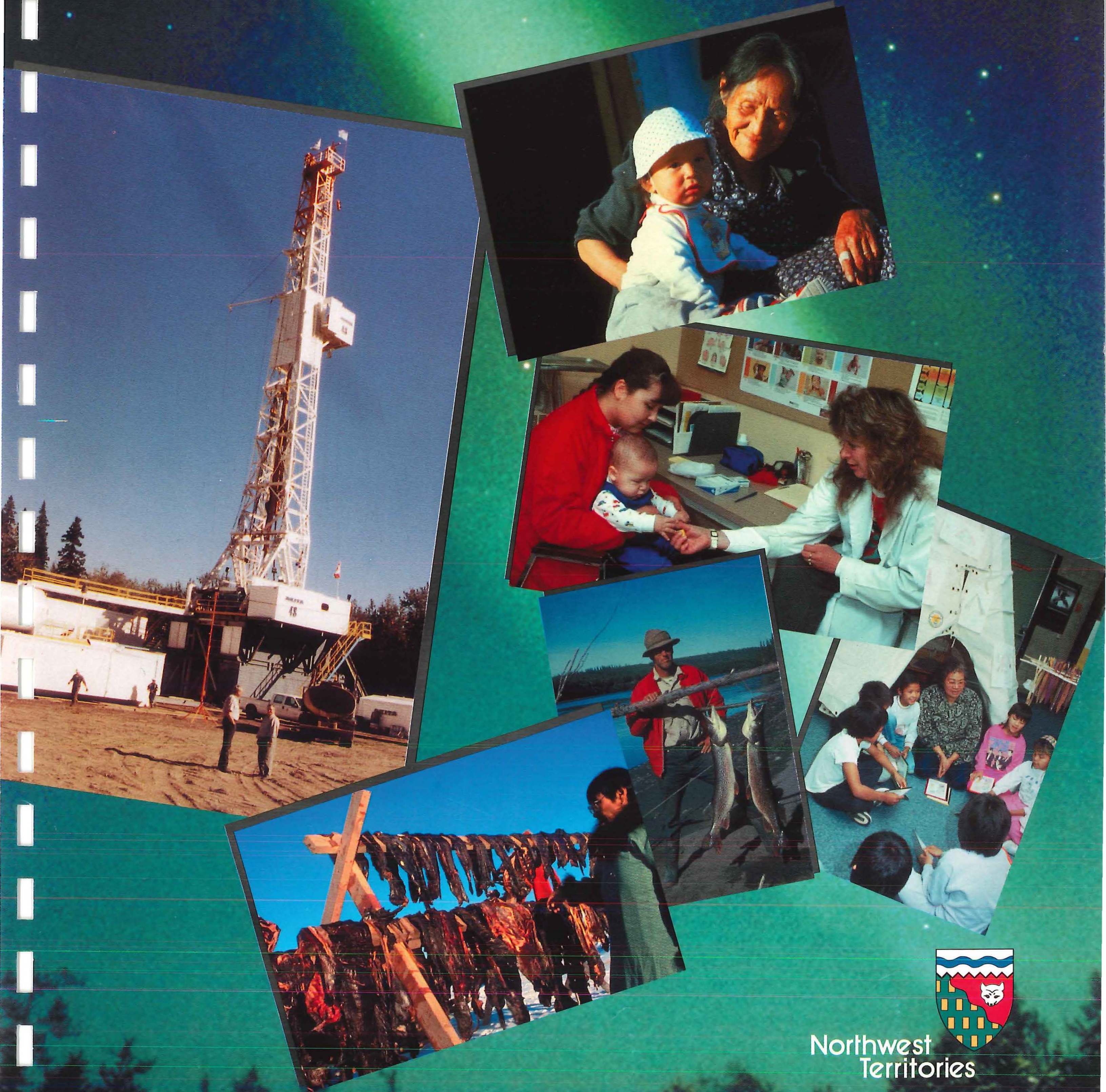
Public Accounts

Northwest Territories • 2001-2002

Section III Supplementary Financial Statements



Northwest Territories

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PUBLIC ACCOUNTS

OF THE

GOVERNMENT OF THE NORTHWEST TERRITORIES

FOR THE YEAR ENDED MARCH 31, 2002

SECTION III

SUPPLEMENTARY FINANCIAL STATEMENTS

HONOURABLE JOE HANDLEY

Minister of Finance

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SECTION III

SUPPLEMENTARY FINANCIAL STATEMENTS

* Will be available under separate cover at a later date.

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Northwest Territories Liquor Commission

Financial Statements

for the year ended March 31, 2002

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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.

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.J. Courtoreille
General Manager

May 15, 2002

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Northwest Territories Liquor Commission as at March 31, 2002 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, 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 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.

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

Ottawa, Canada
May 15, 2002

NORTHWEST TERRITORIES LIQUOR COMMISSION

Balance Sheet

March 31, 2002, with comparative figures for 2001

		2002		2001
		($000's)		($000's)
Assets				
Current assets:				
Cash	$	2,366	$	1,233
Accounts receivable		2		2
Due from Nunavut Liquor Commission		15		63
Inventories (note 3)		2,707		3,089
Prepaid expenses		24		12
		5,114		4,399
Capital assets (note 4)		46		65
	$	5,160	$	4,464
Liabilities				
Current liabilities:				
Accounts payable	$	2,080	$	2,064
Employee future benefits		102		97
Due to the Government of the Northwest Territories		2,978		2,303
Commitment (note 8)				
	$	5,160	$	4,464

See accompanying notes to financial statements.

Approved by Management:

R.J. Courtoreille
General Manager

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Income

Year ended March 31, 2002, with comparative figures for 2001

	2002 ($000's)	2001 ($000's)
Sales:		
Beer	$ 16,163	$ 14,684
Spirits	13,898	12,553
Wine	3,088	2,745
Coolers and ciders	1,431	1,119
	34,580	31,101
Cost of goods sold:		
Beer	6,691	6,057
Spirits	4,147	3,719
Wine	1,261	1,195
Coolers and ciders	572	326
	12,671	11,297
Gross profit on sales	21,909	19,804
Other income:		
License fees and permits	558	502
Import fees and other income	362	375
	920	877
	22,829	20,681
Expenses:		
Commissions to agents	2,960	2,907
Salaries, wages and employee benefits	885	883
Administration	111	130
Travel	66	71
Rent	59	56
Computer services	54	32
Inspectors' fees	51	51
Insurance	51	–
Amortization of capital assets	49	121
Board member honoraria	24	23
Losses due to breakage, spoilage and theft	8	7
	4,318	4,281
Net income	$ 18,511	$ 16,400

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, 2002, with comparative figures for 2001

	2002	2001
	($000's)	($000's)
Balance, beginning of year	$ 2,303	$ 2,464
Net income	18,511	16,400
Salaries, wages and benefits paid by the Government	885	875
	21,699	19,739
Net transfer of funds to the Government	18,721	17,436
Balance, end of year	$ 2,978	$ 2,303

See accompanying notes to financial statements.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
	($000's)	($000's)
Cash flows from operating activities:		
Cash received from customers	$ 35,554	$ 32,847
Cash paid to suppliers and employees	(15,670)	(14,519)
Net cash provided by operating activities	19,884	18,328
Cash flows from investing activities:		
Purchase of capital assets	(30)	(14)
Net cash used in investing activities	(30)	(14)
Cash flows from financing activities:		
Cash transferred to the Government of the Northwest Territories	(18,721)	(17,436)
Net cash used in financing activities	(18,721)	(17,436)
Increase in cash	1,133	878
Cash, beginning of year	1,233	355
Cash, end of year	$ 2,366	$ 1,233

See accompanying notes to financial statements.

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%.

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.

3. Inventories:

	2002 ($000's)	2001 ($000's)
Spirits	$ 1,130	$ 1,521
Wine	477	441
Beer	961	950
Coolers and ciders	139	177
	$ 2,707	$ 3,089

4. Capital assets:

	Cost	Accumulated amortization	2002 Net book value	2001 Net book value
	($000's)	($000's)	($000's)	($000's)
Computer equipment	$ 470	$ 445	$ 25	$ 47
Recycling equipment	150	135	15	15
Leasehold improvements	39	39	–	–
Furniture and fixtures	35	29	6	3
	$ 694	$ 648	$ 46	$ 65

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 $72,000 to the PSSA during the year (2001 – $74,000).

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.

7. Service agreement:

The Commission provides various corporate and program delivery services to the Nunavut Liquor Commission and Nunavut Liquor Licensing Board. It received $125,000 ($147,000 in 2001) in fees for the services rendered. This amount is included in import fees and other income on the income statement.

8. Commitment:

The Commission renewed a lease agreement for premises for a five year term ending August 31, 2005. The minimum annual lease payments are:

		($000's)
Year ending March 31:		
2003	$	50
2004		50
2005		50
2006		21
	$	171

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

Northwest Territories
Business Credit Corporation

Financial Statements

for the year ended
March 31, 2002

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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 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 7, 2002

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, 2002 and the statement of operations and deficit and statement of 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, 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 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.

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

Ottawa, Canada
June 7, 2002

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

BALANCE SHEET
MARCH 31, 2002

	$ 000's	
ASSETS	**2002**	**2001**
Cash and Cash Equivalents (Note 3)	$ 398	$ 145
Loans Receivable (Note 4)	32,484	30,977
Accrued Interest Receivable (Note 4)	208	190
	32,692	31,167
Less: Allowance for Losses on Impaired Loans (Note 5)	6,811	5,219
	25,881	25,948
Capital Assets (net of accumulated amortization of $77 (2001: $54))	38	41
	$ 26,317	$ 26,134
LIABILITIES		
Deferred Capital Contribution	$ 38	$ 41
Advance from the Government of the Northwest Territories (Note 6)	28,523	27,551
	28,561	27,592
DEFICIT		
Deficit	(2,244)	(1,458)
	$ 26,317	$ 26,134

CONTINGENT LIABILITIES (NOTE 7)

APPROVED:

Kimberly Staples
Chairperson of the Board of Directors

Afzal Currimbhoy
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, 2002

	$ 000's	
LENDING ACTIVITIES	**2002**	**2001**
Interest Income on Loans Receivable	$ 1,993	$ 1,984
Interest Expense on Advance from the Government of the Northwest Territories (Note 6)	1,187	1,576
Net Interest Income	806	408
Provision for Losses on Impaired Loans (Note 5)	1,592	749
Net Loss on Lending Activities	(786)	(341)
ADMINISTRATIVE EXPENSES		
Salaries and Benefits	596	535
Office	53	29
Board Meetings	35	39
Professional Fees	31	53
Amortization	23	23
Communications	12	14
Computer Services	9	3
	759	696
Net loss before contributions toward administrative expenses	(1,545)	(1,037)
Less: Administrative Contribution – Government of the Northwest Territories (Note 8)	759	696
NET LOSS FOR THE YEAR	(786)	(341)
DEFICIT AT THE BEGINNING OF THE YEAR	(1,458)	(1,117)
DEFICIT AT THE END OF THE YEAR	$ (2,244)	$ (1,458)

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, 2002

	$ 000's	
CASH FLOWS FROM OPERATING ACTIVITIES	**2002**	**2001**
Interest Income on Loans Receivable	$ 1,973	$ 1,936
Interest Repayment of Advance to the Government of the Northwest Territories	(1,187)	(1,576)
Contributions Received Toward Administrative Expenses	729	647
Administrative Expenses Paid	(729)	(647)
Interest Received on Bank Account	20	48
	806	408
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans Receivable Repaid	5,666	6,733
Loans Receivable Disbursed	(7,192)	(6,924)
Purchase of Capital Assets	(20)	(2)
	(1,546)	(193)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from the Government of the Northwest Territories	1,499	1,000
Principal Repayment of Advance to the Government of the Northwest Territories	(526)	(1,417)
Contribution Received Toward Acquisition of Capital Assets	20	2
	993	(415)
NET (DECREASE) INCREASE IN CASH	$ 253	$ (200)
Cash and Cash Equivalents at Beginning of the Year	$ 145	$ 345
Cash and Cash Equivalents at End of the Year	$ 398	$ 145

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

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2002

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 of the Northwest Territories (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.

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.

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. The total expense for the Corporation's share of the contributions totalled $55,000 at a rate of 2.14 times the employee's contribution (2001: $49,000). These contributions represent the total pension obligation of the Corporation and are recognized in the accounts on a current basis.

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 of the Northwest Territories.

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.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2002

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. 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 Middle Low or better from the Dominion Bond Rating Service. The Corporation's average investment yield was 3.4% during the year (2001: 5.3%).

Net investment income of $20,000 (2001: $48,000) is included in Interest Income on Loans Receivable.

4. LOANS AND ACCRUED INTEREST RECEIVABLE

	Range of Annual Interest Rates		$ 000's	
Region	2002	2001	2002	2001
Loans Receivable				
Deh Cho	5.75 - 9.50%	6.75-10.25%	$ 3,635	$ 3,200
Inuvik	6.75 - 9.50%	6.75 - 9.50%	2,541	2,099
North Slave	3.50 - 9.75%	6.75 - 9.75%	11,590	11,079
Sahtu	6.75 - 9.50%	6.75 - 9.50%	3,112	2,993
South Slave	6.75-10.25%	6.75-10.25%	11,606	11,606
			32,484	30,977
Accrued Interest Receivable				
Current			123	125
Arrears			85	65
			208	190
			$ 32,692	$ 31,167

Loans receivable and accrued interest include $9,904,000 (2001: $7,360,000) that the Corporation has specifically classified as impaired. In 2002, interest not accrued on impaired loans totalled $609,000 (2001: $601,000).

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

The value of assets in which the Corporation has title to or foreclosed on totalled $1,022,000 in the loan balance (2001: $1,138,000). These loans have related allowances for losses totalling $744,000 (2001: $723,000).

As of March 31, 2002, loans receivable are expected to mature as follows:

Maturity Date	Range of Annual Interest Rates	$ 000's
Loans past due	6.75–10.25%	$ 7,413
2003	6.75 – 9.50%	4,440
2004	6.75 – 9.25%	5,030
2005	6.75 – 9.50%	4,327
2006	6.75 – 9.50%	4,495
2007 and beyond	3.50–10.25%	6,779
		$ 32,484

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 2002, no accounts were written off by the Legislative Assembly (2001: two accounts representing one borrower totalling $27,170). No accounts were written off by the Board of Directors (2001: three accounts representing three borrowers totalling $33,857).

In 2002, recoveries on loans written off in previous years totalled $900 (2001: $100).

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.

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

Forgiveness (cont'd)

In 2002, no accounts were forgiven by the Legislative Assembly (2001: three accounts representing two borrowers totaling $265,000). No accounts were forgiven by the Financial Management Board (2001: 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.

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, uncertainly 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	
	2002	2001
Specific Allowance for Losses on Impaired Loans:		
Balance at beginning of year	$ 4,693	$ 4,258
Provision for the year	1,593	761
	6,286	5,019

5. ALLOWANCE FOR LOSSES ON IMPAIRED LOANS (CONT'D)

	$ 000's	
	2002	2001
Less: write-offs	-	61
forgiveness	-	265
	-	326
Balance at end of year	6,286	4,693
General Allowance for Losses on Impaired Loans:		
Balance at beginning of year	526	538
Provision for the year	(1)	(12)
Balance at end of year	525	526
Allowance for Losses on Impaired Loans	$ 6,811	$ 5,219

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, 2002 (2001: $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 3.4% to 5.4% during the year (2001: 4.9% to 6.2%).

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 $28,523,000 (2001: $27,551,000) 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.

8. 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.

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:

	$ 000's	
	2002	2001
Staff support	$ 168	$ 154
Accommodation	48	42
Employee future long term benefits	10	3
	$ 226	$ 199

Cumulative employee future long term benefits accrued at March 31, 2002 is $85,000 (2001: $39,000).

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

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Public Trustee for the Northwest Territories

Financial Statements

for the year ended March 31, 2002

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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.

Larry Pontus
Public Trustee for the Northwest Territories

May 30, 2002

AUDITOR'S REPORT

Commissioner

We have audited the Balance Sheet of the Estate and Trust Fund as at March 31, 2002 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, 2002, 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.
Certified General Accountants
Yellowknife, N.W.T.

May 30, 2002

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES
ESTATE AND TRUST FUND

BALANCE SHEET
March 31, 2002

ASSETS

	2002	2001
Cash (Note 3)	$2,497,380	$2,585,785
Other assets at nominal value	1	1
	$2,497,381	$2,585,786

LIABILITIES

	2002	2001
Undistributed Common Fund earnings per Statement II (Note 4)	$ 26,317	$ 62,880
Estate and Trust Fund per Statement III (Note 5)	2,471,064	2,522,906
	$2,497,381	$2,585,786

APPROVED:

Larry Pontus

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, 2002

	2002	2001
Undistributed Common Fund earnings, opening	$ 62,880	$ 66,257
Less		
Allocated to Nunavut Accounts (Note 6)	-	-
Allocated for Nunavut Management Fees and Excess Interest (Note 6)	-	11,545
	62,280	54,712
Add		
Common Fund earnings	97,856	157,373
	160,736	212,085
Less		
Interest paid to estates and trusts	106,525	114,000
Management fees	25,038	27,367
Miscellaneous account deficiencies	73	-
Excess interest paid to the Government of the Northwest Territories	2,783	7,838
	134,419	149,205
Undistributed Common Fund earnings, closing	$ 26,317	$ 62,880

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, 2002

	2002	2001
Estate and trust funds provided:		
Estate and trust assets received	$ 1,168,659	$ 1,223,601
Common Fund interest paid to estates and trusts	106,525	114,000
	1,275,184	1,337,601
Estate and trust funds applied:		
Payments to beneficiaries	1,026,906	1,252,556
Disbursements made on behalf of estates and trusts	218,865	136,518
Administration fees	73,760	66,310
GST on Administration fees	5,163	4,621
Court fees	2,332	2,035
	1,327,026	1,462,040
Increase (Decrease) in Estate and Trust Fund balance	(51,842)	(124,439)
Estate and Trust Fund balance, opening	2,522,906	2,647,345
Estate and Trust Fund balance, closing	$2,471,064	$2,522,906

See the accompanying notes.

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

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 $101,581 (2001 - $101,515) 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.

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:

	2002	2001
Common Fund	$2,471,063	$2,522,905
Other assets, at nominal value	1	1
	$2,471,064	$2,522,906

NOTE 6 DIVISION OF THE NORTHWEST TERRITORIES

The creation of Nunavut effective April 1, 1999 resulted in the transfer of responsibility for all Nunavut files to the Public Trustee for Nunavut. To facilitate this transition, the Public Trustee for the Northwest Territories was appointed by the Government of Nunavut, under its Public Trustee Act, as its Public Trustee. The administration of all Nunavut files was provided under service contract with the Government of the Northwest Territories. The appointment and service contract terminated on March 31, 2000.

In accordance with the terms of agreement between the Northwest Territories and Nunavut, the final payment to the Government of Nunavut, of prescribed management fees and excess interest pertaining to excess earnings of the Nunavut Common Fund for the year ending March 31, 2000, was calculated and distributed on April 30, 2000 by the Public Trustee for the Northwest Territories.

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Northwest Territories Power Corporation

Consolidated Financial Statements

for the year ended March 31, 2002

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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. When alternative accounting methods exist, 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

Leon Courneya, FCA
President & CEO

Judith Goucher

Judith Goucher, MA

Director, Finance & CFO

Hay River, NT
June 14, 2002

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, 2002 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, 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 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
June 14, 2002

Consolidated Statement of Earnings and Retained Earnings
For the year ended March 31, 2002
($000's)

	2002	2001 (Unaudited - Note 3)	2001 (Note 3)
	NWT only		Combined NWT and Nunavut
Revenues			
Sale of power (Note 4)	$ 62,520	$ 52,516	$ 103,988
Other (Note 5)	1,790	1,338	3,898
	64,310	53,854	107,886
Expenses			
Fuels and lubricants	15,358	12,378	31,097
Salaries and wages	15,751	13,587	25,317
Supplies and services	9,679	7,216	15,787
Amortization	6,492	6,287	9,962
Travel and accommodation	1,890	1,732	3,549
	49,170	41,200	85,712
Earnings from operations	15,140	12,654	22,174
Interest income	2,022	293	838
Contract income, net (Note 7)	264	-	-
Earnings before interest expense	17,426	12,947	23,012
Interest expense (Note 8)	10,544	8,765	13,923
Net earnings	6,882	4,182	9,089
Restated retained earnings at beginning of period as restated (Note 3 & 18)	26,148	26,019	66,860
Dividend (Note 9)	(4,000)	(4,053)	(6,368)
Retained earnings at end of period	$ 29,030	$ 26,148	$ 69,581

See accompanying notes

Consolidated Cash Flow Statement
For the year ended March 31, 2002
($000's)

	2002	2001
	NWT only	Combined NWT and Nunavut
Cash flows from operating activities		
Cash receipts from customers	$ 60,472	$ 102,028
Cash paid to suppliers and employees	(47,793)	(82,778)
Interest received	1,086	838
Interest paid	(10,870)	(14,459)
Received from NPC (Nunavut Power Corporation) for operating activities related to division	1,615	-
Cash flows from operating activities	4,510	5,629
Cash flows used in investing activities		
Purchase of capital assets	(5,334)	(20,395)
Proceeds from insurance	-	1,581
Proceeds from sale of capital assets	114	-
Cash flows used in investing activities	(5,220)	(18,814)
Cash flows from financing activities		
Received from NPC for financing activities related to division	48,822	-
Repayment of long-term debt	(31,300)	(336)
Proceeds from long-term borrowings	-	20,000
(Repayment of) net proceeds from short-term borrowings	(18,512)	2,360
Repayment of net lease obligation	(167)	(188)
Sinking fund installments	(2,051)	(3,228)
Proceeds from sinking fund redemption	1,532	-
Dividend paid	-	(6,368)
Dividend payable	2,299	-
Cash flows from financing activities	623	12,240
Net decrease in cash and short-term investments	(87)	(945)
Cash and short-term investments at beginning of period	239	1,184
Less: NPC's portion of cash and short-term investments	(2)	-
	237	1,184
Cash and short-term investments at end of period	$ 150	$ 239

See accompanying notes

Consolidated Balance Sheet
($000's)

	March 31 2002	April 1 2001 (Note 3)	March 31 2001
	NWT only		Combined NWT and Nunavut
Assets			
Capital assets (Note 10)			
Capital assets in service	$ 258,786	$ 258,605	$ 396,860
Less accumulated amortization	(59,878)	(58,584)	(96,095)
	198,908	200,021	300,765
Construction work in progress	2,699	3,791	3,791
	201,607	203,812	304,556
Current assets			
Cash and short-term investments	150	237	239
Accounts receivable (Note 4)	17,161	9,203	19,965
Prepaid expenses	824	815	1,170
Due from NPC (Note 3)	5,477	8,298	-
Inventories	7,450	6,410	16,153
	31,062	24,963	37,527
Other assets			
Deferred expenses and other assets (Note 11)	7,992	6,070	9,765
Sinking fund investments (Note 12)	15,957	13,213	14,746
	23,949	19,283	24,511
	$ 256,618	$ 248,058	$ 366,594
Liabilities and Shareholder's Equity			
Long-term debt			
Long-term debt (Note 13)	$ 116,719	$ 117,796	$ 149,096
Net lease obligation (Note 14)	1,883	2,050	2,050
	118,602	119,846	151,146
Current liabilities			
Bank indebtedness and short-term debt (Note 15)	8,056	10,576	26,576
Accounts payable and accrued liabilities	10,071	8,687	14,499
Dividends payable	6,299	-	-
Current portion of long-term debt (Note 13)	1,084	249	249
	25,510	19,512	41,324
Other liabilities			
Future removal and site restoration provision (Note 16)	35,399	34,189	49,102
Deferred revenues and other liabilities (Note 17)	4,948	5,234	12,312
	40,347	39,423	61,414
Shareholder's equity (Note 18)	72,159	69,277	112,710
	$ 256,618	$ 248,058	$ 366,594

Commitments and contingencies (Notes 19)

Approved on behalf of the Board:

Gordon Stewart
Chairman of the Board

Tom Zubko
Director

See accompanying notes

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.

Revenue
Utility revenues are recognized on the accrual basis and include an estimate of services provided but not yet billed.

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

Capital assets donated to the Corporation are recorded at their estimated fair value.

Amortization
Amortization of capital assets 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:

Electric power plants	1.24% - 5.76%
Transmission and distribution systems	1.57% - 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 expenses and other assets
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 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.

The normalized overhaul costs include costs to overhaul diesel and gas engines that occur over the life of these assets.

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

Regulated employee future benefits costs represent benefits accrued under employment agreements since April 1, 2001.

These deferrals 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 assets include costs incurred that are subject to recovery through insurance, the courts or the customers at future GRA's. 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

The Corporation records sinking fund investments at amortized acquisition cost. Any discount or premium arising on purchase is amortized over the period to maturity. As a result of the amortization, earnings from the investment reflect the yield based on purchase costs, not on coupon rates, and the carrying value of the investments are adjusted systematically, over the period they are held, toward the amount expected to be realized at maturity.

Future removal and site restoration provision

The provision for future removal and site restoration reflects the estimated cost of retiring the assets of the Corporation, net of salvage value. These costs are amortized 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.

Deferred revenues

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

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 Termination 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. Change in Operations

On April 1, 2001, the Nunavut Power Corporation (NPC) commenced operations. All corporate operations within the Nunavut Territory were taken over by NPC on this date. 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. The Transition Agreement between the Governments of the Northwest Territories (GNWT) and the Interim

Commissioner of Nunavut and the Transfer of Interests Agreements between the GNWT, Government of Nunavut (GN), NPC and the Corporation.

The allocation is subject to a due diligence process and approval by the Corporation, GNWT, NPC and GN. It is not known when the due diligence process will be completed and the allocation finalized. Consequently, the allocations of assets, liabilities and shareholder's equity are determined based on management's best estimate using the approach set out in the agreements. As at the date these financial statements were completed a disagreement concerning the allocation exists between the four parties with the potential for an additional transfer of retained earnings to NPC. Adjustments to the equity allocation estimate, if any, will be recorded when known.

In order to provide a meaningful comparison, the Corporation has provided unaudited comparative figures for the Northwest Territories operations only in its Statement of Earnings and audited opening balances for its April 1, 2001 Balance Sheet. These figures remove operating activities in Nunavut and allocate headquarter expenses as set out in the agreements. The allocation of headquarter expenses in 2001 is an unaudited estimate and the reader is cautioned that these figures may not be fully comparable with current operations.

4. Sale of Power - General Rate Application 2001/02 Revenue Requirement

The PUB Decision 5-2001 approved interim refundable rates effective July 1, 2001, which allow the Corporation to recover a portion of the fiscal 2002 revenue deficiency presented in its application. As of March 31, 2002, the Corporation estimates it has recovered $5,104 of the revenue deficiency for fiscal 2002 through these interim rates. The Corporation intends to file an application with the PUB early in fiscal 2003 for a rate-rider that would allow the Corporation to recover the estimated remaining 2002 revenue shortfall of $4,619. The Corporation has recorded this estimated shortfall in its 2002 revenues and accounts receivables. The Corporation intends to file a Phase II application in fiscal 2003 to set rates to recover any remaining 2002 shortfall and to set rates for fiscal 2003 and future years.

5. Other Revenues

	2002	2001 (Unaudited - Note 3)	2001 (Note 3)
	NWT only		Combined NWT and Nunavut
Government funding of pension expenses (Note 6)	$ 848	$ 493	$ 878
User fees	302	322	834
Miscellaneous	256	44	86
Contract work	155	183	392
Connection fees	139	164	327
Heat	90	132	291
Insurance proceeds	-	-	1,090
	$ 1,790	$ 1,338	$ 3,898

6. Pension Expense

The Corporation contributes to the Public Service Superannuation Plan (the Plan) at a rate of 2.14 times (2001 – 2.14 times) the employee's contributions. Contributions for pension expense during the year were $1,783 (2001 - $1,909). The Corporation received funding, recorded as other revenues, from the GNWT of $848 (2001 - $878) to cover part of these pension expenses. This funding is available until March 31, 2004. Whether the GNWT funding will continue beyond 2004 is unknown. Should this additional funding cease the PUB has approved recovery of these additional costs in rates.

7. Contract Income

The Corporation has signed a five year master agreement with the Nunavut Power Corporation to provide engineering services. 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 $3,195 and the associated expenses were $2,931 for net earnings of $264. There are no assets or liabilities in the Corporation held solely for the purposes of this contract.

8. Interest expense

	2002	2001 (Unaudited - Note 3)	2001 (Note 3)
	NWT only		Combined NWT and Nunavut
Interest on long-term debt:			
Sinking fund debentures	$ 8,407	$ 6,812	$ 10,509
Debentures	2,288	2,312	2,312
Capital lease	-	9	17
	10,695	9,133	12,838
Short-term debt	175	27	1,802
Other	-	-	23
Allowance for funds used during construction	(326)	(395)	(740)
	$ 10,544	$ 8,765	$ 13,923

9. Dividend

The Corporation declared a dividend of $4,000 to the GNWT (2001 - $6,368 to the GNWT and GN).

10. Capital assets

	March 31, 2002 Cost	March 31, 2002 Accumulated Amortization	March 31, 2002 Net Book Value	April 1, 2001 Net Book Value (Note 3)	March 31, 2001 Net Book Value
	NWT only				Combined NWT and Nunavut
Electric power plants	$ 174,651	$ (43,394)	$ 131,257	$ 129,876	$ 209,962
Transmission and distribution systems	58,038	(7,791)	50,247	53,777	68,578
Warehouse, equipment, motor vehicles and general facilities	17,994	(4,788)	13,206	12,728	15,832
Other utility assets	3,484	(368)	3,116	3,208	5,961
Other	4,619	(3,537)	1,082	432	432
	258,786	(59,878)	198,908	200,021	300,765
Construction work in progress	2,699	-	2,699	3,791	3,791
Total Property & Equipment	$ 261,485	$ (59,878)	$ 201,607	$ 203,812	$ 304,556

Engineering and general administration expense capitalized during the year amounted to $724 (2001 - $2,053). Allowance for funds used during construction capitalized during the year amounted to $217 (2001 - $331).

11. Deferred expenses and other assets

	March 31 2001	April 1 2001 (Note 3)	2002 Costs Deferred and Interest Charged to the Fund	2002 Amortization of Fund Balance	2002 Rate Refunds (Collections)	March 31 2002
	Combined NWT and Nunavut			NWT only		
Snare Cascades Deferral Account	$ 4,218	$ 4,218	$ -	$ (462)	$ -	$ 3,756
Rate stabilization funds	2,152	(613)	(1,269)	-	(501)	(2,383)
Reserve for Injuries and Damages	1,318	1,036	626	(485)	-	1,177
Regulatory costs	637	389	547	(228)	-	708
Normalized overhaul costs	-	-	1,110	(1,540)	-	(430)
Regulated employee future benefits	-	-	343	-	-	343
Total deferred expenses	8,325	5,030	$ 1,357	$ (2,715)	$ (501)	3,171
Financing costs	579	579				372
Insurance claims	339	-				346
L-199 Transmission line	-	-				3,713
Other	522	461				390
	$ 9,765	$ 6,070				$ 7,992

The rate stabilization funds are comprised of fuel $835 (2001 - $3,908) and water $(3,218) (2001 - $(1,756)). During the year fuel stabilization rate riders of $501 (2001 - $4,910) were charged to customers. These amounts were recorded as revenues and fuel expenses.

12. Sinking fund investments

Sinking fund investments are held by the Trustee for the redemption of long-term debt. In anticipation of the approval of a change in the investment regulations under the Financial Administration Act, the Corporation held the majority of its sinking fund in conservative short-term investments in 2002. In October 2001 the amended FAA regulations came into force and the Corporation amended its investment policy to allow for up to 30% of sinking fund investments to be made in equities. The remainder of the fund will continue to be held in fixed income securities and short-term investments with a minimum average credit rating of “A” as defined by the Dominion Bank Rating Service.

In 2002, the average term of the investments was generally less than 90 days. Investments earned an average of 4.49% (2001 - 4.0%) interest.

The sinking fund agreement requires the Corporation to make minimum annual installments. The installments required for the next five years are disclosed in Note 13.

	March 31, 2002		March 31, 2001	
	NWT Only		Combined NWT and Nunavut	
	Carrying Value	Weighted average effective rate (1)	Carrying Value	Weighted average effective rate (1)
Cash & short-term investments	$ 128	.0%	$ 9,771	0.15%
Bank paper	15,290	2.02%	4,178	4.70%
Provincial Government guaranteed	49	5.37%	519	5.11%
Federal Government guaranteed	262	8.53%	229	5.96%
Municipal Government guaranteed	228	4.79%	49	6.12%
	$ 15,957	2.18%	$ 14,746	1.72%

(1) – Rate calculated on market yield maturity.
Fair value information for sinking funds is included in Note 21.

13. Long-term debt

	March 31 2002	April 1 2001
	NWT only	
11% sinking fund debentures, due March 9, 2009	$ 20,000	$ 20,000
$11^{1}/_{8}$% sinking fund debentures, due June 6, 2011	15,000	15,000
10¾% sinking fund debentures, due May 28, 2012	20,000	20,000
$9^{3}/_{8}$% redeemable sinking fund debentures, due May 12, 2014	-	20,000
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	20,000
Capital loan facility, due October 18, 2006, converted in fiscal 2002 under an interest rate swap from a floating rate to, interest at 5.64% repayable interest only until November 2002 and equal monthly payments of $72 thereafter	20,000	20,000
10% debenture series 1, due May 1, 2025, repayable in equal monthly payments of $70	7,563	7,642
9¾% debenture series 2, due October 1, 2025, repayable in equal monthly payments of $69	7,582	7,661
9.11% debenture series 3, due September 1, 2026, repayable in equal monthly payments of $73.	8,576	8,667
6.5% Canada's Northwest Territories Government Aurora Fund (1996) 923204 N.W.T. Ltd.'s portion representing 50%, due December 2002	375	375
Other	7	-
	117,803	149,345
Less: Current portion	1,084	249
	116,719	149,096
Less: NPC's portion of long-term debt	-	(31,593)
NPC's portion of long-term debt not redeemed	-	293
	$ 116,719	$ 117,796

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 requirements, NWT only, for the next five years:

	Principal Repayments	Sinking Fund Investment Requirements
2003	1,084	2,720
2004	1,156	3,008
2005	1,202	3,008
2006	1,235	3,231
2007	1,272	3,231

On May 28, 2001, the Corporation redeemed all of the $20 million of the $9^3/_8$% debenture and $11.3 million of the 8.41% debenture in accordance with the Transition Agreement and the Transfer of Interests Agreement for amounts of long-term debt assumed by the Nunavut Power Corporation (NPC) effective April 1, 2001.

14. 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 $22,023 (2001 - $22,238). 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 a 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 $24,072 (2001 - $24,478).

To reflect the effective acquisition and financing nature of the lease, the plant is included in electric power plants in capital assets 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 $1,883 (2001 - $2,050).

The net lease obligation, NWT only, will decrease by the following amounts over the next five years.

2003	143
2004	116
2005	87
2006	55
2007	20

15. Bank indebtedness and short–term debt

	March 31 2002	April 1 2001 (Note 3)	March 31 2001
	NWT only		Combined NWT and Nunavut
Banker's Acceptance	$ 8,000	$ 7,838	$ 19,500
Bank overdraft	56	2,738	7,076
	$ 8,056	$ 10,576	$ 26,576

The interest rate charged on bank overdrafts is prime. The Banker's Acceptance outstanding at year end had a 35 day term (2001 – 31 to 94 days) and a 2.09% (2001 - 5.32%) interest rate.

16. Future removal and site restoration provision

The provision for the year, included in amortization of capital assets is $1,371 (2001 - $1,523) and the amount spent is $161 (2001 - $658).

17. Deferred revenue and other liabilities

	March 31 2002	April 1 2001 (Note 3)	March 31 2001
	NWT only		Combined NWT and Nunavut
Donations in aid of construction	$ 3,642	$ 4,077	$ 10,682
Employee future benefits	1,306	1,157	1,630
	$ 4,948	$ 5,234	$ 12,312

18. Shareholder's equity

	March 31 2002	April 1 2001 (Note 3)	March 31 2001
	NWT only		Combined NWT and Nunavut
Capital Stock			
Authorized: unlimited number of voting common shares without par value			
Issued: 431,288 common shares	$ 43,129	$ 43,129	$ 43,129
Retained earnings at beginning of period	69,581	-	-
Retained earnings allocated on division	(43,433)	-	-
Restated retained earnings at beginning of period	26,148	-	-
Net earnings less dividends declared	2,882	-	-
Retained earnings at end of period	29,030	26,148	69,581
	$ 72,159	$ 69,277	$ 112,710

19. Commitments and contingencies

Capital projects

The estimated cost to complete capital projects in progress, as at March 31, 2002, was $500 (2001 - $2,851).

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:

2003	$	215
2004		203
2005		105
2006		35
2007		1
2008-2038		16
	$	575

Supply contracts

The Corporation has entered into contracts to purchase refined oil products. These contracts end in 2003 and 2004 and reflect minimum purchase commitments of 18 million litres consistent with the Corporation's operational requirements, and are based on market prices at time of delivery.

Loan guarantee

The Corporation has guaranteed a loan made by the Aurora Fund to Aadrii Limited in the total amount of $750. This guarantee has been made jointly and severally with another party.

Natural gas purchase commitment

The Corporation has entered into an agreement to purchase natural gas to produce electricity in Inuvik. The minimum obligation is to purchase 5,622,900m^3 of natural gas per annum for 15 years, beginning on August 1, 1999. The price shall be calculated annually on the anniversary of the Initial Delivery Date and will depend on the Edmonton Average Unbranded High Sulphur Diesel Price as posted in the Bloomberg Oil Buyers Guide on that date.

Hedging

The Corporation entered into a commodity swap for heating fuel. Although the Corporation purchases diesel fuel, no instrument is readily available for the Corporation to directly hedge against the price fluctuation of diesel fuel. Heating fuel prices however have a very close correlation to diesel fuel prices.

The Corporation typically purchases in excess of 19 million litres of diesel fuel annually. As at March 31, 2002, the Corporation has hedged a total of 5.8 million litres to be purchased in July, August and September 2002 using a swap contract. The average price for the swap contract on 5.8 million litres is US$0.1575/litre (US$0.6205/US gallon).

This hedging instrument is used only to manage risk and not for trading purposes. The Corporation did not obtain any security to mitigate credit risk but mitigates this risk by dealing only with a AA financial institution and accordingly, does not anticipate loss for non-performance.

Legal issue

The Corporation has been named as a defendant in a lawsuit involving the GNWT and the Federal Government in a claim related to the construction of the hydro system on the Taltson River. As directed by the GNWT, the Corporation filed a separate defence to the suit. It is management's estimate that no significant loss to the Corporation will result from this claim.

20. Related party transactions

The Corporation is a territorial crown corporation and consequently is related to the GNWT and its agencies and corporations. As the division of the Corporation was not finalized as at March 31, 2002, the Government of Nunavut (GN) and the Nunavut Power Corporation (NPC) are also considered as related parties.

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, by territory, not disclosed elsewhere in the financial statements, are as follows:

	March 31 2002	March 31, 2001		
	NWT Only	NWT Parties	Nunavut Parties	Combined NWT and Nunavut
Sale of power, heat, water and other	$ 13,524	$ 10,630	$ 14,488	$ 25,118
Purchases made on behalf of NPC	-	1,633	-	1,633
Purchase of fuel from government	1,340	1,370	7,424	8,794
Fuel Tax paid to government	511	514	1,084	1,598
Other purchases and payments	905	24	-	608
Balances at year end:				
Accounts receivable from	2,829	1,860	1,659	3,519
Accounts payable to	503	193	1,501	1,694
Dividend payable to the GNWT	4,000	-	-	-
Dividend payable to the GN	2,299	-	-	-
Due from NPC (Note 3)	5,477	-	-	-

21. Financial instruments

	March 31, 2002 NWT Only		March 31, 2001 Combined NWT and Nunavut	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 117,803	$ 144,385	$ 149,345	$ 182,458
Net lease obligation	1,883	3,211	2,050	3,545
Sinking fund investments	15,957	16,002	14,746	14,814

The fair value of cash and short-term investments, other current accounts receivable and payable and bank indebtedness and short-term debt approximate the carrying amount of these instruments due to the short period to maturity. 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 was determined using market prices.

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. During the year a number of these franchise agreements expired. As at March 31, 2002, 11 of these franchises are in place and approved by the PUB, while the remaining franchises are at various stages of the application process.

23. Comparative figures

Certain of the 2001 figures have been reclassified to conform with the financial statement presentation adopted for 2002.

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Government of the Northwest Territories

Petroleum Products Revolving Fund

Financial Statements

for the year ended
March 31, 2002

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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, 2002, 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, 2002, 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.

Yellowknife, Northwest Territories
May 24, 2002

Chartered Accountants

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

Petroleum Products Revolving Fund

Balance Sheet (thousands of dollars)		**March 31 2002**		**March 31 2001**
Assets:				
Current				
Accounts receivable (Note 3)	$	2,843	$	2,883
Inventories (Note 4)		6,015		4,715
	$	8,858	$	7,598
Liabilities:				
Current				
Accounts payable and accrued liabilities	$	1,760	$	1,385
Employee leave and termination benefits		34		27
		1,794		1,412
Long-Term				
Employee termination benefits		54		27
Due to the Government of the Northwest Territories		7,010		6,159
		7,064		6,186
	$	8,858	$	7,598

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 (thousands of dollars)		**2002**		**2001**
Revenue				
Sale of petroleum products (Note 5)	$	13,066	$	12,935
Cost of goods sold		9,548		9,392
Gross profit		3,518		3,543
Rent and other revenue		85		64
		3,603		3,607
Expenses				
Commissions		1,541		1,741
Salaries, wages & employee benefits		898		972
Purchased services		647		617
Material, supplies and utilities		223		238
Travel		167		176
Insurance		81		76
Miscellaneous		73		55
		3,630		3,875
Net Loss from operations	$	28	$	268

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 (thousands of dollars)		**2002**		**2001**
Balance, beginning of year	$	6,159	$	5,591
Plus:				
Payments Made by the Government				
Purchases of petroleum products		10,433		10,553
Operating expenses		3,637		3,897
Less:				
Transfers to the Government				
Sales proceeds		13,193		13,614
Loss from operation		28		268
Balance, end of the year	$	7,009	$	6,159

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

Petroleum Products Revolving Fund

Notes to the Financial Statements
as at March 31, 2002

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 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, 2002 is $4,191,649

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 2002	Mar-31 2001
Commercial/Private	$ 1,269	$ 1,311
Territorial Municipalities & Housing Associations	745	819
Government of the Northwest Territories:		
Departments and Agencies	477	409
Northwest Territories Power Corporation	401	403
	878	812
Government of Canada	45	44
	2,937	2,986
Less: Allowance for Doubtful Accounts	-94	-103
	$ 2,843	$ 2,883

4. Inventories

(thousands of dollars)	Mar-31 2002	Mar-31 2001
Heating fuel	$ 4,550	$ 3,385
Gasoline	1,421	1,284
Other fuel	44	46
	$ 6,015	$ 4,715

5. Sale of Petroleum Products

(thousands of dollars)	2002	2001
Commercial/Private	$ 4,751	$ 4,852
Territorial Municipalities & Housing Associations	3,222	3,283
Government of the Northwest Territories:		
Northwest Territories Power Corporation	1,456	1,354
Departments and Agencies	1,128	1,137
Wholesale Revenue	2,348	2,127
Government of Canada	161	182
	$ 13,066	$ 12,935

Petroleum Products Revolving Fund

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 asset 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)	Cost	Accumulated Amortization	Mar-31 2002 Net Book Value	Mar-31 2001 Net Book Value
Fuel Storage Facilities	$ 18,919	$ 9,215	$ 9,704	$ 10,349
Fuel Delivery Vehicles	1,937	1,335	602	266
Construction in progress	626		626	1,206
	$ 21,482	$ 10,550	$ 10,932	$ 11,821

b. Financing Costs

Management estimated that the Fund required up to $13 million in working capital with an estimated financing cost of $312,046 (2000/2001 $11million and $477,039 respectively) for the year. 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 2.42% to 5.31%.

7. Fair Value of Financial Instruments

The carrying values of accounts receivable, accounts payable and accrued liabilities are reasonable estimates of 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 Ke, 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 2003 summer resupply.

The Government also enters into two-year contracts for the supply and delivery of bulk petroleum products, by tanker truck, for furtherance to the communities serviced by winter/ice roads. The contracts will terminate at the conclusion of the 2004 winter/ice road resupply.

b. Community Fuel Delivery Contracts

The Government provides local fuel delivery services in 16 communities across the Northwest Territories.
The sales, dispensing and delivery services are competitively tendered and result in formal contracts for the provision of the services. Contracts are awarded to local residents or businesses. Two contracts expire in 2002, nine contracts expire in 2003, and another five expire in 2004 respectively. Under these contracts, fixed commission rates are paid. The value of this commitment is estimaed at $1,750,000.

c. Environmental Site Assessment

The Government has completed comprehensive environmental site assessments at each of its bulk fuel storage and pipeline distribution systems. Each facility was the subject of a code compliance audit, soil and groundwater testing, delineation of known areas of contamination and the preparation of recommendations for remediations on a site-by-site basis. The assessments indicate that while hydrocarbon contamination is present, the level and scope appear to be less severe than originally thought. The Government acknowledges that there is some environmental damage, however, the total amount of contaminated soil and the resultant clean-up costs will not be known until the Government moves into the remediation phase of the project. To date there have been ten Phase III site assessments done. The estimated remediation costs are at least $1,258,980. These amounts are not recorded in the financial statements of the Fund as it is not determined if these are costs of the Fund or the Government. This estimate will be revised as the remediation phase draws closer.

d. Canada Shipping Act

The Canada Shipping Act requires owners of Oil Handling Facilities to develop policies and procedures and to provide resources to handle potential fuel spills resulting from off-loading petroleum products from a marine vessel. The Act effects eight of the communities served. The Government is exempt from this legislation but has agreed to voluntarily comply with it by June, 2003. The Government is developing a compliance plan in partnership with the Northwest Territories Power Corporation and the Canadian Coast Guard. Costs of implementing the compliance plan are estimated to be $100,000 per year over the next two year period.

Legislative Assembly Retiring Allowance Fund

Financial Statements

for the year ended March 31, 2002

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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

Anthony (Tony) Whiford

Chair

David M. Hamilton

Secretary

April 29, 2002

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, 2002, 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, 2002. 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, 2002 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 29, 2002

LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND

NET ASSETS AVAILABLE FOR BENEFITS
March 31, 2002

	2002	2001
ASSETS		
CURRENT		
Accounts Receivable	$ 19,516	$ 23,200
Accrued Investment Income	3,779	3,926
	23,295	27,126
INVESTMENTS		
Retiring Allowance Fund (Notes 2 and 3)	16,772,224	16,653,414
	$ 16,795,519	$ 16,680,540
LIABILITIES		
CURRENT		
Accounts Payable	$ 19,474	$ 15,709
FUND BALANCE		
RETIRING ALLOWANCE FUND BALANCE		
Net Assets Available for Benefits per page 2	16,776,045	16,664,831
	$ 16,795,519	$ 16,680,540

APPROVED:

Anthony (Tony) Whitford ________ Director

David M. Hamilton ____________ 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, 2002

	2002	2001
INCREASE (DECREASE) IN ASSETS		
Contributions	$ 98,042	$ 104,233
Interest and Dividends	678,202	1,032,849
	776,244	1,137,082
Current Period Change in Fair Market Value of Investments	(173,026)	(1,823,832)
Total Increase (Decrease) in Assets	603,218	(686,750)
DECREASE IN ASSETS		
Benefits		
Pension Payments	421,902	383,463
Administrative		
Actuary Fees	70,102	132,121
Total Decrease in Assets	492,004	515,584
INCREASE (DECREASE) IN NET ASSETS	111,214	(1,202,334)
NET ASSETS AVAILABLE FOR BENEFITS		
- BEGINNING OF YEAR	16,664,831	17,867,165
- END OF YEAR	$ 16,776,045	$ 16,664,831

See the accompanying notes.

LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND

STATEMENT OF OBLIGATIONS FOR PENSON BENEFITS
March 31, 2002

	2002	2001
ACTUARIAL PRESENT VALUE OF DEFINED BENEFITS		
Active Members	$ 2,281,000	$ 1,831,000
Pensioners	8,106,000	7,993,000
Total Ongoing Plan Liabilities (Note 4)	10,387,000	9,824,000
ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS		
Net Assets Available for Benefits	17,764,000	17,502,000
Changes not reflected in actuarial value of net assets	(987,955)	(837,169)
Adjusted Actuarial Value of Net Assets Available For Benefits (page2)	16,776,045	16,664,831
EXCESS OF ACTUARIAL VALUE OF NET ASSETS OVER ACTUARIAL PRESENT VALUE OF DEFINED BENEFITS	$ 6,389,045	$ 6,840,831

See the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

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

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

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 lessor 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.

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.

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

	2002	%	2001	%
Funds Managed by Investment Counsellors				
Cash and Cash Equivalents	$ 2,467	-	$ 15,150	0.1
RT Capital Balance Fund (Cost $13,310,610; 2001-$12,893,436)	16,399,592	97.8	16,250,644	97.6
Confederation Life Real Estate Board NWT Legislative Assembly Building Society Series A Bonds (Cost $353,236; 2001 - $368,139)	370,165	2.2	387,620	2.3
Total at Fair Market Value	$ 16,772,224	100	$ 16,653,414	100

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, 2000 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:

	2002	2001
Actuarial present value of accrued pension benefits - beginning of year	$ 9,824,000	$ 9,208,000
Cost of benefits earned	402,000	376,000
Interest accrued on benefits	701,000	656,000
Experience gains and losses	(118,000)	-
Benefits paid	(422,000)	(416,000)
Actuarial present value of accrued pension benefits - end of year	$ 10,387,000	$ 9,824,000

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:

	2002	2001
Asset rate of return	7.0%	7.0%
Rate of salary increase	5.0%	5.0%

The actuarial value of net assets available for benefits was determined based on market value on January 31, 2002.

Workers' Compensation Board
(Northwest Territories and Nunavut)

Financial Statements

for the year ended
December 31, 2001

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March 28, 2002

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 of Directors appoints certain of its members to serve on the Finance Committee. This Committee oversees management's responsibilities for financial reporting, and reviews and recommends the financial statements to the Board for approval. The Auditor General of Canada annually provides an independent, objective audit of the English and French versions 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 significant 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 actuarial valuation of future claims and pension liabilities of the Workers' Compensation Board.

Penny Ballantyne
President

Lisa Cardinal
Chief Financial Officer

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, 2001 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, 2001 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, 2002

WORKERS' COMPENSATION BOARD (Northwest Territories and Nunavut)

Balance Sheet

as at December 31, 2001

(thousands of dollars)

	2001	2000
ASSETS		
Cash and cash equivalents (note 3a)	$ 3,821	$ 2,907
Assessments receivable	1,573	768
Accrued interest receivable	568	3,847
Other accounts receivable	1,005	1,857
Investments (note 3b)	255,216	248,082
Property and equipment (note 4)	4,463	4,888
	$ 266,646	**$ 262,349**
LIABILITIES		
Accounts payable and accrued liabilities	$ 2,332	$ 2,543
Lease obligations payable (note 5a)	2,644	2,859
Assessments refundable	1,322	1,295
Benefits liability (note 7)	198,793	182,693
	$ 205,091	**$ 189,390**
RESERVES		
Catastrophe reserve	$ 19,005	$ 18,000
Safety reserve	178	225
Operating reserve	42,372	53,234
Special reserve	-	1,500
	61,555	72,959
	$ 266,646	**$ 262,349**

CONTINGENCIES (note 10)

Approved by Management:

Penny Ballantyne
President

Lisa Cardinal
Chief Financial Officer

Approved by the Board of Directors:

Andy Wong
Chairperson, Finance Committee

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

WORKERS' COMPENSATION BOARD (Northwest Territories and Nunavut)

Statement of Operations

for the year ended December 31, 2001

(thousands of dollars)

	2001	2000
REVENUES		
Investment revenue (note 3c)	$ 22,452	$ 29,732
Assessments	15,641	12,629
Recoveries	758	1,680
	38,851	**44,041**
EXPENSES		
Cost of claims (note 7)		
Current year's claims	26,501	20,890
Prior years' claims	11,656	10,095
Actuarial revaluation (note 8)	-	3,249
Re-instatement of Widow's benefits	-	6,852
Total Claims	38,157	41,086
Administration and general (schedule)	12,098	11,391
	50,255	**52,477**
LOSS FROM OPERATIONS	**$ 11,404**	**$ 8,436**
TRANSFERS		
Transfer to catastrophe reserve	$ -	$ -
Transfer to safety reserve	-	-
Use of operating reserve	11,404	8,436
Transfer to special reserve	-	-
	$ 11,404	**$ 8,436**

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

WORKERS' COMPENSATION BOARD (Northwest Territories and Nunavut)

Statement of Reserves

for the year ended December 31, 2001

(thousands of dollars)

CATASTROPHE RESERVE	2001	2000
Balance at the beginning of the year	$ 18,000	$ 18,000
Transfer from operations	1,005	-
Balance at the end of the year (note 2 & 9)	$ 19,005	$ 18,000

OPERATING RESERVE		
Balance at the beginning of the year	$ 53,234	$ 54,670
Used in operations	(11,404)	(8,436)
Transfer from special reserve	1,500	7,000
Transfer from safety reserve	47	
Transfer to catastrophe reserve	(1,005)	
Balance at the end of the year (note 2 & 9)	$ 42,372	$ 53,234

SAFETY RESERVE		
Balance at beginning of the year	$ 225	$ 225
Transfer to operations	(47)	-
Balance at the end of the year	$ 178	$ 225

SPECIAL RESERVE		
Balance at beginning of year	$ 1,500	$ 8,500
Transfer to operations	(1,500)	(7,000)
Balance at the end of the year	$ -	$ 1,500

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

WORKERS' COMPENSATION BOARD (Northwest Territories and Nunavut)

Statement of Cash Flows

for the year ended December 31, 2001

(thousands of dollars)

	2001	2000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from:		
Employers, for assessments	$ 16,446	$ 13,742
Investment revenue - short term	105	186
	16,551	13,928
Cash paid to:		
Claimants or third parties on their behalf	18,295	20,997
Suppliers, for administration and other goods and services	15,521	13,620
	33,816	34,617
Net cash used in operating activities	(17,265)	(20,689)
CASH FLOW FROM INVESTING ACTIVITIES		
Transfers from investment managers	18,493	20,441
Purchases of capital assets	(314)	(614)
Net cash provided by investing activities	18,179	19,827
Net increase (decrease) in cash and cash equivalents	914	(862)
Cash and cash equivalents, beginning of year	2,907	3,769
Cash and cash equivalents, end of year	$ 3,821	$ 2,907

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

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 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 Prevention Services Division is 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 1 full fiscal years notice.

2. Accounting Policies

The significant accounting policies are as follows:

(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.

(b) Property and equipment

Property and equipment are recorded at cost and amortized over their estimated useful life under the straight-line method as follows:

· Furnishings	10 years
· Equipment	5 years
· Leasehold improvements and office space (leased)	Over the term of the lease
· Computer Software	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 years' claims and prior years' claims based on the proportion of claims expenditures processed. 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, 9.0% 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.

(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.

(f) Catastrophe and operating reserves

The catastrophe and operating reserves are maintained to provide a margin of protection against adverse financial experience which could unduly burden future employers. The catastrophe reserve was created by the Board of Directors whereas the operating reserve was created by the *Workers Compensation Act*. Such adverse experience could arise in respect of the following risk:

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

Assessment rates are adjusted to bring the operating reserve to its target level over a period of between 2 years and 10 years depending on the margin by which the operating reserve is above or below the target range.

(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.

Non-pension benefits
The Board is required to recognize certain non-pension post-employment benefits over the periods which employees render services to the Board. 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) Assessments 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 received. An allowance is included in assessments refundable for potential adjustments of current and prior years' payrolls.

(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 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 Board believes the estimates and assumptions to be reasonable. Some of the more significant management estimates relate to valuation of asset: valuation of benefits liability and employee future benefits; and assessment revenue receivable.

3. Investments

(a) Cash and Cash Equivalents

The Board invests in the short term money market. The overall yield of this portfolio is 4.1% at December 31, 2001 (2000 - 5.68%). 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 equivalents to a maximum of 10% of the total investment portfolio. Included is C $531,401 (2000 - $438,947) in foreign currencies. Fair value approximates carrying value due to their short term nature.

(b) Long-Term Investments

	2001		2000	
	(thousands of dollars)			
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed term investments				
Indexed funds	$ 97,312	$ 94,602	$ 93,807	$ 92,335
Other	44,311	46,062	53,289	56,492
	141,623	140,664	147,096	148,827
Equity investments	111,541	121,186	99,510	128,430
Investments maturing within one year	2,052	2,052	1,476	1,476
TOTAL	$ 255,216	$ 263,902	$ 248,082	$ 278,733

Included in the carrying values are unamortized gains of $10,745,000 for 2001 (2000 - $30,868,007).

Fair values for equity investments and marketable fixed term investments are the closing value (market value) on the appropriate exchange at December 31.

(c) Investment Revenue

	2001		2000	
	(thousands of dollars)			
	Interest/ Dividends	Gains/ (Losses)	Interest/ Dividends	Gains/ (Losses)
Fixed term investments	$ 8,606	$ 1,532	$ 9,350	$ 2,719
Equity investments	2,751	10,362	2,272	15,929
Investments maturing within one year	200	-	324	-
TOTAL	$ 11,557	$ 11,894	$ 11,946	$ 18,648
Total Investment Revenue		$ 23,451		$ 30,594
Less: Investment Fees		(1,104)		(1,048)
Add: Interest on Cash and Cash Equivalents		105		186
Total Investment Revenue		$ 22,452		$ 29,732

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:

	2001	2000
Fixed term investments	7.8%	10.4%
U.S. equities	-3.8%	6.7%
International equities	-15.1%	-4.6%
Canadian equities	2.0%	25.7%

(d) Investment Policies

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

		(Fair Value)	Actual	
	Maximum	Minimum	2001	2000
Fixed term (including cash & cash equivalents)	55%	45%	52.6%	52.9%
Canadian equities	25%	15%	21.1%	20.3%
U.S. equities	15%	5%	10.5%	10.4%
Non Canadian and U.S. equities	20%	10%	13.6%	14.9%
Cash and cash equivalents	10%	0%	2.2%	1.6%

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 will have a minimum credit rating of A-1 or its equivalent. Fixed income of a longer term will have a minimum credit rating of A or its equivalent. These ratings will be performed by an independent rating service.

Interest Risk Management

Fluctuations in interest rates are managed by actively managing the duration of the fixed income portfolio. Interest rate risk is minimized by 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 maturity periods of the (other) fixed income portfolio as at December 31, 2001 are as follows:

	Fair Value (thousands of dollars)
One to five years	$ 7,331
Five to ten years	18,772
Over ten years	19,959
	$ 46,062

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 for 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 gains at December 31, 2001 are $47,388 (2000 - $48,035), which are included in gains and losses of the corresponding investments in accordance with the investment policy (note2(a)).

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

(thousands of dollars)

Currency	Total Investments in $Cdn (fair value)	DFI	2001 Net Exposure	2000 Net Exposure
United States dollar	$ 28,573		$ 28,573	$ 29,730
Australian dollar	1,046		1,046	1,326
Danish krone	160		160	172
French franc	-		-	-
Deutsche mark	-		-	-
Hong Kong dollar	1,057		1,057	1,258
Italian lira	-		-	-
Japanese yen	5,282	(1,163)	4,119	4,826
Malaysian ringgit	-		-	-
Mexican peso	-		-	-
Netherlands guilder	-		-	-
New Zealand dollar	-		-	-
Phillipine peso	-		-	-
Portuguese escudo	-		-	-
Pound sterling	10,441		10,441	11,993
Singapore dollar	113		113	406
Spanish peseta	-		-	-
Swiss franc	4,233		4,233	4,732
Swedish krona	214		214	422
Thailand baht	-		-	-
Euro currency	13,797		13,797	15,734
Totals	**$ 64,916**	**$ (1,163)**	**$ 63,753**	**$ 70,599**

4. Property and Equipment

	2001 Cost	2001 Accumulated Amortization	2000 Cost	2000 Accumulated Amortization
	(thousands of dollars)			
Furnishings/Equipment	$ 2,025	$ 1,304	$ 1,852	$ 1,035
Computer Software	736	161	596	80
Leasehold improvements	2,565	1,147	2,564	969
Office space - Leased	4,242	2,493	4,242	2,282
	$ 9,568	$ 5,105	$ 9,254	$ 4,366
Less accumulated amortization	(5,105)		(4,366)	
Net Book Value	$ 4,463		$ 4,888	

5. Leases

(a) Capital Lease Obligation

The Board is committed to payments of $435,765 per annum under an office space lease agreement which is based on an implicit interest rate of 8% and expires in 2010. The Board is also responsible for a proportional share of operating and maintenance expenses based on its share of space occupied. Fair value approximates carrying value of the liability.

	(thousands of dollars)
Nominal Value of Payments	$ 3,631
Less: Imputed interest at 8%	(987)
Lease Obligation	$ 2,644

(b) Operating Lease

The office space lease agreement was amended in 1996 to add office space in the same building. The costs for the additional space are treated as an operating lease in the financial statements as the lease is for a five-year term with no guaranteed renewal payments. The Board is committed to payments of $152,595 per annum until August 31, 2002. The Board is also responsible for a proportional share of operating and maintenance expenses based on its share of space occupied.

The Board acquired office space in Rankin Inlet and Iqaluit in 1998.

The office space lease agreement for Rankin Inlet is treated as an operating lease as the lease is for a five-year term with an option for renewal at prevailing market rent for an additional five-year term. The Board is committed to payments of $87,996 per annum until June 30, 2003.

The office space lease agreement for Iqaluit is treated as an operating lease as the lease is for a five-year term with an option for renewal at prevailing market rent for an additional five-year term. The Board is committed to payments of $81,183 per annum until July 31, 2003.

6. Employee Future Benefits

(a) Pension Benefit

During the year the Public Service Superannuation Plan (PSSA) 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 $814,114 (2000 - $624,994)

7. Benefits Liability

	2001 (thousands of dollars)					2000
	Medical Aid	Compensation	Pension Capitalization	Pension Awards	Total	Total
Balance, Beginning of Year	$ 21,133	$ 18,944	$ 25,960	$ 116,656	$ 182,693	$ 166,482
Claims Expenses						
Current year	5,783	8,644	8,302	3,772	26,501	20,890
Prior years	1,229	180	511	9,736	11,656	10,095
Liability transfer - capitalizations	-	-	(5,790)	5,790	-	-
Actuarial revaluation	-	-	-	-	-	3,249
Re-instatement of Widow's Benefits	-	-	-	-	-	6,852
Recoveries from third parties	-	101	-		101	308
	$ 28,145	$ 27,869	$ 28,983	$ 135,954	$ 220,951	$ 207,876
Less: Claims payments made						
Current year injuries						
Claims payments	1,079	1,742	-	-	2,821	2,330
Claims management	287	463	-	-	750	615
Prior years' injuries						
Claims payments	2,875	3,320	-	9,380	15,575	18,972
Claims management	1,006	1,162	-	844	3,012	3,266
	$ 5,247	$ 6,687	$ -	$ 10,224	$ 22,158	$ 25,183
Balance, End of Year	$ 22,898	$ 21,182	$ 28,983	$ 125,730	$ 198,793	$ 182,693

8. Actuarial Valuation

(a) 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, 2001 is attached to these Financial Statements.

(b) Changes in the methods and assumptions employed by the actuary for the valuation of the future claims liability and the future pension liability at December 31, 2000 resulted in an aggregate increase in the liabilities of $3,249,000. This amount is included in the figures above.

9. Catastrophe and Operating Reserve

The Board is fully funded at the end of 2001 to meet its obligations for the future pension and future claims liability.

The target level for the catastrophe reserve, set by the Board, provides for the average cost of a disaster. The target level of the reserve at the end of 2001 is $19,005,000 (2000 - $18,000,000).

The target level for the operating reserve is based on a number of factors relating to the financial risks which could impact on the financial position of the Board. A range of 75% to 125% of the target level has been set as a target range. The target level at the end of 2001 is $5,239,243 and the target range is $3,929,432 to 6,549,054 (for 2000, target level was $ 4,947,099)

The funding policy of the Board provides for discounts on assessment rates when the operating reserve exceeds its target range. In both 2001 and 2000, a discount of 35% was applied to assessment rates.

10. Contingencies

(a) Legal Claims

The Board has commenced an action against third parties as a result of the deaths of nine miners in an explosion on a worksite. At this time potential recoveries cannot be determined.

The Board has a number of other legal claims outstanding for recovery of compensation expenses from third parties. These claims are not recorded in the accounts because of their contingent nature. Given the uncertain nature of these claims, potential recoveries cannot be determined. Settlement of legal claims are recognized in the year in which the settlement occurs. Legal claims settled during 2001 resulted in recoveries of $101,055 (2000 - $307,546) .

The Board is in the process of reviewing an appeal made with regard to an overpayment of assessments. While this liability is not recorded on the Financial Statements, due to the uncertain nature, the amount has been estimated at $978,000.

11. Related Party Transactions

(a) The following table summarizes the Board's assessments revenue from related parties entered into in the normal course of operations in 2001.

	2001		2000	
	(thousands of dollars)			
Government of the Northwest Territories	$	640	$	633
Public Agencies	$	127	$	156
Government of Nunavut	$	616	$	560

(b) The Government of the Northwest Territories will be provided a reimbursement for hunters and trappers claims of $262,014. For 2000, the Government of the Northwest Territories provided a reimbursement to the Board of $649,911. The Government of Nunavut provided a reimbursement to the Board for hunters and trappers claims of $748,109 (2000 - $765,346).

(c) The Board's investments include bonds (at market value) of:

	2001		2000	
	(thousands of dollars)			
Northwest Territories Power Corporation				
11.00% maturing March 9, 2009	$	625	$	631
11.125% maturing June 6, 2011	$	1,291	$	1,318
9.375% maturing May 12, 2014	$	-	$	1,161
Northwest Territories Legislative Assembly Building Society				
13.00% Series A, maturing August 31, 2013	$	517	$	537

(d) In addition to those related party transactions disclosed elsewhere in these financial statements, the Board is related to all Government of the Northwest Territories and Government of Nunavut created departments, agencies and Crown corporations. The Board enters into transactions with these entities in the normal course of business.

WORKERS' COMPENSATION BOARD (Northwest Territories and Nunavut)

Schedule of Administration and General Expenses

for the year ended December 31, 2001

	2001	2000
	(thousands of dollars)	
Salaries, wages and allowances	$ 7,168	$ 7,046
Professional services	2,423	2,380
Office lease and renovations	1,111	1,048
Travel	1,206	1,289
Employer's share of benefits	1,374	1,148
Amortization office space/leasehold	390	390
Board Members	473	379
Communications	350	403
Amortization furnishings and equipment	397	329
Office services and supplies	321	304
Office furnishings and equipment (non-capital)	182	219
Advertising and public information	240	203
Grants	142	106
Miscellaneous	64	23
Computer lease and services	19	5
	$ 15,860	$ 15,272
Less:		
Allocations to claims management	3,762	3,881
	$ 12,098	**$ 11,391**

Northwest Territories Development Corporation

Consolidated Financial Statements

for the year ended March 31, 2002

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Northwest Territories Development Corporation

Management's Responsibility for Financial Reporting

August 2, 2002

**To the Minister Responsible for 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 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, 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.

Fred Koe, CMA
President & Chief Executive Officer

Kevin Hoyt, M.B.A., C.G.A.
Vice President & Comptroller

AUDITOR'S REPORT

To the Minister of the
Northwest Territories Development Corporation

I have audited the consolidated balance sheet of the Northwest Territories Development Corporation as at March 31, 2002 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 financial statements present fairly, in all material respects, the financial position of the Corporation as at March 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 *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 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.

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

Ottawa, Canada
August 2, 2002

Northwest Territories Development Corporation

Consolidated Statement of Operations

For the year ended March 31,	2002	2001
Revenue		
Sales	$ 2,516,308	$ 2,087,544
Cost of goods sold	1,803,457	1,898,075
Gross margin	**712,851**	**189,469**
Interest	127,580	203,694
Other revenue	164,122	46,811
	1,004,553	**439,974**
Expenses		
Selling and administrative (Schedule)	2,861,738	2,645,454
Amortization of capital assets	167,771	146,222
Provision for (reversal of) loss on investments	643,500	(48,261)
Business development expenditures	179,329	-
Site restoration expenses	69,449	-
	3,921,787	2,743,415
Net loss from operations	**(2,917,234)**	**(2,303,441)**
Other items		
Gain (loss) on disposal of capital assets	856	(1,235)
	856	(1,235)
Net loss before government contributions	**(2,916,378)**	**(2,304,676)**
Government contributions (Note 4)	2,477,481	2,441,736
Net income (loss) before extraordinary item	**(438,897)**	**137,060**
Gain on disposal of assets of discontinued operations	-	140,537
Net income (loss)	**$ (438,897)**	**$ 277,597**

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,		2002		2001
Deficit				
Balance, beginning of year	$	(3,085,294)	$	(3,362,891)
Net income (loss)		(438,897)		277,597
Balance, end of year	**$**	**(3,524,191)**	**$**	**(3,085,294)**
Contributed Equity - Venture Investments				
Balance, beginning of year	$	3,978,540	$	3,855,004
Contribution from the Government of the Northwest Territories		770,000		30,000
Dividends earned		86,776		93,536
Balance, end of year	**$**	**4,835,316**	**$**	**3,978,540**

The accompanying notes form an integral part of the financial statements

Northwest Territories Development Corporation

Consolidated Balance Sheet

As at March 31,	2002	2001
Assets		
Current		
Cash (Note 6)	$ 1,114,164	$ 2,111,458
Accounts receivable	336,542	211,885
Dividends receivable	-	436
Inventory	1,392,618	1,176,259
Prepaid expenses and deposits	18,406	6,971
	2,861,730	3,507,009
Reserve funds (Note 6)	502,692	755,847
Venture investments (Note 7)	1,893,050	1,496,551
Capital assets (Note 8)	711,051	751,973
Sinking fund investment (Note 9)	1,026,000	702,000
	$ 6,994,523	**$ 7,213,380**
Liabilities		
Current		
Accounts payable and accrued liabilities	684,451	983,603
Deferred capital contributions (Note 5)	2,663,694	2,677,956
Provision for site restoration	-	323,322
	3,348,145	3,984,881
Long-term debt (Note 9)	1,620,000	1,620,000
	4,968,145	5,604,881
Equity		
Contributed surplus - GNWT	715,253	715,253
Contributed equity - Venture Investments	4,835,316	3,978,540
Deficit	(3,524,191)	(3,085,294)
	2,026,378	1,608,499
	$ 6,994,523	**$ 7,213,380**

Commitments (Note 11)
The accompanying notes form an integral part of the financial statements

Approved by the Board

Elizabeth Wyman
Chairperson of the Board

Darrell Beaulieu
Chairman of the Audit Committee

Northwest Territories Development Corporation

Consolidated Statement of Cash Flow

For the year ended March 31,		2002		2001
Operating activities				
Net income	$	(438,897)	$	277,597
Items not affecting cash				
Amortization of capital assets		167,771		146,222
Amortization of deferred capital contributions		(149,762)		(146,040)
Gain on disposal of capital assets		(856)		(139,302)
Provision for (reversal of) loss on investments		643,500		(48,261)
Change in non-cash operating working capital (Note 10a)		(974,489)		153,642
Cash flows from (used in) operating activities		**(752,733)**		**243,858**
Financing activities				
Contribution from the Government of the Northwest Territories (Note 10b)		905,500		271,905
Contribution to sinking fund		(324,000)		(324,000)
Cash flows from (used in) financing activities		**581,500**		**(52,095)**
Investing activities				
Investment in venture investments		(1,040,000)		(261,825)
Acquisition of capital assets		(126,848)		(33,692)
Proceeds from disposal of capital assets		856		141,227
Dividends on venture investments		86,776		93,536
Cash flows used in investing activities		**(1,079,216)**		**(60,754)**
Increase (decrease) in cash		(1,250,449)		131,009
Cash, beginning of year		2,867,305		2,736,296
Cash, end of year	**$**	**1,616,856**	**$**	**2,867,305**
Represented by				
Cash	$	1,114,164	$	2,111,458
Reserve funds		502,692		755,847
	$	**1,616,856**	**$**	**2,867,305**

The accompanying notes form an integral part of the financial statements

1. Authority and operations

(a) Authority

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

(b) Operations

The Corporation invests in business enterprises in accordance with the economic objectives of the Government of the Northwest Territories 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 of the Northwest Territories for continued funding.

(d) Taxes

The Corporation and its subsidiaries are exempt from municipal and territorial taxes pursuant to Section 27 of the *Northwest Territories Development Corporation 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, 2002, 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
Lumber			
Great Slave Lake Forest Products Ltd.	Fort Resolution, NWT	100%	December 13, 1993
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

Great Slave Lake Forest Products Ltd. ceased operations during the 1999-2000 fiscal year. The company's tangible capital assets have been divested and site remediation is complete.

Dene Fur Clouds Ltd. became a wholly owned and operated subsidiary of the Corporation during the 2001-2002 fiscal year (Note 13).

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, 2002 and the results of their operations for the year then ended.

2. Accounting Principles (continued)

(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 GNWT'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-2 or better by the Dominion Bond Rating Service. The Corporation's average annual investment yield to March 31, 2002 was 3.26% (March 31, 2001: 5.30%).

(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.

(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.

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 received from venture investments are deposited to the Venture Investment Fund pursuant to Section 17(6) of the *Northwest Territories Development Corporation Act* and are to be used for additional investments in venture activities.

2. Accounting Principles (continued)

(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 of the Northwest Territories. 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.

(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 of Directors or the President. It is the Corporation's policy to charge these expenses to current year operations.

2. Accounting Principles (continued)

(j) Contributions from the Government of the Northwest Territories

The Corporation receives a contribution from the Government of the Northwest Territories 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 of Directors as approved by the Financial Management Board 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.

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 of the Northwest Territories.

(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, inventories and the provision made for site restoration.

3a. Job Creation Or Maintenance

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

The following jobs were created or maintained by the Corporation, its subsidiaries and venture partners during the 2001-2002 fiscal year. These job creation or maintenance figures are presented consistent with the policy on Job Creation and Measuring the Results.

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. In order to not compromise venture operations, direct and indirect venture job creation and maintenance numbers have been aggregated.

	Direct Jobs		**Indirect Jobs (Aggregate Totals)**	
	2002	2001	**2002**	2001
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	15.50	15.50		
Acho Dene Native Crafts Ltd.	4.00	4.25		
Aklavik & Tuktoyaktuk Furs Ltd.	-	-		
Arctic Canada Trading Co. Ltd.	3.00	3.00		
Dene Fur Clouds Ltd.	8.50	-		
Great Slave Lake Forest Products Ltd.	-	-		
Muskox Leather Inc.	-	-		
Nahanni Butte General Store Ltd.	3.00	3.00		
Rae Lakes General Store Ltd.	5.00	5.00		
	39.00	30.75	11.00	8.00
NWT Development Corporation Head Office	8.00	8.00	5.00	4.00
	47.00	38.75	16.00	12.00
Venture Investments	67.50	56.50	20.00	26.00
	114.50	95.25	36.00	38.00

In fiscal 2001-2002, the Corporation and its subsidiaries created or maintained 47.00 direct jobs and 16 indirect jobs. Venture investments made by the Corporation helped create or maintain a further 67.50 direct jobs and 20 indirect jobs. The total number of direct and indirect jobs created or maintained that can be associated to the Corporation's activities number 150.50.

3b. Compliance With Investment And Subsidy Limits

Under subsection 16(4) of the *Northwest Territories Development Corporation 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 *Northwest Territories Development Corporation 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 *Northwest Territories Development Corporation Act* further states that amounts greater than the prescribed maximums may be provided with the approval of the Financial Management Board. The Financial Management Board has approved the subsidy expense for the 2001-2002 fiscal year through a Financial Management Board Record of Decision.

The following subsidies were provided during the reporting period along with the resultant number of direct jobs created or maintained for the respective subsidiary. Arctic Canada Trading Co. Ltd., with the approval of the Financial Management Board, received a subsidy in excess of the $25,000 per job amount stated in the *Northwest Territories Development Corporation Regulations*. The subsidy provided to Great Slave Lake Forest Products Ltd. was in accordance with the direction of the Financial Management Board and was used to finance site restoration undertaken.

	Subsidy		**Direct Jobs Created or Maintained**	
	2002	2001	**2002**	2001
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	$ 130,000	180,000	15.50	15.50
Acho Dene Native Crafts Ltd.	100,000	100,000	4.00	4.25
Aklavik & Tuktoyaktuk Furs Ltd.	-	-	-	-
Arctic Canada Trading Co. Ltd.	300,000	350,000	3.00	3.00
Dene Fur Clouds Ltd.	200,000	-	8.50	-
Great Slave Lake Forest Products Ltd.	325,000	-	-	-
Muskox Leather Inc.	-	-	-	-
Nahanni Butte General Store Ltd.	75,000	100,000	3.00	3.00
Rae Lakes General Store Ltd.	-	-	5.00	5.00
	$ 1,130,000	730,000	39.00	30.75

4. Government Contributions

	2002	2001
Government of the Northwest Territories		
Contribution for subsidies to subsidiaries	$ 1,130,000	$ 730,000
Contribution to head office	742,808	1,565,696
Amortization of deferred capital contributions - GNWT	149,762	146,040
	2,022,570	2,441,736
Federal and Territorial subsidies to subsidiaries	454,911	-
	$ 2,477,481	**$ 2,441,736**

5. Deferred Capital Contributions

	2002	2001
Opening balance	$ 2,677,956	$ 2,582,091
Funding received in the year	135,500	241,905
Amortization recognized	(149,762)	(146,040)
Ending balance	**$ 2,663,694**	**$ 2,677,956**

6a. Funds

The consolidated cash balance available to the Corporation and its subsidiaries at March 31, 2002 totalled $1,616,856. This balance consisted of $502,692 in reserve funds and $1,114,164 in consolidated cash balances. The unconsolidated bank balance of the Northwest Territories Development Corporation as at March 31, 2002 was $1,321,195. The consolidated fund balances of the Corporation are comprised as follows:

Funds available for capital investments	$ 127,219
Capital Reserve Fund	349,381
Funds available for venture investments	358,934
Venture Reserve Fund	153,311
Funds available for operations	21,830
Funds available for subsidies	310,520
	1,321,195
Subsidiary cash balances	295,661
Consolidated cash balance including reserves	**$ 1,616,856**

6b. Reserve Funds

Pursuant to Sections 16 and 17 of the *Northwest Territories Development Corporation 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 of the Northwest Territories. 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.

	2002	2001
Capital Reserve Fund		
Opening reserve	$ 332,536	$ 301,036
Current year reserve deposit	28,500	31,500
Draws	(11,655)	-
Ending reserve	**349,381**	**332,536**
Venture Reserve Fund		
Opening reserve	423,311	403,311
Current year reserve deposit	70,000	20,000
Draws	(340,000)	-
Ending reserve	**153,311**	**423,311**
	$ 502,692	**$ 755,847**

7. Venture Investments

		2002	2001
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	10,000
		782,350	442,350
Less: Provision for loss		(260,000)	(120,000)
		522,350	322,350
Investments in shares			
Red Dog Mountain Contracting Limited	preferred	1,425,600	1,425,600
Tri-Vanguard Pictures Ltd.	preferred	400,000	-
ADK Corporate Group	preferred	300,000	300,000
175119 Canada Inc. (Norweta Cruises)	preferred	273,311	273,311
Nats'enelu Ltd.	preferred	150,000	150,000
Nortech Fire & Safety Ltd.	preferred	200,000	200,000
Two River Development Group Ltd.	preferred	160,000	160,000
Kunnek Resource Development Corp	preferred	150,000	-
Dunnett Petroleum Ltd.	preferred	135,000	-
Great Circle Entertainment Ltd.	preferred	81,739	81,739
974104 N.W.T. Ltd. (Deline)	preferred	100,000	100,000
North Nahanni Naturalist Lodge Ltd.	preferred	100,000	100,000
Aboriginal Language Services Corporation	preferred	42,000	42,000
F.C. Services Ltd.	preferred	30,000	30,000
Acoda Gifts Ltd.	common	15,000	-
Tli-Cho Co-operative Ltd.	preferred	100	100
Dene Fur Clouds Ltd.	preferred	-	1
		3,562,750	2,862,751
Less: Provision for loss		(2,192,050)	(1,688,550)
Net Investment in Venture Investments		**$ 1,893,050**	**$ 1,496,551**

Impaired loans in 2002 total $532,350 (2001: $230,000); the associated provision for loss is $260,000 (2001: $120,000).

7. Venture Investments (continued)

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. 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. The Corporation does not exercise significant influence on its venture investments. Investment yields vary from year to year due to the amount and timing of dividend and interest income received; venture investments earned $86,766 in 2002 ($93,536 in 2001).

8. Capital Assets

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Land	$ 3,197	$ -	$ 3,197	$ 3,197
Buildings	4,338,509	3,801,808	536,701	589,808
Equipment	606,818	580,596	26,222	81,123
Leasehold improvements	239,227	239,227	-	-
Office and equipment	416,482	399,578	16,904	19,351
Computer equipment	138,560	116,477	22,083	53,072
Vehicles	91,020	78,047	12,973	5,422
Construction in progress	92,971	-	92,971	-
	$ 5,926,784	$ 5,215,733	$ **711,051**	$ **751,973**

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.

9. Long-term Debt

	2002	2001
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.

	2002	2001
Sinking Fund Balance	$ **1,026,000**	$ **702,000**

10. Consolidated Statement of Cash Flow - Summaries

(a) Changes in Non-cash Operating Working Capital

	2002	2001
Accounts receivable	$ (124,657)	$ 195,851
Dividends receivable	436	9,470
Inventory	(216,359)	114,671
Deposits and prepaid expenses	(11,435)	4,011
Accounts payable and accrued liabilities	(299,152)	(99,957)
Provision for site restoration	(323,322)	(70,404)
	$ (974,489)	**$ 153,642**

(b) Contribution From GNWT

	2002	2001
Capital funds	$ 135,500	$ 241,905
Venture funds	770,000	30,000
	$ 905,500	**$ 271,905**

11. 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:

	2002	2001
2002	-	145,739
2003	159,937	133,226
2004	156,714	127,726
2005	60,902	127,726
2006	44,139	33,600
2007 and thereafter	33,600	-
	$ 455,292	**$ 568,017**

12. Related Party Transactions

The Corporation is a Territorial Crown corporation and 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:

	2002	2001
Revenues		
Sales	$ 142,696	$ 141,379
Expenses		
Purchases	$ (152,349)	$ 406,599
Balances at year end		
Accounts Receivable	$ 43,569	$ 2,854
Accounts Payable	$ 166,025	$ 423,416

13. Acquisition of Subsidiary

On April 1, 2001, the Corporation purchased all outstanding common shares in Dene Fur Clouds Ltd. The total purchase price for the additional 91 shares was $1. Dene Fur Clouds Ltd. is a fur garment manufacturing company operating out of Fort Providence, NT. The results of Dene Fur Cloud Ltd. were included in the Corporations income commencing in the current year. The total net assets of Dene Fur Clouds Ltd. as at April 1 2001, were $23,413.

14. Segmented Information

	Acho-Dene Crafts	Aklavik & Tuk Furs	Arctic Canada Trading Co.	Dene Fur Clouds	Ft. McPherson Tents	GSLFP	Musk-ox Leather	Nahanni-Butte General	Rae Lakes General	**2002 Total**
Revenues	$ 159,827	$ 69,431	$ 315,985	$ 71,151	$ 614,128	$ -	$ 116,860	$ 419,456	$ 1,001,762	**$ 2,768,600**
Net profit (loss) before subsidy	$ (98,838)	$ 30,064	$ (411,261)	$ (282,942)	$ (40,623)	$ 343,950	$ (1,615)	$ (75,987)	$ 66,718	**$ (470,534)**
Subsidy	$ 100,000	$ -	$ 300,000	$ 200,000	$ 130,000	$ 325,000	$ -	$ 75,000	$ -	**$ 1,130,000**
Profit (loss) after Subsidy	$ 1,162	$ 30,064	$ (111,261)	$ (82,942)	$ 89,377	$ 668,950	$ (1,615)	$ (987)	$ 66,718	**$ 659,466**
Deficit March 31,2002	$ (731,506)	$ (952,412)	$ (569,008)	$ (289,629)	$ (1,264,678)	$ (2,123,249)	$ (196,030)	$ (916,757)	$ (159,186)	**$ (7,202,455)**

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

Northwest Territories Development Corporation

Schedule - Consolidated Selling and Administrative Expenses

For the year ended March 31,	2002	2001
Salaries and wages	$ 1,730,440	$ 1,571,396
Office and general	201,106	142,849
Travel	192,536	150,393
Rent	151,984	130,144
Utilities	132,038	145,222
Advertising and promotion	115,334	50,429
Board members	92,804	80,100
Bank charges and interest	80,492	108,238
Professional fees	62,998	198,203
Telephone	55,196	53,597
Bad debts	42,220	2,478
Workshops	4,590	12,405
	$ 2,861,738	**$ 2,645,454**

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Northwest Territories Housing Corporation

Financial Statements

for the year ended March 31, 2002

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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, which is responsible for the reliability, integrity and objectivity of the information provided. The statements 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 responsibilities 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 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 independent auditor, the Auditor General of Canada, is responsible for auditing the financial statements of the Corporation and for issuing her report thereon.

Tom R. Beaulieu
President

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

Yellowknife, NT
June 14, 2002

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, 2002 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, 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 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.

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

Ottawa, Canada
June 14, 2002

NORTHWEST TERRITORIES HOUSING CORPORATION

Balance Sheet
As at March 31, 2002

	2002 ($'000)	2001 ($'000)
ASSETS		
Current		
Cash	$ 231	$ 2,215
Short-term investments (Note 3)	14,984	13,529
Accounts receivable (Note 4)	6,191	3,064
	21,406	18,808
Investment in housing projects		
Land and buildings (Note 5a)	127,331	124,600
Mortgages receivable (Note 5b)	3,779	2,357
	131,110	126,957
Property and equipment (Note 6)	4,381	4,338
	$ 156,897	$ 150,103
LIABILITIES		
Current		
Accounts payable (Note 7)	$ 7,312	$ 7,395
Due to (from) the Government of the Northwest Territories (Note 8)	1,690	(167)
Current portion of long-term debt and capital leases	4,041	3,599
	13,043	10,827
Long-term debt (Note 9)	94,016	94,990
Deferred capital contributions (Note 10)	43,280	39,018
Obligation under capital leases (Note 11)	8,844	9,446
Employee future benefits	1,187	1,249
	160,370	155,530
EQUITY		
Accumulated Deficit	3,473	5,427
	$ 156,897	$ 150,103

Contingencies and commitments (Notes 14 and 15)

Approved by Management:

Tom B. Beaulieu
President

J.B. (Jeff) Anderson, CGA, CPA
Chief Financial Officer

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

NORTHWEST TERRITORIES HOUSING CORPORATION

Statement of Operations
For the year ended March 31, 2002

	2002 ($'000)	2001 ($'000)
Expenses		
Rental housing programs		
Contributions for social housing	$ 30,792	$ 29,250
Interest on long-term debt	10,661	11,024
Amortization	7,080	7,314
Repairs, maintenance, and other costs	4,625	4,574
Homeownership programs		
Homeownership grants and contributions	4,504	14,058
Mortgage subsidies	4,772	1,216
Provision for impaired mortgages	1,028	1,002
Administration (Schedule I)	12,199	11,471
Administration of government staff housing	431	656
	76,092	80,565
Revenues and recoveries		
Other revenue and recoveries	1,074	976
Investment revenue	502	968
Recoveries from government for staff housing	412	688
Mortgage interest revenue	328	247
Gain on disposal of land and buildings	490	64
Recovery of prior year grants	561	26
	3,367	2,969
Net cost of operations prior to government contributions	72,725	77,596
Government of the Northwest Territories	35,045	36,580
Canada Mortgage and Housing Corporation (Note 13)	33,533	33,598
Amortization of deferred capital contributions	3,064	2,900
	71,642	73,078
Net cost of operations	$ 1,083	$ 4,518

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

NORTHWEST TERRITORIES HOUSING CORPORATION

Statement of Deficit
For the year ended March 31, 2002

		2002 ($'000)		2001 ($'000)
Accumulated deficit at beginning of year	$	5,427	$	3,172
Net cost of operations – unfunded items		1,083		4,518
		6,510		7,690
Contributions from the Government of the Northwest Territories				
Acquisition of non-depreciable capital assets		(2,818)		(2,058)
Contributions for long-term debt principal repayment (Note 8)		(219)		(205)
		(3,037)		(2,263)
Accumulated deficit at end of the year	$	3,473	$	5,427

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

NORTHWEST TERRITORIES HOUSING CORPORATION

Statement of Cash Flows
For the year ended March 31, 2002

	2002 ($'000)	2001 ($'000)
Cash flow from operating activities		
Cash received from:		
Government of the Northwest Territories (GNWT)	$ 36,531	$ 36,581
Canada Mortgage and Housing Corporation (CMHC)	30,513	30,778
Miscellaneous revenue and recoveries	1,929	4,032
	68,973	71,391
Cash used for:		
Contributions for social housing	(30,656)	(28,489)
Administration	(12,241)	(11,549)
Interest on long-term debt	(10,672)	(11,028)
Mortgage subsidies	(4,965)	-
Repairs, maintenance and other costs	(4,625)	(4,574)
Homeownership grants and contributions	(4,295)	(13,238)
Administration of government staff housing	(431)	(1,076)
	(67,885)	(69,954)
Net cash provided by operating activities	1,088	1,437
Cash flow from financing activities		
Contribution from GNWT for capital assets	10,048	9,065
Contribution from CMHC for loan repayment	3,061	2,764
Repayment of long-term debt and capital lease	(3,597)	(5,357)
Net cash provided by financing activities	9,512	6,472
Cash flow from investing activities		
Mortgage payments received	474	683
Sale of capital assets	2,183	2,445
Capital assets purchased	(13,786)	(9,270)
Short-term investments purchased	(6,387)	(4,831)
Short-term investments redeemed	4,932	5,478
Net cash used by investing activities	(12,584)	(5,495)
Net (decrease) increase in cash and cash equivalents	(1,984)	2,414
Cash, beginning of year	2,215	(199)
Cash, end of year	$ 231	$ 2,215

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

NORTHWEST TERRITORIES HOUSING CORPORATION

Notes to Financial Statements
March 31, 2002

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Federal contributions, which are provided by Canada Mortgage and Housing Corporation (CMHC), are restricted in accordance with provisions in the Social Housing Agreement executed by the Corporation and CMHC. 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 approximates the annual amortization expense of these assets and is 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 2002 is $1,775,000.

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 effective April 1, 1997. This is considered a reasonable estimation of cost. Construction in progress includes amounts which may be transferred to land and buildings for rental 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 is provided using the following method and annual rate. The provisions for amortization begin in the year the building is completed or transferred in and are taken for the full year.

Social housing, senior citizen's housing, lease/purchase housing and staff housing	Declining	5%

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

Public and senior citizens' 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 by 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.

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 subsidy.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 a 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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. The total expense for the Corporation's share of the contributions totaled $809,000 (2001 - $742,000) at a rate of 2.14 times (2001 – 2.14 times) the employee's contribution. These contributions represent the total pension obligation of the Corporation and are recognized in the accounts on a current basis.

Under the terms and conditions of employment, employees earn non-pension post employment benefits for retirement and removal based on years of service. The costs are accrued as the benefits are earned. Benefits are paid upon resignation, retirement or death of employees. The cost of the benefits has been determined based on management's best estimates.

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.

3. SHORT-TERM INVESTMENTS

The Corporation invests in the short-term money market at fixed rates. The portfolio yield during the year ended March 31, 2002 ranged from 1.50% to 6.10% (2001 – 4.25% to 5.65%). All instruments held in short-term 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. The average term remaining to maturity as at March 31, 2002 is 182 days (2001 - 16 days).

4. ACCOUNTS RECEIVABLE

	2002 ($'000)	2001 ($'000)
Accounts receivable	$ 1,936	$ 1,079
Receivables from related parties		
Government of the Northwest Territories	977	349
Canada Mortgage and Housing Corporation	2,511	778
Local Housing Organizations	767	858
	$ 6,191	$ 3,064

5. INVESTMENT IN HOUSING PROJECTS

a) Land and buildings

	2002 ($'000)			2001 ($'000)
	Cost	Accumulated Amortization	Net	Net
Land	$ 620	$ -	$ 620	$ 498
Housing for sale	2,038	-	2,038	1,645
Social housing	171,393	61,929	109,464	105,402
Social housing under capital lease	9,753	1,184	8,569	9,531
Lease/Purchase housing	3,917	1,110	2,807	3,633
Staff housing	894	92	802	227
Construction in progress	3,031	-	3,031	3,664
	$ 191,646	$ 64,315	$ 127,331	$ 124,600

5. INVESTMENT IN HOUSING PROJECTS (CONT'D)

b) Mortgages receivable

	2002 ($'000)	2001 ($'000)
Mortgages, bearing interest at rates varying between 5.95% and 14.25% per annum, repayable over a maximum period of 25 years	$ 9,353	$ 8,043
Less: allowance for impaired mortgages	(6,365)	(5,686)
	2,988	2,357
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	1,207	434
Less: allowance for impaired mortgages	(416)	(434)
	791	-
	$ 3,779	$ 2,357

The recorded value of those mortgages specifically identified as being impaired is $6,781,000 (2001 - $6,120,000).

The breakdown of the maturity of the Corporation's performing mortgage receivable is as follows:

	Interest Rate Range	Amount ($'000)
2003	8.00% - 8.25%	$ 3
2004	-	-
2005	7.3%	11
2006	9.875%	1
2007	-	-
2008 – 2012	6.85% - 14.25%	1,656
2013 – 2027	6.85% - 10.25%	2,108
Total		$ **$3,779**

6. PROPERTY AND EQUIPMENT

	2002 ($'000)			2001 ($'000)
	Cost	Accumulated Amortization	Net	Net
Warehouses and offices	$ 5,605	$ 2,394	$ 3,211	$ 3,205
Office furniture and equipment	3,654	2,663	991	924
Leasehold improvements	295	116	179	209
	$ 9,554	$ 5,173	$ 4,381	$ 4,338

7. ACCOUNTS PAYABLE

	2002 ($'000)	2001 ($'000)
Trade payables	$ 5,203	$ 4,962
Accrued interest	494	505
Employee leave benefits	538	551
Deferred revenues	25	-
Payables to related parties		
Local Housing Organizations	958	913
Government of the Northwest Territories	94	464
	$ 7,312	$ 7,395

8. DUE TO (FROM) THE GOVERNMENT OF THE NORTHWEST TERRITORIES

	2002 ($'000)	2001 ($'000)
Balance at beginning of the year	$ (167)	$ 509
Operating contributions	47,169	45,174
Contributions for long-term debt principal repayments	(219)	(205)
Contributions for capital assets	(10,048)	(9,065)
Cost of operations funded by GNWT	(35,045)	(36,580)
Balance at end of year	$ 1,690	$ (167)

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.

9. LONG-TERM DEBT

	2002 ($'000)	2001 ($'000)
Loans payable to Canada Mortgage and Housing Corporation, repayable in annual installments until the year 2033, bearing interest of 6.97% (2001 - 6.97%). The loans are guaranteed by the Government of the Northwest Territories	$ 27,754	$ 28,247
Mortgages payable to Canada Mortgage and Housing Corporation for units transferred under the new Social Housing Agreement, maturing between the years 2003 and 2038, at interest rates ranging from 4.5% to 21.5% (2001 - 4.5% - 21.5%)	69,978	70,036
	97,732	98,283
Portion included in current liabilities	3,716	3,293
	$ 94,016	$ 94,990

9. LONG-TERM DEBT (CONT'D)

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

	Principal ($'000)	Interest ($'000)	Total ($'000)
2003	$ 3,716	$ 9,631	$ 13,347
2004	4,102	9,237	13,339
2005	4,523	8,774	13,297
2006	4,992	8,288	13,280
2007	5,334	7,740	13,074
2008-2012	24,079	30,760	54,839
2013-2038	50,986	64,333	115,319

10. DEFERRED CAPITAL CONTRIBUTIONS – GOVERNMENT OF THE NORTHWEST TERRITORIES

	2002 ($'000)	2001 ($'000)
Balance, beginning of year	$ 39,018	$ 34,911
GNWT contribution for depreciable capital assets	7,326	7,007
Amortization of deferred capital contributions	(3,064)	(2,900)
Balance, end of year	$ 43,280	$ 39,018

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.

	Future Minimum Lease Payments ($'000)	Executory Costs ($'000)	Imputed Interest ($'000)	Lease Obligation ($'000)
Current				
2003	$ 1,531	$ 373	$ 833	$ 325
Long term				
2004	1,531	373	805	353
2005	1,531	373	768	390
2006	1,531	373	733	425
2007	1,531	373	694	464
2008-2023	15,057	3,632	4,213	7,212
	21,181	5,124	7,213	8,844
Total	**$ 22,712**	**$ 5,497**	**$ 8,046**	**$ 9,169**

12. FINANCIAL INSTRUMENTS

a) Fair Value

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

	2002 ($'000)		2001 ($'000)	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Assets:				
Cash	$ 231	$ 231	$ 2,215	$ 2,215
Short-term investments	14,984	14,984	13,529	13,529
Accounts receivable	6,191	6,191	3,064	3,064
Mortgages receivable	3,779	3,779	2,357	2,357
	$ 25,185	$ 25,185	$ 21,165	$ 21,165
Financial Liabilities:				
Accounts payable	$ 7,312	$ 7,312	$ 7,395	$ 7,395
Obligation under capital leases	9,169	9,169	9,752	9,752
Loans payable	27,754	27,296	28,247	29,197
Mortgages payable	69,978	94,931	70,036	100,436
	$ 114,213	$ 138,708	$ 115,430	$ 146,780

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.

The fair value of loans and mortgages payable is based on an estimation of the 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 and applying this yield to the Corporation's debt. This approach is used because the Government of the Northwest Territories does not issue debt.

12. FINANCIAL INSTRUMENTS (CONT'D)

b) Credit Risk

Accounts receivable consists primarily of amounts due from GNWT, CMHC and federal Goods and Services Tax rebates, which in aggregate represent 65% (2001 – 43%) of balances outstanding.

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 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 2002 operations.

13. CONTRIBUTIONS FROM CANADA MORTGAGE AND HOUSING CORPORATION

	2002 ($'000)	2001 ($'000)
Recoveries in respect of:		
Operations and maintenance		
Contributions for social housing including interest expense	$ 31,011	$ 31,015
Repairs, maintenance, and other costs	2,522	2,583
	$ 33,533	$ 33,598

Under the terms of the Social Housing agreement signed with Canada Mortgage and Housing Corporation (CMHC), effective April 1, 1997 and amended April 1, 1999, the Corporation assumes full responsibility and liability for the management and administration of the programs specified in the Agreement, including some programs that were previously managed unilaterally by CMHC. In return for assuming these responsibilities and managing the programs in accordance with the Agreement, the Corporation will receive annual funding over the term of the Agreement which expires on March 31, 2038.

CMHC's ownership interest in the rental and loan portfolio affected by the Agreement is transferred to NWTHC as Trustee, in accordance with a Declaration of Trust Agreement signed by both parties. Over the term of the Agreement, NWTHC shall pay CMHC monthly and quarterly installments of principal and interest in return for CMHC's share of the book values of the respective assets. The obligation related to these assets has been accrued in long-term debt as at March 31, 2002 (Note 9). Consistent with previous agreements, the Corporation shall pay CMHC for its respective share of any gains realized upon the disposal of any assets that CMHC has an ownership interest.

14. CONTINGENCIES

The Corporation provided guarantees to lenders financing certain new or renovated residential housing construction. As at March 31, 2002 a total of 30 (2001 - 30) loan guarantees were in effect, and the outstanding balance of loans guaranteed was $2,615,000 (2001 - $2,729,000).

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 $41,448,000 as at March 31, 2002 (2001 - $44,884,000).

15. 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)
2003	$ 2,925
2004	2,562
2005	1,960
2006	1,804
2007	862

16. 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.

17. COMPARATIVE FIGURES

Certain of the 2001 comparative figures have been reclassified to conform to the current year presentation.

Schedule I

NORTHWEST TERRITORIES HOUSING CORPORATION

Schedule of Administration Expenses
For the year ended March 31, 2002

	2002 ($'000)	2001 ($'000)
Salaries and benefits	$ 8,594	$ 7,506
Travel and relocation	946	1,119
Professional and special services	665	807
Building and equipment rentals	983	978
Computer services	449	402
Communications	205	235
Material and supplies	263	343
Workshops & studies	50	41
Land title fees and expenses	39	39
Miscellaneous	5	1
	$ 12,199	$ 11,471

Government of the Northwest Territories

Department of Education, Culture and Employment

Student Loan Revolving Fund

for the year ended
March 31, 2002

(unaudited)

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GOVERNMENT OF THE NORTHWEST TERRITORIES

Student Loan Revolving Fund
for the year ending March 31, 2002

STATEMENT OF OPERATIONS

	2002	2001
	(thousands of dollars)	
Loans receivable, opening balance	$ 22,144	$ 19,978
Add : Loans granted during the year	4,686	4,187
Reversal of previous loans written off	0	5
Prior Year Adjustment – opening balance	0	5
	26,830	24,175
Less: Principal amount of loans repaid	1,349	1,300
Principal amount of loans written off	0	115
Principal amount of loan remissions	1,099	636
Loans receivable, closing balance	24,382	22,144
Less: Estimated provision for remission and written off accounts	15,132	13,467
Net loans receivable, closing balance	**$ 9,250**	**$ 8,677**

Effect of Student Loan Revolving Fund on Government Operations

	2002	2001
Interest earned and credited to general revenues	429	442
Less: Financial Collection Agency fees	10	19
Estimated provision for remission and written off accounts	2,764	2,472
Operating deficiency for the year	**$ (2,345)**	**$ (2,049)**

(1) During the fiscal year the allowance for remission and written off accounts was increased by $2,764,150 (2001 - $2,471,500). 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, no loans were written off due to uncollectibility (2001 - $114,531); $1,099,030 (2001 - $635,632) were remitted, and $44,549 (2001 - $33,536) were funds collected by the financial collection agencies.

(3) No costs for administration of the Student Loan Fund are included.

APPROVED:

Dr. Loretta Foley	Paul Devitt
Deputy Minister	Director, Financial & Mgmt. Services
Department of Education, Culture and Employment	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, 2002

(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.

	($)	(thousands of dollars)	
	2001/2002 Actuals	**2001/2002 Main Estimates**	**2000/2001 Actuals**
Authorized Limit	**900,000**	**900**	**900**
Operating Results			
Opening Accounts Receivable	148,978.13	150	138
Advances to Trappers	89,736.80	140	132
Receipts of Fur Account Loans	(111,038.26)	-150	-121
Closing Accounts Receivable (Note 1 & 2)	127,677	140	149

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.

3) Prior year actuals included the Fur Pricing Program (G/L 1315) which consists of receivables from the auction house and unrecorded shortfalls on the sale of FPP fur. There are no advances to trappers. These actuals have been restated to only include advances to trappers.

Prepared by :

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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, 2002

(unaudited)

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GOVERNMENT OF THE NORTHWEST TERRITORIES

Schedule of Public Stores Revolving Fund Inventories
for the year ended March 31, 2002

Public Stores	Balance March 31, 2001	Net Receipts	Net Issues	Board of Survey	Inventory (Write-downs) Write-ups	Balance March 31, 2002
Yellowknife	$ 157,757	$ 206,028	$ 234,439	$ -	$ -	$ 129,346

Prepared by :

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North Slave Office

Approved by :

Chuck Gibson
Manager, Finance Services
Corporate Services

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