

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**

---

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**

---

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

**5. Subsequent event**

---

Effective April 1, 2007, the New Brunswick Advisory Council on Seniors was dissolved pursuant to Bill 42 *An Act to Repeal the New Brunswick Advisory Council on Seniors Act*. Subsequent to this, the surplus at the end of the year was reverted to PNB.

---

**FINANCIAL STATEMENTS**

**NEW BRUNSWICK  
ADVISORY COUNCIL ON YOUTH**

**31 MARCH 2007**

---

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 2007 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 2007 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 "Michael Ferguson".

Michael Ferguson, CA  
Auditor General

Fredericton, N.B.  
28 September 2007

---

**NEW BRUNSWICK ADVISORY COUNCIL ON YOUTH  
BALANCE SHEET  
31 MARCH 2007**

---

	2007	2006
<b>ASSETS</b>		
Current Assets		
Accounts receivable - Province of New Brunswick	\$ 74,679	\$ 58,348

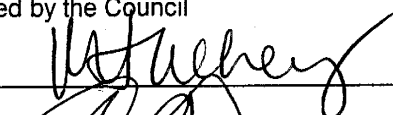
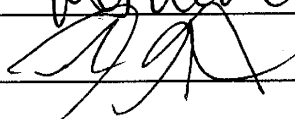
---

**LIABILITIES AND SURPLUS**

---

Current liabilities		
Deferred revenue	\$ -	\$ 41,287
Surplus	74,679	17,061
	<u>\$ 74,679</u>	<u>\$ 58,348</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 2007**

	2007 Budget	2007 Actual	2006 Actual
<b>REVENUE</b>			
Operating grant from the Province of New Brunswick	\$ 204,000	\$ 204,000	\$ 150,500
Other grants	-	13,951	13,040
Rural dialogue follow-up	-	-	17,855
Rock the Boat/Big Splash/Follow-up	-	86,287	42,253
	<u>204,000</u>	<u>304,238</u>	<u>223,648</u>
<b>EXPENSE</b>			
Salaries and benefits	100,200	102,525	113,708
Travel and conference	26,050	20,799	22,709
Printing and photocopying	3,900	1,867	1,728
Telephone	6,180	6,212	6,908
Office expenses	15,800	12,191	18,470
Public relations and advertising	-	1,049	-
Honoraria	8,000	4,688	8,325
Furniture and equipment	5,600	8,989	1,569
Professional services	32,545	1,497	812
Translation	4,000	14,338	5,569
Interpretation Services	-	1,560	-
Rent	1,700	1,540	2,296
Repairs and maintenance	25	930	1,766
Miscellaneous	-	3,731	430
Rural dialogue follow-up	-	-	17,855
Rock the Boat/Big Splash/Follow-up	-	64,704	45,327
	<u>204,000</u>	<u>246,620</u>	<u>247,472</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE</b>	<u>\$ -</u>	57,618	(23,824)
Surplus, beginning of year		17,061	40,885
<b>SURPLUS, end of year</b>		<u>\$ 74,679</u>	<u>\$ 17,061</u>



---

**NEW BRUNSWICK ADVISORY COUNCIL ON YOUTH  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2007**

---

**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**

---

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.

Translation costs of \$6,522 are also provided by the Province and are not 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.



**The New Brunswick Arts Board**  
**Financial Statements**

**March 31, 2007**

**Grant Thornton** 



Grant Thornton LLP  
Chartered Accountants  
Management Consultants

## Auditors' Report

To the Board of  
New Brunswick Arts Board

We have audited the statement of financial position of New Brunswick Arts Board as at March 31, 2007 and the statement of operations and 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2006, and for the year then ended were audited by other accountants who expressed an opinion without reservation on these statements in their report dated April 27, 2006. Therefore, the comparative figures are based on financial statements which were reported on by other accountants.

*Grant Thornton LLP*

Fredericton, New Brunswick  
July 19, 2007

Grant Thornton LLP  
Chartered Accountants

570 Queen Street  
P.O. Box 1054  
Fredericton, NB  
E3B 5C2  
T (506) 458-8200  
F (506) 453-7029  
E [Fredericton@GrantThornton.ca](mailto:Fredericton@GrantThornton.ca)  
W [www.GrantThornton.ca](http://www.GrantThornton.ca)

Canadian Member of Grant Thornton International

---

## New Brunswick Arts Board Statement of Operations

Year Ended March 31, 2007	2007	2006
Revenue		
Annual allocation	\$ 700,000	\$ 700,000
Special initiatives	-	256,544
Wellness, Culture and Sport Secretariat	477,325	405,325
Other grants/contributions	16,515	19,622
Interest earned	<u>20,658</u>	<u>17,995</u>
	<u>1,214,498</u>	<u>1,399,486</u>
Expenditures		
Administration (Note 7)	102,412	75,179
Board and committee (Note 8)	43,423	23,005
Capital assets	-	4,660
Excellence awards	19,023	17,900
Grants and scholarships (net of grants recovered \$36,003; \$11,635 in 2006)	666,525	688,215
Jury (Note 9)	42,955	44,199
Salaries and benefits	246,029	234,291
Special initiatives	<u>95,780</u>	<u>327,822</u>
	<u>1,216,147</u>	<u>1,415,271</u>
Excess of (expenditures over revenue) revenue over expenditure	<u>\$ (1,649)</u>	<u>\$ (15,785)</u>

---

See accompanying notes to the financial statements.

---

**New Brunswick Arts Board**  
**Statement of Net Assets**  
**March 31, 2007**

---

	<u>Capital</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>2007</u> <u>Total</u>	<u>2006</u> <u>Total</u>
Balance, beginning of year	\$ -	\$ -	\$ 83,380	\$ 83,380	\$ 99,165
Adjustment for prior years capital asset additions	10,482	-	-	10,482	-
Excess of (expenditures over revenue) revenue over expenditures	-	323	(1,972)	(1,649)	(15,785)
Allocation of funds (Note 6)	-	29,940	(29,940)	-	-
Investment in capital assets	<u>6,387</u>	<u>-</u>	<u>(6,387)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 16,869</u>	<u>\$30,263</u>	<u>\$ 45,081</u>	<u>\$ 92,213</u>	<u>\$ 83,380</u>

---

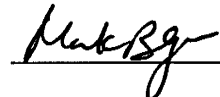
See accompanying notes to the financial statements.

## New Brunswick Arts Board Statement of Financial Position

March 31,	2007	2006
<b>Assets</b>		
Current		
Cash and temporary investments	\$ 553,215	\$ 37,381
Accounts receivable		
Trade	24	13,579
HST	29,215	6,300
Prepaid expenses	<u>27,925</u>	<u>21,021</u>
	610,379	78,281
Investments - Restricted	30,263	521,970
Capital assets (Note 3)	<u>16,869</u>	<u>-</u>
	<u>\$ 657,511</u>	<u>\$ 600,251</u>
<b>Liabilities</b>		
Current		
Accounts payables and accruals	\$ 56,880	\$ 15,752
Employee deductions payable	5,995	5,983
Deferred revenue	<u>2,000</u>	<u>-</u>
	64,875	21,735
Funds held in trust (Note 6)	30,263	-
Grants and scholarships payable	<u>470,160</u>	<u>495,136</u>
	<u>565,298</u>	<u>516,871</u>
<b>Net Assets</b>		
Net assets (Page 3)	<u>92,213</u>	<u>83,380</u>
	<u>\$ 657,511</u>	<u>\$ 600,251</u>

ON BEHALF OF THE BOARD

 Director

 Director

See accompanying notes to the financial statements.

## New Brunswick Arts Board Statement of Cash Flows

March 31,	2007	2006
Increase (decrease) in cash and cash equivalents		
<b>Operations</b>		
Excess of (expenditures over revenue)		
revenue over expenditures	\$ (1,649)	\$ (15,785)
Depreciation	<u>6,721</u>	<u>-</u>
	5,072	(15,785)
Increase in accounts receivable	(9,360)	-
Increase in prepaid expenses	(6,904)	-
Increase in accounts payable	41,140	-
Increase in amounts held in trust	30,263	-
Increase in deferred revenue	<u>2,000</u>	<u>-</u>
	62,211	(15,785)
Changes in non-cash working capital	-	11,008
Decrease in grants and scholarships payable	<u>(24,976)</u>	<u>(67,905)</u>
	<u>37,235</u>	<u>(72,682)</u>
<b>Investing</b>		
Decrease in investments	491,707	142,693
Investment in capital assets	<u>(13,108)</u>	<u>-</u>
	<u>478,599</u>	<u>142,693</u>
Net increase in cash and cash equivalents	515,834	70,011
Cash and cash equivalents beginning of year	<u>37,381</u>	<u>(32,630)</u>
Cash and cash equivalents end of year	<u>\$ 553,215</u>	<u>\$ 37,381</u>

See accompanying notes to the financial statements.



---

## **New Brunswick Arts Board**

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

**March 31, 2007**

---

#### **1. Nature of Operations**

The New Brunswick Arts Board was a branch of the New Brunswick government until January 2000. At this time, the Board became an arm's length agency. The purpose of the Board is to provide grants and scholarships to qualifying individuals and organizations to enable them to perform various art functions. It is exempt from federal and provincial corporate taxes under paragraph 149(1)(l) of the Income Tax Act.

---

#### **2. Summary of significant accounting policies**

##### **Investments**

Investments are recorded at cost plus accrued interest.

##### **Capital assets**

Capital assets are recorded at cost less accumulated depreciation. The opening fund balance has been adjusted for the NBV of capital assets expensed in prior years. Prior period financial statements have not been restated.

##### **Revenue and expenditures**

Revenue and expenditures are recorded using the accrual basis of accounting.

##### **Depreciation**

Depreciation is provided as follows:

Computer equipment	33% straight line per year
Computer software	33% straight line per year
Office equipment	20% straight line per year

##### **Use of estimates**

Under Canadian Generally Accepted Accounting Principles management is required to make estimates and assumptions to prepare financial statements. These estimates are based on management's best knowledge of current events and actions that the Board may undertake in the future. These estimates and assumptions may affect the amount of assets and liabilities presented as at the reporting date and the reported amount of revenue and expenses during the fiscal period. Actual results may be different from the estimates and assumptions used.

##### **Cash and cash equivalents**

Included in cash and cash equivalents is cash on hand, balances with banks and short-term investments with maturities of less than 90 days.

## New Brunswick Arts Board Notes to the Financial Statements

March 31, 2007

3. Capital assets	Cost	Accumulated Depreciation	2007	2006
			Net Book Value	Net Book Value
Office equipment	\$ 13,735	\$ 7,186	\$ 6,549	\$ -
Computer equipment	<u>20,251</u>	<u>9,931</u>	<u>10,320</u>	<u>-</u>
	<u>\$ 33,986</u>	<u>\$ 17,117</u>	<u>\$ 16,869</u>	<u>\$ -</u>

### 4. Commitments

- a) The Arts Board has leased office facilities with a minimum annual rent of \$22,080 excluding HST.
- b) The Arts Board has a rented photocopier with a minimum annual rental of \$1,615 excluding HST.

### 5. Financial instruments

The Board's financial instruments consist of cash and cash equivalents, investments and receivables or payables. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

### 6. Funds held in trust

Amounts held in trust for the New Brunswick Foundation for the Arts. The amount has been invested in a three year GIC maturing July 20, 2009. The amount will be forwarded to the Foundation on maturity subject to terms of an agreement between the two entities. If the terms are not met, the amount will revert to the Arts Board. This amount has been provided for by the Restricted Investments in the long term asset section of the balance sheet.

7. Administrative expenses	2007
Communications	\$ 7,509
Depreciation	6,721
General expenses	56,754
Interest and bank charges	538
Professional fees	9,370
Translation and interpretation	1,979
Travel	<u>19,541</u>
	<u>\$102,412</u>

---

## New Brunswick Arts Board Notes to the Financial Statements

March 31, 2007

---

<b>8. Board and committee expenses</b>	<b><u>2007</u></b>
Honorarium	\$ 6,425
Other	5,837
Translation and interpretation	16,064
Travel	<u>15,097</u>
	<b><u>\$ 43,423</u></b>

---

<b>9. Jury expenses</b>	<b><u>2007</u></b>
Honorarium	\$ 15,256
Other	3,199
Translation and interpretation	13,550
Travel	<u>10,950</u>
	<b><u>\$ 42,955</u></b>

---

### 10. Economic dependence

The Board derives a significant portion of its revenue under funding arrangements with the Province of New Brunswick.

---

### 11. Comparative figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the current year.



---

**FINANCIAL STATEMENTS  
NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION  
31 DECEMBER 2006**

---

Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Chair 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 2006 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 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Michael Ferguson'.

Michael Ferguson, CA  
Auditor General

Fredericton, N. B.  
8 May 2007

---

**NEW BRUNSWICK CREDIT UNION DEPOSIT INSURANCE CORPORATION**  
**BALANCE SHEET**  
**31 DECEMBER 2006**

---

	2006	2005
<b>ASSETS</b>		
Cash	\$ 15,095	\$ 13,250
Accounts receivable	1,961	323
Net assets held in trust funds (Note 3)	<u>2,800,277</u>	<u>2,800,277</u>
	<u>\$ 2,817,333</u>	<u>\$ 2,813,850</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 673	\$ 382
Advances - Stabilization boards (Note 2(a))	16,383	13,191
<b>NET ASSETS OF THE DEPOSIT INSURANCE FUND (Note 6)</b>	<u>2,800,277</u>	<u>2,800,277</u>
	<u>\$ 2,817,333</u>	<u>\$ 2,813,850</u>

Contingent liability (Note 4)

Approved by the Board

Robert Purney Chair

Donald French Director

---

**NEW BRUNSWICK CREDIT UNION DEPOSIT INSURANCE CORPORATION  
STATEMENT OF REVENUE, EXPENDITURE AND NET ASSETS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

---

	2006	(restated) 2005
<b>REVENUE</b>		
Contributions - Administrative expenses	\$ 16,808	\$ 1,811
Investment Income - Deposit Insurance Fund (Note 2c, 6 & 9)	138,287	114,045
Contributions - Deposit Insurance Fund (Note 6)	0	84,356
	<u>155,095</u>	<u>200,212</u>
<b>EXPENDITURE</b>		
Advertising	6,165	-
Professional services and other	2,101	670
Board of Directors	8,542	1,141
Distribution of Investment Income – Deposit Insurance Fund (Note 2c, 6 & 9)	138,287	114,045
Distributions - Deposit Insurance Fund (Note 6)	0	47,134
	<u>155,095</u>	<u>162,990</u>
<b>EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR</b>	0	37,222
<b>NET ASSETS OF THE DEPOSIT INSURANCE FUND - BEGINNING OF YEAR</b>	<u>2,800,277</u>	<u>2,763,055</u>
<b>NET ASSETS OF THE DEPOSIT INSURANCE FUND - END OF YEAR</b>	<u>\$ 2,800,277</u>	<u>\$ 2,800,277</u>



---

**NEW BRUNSWICK CREDIT UNION DEPOSIT INSURANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 2006**

---

**1. Authority and objectives**

---

The New Brunswick Deposit Insurance Corporation (Corporation) was 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, unlimited coverage 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 Chair 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 of Justice and Consumer Affairs (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 and Consumer Affairs. 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 revenues 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) Investment Income/Distribution of Investment Income – deposit insurance fund**

The deposit insurance fund investment revenues are recorded on an accrual basis and related expenses & taxes are recorded as incurred. Investment income on the trust fund is recorded as revenue.

Investment income is distributed annually and this distribution is recorded with the expenses of the Corporation.

**(d) 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.

---

**NEW BRUNSWICK CREDIT UNION DEPOSIT INSURANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 2006**

---

**(e) 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 in which case the investment would be written down to estimated realizable value.

**3. Net assets held in trust funds**

---

The trust funds held the following net assets at 31 December 2006:

	<b>Book Value</b>	<b>Market Value</b>
Cash	\$ 113,618	\$ 113,618
Interest receivable	27,952	27,952
Government of Canada bonds	288,720	290,930
Contribution refundable	(280,291)	(280,291)
Provincial and municipal bonds	2,469,963	2,498,554
Corporate bonds	180,315	180,249
Total - 2006	<u>\$ 2,800,277</u>	<u>\$ 2,831,012</u>
Total - 2005	<u>\$ 2,800,277</u>	<u>\$ 2,859,132</u>

**4. Contingent liability and future funding**

---

At 31 December 2006, a large credit union was under the supervision of the Brunswick Credit Union Federation Stabilization Board Limited (BCUFSBL). Funds to stabilize this entity would significantly exceed the assets of the BCUFSBL and also exceed the assets held in trust for the Corporation for deposit insurance purposes. No request for payment of deposit insurance has been received by the Corporation to date. Management considers it likely that a future event will confirm that a liability has been incurred at December 31, 2006 related to the stabilization of this large credit union.

In such instances, pursuant to subsection 228(1) of the *Credit Unions Act*, the Minister may, with the approval of the Lieutenant-Governor in Council and on application of the Corporation, make loans and advances to the Corporation. As explained in Note 10, the Province of New Brunswick has demonstrated that it intends to provide financial assistance with respect to the stabilization of this large credit union under supervision. Management estimates that this financial assistance will fully fund related claims made against the Corporation. Because of the likely payment of this financial assistance, no amount has been recorded as a contingent liability in the financial statements at December 31, 2006.

---

**NEW BRUNSWICK CREDIT UNION DEPOSIT INSURANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 2006**

---

**5. 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.

**6. 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 accounts. 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 requirements of the formula. This results in a contribution to the trust funds or a distribution to the stabilization boards. The application of the formula for 2006 determined the amount of the trust fund to be \$2,512,870. The Corporation, however, resolved to maintain the minimum trust fund balance at \$2,800,277, higher than the calculated amount by \$287,407, for the fiscal year ended December 31, 2006 in order to maintain the level equal to that of the previous year.

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, advance, loan guarantee or advance guarantee pursuant to section 228. Under 228 on the application of the Corporation, the Minister may with the approval of the Lieutenant – Governor in Council and subject to such terms and conditions as the Minister considers appropriate make loans or advances to the Corporation and guarantee any loans or advances made to the Corporation by others.

At 31 December 2006, the balance in the trust fund accounts administered by l'Office de Stabilisation de la Fédération des Caisses Populaires Acadiennes Limitée and by BCUFSBL was as follows:

	Fund Balance as at 31 December 2005	Contribution/ (Distribution) to/(from) Corporation	Fund Balance as at 31 December 2006
Office de Stabilisation de la Fédération des Caisses Populaires Acadiennes Limitée	\$ 469,664	\$ 0	\$ 469,664
Brunswick Credit Union Federation Stabilization Board Limited	2,330,613	0	2,330,613
<b>Total</b>	<b>\$ 2,800,277</b>	<b>\$ 0</b>	<b>\$ 2,800,277</b>

---

**NEW BRUNSWICK CREDIT UNION DEPOSIT INSURANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 2006**

---

**7. 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.

**8. 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.

**9. Change in accounting policy**

---

In 2006, the Corporation changed its accounting policy to record investment income and the distribution of investment income from the deposit insurance fund. Management judges that this policy provides reliable and more relevant information because it results in the more transparent treatment of transactions occurring in the trust fund. In previous periods the Corporation did not separately report this information since it was not factored into the formula approved by the Board of Directors used to determine the minimum balance to be held in the trust funds. The 2005 comparative statements have been restated to reflect this change in accounting policy. There is no resulting effect on the net income or net assets of the Corporation's trust funds for the current or prior periods but investment income shows an increase in the amount of \$114,045 and \$138,287 in 2005 and 2006 respectively. In addition, the distribution of investment income from the trust fund shows an increase in the amount of \$114,045 and \$138,287 in 2005 and 2006 respectively.

**10. Subsequent events**

---

Subsequent to December 31, 2006, the Board of Directors of the Corporation was informed of a letter of intent from the Province to the effect of proposing financial assistance for the Caisse Populaire de Shippagan Limitée (Caisse) who is presently a member of Brunswick Credit Union Federation Limited. In addition, the Corporation was advised the provincial government has appropriated \$60 million in fiscal 2007 for anticipated transactions with respect to the stabilization of this large Caisse. Management considers this level of financial assistance will be sufficient to fund any potential claims made against the Corporation related to this Caisse.

---

FINANCIAL STATEMENTS

**NEW BRUNSWICK**

**CROP INSURANCE COMMISSION**

31 MARCH 2007

---

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 2007 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 2007 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 "Michael Ferguson".

Michael Ferguson, CA  
Auditor General

Fredericton, N. B.  
13 September 2007

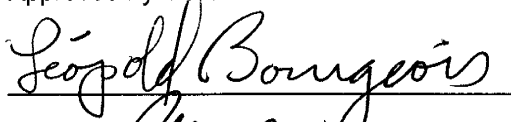

**NEW BRUNSWICK CROP INSURANCE COMMISSION  
BALANCE SHEET  
31 MARCH 2007**

	2007	2006
<b>ASSETS</b>		
Accounts receivable		
Canada	\$ 298,156	\$ 128,338
Province of New Brunswick	1,465,408	-
Other	44	297
	<u>1,763,608</u>	<u>128,635</u>
Crop Insurance Trust Account (Note 2)	2,968,071	4,021,973
	<u>\$ 4,731,679</u>	<u>\$ 4,150,608</u>

**LIABILITIES AND SURPLUS**

Accounts payable		
Indemnities	\$ 4,646,923	\$ 1,784,080
Province of New Brunswick	2,061	2,103
Canada	2,002	2,045
	<u>4,650,986</u>	<u>1,788,228</u>
Deferred revenue (Note 4)	80,693	71,162
Surplus	-	2,291,218
	<u>\$ 4,731,679</u>	<u>\$ 4,150,608</u>

Approved by the Commission

Chairperson

Member

**NEW BRUNSWICK CROP INSURANCE COMMISSION  
STATEMENT OF REVENUE AND EXPENSE  
FOR THE YEAR ENDED 31 MARCH 2007**

	2007	2006
<b>REVENUE</b>		
Premiums from producers (Schedule A)	\$ 1,739,034	\$ 1,657,117
Premiums contributions		
Province of New Brunswick	1,044,129	1,080,068
Canada	1,564,422	1,618,346
	<u>4,347,585</u>	<u>4,355,531</u>
Contributions for administration		
Province of New Brunswick	427,750	466,101
Canada	641,625	699,152
Contribution from Reinsurance Funds (Note 3)		
Province of New Brunswick	1,465,520	-
Canada	319,927	-
Interest from producers	3,562	6,520
	<u>7,205,969</u>	<u>5,527,304</u>
<b>EXPENSE</b>		
Indemnities (Schedule B)	8,210,432	4,220,837
Administration (Schedule C)	1,069,375	1,165,254
Crop Reinsurance Fund of New Brunswick	108,690	21,778
Crop Reinsurance Fund of Canada for New Brunswick	108,690	21,778
	<u>9,497,187</u>	<u>5,429,647</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE FOR THE YEAR</b>	<u>\$ (2,291,218)</u>	<u>\$ 97,657</u>



---

**NEW BRUNSWICK CROP INSURANCE COMMISSION  
STATEMENT OF SURPLUS  
FOR THE YEAR ENDED 31 MARCH 2007**

---

	2007	2006
Surplus, beginning of year	\$ 2,291,218	\$ 2,193,561
Excess (deficiency) of revenue over expense for the year	<u>( 2,291,218)</u>	<u>97,657</u>
<b>SURPLUS, END OF YEAR</b>	<b><u>\$ -</u></b>	<b><u>\$ 2,291,218</u></b>

**NEW BRUNSWICK CROP INSURANCE COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2007**

---

	2007	2006
<b>CASH PROVIDED BY (USED FOR)</b>		
Operating activities:		
Excess (deficiency) of revenue over expense for the year	\$ (2,291,218)	\$ 97,657
(Increase) decrease in accounts receivable	( 1,634,973)	284,386
Increase (decrease) in accounts payable	2,862,758	( 958,154)
Increase in deferred revenue	9,531	7,874
(Increase) decrease in trust account	1,053,902	568,237
	<hr/>	<hr/>
<b>CASH POSITION AT BEGINNING AND AT END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>
	<hr/>	<hr/>

**NEW BRUNSWICK CROP INSURANCE COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2007**

---

**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%	40%	24%	36%
70%	40%	24%	36%
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.

**NEW BRUNSWICK CROP INSURANCE COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2007**

**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 (2.5% of total premiums in 2007 and 0.5% of premiums in 2006) is submitted to each of the Crop Reinsurance Fund of Canada for New Brunswick and the Crop Reinsurance Fund of New Brunswick. Contributions are made by the Funds for a portion of any operating deficits incurred by the Commission on a crop year basis.

<b>Crop Reinsurance Fund of Canada for New Brunswick</b>	<b>2007</b>	<b>2006</b>
Surplus, 1 April	\$ 31,604	\$ 9,826
Premiums submitted	108,690	21,778
Contributions	(319,927)	-
Surplus (deficit), 31 March	<u>\$ (179,633)</u>	<u>\$ 31,604</u>

<b>Crop Reinsurance Fund of New Brunswick</b>	<b>2007</b>	<b>2006</b>
Surplus, 1 April	\$ 2,208,325	\$ 2,186,547
Premiums submitted	108,690	21,778
Contributions	(1,465,520)	-
Adjustment	(145,890)	-
Surplus, 31 March	<u>\$ 705,605</u>	<u>\$ 2,208,325</u>

**4. Deferred revenue**

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

**5. Contingent liabilities**

The Commission is named as a party to two civil actions. The outcome of these matters cannot be reasonably determined at this time. Accordingly, no provision has been made in the financial statements at 31 March 2007.

**SCHEDULE A****NEW BRUNSWICK CROP INSURANCE COMMISSION  
SCHEDULE OF PRODUCER PREMIUMS  
FOR THE YEAR ENDED 31 MARCH 2007**

---

	<b>2007</b>	<b>2006</b>
Potatoes	\$ 1,534,359	\$ 1,415,098
Spring grain	106,946	144,137
Canola	1,721	-
Apples	30,871	29,690
Blueberries	31,088	41,605
Strawberries	22,958	19,163
Sweet corn	5,430	4,878
Processing carrots	5,661	2,546
	<u>\$ 1,739,034</u>	<u>\$ 1,657,117</u>

**SCHEDULE B****NEW BRUNSWICK CROP INSURANCE COMMISSION  
SCHEDULE OF INDEMNITIES  
FOR THE YEAR ENDED 31 MARCH 2007**

---

	<b>2007</b>	<b>2006</b>
Potatoes	\$ 7,188,591	\$ 3,410,423
Spring grain	791,914	475,049
Apples	108,706	154,649
Blueberries	51,902	82,266
Strawberries	65,869	56,663
Sweet corn	3,450	41,787
	<u>\$ 8,210,432</u>	<u>\$ 4,220,837</u>

**SCHEDULE C****NEW BRUNSWICK CROP INSURANCE COMMISSION  
SCHEDULE OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED 31 MARCH 2007**

---

	2007	2006
Personnel	\$ 732,230	\$ 790,343
Information costs	831	3,318
Transportation and communication	60,497	71,582
Utilities, material and supplies	2,714	9,956
Professional services	170,147	196,326
Repairs and maintenance	9,795	6,706
Office accommodations and equipment rentals	48,444	48,444
Capital equipment	16,625	12,144
Other	28,092	26,435
	<u>\$ 1,069,375</u>	<u>\$ 1,165,254</u>





Financial Statements Of

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

(Unaudited)

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

March 31, 2007

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

## REVIEW ENGAGEMENT REPORT

To the Director's of New Brunswick Distance Education Network Inc. /Réseau de Formation à Distance du Nouveau-Brunswick Inc.:

I have reviewed the statement of financial position of New Brunswick Distance Education Network Inc. /Réseau de Formation à Distance du Nouveau-Brunswick Inc. as at March 31, 2007 and the statements of operations and net assets and cash flows for the year ended March 31, 2007. My review was made in accordance with Canadian generally accepted standards for review engagements and consisted primarily of inquiry, analytical procedures and discussion related to information supplied by the organization

A review does not constitute an audit and consequently I do not express an audit opinion on these financial statements.

Based on my review, nothing has come to my attention that causes me to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

Saint John, NB  
May 16, 2007

  
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(Unaudited)

As at March 31, 2007, with comparative figures for 2006 .

	2007	2006
<b>ASSETS</b>		
Current:		
Cash in bank	\$ 245,418	\$ 243,391
Accounts receivable	346	350
Harmonized sales tax recoverable	246	650
	<u>\$ 246,010</u>	<u>\$ 244,391</u>
<b>LIABILITIES</b>		
Current:		
Accounts payable	\$ 2,000	\$ 4,886
<b>NET ASSETS</b>		
Unrestricted net assets	244,010	239,505
	<u>\$ 246,010</u>	<u>\$ 244,391</u>

Discontinuance of activities (note 4)

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(Unaudited)

For the year ended March 31, 2007, with comparative figures for 2006

	2007	2006
<b>Receipts:</b>		
Interest income	\$ 7,403	\$ 5,039
<b>Disbursements:</b>		
Bank charges	67	208
Interest and penalties	-	2,886
Professional services	2,831	775
Miscellaneous	-	160
Bad debts	-	5,409
	2,898	9,438
Excess of receipts over disbursements(disbursements over receipts)	4,505	(4,399)
Net assets, beginning of year	239,505	243,904
Net assets, end of year	\$ 244,010	\$ 239,505

**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(Unaudited)

For the year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in)		
Operations:		
Excess of receipts over disbursements (disbursements over receipts)	\$ 4,505	\$ (4,399)
Decrease (increase) in accounts receivable	4	5,410
Decrease (increase) in HST recoverable	404	(408)
Increase (decrease) in accounts payable	(2,886)	(514)
Increase in cash during the period	2,027	89
Cash, beginning of year	243,391	243,302
Cash, end of year	\$ 245,418	\$ 243,391

## **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(Unaudited)

For the year ended March 31, 2007

---

### **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. 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 coming year.

---

**FINANCIAL STATEMENTS**

**NEW BRUNSWICK**

**ELECTRIC FINANCE CORPORATION**

**31 MARCH 2007**

---

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 2007 and the statements of income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2007 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 "Michael Ferguson".

Michael Ferguson, CA  
Auditor General

Fredericton, N. B.  
20 August 2007



---

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION**  
**BALANCE SHEET**  
**MARCH 31, 2007**

---

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
<b>Current Assets</b>		
Cash	\$ 113,264	\$ 161,294
Short term investments	94,500,000	-
Short-term notes receivable from NB Power Holding Corporation	-	243,374,470
Accounts receivable from the NB Power Group	3,903,970	38,505,738
Accounts receivable - Other	559,142	-
Accrued interest receivable from the NB Power Group	53,404,171	58,405,688
Accrued interest receivable - Other	11,003	-
Current portion of long-term notes receivable from the NB Power Group	345,217,570	231,467,570
	<u>497,709,120</u>	<u>571,914,760</u>
<b>Long-Term Assets</b>		
Long-term notes receivable from the NB Power Group (Note 3)	2,869,551,860	2,654,769,430
Unamortized premiums less discounts on long-term notes receivable from the NB Power Group	3,126,726	-
Investment in the NB Power Group	229,718,459	218,994,139
	<u>3,102,397,045</u>	<u>2,873,763,569</u>
<b>Other Assets</b>		
Deferred debt costs, less amounts amortized	31,007,823	40,845,199
	<u>31,007,823</u>	<u>40,845,199</u>
<b>Total Assets</b>	<b>\$ 3,631,113,988</b>	<b>\$ 3,486,523,528</b>

On behalf of New Brunswick Electric Finance Corporation



Hon. Victor Boudreau  
Chair



John Mallory  
President

See accompanying notes to the financial statements

---

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION**  
**BALANCE SHEET**  
**MARCH 31, 2007**

---

<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>2007</b>	<b>2006</b>
<b>Current Liabilities</b>		
Short-term indebtedness (Note 4)	\$ 23,991,600	\$ 371,070,869
Accrued interest payable on debenture debt	71,548,211	70,893,451
Accounts payable - NB Power Group	468,038	10,776,362
Accounts payable - Other	1,000,000	84,267
Deferred Revenue	47,175	-
Current portion of long-term debt	355,988,534	107,131,155
	<u>453,043,558</u>	<u>559,956,104</u>
<b>Long-term Debt</b>		
Debentures (Note 4)	3,568,148,441	3,367,686,975
Less Sinking Fund (Note 4)	352,199,770	383,823,534
	<u>3,215,948,671</u>	<u>2,983,863,441</u>
<b>Shareholder's Equity</b>		
Capital stock (Note 5)	1	1
Deficit	( 37,878,242)	( 57,296,018)
	<u>( 37,878,241)</u>	<u>( 57,296,017)</u>
<b>Total Liabilities and Shareholder's Equity</b>	<b>\$ 3,631,113,988</b>	<b>\$ 3,486,523,528</b>

---

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION**  
**STATEMENT OF INCOME AND DEFICIT**  
**FOR THE YEAR ENDED MARCH 31, 2007**

---

	2007	2006
<b>Revenue</b>		
Long-term interest from the NB Power Group	\$ 177,875,735	\$ 183,044,810
Short-term interest from the NB Power Group	18,816,596	13,550,210
Net income from the NB Power Group	20,724,320	95,333,188
Special payments in lieu of taxes (Note 6)	31,579,732	60,126,202
Sinking fund earnings	22,727,669	25,971,274
Debt portfolio management fee (Note 3)	20,158,049	20,324,672
Administration recovery	355,185	249,512
Investment income	486,360	154,877
	<u>292,723,646</u>	<u>398,754,745</u>
<b>Expenses</b>		
Long-term interest expense	230,160,208	225,640,569
Short-term interest expense	13,731,019	14,880,582
Debt portfolio management fee (Note 4)	22,315,343	22,625,569
Amortization of deferred debt costs	6,683,576	6,943,934
Amortization of premiums less discounts on notes receivable from the NB Power Group	27,074	-
Unrealized foreign exchange losses	33,465	100,160
Other expenses	355,185	249,512
	<u>273,305,870</u>	<u>270,440,326</u>
<b>NET INCOME FOR THE PERIOD</b>	19,417,776	128,314,419
Deficit, beginning of period	( 57,296,018)	( 185,610,437)
<b>DEFICIT, end of period</b>	<u>\$ (37,878,242)</u>	<u>\$ (57,296,018)</u>

---

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

---

<b>CASH PROVIDED BY (USED FOR):</b>	<b>2007</b>	<b>2006</b>
<b>Operations:</b>		
Net income for the period	\$ 19,417,776	\$ 128,314,419
Add (deduct)		
Net income from the NB Power Group	( 20,724,320)	( 95,333,188)
Sinking fund earnings	( 22,727,669)	( 25,971,274)
Amortization of debt costs	6,683,576	6,943,934
Amortization of premiums less discounts on long term notes receivable from the NB Power Group	27,074	-
Unrealized foreign exchange losses	33,465	100,160
Decrease in non-cash components of working capital <sup>1</sup>	( 170,922,315)	18,041,563
	<u>( 188,212,413)</u>	<u>32,095,614</u>
<b>Financing Activities:</b>		
Principal paid on debenture debt	( 107,131,155)	( 437,317,802)
Proceeds on sale of debentures	563,153,800	398,449,000
Withdrawals from sinking fund	83,146,358	100,000,000
Sinking fund installments	( 32,378,390)	( 33,672,940)
	<u>506,790,613</u>	<u>27,458,258</u>
<b>Investing activities:</b>		
Loans to NB Power Group	( 563,153,800)	( 427,757,000)
Principal repayments made by the NB Power Group	231,467,570	357,010,000
Dividends	13,060,000	11,240,000
	<u>( 318,626,230)</u>	<u>( 59,507,000)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>( 48,030)</b>	<b>46,873</b>
Cash position, beginning of period	161,294	114,421
<b>CASH POSITION, end of period</b>	<b>\$ 113,264</b>	<b>\$ 161,294</b>

<sup>1</sup> Non-cash components of working capital include current assets, with the exception of cash, current portion of long-term notes receivable from the NB Power Group and dividends receivable (which are included in accounts receivable from NB Power) and current liabilities, excluding current portion of long-term debt.

---

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2007**

---

**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 ("Genco");
- New Brunswick Power Nuclear Corporation ("Nuclearco");
- New Brunswick Power Transmission Corporation ("Transco"), and
- New Brunswick Power Distribution and Customer Service Corporation ("Disco").

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 Transco. 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.

---

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2007**

---

**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 at 30 September 2004:

(\$ 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 Transco 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**

---

**Current 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.

---

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2007**

---

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

---

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.

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 on long term notes receivable from the NB Power Group as well as 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.

**Future Accounting Changes**

In 2005, the Canadian Institute of Chartered Accountants ("CICA") issued a number of standards that dealt with the recognition, presentation, and disclosure of financial instruments. NBEFC will adopt these new standards for the fiscal period beginning April 1, 2007.

The standards include CICA Handbook Section 1530, "Comprehensive Income", CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" and CICA Handbook Section 3865, "Hedges".

**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 5.5% Feb. 25, 2013 Genco issue.

---

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2007**

---

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

---

The following is a maturity schedule for the total amount of long-term notes receivable from the NB Power Group as of March 31, 2007:

(\$ millions) Date of Maturity	Weighted Average Coupon Rate	Principal Repayments
Fiscal Year Ending:		
March 31, 2008	6.8	345.2
March 31, 2009	7.1	278.5
March 31, 2010	6.4	403.0
March 31, 2011	6.4	84.1
March 31, 2012	6.8	530.3
1-5 years	6.7	1,641.1
6-10 years	5.4	930.8
11-20 years	6.4	274.9
21-27 years	4.6	368.0
	6.0	\$ 3,214.8

**Debt Portfolio Management Fee**

Pursuant to subsection 37(4) of the Act, the Lieutenant Governor in Council under Order in Council 2006-440 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 borrows all of its short-term funds from the Province of New Brunswick. There were no short-term borrowings due to the Province of New Brunswick at March 31, 2007 (\$371.1 million at March 31, 2006).

The \$24.0 million recorded as short-term indebtedness on the balance sheet represents a promissory note issued by NBEFC to the New Brunswick Power Holding Corporation.



---

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

---

**4. DEBT (Continued)**

---

**Long-term debt**

The following is the long-term debt outstanding, payable to the Province of New Brunswick, as at March 31, 2007:

(\$ millions)	March 31 2007	March 31 2006
Debentures guaranteed by the Province of New Brunswick	\$ 125.0	\$ 125.0
Debentures held by the Province of New Brunswick	3,797.2	3,346.8
Other loans	1.9	3.0
	<u>3,924.1</u>	<u>3,474.8</u>
Less current portion of long-term debt	356.0	107.1
	<u>3,568.1</u>	<u>3,367.7</u>
Less Sinking Funds	352.2	383.8
<b>Long-term debt</b>	<b>\$ 3,215.9</b>	<b>\$ 2,983.9</b>

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 2007
Fiscal Year Ending:				
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
March 31, 2011	6.4	200.3	-	200.3
March 31, 2012	7.0	550.0	-	550.0
1-5 years	6.3	1,782.2	-	1,782.2
6-10 years	6.4	1,243.7	-	1,243.7
11-20 years	8.1	100.0	288.2	388.2
21-30 years	4.7	510.0	-	510.0
	<u>6.3</u>	<u>\$ 3,635.9</u>	<u>\$ 288.2</u>	<u>\$ 3,924.1</u>

---

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2007**

---

**4. DEBT (Continued)**

---

**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, 2007, the amount of the Sinking Fund accumulated for the repayment of NBEFC debt was \$352.2 million.

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, 2008	\$37.6
March 31, 2009	\$34.8
March 31, 2010	\$32.0
March 31, 2011	\$28.0
March 31, 2012	\$24.0

**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.

---

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2007**

---

**4. DEBT (Continued)**

---

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.

**5. CAPITAL STOCK**

---

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 receive 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 provincial income tax act

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.

---

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2007**

---

**6. SPECIAL PAYMENTS IN LIEU OF TAXES (continued)**

---

Special payments in lieu of income taxes are calculated on an individual company level. During the period, Disco and the New Brunswick Power Coleson Cove Corporation, formed as a subsidiary of Genco upon restructuring, incurred net losses and recorded, as assets, reduction in future special payments in lieu of income taxes in the amount of \$10.2 million and \$0.8 million respectively.

**7. DIVIDENDS**

---

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, Transco declared a \$10 million dividend.

**8. 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.

**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.

---

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2007**

---

**8. FINANCIAL INSTRUMENTS (continued)**

---

**Fair value of debt and sinking funds**

(\$ millions)	March 31 2007	March 31 2006
<b>Long - Term Debt</b>		
Book value	\$ 3,924.1	\$ 3,474.8
Fair value	\$ 4,300.2	\$ 3,877.3
<b>Sinking Funds</b>		
Book value	\$ 352.2	\$ 383.8
Fair value	\$ 381.7	\$ 415.8

---

**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. Most 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 \$3,272.1 million (March 31, 2006 - \$3,226.5 million).

---

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

---

**9. CONTINGENT LIABILITIES**

---

**Guarantees**

NBEFC has provided guarantees to a number of financial institutions for obligations of the NB Power Group. As at March 31, 2007, the guarantees were limited to \$364 million. Guarantees have been provided to:

1. The Royal Bank of Canada ("RBC") for obligations of the NB Power Group, limited to CDN \$100 million. This guarantee is to cover the day-to-day transactions between RBC and the NB Power Group. Future guarantees terminate upon 30 days notice from NBEFC.
2. RBC for Genco's 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. The guarantee terminates upon payment of all obligations due to RBC or the release of NBEFC from its obligations under the guarantee by RBC.
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. Future guarantees to Morgan Stanley can be terminated upon 15 days notice by NBEFC while future guarantees to J. Aron can be terminated upon 5 days notice by NBEFC.
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. The guarantee terminates upon payment of all obligations due to CIBC or the release of NBEFC from its obligations under the guarantee by CIBC.
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. Future guarantees terminate upon 5 days notice from NBEFC.
6. New Brunswick System Operator for Genco's obligations limited to CDN \$5 million, and New Brunswick System Operator for Disco's obligations of CDN \$10 million. Participants in the New Brunswick electricity market are required to post collateral with the New Brunswick System Operator. Future guarantees terminate upon 30 days notice from NBEFC.
7. RBC for obligations of Genco with respect to Letters of Credit limited to USD \$50 million. The Letters of Credit are in support of Genco's export market activities. Future guarantees terminate upon 30 days notice from NBEFC.

---

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2007**

---

**10. SUBSEQUENT EVENTS**

---

Premium charged to Nuclearco

The NB Power Group borrows all funds from NBEFC. The interest charged to the NB Power Group is equivalent to NBEFC's cost of borrowing, with the exception of funds loaned to Nuclearco for the Point Lepreau Generating Station refurbishment project. All money borrowed by Nuclearco for the Point Lepreau Generating Station refurbishment project bore an interest rate of NBEFC's cost of borrowing plus 3.25%. The premium was charged to reflect the commercial cost of funding capital.

Since the decision was made in August 2005 to refurbish the Point Lepreau Generating Station without private sector involvement, Nuclearco's Board of Directors requested a refund of this premium.

At a May 2007 meeting, the NBEFC Board of Director's passed a Resolution discontinuing the collection of the premium for money borrowed on behalf on Nuclearco, however, past premiums paid by Nuclearco will not be refunded.

Orimulsion® Fuel Supply

On August 3, 2007 NB Power Group settled the legal action against Petroleos de Venezuela, S. A. (PDVSA) and others. The settlement includes a cash portion of \$115 million and an in-kind portion representing a commitment to deliver fuel. The in-kind portion of the settlement will be realized over time. The NB Power Group is in the process of determining the precise impact the settlement will have on its current and future financial statements, which in turn will impact NBEFC's financial statements.

Guarantee

NBEFC has committed to providing a guarantee to RBC for Genco's obligations with respect to Letters of Credit limited to US \$100 million. The Letters of Credit are in support of Genco's normal course of operations. The guarantee will terminate upon 30 days notice from NBEFC. The guarantee will come into effect once all the required documentation has been finalized.

**11. OTHER**

---

The net income reported in NBEFC's financial statements may vary slightly from the investment income reported in the Province's Statement of Operations. This is because minor adjustments to the investment income reported in the Province's Statement of Operations are necessary to reflect timing differences.





**NEW BRUNSWICK ENERGY AND UTILITIES BOARD**

**FINANCIAL STATEMENTS**

**MARCH 31, 2007**

39 Canterbury Street  
P.O. Box 6668  
Saint John  
New Brunswick  
E2L 4S1  
  
Tel (506) 636-9220  
Fax (506) 634-8208  
E-mail [tsdsj@teedsaundersdoyle.com](mailto:tsdsj@teedsaundersdoyle.com)

---

**TEED  
SAUNDERS  
DOYLE & CO.**  
**Chartered Accountants**  
Member of DFK Canada and DFK International

### AUDITORS' REPORT

To the Chairman and Members of the New Brunswick Energy and Utilities Board

We have audited the statements of financial position of the New Brunswick Energy and Utilities Board as at March 31, 2007 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, 2007 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 27, 2007

Saint John Partners  
John H Teed      David L. Doyle  
Andrew P. Logan      Peter L. Logan



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

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## REGULATION OF ELECTRIC UTILITIES

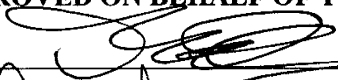
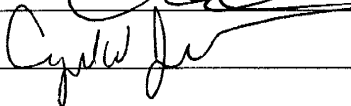
### STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2007

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Notes 2 and 3)	\$ 746,585	\$ 834,526
Accounts receivable (Notes 3 and 4)	42,891	27,831
Prepaid expenses	<u>-</u>	<u>1,436</u>
	<u>789,476</u>	<u>863,793</u>
<b>CASH HELD IN TRUST</b> (Notes 3 and 5)	<u>9,380</u>	<u>3,850</u>
<b>CAPITAL ASSETS</b> (Notes 2 and 6)	<u>94,506</u>	<u>83,116</u>
	<u>\$ 893,362</u>	<u>\$ 950,759</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 3)	\$ <u>92,604</u>	\$ <u>64,443</u>
<b>CASH HELD IN TRUST</b> (Notes 3 and 5)	<u>9,380</u>	<u>3,850</u>
<b>FUTURE EMPLOYEE BENEFITS</b> (Note 9)	<u>77,785</u>	<u>129,578</u>
<b>SURPLUS</b>		
<b>SURPLUS</b>	<u>713,593</u>	<u>752,888</u>
	<u>\$ 893,362</u>	<u>\$ 950,759</u>

COMMITMENT (Note 11)

APPROVED ON BEHALF OF THE BOARD:

  
 \_\_\_\_\_ Chairman  
  
 \_\_\_\_\_ Vice-Chairman

## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### REGULATION OF ELECTRIC UTILITIES

#### STATEMENT OF OPERATIONS AND CHANGES IN SURPLUS

FOR THE YEAR ENDED MARCH 31, 2007

	<u>2007</u>	<u>2006</u>
<b>REVENUE (Note 2)</b>		
Assessment of electric utilities (Note 7)	\$ 923,035	\$ 1,900,682
Licensing	5,100	6,767
Interest and other income	<u>42,208</u>	<u>25,685</u>
	970,343	1,933,134
<b>DIRECT EXPENSES (Note 2)</b>	<u>334,899</u>	<u>1,022,011</u>
	<u>635,444</u>	<u>911,123</u>
<b>COMMON EXPENSES</b>		
Salaries and benefits	436,266	618,273
Office and administration	141,221	137,533
Training	40,096	28,423
Library and publications	2,161	3,743
Computer maintenance	27,291	39,098
Professional fees	7,500	8,766
Amortization	<u>20,204</u>	<u>20,431</u>
	<u>674,739</u>	<u>856,267</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	(39,295)	54,856
<b>SURPLUS AT BEGINNING OF YEAR</b>	<u>752,888</u>	<u>664,533</u>
	713,593	719,389
<b>TRANSFER OF SURPLUS FROM AUTOMOBILE INSURANCE FUND (Note 10)</b>	<u>-</u>	<u>33,499</u>
<b>SURPLUS AT END OF YEAR</b>	<u>\$ 713,593</u>	<u>\$ 752,888</u>

## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### REGULATION OF ELECTRIC UTILITIES

#### STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2007

	<u>2007</u>	<u>2006</u>
<b>CASH PROVIDED BY (USED IN)</b>		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (39,295)	\$ 54,856
Item not involving cash		
Amortization	<u>20,204</u>	<u>20,431</u>
	(19,091)	75,287
Changes in non-cash working capital balances		
Accounts receivable	(15,060)	(1,243)
Prepaid expenses	1,436	(468)
Accounts payable and accrued liabilities	28,161	27,788
Future employee benefits	<u>(51,793)</u>	<u>45,072</u>
	<u>(56,347)</u>	<u>146,436</u>
Investing activities		
Purchase of capital assets	<u>(31,594)</u>	<u>(3,053)</u>
Financing activities		
Capital assets transferred from Automobile Insurance Fund	-	(33,499)
Capital assets transferred from Natural Gas Fund	-	(16,749)
Surplus transferred from Automobile Insurance Fund	<u>-</u>	<u>33,499</u>
	<u>-</u>	<u>(16,749)</u>
<b>INCREASE (DECREASE) IN CASH</b>	(87,941)	126,634
<b>CASH AT BEGINNING OF YEAR</b>	<u>834,526</u>	<u>707,892</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 746,585</u>	<u>\$ 834,526</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	\$ 42,208	\$ 25,685

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## REGULATION OF ELECTRIC UTILITIES

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

#### 1. PURPOSE OF THE ORGANIZATION

On February 1, 2007, the Public Utilities Act was replaced by the Energy and Utilities Board Act (the "Act"). As a result, the name of the Board was changed from the Board of Commissioners of Public Utilities of the Province of New Brunswick to the New Brunswick Energy and Utilities Board (the "Board"). The Board has regulatory responsibility for electric utilities, natural gas distribution, pipeline regulation, petroleum product pricing and the public motor bus industry. Automobile insurance regulation by the Board ceased on April 1, 2005. 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 by the Board for the electricity, natural gas and pipeline and petroleum sectors. The balance of this account is allocated between each of the regulatory divisions of the Board based on actual transactions. An additional account is maintained for the motor carrier sector.

##### Capital Assets

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

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

##### Revenue Recognition

The Board records revenue on an accrual basis once collection is reasonably assured.

##### Allocations

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

##### Direct Expenses

Direct expenses may include consultants' fees, members per diems, hearing costs, travel, training and other out of pocket expenses directly attributable to a specific area of regulatory responsibility.

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## REGULATION OF ELECTRIC UTILITIES

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

#### 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, 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's financial instruments consist of cash, accounts receivable, cash held in trust and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Board 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>2007</u>	<u>2006</u>
Accounts receivable	\$ 30,000	\$ 192
HST receivable	10,417	26,639
Travel advances	<u>2,474</u>	<u>1,000</u>
	<u>\$ 42,891</u>	<u>\$ 27,831</u>

#### 5. CASH HELD IN TRUST

Cash of \$9,380 (2006 - \$3,850) 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.

## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### REGULATION OF ELECTRIC UTILITIES

#### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

#### 6. CAPITAL ASSETS

	2007			2006
	Cost	Accumulated Amortization	Net	Net
Computer equipment	\$ 116,000	\$ 76,851	\$ 39,149	\$ 8,113
Vehicle	-	-	-	5,739
Leasehold improvements	<u>138,391</u>	<u>83,034</u>	<u>55,357</u>	<u>69,264</u>
	<u>\$ 254,391</u>	<u>\$ 159,885</u>	<u>\$ 94,506</u>	<u>\$ 83,116</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. Assessments are adjusted to include the audited surplus or deficit from the prior year. Commencing in 2007-2008, assessments will be made in accordance with Section 50 of the Act.

	2007	2006
Estimate of common expenses	\$ 1,041,923	\$ 878,215
Less: estimate of interest income	<u>(18,000)</u>	<u>(8,000)</u>
Estimate of net common expenses	1,023,923	870,215
Estimate of direct expenses	<u>652,000</u>	<u>1,695,000</u>
	1,675,923	2,565,215
Surplus from prior year	<u>(752,888)</u>	<u>(664,533)</u>
Assessment of electric utilities	<u>\$ 923,035</u>	<u>\$ 1,900,682</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. During the year, \$915,654 (2006 - nil) was collected and \$945,654 (2006 - nil) was paid. The difference will be collected as part of the 2007-2008 assessments. Commencing in 2007-2008, these costs will be included in the Board's assessments made in accordance with Section 50 of the Act.



# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## REGULATION OF ELECTRIC UTILITIES

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

#### 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. As disclosed in the Province's March 31, 2006 financial statements, the pension plan has a net actuarial surplus. 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 one week of salary for every year of service up to a maximum of 25 years.

#### 10. REGULATION OF AUTOMOBILE INSURERS

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 responsible for the regulation of automobile insurers. The surplus of \$93,669 less the unfunded portion of the net capital assets, was transferred to the New Brunswick Insurance Board during the 2005/2006 year. The remaining net capital assets were transferred to the Electric Utilities and Natural Gas funds.

#### 11. COMMITMENT

The Board has negotiated a lease of its office premises for a ten year period commencing March 1, 2001 and ending February 28, 2011. This cost is allocated between the divisions of the Board as described in Note 2.

The minimum annual lease payments due within the next four years are as follows:

2008	\$	149,923
2009		149,923
2010		149,923
2011		137,429

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## REGULATION OF NATURAL GAS AND PIPELINES


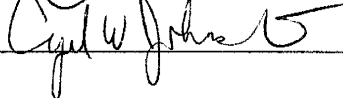
### STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2007

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Notes 1 and 2)	\$ 218,188	\$ 263,024
Accounts receivable (Notes 2 and 5)	14,579	6,337
Prepaid expenses	<u>-</u>	<u>718</u>
	<u>232,767</u>	<u>270,079</u>
<b>CAPITAL ASSETS</b> (Notes 1 and 6)	<u>89,156</u>	<u>75,241</u>
	<u>\$ 321,923</u>	<u>\$ 345,320</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 2)	\$ 95,534	\$ 17,193
Deferred revenue	8,547	35,000
Due to the Province of New Brunswick (Note 2)	<u>60,000</u>	<u>-</u>
	<u>164,081</u>	<u>52,193</u>
<b>FUTURE EMPLOYEE BENEFITS</b> (Note 7)	<u>51,858</u>	<u>111,872</u>
<b>SURPLUS</b>		
<b>SURPLUS</b>	<u>105,984</u>	<u>181,255</u>
	<u>\$ 321,923</u>	<u>\$ 345,320</u>

COMMITMENT (Note 9)

APPROVED ON BEHALF OF THE BOARD:

 <hr style="width: 100%;"/>	Chairman
 <hr style="width: 100%;"/>	Vice-Chairman

## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### REGULATION OF NATURAL GAS AND PIPELINES

#### STATEMENT OF OPERATIONS AND CHANGES IN SURPLUS

FOR THE YEAR ENDED MARCH 31, 2007

	<u>2007</u>	<u>2006</u>
<b>REVENUE (Note 1)</b>		
Assessment of natural gas distributors and pipeline owners (Note 4)	\$ 366,252	\$ 413,770
Fees transferred by Department of Energy (Note 4)	335,857	336,964
Interest and other income	<u>28,814</u>	<u>14,843</u>
	730,923	765,577
<b>DIRECT EXPENSES (Note 1)</b>	<u>145,349</u>	<u>107,362</u>
	<u>585,574</u>	<u>658,215</u>
<b>COMMON EXPENSES</b>		
Salaries and benefits	421,186	360,865
Office and administration	135,876	67,406
Training	32,627	25,454
Library and publications	2,070	1,872
Computer maintenance	13,079	19,549
Professional fees	6,000	4,034
Vehicle operating and maintenance	23,162	24,195
Amortization	<u>26,845</u>	<u>21,054</u>
	<u>660,845</u>	<u>524,429</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	(75,271)	133,786
<b>SURPLUS AT BEGINNING OF YEAR</b>	<u>181,255</u>	<u>30,720</u>
	105,984	164,506
<b>TRANSFER OF SURPLUS FROM AUTOMOBILE INSURANCE FUND (Note 8)</b>	<u>-</u>	<u>16,749</u>
<b>SURPLUS AT END OF YEAR</b>	<u>\$ 105,984</u>	<u>\$ 181,255</u>

## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### REGULATION OF NATURAL GAS AND PIPELINES

#### STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2007

	<u>2007</u>	<u>2006</u>
<b>CASH PROVIDED BY (USED IN)</b>		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (75,271)	\$ 133,786
Items not involving cash		
Amortization	26,845	21,054
Gain on sale of capital assets	<u>-</u>	<u>(2,000)</u>
	(48,426)	152,840
Changes in non-cash working capital balances		
Accounts receivable	(8,242)	14,923
Prepaid expenses	718	250
Accounts payable and accrued liabilities	78,341	(20,451)
Deferred revenue	(26,453)	11,880
Due to the Province of New Brunswick	60,000	-
Future employee benefits	<u>(60,014)</u>	<u>22,536</u>
	<u>(4,076)</u>	<u>181,978</u>
Investing activities		
Purchase of capital assets	(40,760)	(22,097)
Proceeds on disposal of capital assets	<u>-</u>	<u>2,000</u>
	<u>(40,760)</u>	<u>(20,097)</u>
Financing activities		
Capital assets transferred from Automobile Insurance Fund	-	(16,749)
Capital assets transferred to Electric Utilities Fund	-	16,749
Surplus transferred from Automobile Insurance Fund	<u>-</u>	<u>16,749</u>
	<u>-</u>	<u>16,749</u>
<b>INCREASE (DECREASE) IN CASH</b>	(44,836)	178,630
<b>CASH AT BEGINNING OF YEAR</b>	<u>263,024</u>	<u>84,394</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 218,188</u>	<u>\$ 263,024</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	\$ 28,814	\$ 12,843

**NEW BRUNSWICK ENERGY AND UTILITIES BOARD****REGULATION OF NATURAL GAS AND PIPELINES****NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2007****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Cash**

One bank account is maintained by the Board for the electricity, natural gas and pipeline and petroleum sectors. The balance of this account is allocated between each of the regulatory divisions of the Board based on actual transactions. An additional account is maintained for the motor carrier sector.

**Capital Assets**

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

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

**Revenue Recognition**

The Board records revenue on an accrual basis once collection is reasonably assured.

**Allocations**

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

**Direct Expenses**

Direct expenses may include consultants' fees, members per diems, hearing costs, travel, training and other out of pocket expenses directly attributable to a specific area of regulatory responsibility.

**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, 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.

## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### REGULATION OF NATURAL GAS AND PIPELINES

#### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

#### 2. FINANCIAL INSTRUMENTS

The Board's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and due to the Province of New Brunswick. Unless otherwise noted, it is management's opinion that the Board 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. NATURAL GAS AND PIPELINE SECTORS

The current year was the first full year in which the Board had regulatory responsibility for various types of pipelines under the Pipeline Act, 2005 ("Pipeline Act"). In prior years, the Board's only responsibility for pipelines was pursuant to the Gas Distribution Act, 1999 ("GDA"). The Board decided that it would be appropriate, from a financial reporting perspective, to combine its activities under both the Pipeline Act and the GDA in the current year. Combining the sectors has allowed the Board to become familiar with its new responsibilities and to determine the most appropriate way to allocate its common costs between the Natural Gas and the Pipeline sectors. Commencing in 2007/2008, the Board will begin reporting these sectors separately.

#### 4. ASSESSMENT OF NATURAL GAS DISTRIBUTORS AND PIPELINE OWNERS

In accordance with Section 87 of the Natural Gas Distribution Act and Section 66 of the Pipeline Act, natural gas distributors and pipeline owners 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 Energy were transferred by the Department to the Board. Assessments are adjusted to include the audited surplus or deficit from the prior year. Commencing in 2007-2008, the assessments will be made in accordance with Section 50 of Act.

	<u>2007</u>	<u>2006</u>
Estimate of common expenses	\$ 855,864	\$ 728,454
Less: estimate of interest income	(12,000)	(8,000)
Less: Transfers from Department of Energy	(335,857)	(336,964)
Less: Pipeline costs not included in assessments	<u>(60,000)</u>	<u>-</u>
Estimate of net common expenses	448,007	383,490
Estimate of direct expenses	<u>99,500</u>	<u>61,000</u>
	547,507	444,490
Surplus from prior year	<u>(181,255)</u>	<u>(30,720)</u>
Assessment of natural gas distributors	<u>\$ 366,252</u>	<u>\$ 413,770</u>

During the year, the Department of Energy advanced the Board \$60,000 to assist in paying for start-up costs related to the administration of the Pipeline Act. This amount was initially credited to revenue and consequently the amount of the assessment for the Natural Gas/Pipeline sector was \$60,000 lower than it should have been. The \$60,000 advance was subsequently recorded as a current liability in these statements and will be repaid in 2007/2008.

## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### REGULATION OF NATURAL GAS AND PIPELINES

#### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

#### 5. ACCOUNTS RECEIVABLE

	<u>2007</u>	<u>2006</u>
HST receivable	\$ 12,931	\$ 6,337
Travel advances	<u>1,648</u>	<u>-</u>
	<u>\$ 14,579</u>	<u>\$ 6,337</u>

#### 6. CAPITAL ASSETS

	<u>2007</u>			<u>2006</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 58,174	\$ 38,540	\$ 19,634	\$ 4,056
Safety vehicles	78,329	36,567	41,762	33,681
Vehicle	-	-	-	2,871
Leasehold improvements	<u>69,402</u>	<u>41,642</u>	<u>27,760</u>	<u>34,633</u>
	<u>\$ 205,905</u>	<u>\$ 116,749</u>	<u>\$ 89,156</u>	<u>\$ 75,241</u>

#### 7. 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. As disclosed in the Province's March 31, 2006 financial statements, the pension plan has a net actuarial surplus. 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 one week of salary for every year of service up to a maximum of 25 years.

#### 8. REGULATION OF AUTOMOBILE INSURERS

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 responsible for the regulation of automobile insurers. The surplus of \$93,669 less the unfunded portion of the net capital assets, was transferred to the New Brunswick Insurance Board during the 2005/2006 year. The remaining net capital assets were transferred to the Electric Utilities and Natural Gas funds.

**NEW BRUNSWICK ENERGY AND UTILITIES BOARD****REGULATION OF NATURAL GAS AND PIPELINES****NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2007****9. COMMITMENT**

The Board has entered into a lease of its office premises for a ten year period commencing March 1, 2001 and ending February 28, 2011. This cost is allocated between the divisions of the Board as described in Note 1.

The minimum annual lease payments due within the next four years are as follows:

2008	\$	149,923
2009		149,923
2010		149,923
2011		137,429



**NEW BRUNSWICK ENERGY AND UTILITIES BOARD**


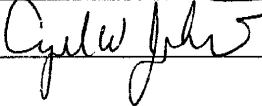
**REGULATION OF PETROLEUM WHOLESALERS**

**STATEMENT OF FINANCIAL POSITION**

**AS AT MARCH 31, 2007**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Accounts receivable (Notes 2 and 4)	\$ <u>73,623</u>	\$ <u>-</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Cheques issued in excess of funds on deposit (Notes 1 and 2)	\$ 58,987	\$ -
Accounts payable and accrued liabilities (Note 2)	<u>14,636</u>	<u>-</u>
	\$ <u>73,623</u>	\$ <u>-</u>
<b>COMMITMENT</b> (Note 6)		

**APPROVED ON BEHALF OF THE BOARD:**

  
 \_\_\_\_\_ Chairman  
  
 \_\_\_\_\_ Vice-Chairman

**NEW BRUNSWICK ENERGY AND UTILITIES BOARD**

**REGULATION OF PETROLEUM WHOLESALERS**

**STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED MARCH 31, 2007**

	<u>2007</u>	<u>2006</u>
<b>REVENUE</b>		
Levies charged to petroleum wholesalers (Note 3)	\$ <u>382,004</u>	\$ <u>-</u>
<b>COMMON EXPENSES</b>		
Salaries and benefits	325,301	-
Office and administration (Note 5)	42,194	-
Training	12,405	-
Library and publications	604	-
Professional fees	<u>1,500</u>	<u>-</u>
	<u>382,004</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

**NEW BRUNSWICK ENERGY AND UTILITIES BOARD****REGULATION OF PETROLEUM WHOLESALERS****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED MARCH 31, 2007**

	<u>2007</u>	<u>2006</u>
<b>CASH PROVIDED BY (USED IN)</b>		
Operating activities		
Changes in non-cash working capital balances		
Accounts receivable	\$ (73,623)	\$ -
Accounts payable and accrued liabilities	<u>14,636</u>	<u>-</u>
<b>DECREASE IN CASH</b>	(58,987)	-
<b>CASH AT BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>
<b>CASH AT END OF YEAR</b>	<u>\$ (58,987)</u>	<u>\$ -</u>

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## REGULATION OF PETROLEUM WHOLESALERS

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Cash

One bank account is maintained by the Board for the electricity, natural gas and pipeline and petroleum sectors. The balance of this account is allocated between each of the regulatory divisions of the Board based on actual transactions. An additional account is maintained for the motor carrier sector.

##### Revenue Recognition

The Board records revenue on an accrual basis once collection is reasonably assured.

##### Allocations

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

##### Statement of Cash Flows

For the purpose of the statement of cash flows, the Board considers cash on hand and balances with banks, net of overdrafts, 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.

#### 2. FINANCIAL INSTRUMENTS

The Board's financial instruments consist of accounts receivable, cheques issued in excess of funds on deposit and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Board 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.

## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### REGULATION OF PETROLEUM WHOLESALERS

#### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

#### 3. LEVIES CHARGED TO PETROLEUM WHOLESALERS

Section 26 of the Petroleum Products Pricing Act (the "PPP Act") requires each petroleum wholesaler, as defined in the Gasoline and Motive Fuel Act, to pay an annual levy to the Board. The levy as prescribed in Regulation 2006-41, Section 14, is equal to .025 cent per litre for each litre of gasoline and motive fuel sold in the twelve month period ending October 31st proceeding the calendar year for which it's wholesaler's license was issued. The levy is used to defray the Board's expenses under the PPP Act.

#### 4. ACCOUNTS RECEIVABLE

	<u>2007</u>	<u>2006</u>
Levies due from petroleum wholesalers	\$ 71,281	\$ -
HST receivable	<u>2,342</u>	<u>-</u>
	<u>\$ 73,623</u>	<u>\$ -</u>

#### 5. COMPUTER MAINTENANCE AND AMORTIZATION

Office and administration expense includes a charge of \$4,999 for computer maintenance, computer amortization and leasehold amortization for capital assets owned by the Electric Utilities sector.

#### 6. COMMITMENT

The Board has entered into a lease of its office premises for a ten year period commencing March 1, 2001 and ending February 28, 2011. This cost is allocated between the divisions of the Board as described in Note 1.

The minimum annual lease payments due within the next four years are as follows:

2008	\$	149,923
2009		149,923
2010		149,923
2011		137,429



---

CONSOLIDATED FINANCIAL STATEMENTS

**NEW BRUNSWICK HIGHWAY CORPORATION**

31 MARCH 2007

---

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 consolidated balance sheet of the New Brunswick Highway Corporation as at 31 March 2007 and the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2007 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 "Michael Ferguson".

Michael Ferguson, CA  
Auditor General

Fredericton, N. B.  
31 August 2007



---

**NEW BRUNSWICK HIGHWAY CORPORATION**  
**CONSOLIDATED BALANCE SHEET**  
**31 MARCH 2007**

---

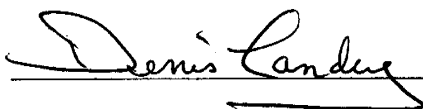
	2007	2006
<b>ASSETS</b>		
Due from Province of New Brunswick	\$ 863,964,156	\$ 882,393,958
Accounts receivable (Note 5)	14,764,591	13,754,303
Prepaid expenses	759,083	867,359
Fredericton-Moncton highway land (Note 3)	1	1
Fredericton-Moncton highway (Note 3)	804,372,178	822,447,957
Trans-Canada highway project – work in progress (Note 4)	35,532,314	104,602,355
Trans Canada highway project – completed sections (Note 4)	121,707,438	1
	<u>\$1,841,099,761</u>	<u>\$1,824,065,934</u>

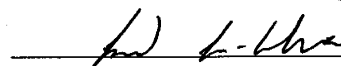
**LIABILITIES AND EQUITY**

---

Accounts payable	\$ 3,376,399	\$ 3,082,936
Accrued interest payable	82,387,302	84,211,118
Contractor's deposit (Note 7)	1,342,150	1,342,150
Capital lease obligation (Note 6)	792,381,980	808,379,416
Deferred contribution from Province of New Brunswick		
Fredericton-Moncton highway	804,372,178	822,447,957
Trans-Canada highway project	157,239,750	104,602,355
Contribution from Province of New Brunswick (Notes 3, 4)	2	2
	<u>\$1,841,099,761</u>	<u>\$1,824,065,934</u>

Approved by the Board

  
 \_\_\_\_\_ Chairperson

  
 \_\_\_\_\_ Member

---

**NEW BRUNSWICK HIGHWAY CORPORATION  
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE  
FOR THE YEAR ENDED 31 MARCH 2007**

---

	2007		2006
	Budget	Actual	
<b>REVENUE</b>			
Province of New Brunswick	\$ 78,556,441	\$78,298,864	\$ 75,935,546
Trans-Canada highway – amortization of deferred contribution from Province of New Brunswick	1,795,707	1,795,707	-
Fredericton-Moncton highway – amortization of deferred contribution from Province of New Brunswick	18,075,779	18,075,779	18,075,779
	<u>98,427,927</u>	<u>98,170,350</u>	<u>94,011,325</u>
<b>EXPENSE</b>			
Fredericton-Moncton highway operations and maintenance (Note 8)	10,183,400	10,119,293	9,539,686
Traffic count operations and maintenance (Note 8)	382,400	381,163	439,770
Fredericton-Moncton operating and administrative expense	235,000	210,964	199,499
New Brunswick (F-M) Project Company Inc. administrative expenditures	200,000	135,331	109,666
Trans-Canada Highway Project Co. Ltd administrative expenditures	274,700	161,161	107,044
Trans-Canada highway operations and maintenance (Note 8)	11,840,500	11,850,511	9,021,584
Trans-Canada highway – amortization expense	1,795,707	1,795,707	-
Fredericton-Moncton highway – amortization expense	18,075,779	18,075,779	18,075,779
Fredericton-Moncton interest expense	55,440,441	55,440,441	56,518,297
	<u>98,427,927</u>	<u>98,170,350</u>	<u>94,011,325</u>
<b>EXCESS OF REVENUE OVER EXPENSE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

---

**NEW BRUNSWICK HIGHWAY CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 MARCH 2007**

---

**1. New Brunswick Highway Corporation**

---

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

NBHC is the signatory for the Province in all agreements relating to the Fredericton-Moncton Highway Project 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, maintenance, and rehabilitation of the Fredericton-Moncton highway and the Trans-Canada highway from the Quebec border to Longs Creek are conducted in accordance with terms of the respective Project Agreements.

**2. Summary of significant accounting policies**

---

**Change in Accounting Policy**

Prior to 2006-07, capital assets were recorded net of federal recoveries. In 2006-07, capital assets are recorded at gross costs. As a result of this accounting change, the March 31, 2006 work-in-progress was restated from \$61,164,871 to \$104,602,355. The change had no impact on accumulated amortization nor to the amortization expense for 2006.

**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. This grant 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.

**Consolidation Policy**

These consolidated financial statements include the accounts of the Corporation and those of its wholly-owned subsidiary, Trans-Canada Highway Project Co. Ltd.

---

**NEW BRUNSWICK HIGHWAY CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 MARCH 2007**

---

**3. Fredericton-Moncton highway**

---

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

NBHC 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 pay interest on the toll-based debt. Any amount in excess of that required to service 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.

	2007	2006
Fredericton-Moncton highway		
Cost	\$ 903,788,964	\$ 903,788,964
Less: Accumulated amortization	99,416,786	81,341,007
Net book value	<u>\$ 804,372,178</u>	<u>\$ 822,447,957</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.

**4. 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 border (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 February 4, 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, finance, operate, manage, maintain, and rehabilitate a four-lane highway

---

**NEW BRUNSWICK HIGHWAY CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 MARCH 2007**

---

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

---

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. The Province is in the process of acquiring land and making improvements along the corridor. Work in progress at March 31, 2007 was \$35,532,314 (2006 - \$104,602,355, restated from \$61,164,871 to reflect gross of federal recoveries). Completed sections of the highway have been transferred from the Province to NBHC in a non-arm's length transaction. The initial transfer was treated as an equity contribution for financial statements purposes and has been recorded at the nominal amount of one dollar. The Pokiok to Longs Creek section was completed November 1, 2006 and transferred to NBHC at a value of \$123,503,144.

	2007	2006
Trans Canada Highway Project		
Cost	\$ 123,503,145	\$ 1
Less: Accumulated amortization	1,795,707	-
Net book value	<u>\$ 121,707,438</u>	<u>\$ 1</u>

The remaining sections of the corridor will be transferred at some point prior to completion.

**5. Accounts receivable**

---

The accounts receivable balance at 31 March 2007 of \$14,764,591 (2006 - \$13,754,303) 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.

**6. 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 2007 was \$792.4 million (2006 - \$808.4 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 \$1.64 billion, including principal and interest.

---

**NEW BRUNSWICK HIGHWAY CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 MARCH 2007**

---

**6. Capital lease obligation - continued**

---

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

<u>Fiscal Year</u>	<u>(millions)</u>
2007 – 2008	\$73.5
2008 – 2009	\$73.6
2009 – 2010	\$74.0
2010 - 2011	\$74.2
2011 - 2012	\$74.5

**7. Contractor's deposit**

---

The balance at 31 March 2007 of \$1,342,150 (2006 - \$1,342,150) is comprised of the balance remaining in 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.

**8. 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.

Under the terms of the Trans-Canada Highway Operation, Maintenance, and Rehabilitation Agreement, on June 1 2005 NBHC became responsible to make scheduled payments for the operation, maintenance, and rehabilitation of completed sections of the Trans-Canada highway.

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

**9. Staff resources**

---

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

---

**NEW BRUNSWICK HIGHWAY CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 2007**

---

**10. 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.





Financial Statements Of  
**New Brunswick Insurance Board**

March 31, 2007

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, 2007 and the statements of operations and surplus and cash flows for the year 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, 2007 and the results of its operations for the period then ended in accordance with Canadian generally accepted accounting principles.

Saint John, NB  
May 31, 2007

  
Chartered Accountant

## New Brunswick Insurance Board

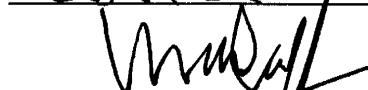
### Statement of Financial Position

As at March 31, 2007

	2007	2006
<b>Assets</b>		
Current:		
Cash in bank	\$ 227,061	\$ 785,458
Scotiabank GIC's (1-year cashable; 3.90%)	1,750,000	600,000
Accrued interest receivable	3,366	6,186
Harmonized sales tax recoverable	104,251	38,258
Prepaid expenses	9,918	9,223
	<u>2,094,596</u>	<u>1,439,125</u>
Office equipment and vehicle (note 3)	184,910	142,191
Less: accumulated amortization	(89,651)	(50,386)
	<u>95,259</u>	<u>91,805</u>
	<u>\$ 2,189,855</u>	<u>\$ 1,530,930</u>
<b>Liabilities</b>		
Current:		
Accounts payable and accrued liabilities	\$ 253,278	\$ 74,526
Employee deductions payable	14,760	19,657
Due to employee	25,361	-
Capital lease obligation- current portion (note 4)	4,905	6,779
Deferred assessments (note 7)	1,891,551	1,425,657
	<u>2,189,855</u>	<u>1,526,619</u>
Long-term:		
Capital lease obligation (note 4)	-	4,311
<b>Net assets</b>	<u>-</u>	<u>-</u>
	<u>\$ 2,189,855</u>	<u>\$ 1,530,930</u>
Commitment (note 6)		

Approved by the Board:

 Chairperson

 Vice-Chairperson

## New Brunswick Insurance Board

Statement of Operations and Surplus

For the year ended March 31, 2007

(comparative figures for the period April 1, 2005 to March 31, 2006)

	2007	2006
<b>Receipts</b>		
Assessments	\$ 1,725,322	\$ 1,268,039
Interest	21,250	14,633
Transfer from Public Utilities Board	-	43,421
	<b>1,746,572</b>	<b>1,326,093</b>
<b>Disbursements</b>		
Wages, benefits and other employee costs	637,368	450,996
Interest and bank charges	3,476	3,037
Travel	19,015	45,368
Advertising	1,013	3,186
Board member per diems	29,663	26,950
Board member stipends	45,000	46,250
Actuarial services	492,926	450,108
Rent	111,800	105,679
Amortization expense	39,266	33,860
Office expenses	37,713	26,447
Professional services	65,501	63,906
Training and education	28,945	6,277
Telecommunications	18,178	10,363
Rentals	2,369	6,765
Equipment lease	5,941	-
Public awareness campaign	171,632	35,807
Conferences and meetings	24,332	-
Insurance	1,241	909
Computer support	11,193	10,185
	<b>1,746,572</b>	<b>1,326,093</b>
<b>Net of receipts and disbursements</b>	<b>NIL</b>	<b>NIL</b>
<b>Net assets, beginning of year</b>	<b>NIL</b>	<b>NIL</b>
<b>Net assets, end of year</b>	<b>\$ NIL</b>	<b>\$ NIL</b>

## New Brunswick Insurance Board

### Statement of Cash Flows

For the year ended March 31, 2007

(comparative figures for the period April 1, 2005 to March 31, 2006)

	2007	2006
<b>Cash provided by (used in):</b>		
<b>Operations</b>		
Excess of receipts over disbursements	\$ -	\$ -
Item not involving an outlay of cash		
Amortization expense	39,266	33,860
	<u>39,266</u>	<u>33,860</u>
Decrease (increase) in accounts receivable	2,820	(810)
Decrease (increase) in HST recoverable	(65,993)	6,935
Decrease (increase) in prepaid expenses	(695)	(7,423)
Increase (decrease) in accounts payable	178,752	22,137
Increase (decrease) in employee deductions payable	(4,897)	2,075
Increase (decrease) in due to employee	25,361	-
Increase (decrease) in capital lease obligation	(6,185)	(6,075)
Increase (decrease) in loan payable	-	(500,000)
Increase (decrease) in deferred revenue	465,893	235,470
	<u>634,322</u>	<u>(213,831)</u>
<b>Investing</b>		
Purchase of office equipment and vehicle	(42,719)	(35,527)
Proceeds on the disposal of office equipment	-	14,627
Purchase of Scotiabank GIC's	(1,750,000)	(1,100,000)
GIC's redeemed	600,000	1,100,000
	<u>(1,192,719)</u>	<u>(20,900)</u>
Increase(decrease) in cash	(558,397)	(234,731)
Cash, beginning of year	785,458	1,020,189
<b>Cash, end of year</b>	<b>\$ 227,061</b>	<b>\$ 785,458</b>
<b>Interest paid during the year</b>	<b>\$ 840</b>	<b>\$ 1,588</b>

See accompanying notes to financial statements

## New Brunswick Insurance Board

Notes to Financial Statements

For the year ended March 31, 2007

### 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 and recovers 100% of the harmonized sales tax (HST) paid. HST is not collected on assessments to the insurance companies.

### 2. Significant Accounting Policies

#### (a) Method of accounting:

The Board 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) Office equipment and vehicles:

Office equipment and vehicles 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. Office equipment and vehicles

	2007		2006	
	Cost	Accumulated Amortization	Net book Value	Net book Value
Computer equipment	\$ 72,661	\$ 34,024	\$ 38,637	\$ 33,344
Computer software	3,524	1,313	2,211	1,402
Equipment under capital lease	19,508	14,603	4,905	11,090
Vehicle	20,161	8,064	12,097	16,129
Furniture and fixtures	69,056	31,647	37,409	29,840
	<b>\$ 184,910</b>	<b>\$ 89,651</b>	<b>\$ 95,259</b>	<b>\$ 91,805</b>

## New Brunswick Insurance Board

Notes to Financial Statements

For the year ended March 31, 2007

---

### 4. 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.

2008	\$ 5,110
Less: amount representing interest at a rate of 11.002%	<u>(205)</u>
Balance of obligation	4,905
Less: current portion	<u>(4,905)</u>
	<u>\$ -</u>

### 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 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 \$40,840 (2005: \$24,948). Any shortfall in the funding of the plan is guaranteed by the Province of New Brunswick, which is the sponsor of the plan.

### 6. Commitment

The Board negotiated an operating lease of its office premises for a period of 5 years commencing January 1, 2005. In 2007, the Board renegotiated their lease to include additional office space and extended the term for an additional period of 5 years. The minimum annual payments under the lease terms are as follows:

January 1, 2005 - December 31, 2007:	\$ 97,908
January 1, 2008 - December 31, 2010:	\$ 102,273
January 1, 2011 - December 31, 2015:	\$ 118,344

### 7. Deferred assessments

The Boards' expenses are funded 100% by the companies selling automobile insurance in the Province of New Brunswick. Annually, in advance of the coming fiscal year, the Board prepares an expense budget and assesses each company based on its proportion of the automobile premiums written in the Province of New Brunswick in the previous calendar year. Deferred assessments represents the assessments billed to the insurance companies in advance based on the budgeted expenses plus or minus adjustments between budgeted expenses and actual expenses as determined at each fiscal year-end.

### 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, 2007

**KPMG LLP****Chartered Accountants**

Frederick Square  
77 Westmorland Street Suite 700  
Fredericton NB E3B 6Z3  
Telephone (506) 452-8000  
Fax (506) 450-0072  
Internet [www.kpmg.ca](http://www.kpmg.ca)

One Factory Lane  
Place Marven's  
PO Box 827  
Moncton NB E1C 8N6  
Telephone (506) 856-4400  
Fax (506) 856-4499

Harbour Building  
133 Prince William Street  
PO Box 2388 Strn Main  
Saint John NB E2L 3V6  
Telephone (506) 634-1000  
Fax (506) 633-8828

## 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, 2007 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, 2007 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 LLP*

Chartered Accountants

Fredericton, Canada  
May 11, 2007

# NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

## Statement of Financial Position

March 31, 2007, with comparative figures for 2006

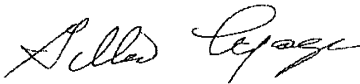
	2007	2006
<b>Assets</b>		
Current assets:		
Cash	\$ 26,203	\$ 5,122
Accounts receivable, Pension Funds	2,900,042	2,384,481
Other receivables	7,224	4,106
Prepaid expenses	243,945	266,581
	3,177,414	2,660,290
Capital assets (note 3)	218,373	229,199
	\$ 3,395,787	\$ 2,889,489

## Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,608,725	\$ 2,211,472
Harmonized sales tax	134,343	38,453
Current portion of pension liability (note 5)	23,717	23,114
	2,766,785	2,273,039
Pension liability (note 5)	254,224	277,968
Employee future benefit liability (note 6)	156,405	109,283
Deferred contributions related to capital assets (note 7)	218,373	229,199
Net assets	-	-
Commitments (note 4)		
	\$ 3,395,787	\$ 2,889,489

See accompanying notes to financial statements.

Approved on behalf of the Board:

  
Vice 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, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Fees:		
Public Service Superannuation Fund	\$ 6,000,522	\$ 4,735,099
Teachers' Pension Fund	5,131,260	4,115,250
Judges' Superannuation Fund	37,435	30,601
Amortization of deferred contributions related to capital assets	113,959	117,476
Other income	1,162	50,793
	<u>11,284,338</u>	<u>9,049,219</u>
Expenses:		
Salaries and benefits	4,353,615	3,799,508
Other services (note 8)	6,746,459	5,066,056
Materials and supplies	70,305	66,179
Amortization of capital assets	113,959	117,476
	<u>11,284,338</u>	<u>9,049,219</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

# NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2007

---

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 counselling 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.

# NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2007

## 1. Significant accounting policies (continued):

### (d) Revenue recognition:

Fees for service 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.

## 3. Capital assets:

				2007	2006
	Rate	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	33 1/3%	\$ 460,204	\$ 381,802	\$ 78,402	\$ 84,956
Furniture and equipment	8%	357,719	249,019	108,700	105,257
Leasehold improvements	Straight-line over remaining lease term	282,318	251,047	31,271	38,986
		\$ 1,100,241	\$ 881,868	\$ 218,373	\$ 229,199

# NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2007

## 4. Commitments:

The Corporation leases premises and equipment under various operating and capital leases which expire at various dates between 2008 and 2012.

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

2008	\$	250,951
2009		250,951
2010		250,951
2011		250,951
2012		210,001
	\$	1,213,805

## 5. Pension liability:

The Corporation has an estimated liability of approximately \$278,000 (2006 - \$301,000) 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.

# NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2007

## 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, 2007, the Corporation expensed contributions of \$237,220 under the terms of the Plan (2006 - \$214,275). The Corporation has no direct liability or entitlement to any unfunded liability or surplus in the plan related to its current or former employees.

### 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.

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 (19 years) of active employees.

The significant assumptions are as follows:

	Assumptions	
	2007	2006
Annual discount rate	5.00%	5.00%
Annual salary increases	3.00%	3.00%
Mortality	None	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	



# NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2007

## 6. Employee future benefits (continued):

### b) Retirement allowance:

Information on the retirement allowance obligation is as follows:

	2007	2006
Accrued benefit plan obligation		
Balance, beginning of year	\$ 239,404	\$ 203,300
Current service cost	27,896	25,304
Interest cost	12,700	10,800
Balance, end of year	280,000	239,404
Unamortized net actuarial gain	(30,200)	(30,500)
Unamortized transitional obligation	(93,395)	(99,621)
<b>Accrued benefit liability</b>	<b>\$ 156,405</b>	<b>\$ 109,283</b>

Benefit cost recognized in the year is as follows:

	2007	2006
Current service cost	\$ 27,896	\$ 25,304
Interest cost	12,700	10,800
Amortization:		
Transitional liability	6,226	6,226
Net actuarial loss	300	600
<b>Pension expense</b>	<b>\$ 47,122</b>	<b>\$ 42,930</b>

## 7. Deferred contributions related to capital assets:

	2007	2006
Balance, beginning of year	\$ 229,199	\$ 241,030
Additional contributions received, net	103,133	105,645
Less amounts amortized to revenue	(113,959)	(117,476)
<b>Balance, end of year</b>	<b>\$ 218,373</b>	<b>\$ 229,199</b>

# NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2007

## 8. Other services:

	2007	2006
External management fees and expenses	\$ 4,183,691	\$ 2,806,472
Custodial services	368,880	297,996
Travel	215,434	212,034
Office rent	264,674	258,616
Professional services	388,954	274,872
Information systems	1,084,761	1,029,092
Other	240,065	186,974
	<b>\$ 6,746,459</b>	<b>\$ 5,066,056</b>

## 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.

---

FINANCIAL STATEMENTS

**NEW BRUNSWICK**

**LEGAL AID SERVICES COMMISSION**

31 MARCH 2007

---

Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

Board of Directors of the  
New Brunswick Legal Aid Services Commission

I have audited the statement of financial position of the New Brunswick Legal Aid Services Commission as at 31 March 2007 and the statement of operations and surplus 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 2007 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 'Michael Ferguson'.

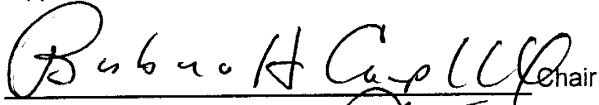
Michael Ferguson, CA  
Auditor General

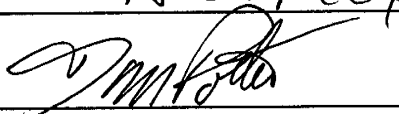
Fredericton, N. B.  
27 November 2007

**NEW BRUNSWICK LEGAL AID SERVICES COMMISSION**  
**STATEMENT OF FINANCIAL POSITION**  
**31 MARCH 2007**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 947,025	\$ 1,069,098
Accounts Receivable (Note 2)	236,267	171,785
Accounts Receivable - Federal Funding (Note 4)	149,758	633,406
Prepaid expenditures	13,331	1,940
	<u>1,346,381</u>	<u>1,876,229</u>
Long term assets		
Capital Assets (Note 2)	188,279	-
	<u>\$ 1,534,660</u>	<u>\$ 1,876,229</u>
<b>LIABILITIES AND SURPLUS</b>		
Current Liabilities		
Accounts Payable	\$ 1,162,150	\$ 1,153,743
Unearned Income	300	
Long-term Liabilities		
Accrued Retirement Benefits (Note 2)	148,593	\$ 139,371
Surplus	223,617	\$ 583,115
	<u>\$ 1,534,660</u>	<u>\$ 1,876,229</u>
Contingent liability (Note 7)		

Approved

 Chair

 Executive Director

**NEW BRUNSWICK LEGAL AID SERVICES COMMISSION**  
**STATEMENT OF OPERATIONS AND SURPLUS**  
**FOR THE YEAR ENDED 31 MARCH 2007**

	<u>2007</u>	<u>2006</u>
Revenue		
Province of NB	\$ 5,768,500	\$ 5,384,000
Federal Funding (Note 4)	599,035	599,035
NB Law Foundation (Note 5)	150,000	150,000
Costs Recovered from Liens	35,942	43,491
Contributions from Clients	42,980	35,365
Interest & Other	85,500	50,257
Total revenue	<u>\$ 6,681,957</u>	<u>\$ 6,262,148</u>
Expenses		
Certificate Fees & Disbursements - Criminal	\$ 791,180	\$ 769,732
Certificate Fees & Disbursements - Domestic	184,824	213,294
Duty Counsel Fees & Disbursements - Criminal	138,276	103,808
Duty Counsel Fees & Disbursements - Domestic	83,281	52,884
Investment Fund Expenditures (Note 4)	2,253,431	2,148,279
Court Appointed Fees & Disbursements	21,532	6,841
Alternate Solicitor Fees & Disbursements	257,743	178,742
Contract Lawyer Fees & Disbursements - domestic	169,942	345,878
Staff Lawyer Salaries - domestic	681,600	508,577
	<u>4,581,809</u>	<u>4,328,035</u>
Administration Expenses		
Salaries & Related Expenses	1,424,305	1,136,118
Office Rents	343,534	265,970
Telephone	51,433	50,391
Printing & Office Supplies	85,442	68,225
Postage	20,562	15,773
Travel	33,154	16,005
Professional Development & Training	10,753	5,416
Office Furniture & Equipment	77,439	48,841
Equipment Rentals & Service Contracts	23,114	33,377
Advertising	8,763	1,979
Insurance	875	2,810
Recoverable Lien Registration Fees	9,420	6,485
Miscellaneous	107,047	56,334
Duty Council Impact Study		26,158
Translation	8,367	8,652
Computer Upgrading & Maintenance	156,542	160,900
Professional Services	72,035	87,125
Moving Expenses/renovations	3,000	250
Service of Documents	8,823	5,806
Depreciation	15,037	61,454
	<u>2,459,645</u>	<u>2,058,069</u>
Total Expenses	<u>7,041,454</u>	<u>6,386,104</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE</b>	<u><b>(359,497)</b></u>	<u><b>(123,956)</b></u>
Surplus Beginning of Year	583,114	707,071
<b>SURPLUS, END OF YEAR</b>	<u><b>\$ 223,617</b></u>	<u><b>\$ 583,115</b></u>

---

**NEW BRUNSWICK LEGAL AID SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2007**

---

**1. Purpose of the organization**

---

The New Brunswick Legal Aid Services Commission was established under an amendment to the *Legal Aid Act* on December 12th, 2005. Prior to this date it operated under the name "Legal Aid New Brunswick". The Commission provides criminal and domestic legal aid services for eligible residents of the Province. These services are funded by grants from the Department of Justice and Consumer Affairs and by a grant from the New Brunswick Law Foundation.

**2. Significant Accounting Policies**

---

**(a) Account receivable**

Accounts receivable include amounts which have a likely expectation of collection in the near future. Amounts which could be collected in the future from liens placed on property or through costs and recoveries are only recognized when collected due to the uncertainty associated with the collection of such amounts.

Amounts due to the Commission as at 31 March 2007 represented by liens totalled \$1,166,632 (2006 - \$1,569,157). These amounts will only be collected if, and when, properties are sold which have liens registered against them.

**(b) Employee retirement benefits**

Full-time employees of the Commission are members of the New Brunswick Public Service Superannuation Plan. The plan is a defined benefit multi-employer plan under which contributions are made by both the Commission and its employees. The employer's contribution to the plan is accounted for as a defined contribution plan, as the Commission's obligation is limited to the amount of these contributions.

Retirement allowance entitlements are earned by employees at the rate of one week's pay for each full year worked to a maximum of twenty-five weeks. The amount of the retirement allowance is based upon years of service and the employee's final salary.

**(c) Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that could differ from actual results.

Estimates have been made of the retirement allowance benefits, earned to date, that may become payable in the future.

---

**NEW BRUNSWICK LEGAL AID SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2007**

---

**(d) Capital assets**

Capital asset are stated at cost. Amortization is computed using the following method and rates:

	<u>Method</u>	<u>Rate</u>
Furniture & equipment	Straight line	4 years
Computer software	Straight line	5 years
Leasehold improvements	Straight line	5 years

In the year of acquisition, capital assets purchased are amortized at one half of the normal rate.

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2007</u>	<u>2006</u>
Software	\$ 52,942	\$ -	\$ 52,942	\$ -
Leasehold Improvements	<u>150,374</u>	<u>15,037</u>	<u>135,337</u>	<u>-</u>
	<u>\$ 203,316</u>	<u>\$ 15,037</u>	<u>\$ 188,279</u>	<u>\$ -</u>

**3. Change in accounting policy**

---

The Commission has adopted capital asset reporting in 2007. As a result of this adoption, capital assets are now set up on the Statement of financial position and amortized to expense over the expected service life of the asset. Purchases of capital assets are no longer fully included in the statement of operation in the year of purchase.

The comparative figures in these financial statements for fiscal 2006 have been restated to reflect this change. The impact on the financial statements for 2006 was to increase the deficit for that year by \$61,454 and to increase opening surplus by \$61,454. Opening surplus for the 2007 fiscal year remained unchanged.

**4. Federal funding - Criminal**

---

Investment Fund Projects

The Commission was involved with a three-year project funding agreement which was reached between the federal Minister of Justice and the provincial Minister of Justice. The Investment Fund Project agreement covered fiscal years 2003/2004, 2004/2005 and 2005/2006. The funding agreement was extended for a fourth year 2006/2007.

This agreement will cover some of the cost of a project to develop and implement innovative approaches for the delivery of legal aid services to:

1. improve and strengthen client access to legal assistance;
2. continue to improve francophone services;
3. improve and expand specialized legal aid services for mentally challenged accused and for aboriginals; and
4. improve duty counsel services for all clients.



---

**NEW BRUNSWICK LEGAL AID SERVICES COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2007**

---

Principal activities:

1. Bilingual staff duty Counsel in Edmunston and Grand Falls.
2. Staff Supervisory Duty Counsel in four areas.
3. Aboriginal Duty Counsel.
4. Detainee (Brydges) calls.
5. Mental Health Court in Saint John.
6. Rural Duty Counsel Services.
7. Service diversification.

**5. New Brunswick Law Foundation grant - Domestic**

---

The Law Foundation Board had committed a maximum of \$150,000 or 50% of its available grant money, whichever is the lesser of the two, on an annual basis for a period of three years commencing with the year ended 31 March 2004. The Law Foundation Board extended the grant money for the year ended 31 March 2007.

**6. Federal funding (Base)**

---

Pursuant to Federal-Provincial cost sharing agreements, the Provincial Department of Justice submits a claim each year to the Government of Canada for recovery of a portion of expenses incurred by the Commission for adult criminal legal aid and young offender criminal legal aid.

**7. Contingent Liability**

---

At 31 March 2007, 253 criminal certificates, 38 domestic certificates and 69 domestic legal services certificates were issued and outstanding for eligible applicants. The estimated cost to complete these certificates is \$294,152. No allowance has been made in these financial statements for this contingency.

**8. Commitment**

---

The Commission rents office facilities under operating leases which expire at various dates. Future minimum payments remaining under the leases as at 31 March 2007 are as follows:

2008	\$	208,507
2009		204,643
2010		193,838
2011		129,699
2012		41,078
	\$	<u>777,765</u>

**9. 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.

**10. Comparative figures**

---

Changes in accounting policy for capital assets: the 2006 comparative figures have been restated to include accumulated purchases \$5000 and over for the past five years to conform with 2007 financial statements presentation.



**NEW BRUNSWICK LIQUOR CORPORATION  
AUDITED FINANCIAL STATEMENTS  
MARCH 31, 2007**



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

## MANAGEMENT REPORT

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 judgments and estimates consistent with generally accepted accounting principles in Canada. Financial information presented elsewhere in this Annual Report is consistent with these financial statements.

The Corporation maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Audit department performs audits designed to test the adequacy and consistency of the Corporation's internal controls, practices and procedures.

The Board of Directors is assisted in its responsibilities by its Audit Committee. This committee reviews and recommends approval of the financial statements and Annual Report, meets periodically with management, the Manager of Internal Audit and the external auditors, concerning internal controls and all other matters relating to financial reporting.

Grant Thornton, LLP, the external auditors of the Corporation, have performed an independent audit of the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and the opinion expressed.



Dana Clendenning  
President & CEO



Richard A. Smith, C.G.A., C.M.A.  
Senior Vice-President & CFO

May 23, 2007

Grant Thornton LLP  
Chartered Accountants  
Management Consultants

Grant Thornton 

## Auditors' Report

To the Directors of the  
**New Brunswick Liquor Corporation**

We have audited the balance sheet of the **New Brunswick Liquor Corporation** at March 31, 2007 and the statements of earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

Fredericton, New Brunswick  
May 23, 2007

Grant Thornton LLP  
Chartered Accountants

570 Queen Street  
P.O. Box 1054  
Fredericton, NB E3B 5C2  
T (506) 458-8200  
F (506) 453-7029  
E [Fredericton@GrantThornton.ca](mailto:Fredericton@GrantThornton.ca)  
W [www.GrantThornton.ca](http://www.GrantThornton.ca)

Canadian Member of Grant Thornton International

**BALANCE SHEET**

March 31

**Assets**

2007

2006

*Current Assets*

Cash	\$ 3 026 274	\$ 940 596
Receivables	2 692 141	2 428 048
Inventories (note 3)	17 831 352	16 513 988
Prepaid expenses	427 574	463 446
	<u>23 977 341</u>	<u>20 346 078</u>

Deposit - injured workers (note 4)	<u>698 505</u>	<u>737 920</u>
------------------------------------	----------------	----------------

Property, plant and equipment (note 5)	<u>12 671 780</u>	<u>11 825 845</u>
--	-------------------	-------------------

	<u><u>\$ 37 347 626</u></u>	<u><u>\$ 32 909 843</u></u>
--	-----------------------------	-----------------------------

**Liabilities***Current Liabilities*

Payables and accrued liabilities	<u>\$ 18 197 887</u>	<u>\$ 18 256 659</u>
----------------------------------	----------------------	----------------------

**Equity of the Province of New Brunswick**

Balance at beginning of year	14 653 184	11 690 104
Net earnings	<u>131 482 628</u>	<u>126 123 003</u>
	146 135 812	137 813 107
Payments to the Province of New Brunswick	<u>126 986 073</u>	<u>123 159 923</u>
Balance at end of year	<u>19 149 739</u>	<u>14 653 184</u>
	<u><u>\$ 37 347 626</u></u>	<u><u>\$ 32 909 843</u></u>

Commitments (note 13)

See accompanying notes to the financial statements

APPROVED BY THE BOARD:



Director



Director

## STATEMENT OF EARNINGS

Year ended March 31

	Budget 2007	Actual 2007	Actual 2006
Total sales (note 6)	\$355 871 502	\$359 906 043	\$344 107 044
Less: commissions	4 850 099	4 999 252	4 679 139
Net sales	<u>351 021 403</u>	<u>354 906 791</u>	<u>339 427 905</u>
Cost of sales (note 7)	183 310 747	184 386 176	176 518 333
Gross profit	<u>167 710 656</u>	<u>170 520 615</u>	<u>162 909 572</u>
Other income (note 8)	1 334 477	1 502 847	1 557 575
	<u>169 045 133</u>	<u>172 023 462</u>	<u>164 467 147</u>
 Operating expenses (note 9)	 <u>41 311 546</u>	 <u>40 540 834</u>	 <u>38 344 144</u>
Net earnings	 <u><u>\$127 733 587</u></u>	 <u><u>\$131 482 628</u></u>	 <u><u>\$126 123 003</u></u>

See accompanying notes to the financial statements

## STATEMENT OF CASH FLOWS

Year ended March 31

	2007	2006
<b>Cash from Operations</b>		
Net earnings	\$131 482 628	\$126 123 003
Items not involving cash:		
Depreciation	2 173 789	1 916 040
Loss on sale of property, plant and equipment	528 086	12 043
Decrease in deposit - injured workers	39 415	46 900
Change in non-cash working capital	<u>(1 604 357)</u>	<u>( 934 539)</u>
Cash available from operations	<u>132 619 561</u>	<u>127 163 447</u>
 <b>Net Capital Investments</b>		
Additions to property, plant and equipment	(3 728 895)	(3 469 992)
Proceeds from sale of property, plant and equipment	181 085	234 124
Net cash used for capital investments	<u>(3 547 810)</u>	<u>(3 235 868)</u>
 <b>Payments to the Province of New Brunswick</b>	 <u>(126 986 073)</u>	 <u>(123 159 923)</u>
 <b>Increase in Cash</b>	 2 085 678	 767 656
 <b>Cash at Beginning of Year</b>	 <u>940 596</u>	 <u>172 940</u>
 <b>Cash at End of Year</b>	 <u><u>\$ 3 026 274</u></u>	 <u><u>\$ 940 596</u></u>

See accompanying notes to the financial statements

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2007

### 1. 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.

### 2. 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. Total sales reported includes sales to retail customers, licensed establishments and agency stores. Amounts do not include the subsequent resale by licensed establishments and agency stores.

#### Inventories

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

#### 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	25%

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

#### 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 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.



## 2. 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.

### 3. Inventories

	2007	2006
Spirits, wine, other beverages and beer	\$17 717 314	\$16 301 667
Supplies	114 038	212 321
	<u>\$17 831 352</u>	<u>\$16 513 988</u>

### 4. 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 2007 was \$97 726 (\$80 886 in 2006). The actual cost of claims is deducted from the deposit in the year the expense is incurred. Actual costs for 2007 were \$137 141 (\$127 786 in 2006). 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.

### 5. Property, Plant and Equipment

	Cost	Accumulated Depreciation	2007 Net	2006 Net
Land	\$ 201 945		\$ 201 945	\$ 207 995
Paving	503 342	\$ 460 988	42 354	34 615
Buildings	11 809 347	7 057 641	4 751 706	4 545 120
Leasehold improvements	5 301 375	3 561 952	1 739 423	2 047 384
Furniture, fixtures and equipment	10 813 580	8 839 129	1 974 451	1 706 916
Automotive equipment	226 086	186 181	39 905	54 484
Retail automation equipment	2 758 275	1 882 885	875 390	623 272
Software and services	3 560 304	1 174 502	2 385 802	1 882 350
Refrigeration equipment	3 105 941	2 445 137	660 804	723 709
	<u>\$38 280 195</u>	<u>\$25 608 415</u>	<u>\$12 671 780</u>	<u>\$11 825 845</u>

**6. Total Sales**

	<b>Budget 2007</b>	<b>Actual 2007</b>	<b>Actual 2006</b>
Spirits	\$ 80 867 149	\$ 81 945 712	\$ 78 165 020
Wine	50 759 618	51 345 718	46 670 572
Other beverages	19 156 520	19 443 683	18 812 706
Beer	205 088 215	207 170 930	200 458 746
	<b><u>\$355 871 502</u></b>	<b><u>\$359 906 043</u></b>	<b><u>\$344 107 044</u></b>

**7. Cost of Sales**

	<b>Spirits</b>	<b>Wine</b>	<b>Other beverages</b>	<b>Beer</b>	<b>2007 Total</b>	<b>2006 Total</b>
Inventories at beginning of year	\$ 5 380 531	\$ 6 180 579	\$ 994 944	\$ 3 745 613	\$ 16 301 667	\$ 17 234 382
Purchases	19 467 981	19 838 504	8 212 379	119 451 488	166 970 352	157 550 092
Freight	724 643	1 663 572	469 671	304 789	3 162 675	2 865 763
Duty and excise tax	12 165 996	2 241 785	796 031	464 984	15 668 796	15 169 763
	<u>37 739 151</u>	<u>29 924 440</u>	<u>10 473 025</u>	<u>123 966 874</u>	<u>202 103 490</u>	<u>192 820 000</u>
Inventories at end of year	5 057 023	7 817 344	929 240	3 913 707	17 717 314	16 301 667
	<b><u>\$32 682 128</u></b>	<b><u>\$22 107 096</u></b>	<b><u>\$ 9 543 785</u></b>	<b><u>\$120 053 167</u></b>	<b><u>\$184 386 176</u></b>	<b><u>\$176 518 333</u></b>

**8. Other Income**

	<b>Budget 2007</b>	<b>Actual 2007</b>	<b>Actual 2006</b>
Merchandising programs	\$ 1 213 000	\$ 1 459 000	\$ 1 179 445
Private importation revenue	55 468	69 453	57 070
Beer voucher administration fees	18 000	14 955	16 100
Unredeemed beverage container deposits	101 832	151 564	110 431
Subscriptions to sales reports	10 300	13 600	8 515
Loss on sale of property, plant and equipment	( 217 855)	( 528 086)	( 12 043)
Interest on deposit - injured workers	57 000	97 726	80 886
Sundry	96 732	224 635	117 171
	<b><u>\$1 334 477</u></b>	<b><u>\$1 502 847</u></b>	<b><u>\$1 557 575</u></b>

## 9. Operating Expenses

	Budget 2007	Actual 2007	Actual 2006
Salaries - stores, warehouse and maintenance	\$15 930 459	\$16 210 689	\$15 416 778
- administration	4 169 006	4 077 180	4 018 315
Employee benefits	5 294 036	4 962 115	4 592 217
Rent	4 025 328	4 015 216	3 661 654
Heat and light	1 343 976	1 278 787	1 127 659
Depreciation	2 266 132	2 173 789	1 916 040
Training programs	175 000	133 158	165 163
Trucking	1 023 199	944 008	881 317
Repairs to property, plant and equipment	493 971	481 781	502 360
Property taxes	367 955	350 246	371 426
Minor equipment and supplies	720 725	654 089	587 582
Security	259 664	277 136	254 382
Retail automation system maintenance	259 484	188 953	268 083
Travel	363 617	331 796	266 220
Beverage container redemption costs	688 106	716 209	607 491
Shopping bags	337 080	296 836	303 755
Data processing	279 316	206 457	234 341
Telecommunications	481 961	527 652	550 951
Motor vehicle operation	50 176	45 913	50 331
Cleaning	211 405	180 554	180 329
Shortages	60 000	79 022	62 225
Management meetings	67 117	71 187	44 724
Postage	83 335	76 215	80 273
Professional services	250 300	223 065	322 368
Bank charges	1 442 507	1 438 612	1 308 637
Warehouse maintenance and supplies	69 770	72 787	68 475
Insurance	79 152	77 795	75 383
Advertising and promotions	291 573	277 500	284 476
Directors' remuneration	93 050	38 259	37 321
Other	134 146	133 828	103 868
	<u>\$41 311 546</u>	<u>\$40 540 834</u>	<u>\$38 344 144</u>

## 10. Financial Instruments

The Corporation's financial instruments consist of cash, receivables, and payables and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values.

## 11. Related Party Transactions

These financial statements include the results of normal operating transactions with various Provincial Government controlled departments, agencies and Crown Corporations, with which the Corporation may be considered related.

## 12. Employee Future Benefit Plans

### Pension Plan

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. Since sufficient information is not readily available to account for the Corporation's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting rules for defined contribution pension plans. For the year ended March 31, 2007, the Corporation expensed contributions of \$1 266 503 (\$1 176 857 in 2006) under the terms of the Plan. An independent actuary determines funded status of the plan and makes recommendations on required special payments, if any. The most recent actuarial valuation of the Plan as at April 1, 2005 determined that the Plan is not fully funded and as such special funding payments are required. Payables and accrued liabilities reflects the payment required for 2007/08 of \$681 475. The next scheduled actuarial valuation is April 1, 2008 at which time future funding requirements will be determined.

### Retiring Allowances

Included in payables and accrued liabilities is an amount related to the retiring allowance plan. Information relating to the retirement allowance plan is as follows. This is based on the most recent actuarial valuation dated April 1, 2005:

	2007	2006
Reconciliation of Accrued Benefit Obligation:		
Balance, beginning of year	\$ 3 233 958	\$ 3 112 500
Current service cost	155 300	151 500
Interest cost	194 293	177 125
Benefits paid	<u>( 479 193)</u>	<u>( 207 167)</u>
Balance, end of year, and funded status - deficit	3 104 358	3 233 958
Less: Unamortized transitional obligation	<u>1 000 000</u>	<u>1 200 000</u>
Accrued benefit liability	<u><u>\$ 2 104 358</u></u>	<u><u>\$ 2 033 958</u></u>

Significant actuarial assumptions used in determining the Corporation's accrued benefit obligation were a discount rate of 6.0% and a rate of salary escalation of 2.5%.

## 13. Commitments

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2008 and 2018. 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, 2007, initial lease terms in excess of one year:

2008	\$ 3 750 609
2009	3 466 088
2010	3 213 215
2011	2 897 375
2012	2 307 568
2013 to 2018	<u>6 961 632</u>
	<u><u>\$22 596 487</u></u>

**14. Budget**

The 2007 budget figures that are presented for comparison with the actual figures were approved by the Corporation's Board of Directors and have not been audited.

**15. Comparative Figures**

Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2007.



---

**FINANCIAL STATEMENTS**

**NEW BRUNSWICK**

**MUNICIPAL FINANCE CORPORATION**

**31 DECEMBER 2006**

---

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 2006 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the 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 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'M. Ferguson'.

Michael Ferguson, CA  
Auditor General

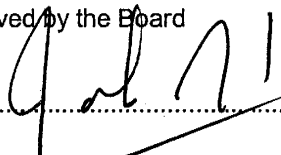
Fredericton, N. B.  
21 March 2007

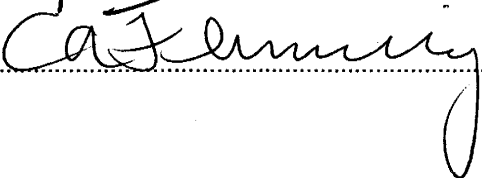


**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION**  
**BALANCE SHEET**  
**31 DECEMBER 2006**

	2006	2005
<b>ASSETS</b>		
Cash and short-term investments	\$ 1,049,122	\$ 1,029,889
Accrued interest receivable from municipalities and municipal enterprises	4,774,001	5,109,889
Accrued investment income receivable	9,354	-
	<u>5,832,477</u>	<u>6,139,778</u>
Long term investments	881,000	689,000
Unamortized premiums less discounts	( 192,052)	( 185,739)
	<u>688,948</u>	<u>503,261</u>
Loans to municipalities and municipal enterprises (Note 3)	559,425,000	495,625,000
	<u>\$ 565,946,425</u>	<u>\$ 502,268,039</u>
<b>LIABILITIES AND RETAINED EARNINGS</b>		
Accounts payable	\$ 1,029	\$ 6,851
Accrued interest payable on debenture debt	4,789,454	5,122,567
Debenture debt (Note 4)	560,134,000	496,147,000
	<u>564,924,483</u>	<u>501,276,418</u>
Retained earnings	1,021,942	991,621
	<u>\$ 565,946,425</u>	<u>\$ 502,268,039</u>

Approved by the Board

  
 ..... Director

  
 ..... Director

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006	2005
<b>REVENUE</b>		
Interest from municipalities and municipal enterprises	\$ 25,092,544	\$ 24,318,087
Retained for debenture issue expenses	202,025	144,126
Investment income	39,216	27,849
Amortization of discount	27,997	19,098
	<u>25,361,782</u>	<u>24,509,160</u>
<b>EXPENSE</b>		
Interest paid on debentures	25,125,225	24,343,625
Other expenses	206,236	228,293
	<u>25,331,461</u>	<u>24,571,918</u>
<b>NET INCOME (LOSS) FOR THE YEAR</b>	30,321	( 62,758)
Retained earnings, beginning of year	991,621	1,054,379
<b>RETAINED EARNINGS, end of year</b>	<u>\$ 1,021,942</u>	<u>\$ 991,621</u>

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006	2005
<b>CASH PROVIDED BY (USED FOR):</b>		
Operating activities:		
Net income (loss) for the year	\$ 30,321	\$ ( 62,758)
Add (deduct)		
Amortization of discount	( 27,997)	( 19,098)
Decrease (increase) in non-cash components of working capital	(12,401)	11,249
	<u>( 10,077)</u>	<u>( 70,607)</u>
Financing activities:		
Proceeds on sale of debentures	134,111,591	95,934,197
Funds retained for debenture issues expenses	( 202,025)	( 144,126)
Principal paid on debenture debt	( 70,713,000)	( 67,295,000)
	<u>63,196,566</u>	<u>28,495,071</u>
Investing activities:		
Loans to municipalities and municipal enterprises	( 133,909,566)	( 95,790,070)
Principal repayments made by municipalities and municipal enterprises	70,900,000	67,532,000
Long term investments	( 157,690)	( 217,686)
	<u>( 63,167,256)</u>	<u>( 28,475,756)</u>
<b>INCREASE (DECREASE) IN CASH</b>	19,233	( 51,292)
Cash position, beginning of year	<u>1,029,889</u>	<u>1,081,181</u>
<b>CASH POSITION, end of year</b>	<u>\$ 1,049,122</u>	<u>\$ 1,029,889</u>

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2006**

---

**1. General**

---

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. The cash value of any discount or premium arising on the issuance of debenture debt is transferred to the municipality or municipal enterprise. As the discounts or premiums on loans to municipalities and municipal enterprises and on debenture debt are of equal value, there is no effect on the financial statements. Therefore, discounts or premiums are neither recorded on the balance sheet nor amortized over the life of the respective financial instruments.

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:

2007	\$75,509,000
2008	\$67,889,000
2009	\$64,515,000
2010	\$57,479,000
2011	\$56,170,000

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2006**

**4. Debenture debt**

- (a) The following debenture debt outstanding at 31 December 2006 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	\$ 606,000
* "AC"	16 Oct. 1997	16 Oct. 1998 to 2007	4.125% to 6%	36,187,000	6,930,000
"AD"	18 Dec. 1997	18 Dec. 1998 to 2007	4.25% to 5.75%	34,346,000	7,880,000
"AE"	25 Aug. 1998	25 Aug. 1999 to 2008	5.25% to 5.625%	26,566,000	6,168,000
"AF"	15 Dec. 1998	15 Dec. 1999 to 2008	5.125% to 5.5%	29,838,000	10,382,000
"AG"	11 Aug. 1999	11 Aug. 2000 to 2009	5.2% to 5.75%	31,633,000	11,712,000
**AH"	14 Dec. 1999	14 Dec. 2000 to 2009	5.7% to 6.5%	33,575,000	13,709,000
"AI"	10 Aug. 2000	10 Aug. 2001 to 2010	6.1% to 6.4%	31,887,000	14,097,000
"AJ"	19 Dec. 2000	19 Dec. 2001 to 2010	6% to 6.125%	27,801,000	12,193,000
"AK"	17 July 2001	17 July 2002 to 2011	4.45% to 6.2%	28,920,000	17,196,000
"AL"	30 Nov. 2001	30 Nov. 2002 to 2011	2.45% to 5.5%	42,281,000	23,791,000
"AM"	12 July 2002	12 July 2003 to 2012	3.375% to 5.75%	52,016,000	33,836,000
**AN"	23 Dec. 2002	23 Dec. 2003 to 2012	3.1% to 5.6%	24,625,000	15,771,000
"AO"	28 July 2003	28 July 2004 to 2013	3.05% to 5.0%	41,532,000	31,417,000
"AP"	17 Dec. 2003	17 Dec 2004 to 2013	2.75% to 5.125%	51,873,000	38,019,000
**AQ"	8 July 2004	8 July 2005 to 2014	2.75% to 5.50%	27,040,000	22,962,000
"AR"	16 Dec. 2004	16 Dec. 2005 to 2014	2.75% to 4.80%	78,919,000	68,739,000
**AS"	7 July 2005	7 July 2006 to 2015	2.85% to 4.35%	21,781,000	20,122,000
"AT"	7 Dec. 2005	7 Dec. 2006 to 2015	3.75% to 4.375%	75,023,000	69,904,000
**AU"	13 jun. 2006	13 Jun. 2007 to 2016	4.15% to 4.70%	29,249,000	29,249,000
**AV"	1 Dec. 2006	1 Dec. 2007 to 2016	4.15% to 4.45%	105,451,000	105,451,000
				<u>\$ 864,985,000</u>	<u>\$ 560,134,000</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:

2007	\$75,380,000
2008	\$67,825,000
2009	\$64,521,000
2010	\$57,564,000
2011	\$56,342,000

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2006**

---

**5. Financial Instruments**

---

Fair value

The fair values of short-term investments, accrued interest receivable, investment income receivable, accounts payable and accrued interest payable are assumed to approximate their carrying amounts because of their short term to maturity.

The fair value of long-term investments is \$692,678.

The issue and repayment terms of the loans to municipalities and municipal enterprises and the debenture debt are in most cases identical, and in each case the asset and liability is intended to be held to maturity. For these two reasons, their fair value is considered to be the equivalent of par value.

Interest rate risk

The Corporation's rate of interest charged on loans to municipalities and municipal enterprises is equal to its cost of borrowing, thereby eliminating interest rate risk.

Credit risk

Since Section 14 of the New Brunswick Municipal Finance Corporation Act provides for the recovery of any defaults by municipalities and municipal enterprises by the Corporation, an allowance for doubtful accounts is not required.

It is management's opinion that the Corporation is not exposed to significant interest or credit risk arising from financial instruments.

# **The New Brunswick Museum**

**Consolidated Financial Statements  
For The Year Ended March 31, 2007**

**Ashe, Casey & Mills**  
Chartered Accountants

206 King Street West  
Saint John  
New Brunswick  
E2M 1S6

Tel: (506) 635-1802  
Fax: (506) 635-1832

## Auditor's Report

To the Directors of  
The New Brunswick Museum

We have audited the consolidated balance sheet of **The New Brunswick Museum** (the "Museum") as of March 31, 2007 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 of 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, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

May 18, 2007  
Saint John, NB



Chartered Accountants



## The New Brunswick Museum

Consolidated Balance Sheet  
As At March 31, 2007

### ASSETS

	General Fund \$	Property and Equipment Fund \$	Restricted Fund \$	Endowment Fund \$	2007 \$	2006 \$
<b>Assets</b>						
Cash	96,512	-	799	44,068	141,379	111,475
Short-term investments (note 3)	299,196	-	76,762	-	375,958	69,179
Accounts receivable - trade	26,327	-	-	30,532	56,859	54,217
Accounts receivable - grants	11,982	-	120,742	-	132,724	226,305
Inventory	43,114	-	-	-	43,114	44,843
Due from Province of New Brunswick	-	-	-	-	-	143,394
	477,131	-	198,303	74,600	750,034	649,413
<b>Investments (note 3)</b>	-	-	-	1,448,830	1,448,830	1,209,286
<b>Property and Equipment (note 4)</b>	-	111,608	-	-	111,608	137,353
<b>Collection and Accessions (note 2)</b>	2	-	-	-	2	2
	477,133	111,608	198,303	1,523,430	2,310,474	1,996,054

### LIABILITIES AND FUND BALANCES

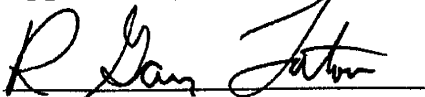
#### Current Liabilities

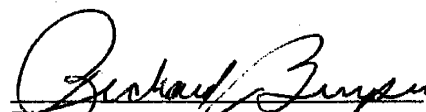
Accounts payable and accrued liabilities	145,628	-	24,226	-	169,854	181,933
Interfund loans	182,840	-	(182,303)	(537)	-	-
Due to Province of New Brunswick	132,376	-	(90,420)	-	41,956	-
	460,844	-	(248,497)	(537)	211,810	181,933

#### Fund Balances

Unrestricted	16,289	-	-	-	16,289	16,416
Internally restricted	-	-	144,279	58,000	202,279	112,728
Externally restricted	-	-	302,521	-	302,521	386,597
Endowments	-	-	-	1,170,800	1,170,800	1,161,027
Cumulative net unrealized gains and losses on available for sale endowment assets	-	-	-	295,167	295,167	-
Property and equipment	-	111,608	-	-	111,608	137,353
	16,289	111,608	446,800	1,523,967	2,098,664	1,814,121
	477,133	111,608	198,303	1,523,430	2,310,474	1,996,054

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, 2007

	General Fund \$	Property and Equipment Fund \$	Restricted Fund \$	Endowment Fund \$	2007 Total \$	2006 Total \$
<b>Revenues</b>						
Grants						
Provincial	2,181,568	-	255,448	-	2,437,016	2,084,472
Federal	-	-	55,895	-	55,895	77,767
Department of Canadian Heritage	-	-	33,807	-	33,807	106,956
Interest income	12,875	-	804	54,093	67,772	63,432
Webster Foundation	-	-	-	41,910	41,910	37,455
Museum services (note 5)	156,991	-	7,831	-	164,822	170,771
Other grants	10,000	-	113,001	-	123,001	90,903
Bequests and donations	-	-	80,841	13,915	94,756	223,485
	<u>2,361,434</u>	<u>-</u>	<u>547,627</u>	<u>109,918</u>	<u>3,018,979</u>	<u>2,855,241</u>
<b>Expenditures</b>						
Salaries and benefits	1,871,150	-	191,825	-	2,062,975	1,892,936
Materials, supplies and services	475,370	-	374,316	11,964	861,650	892,831
Collections and accessions	27,530	-	15,766	-	43,296	25,900
Amortization	-	68,511	-	-	68,511	73,758
Research grants	4,900	-	-	-	4,900	3,500
	<u>2,378,950</u>	<u>68,511</u>	<u>581,907</u>	<u>11,964</u>	<u>3,041,332</u>	<u>2,888,925</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(17,516)	(68,511)	(34,280)	97,954	(22,353)	(33,684)
<b>Gain on sale of investments</b>	-	-	-	11,729	11,729	49,307
<b>Net surplus (deficit)</b>	(17,516)	(68,511)	(34,280)	109,683	(10,624)	15,623
<b>Fund balance - Beginning of year</b>	16,416	137,353	407,233	1,253,119	1,814,121	1,798,498
<b>Inter fund transfers</b>	17,389	42,766	73,847	(134,002)	-	-
<b>Unrealized gains and losses on available for sale financial assets arising during the period</b>	-	-	-	295,167	295,167	-
<b>Fund balance - End of year</b>	<u>16,289</u>	<u>111,608</u>	<u>446,800</u>	<u>1,523,967</u>	<u>2,098,664</u>	<u>1,814,121</u>

## The New Brunswick Museum

Notes to Consolidated Financial Statements  
For the year ended March 31, 2007

---

### 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 Funds

These funds reflect the day-to-day operating transactions of the Museum.

#### Property and Equipment Fund

This fund reports the property and equipment owned by the Museum. The Museum's premises are provided by the Province of New Brunswick.

Assets are stated at cost and are amortized on a straight-line basis over their estimated useful lives as follows:

Computer equipment	33%
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, 2007

---

### 2. Significant Accounting Policies (Continued)

#### Restricted Funds

These funds include 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 funds* - 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 Funds

These funds include amounts held for the long-term benefit of the Museum, the income for which is to be used for various restricted purposes. The Endowment Funds include the following individual funds whose stated purpose is as follows:

*General Donation Fund* - All un designated donations are applied to this Fund upon receipt. Board Resolution may subsequently transfer these donations to the Legacy Collection or Name Donor Endowment Funds. Principal and income deriving from the Fund may be used for programs or collections of the Museum, at the discretion of the Board.

*Legacy Endowment Fund* - Income from the Legacy Endowment Fund is used to fund programs of the Museum.

*Collection Endowment Fund* - Income from the Collections Fund is designated for the acquisition of artifacts for the Museum's collection.

#### *Research Endowment Funds*

- *Matthew Research Fund* - Established by the New Brunswick Museum in 1987 to support geological research in New Brunswick by non-staff researchers. Scholarships are reviewed and approved by Management upon recommendation of the Curator of Geology.
- *Christie Research Fund* - Established by the New Brunswick Museum in 1987 to support research in natural science by non-staff researchers. Scholarships are reviewed and approved by Management upon recommendation of the Curator of Zoology.

## The New Brunswick Museum

Notes to Consolidated Financial Statements  
For the year ended March 31, 2007

---

### 2. Significant Accounting Policies (continued)

#### Endowment Funds (continued)

*Named Donor Endowment Funds* - These funds comprise individual trusts established to carry out the terms and conditions of certain bequests, as required. Disbursements from these trusts are made in accordance with the terms set by the donor.

*Webster Fund* - Funds received from the Webster Foundation are applied toward certain humanities programs under the General Fund.

Interest income earned on these contributions is classified as externally restricted assets to be applied towards the programs described above. Amounts approved by the Board to be transferred to the General Funds in the following financial year to fund such projects are classified as internally restricted assets.

#### Investments

Investments purchased by the Museum are classified as available for sale and are recorded at market value. 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.

#### 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 300 meters of archival material, 45,000 monographs and 500 periodical titles. The natural science holdings, numbering about 317,000 specimens or specimen lots, include botanical, palaeontology and zoological collections.

#### Contributed Services

Volunteers contributed approximately 1,600 hours (2006 - 1,850) to assist the Museum in carrying out its service delivery activities.

## The New Brunswick Museum

Notes to Consolidated Financial Statements  
For the year ended March 31, 2007

### 2. Significant Accounting Policies (continued)

#### 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, provisions for doubtful accounts and 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, accounts payable and accrued liabilities and amounts due to/from the Province of New Brunswick. The fair values of these instruments approximate their carrying value due to their short-term nature unless otherwise noted.

Effective April 1, 2006 the Museum adopted the CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement. The Museum has designated all of its investments as available for sale and are stated at fair value. As a result of adopting this new section, the Museum recorded a non-cash credit of \$295,167 to the endowment fund for the change in accounting for financial assets classified as available for sale and measured at fair value rather than cost as at commencement of the current fiscal year.

#### Comparative Figures For The Prior Year

Figures for 2006 have been audited by another auditor.

### 3. Investments

Investments comprise the following:

	<u>2007</u>		<u>2006</u>	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
<b>Short-term investments</b>				
Treasury bills	375,958	375,958	69,179	69,179
<b>Long-term investments</b>				
Bonds	832,656	877,034	856,888	894,226
Equities	321,007	571,796	352,398	575,446
	<u>1,153,663</u>	<u>1,448,830</u>	<u>1,209,286</u>	<u>1,469,672</u>

## The New Brunswick Museum

Notes to Consolidated Financial Statements  
For the year ended March 31, 2007

### 4. Property and Equipment

			<u>2007</u>	<u>2006</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Computer equipment	242,663	211,604	31,059	54,497
Equipment	299,722	237,647	62,075	63,114
Furniture	<u>80,673</u>	<u>62,199</u>	<u>18,474</u>	<u>19,742</u>
	<u>623,058</u>	<u>511,450</u>	<u>111,608</u>	<u>137,353</u>

### 5. Museum Services

Museum services consist of the following revenue and expenditures:

	<u>2007</u>	<u>2006</u>
	\$	\$
<b>Revenues</b>		
Gift shop, programs and other	214,701	286,648
Admissions	82,015	85,799
Facility rentals	23,437	24,569
Membership	<u>13,807</u>	<u>13,281</u>
	333,960	410,297
<b>Expenditures</b>		
Gift shop, programs and other	<u>169,138</u>	<u>239,526</u>
	<u>164,822</u>	<u>170,771</u>

## The New Brunswick Museum

Notes to the Consolidated Financial Statements  
For the year ended March 31, 2007

### 6. General Funds Revenues and Expenditures - Detailed Comparison to Budget

	2007 Actual \$	2007 Budget (unaudited) \$
<b>Revenues</b>		
Provincial grants	2,181,568	2,016,000
Museum services	156,991	171,000
Investment income	12,875	6,000
Other grants and bequests	10,000	20,000
	<u>2,361,434</u>	<u>2,213,000</u>
<b>Expenditures</b>		
Salaries and benefits	1,871,150	1,774,000
Operations	205,445	253,350
Curatorial and library	118,119	112,500
Marketing and development	73,726	92,500
Exhibition and technical services	78,751	34,000
Outreach	10,495	10,000
Visitor services	21,264	23,200
	<u>2,378,950</u>	<u>2,299,550</u>
<b>Deficiency of revenues over expenditures</b>	<u>(17,516)</u>	<u>(86,550)</u>

### 7. Commitments

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

	\$
Year ending March 31, 2008	16,952
2009	16,952
2010	6,312



*Combined Financial Statements of*

**NEW BRUNSWICK POWER  
HOLDING CORPORATION**

*for the year ended March 31, 2007*

# 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

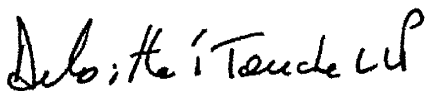
To the Honourable Hermenegilde Chiasson,  
Lieutenant-Governor of New Brunswick,  
Fredericton, New Brunswick

Sir:

We have audited the combined balance sheet of New Brunswick Power Holding Corporation (the "Corporation") as at March 31, 2007 and the combined statements of operations, 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

May 24, 2007, except for note 26  
which is as at August 3, 2007

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

For the year ended March 31	2007	2006
<b>Revenues (Notes 3 and 6)</b>		
Sales of power		
In-province	\$ 1,146	\$ 1,056
Out-of-province	215	379
Miscellaneous	73	73
Transmission	78	77
	<u>1,512</u>	<u>1,585</u>
<b>Expenses</b>		
Fuel and purchased power	560	512
Transmission (Note 3)	85	86
Operations, maintenance and administration	389	373
Amortization and decommissioning (Note 7)	220	217
Taxes (Note 8)	49	47
	<u>1,303</u>	<u>1,235</u>
Earnings before finance charges and special payments in lieu of income taxes	209	350
Finance charges (Note 9)	180	199
Earnings before special payments in lieu of income taxes	29	151
Special payments in lieu of income taxes (Note 10)	8	55
<b>Net earnings</b>	<b>\$ 21</b>	<b>\$ 96</b>

**COMBINED STATEMENT OF DEFICIT**

For the year ended March 31	2007	2006
Deficit, beginning of year	\$ (107)	\$ (191)
Net earnings for the year	21	96
Dividends declared (Note 11)	(10)	(12)
<b>Deficit, end of year</b>	<b>\$ (96)</b>	<b>\$ (107)</b>

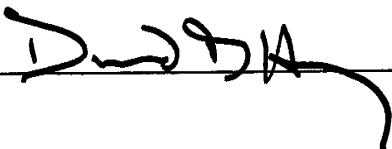
**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**COMBINED BALANCE SHEET**  
(in millions)

As at March 31	2007	2006
<b>Current Assets</b>		
Cash and short-term investments (Note 12)	\$ 30	\$ 21
Accounts receivable (Note 22)	227	208
Materials, supplies and fuel	148	151
Prepaid expenses	6	4
	<u>411</u>	<u>384</u>
<b>Property, Plant and Equipment (Note 13)</b>		
Land, buildings, plant and equipment, at cost	6,805	6,501
Less: accumulated amortization	3,400	3,221
	<u>3,405</u>	<u>3,280</u>
<b>Long-Term Assets</b>		
Nuclear decommissioning and used fuel management funds (Note 14)	241	229
Other investments (Note 15)	6	6
	<u>247</u>	<u>235</u>
<b>Other Assets</b>		
Future special payments in lieu of income taxes (Note 10)	11	-
Deferred debt costs, less amounts amortized	10	-
Deferred pension benefit (Note 16)	67	70
	<u>88</u>	<u>70</u>
<b>Total Assets</b>	<b>\$ 4,151</b>	<b>\$ 3,969</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	2007	2006
<b>Current Liabilities</b>		
Short-term indebtedness (Note 17)	\$ -	\$ 243
Accounts payable and accruals (Note 22)	260	228
Accrued interest (Note 22)	54	59
Current portion of long-term debt (Note 18)	345	232
	659	762
<b>Long-Term Debt (Note 18)</b>		
Debentures	2,869	2,655
<b>Deferred Liabilities</b>		
Plant decommissioning and used nuclear fuel management (Note 19)	317	261
Other (Note 20)	75	71
	392	332
<b>Shareholders' Equity</b>		
Capital stock (Note 11)	140	140
Contributed surplus	187	187
Deficit	(96)	(107)
	231	220
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 4,151</b>	<b>\$ 3,969</b>

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

For the year ended March 31	2007	2006
<b>Operating Activities</b>		
Net earnings for the year	\$ 21	\$ 96
Amounts charged or credited to operations not requiring a current cash payment (Note 21)	217	223
	<u>238</u>	<u>319</u>
Nuclear decommissioning and used fuel management funds installments and earnings	(13)	(40)
Decommissioning expenditures	(3)	(5)
Deferred debt costs	(10)	-
Net change in non-cash working capital balances	13	(11)
	<u>225</u>	<u>263</u>
<b>Investing Activities</b>		
Expenditure on property, plant and equipment, net of proceeds on disposal and customer contributions	(287)	(209)
<b>Financing Activities</b>		
Debt retirements	(233)	(357)
Proceeds from issuance of long-term debt	560	428
Decrease in short-term indebtedness	(243)	(97)
Dividends paid	(13)	(11)
	<u>71</u>	<u>(37)</u>
Net cash inflow	9	17
Cash, beginning of year	21	4
<b>Cash, end of year</b>	<b>\$ 30</b>	<b>\$ 21</b>

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

For the year ended March 31, 2007  
(in millions)

**1. INCORPORATION**

**Incorporation**

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 October 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 and Customer Service Corporation (Disco)

\* including New Brunswick Power Coleson Cove Corporation (Colesonco) and NB Coal Limited (NB Coal), formed as subsidiaries of Genco upon restructuring

The *Electricity Act* also 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.

**2. 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).



**Énergie NB Power**

Groupe Group

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

For the year ended March 31, 2007  
(in millions)

**3. BASIS OF REGULATION**

**Transco**

The New Brunswick Energy and Utilities Board (EUB) regulates the Open Access Transmission Tariff (OATT). The OATT establishes non-discriminatory access to the transmission system for generators and customers inside and outside the province and generates revenues for the Corporation to operate and maintain the transmission system.

The System Operator has 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.

Transco's revenue requirement is based on its cost of service with an allowed rate of return of 9.5 per cent based on a deemed capital structure of 65 per cent debt and 35 per cent equity.

Regulatory assets or liabilities may arise as a result of the rate-setting process. Regulatory assets represent future revenues associated with certain costs incurred in current or prior periods that are expected to be recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future reductions or limitations of revenue increases associated with amounts that are expected to be refunded to customers. As of March 31, 2007, Transco has a regulatory asset related to allowance for funds used during construction (AFUDC).

The EUB permits AFUDC to be capitalized monthly on capital construction projects based on the Corporation's weighted average cost of capital. AFUDC is included in the cost of property, plant and equipment for financial reporting purposes and is amortized over future periods as part of the cost of the related asset. Since AFUDC includes a cost-of-equity component as well as an interest component, it exceeds the amount that would be capitalized in similar circumstances in the absence of rate regulation.

It is expected that future amortization from property, plant and equipment containing AFUDC is recoverable through the OATT. However, the expected recovery or likelihood of recovery is affected by decisions of the EUB in determining Transco's revenue requirement.





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

For the year ended March 31, 2007  
(in millions)

**3. BASIS OF REGULATION (continued)**

**Disco**

Disco is regulated under a system whereby annual average rate increases greater than three per cent or the percentage change in the average Consumer Price Index, whichever is higher, require regulatory approval by the EUB.

Regulatory assets or liabilities may arise as a result of the rate-setting process. Regulatory assets represent future revenues associated with certain costs incurred in current or prior periods that are expected to be recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future reductions or limitations of revenue increases associated with amounts that are expected to be refunded to customers.

**4. 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 related to capital projects, less credits for the value of power generated during commissioning and customer contributions.

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 projects based on the cost of long-term borrowings, except in Transco where allowance for funds used during construction is capitalized monthly on capital projects 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 as deemed appropriate by the New Brunswick Board of Commissioners of Public Utilities.



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

For the year ended March 31, 2007

(in millions)

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

**a. Property, plant and equipment (continued)**

Amortization is provided for all assets sufficient to amortize the cost of such assets less estimated salvage value over their estimated service lives. The estimated service lives of fixed assets are periodically reviewed and any changes are applied prospectively. 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

Assets	Years
Power generating stations	
Hydro generating facilities	35 – 100
Thermal generating stations	25 – 35
Nuclear generating station	29
Combustion turbine generating stations	25
Transmission system	45 – 60
Terminals and substations	40
Distribution system	10 – 35
Buildings	40 – 50
Communications and computer systems	3 – 15
Mining equipment	20 – 35
Motor vehicles	4 – 10

The Corporation evaluates its property, plant and equipment for impairment whenever conditions indicate that estimated undiscounted future net cash flows may be less than the net carrying amount of assets. If the undiscounted expected future cash flows are less than the carrying amount, an impairment loss will be recognized equal to the amount by which the carrying amount exceeds the fair value.

**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.

**c. Materials, supplies and fuel**

Inventories of materials, 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. 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 earnings.



**Énergie NB Power**

Groupes Group

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

For the year ended March 31, 2007  
(in millions)

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

**e. 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.

**f. 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, 2007

- 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, 2007
- the estimated present value of the costs of decommissioning the nuclear and thermal generating stations at the end of their useful lives

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 used nuclear fuel management and nuclear and thermal plant decommissioning are increased for the passage of time by calculating accretion 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 dismantling the nuclear and thermal generating stations, the cost of transporting 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 nuclear and thermal plant decommissioning are charged against the deferred liability accounts.

In view of potential developments in the decommissioning and used nuclear fuel management technologies 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 were submitted to the federal government in November 2005. 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.



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

For the year ended March 31, 2007  
(in millions)

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

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

Hydro generating stations

The Corporation currently has no intention and is not legally obligated to decommission 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

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.

**g. Pension plans**

Corporation employees, other than NB Coal 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 five or six per cent 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 service 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 per cent 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.

**h. 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.



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

For the year ended March 31, 2007  
(in millions)

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

**i. Early retirement programs**

The present value of the estimated future costs of early retirement programs is charged to earnings in the year the program is accepted by employees, irrespective of when payments are actually made.

**j. Revenues**

The Corporation 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. Billings to residential, general service and most industrial customers are rendered monthly on a cyclical basis. Industrial transmission and out-of-province 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.

**k. Derivative financial instruments**

In accordance with its forward purchasing 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.

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 where the derivatives used in hedging transactions are effective.

Effective derivatives that meet hedge criteria are not recorded on the balance sheet and any gains 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 currently uses derivative financial instruments to manage the following risks

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



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

For the year ended March 31, 2007  
(in millions)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**  
**k. Derivative financial instruments (continued)**

Foreign currency exchange rates

The Corporation enters into Canadian dollar – US dollar forward purchases 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 earnings at the settlement date of the related underlying item.

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 fuel and purchased power expense.

Export electricity prices

The Corporation periodically enters into electricity swaps to hedge the anticipated exposure related to changes in electricity prices on export sales. Gains or losses on these swaps are recognized at the settlement dates as an adjustment to out-of-province power sales.

Freight prices

The Corporation enters into contracts to hedge an index price for which a portion of the fuel freight costs are based. Gains or losses on these contracts are recognized at the settlement dates as an adjustment to fuel and purchased power expense.

Interest rates

The Corporation occasionally enters into contracts to hedge the interest rate risk associated with expected future borrowings. Gains or losses on these contracts are recognized over the life of the borrowing as an adjustment to finance charges.



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

For the year ended March 31, 2007

(in millions)

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

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

The Corporation is required to make special payments in lieu of taxes to Electric Finance. Total special payments in lieu of taxes consist of

- an income tax component based on accounting net earnings multiplied by a rate of 35.12 per cent
- a capital tax component based upon the large corporation tax rules contained in the *New Brunswick Income Tax Act*

The Corporation also recognizes the future special payments in lieu of income taxes benefit of current losses when it is more likely than not that sufficient earnings will be generated in future periods to offset losses previously incurred. No other provisions are made for future special payments in lieu of income taxes as a result of any temporary differences since 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.

**m. Consolidation of variable interest entities**

The Corporation has several variable interests in the form of power purchase contracts with third-party corporations. The Corporation has not consolidated the financial results of these third-party entities. For all of these contracts except one, it was determined that there is an insignificant amount of variability being absorbed by the Corporation as a result of these contracts and therefore consolidation is inappropriate.

There is one purchase power contract to purchase all the capacity and electrical energy produced by a 90 MW co-generation facility that began production in December 2004. Purchases under this contract were \$56 million for the year ended March 31, 2007 as compared to \$67 million for the year ended March 31, 2006. Pursuant to the scope exemption contained in Accounting Guidelines AcG-15 paragraph 4(g), the Corporation has made exhaustive efforts to obtain information in order to make an assessment of whether or not the third-party corporation is a variable interest entity. The Corporation has not been able to obtain this information and therefore has not been able to determine if the third-party corporation is a variable interest entity. As a result, the Corporation has not consolidated the financial results of this third-party entity.

**n. 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 revenues and expenses during the reporting period. Actual results could differ from the estimates. See

- Note 16 regarding the estimate of the deferred pension benefit
- Note 19 regarding the estimate of the plant decommissioning and used nuclear fuel management liabilities
- Note 20 regarding the estimate of other deferred liabilities



**Énergie NB Power**

— Groupe Group

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

For the year ended March 31, 2007  
(in millions)

**5. FUTURE ACCOUNTING CHANGES**

In 2005, the Canadian Institute of Chartered Accountants (CICA) issued a number of standards that dealt with the recognition, presentation and disclosure of financial instruments. The following standards must be adopted by the Corporation for the fiscal period beginning April 1, 2007 at the latest

- a) CICA Handbook Section 1530 – “Comprehensive Income” establishes new standards whereby enterprises will include a statement of comprehensive income while the cumulative amount, accumulated other comprehensive income, will be presented as a new category of shareholders' equity in the balance sheet. Section 1530 defines other comprehensive income to include revenues, expenses and losses that are recognized in comprehensive income, but excluded from net earnings
- b) CICA Handbook Section 3855 – “Financial Instruments – Recognition and Measurement” establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives
- c) CICA Handbook Section 3865 – “Hedges” establishes standards for when and how hedge accounting may be applied

The Corporation has considered all financial instruments, potential forward contract relationships and the presentation of comprehensive income, and is prepared to adopt the standards on April 1, 2007.

**6. REVENUES**

Total revenues in 2007 include \$66 million of sales to customers in the United States, as compared to \$120 million in 2006.

**7. AMORTIZATION AND DECOMMISSIONING**

	2007	2006
Amortization	\$ 202	\$ 200
Decommissioning	18	17
Amortization and decommissioning	\$ 220	\$ 217



**Énergie NB Power**

Groupe Group



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

For the year ended March 31, 2007  
(in millions)

**8. TAXES**

	2007	2006
Property taxes	\$ 21	\$ 20
Utility and right of way taxes	17	16
Special payments in lieu of provincial capital taxes	11	11
<b>Taxes</b>	<b>\$ 49</b>	<b>\$ 47</b>

**9. FINANCE CHARGES**

	2007	2006
Interest expense	\$ 198	\$ 197
Less: Earnings from trust funds and other investments	(14)	(10)
	184	187
Debt portfolio management fee	20	20
Realized foreign exchange (gains) or losses	(2)	2
	202	209
Less: Interest capitalized	(22)	(10)
<b>Finance charges</b>	<b>\$ 180</b>	<b>\$ 199</b>

Interest paid during the year was \$204 million, as compared to \$198 million in 2006. Interest received on investments during the year was \$13 million, as compared to \$11 million in 2006.



**Énergie NB Power**

Groupe Group

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

For the year ended March 31, 2007  
(in millions)

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

	2007	2006
Earnings before special payments in lieu of income taxes	\$ 29	\$ 151
Less: Subsidiary earnings not subject to special payments in lieu of income taxes	(3)	(5)
Earnings subject to special payments in lieu of income taxes	26	146
Income tax rate	35.12%	35.12%
	9	51
Special payments in lieu of federal capital taxes	(1)	4
Total special payments in lieu of income taxes	\$ 8	\$ 55

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

	2007	2006
Provision for current special payments in lieu of income taxes	\$ 20	\$ 51
Provision for future special payments in lieu of income taxes	(11)	-
Special payments in lieu of federal capital taxes	(1)	4
	\$ 8	\$ 55

Special payments in lieu of income taxes are calculated at a subsidiary company level.

**11. CAPITAL STOCK**

The Corporation has one Class A voting common share of nominal value, issued and outstanding to the New Brunswick 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, Electric Finance, is entitled to receive dividends when declared by the Corporation's Board 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 a subsidiary company level.



**Énergie NB Power**

Groupe Group

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2007  
(in millions)

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

	2007	2006
Cash	\$ 6	\$ 18
Short-term investments	24	3
Cash and short-term investments	<u>\$ 30</u>	<u>\$ 21</u>

**13. PROPERTY, PLANT AND EQUIPMENT**

	2007			2006		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Power generating stations	\$ 4,545	\$ 2,441	\$ 2,104	\$ 4,476	\$ 2,312	\$ 2,164
Transmission system	293	149	144	293	143	150
Terminals and substations	471	252	219	464	241	223
Distribution system	759	355	404	741	336	405
Buildings and properties	59	34	25	59	33	26
Communications and computer systems	106	71	35	100	60	40
Mining equipment	52	52	-	53	53	-
Motor vehicles	50	35	15	49	33	16
Miscellaneous assets	17	11	6	15	10	5
Construction-in-progress	453	-	453	251	-	251
<b>Total</b>	<u>\$ 6,805</u>	<u>\$ 3,400</u>	<u>\$ 3,405</u>	<u>\$ 6,501</u>	<u>\$ 3,221</u>	<u>\$ 3,280</u>



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

For the year ended March 31, 2007

(in millions)

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

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 (see item 1 below).

The Corporation has also established a trust fund pursuant to the *Nuclear Fuel Waste Act*. 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 4(f)). 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 (see item 2 below).

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.

	<b>2007</b>	<b>2006</b>
<hr/>		
<u>Used Nuclear Fuel Management Funds</u>		
1. Used nuclear fuel segregated fund	\$ 86	\$ 85
2. Used nuclear fuel trust fund	38	33
	124	118
<u>Nuclear Decommissioning Fund</u>		
Decommissioning segregated fund	117	111
<b>Total nuclear decommissioning and used fuel management funds</b>	<b>\$ 241</b>	<b>\$ 229</b>

**15. 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 fly ash produced at the plant. The \$6 million (2006 - \$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.



**Énergie NB Power**

Groupe Group

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

For the year ended March 31, 2007

(in millions)

**16. DEFERRED PENSION BENEFIT**

Corporation employees, other than NB Coal employees, are members of the Province of New Brunswick Public Service Superannuation Plan as described in Note 4(g). Pension assets and liabilities for the Public Service Superannuation Plan are measured as at March 31, 2007 while the assets and liabilities for the NB Coal plan are measured as at December 31, 2006. The most recent actuarial valuation done for funding purposes for the Public Service Superannuation Plan was April 1, 2005. The next valuation for funding purposes is required to be completed as at April 1, 2008.

Management's significant assumptions include the following

- 5.25 per cent discount rate used to determine the accrued benefit obligation, as compared to 5.25 per cent discount rate in 2006
- 6.25 per cent expected long-term rate of return on plan assets, as compared to 6.25 per cent in 2006
- 2.5 per cent salary increases, as compared to 2.5 per cent increases in 2006

The costs recognized for the period are

	2007	2006
Current service cost	\$ 21	\$ 16
Interest on accrued benefit obligation	60	57
Actual gain on plan assets	(79)	(129)
Difference between actual and expected return on plan assets	19	73
Actuarial losses on accrued benefit obligation	11	94
Difference between actuarial loss recognized for the year and actuarial loss on accrued benefit obligation for the year	(1)	(85)
Amortization of transitional asset	(3)	(3)
<b>Costs recognized</b>	<b>\$ 28</b>	<b>\$ 23</b>

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, 2007 was as follows

	2007	2006
Pension fund assets at fair value	\$1,038	\$ 964
Accrued benefit obligation	1,187	1,123
Pension deficit	(149)	(159)
Unamortized transitional asset	(30)	(34)
Unamortized losses	246	263
<b>Deferred pension benefit</b>	<b>\$67</b>	<b>\$ 70</b>

In accordance with prescribed regulations, employees contributed \$10 million in 2007, as compared to \$10 million in 2006, and the Corporation contributed \$24 million to the plans during the year, as compared to \$23 million in 2006. As a result of total contributions in excess of pension expense, the Corporation has recorded a \$67 million deferred charge compared to \$70 million in 2006.



**Énergie NB Power**

Groupe Group

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

For the year ended March 31, 2007  
(in millions)

**17. SHORT-TERM INDEBTEDNESS**

The Corporation borrows funds for temporary purposes from Electric Finance. The short-term borrowings due to Electric Finance were nil at March 31, 2007, as compared to \$243 million in 2006.

**18. LONG-TERM DEBT**

The Corporation borrows funds from Electric Finance to finance long-term requirements. Long-term borrowings at year-end were as follows

	2007	2006
Debentures held by Electric Finance	\$ 3,214	\$ 2,887
Less: Current portion	(345)	(232)
Long-term debt	\$ 2,869	\$ 2,655

**Terms**

The maturity dates of the debentures range from 2007 to 2034. The terms of the debentures are such that the Corporation is required to make annual principal repayments of one 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 dates of the debentures, at which time the remaining principal amounts will be repaid.

**Interest rates**

The debentures bear interest at fixed rates ranging from 3.82 to 10 per cent. The weighted average coupon interest rate on all debentures outstanding at March 31, 2007 is 6.02 per cent as compared to 6.25 per cent in 2006.

**Debt portfolio management fee**

The Corporation pays an annual debt portfolio 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 beginning of the fiscal year.

**Principal repayments**

Long-term debt principal repayments are due as follows

Year Ending	Principal Repayment
March 31, 2008	\$ 345
March 31, 2009	278
March 31, 2010	403
March 31, 2011	84
March 31, 2012	529
March 31, 2013 and thereafter	1,575



**Énergie NB Power**

Groupe Group

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

For the year ended March 31, 2007  
(in millions)

**19. 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

	2007	2006
<u>Used nuclear fuel management</u>		
Balance, beginning of year	\$146	\$136
Add: Liabilities incurred, net of revisions to cash flows	37	5
Add: Accretion expense	10	9
Less: Expenditures	(1)	(4)
Balance, end of year	192	146
<u>Nuclear decommissioning</u>		
Balance, beginning of year	72	75
Add: Accretion expense	5	5
Less: Liabilities incurred, net of revisions to cash flows	-	(8)
Balance, end of year	77	72
<u>Thermal decommissioning</u>		
Balance, beginning of year	43	40
Add: Liabilities incurred, net of revisions to cash flows	3	1
Add: Accretion expense	3	3
Less: Expenditures	(1)	(1)
Balance, end of year	48	43
Total used nuclear fuel management and plant decommissioning liability	\$317	\$261



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

For the year ended March 31, 2007  
(in millions)

**19. 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 used nuclear fuel bundles generated by the nuclear generating station. See Note 14 for details on the funding of this liability. The key assumptions on which the liability is based are

- \$982 million is the total undiscounted amount of the estimated cash flows required to settle the liability, as compared to \$922 million in 2006
- the management of the used nuclear fuel will require cash expenditures until 2174 to settle the liability
- the credit-adjusted risk-free rates 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 and 5.2 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. See Note 14 for details on the funding of this liability. The key assumptions on which the liability is based are

- \$672 million is the total undiscounted amount of the estimated cash flows required to settle the liability as compared to \$656 million in 2006
- the decommissioning of the nuclear generating station will require cash expenditures until 2076 to settle the liability
- the credit-adjusted risk-free rates 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

- \$118 million is the total undiscounted amount of the estimated cash flows required to settle the liability, as compared to \$111 million in 2006
- the decommissioning of the thermal generating stations will require cash expenditures until 2035 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 5.3 to 6.3 per cent for the subsequent recognition of the additional liability





**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2007  
(in millions)

**20. DEFERRED LIABILITIES – OTHER**

	2007	2006
Early retirement programs	\$ 51	\$ 51
Retirement allowance program	16	12
Other future employee benefits payable	3	4
NB Coal land reclamation	2	2
NB Coal environmental liability	9	9
	81	78
Less: Amounts due within one year	(6)	(7)
Deferred liabilities – other	\$ 75	\$ 71

**Early retirement liability**

The Corporation has an early retirement program as described in Note 4(i). The latest actuarial calculation to estimate the liability was completed as at April 1, 2005.

The discount rate used to determine the early retirement liability was 5.25 per cent as compared to 5.25 per cent in 2006.

The costs recognized for the period were

	2007	2006
Current service cost	\$ 1	\$ 1
Interest on early retirement liability	3	3
Costs recognized for the year	\$4	\$ 4

The status of the obligation of the Corporation as at March 31, 2007 was as follows

	2007	2006
Accrued benefit obligation	\$ 54	\$ 47
Unamortized losses	(6)	(2)
Lump sum payable	3	6
Early retirement liability	\$51	\$ 51

The cumulative amount expensed in excess of amounts paid out under the early retirement program is recorded as a deferred liability.



**Énergie NB Power**

Groupe Group

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2007  
(in millions)

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

**Retirement allowance liability**

The Corporation has a retirement allowance program as described in Note 4(h). The latest actuarial calculation to estimate the liability was completed as at April 1, 2005.

Management's significant assumptions include the following

- 5.25 per cent discount rate used to determine the retirement allowance liability, compared to 5.25 per cent in 2006
- 2.5 per cent salary increases, compared to 2.5 per cent in 2006

The costs recognized for the period were

	2007	2006
Current service cost	\$ 2	\$ 2
Interest on retirement allowance liability	3	3
Costs recognized for the year	\$5	\$ 5

The status of the obligation of the Corporation as at March 31, 2007 was as follows

	2007	2006
Accrued benefit obligation	\$ 35	\$ 34
Unamortized losses	(19)	(22)
Retirement allowance liability	\$ 16	\$ 12

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 a long-term plan to treat acidic water drainage from an inactive mine. NB Coal has recognized an environmental liability equal to the net present value of the expected future costs.

	2007	2006
Balance, beginning of year	\$ 9	\$ 9
Add: Accretion expense	1	1
Less: Expenditures	(1)	(1)
Balance, end of year	\$ 9	\$ 9



**Énergie NB Power**

Groupe Group

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2007  
(in millions)

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

	2007	2006
Amortization and decommissioning	\$ 219	\$ 217
Retirement expense less related funding	4	(1)
Pension expense less related funding	3	-
Future payments in lieu of income taxes	(11)	5
Other	2	2
<b>Amounts not requiring a current cash payment</b>	<b>\$ 217</b>	<b>\$ 223</b>

**22. RELATED PARTY TRANSACTIONS**

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

**Revenues and expenses**

The following related party revenues and expenses are included in the financial results for the year ended March 31, 2007

	Electric Finance		System Operator	
	2007	2006	2007	2006
<b>Revenues</b>				
Transmission revenue	\$ -	\$ -	\$ 78	\$ 77
Miscellaneous revenue	-	-	12	11
<b>Expenses</b>				
Transmission expense	-	-	85	86
Other	-	-	2	2
Interest expense	198	197	-	-
Debt portfolio management fee	20	20	-	-
Special payments in lieu of provincial capital taxes	11	11	-	-
Special payments in lieu of income taxes*	20	55	-	-

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



**Énergie NB Power**

Groupe Group

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2007  
(in millions)

**22. RELATED PARTY TRANSACTIONS (continued)**

**Receivables and payables**

The following related party receivable and payable balances existed as at March 31, 2007

	Electric Finance		System Operator	
	2007	2006	2007	2006
Accounts receivable	\$ -	\$ 8	\$ 9	\$ 10
Accounts payable	4	37	10	10
Accrued interest payable	54	59	-	-

The amounts included in accounts receivable and accounts payable for related parties are subject to the normal payment terms extended to unrelated parties.

**Dividends**

During the year the Corporation declared \$10 million in dividends, as compared to \$12 million in 2006, payable to Electric Finance.

**Debt and guarantees**

The Corporation has long-term debt payable to Electric Finance (Note 17 and 18) as at March 31, 2007. Electric Finance has provided certain guarantees for the Corporation to significant third-party creditors with respect to banking arrangements, trade payables and derivative financial instrument obligations.

**23. 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 counterparties for actual or similar instruments at the balance sheet date, unless otherwise noted.

**Fuel and purchased power contracts**

Under the fuel and purchased power contracts, the Corporation exchanges monthly payments based on the differential between a fixed price and a monthly cumulative floating price on the associated foreign exchange, fuel, freight price or electricity index. The differential to be paid or received is reflected in the cost of fuel and purchased power.

At March 31, 2007, the Corporation had outstanding foreign exchange contracts maturing over the next 18 months as follows

Foreign Exchange Contracts	2007	2006
Net commitment to purchase (\$ US in millions)	\$ 493	\$ 370
Weighted average exchange rate (\$ CAD / \$ US)	1.1309	1.1946
Fair value asset (liability) (in millions)	\$ 7	\$ (13)



**Énergie NB Power**

Grpe Grpe

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2007  
(in millions)

**23. FINANCIAL INSTRUMENTS (continued)**

At March 31, 2007, the Corporation had outstanding heavy fuel oil contracts maturing over the next 18 months as follows

<b>Heavy Fuel Oil Contracts</b>	<b>2007</b>	<b>2006</b>
Notional amount (in millions of barrels)	4.9	5.2
Weighted average fixed price (in \$ US per barrel)	\$ 51.48	\$ 40.96
Fair value asset (liability) (in millions)	\$ (18)	\$ 51

At March 31, 2007, the Corporation had outstanding natural gas contracts maturing over the next 18 months as follows

<b>Natural Gas Contracts</b>	<b>2007</b>	<b>2006</b>
Notional amount (in millions of btu)	12.9	12.9
Weighted average fixed price (in \$ US per btu)	\$ 11.74	\$ 10.14
Fair value asset (liability) (in millions)	\$ (17)	\$ 13

At March 31, 2007, the Corporation had outstanding forward freight delivery contracts maturing over the next 18 months as follows

<b>Freight Contracts</b>	<b>2007</b>	<b>2006</b>
Notional amount (in barrels)	6,093	N/A
Weighted average fixed price (in \$ US per barrel)	\$ 3.47	N/A
Fair value asset (in millions)	\$ 7	N/A

At March 31, 2007, the Corporation had outstanding electricity contracts maturing over the next six months as follows

<b>Electricity Contracts</b>	<b>2007</b>	<b>2006</b>
Notional amount (in millions of MWh)	0.3	0.3
Weighted average fixed price (in \$ US per MWh)	\$ 69.71	\$ 79.33
Fair value asset (in millions)	\$ 1	\$ 3



**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2007  
(in millions)

**23. FINANCIAL INSTRUMENTS (continued)**

**Interest rates**

Under the interest rate contracts, the Corporation exchanges monthly payments based on the differential between a fixed price and a monthly cumulative floating price for the associated interest rate. The differential to be paid or received is deferred and recognized over the life of the hedged debt as an adjustment to finance charges.

As of March 31, 2007, the Corporation had outstanding interest rate hedges maturing over the next 24 months as follows

<b>Interest Rates Contracts</b>	<b>2007</b>	<b>2006</b>
Notional amount (in millions)	\$ 360	N/A
Fair value (in millions)	\$ (6)	N/A

**Long-term debt**

<b>Long-term Debt</b>	<b>2007</b>	<b>2006</b>
Book value (in millions)	\$ 3,214	\$ 2,887
Fair value (in millions)	\$ 3,469	\$ 3,101

**Nuclear decommissioning and used fuel management funds**

<b>Nuclear Decommissioning and Used Fuel Management Funds</b>	<b>2007</b>	<b>2006</b>
Book value (in millions)	\$ 241	\$ 229
Fair value (in millions)	\$ 267	\$ 252

**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 \$227 million, as compared to \$208 million in 2006. The total unrealized gains on other financial instruments exposed to credit risk is \$8 million, as compared to \$67 million in 2006.



**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2007  
(in millions)

**24. COMMITMENTS, CONTINGENCIES AND GUARANTEES**

**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 repowered 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 repowered 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 repowered Courtenay Bay Generating Station. The cost of transportation will be recovered from the tenant referred to in the lease of the Station.

**Power purchase agreements**

The Corporation has a number of power purchase agreements with third parties

- a 20-year power purchase agreement to 2024 to purchase all the capacity and electrical energy produced by a 90 MW co-generation facility that began production in December 2004
- an outstanding power purchase agreement to 2027 for 38.5 MW of capacity and energy from a co-generation facility
- a 25-year contract beginning in 2008 to 2033 to purchase all the electrical energy of a 75 MW wind generation facility to be constructed by a third party
- a 20-year contract beginning in 2008 to 2030, with a 5-year renewal option, to purchase up to 21 MW of the electrical energy of a wind generation facility to be constructed by a third party
- the purchase of capacity and approximately 500 GWh of energy for the period December 2008 to March 2009, as awarded on March 2, 2007



**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2007  
(in millions)

**24. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)**

**Orimulsion® fuel supply**

The Corporation has an agreement with Bitor America Corporation to purchase Orimulsion® fuel for Dalhousie Generating Station. Bitor America Corporation notified the Corporation of its intention to provide alternate fuel under this agreement and began delivering the substitute fuel in June 2006. The Corporation has reserved all of its rights under the agreement.

The Corporation also entered into a contract with Bitumenes Orinoco, S.A. (Bitor) 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 has breached the terms of the contract and on September 1, 2005, the Corporation filed a Notice of Arbitration and Statement of Claim with the American Arbitration Association in New York against Bitor and PDVSA. Bitor and PDVSA brought proceedings in New York state court to stay the arbitration, which the Corporation removed to the United States District Court in Manhattan, thereafter filing a cross-petition to compel Bitor and PDVSA to arbitrate the contract claims. The matter continues before the courts in New York. Also on September 1, 2005, the Corporation filed in the New Brunswick Courts a Notice of Action with Settlement of Claim Attached against Bitor, PDVSA and the State of Venezuela. The Corporation agreed to stay this action (except in relation to completing service of process) pending the outcome of the proceedings before the United States District Court (see note 26 subsequent event).

**Coleson Cove Generating Station refuelling project**

The Corporation is proceeding with a unit demonstration of burning a petroleum coke and heavy fuel oil blend at Coleson Cove Generating Station. Capital expenditures to March 31, 2007 were \$2 million. The budgeted capital cost of the unit demonstration is estimated to be \$33 million. The work required to proceed with the unit demonstration is expected to be completed by December 2007. As at March 31, 2007, the Corporation had issued purchase orders for the supply of equipment and engineering services totalling approximately \$11 million.

**Generating station purchase**

In March 2007, the Board authorized the Corporation to enter into an agreement to purchase a generating station. The station has total output of 10.8 MW and generates approximately 50 GWh of energy annually. The transaction closing is expected to take place in the summer of 2007.

**Transmission power line**

The Corporation is constructing a 345 kV transmission power line in New Brunswick, from Point Lepreau, New Brunswick to the border crossing near Woodland, Maine, United States. The total budgeted cost of the project is estimated to be \$60 million. To ensure the financial viability of the project, the Corporation signed Commitment Agreements with load-serving entities in the Maritimes for the equivalent of long-term firm transmission reservations for 25 years.

The Corporation signed a construction commitment agreement with an American electric utility to have the line in service by December 31, 2007. Expenditures to March 31, 2007 were \$49 million.





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

For the year ended March 31, 2007

(in millions)

**24. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)**

**Point Lepreau Generating Station refurbishment project**

The Corporation will refurbish the Point Lepreau Generating Station replacing key components of the reactor and upgrading other major plant systems. This project is expected to extend the operating life of the facility to 2034.

The Corporation awarded fixed price contracts to a third-party corporation in August 2005 to manage the project and to complete retubing of the reactor. The value of the refurbishment and retube contracts is approximately \$528 million. Total construction costs, excluding fuel and purchased power costs, are budgeted at approximately \$1 billion.

The Station will shut down in April 2008 for completion of the retubing and refurbishment work. Project completion and start-up is expected by the fall of 2009. Expenditures to March 31, 2007 were \$346 million.

**Point Lepreau Generating Station turbine up-rate project**

The Corporation will proceed with the replacement of three low pressure turbine rotors. The budget for the project is estimated to be \$65 million. In September 2006, a third-party corporation was awarded the contract for the majority of this work. This project will be completed within the Point Lepreau Generating Station outage period.

**Transmission reservations**

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

**Ancillary Services contract**

The Corporation has entered into two Ancillary Services contracts with the System Operator. The services provided are voltage support, automatic generation control, load following, operating reserve and black start capability. At the current time the Corporation's obligation is to supply 90 per cent of the ancillary services for the life of the heritage assets and to supply ancillary services for the remaining 10 per cent for a one year period from November 2006 to October 2007.



**Énergie NB Power**

—  
Groupe Group

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2007  
(in millions)

**25. SEGMENTED INFORMATION**

The Corporation is organized and operates under five reportable business segments.

**Genco**

Genco is responsible for the operation and maintenance of the oil, hydro, coal, and diesel-powered generating stations.

**Nuclearco**

Nuclearco is responsible for the operation and maintenance of the Point Lepreau Generating Station.

**Transco**

Transco is responsible for operating and maintaining the transmission system.

**Disco**

Disco is responsible for operating and maintaining the distribution system. 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 (Unconsolidated)**

Holdco provides strategic direction, governance and support to the other business segments for communications, finance, human resources, legal and governance. It also provides shared services on a cost-recovery basis.

**Significant inter-company agreements**

The Corporation has entered into a number of significant inter-company agreements.

Power purchase agreement – Disco and Nuclearco

Disco and Nuclearco entered into a power purchase agreement whereby Disco purchases 95 per cent of the Point Lepreau Generating Station's 635 MW capacity and the electricity produced. The agreement expires 25 years after the Station returns to service following refurbishment, with annual renewal options in favour of Disco thereafter.

Power purchase agreement – Disco and Colesonco

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



**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2007  
(in millions)

**25. SEGMENTED INFORMATION (continued)**

Power purchase agreement – Disco and Genco

Disco and Genco entered into a long-term power purchase agreement whereby Genco supplies capacity and energy to Disco. The agreement continues until all of Genco's heritage assets, including third-party power purchase agreements, are retired or expire, or Disco reduces its nominated capacity under the terms of the agreement to zero. The commitment at March 31, 2007 was 2,425 MW of base capacity and 1,258 MW of peaking capacity.

Under the agreement, Disco sells and Genco purchases all capacity and energy Disco receives under the Disco/Colesonco power purchase agreement. Genco is also responsible to procure and deliver fuel on behalf of Disco to Coleson Cove Generating Station.

**Financial Overview – 2007**

	Genco	Nuclearco	Transco	Disco	Holdco (Unconsolidated)	Eliminations	Total
<b>Sales of power</b>							
In-province	\$ (6)	\$ -	\$ -	\$ 1,152	\$ -	\$ -	\$ 1,146
Out-of-province	205	10	-	-	-	-	215
Inter-company	754	222	-	3	-	(979)	-
Miscellaneous	29	1	7	36	-	-	73
Transmission	-	-	78	-	-	-	78
Other inter-company	3	(1)	16	6	80	(104)	-
<b>Total revenues</b>	<b>985</b>	<b>232</b>	<b>101</b>	<b>1,197</b>	<b>80</b>	<b>(1,083)</b>	<b>1,512</b>
<b>Fuel &amp; purchased power</b>	<b>552</b>	<b>13</b>	<b>-</b>	<b>967</b>	<b>-</b>	<b>(972)</b>	<b>560</b>
Transmission	30	2	-	62	-	(9)	85
Operations, maintenance & administration	120	146	41	107	59	(84)	389
Amortization & decommissioning	104	54	20	40	2	-	220
Taxes	20	8	8	13	-	-	49
Finance charges	126	7	9	37	19	(18)	180
Special payments in lieu of income taxes	10	-	8	(10)	-	-	8
<b>Total expenses</b>	<b>962</b>	<b>230</b>	<b>86</b>	<b>1,216</b>	<b>80</b>	<b>(1,083)</b>	<b>1,491</b>
<b>Net earnings</b>	<b>\$ 23</b>	<b>\$ 2</b>	<b>\$ 15</b>	<b>\$ (19)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21</b>
<b>Total assets</b>	<b>\$ 2,113</b>	<b>\$ 1,048</b>	<b>\$ 370</b>	<b>\$ 726</b>	<b>\$ 135</b>	<b>\$ (241)</b>	<b>\$ 4,151</b>
<b>Capital expenditures</b>	<b>\$ 38</b>	<b>\$ 167</b>	<b>\$ 48</b>	<b>\$ 32</b>	<b>\$ 2</b>	<b>\$ -</b>	<b>\$ 287</b>

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
For the year ended March 31, 2007  
(in millions)

**25. SEGMENTED INFORMATION (continued)**

**Financial Overview – 2006**

	Genco	Nuclearco	Transco	Disco	Holdco (Unconsolidated)	Eliminations	Total
Sales of power							
In-province	\$ (7)	\$ 2	\$ -	\$ 1,061	\$ -	\$ -	\$ 1,056
Out-of-province	369	10	-	-	-	-	379
Inter-company	595	216	-	3	-	(814)	-
Miscellaneous	30	-	9	34	-	-	73
Transmission	-	-	77	-	-	-	77
Other inter-company	1	1	15	5	77	(99)	-
<b>Total revenues</b>	<b>988</b>	<b>229</b>	<b>101</b>	<b>1,103</b>	<b>77</b>	<b>(913)</b>	<b>1,585</b>
Fuel & purchased power	503	13	-	806	-	(810)	512
Transmission	35	2	-	58	-	(9)	86
Operations, maintenance & administration	113	136	40	105	60	(81)	373
Amortization & decommissioning	101	52	19	42	3	-	217
Taxes	19	7	8	13	-	-	47
Finance charges	137	10	11	40	14	(13)	199
Special payments in lieu of income taxes	29	4	8	14	-	-	55
<b>Total expenses</b>	<b>937</b>	<b>224</b>	<b>86</b>	<b>1,078</b>	<b>77</b>	<b>(913)</b>	<b>1,489</b>
<b>Net earnings (loss)</b>	<b>\$ 51</b>	<b>\$ 5</b>	<b>\$ 15</b>	<b>\$ 25</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 96</b>
<b>Total assets</b>	<b>\$ 2,196</b>	<b>\$ 755</b>	<b>\$ 365</b>	<b>\$ 747</b>	<b>\$ 273</b>	<b>\$ (367)</b>	<b>\$ 3,969</b>
<b>Capital expenditures</b>	<b>\$ 41</b>	<b>\$ 118</b>	<b>\$ 14</b>	<b>\$ 36</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 209</b>

**26. Subsequent Event**

On August 3, 2007 the Corporation settled the legal action against Petroleos de Venezuela, S. A. (PDVSA) and others (see note 24 – Orimulsion® fuel supply). The settlement includes a cash portion of \$115 million and an in-kind portion representing a commitment to deliver fuel. The in-kind portion of the settlement will be realized over time. The Corporation is in the process of determining the precise impact the settlement will have on its current and future financial statements.

---

# **New Brunswick Public Libraries Foundation**

## **Financial Statements**

**March 31, 2007**



A Member Firm of The AC Group of Independent Accounting Firms Limited

212 Queen Street, Suite 401  
Fredericton, NB E3B 1A8  
Tel: (506) 458-8326  
Fax: (506) 458-9293  
www.bringlofeeney.ca

## Auditors' Report

To: The Chairperson and Directors of New Brunswick Public Libraries Foundation

We have audited the statement of financial position of New Brunswick Public Libraries Foundation as at March 31, 2007 and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the management's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In common with many charitable organizations, the foundation derives revenue from the general public, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the foundation and we were not able to determine whether any adjustments might be necessary to public donations, excess (deficiency) of revenues over expenditures, assets and deficiency in net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the management as at March 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Fredericton, New Brunswick  
May 10, 2007

A handwritten signature in black ink that reads 'Bringlo Feeney LLP'. The signature is written in a cursive, flowing style.

Chartered Accountants

## New Brunswick Public Libraries Foundation

Statement of Financial Position

As at March 31, 2007

	2007	2006
<b>ASSETS</b>		
Current		
Cash	\$ <u>285,123</u>	\$ <u>366,782</u>
<b>LIABILITIES</b>		
Current		
Due to Province of New Brunswick (note 5)	\$ 117,200	\$ 381,541
Due to Minister of Finance	-	638
Accounts payable and accrued liabilities	4,300	5,000
Deferred revenue	<u>94,572</u>	<u>45,019</u>
	216,072	432,198
<b>NET ASSETS (DEFICIENCY)</b>		
Net assets (deficiency)	<u>69,051</u>	<u>(65,416)</u>
	<u>\$ 285,123</u>	<u>\$ 366,782</u>

Approved by the Board

Chairperson *Suzanne Quiles*  
 Director *S. Montague*

## New Brunswick Public Libraries Foundation

Statement of Operations and Changes in Net Assets  
Year ended March 31, 2007

	2007	2006
<b>Revenues</b>		
Public donations	\$ 159,035	\$ 256,206
Grant from the Department of Post-Secondary Education, Training and Labour	100,000	-
Grants from the Department of Family and Community Services	65,458	52,253
Debt advances forgiven 1999 - Province of New Brunswick	50,000	-
Interest income	6,647	6,288
New Brunswick Public Libraries Trust Fund	-	125,106
Grant from the Department of Education	-	100,000
	<u>381,140</u>	<u>539,853</u>
<b>Expenditures</b>		
Books, magazines and other	226,212	448,700
Salaries and related expenses	8,084	53,357
Professional services	4,300	5,450
Advertising, office supplies and printing	4,056	39,856
Travel	2,562	9,288
Other	558	1,899
Maintenance	391	1,365
Meetings	307	1,098
Postage	203	15,166
Telephone	-	1,015
	<u>246,673</u>	<u>577,194</u>
Excess (deficiency) of revenues over expenditures	134,467	(37,341)
Deficiency, beginning of year	<u>(65,416)</u>	<u>(28,075)</u>
Net assets (deficiency), end of year	<u>\$ 69,051</u>	<u>\$ (65,416)</u>



---

## New Brunswick Public Libraries Foundation

Notes to Financial Statements  
March 31, 2007

---

### 1. Authority and objective

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 for 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 consisting of ten persons appointed by the Lieutenant-Governor in Council. The Department of Post-Secondary Education, Training and Labour is responsible for the administration of the New Brunswick Public Libraries Foundation Act.

### 2. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant policies are detailed as follows:

#### (a) Revenue recognition

The foundation follows the deferral method of accounting for contributions which includes grants and restricted donations.

Restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Any unexpended portions of restricted contributions are recorded as deferred revenue.

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.

Contributions in-kind of books and materials are recognized as revenue and expenditures at the estimated fair market value when an amount can be determined.

---

## New Brunswick Public Libraries Foundation

Notes to Financial Statements

March 31, 2007

---

2. Significant accounting policies, continued

(b) Financial instruments

The foundation's financial instruments consist of cash, accounts payable and amounts due to the Province of New Brunswick. Unless otherwise noted it is management's opinion that the foundation 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, unless otherwise noted.

3. Expenses not included in these financial statements

Certain direct and indirect costs of operating the foundation are absorbed by the Province of New Brunswick through the Department of Post-Secondary Education, Training and Labour.

4. Related party transactions

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.

5. Due to Province of New Brunswick

The amount due to the Province of New Brunswick represents the amount due to the Department of Post-Secondary Education, Training and Labour for operating costs of the foundation.

The Department of Post-Secondary Education, Training and Labour 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 for the prior year's expenditures.

6. Statement of cash flows

Inclusion of a statement of cash flows would not provide any additional information that is not evident from the financial statements already presented. Therefore, a statement of cash flows has not been presented.

---

**CONSOLIDATED FINANCIAL STATEMENTS**

**NEW BRUNSWICK**

**RESEARCH AND PRODUCTIVITY COUNCIL**

**31 MARCH 2007**

---

Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

The Honourable Shawn Graham  
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 2007 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 2007 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 'Michael Ferguson'.

Michael Ferguson, CA  
Auditor General

Fredericton, N.B.  
13 June 2007

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
31 MARCH 2007**

	Operating Fund	Capital Fund	2007 Total	2006 Total
<b>ASSETS</b>				
Current assets				
Cash and term deposits	\$ 1,373,511	\$ -	\$ 1,373,511	\$ 1,255,225
Accounts receivable	2,187,850	-	2,187,850	2,291,182
Work in progress	324,159	-	324,159	306,083
Prepaid expenses	53,760	-	53,760	68,366
	<u>3,939,280</u>	<u>-</u>	<u>3,939,280</u>	<u>3,920,856</u>
Long term investments, at cost (Note 3)	75,985	3,905,529	3,981,514	3,205,461
Capital assets, net (Note 4)	-	2,917,102	2,917,102	2,710,943
	<u>\$ 4,015,265</u>	<u>\$ 6,822,631</u>	<u>\$ 10,837,896</u>	<u>\$ 9,837,260</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Current liabilities				
Accounts payable and accrued liabilities	\$ 1,424,554	\$ -	\$ 1,424,554	\$ 1,538,819
Deferred revenue	806,321	-	806,321	692,144
Current portion of long term debt (Note 5)	-	25,000	25,000	41,458
	<u>2,230,875</u>	<u>25,000</u>	<u>2,255,875</u>	<u>2,272,421</u>
Long term liabilities				
Accrued retirement benefits	568,817	-	568,817	521,748
Note payable (Note 5)	-	18,750	18,750	43,750
	<u>568,817</u>	<u>18,750</u>	<u>587,567</u>	<u>565,498</u>
Deferred contributions (Note 6)	-	176,743	176,743	121,404
Fund balances				
Unrestricted	1,215,573	-	1,215,573	1,236,817
Board restricted (Note 7)	-	3,905,529	3,905,529	3,136,789
Invested in capital assets	-	2,696,609	2,696,609	2,504,331
	<u>1,215,573</u>	<u>6,602,138</u>	<u>7,817,711</u>	<u>6,877,937</u>
	<u>\$ 4,015,265</u>	<u>\$ 6,822,631</u>	<u>\$ 10,837,896</u>	<u>\$ 9,837,260</u>

Approved by the Council



Chairman



Executive Director

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
CONSOLIDATED STATEMENT OF OPERATIONS AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED 31 MARCH 2007**

	Operating Fund	Capital Fund	2007 Total	2006 Total
<b>REVENUE</b>				
Operations	\$ 8,442,243	\$ -	\$ 8,442,243	\$ 8,927,051
Operating grant				
Province of New Brunswick	740,700	-	740,700	740,700
Interest	157,481	-	157,481	107,502
Sundry	147,310	-	147,310	129,796
	<u>9,487,734</u>	<u>-</u>	<u>9,487,734</u>	<u>9,905,049</u>
<b>EXPENSE</b>				
Operations	6,115,606	-	6,115,606	6,428,007
General and administrative	1,955,625	-	1,955,625	1,838,556
Amortization (Notes 4 and 6)	488,984	-	488,984	466,591
Bad debts (Recovery)	(12,255)	-	(12,255)	27,194
	<u>8,547,960</u>	<u>-</u>	<u>8,547,960</u>	<u>8,760,348</u>
<b>EXCESS OF REVENUE OVER EXPENSE</b>	939,774	-	939,774	1,144,701
Fund balances, beginning of year	1,236,817	5,641,120	6,877,937	5,733,236
Interfund adjustment	(961,018)	961,018	-	-
<b>FUND BALANCES, end of year</b>	<u>\$ 1,215,573</u>	<u>\$ 6,602,138</u>	<u>\$ 7,817,711</u>	<u>\$ 6,877,937</u>

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2007**

	Operating Fund	Capital Fund	2007 Total	2006 Total
<b>CASH PROVIDED BY (USED FOR):</b>				
Operating activities				
Excess of revenue over expense	\$ 939,774	\$ -	\$ 939,774	\$ 1,144,701
Amortization	488,984	-	488,984	466,591
Net change in non-cash working capital	99,772	(16,458)	83,314	(17,255)
Net cash provided (used) by operating activities	1,528,530	(16,458)	1,512,072	1,594,037
Financing and investing activities				
Purchase or transfer of long-term investment	(7,313)	(768,740)	(776,053)	(996,664)
Accrual of retirement allowance entitlements	47,069	-	47,069	70,455
Payment of long term loans	-	(25,000)	(25,000)	(41,458)
Deferred contributions towards capital assets	-	92,052	92,052	13,639
Acquisition of capital assets	-	(731,854)	(731,854)	(356,490)
Net cash provided (used) in financing and investing activities	39,756	(1,433,542)	(1,393,786)	(1,310,518)
<b>NET INCREASE (DECREASE) IN CASH</b>	1,568,286	(1,450,000)	118,286	283,519
Cash and term deposits, beginning of year	1,255,225	-	1,255,225	971,706
Interfund transfer (Note 7)	(1,450,000)	1,450,000	-	-
<b>CASH AND TERM DEPOSITS, end of year</b>	<b>\$ 1,373,511</b>	<b>\$ -</b>	<b>\$ 1,373,511</b>	<b>\$ 1,255,225</b>

---

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 2007**

---

**1. Purpose of the organization**

---

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

**2. Significant accounting policies**

---

**(a) Fund accounting**

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

**(b) Revenue recognition**

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

**(c) Capital assets**

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

**(d) Consolidation policy**

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

**(e) Employee retirement benefits**

Full-time employees of the Council are members of the New Brunswick Public Service Superannuation Plan. The Plan is a defined benefit multi-employer plan under which contributions are made by both the Council and its employees. The employer's contributions to the plan are accounted for as a defined contribution plan, as the Council's obligation is limited to the amount of these contributions.

Retirement allowance entitlements are earned by employees at the rate of one week's pay for each full year worked to a maximum of twenty-five weeks. The amount of the retirement allowance is based upon years of service and the employee's final salary.



**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 2007**

**2. Significant accounting policies - continued**

**(f) Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that could differ from actual results.

Estimates have been made of the retirement allowance benefits, earned to date, that may become payable in the future.

Estimates have also been established for accounts receivable which are, or may become, uncollectible.

**3. Long-term investments**

Investments held at 31 March 2007 have a market value of \$4,019,351 (2006 - \$3,206,875). 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**

	<b>Amortization Rates</b>	<b>2007</b>	<b>2006</b>
Vehicles	25%	\$ 11,880	\$ 11,880
Computer equipment	25%	1,464,734	1,418,037
Other equipment	12.50%	7,834,810	7,217,350
Building	3%	2,467,335	2,399,637
Cost		11,778,759	11,046,904
Less: accumulated amortization		8,861,657	8,335,961
Capital assets, net		<u>\$ 2,917,102</u>	<u>\$ 2,710,943</u>

Amortization expense is comprised of the following amounts:

	<b>2007</b>	<b>2006</b>
Amortization of assets	\$ 525,696	\$ 490,406
Amortization of deferred contributions	( 36,712)	( 23,815)
	<u>\$ 488,984</u>	<u>\$ 466,591</u>

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 2007**

**4. Capital assets - continued**

Accumulated amortization and net book value

	2007			2006
	Cost	Accumulated amortization	Net book value	Net book value
Vehicle	\$ 11,880	\$ 8,910	\$ 2,970	\$ 5,940
Computer equipment	1,464,734	1,392,621	72,113	77,113
Operating equipment	7,834,810	6,202,000	1,632,810	1,421,807
Land and buildings	2,467,335	1,258,126	1,209,209	1,206,083
	<u>\$ 11,778,759</u>	<u>\$ 8,861,657</u>	<u>\$ 2,917,102</u>	<u>\$ 2,710,943</u>

**5. Note payable**

	2007	2006
Atlantic Canada Opportunities Agency, interest free, payable \$3,750 quarterly through May 1, 2006	\$ -	\$ 2,004
Atlantic Canada Opportunities Agency, interest free, payable \$4,850 quarterly through November 1, 2006	-	14,454
Atlantic Canada Opportunities Agency, interest free, payable \$6,250 quarterly through October 1, 2008	43,750	68,750
	<u>43,750</u>	<u>85,208</u>
Less: current portion	25,000	41,458
	<u>\$ 18,750</u>	<u>\$ 43,750</u>

**6. Deferred contributions**

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

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

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 2007**

---

**6. Deferred contributions - continued**

---

	<b>2007</b>	<b>2006</b>
Deferred contributions at 1 April	\$ 121,404	\$ 131,580
Contributions to the cost of equipment	92,052	13,639
Amortization of deferred contributions	( 36,713)	( 23,815)
Deferred contributions at 31 March	<u>\$ 176,743</u>	<u>\$ 121,404</u>

**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 \$3,905,529 as at 31 March 2007 (2006 - \$3,136,789). 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 2007 transfer of \$1,450,000 from the Operating Fund to the Capital Fund (2006 - \$1,400,000).

**8. Related party transactions**

---

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

	<b>2007</b>	<b>2006</b>
Revenue from services provided for the year		
Government departments and agencies	\$ 900,680	\$ 675,932
Accounts receivable at 31 March		
Government departments and agencies	\$ 166,338	\$ 93,747



---

**FINANCIAL STATEMENTS**  
**NEW BRUNSWICK SECURITIES**  
**COMMISSION**  
**31 MARCH 2007**

---

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 2007 and the statements of income, fund balances 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 2007 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 'Michael Ferguson'.

Michael Ferguson, CA  
Auditor General

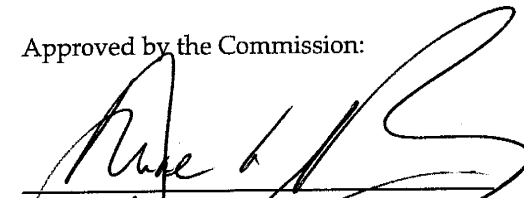
Fredericton, N. B.  
11 May 2007


**NEW BRUNSWICK SECURITIES COMMISSION  
BALANCE SHEET  
AS AT 31 MARCH 2007**

	2007	2006
<b>ASSETS</b>		
Current assets		
Cash (Note 3)	\$ 1,258,300	\$ 1,326,603
Accounts receivable	48,990	120,919
Prepaid expenses	38,078	10,051
	<u>1,345,368</u>	<u>1,457,573</u>
Investments held for designated purposes (Note 3)	1,040,750	889,096
Capital assets (Note 5)	406,484	440,143
	<u>\$ 2,792,602</u>	<u>\$ 2,786,812</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 197,086	\$ 417,852
Accrued salaries and benefits	82,382	72,484
Accrued vacation liabilities	36,757	31,986
	<u>316,225</u>	<u>522,322</u>
Accrued benefit liabilities (Note 8)	274,349	260,963
Total liabilities	<u>590,574</u>	<u>783,285</u>
Fund balances		
General	1,161,278	1,114,431
Fee stabilization reserve (Note 4)	1,000,000	750,000
Market enhancement reserve (Note 4)	40,750	139,096
	<u>2,202,028</u>	<u>2,003,527</u>
	<u>\$ 2,792,602</u>	<u>\$ 2,786,812</u>

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

Approved by the Commission:

  
Chair

  
Member

**NEW BRUNSWICK SECURITIES COMMISSION  
STATEMENT OF INCOME  
FOR THE YEAR ENDED 31 MARCH 2007**

	2007	2006
<b>REVENUE</b>		
Fees		
Distribution of securities	\$ 4,785,850	\$ 4,441,950
Registrations	2,880,750	2,607,300
Financial filings	1,956,475	1,672,374
Exemptions and orders	324,550	309,975
Other	119,756	22,772
Administrative penalties and settlements	10,000	72,719
Enforcement cost recoveries	-	7,750
Investment income	132,817	81,605
	<u>10,210,198</u>	<u>9,216,445</u>
 <b>EXPENSES</b>		
Salaries and benefits	2,376,378	1,901,198
Administration (Schedule 1)	722,035	322,556
Market enhancement (Schedule 2)	112,910	-
Professional services	91,045	85,152
Travel	134,460	133,956
Canadian Securities Administrators initiatives	48,204	44,835
Premises	222,846	106,573
Amortization	89,388	82,802
	<u>3,797,266</u>	<u>2,677,072</u>
 <b>EXCESS OF REVENUE OVER EXPENSES</b>	 <u>\$ 6,412,932</u>	 <u>\$ 6,539,373</u>



**NEW BRUNSWICK SECURITIES COMMISSION  
STATEMENT OF FUND BALANCES  
FOR THE YEAR ENDED 31 MARCH 2007**

---

	<b>General</b>	<b>Fee Stabilization Reserve</b>	<b>Market Enhancement Reserve</b>	<b>Total</b>
Balance, 31 March 2006	\$ 1,114,431	\$ 750,000	\$ 139,096	\$ 2,003,527
Excess of revenue over expenses	6,412,932	-	-	6,412,932
Disposition of surplus operating funds (Note 6)	(6,214,431)	-	-	(6,214,431)
Investment income reallocation	(4,564)	-	4,564	-
Allocation to (from) reserves (Note 4)	(147,090)	250,000	(102,910)	-
Balance, 31 March 2007	<u>\$ 1,161,278</u>	<u>\$ 1,000,000</u>	<u>\$ 40,750</u>	<u>\$ 2,202,028</u>

**NEW BRUNSWICK SECURITIES COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2007**

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 6,412,932	\$ 6,539,373
Adjustment for amortization – capital assets	89,388	82,802
	<u>6,502,320</u>	<u>6,622,175</u>
Changes in non-cash working capital		
Accounts receivable	71,929	(105,652)
Prepaid expenses	(28,027)	(2,400)
Accounts payable and accrued liabilities	(220,766)	291,204
Accrued salaries and benefits	9,898	25,402
Accrued vacation liabilities	4,771	2,051
Accrued benefit liabilities	13,386	19,716
	<u>6,353,511</u>	<u>6,852,496</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Disposition of surplus operating funds	(6,214,431)	(5,912,969)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of capital assets	(55,729)	(468,509)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>83,351</u>	<u>471,018</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,215,699</u>	<u>1,744,681</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,299,050</u>	<u>\$ 2,215,699</u>
<b>Represented by:</b>		
Cash	\$ 1,258,300	\$ 1,326,603
Investments held for designated purposes	1,040,750	889,096
	<u>\$ 2,299,050</u>	<u>\$ 2,215,699</u>

**NEW BRUNSWICK SECURITIES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2007**

---

**1. Nature of the Corporation**

---

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 markets, including the administration of the *Securities Act*, the Securities Regulation and the New Brunswick Securities Commission rules.

The purpose of the Commission is to foster fair and efficient capital markets in New Brunswick and confidence in those markets, and to provide protection to investors from unfair, improper or fraudulent practices.

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 revenue 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: 4 years  
Computers and electronic equipment: 3 years  
Software: 4 years  
Automobile: 4 years  
Leasehold improvements: over term of lease

**NEW BRUNSWICK SECURITIES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2007**

---

**2. Significant accounting policies – continued**

---

**(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.

**(d) Restricted cash**

Consistent with subsection 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 markets in New Brunswick.

**(e) Employee benefit plan**

The Commission provides pension benefits to its full-time employees through participation in the Public Service Superannuation 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.

**NEW BRUNSWICK SECURITIES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2007**

**4. Reserves**

**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 reserve is funded through charges to retained earnings. The maximum value of the reserve has been set at \$1,000,000.

**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 the capital markets in New Brunswick. Market enhancement reserve funds are maintained separate from the normal operating funds of the Commission and generate their own investment revenue.

**5. Capital assets**

			2007	2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture and equipment	\$ 84,932	\$ 48,602	\$ 36,330	\$ 45,358
Computers and electronic equipment	60,325	36,537	23,788	29,221
Software	11,780	5,945	5,835	-
Automobile	28,198	21,149	7,049	14,099
Leasehold improvements	390,517	78,103	312,414	351,465
Capital assets in progress	21,068	-	21,068	-
	<u>\$ 596,820</u>	<u>\$ 190,336</u>	<u>\$ 406,484</u>	<u>\$ 440,143</u>

Capital assets in progress are comprised of development costs for a new website, and an uninstalled computer server.

**NEW BRUNSWICK SECURITIES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2007**

---

**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 and contingencies**

Details of commitments to organizations outside the Commission and contingencies from guarantees and legal actions are set out below. Any losses arising from the settlement of contingencies are treated as expenses in the year of settlement.

**(a) Commitments**

Commitments arising from contractual obligations associated primarily with the lease of the premises and minor rental of office equipment at 31 March 2007 amounted to \$1,994,564. The Commission entered into a ten year lease for office space effective 15 February 2006. Under the terms of its lease agreements, the Commission will be required to make the following annual lease payments:

2007-08	\$ 220,896
2008-09	218,496
2009-10	218,496
2010-11	220,567
2011-12	230,919
Thereafter	<u>885,190</u>
Total	<u>\$ 1,994,564</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.

**NEW BRUNSWICK SECURITIES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2007**

---

**8. Accrued benefit liabilities**

---

The Commission has a retirement allowance program for employees with five or more years of continuous employment. This is available on retirement, death or lay-off. Each employee is entitled to receive five days of pay for each year of service up to a maximum of 125 days, plus an additional 20% of accumulated sick leave. In total, this benefit cannot exceed 166 days. The employee's rate of pay is used to calculate the allowance.

This benefit is calculated on those employees with five or more years of service and is represented at the aggregate amount with the application of a 3% discount factor for each year that the eligible employee is below the earliest possible retirement age of 55.

This method of estimating the benefit represents a change from that performed in prior periods. This change in estimation reduced the accrued liability by a total of \$50,044 at 31 March 2007.

In addition, the Chief Executive Officer receives a supplemental pension benefit whereby supplemental pensionable service of one year (or part year) for each year of service as Chief Executive Officer to a maximum of five years is provided. This benefit is fully funded by the Commission.

**9. Related party transactions**

---

The Department of Justice and Consumer Affairs, a related party to the Commission, provides certain services in the normal course of operations that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Information technology services were provided such as data storage, data back-up, data protection and support for the Commission. During the year, the Commission finalized an agreement whereby the Department of Justice and Consumer Affairs also provided support for the policy and regulatory responsibilities of the Commission. The Commission expended \$135,290 (\$63,004 in 2006) during the reporting period on these services. As of 31 March 2007, an accounts payable of \$30,644 (\$24,188 in 2006) was owed to the Department of Justice and Consumer Affairs and is subject to normal terms. This amount is included in accounts payable and accrued liabilities.

The Translation Bureau for the Government of New Brunswick also provides translation services to the Commission that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Total expenditures during the period were \$39,707 (\$48,888 in 2006). As of 31 March 2007 an accounts payable of \$2,200 (\$10,410 in 2006) was owed to the Translation Bureau for the Government of New Brunswick and is subject to normal terms. This amount is included in accounts payable and accrued liabilities.

**NEW BRUNSWICK SECURITIES COMMISSION  
SCHEDULES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2007**

	2007	2006
<b>SCHEDULE 1</b>		
<b>ADMINISTRATION</b>		
Fostering capital markets (Fullsail Summit)	\$ 225,885	\$ -
Investor protection and education	85,823	31,193
Members and staff development	101,689	57,176
Payment to Department of Justice and Consumer Affairs under Agreement	50,000	-
Information technology	110,298	74,476
Other administration	148,340	159,711
	<u>\$ 722,035</u>	<u>\$ 322,556</u>
 <b>SCHEDULE 2</b>		
<b>MARKET ENHANCEMENT</b>		
Television campaign	\$ 72,910	\$ - *
Contribution for development of securities law course		
Université de Moncton	20,000	-
University of New Brunswick	20,000	-
	<u>\$ 112,910</u>	<u>\$ -</u>

\*As a result of enforcement activity associated with the Securities Branch of the Department of Justice and Consumer Affairs, the predecessor organization for the Commission, certain voluntary payments were made to the Public Legal Education and Information Service of New Brunswick (PLEIS). Prior to 1 July 2004, those payments were made with the acknowledgement that they were to foster the mandate of PLEIS as it relates to financial markets. The Commission, as a result of its relationship and arrangements with PLEIS, had a significant ability to influence expenditures and those expenditures had a similar purpose as to those from the market enhancement reserve. During the 2005-06 fiscal year, we incurred \$101,977 of expenditures.



---

**FINANCIAL STATEMENTS**  
**NEW BRUNSWICK TIRE STEWARDSHIP BOARD**  
**31 DECEMBER 2006**

---

---

 NEW BRUNSWICK TIRE STEWARDSHIP BOARD
 

---



KPMG LLP  
 Chartered Accountants  
 Frederick Square  
 77 Westmorland Street Suite 700  
 Fredericton NB E3B 6Z3  
 Telephone (506) 452-8000  
 Fax (506) 450-0072  
 Internet www.kpmg.ca

One Factory Lane  
 Place Marven's  
 PO Box 827  
 Moncton NB E1C 8N6  
 Telephone (506) 856-4400  
 Fax (506) 856-4499

Harbour Building  
 133 Prince William Street  
 PO Box 2388 Stn Main  
 Saint John NB E2L 3V6  
 Telephone (506) 634-1000  
 Fax (506) 633-8828

## 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, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the 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, 2006 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.

Chartered Accountants

Fredericton, Canada  
 February 7, 2007

## NEW BRUNSWICK TIRE STEWARDSHIP BOARD

**Statement of Financial Position**

December 31, 2006, with comparative figures for 2005

	2006	2005
<b>Assets</b>		
Cash	\$ 515,024	\$ 713,031
Accounts receivable	610,478	503,729
Prepaid expenses	3,067	3,770
Current portion of advances to Tire Recycling Atlantic Canada Corporation (note 2)	60,292	58,076
	<u>1,188,861</u>	<u>1,278,606</u>
Investments (note 3)	1,917,205	1,849,946
Advances to Tire Recycling Atlantic Canada Corporation (note 2)	111,861	172,154
Capital assets (note 4)	23,191	37,874
	<u>\$ 3,241,118</u>	<u>\$ 3,338,580</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 281,873	\$ 262,017
Accrued processing fees	961,526	1,262,115
	<u>1,243,399</u>	<u>1,524,132</u>
<b>Net assets:</b>		
Invested in capital assets	23,191	37,874
Unrestricted	1,974,528	1,776,574
	<u>1,997,719</u>	<u>1,814,448</u>
	<u>\$ 3,241,118</u>	<u>\$ 3,338,580</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director

## NEW BRUNSWICK TIRE STEWARDSHIP BOARD

**Statement of Operations**

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Fees and levies	\$ 2,746,147	\$ 2,718,164
Expenses:		
Scrap tire processing costs	2,060,364	2,295,411
Retroactive payment on scrap tire processing	270,096	-
Salaries and employee benefits	148,287	141,642
Communication and translation	51,981	48,908
Professional services	32,201	23,169
Office	24,131	13,494
Security services	23,110	22,119
Amortization	17,721	13,114
Rent	10,800	10,800
Travel	8,499	13,256
Telephone	7,446	6,414
Insurance	5,172	5,394
Training and subscriptions	1,493	1,270
Board	1,429	1,343
Interest and bank charges	679	683
	<u>2,663,409</u>	<u>2,597,017</u>
	82,738	121,147
Investment income	100,533	79,832
Excess of revenue over expenses	<u>\$ 183,271</u>	<u>\$ 200,979</u>

See accompanying notes to financial statements.

## NEW BRUNSWICK TIRE STEWARDSHIP BOARD

## Statement of Changes in Net Assets

Year ended December 31, 2006, with comparative figures for 2005

	Invested in capital assets	Unrestricted	2006 Total	2005 Total
Balance, beginning of year	\$ 37,874	\$ 1,776,574	\$ 1,814,448	\$ 1,613,469
Excess (deficiency) of revenue over expenses	(17,721)	200,992	183,271	200,979
Net change in investment in capital assets	3,038	(3,038)	-	-
Balance, end of year	\$ 23,191	\$ 1,974,528	\$ 1,997,719	\$ 1,814,448

See accompanying notes to financial statements.

## NEW BRUNSWICK TIRE STEWARDSHIP BOARD

**Statement of Cash Flows**

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 183,271	\$ 200,979
Items not involving cash:		
Amortization of capital assets	17,721	13,114
Amortization of bond premium	14,820	15,055
Changes in non-cash operating working capital:		
Increase in accounts receivable	(106,749)	(18,800)
Decrease (increase) in prepaid expenses	703	(781)
Increase in accounts payable and accrued liabilities	19,856	240,958
Increase (decrease) in accrued processing fees	(300,589)	181,493
	(170,967)	632,018
Financing and investing activities:		
Capital assets acquired	(3,038)	(32,737)
Increase in investments	(82,079)	(73,901)
Repayments from Tire Recycling Atlantic Canada Corporation	58,077	55,942
	(27,040)	(50,696)
Increase (decrease) in cash position	(198,007)	581,322
Cash position, beginning of year	713,031	131,709
Cash position, end of year	\$ 515,024	\$ 713,031

See accompanying notes to financial statements.

---

NEW BRUNSWICK TIRE STEWARDSHIP BOARD

---

# Notes to Financial Statements

Year ended December 31, 2006

---

The New Brunswick Tire Stewardship Board (the "Board") is an agent of the crown 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:

Bonds are carried at their face amount plus any unamortized premium. Investment income is recorded in an effective-yield method whereby the interest at the stated rate is modified by the amortization of the premium from the face value implicit in its acquisition price. If the market value of investments becomes lower than the carrying value and this decline in value is considered to be other than temporary, the investments are written down to market value.

### (c) Fees and levies:

Fees and levies are recognized by the Board when cash is received or receivable from the tire retailers. The Board uses a closing date of January 31st of the following year to recognize fee transfers from tire retailers related to the current year as a receivable.

### (d) Capital assets:

Capital assets are recorded at cost. Amortization 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

---

## NEW BRUNSWICK TIRE STEWARDSHIP BOARD

# Notes to Financial Statements

Year ended December 31, 2006

## 1. Significant accounting policies (continued):

### (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.

### (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. Investments:

	Face value	Book value
NB Municipal Finance Corp., 5.75%, due July 17, 2007	\$ 167,000	\$ 176,850
Farm Credit Corporation, 4.35%, due August 15, 2007	190,000	199,462
Canadian Imperial Bank of Commerce, 4.4%, due August 26, 2008	190,000	198,255
Government of Canada, 4.25%, due September 1, 2008	184,000	185,408
Province of Ontario, 5.7%, due December 1, 2008	130,000	142,149
Canadian Housing Trust, 4.1%, due December 15, 2008	190,000	196,890
Province of New Brunswick, 5.25%, due June 2, 2009	134,000	138,776
Province of New Brunswick, 6.38%, due June 15, 2010	130,000	138,280
Government of Canada, 4.25%, due September 1, 2009	200,000	206,800
	1,515,000	1,582,870
Amortization of premium	-	(29,591)
Cash held in brokers' account	-	363,926
	\$ 1,515,000	\$ 1,917,205



## NEW BRUNSWICK TIRE STEWARDSHIP BOARD

# Notes to Financial Statements

Year ended December 31, 2006

#### 4. Capital assets:

	Cost	Accumulated amortization	2006 Net book value	2005 Net book value
Office equipment	\$ 16,774	\$ 15,980	\$ 794	\$ 1,211
Furniture and fixtures	11,551	9,710	1,841	3,145
Computer equipment	78,648	58,092	20,556	33,518
	\$ 106,973	\$ 83,782	\$ 23,191	\$ 37,874

#### 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, 2006 is \$1,898,475 (2005 - \$1,827,584) based on published listings of market values. The fair value of the advances to TRACC at December 31, 2006 is approximately \$163,000.

The fair value of the accrued processing fees is not possible to estimate given the uncertainty of timing related to processing and related payment.



---

**FINANCIAL STATEMENTS**  
**PREMIER'S COUNCIL ON THE**  
**STATUS OF DISABLED PERSONS**  
**31 MARCH 2007**

---

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 2007 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 2007 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 "Michael Ferguson".

Michael Ferguson, CA  
Auditor General

Fredericton, N.B.  
15 June 2007

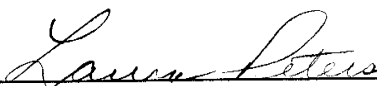
**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS  
BALANCE SHEET  
31 MARCH 2007**


	2007	2006
<b>ASSETS</b>		
Current assets		
Cash	\$ 17,312	\$ 24,104
Accounts receivable	2,556	3,875
Prepaid expenses	2,306	2,439
	<u>\$ 22,174</u>	<u>\$ 30,418</u>

**LIABILITIES AND SURPLUS**

Current liabilities		
Accounts payable and accrued liabilities	\$ 9,704	\$ 10,535
Surplus	12,470	19,883
	<u>\$ 22,174</u>	<u>\$ 30,418</u>

Approved by the Council

  
 \_\_\_\_\_ Chairperson

  
 \_\_\_\_\_ Member

**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS  
STATEMENT OF REVENUE, EXPENSE AND SURPLUS  
FOR THE YEAR ENDED 31 MARCH 2007**

	2007 Budget (Note 3)	2007 Actual	2006 Actual
<b>REVENUE</b>			
Grants-Province of New Brunswick	\$ 266,000	\$ 266,000	\$ 260,500
Miscellaneous revenue	3,200	3,370	3,453
	<u>269,200</u>	<u>269,370</u>	<u>263,953</u>
<b>EXPENSE</b>			
Salaries and employee benefits	209,638	208,251	204,478
Furniture and equipment	2,500	877	2,229
Office supplies	4,000	5,099	4,230
Telephone	3,500	2,993	3,370
Printing	13,000	14,023	11,575
Translation	7,500	6,369	2,964
Honoraria	8,000	7,025	7,100
Travel expenses	7,800	7,004	6,214
Postage	5,436	4,678	4,407
Maintenance	2,100	1,431	1,938
Hotel expenses	7,000	6,003	5,961
Parking	2,800	2,215	2,517
Council meetings	4,500	3,854	4,587
Consultations and seminars	2,000	1,832	606
Meals	1,700	1,509	1,495
Library and subscriptions	1,600	999	1,481
Office equipment rental	2,000	1,781	1,706
Insurance	600	502	504
Miscellaneous	500	198	25
Bank charges	130	140	118
	<u>286,304</u>	<u>276,783</u>	<u>267,505</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE FOR THE YEAR</b>			
	<u>\$ (17,104)</u>	(7,413)	(3,552)
Surplus, beginning of year		<u>19,883</u>	<u>23,435</u>
<b>SURPLUS, END OF YEAR</b>		<u>\$ 12,470</u>	<u>\$ 19,883</u>

**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2007**

---

**1. Summary of significant accounting policies**

---

**(a) Employee retirement benefits**

Full-time employees of the Council are members of the New Brunswick Public Service Superannuation Plan. The Plan is a defined benefit multi-employer plan under which contributions are made by both the Council and its employees. The employer's contributions to the plan are accounted for as a defined contribution plan, as the Council's obligation is limited to the amount of these contributions.

The cost of retirement allowances which may become due to staff of the Council are paid by the Province.

**(b) 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.

**(c) 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**

---

The Council acts as a co-ordinator for Disability Awareness Week (DAW). The Council also maintains the accounting records for the DAW Executive Committee. The role of this Executive Committee is to oversee DAW and make key decisions regarding its operations. In return for administration costs incurred on behalf of DAW during the year, the DAW Executive Committee paid \$3,000 to the Council. Should this Committee not receive sufficient funding in the year to cover its costs, the Council is responsible for the additional expenditures.

**3. Budget**

---

The budget figures as shown in the statement of revenue, expense and surplus have been approved by the members of the Council. These figures have been prepared on the cash basis and have not been audited.

**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.





---

FINANCIAL STATEMENTS

**PROVINCIAL HOLDINGS LTD.**

31 MARCH 2007

---

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 2007 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 2007 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 "Michael Ferguson".

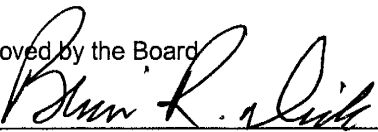
Michael Ferguson, CA  
Auditor General

Fredericton, N.B.  
24 August 2007

**PROVINCIAL HOLDINGS LTD.  
BALANCE SHEET  
31 MARCH 2007**

	2007	2006
<b>ASSETS</b>		
Current assets		
Cash and short-term investments	\$ 670,163	\$ 605,373
Interest receivable	428	1,277
Miscellaneous receivable	376,671	7
	<u>1,047,262</u>	<u>606,657</u>
Industrial development projects (Notes 2 and 3)		
Loans to Client Companies	4,470,092	3,655,720
Shares in client companies	2,828,857	2,926,609
	7,298,949	6,582,329
Less: Provision for loss	(5,728,901)	(5,801,970)
	<u>1,570,048</u>	<u>780,359</u>
	<u>\$ 2,617,310</u>	<u>\$ 1,387,016</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current liabilities		
Accounts Payable	\$ 305,108	\$ -
Long-term debt		
Due to Province of New Brunswick (Note 3)	6,315,725	5,532,331
Less: Provision for loss on industrial development projects (Note 2)	(4,751,971)	(4,751,971)
	<u>1,563,754</u>	<u>780,360</u>
Capital stock		
Authorized: 500 common shares, par value of \$10 each		
Issued: 500 shares	5,000	5,000
Retained earnings	<u>743,448</u>	<u>601,656</u>
	<u>748,448</u>	<u>606,656</u>
	<u>\$ 2,617,310</u>	<u>\$ 1,387,016</u>

Approved by the Board



Director



Director

**PROVINCIAL HOLDINGS LTD.  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 MARCH 2007**

	2007	2006
<b>REVENUE</b>		
Provincial contribution	\$ 850,144	\$ 749,675
Loss recovery - provincially funded (Note 2)	-	1,164,792
Interest income	89,706	67,449
Miscellaneous revenue	71,563	77,625
	<u>1,011,413</u>	<u>2,059,541</u>
<b>EXPENSE</b>		
Development grant	850,144	750,000
Bad debts	19,375	1,256,727
Miscellaneous	102	135
Loss on sale of building	-	200,000
Holding costs for investment in building	-	10,802
	<u>869,621</u>	<u>2,217,664</u>
<b>NET INCOME (LOSS) FOR THE YEAR</b>	141,792	(158,123)
Retained earnings, beginning of year	601,656	759,779
<b>RETAINED EARNINGS, end of year</b>	<u>\$ 743,448</u>	<u>\$ 601,656</u>

**PROVINCIAL HOLDINGS LTD.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2007**

	2007	2006
<b>CASH PROVIDED BY (USED FOR):</b>		
Operating activities:		
Net income (loss) for the year	\$ 141,792	\$ (158,123)
Add (deduct) items not affecting cash:		
Loss on sale of building	-	200,000
Bad debts	19,375	1,256,727
Loss recovery - provincially funded	-	(1,164,792)
	<u>161,167</u>	<u>133,812</u>
Increase (decrease) of non-cash components of working capital*	<u>(90,082)</u>	<u>(140,576)</u>
	<u>71,085</u>	<u>(6,764)</u>
Investing activities:		
Industrial development projects - recoveries		
Loans	112,559	74,384
Shares	97,752	14,436
Building	-	110,000
Industrial development projects - investments		
Loans	<u>(1,000,000)</u>	<u>-</u>
	<u>(789,689)</u>	<u>198,820</u>
Financing activities:		
Repayments to the Province	(216,606)	(78,819)
Advances from the Province	<u>1,000,000</u>	<u>-</u>
	<u>783,394</u>	<u>(78,819)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>64,790</b>	<b>113,237</b>
Cash position, beginning of year	<u>605,373</u>	<u>492,136</u>
<b>CASH POSITION, end of year</b>	<b>\$ 670,163</b>	<b>\$ 605,373</b>

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

**PROVINCIAL HOLDINGS LTD.  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2007**

---

**1. Description of operations**

---

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

**2. Summary of significant accounting policies**

---

**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**

---

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

**4. Contingent liabilities**

---

The Company has guaranteed loans to two client companies. Under one agreement, the amount guaranteed shall not exceed the lesser of \$15,000,000 or 75% of the balance of the loan. The contingent liability in respect of this guarantee was \$14,000,000 (2006 - \$14,750,000) at 31 March 2007.

Under the other agreement, the amount guaranteed shall not exceed the lesser of \$700,000 or the balance of the loan. The contingent liability in respect to this guarantee was \$700,000 at 31 March 2007.

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.

**PROVINCIAL HOLDINGS LTD.  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 2007**

---

**5. Outstanding commitments**

---

At 31 March 2007, the Company had outstanding commitments in respect of industrial development projects of \$1,279,856 (2006 - \$130,000).





Financial Statements of

**REGIONAL DEVELOPMENT CORPORATION**

Year ended March 31, 2007

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 statement of financial position of the Regional Development Corporation as at 31 March 2007 and the statement of operations 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 2007 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 'Michael Ferguson'.

Michael Ferguson, CA  
Auditor General

Fredericton, N. B.  
3 August 2007

## REGIONAL DEVELOPMENT CORPORATION

### Statement of Financial Position

March 31, 2007, with comparative figures for 2006

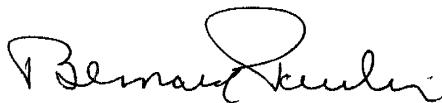
	2007	2006
<b>Assets</b>		
Current assets		
Cash	\$ 1,780,196	\$ 860,124
Accounts receivable (Note 3)	3,073,097	3,578,974
Prepaid expenses	13,277	9,708
	<u>4,866,570</u>	<u>4,448,806</u>
Other assets		
Advance to Fundy Trail Endowment Fund - In Trust (Note 4)	2,771,429	2,600,000
Loans receivable (Note 5)	4,500,000	1,000,000
Less: Provision for loss - loans receivable	(4,500,000)	-
	<u>2,771,429</u>	<u>3,600,000</u>
	<u>\$ 7,637,999</u>	<u>\$ 8,048,806</u>


### Liabilities

Current liabilities		
Accounts payable (Note 6)	\$ 3,831,514	\$ 4,824,386
Deferred revenue	1,035,056	624,420
	<u>4,866,570</u>	<u>5,448,806</u>
Due to Province of New Brunswick		
Fundy Trail Endowment Fund - In Trust (Note 4)	2,771,429	2,600,000
	<u>\$ 7,637,999</u>	<u>\$ 8,048,806</u>

See accompanying notes to the financial statements.

Approved on behalf of the Board:

  
Chairperson

  
Director

## REGIONAL DEVELOPMENT CORPORATION

### Statement of Operations

Year ended March 31, 2007

	2007	2006
<b>Revenue</b>		
Federal contribution (Schedule 1)	\$ 4,024,030	\$ 2,101,724
Provincial contribution (Schedule 2)	61,373,956	53,696,352
Other contributions	22,171	-
	<u>65,420,157</u>	<u>55,798,076</u>
<b>Expenses</b>		
<b>Regional development initiatives</b>		
Acadian Peninsula Economic Development Fund	6,015,511	5,332,562
Restigouche-Chaleur Economic Development Fund	3,972,118	2,873,508
Miramichi Regional Economic Development Fund	5,914,398	1,771,498
	<u>15,902,027</u>	<u>9,977,568</u>
<b>Community development initiatives</b>		
Family and Youth Capital Assistance Program	1,870,097	2,031,385
Community Events Program	325,000	243,000
Special Initiatives	7,701,339	14,018,721
	<u>9,896,436</u>	<u>16,293,106</u>
<b>Fund management and administration</b>		
Grants to RDC - SOA	16,834,000	14,388,870
Provision of French Language Services Agreement	4,212,685	3,384,182
Centres scolaires communautaires	1,824,840	1,758,000
Complementary Projects regarding Official Languages in Education	940,017	-
Tobacco Sales Enforcement Agreement	150,000	150,000
Aboriginal Affairs Initiatives	168,771	151,716
Domestic Violence and Violence Prevention Networks	107,233	-
Total Development Fund	4,872,931	4,438,897
Community Economic Development Fund	2,293,936	1,759,783
Atlantic Canada Tourism Marketing Agreement	724,000	721,525
International Business Development Program	285,000	79,911
Advance Sport Participation Bilateral Agreement	240,000	240,000
Operations	2,431,510	2,293,663
Provision for loss	4,493,576	160,855
Other projects	43,195	-
	<u>39,621,694</u>	<u>29,527,402</u>
<b>Total expenses</b>	<u>65,420,157</u>	<u>55,798,076</u>
<b>Excess of revenue over expenses</b>	<u>\$ -</u>	<u>\$ -</u>

## REGIONAL DEVELOPMENT CORPORATION

### Schedules to Financial Statements

Year ended March 31, 2007

	2007	2006
Schedule 1 - Revenue - Federal Contribution		
Fund Management and Administration		
Provision of French Language Services Agreement	\$ 1,259,772	\$ 1,024,505
Complementary Projects regarding Official Languages in Education	940,017	-
Organization of the Francophonie Summit	550,000	-
Participation and follow-up of La Francophonie Institutions	500,000	500,000
Centres scolaires communautaires	330,000	330,000
Tobacco Sales Enforcement Agreement	150,000	150,000
Domestic Violence and Violence Prevention Networks	107,233	-
Aboriginal Affairs Initiatives	86,318	97,219
Other	100,690	-
	<b>\$ 4,024,030</b>	<b>\$ 2,101,724</b>

## REGIONAL DEVELOPMENT CORPORATION

### Schedules to Financial Statements

Year ended March 31, 2007

	2007	2006
Schedule 2 - Revenue - Provincial Contribution		
Regional development initiatives		
Acadian Peninsula Economic Development Fund	\$ 6,015,511	\$ 5,332,562
Restigouche - Chaleur Economic Development Fund	3,972,118	2,873,508
Miramichi Regional Economic Development Fund	5,914,398	1,771,498
	<u>15,902,027</u>	<u>9,977,568</u>
Community development initiatives		
Family and Youth Capital Assistance Program	1,870,097	2,031,385
Community Events Program	325,000	243,000
Special Initiatives	7,701,339	14,018,721
	<u>9,896,436</u>	<u>16,293,106</u>
Fund Management and Administration		
Grants to RDC - SOA	16,834,000	14,388,870
Provision of French Language Services Agreement	1,902,913	1,859,677
Centres scolaires communautaires	1,494,840	1,428,000
Aboriginal Affairs Initiatives	82,453	54,497
Total Development Fund	4,872,931	4,438,897
Community Economic Development Fund	2,293,936	1,759,783
Atlantic Canada Tourism Marketing Agreement	724,000	721,525
International Business Development Program	285,000	79,911
Advance Sport Participation Bilateral Agreement	240,000	240,000
Operations	2,308,649	2,293,663
Provision for loss	4,493,576	160,855
Other projects	43,195	-
	<u>35,575,493</u>	<u>27,425,678</u>
	<u>\$ 61,373,956</u>	<u>\$ 53,696,352</u>

# REGIONAL DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2007

Regional Development Corporation (the Corporation) is a provincial Crown agency incorporated by the *Regional Development Corporation Act*, an Act of the New Brunswick Legislature. The Corporation has management and/or administrative responsibility for initiatives assigned to it by the Province of New Brunswick.

The Corporation established a Special Operating Agency (SOA) effective March 31, 1994. Amounts provided to the Corporation by the Province of New Brunswick, which were subsequently transferred to the SOA, are shown in the Statement of Operations. 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.

## 1. Significant accounting policies

### a) Concessionary loans

Loans 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 of New Brunswick borrowing rate at the time the loan was issued.

### b) Deferred revenue

Amounts received or recorded as receivable but not earned by year end are recorded as deferred revenue.

## 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.

## 3. Accounts receivable

	2007	2006
Government of Canada	\$ 3,014,544	\$ 3,545,044
Other	58,553	33,930
	<u>\$ 3,073,097</u>	<u>\$ 3,578,974</u>

## 4. Fundy Trail Endowment Fund

The Province of New Brunswick and the Government of Canada have agreed to the establishment of the Fundy Trail Endowment 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 through the Corporation. At a future date, no later than March 31, 2020, all or part of this \$5 million may be returned to the Corporation.

## REGIONAL DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2007

### 5. Loans Receivable

	2007	2006
Beaverbrook Art Gallery loan, non-interest bearing, due January 31, 2010	\$ 1,000,000	\$ 1,000,000
Beaverbrook Art Gallery loan, non-interest bearing, due January 31, 2012	\$ 3,500,000	-
	<u>\$ 4,500,000</u>	<u>\$ 1,000,000</u>

These loans have been fully provided for.

### 6. Accounts Payable

	2007	2006
Province of New Brunswick	\$ 659,009	\$ 3,000,156
Provision for losses on guaranteed loans	-	49,439
Other	3,172,505	1,774,791
	<u>\$ 3,831,514</u>	<u>\$ 4,824,386</u>

### 7. Commitments

Funds have been committed subsequent to March 31, 2007 as follows:

	2007	2006
Regional development initiatives	\$ 10,478,000	\$ 8,622,000
Community development initiatives	3,688,000	3,420,000
Other	2,098,000	3,112,000
	<u>\$ 16,264,000</u>	<u>\$ 15,154,000</u>

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

### 8. Contingent liabilities

Contributions received from the federal government under Canada-New Brunswick 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 March 31, 2007 the contingent liability in respect of these guarantees was \$3,290,679 (2006 - \$3,549,438). Any resulting losses will be borne by the Corporation.



Financial Statements of

**REGIONAL DEVELOPMENT CORPORATION**  
**Special Operating Agency**

Year ended March 31, 2007

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 statement of financial position of the Regional Development Corporation - Special Operating Agency as at 31 March 2007 and the statement of operations 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 2007 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 'Michael Ferguson'.

Michael Ferguson, CA  
Auditor General

Fredericton, N. B.  
3 August 2007

# REGIONAL DEVELOPMENT CORPORATION

## Special Operating Agency

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	2007	2006
<b>Assets</b>		
Current assets		
Accounts receivable		
Government of Canada	\$ 16,992,825	\$ 11,804,325
Province of New Brunswick	7,439,186	10,153,665
	<u>\$ 24,432,011</u>	<u>\$ 21,957,990</u>
<b>Equity</b>		
Equity	\$ 24,432,011	\$ 21,957,990
	<u>\$ 24,432,011</u>	<u>\$ 21,957,990</u>

See accompanying notes to the financial statements.

Approved on behalf of the Board:

  
Chairperson

  
Director

## REGIONAL DEVELOPMENT CORPORATION

### Special Operating Agency

#### Statement of Operations

Year ended March 31, 2007

	2007	2006
<b>Revenue</b>		
Federal contribution		
Sea Cage Salmon Growers Stabilization Assistance Project	\$ 10,000,000	\$ -
Canada-New Brunswick Gas Tax Transfer Fund	6,963,500	13,927,000
Canada-New Brunswick Expansion Projects of the School and Community Centres	6,581,371	-
Canada-New Brunswick Municipal Rural Infrastructure Fund	8,570,901	995,917
Canada-New Brunswick Public Transit Capital Trust	-	9,408,258
Canada-New Brunswick Infrastructure Program	1,636,961	5,877,478
Other special initiatives	190,933	933,290
	<u>33,943,666</u>	<u>31,141,943</u>
Provincial contribution		
Canada-New Brunswick Gas Tax Transfer Fund	3,600,000	3,600,000
Canada-New Brunswick Municipal Rural Infrastructure Fund	12,000,000	3,005,000
Canada-New Brunswick Infrastructure Program	55,000	6,587,192
Other	1,179,000	1,196,677
	<u>16,834,000</u>	<u>14,388,869</u>
	<u>50,777,666</u>	<u>45,530,812</u>
<b>Expenses</b>		
Sea Cage Salmon Growers Stabilization Assistance Project	10,000,000	-
Canada-New Brunswick Gas Tax Transfer Fund	9,821,762	-
Canada-New Brunswick Expansion Projects of the School and Community Centres	6,581,371	-
Canada-New Brunswick Municipal Rural Infrastructure Fund	17,191,858	1,991,832
Canada-New Brunswick Public Transit Capital Trust	-	9,408,258
Canada-New Brunswick Infrastructure Program	3,273,176	11,761,437
Other special initiatives	1,435,478	2,129,967
	<u>48,303,645</u>	<u>25,291,494</u>
Excess of revenue over expenses	2,474,021	20,239,318
Equity, beginning of year	21,957,990	1,718,672
Equity, end of year	<u>\$ 24,432,011</u>	<u>\$ 21,957,990</u>

# REGIONAL DEVELOPMENT CORPORATION

## Special Operating Agency

Notes to Financial Statements

March 31, 2007

---

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

The equity balance for the SOA represents amounts funded by the Province of New Brunswick and the Government of Canada for future expenses of the SOA.

### 1. 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.

### 2. Contingent liabilities

Contributions received from the federal government under Canada-New Brunswick 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 SOA in the period of settlement.

### 3. Commitments

Under the Canada-New Brunswick Municipal Rural Infrastructure Fund and Gas Tax Transfer Fund Agreements, the provincial government has committed funds subsequent to March 31, 2007 totalling approximately \$47.4 million (2006 - \$56.2 million).

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

### 4. Subsequent event

Subsequent to March 31, 2007, the Province of New Brunswick authorized the SOA to provide financial assistance in an amount up to \$40.2 million in support of the reorganization of the Caisse Populaire de Shippagan. This amount will be fully funded by the Province of New Brunswick.



**BEAUSÉJOUR REGIONAL HEALTH AUTHORITY 1**

Financial Statements

Year ended March 31, 2007

**PAUL L. BOURQUE & CIE/CO.**

Chartered Accountants

661 Mountain Road  
Moncton, N.B.  
E1C 2P4  
Tel: (506) 857-2290  
Fax: (506) 857-8468

**AUDITOR'S REPORT**

---

To the Board of Trustees

We have audited the statement of financial position of the Beauséjour Regional Health Authority 1 as at March 31, 2007 and the statement of operations, changes in net assets (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations, the changes in its net assets (deficiency) and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Moncton, NB

June 13, 2007



**BEAUSÉJOUR REGIONAL HEALTH AUTHORITY 1**

## Statement of Financial Position

March 31, 2007

2007

2006

**Assets**

## Current assets

Accounts receivable (note 3)	\$ 20,809,053	\$ 20,577,714
Current portion of investments (note 6)	226,973	258,528
Current portion of long-term receivable (note 7)	576,368	546,136
Inventories (note 4)	1,801,657	1,861,540
Prepaid expenses (note 5)	1,350,913	1,083,596

---

24,764,964      24,327,514

Investments (note 6)	1,756,394	2,045,775
Long-term receivable (note 7)	1,927,703	2,504,071
Capital assets (note 8)	53,582,871	60,655,051

---

\$ 82,031,932      \$ 89,532,411

**Liabilities, Deferred Contributions And Net Assets (Deficiency)**

## Current liabilities

Bank indebtedness	\$ 1,024,198	\$ 2,997,215
Accounts payable (note 9)	21,493,381	20,558,194
Estimated year-end adjustment (note 10)	1,089,919	1,122,527
Note payable (note 11)	8,000,000	6,500,000
Current portion of long-term debt (note 12)	576,368	546,136
Deferred revenues and reserves	1,370,857	1,131,678

---

33,554,723      32,855,750

Long-term debt (note 12)	1,927,703	2,504,071
--------------------------	-----------	-----------

Deferred contributions related to capital assets (note 13)	41,201,919	47,967,346
--	------------	------------

## Net assets (deficiency)


Invested in capital assets	12,380,953	12,687,705
Internally restricted Board reserves	272,207	(66,139)
Deficiency	(7,305,573)	(6,416,322)


---

5,347,587      6,205,244

Commitment (note 15)		
Contingencies (note 16)	\$ 82,031,932	\$ 89,532,411

On behalf of the Board:

 , Director

 , Director

**BEAUSÉJOUR REGIONAL HEALTH AUTHORITY 1**

## Statements of Changes in Net Assets (Deficiency)

Year ended March 31, 2007

2007

2006

**Invested in capital assets**

Balance, beginning of year	\$ 12,687,705	\$ 11,809,867
Contribution invested in capital assets	1,196,673	2,250,717
Amortization of deferred contributions related to capital assets	8,955,729	8,682,349
Amortization of capital assets	(10,459,154)	(10,055,228)
Balance, end of year	<u>\$ 12,380,953</u>	<u>\$ 12,687,705</u>

**Internally restricted Board reserves**

Balance, beginning of year	\$ (66,139)	\$ 294,523
Non-shareable surplus	1,346,767	1,358,060
Invested in capital assets	(1,008,421)	(1,718,722)
Balance, end of year	<u>\$ 272,207</u>	<u>\$ (66,139)</u>

**Deficiency**

Balance, beginning of year	\$ (6,416,322)	\$ (6,617,365)
Excess (deficiency) of revenues over expenses	(857,657)	311,502
Less: Non-shareable surplus	1,346,767	1,358,060
Amortization of deferred contributions related to capital assets	8,955,729	8,682,349
Amortization of capital assets	(10,459,154)	(10,055,228)
Invested in capital assets	(188,252)	(125,278)
Balance, end of year	<u>\$ (7,305,573)</u>	<u>\$ (6,416,322)</u>

**BEAUSÉJOUR REGIONAL HEALTH AUTHORITY 1**

## Statement of Operations

Year ended March 31, 2007

2007

2006

**Revenues**

Department of Health and Wellness	\$ 153,908,527	\$ 137,633,590
Federal program	7,395,270	6,298,132
Patient recoveries	7,129,609	6,968,552
Other recoveries and sales	1,066,846	967,016
Board discretionary revenues	2,769,857	2,998,705
Amortization of deferred contributions related to capital assets	8,955,729	8,682,349
	<u>181,225,838</u>	<u>163,548,344</u>
Total revenues		

**Expenses**

Nursing inpatient services	50,431,341	47,696,587
Ambulatory care services	31,728,902	27,583,071
Diagnostic and therapeutic services	37,834,892	33,290,395
Community services	5,700,436	1,537,783
Education	4,525,992	4,114,236
Medicare	19,300,906	16,753,880
Support services	29,675,782	27,092,107
Administration	1,523,090	1,614,290
Board discretionary expenses	1,423,089	1,640,645
Amortization of capital assets	10,459,154	10,055,228
	<u>192,603,584</u>	<u>171,378,222</u>
Total expenses		

**Excess of expenses over revenues from operations for the year before the undernoted**

(11,377,746) (7,829,878)

Adjustment to the estimated year-end settlement from preceding years

30,565 54,331

Estimated reimbursement of the working capital deficit related to current year's operations

10,489,524 8,087,049**Excess (deficiency) of revenues over expenses**\$ (857,657) \$ 311,502

**BEAUSÉJOUR REGIONAL HEALTH AUTHORITY 1**

## Statement of Cash Flow

Year ended March 31, 2007

2007

2006

**Cash provided by (used in):****Operating activities**

Excess (deficiency) of revenues over expenses	\$ (857,657)	\$ 311,502
---	--------------	------------

## Items not involving cash:

Amortization of capital assets	10,459,154	10,055,228
Amortization of deferred contributions related to capital assets	(8,955,729)	(8,682,349)
Net change in non-cash working capital items	702,985	(1,863,020)

<u>1,348,753</u>	<u>(178,639)</u>
------------------	------------------

**Financing activities**

Increase (decrease) in notes payable	1,500,000	(500,000)
Recovery of long-term receivable	546,136	517,489
Repayment of long-term debt	(546,136)	(517,489)

<u>1,500,000</u>	<u>(500,000)</u>
------------------	------------------

**Investing activities**

Purchase of capital assets	(3,386,974)	(9,013,078)
Deferred contributions related to capital assets	1,912,774	5,838,185
Donations received for capital assets	277,528	924,174
(Increase) decrease in investments	320,936	(138,775)

<u>(875,736)</u>	<u>(2,389,494)</u>
------------------	--------------------

**Increase (decrease) in cash**

1,973,017	(3,068,133)
-----------	-------------

**Cash (deficiency), beginning of year**

<u>(2,997,215)</u>	<u>70,918</u>
--------------------	---------------

**Cash (deficiency), end of year**

<u>\$ (1,024,198)</u>	<u>\$ (2,997,215)</u>
-----------------------	-----------------------

**BEAUSÉJOUR REGIONAL HEALTH AUTHORITY 1**

Notes to Financial Statements

March 31, 2007

---

**1. Purpose of the Corporation**

The Beauséjour Regional Health Authority 1 was incorporated under the Regional Health Authorities Act of the Province of New Brunswick. The principal activity of the Authority is the provision of healthcare services to the south-eastern population of New Brunswick.

The Beauséjour Regional Health Authority 1 includes the following healthcare facilities:

Dr. Georges-L.-Dumont Regional Hospital	Veterans' Health Centre
Stella-Maris-de-Kent Hospital	Family Medicine Unit
Shédiac Regional Medical Centre	Public Health Services
Dr. Léon Richard Oncology Centre	Community Mental Health Centres
Extra-Mural Program	

**2. Significant accounting policies**

These financial statements have been prepared in accordance with generally accepted accounting principles. Significant accounting policies are summarized as follows:

**(a) Revenue recognition:**

The Authority follows the deferral method of accounting for contributions, which include donations and government grants.

The Authority is funded by the Province of New Brunswick in accordance with budget arrangements established by the Department of Health and Wellness. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

**(b) Inventories:**

Inventories are valued at the lower of cost (average cost method) and replacement cost.

**BEAUSÉJOUR REGIONAL HEALTH AUTHORITY 1**  
 Notes to Financial Statements  
 March 31, 2007

---

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

(c) Investments:

Investments are recorded at cost. If the market value of the investments become lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

(d) Capital assets:

Capital assets are stated at cost and are amortized on a straight-line basis over the useful life of the assets.

Land improvements	5 to 25 years
Buildings	10 to 50 years
Equipment	5 to 15 years
Vehicles	5 years
Leasehold improvements	20 years

Additions or deductions in capital assets during the year are not included in the calculation of the amortization for the current year.

(e) Vacation pay:

Vacation pay is accrued to year end. Related funding from the Department of Health and Wellness is recorded when received.

(f) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**BEAUSÉJOUR REGIONAL HEALTH AUTHORITY 1**

Notes to Financial Statements

March 31, 2007

<b>3. Accounts receivable</b>	<b>2007</b>	<b>2006</b>
Province of New Brunswick		
Medicare	\$ 2,344,954	\$ 2,311,521
Equipment grants	258,192	1,535,401
Provincial plan	13,267,901	11,323,845
	<b>15,871,047</b>	15,170,767
Patients, less allowance for doubtful accounts	2,487,581	2,069,840
Accrued interest	20,006	22,495
Harmonized sales taxes	705,942	830,180
Other	1,724,477	2,484,432
	<b>\$ 20,809,053</b>	<b>\$ 20,577,714</b>
<b>4. Inventories</b>	<b>2007</b>	<b>2006</b>
Drugs	\$ 1,083,919	\$ 1,185,942
Medical and surgical supplies	660,999	617,669
Food	37,048	38,144
Fuel	19,691	19,785
	<b>\$ 1,801,657</b>	<b>\$ 1,861,540</b>
<b>5. Prepaid expenses</b>	<b>2007</b>	<b>2006</b>
Service contracts	\$ 715,911	\$ 476,155
Others	635,002	607,441
	<b>\$ 1,350,913</b>	<b>\$ 1,083,596</b>
<b>6. Investments</b>	<b>2007</b>	<b>2006</b>
Investments (market value \$ 2,321,658; 2006 \$ 2,737,865)	\$ 1,983,367	\$ 2,304,303
Current portion	(226,973)	(258,528)
	<b>\$ 1,756,394</b>	<b>\$ 2,045,775</b>

An amount of \$ 1,370,857 for deferred revenues and reserves is included in the total investments.

**BEAUSÉJOUR REGIONAL HEALTH AUTHORITY 1**

Notes to Financial Statements

March 31, 2007

**7. Long-term receivable**

	<u>2007</u>	<u>2006</u>
Amount receivable from Veterans Affairs Canada, in the amount of \$ 4,522,667, repayable in monthly instalments of \$ 58,122 including interest at 5.4%, maturing March 31, 2011.	\$ 2,504,071	\$ 3,050,207
Current portion of long-term receivable	<u>(576,368)</u>	<u>(546,136)</u>
	<u>\$ 1,927,703</u>	<u>\$ 2,504,071</u>

Long-term receivable principal repayments during the next years are the following:

2008	\$ 576,368
2009	\$ 608,274
2010	\$ 641,946
2011	\$ 677,482

**8. Capital assets**

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Land	\$ 1,674,302	\$ -	\$ 1,674,302	\$ 1,674,302
Land improvements	1,137,901	447,902	689,999	799,718
Buildings	119,870,420	89,055,893	30,814,527	34,583,616
Equipment	52,341,767	33,824,624	18,517,143	21,762,714
Vehicles	75,894	50,783	25,111	33,481
Leasehold improvements - Stella-Maris-de-Kent Hospital	2,983,890	1,122,101	1,861,789	1,801,220
	<u>\$ 178,084,174</u>	<u>\$ 124,501,303</u>	<u>\$ 53,582,871</u>	<u>\$ 60,655,051</u>

**9. Accounts payable**

	<u>2007</u>	<u>2006</u>
Accounts payable and accrued liabilities	\$ 8,879,762	\$ 10,170,565
Payroll deductions	835,318	722,826
Accrued salaries and benefits	5,200,983	3,735,964
Accrued vacation pay	<u>6,577,318</u>	<u>5,928,839</u>
	<u>\$ 21,493,381</u>	<u>\$ 20,558,194</u>



**BEAUSÉJOUR REGIONAL HEALTH AUTHORITY 1**  
 Notes to Financial Statements  
 March 31, 2007

---

**10. Estimated year-end adjustment**

<b>Transferable programs</b>	<b>Budget</b>	<b>Actual</b>	<b>Surplus (Deficit)</b>
Total transferable expenses	\$ 111,779,579	\$ 121,291,532	\$ (9,511,953)
Other recoveries and sales	(985,885)	(1,066,846)	80,961
	<u>\$ 110,793,694</u>	<u>\$ 120,224,686</u>	<u>\$ (9,430,992)</u>
<b>Net patient income</b>	<u>\$ 110,793,694</u>	<u>\$ 110,880,410</u>	<u>\$ 86,716</u>
<b>Non-transferable programs</b>	<u>\$ 45,466,355</u>	<u>\$ 45,473,895</u>	<u>\$ (7,540)</u>

**Total payable (receivable) - Province of New Brunswick**

Net patient income - March 31, 2007	\$ 86,716
Non-transferable programs - Surplus programs only	<u>1,003,203</u>
	<u>\$ 1,089,919</u>

The estimated year-end settlement is subject to the approval of the Department of Health and Wellness of the Province of New Brunswick.

**BEAUSÉJOUR REGIONAL HEALTH AUTHORITY 1**

Notes to Financial Statements

March 31, 2007

**11. Note payable**

	<u>2007</u>	<u>2006</u>
Minister of Finance, unsecured, bearing interest at 3.95%, maturing September 27, 2006	\$ -	\$ 6,500,000
Minister of Finance, unsecured, bearing interest at 4.23%, maturing September 25, 2007	5,000,000	-
Minister of Finance, unsecured, bearing interest at 4.21%, maturing September 25, 2007	<u>3,000,000</u>	-
	<u>\$ 8,000,000</u>	<u>\$ 6,500,000</u>

**12. Long-term debt**

	<u>2007</u>	<u>2006</u>
Amount payable to the Minister of Health and Wellness, in the amount of \$ 4,522,667, repayable in monthly instalments of \$ 58,122 including interest at 5.4%, maturing March 31, 2011.	\$ 2,504,071	\$ 3,050,207
Current portion of long-term debt	<u>(576,368)</u>	<u>(546,136)</u>
	<u>\$ 1,927,703</u>	<u>\$ 2,504,071</u>

Long-term debt principal repayments to be made during the next years are the following:

2008	\$ 576,368
2009	\$ 608,274
2010	\$ 641,946
2011	\$ 677,482

**BEAUSÉJOUR REGIONAL HEALTH AUTHORITY 1**

Notes to Financial Statements

March 31, 2007

**13. Deferred contributions related to capital assets**

Deferred contributions related to capital assets represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the period are as follows:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 47,967,346	\$ 49,887,336
Grants and donations received during the period	2,190,302	6,762,359
Amount amortized to revenue	<u>(8,955,729)</u>	<u>(8,682,349)</u>
Balance, end of year	<u>\$ 41,201,919</u>	<u>\$ 47,967,346</u>

**14. Provincial plan**

Reconciliation of the fixed payments from the Province of New Brunswick

Amount approved by the province	\$ 124,189,272
Unprocessed budget amendments	<u>395,901</u>
	<u>\$ 124,585,173</u>

Included in the financial statements are all budget amendments up to and including number 06-65 as well as unprocessed budget amendments as at March 31, 2007.

**15. Commitment**

The Authority had signed a 15-year lease with "Les Religieuses Notre-Dame du Sacré-Coeur" for the lease of the "Hôpital Stella-Maris-de-Kent" maturing March 31, 2007. As at the balance sheet date the lease agreement has not been renewed.

The Authority is committed to payments under various operating leases for equipment. Annual minimum payments for the years ended March 31 are: 2008 - \$ 515,117; 2009 - \$357,658; 2010 - \$ 104,341; 2011 - \$ 13,287; 2012 - \$ 6,360

**16. Contingencies**

The Beauséjour Regional Health Authority 1 has legal proceedings in progress for which the outcome cannot be foreseen. No provision has been accounted for in the financial statements.

**BEAUSÉJOUR REGIONAL HEALTH AUTHORITY 1**

Notes to Financial Statements

March 31, 2007

---

**17. Related party transactions**

"La Fondation Hôpital Dr-Georges-L.-Dumont Inc." is a registered charitable foundation and its purpose is to raise funds for the benefit of the Beauséjour Regional Health Authority 1 to be used in the enhancement of its services and facilities.

During the year, the Authority received \$ 264,718 (2006 - \$ 904,065) in donations from the Foundation.

**18. Fair value of financial assets and financial liabilities**

The carrying values of cash, accounts receivable, investments, notes payable and other payables approximate their fair value due to the relatively short periods to maturity of these items.

**19. Comparative figures**

Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2007.

---

Financial Statements of

**SOUTH-EAST REGIONAL HEALTH AUTHORITY**

Year ended March 31, 2007

---

États financiers de

**RÉGIE RÉGIONALE DE LA SANTÉ SUD-EST**

Exercice terminé le 31 mars 2007

---



**KPMG LLP**  
**Chartered Accountants**  
 Suite 700 Frederick Square  
 77 Westmorland Street  
 Fredericton NB E3B 6Z3  
 Telephone (506) 452-8000  
 Fax (506) 450-0072  
 Internet [www.kpmg.ca](http://www.kpmg.ca)

Place Marven's  
 PO Box 827  
 Moncton NB E1C 8N6  
 Telephone (506) 856-4400  
 Fax (506) 856-4499

PO Box 2388 Stn Main  
 Saint John NB E2L 3V6  
 Telephone (506) 634-1000  
 Fax (506) 633-8828

## AUDITORS' REPORT

To the Board of Trustees

We have audited the statement of financial position of South-East Regional Health Authority as at March 31, 2007 and the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and the changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Moncton, Canada

May 18, 2007

## RAPPORT DES VÉRIFICATEURS

Aux membres du Conseil d'administration

Nous avons vérifié le bilan de la Régie Régionale de la Santé sud-est au 31 mars 2007 ainsi que les états des résultats, l'évolution des actifs nets (déficit) et flux de trésorerie de l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction de la Régie Régionale. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

Notre vérification a été effectuée conformément aux normes canadiennes de vérification généralement reconnues. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir un degré raisonnable de certitude quant à l'absence d'inexactitudes importantes dans les états financiers. La vérification comprend le contrôle par sondages des informations probantes à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À notre avis, ces états financiers présentent fidèlement, à tous égards importants, la situation financière de la Régie Régionale au 31 mars 2007 ainsi que les résultats de son exploitation et l'évolution des actifs nets et flux de trésorerie pour l'exercice terminé à cette date selon les principes comptables canadiens généralement reconnus.

Comptables Agréés

Moncton, Canada

Le 18 mai 2007

**SOUTH-EAST REGIONAL HEALTH  
AUTHORITY**

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

**RÉGIE RÉGIONALE DE LA SANTÉ  
SUD-EST**

Bilan

31 mars 2007, avec chiffres correspondants de 2006

	2007	2006	
<b>Assets</b>			<b>Actif</b>
Current assets:			Actif à court terme :
Cash	\$ 3,212,580	\$ 2,345,132	Encaisse
Accounts receivable (note 2)	23,662,753	28,070,032	Débiteurs (note 2)
Inventories (note 3)	2,165,305	2,242,350	Inventaires (note 3)
Prepaid expenses	737,807	641,849	Frais payés d'avance
	<u>29,778,445</u>	<u>33,299,363</u>	
Restricted cash and investments (market value \$74,500; 2006 - \$111,021)	74,500	105,791	Encaisse affectée et placements (valeur marchande 74 500 \$; 2006 - 111 021 \$)
Capital assets (note 4)	<u>105,757,658</u>	<u>73,979,003</u>	Immobilisations (note 4)
	<u>\$ 135,610,603</u>	<u>\$ 107,384,157</u>	
<b>Liabilities, Deferred Contributions and Net Assets (Deficiency)</b>			<b>Passif, apports reportés et actifs nets (déficit)</b>
Current liabilities:			Passif à court terme :
Note payable (note 5)	\$ 8,500,000	\$ 14,000,000	Effet à payer (note 5)
Accounts payable and accrued liabilities (note 6)	28,451,903	25,924,920	Créditeurs et charges à payer (note 6)
	<u>36,951,903</u>	<u>39,924,920</u>	
Deferred contributions related to capital assets (note 7)	104,027,607	71,802,649	Apports reportés afférents aux immobilisations (note 7)
Net assets (deficiency):			Actifs nets (déficit) :
Invested in capital assets (note 8)	1,730,051	2,176,354	Investis en immobilisations (note 8)
Restricted for endowment purposes	42,371	73,262	Affectés à titre de dotation
Internally restricted Board reserves (note 9)	6,103	(89,223)	Réserves affectées par le Conseil pour utilisation interne (note 9)
Deficiency	(7,147,432)	(6,503,805)	Déficit
	<u>(5,368,907)</u>	<u>(4,343,412)</u>	
Commitments (note 11)			Engagements (note 11)
	<u>\$ 135,610,603</u>	<u>\$ 107,384,157</u>	

See accompanying notes to financial statements.

Voir les notes afférentes aux états financiers.

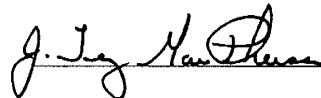
On behalf of the Board:

Au nom du Conseil :

 Director

 Directeur

 Director

 Directeur

**SOUTH-EAST REGIONAL HEALTH  
AUTHORITY**

Statement of Operations

Year ended March 31, 2007, with comparative figures for 2006

**RÉGIE RÉGIONALE DE LA SANTÉ  
SUD-EST**

État des résultats

Exercice terminé le 31 mars 2007, avec chiffres correspondants de 2006

	2007	2006	
<b>Revenues:</b>			<b>Revenus :</b>
Department of Health and Wellness	\$ 192,034,132	\$ 173,483,519	Ministère de la Santé et Mieux-être
Other patient recoveries	11,496,645	10,603,738	Autres recouvrements des patients
Other recoveries and sales	1,302,659	1,148,267	Autres recouvrements et ventes
Board generated	3,191,286	3,248,305	Générés par le Conseil
Amortization of deferred contributions related to capital assets	8,044,298	8,095,997	Amortissement des apports reportés afférents aux immobilisations
<b>Total revenues</b>	<b>216,069,020</b>	<b>196,579,826</b>	<b>Total des revenus</b>
<b>Expenses:</b>			<b>Dépenses :</b>
Nursing inpatient services	67,753,044	65,161,495	Soins infirmiers aux patients hospitalisés
Non-inpatient services	22,188,200	19,900,377	Services aux patients en consultation externe
Diagnostic and therapeutic services	35,651,003	30,638,384	Services diagnostiques et thérapeutiques
Community Health	15,101,387	11,405,860	CHC
Medicare	22,331,241	18,935,780	Assurance-maladie
Research and education	2,741,249	2,591,081	Recherche et formation
Support services	42,721,127	39,410,285	Services de soutien
Administrative services	4,258,307	3,805,820	Services administratifs
Board sponsored	2,990,334	2,960,958	Frais discrétionnaires du Conseil
Amortization of capital assets	8,684,870	8,735,573	Amortissement des immobilisations
<b>Total expenses</b>	<b>224,420,762</b>	<b>203,545,613</b>	<b>Total des dépenses</b>
Deficit from operations for the year, before the undernoted	(8,351,742)	(6,965,787)	Déficit d'exploitation de l'exercice avant les sous-mentionnés
Adjustment of prior year-end settlements	91,632	80,413	Redressement du règlement final de l'exercice antérieur
Working capital grants from Province of New Brunswick (note 12)	7,265,606	6,300,000	Subvention de fonds de roulement de la province du Nouveau-Brunswick (note 12)
Deficiency of revenues over expenses	\$ (994,504)	\$ (585,374)	Déficit des revenus par rapport aux dépenses

See accompanying notes to financial statements.

Voir les notes afférentes aux états financiers.



**SOUTH-EAST REGIONAL HEALTH AUTHORITY**  
 Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2007, with comparative figures for 2006

**RÉGIE RÉGIONALE DE LA SANTÉ SUD-EST**  
 État de l'évolution des actifs nets (déficit)

Exercice terminé le 31 mars 2007, avec chiffres correspondants de 2006

	Invested in Capital assets		Restricted for endowment purposes		Internally restricted Board reserves		Deficiency		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Balance, beginning of year	\$ 2,176,354	\$ 2,058,013	\$ 73,262	\$ 128,762	\$ (89,223)	\$ (11,463)	\$ (6,503,805)	\$ (5,877,850)	\$ (4,343,412)	\$ (3,702,538)
Excess (deficiency) of of revenues over expenses (see note 8)	(640,572)	(639,576)	100	-	200,852	287,347	(554,984)	(233,145)	(994,504)	(585,374)
Net change in investment in assets (see note 8)	194,269	757,917	-	-	(194,269)	(443,453)	-	(314,464)	-	-
Transfer of ambulance funds	-	-	-	-	88,743	78,346	(88,743)	(78,346)	-	-
Transfer of endowment funds to The Sackville Memorial Hospital Foundation Incorporated	-	-	(30,991)	(65,500)	-	-	-	-	(30,991)	(55,500)
Balance, end of year	\$ 1,730,051	\$ 2,176,354	\$ 42,371	\$ 73,262	\$ 6,103	\$ (89,223)	\$ (7,147,432)	\$ (6,503,805)	\$ (5,368,807)	\$ (4,343,412)

See accompanying notes to financial statements.

Voir les notes afférentes aux états financiers.

 Solde au début de  
l'exercice

 Excédent (déficit) des  
revenus par rapport  
aux dépenses  
(voir note 8)

 Variation nette de  
placements en  
immobilisations  
(voir note 8)

 Transfert de fonds  
d'ambulance

 Transfert de fonds de  
dotation à La Fondation  
de l'hôpital Memorial  
de Sackville Incorporé

 Solde à la fin de  
l'exercice

**SOUTH-EAST REGIONAL HEALTH  
AUTHORITY**

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

**RÉGIE RÉGIONALE DE LA SANTÉ  
SUD-EST**

État des flux de trésorerie

Exercice terminé le 31 mars 2007, avec chiffres correspondants de 2006

	2007	2006	
Cash provided by (used for):			Provenance (utilisation) des liquidités :
Operating activities:			Activités de fonctionnement :
Deficiency of revenues over expenses	\$ (994,504)	\$ (585,374)	Déficit des revenus par rapport aux dépenses
Items not involving cash:			Éléments n'ayant pas incidence sur l'encaisse :
Amortization of deferred contributions related to capital assets	(8,044,298)	(8,095,997)	Amortissement des apports reportés afférents aux immobilisations
Amortization of capital assets	8,684,870	8,735,573	Amortissement des immobilisations
Change in non-cash current assets and current liabilities	6,915,349	891,481	Évolution des éléments hors caisse du fonds de roulement lié à l'exploitation
Funds provided by operating activities	6,581,417	945,683	Encaisse provenant des activités de fonctionnement
Financing and investing activities:			Activités de financement et de placements :
Issue (repayment) of note payable	(5,500,000)	8,000,000	Émission (remboursement) d'un effet à payer
Decrease in restricted cash and investments	31,291	54,991	Diminution de l'encaisse affectée et placements
Purchase of capital assets	(40,463,525)	(16,170,876)	Achats d'immobilisations
Transfer of endowment funds to The Sackville Memorial Hospital Foundation Incorporated	(30,991)	(55,500)	Transfert de fonds de dotation à La Fondation de l'Hôpital Mémorial de Sackville Incorporé
Increase in deferred contributions related to capital assets	40,269,256	15,412,959	Augmentation des apports reportés afférents aux immobilisations
Funds used for financing and investing activities	(5,693,969)	7,241,574	Encaisse utilisée pour les activités de financement et d'investissement
Increase in cash	867,448	8,187,257	Augmentation de l'encaisse
Cash (outstanding cheques), beginning of year	2,345,132	(5,842,125)	Encaisse (chèques en circulation) au début de l'exercice
Cash, end of year	\$ 3,212,580	\$ 2,345,132	Encaisse à la fin de l'exercice

See accompanying notes to financial statements.

Voir les notes afférentes aux états financiers.

## **SOUTH-EAST REGIONAL HEALTH AUTHORITY**

Notes to Financial Statements

Year ended March 31, 2007

## **RÉGIE RÉGIONALE DE LA SANTÉ SUD-EST**

Notes afférentes aux états financiers

Exercice terminé le 31 mars 2007

Regional Health Authority 1 (South-East) was established under the Regional Health Authorities Act, and operates as the South-East Regional Health Authority.

The principal activity of the South-East Regional Health Authority is providing for the delivery of and administering health services to the South-Eastern New Brunswick area.

The South-East Regional Health Authority includes the following health care programs and facilities:

- Albert County Health & Wellness Center
- Health Services Centre, Rexton
- Sackville Memorial Hospital
- Port Elgin Health Centre
- The Moncton Hospital
- The Petitcodiac Health Center
- Addiction Services
- The Katherine Wright Family Wellness Centre
- Extra Mural Services
- Northumberland Center for Medical Education & Research
- Public Health
- Community Mental Health

La Régie Régionale de la Santé 1 (sud-est) a été établi en vertu de la Loi de la Régie régionale de la santé et fonctionne en tant que la Régie Régionale de la Santé sud-est.

La principale activité de la Régie Régionale de la Santé sud-est consiste à fournir des soins de santé à la région sud-est du Nouveau-Brunswick.

La Régie Régionale de la Santé sud-est est composée des programmes et services de santé suivants :

- Centre de santé et bien-être du comté Albert
- Centre de santé de Rexton
- Hôpital Mémorial de Sackville
- Centre de santé de Port Elgin
- Hôpital de Moncton
- Centre de santé de Petitcodiac
- Services de dépendance
- Centre familial de bien-être Katherine Wright
- Services extra muraux
- Centre d'éducation et de recherche médicales de Northumberland
- Santé publique
- Santé mentale communautaire

## SOUTH-EAST REGIONAL HEALTH AUTHORITY

Notes to Financial Statements, continued

Year ended March 31, 2007

## RÉGIE RÉGIONALE DE LA SANTÉ SUD-EST

Notes afférentes aux états financiers, suite

Exercice terminé le 31 mars 2007

### 1. Significant accounting policies:

#### (a) Revenue recognition:

The Authority follows the deferral method of accounting for contributions, which include donations and government grants.

The Authority is funded by the Province of New Brunswick in accordance with budget arrangements established by the Department of Health and Wellness. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

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.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

#### (b) Inventories:

Inventories are valued at the lower of cost and replacement cost.

#### (c) Investments:

Investments are recorded at the lower of cost and market value.

### 1. Conventions comptables :

#### (a) Constatation des revenus :

La Régie Régionale applique la méthode de report pour comptabiliser les apports, qui comprennent les dons et les subventions gouvernementales.

La Régie Régionale reçoit la majeure partie de son financement du gouvernement du Nouveau-Brunswick, conformément aux dispositions budgétaires établies par le ministère de la Santé et Mieux-être. Les subventions de fonctionnement sont comptabilisées à titre de revenus dans la période au cours de laquelle elles se rapportent. Les subventions approuvées mais non reçues à la fin d'une période comptable sont constatées par régularisation. Lorsqu'une partie d'une subvention a trait à une période future, elle est reportée et constatée durant cette période subséquente.

Les apports non affectés sont constatés à titre de revenus lorsqu'ils sont reçus ou à recevoir si le montant peut faire l'objet d'une estimation raisonnable et que sa réception est raisonnablement assurée.

Les affectations d'origine externe autres que les apports reçus à titre de dotation sont constatées comme des revenus dans l'exercice au cours duquel les charges connexes sont comptabilisés. Les apports affectés à l'achat d'immobilisations sont reportés et amortis dans les revenus selon la méthode de l'amortissement linéaire à un taux qui correspond au taux d'amortissement des immobilisations connexes.

Les revenus de placement affectés sont constatés à titre de revenus de l'exercice durant lequel les charges connexes sont constatées. Les revenus de placements non affectés sont constatés à titre de revenus lorsqu'ils sont acquis.

#### (b) Inventaires :

Les inventaires sont comptabilisés au moindre du coût et du coût de remplacement.

#### (c) Placements :

Les placements sont comptabilisés au moindre du coût et de la valeur marchande.

## SOUTH-EAST REGIONAL HEALTH AUTHORITY

Notes to Financial Statements, continued

Year ended March 31, 2007

## RÉGIE RÉGIONALE DE LA SANTÉ SUD-EST

Notes afférentes aux états financiers, suite

Exercice terminé le 31 mars 2007

### 1. Significant accounting policies (continued):

#### (d) Capital assets:

Capital assets are stated at cost. Title to land, land improvements, buildings and building services equipment as at July 1, 1992, were not transferred by the Province to Regional Health Authority 1 (South-East). These assets are administered by the Authority and for purposes of accountability are included in the Authority's accounts.

Amortization is provided on a straight-line basis using the following annual rates:

Asset	Rate
Buildings and building services equipment	2.5% and 5%
Equipment	5% to 33%

#### (e) Vacation pay:

Vacation pay is accrued to year end. Related funding from the Department of Health and Wellness is recorded when received.

#### (f) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 1. Conventions comptables (suite) :

#### (d) Immobilisations :

Les immobilisations sont inscrites au coût. Le titre de propriété foncière, les améliorations de terrains, les immeubles et équipement d'entretien, n'étaient pas, au 1<sup>er</sup> juillet 1992, transférés de la Province à la Régie Régionale de la Santé 1 (sud-est). Ces actifs sont gérés par la Régie Régionale et, pour fins comptables, sont inclus dans les livres comptables de la Régie Régionale.

Les immobilisations sont amorties selon la méthode de l'amortissement linéaire aux taux annuels suivants :

Actif	Taux
Immeubles et équipement d'entretien	2,50 % et 5 %
Équipements	5 % à 33 %

#### (e) Indemnités de vacances :

Les indemnités de vacances sont accumulées jusqu'à la fin de l'exercice. Les fonds correspondants provenant du ministère de la Santé et Mieux-être sont comptabilisés lorsque reçus.

#### (f) Recours aux estimations :

La préparation d'états financiers conformes aux principes comptables généralement reconnus exige que la direction fasse des estimations et des hypothèses qui influent sur la valeur comptable des actifs et des passifs et sur les informations relatives aux actifs et passifs éventuels à la date des états financiers, ainsi que sur la valeur comptable des produits et des charges de la période. Les résultats réels pourraient différer de ces estimations.

**SOUTH-EAST REGIONAL HEALTH  
AUTHORITY**

Notes to Financial Statements, continued

Year ended March 31, 2007

**RÉGIE RÉGIONALE DE LA SANTÉ  
SUD-EST**

Notes afférentes aux états financiers, suite

Exercice terminé le 31 mars 2007

**2. Accounts receivable:**

	2007	2006
Province of New Brunswick: Medicare	\$ 3,065,598	\$ 1,933,597
Equipment and construction grants	1,042,137	5,432,164
Approved budget amendments	1,923,756	2,657,070
Retroactive salaries and retirement benefits	5,072,325	4,331,338
Estimated year-end adjustments	6,003,746	6,761,528
Other	1,043,119	1,792,960
	<u>18,150,681</u>	<u>22,908,657</u>
Inpatients, less allowance for doubtful accounts	2,456,838	1,877,441
Outpatients, less allowance for doubtful accounts	964,600	870,725
Other	2,090,634	2,413,209
	<u>\$ 23,662,753</u>	<u>\$ 28,070,032</u>

**2. Débiteurs :**

Province du Nouveau-Brunswick : Assurance-maladie
Subventions en vertu d'acquisition des équipements et construction
Modifications budgétaires approuvées
Salaires rétroactifs et prestations de retraite
Règlement estimatif à la fin de l'exercice
Autres
Patients hospitalisés, moins créances douteuses
Patients en consultation externe, moins créances douteuses
Autres

**3. Inventories:**

	2007	2006
Drugs	\$ 959,320	\$ 1,038,723
General, including medical and surgical	1,205,985	1,203,627
	<u>\$ 2,165,305</u>	<u>\$ 2,242,350</u>

**3. Inventaires :**

Médicaments
Autres, y compris pièces médicales et chirurgicales

**4. Capital assets:**

	2007		2006	
	Cost	Accumulated amortization	Net book value	Net book value
	Coût	Amortisse- ment cumulé	Valeur comptable nette	Valeur comptable nette
Land	\$ 2,857,482	\$ -	\$ 2,857,482	\$ 2,857,482
Buildings and building services equipment	119,911,625	75,595,213	44,316,412	47,758,777
Equipment	57,086,104	43,716,783	13,369,321	15,027,029
Construction in progress	45,214,443	-	45,214,443	8,335,715
	<u>\$ 225,069,654</u>	<u>\$ 119,311,996</u>	<u>\$ 105,757,658</u>	<u>\$ 73,979,003</u>

**4. Immobilisations :**

Terrains
Immeubles et équipement d'entretien
Équipement
Construction en cours

**SOUTH-EAST REGIONAL HEALTH  
AUTHORITY**

Notes to Financial Statements, continued

Year ended March 31, 2007

**RÉGIE RÉGIONALE DE LA SANTÉ  
SUD-EST**

Notes afférentes aux états financiers, suite

Exercice terminé le 31 mars 2007

**5. Note payable:**

The note bears interest at 4.20%, is unsecured, is repayable to the Province of New Brunswick, and is intended for purposes of funding working capital.

**5. Effet à payer :**

L'effet porte intérêt à 4,20 %, est non-garanti, est remboursable à la province du Nouveau-Brunswick, et sert à financer les fonds de roulement.

**6. Accounts payable and accrued liabilities:**

	2007	2006
Accounts payable and accrued liabilities	\$ 10,130,529	\$ 10,057,458
Payroll deductions payable	1,054,574	625,719
Accrued salaries and benefits	17,266,800	15,241,743
	<u>\$ 28,451,903</u>	<u>\$ 25,924,920</u>

**6. Crédoeurs et charges à payer :**

Créditeurs et charges à payer  
Retenues sur salaires à payer  
Salaires et avantages sociaux à payer

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

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the period are as follows:

	2007	2006
Balance, beginning of year	\$ 71,802,649	\$ 64,485,687
Additional contributions received	40,269,256	15,412,959
Amounts amortized to revenue	(8,044,298)	(8,095,997)
	<u>\$ 104,027,607</u>	<u>\$ 71,802,649</u>

**7. Apports reportés afférents aux immobilisations :**

Les apports reportés afférents aux immobilisations représentent le montant non amorti et le montant sous forme de dons et de subventions non dépensés reçus pour l'achat d'immobilisations. L'amortissement des apports afférents aux immobilisations est comptabilisé à titre de revenus dans l'état des résultats. Les variations survenues dans le solde des apports reportés durant la période sont les suivantes :

Solde au début de l'exercice  
Apports additionnels reçus  
Montants amortis dans les revenus  
Solde à la fin de l'exercice

**SOUTH-EAST REGIONAL HEALTH  
AUTHORITY**

Notes to Financial Statements, continued

Year ended March 31, 2007

**RÉGIE RÉGIONALE DE LA SANTÉ  
SUD-EST**

Notes afférentes aux états financiers, suite

Exercice terminé le 31 mars 2007

**8. Net assets invested in capital assets:**

(a) Net assets invested in capital assets is calculated as follows:

	2007	2006
Capital assets	\$ 105,757,658	\$ 73,979,003
Less amounts funded by: Deferred contributions used to purchase capital assets	<u>(104,027,607)</u>	<u>(71,802,649)</u>
	<u>\$ 1,730,051</u>	<u>\$ 2,176,354</u>

(b) Change in investment in capital assets is calculated as follows:

	2007	2006
Excess of expenses over revenues: Amortization of deferred contributions related to capital assets	\$ 8,044,298	\$ 8,095,997
Less: Amortization of capital assets	<u>(8,684,870)</u>	<u>(8,735,573)</u>
	<u>\$ (640,572)</u>	<u>\$ (639,576)</u>
Net change in investment in capital assets: Purchase of capital assets	\$ 40,463,525	\$ 16,170,876
Less amounts funded by contributions	<u>(40,269,256)</u>	<u>(15,412,959)</u>
	<u>\$ 194,269</u>	<u>\$ 757,917</u>

**9. Internally restricted Board reserves:**

The excess of Board generated revenues over Board sponsored expenses is internally restricted by the Board of Trustees. This internally restricted amount is available for only those purposes specifically approved by the Board of Trustees.

**8. Actifs nets investis en immobilisations :**

(a) Les actifs nets investis en immobilisations sont calculés de la façon suivante :

Immobilisations
Moins les montants financés par :
Apports reportés afférents aux immobilisations

(b) La variation nette de l'investissement en immobilisations est calculée de la façon suivante :

Excédent des dépenses sur les revenus :
Amortissement des apports reportés afférents aux immobilisations
Moins :
Amortissement des immobilisations

Variation nette de l'investissement en immobilisations :
Achat d'immobilisations
Moins les montants financés par les apports reportés

**9. Réserves affectées par le Conseil pour utilisation interne :**

L'excédent des revenus générés par le Conseil sur les frais discrétionnaires du Conseil est affecté par le Conseil pour utilisation interne. Ce montant ne peut être utilisé à d'autres fins sans l'approbation du Conseil d'administration.



## SOUTH-EAST REGIONAL HEALTH AUTHORITY

Notes to Financial Statements, continued

Year ended March 31, 2007

## RÉGIE RÉGIONALE DE LA SANTÉ SUD-EST

Notes afférentes aux états financiers, suite

Exercice terminé le 31 mars 2007

### 10. Related entities:

The Authority has an economic interest in the Friends of The Moncton Hospital Foundation, Inc., The Sackville Memorial Hospital Foundation Incorporated, and the Bennett and Albert County Hospital Foundation, Inc., which are registered charitable foundations. Their purpose is to raise funds for and distribute funds to The Moncton Hospital, The Sackville Memorial Hospital, and the Albert County Health and Wellness Center to be used in the enhancement of their services and facilities. Net assets of the Foundations at March 31, 2007 are \$10,527,081 (2006 - \$8,049,799).

During the year, the Authority received \$885,638 (2006 - \$803,617) in contributions from the Friends of The Moncton Hospital Foundation, Inc., The Sackville Memorial Hospital Foundation Incorporated, and the Bennett and Albert County Hospital Foundation, Inc.

### 11. Commitments:

The Authority is committed to payments under operating leases for equipment through to March 2008. The future lease payments are being funded by government. Annual minimum payments for the years ending March 31 are: 2008 - \$2,283,862; 2009 - \$1,152,588; 2010 - \$1,009,117; 2011 - \$663,797; and 2012 - \$310,428.

As part of the ambulatory care expansion project, the Authority has committed to the construction of a parking facility using board-generated revenues. Total costs of the construction are not yet known. \$1.7 million (2006 - \$1 million) has been incurred as at March 31, 2007 and included in accounts payable and accrued liabilities.

### 12. Working capital grants from Province of New Brunswick:

During the year, the Province of New Brunswick committed to providing working capital grants of an estimated \$7.3 million to the Authority. These grants are based on working capital deficiencies as at March 31, 2007.

### 10. Entités apparentées :

La Fondation des Amis de l'Hôpital de Moncton Inc., La Fondation de l'Hôpital Mémorial de Sackville Inc. et la Fondation de l'Hôpital Bennett et du comté Albert Inc. sont des fondations de charité enregistrées dont la Régie Régionale en est le bénéficiaire. La fonction principale est d'encaisser, investir et distribuer des fonds à l'Hôpital de Moncton, l'Hôpital Mémorial de Sackville et au Centre de santé et bien-être du comté Albert pour l'amélioration de leurs services et leurs infrastructures. Les fondations ont des actifs nets au 31 mars 2007 de 10 527 081 \$ (2006 - 8 049 799 \$).

Au cours de l'exercice, la Régie Régionale a reçu 885 638 \$ (2006 - 803 617 \$) de la Fondation des Amis de l'Hôpital de Moncton Inc., La Fondation de l'Hôpital Mémorial de Sackville Inc. et la Fondation de l'Hôpital Bennett et du comté Albert Inc.

### 11. Engagements :

La Régie Régionale loue des équipements dont le contrat de location prend fin en mars 2008. Les paiements de location sont financés par le gouvernement. Les paiements annuels minimums pour les années se terminant le 31 mars sont : 2008 - 2 283 862 \$; 2009 - 1 152 588 \$; 2010 - 1 009 117 \$; 2011 - 663 797 \$; et 2012 - 310 428 \$.

La Régie Régionale s'est engagé à la construction d'un stationnement suite au projet d'agrandissement des soins ambulatoires. Les coûts de la construction seront défrayés à partir de revenus générés par le Conseil d'administration. Le coût total de la construction est inconnu. Au 31 mars 2007, 1,7 million \$ (2006 - 1 million \$) à été accumulé et est inclus comme crédettes et charges à payer.

### 12. Subvention de fonds de roulement de la province du Nouveau-Brunswick :

Au cours de l'exercice, la province du Nouveau-Brunswick s'engage à fournir des subventions de fonds de roulement pour un montant estimé de 7,3 millions \$ à la Régie Régionale. Ces subventions sont déterminées en fonction des déficits de fonds de roulement nets au 31 mars 2007.

**SOUTH-EAST REGIONAL HEALTH  
AUTHORITY**

Notes to Financial Statements, continued

Year ended March 31, 2007

**RÉGIE RÉGIONALE DE LA SANTÉ  
SUD-EST**

Notes afférentes aux états financiers, suite

Exercice terminé le 31 mars 2007

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

The carrying value of cash, accounts receivable, restricted cash and investments, note payable and accounts payable and accrued liabilities approximates their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

**14. Employee future benefits:**

Regular employees of South-East Regional Health Authority are covered by the Public Service Pension Plans of the Province of New Brunswick. The Pension Plans are a defined benefit multi-employer plan under which contributions are made by both the Authority and the employees. For the fiscal year ended March 31, 2007, the Authority expensed contributions of \$4,178,665 (2006 - \$3,538,414) under the terms of the Plans. The Authority has no direct liability or entitlement to any unfunded liability or surplus in the Plans related to its current and former employees.

**15. Comparative figures:**

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

**13. Juste valeur des avoirs financiers et des passifs financiers :**

La valeur comptable de l'encaisse, des débiteurs, de l'encaisse affectée et des placements, de l'effet à payer et des créditeurs se rapproche de leur juste valeur, du fait que ces items qui s'y rapportent ont des échéances relativement brèves ou du fait qu'ils sont à recevoir ou payable sous demande.

**14. Prestations futures des employés :**

Les employés permanents de la Régie Régionale de la Santé sud-est sont couverts par les régimes de pension de la Fonction publique du Nouveau-Brunswick. Les régimes sont des régimes de retraite à prestations déterminées sous lesquels la Régie Régionale et les employés y contribuent. Pour l'exercice terminé au 31 mars 2007, la Régie Régionale a passé en charges des contributions au montant de 4 178 665 \$ (2006 - 3 538 414 \$) selon les conventions des régimes. La Régie Régionale n'a aucune responsabilité directe ni aucun droit vis-à-vis les provisionnées ou les surplus des régimes reliés aux employés courants et antérieurs.

**15. Données comparatives :**

Pour faciliter la comparaison des états financiers avec ceux de l'exercice précédent, la classification de certaines données comparatives fut modifiée.



**KPMG LLP**  
**Chartered Accountants**  
 Suite 700 Frederick Square  
 77 Westmorland Street  
 Fredericton NB E3B 6Z3  
 Telephone (506) 452-8000  
 Fax (506) 450-0072  
 Internet www.kpmg.ca

Place Marven's  
 PO Box 827  
 Moncton NB E1C 8N6  
 Telephone (506) 856-4400  
 Fax (506) 856-4499

PO Box 2388 Stn Main  
 Saint John NB E2L 3V6  
 Telephone (506) 634-1000  
 Fax (506) 633-8828

## AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

To the Board of Trustees

The audited financial statements of the South-East Regional Health Authority and our report thereon are presented in the preceding section of this report in accordance with Canadian generally accepted auditing standards. 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.

Chartered Accountants

Moncton, Canada

May 18, 2007

## RAPPORT DES VÉRIFICATEURS DES CÉDULES SUPPLÉMENTAIRES

Aux membres du Conseil d'administration

Les états financiers vérifiés ainsi que notre rapport de la Régie Régionale de la Santé sud-est sont présentés dans la section précédente de ce rapport selon les principes comptables canadiens généralement reconnus. Notre vérification a été effectuée dans le but de former une opinion sur les états financiers de base pris dans leur ensemble. Les autres informations financières de l'exercice courant incluses dans les cédules sont données aux fins d'une étude plus approfondie mais ne sont pas une partie essentielle des états financiers de base. Ces informations ont été soumises aux mêmes procédés de vérification que ceux utilisés au cours de notre vérification des états financiers de base et, à notre avis, elles sont à tous égards importants présentées fidèlement à l'égard des états financiers de base pris dans leur ensemble.

Comptables agréés

Moncton, Canada

Le 18 mai 2007

## SOUTH-EAST REGIONAL HEALTH AUTHORITY

Schedule 1 - Revenues

Year ended March 31, 2007, with comparative figures for 2006

## RÉGIE RÉGIONALE DE LA SANTÉ SUD-EST

Cédule 1 - Revenus

Exercice terminé le 31 mars 2007, avec chiffres correspondants de 2006

	2007	2006	
<b>Department of Health and Wellness:</b>			<b>Ministère de la Santé et Mieux-être :</b>
Hospital services	\$ 154,548,877	\$ 145,282,145	Services hospitaliers
Medicare	22,152,462	18,321,988	Assurance-maladie
Mental health services	3,818,532	3,630,375	Services de santé mentale
Ambulance services	3,153,248	2,770,066	Services ambulanciers
Medical education	723,775	829,923	Formation médicale
Addiction services	2,497,763	-	Services de dépendance
Other provincial programs	5,139,475	2,649,022	Autres programmes provinciale
	<u>192,034,132</u>	<u>173,483,519</u>	
<b>Other patient recoveries:</b>			<b>Autres recouvrements des patients :</b>
Federal Government	640,450	475,955	Gouvernement fédéral
Workplace Health Safety and Compensation Commission	806,152	905,338	Commission de la santé, de la sécurité et de l'indemnisation des accidents du travail
Non-residents of the Province	9,825,608	8,421,709	Non-résidents de la Province
Non-residents of Canada	294,481	404,199	Non-résidents du Canada
Non-insured services N.B. residents	65,420	52,170	Services non-assurés résidents du N.-B.
Room differential income	719,750	932,867	Revenus différentiels provenant des chambres
Medically discharged	127,193	51,250	Renvoi médical
Courtesy rebates	(48,848)	(34,957)	Rabais de courtoisie
Retained portion of differential income	(161,470)	(212,615)	Portions retenues des revenus différentiels
Bad debts	(772,091)	(392,178)	Créances irrécouvrables
	<u>11,496,645</u>	<u>10,603,738</u>	
<b>Other recoveries and sales:</b>			<b>Autres recouvrements et revenus :</b>
Laboratory testing	639,348	627,092	Services de laboratoire
Rentals	43,244	51,188	Location
Other	620,067	469,987	Autres
	<u>1,302,659</u>	<u>1,148,267</u>	
<b>Board generated:</b>			<b>Générés par le Conseil :</b>
Interest	156,077	80,951	Intérêts
Donations	199,503	199,636	Dons
Parking	965,898	1,002,573	Stationnement
Rentals	153,502	164,219	Location
Cafeteria	666,048	647,161	Cafétéria
Retained portion of differential income	161,470	212,615	Portions retenues des revenus différentiels
Federal Inmate Contract	497,356	630,708	Contrat fédéral de détenus
Lifeline	229,906	202,749	Lifeline
Other	161,526	107,693	Autres
	<u>3,191,286</u>	<u>3,248,305</u>	
<b>Amortization of deferred contributions related to capital assets</b>	<u>8,044,298</u>	<u>8,095,997</u>	<b>Amortissement des apports reportés afférents aux immobilisations</b>
<b>Total revenues</b>	<u>\$ 216,069,020</u>	<u>\$ 196,579,826</u>	<b>Total des revenus</b>



## SOUTH-EAST REGIONAL HEALTH AUTHORITY

Schedule 2 - Expenses, page 2

Year ended March 31, 2007, with comparative figures for 2006

## RÉGIE RÉGIONALE DE LA SANTÉ SUD-EST

Cédule 2 - Dépenses, page 2

Exercice terminé le 31 mars 2007, avec chiffres correspondants de 2006

	2007		2006	
	Salaries and benefits	Medical and surgical supplies	Drugs	Other supplies and expenses
	Salaires et avantages sociaux	Fournitures médicales et chirurgicales	Médicaments	Autres fournitures et dépenses
	Total	Total	Total	Total
<b>Support services:</b>				
Financial services	935,726	—	—	278,051
Human resources	866,452	6,039	26,276	241,014
Information system	2,858,952	—	—	3,650,819
Bio medical engineering	594,609	1,860	25	534,896
Materials management	2,361,426	241,532	245	941,805
Housekeeping	3,150,440	6,612	12	353,320
Laundry and linen	784,909	1,138	—	278,795
Plant operations and maintenance	3,729,323	4,480	106,520	6,657,931
Food services	2,525,769	1,918	15	844,300
Health records	1,477,537	8	—	159,801
Patient transportation	3,371,625	18,625	5,095	665,441
Retirement allowances	1,843,245	—	—	—
Workplace Health Safety and Compensation expenses	1,548,635	—	—	—
Commission of New Brunswick	1,218,345	10,278	—	417,583
Other support services	27,268,993	292,290	138,188	15,023,656
<b>Subtotal support services</b>				
	1,548,635	10,278	—	—
	1,218,345	10,278	—	417,583
	27,268,993	292,290	138,188	15,023,656
<b>Subtotal support services</b>				
	1,548,635	10,278	—	—
	1,218,345	10,278	—	417,583
	27,268,993	292,290	138,188	15,023,656
<b>Administrative services:</b>				
General administration	1,285,318	—	—	469,279
Health services and planning	527,423	—	—	32,555
Other administrative services	1,740,874	770	9	202,079
<b>Subtotal administrative services</b>				
	3,553,615	770	9	703,913
<b>Board sponsored:</b>				
Cafeteria expenses	354,167	1	—	286,254
Parking	150,677	—	—	263,041
Development and fundraising	358,958	—	—	109,158
Interest and bank charges	—	—	—	208,077
Education	—	—	—	38,461
Consultant fees	—	—	—	8,569
Donated expenditures	33,540	—	—	196,957
Lifeline	34,132	8,530	—	50,247
Hostel	31,821	—	—	3,683
Other	—	—	—	858,061
<b>Subtotal Board sponsored</b>				
	961,295	8,531	—	2,020,508
<b>Amortization of capital assets</b>				
	—	—	—	8,684,870
<b>Total expenses</b>				
	\$ 155,538,775	\$ 15,087,723	\$ 10,651,560	\$ 43,141,704
	\$ 224,420,762	\$ 224,420,762	\$ 224,420,762	\$ 203,545,613

Total des dépenses

Total des dépenses

Total des dépenses

Total des dépenses

Total des dépenses

Total des dépenses

Total des dépenses

Total des dépenses

Total des dépenses

*Financial Statements of*

**ATLANTIC HEALTH SCIENCES  
CORPORATION**

*March 31, 2007*

# 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

The Board of Directors,  
Regional Health Authority 2

We have audited the statement of financial position of the Atlantic Health Sciences Corporation as at March 31, 2007 and the statements of operations - combined funds, changes in net assets 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, 2007 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.



Chartered Accountants

May 23, 2007



**ATLANTIC HEALTH SCIENCES CORPORATION**

(Incorporated under the laws of the Province of New Brunswick)

**Statement of Financial Position**

as at March 31, 2007

	2007	2006
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,981,266	\$ 1,538,903
Accounts receivable (Notes 4 & 13)	36,657,560	34,745,461
Inventory (Note 5)	2,796,680	2,648,053
Prepaid expenses	1,202,662	2,231,016
	42,638,168	41,163,433
<b>CONTRIBUTION RECEIVABLE (Note 6)</b>	1,858,774	2,283,642
<b>INVESTMENTS</b>		
Accounts receivable (Note 16)	4,328,492	-
Marketable securities (Note 7)	12,494,429	12,351,981
Health Research Endowment Fund (Notes 8 & 23)	2,058,141	1,957,310
Sussex Health Centre investment (Note 9)	261,105	261,105
	19,142,167	14,570,396
<b>CAPITAL ASSETS (Note 10)</b>	44,035,743	42,431,089
	<u>\$ 107,674,852</u>	<u>\$ 100,448,560</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 11)	\$ 52,011,418	\$ 53,244,402
Short-term borrowing (Note 12)	4,007,825	-
Designated funds (Note 14)	3,750,840	3,525,702
Deferred revenue	457,363	447,822
Current portion of long-term debt (Note 15)	448,387	452,355
	60,675,833	57,670,281
<b>LONG-TERM DEBT (Note 15)</b>	1,544,876	1,993,263
<b>EMPLOYEE FUTURE BENEFITS (Note 16)</b>	1,551,900	1,287,536
<b>DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS (Note 17)</b>	39,149,729	36,891,588
<b>NET ASSETS</b>		
Unrestricted	(17,324,115)	(14,867,040)
Board equity	14,515,185	9,383,058
Investment in capital assets (Note 18)	4,886,014	5,512,014
Endowments	2,675,430	2,577,860
	4,752,514	2,605,892
	<u>\$ 107,674,852</u>	<u>\$ 100,448,560</u>

COMMITMENTS AND CONTINGENCY (Notes 21 & 22)

APPROVED BY THE BOARD

*Rachael G. Christensen*, Director

**ATLANTIC HEALTH SCIENCES CORPORATION**  
**Statement of Operations - Combined Funds**  
**year ended March 31, 2007**

	2007	2006
Revenues		
Department of Health	\$ 331,429,358	\$ 299,192,672
Federal	8,360,063	7,836,506
Patient recoveries	7,149,910	6,365,508
Recoveries and sales	4,146,562	3,656,451
Board generated	9,914,167	6,613,523
Amortization of deferred contributions related to capital assets	7,212,172	5,989,396
Total revenues	<u>368,212,232</u>	<u>329,654,056</u>
Expenses		
Nursing inpatient services	104,344,072	97,570,634
Non-inpatient services	33,678,308	29,655,837
Community services	31,013,302	21,216,345
Diagnostic and therapeutic services	59,901,622	52,601,606
Medicare	36,058,603	32,050,832
Research and education	5,215,953	5,110,947
Support services	82,427,843	75,244,183
Administration services	7,903,563	7,250,983
Ancillary services	992,803	836,646
Board sponsored	5,197,534	4,401,127
Amortization of capital assets	8,265,103	7,913,455
Total expenses	<u>374,998,706</u>	<u>333,852,595</u>
Deficit from operations for the year before undernoted	(6,786,474)	(4,198,539)
Adjustment of prior year-end settlement	(16,006)	163,817
Working capital grant from Province of New Brunswick	8,851,532	4,657,558
Net surplus for the year	<u>\$ 2,049,052</u>	<u>\$ 622,836</u>

## ATLANTIC HEALTH SCIENCES CORPORATION

## Statement of Changes in Net Assets

year ended March 31, 2007

	Investment in Capital Assets (Note 18)		Endowments and Restricted Funds (Note 8)		Unrestricted		Board		Total Equity	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Balance at beginning of year	\$ 5,512,014	\$ 6,815,308	\$ 2,577,860	\$ 2,495,628	\$ (14,867,040)	\$ (15,083,011)	\$ 9,383,058	\$ 7,672,899	2,605,892	\$ 1,900,824
Net surplus (deficit) for the year	(1,052,931)	(1,924,059)	-	-	(1,614,650)	334,496	4,716,633	2,212,399	2,049,052	622,836
Reallocation of capital payment	-	-	-	-	(814,938)	200,000	-	(200,000)	-	-
Reallocation of investment equity	-	-	-	-	(814,938)	-	814,938	-	-	-
Endowment and restricted funds contributions	-	-	97,570	82,232	-	-	-	-	-	97,570
Expenditures for capital assets	399,444	302,240	-	-	(27,487)	(318,525)	(399,444)	(302,240)	(27,487)	(318,525)
Net change in investment in capital assets	27,487	318,525	-	-	(27,487)	(318,525)	(399,444)	(302,240)	(27,487)	318,525
Balance at end of year	\$ 4,886,014	\$ 5,512,014	\$ 2,675,430	\$ 2,577,860	\$ (17,324,115)	\$ (14,867,040)	\$ 14,515,185	\$ 9,383,058	\$ 4,752,514	\$ 2,605,892

## ATLANTIC HEALTH SCIENCES CORPORATION

### Statement of Cash Flows

year ended March 31, 2007

	2007	2006
<b>FUNDS PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net surplus for the year	\$ 2,049,052	\$ 622,836
Amortization of capital assets	8,265,103	7,913,455
Amortization of deferred contributions for capital assets	(7,212,172)	(5,989,396)
Gain on disposal of investments	(631,922)	(1,457,190)
Increase in employee future benefits	354,088	97,924
	<u>2,824,149</u>	<u>1,187,629</u>
Change in non-cash working capital items	(1,605,808)	522,925
	<u>1,218,341</u>	<u>1,710,554</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(9,869,757)	(13,296,430)
Proceeds on disposal of investments	21,009,249	26,013,838
Purchase of investments	(24,949,098)	(27,828,984)
	<u>(13,809,606)</u>	<u>(15,111,576)</u>
<b>FINANCING ACTIVITIES</b>		
Increase in deferred contributions related to capital assets		
- Province of New Brunswick	4,319,819	10,071,638
- Publicly funded	5,150,494	2,922,552
Endowment contributions	97,570	82,232
Increase in short-term borrowing (Note 12)	4,007,825	-
Repayment of long term debt	(514,593)	(474,812)
Repayment of capital lease	(27,487)	(318,525)
	<u>13,033,628</u>	<u>12,283,085</u>
<b>NET CHANGE IN CASH DURING THE YEAR</b>	<b>442,363</b>	<b>(1,117,937)</b>
<b>CASH &amp; CASH EQUIVALENTS</b>		
<b>AT BEGINNING OF YEAR</b>	<u>1,538,903</u>	<u>2,656,840</u>
<b>AT END OF YEAR</b>	<u>\$ 1,981,266</u>	<u>\$ 1,538,903</u>

**ATLANTIC HEALTH SCIENCES CORPORATION**  
**Notes to the Financial Statements**  
**year ended March 31, 2007**

---

**1. PURPOSE OF THE CORPORATION**

Regional Health Authority 2 was incorporated under the laws of the Province of New Brunswick on April 1, 2002 and operates as Atlantic Health Sciences Corporation (the "Corporation"). The principal activity of the Corporation is the provision of health care services to the Southern Region of New Brunswick.

The Corporation operates twenty-nine facilities from Sussex to St. Stephen, including the Fundy Isles.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations published by the Canadian Institute of Chartered Accountants, using the deferral method of reporting restricted contributions.

*Revenue recognition*

The Corporation follows the deferral method of accounting for contributions which includes donations and government grants.

The Corporation is funded primarily by the Province of New Brunswick in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period.

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.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

*Inventory*

Stores and pharmacy inventories are valued at average cost.

**ATLANTIC HEALTH SCIENCES CORPORATION**  
**Notes to the Financial Statements**  
**year ended March 31, 2007**

---

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

*Investments*

Long-term investments are recorded at cost. Management periodically compares the carrying value of investments with the quoted market value. Where there has been a loss in value on a total portfolio basis that is considered other than a temporary decline, investments are written down to recognize the loss. Gains and losses on sales of investments are recognized in the year of disposal.

Investments include bonds which are recorded at par value with any premium or discount amortized over the term of the bond.

Investment income on investments is accounted for on an accrual basis.

*Capital assets*

Capital assets are recorded at cost and are amortized on a straight-line basis over the estimated useful life of the assets. The Corporation has not recorded in these financial statements land and buildings which it utilizes but are owned by other entities. Capital assets are amortized as follows:

<u>Asset</u>	<u>Estimated Useful Life</u>
Equipment	5 - 25 years
Vehicles	5 years
Buildings	20 years

*Vacation pay and overtime*

Vacation pay and overtime is accrued to March 31, 2007. The related funding from the Department of Health is recorded when received.

*Sick pay benefits*

Employees of the Corporation are entitled to sick-pay benefits which accumulate. In accordance with generally accepted accounting principles for employee future benefits, the Corporation does not accrue for these benefits as the benefits do not vest.

*Cash and cash equivalents*

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of acquisition.

**ATLANTIC HEALTH SCIENCES CORPORATION**  
**Notes to the Financial Statements**  
**year ended March 31, 2007**

---

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

*Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas of significant estimate include allowance for doubtful accounts, working capital estimates, accruals and employee future benefits. Actual results could differ from those estimates.

*Asset impairment*

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

**3. FINANCIAL INSTRUMENTS**

*Credit risk*

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation monitors the collectability of its accounts receivable on an on-going basis.

The Corporation has approximately 68% (2006 - 73%) of its receivables with the Province of New Brunswick.

*Fair value*

The carrying value of short-term investments, accounts receivable, accounts payable and accrued liabilities approximate fair value due to the relatively short-term maturities of these instruments. The carrying amount of long-term debt approximates fair value.

**ATLANTIC HEALTH SCIENCES CORPORATION**  
**Notes to the Financial Statements**  
**year ended March 31, 2007**

**4. ACCOUNTS RECEIVABLE**

	<u>2007</u>	<u>2006</u>
Province of New Brunswick		
Medicare	\$ 3,782,317	\$ 2,765,968
Equipment grants	2,737,639	6,104,521
Ambulance services equipment	3,934,004	-
Provincial plan	6,086,620	10,162,204
Working capital grant	8,851,532	4,657,558
	<u>25,392,112</u>	<u>23,690,251</u>
Patient	3,568,823	2,250,224
Related entities	2,438,264	2,318,486
HST	2,808,144	3,442,335
Other	2,450,217	3,044,165
	<u>\$ 36,657,560</u>	<u>\$ 34,745,461</u>

**5. INVENTORY**

	<u>2007</u>	<u>2006</u>
Pharmacy	\$ 1,082,590	\$ 1,038,651
Stores	1,714,090	1,609,402
	<u>\$ 2,796,680</u>	<u>\$ 2,648,053</u>

**6. CONTRIBUTION RECEIVABLE**

In fiscal 2003, Veterans Affairs Canada committed \$3,534,251 for construction of a building for the care of veterans to be paid over an eight (8) year period via an increase to the operating per diem. The amount of principal repayment during the 2007 year was \$424,868 (2006 – \$402,582).

**7. MARKETABLE SECURITIES**

	<u>2007</u>	<u>2006</u>
Fixed return securities	\$ 5,576,147	\$ 1,148,119
Canadian denominated stocks	2,921,941	-
U.S. denominated stocks	3,834,970	-
Amount held in cash	161,371	11,203,862
	<u>\$ 12,494,429</u>	<u>\$ 12,351,981</u>

The quoted market value of marketable securities as at March 31, 2007 is \$12,771,911 (2006 – \$12,351,981).



**ATLANTIC HEALTH SCIENCES CORPORATION**  
**Notes to the Financial Statements**  
**year ended March 31, 2007**

---

**8. HEALTH RESEARCH ENDOWMENT FUND**

The Corporation transferred funds for the purposes of Health Research to the Saint John Regional Hospital Foundation (the "Foundation"). The Foundation invests and administers the funds on behalf of the Corporation. The funds are available to the Corporation as required. Note 23 describes changes to this agreement that occurred subsequent to year end.

**9. SUSSEX HEALTH CENTRE INVESTMENT**

Prior to regionalization, the Sussex Health Centre contributed \$300,000 to Sussex Health Centre Services Inc. to be used in the construction of an office building to be rented to health care professionals. In consideration of the contribution, Sussex Health Centre Services Inc. will pay to the Corporation 50% of any net income generated from the building. The investment is carried at an amount equal to the Corporation's equity interest in the building.

**10. CAPITAL ASSETS**

	Cost	Accumulated Amortization	Net Book Value	
			2007	2006
Equipment and vehicles	\$ 99,951,425	\$ 63,299,793	\$ 36,651,632	\$ 34,646,240
Building	8,720,136	1,336,025	7,384,111	7,784,849
	<u>\$ 108,671,561</u>	<u>\$ 64,635,818</u>	<u>\$ 44,035,743</u>	<u>\$ 42,431,089</u>

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2007	2006
Accounts payable	\$ 23,166,960	\$ 26,490,038
Salaries and benefits	14,871,528	14,196,267
Accrued vacation pay	13,972,930	12,558,097
	<u>\$ 52,011,418</u>	<u>\$ 53,244,402</u>

**12. SHORT-TERM BORROWING**

The Corporation has a \$4,000,000 short-term loan with the Minister of Finance of the Province of New Brunswick bearing interest at 4.2% to be repaid in full on April 13, 2007.

**ATLANTIC HEALTH SCIENCES CORPORATION**  
**Notes to the Financial Statements**  
year ended March 31, 2007

---

**13. ESTIMATED YEAR-END ADJUSTMENT**

**Department of Health**

	Actual	<u>Budget</u>	<u>Due (to) from Province</u>
Total transferable programs			
Total transferable expenses	\$ 252,947,876	\$ 236,556,529	\$ -
Other recoveries and sales	1,714,063	895,493	-
Net patient income	<u>7,225,614</u>	<u>6,457,798</u>	<u>(767,816)</u>
Total for transferable programs			<u>(767,816)</u>
Nontransferable programs			<u>(1,275,361)</u>
Total			<u>\$ (2,043,177)</u>

The estimated year-end settlement is subject to the approval of the Department of Health of the Province of New Brunswick and is included in accounts receivable. Any adjustments are recorded in the year such determinations are made.

**14. DESIGNATED FUNDS**

The Corporation holds monies for the following purposes:

	<u>2007</u>	<u>2006</u>
Patient and other funds	\$ 939,490	\$ 850,329
Educational funds	340,924	475,278
Research funds	<u>2,470,426</u>	<u>2,200,095</u>
	<u>\$ 3,750,840</u>	<u>\$ 3,525,702</u>

The Corporation is bound to follow the directions of the beneficial holders of these accounts and, as such, these funds are not available to the Corporation.

**ATLANTIC HEALTH SCIENCES CORPORATION**  
**Notes to the Financial Statements**  
**year ended March 31, 2007**

---

**15. LONG-TERM DEBT**

	<u>2007</u>	<u>2006</u>
Province of New Brunswick	\$ 1,993,263	\$ 2,418,131
AGFA Finance Canada Lease	-	27,487
	<hr/>	<hr/>
Total long-term debt	1,993,263	2,445,618
Less: current portion	448,387	452,355
	<hr/>	<hr/>
	\$ 1,544,876	\$ 1,993,263
	<hr/>	<hr/>

The loan from the Province of New Brunswick is to be repaid over 8 years from an increase in the operational funding from Veterans Affairs Canada. The loan is repayable in monthly installments of \$45,419, including principal and interest, until April 14, 2011 and bears interest at 5.4 %.

Principal repayment requirements are as follows for the year ending in:

	\$
2008	448,387
2009	473,208
2010	499,403
2011	527,049
2012	45,216
	<hr/>
	1,993,263
Less: current portion	448,387
Balance of obligation	<hr/>
	1,544,876
	<hr/>

**ATLANTIC HEALTH SCIENCES CORPORATION**  
**Notes to the Financial Statements**  
**year ended March 31, 2007**

---

**16. EMPLOYEE FUTURE BENEFITS**

*a) CEO Supplementary Pensions*

The Corporation entered into supplementary pension arrangements with two of its former Chief Executive Officers on September 21, 1993 and May 8, 1995. The Province of New Brunswick has agreed to fund a portion of the obligations.

	\$
Total actuarial value at March 31, 2006	1,287,536
Accretion 2006-2007	161,677
Less: payments made 2006 - 2007	<u>(89,724)</u>
Balance as at March 31, 2007	<u><u>1,359,489</u></u>

*b) Other Pension*

During fiscal 2005-2006, the Corporation applied for regulatory approval for the wind up of the Pension Plan (the "Plan") for Certain Employees of the West Saint John Community Hospital. This windup involved purchasing annuities from a private insurance carrier for the pensioners.

As part of the wind up process the Corporation provided a guarantee to the pensioners that in the event of a failure of the private insurance carrier, the Corporation would ensure ongoing payment of full benefits under the Plan terms.

During fiscal 2006-2007, the planned wind up of this former Federal pension plan received final approval from both the New Brunswick office of the Superintendent of Pensions and the Canada Revenue Agency. As a result the Corporation will receive the Plan proceeds of \$4,328,492. The Corporation has agreed to fund additional arrangements with the remaining four eligible employees of the West Saint John Community Hospital and is responsible for the wind up costs. The amount recorded as at March 31, 2007 represents the present value of future monthly payments to the employees.

	\$
Total actuarial value as at March 31, 2007	<u><u>192,411</u></u>
	\$
Total Employee Future Benefits	<u><u>1,551,900</u></u>

**ATLANTIC HEALTH SCIENCES CORPORATION**  
**Notes to the Financial Statements**  
**year ended March 31, 2007**

---

**17. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS**

Deferred contributions related to capital assets represent the unamortized and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Operations. The changes in the deferred contributions balance during the year are as follows:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 36,891,588	\$ 29,886,794
Additional contributions received		
- Province of New Brunswick	4,319,819	10,071,638
- publicly funded	5,150,494	2,922,552
Less: amortized to revenue	<u>(7,212,172)</u>	<u>(5,989,396)</u>
	<u>\$ 39,149,729</u>	<u>\$ 36,891,588</u>

The balance of unamortized capital contributions related to capital assets consists of the following:

	<u>2007</u>	<u>2006</u>
Unamortized capital contributions used to purchase assets	<u>\$ 39,149,729</u>	<u>\$ 36,891,588</u>

**ATLANTIC HEALTH SCIENCES CORPORATION**  
**Notes to the Financial Statements**  
year ended March 31, 2007

---

**18. INVESTMENT IN CAPITAL ASSETS**

Investment in capital assets is as follows:

	<u>2007</u>	<u>2006</u>
Capital assets	\$ 44,035,743	\$ 42,431,089
Less amounts funded by:		
Deferred contributions	39,149,729	36,891,588
Capital leases	-	27,487
	<u>\$ 4,886,014</u>	<u>\$ 5,512,014</u>

Change in net assets invested in capital assets is as follows:

	<u>2007</u>	<u>2006</u>
Deficiency of revenue over expenses		
Amortization of deferred contributions	\$ 7,212,172	\$ 5,989,396
Less: Amortization of capital assets	8,265,103	7,913,455
	<u>\$ (1,052,931)</u>	<u>\$ (1,924,059)</u>
Net change in investment in capital assets		
Purchase of capital assets	\$ 9,869,757	\$ 13,296,430
Less amounts funded by:		
Deferred contributions	9,470,313	12,994,190
	399,444	302,240
Add repayment of capital leases	27,487	318,525
	<u>\$ 426,931</u>	<u>\$ 620,765</u>
Change in net assets invested in capital assets	<u>\$ (626,000)</u>	<u>\$ (1,303,294)</u>

**ATLANTIC HEALTH SCIENCES CORPORATION**  
**Notes to the Financial Statements**  
**year ended March 31, 2007**

---

**19. RELATED ENTITIES**

The following Foundations' purpose is to raise and distribute funds for the enhancement of services and facilities.

Foundation	Incorporation Year	Donations	
		2007	2006
Saint John Regional Foundation Inc.	1980	\$ 4,346,688	\$ 1,619,313
St. Joseph's Hospital Foundation Inc.	1982	472,919	602,505
Charlotte County Hospital Foundation Inc.	1992	83,035	105,658
Sussex Health Services Inc.	1991	63,815	345,275

The following Auxiliaries are not-for profit organizations that distribute funds to the hospitals to be used in the enhancement of services and facilities.

Auxiliary	Incorporation Year	Donations	
		2007	2006
Saint John Regional Hospital Auxiliary	1992	\$ 111,650	\$ 229,980
Charlotte County Hospital Ladies Auxiliary	1960	-	5,650

Metro Health Services Inc., a registered not-for profit organization, was incorporated in 1987 to manufacture and provide products for the disabled in New Brunswick. During the year, Metro Health Services Inc. purchased goods from the Corporation at a cost of \$25,258 (2006 – \$23,586).

Fundy Linen Service Inc. was incorporated in 1977 to construct, own and operate a laundry facility for the purpose of providing central laundry services to public hospitals and similar institutions. During the year, the Corporation purchased services of \$5,353,292 (2006 – \$5,172,032) from Fundy Linen Service Inc.

**Province of New Brunswick**

During the year ended March 31, 2007, the Department of Health provided the Corporation funding of \$340,264,884 (2006 – \$304,014,047).

During the year ended March 31, 2007, the Department of Supply and Services incurred \$926,364 (2006 – \$1,713,945) in capital improvements on behalf of the Corporation. This amount has not been reflected in these statements.

Certain employees of the Corporation are entitled to pensions and/or post retirements benefits upon their retirement. These benefits are the responsibility of and are funded by the Province of New Brunswick and, as such, these liabilities have not been recorded by the Corporation.

At March 31, 2007 the Corporation's accrued vacation liability had increased \$1,414,833 over the previous fiscal year. Related funding from the Department of Health is recorded when received.

**ATLANTIC HEALTH SCIENCES CORPORATION**  
**Notes to the Financial Statements**  
**year ended March 31, 2007**

---

**20. STATEMENT OF CASH FLOWS**

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

	<u>2007</u>	<u>2006</u>
	\$	\$
Interest paid	177,335	172,242
Interest received	255,704	181,465

**21. COMMITMENTS**

The Corporation has signed an agreement with the University of New Brunswick (UNBSJ) to supply steam sufficient to meet the campus' needs to a maximum of 15,000 lbs per hour. The Corporation is not liable for any loss, damage, cost or expense incurred by UNBSJ as a result of the Corporation's failure to supply steam unless the failure is caused by negligence or willful misconduct of the Corporation. The Corporation will be reimbursed based on actual consumption at rates agreed upon by both parties. The agreement expires March 31, 2025.

The Corporation has signed an agreement with Eclipsys Corporation, for a total contract value of \$14,181,024, to replace its Clinical Information. The multi-year project is jointly funded by the Department of Health and the Corporation.

**22. CONTINGENCY**

In fiscal 2001, Atlantic Health Sciences Corporation was named as a defendant in a lawsuit before the Province of New Brunswick Court of Queen's Bench in the amount of \$3,800,000. Legal proceedings continue and the outcome of this matter cannot be reasonably estimated at this time. Accordingly, no provision has been made in the financial statements at March 31, 2007.

**23. SUBSEQUENT EVENT**

In fiscal 2006 and 2007, the Corporation transferred funds for the purposes of Health Research to the Saint John Regional Hospital Foundation. On April 30, 2007 the Board of Directors approved transfer of ownership of these funds to the Saint John Regional Hospital Foundation with the establishment of a revised agreement.

**24. COMPARATIVE FIGURES**

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



**ATLANTIC HEALTH SCIENCES CORPORATION**  
**Notes to the Financial Statements**  
**year ended March 31, 2007**

---

**25. FUTURE ACCOUNTING POLICY CHANGES**

(i) Comprehensive Income, CICA Handbook Section 1530

In January 2005, the CICA issued Handbook Section 1530, "Comprehensive Income," which will be effective for the Corporation's 2008 fiscal year. As a result of adopting this standard, a Statement of Comprehensive Income will be included in the corporation's financial statements. Comprehensive income consists of net income and other comprehensive income. Major components of other comprehensive income will include unrealized gains and losses on financial assets classified as available-for-sale.

(ii) Financial Instruments – Recognition and Measurement, CICA Handbook Section 3855

In January 2005, the CICA issued Handbook Section 3855, "Financial Instruments – Recognition and Measurement," which will be effective for the Corporation's 2008 fiscal year. Under this new standard, all financial assets will be classified as one of the following: held-to-maturity; loans and receivables; held-for-trading; or available-for-sale. Financial assets and liabilities held-for-trading will be measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, will be measured at amortized cost. Available-for-sale instruments will be measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard also permits designation of any financial instrument as held-for trading upon initial recognition.

The transition adjustment attributable to the financial instruments that the Corporation will classify as available-for-sale and that were not previously recorded at fair value will be recognized in the opening balance of accumulated other comprehensive income as of April 1, 2007. The effect of adopting these sections on April 1, 2007 was not significant.



Financial Statements of

## **REGIONAL HEALTH AUTHORITY 3**

Year ended March 31, 2007

**KPMG LLP****Chartered Accountants**

Frederick Square  
77 Westmorland Street Suite 700  
Fredericton NB E3B 6Z3  
Telephone (506) 452-8000  
Fax (506) 450-0072  
Internet www.kpmg.ca

One Factory Lane  
Place Marven's  
PO Box 827  
Moncton NB E1C 8N6  
Telephone (506) 856-4400  
Fax (506) 856-4499

Harbour Building  
133 Prince William Street  
PO Box 2388 Stn Main  
Saint John NB E2L 3V6  
Telephone (506) 634-1000  
Fax (506) 633-8628

## AUDITORS' REPORT

To the Chairperson and Members of the Board of Directors  
Regional Health Authority 3

We have audited the statement of financial position of Regional Health Authority 3 as at March 31, 2007 and the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Fredericton, Canada  
May 24, 2007

# REGIONAL HEALTH AUTHORITY 3

## Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	2007	2006
<b>Assets</b>		
Current assets:		
Cash	\$ 2,053,304	\$ -
Accounts receivable (note 2)	17,676,501	18,523,489
Inventories	2,216,080	2,211,588
Prepaid expenses	1,214,450	1,261,084
Current portion of contributions receivable	681,253	643,645
	<u>23,841,588</u>	<u>22,639,806</u>
Contributions receivable (note 3)	1,748,428	2,429,681
Investments (note 4)	36,414	75,100
Capital assets (note 5)	140,730,780	97,279,201
	<u>\$ 166,357,210</u>	<u>\$ 122,423,788</u>

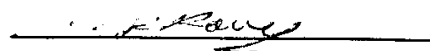
## Liabilities, Deferred Contributions and Net Assets (Deficiency)

Current liabilities:		
Outstanding cheques in excess of funds on deposit	\$ -	\$ 337,381
Accounts payable and accrued liabilities (note 6)	27,309,790	25,774,570
Short-term borrowing (note 7)	4,002,327	2,507,908
Estimated year-end adjustment payable (note 8)	1,086,569	1,367,738
Current portion of long-term debt (note 9)	747,277	705,729
	<u>33,145,963</u>	<u>30,693,326</u>
Long-term debt (note 9)	2,791,638	3,537,009
Deferred contributions related to capital assets (note 10)	138,496,284	95,540,624
Net assets (deficiency):		
Invested in capital assets (note 11)	1,150,656	636,050
Restricted for endowments	11,020	11,020
Unrestricted	(9,238,351)	(7,994,241)
	<u>(8,076,675)</u>	<u>(7,347,171)</u>
	<u>\$ 166,357,210</u>	<u>\$ 122,423,788</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

## REGIONAL HEALTH AUTHORITY 3

### Statement of Operations

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
<b>Revenue:</b>		
Department of Health	\$ 227,702,084	\$ 202,422,853
Federal	5,755,468	5,769,136
Other patient recoveries	5,540,280	5,603,734
Other recoveries and sales	4,751,076	4,671,061
Board generated	3,478,637	4,168,469
Amortization of deferred contributions related to capital assets	7,615,626	5,124,171
	<u>254,843,171</u>	<u>227,759,424</u>
<b>Expenses:</b>		
Nursing inpatient services	71,790,446	68,301,328
Non-inpatient services	24,407,795	22,480,890
Diagnostic and therapeutic services	44,794,939	40,454,889
Community Services	25,616,108	17,653,317
Medicare	22,099,363	19,699,375
Research and education	3,319,644	3,365,840
Support services	52,262,192	47,716,944
Administrative services	5,308,169	4,431,302
Board sponsored	3,343,797	3,606,240
Amortization of capital assets	7,713,102	5,186,353
	<u>260,655,555</u>	<u>232,896,478</u>
Deficit from operations for the year before the undernoted (note 12)	(5,812,384)	(5,137,054)
Working capital grant from Province of New Brunswick (note 13)	5,243,017	5,199,526
Adjustment of prior year-end settlements (note 13)	(160,137)	(46,471)
	<u>5,082,880</u>	<u>5,153,055</u>
<b>Net surplus (deficit) for the year</b>	<b>\$ (729,504)</b>	<b>\$ 16,001</b>

See accompanying notes to financial statements.

## REGIONAL HEALTH AUTHORITY 3

### Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2007, with comparative figures for 2006

	Invested in capital assets	Restricted for endowments	Unrestricted	2007 Total	2006 Total
Balance, beginning of year	\$ 636,050	\$ 11,020	\$ (7,994,241)	\$ (7,347,171)	\$ (7,363,172)
Net surplus (deficit) for the year	(97,476)	-	(632,028)	(729,504)	16,001
Net change in investment in capital assets (note 11)	612,082	-	(612,082)	-	-
Balance, end of year	\$ 1,150,656	\$ 11,020	\$ (9,238,351)	\$ (8,076,675)	\$ (7,347,171)

See accompanying notes to financial statements.

## REGIONAL HEALTH AUTHORITY 3

### Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operating activities:		
Net surplus (deficit) for the year	\$ (729,504)	\$ 16,001
Items not involving cash:		
Amortization of capital assets	7,713,102	5,186,353
Amortization of deferred contributions related to capital assets	(7,615,626)	(5,124,171)
Gain on disposal of capital assets	(4,513)	(4,500)
Changes in non-cash operating working capital:		
Decrease in accounts receivable	846,988	7,691,566
Increase in inventories	(4,492)	(26,784)
Decrease (increase) in prepaid expenses	46,634	(165,275)
Increase (decrease) in accounts payable and accrued liabilities	1,535,220	(2,031,156)
Increase (decrease) in short-term borrowing	1,494,419	(2,509,544)
Increase (decrease) in estimated year-end adjustment payable	(281,169)	944,913
	<u>3,001,059</u>	<u>3,977,403</u>
Financing and investing activities:		
Proceeds from sale/return of capital assets	-	34,342
Decrease in contribution receivable	643,645	608,114
Disposal (purchase) of investments	38,686	(2,465)
Capital assets acquired	(51,160,168)	(38,517,741)
Principal payments on long-term debt	(703,823)	(664,644)
Increase in deferred contributions related to capital assets	50,571,286	38,083,191
	<u>(610,374)</u>	<u>(459,203)</u>
Increase in cash position	2,390,685	3,518,200
Cash position, beginning of year	(337,381)	(3,855,581)
Cash position, end of year	<u>\$ 2,053,304</u>	<u>\$ (337,381)</u>

See accompanying notes to financial statements.



## REGIONAL HEALTH AUTHORITY 3

Notes to Financial Statements

Year ended March 31, 2007

---

Regional Health Authority 3 (the "Authority"), operating as River Valley Health, was incorporated under the laws of New Brunswick on April 1, 2002. Through a network of more than twenty facilities River Valley Health provides programs and services ranging from primary care to specialized and tertiary care services. The network of hospitals, health centres and specialty centres are supported by services offered at the Dr. Everett Chalmers Regional Hospital in Fredericton.

The regional hospital provides selected tertiary services and is a centre of expertise in reconstructive and restorative rehabilitation, specializing in orthopedic services.

River Valley Health is also home to the province's centre for tertiary rehabilitation (Stan Cassidy Centre for Rehabilitation) and a state of the art Veterans Health Unit.

The community based services, Extra-Mural Program, Community Mental Health and Public Health, are located in several communities throughout the region. Community Mental Health and Public Health services became part of Regional Health Authorities effective November 28, 2005.

Inpatient facilities are in the following locations:

Regional Hospital:

Dr. Everett Chalmers Regional Hospital

Community Hospitals:

The Carleton Memorial Hospital – Woodstock

Hotel-Dieu of St. Joseph – Perth-Andover

Northern Carleton Hospital – Bath

Oromocto Public Hospital – Oromocto

Tobique Valley Hospital – Plaster Rock

Specialty Services:

Stan Cassidy Centre for Rehabilitation – Fredericton

Veterans Health Unit – Fredericton

Regional Addictions Services – Fredericton

# REGIONAL HEALTH AUTHORITY 3

Notes to Financial Statements

Year ended March 31, 2007

---

## 1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are summarized as follows:

### (a) Revenue recognition:

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

The Authority is funded primarily by the Province of New Brunswick in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

### (b) Inventories:

Inventories are valued at the lower of cost and replacement cost on a first-in first-out basis.

### (c) Investments:

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

### (d) Vacation pay:

Vacation pay is accrued to year-end. Related funding from the Department of Health is recorded when received.

## REGIONAL HEALTH AUTHORITY 3

Notes to Financial Statements

Year ended March 31, 2007

### 1. Significant accounting policies (continued):

#### (e) Capital assets:

Capital assets are recorded at cost. Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Leasehold improvements	10% to 20%
Land improvements	4% to 20%
Buildings	2 1/2% to 10%
Equipment	5% to 50%
Building service equipment	3 1/3% to 20%

Construction in progress is not amortized until the project is available for the intended use.

#### (f) Use of estimates:

The preparation of the 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 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. Accounts receivable:

	2007	2006
Province of New Brunswick:		
Medicare	\$ 1,411,980	\$ 1,167,425
Equipment grants	666,647	1,180,874
Unprocessed budget amendments	4,117,697	4,757,333
Medical education	-	19,751
Working capital deficiency	5,243,017	5,199,526
	11,439,341	12,324,909
Patients	2,134,082	2,042,530
Harmonized Sales Tax	1,458,392	1,094,544
Other	2,644,686	3,061,506
	\$ 17,676,501	\$ 18,523,489

## REGIONAL HEALTH AUTHORITY 3

Notes to Financial Statements

Year ended March 31, 2007

### 3. Contributions receivable:

	2007	2006
Funding to be received from Veterans Affairs Canada for the construction of a new building for the care of veterans, bearing interest at 5.76%	\$ 2,429,681	\$ 3,073,326
Current portion of contributions receivable	681,253	643,645
	<u>\$ 1,748,428</u>	<u>\$ 2,429,681</u>

### 4. Investments:

	2007	2006
Investment bank accounts	\$ 25,394	\$ 64,080
Investment bank account (Queens North Health Complex, Endowment Fund)	11,020	11,020
	<u>\$ 36,414</u>	<u>\$ 75,100</u>

### 5. Capital assets:

	2007		2006	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 535,610		\$ 535,610	\$ 535,610
Leasehold improvements	870,891	\$ 687,138	183,753	391,937
Land improvements	1,078,763	1,078,763	-	412
Buildings	107,083,377	59,463,127	47,620,250	22,003,374
Equipment	62,590,219	43,733,179	18,857,040	18,422,202
Building service equipment	15,038,567	10,194,637	4,843,930	5,080,034
Construction in-progress	68,690,197	-	68,690,197	50,845,632
	<u>\$ 255,887,624</u>	<u>\$ 115,156,844</u>	<u>\$ 140,730,780</u>	<u>\$ 97,279,201</u>

## REGIONAL HEALTH AUTHORITY 3

Notes to Financial Statements

Year ended March 31, 2007

### 6. Accounts payable and accrued liabilities:

	2007	2006
Accounts payable	\$ 13,079,231	\$ 13,465,202
Salaries	4,992,209	3,980,552
Vacation pay	9,238,350	8,328,816
	<u>\$ 27,309,790</u>	<u>\$ 25,774,570</u>

### 7. Short-term borrowing:

The \$4 million loan from the Minister of Finance bears interest at 4.20% and was repaid May 30, 2007.

### 8. Estimated year-end adjustment:

	2007	2006
Excess of other source patient income compared to budget	\$ -	\$ 666,231
Non-transferable programs under budget	1,086,569	701,507
Due to Province	<u>\$ 1,086,569</u>	<u>\$ 1,367,738</u>

The final disposition of the estimated year-end adjustment is subject to the approval of the Department of Health of the Province of New Brunswick.

## REGIONAL HEALTH AUTHORITY 3

Notes to Financial Statements

Year ended March 31, 2007

### 9. Long-term debt:

	2007	2006
6.27% Term bank loan, unsecured, payable in monthly instalments of \$10,981 including principal and interest, due March 2009	\$ 1,109,234	\$ 1,169,412
5.76% Term loan, unsecured, payable in monthly instalments of \$66,830 including principal and interest, due July 2010	2,429,681	3,073,326
	3,538,915	4,242,738
Current portion of long-term debt	747,277	705,729
	\$ 2,791,638	\$ 3,537,009

Principal due within each of the next three years on long-term debt is approximately as follows:

2008	\$ 747,000
2009	1,763,000
2010	1,028,000

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

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the year are as follows:

	2007	2006
Balance, beginning of year	\$ 95,540,624	\$ 62,581,604
Additional contributions	50,571,286	38,083,191
Amounts amortized to revenue	(7,615,626)	(5,124,171)
Balance, end of year	\$138,496,284	\$ 95,540,624

The balance of unamortized capital contributions related to capital assets consists of the following:

	2007	2006
Unamortized capital contributions used to purchase assets	\$136,041,209	\$ 92,400,413
Unspent contributions	2,455,075	3,140,211
	\$138,496,284	\$ 95,540,624

## REGIONAL HEALTH AUTHORITY 3

Notes to Financial Statements

Year ended March 31, 2007

### 11. Invested in capital assets:

(a) Investment in capital assets is calculated as follows:

	2007	2006
Capital assets	\$140,730,780	\$ 97,279,201
Amounts financed by:		
Deferred contributions	(136,041,209)	(92,400,413)
Long-term debt	(3,538,915)	(4,242,738)
	<u>\$ 1,150,656</u>	<u>\$ 636,050</u>

(b) Changes in net assets invested in capital assets is calculated as follows:

	2007	2006
Net deficit from operations:		
Amortization of deferred contributions related to capital assets	\$ 7,615,626	\$ 5,124,171
Amortization of capital assets	(7,713,102)	(5,186,353)
	<u>\$ (97,476)</u>	<u>\$ (62,182)</u>
Net change in investment in capital assets:		
Capital assets acquired, net	\$ 51,164,681	\$ 38,487,899
Amounts funded by:		
Deferred contributions	(51,256,422)	(38,669,755)
Repayment of long-term debt	703,823	664,644
	<u>\$ 612,082</u>	<u>\$ 482,788</u>

## REGIONAL HEALTH AUTHORITY 3

Notes to Financial Statements

Year ended March 31, 2007

### 12. Reconciliation of deficit from operations for the year:

	2007	2006
Deficit from operations for the year before the undernoted	\$ (5,812,384)	\$ (5,137,054)
Amortization of capital assets	7,713,102	5,186,353
Amortization of deferred contributions related to capital assets	(7,615,626)	(5,124,171)
Allocation of a portion of paid parking revenue to capital asset acquisitions	(568,539)	(313,709)
<b>Deficit from operations for the year excluding the foregoing</b>	<b>\$ (6,283,447)</b>	<b>\$ (5,388,581)</b>

### 13. Working capital grants and adjustments related to prior year:

The Province of New Brunswick has provided a working capital grant of \$5,139,263 to the Authority. The amount is equivalent to the calculated working capital deficiency as at March 31, 2006. Also, the Province of New Brunswick has agreed to fund the 2006/2007 working capital deficiency which is estimated to be \$5,243,017 and is included in the statement of operations.

In addition, the Province reduced funding related to the finalization of the year-end settlement from the prior year by \$341,332 and the Department of Veterans Affairs receivable increased by \$181,195 as a result of the expected year end settlement. These adjustments have been recorded in the 2007 statement of operations.

### 14. Employee future benefits:

Regular employees of Regional Health Authority 3 are covered by the Public Service Pension Plans of the Province of New Brunswick. The Pension Plans are a defined benefit multi-employer plan under which contributions are made by both Regional Health Authority 3 and the employees. For the fiscal year ended March 31, 2007, the Authority expensed contributions of \$4,805,027 (2006 - \$3,864,004) under the terms of the Plan. Regional Health Authority 3 has no direct liability or entitlement to any unfunded liability or surplus in the Plan related to its current or former employees.

### 15. Related party transactions:

During the year, the Authority received \$858,645 (2006 - \$1,142,581) in donations from the hospital foundations, which were incorporated in various communities for the purpose of raising, investing and distributing funds to the Authority for the enhancement of its services and facilities.



## REGIONAL HEALTH AUTHORITY 3

Notes to Financial Statements

Year ended March 31, 2007

---

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

The fair values of the Authority's cash, accounts receivable, outstanding cheques in excess of funds on deposit, accounts payable and accrued liabilities, short-term borrowing and estimated year-end adjustment receivable and payable approximate their carrying amounts due to the relatively short periods to maturity of these items.

The fair value of investments, long-term debt and contributions receivable approximates their carrying amounts.

**17. Comparative figures:**

Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2007.



**REGIONAL HEALTH AUTHORITY FOUR**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

# Raymond Chabot Grant Thornton

**Comptables agréés**  
Raymond Chabot Grant Thornton, S.E.N.C.R.L.  
Membre de Grant Thornton International

**Chartered Accountants**  
Raymond Chabot Grant Thornton, L.L.P.  
Member of Grant Thornton International

## AUDITORS' REPORT

To the President and Members of the Board of Directors  
Regional Health Authority Four

To the Department of Health  
Province of New Brunswick

We have audited the statement of financial position of Regional Health Authority Four as at March 31, 2007 and the statement of operations, the statement of changes in net liabilities and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Regional Health Authority Four 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 Regional Health Authority Four as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Raymond Chabot Grant Thornton LLP*

Chartered Accountants

Edmundston,  
May 25, 2007

## REGIONAL HEALTH AUTHORITY FOUR OPERATIONS

<i>Year ended March 31,</i>	<i>2007</i>	<i>2006</i>
	\$	\$
<b>Revenues</b>		
Department of Health	95,381,199	82,876,507
Federal Government	28,562	39,953
Patient recoveries	4,261,715	4,637,098
Recoveries and sales	824,287	418,367
Board generated	1,153,348	1,106,741
Patient recoveries adjustments	(261,029)	(293,847)
Loss on disposal of deferred contributions for capital assets	-	(143)
Amortization of deferred contributions related to capital assets	4,712,963	4,324,220
	<b>106,101,045</b>	<b>93,108,896</b>
<b>Expenses</b>		
Nursing inpatient services	29,133,090	26,592,456
Non-inpatient services	11,142,387	9,769,782
Diagnostic and therapeutic services	14,068,076	12,584,776
Community services	11,923,523	7,197,544
Medicare	8,779,506	8,267,426
Education	979,123	810,247
Support services	20,069,240	18,781,966
Administrative services	3,476,215	3,251,989
Other	586,183	245,737
Board sponsored	1,514,882	1,661,601
Amortization of capital assets	4,811,168	4,422,943
	<b>106,483,393</b>	<b>93,586,467</b>
Deficiency of revenues over expenses before adjustment	(382,348)	(477,571)
Adjustment of prior year-end settlements	-	(139,868)
<b>Deficiency of revenues over expenses</b>	<b>(382,348)</b>	<b>(617,439)</b>

*The accompanying notes are an integral part of the financial statements.*

**REGIONAL HEALTH AUTHORITY FOUR**  
**CHANGES IN NET LIABILITIES**

<i>Year ended March 31,</i>	<i>Invested in Capital assets</i>		<i>Unrestricted</i>		<i>Total</i>	<i>Total</i>
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, beginning of year	<b>333,366</b>	259,019	<b>(4,243,838)</b>	(3,552,051)	<b>(3,910,471)</b>	(3,293,032)
Deficiency of revenues over expenses			<b>(392,893)</b>	(691,786)	<b>(392,893)</b>	(691,786)
Net change in investment in capital assets <i>(Note 13)</i>	<b>10,545</b>	74,347			<b>10,545</b>	74,347
<b>Balance, end of year</b>	<b>343,911</b>	333,366	<b>(4,636,731)</b>	(4,243,837)	<b>(4,292,820)</b>	(3,910,471)

*The accompanying notes are an integral part of the financial statements.*

## REGIONAL HEALTH AUTHORITY FOUR

### CASH FLOWS

<i>Year ended March 31.</i>	<i>2007</i>	<i>2006</i>
	\$	\$
<b>OPERATIONS</b>		
Deficiency of revenues over expenses	(382,348)	(617,439)
Non-cash items		
Depreciation of capital assets	4,811,168	4,422,943
Depreciation of deferred contributions for capital assets	(4,712,963)	(4,324,220)
Loss on disposal of deferred contributions for capital assets	-	143
Change in working capital items ( <i>Note 4</i> )	(1,440,984)	374,590
	<b>(1,725,127)</b>	<b>(143,983)</b>
<b>FINANCING AND INVESTING</b>		
Investment	(513)	(495)
Deferred contributions related to capital assets	1,245,520	3,762,984
Capital assets	(1,354,270)	(3,936,197)
Increase in loans from the Province	1,500,000	1,000,000
Payment on advance to the Province	-	(54,838)
Repayment on long term debt	(40,714)	(43,581)
	<b>1,350,023</b>	<b>727,873</b>
Net increase (decrease) in cash and cash equivalents	(375,104)	583,890
Cash, beginning of year	1,492,228	908,338
Cash, end of year	1,117,124	1,492,228

*The accompanying notes are an integral part of the financial statements.*

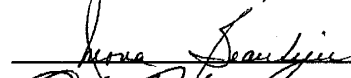
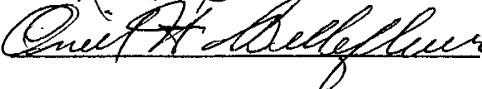
## REGIONAL HEALTH AUTHORITY FOUR

### FINANCIAL POSITION

<i>As at March 31,</i>	<i>2007</i>	<i>2006</i>
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash	1,117,124	1,492,228
Investment, at cost	13,662	13,149
Accounts receivable (Note 5)	5,422,515	6,837,323
Estimated year-end adjustment receivable from the province (Note 6)	4,526,849	1,960,714
Inventory (Note 7)	1,793,816	1,551,560
Prepaid expenses	491,662	432,530
	<b>13,365,628</b>	<b>12,287,504</b>
Capital assets (Note 8)	70,615,886	74,072,784
	<b>83,981,514</b>	<b>86,360,288</b>
<b>LIABILITIES</b>		
Current liabilities		
Loans from the Province of New Brunswick (Note 9)	4,000,000	2,500,000
Accounts payable and accrued liabilities (Note 10)	14,002,359	13,990,627
Instalments on long-term debt	-	40,714
	<b>18,002,359</b>	<b>16,531,341</b>
<b>DEFERRED CONTRIBUTIONS</b>		
Related to capital assets (Note 12)	70,271,975	73,739,418
<b>NET LIABILITIES</b>		
Invested in capital assets (Note 13)	343,911	333,366
Unrestricted	(4,636,731)	(4,243,837)
	<b>(4,292,820)</b>	<b>(3,910,471)</b>
	<b>83,981,514</b>	<b>86,360,288</b>

*The accompanying notes are an integral part of the financial statements.*

On behalf of the Board,

 , Director  
 Director



## REGIONAL HEALTH AUTHORITY FOUR

### Notes to Financial Statements MARCH 31, 2007

#### **Note 1 - PURPOSE OF THE CORPORATION**

The Regional Health Authority Four was incorporated under the Regional Health Authorities Act on April 1, 2002. Its primary activity is to provide health care services to the number four region of New Brunswick.

The Regional Health Authority Four includes the following health-care facilities :

Edmundston Regional Hospital  
Grand Falls General Hospital  
Hôtel-Dieu Saint-Joseph of Saint-Quentin  
Sainte-Anne of Madawaska Medical Center  
Addiction Services

#### **Note 2 - SIGNIFICANT ACCOUNTING POLICIES**

##### *Accounting estimates*

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the organization may undertake in the future. Actual results may differ from these estimates.

##### *Revenue recognition*

The Regional Health Authority Four follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and 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. Endowment contributions are reported as direct increases in net assets.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding to the amortization rate for the related capital assets.

Restricted interest income is recognized as revenue in the year the related expenses are incurred and unrestricted interest income as earned. Interest income is calculated based on the number of days the investment was held during the year.

## REGIONAL HEALTH AUTHORITY FOUR

### Notes to Financial Statements MARCH 31, 2007

#### Note 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Cash and cash equivalents*

The Regional Health Authority Four's policy is to present cash and investments having a term of three months or less with cash and cash equivalents.

##### *Inventory valuation*

Inventory is valued at the lower of cost and replacement cost. The cost is determined by the average cost method.

##### *Vacation pay*

Vacation pay is accrued to year-end. Related funding from the Department of Health is recorded when received.

##### *Amortization*

Capital assets are amortized on a straight-line basis using the following annual periods and rates:  
Rates and periods

Land improvements		5 %
Buildings and Sainte-Anne of Madawaska Medical Center		2.50 %
Equipment	from 2 years to 20 years	

#### Note 3 - INFORMATION INCLUDED IN THE STATEMENT OF OPERATIONS

	2007	2006
	\$	\$
Interest on loans from the Province	39,203	32,036
Investment income	72,865	38,214

## REGIONAL HEALTH AUTHORITY FOUR

### Notes to Financial Statements MARCH 31, 2007

#### Note 4 - INFORMATION INCLUDED IN CASH FLOWS

The changes in working capital items are detailed as follows:

	2007	2006
	\$	\$
Accounts receivable	1,414,808	(1,318,897)
Estimated year-end adjustment receivable from the province	(2,566,135)	(272,507)
Inventory	(242,256)	(106,512)
Prepaid expenses	(59,133)	(64,544)
Accounts payable and accrued liabilities	11,732	2,137,050
	(1,440,984)	374,590

Cash flows relating to interest on operating activities are detailed as follows :

	2007	2006
	\$	\$
Interest paid	39,203	32,036

#### Note 5 - ACCOUNTS RECEIVABLE

	2007	2006
	\$	\$
Province of New Brunswick:		
Medicare	1,110,976	827,632
Equipment grants	827,051	2,759,876
Provincial plan	1,059,121	1,197,910
	2,997,148	4,785,418
In-patients	978,358	715,821
Out-patients	559,421	468,687
Other	917,183	891,777
	5,452,110	6,861,703
Allowance for doubtful accounts	(29,595)	(24,380)
	5,422,515	6,837,323

## REGIONAL HEALTH AUTHORITY FOUR

### Notes to Financial Statements MARCH 31, 2007

#### Note 6 - ESTIMATED YEAR-END ADJUSTMENT RECEIVABLE FROM THE PROVINCE

	<i>Actual</i>	<i>Budget</i>	<i>Balance receivable (Payable)</i>
	\$	\$	\$
<hr/>			
Transferable programs:			
Total transferable expenses	77,088,513	76,529,507	
Other recoveries and sales	824,287	761,641	
	<hr/>	<hr/>	
	76,264,226	75,767,866	496,360
Net patient income	4,029,248	3,946,069	(83,179)
	<hr/>		
Total transferable programs			413,181
Non-transferable programs	11,122,810	11,567,920	(445,110)
	<hr/>		
			(31,929)
Deficit absorbed by the Regional Health Authority Four (transferable and non-transferable)			(410,780)
	<hr/>		
			(442,709)
Working capital shortage subsidized by the Department			4,888,304
Deficit recorded by medical education program			39,090
Deficit recorded by the mental health program			42,164
	<hr/>		
Total year-end adjustment receivable			<b>4,526,849</b>

The estimated year-end settlement receivable includes a net revenue surplus from hospitalisation in the amount of \$83,179, the surpluses from non-transferable programs for \$359,530 and an estimated subsidy for the working capital shortage of \$4,888,304.

The estimated year-end settlement calculated in this note for the year ended March 31, 2007 is subject to the approval of the Department of Health and Wellness of the Province of New Brunswick.

## REGIONAL HEALTH AUTHORITY FOUR

### Notes to Financial Statements MARCH 31, 2007

#### Note 7 - INVENTORY

	2007 \$	2006 \$
Drugs	827,378	679,979
Food	42,239	38,451
Fuel	42,883	39,152
Medical and surgical supplies	510,560	438,913
General supplies	252,489	245,920
Laboratory supplies	118,267	109,145
	<b>1,793,816</b>	<b>1,551,560</b>

#### Note 8 - CAPITAL ASSETS

2007	Cost \$	Accumula- ted depre- ciation \$	Net value \$
Land	179,543	-	179,543
Land improvements	145,134	136,236	8,898
Buildings	103,973,172	40,823,947	63,149,225
Equipment	31,113,045	24,005,842	7,107,203
Sainte-Anne of Madawaska Medical Center	228,027	57,010	171,017
	<b>135,638,921</b>	<b>65,023,035</b>	<b>70,615,886</b>

2006	Cost \$	Accumula- ted depre- ciation \$	Net value \$
Land	179,543	-	179,543
Land improvements	145,134	132,874	12,260
Buildings	103,799,938	38,226,284	65,573,654
Equipment	30,653,587	22,522,977	8,130,609
Sainte-Anne of Madawaska Medical Center	228,027	51,309	176,718
	<b>135,006,229</b>	<b>60,933,444</b>	<b>74,072,784</b>

## REGIONAL HEALTH AUTHORITY FOUR

### Notes to Financial Statements MARCH 31, 2007

#### Note 9 - LOANS FROM THE PROVINCE OF NEW BRUNSWICK

The loans payable to the Province of New-Brunswick for an authorized amount of \$4,000,000 bear interest at rates varying between 4.20 % and 4.21 % (3.64 % in 2006) and mature from April to June 2007.

#### Note 10 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007 \$	2006 \$
Accounts payable	3,362,358	2,292,226
Salaries and benefits payables	4,967,074	4,269,175
Accrued vacation pay	4,636,740	4,203,124
Equipment	-	2,393,210
Other	1,035,987	832,892
	14,002,159	13,990,627

#### Note 11 - PROVINCIAL PLAN

The budgeted figures presented in these financial statements include all budget amendments up to and including modification 07-53.

#### Note 12 - DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The depreciation of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the period are as follows:

	2007 \$	2006 \$
Balance, beginning of year	73,739,418	74,300,654
Plus:		
Additional contributions received	1,245,520	3,762,984
	74,984,938	78,063,638
Less:		
Amounts depreciated to revenue	4,712,963	4,324,220
Balance, end of year	70,271,975	73,739,418

## REGIONAL HEALTH AUTHORITY FOUR

### Notes to Financial Statements MARCH 31, 2007

#### Note 13 - INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	2007	2006
	\$	\$
Capital assets	70,615,886	74,072,784
Less amounts funded by:		
Deferred contributions	70,271,975	73,739,418
	343,911	333,366

Change in net assets invested in capital assets is calculated as follows:

	2007	2006
	\$	\$
Deficit	(382,348)	(617,439)
Net change in investment in capital assets	(10,545)	(74,347)
	(392,893)	(691,786)

Net change in investment in capital assets:

	2007	2006
	\$	\$
Purchase of capital assets	1,354,270	3,936,197
Add :		
Depreciation of deferred contributions	4,712,963	4,324,220
	6,067,233	8,260,417
Less :		
Deferred contributions	1,245,520	3,762,984
Disposal of capital assets of the year	-	143
Depreciation of capital assets	4,811,168	4,422,943
	6,056,688	8,186,070
	10,545	74,347

## REGIONAL HEALTH AUTHORITY FOUR

### Notes to Financial Statements MARCH 31, 2007

#### Note 14 - COMMITMENTS

The Regional Health Authority Four has lease commitments for equipment rental and purchase contracts for goods and services expiring at various dates. The balance of the commitments under such leases is \$ 3,173,229. Minimum payments payable over the next five years are as follows:

	\$
2008	1,162,292
2009	721,715
2010	533,386
2011	419,190
2012	336,646

#### Note 15 - DONATIONS FROM THE FOUNDATIONS

During the year the Regional Health Authority Four received donations from these foundations:

	2007 \$	2006 \$
La Fondation de l'Hôpital régional d'Edmundston inc.	78,883	170,120
La Fondation des Amis de l'Hôpital Général de Grand-Sault inc.	11,895	54,468
La Fondation Dr Romaric Boulay inc. (Hôtel-Dieu St-Joseph de St-Quentin)	501	7,954
Les Dames Auxiliaires de l'Hôpital Régionale d'Edmundston	22,126	5,500

#### Note 16 - FINANCIAL INSTRUMENTS

##### *Fair value of financial instruments*

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments.

##### - Short-term financial instruments

The fair value of the short-term financial assets and liabilities approximates their carrying amount given that they will mature shortly.

##### *Credit risk*

The financial instruments that potentially expose the Regional Health Authority Four to credit risk are primarily accounts receivable. Credit risk relating to accounts receivable is generally diversified since the Regional Health Authority Four negotiates with a large number of clients.

#### Note 17 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation used in the current year.



## REGIONAL HEALTH AUTHORITY FOUR

### SUPPLEMENTARY INFORMATION

<i>Year ended March 31,</i>	<i>2007</i>	<i>2006</i>
	\$	\$
<b>REVENUES</b>		
Department of Health :		
Hospital Services	78,528,606	71,013,054
Medicare	8,004,691	7,348,233
Mental Health	1,586,004	1,486,598
Medical Education	430,712	227,697
Ambulance	1,282,738	1,097,326
Public Health	1,781,274	551,706
Community Mental Health	3,767,174	1,151,893
	<b>95,381,199</b>	<b>82,876,507</b>
<hr/>		
Federal Government	28,562	39,953
<hr/>		
Patient recoveries:		
Workplace Health, Safety and Compensation Commission	725,512	888,836
Non residents of the province	2,455,350	2,714,188
Non residents of Canada	232,968	133,950
Differential income (100 %)	360,940	490,825
Non insured New Brunswick residents	413,705	369,068
Non resident surcharges	73,240	40,231
	<b>4,261,715</b>	<b>4,637,098</b>
<hr/>		
Recoveries and sales:		
Laboratory	66,874	53,540
Laundry	17,716	35,964
Other	739,697	328,863
	<b>824,287</b>	<b>418,367</b>
<hr/>		
Board Generated:		
Retained portion of differential	82,825	115,870
Employment projects	56,959	57,928
Cafeteria	598,138	543,887
Investment income	72,865	38,214
Other revenue	50,061	45,842
Physician fees	292,500	305,000
	<b>1,153,348</b>	<b>1,106,741</b>
<hr/>		
	<b>101,649,111</b>	<b>89,078,666</b>
<hr/>		

**REGIONAL HEALTH AUTHORITY FOUR**  
**SUPPLEMENTARY INFORMATION**

<i>Year ended March 31,</i>	<i>2007</i>	<i>2006</i>
	\$	\$
<b>REVENUES (CONTINUED)</b>		
Amount carried forward	<b>101,649,111</b>	89,078,666
Patient recoveries adjustments:		
Courtesy rebate	(16,055)	(21,000)
Bad debt - others	(162,149)	(156,977)
Retained portion of differential	(82,825)	(115,870)
	<b>(261,029)</b>	(293,847)
Loss on disposal of deferred contributions related to capital assets	-	(143)
Amortization of deferred contributions related to capital assets	<b>4,712,963</b>	4,324,220
<b>Total revenue</b>	<b>106,101,045</b>	93,108,896

## REGIONAL HEALTH AUTHORITY FOUR

### SUPPLEMENTARY INFORMATION

<i>Year ended March 31.</i>	<i>Salaries and benefits</i>	<i>Medical and surgical supplies</i>	<i>Drugs</i>	<i>Other</i>	<i>Total 2007</i>	<i>Total 2006</i>
	\$	\$	\$	\$	\$	\$
<b>EXPENSES</b>						
Nursing inpatient services:						
Administration	2,051,278	23,809	141	116,097	2,191,325	1,967,151
Medical and surgical units	10,173,954	455,399	843,927	365,000	11,838,280	10,726,608
Intensive care	1,937,799	145,062	343,789	83,420	2,510,070	2,347,785
Obstetrics	2,158,129	122,862	108,945	111,471	2,501,407	2,257,118
Operating suite	1,930,940	2,410,459	253,164	470,401	5,064,964	4,659,658
Pediatrics	1,667,280	60,742	141,600	64,051	1,933,673	1,778,169
Other	2,823,099	8,340	58,453	203,479	3,093,371	2,855,967
	<b>22,742,479</b>	<b>3,226,673</b>	<b>1,750,019</b>	<b>1,413,919</b>	<b>29,133,090</b>	<b>26,592,456</b>
Non-inpatient services:						
Emergency	3,460,861	245,876	338,396	106,891	4,152,024	3,744,087
Day/Night care	979,200	210,677	404,061	56,816	1,650,754	1,549,273
Clinics	2,866,355	359,076	1,757,594	356,584	5,339,609	4,476,422
	<b>7,306,416</b>	<b>815,629</b>	<b>2,500,051</b>	<b>520,291</b>	<b>11,142,387</b>	<b>9,769,782</b>
Diagnostic and therapeutic services:						
Clinical laboratory	2,790,167	91,133	5,121	1,480,946	4,367,367	3,872,715
Diagnostic imaging	2,441,881	121,839	147,085	1,016,123	3,726,928	3,469,968
Respiratory therapy	1,023,123	66,653	106,221	56,509	1,252,506	1,057,307
Pharmacy	1,324,210	30,042	62,679	154,126	1,571,057	1,450,251
Rehabilitation services	1,700,629	4,715	255	132,206	1,837,805	1,636,260
Other	1,181,261	7,753	1,241	122,158	1,312,413	1,098,275
	<b>10,461,271</b>	<b>322,135</b>	<b>322,602</b>	<b>2,962,068</b>	<b>14,068,076</b>	<b>12,584,776</b>
Community services:						
Extramural programs	4,901,094	216,187	320,853	776,070	6,214,204	5,417,057
Disease and injury prevention and control	83,759	1,532	-	47,515	132,806	102,101
Public health	1,710,720	2,272	842	98,781	1,812,615	539,767
Community mental health	3,027,386	792	2,668	733,052	3,763,898	1,138,619
	<b>9,722,959</b>	<b>220,783</b>	<b>324,363</b>	<b>1,655,418</b>	<b>11,923,523</b>	<b>7,197,544</b>
	<b>50,233,125</b>	<b>4,585,220</b>	<b>4,897,035</b>	<b>6,551,696</b>	<b>66,267,076</b>	<b>56,144,558</b>

**REGIONAL HEALTH AUTHORITY FOUR**  
**SUPPLEMENTARY INFORMATION**

<i>Year ended March 31,</i>	<i>Salaries and benefits</i>	<i>Medical and surgical supplies</i>	<i>Drugs</i>	<i>Other</i>	<i>Total 2007</i>	<i>Total 2006</i>
	\$	\$	\$	\$	\$	\$
<b>EXPENSES (CONTINUED)</b>						
Amount carried forward	50,233,125	4,585,220	4,897,035	6,551,696	66,267,076	56,144,558
Medicare	6,632,028	-	-	2,147,478	8,779,506	8,267,426
Education	736,896	570	17	241,640	979,123	810,247
Support services:						
Financial services	739,419	-	-	82,048	821,467	796,366
Human resources	459,307	1,821	5,119	44,207	510,454	524,351
Health services						
Information	809,628	-	-	1,404,143	2,213,771	1,804,465
Communications	96,440	5	-	78,084	174,529	195,002
Materials management	1,083,711	101,136	2,320	352,853	1,540,020	1,436,601
Housekeeping	2,152,342	51,860	-	264,032	2,468,234	2,243,817
Laundry and linen	528,814	1,605	-	218,332	748,751	778,509
Operations and maintenance	1,318,018	222	36,271	2,802,207	4,156,718	3,937,290
Food services	1,127,485	6,207	-	559,475	1,693,167	1,654,047
Other	4,990,399	25,772	10,707	715,251	5,742,129	5,411,518
	13,305,563	188,628	54,417	6,520,632	20,069,240	18,781,966
Administrative services:						
General administration	1,904,869	38	-	1,097,525	3,002,432	2,836,946
Quality and risk management	435,122	-	-	38,661	473,783	415,043
	2,339,991	38	-	1,136,186	3,476,215	3,251,989
Other	586,183	-	-	-	586,183	245,737
	73,833,786	4,774,456	4,951,469	16,597,632	100,157,343	87,501,923

**REGIONAL HEALTH AUTHORITY FOUR**  
**SUPPLEMENTARY INFORMATION**

<i>Year ended March 31,</i>	<i>Salaries and benefits</i>	<i>Medical and surgical supplies</i>	<i>Drugs</i>	<i>Other</i>	<i>Total 2007</i>	<i>Total 2006</i>
	\$	\$	\$	\$	\$	\$
<b>EXPENSES (CONTINUED)</b>						
Amount carried forward	73,833,786	4,774,456	4,951,469	16,597,632	100,157,343	87,501,923
Board sponsored:						
Administration and Support	730,930	-	-	1,296	732,226	908,586
Employment Projects	56,959	-	-	-	56,959	57,928
Cafeteria	306,660	209	-	367,421	674,290	653,422
Interest on short term loans	-	-	-	39,203	39,203	32,036
Interest and bank charges	-	-	-	12,204	12,204	9,629
	1,094,549	209	-	420,124	1,514,882	1,661,601
Amortization of capital assets	-	-	-	4,811,168	4,811,168	4,422,943
<b>Total of expenses</b>	<b>74,928,335</b>	<b>4,774,665</b>	<b>4,951,469</b>	<b>21,828,924</b>	<b>106,483,393</b>	<b>93,586,467</b>




REGIONAL HEALTH AUTHORITY 5

FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
MARCH 31, 2007



## Allen, Paquet & Arseneau LLP

Chartered Accountants • Comptables agréés 

TELEPHONE: (506) 789-0820

FAX: (506) 759-7514

www.apa-ca.com

Partners / Associés  
David L. Allen, C.A.  
Yves Arseneau, C.A.

Associates / Collègues  
Alain Pitre, C.G.A.  
Lise Boudreau  
Danny Lavallée

207, rue Roseberry Street  
C.P. / P.O. Box 519  
Campbellton, NB  
E3N 3G9

### AUDITORS' REPORT

To the Board of Directors  
Regional Health Authority 5

To the Honourable Mr. Michael Murphy  
Minister of Health  
Province of New Brunswick

We have audited the statement of financial position of Regional Health Authority 5 as at March 31, 2007 and the statements of operations, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Regional Health Authority 5 as at March 31, 2007 and the results of its operations, changes in net assets and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Campbellton, NB

June 5, 2007

*Allen, Paquet & Arseneau LLP*

Chartered Accountants

207, rue Roseberry Street  
C.P. / P.O. Box 519  
Campbellton, NB E3N 3G9

356, rue Canada Street  
St-Quentin, NB  
E8A 1H7

270, av. Douglas Ave.  
C.P. / P.O. Box 482  
Bathurst, NB E2A 3Z4

Le groupe  The AC Group

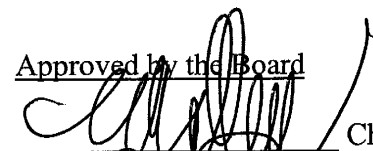
de firmes comptables indépendantes limitée

Of Independent Accounting Firms Limited

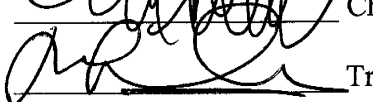


REGIONAL HEALTH AUTHORITY 5Statement of Financial Positionas at March 31, 2007

<u>Assets</u>	<u>2007</u>	<u>2006</u>
<u>Current Assets</u>		
Cash	\$ 6,539,148	\$ 4,007,587
Cash Held in Trust (RHC)	211,315	197,944
Accounts Receivable (Note 2)	6,475,647	7,314,361
Inventories (Note 3)	902,237	875,142
Prepaid Expenses	453,609	197,589
Estimated Year-End Adjustment - March 31, 2006	<u>-</u>	<u>489,025</u>
	14,581,956	13,081,648
<u>Other Receivables</u> (Note 4)	35,834	25,460
<u>Capital Assets</u> (Note 5)	<u>69,462,430</u>	<u>72,322,633</u>
<u>Total Assets</u>	<u>\$ 84,080,220</u>	<u>\$ 85,429,741</u>
<u>Liabilities, Deferred Contributions and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable and Accrued Liabilities (Note 6)	\$ 14,005,421	\$ 13,725,529
Patient Trust Funds (RHC)	211,315	197,944
Estimated Year-End Adjustment - March 31, 2007	<u>884,202</u>	<u>-</u>
	15,100,938	13,923,473
<u>Long Term Debt</u> (Note 8)	23,000	23,000
<u>Deferred Contributions for Capital Assets</u> (Note 9)	<u>69,462,430</u>	<u>72,322,633</u>
<u>Total Liabilities and Deferred Contributions for Capital Assets</u>	<u>84,586,368</u>	<u>86,269,106</u>
<u>Net Assets - Page 4</u>		
Invested in Capital Assets	( 5,680,814)	( 5,926,455)
Unrestricted	<u>5,174,666</u>	<u>5,087,090</u>
	( 506,148)	( 839,365)
	<u>\$ 84,080,220</u>	<u>\$ 85,429,741</u>


Approved by the Board


Chairperson



Treasurer

Allen, Paquet &amp; Arseneau LLP

Chartered Accountants • Comptables agréés 

REGIONAL HEALTH AUTHORITY 5Statement of OperationsFor the Year Ended March 31, 2007

	<u>2007</u>	<u>2006</u>
<u>Revenue</u>		
Department of Health	\$ 80,999,681	\$ 72,000,096
Federal - VAC	1,783,510	1,712,140
Patient Recoveries	10,333,864	8,708,650
Recoveries and Sales	682,250	684,959
Board Generated	594,812	465,235
Amortization of Deferred Contributions Related to Capital Assets	<u>4,078,642</u>	<u>3,974,562</u>
<u>Total Revenue</u>	<u>98,472,759</u>	<u>87,545,642</u>
<u>Expenses</u>		
Nursing Inpatient Services	32,560,189	30,742,182
Non Inpatient Services	4,836,654	4,159,076
Community Services	10,442,127	6,679,046
Diagnostic and Therapeutic Services	12,680,850	11,296,154
Medicare	7,074,883	6,173,339
Research and Education	891,752	759,669
Support Services	21,745,840	21,053,571
Administrative Services	4,033,150	3,180,480
Board Sponsored	456,819	1,888,052
Amortization of Capital Assets	<u>4,078,642</u>	<u>3,974,562</u>
<u>Total Expenses</u>	<u>98,800,906</u>	<u>89,906,131</u>
<u>Deficit From Operations for the Year Before the Undernoted</u>	( 328,147)	( 2,360,489)
<u>Adjustment of Prior Year Settlements</u>		
- March 31, 2006 - Department of Health	661,364	-
- March 31, 2005 - Department of Health	<u>-</u>	<u>355,400</u>
	<u>661,364</u>	<u>355,400</u>
<u>Surplus (Deficit) for the Year - to Page 4</u>	<u>\$ 333,217</u>	<u>\$ ( 2,005,089)</u>


## REGIONAL HEALTH AUTHORITY 5

## Statement of Changes in Net Assets

For the Year Ended March 31, 2007

	Invested in Capital Assets		Unrestricted		Total	
	2007	2006	2007	2006	2007	2006
<u>Balance, Beginning of Year</u>	\$( 5,926,455)	\$( 5,535,754)	\$ 5,087,090	\$ 6,430,183	\$( 839,365)	\$ 894,429
Surplus (Deficit) From Operations	209,948	( 577,414)	123,269	( 1,427,675)	333,217	( 2,005,089)
Incentive Plan Retained Surplus (Note 7)	-	-	-	271,295	-	271,295
Non-Shareable (Surplus) Deficit						
- VAC	33,867	47,602	( 33,867)	( 47,602)	-	-
- Ambulance Services	16,550	143,969	( 16,550)	( 143,969)	-	-
- Cafeteria	( 14,724)	( 4,858)	14,724	4,858	-	-
<u>Balance, End of Year - to Page 2</u>	\$( 5,680,814)	\$( 5,926,455)	\$ 5,174,666	\$ 5,087,090	\$( 506,148)	\$( 839,365)

Allen, Paquet &amp; Arseneau LLP

Chartered Accountants • Comptables agréés 

REGIONAL HEALTH AUTHORITY 5Statement of Cash FlowFor the Year Ended March 31, 2007

	<u>2007</u>	<u>2006</u>
<u>Cash Flows From Operating Activities</u>		
Cash Receipts	\$ 96,383,218	\$ 83,970,211
Cash Paid to Suppliers, Employees and Doctors	( 93,179,918)	( 85,343,242)
	<u>3,203,300</u>	<u>( 1,373,031)</u>
<u>Cash Flows From Financing and Investing Activities</u>		
Increase in Deferred Contributions Related to Capital Assets	1,218,439	5,770,837
Adjustment to Estimated Year-End Adjustment- March 31, 2005	-	( 355,400)
Adjustment to Estimated Year-End Adjustment- March 31, 2006	( 661,364)	-
Purchase of Capital Assets	( 1,218,439)	( 5,770,837)
Increase in Other Receivables	( 10,375)	( 6,039)
	<u>( 671,739)</u>	<u>( 361,439)</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	2,531,561	( 1,734,470)
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>4,007,587</u>	<u>5,742,057</u>
<u>Cash and Cash Equivalents, End of Year (Note 10)</u>	<u>\$ 6,539,148</u>	<u>\$ 4,007,587</u>

## REGIONAL HEALTH AUTHORITY 5

### Notes to the Financial Statements

For the Year Ended March 31, 2007

The Regional Health Authority 5 was created under the laws of the Province of New Brunswick on April 1, 2002. The principal activity of Regional Health Authority 5 is the provision of health care services to the Restigouche Region of New Brunswick.

The Regional Health Authority 5 includes the following health care facilities:

Campbellton Regional Hospital  
St. Joseph Community Health Centre  
Jacquet River Health Centre  
Restigouche Hospital Center Inc.

#### 1. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are summarized as follows:

##### a. Revenue Recognition

The Regional Health Authority 5 follows the deferral method of accounting for contributions which include donations and government grants.

The Regional Health Authority 5 is funded primarily by the Province of New Brunswick in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

REGIONAL HEALTH AUTHORITY 5

Notes to the Financial Statements

For the Year Ended March 31, 2007

1. Significant Accounting Policies (Cont'd)

b. Inventories

Inventories are valued using the average cost method.

c. Vacation Pay

Vacation pay is accrued to year-end. Related funding from the Department of Health of the Province of New Brunswick is recorded when received.

d. Capital Assets

Capital assets are recorded at cost. Capital assets are amortized on a straight-line basis using the following annual rates:

<u>Asset</u>	<u>Rate</u>
Land Improvements	10%
Pavement	5%
Buildings	2 - 2 1/2%
Vehicles	6 1/4%

Amortization on capital equipment and furniture is calculated according to MIS guidelines.

e. Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Regional Health Authority 5 may undertake in the future. Actual results may differ from those estimates.

REGIONAL HEALTH AUTHORITY 5Notes to the Financial StatementsFor the Year Ended March 31, 2007

2.	<u>Accounts Receivable (Payable)</u>	<u>2007</u>	<u>2006</u>
	Province of New Brunswick		
	Medicare	\$ 1,835,898	\$ 1,455,847
	Equipment Grants	949,706	2,082,269
	Provincial Plan	<u>786,634</u>	<u>801,016</u>
		3,572,238	4,339,132
	Patients	1,979,818	2,055,468
	Ambulance Service Revenue Management Center - Expenses	23,288	( 24,184)
	Other	<u>900,303</u>	<u>943,945</u>
		\$ <u>6,475,647</u>	\$ <u>7,314,361</u>
3.	<u>Inventories</u>		
	Drugs	\$ 294,655	\$ 266,270
	Fuel	55,113	67,236
	Medical and Surgical	268,337	264,200
	Laboratory	72,167	75,800
	Maintenance	173,660	163,274
	Food	<u>38,305</u>	<u>38,362</u>
		\$ <u>902,237</u>	\$ <u>875,142</u>

REGIONAL HEALTH AUTHORITY 5Notes to the Financial StatementsFor the Year Ended March 31, 2007

4. <u>Other Receivables</u>		<u>2007</u>		<u>2006</u>
Payroll Advances - Restigouche Hospital Center Inc.	\$	18,299	\$	19,420
- Less:		( 2,408)		( 1,121)
Additions: - Community Mental Health Services		7,161		10,010
- Additions:		89,125		-
- Less:		( 76,343)		( 2,849)
	\$	<u>35,834</u>	\$	<u>25,460</u>

These advances are refundable by employees before or upon termination of their employment with the Regional Health Authority 5.

5. <u>Capital Assets</u>		<u>2007</u>			<u>2006</u>	
	<u>Cost</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>		<u>Net Book</u> <u>Value</u>	
Land Improvements	\$ 4,475	\$ 4,475	\$ -		\$ -	
Pavement	37,757	37,757	-		-	
Buildings	104,121,686	41,656,099	62,465,587		64,909,338	
Service Equipment	3,025,717	2,750,089	275,628		396,981	
Furniture and Equipment	33,517,256	26,796,041	6,721,215		7,016,314	
Vehicles	61,457	61,457	-		-	
	<u>\$ 140,768,348</u>	<u>\$ 71,305,918</u>	<u>\$ 69,462,430</u>		<u>\$ 72,322,633</u>	

6. Accounts Payable and Accrued Liabilities

Advance on Non-Resident Receivables	\$	1,400,000	\$	1,400,000
Accounts Payable		4,677,645		4,760,263
Salaries and Benefits		3,355,097		3,540,621
Accrued Vacation Pay		4,186,578		3,724,431
Accrued Bank Time		386,101		300,214
	\$	<u>14,005,421</u>	\$	<u>13,725,529</u>



REGIONAL HEALTH AUTHORITY 5Notes to the Financial StatementsFor the Year Ended March 31, 20077. Estimated Year-End Adjustment - March 31, 2007

	<u>Actual</u>	<u>Budget</u>	<u>Due (to) from Province</u>
<u>Transferable Programs</u>			
Total Transferable Expenses - Excluding Accrued Vacation Pay	\$ 62,992,072	\$ 62,900,338	\$ 91,734
Other Recoveries and Sales	682,250	681,575	( 675) 91,059
Net Patient Income - Excluding Estimated Year-End Adjustment and Provincial Plan Payments	\$ 10,090,590	\$ 9,179,472	( 911,118)
<u>Total Payable for Transferable Programs</u>			( 820,059)
<u>Non-Transferable Expenses</u>			( 64,143)
<u>Estimated Year-End Adjustment Payable (to Page 2)</u>			<u>\$( 884,202)</u>

The final disposition of the estimated year-end adjustment is subject to the approval of the Department of Health of the Province of New Brunswick.

Incentive Program Retained Surplus

Under the incentive program a year end settlement review will be completed between the Regional Health Authority 5 and the Department of Health of the Province of New Brunswick. The Board of Directors' Fund may retain 100% of any year end surplus that does not exceed 1% and 50% of the portion of the surplus that exceeds 1% but does not exceed 2% of the total adjusted expenditure budget for use at their own discretion.

Any portion of the surplus in excess of 2% of the total adjusted expenditure budget is refundable to the Department of Health of the Province of New Brunswick.

REGIONAL HEALTH AUTHORITY 5Notes To The Financial StatementsFor the Year Ended March 31, 20078. Long Term Debt

In 1975, the Province of New Brunswick advanced \$23,000 to the Hôpital St. Joseph de Dalhousie in order to provide the working capital needed to cover the overpayment on the 1974 payroll computation. As this amount is being refunded to the Regional Health Authority 5 by the employees, upon termination of employment, it is to be forwarded to the Province to cover the advance.

9. Deferred Contributions for Capital Assets

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the year are as follows:

	<u>2007</u>		<u>2006</u>
Balance, Beginning of Year	72 322 633	\$	70 526 358
<u>Add:</u> Additional Contributions Received	1 218 439		2 660 096
Regional Addiction Facility	-		3 110 741
<u>Less:</u> Amounts Amortized to Revenue	( 4 078 642)		( 3 974 562)
Balance, End of Year	<u>69 462 430</u>	\$	<u>72 322 633</u>

10. Cash and Cash Equivalents, End of Year

Cash and Cash Equivalents consist of bank balances, with the National Bank, totalling \$2,530,250 and short term investments of \$4,008,898.

REGIONAL HEALTH AUTHORITY 5

Notes to the Financial Statements

For the Year Ended March 31, 2007

11. Related Entities

The Restigouche Health Authority Foundation, a registered charitable foundation was incorporated in 1995. Its purpose is to raise funds for and distribute funds to the Regional Health Authority 5 to be used in the enhancement of its services and facilities. Net assets of the Foundation at March 31, 2007 were \$547,156 (2006 - \$227,212).

During the fiscal year ended March 31, 2007 the Regional Health Authority 5 received \$300,903 (2006 - \$47,914) in donations from the Foundation.

The Campbellton Auxiliary - Health Care, a registered charity, and the St. Joseph's Hospital Volunteer Services, a volunteer association, also raise and distribute funds to the Regional Health Authority 5 to be used in the enhancement of its services and facilities.

During the year the Regional Health Authority 5 received \$20,419 (2006 - \$26,878) from the Campbellton Auxiliary - Health Care and \$14,334 (2006 - \$12,500) from the St. Joseph's Hospital Volunteer Services in donations.

12. Commitments

Photocopier Leases

The Regional Health Authority 5 has a commitment for photocopier leases for the upcoming year in the amount of \$55,690.

Vehicle Leases

The Regional Health Authority 5 has a commitment for vehicle leases for the upcoming year in the amount of \$76,080. Also, the Regional Health Authority 5 has a commitment for ambulance leases for the upcoming years in the amount of \$129,195.

REGIONAL HEALTH AUTHORITY 5

Notes to the Financial Statements

For the Year Ended March 31, 2007

13. Community Mental Health Services and Public Health Services

The Community Mental Health Services and Public Health Services were incorporated into Regional Health Authority 5 operations as of November 28, 2005.

14. Comparative Figures

Certain comparative figures as at March 31, 2006 have been restated to conform with the presentation adopted for the current year.

15. Financial Instruments

Fair Values

The carrying amount of current assets and current liabilities approximates their fair values due to the short term maturities of these items.

**Regional Health Authority 6**  
**Financial Statements**  
March 31, 2007

Grant Thornton 

Grant Thornton LLP  
Chartered Accountants  
Comptables agréés  
Management Consultants  
Conseillers en gestion

Grant Thornton 

## Auditors' Report

To the Board of Trustees, Regional Health Authority 6  
The Honourable Minister of Health, Province of New Brunswick

We have audited the balance sheet of **Regional Health Authority 6** as at **March 31, 2007** and the statements of earnings, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Regional Health Authority 6 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 Regional Health Authority 6 as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Bathurst, New Brunswick  
June 12, 2007

*Grant Thornton LLP*  
Chartered Accountants

P. O. Box/C. P. 220  
275, rue Main Street  
Harbourview Place, Suite 500  
Bathurst, N.B. E2A 3Z2  
Tel: (506) 546-6616  
Fax: (506) 548-5622  
Caraquet: (506) 727-3334

Canadian Member Firm of / Membre canadien de Grant Thornton International

## Regional Health Authority 6 Statement of Earnings

Year Ended March 31	2007	2006
<b>Revenues</b>		
Department of Health	\$ 139,347,783	\$ 122,949,223
Patient recoveries	2,719,127	2,530,406
Other recoveries and sales	826,424	1,025,266
Recoveries - Board or Trustees' programs	1,418,299	1,110,555
Amortization of deferred contributions	5,529,333	5,558,071
	<u>149,840,966</u>	<u>133,173,521</u>
<b>Expenses</b>		
Nursing	40,143,815	37,948,495
Services for non-hospitalized patients	17,019,980	12,884,777
Diagnostic and therapeutic services	26,097,660	23,748,814
Community Services	19,982,043	13,944,739
Medicare	13,965,148	12,485,741
Education and research	1,406,641	1,005,202
Support services	33,924,025	31,294,197
Administrative services	4,891,913	4,953,494
Board of Trustees' programs	1,925,877	1,384,633
Amortization of capital assets (Note 5)	1,877,417	1,899,260
	<u>161,234,519</u>	<u>141,549,352</u>
Deficiency of revenues over expenses before the under-noted items	(11,393,553)	(8,375,831)
Adjustment to prior year's estimated settlement		
Department of Health	(8,000)	123,979
Mental Health	28,810	72,418
Working capital grant from Province of New Brunswick		
Prior year	(41,234)	(152,710)
Current year (Note 18)	<u>10,480,595</u>	<u>7,945,864</u>
<b>Deficiency of revenues over expenses</b>	<b>\$ (933,383)</b>	<b>\$ (386,280)</b>

**Regional Health Authority 6****Balance Sheet**

March 31

2007

2006

**Assets****Current**

Cash	\$ 338,231	\$ 1,824,471
Accounts receivable (Note 3)	21,480,486	21,444,883
Inventory (Note 4)	1,959,685	1,799,466
Prepays	627,857	548,797
	<u>24,406,259</u>	<u>25,617,617</u>

Capital assets (Note 5)

59,581,71261,893,880\$ 83,987,971\$ 87,511,497**Liabilities****Current**

Estimated year-end adjustment payable (Note 6)	\$ 654,928	\$ 592,801
Payables and accruals (Note 7)	16,365,452	17,285,607
Note payable - Department of Finance (Note 20)	13,574,449	13,050,471
Current portion of obligations under capital leases (Note 8)	84,268	80,919
	<u>30,679,097</u>	<u>31,009,798</u>

Obligations under capital leases (Note 8)

134,71930,656

Deferred contributions

For capital assets (Note 9)

59,401,46761,764,972**Net assets**

Investment in capital assets (Note 10)	16,545	158,739
Deficit	(6,243,857)	(5,452,668)
	<u>(6,227,312)</u>	<u>(5,293,929)</u>

\$ 83,987,971\$ 87,511,497

Commitments (Note 15)

Contingencies (Note 17)

On behalf of the Board

Director

*Jeanne d'Arc LeBreton*

Director

*Gabriel Godin*



**Regional Health Authority 6**  
**Statement of Changes in Net Assets**  
 Year Ended March 31, 2007

	Investment in Capital Assets		Deficit		Total	
	2007	2006	2007	2006	2007	2006
Balance, beginning of year	\$ 158,739	\$ 256,165	\$ (5,452,668)	\$ (5,163,814)	\$ (5,293,929)	\$ (4,907,649)
Deficiency of revenues over expenses (Note 10)	(108,939)	(130,783)	(824,444)	(255,497)	(933,383)	(386,280)
Net change in investment in capital assets (Note 10)	<u>(33,255)</u>	<u>33,357</u>	<u>33,255</u>	<u>(33,357)</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>16,545</u>	\$ <u>158,739</u>	\$ <u>(6,243,857)</u>	\$ <u>(5,452,668)</u>	\$ <u>(6,227,312)</u>	\$ <u>(5,293,929)</u>

## Regional Health Authority 6 Statement of Cash Flows

Year Ended March 31

2007

2006

Cash and cash equivalents (applied to) derived from

**Operating activities**

Deficiency of revenues over expenses	\$ (933,383)	\$ (386,280)
Non cash items:		
Amortization of capital assets	5,638,272	5,688,854
Amortization of deferred contributions	(5,529,333)	(5,558,071)
Change in non-cash operating working capital		
Accounts receivable	(35,604)	(6,216,256)
Inventory	(160,219)	185,706
Prepays	(79,060)	(165,973)
Estimated year-end adjustment payable	62,127	41,219
Payables and accruals	(920,156)	2,797,776
	<u>(1,957,356)</u>	<u>(3,613,025)</u>

**Financing and investing activities**

Note payable - Department of Finance	523,978	8,030,873
Capital grants	3,165,828	9,466,188
Purchase of capital assets		
Buildings	(795,932)	(3,091,956)
Equipment	(2,287,265)	(6,263,634)
Repayment of obligations under capital leases	(135,493)	(103,270)
	<u>471,116</u>	<u>8,038,201</u>

(Decrease) increase in cash and cash equivalents (1,486,240) 4,425,176

Cash and cash equivalents

Beginning of year	<u>1,824,471</u>	<u>(2,600,864)</u>
End of year	\$ <u>338,231</u>	\$ <u>1,824,471</u>

Supplemental cash flow information

Interest paid	\$ <u>279,419</u>	\$ <u>158,555</u>
---------------	-------------------	-------------------

---

**Regional Health Authority 6**  
**Notes to the Financial Statements**  
March 31, 2007

---

**1. Nature of operations**

Effective April 1, 2002, pursuant to Article 73(11) of the Regional Health Authority Act, the Regional Health Authority 6 (the "Authority") was incorporated. The Authority is a registered charity. Its primary activity is to provide health care services to Northeastern New Brunswickers.

At its October 30, 2002 meeting, the Board of Trustees of the Authority approved the following commercial name:

ACADIE-BATHURST Health Authority / Régie de la santé ACADIE-BATHURST

The Authority is composed of the following facilities:

Chaleur Regional Hospital  
Tracadie-Sheila Hospital  
Enfant-Jésus RHSJ† Community Health Centre (CHC)  
Lamèque Hospital and CHC

Chaleur Health Centre - Pointe-Verte  
Paquetville Health Centre  
Miscou Health Centre

---

**2. Significant Accounting Policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are summarized as follows:

**(a) Revenue Recognition**

The Authority follows the deferral method of accounting for contributions, which include donations and government grants.

The Authority is funded primarily by the Province of New Brunswick in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as a revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as a revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions subject to external restrictions other than endowment funds are recognized as a revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized to revenue on a straight-line basis, at a rate corresponding to the amortization rate for the related capital assets.

---

**Regional Health Authority 6**  
**Notes to the Financial Statements**  
 March 31, 2007

---

**2. Significant Accounting Policies (continued)**

Restricted investment income is recognized as a revenue in the year in which the related expenses are recognized.  
 Unrestricted investment income is recognized as a revenue when earned.

**(b) Inventory**

Inventory is recorded at the lower of cost and replacement cost. The cost of inventory is determined using the average cost method. The inventory is for internal use only.

**(c) Investments**

Investments are recorded at the lower of cost and market value.

**(d) Capital Assets**

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis at the following annual rates:

Land improvements	5.00%
Buildings	2.50% to 5.00%
Equipment	5.00% to 33.33%
Motor vehicles	20.00%

**(e) Cash and cash equivalents**

For the purpose of the statement of cash flows, the Authority considers cash on hand and balances with banks, net of overdrafts as cash or cash equivalents. Bank indebtedness and long-term bank borrowings are considered to be financing activities.

**(f) Use of Estimates**

In preparing the financial statements of the Authority, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates.

**(g) Foreign currency translation**

The Authority follows the temporal method to translate foreign currency transactions. Under this method, monetary assets and liabilities denominated in a foreign currency are translated into Canadian funds at the exchange rate in effect at the balance sheet date. Revenue and expense transactions are translated at the exchange rate in effect at the transaction date. The exchange gain or loss resulting from these conversions is included in the determination of net earnings of the current fiscal year.

**Regional Health Authority 6**  
**Notes to the Financial Statements**  
 March 31, 2007

<b>3. Accounts Receivable</b>	<u>2007</u>	<u>2006</u>
Government of New Brunswick		
Medicare	\$ 2,347,299	\$ 1,119,175
Equipment grants	1,031,757	4,945,253
Provincial plan	2,644,712	2,760,007
Working capital for shortfall	<u>10,480,595</u>	<u>7,945,861</u>
	<u>16,504,363</u>	16,770,296
Hospitalized patients	1,338,575	1,130,022
Miscellaneous	<u>3,637,548</u>	<u>3,544,565</u>
	<u>\$ 21,480,486</u>	<u>\$ 21,444,883</u>

<b>4. Inventory</b>	<u>2007</u>	<u>2006</u>
Drugs	\$ 902,734	\$ 815,838
Steam and heat	40,948	38,499
Other	<u>1,016,003</u>	<u>945,129</u>
	<u>\$ 1,959,685</u>	<u>\$ 1,799,466</u>

<b>5. Capital Assets</b>			<u>2007</u>	<u>2006</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 546,780	\$ -	\$ 546,780	\$ 546,780
Land improvements	1,028,988	739,003	289,985	289,986
Buildings	83,966,605	34,685,447	49,281,158	50,253,704
Equipment	68,635,554	59,385,760	9,249,794	10,663,573
Motor vehicles under capital leases	<u>485,909</u>	<u>271,927</u>	<u>213,982</u>	<u>139,824</u>
	<u>\$ 154,663,836</u>	<u>\$ 95,082,137</u>	<u>\$ 59,581,699</u>	<u>\$ 61,893,867</u>

During this current fiscal year, capital assets were acquired by means of capital leases for a total of \$242,906 (2006 - \$0).

During this current fiscal year, the fixed assets amortization expense was \$5,638,272 (2006 - \$5,688,854) which includes the capital leases amortization expense of \$168,747 (2006 - \$69,914). The amortization expense is allocated to the different categories of expenses presented in the statement of earnings.

Cost of buildings includes \$3,746,457 for a building under construction which has not been amortized.

**Regional Health Authority 6**  
**Notes to the Financial Statements**  
 March 31, 2007

**6. Estimated Year End Adjustment**

	<u>Actual</u>	<u>Estimate</u>	Due to the Province	
			<u>2007</u>	<u>2006</u>
Net revenue from hospitalization	\$ 114,010,067	\$ 113,756,570	\$ 253,497	\$ 256,836
Non-transferable programs			<u>401,431</u>	<u>335,965</u>
			\$ <u>654,928</u>	\$ <u>592,801</u>

The final determination of the estimated year end adjustment is subject to the approval of the Department of Health of the Province of New Brunswick.

**7. Payables and Accruals**

	<u>2007</u>	<u>2006</u>
Salaries and benefits	\$ 2,509,632	\$ 1,721,023
Accrued vacation pay	6,188,570	5,311,262
Other accrued benefits	960,424	733,214
Miscellaneous	<u>6,706,826</u>	<u>9,520,108</u>
	\$ <u>16,365,452</u>	\$ <u>17,285,607</u>

**8. Obligations Under Capital Leases**

	<u>2007</u>	<u>2006</u>
Year ended March 31:		
2007	\$ 102,360	\$ 89,293
2008	94,800	32,828
2009	<u>55,217</u>	<u>122,121</u>
Minimum lease payments	<u>252,377</u>	<u>122,121</u>
Less: interest calculated from 6.15% to 8.68%	<u>33,390</u>	<u>10,546</u>
Present value of minimum lease payments	218,987	111,575
Current portion of obligations under capital leases	<u>84,268</u>	<u>80,919</u>
	\$ <u>134,719</u>	\$ <u>30,656</u>

As security for capital leases, the Authority provided four motor vehicles with a carrying value of \$213,982.

**Regional Health Authority 6**  
**Notes to the Financial Statements**  
 March 31, 2007

**9. Deferred contributions for Capital Assets** 2007 2006

Deferred contributions relating to capital assets represent the unamortized amount of capital grants.

Balance, beginning of year	\$ 61,764,972	\$ 57,856,855
Additional contributions received	3,165,828	9,466,188
Less: amounts amortized to revenues	<u>(5,529,333)</u>	<u>(5,558,071)</u>
	<u>\$ 59,401,467</u>	<u>\$ 61,764,972</u>

The balance of unamortized capital contributions relating to capital assets consists of the following:

Unamortized contributions used to purchase capital assets	\$ 59,346,330	\$ 61,623,718
Unspent contributions	<u>55,137</u>	<u>141,254</u>
	<u>\$ 59,401,467</u>	<u>\$ 61,764,972</u>

**10. Investments in Capital Assets** 2007 2006

a) The Investment in capital assets is calculated as follows:

Capital assets	\$ 59,581,699	\$ 61,893,867
Less amounts funded by:		
Deferred contributions	(59,346,330)	(61,623,718)
Obligations under capital leases	<u>(218,987)</u>	<u>(111,575)</u>
	<u>\$ 16,382</u>	<u>\$ 158,574</u>

b) Change in net assets invested in capital assets is calculated as follows:

Deficiency of revenues over expenses:		
Amortization of deferred contributions for capital assets	\$ 5,529,333	\$ 5,558,071
Less: amortization of capital assets	<u>(5,638,272)</u>	<u>(5,688,854)</u>
	<u>\$ (108,939)</u>	<u>\$ (130,783)</u>

Net change in investment in capital assets:

Purchase of capital assets	\$ 3,083,197	\$ 9,355,590
Less amounts funded by:		
Deferred contributions	(3,251,945)	(9,425,503)
Repayment of obligations under capital leases	<u>135,493</u>	<u>103,270</u>
	<u>\$ (33,255)</u>	<u>\$ 33,357</u>

---

**Regional Health Authority 6**  
**Notes to the Financial Statements**  
March 31, 2007

---

**11. Budget Amendments**

The amounts of revenues and expenses presented in these financial statements have been adjusted to include all approved budget amendments to and including number BA07-50 for the Authority.

---

**12. Collective Agreements**

Collective agreements for the following labour unions: Paramedical and specialized health care professionals agreement expires December 31, 2009. The Nurse Managers and Supervisors agreement expires on June 30th, 2008 and the agreements for Part III Nurses' union expires December 31, 2007. The Canadian Union Public Employees expire on June 30, 2007. The collective agreement for Mental health nurses expires December 31, 2007.

---

**13. Pension Plan**

The employees of the Authority are members of the pension plan administered by the Province of New Brunswick. The Authority's contributions on behalf of its employees amounted to \$3,024,777 during the current fiscal year (2006 - \$2,410,635). These contributions were recorded as expenses.

---

**14. Related Party Transactions**

The Chaleur Regional Hospital Foundations Inc., La Fondation de l'Hôpital de Lamèque Inc., La Fondation Les Amis de l'Hôpital de Tracadie Inc., and La Fondation de l'Hôpital de l'Enfant-Jésus Inc. 1988 are registered charitable organizations. Their purpose is to raise funds for and distribute funds to the Authority. Net assets of the foundations as at March 31, 2007 are \$4,134,586 (2006 - \$2,520,072).

During the year, the Authority received \$957,731 (2006 - \$750,877) in donations from the hospital foundations. Those donations are recorded as deferred contributions for capital assets and are amortized to revenue at the same rate as the capital assets they fund.

Accounts receivable as at March 31, 2007 include \$1,142,449 (2006 - \$1,241,731) to be received from the foundations. Accounts payable as at March 31, 2007 includes \$280,296 (2006 - \$56,666) to be paid to the foundations. During the year the Authority rented property to the foundations for \$20,000 (2006 - \$20,000).

The CHR/HRC Bathurst Inc. is a registered profit company. The executive committee is made up of certain Board members of the Chaleur Regional Hospital Foundation Inc. A ten-year lease was signed on June 1, 2003. The lease will end on May 31, 2013. Monthly payments of \$14,090 plus taxes are payable. A total of \$194,446 was paid during the current fiscal year (2006 - \$194,446).

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties



---

**Regional Health Authority 6**  
**Notes to the Financial Statements**  
March 31, 2007

---

**15. Commitments**

As at March 31, 2007, the following operating leases were in effect: A contract with Agfa started in June 2003 with monthly payments of \$10,822 for a period of 48 months of which 2 months are left before expiry. In February 2004, a contract with Kubota was signed with monthly payments of \$545 for a period of 58 months of which 22 months are left before expiry.

A ten-year contract was signed with CHR/HRC Bathurst Inc. on June 1, 2003 to house the Authority's offices at 1745 Vallée Lourdes Drive, Bathurst, New Brunswick. Monthly payments of \$14,090 are payable for the next 73 months.

The Authority negotiated a 60-month contract, from October 2006 to September 2011, with ACS-Armour with monthly payments of \$8,299.

The Authority negotiated a 84-month contract, from January 1, 2007 to December 31, 2014, with Ortho-Clinical Diagnostics for laboratory reagent products with monthly payments of \$2,976.

---

**16. Financial Instruments**

The Authority's financial instruments consist of cash and cash equivalents, accounts receivable, estimated year-end adjustment payable, payables and accruals, note payable - Department of Finance and obligations under capital leases. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The Authority estimates that as at the periods ended in these financial statements the fair values of these financial instruments approximate their carrying value.

---

**17. Contingencies**

No provision has been made in the Authority accounts for unclaimed staff sick time, for which a future liability is likely, but the portion that will actually be used cannot be reasonably estimated. No amount has been recognized in the financial statements of the Authority as it is only payable if and when the employees become ill.

There are two outstanding claims against the Authority. No provision has been made in the financial statements for these contingent losses because the outcomes or amounts of these claims are not determinable as of June 12, 2007.

---

**18. Working Capital Grant**

The Province of New Brunswick (Department of Health) requires that the Authorities record an estimated amount receivable for the working capital grant of the current year.

---

**Regional Health Authority 6**  
**Notes to the Financial Statements**  
March 31, 2007

---

**19. Comparative Figures**

The 2006 financial data presented for comparison purposes has been reclassified to conform with the presentation adopted in the current year.

---

**20. Bank Indebtedness**

The Province of New Brunswick is a lender to the Authority; \$13,500,000 plus interest of \$74,449 (2006 - \$13,000,000 plus interest of \$50,471). However, the Authority has a line of credit of \$500,000 with the Caisse Populaire Chaleur Ltée. This line is used during the periods of transition of funds by the Province of New Brunswick. As at March 31, 2007 and 2006, this line of credit was unutilized.

---

Financial Statements of

**MIRAMICHI REGIONAL HEALTH AUTHORITY**

Year ended March 31, 2007

---

États financiers de la

**RÉGIE RÉGIONALE DE LA SANTÉ DE MIRAMICHI**

Exercice terminé le 31 mars 2007

---



**KPMG LLP**  
**Chartered Accountants**  
 Suite 700 Frederick Square  
 77 Westmorland Street  
 Fredericton NB E3B 6Z3  
 Telephone (506) 452-8000  
 Fax (506) 450-0072  
 Internet www.kpmg.ca

Place Marven's  
 PO Box 827  
 Moncton NB E1C 8N6  
 Telephone (506) 856-4400  
 Fax (506) 856-4499

PO Box 2388 Stn Main  
 Saint John NB E2L 3V6  
 Telephone (506) 634-1000  
 Fax (506) 633-8828

## AUDITORS' REPORT

To the Board of Trustees

We have audited the statement of financial position of Miramichi Regional Health Authority as at March 31, 2007 and the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and the changes in its net assets (deficiency) and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Moncton, Canada

May 18, 2007

## RAPPORT DES VÉRIFICATEURS

Aux membres du Conseil d'administration

Nous avons vérifié le bilan de la Régie Régionale de la Santé de Miramichi au 31 mars 2007 ainsi que les états des résultats, l'évolution des actifs nets (déficit) et flux de trésorerie de l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction de la Régie Régionale. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

Notre vérification a été effectuée conformément aux normes canadiennes de vérification généralement reconnues. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir un degré raisonnable de certitude quant à l'absence d'inexactitudes importantes dans les états financiers. La vérification comprend le contrôle par sondages des informations probantes à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À notre avis, ces états financiers présentent fidèlement, à tous égards importants, la situation financière de la Régie Régionale au 31 mars 2007 ainsi que les résultats de son exploitation et l'évolution des actifs nets (déficit) et des flux de trésorerie pour l'exercice terminé à cette date selon les principes comptables canadiens généralement reconnus.

Comptables Agréés

Moncton, Canada

Le 18 mai 2007

**MIRAMICHI REGIONAL HEALTH  
AUTHORITY**

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

**RÉGIE RÉGIONALE DE LA SANTÉ DE  
MIRAMICHI**

Bilan

31 mars 2007, avec chiffres correspondants de 2006

	2007		2006	
	Unrestricted Funds	Endowment Fund	Total	Total
	Fonds sans restriction	Fonds de dotation	Total	Total
<b>Assets</b>				
Current assets:				
Cash	\$ 920,717	\$ 2,117	\$ 922,834	\$ 491,935
Accounts receivable (note 2)	6,116,185	—	6,116,185	6,628,843
Inventories (note 3)	998,112	—	998,112	967,945
Prepaid expenses	186,527	—	186,527	91,503
	8,221,541	2,117	8,223,658	8,180,226
Investments (note 4)	—	88,532	88,532	88,008
Long-term pay advance	113,392	—	113,392	119,416
Capital assets (note 5)	78,240,133	—	78,240,133	80,842,735
	\$ 86,575,066	\$ 90,649	\$ 86,665,715	\$ 89,230,385

**Liabilities, Deferred Contributions and  
Net Assets (Deficiency)**

Current liabilities:				
Demand loans (note 6)	\$ 1,500,000	\$ —	\$ 1,500,000	\$ 1,900,000
Accounts payable and accrued liabilities (note 7)	9,584,289	—	9,584,289	8,973,963
Interfund payable (receivable)	54,214	(54,214)	—	—
Current portion of long-term debt (note 8)	100,000	—	100,000	100,000
Current portion of obligation under capital lease	—	—	—	45,000
	11,238,503	(54,214)	11,184,289	11,018,963
Long-term debt (note 8)	861,341	—	861,341	847,978
Obligation under capital lease	—	—	—	12,140
Deferred contributions related to capital assets (note 9)	78,003,047	—	78,003,047	80,597,362
Net assets (deficiency):				
Restricted for endowment purposes	—	144,863	144,863	303,620
Invested in capital assets (note 10)	237,086	—	237,086	188,233
Unrestricted	(3,764,911)	—	(3,764,911)	(3,737,911)
	(3,527,825)	144,863	(3,382,962)	(3,246,058)
	\$ 86,575,067	\$ 90,649	\$ 86,665,715	\$ 89,230,385

**Actif**

Actif à court terme :
Encaisse
Débiteurs (note 2)
Inventaires (note 3)
Frais payés d'avance
Placements (note 4)
Avance à long terme
Immobilisations (note 5)

**Passif, apports reportés et  
actifs nets (déficit)**

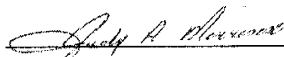
Passif à court terme :
Prêt remboursable sur demande (note 6)
Créditeurs et charges à payer (note 7)
Interfonds à payer (à recevoir)
Tranche à court terme de la dette à long terme (note 8)
Tranche à court terme de l'obligation découlant du contrat de location-acquisition
Dette à long terme (note 8)
Obligation découlant du contrat de location-acquisition
Apports reportés afférents aux immobilisations (note 9)
Actifs nets (déficit) :
Affectés à titre de dotation
Investis en immobilisations (note 10)
Sans restriction

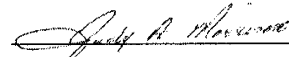
See accompanying notes to financial statements.

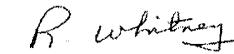
Voir les notes afférentes aux états financiers.

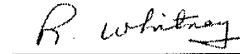
On behalf of the Board:

Au nom de Conseil :

 Director

 Director

 Director

 Director

**MIRAMICHI REGIONAL HEALTH  
AUTHORITY**

Statement of Operations

Year ended March 31, 2007, with comparative figures for 2006

**RÉGIE RÉGIONALE DE LA SANTÉ DE  
MIRAMICHI**

État des résultats

Exercice terminé le 31 mars 2007, avec chiffres correspondants de 2006

	2007	2006	
<b>Revenues:</b>			<b>Revenus :</b>
Department of Health and Wellness	\$ 72,988,917	\$ 63,271,707	Ministère de la Santé et Mieux-être
Other patient recoveries	1,188,335	1,082,175	Autres recouvrements des patients
Other recoveries and sales	135,690	122,302	Autres recouvrements et ventes
Board generated	777,476	565,160	Générés par le Conseil
Endowment fund income	4,522	2,965	Revenu du fonds de dotation
Amortization of deferred contributions related to capital assets	4,260,399	4,203,454	Amortissement des apports reportés afférents aux immobilisations
<b>Total revenues</b>	<b>79,355,339</b>	<b>69,247,763</b>	<b>Total des revenus</b>
<b>Expenses:</b>			<b>Dépenses :</b>
Nursing inpatient services	20,755,624	20,355,173	Soins infirmiers aux patients hospitalisés
Non-inpatient services	15,095,921	11,256,270	Services aux patients en consultation externe
Diagnostic and therapeutic services	11,117,408	9,993,067	Services diagnostiques et thérapeutiques
Medicare	10,087,206	7,714,805	Assurance-maladie
Research and education	571,374	605,142	Recherche et formation
Support services	15,790,257	14,597,017	Services de soutien
Administrative services	1,903,566	1,689,334	Services administratifs
Board sponsored	920,043	633,532	Frais discrétionnaires du Conseil
Endowment Fund	163,279	981	Fonds de dotation
Amortization of capital assets	4,327,223	4,302,454	Amortissement des immobilisations
<b>Total expenses</b>	<b>80,731,901</b>	<b>71,147,775</b>	<b>Total des dépenses</b>
Deficiency from operations, before the undernoted	(1,376,562)	(1,900,012)	Déficit d'exploitation avant les sous- mentionnés
Working capital grants from Province of New Brunswick (note 12)	1,143,710	1,434,006	Subvention de fonds de roulement de la province du Nouveau-Brunswick (note 12)
Adjustment of prior year-end settlements	95,948	-	Redressement du règlement final de l'exercice antérieur
<b>Deficiency of revenues over expenses</b>	<b>\$ (136,904)</b>	<b>\$ (466,006)</b>	<b>Déficit des revenus par rapport aux dépenses</b>

See accompanying notes to financial statements.

Voir les notes afférentes aux états financiers.

**MIRAMICHI REGIONAL HEALTH AUTHORITY**  
Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2007, with comparative figures for 2006

**RÉGIE RÉGIONALE DE LA SANTÉ DE MIRAMICHI**  
État de l'évolution des actifs nets (déficit)

Exercice terminé le 31 mars 2007, avec chiffres correspondants de 2006

	Restricted for endowment purposes		Invested in capital assets		Unrestricted		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	Affectés à		Investis en		Sans restriction		Total	
	titre de dotation		immobilisations					
Balance, beginning of year	\$ 303,620	\$ 301,636	\$ 188,233	\$ 238,953	\$ (3,737,911)	\$ (3,320,641)	\$ (3,246,058)	\$ (2,780,052)
Excess (deficiency) of revenues over expenses	(158,757)	1,984	(123,964)	(139,051)	145,817	(328,939)	(136,904)	(466,006)
Net change in investment in capital assets (note 10)	-	-	172,817	88,331	(172,817)	(88,331)	-	-
Balance, end of year	\$ 144,863	\$ 303,620	\$ 237,086	\$ 188,233	\$ (3,764,911)	\$ (3,737,911)	\$ (3,382,962)	\$ (3,246,058)
								Soide au début de l'exercice
								Excédent (déficit) des revenus par rapport aux dépenses
								Variation nette de l'investissement en immobilisations (note 11)
								Soide à la fin de l'exercice

See accompanying notes to financial statements.

Voir les notes afférentes aux états financiers.

**MIRAMICHI REGIONAL HEALTH  
AUTHORITY**

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

**RÉGIE RÉGIONALE DE LA SANTÉ DE  
MIRAMICHI**

État des flux de trésorerie

Exercice terminé le 31 mars 2007, avec chiffres correspondants de 2006

	2007	2006	
Cash provided by (used for):			Provenance (utilisation) des liquidités :
Operating activities:			Activités de fonctionnement :
Deficiency of revenues over expenses	\$ (136,904)	\$ (466,006)	Déficit des revenus par rapport aux dépenses
Items not involving cash:			Éléments n'ayant pas d'incidence sur l'encaisse :
Amortization of capital assets	4,327,223	4,302,454	Amortissement des immobilisations
Amortization of equipment under capital lease	57,140	40,051	Amortissement de l'équipement sous contrat de location-acquisition
Amortization of deferred contributions related to capital assets	(4,260,399)	(4,203,454)	Amortissement des apports reportés afférents aux immobilisations
Change in non-cash current assets and current liabilities	997,793	(1,712,848)	Évolution des éléments hors caisse du fonds de roulement lié à l'exploitation
Funds provided by operating activities	984,853	(2,039,803)	Encaisse provenant des activités de fonctionnement
Financing and investing activities:			Activités de financement et de placements :
Issue of demand loans	(400,000)	1,900,000	Émission de prêt remboursable sur demande
Recoveries of long-term pay advance	6,024	6,187	Recouvrement d'avance à long terme
Increase in investments	(524)	(53)	Augmentation des placements
Purchase of capital assets	(1,781,761)	(2,668,545)	Achats d'immobilisations
Increase in long-term debt	13,363	13,364	Augmentation de la dette à long terme
Decrease in obligation under capital lease	(57,140)	(40,051)	Diminution de l'obligation découlant du contrat de location-acquisition
Increase in deferred contributions related to capital assets	1,666,084	2,620,265	Augmentation des apports reportés afférents aux immobilisations
Funds used for financing and investing activities	(553,954)	1,831,167	Encaisse utilisée pour les activités de financement et d'investissement
Increase (decrease) in cash	430,899	(208,636)	Augmentation (diminution) de l'encaisse
Cash, beginning of year	491,935	700,571	Encaisse au début de l'exercice
Cash, end of year	\$ 922,834	\$ 491,935	Encaisse à la fin de l'exercice

See accompanying notes to financial statements.

Voir les notes afférentes aux états financiers.



**MIRAMICHI REGIONAL HEALTH  
AUTHORITY**

Notes to Financial Statements

Year ended March 31, 2007

**RÉGIE RÉGIONALE DE LA SANTÉ DE  
MIRAMICHI**

Notes afférentes aux états financiers

Exercice terminé le 31 mars 2007

The principal activity of the Miramichi Regional Health Authority is providing for the delivery and administering of health services to the Miramichi Region of New Brunswick.

The Miramichi Regional Health Authority includes the following health care facilities:

- Miramichi Regional Hospital
- Baie Ste. Anne Health Centre
- Blackville Health Centre
- Neguac Health Centre
- Rogersville Health Centre
- Dr. A.C. Blanchard Medical Centre
- Miramichi Medical Arts Centre

La principale activité de la Régie Régionale de la Santé de Miramichi consiste à fournir des soins de santé à la région de Miramichi du Nouveau-Brunswick.

La Régie Régionale de la Santé de Miramichi est composée des institutions de santé suivantes :

- Hôpital régional Miramichi
- Centre de Santé - Baie Ste. Anne
- Centre de Santé - Blackville
- Centre de Santé - Néguac
- Centre de Santé - Rogersville
- Centre médicale - Dr. A.C. Blanchard
- Centre des arts médicaux - Miramichi

## MIRAMICHI REGIONAL HEALTH AUTHORITY

Notes to Financial Statements, continued

Year ended March 31, 2007

## RÉGIE RÉGIONALE DE LA SANTÉ DE MIRAMICHI

Notes afférentes aux états financiers, suite

Exercice terminé le 31 mars 2007

### 1. Significant accounting policies:

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

#### (a) Revenue recognition:

The Authority follows the deferral method of accounting for contributions, which include donations and government grants.

The Authority is funded by the Province of New Brunswick in accordance with budget arrangements established by the Department of Health and Wellness. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

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.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income from the Endowment Fund is recognized as revenue in the year in which the related expenses are recognized.

### 1. Conventions comptables :

Ces états financiers ont été préparés selon les principes comptables généralement reconnus.

#### (a) Constatation des revenus :

La Régie Régionale applique la méthode de report pour comptabiliser les apports, qui comprennent les dons et les subventions gouvernementales.

La Régie Régionale reçoit la majeure partie de son financement du gouvernement du Nouveau-Brunswick, conformément aux dispositions budgétaires établies par le ministère de la Santé et Mieux-être. Les subventions de fonctionnement sont comptabilisées à titre de revenus dans la période au cours de laquelle elles se rapportent. Les subventions approuvées mais non reçues à la fin d'une période comptable sont constatées par régularisation. Lorsqu'une partie d'une subvention a trait à une période future, elle est reportée et constatée durant cette période subséquente.

Les apports non affectés sont constatés à titre de revenus lorsqu'ils sont reçus ou à recevoir si le montant peut faire l'objet d'une estimation raisonnable et que sa réception est raisonnablement assurée.

Les affectations d'origine externe autres que les apports reçus à titre de dotation sont constatées comme des revenus dans l'exercice au cours duquel les charges connexes sont comptabilisés. Les apports affectés à l'achat d'immobilisations sont reportés et amortis dans les revenus selon la méthode de l'amortissement linéaire à un taux qui correspond au taux d'amortissement des immobilisations connexes.

Les revenus de placement limités du Fond de dotation sont constatés à titre de revenus de l'exercice durant lequel les charges connexes sont constatées.

## MIRAMICHI REGIONAL HEALTH AUTHORITY

Notes to Financial Statements, continued

Year ended March 31, 2007

## RÉGIE RÉGIONALE DE LA SANTÉ DE MIRAMICHI

Notes afférentes aux états financiers, suite

Exercice terminé le 31 mars 2007

### 1. Significant accounting policies (continued):

#### (b) Inventories:

Inventories are valued at the lower of cost and replacement cost, the cost being established using the first in, first out method.

#### (c) Investments:

Investments are carried at cost. If market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market. Interest income on investments is accounted for on an accrual basis.

#### (d) Capital assets:

Capital assets are stated at cost. Title to land, land improvements, buildings and building services equipment as at July 1, 1992, were not transferred by the Province to Miramichi Regional Health Authority. These assets are administered by the Authority and for purposes of accountability are included in the Authority's accounts. Amortization is provided on the straight-line basis using the rates prescribed for amortization of assets by the Canada Institute of Health Information.

Asset	Rate
Land improvements	8% and 10%
Buildings and building service equipment	2.5% and 5%
Equipment, including equipment under capital lease	5% - 33.3%

#### (e) Vacation pay:

Vacation pay is accrued to year end. Related funding from the Department of Health and Wellness is recorded when received.

### 1. Conventions comptables (suite) :

#### (b) Inventaires :

Les inventaires sont évalués au moindre du coût et du coût de remplacement; le coût est établi en utilisant la méthode du premier entré, premier sorti.

#### (c) Placements :

Les placements sont comptabilisés au coût. Les placements sont inscrits au marché si la valeur marchande des placements devient plus bas que le coût, et cette diminution n'est pas considérée temporaire. Les revenus d'intérêts sur placements sont constatés par la méthode de rattachement à l'exercice.

#### (d) Immobilisations :

Les immobilisations sont inscrites au coût. Le titre de propriété foncière, les améliorations de terrains, les immeubles et équipement d'entretien, au 1 juillet 1992 n'étaient pas transférés de la Province à la Régie Régionale de la Santé de Miramichi. Ces immobilisations sont administrés par la Régie Régionale et pour buts de responsabilité sont inclus dans les comptes de la Régie Régionale. L'amortissement provient selon la méthode de l'amortissement linéaire aux taux prescrits pour l'amortissement des immobilisations par L'Institut canadien d'information sur la santé.

Actif	Taux
Améliorations de terrains	8 % et 10 %
Immeubles et équipement d'entretien d'immeuble	2,5 % et 5 %
Équipement, incluant l'équipement sous contrat de location-acquisition	5 % - 33,3 %

#### (e) Indemnités de vacances :

Les indemnités de vacances sont accumulées jusqu'à la fin de l'exercice. Les fonds correspondants provenant du ministère de la Santé et Mieux-être sont comptabilisés lorsque reçus.

**MIRAMICHI REGIONAL HEALTH  
AUTHORITY**

Notes to Financial Statements, continued

Year ended March 31, 2007

**RÉGIE RÉGIONALE DE LA SANTÉ DE  
MIRAMICHI**

Notes afférentes aux états financiers, suite

Exercice terminé le 31 mars 2007

## (f) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## (f) Recours aux estimations :

La préparation d'états financiers conformes aux principes comptables généralement reconnus exige que la direction fasse des estimations et des hypothèses qui influent sur la valeur comptable des actifs et des passifs et sur les informations relatives aux actifs et passifs éventuels à la date des états financiers, ainsi que sur la valeur comptable des produits et des charges de la période. Les résultats réels pourraient différer de ces estimations.

## 2. Accounts receivable:

	2007	2006
Province of New Brunswick:		
Medicare	\$ 841,456	\$ 849,357
Equipment grants	298,232	1,952,262
Provincial Plan	2,804,879	1,307,824
Mental Health	93,665	92,653
Estimated year-end settlement (see below)	1,116,401	1,425,752
	<u>5,154,633</u>	<u>5,627,848</u>
Inpatients, less allowance for doubtful accounts	181,608	88,985
Non-inpatients, less allowance for doubtful accounts	73,202	56,408
Other	706,742	855,602
	<u>\$ 6,116,185</u>	<u>\$ 6,628,843</u>

## 2. Débiteurs :

Province du Nouveau-Brunswick :
Assurance-maladie
Subventions en vertu d'acquisition d'équipements
Projet provincial
Santé mentale
Estimation du règlement prévu de fin d'exercice (voir ci-dessous)
Patients hospitalisés, moins créances douteuses
Patients en consultation externe, moins créances douteuses
Autres

## Estimated year-end settlement receivable:

	Actual	Budget	Recoverable from (payable to) the Province
	Réel	Budget	Recevoir de (à payable à) la Province
Transferable programs:			
Total transferable expenses	\$53,743,614	\$52,589,668	
Other recoveries and sales	135,689	116,365	
Other patient recoveries	1,188,335	1,161,071	\$ (27,264)
Non-transferable programs	-	-	(45)
Working capital grants from Province of New Brunswick	-	-	1,143,710
Year-end receivable for March 31, 2007	<u>-</u>	<u>-</u>	<u>\$ 1,116,401</u>

## Estimation du règlement prévu de fin d'exercice à recevoir :

Programmes transmissibles :
Dépenses transmissibles totales
Autres recouvrements et ventes
Autres recouvrements des patients
Programmes non-transmissibles
Subvention de fonds de roulement de la Province du Nouveau-Brunswick
À recevoir pour l'exercice terminé le 31 mars 2007

During the year the Authority was awarded \$940,660 in restitution as a result of frauds perpetrated by persons no longer associated with the Authority. To date, \$35,142 has been recovered. Due to the uncertainty surrounding the collectability of remaining amounts, no amount has been recorded as receivable at this time.

Durant l'année la Régie Régionale fut attribuée 940 660 \$ de restitution aux résultats de fraudes commises par des personnes qui ne sont plus associées avec la Régie Régionale. A date, 35 142 \$ fut récupéré. Dû à l'incertitude concernant la collectivité de la balance du montant, aucun montant fut enregistré comme recevable à ce moment.

**MIRAMICHI REGIONAL HEALTH  
AUTHORITY**

Notes to Financial Statements, continued

Year ended March 31, 2007

**RÉGIE RÉGIONALE DE LA SANTÉ DE  
MIRAMICHI**

Notes afférentes aux états financiers, suite

Exercice terminé le 31 mars 2007

**3. Inventories:**

	2007	2006	
Drugs	\$ 382,651	\$ 386,750	Médicaments
Medical, surgical and other	615,461	581,195	Médicales, chirurgicales et autres
	<u>\$ 998,112</u>	<u>\$ 967,945</u>	

**3. Inventaires :****4. Investments:**

	2007	2006	
	Cost	Cost	
	Coût	Coût	
Equity funds	\$ 33,069	\$ 35,359	Fonds d'actions
Bonds and securities	55,463	52,649	Engagements et titres
	<u>\$ 88,532</u>	<u>\$ 88,008</u>	

**4. Placements :**

The market value of investments as at March 31, 2007 was  
\$99,458 (2006 - \$95,982).

La valeur marchande des placements au 31 mars 2007 était de  
99 458 \$ (2006 - 95 982 \$).

**5. Capital assets:**

	2007		2006		
	Cost	Accumulated amortization	Net book value	Net book value	
	Coût	Amortisse- ment cumulé	Valeur comptable nette	Valeur comptable nette	
Land	\$ 253,850	\$ -	\$ 253,850	\$ 253,850	Terrains
Land improvements	2,444,031	2,442,413	1,618	225,609	Améliorations de terrains
Buildings	88,800,363	22,251,176	66,549,187	68,602,875	Immeubles
Building service equipment	7,430,756	3,715,378	3,715,378	4,086,916	Équipement d'entretien d'immeuble
Equipment	27,561,099	19,840,999	7,720,100	7,616,345	Équipement
Equipment under capital lease	138,845	138,845	-	57,140	Équipement sous contrat de location-acquisition
	<u>\$ 126,628,944</u>	<u>\$ 48,388,811</u>	<u>\$ 78,240,133</u>	<u>\$ 80,842,735</u>	

**5. Immobilisations :**

**MIRAMICHI REGIONAL HEALTH  
AUTHORITY**

Notes to Financial Statements, continued

Year ended March 31, 2007

**RÉGIE RÉGIONALE DE LA SANTÉ DE  
MIRAMICHI**

Notes afférentes aux états financiers, suite

Exercice terminé le 31 mars 2007

**6. Demand loans:**

	2007	2006
Province of New Brunswick, due and payable August 27, 2007, bearing interest at 4.20%	\$ 1,500,000	\$ -
Province of New Brunswick	-	1,900,000
	<u>\$ 1,500,000</u>	<u>\$ 1,900,000</u>

**6. Prêt remboursable sur demande :**

Province du Nouveau-Brunswick, échéant le 27 août 2007, portant intérêt au taux de 4,20 %
Province du Nouveau-Brunswick

**7. Accounts payable and accrued liabilities:**

	2007	2006
Accounts payable	\$ 3,651,111	\$ 3,258,938
Salaries and benefits	2,119,553	1,538,325
Accrued vacation pay	2,766,967	2,601,083
Equipment	-	424,780
Other accrued liabilities	1,046,658	1,150,837
	<u>\$ 9,584,289</u>	<u>\$ 8,973,963</u>

**7. Crédoeurs et charges à payer :**

Créditeurs
Salaires et avantages sociaux
Congés à payer
Équipement
Autres charges à payer

**8. Long-term debt:**

	2007	2006
Demand note, non-interest bearing, with no set terms of repayment, payable to Religious Hospitallers of St. Joseph	\$ 100,000	\$ 100,000
Notes payable, with no set terms of repayment, payable to Religious Hospitallers of St. Joseph:		
Note 4%	180,989	180,989
Note 4%	153,103	153,103
Accrued interest on notes	527,249	513,886
	<u>861,341</u>	<u>847,978</u>
	<u>\$ 961,341</u>	<u>\$ 947,978</u>

**8. Dette à long terme :**

Note d'engagement, portant aucun intérêt, avec aucun terme spécifique de repaiement, payable aux « Religious Hospitallers of St. Joseph »
Effets à payer, avec aucun terme de repaiement payable aux « Religious Hospitallers of St. Joseph » :
Note 4 %
Note 4 %
Intérêts courus sur les effets

Included in Board sponsored expenses is interest on long-term debt of \$13,363 (2006 - \$13,364).

The debt was inherited in 1992 when the hospitals were amalgamated under the Health Act. In 1996, the Region 7 Hospital Corporation ceased operations at the former Hotel Dieu and Miramichi Hospitals and the properties were transferred to the Province of New Brunswick but the debt remained with the Miramichi Regional Health Authority.

The Miramichi Regional Health Authority is currently negotiating to transfer the debt to the Province of New Brunswick.

L'intérêt sur la dette à long terme de 13 363 \$ (2006 - 13 364 \$) est inclus dans les frais discrétionnaires du Conseil.

La dette a été héritée en 1992 lorsque les hôpitaux ont été fusionnés en vertu de la Loi sur la santé. En 1996, l'ancien Hôtel Dieu et l'Hôpital de Miramichi ont cessé leurs opérations et toutes propriétés reliées à ces opérations ont été transférées à la province du Nouveau-Brunswick. Toutefois la dette a été maintenue par la Régie Régionale de la Santé de Miramichi.

La Régie Régionale de la Santé de Miramichi est présentement en négociations avec la province du Nouveau-Brunswick afin de transférer la dette à la Province.

**MIRAMICHI REGIONAL HEALTH  
AUTHORITY**

Notes to Financial Statements, continued

Year ended March 31, 2007

**RÉGIE RÉGIONALE DE LA SANTÉ DE  
MIRAMICHI**

Notes afférentes aux états financiers, suite

Exercice terminé le 31 mars 2007

**9. Deferred contributions related to capital assets:**

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the period are as follows:

	2007	2006
Balance, beginning of year	\$ 80,597,362	\$ 82,180,551
Additional contributions received	1,666,084	2,620,265
Amounts amortized to revenue	(4,260,399)	(4,203,454)
<b>Balance, end of year</b>	<b>\$ 78,003,047</b>	<b>\$ 80,597,362</b>

**9. Apports reportés afférents aux immobilisations :**

Les apports reportés afférents aux immobilisations représentent le montant non amorti et le montant sous forme de dons et de subventions non dépensés reçus pour l'achat d'immobilisations. L'amortissement des apports afférents aux immobilisations est comptabilisé à titre de revenus dans l'état des résultats. Les variations survenues dans le solde des apports reportés durant la période sont les suivantes :

Solde au début de l'exercice  
Apports additionnels reçus  
Montants amortis dans les revenus  
  
Solde à la fin de l'exercice

**10. Net assets invested in capital assets:**

(a) Net assets invested in capital assets is calculated as follows:

	2007	2006
Capital assets	\$ 78,240,133	\$ 80,842,735
Less:		
Amounts funded by deferred contributions used to purchase capital assets	(78,003,047)	(80,597,362)
Amounts funded by obligation under capital lease	-	(57,140)
<b></b>	<b>\$ 237,086</b>	<b>\$ 188,233</b>

**10 Actifs nets investis en immobilisations :**

(a) Les actifs nets investis en immobilisations sont calculés de la façon suivante :

Immobilisations  
Moins :  
Les montants financés par les apports reportés afférents aux immobilisations  
Les montants financés par obligation découlant du contrat de location-acquisition

(b) Change in investment in capital assets is calculated as follows:

	2007	2006
Excess of expenses over revenues:		
Amortization of deferred contributions related to capital assets	\$ 4,260,399	\$ 4,203,454
Less:		
Amortization of capital assets	(4,327,223)	(4,302,454)
Amortization of equipment under capital lease	(57,140)	(40,051)
<b></b>	<b>\$ (123,964)</b>	<b>\$ (139,051)</b>

Excédent des dépenses sur les revenus :  
Amortissement des apports reportés afférents aux immobilisations  
Moins :  
Amortissement des immobilisations  
Amortissement de l'équipement découlant du contrat de location-acquisition

Net change in investment in capital assets:

Purchase of capital assets	\$ 1,781,761	\$ 2,668,545
Less:		
Amounts funded by contributions	(1,666,084)	(2,620,265)
Repayment of obligation under capital lease	57,140	40,051
<b></b>	<b>\$ 172,817</b>	<b>\$ 88,331</b>

Variation nette de l'investissement en immobilisations :  
Achat d'immobilisations  
Moins :  
Les montants financés par les apports reportés  
Remboursement de l'obligation découlant du contrat de location-acquisition

## MIRAMICHI REGIONAL HEALTH AUTHORITY

Notes to Financial Statements, continued

Year ended March 31, 2007

## RÉGIE RÉGIONALE DE LA SANTÉ DE MIRAMICHI

Notes afférentes aux états financiers, suite

Exercice terminé le 31 mars 2007

### 11. Related entities:

The Authority has an economic interest in the Miramichi Regional Hospital Foundation, which is a registered charitable foundation. Its purpose is to raise funds for and distribute funds to Miramichi Regional Health Authority.

During the year, the Authority received \$92,976 (2006 - \$133,692) in contributions from the Miramichi Regional Hospital Foundation. The Authority also paid \$30,718 (2006 - \$30,050) of administrative expenses on behalf of the Foundation. As at March 31, 2007, the Authority had a receivable of \$2,439 (2006 - \$43,958) from the Foundation. This receivable is included in other receivables (note 2).

### 12. Debt reduction grants from Province of New Brunswick:

During the year, the Province of New Brunswick committed to providing working capital grants of an estimated \$1,143,710 to the Authority. These grants are based on working capital deficiencies as at March 31, 2007.

### 13. Employee future benefits:

Regular employees of Miramichi Regional Health Authority are covered by the Public Service Pension Plans of the Province of New Brunswick. The Pension Plans are a defined benefit multi-employer plan under which contributions are made by both the Authority and the employees. For the fiscal year ended March 31, 2007, the Authority expensed contributions of \$1,478,995 (2006 - \$1,118,473) under the terms of the Plans. The Authority has no direct liability or entitlement to any unfunded liability or surplus in the Plans related to its current and former employees.

### 14. Contingencies:

The Authority has been named a defendant in an ongoing lawsuit. In the opinion of management, this matter is without substantial merit. The outcome of the action is indeterminable, and the monetary damages, if any, cannot be reliably estimated. Therefore, the Authority has not made provision for any potential liability.

### 11. Entités apparentes :

La Régie Régionale a un intérêt économique dans la Fondation de la Régie Régionale de la Santé de Miramichi, qui est une fondation charitable enregistrée. La Fondation a pour but de faire la levée de fonds pour et de distribuer les fonds à la Régie Régionale de la Santé de Miramichi.

Au cours de l'exercice, la Régie Régionale a reçu 92 976 \$ (2006 - 133 692 \$) en contributions de la Fondation de la Régie Régionale de la Santé de Miramichi. La Régie Régionale a aussi versé 30 718 \$ (2006 - 30 050 \$) en frais administratifs pour le bénéfice de la Fondation. Au 31 mars 2007, la Régie Régionale avait un débiteur au montant 2 439 \$ (2006 - 43 958 \$) de la Fondation. Ce débit est inclus dans autres débiteurs (note 2).

### 12. Subvention de fonds de roulement de la province du Nouveau-Brunswick :

Au cours de l'exercice, la Province du Nouveau Brunswick s'est engagée à verser 1 143 710 \$ en subventions de fonds de roulement à la Régie Régionale. Ces subventions sont déterminées en fonction des déficits de fonds de roulement nets au 31 mars 2007.

### 13. Prestations futures des employés :

Les employés permanents de la Régie Régionale de la Santé de Miramichi sont couverts par les régimes de pension de la Fonction publique du Nouveau-Brunswick. Les régimes sont des régimes de retraite à prestations déterminées sous lesquels la Régie Régionale et les employés y contribuent. Pour l'exercice terminé au 31 mars 2007, la Régie Régionale a passé en charges des contributions au montant de 1 478 995 \$ (2006 - 1 118 473 \$) selon les conventions des régimes. La Régie Régionale n'a aucune responsabilité directe ni aucun droit vis-à-vis les provisionnées ou les surplus des régimes reliés aux employés courants et antérieurs.

### 14. Eventualités :

La Régie Régionale fut nommé un défendeur à un procès continu. Selon l'opinion de la direction, ce sujet est sans mérite substantielle. Le résultat de l'action est indéterminable et les dommages monétaires, si quel, ne peuvent être sûrement estimés. Donc, la Régie Régionale n'a fait aucune disposition pour des responsabilités potentielles.



**MIRAMICHI REGIONAL HEALTH  
AUTHORITY**

Notes to Financial Statements, continued

Year ended March 31, 2007

**RÉGIE RÉGIONALE DE LA SANTÉ DE  
MIRAMICHI**

Notes afférentes aux états financiers, suite

Exercice terminé le 31 mars 2007

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

The fair value of cash, accounts receivable, demand loans and accounts payable and accrued liabilities approximates their carrying value due to the relatively short periods to maturity of these items.

The fair market value of the Authority's investments, based on broker statements, is \$99,458, compared to their carrying value of \$88,532.

The fair value of the Authority's long-term debt is not practicable to determine since they are not currently required to make any payments.

**15. Juste valeur des avoirs financiers et des passifs financiers :**

La juste valeur de l'encaisse, des débiteurs et des créditeurs, les prêts remboursables sur demande et charges à payer se rapproche de leur valeur comptable, du fait que ces items qui s'y rapportent ont des échéances relativement brèves.

La juste valeur marchande des placements de la Régie Régionale, basée sur les états du représentant, est de 99 458 \$, comparé à leur valeur comptable de 88 532 \$.

La juste valeur de la dette à long terme de la Régie Régionale est indéterminable vue qu'elle n'est pas encore obligée de faire de paiements.





**Financial Statements**

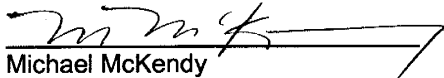
**March 31, 2007**

### 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.

  
Michael McKendy  
President

  
Linda Corbett, CGA  
Acting Vice President Corporate Services

Fredericton, N B Canada  
May 27, 2007

## AUDITORS' REPORT

To the Members of the Board:

We have audited the balance sheet of Service New Brunswick as at March 31, 2007 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Ernst + Young LLP*


Chartered Accountants

Saint John, N B Canada  
May 27, 2007

**BALANCE SHEET**  
As at March 31

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 21,373,120	\$ 21,025,609
Restricted assets (Note 4)	13,825,458	10,107,429
Accounts receivable (Note 5)	2,642,711	3,066,235
Prepaid expenses	1,403,495	1,504,389
	39,244,784	35,703,662
<b>LONG TERM ASSETS</b>		
Prepaid expenses	68,640	113,803
Equipment (Note 6)	2,457,411	2,692,635
System development (Notes 2, 6 and 10)	14,267,598	15,332,855
	16,793,649	18,139,293
	<b>\$ 56,038,433</b>	<b>\$ 53,842,955</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 5,623,021	\$ 6,380,445
Partner liabilities (Note 8)	11,126,454	7,928,385
Deferred funding from the Province	-	6,352,500
Deferred receipts	234,233	323,294
	16,983,708	20,984,624
<b>LONG TERM LIABILITIES</b>		
Deferred employee benefits (Notes 7 and 11)	1,757,094	1,575,078
Land titles assurance (Note 9)	2,699,004	2,179,044
	4,456,098	3,754,122
<b>EQUITY</b>	34,598,627	29,104,209
	<b>\$ 56,038,433</b>	<b>\$ 53,842,955</b>

Commitments Note 12  
See accompanying notes

  
Georgette M. Roy  
Chairperson

  
Michael McKendy  
President

**STATEMENT OF INCOME AND CHANGES IN EQUITY**  
For the years ended March 31

	2007	2006
<b>REVENUES</b>		
Provincial services	\$ 26,259,664	\$ 25,934,256
Municipal services	7,937,728	7,478,969
Registry fees	18,634,386	18,032,085
Products and services	4,267,110	2,757,114
Interest	1,084,357	553,877
Salary recoveries	96,052	70,893
Software sales and consulting	51,694	70,532
	<b>58,330,991</b>	<b>54,897,726</b>
<b>EXPENSES</b>		
Personnel services	33,168,003	31,731,915
Space and equipment services	5,317,884	5,004,092
Communications and computer services	4,734,054	4,785,036
Amortization	3,486,507	3,562,663
Professional services	2,381,568	3,018,548
Travel and meetings	1,295,053	1,337,227
Furniture and equipment	1,133,598	744,990
Materials and supplies	827,942	739,399
Other	491,964	414,489
	<b>52,836,573</b>	<b>51,338,359</b>
<b>NET INCOME</b>	<b>5,494,418</b>	<b>3,559,367</b>
<b>OPENING EQUITY</b>	<b>29,104,209</b>	<b>25,544,842</b>
<b>ENDING EQUITY</b>	<b>\$ 34,598,627</b>	<b>\$ 29,104,209</b>

See accompanying notes

**STATEMENT OF CASH FLOWS**

For the years ended March 31

	2007	2006
<b>Cash and cash equivalents provided by (used in)</b>		
<b>Operations</b>		
Net income	\$ 5,494,418	\$ 3,559,367
Amortization	3,486,507	3,562,663
Deferred employee benefits	182,016	160,714
Net book value of disposed assets	15,406	-
	9,178,347	7,282,744
Change in non-cash working capital:		
Accounts receivable	423,524	(1,063,270)
Prepaid expenses	146,057	(379,171)
Accounts payable and accrued liabilities	(757,424)	754,962
Deferred funding from the Province	(6,352,500)	18,750
Deferred receipts	(89,061)	264,881
	2,548,943	6,878,896
<b>Investments</b>		
Additions to equipment	(792,686)	(1,193,871)
Additions to system development	(1,408,746)	(1,650,640)
	(2,201,432)	(2,844,511)
<b>Increase in cash</b>	<b>347,511</b>	<b>4,034,385</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>21,025,609</b>	<b>16,991,224</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 21,373,120</b>	<b>\$21,025,609</b>

See accompanying notes



---

**NOTES TO FINANCIAL STATEMENTS**For the year ended March 31, 2007

---

**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.

**Restricted assets**

Management has segregated cash and receivables equal to the amount of Partner Liabilities (Note 8) and the amount accumulated under Land Titles Assurance (Note 9).

**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 uncollectable 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.

**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:

	<b>Year Ended 2007</b>	<b>Year Ended 2006</b>
Accounts receivable	\$ 540,956	\$ 724,955
Accounts payable	587,352	651,289
Net owing to SNB/(Province)	(\$ 46,396)	\$ 73,666

The Statement of Income and Changes in Equity contains the following related entity amounts:

	<b>Year Ended 2007</b>	<b>Year Ended 2006</b>
Revenue	\$ 35,232,833	\$ 34,512,082
Expense	1,977,416	2,018,353
Net revenue	\$ 33,255,417	\$ 32,493,729

#### 4 RESTRICTED ASSETS

Restricted assets are comprised of the following amounts.

	<b>Year Ended 2007</b>	<b>Year Ended 2006</b>
Partner cash and receivables (Note 8)	\$ 11,126,454	\$ 7,928,385
Land titles assurance cash (Note 9)	2,699,004	2,179,044
	<u>\$ 13,825,458</u>	<u>\$10,107,429</u>

#### 5. ACCOUNTS RECEIVABLE

	<b>Year Ended 2007</b>			<b>Year Ended 2006</b>
	<b>Accounts Receivable</b>	<b>Allowance for Doubtful Accounts</b>	<b>Net</b>	<b>Net</b>
<b>Current</b>				
Trade	\$ 1,227,596	\$ 46,037	\$ 1,181,559	\$ 1,170,139
HST rebate	643,462	-	643,462	740,510
Province of New Brunswick	540,956	-	540,956	724,955
Corporate registry	102,020	15,528	86,492	184,794
Employee computer loans	143,076	-	143,076	181,935
Interest receivable	47,166	-	47,166	63,902
	<u>\$ 2,704,276</u>	<u>\$ 61,565</u>	<u>\$ 2,642,711</u>	<u>\$ 3,066,235</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. EQUIPMENT AND SYSTEM DEVELOPMENT

Equipment	Year Ended 2007		
	Cost	Accumulated Amortization	Net
Computers and software	\$ 3,797,724	\$ 2,687,596	\$ 1,110,128
Furniture and equipment	1,457,137	1,039,487	417,650
Leasehold improvements	2,742,344	1,823,539	918,805
Vehicles	19,075	8,247	10,828
	<u>\$ 8,016,280</u>	<u>\$ 5,558,869</u>	<u>\$ 2,457,411</u>
<b>System development</b>			
Systems	\$30,361,481	\$18,539,358	\$11,822,123
Databases	1,018,040	1,018,040	-
Work in process	2,445,475	-	2,445,475
	<u>\$33,824,996</u>	<u>\$19,557,398</u>	<u>\$14,267,598</u>

Equipment	Year Ended 2006		
	Cost	Accumulated Amortization	Net
Computers and software	\$ 3,392,310	\$ 2,145,032	\$ 1,247,278
Furniture and equipment	1,458,979	950,321	508,658
Leasehold improvements	2,443,624	1,521,568	922,056
Vehicles	19,075	4,432	14,643
	<u>\$ 7,313,988</u>	<u>\$ 4,621,353</u>	<u>\$ 2,692,635</u>
<b>System development</b>			
Systems	\$29,642,540	\$ 16,066,589	\$ 13,575,951
Databases	1,018,040	1,016,806	1,234
Work in process	1,755,670	-	1,755,670
	<u>\$32,416,250</u>	<u>\$ 17,083,395</u>	<u>\$ 15,332,855</u>

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Year Ended 2007	Year Ended 2006
<b>Current</b>		
Trade payables	\$ 3,182,927	\$ 3,095,521
Salary and benefit accruals	1,558,321	1,943,878
Deferred employee benefits	230,000	230,000
Payroll deductions payable	64,421	459,757
Province of New Brunswick payables	587,352	651,289
	<u>\$ 5,623,021</u>	<u>\$ 6,380,445</u>

## 8. PARTNER LIABILITIES

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.

Provincial receivables are short-term accounts which are collected from provincial clients and, subsequently, remitted to the Province. Efficiency NB receivables are interest-free loans issued to members of the public to finance energy efficiency improvements to their homes. These loans are administered by Service New Brunswick on behalf of Efficiency NB and can have repayment terms of up to six years. They carry no risk to Service New Brunswick.

	Year Ended 2007		
	Cash	Receivables	Total
Efficiency NB	\$ 402,437	\$ 2,030,911	\$, 2,433,348
Other provincial	6,537,317	93,907	6,631,224
Other partners	2,061,882	-	2,061,882
	<u>\$ 9,001,636</u>	<u>\$ 2,124,818</u>	<u>\$ 11,126,454</u>

	Year Ended 2006		
	Cash	Receivables	Total
Efficiency NB	\$ 149,650	\$ -	\$ 149,650
Other provincial	5,714,273	497,651	6,211,924
Other partners	1,566,811	-	1,566,811
	<u>\$ 7,430,734</u>	<u>\$ 497,651</u>	<u>\$ 7,928,385</u>

## 9. 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 2007	Year Ended 2006
Opening balance	\$ 2,179,044	\$ 1,676,934
Assurance fees collected	519,960	518,610
Less: claims	-	(16,500)
Ending balance	<u>\$ 2,699,004</u>	<u>\$ 2,179,044</u>

## 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 \$212,022 in the year ended March 31, 2007 and \$474,802 in the year ended March 31, 2006. The total amount received since 2002 was \$2,475,090.

## 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, 2007, the Corporation expensed contributions of \$2,006,850 under the terms of the plan. The comparable amount for the year ended March 31, 2006 was \$1,800,755. 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. Using the 2006 valuation, Service New Brunswick has determined the accrued actuarial obligation for this benefit to be \$2,575,635 as at March 31, 2007. At the end of this fiscal year, the Corporation had recorded a total liability of \$1,749,323.

	Year Ended 2007	Year Ended 2006
<b>Accrued benefit obligation</b>		
Beginning balance	\$ 2,417,800	\$ 2,286,241
Current service cost	184,186	172,691
Interest cost on obligation	121,791	114,733
Benefit payments	(148,142)	(155,865)
Accrued benefit obligation	<u>\$ 2,575,635</u>	<u>\$2,417,800</u>
<b>Reconciliation of accrued benefit obligation to accrued benefit liability</b>		
Accrued benefit obligation	\$ 2,575,635	\$2,417,800
Unamortized transitional amount	(826,312)	(929,603)
Accrued benefit liability	<u>\$ 1,749,323</u>	<u>\$1,488,197</u>

**Accrued benefit liability**

Opening balance	\$ 1,488,197	\$ 1,253,348
Retirement allowance expense	409,269	390,714
Benefit payments	(148,142)	(155,865)
Ending balance	<u>\$ 1,749,323</u>	<u>\$ 1,488,197</u>

This estimate is based on current service cost of 0.70% of payroll and an annual discount rate of 5.00%. The transitional obligation 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 (fifteen years).

- 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 \$237,771 at March 31, 2007 and \$316,881 at March 31, 2006.

**12. LEASE COMMITMENTS**

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

2008	\$ 3,360,922
2009	2,980,214
2010	2,964,237
2011	2,954,789
2012	2,246,259
Thereafter	<u>7,211,622</u>
	<u>\$21,718,043</u>





Financial Statements of

**STRAIT CROSSING FINANCE INC.**

Year ended October 30, 2006

**KPMG LLP****Chartered Accountants**

Frederick Square  
77 Westmorland Street Suite 700  
Fredericton NB E3B 6Z3  
Telephone (506) 452-8000  
Fax (506) 450-0072  
Internet [www.kpmg.ca](http://www.kpmg.ca)

One Factory Lane  
Place Marven's  
PO Box 827  
Moncton NB E1C 8N6  
Telephone (506) 856-4400  
Fax (506) 856-4499

Harbour Building  
133 Prince William Street  
PO Box 2388 Stn Main  
Saint John NB E2L 3V6  
Telephone (506) 634-1000  
Fax (506) 633-8828

## 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, 2006 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, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Fredericton, Canada  
December 21, 2006

## STRAIT CROSSING FINANCE INC.

### Statement of Financial Position

October 30, 2006, with comparative figures for 2005

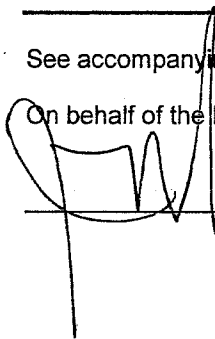
	2006	2005
<b>Assets</b>		
Current assets:		
Cash	\$ 1	\$ 1
Accounts receivable	1,599	1,269
	\$ 1600	\$ 1,270

### Liabilities and Shareholder's Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,599	\$ 1,269
Shareholder's equity:		
Share capital:		
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
1 Share	1	1
	\$ 1,600	\$ 1,270

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, 2006, with comparative figures for 2005

	2006	2005
Revenue:		
Financial maintenance fee (note 2(d))	\$ 20,101	\$ 21,182
Expenses:		
Trustee fees	17,581	18,757
Professional services	2,300	2,185
Filing fees	220	240
	20,101	21,182
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, 2006

---

## 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, 2006

---

### 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.