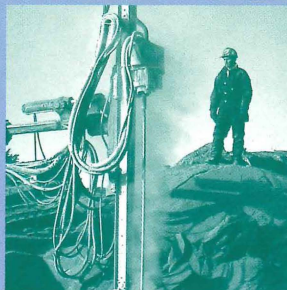
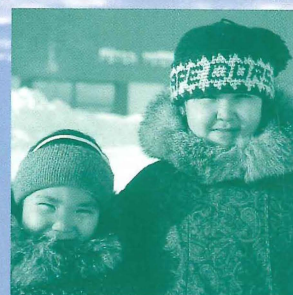
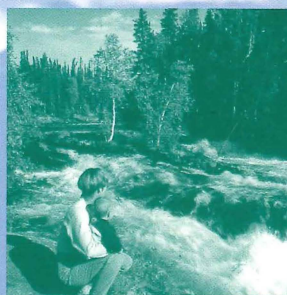


Public Accounts

Northwest Territories • 2002-2003

Section III Supplementary Financial Statements

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Northwest
Territories

PUBLIC ACCOUNTS
OF THE
GOVERNMENT OF THE NORTHWEST TERRITORIES
FOR THE YEAR ENDED MARCH 31, 2003

SECTION III
SUPPLEMENTARY FINANCIAL STATEMENTS

HONOURABLE JOE HANDLEY
Minister of Finance

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**Public Accounts of the
Government of the Northwest Territories**

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Aurora College

Financial Statements

**for the year ended
June 30, 2002**

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AURORA COLLEGE


MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Aurora College ("the College") and all information in this annual report are the responsibility of the College's management and have been reviewed by the Board of Governors. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Management's best estimates and judgements have been used in the preparation of these statements, where appropriate. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

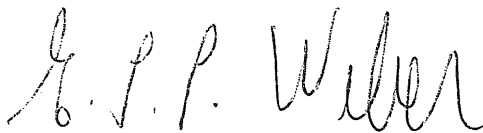
In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and the adherence to the College's policies and statutory requirements.

The Board of Governors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Finance Committee of the Board, which is composed of a majority of Members who are not employees of the College. The Finance Committee meets regularly with management and the external auditors have full and free access to the Finance Committee.

The College's external auditor, the Auditor General of Canada, audits the financial statements and issues her report thereon to the Minister of Education, Culture and Employment.



Maurice Evans
President



Edith Weber
Bursar/Chief Financial Officer

Fort Smith, Canada
October 11, 2002



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister of Education, Culture and Employment
Government of the Northwest Territories

I have audited the balance sheet of the Aurora College as at June 30, 2002 and the statements of operations and equity and cash flow for the year then ended. These financial statements are the responsibility of the College'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 College as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the College and the financial statements are in agreement therewith and the transactions of the College that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* and regulations, the *Public Colleges Act* and regulations and by-laws of the College.

A handwritten signature in black ink, appearing to read 'Roger Simpson'.

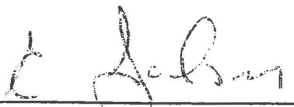
Roger Simpson, CA
Principal
for the Auditor General of Canada

Edmonton, Canada
October 11, 2002


AURORA COLLEGE
BALANCE SHEET
as at June 30, 2002
(thousands of dollars)

	<u>2002</u>	<u>2001</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents (Note 3)	\$ 1,859	\$ 3,078
Accounts receivable (Note 4)	1,730	860
Prepaid expenses	65	186
	<u>3,654</u>	<u>4,124</u>
Capital assets (Note 5)	<u>3,299</u>	<u>3,234</u>
	<u>\$ 6,952</u>	<u>\$ 7,358</u>
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,672	\$ 1,832
Employee leave pay	920	1,059
Due to the Government of the Northwest Territories	450	155
Deferred project income	427	208
Current portion of employee future benefits	195	206
	<u>3,664</u>	<u>3,460</u>
Deferred capital contributions	356	143
Professional development fund (Note 6)	510	477
Employee future benefits (Note 7)	780	822
	<u>5,310</u>	<u>4,902</u>
<u>EQUITY</u> (Note 8)	<u>1,642</u>	<u>2,456</u>
	<u>\$ 6,952</u>	<u>\$ 7,358</u>
Commitments (Note 11)		

Approved by the Board:



Earl Jacobson
Chairperson of the Board



Gina Dolphus
Chairperson of the Finance Committee

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

AURORA COLLEGE

STATEMENT OF OPERATIONS AND EQUITY
for the year ended June 30, 2002
(thousands of dollars)

	<u>2002</u>	<u>2001</u>
<u>REVENUE</u>		
Government contributions (Note 9)	\$ 23,683	\$ 22,555
Project income		
Territorial government	3,909	3,036
Federal government	696	335
Other	1,449	875
Tuition fees	1,500	1,339
Room and board	722	679
Investment income	105	246
Other	<u>895</u>	<u>605</u>
TOTAL REVENUE	<u>32,959</u>	<u>29,670</u>
<u>EXPENSES</u>		
Compensation and benefits	17,994	16,771
Contract services	8,118	6,565
Materials and supplies	2,643	2,205
Utilities	1,317	1,363
Fees and payments	1,383	1,177
Travel and accommodation	1,236	1,074
Communication, postage and freight	688	454
Amortization of capital assets	<u>394</u>	<u>337</u>
TOTAL EXPENSES	<u>33,773</u>	<u>29,946</u>
(DEFICIT)	(814)	(276)
EQUITY AT BEGINNING OF YEAR	<u>2,456</u>	<u>2,732</u>
EQUITY AT END OF YEAR	<u>\$ 1,642</u>	<u>\$ 2,456</u>

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

AURORA COLLEGE

**CASH FLOW STATEMENT
for the year ended June 30, 2002
(thousands of dollars)**

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities		
(Deficit)	\$ (814)	\$ (276)
Non-cash transactions:		
Loss (Gain) on disposal of capital assets	5	(15)
Amortization of deferred capital contributions	(45)	(18)
Amortization of capital assets	394	337
	<u>(460)</u>	<u>28</u>
Changes in non-cash items		
Accounts receivable and prepaid expenses	(749)	153
Accounts payable and other current liabilities	215	(88)
Employee future benefits	(53)	79
Professional development fund	34	183
	<u>(553)</u>	<u>327</u>
Cash (used by) generated from operating activities	<u>(1,013)</u>	<u>355</u>
Cash flows from financing activities		
Capital contributions	<u>259</u>	<u>136</u>
Cash flows from investing activities		
Proceeds from sale of equipment	20	15
Acquisition of capital assets	(485)	(997)
Cash used by investing activities	<u>(465)</u>	<u>(982)</u>
Net (decrease) in cash	(1,219)	(491)
Cash and cash equivalents at beginning of year	<u>3,078</u>	<u>3,569</u>
Cash and cash equivalents at end of year	<u>\$ 1,859</u>	<u>\$ 3,078</u>

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

AURORA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2002

1. AUTHORITY AND MANDATE

The Aurora College is established under the *Public Colleges Act*. The College is a territorial corporation under the *Financial Administration Act* and is exempt from income taxes.

Aurora College is a multi-campus institution designed to provide a wide variety of educational services to adult learners of the Northwest Territories (NWT). The programs are directed specifically to the northern environment and the needs of individual northerners, the workforce and northern communities. To accomplish this, courses and services are delivered at campuses and communities throughout the NWT. Through the work of the Aurora Research Institute, the College is also responsible for the facilitation and preparation of research activity in the NWT.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. A summary of significant accounting policies follows:

a) **Measurement Uncertainty**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the College to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these statements, the College believes the estimates and assumptions to be reasonable. One of the more significant management estimates relates to determining the liability for employee future benefits.

b) **Capital assets**

Capital assets transferred to the College when it was established were recorded at their estimated fair market value. Subsequent acquisitions are recorded at cost. Capital assets are amortized over their estimated remaining lives on a straight-line basis at the following annual rates:

Furniture and equipment	20 - 40%
Mobile equipment	10 - 33.33%
Building additions and renovations	5%
Leasehold improvements over the term of the lease	

c) Employee future benefits

Pension benefits

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The College's contribution to the plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the College and are charged to operations on a current basis. The College is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Non-pension benefits

The College is required to recognize certain non-pension post-employment benefits over the periods which employees render services to the College. Employees are entitled to specified benefits on termination as provided for under conditions of employment, through a severance benefit plan. The College recognizes the cost of future severance benefits over the periods in which the employees render services to the entity and the liability for these benefits is recorded in the accounts as the benefits accrue to employees.

d) Government contributions and deferred capital contributions

Under a contribution agreement with the Government of the Northwest Territories (the Government) dated January 25, 1995, the College receives contributions for its operations and capital requirements for the administration and delivery of its adult and post-secondary education programs. Under the terms of this agreement, the College is allowed to retain all surpluses and is responsible for all deficits.

Contributions from the Government are the amounts set out in the Government's Main Estimates, as adjusted by supplementary appropriations, and represent the majority of the funding for the College to cover its expenses. Contributions for operating expenses are recognized on the statement of operations and equity in the College academic year for which it is approved. Contributions for depreciable capital assets are deferred and amortized on the same basis and in the same periods as the underlying capital assets.

e) Project income and deferred project income

The College provides education and research services to outside parties through contractual arrangements. Payments received under these contracts for which the development and delivery of projects is not completed are recorded as deferred project income until completion.

f) Contract services

Contract services are acquired by the College through contractual arrangements. They include printing services, advertising, building and equipment repairs, software development, curriculum development, food service contracts, janitorial contracts, instruction contracts, leases and rental agreements. These amounts are charged as an expense in the year the service is rendered.

3. CASH AND CASH EQUIVALENTS

The College's cash balances are pooled with the Government's surplus cash and are invested in a diversified portfolio of high-grade short term income producing assets. The cash can be withdrawn from the bank accounts at any time and is not restricted by maturity dates on investments made by the Government. The Department of Finance approves the eligible classes of securities, categories of issuers, limits and terms. All instruments, depending on their investment class, are rated R-1 Middle Low or better by the Dominion Bond Rating Service Ltd. The College's average annual investment yield for the year ended June 30, 2002 was 2.63% (2001 5.13%.)

4. ACCOUNTS RECEIVABLE

		<u>2002</u> (thousands	of	<u>2001</u> dollars)
	Accounts Receivable	Allowance	Net	Net
Government contributions	\$ 115	\$ -	\$ 115	\$ 257
Project income				
- Government	683	2	681	285
- Other	886	66	820	229
Students	403	295	108	75
Advances	6	-	6	14
	<u>\$ 2,093</u>	<u>\$ 363</u>	<u>\$ 1,730</u>	<u>\$ 860</u>

All receivables are currently due and the fair value of these receivables approximates their carrying value.

5. CAPITAL ASSETS

	<u>2002</u>		<u>2001</u>	
	<u>(thousands of dollars)</u>			
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$1,055	\$ 574	\$ 481	\$ 128
Mobile equipment	1,961	965	996	1,076
Leasehold improvements	782	503	279	387
Building additions and renovations	1,991	448	1,543	1,643
	<u>\$ 5,789</u>	<u>\$ 2,490</u>	<u>\$3,299</u>	<u>\$3,234</u>

6. PROFESSIONAL DEVELOPMENT FUND

Under collective agreements, the College is required annually to make available a specific amount of funding, against which approved instructor professional development expenses are charged. The balance represents the accumulated unspent amount of the College's obligation to instructors.

7. EMPLOYEE FUTURE BENEFITS

Pension benefit

During the year the Public Service Superannuation Plan (PSSA) required the College to contribute to the PSSA at a rate of 2.14 times the employees' contributions. Employer contributions to the PSSA during the year were approximately \$1,322,000 (2001-\$1,200,000).

8. EQUITY

The equity balance includes the net book value of capital assets transferred to the college when it was established and the results of operations since that date. The following appropriations have been made from equity:

(thousands of dollars)

<u>Appropriated equity:</u>	<u>Balance, opening</u>	<u>Net deficit</u>	<u>Appropriated</u>	<u>Used in Operations</u>	<u>Balance, ending</u>
a) Program delivery	\$ 117	\$ -	\$ -	\$ -	\$ 117
b) Research & development	68	-	24	(16)	76
c) HEO replacement & maintenance	84	-	80	-	164
d) Restricted Donations	5	-	26	(10)	21
<u>Unappropriated equity:</u>	<u>2,182</u>	<u>(814)</u>	<u>(130)</u>	<u>26</u>	<u>1,264</u>
Total equity	<u>\$2,456</u>	<u>\$ (814)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,642</u>

a) Appropriated for Program Delivery

This appropriation is established to cover program costs contemplated in the annual Programs and Services Proposal prepared by the College, for which Government funding has not been approved. Allocations to and from this appropriation must be approved by the Board of Governors.

b) Appropriated for Research & Development

This appropriation is established to help fund research and development of the Research Associate and Fellowship programs at the Aurora Research Institute (ARI). Annually all unencumbered ARI administration revenue after fulfillment of third party contracts is transferred to this appropriation. Use of the appropriation must be approved by the Research Advisory Council.

c) Appropriated for HEO (Heavy Equipment Operator) Replacement & Maintenance

This appropriation is established to help fund replacement and maintenance of the HEO program heavy equipment. Annually net equipment rental fees charged to the third party contractors for HEO courses are transferred to this appropriation. Use of the appropriation must be approved by the Board of Governors.

d) Restricted Donations

From time to time, the College receives donations from individuals and corporations with conditions attached to them. In order to ensure that the wishes of the contributors are carried out, the donations are transferred to restricted donations until the conditions are met.

9. GOVERNMENT CONTRIBUTIONS

	<u>2002</u>	<u>2001</u>
	<u>(thousands of dollars)</u>	
Operating contributions	\$ 23,652	\$ 22,523
Amortization of deferred capital contributions	45	18
Other	<u>(14)</u>	<u>14</u>
	<u>\$ 23,683</u>	<u>\$ 22,555</u>

10. RELATED PARTIES

The College is related in terms of common ownership to all Government created departments, agencies and Crown corporations. The College enters into transactions with these entities in the normal course of business at normal trade terms.

Expenses

Under terms of administrative agreements, the Government provides and charges for certain support services to the College. The College reimbursed the Government \$1,774,000 (2001 - \$1,093,000) for facility operating and utility costs, employee benefits and other expenses recorded in these statements.

Services Provided Without Charge

Additional services provided by the Government without charge to the College include payroll processing, insurance and risk management, legal counsel, construction management, records storage, computer operations, asset disposal, project management, and translation services. These services would have cost the College an estimated \$540,000 (2001 - \$363,000).

The College also receives from the Government, without any rental charges, the use of facilities for two of its campuses, certain student housing units and community learning centres. The cost of these services provided without charge are not included in these financial statements.

11. COMMITMENTS

In addition to facilities provided by the Government, the College has operating leases and service agreements for student accommodation, classroom space, office equipment and other services and is committed to basic payments as follows:

	(thousands of dollars)
2003	\$ 2,719
2004	2,691
2005	2,625
2006	2,571
2007	2,528
thereafter	<u>11,989</u>
	<u>\$ 25,123</u>

**Workers' Compensation Board
(Northwest Territories and Nunavut)**

Financial Statements

**for the year ended
December 31, 2002**

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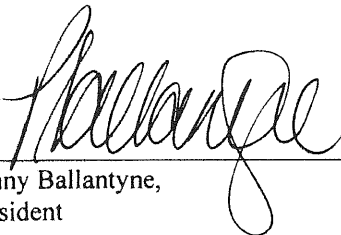
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Workers' Compensation Board is responsible for the preparation, integrity and objectivity of the financial statements and related information presented in this Annual Report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and have been approved by the Board of Directors. Where appropriate, the preparation of financial information contained in this report includes estimates and judgements based on careful consideration of information available to management.

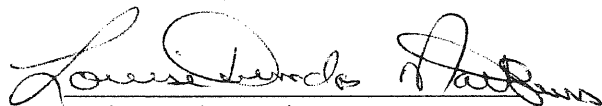
Management has developed, and maintains, books of accounts, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information in accordance with the Northwest Territories and Nunavut *Workers' Compensation Acts* and regulations, the Northwest Territories and Nunavut *Financial Administration Acts* and regulations, and policies of the Board. The Board of Directors ensures that management fulfils its responsibilities for financial reporting, internal control and safeguarding assets.

The Board oversees management's responsibilities for financial reporting, and reviews and approves the financial statements. The Auditor General of Canada annually provides an independent, objective audit of the financial statements for the purpose of expressing her opinion on these financial statements. She also considers whether the transactions that come to her notice in the course of this audit are, in all material respects, in accordance with the specified legislation.

Hewitt Associates, an independent firm of consulting actuaries, has been engaged to provide an opinion on the adequacy and appropriateness of the actuarial valuation of the future benefits liability of the Workers' Compensation Board.



Penny Ballantyne,
President



Louise Dundas Matthews,
Chief Financial Officer

March 28, 2003



AUDITOR'S REPORT

To the Ministers of the Workers' Compensation Board
of Northwest Territories and Nunavut

I have audited the balance sheet of the Workers' Compensation Board of Northwest Territories and Nunavut as at December 31, 2002 and the statements of operations, reserves and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Northwest Territories and Nunavut *Financial Administration Acts*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Board, and the financial statements are in agreement therewith and the transactions of the Board that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the Northwest Territories and Nunavut *Financial Administration Acts* and regulations and the Northwest Territories and Nunavut *Workers' Compensation Acts* and regulations.

Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

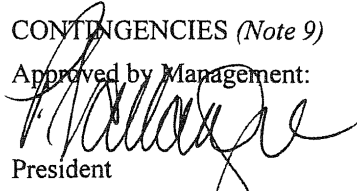
Ottawa, Canada
March 28, 2003

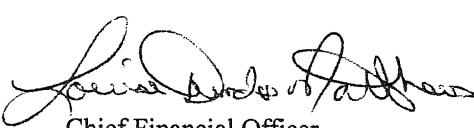
WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
BALANCE SHEET
as at December 31, 2002
(in thousands of dollars)

	2002	2001
	\$	\$
ASSETS		
Current		
Cash and cash equivalents <i>(Note 3a)</i>	6,354	3,821
Accrued interest receivable	623	568
Assessments receivable	2,077	2,443
Prepaid expenses	131	120
Other receivables	39	15
	9,224	6,967
Investments <i>(Note 3b)</i>	249,663	255,216
Capital assets, net <i>(Note 4)</i>	4,698	4,463
	263,585	266,646
LIABILITIES AND RESERVES		
Current liabilities		
Accounts payable and accrued liabilities	3,402	2,332
Assessments refundable	692	1,322
Obligation under capital lease, current portion <i>(Note 5a)</i>	252	232
	4,346	3,886
Benefits liability <i>(Note 7)</i>	205,541	198,793
Obligation under capital lease <i>(Note 5a)</i>	2,160	2,412
	212,047	205,091
Reserves		
Operating reserve	10,010	42,372
Rate subsidy reserve	22,000	-
Safety reserve	178	178
Catastrophe reserve	19,350	19,005
	51,538	61,555
	263,585	266,646

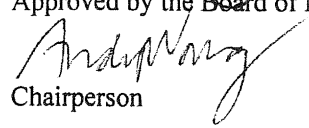
CONTINGENCIES *(Note 9)*

Approved by Management:


President


Chief Financial Officer

Approved by the Board of Directors:


Chairperson

See accompanying notes and schedule.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
STATEMENT OF OPERATIONS
For the year ended December 31, 2002
(in thousands of dollars)

	2002	2001
	\$	\$
<hr/>		
REVENUE		
Assessments	20,079	15,601
Investment revenue <i>(Note 3c)</i>	13,936	22,452
Recoveries	873	798
	<hr/>	<hr/>
	34,888	38,851
<hr/>		
EXPENSES		
Cost of Claims, current year <i>(Note 7)</i>	25,263	26,501
Cost of Claims, prior years <i>(Note 7)</i>	6,486	11,656
	<hr/>	<hr/>
	31,749	38,157
Administration and general expenses <i>(Schedule)</i>	13,156	12,098
	<hr/>	<hr/>
	44,905	50,255
<hr/>		
Loss from operations	(10,017)	(11,404)
	<hr/>	<hr/>

See accompanying notes and schedule.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
STATEMENT OF RESERVES
as at December 31, 2002
(in thousands of dollars)

	2002 \$	2001 \$
Operating reserve (Note 8a)		
Balance, beginning of year	42,372	53,234
Net loss for the year	(10,017)	(11,404)
Transfer to Rate Subsidy reserve	(22,000)	-
Transfer from Safety reserve	-	47
Transfer to Catastrophe reserve	(345)	(1,005)
Transfer from Special reserve	-	1,500
Balance, end of year	10,010	42,372
Rate subsidy reserve (Note 8b)		
Balance, beginning of year	-	-
Transfer from Operating reserve	22,000	-
Balance, end of year	22,000	-
Safety reserve		
Balance, beginning of year	178	225
Transfer to Operating reserve	-	(47)
Balance, end of year	178	178
Catastrophe reserve (Note 8c)		
Balance, beginning of year	19,005	18,000
Transfer from Operating reserve	345	1,005
Balance, end of year	19,350	19,005
Special reserve		
Balance, beginning of year	-	1,500
Transfer to Operating reserve	-	(1,500)
Balance, end of year	-	-

See accompanying notes and schedule.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
STATEMENT OF CASH FLOWS
For the year ended December 31, 2002
(in thousands of dollars)

	2002	2001
	\$	\$
<hr/>		
OPERATING ACTIVITIES		
Cash received from:		
Employers for assessments	20,664	16,446
Investment revenue on short term investments	98	105
Cash paid to:		
Claimants or third parties on their behalf	(24,297)	(18,295)
Suppliers for administration and other goods and services	(12,119)	(15,521)
<hr/>		
Cash used in operating activities	(15,654)	(17,265)
<hr/>		
INVESTING ACTIVITIES		
Transfers from investment managers	19,336	18,493
Purchases of capital assets	(1,149)	(314)
<hr/>		
Cash provided by investing activities	18,187	18,179
<hr/>		
Increase in cash and cash equivalents	2,533	914
Cash and cash equivalents, beginning of year	3,821	2,907
<hr/>		
Cash and cash equivalents, end of year	6,354	3,821
<hr/>		

See accompanying notes and schedule.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2002
(all amounts in thousands of dollars)

Note 1 Authority, Mandate and Operations

The Workers' Compensation Board (the Board) was established by, and is responsible for the administration of the *Workers' Compensation Act*. Effective April 16, 1996, the Board also assumed responsibility for safety enforcement under the *Mine Health and Safety Act*, the *Safety Act* and the *Explosives Use Act*. Effective April 1, 1999, the Board also assumed responsibility for the administration and enforcement of the *Workers' Compensation Act*, the *Mine Health and Safety Act*, the *Safety Act* and the *Explosives Use Act* for the Government of Nunavut.

The mandate of the Board is to provide compensation for injury or death by accident arising out of, and in the course of, employment. Assessments required to meet the costs of compensation, pension awards and administration are levied upon employers on the basis of a percentage of their assessable payroll. In addition, the mandate of the Board includes accident prevention. The NWT Operations and Nunavut Operations divisions are responsible for developing safety awareness and for monitoring safety in the workplace.

The *Nunavut Act* created the Nunavut Territory effective April 1, 1999, resulting in the division of the Northwest Territories. The Government of the Northwest Territories and the Government of Nunavut have signed an Inter-Governmental Agreement for a shared Workers Compensation Board to allow the Workers' Compensation Board to remain as a single entity serving both territories. Cancellation of this agreement by either party requires one full fiscal year's notice.

Note 2 Significant Accounting Policies

a) Investments

Equity investments are valued using a moving average market value method, using a five-year amortization of gains and losses that arise on the sale of investments, or that arise as a result of changes in the market value of those investments.

Fixed term investments are recorded at cost at the time of purchase. The realized gain or loss on the sale of an investment is amortized over the remaining period to maturity of the investment, based on the average period for these securities disposed of during the year. For pooled funds, the amortization period is five years.

Investments denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the end of the year. Income is translated at the rate in effect at the time of receipt. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are amortized into investment income over a five-year period.

The Board's international investment manager uses derivative financial instruments to manage operating exposure to foreign exchange fluctuations. These contracts are carried on a market value basis. Premiums paid or received on these instruments are treated as revenue at the time of purchase. Net receipts or payments are recognized in income on an accrual basis in the same period and the same financial statement category to which the contract is related.

A decline in market value which is considered other than temporary is recognized immediately.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2002

(all amounts in thousands of dollars)

b) Capital Assets

Capital assets are recorded at cost and amortized over their estimated useful lives under the straight-line method as follows:

Furnishings	10 years
Equipment, including application software	5 years
Leasehold improvements and office space (leased)	Over the term of the lease
Computer systems software developed for WCB	8 years

Assets recorded as capital leases are amortized on the straight-line method over the lease term. Obligations recorded under capital leases are reduced by rental payments net of imputed interest.

c) Administration and General Expenses

A portion of administration and general expenses is allocated as claims management costs between current year's claims and prior years' claims. The amount allocated to prior years' claims is based on actuarially determined rates applied to the amount of claims payments for prior year injuries. The amount allocated to current year's claims is based on the proportion of claims expenditures processed for current year injuries. The costs allocated are the direct costs related to the managing of claims, pensions and rehabilitation services.

d) Benefits Liability

The Benefits Liability is estimated annually using an actuarial valuation and is comprised of:

- i. the future pension liability which represents the present value of future payments in respect of approved pension awards;
- ii. the future claims liability which represents the present value of future payments in respect of medical aid benefits, compensation payments and the capitalized value of future pension awards for all claims arising from accidents occurring prior to the end of the fiscal year; and
- iii. provision for claims management expenses, at 35% of the future claims liability, 9% of the future pension liability, and 21% for the Hunters and Trappers benefits liability.

Many assumptions are required in the calculation of the liability, including estimates of future inflation, interest rates and mortality rates. The amount of liability is determined on a basis which allows for future inflationary increases by using a discount rate of 3.5% per annum. Actual claims expenses are not predictable with certainty and, accordingly, may vary from the actuarial valuation of the liability.

The benefits liability is reviewed annually by an independent actuary. The opinion on the adequacy and appropriateness of the actuary's valuation of the future claims and pension liabilities as at December 31, 2002 is attached to these Financial Statements.

e) Funding Policy

The funding policy of the Board is to maintain both the future pension liability and the future claims liability at a fully funded level at each year end. The percentage funded is calculated as the ratio of total assets divided by the sum of total liabilities plus the catastrophe reserve. Fully funded status is maintained when this ratio is equal to, or greater than, one.

f) Reserves

The operating and catastrophe reserves are maintained to provide a margin of protection against adverse financial experience which could unduly burden future employers. Adverse experience could arise in respect of the following risks:

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2002
(all amounts in thousands of dollars)

- i. disasters and catastrophes;
- ii. lower than expected investment results; or
- iii. other unanticipated events such as lower than anticipated assessment revenues or higher than anticipated claims costs.

Operating Reserve

The operating reserve was created by the *Workers' Compensation Act*.

Assessment rates are adjusted to bring the operating reserve to its target level over a period of between two years and ten years, depending on the margin by which the operating reserve is above or below the target range. The range of tolerance for the operating reserve is plus or minus 50% of the target amount.

Catastrophe Reserve

The catastrophe reserve was created by the Board of Directors. A catastrophic claim is an accident or event that meets one or more of the following criteria:

- i. A single incident resulting in more than four fatal claims or serious injuries;
- ii. The nature of an incident is not consistent with the risk inherent in industry; or
- iii. The result of a single incident causes an increase of greater than 10% to a rate group.

The Board has adopted a pre-funding approach for the Catastrophe reserve to be maintained in an amount equal to 300 times the Year's Maximum Insurable Remuneration (YMIR).

Rate Subsidy Reserve

The Rate Subsidy Reserve was established by the Board in 2002 to identify the net assets available to fund the provision of a rate subsidy to employers on their assessments. This reserve is determined after the target levels for the operating reserve and catastrophe reserve have been maintained.

g) Employee Future Benefits

Pension Benefits

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Board's contribution to the Plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Board and are charged to operations on a current basis. The Board is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account (PSSA).

Non-pension Benefits

Employees are entitled to specified benefits on termination as provided for under conditions of employment, through a severance benefit plan. The Board recognizes the cost of future severance benefits over the periods in which the employees render services to the Board and the liability for these benefits is recorded in the accounts as the benefits accrue to employees.

h) Assessment Revenue

Current year revenues are estimated at year end based on actual payrolls submitted by employers. Adjustments to assessment revenues are accounted for in the year that the amounts are determined. An allowance is included in assessments refundable for potential adjustments of current and prior years' payrolls.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2002
(all amounts in thousands of dollars)

i) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Board to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these financial statements, the Board believes the estimates and assumptions to be reasonable. Significant management estimates relate to the valuation of assets, future benefits liability, employee future benefits liability and assessment revenue.

Note 3 Investments

a) Cash and Cash Equivalents

The Board invests in the short-term money market. The overall yield of this portfolio is 2.3% at December 31, 2002 (2001 - 4.1%). All instruments held in cash and cash equivalents are in high quality debt obligations issued or guaranteed by Canadian, Provincial, or Territorial governments, Canadian Chartered banks or Loan or Trust companies registered in Canada. The Board's investment policy limits investment in cash and cash equivalents to a maximum of 10% of the total investment portfolio.

	2002 \$	2001 \$
Cash in bank	313	117
Cash in trust	966	1,108
Short term investments	5,075	2,596
	6,354	3,821

Included in the amounts above is C \$618 (2001 - C \$531) in foreign currencies.

Fair value approximates carrying value due to their short term nature.

b) Long-term investments

	2002		2001	
	Carrying Value \$	Fair Value \$	Carrying Value \$	Fair Value \$
Fixed term investments				
Indexed funds	84,746	83,423	97,312	94,602
Other	45,038	47,782	44,311	46,062
	129,784	131,205	141,623	140,664
Equity investments	115,617	103,469	111,541	121,186
Investments maturing within one year	4,262	4,262	2,052	2,052
	249,663	238,936	255,216	263,902

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2002

(all amounts in thousands of dollars)

Included in the carrying value at December 31, 2002 are net unamortized losses of \$11,751 (2001 - \$10,745 net unamortized gains). Management has reviewed currently available information regarding those investments whose estimated fair value is less than carrying value and has determined that the carrying values are expected to be recovered. Fair values for equity investments and marketable fixed term investments are the closing value (i.e. market value) on the appropriate exchange at December 31.

The maturity periods of the fixed income portfolio (other) as at December 31, 2002 are as follows:

Term to maturity	2002		2001	
	Cost	Fair Value	Cost	Fair Value
	\$	\$	\$	\$
Government of Canada				
After one through five years	11,343	11,403	5,572	5,554
After five years	13,340	13,721	20,898	20,635
Provincial/territorial securities and securities guaranteed by provinces/territories				
After five years	7,220	8,059	6,587	7,361
Corporate securities				
Due in one year or less	1,000	1,015	-	-
After one through five years	2,958	3,031	1,706	1,778
After five years	10,059	10,553	10,436	10,734
	45,920	47,782	45,199	46,062
Less: Unamortized gains	(882)		(888)	
Carrying value	45,038		44,311	

c) Investment Revenue

	2002		2001	
	Interest & Dividends	Gains (Losses)	Interest & Dividends	Gains (Losses)
	\$	\$	\$	\$
Fixed term investments				
Fixed term investments	8,531	910	8,606	1,532
Equity investments	2,548	2,850	2,751	10,362
Investments maturing within one year	21	-	200	-
	11,100	3,760	11,557	11,894
Total investment revenue	14,860		23,451	
Less: Investment fees	(1,022)		(1,104)	
Add: Interest on Cash and cash equivalents	98		105	
	13,936		22,452	

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2002
(all amounts in thousands of dollars)

Investments are managed by the Board's external investment managers. The market yield of the portfolio, as provided by our performance measurement service, is as follows:

	2002	2001
Fixed term	9.1%	7.8%
U.S. equities	-20.9%	-3.8%
International equities	-18.7%	-15.1%
Canadian equities	-6.7%	2.0%

d) Investment Policies

The Board's investment target and actual asset mix at December 31 is as follows:

	Fair Value		Actual	
	Maximum	Minimum	2002	2001
Fixed term (including cash and cash equivalents)	55%	45%	53.6%	52.6%
Canadian equities	25%	15%	21.0%	21.1%
U.S. equities	15%	5%	9.0%	10.5%
Non-North American equities	20%	10%	12.1%	13.6%
Cash and cash equivalents	10%	0%	4.2%	2.2%

e) Credit Risk Management

Credit risk on financial instruments arises from the possibility that the issuer of a fixed-term instrument fails to meet its obligations; therefore, short term investments have a minimum credit rating of A-1 or its equivalent. Fixed income of a longer term instrument have a minimum credit rating of BBB or its equivalent. These ratings are performed by an independent rating service.

f) Interest Rate Risk Management

Fluctuations in interest rates are managed by actively managing the duration of the fixed income portfolio. The maturity periods of the indexed fixed income portfolio will closely approximate that of the Scotia McLeod Universe (SMU). The effective and coupon rates of return on the other fixed income portfolio as at December 31 are as follows:

	Interest Receivable Basis	2002		2001	
		Effective Rate (% range)	Coupon Rate (% range)	Effective Rate (% range)	Coupon Rate (% range)
Government of Canada	Semi-annual	3.29 - 5.53%	4.00 - 8.00%	3.75 - 6.01%	4.00 - 8.75%
Provincial/territorial securities and securities guaranteed by provinces/territories	Semi-annual	5.68 - 6.54%	5.90 - 13.00%	5.48 - 6.85%	5.25 - 13.00%
Corporate securities	Semi-annual	4.34 - 7.20%	5.30 - 10.62%	5.08 - 8.43%	5.75 - 10.63%

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2002
(all amounts in thousands of dollars)

g) Foreign Currency Balances

The Board has investments denominated in foreign currencies. In addition, the Board has derivative financial instruments (DFI) denominated in various currencies. The purpose of these financial instruments is to optimize the yields for the Board, while sustaining acceptable levels of risk due to foreign currency exposure. The only derivative financial instruments used are forward foreign exchange contracts, which all mature within 90 days of the year end. The total unrealized losses at December 31, 2002 are \$59 (2001 gains - \$47), which are included in gains and losses of the corresponding investments in accordance with the investment policy (*Note 2a*).

The following chart shows where the Board has exposure to foreign currency risk.

Currency	Investments C \$ (fair value)	Derivative Financial Instruments	2002 Net Exposure	2001 Net Exposure
United States dollar	\$ 23,058	\$ -	\$ 23,058	\$ 28,573
Euro currency	10,393	-	10,393	13,797
Pound sterling	9,289	-	9,289	10,441
Japanese yen	4,158	(1,154)	3,004	4,119
Swiss franc	3,884	-	3,884	4,233
Australian dollar	996	-	996	1,046
Hong Kong dollar	851	-	851	1,057
Danish krone	1	-	1	160
Singapore dollar	-	-	-	113
Swedish krona	-	-	-	214
	52,630	(1,154)	51,476	63,753

Note 4 Capital Assets

	Cost \$	Accumulated Amortization \$	2002 Net Book Value \$	2001 Net Book Value \$
Assets under capital lease	4,242	2,706	1,536	1,749
Leasehold improvements	2,621	1,332	1,289	1,418
Equipment	2,773	1,489	1,284	621
Computer software, customized	735	241	494	575
Furnishings	346	251	95	100
	10,717	6,019	4,698	4,463

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2002
(all amounts in thousands of dollars)

Note 5 Leases

a) Obligation under Capital Lease

The Board leases office premises on the third and fourth floors of the Centre Square Tower in Yellowknife, Northwest Territories, expiring April 30, 2010. This lease has been classified as a capital lease. The Board is committed to payments of \$436 per annum, including an implicit interest rate of 8%. The Board is also responsible for its proportional share of operating and maintenance expenses based on its share of space occupied. These expenses are based on the actual operating and maintenance costs of the lessor which are variable; therefore, these costs are not included in the table shown below.

Fair value approximates carrying value of the liability.

	Future Minimum Lease Payments \$	Imputed Interest at 8% \$	2002 Lease Obligation \$
Current	436	184	252
Non-current			
2004	436	163	273
2005	436	140	296
2006	436	116	320
2007	436	89	347
Thereafter	1,016	92	924
	2,760	600	2,160

b) Operating Leases

Costs of operating leases are charged to operations on a straight line basis over the term of the lease.

Note 6 Employee Future Benefits

During the year, the Public Service Superannuation Plan required the Board to contribute to the PSSA at a rate of 2.14 times the employee's contributions. Contributions to the PSSA during the year were \$963 (2001 - \$814).

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2002
(all amounts in thousands of dollars)

Note 7 Benefits Liability

	Medical Aid \$	Compensation \$	Pension Capitalization \$	Pension Awards \$	2002 Total \$	2001 Total \$
Balance, January 1	22,898	21,182	28,983	125,730	198,793	182,693
Claims expenses						
Current year	6,124	9,548	9,153	438	25,263	26,501
Prior years	1,818	(508)	(402)	5,578	6,486	11,656
Liability transfer, capitalizations	-	-	(6,111)	6,111	-	-
Recoveries from third parties	-	466	-	-	466	101
	30,840	30,688	31,623	137,857	231,008	220,951
Less: Claims payments						
Current year injuries						
Claims payments	1,114	1,937	-	-	3,051	2,821
Claims management	294	511	-	-	805	750
Prior years' injuries						
Claims payments	3,835	3,886	-	10,264	17,985	15,575
Claims management	1,342	1,360	-	924	3,626	3,012
	6,585	7,694	-	11,188	25,467	22,158
Balance, December 31	24,255	22,994	31,623	126,669	205,541	198,793

Note 8 Reserves

The Board is fully funded at year end to meet its obligations and maintain an appropriate catastrophe reserve.

a) Operating Reserve

The target level at year end was \$7,982 (2001 - \$5,239). The target range at year end was \$3,991 to \$11,973.

b) Rate Subsidy Reserve

The funding policy of the Board provides for discounts on assessment rates when the operating reserve exceeds its target range. During the year, a discount of 35% was applied to assessment rates (2001 - 35%).

c) Catastrophe Reserve

The target level for the catastrophe reserve provides for the average cost of a disaster. The target level of the reserve at the end of the year is \$19,350 (2001 - \$19,005).

Note 9 Contingencies

The Board has commenced an action against third parties as a result of the deaths of nine miners in an explosion at a worksite. As at the year end, the amount of any recoveries cannot be reasonably estimated.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2002
(all amounts in thousands of dollars)

The Board has a number of other legal claims outstanding for recovery of compensation expenses from third parties. Recovery of these amounts cannot be reasonably estimated; therefore, no amount is recorded in the these financial statements. Settlement of legal claims are recognized in the year in which settlement occurs. Legal claims settled during the year resulted in recoveries of \$466 (2001 - \$101). These recovered amounts are netted against total claims expenses.

The Board has reviewed an appeal made with regard to an overpayment of assessments by an employer. The Board estimates that it will not owe any amount related to this appeal. While this liability is not recorded in the financial statements, due to its uncertain nature, the amount of potential loss has been estimated at a maximum of \$978.

Under the *Workers Compensation Acts* of the Northwest Territories and Nunavut, the Board is responsible for the costs of transporting injured workers from the worksite to the nearest healthcare facility as defined in the Northwest Territories and Nunavut *Hospital Insurance and Health and Social Services Administration Act*. Since the inception of the Nunavut Territory on April 1, 1999, the Board has not received an invoice from the Government of Nunavut to recover related medical travel costs, if any, which it may have incurred on behalf of the Board. The Government of Nunavut has expressed its intention to invoice the WCB for these costs. The total cost of this travel has been estimated between \$400 to \$650. Due to the uncertainty of the amount, a liability has been accrued in these financial statements in the amount of \$400.

Note 10 Commitments

In addition to office premises recorded as capital leases, the Board leases office premises in Yellowknife, Inuvik, Rankin Inlet and Iqaluit which have been classified as operating leases. The Board is also responsible for its proportionate share of operating and maintenance expenses based on the amount of space occupied. These expenses are based on the actual operating and maintenance costs of the lessor which vary; therefore, these costs are not included in the table shown below. The Board leases office equipment in Yellowknife, Rankin Inlet and Iqaluit under an operating lease agreement. The Board also leases accommodations in Inuvik, Rankin Inlet and Iqaluit for terms not exceeding one year.

Minimum lease payments under operating leases over the next five years, and in aggregate, are as follows:

	\$
2003	792
2004	544
2005	491
2006	405
2007	169
Thereafter	91
	2,492

Note 11 Related Party Transactions

The Board is related to all departments, agencies and Crown corporations of the Government of the Northwest Territories and the Government of Nunavut. The Board enters into transactions with these entities in the normal course of business.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2002
(all amounts in thousands of dollars)

The following table summarizes the Board's assessments revenue from related parties entered into in the normal course of operations.

	2002	2001
	\$	\$
Government of the Northwest Territories	914	640
Government of Nunavut	805	616
Public Agencies	130	127
	1,849	1,383

Balances due from related parties as at December 31, 2002 are as follows:

	2002	2001
	\$	\$
Government of Nunavut	1,077	798
Government of the Northwest Territories	181	72
Public Agencies	14	-
	1,272	870

Through memoranda of understanding with the Governments of the Northwest Territories and Nunavut, the Board charges the governments for the costs of administering benefits relating to hunters and trappers claims. These costs include the increase or decrease in the future benefits liability related to hunters and trappers claims; therefore, a significant decrease in the future benefits liability can result in a refund by the Board to either government. The Government of the Northwest Territories will provide a reimbursement for hunters and trappers claims in the amount of \$148. For 2001, the Board provided a reimbursement to the Government of the Northwest Territories for hunters and trappers claims in the amount of \$262. The Government of Nunavut will provide a reimbursement to the Board for hunters and trappers claims of \$369 (2001 - \$748).

The Board's investments include bonds of related parties (at market value) as follows:

	2002	2001
	\$	\$
Northwest Territories Power Corporation		
11.00% maturing March 9, 2009	636	625
11.125% maturing June 6, 2011	1,316	1,291
6.42% maturing December 18, 2032	2,059	-
Northwest Territories Legislative Assembly Building Society		
13.00% Series A, maturing August 31, 2013	492	517
	4,503	2,433

Note 12 Comparative Amounts

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

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
SCHEDULE OF ADMINISTRATION AND GENERAL EXPENSES

For the year ended December 31, 2002
(in thousands of dollars)

	2002	2001
	\$	\$
Salaries, wages and allowances	9,627	8,592
Professional services	2,874	2,423
Travel	1,362	1,345
Office lease and renovations	1,094	888
Amortization - furnishings and equipment	517	397
Amortization - capital leases & improvements	397	390
Communications	376	350
Office services and supplies	329	324
Office furnishings and equipment (non-capital)	281	190
Honoraria and retainers	177	277
Interest expense on capital lease obligation	203	221
Advertising and public information	193	240
Grants	79	142
Miscellaneous	70	62
Computer lease and services	8	19
	17,587	15,860
Less: Allocation to claims costs	(4,431)	(3,762)
	13,156	12,098

**Public Trustee for the
Northwest Territories**

Financial Statements

**for the year ended
March 31, 2003**

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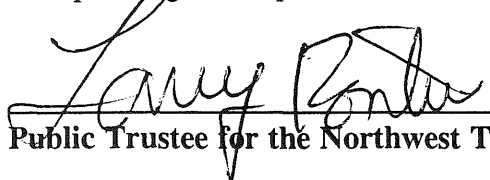
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Public Trustee for the Northwest Territories is responsible for the preparation, integrity and objectivity of the financial statements. The financial statements have been prepared in accordance with generally accepted accounting principles considered appropriate in the circumstances. Where appropriate, the preparation of financial information contained in this report includes estimates and judgements based on careful consideration of information available to management.

The Public Trustee for the Northwest Territories has developed and maintained books of account, records, financial and management controls and management practices. These are designed to provide reasonable assurance as to the reliability of financial information in accordance with the Public Trustee Act.

It is the responsibility of the auditors to provide an independent, objective audit for the purpose of expressing their opinion on the financial statements.


Public Trustee for the Northwest Territories

June 4, 2003'

AUDITORS' REPORT

Commissioner

We have audited the Balance Sheet of the Estate and Trust Fund as at March 31, 2003 and the Statements of Operations and Changes in Fund Balance for the year then ended. These financial statements are the responsibility of the Office of the Public Trustee. 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 Fund as at March 31, 2003, the results of operations and the changes in the Estate and Trust Fund Balance for the year then ended in accordance with accounting policies of the Public Trustee as outlined in Note 2 to the financial statements and as required by the Public Trustee Act and Regulations.

We further report that in our opinion, proper books of account have been kept by the Public Trustee, the financial statements are in agreement therewith and the transactions that have come under our notice have in all significant respects, been within the statutory powers of the Public Trustee.

Avery, Cooper & Co.

AVERY, COOPER & CO.
Certified General Accountants
Yellowknife, N.W.T.

June 4, 2003

**PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES
ESTATE AND TRUST FUND**

**BALANCE SHEET
March 31, 2003**

ASSETS

	<u>2003</u>	<u>2002</u>
Cash (Note 3)	\$2,694,502	\$2,497,380
Other assets at nominal value	<u>1</u>	<u>1</u>
	<u>\$2,694,503</u>	<u>\$2,497,381</u>

LIABILITIES

Undistributed Common Fund earnings per Statement II (Note 4)	\$ 29,703	\$ 26,317
Estate and Trust Fund per Statement III (Note 5)	<u>2,664,800</u>	<u>2,471,064</u>
	<u>\$2,694,503</u>	<u>\$2,497,381</u>

APPROVED:

Public Trustee for the Northwest Territories

See the accompanying notes.

**PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES
ESTATE AND TRUST FUND**

**STATEMENT OF OPERATIONS
For the year ended March 31, 2003**

	<u>2003</u>	<u>2002</u>
Undistributed Common Fund earnings, opening	\$ 26,317	\$ 62,880
 Add		
Common Fund earnings	<u>68,751</u>	<u>97,856</u>
	<u>95,068</u>	<u>160,736</u>
 Less		
Interest paid to estates and trusts	38,639	106,525
Management fees	24,442	25,038
Miscellaneous account deficiencies	-	73
Excess interest paid to the Government of the Northwest Territories	<u>2,284</u>	<u>2,783</u>
	<u>65,365</u>	<u>134,419</u>
 Undistributed Common Fund earnings, closing	 <u>\$ 29,703</u>	 <u>\$ 26,317</u>

See the accompanying notes.

**PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES
ESTATE AND TRUST FUND**

**STATEMENT OF CHANGES IN ESTATE AND TRUST
FUND BALANCE**

For the year ended March 31, 2003

	<u>2003</u>	<u>2002</u>
Estate and trust funds provided:		
Estate and trust assets received	\$ 1,342,144	\$ 1,168,659
Common Fund interest paid to estates and trusts	<u>38,639</u>	<u>106,525</u>
	<u>1,380,783</u>	<u>1,275,184</u>
Estate and trust funds applied:		
Payments to beneficiaries	992,830	1,026,906
Disbursements made on behalf of estates and trusts	113,171	218,865
Administration fees	74,786	73,760
GST on Administration fees	5,235	5,163
Court fees	<u>1,025</u>	<u>2,332</u>
	<u>1,187,047</u>	<u>1,327,026</u>
Increase (Decrease) in Estate and Trust Fund balance	193,736	(51,842)
Estate and Trust Fund balance, opening	<u>2,471,064</u>	<u>2,522,906</u>
Estate and Trust Fund balance, closing	<u>\$2,664,800</u>	<u>\$2,471,064</u>

See the accompanying notes.

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2003

NOTE 1 AUTHORITY

The Public Trustee operates under the authority of the Public Trustee Act, Revised Statutes of the Northwest Territories 1988, Chapter P-19 as amended.

NOTE 2 ACCOUNTING POLICIES

- a) These financial statements have been prepared on the cash basis of accounting except as otherwise stated.
- b) All Estate and Trust Fund assets other than cash, which include business interests, mortgages, stocks, bonds, term deposits, real estate and other assets, are carried at a nominal value of one dollar (\$1).
- c) Expenditures for the operation of the Office of the Public Trustee are paid from the Consolidated Revenue Fund of the Government of the Northwest Territories and, except for \$101,512 (2002 - \$101,581) paid to the Consolidated Revenue Fund as administration fees, management fees, and the transfer of interest earned, are not reflected in these financial statements.

NOTE 3 CASH IN BANK

The Office of the Public Trustee is a member of the Government of the Northwest Territories investment pool.

The Government of the Northwest Territories consolidates and invests the cash balances of all investment pool participants in money market securities. The monies for these investments flow out of the Government of the Northwest Territories main revenue account and accordingly do not affect the cash balances of the participants. Investment pool revenues are prorated and paid to participants weekly.

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PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2003

NOTE 4 UNDISTRIBUTED COMMON FUND EARNINGS

Common Fund earnings are distributed half-yearly, on April 30 and October 31 each year, as interest paid to estates and trusts, management fees and excess interest paid to the Government of the Northwest Territories.

Interest earned on the Common Fund is utilized to pay prescribed interest on estates and trusts, prescribed management fees and any deficiency between the aggregate amount of sums invested in the Common Fund and the actual value of the investments of the Common Fund. Where the interest earned on investment of the Common Fund exceeds the amount required to make these payments, the excess is paid to the Consolidated Revenue Fund of the Government of the Northwest Territories.

The balance of Undistributed Common Fund earnings represents the cumulative earnings of the Common Fund between November 1 and March 31 which will be distributed on April 30 of the next fiscal year.

NOTE 5 ESTATE AND TRUST FUND

The Estate and Trust Fund reflects all known assets of the estates and trusts administered by the Public Trustee. The Estate and Trust Fund is comprised of the following amounts:

	<u>2003</u>	<u>2002</u>
Common Fund	\$2,664,799	\$2,471,063
Other assets, at nominal value	<u>1</u>	<u>1</u>
	<u>\$2,664,800</u>	<u>\$2,471,064</u>

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**Northwest Territories
Power Corporation**

**Consolidated Financial
Statements**

**for the year ended
March 31, 2003**

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). Where GAAP permits alternative accounting methods, management has chosen those it deems most appropriate in the circumstances. The Northwest Territories Power Corporation (the Corporation) is regulated by the Public Utilities Board of the Northwest Territories, which also examines and approves its accounting policies and practices. Financial statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Corporation maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, that assets are acquired economically, are used to further the Corporation's aims, are protected from loss or unauthorized use and that the Corporation acts in accordance with the laws of the Northwest Territories and Canada. Management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to a territorial crown corporation. An internal auditor reviews the operation of financial and management systems to promote compliance and to identify changing requirements or needed improvements.

The Auditor General of Canada provides an independent, objective audit for the purpose of expressing her opinion on the consolidated financial statements. She also considers whether the transactions that come to her notice in the course of the audit are, in all significant respects, in accordance with the specified legislation.

The Board of Directors appoints certain members to serve on the Audit and Efficiency Committee. This Committee oversees management's responsibilities for financial reporting and reviews and recommends approval of the consolidated financial statements. The internal and external auditors have full and free access to the Audit and Efficiency Committee.

The consolidated financial statements have been approved by the Board of Directors.


Leon Courneya, FCA

President & CEO


Judith Goucher, MA

Director, Finance & CFO

Hay River, NT
May 30, 2003



AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Power Corporation

I have audited the consolidated balance sheet of the Northwest Territories Power Corporation as at March 31, 2003 and the consolidated statements of earnings and retained earnings, and cash flow 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 March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation and its wholly-owned subsidiaries and the consolidated financial statements are in agreement therewith and the transactions of the Corporation and of its wholly-owned subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* and regulations, the *Northwest Territories Power Corporation Act*, and the by-laws of the Corporation and its wholly-owned subsidiaries.

Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 30, 2003

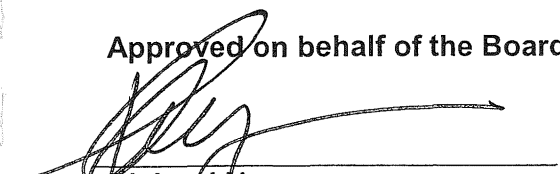
NORTHWEST TERRITORIES POWER CORPORATION


**Consolidated Balance Sheet
As at March 31, 2003
(\$000's)**

	<u>2003</u>	<u>2002</u>
Assets		
Plant, property and equipment (Note 9)		
Plant in service	\$ 265,036	\$ 258,786
Less accumulated amortization	(65,025)	(59,878)
	<u>200,011</u>	<u>198,908</u>
Construction work in progress	4,455	2,699
	<u>204,466</u>	<u>201,607</u>
Current assets		
Cash	573	150
Accounts receivable (Note 3)	15,995	16,924
Prepaid expenses	862	824
Inventories	6,925	7,450
	<u>24,355</u>	<u>25,348</u>
Other assets		
Due from NPC (Note 18)	5,454	5,477
Deferred costs (Note 10)	8,735	7,992
Sinking fund investments (Note 11)	19,650	15,957
	<u>33,839</u>	<u>29,426</u>
	<u>\$ 262,660</u>	<u>\$ 256,381</u>
Liabilities and Shareholder's Equity		
Long-term debt		
Long-term debt, net of sinking fund investments (Note 12)	\$ 96,537	\$ 100,762
Sinking fund investments presented as assets	19,650	15,957
Net lease obligation (Note 13)	1,740	1,883
	<u>117,927</u>	<u>118,602</u>
Current liabilities		
Bank indebtedness and short-term debt (Note 14)	10,003	8,056
Accounts payable and accrued liabilities	10,174	9,834
Dividends payable	6,299	6,299
Current portion of long-term debt (Note 12)	965	1,084
	<u>27,441</u>	<u>25,273</u>
Other liabilities		
Future removal and site restoration provision (Note 15)	36,170	35,399
Deferred revenues and other liabilities (Note 16)	5,238	4,948
	<u>41,408</u>	<u>40,347</u>
Shareholder's equity (Note 17)	<u>75,884</u>	<u>72,159</u>
	<u>\$ 262,660</u>	<u>\$ 256,381</u>
Commitments and contingencies (Note 18)		

See accompanying notes

Approved on behalf of the Board:


Richard Nerysoo
Chairman of the Board


Peter Guther
Director

NORTHWEST TERRITORIES POWER CORPORATION

Consolidated Statement of Earnings and Retained Earnings For the year ended March 31, 2003 (\$000's)

	<u>2003</u>	<u>2002</u>
Revenues		
Sale of power (Note 3)	\$ 64,480	\$ 62,520
Other (Note 4)	2,229	1,790
	<u>66,709</u>	<u>64,310</u>
Expenses		
Salaries and wages	15,568	15,751
Fuels and lubricants	15,209	15,358
Supplies and services	10,084	9,679
Amortization	6,884	6,492
Travel and accommodation	1,712	1,890
	<u>49,457</u>	<u>49,170</u>
Earnings from operations	17,252	15,140
Interest income	278	1,428
Contract income, net (Note 6)	255	264
	<u>17,785</u>	<u>16,832</u>
Earnings before interest expense	17,785	16,832
Interest expense (Note 7)	10,060	9,950
	<u>7,725</u>	<u>6,882</u>
Net earnings	7,725	6,882
Retained earnings at beginning of year	29,030	26,148
Dividend (Note 8)	(4,000)	(4,000)
Retained earnings at end of year	<u>\$ 32,755</u>	<u>\$ 29,030</u>

See accompanying notes

NORTHWEST TERRITORIES POWER CORPORATION

**Consolidated Cash Flow Statement
For the year ended March 31, 2003
(\$000's)**

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Cash receipts from customers	\$ 68,445	\$ 60,472
Cash paid to suppliers and employees	(43,872)	(47,793)
Interest received	1,066	389
Interest paid	(9,937)	(10,173)
Received from Nunavut Power Corporation (NPC) for operating activities related to division	-	1,615
Cash flows from operating activities	<u>15,702</u>	<u>4,510</u>
Cash flows used in investing activities		
Plant, property and equipment constructed or purchased	(8,650)	(5,334)
Proceeds from sale of plant, property and equipment	73	114
Cash flows used in investing activities	<u>(8,577)</u>	<u>(5,220)</u>
Cash flows used in financing activities		
Received from NPC for financing activities related to division	-	51,121
Repayment of long-term debt	(21,918)	(31,300)
Proceeds from long-term borrowings	20,000	-
Net Proceeds from (Repayment of) short-term borrowings	1,947	(18,512)
Repayment of net lease obligation	(143)	(167)
Sinking fund instalments	(2,744)	(2,051)
Proceeds from sinking fund redemption	156	1,532
Dividend paid	(4,000)	-
Cash flows used in financing activities	<u>(6,702)</u>	<u>623</u>
Net increase (decrease) in cash	423	(87)
Cash at beginning of year	150	239
Less: NPC's portion of cash	-	(2)
	<u>150</u>	<u>237</u>
Cash at end of year	<u>\$ 573</u>	<u>\$ 150</u>

See accompanying notes

NORTHWEST TERRITORIES POWER CORPORATION

Notes to Consolidated Financial Statements
For the year ended March 31, 2003
(\$000's)

1. Authority and operation

The Corporation is established under the *Northwest Territories Power Corporation Act*. The Corporation is a territorial crown corporation under Schedule B of the *Financial Administration Act* and is exempt from income tax.

The Corporation operates diesel, natural gas and hydroelectric production facilities to provide utility services on a self-sustaining basis in the Northwest Territories.

2. Accounting policies

The Corporation is regulated by the Public Utilities Board of the Northwest Territories (PUB), which administers regulations covering such matters as rates, financing, accounting, construction, operation, and service area. As a result, the regulatory accounting policies adopted by the Corporation may differ from the accounting policies typically followed by unregulated entities. In particular, the timing of the Corporation's recognition of certain assets, liabilities, revenues and expenses may differ from that normally prescribed by Canadian generally accepted accounting principles. Specifically, policies in relation to deferred expenses and other assets and amortization policies are different. A summary of the significant accounting policies follows:

Rates and regulation (Excluding sales by subsidiaries)

The rates charged to all customers and the Corporation's earnings on a rate of return basis are regulated by the PUB. The PUB sits as often as it considers necessary and is required by the *Public Utilities Act* to review the affairs, earnings and accounts of the Corporation every three years or at any other time.

Consolidation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Corporation and its wholly owned subsidiaries NWT Energy Corporation Ltd., and 923204 N.W.T. Ltd.

NWT Energy Corporation Ltd., under the authority of the *Northwest Territories Power Corporation Act*, financed the Dogrib Power Corporation for the construction of a 4.3 MW hydro facility. 923204 N.W.T. Ltd. operates and manages one residual heat project in Fort McPherson.

Revenues

Sale of power, other, interest and contract revenues are recognized on the accrual basis and include an estimate of services provided but not yet billed.

Plant, property and equipment

Plant, property and equipment, excluding those donated to the Corporation, are recorded at original cost and include materials, direct labour and a proportionate share of directly attributable overhead costs and an allowance for funds used during construction which provides for a return on capital at a rate approved by the PUB.

Plant, property and equipment donated to the Corporation are recorded at their estimated fair value.

NORTHWEST TERRITORIES POWER CORPORATION

Amortization

Amortization of plant, property and equipment is provided on the straight-line average group useful life basis, at rates which are approved by the PUB, a portion of which is accounted for as a provision for future removal and site restoration costs.

In accordance with utility accounting practices, retirement of these assets is charged to the provision with no gain or losses reflected in operations. Gains or losses arising from exceptional circumstances are included in earnings.

Amortization rates are as follows:

	<u>%</u>
Electric power plants	1.16 - 5.76
Transmission and distribution systems	1.09 - 4.66
Warehouse, equipment, motor vehicles and general facilities	1.76 - 9.76
Other utility assets	2.5 - 20.0
Other	20.0

Inventories

Fuels and lubricants and materials and supplies are valued at average cost.

Deferred costs

The Public Utilities Board (PUB), through its decisions, has approved the use of deferral accounts.

The Snare Cascades Deferral Account eased the impact on utility rates resulting from the Snare Cascades project being added to the rate base in 1997. The increase in costs caused by the hydro project addition to rate base, net of savings from displaced diesel generation, was deferred for five years. These costs are being recovered through a PUB approved rate-rider through 2011.

The Rate Stabilization Funds mitigate the impact on utility rates of unexpected changes in diesel and natural gas fuel prices as well as fluctuations in hydro generation caused by water levels. The impact of any increases or decreases in fuel prices or hydro generation over the PUB approved amounts are deferred. The deferred amounts are accumulated until PUB specified limits are reached, at which time rate-riders are applied, with PUB approval, to recover or refund the amounts necessary to bring the funds back to the approved limits.

The Reserve for Injuries and Damages includes costs for uninsured and uninsurable losses and the deductible portion of insured claims.

Regulatory Costs include incremental expenses incurred to apply to the PUB for a multi-year General Rate Application (GRA).

The Normalized Overhaul Costs include costs to overhaul hydro, diesel and natural gas units that occur over the life of these assets.

Regulated Employee Future Benefits represent benefits accrued under employment agreements since April 1, 2001.

The deferred costs noted above are charged to operations at PUB approved amounts that are estimated to annualize the costs over time or will be recoverable in the future.

Other deferred costs include the L-199 transmission line costs, financing costs, pending insurance claims costs and other costs. These costs are subject to recovery through insurance, the courts or the

NORTHWEST TERRITORIES POWER CORPORATION

customers through PUB decisions. Financing costs relating to the issue of long-term debt are amortized on a straight-line basis over the remaining term of the related debt.

Sinking fund investments

Securities held in sinking funds are recorded at cost. Interest, dividends and realized gains and losses are included in sinking fund income. Unrealized gains are not recognized. Unrealized losses are recognized only when it is considered there is a permanent impairment in the value of the sinking fund investments.

Future removal and site restoration provision

The provision for future removal and site restoration reflects the estimated cost of decommissioning facilities as well as the related costs of environmental mitigation of the Corporation, net of salvage value. These costs are amortized at rates, which are approved by the PUB, over the estimated useful lives of the related assets on a straight-line average group useful life basis. Due to the long-term nature of the assumptions made in deriving these estimates, the provision is periodically revised and updated for current information on approval by the PUB.

Deferred revenues

Deferred revenues reflect donations of assets and contributions to aid in the construction and acquisition of plant, property and equipment. Deferred revenues are amortized on the same basis as the related plant, property and equipment, and the resulting credit is offset against the corresponding provision for amortization of plant, property and equipment.

Public Service Superannuation Plan

Employees participate in the Public Service Superannuation Plan (the Plan) administered by the Government of Canada. The Corporation's contributions to the Plan are expressed as a percentage of employees' contributions. The percentage may fluctuate from year to year depending on the experience of the Plan. The Corporation's contributions are charged to operations on a current basis and represent the total pension obligations. The Corporation is not required to make contributions with respect to actuarial deficiencies of the Plan.

Employee future benefits

Under the terms and conditions of employment, employees may earn non-pension benefits for resignation, retirement and removal costs based on years of service. The benefits are paid upon resignation, retirement or death of an employee. The cost of these non-pension benefits has been determined based on management's best estimates and accrued as a liability as employees render service. The expenditures are not currently treated as a charge to operations but will be recoverable in the future. Consequently certain employee future benefit costs have been recorded as a regulated deferred expense. The PUB has approved this treatment.

Measurement uncertainty

To prepare these financial statements in accordance with Canadian generally accepted accounting principles, management has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Actual results may differ from these estimates. Significant estimates include amortization, the future removal and site restoration provision, the revenue accrual for the PUB approved revenue requirement and April 1, 2001, allocated assets, liabilities and shareholder's equity.

3. Sale of power – General Rate Application

The Corporation's 2001-2003 general rate application is still in progress. Until the PUB approves final rates, amounts billed to customers are less than the PUB approved revenue requirement. The

NORTHWEST TERRITORIES POWER CORPORATION

shortfall of \$3,392 (2002 - \$4,619), between billed amounts and allowed total revenues, is recorded as revenue and unbilled accounts receivable.

4. Other revenues

	<u>2003</u>	<u>2002</u>
Government funding of pension expenses (Note 5)	\$ 669	\$ 848
Miscellaneous	623	256
User fees	334	302
Contract work	322	155
Connection fees	186	139
Heat	95	90
	<u>\$ 2,229</u>	<u>\$ 1,790</u>

5. Pension expense

The Corporation contributes to the Public Service Superannuation Plan at a rate of 2.14 times (2002 – 2.14 times) the employee's contributions. Contributions for pension expense during the year were \$1,988 (2002 - \$1,783). The Corporation receives funding, recorded as other revenues, from the GNWT of \$669 (2002 - \$848) to cover part of these pension expenses. This funding is available until March 31, 2004. Whether the Government of the Northwest Territories (GNWT) funding will continue beyond 2004 is unknown. Should this additional funding cease the PUB has approved recovery of these additional costs in rates.

6. Contract income

The Corporation has an agreement with the Nunavut Power Corporation to provide engineering services until November 4, 2005. The revenues and expenses to provide services under this agreement are outside of the normal operations of the Corporation and therefore are reflected separately on the income statement. The Corporation's gross revenues from the contract were \$784 (2002 - \$3,195) and the associated expenses were \$529 (2002 - \$2,931) for net earnings of \$255 (2002 - \$264). There are no assets or liabilities in the Corporation held solely for the purpose of this contract.

7. Interest expense

	<u>2003</u>	<u>2002</u>
Interest on long-term debt	\$ 11,104	\$ 10,864
Short-term financing costs	245	115
Sinking fund income	(1,104)	(703)
Allowance for funds used during construction	(185)	(326)
	<u>\$ 10,060</u>	<u>\$ 9,950</u>

8. Dividend

The Corporation declared a dividend of \$4,000 (2002 - \$4,000).

NORTHWEST TERRITORIES POWER CORPORATION

9. Plant, property and equipment

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Electric power plants	\$ 176,385	\$ (44,968)	\$ 131,417	\$ 131,257
Transmission and distribution systems	60,128	(9,090)	51,038	50,247
Warehouse, equipment, motor vehicles and general facilities	19,870	(6,737)	13,133	13,206
Other utility assets	3,918	(461)	3,457	3,116
Other	4,735	(3,769)	966	1,082
	265,036	(65,025)	200,011	198,908
Construction work in progress	4,455	-	4,455	2,699
	<u>\$ 269,491</u>	<u>\$ (65,025)</u>	<u>\$ 204,466</u>	<u>\$ 201,607</u>

Engineering and general administration expense capitalized during the year amounted to \$1,136 (2002 - \$1,382). Allowance for funds used during construction capitalized during the year amounted to \$231 (2002 - \$217).

10. Deferred costs

	March 31 2003	2003 Costs Deferred and Interest Charged to the Fund	2003 Amortization of Fund Balance	March 31 2002
Snare Cascades Deferral Account	\$ 3,198	\$ 49	\$ (607)	\$ 3,756
Rate Stabilization Funds	(2,618)	(235)	-	(2,383)
Reserve for Injuries and Damages	1,105	413	(485)	1,177
Regulatory Costs	984	504	(228)	708
Normalized Overhaul Costs	(554)	1,449	(1,573)	(430)
Regulated Employee Future Benefits	689	346	-	343
L-199 transmission line costs	3,958	244	-	3,714
Other deferred expenses	1,973	1,026	(160)	1,107
	<u>\$ 8,735</u>	<u>\$ 3,796</u>	<u>\$ (3,053)</u>	<u>\$ 7,992</u>

The rate stabilization funds are comprised of fuel \$534 (2002 - \$835) and water \$(3,152) (2002 - \$(3,218)). During the year fuel stabilization rate riders of nil (2002 - \$501) were charged to customers. These amounts were recorded as revenues and fuel expenses.

NORTHWEST TERRITORIES POWER CORPORATION

11. Sinking fund investments

Sinking fund investments are held by the Trustee for the redemption of long-term debt. As the sinking funds exist to fund the payout of long-term debt, sinking fund income is treated as a reduction of finance charges and is reflected in interest expense.

Cash and short-term investments include cash and fixed income investments with a term to maturity not exceeding one year. All fixed income is investment grade credit. The Corporation's sinking fund policy and the *Financial Administration Act* limits investments in equities to 30% of the total sinking fund. Equities are in four funds and are well diversified by sector, issuer, region and liquidity.

The sinking fund agreements require the Corporation to make minimum annual installments. The installments required for the next five years are disclosed in Note 12.

	2003		2002	
	Carrying Value	Weighted average effective rate of return (1)	Carrying Value	Weighted average effective rate of return (1)
Fixed Income Securities				
Cash	\$ 31	0.30%	\$ 128	.0%
Short-term investments	2,294	3.10%	15,290	2.02%
Provincial Government guaranteed	1,054	5.30%	262	7.30%
Federal Government guaranteed	4,437	4.00%	228	4.79%
Municipal Government guaranteed	1,748	5.70%	49	5.37%
Corporate Bonds	4,470	5.30%	-	-
Equities				
Canadian Equities	3,635	1.90%	-	-
US Equity	1,406	1.80%	-	-
International Equity	575	2.30%	-	-
	<u>\$ 19,650</u>	<u>3.81%</u>	<u>\$ 15,957</u>	<u>2.18%</u>

(1) – Rate calculated on market yield.

Fair value information for sinking funds is included in Note 21

NORTHWEST TERRITORIES POWER CORPORATION

12. Long-term debt

	<u>2003</u>	<u>2002</u>
11% sinking fund debentures, due March 9, 2009	\$ 20,000	\$ 20,000
10¾% sinking fund debentures, due May 28, 2012	20,000	20,000
Capital loan facility, due October 18, 2006, converted in fiscal 2002 under an interest rate swap from a floating rate to fixed interest at 5.64%, repayable interest only until November 2002 and equal monthly payments of \$72 thereafter	-	20,000
6.63% amortizing debenture, due December 18, 2032	20,000	-
11 ¹ / ₈ % sinking fund debentures, due June 6, 2011	15,000	15,000
6.33% redeemable sinking fund debentures, due October 27, 2018	10,000	10,000
8.41% redeemable sinking fund debentures, due February 27, 2026	8,700	8,700
9.11% debenture series 3, due September 1, 2026, repayable in equal monthly payments of \$73.	8,478	8,576
9¾% debenture series 2, due October 1, 2025, repayable in equal monthly payments of \$69	7,494	7,582
10% debenture series 1, due May 1, 2025, repayable in equal monthly payments of \$70	7,475	7,563
Other	5	7
6.5% Canada's Northwest Territories Government Aurora Fund (1996) 923204 N.W.T. Ltd.'s portion representing 50%, due December 2002	-	375
	<u>117,152</u>	<u>117,803</u>
Less: Current portion	965	1,084
	<u>116,187</u>	<u>116,719</u>
Less: Sinking fund investments	19,650	15,957
	<u>\$ 96,537</u>	<u>\$ 100,762</u>

All long-term debt is guaranteed by the GNWT. Certain debentures are redeemable within the specific terms of the debenture.

Principal repayments and estimated sinking fund investment contributions for the next five years:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Principal Repayments	\$ 965	\$ 999	\$ 1,032	\$ 1,068	\$ 1,105
Sinking Fund Investment Contributions	\$ 3,008	\$ 3,008	\$ 3,231	\$ 3,231	\$ 3,321

NORTHWEST TERRITORIES POWER CORPORATION

13. Net lease obligation

The NWT Energy Corporation Ltd. loaned funds to the Dogrib Power Corporation to finance the construction of a hydroelectric generating plant on the Snare River in the Northwest Territories. The balance of the loan receivable is \$21,765 (2002 - \$22,004). The loan bears interest at an annual rate of 9.6%, which is the average rate of interest on NWT Energy Corporation Ltd.'s long-term debt issued to finance the loan. It is due July 2026 and is repayable, in equal monthly payments of \$195. The loan is secured by a charge against the plant and the lease agreement.

The Corporation has an initial 65-year lease for the plant at an imputed interest rate of 9.6% from the Dogrib Power Corporation until 2061. The value of the capital lease obligation is \$23,650 (2002 - \$24,054).

To reflect the effective acquisition and financing nature of the lease, the plant is included in electric power plants in plant, property and equipment at an original cost of \$26,342.

Upon consolidation, the loan receivable held by NWT Energy Corporation Ltd. is offset with the capital lease obligation of the Corporation resulting in a net lease obligation of \$1,885 (2002 - \$2,050). As a result, in some years there is a net payment and in other years there is a net receipt upon consolidation. The net lease obligation payments over the next five years are:

2004	2005	2006	2007	2008
\$ 145	\$ 116	\$ 87	\$ 55	\$ 20

The current portion of the net lease obligation is \$145 (2002 - \$167) and is recorded in accounts payable.

14. Short-term debt

	2003	2002
Bankers' acceptance and shareholder's advance	\$ 10,000	\$ 8,000
Bank overdraft	3	56
	<u>\$ 10,003</u>	<u>\$ 8,056</u>

The interest rate charged on bank overdrafts is prime. The short-term debt outstanding at year-end had a weighted average 55 day term (2002 - 35 day term) and a 3.30% (2002 - 2.44%) weighted average annual interest rate. The Corporation has a \$15 million unsecured line of credit with its bank and also has access on occasion to short term funds from its shareholder.

15. Future removal and site restoration provision

The provision for the year, included in amortization of plant, property and equipment is \$1,401 (2002 - \$1,371) and the amount spent is \$630 (2002 - \$161).

16. Deferred revenue and other liabilities

	2003	2002
Donations in aid of construction	\$ 3,803	\$ 3,642
Employee future benefits	1,435	1,306
	<u>\$ 5,238</u>	<u>\$ 4,948</u>

NORTHWEST TERRITORIES POWER CORPORATION

17. Shareholder's equity

	2003	2002
Capital Stock		
Authorized: unlimited number of voting common shares without par value		
Issued: 431,288 common shares	\$ 43,129	\$ 43,129
Retained earnings at end of year	32,755	29,030
	<u>\$ 75,884</u>	<u>\$ 72,159</u>

18. Commitments and contingencies

Capital projects

The estimated cost to complete capital projects in progress, as at March 31, 2003, was \$7,199 (2002 - \$500).

Operating leases

The Corporation has leased property and equipment under various long-term operating leases. The minimum annual payments for these leases are as follows:

2004	2005	2006	2007	2008	2009-2030	Total
\$ 232	\$ 143	\$ 137	\$ 136	\$ 137	\$ 19	\$ 804

Supply contracts

The Corporation has contracts to purchase refined oil products based on market prices at time of delivery. These contracts end in 2003, 2004 and 2005 and reflect minimum quantity purchase commitments of 19.5 million litres consistent with the Corporation's operational requirements.

Natural gas purchase commitment

The Corporation has an agreement to purchase natural gas to produce electricity in Inuvik. The minimum obligation is to purchase 5,622,900m³ of natural gas per annum until July 2014. The price is calculated annually on August 1 and will depend on the Edmonton Average Unbranded High Sulphur Diesel Price as posted in the Bloomberg Oil Buyers Guide on that date.

Litigation

The Corporation has been named as a defendant in four lawsuits. Two actions relate to wrongful dismissal cases. The Corporation has been named as a co-defendant in the third action as a result of the Corporation managing a project for Nunavut Power Corporation (NPC) through the NPC engineering contract. The fourth action names the Corporation as a co-defendant with the GNWT and the Federal Government in a claim related to the construction of the hydro system on the Taltson River in 1965. As directed by the GNWT, the Corporation filed a separate defence to this claim. It is management's estimate that no significant loss to the Corporation will result from any of these four claims.

Division

All corporate operations within the Nunavut Territory were taken over by the NPC on April 1, 2001. The allocation of the Corporation's assets, liabilities and shareholder's equity between its Nunavut operations to NPC and its Northwest Territories operations to the Corporation was governed by two agreements, a due diligence process and approval by the Corporation, GNWT, NPC and the Government of Nunavut. As at the date these financial statements were completed the allocation of

NORTHWEST TERRITORIES POWER CORPORATION

assets, liabilities and shareholder's equity as at March 31, 2001, was agreed to by the four parties, with the exception of one issue on debt. The parties are going to arbitration to resolve the dispute. It is not known when the due diligence process will be completed and the allocation finalized. The allocations of assets, liabilities and shareholder's equity as at March 31, 2001 were determined based on management's best estimate using the approach set out in the agreements. Adjustments to these allocations, if any, will be recorded when known, the same as was done for the original transfer, as a capital adjustment to retained earnings.

19. Subsequent event

In September 2002 the Corporation signed an agreement to purchase the Bluefish Hydroelectric Generating Station ("Bluefish"). The hydro station currently provides power to Miramar Con Mine by way of the Snare / Yellowknife power grid. The effective date of the purchase is April 4, 2003. The Corporation purchased the station in exchange for \$10 million payable December 31, 2004, specified energy and demand power credits until December 31, 2009, assumption of all reclamation obligations for the Bluefish Station, and assumption of operating costs until December 31, 2004.

20. Related party transactions

The Corporation is a territorial crown corporation and consequently is related to the GNWT and its agencies and corporations.

The Corporation provides utility services to, and purchases fuel and other services from, these related parties. These transactions are at the same rates and terms as those with similar unrelated customers. Transactions with related parties and balances at year-end not disclosed elsewhere in the financial statements are as follows:

	<u>2003</u>	<u>2002</u>
Sale of power and other	\$ 18,322	\$ 14,315
Purchase of fuel from government	1,268	1,340
Fuel tax paid to government	761	511
Other purchases and payments	983	448
Balances at year end:		
Accounts receivable	2,226	1,343
Accounts payable	626	503
Promissory note	4,000	-
Dividend payable to the GNWT	4,000	4,000

21. Financial instruments

	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 117,152	\$ 143,690	\$ 117,803	\$ 144,385
Net lease obligation	1,885	3,325	2,050	3,191
Sinking fund investments	19,650	18,600	15,957	16,002

The fair values of cash, other current accounts receivable and payable and short-term debt approximate the carrying amounts of these instruments due to the short period to maturity.

NORTHWEST TERRITORIES POWER CORPORATION

The fair values for the long-term debt and net lease obligation are determined using market prices for similar instruments.

The fair value of the sinking fund investments is determined using market prices. Given the Corporation's long term investment strategy and upon review of currently available information regarding investments where estimated fair value is less than carrying value, management has determined the carrying value is expected to be recovered.

22. Franchises

Subsection 37(1) of the *Public Utilities Acts* of the Northwest Territories states that a public utility shall file with the Board a copy of its franchise before the public utility intends to begin operating under the franchise.

The Corporation requires franchises for 25 communities. As at March 31, 2003, 11 of these franchises are in place and approved by the PUB. Renewal and/or acquisition of franchise agreements will not be pursued until the GNWT completes its energy strategy.

23. Comparative figures

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

Government of the Northwest Territories

Petroleum Products Revolving Fund

Financial Statements

**for the year ended
March 31, 2003**

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Auditors' Report

**To the Minister of
Public Works and Services**

We have audited the balance sheet of the Revolving Fund of the Government of the Northwest Territories – Public Works and Services Petroleum Products as at March 31, 2003, and the statement of operations and surplus, and statement of amount due to the Government of the Northwest Territories for the year then ended. These financial statements are the responsibility of the Fund'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 amount 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 Fund as at March 31, 2003, and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Financial Administration Act, we report that in our opinion their principles have been applied on a basis consistent with that of the preceding year.

Mackay LLP

**Yellowknife, Northwest Territories
May 23, 2003**

Chartered Accountants

**GOVERNMENT OF THE NORTHWEST TERRITORIES
PUBLIC WORKS AND SERVICES
PETROLEUM PRODUCTS DIVISION**

Petroleum Products Revolving Fund

Balance Sheet	March 31	March 31
	2003	2002

(thousands of dollars)

Assets:

Current

Accounts receivable (Note 3)	\$	3,426	\$	2,843
Inventories (Note 4)		4,874		6,015
	\$	8,300	\$	8,858

Liabilities

:

Current

Accounts payable and accrued liabilities	\$	2,139	\$	1,760
Employee leave and termination benefits		63		34
		2,202		1,794


Long-term

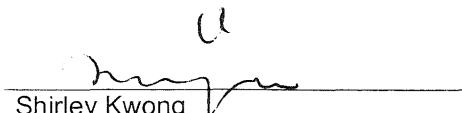
Employee termination benefits		25		54
Due to the Government of the Northwest Territories		6,073		7,010
		6,098		7,064
	\$	8,300	\$	8,858

Commitments and contingencies (Note 9).

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

Approved by management:


Mike Aumond
Director


Shirley Kwong
Comptroller

**GOVERNMENT OF THE NORTHWEST TERRITORIES
PUBLIC WORKS AND SERVICES
PETROLEUM PRODUCTS DIVISION**

Petroleum Products Revolving Fund

Statement of Operations

For the Year Ended March 31 **2003** **2002**
(thousands of dollars)

Revenue

Sale of petroleum products (Note 5)	\$	12,444	\$	13,066
Cost of goods sold		8,822		9,548

Gross profit		3,622		3,518
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Rent and other revenue		169		85
		3,791		3,603

Expenses

Commissions		1,369		1,541
Salaries, wages & employee benefits		874		898
Purchased services		510		647
Material, supplies and utilities		249		223
Travel		150		167
Insurance		99		81
Miscellaneous		85		73

		3,336		3,630
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Net profit (loss) from operations	\$	455	\$	(27)
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The accompanying notes are an integral part of the financial statements.

**GOVERNMENT OF THE NORTHWEST TERRITORIES
PUBLIC WORKS AND SERVICES
PETROLEUM PRODUCTS DIVISION**

Petroleum Products Revolving Fund

Statement of Amount Due to the Government of the Northwest Territories

For the Year Ended March 31	2003	2002
(thousands of dollars)		
Balance, beginning of year	\$ 7,009	\$ 6,159
Plus:		
Payments Made by the Government		
Purchases of petroleum products	7,385	10,433
Operating expenses	3,254	3,637
Profit from Operation	455	
Less:		
Transfers to the Government		
Sales proceeds	12,030	13,193
Loss from operation	-	27
Balance, end of the year	\$ 6,073	\$ 7,009

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

**GOVERNMENT OF THE NORTHWEST TERRITORIES
PUBLIC WORKS AND SERVICES
PETROLEUM PRODUCTS DIVISION**

Petroleum Products Revolving Fund

Notes to the Financial Statements

as at March 31, 2003

1. Authority and Operations

The Petroleum Products Revolving Fund (the "Fund") was established in 1973 for the distribution of petroleum products in the Northwest Territories. The Fund operates under the authority of the Revolving Funds Act (the "Act") and the Northwest Territories Financial Administration Act. The Petroleum Products Division of the Department of Public Works and Services of the Government of the Northwest Territories (the "Government") is responsible for the administration of the Fund.

Under the Act, the Fund receives working capital advances from the Consolidated Revenue Fund (the "CRF") to finance inventory, accounts receivable and operating expenses. The Fund's purchases of petroleum products and operating expenses are paid from the CRF and funds received by the Fund are deposited in the CRF. The authorized limit of the Fund, being the maximum amount by which the assets may exceed the liabilities is \$55 million.

The prices for the Fund's petroleum products are approved by the Government. It is the expectation of the Government that the Fund's cost of goods sold and operating expenses will be recovered through the price structure to achieve a break-even operation. Under the Act, there is a special account in the CRF called the Petroleum Products Stabilization Fund to which profits of the Fund shall be credited and losses shall be charged. The debit or credit amount in the Stabilization Fund shall not exceed \$5,000,000 at the end of any fiscal year. The balance in the stabilization Fund at March 31, 2003 is a surplus of \$454,614.

In March 2003, the Legislative Assembly approved a Supplementary Appropriation to write off the deficit balance of the Petroleum Products Stabilization Fund as at March 31, 2002.

Stabilization Fund	Mar-31	Mar-31
(thousands of dollars)	2003	2002
(Deficit) at beginning of year	\$ (4,191)	\$ (4,163)
Net Profit (Net Loss)	455	(28)
Write off of Stabilization Fund Deficit	4,191	-
Surplus (Deficit) at ending of year	<u>\$ 455</u>	<u>\$ (4,191)</u>

2. Significant Accounting Policies

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the updated amounts of revenue and expenses during the year. Actual results could differ from those estimates. A summary of significant accounting policies of the Fund are as follows:

a. Inventories

Inventories are valued at the lower of weighted average cost and net realizable value.

b. Services Provided Without Charge

Capital Assets and Environmental Restoration Costs

The Fund does not record the value of the capital assets used in its operations and any related environmental restoration costs. The capital assets include fuel storage facilities and fuel delivery equipment. The capital assets are provided without charge to the Fund by the Government. The Fund is responsible for the maintenance of the capital assets used in its operations

Financing Costs

The Fund does not record the financing cost on the working capital advances provided from the CRF.

Further information on capital assets and environmental restoration costs and financing costs is provided in Note 6 and 9.

Other Services Provided Without Charge

Other than an annual administration fee of \$60,000 charged by Public Works and Services, the Fund does not record the following services provided without charge by the Government: the procurement of goods and services, the processing of payroll, legal counsel and internal audit services.

c. Pensions

The Fund and its employees, who are deemed to be employees of the Government, make contributions to the Public Service Superannuation Plan administered by the Government of Canada. The Fund and the employees contribute equally to the cost of the plan. These contributions represent the total pension obligation of the Fund and are expensed on a current year basis. The Fund is not required under present legislation to make contributions with respect to actuarial deficiencies to the Public Service Superannuation Account.

d. Employee Leave and Termination

Benefits

Under the terms and conditions of employment, employees may qualify and earn employment benefits for annual leave, retirement, severance and removal costs. The estimated liability for these benefits is recorded as the benefits are earned by the employees.

3. Accounts Receivable (thousands of dollars)	Mar-31 2003	Mar-31 2002
Commercial/Private	\$ 1,587	\$ 1,269
Territorial Municipalities & Housing Associations	1,033	745
Government of the Northwest Territories:		
Departments and Agencies	443	477
Northwest Territories Power Corporation	419	401
	<u>862</u>	<u>878</u>
Government of Canada	51	45
	<u>3,533</u>	<u>2,937</u>
Less: Allowance for Doubtful Accounts	(107)	(94)
	<u>\$ 3,426</u>	<u>\$ 2,843</u>

4. Inventories (thousands of dollars)	Mar-31 2003	Mar-31 2002
Heating fuel	\$ 3,461	\$ 4,550
Gasoline	1,361	1,421
Other fuel	52	44
	<u>\$ 4,874</u>	<u>\$ 6,015</u>

5. Sale of Petroleum Products (thousands of dollars)	2003	2002
Commercial/Private	\$ 4,864	\$ 4,751
Territorial Municipalities & Housing Associations	3,188	3,222
Government of the Northwest Territories:		
Northwest Territories Power Corporation	1,350	1,456
Departments and Agencies	908	1,128
Wholesale Revenue	1,958	2,348
Government of Canada	176	161
	<u>\$ 12,444</u>	<u>\$ 13,066</u>

6. Services Provided Without Charge

a. Capital Assets and Environmental Restoration Costs

The accounting policies of the Fund do not require the capitalization of capital assets. However, internal controls are maintained to safeguard assets. Donated capital assets are valued at management's best estimates of original cost. Capital assets are amortized over the estimated useful life of the related assets at the following rates:

Fuel Storage Facilities	30 years straight line, no salvage
Fuel Delivery Vehicles	10 years straight line, no salvage

(thousands of dollars)			Mar-31	Mar-31
	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Fuel Storage Facilities	\$ 21,098	\$ 9,844	\$ 11,254	\$ 9,704
Fuel Delivery Vehicles	2,377	1,466	911	602
Construction in progress	363		363	626
	<u>\$ 23,838</u>	<u>\$ 11,310</u>	<u>\$ 12,528</u>	<u>\$ 10,932</u>

b. Financing Costs

Management estimated that the Fund required up to \$11,000,000 in working capital with an estimated financing cost of \$225,741 for the year (2001/2002 was \$13,000,000 and \$312,046 respectively). The financing cost is based upon the average monthly balance due to the Government at a monthly average borrowing rate applicable to the Government ranging from 2.46% to 3.28% per annum

7. Fair Value of Financial Instruments

The carrying values of accounts receivable, accounts payable and accrued liabilities are reasonable estimates of the fair value due to the relatively short period to maturity of the financial instruments

8. Related Party Transactions

In addition to those transactions with related parties disclosed elsewhere in the financial statements, the Fund is related in terms of common ownership to all Government created departments, agencies and Crown Corporations. The Fund enters into transactions with these entities in the normal course of business, with the exception of the Northwest Territories Power Corporation (NTPC). In accordance with an agreement with the Government, NTPC is charged the landed cost to purchase and deliver petroleum products to its facilities in the communities, such as Lutsel K'e, Wha Ti, Tulita, Paulatuk and Holman, in the Northwest Territories.

9. Commitments and Contingencies

a. Fuel Resupply Contracts

The Government has a contract for the supply and delivery of bulk petroleum products, by barge, with the Northern Transportation Company Limited. The renewed contract expires at the termination of the 2004 summer resupply. The Government also enters into a two-year contract for the supply and delivery of bulk petroleum products, by tanker truck, for furtherance to the communities serviced by winter/ice roads With Bassett Petroleum Distributors Ltd. This contract is scheduled to terminate in January 2004 with Bassett Petroleum. However the contract does include an option for a further 24-month term at the discretion of the Government.

b. Community Fuel Delivery Contracts

The Government provides local fuel delivery services in 15 communities across the Northwest Territories. The contracts for sales, dispensing and delivery services are awarded based on a competitive request for proposal (RFP) process. Contracts are awarded to local residents or businesses. Twelve contracts will expire in the fiscal year ending 2004, one in 2005 and two in 2006. Under these contracts, fixed commission rates are paid. The value of this commitment is estimated at \$1,361,000 as per the detailed listing below.

	Commitment			
	2004	2005	2006	Total
	\$ 996,000	\$ 210,000	\$ 155,000	\$1,361,000

Historically the government pays \$1.3 million in commissions to local contractors in the 15 communities that the government serves.

c. Environmental Site Assessment

The government has completed comprehensive environmental site assessments at each of its bulk fuel storage pipeline distribution systems. Each facility was the subject of code compliance audit, soil and groundwater testing, delineation of known areas of contamination and the preparation of recommendations for remedial action on a site by site basis. The assessments confirm that hydrocarbon contamination is present at all sites. The level of contamination however differs for each site.

There have been nine Phase III Assessments and one Risk Assessment completed to date. The estimate cost to remediate all contaminated sites is estimated to be in the range between \$6,446,000 and \$9,669,000. This value is based upon the most recent experience of others who have undertaken similar environmental remediation projects. While PPD expects remediation costs to come within the estimated range, costs certainty cannot be obtained until remediation has commenced and the scope of work or the level of contamination has been confirmed. A remediation plan has been prepared to reduce this liability over the next five to ten years.

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**Northwest Territories
Business Credit Corporation**

Financial Statements

**for the year ended
March 31, 2003**

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NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

Management's Responsibility for Financial Reporting

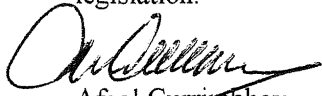
The accompanying financial statements of the Northwest Territories Business Credit Corporation (the Corporation) were prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting policies exist, management has chosen those it deems most appropriate in the circumstances. Financial statements include amounts requiring estimates, which have been made based upon informed judgment as to the expected results of current transactions and events, such as the provision for losses on impaired loans and services provided by the Government of the Northwest Territories (the Government) without charge. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the financial statements.

The Corporation maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, and that assets are acquired prudently, used to further the Corporation's aims, and are protected from loss.

The Corporation is subject to the *Northwest Territories Business Credit Corporation Act* and the *Financial Administration Act*. It also receives ministerial directives establishing policy guidelines. Management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable legislation and for maintaining standards of conduct that are appropriate to a territorial Crown corporation.

The Board of Directors appoints certain of its members to serve on the Management Sub-Committee. This Sub-Committee oversees management's responsibility for financial reporting and reviews and recommends the financial statements to the Board for approval.

The Auditor General of Canada annually provides an independent audit for the purpose of expressing her opinion on the financial statements. She also considers whether the transactions that come to her notice in the course of this audit are, in all significant aspects, in accordance with the specified legislation.


Afzal Currimbhoy,
Chief Executive Officer

June 6, 2003



AUDITOR'S REPORT

To the Minister of the
Northwest Territories Business Credit Corporation

I have audited the balance sheet of the Northwest Territories Business Credit Corporation as at March 31, 2003 and the statements of operations 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 March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation and the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* and regulations, the *Northwest Territories Business Credit Corporation Act* and regulations and the by-laws of the Corporation.

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Edmonton, Canada
June 6, 2003

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

**BALANCE SHEET
MARCH 31, 2003**

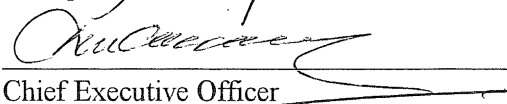
	\$ 000's	
ASSETS	2003	2002
Cash and Cash Equivalents (Note 3)	\$ 43	\$ 398
Loans Receivable (Note 4)	35,891	32,484
Accrued Interest Receivable (Note 4)	174	208
	36,065	32,692
Less: Allowance for Losses on Impaired Loans (Note 5)	7,370	6,811
	28,695	25,881
Capital Assets (net of accumulated amortization of \$97 (2002: \$77))	25	38
	\$ 28,763	\$ 26,317
LIABILITIES		
Deferred Capital Contribution	\$ 25	\$ 38
Advance from the Government (Note 6)	31,204	28,523
	31,229	28,561
DEFICIT		
Deficit	(2,466)	(2,244)
	\$ 28,763	\$ 26,317

CONTINGENT LIABILITIES (NOTE 7)

APPROVED:



Chairperson of the Board of Directors



Chief Executive Officer

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

STATEMENT OF OPERATIONS AND DEFICIT
For the Year Ended March 31, 2003

	\$ 000's	
	2003	2002
LENDING ACTIVITIES		
Interest Income on Loans Receivable	\$ 1,853	\$ 1,993
Interest Expense on Advance from the Government (Note 6)	1,119	1,187
Net Interest Income	734	806
Provision for Losses on Impaired Loans (Note 5)	956	1,592
Net Loss on Lending Activities	(222)	(786)
ADMINISTRATIVE EXPENSES		
Salaries and Benefits	624	596
Office	46	53
Amortization	29	23
Professional Fees	23	31
Board Meetings	22	35
Communications	10	12
Computer Services	2	9
	756	759
Net loss before contribution toward administrative expenses	(978)	(1,545)
Less: Administrative Contribution - the Government (Note 9)	756	759
NET LOSS FOR THE YEAR	(222)	(786)
DEFICIT AT THE BEGINNING OF THE YEAR	(2,244)	(1,458)
DEFICIT AT THE END OF THE YEAR	\$ (2,466)	\$ (2,244)

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

**STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2003**

	\$ 000's	
CASH FLOWS FROM OPERATING ACTIVITIES	2003	2002
Interest Income on Loans Receivable	\$ 1,875	\$ 1,973
Interest Repayment of Advance to the Government	(783)	(1,187)
Contribution Received Toward Administrative Expenses	722	729
Administrative Expenses Paid	(722)	(729)
Interest Received on Bank Account	12	20
	<u>1,104</u>	<u>806</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans Receivable Repaid	6,298	5,666
Loans Receivable Disbursed	(10,102)	(7,192)
Purchase of Capital Assets	(15)	(20)
	<u>(3,819)</u>	<u>(1,546)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from the Government	2,345	1,499
Principal Repayment of Advance to the Government	-	(526)
Contribution Received Toward Acquisition of Capital Assets	15	20
	<u>2,360</u>	<u>993</u>
NET (DECREASE) INCREASE IN CASH	\$ (355)	\$ 253
Cash and Cash Equivalents at Beginning of the Year	\$ 398	\$ 145
Cash and Cash Equivalents at End of the Year	\$ 43	\$ 398

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

1. AUTHORITY, OBJECTIVE AND OPERATION

The Corporation was established in 1991 pursuant to the *Northwest Territories Business Credit Corporation Act (Act)*. It is subject to the *Financial Administration Act* and is a Crown Corporation of the Government and is exempt from income tax.

The Corporation's objective is to stimulate economic development and employment in the Northwest Territories to resident business enterprises, by providing loans, guaranteeing loans made by financial institutions, providing bonds and indemnifying bonding companies which have provided bonds. In addition, the Corporation is responsible for making business development loans to Northern businesses to create economic development opportunities in communities where conventional lending institutions are not prepared to participate. The Corporation's role is a blend of being a last resort lender and a developmental agency for higher risk entrepreneurial ventures.

Economic dependency

The Corporation is economically dependent upon the Government's continuing contributions for direct administrative expenses and advances.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies followed by the Corporation in the preparation of these financial statements are summarized below.

Loans

Loans are stated at the lower of principal amounts or estimated realizable amounts receivable. Accrued interest receivable and an allowance for losses on impaired loans are recorded separately.

Allowance for losses on impaired loans

The allowance for losses on impaired loans represents management's best estimate of probable losses on loans at the end of the fiscal year. The allowance has a specific and general component.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Allowance for losses on impaired loans (cont'd)

a) Specific allowance: A loan is classified as impaired when one or more of the following conditions exist:

- in the opinion of management, there is reasonable doubt as to the ultimate collectability of principal or interest, or
- principal or interest is six months past due, unless the loan is well secured, or
- the loan has been previously restructured and principal or interest is three months past due, or
- principal or interest is twelve months past due regardless of whether or not the loan is well secured.

When a loan is classified as impaired, the carrying amount of the loan is reduced to its estimated realizable amount as determined based on management's estimates. This is the lower of the recorded amount of the loan or the net fair market value of the underlying security of the loan. The amount of initial impairment and any subsequent changes in the amount of impairment are recorded as a charge or credit to the specific allowance.

b) General allowance: In addition to the specific allowance, the Corporation maintains a general allowance, established at two percent (2%) of loans receivable, net of the specific provision, to reflect management's estimate for losses on those impaired loans which cannot yet be specifically identified. The general allowance is determined based on historical loss experience, aggregate exposure in particular industries or geographical regions, and prevailing economic conditions.

Revenue recognition

Interest revenue on loans receivable is normally recognized on an accrual basis. The Corporation ceases to accrue interest once a loan is classified as impaired. Payments received on impaired loans are credited to the loan balance and recognized as revenue only when either the loan balance has been repaid or the loan is no longer classified as impaired. Payments received on any previously written off loans are recognized as revenue.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital assets

Capital assets are recorded at cost. Amortization is calculated on a straight line basis over the estimated useful life of the assets as follows:

Computers	3 years
Furniture and Equipment	4 years

Employee future benefits

The Corporation and its employees who are deemed to be employees of the Government, make contributions to the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employees and the Corporation.

Under the conditions of employment, employees earn non-pension employment benefits for annual leave, retirement and severance pay. The costs are accrued as the benefits are earned. Accrued termination benefits are paid upon resignation, retirement or death of employees by the Government.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Some of the more significant estimates made relate to loans and accrued interest receivable, allowance for losses on impaired loans and provision for losses on impaired loans.

3. CASH AND CASH EQUIVALENTS

The Corporation's cash is pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short-term income producing assets. The cash can be withdrawn at any time, and is not restricted by maturity dates on investments made by the Government.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

3. CASH AND CASH EQUIVALENTS (CONT'D)

The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments depending on the investment class, are rated R-1 Low or better from the Dominion Bond Rating Service Limited. The Corporation's average investment yield was 2.3% during the year (2002: 3.4%).

Net investment income of \$12,000 (2002: \$20,000) is included in Interest Income on Loans Receivable.

4. LOANS AND ACCRUED INTEREST RECEIVABLE

The Corporation provides loans with only fixed rates based on a term period not exceeding five years and an amortization period not exceeding twenty-five years as determined by the amount of the loan approved to, the types of security provided by and the repayment ability of the clients.

<u>Region</u>	Range of Annual Interest Rates		<u>\$ 000's</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Loans Receivable				
Deh Cho	5.75 - 9.50%	5.75 - 9.50%	\$ 3,151	\$ 3,635
Inuvik	6.50 - 9.50%	6.75 - 9.50%	4,082	2,541
North Slave	3.50 - 9.75%	3.50 - 9.75%	12,993	11,590
Sahtu	6.75 - 9.50%	6.75 - 9.50%	2,769	3,112
South Slave	5.75 - 9.50%	6.75-10.25%	<u>12,896</u>	<u>11,606</u>
			<u>35,891</u>	<u>32,484</u>
Accrued Interest Receivable				
Current			140	123
Arrears			<u>34</u>	<u>85</u>
			<u>174</u>	<u>208</u>
			<u>\$ 36,065</u>	<u>\$ 32,692</u>

Loans receivable and accrued interest include \$9,185,000 (2002: \$9,904,000) that the Corporation has specifically classified as impaired. In 2003, interest not accrued on impaired loans totalled \$800,000 (2002: \$609,000).

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

4. LOANS AND ACCRUED INTEREST RECEIVABLE (CONT'D)

The value of assets in which the Corporation has title to or foreclosed on totalled \$770,000 in the loan balance (2002: \$1,022,000). These loans have related allowances for losses totalling \$625,000 (2002: \$744,000).

As of March 31, 2003, loans receivable are expected to mature as follows:

<u>Maturity Date</u>	<u>Range of Annual Interest Rates</u>	<u>\$ 000's</u>
Loans past due	6.50 – 9.50%	\$ 9,625
2004	6.00 – 9.00%	4,576
2005	7.00 – 9.50%	3,033
2006	6.75 – 9.50%	3,533
2007	6.00 – 9.75%	3,861
2008 and beyond	3.50 – 9.50%	<u>11,263</u>
		<u>\$ 35,891</u>

Write-offs

Under the provisions of the *Financial Administration Act*, a loan (outstanding principal and interest) can only be approved for write-off by either the Legislative Assembly (over \$20,000) or the Board of Directors (\$20,000 or less). A loan written off is still subject to collection action.

In 2003, no accounts were written off by the Legislative Assembly (2002: nil). Twelve accounts representing eleven borrowers totalling \$56,010 were written off by the Board of Directors (2002: nil).

In 2003, recoveries on loans previously written off totalled \$2,067 (2002: \$900).

Forgiveness

Under the provisions of the *Financial Administration Act*, a loan can only be approved for forgiveness by either the Legislative Assembly (over \$1,000) or the Financial Management Board (\$1,000 or less). Once a loan has been forgiven, no further collection action is possible.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

4. LOANS AND ACCRUED INTEREST RECEIVABLE (CONT'D)

Forgiveness (cont'd)

In 2003, ten accounts representing nine borrowers totaling \$341,176 were forgiven by the Legislative Assembly (2002: nil). No accounts were forgiven by the Financial Management Board (2002: nil).

Credit risk

The Corporation's credit risk exposure relating to loans receivable is directly impacted by the borrowers' ability to meet their obligations. This ability is impacted by the borrowers' exposure to fluctuations in the economy of the Northwest Territories.

The Corporation mitigates credit risk by holding no significant concentration with any individual borrower. It is prevented by the Act from lending to any one business enterprise or to a group of related enterprises an amount in excess of \$2 million. Where appropriate, the Corporation takes securities for the loans.

Economic sector diversity

The Corporation diversifies its loan portfolio by providing loans to various economic sectors of the Northwest Territories.

	<u>\$ 000's</u>	
	<u>2003</u>	<u>2002</u>
Trade and Services	\$ 21,076	\$ 19,123
Travel and Tourism	5,195	4,438
Construction	4,221	3,491
Manufacturing	2,103	2,000
Transportation, Communication and Utilities	2,079	2,272
Fisheries	589	505
Agriculture	224	224
Wildlife	198	213
Arts and Crafts	162	157
Forestry	<u>44</u>	<u>61</u>
	<u>\$ 35,891</u>	<u>\$ 32,484</u>

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

4. LOANS AND ACCRUED INTEREST RECEIVABLE (CONT'D)

Fair Value

The carrying value, estimated to be the fair value of the loans, is stated at the lower of principal amounts or estimated realizable amount receivable. The Corporation bases its estimate of the fair value of the loans on analysis of the principal outstanding and the value of any underlying security. As with any estimate, uncertainty is inherent due to the unpredictability of future events. Estimates of fair values are based on market conditions at a certain point of time, and may not be reflective of the actual values that could be realized upon settlement.

5. ALLOWANCE FOR LOSSES ON IMPAIRED LOANS

	\$ 000's	
	2003	2002
Specific Allowance for Losses on Impaired Loans:		
Balance at beginning of year	\$ 6,286	\$ 4,693
Provision for the year	899	1,593
	7,185	6,286
Less: write-offs	56	-
forgiveness	341	-
	397	-
Balance at end of year	6,788	6,286
General Allowance for Losses on Impaired Loans:		
Balance at beginning of year	525	526
Provision for the year	57	(1)
Balance at end of year	582	525
Allowance for Losses on Impaired Loans	\$ 7,370	\$ 6,811

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

6. ADVANCE FROM THE GOVERNMENT OF THE NORTHWEST TERRITORIES

The Act authorizes the Corporation to borrow for the purpose of lending, up to \$50 million from the Government through an advance. Increases to the outstanding balance of the advance must be approved by the Financial Management Board based on the need of the Corporation. The balance was not to exceed \$38 million as at March 31, 2003 (2002: \$38 million).

Interest on the advance is based on the rate set at the last week of each month of the Government of Canada 3-year bonds, compounded annually. The rate varied from 3.5% to 4.3% during the year (2002: 3.4% to 5.4%).

There are no fixed repayment terms on the advance. Repayment on the advance is made whenever the Corporation has sufficient cash on hand not earmarked for lending purposes.

The carrying amount of the advance from the Government of the Northwest Territories of \$31,204,000 (2002: \$28,523,000) approximates fair value.

7. CONTINGENT LIABILITIES

The Corporation is named as defendant in one proceeding and as co-defendant in a second proceeding. Both proceedings are related to steps taken by the Corporation to call and enforce its rights involving the collateral security of loans. An estimate of the contingent loss arising from these actions, if any, cannot be reasonably determined at this time. Liability arising from these proceedings, if any, will be reflected as an expense when determined.

The Corporation approved an irrevocable standby letter of credit to a maximum of \$193,000. On March 31, 2003, a total of \$142,000 was provided.

8. PUBLIC SERVICE SUPERANNUATION PLAN

Under the Public Service Superannuation Plan, the expense for the Corporation's share of contribution totalled \$59,000 (2002: \$55,000) at a rate of 2.14 times the employee's contribution. The contributions from the Corporation and its employees represent the total pension obligation of the Corporation and are recognized in the accounts on a current basis.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

9. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed, the Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

Administrative contribution

Under the terms of administrative agreements between the Corporation and the Government, direct administrative expenses of the Corporation are paid by the Government. Accrued expenses such as amortization and the annual leave are recorded as charges against the contribution in the year they are incurred.

Services provided without charge

The Corporation does not record the value of other capital assets or services provided by the Government without charge in these financial statements. Services provided by the Government include accounting support, regional and human resource services as well as office accommodation and some capital assets. The values of such services are estimated as follow:

	<u>\$ 000's</u>	
	<u>2003</u>	<u>2002</u>
Staff support	\$ 540	\$ 168
Accommodation	48	48
Employee future long term benefits	<u>7</u>	<u>10</u>
	<u>\$ 595</u>	<u>\$ 226</u>

Cumulative employee future long term benefits accrued at March 31, 2003 is \$92,000 (2002: \$85,000).

Furthermore, the Corporation receives audit services without charge from the Office of the Auditor General of Canada.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

10. SUBSEQUENT EVENT

The Minister responsible for the Corporation has drafted and plans to table a Bill to enact the *Northwest Territories Business Development and Investment Act*. If passed in the legislature, the Bill would create the Northwest Territories Business Development and Investment Corporation which then will assume the operations of the Corporation.

**Legislative Assembly Retiring
Allowance Fund**

Financial Statements

**for the year ended
March 31, 2003**

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AVERY, COOPER & CO.

Certified General Accountants

Gerald F. Avery, F.C.G.A.
Douglas E. Cooper, C.G.A.
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AUDITORS' REPORT

To the Management and Services Board
Legislative Assembly Retiring Allowance Fund

We have audited the Statement of Net Assets Available for Benefits of the Legislative Assembly Retiring Allowance Fund as at March 31, 2003, the Statement of Changes in Net Assets Available for Benefits for the year then ended and the Statement of Obligations for Pension Benefits as at March 31, 2003. These financial statements are the responsibility of the Fund'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 Net Assets Available for Benefits as at March 31, 2003 and the changes in its Net Assets Available for Benefits for the year then ended in accordance with the basis of accounting as disclosed in Note 2 to the financial statements.

AVERY, COOPER & CO.
Certified General Accountants
Yellowknife, NT

April 18, 2003

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Legislative Assembly Retiring Allowance Fund

The accompanying financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided. They have been prepared in accordance with Canadian generally accepted accounting principles. Where necessary the statements include amounts that are based on informed judgements and estimates by management, giving appropriate consideration to reasonable limits of materiality.

In discharging its responsibility for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring and training employees, written policies and procedures manuals, and accountability for performance within appropriate and well-defined areas of responsibility. The Board's management recognizes its responsibility for conducting the Fund's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate.

The Auditors annually provide an independent, objective audit for the purpose of expressing an opinion on the financial statements in accordance with Canadian generally accepted auditing standards. The auditor also considers whether the transactions that come to his notice in the course of this audit are, in all significant respects, in accordance with specified legislation and directives from the NWT Legislative Assembly.

Hewitt Associates, an independent firm of consulting actuaries, has been engaged to provide an opinion on the adequacy and appropriation of actuarial valuations of accrued pension benefits of the board.

On behalf of the Management and Services Board

Chair

Secretary

April 18, 2003

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

**NET ASSETS AVAILABLE FOR BENEFITS
March 31, 2003**

	<u>2003</u>	<u>2002</u>
ASSETS		
CURRENT		
Accounts Receivable	\$ 18,783	\$ 19,516
Accrued Investment Income	<u>3,623</u>	<u>3,779</u>
	22,406	23,295
INVESTMENTS		
Retiring Allowance Fund (Notes 2 and 3)	<u>14,726,165</u>	<u>16,772,224</u>
	<u>\$ 14,748,571</u>	<u>\$ 16,795,519</u>
LIABILITIES		
CURRENT		
Accounts Payable	\$ 39,054	\$ 19,475
FUND BALANCE		
RETIRING ALLOWANCE FUND BALANCE		
Net Assets Available for Benefits per page 2	<u>14,709,517</u>	<u>16,776,044</u>
	<u>\$ 14,748,571</u>	<u>\$ 16,795,519</u>

APPROVED:


 _____ Director

 _____ Director

See the accompanying notes.

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the Year Ended March 31, 2003**

	<u>2003</u>	<u>2002</u>
INCREASE (DECREASE) IN ASSETS		
Contributions	\$ 195,215	\$ 98,042
Interest and Dividends	<u>808,242</u>	<u>678,202</u>
	1,003,457	776,244
Current Period Change in Fair Market Value of Investments	<u>(2,542,765)</u>	<u>(173,026)</u>
Total Increase (Decrease) in Assets	<u>(1,539,308)</u>	<u>603,218</u>
DECREASE IN ASSETS		
Benefits		
Pension Payments	433,006	421,902
Administrative		
Actuary Fees	<u>94,213</u>	<u>70,102</u>
Total Decrease in Assets	<u>527,219</u>	<u>492,004</u>
INCREASE (DECREASE) IN NET ASSETS	(2,066,527)	111,214
NET ASSETS AVAILABLE FOR BENEFITS		
- BEGINNING OF YEAR	<u>16,776,044</u>	<u>16,664,830</u>
- END OF YEAR	<u>\$ 14,709,517</u>	<u>\$ 16,776,044</u>

See the accompanying notes.

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

STATEMENT OF OBLIGATIONS FOR PENSION BENEFITS

March 31, 2003

	<u>2003</u>	<u>2002</u>
ACTUARIAL PRESENT VALUE OF DEFINED BENEFITS		
Active Members	\$ 2,946,000	\$ 2,281,000
Pensioners	<u>8,092,000</u>	<u>8,106,000</u>
Total Ongoing Plan Liabilities (Note 4)	<u>11,038,000</u>	<u>10,387,000</u>
ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS		
Net Assets Available for Benefits	17,831,000	17,764,000
Changes not reflected in actuarial value of net assets	<u>(3,121,483)</u>	<u>(987,956)</u>
Adjusted Actuarial Value of Net Assets Available For Benefits (page2)	<u>14,709,517</u>	<u>16,776,044</u>
EXCESS OF ACTUARIAL VALUE OF NET ASSETS OVER ACTUARIAL PRESENT VALUE OF DEFINED BENEFITS		
	\$ <u>3,671,517</u>	\$ <u>6,389,044</u>

See the accompanying notes.

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2003

NOTE 1 DESCRIPTION OF PLAN

a) General

The fund was established pursuant to the Legislative Assembly Retiring Allowances Act and is administered by the Management and Services Board. The Act provides retiring allowances on a contributory, defined benefit basis to Members of the Legislative Assembly of the Northwest Territories who have been Members at any time for six or more years prior to October 16, 1995 or four or more years after October 16, 1995, commencing March 10, 1975, the date of the first fully elected Legislative Assembly.

b) The following description of the Legislative Assembly Retiring Allowance Plan is a summary only. For more complete information, reference should be made to the Plan agreement.

1) Funding Policy

The Legislative Assembly Retiring Allowance Act requires that the plan sponsor, the Government of the Northwest Territories, must fund the benefits determined under the Plan. The determination of the value of these benefits is made on the basis of a triennial actuarial valuation for the fund (See Note 4).

In accordance with the Trust agreement, Plan members are required to contribute 6.5% of their salary and per diem allowances to the Plan. Employer contributions required are equal to the amount certified by the Actuary as being necessary to fully fund the benefits accruing under the Plan, less the amount of required employee contributions. Any surplus existing in the Plan may be used to reduce the required employer contributions. Any deficit existing in the Plan must be specifically funded in accordance with the requirements of the Pension Benefits Standards Act.

2) Normal Retirement Age

a. Service Prior to 1992

Age 55

b. Service After 1991

The earliest of:

- age 60
- 30 years of service
- age plus service equals 80

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

**NOTES TO THE FINANCIAL STATEMENTS
March 31, 2003**

NOTE 1 DESCRIPTION OF PLAN - cont'd

3) Retirement Pension

A retirement pension is payable to a member, based on 2% of the average earnings over four consecutive years as an MLA multiplied by Credited Service as an MLA.

PLUS

2% of the average best earnings over four consecutive years in that capacity of Minister, Speaker or Chairperson multiplied by Credited Service for each position. A position must be held for at least one year for a pension to be paid, and the pension for each position is calculated separately.

4) Early Retirement

A member may retire at any time upon ceasing to be a member of the Assembly. A Member retiring prior to Normal Retirement Age shall receive:

a. Service prior to 1992

A pension which is actuarially equivalent to the pension calculated as if the member was 55.

b. Service after 1991.

A pension which is reduced by .25% for each month a member retires before the Normal Retirement Age.

5) Late Retirement

Up to age 69.

6) Maximum Allowance

For benefits earned after 1991, the annual retirement pension payable shall not exceed the lesser of:

a. the defined limit as prescribed under the Income Tax Act of Canada for the year in which the pension commences, times the years of credited service after 1991;

b. 2% of the average annual indexed pensionable remuneration, times the years of credited service after 1991.

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2003

NOTE 1 DESCRIPTION OF PLAN - cont'd

7) Form of Pension

a. Service Prior to 1992

The normal form of payment is a joint and 75% survivor pension reducing on the death of the Member.

Each dependent will receive a pension of 10% of the retirement pension (to a maximum total of 25%) if the spouse survives. If there is no surviving spouse, a benefit of 25% of the retirement pension (to a maximum total of 100%) will be paid to each dependent.

b. Service After 1991

The normal form of payment for service after 1991 is a joint and 66-2/3% survivor pension reducing on the death of the Member with a guarantee of 100% of the first 60 monthly payments in any event.

Each Dependent will receive a pension of 10% of the retirement pension (to a maximum total of 25%) if the spouse survives. If there is no surviving spouse, a benefit of 100% shall be divided by the number of children for the first 60 monthly payments after the Member's pension commencement and then 25% of the benefit thereafter.

8) Increases in Pension

Pensions in pay and deferred pensions are increased every January 1st based on increases in the Consumer Price Index up to the preceding September 30th.

9) Pre-Retirement Death Benefits

If a Member or Former Member dies before retirement and is not eligible to receive a pension, his accumulated contributions with interest will be returned to the beneficiary. If he was eligible to receive a pension, it will be assumed that the Member retired on the day preceding his death and elected the normal form of pension.

10) Withdrawal Benefits

A Member who terminates with four or more years of service or serves at least one full term as a Member of the Assembly is entitled to a retirement pension. All other Members who terminate will receive a lump sum payment of their accumulated contributions with interest.

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

**NOTES TO THE FINANCIAL STATEMENTS
March 31, 2003**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. The financial statements are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the plan nor the benefit security of individual plan members.

- b) Contributions are recognized in the accounts on an accrual basis based on earnings as reported by the members' employers.
- c) Pension and termination benefits are shown as expenditures in the year of payment.
- d) Investments for the Legislative Assembly Retiring Allowance Fund are stated at fair market value.

NOTE 3 INVESTMENTS - RETIRING ALLOWANCE FUND

	<u>2003</u>	%	<u>2002</u>	%
<u>Funds Managed by Investment Counsellors</u>				
Cash and Cash Equivalents	\$ 1	-	\$ 2,467	-
UBS Capital Balance Fund (Cost \$8,653,129; 2002-\$13,310,610)	7,509,448	51.0	16,399,592	97.8
Temporary Investments (Cost \$1,114,977 ; 2002-zero)	1,114,977	7.6	-	-
NWT Legislative Assembly Building Society Series A Bonds (Cost \$339,775; 2002 - 353,236)	356,059	2.4	370,165	2.2
Canada Fixed Income Mutual Funds (Cost \$5,856,949; 2002 - zero)	<u>5,745,680</u>	<u>39</u>	<u>-</u>	<u>-</u>
Total at Fair Market Value	<u>\$ 14,726,165</u>	<u>100</u>	<u>\$ 16,772,224</u>	<u>100</u>

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2003

NOTE 4 OBLIGATIONS FOR PENSION BENEFITS

The present value of accrued pension benefits was determined using the projected accrued benefit method prorated on service and the plan administrator's best estimate assumptions. The most recent actuarial valuation was made as of April 1, 2002 by Hewitt Associates, a firm of consulting actuaries. This actuarial valuation report was prepared to March 31, 2003 using the projected accrued benefit actuarial cost method (also known as the projected unit credit method), prorated on service. The report was prepared in accordance with accepted actuarial practice and in accordance with Section PS3250 of the CICA Public Sector Accounting and Auditing Handbook.

The principal components of changes in actuarial present values during the year were as follows:

	<u>2003</u>	<u>2002</u>
Actuarial present value of accrued pension benefits		
- beginning of year	\$ 10,387,000	\$ 9,824,000
Cost of benefits earned	437,000	402,000
Interest accrued on benefits	743,000	701,000
Experience gains and losses	(97,000)	(118,000)
Benefits paid	<u>(432,000)</u>	<u>(422,000)</u>
Actuarial present value of accrued pension benefits		
- end of year	<u>\$ 11,038,000</u>	<u>\$ 10,387,000</u>

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long term actuarial assumptions used in the market valuation were:

	<u>2003</u>	<u>2002</u>
Valuation Interest Rate (net of expenses)	7.0%	7.0%
Salary Projection Rate	5.0%	5.0%
Interest Credited on Contributions	7.0%	7.0%
Inflation Rate	4.0%	4.0%

The actuarial value of net assets available for benefits was determined based on market value on January 31, 2003. The actuarial value of assets is equal to a smoothed market value which spreads the difference between actual and expected investment income over a four year period and is then adjusted for payments due to, and payable from, the pension fund.

NORTHWEST TERRITORIES HOUSING CORPORATION

FINANCIAL STATEMENTS

March 31, 2003

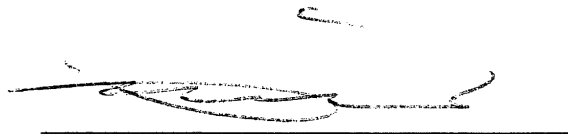
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Honourable Roger Allen
Minister Responsible for the
Northwest Territories Housing Corporation

The accompanying financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. Management is responsible for the integrity and objectivity of the data in these financial statements and, where appropriate, the statements include estimates and judgements based on careful consideration of information available to Management.

Management has developed and maintains books of accounts, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled and that transactions are in accordance with the Financial Administration Act, the Housing Corporation Act and policies of the Corporation. The Corporation's management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to a Territorial Crown Corporation.

The Auditor General of Canada provides an independent, objective audit for the purpose of expressing her opinion on the financial statements of the Corporation. She also considers whether the transactions that come to her notice in the course of this audit are, in all significant respects, in accordance with the specified legislation.



Tom R. Beaulieu
President



J.B. (Jeff) Anderson, CGA, CPA
Chief Financial Officer
Finance and Corporate Services

Yellowknife, NT
June 13, 2003



AUDITOR'S REPORT

To the Minister of the
Northwest Territories Housing Corporation

I have audited the balance sheet of the Northwest Territories Housing Corporation as at March 31, 2003 and the statements of operations, 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 March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, and the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* and regulations and the *Northwest Territories Housing Corporation Act* and regulations.

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Edmonton, Canada
June 13, 2003


NORTHWEST TERRITORIES HOUSING CORPORATION

Balance Sheet As at March 31, 2003

	2003 (\$'000)	2002 (\$'000)
<u>ASSETS</u>		
Current		
Cash	\$ -	\$ 231
Short-term investments (Note 3a)	14,705	14,984
Accounts receivable (Note 4)	9,312	6,191
	24,017	21,406
Fixed-term investments (Note 3b)	2,010	-
Investment in housing projects		
Land and buildings (Note 5a)	125,802	127,331
Mortgages receivable (Note 5b)	3,380	3,779
	129,182	131,110
Property and equipment (Note 6)	4,304	4,381
	\$ 159,513	\$ 156,897
<u>LIABILITIES</u>		
Current		
Bank indebtedness	\$ 1,161	\$ -
Accounts payable (Note 7)	10,221	7,312
Due to the Government of the Northwest Territories (Note 8)	1,141	1,690
Current portion of long-term debt and capital leases	4,454	4,041
	16,977	13,043
Long-term debt (Note 9)	89,917	94,016
Deferred capital contributions (Note 10)	44,792	43,280
Obligation under capital leases (Note 11)	8,491	8,844
Employee future benefits	1,255	1,187
	161,432	160,370
<u>EQUITY</u>		
Accumulated deficit	1,919	3,473
	\$ 159,513	\$ 156,897
Contingencies and commitments (Notes 16 and 17)		

Approved by Management:

President



Chief Financial Officer

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES HOUSING CORPORATION

Statement of Operations For the year ended March 31, 2003

	<u>2003</u> <u>(\$'000)</u>	<u>2002</u> <u>(\$'000)</u>
Expenses		
Rental housing programs		
Contributions for social housing	\$ 32,866	\$ 30,792
Interest on long-term debt	10,458	10,661
Amortization	6,866	7,080
Repairs, maintenance, and other costs	4,748	4,625
Homeownership programs		
Homeownership grants and contributions	9,230	4,504
Mortgage subsidies	4,812	4,772
Provision for impaired mortgages	1,579	1,028
Administration (Note 15)	12,988	12,199
Administration of government staff housing	403	431
	<u>83,950</u>	<u>76,092</u>
Revenues and recoveries		
Other revenue and recoveries	1,343	1,074
Investment revenue	793	502
Recoveries from government for staff housing	374	412
Mortgage interest revenue	237	328
Gain on disposal of capital assets	661	490
Recovery of prior year grants	238	561
	<u>3,646</u>	<u>3,367</u>
Net cost of operations prior to government contributions	<u>80,304</u>	<u>72,725</u>
Government contributions		
Government of the Northwest Territories	41,634	35,045
Canada Mortgage and Housing Corporation (Note 14)	33,545	33,533
Amortization of deferred capital contributions	2,583	3,064
	<u>77,762</u>	<u>71,642</u>
Net cost of operations	<u><u>\$ 2,542</u></u>	<u><u>\$ 1,083</u></u>

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES HOUSING CORPORATION

Statement of Deficit For the year ended March 31, 2003

	<u>2003</u> <u>(\$'000)</u>	<u>2002</u> <u>(\$'000)</u>
Accumulated deficit at beginning of year	\$ 3,473	\$ 5,427
Net cost of operations – unfunded items	<u>2,542</u>	<u>1,083</u>
	<u>6,015</u>	<u>6,510</u>
Contributions from the Government of the Northwest Territories		
Acquisition of non-depreciable capital assets	(3,861)	(2,818)
Long-term debt principal repayment (Note 8)	<u>(235)</u>	<u>(219)</u>
	<u>(4,096)</u>	<u>(3,037)</u>
Accumulated deficit at end of the year	<u>\$ 1,919</u>	<u>\$ 3,473</u>

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES HOUSING CORPORATION

Statement of Cash Flows For the year ended March 31, 2003

	<u>2003</u> <u>(\$'000)</u>	<u>2002</u> <u>(\$'000)</u>
Cash flow from operating activities		
Cash received from:		
Government of the Northwest Territories (GNWT)	\$ 41,464	\$ 36,531
Canada Mortgage and Housing Corporation (CMHC)	29,892	30,513
Miscellaneous revenue and recoveries	1,984	1,929
	<u>73,340</u>	<u>68,973</u>
Cash used for:		
Contributions for social housing	(32,176)	(30,656)
Administration	(12,748)	(12,241)
Interest on long-term debt	(10,454)	(10,672)
Mortgage subsidies	(3,539)	(4,965)
Repairs, maintenance and other costs	(4,748)	(4,625)
Homeownership grants and contributions	(9,369)	(4,295)
Administration of government staff housing	(403)	(431)
	<u>(73,437)</u>	<u>(67,885)</u>
Net cash provided by (used for) operating activities	<u>(97)</u>	<u>1,088</u>
Cash flow from financing activities		
Contribution from GNWT for capital assets	7,956	10,048
Contribution from CMHC for loan repayment	3,404	3,061
Repayment of long-term debt and capital leases	(4,039)	(3,597)
Net cash provided by financing activities	<u>7,321</u>	<u>9,512</u>
Cash flow from investing activities		
Mortgage payments received	758	474
Sale of capital assets	1,032	2,183
Capital assets purchased	(8,675)	(13,786)
Fixed-term investments purchased	(2,010)	-
Short-term investments redeemed (purchased)	279	(1,455)
Net cash used for investing activities	<u>(8,616)</u>	<u>(12,584)</u>
Net decrease in cash	(1,392)	(1,984)
Cash, beginning of year	<u>231</u>	<u>2,215</u>
Cash (bank indebtedness), end of year	<u>\$ (1,161)</u>	<u>\$ 231</u>

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES HOUSING CORPORATION

Notes to Financial Statements March 31, 2003

1. PURPOSE OF THE ORGANIZATION

The Northwest Territories Housing Corporation is a Territorial Crown Corporation, established under the *Northwest Territories Housing Corporation Act*. The Northwest Territories Housing Corporation is exempt from income tax but is subject to Goods & Services taxes.

The Corporation is committed to working in partnership with communities and to provide opportunities for communities to become accountable for their own choices and delivery of housing programs. Through this partnership, opportunities are provided to all community residents to have homes that support a healthy, secure, independent and dignified lifestyle. The Corporation's principal objective is to develop, maintain and manage public housing programs in the Northwest Territories.

Pursuant to provisions of the *Northwest Territories Housing Corporation Act*, the Corporation is dependent upon the Government of the Northwest Territories (GNWT), either directly or indirectly through guarantees, for the funds required to finance the net cost of its operations, for capital projects and the recovery of staff housing expenditures.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

Revenue recognition

Government contributions provided through the GNWT Department of the Executive are restricted in nature, subject to the provisions of Section 20 of the *Northwest Territories Housing Corporation Act* and Part IX of the *Financial Administration Act*. Accordingly, contributions from the government are recognized as revenue in the year in which the related expenses are incurred.

Contributions and recoveries from the government for operations, grants and contributions to homeowners, repairs, maintenance and other costs are credited to operations, except for those amounts provided for long-term debt principal repayments, which are credited to accumulated deficit. Contributions from the government for depreciable capital assets are recorded as deferred capital contributions on the balance sheet and are amortized on the same basis and over the same periods as the related capital assets. Contributions for non-depreciable capital assets are credited to accumulated deficit.

NORTHWEST TERRITORIES HOUSING CORPORATION

Notes to Financial Statements March 31, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Federal contributions from Canada Mortgage and Housing Corporation (CMHC) are restricted under provisions of a Social Housing Agreement. Accordingly, federal contributions are recognized as revenue in the year in which the related expenses are incurred.

Federal contributions used for the repayment of loans towards the purchase of capital assets approximate the annual amortization expense of these assets and are recognized in the year received.

Federal contributions provided under the Affordable Housing Program agreement are credited against the capital costs of housing units built under the homeownership and the assisted rental housing programs. The contribution under this program for 2003 is \$1,775,000 (2002 - \$1,775,000).

Investments

Short-term investments are valued at the lower of cost or market value. Fixed-term investments are valued at cost; with unrealized losses only recognized when it is determined there is a permanent decline in the value of investments. Interest income is recorded on the accrual basis.

Investment in housing projects - land and buildings

Land and buildings constructed or purchased by the Corporation for the rental portfolio or carried in inventory are stated at cost. Buildings transferred to the Northwest Territories Housing Corporation from CMHC are stated at CMHC's book value when transferred. This is considered a reasonable estimation of cost. Construction in progress includes amounts which may be transferred to land and buildings for rental programs and are carried at cost. It also includes amounts that may be transferred to homeowners and a mortgage taken back against the property. These properties are carried at their estimated realizable value.

Amortization for social housing, lease/purchase housing and staff housing is provided using the declining balance method at an annual rate of 5%. The provisions for amortization begin in the year the building is completed or transferred in and are taken for the full year.

Inventoried units are not amortized as these units are expected to turn over within the current period.

Social housing units are recorded as capital leases when the Corporation enters into lease agreements where, in effect, the risks and benefits of ownership are transferred to the Corporation. In such cases, the cost of the asset is determined as the discounted net present value of the minimum lease payments and is amortized using the straight-line method over the lease term. Obligations recorded under capital leases are reduced by rental payments net of imputed interest and executory costs. Interest expense is included in interest on long-term debt.

NORTHWEST TERRITORIES HOUSING CORPORATION

Notes to Financial Statements March 31, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contributions for social housing

Housing units owned by the Corporation are operated by local housing associations, authorities, municipalities and bands. The Corporation provides contributions for the annual operating requirements of these local housing organizations, net of rent revenues collected. These contributions are recorded on an accrual basis by the Corporation.

The Corporation also provides subsidy assistance to various non-profit housing sponsor groups and co-operatives in accordance with operating agreements, which set out the basis on which eligibility for subsidy assistance will be determined. These expenditures are recorded based on actual or estimated costs incurred by each sponsor group in the year.

Employee future benefits

Pension benefits

Employees participate in the Public Service Superannuation Plan (the Plan) administered by the Government of Canada. The Corporation contributes to the Plan based on a multiple of the employee's contributions, which may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not currently required to make contributions with respect to actuarial deficiencies of the Plan.

Non-pension benefits

Under term and conditions of employment, employees earn non-pension benefits for resignation, retirement, and removal based on years of service. The cost of these benefits is determined based on management's best estimates and is accrued as a liability as employees render service.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Corporation to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these statements, the Corporation believes the estimates and assumptions to be reasonable.

Some of the more significant management estimates relate to: valuation of social housing including buildings under capital lease; valuation of allowances for mortgages receivable and of mortgage subsidies; and the costs of administering social housing programs for the Canada Mortgage and Housing Corporation.

NORTHWEST TERRITORIES HOUSING CORPORATION

Notes to Financial Statements March 31, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment in housing projects - mortgages receivable

a) Mortgage subsidies

The Corporation, under section 44(1) of its Act, subsidizes principal and interest payments due from homeowners under the legal terms and conditions of mortgages. These subsidies vary in amount depending on the income of the mortgagees. Subsidies are expensed in the year the mortgage is approved and are recorded as mortgage subsidies.

Accordingly, the mortgage receivable balance represents the present value of the expected future unsubsidized payments from the mortgages, prior to an allowance for impairment.

Subsequent changes to the amount of subsidy provided, resulting from changes in income of the mortgagee, are recognized in the year the changes occur.

b) Allowance for impaired mortgages

Mortgages are considered impaired when deterioration in credit quality has occurred and there is reasonable doubt as to the timely collection of principal and interest. A mortgage is considered impaired when a payment is six months in arrears. An allowance is established to reduce the recorded value of the mortgage to its estimated realizable value based on the present value of expected payments.

Initial and subsequent changes in the amount of mortgage impairment are recorded in the year the changes occur.

Mortgage interest revenue

Interest income on mortgages is recorded on the accrual basis. When a mortgage becomes impaired, recognition of interest ceases. Thereafter, interest income is recognized on a cash basis, but only after prior write-offs arising from credit losses and the allowance for impairment has been recovered.

Property and equipment

Property and equipment are stated at cost. Amortization is provided using the following methods and annual rates:

Office furniture and equipment	Declining balance	20%
Warehouses and offices	Declining balance	5%

Leasehold improvements are amortized on a straight-line basis over the term of the leases.

NORTHWEST TERRITORIES HOUSING CORPORATION

Notes to Financial Statements March 31, 2003

3. INVESTMENTS

a) Short-term investments

The Corporation invests in the short-term money market. The market yield of this portfolio ranged from 1.00% to 6.10% in 2003 (2002 – 1.50% to 6.10%). All instruments held are in high quality debt obligations with an average term to maturity of 87 days (2002 - 182 days).

b) Fixed-term investments

	2003		2002	
	Effective rate of return	Term to Maturity	Carrying Value (\$'000)	Carrying Value (\$'000)
Fixed-term investments				
Government of Canada	3.26%	one to five years	\$ 1,031	\$ -
Trust company	4.75%	one to five years	979	-
			\$ 2,010	\$ -

The average yield of this portfolio in 2003 was 3.57% (2002 - nil).

4. ACCOUNTS RECEIVABLE

	2003 (\$'000)	2002 (\$'000)
Accounts receivable	\$ 3,063	\$ 1,936
Receivables from related parties		
Government of the Northwest Territories	1,207	977
Canada Mortgage and Housing Corporation	4,535	2,511
Local housing organizations	507	767
	\$ 9,312	\$ 6,191

NORTHWEST TERRITORIES HOUSING CORPORATION

Notes to Financial Statements March 31, 2003

5. INVESTMENT IN HOUSING PROJECTS

a) Land and buildings

	2003 (\$'000)			2002 (\$'000)
	Cost	Accumulated Amortization	Net	Net
Land	\$ 326	\$ -	\$ 326	\$ 620
Housing for sale	1,779	-	1,779	2,038
Social housing	174,225	67,409	106,816	109,464
Social housing under capital lease	9,753	1,772	7,981	8,569
Lease/purchase housing	4,461	1,251	3,210	2,807
Staff housing	782	126	656	802
Construction in progress	5,034	-	5,034	3,031
	\$ 196,360	\$ 70,558	\$ 125,802	\$ 127,331

b) Mortgages receivable

	2003 (\$'000)	2002 (\$'000)
Mortgages, bearing interest at rates varying between 5.95% and 14.25% per annum, repayable over a maximum period of 25 years	\$ 10,530	\$ 9,353
Less: allowance for impaired mortgages	(7,517)	(6,365)
	3,013	2,988
Direct lending and land acquisition loans bearing interest at rates varying between 7.75% and 13.25% per annum, repayable over a maximum period of 15 years	855	1,207
Less: allowance for impaired mortgages	(488)	(416)
	367	791
	\$ 3,380	\$ 3,779

The recorded value of those mortgages specifically identified as being impaired is \$8,005,000 (2002 - \$6,781,000). There were no write-offs in the current year.

The carrying amounts of mortgages receivable should not be interpreted as the realizable value on immediate settlement of these mortgages due to the uncertainty associated with such a settlement.

NORTHWEST TERRITORIES HOUSING CORPORATION

Notes to Financial Statements March 31, 2003

6. PROPERTY AND EQUIPMENT

	2003 (\$'000)			2002 (\$'000)
	Cost	Accumulated Amortization	Net	Net
Warehouses and offices	\$ 5,625	\$ 2,556	\$ 3,069	\$ 3,211
Office furniture and equipment	3,932	2,916	1,016	991
Leasehold improvements	372	153	219	179
	\$ 9,929	\$ 5,625	\$ 4,304	\$ 4,381

7. ACCOUNTS PAYABLE

	2003 (\$'000)	2002 (\$'000)
Trade payables	\$ 7,469	\$ 5,203
Accrued interest	498	494
Employee leave benefits	590	538
Deferred revenues	62	25
Payables to related parties		
Local Housing Organizations	1,388	958
Government of the Northwest Territories	214	94
	\$ 10,221	\$ 7,312

8. DUE TO THE GOVERNMENT OF THE NORTHWEST TERRITORIES

	2003 (\$'000)	2002 (\$'000)
Balance at beginning of the year	\$ 1,690	\$ (167)
Operating contributions	49,276	47,169
Contributions for long-term debt principal repayment	(235)	(219)
Contributions for capital assets	(7,956)	(10,048)
Cost of operations funded by GNWT	(41,634)	(35,045)
Balance at end of year	\$ 1,141	\$ 1,690

The GNWT makes advances to the Corporation for funding operations, principal repayments of long-term debt, capital assets, and for repairs, maintenance, grants and other costs. Approved contributions recorded in the financial statements are dependent upon actual expenses incurred for the year. Amounts advanced in excess of the actual expenses are due to the GNWT at year-end and are carried forward as a non-interest bearing advance for the following year.

NORTHWEST TERRITORIES HOUSING CORPORATION

Notes to Financial Statements March 31, 2003

9. LONG-TERM DEBT

	<u>2003</u> <u>(\$'000)</u>	<u>2002</u> <u>(\$'000)</u>
Loans payable to Canada Mortgage and Housing Corporation, repayable in annual installments until the year 2033, bearing interest of 6.97% (2002 - 6.97%). The loans are guaranteed by the Government of the Northwest Territories	\$ 27,225	\$ 27,754
Mortgages payable to Canada Mortgage and Housing Corporation for units transferred under the Social Housing Agreement, maturing between the years 2004 and 2038, at interest rates ranging from 4.5% to 21.5% (2002 - 4.5% - 21.5%)	66,793	69,978
	<u>94,018</u>	<u>97,732</u>
Portion included in current liabilities	4,101	3,716
	<u>\$ 89,917</u>	<u>\$ 94,016</u>

Principal repayments and interest requirements over the life of outstanding loans are as follows:

	<u>Principal</u> <u>(\$'000)</u>	<u>Interest</u> <u>(\$'000)</u>	<u>Total</u> <u>(\$'000)</u>
2004	\$ 4,101	\$ 9,241	\$ 13,342
2005	4,522	8,778	13,300
2006	4,991	8,292	13,283
2007	5,333	7,744	13,077
2008	5,096	7,204	12,300
2009-2013	22,223	28,428	50,651
2014-2038	47,752	59,506	107,258

10. DEFERRED CAPITAL CONTRIBUTIONS – GOVERNMENT OF THE NORTHWEST TERRITORIES

	<u>2003</u> <u>(\$'000)</u>	<u>2002</u> <u>(\$'000)</u>
Balance, beginning of year	\$ 43,280	\$ 39,018
GNWT contribution for depreciable capital assets	4,095	7,326
Amortization of deferred capital contributions	<u>(2,583)</u>	<u>(3,064)</u>
Balance, end of year	<u>\$ 44,792</u>	<u>\$ 43,280</u>

NORTHWEST TERRITORIES HOUSING CORPORATION

Notes to Financial Statements March 31, 2003

11. OBLIGATION UNDER CAPITAL LEASES

The Northwest Territories Housing Corporation is committed, in aggregate, to payments of \$1,531,000 per annum for 15 lease agreements for housing units that were initiated to support the Public Housing and Senior Citizens' Rent Supplement Programs. These lease agreements are based on implicit interest rates varying from 6.6% to 11.5% and expiry dates ranging from 2013 to 2023. The lease payments may be renegotiated every five years for changes in specific operating costs such as interest rates and cost of utilities. The Corporation is also responsible for other operating costs not included in the annual lease payment.

	<u>Future Minimum Lease Payments (\$'000)</u>	<u>Executory Costs (\$'000)</u>	<u>Imputed Interest (\$'000)</u>	<u>Lease Obligation (\$'000)</u>
Current				
2004	\$ 1,531	\$ 373	\$ 805	\$ 353
Long term				
2005	1,531	373	768	390
2006	1,531	373	733	425
2007	1,531	373	694	464
2008	1,531	373	651	507
2009-2023	13,527	3,259	3,563	6,705
	<u>19,651</u>	<u>4,751</u>	<u>6,409</u>	<u>8,491</u>
Total	\$ 21,182	\$ 5,124	\$ 7,214	\$ 8,844

12. PENSION BENEFIT EXPENSE

The Public Service Superannuation Plan requires the Corporation to contribute to the PSSA at a rate of 2.14 times (2002 - 2.14 times) the employees' contributions. The Corporation's contributions to the Plan during the year were approximately \$861,000 (2002 - \$809,000).

NORTHWEST TERRITORIES HOUSING CORPORATION

Notes to Financial Statements March 31, 2003

13. FINANCIAL INSTRUMENTS

a) Fair Value

The fair values of the Corporation's financial instruments are estimated as follows:

	2003 (\$'000)		2002 (\$'000)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Fixed-term investments	\$ 2,010	\$ 1,897	\$ -	\$ -
Loans payable	27,225	27,721	27,754	27,296
Mortgages payable	66,793	94,567	69,978	94,931

Fair values for fixed-term investments are the market value as at March 31.

The fair value of loans and mortgages payable is based on an estimated market value of the debt. This is determined by applying the current yield for debt with a similar maturity date issued by the province of Newfoundland & Labrador and applying this yield to the Corporation's debt. This approach is used because the Government of the Northwest Territories does not issue debt.

The fair value of the remaining financial assets and liabilities approximate the carrying amounts because of the short term to maturity.

b) Credit Risk

Investments are managed by the Corporation's external investment managers. All investments have an R-2 high or an AA rating or higher from the Dominion Bond Rating Service. Investments are limited to a maximum of 10% to 50% of the total portfolio and a maximum dollar value of \$10 million depending on the issuer of the investment. There is no significant concentration in any one investment counterparty.

Accounts receivable consists primarily of amounts due from GNWT, CMHC and federal Goods and Services Tax rebates, which in aggregate represent 70% (2002 - 65%) of balances outstanding.

Mortgage credit risk arises from the possibility that clients might be unable to fulfill their obligation under mortgage contract. This risk is mitigated by verifying employment status and income, and by performing a credit assessment which includes ensuring there are no rent arrears with Local Housing Organizations.

Loan guarantees provided by the Corporation to banks are in respect of loans advanced to individual homeowners and contractors throughout the Territory. Guaranteed loans mature at various dates to the year 2023. Losses relating to loan defaults are not significant to the Corporation's 2003 operations.

NORTHWEST TERRITORIES HOUSING CORPORATION

Notes to Financial Statements March 31, 2003

14. CONTRIBUTIONS FROM CANADA MORTGAGE AND HOUSING CORPORATION

	2003 (\$'000)	2002 (\$'000)
Recoveries in respect of:		
Operations and maintenance		
Contributions for social housing including interest expense	\$ 31,008	\$ 31,011
Repairs, maintenance, and other costs	2,537	2,522
	\$ 33,545	\$ 33,533

Under the terms of a Social Housing Agreement (SHA) with Canada Mortgage and Housing Corporation (CMHC), the Corporation assumed full responsibility and liability for the management of social housing programs specified in the SHA. The Corporation receives annual funding from CMHC to manage these programs. The SHA and the funding expire in 2038.

CMHC's ownership interest in the social housing and loan portfolio affected by the SHA is transferred to the Corporation as Trustee, in accordance with a Declaration of Trust Agreement. A portion of the SHA funding is used to make payments on portfolio-related CMHC mortgages (note 9). As the related mortgages mature, the Corporation obtains clear title to CMHC's share of the book value of the respective assets. Until clear title is obtained, CMHC is entitled to its respective share of any gains realized upon the disposal of any portfolio assets.

15. ADMINISTRATION EXPENSES

	2003 (\$'000)	2002 (\$'000)
Salaries and benefits	\$ 9,291	\$ 8,594
Building and equipment rentals	1,064	983
Travel and relocation	774	946
Computer services	716	449
Professional and special services	587	665
Materials and supplies	324	263
Communications	193	205
Land title fees and expenses	34	39
Workshops and studies	5	50
Miscellaneous	-	5
	\$ 12,988	\$ 12,199

NORTHWEST TERRITORIES HOUSING CORPORATION

Notes to Financial Statements March 31, 2003

16. CONTINGENCIES

The Corporation provided guarantees to banks financing certain new or renovated residential housing construction. As at March 31, 2003 a total of 41 (2002 - 30) loan guarantees were in effect, and the outstanding balance of loans guaranteed was \$ 7,201,000 (2002 - \$2,615,000).

Under the terms of the Social Housing Agreement with CMHC, the Corporation is responsible for the administration of a number of loans to third parties, where CMHC is the lender or insurer of these loans. The agreement provides that the Corporation shall indemnify and reimburse CMHC for and save it harmless from all losses, costs and expenses related to these loans. The value of these third party loans is approximately \$40,233,000 as at March 31, 2003 (2002 - \$41,448,000).

17. COMMITMENTS

The Corporation leases office space and rent supplement public housing units and is committed to basic rental payments over the next five years. The leases contain escalation clauses for operating costs and property taxes, which may cause the payments to exceed the basic rental. The basic rental payments are as follows:

	Total (\$'000)
2004	\$ 2,625
2005	2,023
2006	1,866
2007	1,060
2008	782

18. RELATED PARTY TRANSACTIONS

The Corporation's relationship with the various local housing organizations (authorities, associations, bands, and municipalities) is as a "partner" in the delivery of social housing, as provided under individual management agreements. The housing authorities are incorporated under the *Northwest Territories Housing Corporation Act* and the Minister responsible for the Corporation appoints the members.

The Corporation funds the operating costs of the local housing organizations based on a funding formula. In addition the local housing organizations complete Modernization & Improvement projects on various social housing units, as approved and funded by the Corporation.

The Corporation is also related in terms of common ownership to all Government of the Northwest Territories created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

19. COMPARATIVE FIGURES

Certain of the 2002 comparative figures have been reclassified to conform to the current year presentation.

Northwest Territories Development Corporation

Consolidated Financial Statements

March 31, 2003

Northwest Territories Development Corporation

Management's Responsibility for Financial Reporting

July 25, 2003

To the Minister of the
Northwest Territories Development Corporation

Management is responsible for the preparation and presentation of the consolidated financial statements. The accompanying consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles, and related practices that are appropriate in the circumstances. Where appropriate, the preparation of financial information includes estimates and judgements based on careful consideration of information available to management.

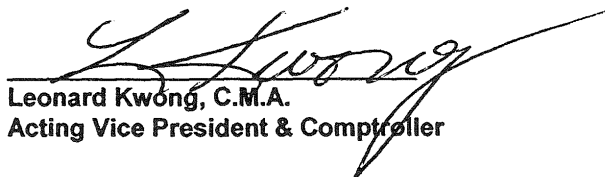
The Northwest Territories Development Corporation (the Corporation) maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis and that the Corporation acts in accordance with the laws of the Northwest Territories and Canada. The Corporation's management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable laws and sound business principles and for maintaining standards of conduct that are appropriate to a Territorial Crown corporation.

The Board of Directors (the Board), through the Audit Committee which is comprised of Directors who are not employees of the Corporation, is responsible for reviewing and approving the audited annual financial statements and oversees management's responsibilities for financial reporting and internal controls. The Audit Committee meets with management and the external auditor to discuss the financial reporting process as well as accounting and auditing issues. The Auditor General of Canada has full and free access to the Audit Committee.

The Auditor General of Canada annually provides an independent, objective audit for the purpose of expressing an opinion on the financial statements. She also considers whether transactions which come to her notice in the course of her audit are, in all significant respects, in accordance with the specified legislation.



Robert F. Murphy
Acting President & Chief Executive Officer



Leonard Kwong, C.M.A.
Acting Vice President & Comptroller



AUDITOR'S REPORT

To the Minister of the
Northwest Territories Development Corporation

I have audited the consolidated balance sheet of Northwest Territories Development Corporation as at March 31, 2003 and the consolidated statements of operations, deficit and contributed equity - venture investments and cash flow 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 March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for dividends as explained in Note 3 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, and the consolidated financial statements are in agreement therewith and the transactions of the Corporation and its subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations, the *Northwest Territories Development Corporation Act* and regulations, the *Northwest Territories Business Corporations Act* and regulations, and the by-laws of the Corporation and its subsidiaries.

Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 25, 2003

Northwest Territories Development Corporation

Consolidated Statement of Operations

For the year ended March 31,	2003	2002 Restated (Note 3)
Revenue		
Sales	\$ 2,395,529	\$ 2,516,308
Cost of goods sold	1,554,335	1,803,457
Gross margin	841,194	712,851
Dividends	105,791	86,776
Interest	81,026	127,580
Other revenue	128,952	164,122
	1,156,963	1,091,329
Expenses		
Selling and administrative (Note 17)	2,873,629	2,861,738
Amortization of capital assets	118,746	167,771
Provision for loss on investments	457,050	643,500
Business development expenditures	46,607	179,329
Site restoration expenses	-	69,449
	3,496,032	3,921,787
Net loss from operations	(2,339,069)	(2,830,458)
Other items		
Gain on disposal of capital assets	11,770	856
	11,770	856
Net loss before government contributions	(2,327,299)	(2,829,602)
Government of the Northwest Territories contributions (the Government) (Note 5)	2,904,443	2,477,481
Net income (loss)	\$ 577,144	\$ (352,121)

The accompanying notes form an integral part of the financial statements.

Northwest Territories Development Corporation

Consolidated Statement of Deficit and Contributed Equity - Venture Investments

For the year ended March 31,

2003

2002
Restated
(Note 3)

Deficit

Balance, beginning of year	\$ (3,524,191)	\$ (3,085,294)
Net Income (loss)	577,144	(352,121)
Transfer of dividends to Contributed Equity - Venture Investments	(105,791)	(86,776)
Balance, end of year	\$ (3,052,838)	\$ (3,524,191)

Contributed Equity - Venture Investments

Balance, beginning of year	\$ 4,835,316	\$ 3,978,540
Contribution from the Government	602,800	770,000
Dividends earned	105,791	86,776
Balance, end of year	\$ 5,543,907	\$ 4,835,316

The accompanying notes form an integral part of the financial statements.

Northwest Territories Development Corporation

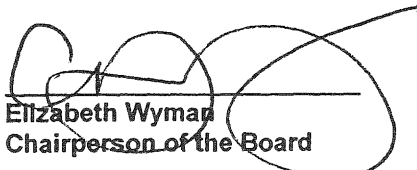
Consolidated Balance Sheet

As at March 31,	2003	2002
Assets		
Current		
Cash (Note 7)	\$ 1,452,698	\$ 1,114,164
Accounts receivable	270,420	336,542
Inventory	1,570,224	1,392,618
Prepaid expenses and deposits	12,256	18,406
	3,305,598	2,861,730
Reserve funds (Note 7)	779,492	502,692
Venture investments (Note 8)	1,634,000	1,893,050
Capital assets (Note 9)	835,442	711,051
Sinking fund investment (Note 11)	1,350,000	1,026,000
	\$ 7,904,532	\$ 6,994,523
Liabilities		
Current		
Bank indebtedness (Note 10)	\$ 25,194	\$ -
Accounts payable and accrued liabilities	391,486	684,451
Current portion of long term debt (Note 11)	1,620,000	-
	2,036,680	684,451
Long-term debt (Note 11)	-	1,620,000
Deferred capital contributions (Note 6)	2,661,530	2,663,694
	4,698,210	4,968,145
Equity		
Contributed surplus - Government	715,253	715,253
Contributed equity - Venture Investments	5,543,907	4,835,316
Deficit	(3,052,838)	(3,524,191)
	3,206,322	2,026,378
	\$ 7,904,532	\$ 6,994,523

Commitments (Note 13).

The accompanying notes form an integral part of the financial statements.

Approved by the Board:


Elizabeth Wyman
Chairperson of the Board


Darrell Beaulieu
Chairperson of the Audit Committee

Northwest Territories Development Corporation

Consolidated Statement of Cash Flow

For the year ended March 31,	2003	2002 Restated (Note 3)
Operating activities		
Net income (loss)	\$ 577,144	\$ (352,121)
Items not affecting cash		
Amortization of capital assets	118,746	167,771
Amortization of deferred capital contributions	(95,194)	(149,762)
Gain on disposal of capital assets	(11,770)	(856)
Provision for loss on investments	457,050	643,500
Change in non-cash operating working capital (Note 12a)	(398,299)	(974,489)
Cash flows from (used in) operating activities	647,677	(665,957)
Financing activities		
Contribution from the Government (Note 12b)	695,830	905,500
Contribution to sinking fund	(324,000)	(324,000)
Cash flows from financing activities	371,830	581,500
Investing activities		
Investment in venture investments	(548,000)	(1,040,000)
Redemptions and repayments by venture investments	350,000	-
Acquisition of capital assets	(243,137)	(126,848)
Proceeds from disposal of capital assets	11,770	856
Cash flows used in investing activities	(429,367)	(1,165,992)
Increase (decrease) in cash	590,140	(1,250,449)
Cash, beginning of year	1,616,856	2,867,305
Cash, end of year	\$ 2,206,996	\$ 1,616,856
Represented by:		
Cash	\$ 1,452,698	\$ 1,114,164
Reserve funds	779,492	502,692
Bank indebtedness	(25,194)	-
	\$ 2,206,996	\$ 1,616,856

The accompanying notes form an integral part of the financial statements.

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

1. Authority and operations

(a) Authority

The Corporation is a Territorial Crown corporation of the Government and operates under the authority of the *Northwest Territories Development Corporation Act* (the *Act*) which came into effect August 24, 1990. The Corporation and its wholly owned subsidiaries are agents of the Government.

(b) Operations

The Corporation invests in business enterprises in accordance with the economic objectives of the Government through equity investments, subsidies, loans and project contributions. These economic objectives are to create employment and income opportunities for residents of the Northwest Territories, primarily in small communities, to stimulate growth of businesses in the Northwest Territories and to promote economic diversification and stability.

(c) Economic Dependency

The Corporation is economically dependent upon the Government for continued funding.

(d) Taxes

The Corporation and its subsidiaries are exempt from municipal and territorial taxes pursuant to Section 27 of the *Act*. Furthermore, the Corporation and its subsidiaries are exempt from federal income taxes, pursuant to Paragraph 149(1)(d) of the *Income Tax Act* (Canada).

2. Accounting Principles

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the parent company, Northwest Territories Development Corporation, and its subsidiaries. At March 31, 2003, these subsidiaries were:

Subsidiary	Location	Percentage Ownership	Incorporation Date
Light Manufacturing			
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	Fort McPherson, NWT	100%	September 25, 1991
Aklavik and Tuktoyaktuk Furs Ltd.	Aklavik, NWT	100%	June 30, 1997
Dene Fur Clouds Ltd.	Fort Providence, NWT	100%	December 18, 1997
Muskox Leather Inc.	Yellowknife, NWT	51%	August 25, 1998
Fine Arts and Souvenirs			
Acho Dene Native Crafts Ltd.	Fort Liard, NWT	100%	October 15, 1992
Wholesale/Retail Stores			
Arctic Canada Trading Co. Ltd.	Yellowknife, NWT	100%	June 28, 1997
Nahanni Butte General Store Ltd.	Nahanni Butte, NWT	51%	October 15, 1992
Rae Lakes General Store Ltd.	Rae Lakes, NWT	100%	October 14, 1992

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

2. Accounting Principles (continued)

(a) Principles of Consolidation (continued)

In 2003, under the provisions of the *Financial Administration Act*, Great Slave Lake Forest Products Ltd. (which ceased operations during the 1999-2000 fiscal year) and Muskox Leather Inc. had loans totalling \$1,406,796 forgiven by the Legislative Assembly. Subsequent to that, Great Slave Lake Forest Products Ltd. was dissolved at March 31, 2003. The company had no revenues from operations during the reporting period.

Aklavik & Tuktoyaktuk Furs Ltd. and Muskox Leather Inc. had wind-up plans approved by the Board in November 2002. Aklavik & Tuktoyaktuk Furs Ltd. is currently operating, while Muskox Leather Inc. ceased operations during the 2001-2002 fiscal year.

The Corporation controls all of its subsidiaries but does not hold a 100% interest in all of them. The non-controlling interest in the subsidiaries has been reduced by the losses applicable to the non-controlling interest. The excess and any further losses applicable to the non-controlling interest are allocated only to the parent's interest. Subsequent earnings will be allocated proportionately to the non-controlling interest when the parent's previously absorbed losses are recovered.

These consolidated statements include the assets and liabilities of the above named subsidiaries as at March 31, 2003 and the results of their operations for the year then ended.

(b) Financial Instruments

The Corporation's financial instruments, as referenced in the financial statements, consist of cash, reserve funds, investments, accounts receivable, accounts payable and accrued liabilities, long term debt and bank indebtedness. These financial instruments may be exposed to significant interest rate and credit risks. The financial statements and accompanying notes contain, according to management's best efforts, the relevant information necessary for a reasonable assessment of these risks. The fair value of these financial instruments, where determinable, approximate their carrying amounts unless otherwise noted.

(c) Cash and Reserve Funds

The Corporation's cash and reserve funds are pooled with the Government's surplus cash and is invested in a diversified portfolio of high grade, short term income producing assets. The cash can be withdrawn at any time and is not restricted by maturity dates on investments made by the Government. The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments, depending on the investment class, are rated R-1 Low or better by the Dominion Bond Rating Service Limited. The Corporation's average annual investment yield to March 31, 2003 was 2.28% (2002: 3.26%).

(d) Inventory

Inventory is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

2. Accounting Principles (continued)

(e) Venture Investments

Loans receivable which relate to capital items are carried at the amount of the funds advanced less accumulated provision for loss. When conditions of the loan agreement are not met, the entire principal balance and accrued interest shall become due and payable to the Corporation, at its option.

Loans are classified as impaired when there is a deterioration in credit quality to the extent that the Corporation no longer has reasonable assurance that the full amount of principal and interest will be collected. When a loan becomes impaired, recognition of interest income ceases.

Investments in ventures are carried at cost, or at cost less an allowance for loss on realization where there has been a decline in value.

Provision for loss on investments is determined following a detailed review of the investments and specific provisions are made for those investments known to be in difficulty. Provision for loss on investments include loan forgiveness and a provision for loss on realization of venture investments. The value of the venture investments, after provision for loss, represents their fair value.

Dividends from venture investments are included in revenue when received and are deposited to the Venture Investment Fund pursuant to Section 17(6) of the *Act*, to be used for additional investments in venture activities.

(f) Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization is recorded by the straight-line method at rates set out below:

Buildings	20 years
Equipment	4 years
Office furniture and equipment	4 years
Leasehold improvements	4 years
Computer equipment	4 years
Vehicles	4 years
Vessel	4 years

Prior to April 1, 2000, capital assets were amortized over 5 years or the number of years in which the Corporation had received guaranteed funding from the Government. Buildings acquired subsequent to March 31, 2000 are amortized on a straight-line basis over 20 years while any equipment and software acquired are amortized on a straight-line basis over 4 years.

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

2. Accounting Principles (continued)

(g) Employee Benefit Liabilities

The Corporation grants annual leave to employees based upon their respective terms of employment. Any annual leave not used during the year is accrued as an expense at year-end using each employees current salary level.

The Corporation does not maintain a pension plan for its employees but does make matching contributions to a registered retirement savings plan administered by an agent of the employee's choice. These contributions represent the total liability of the Corporation and are recognized on a current basis.

The Corporation also provides a life insurance and healthcare benefit plan through the NWT Chamber of Commerce Group Insurance Plan. The Corporation is not responsible for any future liabilities of this plan and premiums paid to that plan are recognized on a current basis.

(h) Revenue

Revenues earned from operations are recorded as services are rendered. Revenue is recognized on an accrual basis.

(i) Business Development Expenses

Business development expenses include spending on feasibility studies, business plans, investigations, due diligence assessments and appraisals which have been approved by the Board or the President. It is the Corporation's policy to charge these expenses to current year operations.

(j) Contributions from the Government of the Northwest Territories

The Corporation receives a contribution from the Government as set out below. This contribution is used for the purposes set out in the contribution agreement and is not repayable.

The contribution is allocated at the discretion of the Board as approved by the Financial Management Board (the FMB) for the purposes of acquiring capital and venture investments, providing operating subsidies to subsidiaries, financing head office operations, providing project contributions, paying business development expenses and purchasing capital assets for the Corporation.

The amount of the contribution approved by the Board for investment in majority-owned subsidiaries and for the acquisition of capital assets for the Corporation and for working capital advances to the subsidiaries is recorded as deferred capital contribution, and is amortized (into income) on the same basis as the amortization of the related capital assets and investments.

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

2. Accounting Principles (continued)

(j) Contributions from the Government of the Northwest Territories (continued)

The amount of the contribution approved by the Board for investment in loans receivable, preferred shares or non-controlling interests in common shares is recorded as Contributed Equity - Venture Investments and is recognized in the year for which the funds are advanced.

The amount of the contribution approved by the Board for providing operating subsidies to the subsidiaries is recognized in the year that the subsidy is paid to the subsidiary. A subsidy contribution which has not been expended at year end lapses. The amount of the contribution approved by the Board for providing project contributions is recognized in the year that the project contribution is paid. The amount of the contribution approved by the Board for financing head office operations and business development expenses is recognized in the year for which it is approved by the Legislative Assembly of the Government.

(k) Federal and Territorial Funding

The subsidiaries apply directly to specific programs and the funding is recognized as income in their financial statements and the consolidated financial statements.

(l) Measurement Uncertainty

The preparation of the financial statements, in accordance with Canadian generally accepted accounting principles, requires the Corporation to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenditures reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these statements, the Corporation believes the estimates and assumptions to be reasonable. Some of the more significant management estimates relate to the valuation of venture investments and inventories.

3. Change of Accounting Policy

Effective April 1, 2002, the Corporation has changed the method for accounting for dividends received from venture investments. These dividends are now recognized as revenue for the year. In prior years, these dividends were credited directly to Contributed Equity - Venture Investments. This change is being applied on a retroactive basis and the consolidated financial statements for the year ended March 31, 2002 have been restated accordingly. As a result of this change, Revenue has been increased by \$105,791 (2002: \$86,776), Net loss from operations decreased by \$105,791 (2002: \$86,776) and the 2003 Net income increased by \$105,791 (2002: Net loss decreased by \$86,776).

To reflect the fact that Section 17(6) of the Act requires that such dividends be deposited in the Venture Investment Fund, a transfer is made from the Deficit account to the Contributed Equity - Venture Investments account in the Consolidated Statement of Deficit and Contributed Equity - Venture Investments.

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

4. Job Creation Or Maintenance And Compliance With Investment And Subsidy Limits

The *Act* provides the Corporation with the mandate to create or maintain jobs within the Northwest Territories. To this end, the Government provides a contribution to the Corporation.

Under subsection 16(4) of the *Act*, the Corporation may, for each job directly or indirectly created in a project or subsidiary, pay from the Subsidy Fund to a subsidiary or for the benefit of a project, a subsidy for operating costs each fiscal year in an amount not exceeding the prescribed maximum for the project or subsidiary. Under subsection 16(3) of the *Act*, the Corporation may, for each job directly or indirectly created in a project or subsidiary, pay from the Capital Fund to a subsidiary or for the benefit of a project, as initial investment, an amount not exceeding the prescribed maximum of \$100,000 per job created.

The *Act* further states that amounts greater than the prescribed maximums may be provided with the approval of the FMB. The FMB has approved the subsidy expense for the 2002-2003 fiscal year through a Financial Management Board Record of Decision; amounts were expended consistent with the Corporation's policy on Job Creation and Measuring the Results and with the *Northwest Territories Development Corporation Regulations*. Arctic Canada Trading Co. Ltd., with the approval of the FMB, received a subsidy in excess of the \$25,000 per job.

The following jobs were created or maintained by the Corporation, its subsidiaries and venture partners during the 2002-2003 fiscal year. Indirect jobs have been calculated using the Northwest Territories Bureau of Statistics Input-Output Model and have been calculated on an aggregate basis for subsidiary operations. Direct and indirect venture job creation and maintenance numbers have been aggregated in order not to compromise venture operations.

	Current Year Subsidies Provided	Direct Jobs		Indirect Jobs (Aggregate Totals)	
		2003	2002	2003	2002
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	\$ 130,000	18.50	15.50		
Acho Dene Native Crafts Ltd.	100,000	4.00	4.00		
Arctic Canada Trading Co. Ltd.	250,000	.75	3.00		
Dene Fur Clouds Ltd.	225,000	9.00	8.50		
Nahanni Butte General Store Ltd.	75,000	3.00	3.00		
Rae Lakes General Store Ltd.	-	5.00	5.00		
	\$ 780,000	40.25	39.00	14.00	11.00
NWT Development Corporation Head Office		8.00	8.00	7.00	5.00
Venture Investments		48.25	47.00	21.00	16.00
		76.50	67.50	32.00	20.00
		124.75	114.50	53.00	36.00

In fiscal 2002-2003, the total number of direct and indirect jobs created or maintained by the Corporation, its subsidiaries and the ventures that it has invested in, number 177.75.

Aklavik & Tuktoyaktuk Furs Ltd., Great Slave Lake Forest Products Ltd. and MuskoX Leather Inc. did not receive any capital or subsidy dollars in the fiscal year, nor did they create or maintain any jobs.

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

5. Government Contributions

	2003	2002
Government of the Northwest Territories		
Contribution for subsidies to subsidiaries	\$ 780,000	\$ 1,130,000
Contribution to operations and business development	1,985,230	742,808
Amortization of deferred capital contributions - Government	95,194	149,762
	2,860,424	2,022,570
Federal and Territorial programs	44,019	454,911
	\$ 2,904,443	\$ 2,477,481

6. Deferred Capital Contributions

	2003	2002
Opening balance	\$ 2,663,694	\$ 2,677,956
Funding received in the year	93,030	135,500
Amortization recognized	(95,194)	(149,762)
Ending balance	\$ 2,661,530	\$ 2,663,694

7a. Funds

The consolidated cash balance available to the Corporation and its subsidiaries at March 31, 2003 totalled \$2,206,996. This balance consisted of \$779,492 in reserve funds and \$1,427,504 in consolidated cash balances (net of bank indebtedness). The unconsolidated bank balance of the Corporation as at March 31, 2003 was \$1,905,274. The consolidated fund balances of the Corporation are comprised as follows:

Funds available for capital investments	\$ 185,069
Capital Reserve Fund	321,381
Funds available for venture investments	499,795
Venture Reserve Fund	458,111
Funds available for operations	195,221
Funds available for subsidies	245,697
	1,905,274
Subsidiary cash balances	301,722
Consolidated cash balance including reserves	\$ 2,206,996

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

7b. Reserve Funds

Pursuant to Sections 16 and 17 of the *Act*, the Corporation is required to administer a Capital Reserve Fund and a Venture Reserve Fund. The Corporation is required to allocate to these funds an amount equal to 10% of the sums paid from the Capital Fund and the Venture Fund. The legislation indicates that allocations are required to these two reserve funds up to a prescribed maximum. The prescribed maximum is \$1 million for both reserve funds.

The Corporation is required to pay amounts in the Capital Reserve Fund that exceed the prescribed maximum of \$1 million to the Consolidated Revenue Fund of the Government. The Corporation is required to contribute to the Venture Reserve Fund until it reaches the prescribed maximum of \$1 million. Further contributions are not required when the maximum is maintained.

	2003	2002
Capital Reserve Fund		
Opening reserve	\$ 349,381	\$ 332,536
Current year reserve deposit	22,000	28,500
Draws	(50,000)	(11,655)
Ending reserve	321,381	349,381
Venture Reserve Fund		
Opening reserve	153,311	423,311
Current year reserve deposit	54,800	70,000
Repayments (draws)	250,000	(340,000)
Ending reserve	458,111	153,311
	\$ 779,492	\$ 502,692

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

8. Venture Investments

	2003	2002
Loans Receivable		
Red Dog Mountain Contracting Ltd.	\$ -	250,000
Tli-Cho Co-operative Ltd.	212,350	212,350
Wekweti Development Corporation	220,000	220,000
Nats'enelu Ltd.	100,000	100,000
	<u>532,350</u>	<u>782,350</u>
Less: Provision for loss	<u>(477,350)</u>	<u>(260,000)</u>
	<u>55,000</u>	<u>522,350</u>
Investments in Shares		
Red Dog Mountain Contracting Limited	preferred 1,425,600	1,425,600
Tri-Vanguard Pictures Ltd.	preferred 400,000	400,000
ADK Corporate Group	preferred 300,000	300,000
Canzeal Enterprises Ltd.	preferred 300,000	-
Kunnek Resource Development Corp	preferred 300,000	150,000
175119 Canada Inc. (Norweta Cruises)	preferred 273,311	273,311
Two River Development Group Ltd.	preferred 160,000	160,000
Nats'enelu Ltd.	preferred 150,000	150,000
Dunnett Petroleum Ltd.	preferred 135,000	135,000
North Nahanni Naturalist Lodge Ltd.	preferred 100,000	100,000
Enodah Wilderness Travel Ltd.	preferred 98,000	-
F.C. Services Ltd.	preferred 30,000	30,000
Acoda Gifts Ltd.	common 15,000	15,000
Tli-Cho Co-operative Ltd.	preferred 100	100
Nortech Fire & Safety Ltd.	preferred -	200,000
974104 N.W.T. Ltd. (Deline)	preferred -	100,000
Great Circle Entertainment Ltd.	preferred -	81,739
Aboriginal Language Services Corporation	preferred -	42,000
	<u>3,687,011</u>	<u>3,562,750</u>
Less: Provision for loss	<u>(2,108,011)</u>	<u>(2,192,050)</u>
	<u>1,579,000</u>	<u>1,370,700</u>
Net Investment in Venture Investments	\$ 1,634,000	\$ 1,893,050

Investments, in all classes of ventures, for 2003 totalled \$4,219,361 (2002: \$4,345,100) with associated provisions made of \$2,585,361 (2002: \$2,452,050). Impaired loans in 2003 total \$532,350 (2002: \$532,350); the associated provision for loss is \$477,350 (2002: \$260,000).

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

8. Venture Investments (continued)

Preferred Shares and Dividends

Investments in preferred shares carry the right of conversion to common shares. This right, if exercised, may result in the holding of a controlling interest under certain circumstances. The Corporation does not exercise significant influence on its venture investments.

Preferred shares are redeemable at the option of the Corporation, and earn dividends at variable rates. Dividends have been waived for the first three years for certain of the investments. Investment yields vary from year to year due to the amount and timing of dividend and interest income received; venture investments earned \$105,791 in 2003 (2002: \$86,776).

Forgiveness

Under the provisions of the Financial Administration Act, an account can only be approved for forgiveness by either the Legislative Assembly (over \$1,000) or the FMB (\$1,000 or less). Once an account has been forgiven, no further collection action is possible.

In 2003, five accounts totalling \$1,411,239 were forgiven by the Legislative Assembly (2002: nil). No accounts were forgiven by the FMB (2002: nil).

9. Capital Assets

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Land	\$ 18,247	\$ -	\$ 18,247	\$ 3,197
Buildings	4,297,055	3,802,973	494,082	536,701
Equipment	593,136	591,004	2,132	15,961
Leasehold improvements	252,909	246,069	6,840	10,261
Office and equipment	386,132	378,466	7,666	16,904
Computer equipment	126,857	123,355	3,502	22,083
Vehicles	108,515	93,283	15,232	12,973
Construction in progress	287,741	-	287,741	92,971
	\$ 6,070,592	\$ 5,235,150	\$ 835,442	\$ 711,051

The majority of the capital asset balance has been amortized due to accounting treatment that tied the amortization to the subsidy reporting period. That reporting period varied in length, from one to five years.

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

10. Bank Indebtedness

Bank indebtedness represents bank overdrafts that carry an interest rate of prime plus 5.0%.

	2003	2002
Bank overdrafts	25,194	-

11. Long-term Debt

	2003	2002
Aurora Fund loan repayable at end of term. Simple interest of 7.00% (\$9,450) is payable monthly. Repayment in full is due January 2004.	\$ 1,620,000	\$ 1,620,000

In relation to the Aurora Fund loan, the Corporation is required to make monthly payments into a sinking fund held by a trustee, the Pacific & Western Group of Companies, for the redemption of long-term debt. The required monthly payment is \$27,000 less interest of 6.00% earned on the outstanding monthly balance. At the end of the five year term, the sinking fund will be used to repay the full amount of the loan.

	2003	2002
Sinking Fund Balance	\$ 1,350,000	\$ 1,026,000

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

12. Consolidated Statement of Cash Flow - Summaries

(a) Changes in Non-cash Operating Working Capital

	2003	2002
Accounts receivable	\$ 66,122	\$ (124,657)
Dividends receivable	-	436
Inventory	(177,606)	(216,359)
Deposits and prepaid expenses	6,150	(11,435)
Accounts payable and accrued liabilities	(292,965)	(299,152)
Provision for site restoration	-	(323,322)
	\$ (398,299)	\$ (974,489)

(b) Contribution From Government

Capital funds	\$ 93,030	\$ 135,500
Venture funds	602,800	770,000
	\$ 695,830	\$ 905,500

13. Commitments

Lease Obligations

The Corporation is committed to operating leases for rental of office space and equipment at the future minimum payments as set out below:

	2003	2002
2003	-	159,937
2004	149,115	156,714
2005	40,102	60,902
2006	10,739	44,139
2007	575	33,600
	\$ 200,531	\$ 455,292

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

14. Related Party Transactions

The Corporation is related, in terms of common ownership, to all Government of the Northwest Territories created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business at normal trade terms.

Transactions with related parties and balances at year end, not disclosed elsewhere in the financial statements, are as follows:

	2003	2002
<u>Revenues</u>		
Sales	\$ 123,733	\$ 142,696
<u>Expenses</u>		
Purchases	\$ 495,076	\$ (152,349)
<u>Balances at year end</u>		
Accounts Receivable	\$ 14,594	\$ 43,569
Accounts Payable	\$ 75,991	\$ 166,025

15. Discontinued Operations

On March 31, 2003, Great Slave Lake Forest Products Ltd. was dissolved. There were no gains or losses associated with this event.

16. Subsequent Events

(a) Northwest Territories Business Development and Investment Act

The Minister responsible for the Corporation has drafted and plans to table a Bill to enact the *Northwest Territories Business Development and Investment Act*. If passed in the legislature, the Bill would create the Northwest Territories Business Development and Investment Corporation which then will assume the operations of the Corporation.

(b) Muskox Leather Inc.

In July 2003, resolutions were passed dissolving Muskox Leather Inc.

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

17. Selling and Administrative Expenses

	2003	2002
Salaries and wages	\$ 1,670,867	\$ 1,730,440
Office and general	195,410	201,106
Travel	190,702	192,536
Utilities	180,067	132,038
Advertising and promotion	172,569	115,334
Rent	155,794	151,984
Professional fees	85,774	62,998
Board members	73,443	92,804
Bank charges and interest	60,945	80,492
Telephone	48,788	55,196
Bad debts	35,325	42,220
Workshops	3,945	4,590
	\$ 2,873,629	\$ 2,861,738

18. Comparative Figures

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

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

19. Segmented Information

	Acho-Dene Crafts	Aklavik & Tuk Furs	Arctic Canada Trading Co.	Dene Fur Clouds	Ft. McPherson Tents	Musk-ox Leather	Nahanni-Butte General	Rae Lakes General	2003 Total
Revenues	\$ 187,055	\$ 19,835	\$ 356,531	\$ 113,378	\$ 504,329	\$ -	\$ 385,408	\$ 1,044,384	\$ 2,610,920
Net profit (loss) before subsidy	\$ (103,461)	\$ (1,171)	\$ (136,174)	\$ (258,099)	\$ (55,596)	\$ (1,388)	\$ (101,269)	\$ 26,485	\$ (630,673)
Subsidy	\$ 100,000	\$ -	\$ 250,000	\$ 225,000	\$ 130,000	\$ 207,089	\$ 75,000	\$ -	\$ 987,089
Profit (loss) after subsidy	\$ (3,461)	\$ (1,171)	\$ 113,826	\$ (33,099)	\$ 74,404	\$ 205,701	\$ (26,269)	\$ 26,485	\$ 356,416
Deficit March 31, 2002	\$ (731,506)	\$ (952,412)	\$ (569,008)	\$ (289,629)	\$ (1,264,678)	\$ (196,030)	\$ (916,757)	\$ (159,186)	\$ (5,079,206)
Surplus (deficit) March 31, 2003	\$ (734,967)	\$ (953,583)	\$ (455,182)	\$ (322,728)	\$ (1,190,274)	\$ 9,671	\$ (943,026)	\$ (132,701)	\$ (4,722,790)

Inter-segment sales are accounted for at prices comparable to open market prices for similar products and services.

Financial Statements of

**NORTHWEST TERRITORIES
LIQUOR COMMISSION**

Year ended March 31, 2003

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Northwest Territories Liquor Commission ("the Commission") maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis and that the Commission acts in accordance with the laws of the Northwest Territories and Canada. The Commission's management recognizes its responsibility for conducting the Commission's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to a Territorial agency.

The accompanying financial statements were prepared by management in conformity with Canadian generally accepted accounting principles appropriate in the circumstances.

To discharge the responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

The Auditor General of Canada annually provides an independent, objective audit for the purpose of expressing an opinion on the financial statements. She also considers whether the transactions which come to her notice in the course of this audit are, in all significant respects, in accordance with the specified legislation.


R. Courtoirelle
General Manager

May 9, 2003



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Northwest Territories Liquor Commission as at March 31, 2003 and the statements of income, amount due to the Government of the Northwest Territories 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 March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Commission and the financial statements are in agreement therewith and the transactions of the Commission that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* and regulations, and the *Liquor Act* and regulations.

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Edmonton, Canada
May 9, 2003

NORTHWEST TERRITORIES LIQUOR COMMISSION

Balance Sheet

March 31, 2003, with comparative figures for 2002


	2003	2002
	(\$000's)	(\$000's)
Assets		
Current assets:		
Cash	\$ 3,938	\$ 2,366
Accounts receivable	75	2
Due from Nunavut Liquor Commission	25	15
Inventories (note 3)	2,308	2,707
Prepaid expenses	12	24
	<u>6,358</u>	<u>5,114</u>
Capital assets (note 4)	52	46
	<u>\$ 6,410</u>	<u>\$ 5,160</u>

Liabilities

Current liabilities:		
Accounts payable	\$ 1,693	\$ 2,080
Due to the Government of the Northwest Territories	4,667	2,978
	<u>6,360</u>	<u>5,058</u>
Employee future benefits (note 5)	50	102
Commitments (note 6)		
	<u>\$ 6,410</u>	<u>\$ 5,160</u>

See accompanying notes to financial statements.

Approved by Management:



 R. J. Courtoirelle
 General Manager

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Income

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

	2003	2002
	(\$000's)	(\$000's)
Sales:		
Beer	\$ 16,801	\$ 16,163
Spirits	14,418	13,898
Wine	3,364	3,088
Coolers and ciders	1,377	1,431
	<u>35,960</u>	<u>34,580</u>
Cost of goods sold:		
Beer	7,365	6,691
Spirits	4,299	4,147
Wine	1,399	1,261
Coolers and ciders	615	572
	<u>13,678</u>	<u>12,671</u>
Gross profit on sales	22,282	21,909
Other income:		
License fees and permits	567	558
Import fees and other income	248	362
	<u>815</u>	<u>920</u>
	23,097	22,829
Expenses:		
Commissions to agents	2,256	2,960
Salaries, wages and employee benefits	908	885
Administration	352	224
Travel	108	66
Rent	57	59
Inspectors' fees	48	51
Amortization of capital assets	14	49
Board member honoraria	38	24
	<u>3,781</u>	<u>4,318</u>
Net income	\$ 19,316	\$ 18,511

See accompanying notes to financial statements.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Amount Due to the Government of the Northwest Territories

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

	2003	2002
	(\$000's)	(\$000's)
Balance, beginning of year	\$ 2,978	\$ 2,303
Net income	19,316	18,511
Salaries, wages and benefits paid by the Government	964	885
	23,258	21,699
Net transfer of funds to the Government	18,591	18,721
Balance, end of year	\$ 4,667	\$ 2,978

See accompanying notes to financial statements.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Cash Flows

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

	2003	2002
	(\$000's)	(\$000's)
Cash flows from operating activities:		
Cash received from customers	\$ 36,687	\$ 35,554
Cash paid to suppliers and employees	(16,504)	(15,670)
Net cash provided by operating activities	20,183	19,884
Cash flows from investing activities:		
Purchase of capital assets	(20)	(30)
Net cash used in investing activities	(20)	(30)
Cash flows from financing activities:		
Cash transferred to the Government of the Northwest Territories	(18,591)	(18,721)
Net cash used in financing activities	(18,591)	(18,721)
Increase in cash	1,572	1,133
Cash, beginning of year	2,366	1,233
Cash, end of year	\$ 3,938	\$ 2,366

See accompanying notes to financial statements.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements

Year ended March 31, 2003

1. Authority and operations:

The Northwest Territories Liquor Commission is established under Part II of the Northwest Territories Liquor Act. It is responsible for the operation of liquor stores and the purchase and distribution of liquor in the Northwest Territories through the Liquor Revolving Fund. The Department of Finance is responsible for the administration of the Fund through the Consolidated Revenue Fund. The Commission is authorized by the Legislative Assembly to receive interest-free working capital advances from time to time not exceeding \$6,500,000 to finance its operations.

Net income for the year is to be transferred to the Government of the Northwest Territories in accordance with the Liquor Act.

These financial statements include the operations of the Liquor Licensing Board of the Northwest Territories.

The Commission is non-taxable under the Income Tax Act, Canada.

2. Significant accounting policies:

(a) Inventories:

Inventories are valued at replacement cost which is not materially different than cost. Cost includes invoiced cost, freight, duties and taxes.

(b) Capital assets:

Computer equipment represents hardware and software and is stated at cost. Amortization is provided on the straight-line basis at an annual rate of 33%.

Recycling equipment is stated at cost. Amortization is provided on cost less estimated salvage value on the straight-line basis at an annual rate of 10%.

Leasehold improvements are stated at cost. Amortization is provided on the straight-line basis at an annual rate of 20%.

Furniture and fixtures are stated at cost. Amortization is provided on cost less estimated salvage value on the straight-line basis at an annual rate of 20%.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements, continued

Year ended March 31, 2003

2. Significant accounting policies, continued:

(c) Pension benefits:

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Commission's contribution to the plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Commission and are charged to operations on a current basis. The Commission is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(d) Non-pension benefits:

The Commission is required to recognize certain non-pension post-employment benefits over the periods which employees render services to the Commission. Employees are entitled to specified benefits on termination as provided for under conditions of employment, through a severance benefit plan. The Commission recognizes the cost of future severance benefits over the periods in which the employees render services to the entity and the liability for these benefits is recorded in the accounts as the benefits accrue to employees.

(e) Use of estimates

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The preparation of accrual financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and contingencies during the reporting period. Actual results could differ from the estimates. The most significant items where estimates are used are employee severance liabilities, bottle returns and amortization of capital assets.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements, continued

Year ended March 31, 2003

3. Inventories:

	2003	2002
	(\$000's)	(\$000's)
Spirits	\$ 1,028	\$ 1,130
Wine	367	477
Beer	773	961
Coolers and ciders	140	139
	<u>\$ 2,308</u>	<u>\$ 2,707</u>

4. Capital assets:

			2003	2002
	Cost	Accumulated amortization	Net book value	Net book value
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Computer equipment	\$ 488	\$ 458	\$ 30	\$ 25
Recycling equipment	150	135	15	15
Furniture and fixtures	37	30	7	6
	<u>\$ 675</u>	<u>\$ 623</u>	<u>\$ 52</u>	<u>\$ 46</u>

5. Employee future benefits:

Pension benefit:

During the year the Public Service Superannuation Plan ("PSSA") required the Commission to contribute to the PSSA at a rate of 2.14 times the employees' contributions. The Commission contributed \$81,000 to the PSSA during the year (2002 - \$72,000).

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements, continued

Year ended March 31, 2003

6. Related party transactions:

The Commission is related in terms of common ownership to all Government of the Northwest Territories created departments, agencies and corporations. The Commission enters into transactions with these entities in the normal course of business.

The Government of the Northwest Territories provides the Commission with various administrative services, the value of which is not reflected in these financial statements. The cost of these services has been estimated to be \$39,110 for legal services provided by the Department of Justice, and \$9,355 for payroll services provided by the Financial Management Board Secretariat.

7. Service agreement:

The Commission provides various corporate and program delivery services to the Nunavut Liquor Commission and Nunavut Liquor Licensing Board. It received \$136,000 (2002 – \$125,000) in fees for the services rendered. This amount is included in import fees and other income on the income statement.

8. Commitments:

The Commission has a five year lease agreement ending August 31, 2005 for its office premises and has office equipment under operating leases through to 2007. The minimum annual lease payments are:

		(\$000's)
Year ending March 31:		
2004	\$	56
2005		56
2006		27
2007		5
	\$	144

Annual lease payments for the office premises include operating costs which are subject to annual increases based on the consumer price index and adjustments for property tax assessments.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements, continued

Year ended March 31, 2003

9. Fair value of financial assets and financial liabilities:

The fair value of the Commission's cash, accounts receivable, due from Nunavut Liquor Commission, accounts payable and amount due to the Government of the Northwest Territories approximates their carrying amounts due to their short-term nature.

Government of the Northwest Territories
Department of Education, Culture and Employment
Student Loan Revolving Fund
for the year ended
March 31, 2003

(unaudited)

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GOVERNMENT OF THE NORTHWEST TERRITORIES

**Student Loan Revolving Fund
for the year ending March 31, 2003**

STATEMENT OF OPERATIONS

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	(thousands of dollars)
Loans receivable, opening balance	\$ 24,382	\$ 22,144
Add : Loans granted during the year	<u>5,436</u>	<u>4,686</u>
	29,818	26,830
Less: Principal amount of loans repaid	2,022	1,349
Principal amount of loans written off	288	-
Principal amount of loan remissions	<u>1,252</u>	<u>1,099</u>
Loans receivable, closing balance	26,256	24,382
Less: Estimated provision for remission and written off accounts	<u>16,799</u>	<u>15,132</u>
Net loans receivable, closing balance	<u>\$ 9,457</u>	<u>\$ 9,250</u>

**Effect of Student Loan Revolving Fund
on Government Operations**

Interest earned and credited to general revenues	486	429
Less: Financial Collection Agency fees	11	10
Estimated provision for remission and written off accounts	<u>3,207</u>	<u>2,764</u>
Operating deficiency for the year	<u>\$ (2,732)</u>	<u>\$ (2,345)</u>

- (1) During the fiscal year the allowance for remission and write-off accounts were increased by \$3,207,240 (2002 - \$2,764,150). These allowances represent estimated accrued expenses charged against the Consolidated Revenue Fund. These expenses represent loans that are unlikely to be collected, or loans which qualify for remission.
- (2) During the fiscal year, \$288,122 in loans were written off due to uncollectability (2002 - nil); \$1,251,522 (2002 - \$1,099,030) were remitted.
- (3) No costs for administration of the Student Loan Fund are included.

APPROVED:

Dr. Loretta Foley
Deputy Minister
Department of Education, Culture and Employment

Paul Devitt
Director, Financial & Mgmt. Services
Department of Education, Culture and Employment

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Government of the Northwest Territories

**Department of Resources, Wildlife and
Economic Development**

Fur Marketing Service Revolving Fund

**for the year ended
March 31, 2003**

(unaudited)

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GOVERNMENT OF THE NORTHWEST TERRITORIES

RESOURCES, WILDLIFE AND ECONOMIC DEVELOPMENT

Fur Marketing Service Revolving Fund

Purpose: To provide working capital for the operation of a fur advance system. Trappers receive interest free advances on fur sent to southern auction houses. More than 1,000 trappers take advantage of this program.

	(\$) 2002/2003 Actuals	(thousands of dollars)	
		2002/2003 Main Estimates	2001/2002 Actuals
Authorized Limit	<u>900,000</u>	<u>900</u>	<u>900</u>
Operating Results			
Opening Accounts Receivable	127,676.67	159	149
Advances to Trappers	25,131.68	150	90
Receipts of Fur Account Loans	<u>(134,406.28)</u>	(120)	(111)
Closing Accounts Receivable (Note 1 & 2)	<u>18,402</u>	<u>189</u>	<u>128</u>

Notes:

- 1) Some fur remains unsold at auction for extended periods. The spring sale proceeds which are received after fiscal year end pay off most of the remaining advances from the season's trapping.
- 2) Direct recovery from individuals is necessary if the fur sells for less than the advance amount.

Prepared by :

Marissa Martin
Assistant Director, Corporate Services,
Finance and Administration

Approved by :

Jim Kennedy
Director, Corporate Services,
Finance and Administration

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**Government of the Northwest Territories
Department of Public Works and Services
Public Stores Revolving Fund Inventories**

**for the year ended
March 31, 2003**

(unaudited)

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GOVERNMENT OF THE NORTHWEST TERRITORIES

**Schedule of Public Stores Revolving Fund Inventories
for the year ended March 31, 2003**

Public Stores	Balance March 31, 2002	Net Receipts	Net Issues	Board of Survey	Inventory (Write-downs) Write-ups	Balance March 31, 2003
Yellowknife	<u>\$ 129,346</u>	<u>\$ 195,635</u>	<u>\$ (232,808)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,173</u>

Prepared by :

Bev Bourque
Manager, Finance and Administration
North Slave Office

Approved by :

Chuck Gibson
Manager, Finance Services
Corporate Services

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