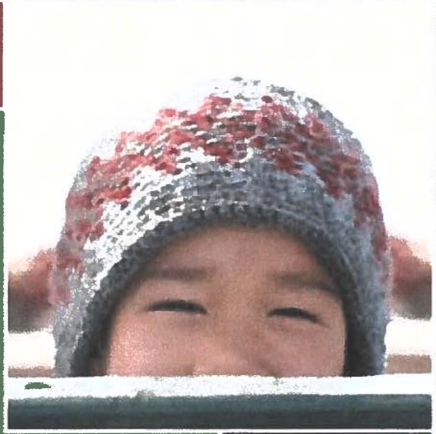

Public Accounts

NORTHWEST TERRITORIES

2006 - 2007

Section III
Supplementary Financial Statements

Northwest Territories

PUBLIC ACCOUNTS

OF THE

GOVERNMENT OF THE NORTHWEST TERRITORIES

FOR THE YEAR ENDED MARCH 31, 2007

SECTION III

SUPPLEMENTARY FINANCIAL STATEMENTS

HONOURABLE FLOYD K. ROLAND

Minister of Finance

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Public Accounts of the
Government of the Northwest Territories

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SECTION III

SUPPLEMENTARY FINANCIAL STATEMENTS

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GOVERNMENT OF THE NORTHWEST TERRITORIES

Department of Industry, Tourism and Investment

Fur Marketing Service Revolving Fund

Financial Statements

for the year ended March 31, 2007

(unaudited)

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GOVERNMENT OF THE NORTHWEST TERRITORIES

INDUSTRY, TOURISM AND INVESTMENT **March 31, 2007**

Fur Marketing Service Revolving Fund

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

		(thousands of dollars)		
	2006/2007 Actuals	**2006/2007 Revised Main Estimates**	**2006/2007 Main Estimates**	**2005/2006 Actuals**
Authorized Limit	**900,000**	**900**	**900**	**900**
Operating Results				
Opening Accounts Receivable	268,393.68	269	285	251
Advances to Trappers	1,148,593.67	764	770	746
Receipts of Fur Account Loans	(1,006,596.20)	(743)	(735)	(728)
Closing Accounts Receivable (Note 1)	410,391.15	290	320	269

Note:

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.

Prepared By: ______________________ Date: ____________

Marissa Martin
Assistant Director, Shared Services, F&A

Approved By: ______________________ Date: ____________

Nancy Magrum
Director, Shared Services, F&A

LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND
Yellowknife, NT

FINANCIAL STATEMENTS
For the Year Ended March 31, 2007

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Legislative Assembly Retiring Allowance Fund

Management has prepared the accompanying financial statements, and 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 Board of Management

Speaker

Clerk

April 19, 2007

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AVERY, COOPER & CO.
Certified General Accountants

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Telephone: (867) 873-3441
Facsimile: (867) 873-2353

AUDITORS' REPORT

To the Board of Management
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, 2007, 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, 2007. 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, 2007 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.

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

April 19, 2007

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LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NET ASSETS AVAILABLE FOR BENEFITS
March 31, 2007

	2007	2006
ASSETS		
CURRENT		
Accounts Receivable	$ 16,478	$ 1,241
Accrued Investment Income	26,450	26,707
Prepaid Expense (Note 5)	7,500	15,000
	50,428	42,948
INVESTMENTS		
Retiring Allowance Fund (Notes 2 and 3)	21,330,491	19,903,073
	$ 21,380,919	$ 19,946,021
LIABILITIES		
CURRENT		
Accounts Payable	$ 29,246	$ 25,505
FUND BALANCE		
RETIRING ALLOWANCE FUND BALANCE		
Net Assets Available for Benefits per page 2	21,351,673	19,920,516
	$ 21,380,919	$ 19,946,021

APPROVED:

______________________________ Speaker

______________________________ Clerk

See the accompanying notes.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the Year Ended March 31, 2007

	2007	2006
INCREASE (DECREASE) IN ASSETS		
Contributions	$ 163,603	$ 152,435
Interest and Dividends	1,237,739	1,622,743
	1,401,342	1,775,178
Current Period Change in Fair Market Value of Investments	690,989	898,655
Total Increase (Decrease) in Assets	2,092,331	2,673,833
DECREASE IN ASSETS		
Benefits		
Pension Payments	548,742	539,577
Termination Payments	-	37,621
Administrative Fees	112,432	133,570
Total Decrease in Assets	661,174	710,768
INCREASE IN NET ASSETS	1,431,157	1,963,065
NET ASSETS AVAILABLE FOR BENEFITS		
- BEGINNING OF YEAR	19,920,516	17,957,451
- END OF YEAR	$ 21,351,673	$ 19,920,516

See the accompanying notes.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

STATEMENT OF OBLIGATIONS FOR PENSON BENEFITS
March 31, 2007

	2007	2006
ACTUARIAL PRESENT VALUE OF DEFINED BENEFITS		
Active Members	$ 3,648,000	$ 2,885,700
Pensioners	9,782,000	9,671,300
Total Ongoing Plan Liabilities (Note 4)	13,430,000	12,557,000
ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS		
Net Assets Available for Benefits	20,283,000	18,438,000
Changes not reflected in actuarial value of net assets	1,068,673	1,482,516
Adjusted Actuarial Value of Net Assets Available For Benefits (page 2)	21,351,673	19,920,516
EXCESS OF ACTUARIAL VALUE OF NET ASSETS OVER ACTUARIAL PRESENT VALUE OF DEFINED BENEFITS	$ 7,921,673	$ 7,363,516

See the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007

NOTE 1 DESCRIPTION OF PLAN

a) General

The fund was established pursuant to the Legislative Assembly Retiring Allowances Act and is administered by the Board of Management. 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 an actuarial valuation for the fund that must be completed no less frequently than as of the day on which each general election is held. The next actuarial valuation is tentatively scheduled for May 2008, for the general election that may be held in October 2007. (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

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.

e) 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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007

NOTE 3 INVESTMENTS - RETIRING ALLOWANCE FUND

	2007	%	2006	%
Funds Managed by Investment Counsellors				
Cash and Cash Equivalents	$ -	-	$ 279	-
UBS Canadian Equity Capital Fund Series A (Cost $2,077,346; 2006-$2,416,691)	2,362,459	11.08	2,494,339	12.5
McLean Budden Equity Funds (Cost $4,377,953; 2006-$4,068,939)	5,354,371	25.10	4,885,679	24.5
UBS US Equity Fund Series A (Cost $1,216,992; 2006 -$1,284,780)	1,294,559	6.07	1,264,176	6.4
Temporary Investments (Cost $384,865 ; 2006-$515,207)	384,865	1.80	514,228	2.6
NWT Legislative Assembly Building Society Series A Bonds (Cost $258,535; 2006 - $282,714)	270,925	1.27	296,263	1.5
Canada Fixed Income Mutual Funds (Cost $5,606,077; 2006 - $4,647,543)	5,598,871	26.25	4,618,970	23
Government of Canada Bonds (Cost $2,418,620; 2006 -$2,418,620)	3,022,467	14.17	3,104,878	16
McLean Budden Canadian Equity Value Fund (Cost $2,258,319; 2006 -$2,173,813)	2,897,709	13.58	2,724,261	13.7
US Growth Equity Fund (Cost $145,665; 2006 - none)	144,265	0.68	-	-
Total at Fair Market Value	$ 21,330,491	100	$ 19,903,073	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, 2004 by Hewitt Associates, a firm of consulting actuaries. This actuarial valuation report was prepared to April 1, 2004 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:

	2007	2006
Actuarial present value of accrued pension benefits - beginning of year	$ 12,557,000	$ 11,803,000
Cost of benefits earned	524,000	490,000
Interest accrued on benefits	896,000	840,000
Benefits paid	(547,000)	(576,000)
Actuarial present value of accrued pension benefits - end of year	$ 13,430,000	$ 12,557,000

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:

	2007	2006
Valuation Interest Rate (net of expenses)	7.0%	7.0%
Salary Projection Rate	5.0%	5.0%
Interest Credited on Contributions	7.0%	7.0%
Inflation Rate	4.0%	4.0%

The actuarial value of net assets available for benefits was determined based on market value on January 31, 2007. The actuarial value of assets is equal to a smoothed market value which spreads the difference between actual and expected investment income over a four year period and is then adjusted for payments due to, and payable from, the pension fund.

NOTE 5 PREPAID EXPENSE

		2007		2006
Prepaid Fees - Opening Balance	$	15,000	$	22,500
Current amortization of Prepaid Fees.		(7,500)		(7,500)
	$	7,500	$	15,000

Prepaid expense consists of Actuarial fees related to an evaluation of the pension fund required every four years following a territorial election. The expense is amortized to expense on a straight-line basis over a four year period beginning with the 2005 fiscal year.

NOTE 6 FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, marketable securities, long-term investments, accounts receivable and accounts payable. Unless otherwise noted, it is managements' opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximate their carrying value.

Financial Statements of

NORTHWEST TERRITORIES LIQUOR COMMISSION

Year ended March 31, 2007

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NORTHWEST TERRITORIES LIQUOR COMMISSION
Financial Statements

Year ended March 31, 2007

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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.

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

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

Kyle Reid
General Manager

RBoden

Ruth Boden
Manager, Finance & Administration

May 11, 2007

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Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Northwest Territories Liquor Commission as at March 31, 2007 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, 2007 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.

Guy LeGras, CA
Principal
for the Auditor General of Canada

Edmonton, Canada
May 11, 2007

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NORTHWEST TERRITORIES LIQUOR COMMISSION

Balance Sheet
(In thousands)

March 31, 2007

		2007		2006
Assets				
Current assets:				
Cash	$	3,626	$	3,571
Accounts receivable		53		7
Inventories (note 3)		2,222		2,955
Prepaid expenses		11		13
		5,912		6,546
Capital assets (note 4)		472		179
	$	6,384	$	6,725
Liabilities				
Current liabilities:				
Accounts payable	$	2,638	$	2,803
Current portion of employee future benefits (note 5)		-		51
Due to the Government of the Northwest Territories		3,695		3,823
		6,333		6,677
Employee future benefits (note 5)		51		48
Commitments (note 8)				
	$	6,384	$	6,725

See accompanying notes to financial statements.

Approved by Management:

Kyle Reid, General Manager

RBoden

Ruth Boden, Manager, Finance & Administration

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Income
(In thousands)

Year ended March 31, 2007

		2007		2006
Sales:				
Beer	$	17,515	$	17,418
Spirits		15,981		15,592
Wine		4,803		4,404
Coolers and ciders		1,355		1,362
		39,654		38,776
Cost of goods sold:				
Beer		7,637		7,498
Spirits		4,618		4,514
Wine		2,204		1,958
Coolers and ciders		611		605
		15,070		14,575
Gross profit on sales		24,584		24,201
Other income:				
License fees and permits		441		468
Import fees and other income		41		8
		482		476
		25,066		24,677
Expenses:				
Commissions to agents		2,735		2,660
Salaries, wages and employee benefits		1,129		1,017
Administration		348		385
Travel		110		126
Rent		81		53
Amortization of capital assets		73		37
Board member honoraria		54		51
Inspectors' fees		49		78
		4,579		4,407
Net income	$	20,487	$	20,270

See accompanying notes to financial statements.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Amount Due to the Government of the Northwest Territories
(In thousands)

Year ended March 31, 2007

		2007		2006
Balance, beginning of year	$	3,823	$	3,646
Net income		20,487		20,270
Salaries, wages and benefits and other costs incurred by the Government		1,197		1,099
		25,507		25,015
Net transfer of funds to the Government		21,812		21,192
Balance, end of year	$	3,695	$	3,823

See accompanying notes to financial statements.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Cash Flows
(In thousands)

Year ended March 31, 2007

	2007	2006
Cash flows from operating activities:		
Cash received from customers	$ 39,608	$ 39,282
Cash paid to suppliers	(17,375)	(17,759)
Net cash provided by operating activities	22,233	21,523
Cash flows from investing activities:		
Purchase of capital assets	(366)	(147)
Cash flows from financing activities:		
Cash transferred to the Government of the Northwest Territories	(21,812)	(21,192)
Increase in cash	55	184
Cash, beginning of year	3,571	3,387
Cash, end of year	$ 3,626	$ 3,571

See accompanying notes to financial statements.

1. Authority and operations:

Northwest Territories Liquor Commission (the "Commission") is established under Part II of the Liquor Act (the "*Liquor Act*"). It is responsible for the operation of liquor sales 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 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 (note 6).

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

2. Significant accounting policies:

(a) Basis of presentation:

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

(b) Revenue recognition:

The Commission recognizes revenue when goods are shipped or services are provided and the customer takes ownership and assumes risk of loss, collection of any relevant accounts receivable is probable, persuasive evidence of an arrangement exists and the sale price is fixed or determinable.

(c) Inventories:

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Cost includes invoiced cost, freight, duties and taxes.

2. Significant accounting policies (continued):

(d) Capital assets:

Capital assets are recorded at cost. Amortization is provided on cost less estimated salvage value using the straight-line basis, at the following annual rates:

Asset	Rate
Furniture and fixtures	20%
Computer hardware and software	20 to 33%
Leasehold improvements	5 years

Assets under development are not amortized. When the projects are completed, their costs will be amortized over their estimated useful life.

(e) Pension benefits:

Employees participate in the Public Service Pension 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 Pension Plan.

(f) Employee severance benefits:

Employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as the employees render the services necessary to earn them. Management determined the accrued benefit obligation using a method based upon assumptions and its best estimates of the accrued obligations at year-end. The commission has no additional termination or post employment benefits owing to its employees.

2. Significant accounting policies (continued):

(g) 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The most significant items where estimates are used are employee severance liabilities and amortization of capital assets.

(h) New accounting recommendations:

The Canadian Institute of Chartered Accountants issued a new accounting standard that will impact the Commission's inventory. This new standard will come into effect for the Commission for fiscal year beginning April 1, 2008 and will be applied prospectively.

Section 3031, Inventories, will effect the measurement and disclosure of inventory. The measurement changes include; the requirement to measure inventories at the lower of cost and net realizable value, the use of the specific cost method for inventories that are not ordinarily interchangeable or goods and services produced for specific purposes, the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Disclosures of inventories will also be enhanced. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed. The Commission is currently evaluating the impact of this new recommendation on its March 31, 2008 fiscal year.

(In thousands)

3. Inventories:

		2007		2006
Spirits	$	952	$	1,128
Wine		385		468
Beer		779		1,228
Coolers and ciders		106		131
	$	2,222	$	2,955

4. Capital assets:

				2007				2006
		Cost		Accumulated amortization		Net book value		Net book value
Furniture and fixtures	$	60	$	40	$	20	$	7
Computer hardware and software		577		142		435		25
Leasehold improvements		19		2		17		-
Computer hardware and software under development		-		-		-		147
	$	656	$	184	$	472	$	179

(In thousands)

5. Employee future benefits:

Pension benefits:

The Commission and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the consumer Price Index. The Commission's and employees' contributions to the Public Service Pension Plan for the year were as follows:

	2007	2006
Commission's contributions	$ 92	$ 102
Employees' contributions	43	45

Employee severance benefits:

The Commission provides severance benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Information about the plan, measured as at the balance sheet date, is as follows:

	2007	2006
Accrued benefit obligation, beginning of year	$ 99	$ 106
Cost for the year	3	9
Benefits paid during the year	(51)	(16)
Accrued benefit obligation, end of year	$ 51	$ 99
Short-term portion	$ -	$ 51
Long-term portion	51	48
Total accrued benefit obligation	$ 51	$ 99

(In thousands)

6. Liquor Licensing Board of the Northwest Territories:

The activities of the Liquor Licensing Board of the Northwest Territories (the "LLB") are as follows:

	2007	2006
Revenues:		
Licensee fees	$ 372	$ 388
Special occasion licenses	39	46
Annual license fees	31	34
Other	37	4
	479	472
Expenses:		
Salaries, wages and benefits	279	248
Honoraria	136	50
Other	96	237
	511	535
Loss for the year	$ (32)	$ (63)

The activities of the LLB are administered by the Commission as agent for the LLB. The net loss generated in the year represents amounts due to (from) the Government of the Northwest Territories. The LLB does not have separate banking facilities apart from the Commission.

7. 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. Included in accounts receivable is $50 (2006 - $2) due from the Government of the Northwest Territories, Department of Public Works.

The Government of the Northwest Territories provides the Commission with various administrative services, the value of which is not reflected in these financial statements. The cost of these services has been estimated to be $14 (2006 - $11) for legal services provided by the Department of Justice, and $10 (2006 - $10) for payroll services provided by the Financial Management Board Secretariat.

(In thousands)

8. Commitments:

The Commission has a five year lease agreement ending April 30, 2011 for its office premises. The minimum annual payments for the lease and leasehold improvements over the next five years are:

Year ending March 31:		
2008	$	229
2009		82
2010		82
2011		82
2012		7
	$	482

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

9. Fair value of financial assets and financial liabilities:

The fair values of the Commission's cash, accounts receivable, accounts payable and amount due to the Government of the Northwest Territories approximate their carrying amounts due to the relatively short periods to maturity of these items.

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NORTHWEST TERRITORIES OPPORTUNITIES FUND

FINANCIAL STATEMENTS
(unaudited)

March 31, 2007

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NORTHWEST TERRITORIES OPPORTUNITIES FUND

INDEX TO FINANCIAL STATEME! (unaudited)

March 31, 2007	**Page**

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Management's Responsibility for Financial Reporting

To the Honourable Brendan Bell
Minister responsible for the
Northwest Territories Opportunities Fund

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

Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled and that transactions are in accordance with the relevant authorities and the policies set out by directors. The Fund'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 for a Territorial government controlled Fund.

The Auditor General of Canada provides an independent, objective audit for the purpose of expressing her opinion on the financial statements of the Fund. 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.

Chairman

Secretary-Treasurer

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NORTHWEST TERRITORIES OPPORTUNITIES FUND

BALANCE SHEET

AS AT MARCH 31, 2007

(unaudited)

		2007		2006
ASSETS				
CURRENT				
Cash and cash equivalents (Note 3)	$	75,606,596	$	57,609,860
Accrued interest		67,602		37,934
		75,674,198		57,647,795
LONG-TERM DEBT ISSUE DEFERRED CHARGES (Note 4)		3,420,491		3,224,640
	$	79,094,690	$	60,872,435
LIABILITIES				
CURRENT				
Current portion of long-term debt	$	-	$	-
LONG-TERM DEBT (Note 5)		76,650,652		60,204,282
EQUITY				
EQUITY		2,444,038		668,153
	$	79,094,690	$	60,872,435

APPROVED BY THE BOARD:

Chairman of the Board

Director

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

NORTHWEST TERRITORIES OPPORTUNITIES FUND

STATEMENT OF OPERATIONS AND EQUITY

FOR THE YEAR ENDED MARCH 31, 2007
(unaudited)

	2007	2006 (As restated) (Note 8)
REVENUE		
Interest	$ 2,847,226	$ 1,334,793
Government of the Northwest Territories (Note 7)	31,535	16,747
	2,878,761	1,351,540
EXPENSES		
Administration services (Note 7)	31,535	16,747
Amortization of deferred charges	936,577	639,391
Bank charges and investment fees	134,764	119,166
	1,102,876	775,304
EXCESS OF REVENUE OVER EXPENSES	1,775,885	576,236
EQUITY AT BEGINNING OF THE YEAR	668,153	91,917
EQUITY AT THE END OF THE YEAR	$ 2,444,038	$ 668,153

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

NORTHWEST TERRITORIES OPPORTUNITIES FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2007
(unaudited)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income received	$ 2,817,558	$ 1,320,298
Bank charges and investment fees paid	(134,764)	(119,166)
	2,682,794	1,201,131
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings, net of the commissions	15,462,866	26,511,486
Repayment of long-term debt	(148,924)	(88,215)
	15,313,942	26,423,271
INCREASE IN CASH AND CASH EQUIVALENTS	17,996,736	27,624,402
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	57,609,860	29,985,458
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 75,606,596	$ 57,609,860

NORTHWEST TERRITORIES OPPORTUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007
(unaudited)

1 Authority and Operations

The Fund is a society incorporated under the *Northwest Territories Societies Act* and operates under a board of directors appointed by the Minister of Resources Wildlife and Economic Development of the Government of the Northwest Territories (starting on April 1, 2005 responsibilities were transferred to the Minister of Industry, Tourism & Investment) to manage money received under the Immigrant Investor Program. The objectives of the Fund are to promote investment, economic development and job creation in the Northwest Territories. The Fund is not taxable under section 149(1)l of the *Income Tax Act* (Canada).

The Government of the Northwest Territories has the ownership interest of the residual value of the Fund.

2 Significant Accounting Policies

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

Long-term debt issue deferred charges

Long-term debt issue deferred charges are amortized using the straight line method over the 5 year term of the related debt.

Revenue

Interest revenue is accrued as earned.

Services Provided Without Charge

The Fund records the value of the administration services provided by the Government of the Northwest Territories without charge, at their fair market value.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

3 Cash and Cash Equivalents

The Fund's cash balances are pooled with the Government of the Northwest Territories surplus cash and are invested in a diversified portfolio of high-grade short term income producing assets. The cash can be withdrawn from the bank accounts at any time and is not restricted by maturity dates on investments made by the Government. The Department of Finance approved the eligible classes of securities, categories of issuers, limits and terms. All instruments, depending on their investment class, are rated R-1 Low or better by the Dominion Bond Rating Service Ltd. The Fund's average annual yield for the year ending March 31, 2007 was 4.23% (2006 - 2.97%).

4 Long-Term Debt Issue Deferred Charges

	2007	2006
Long-term debt issue deferred charges, at amortized cost	$ 3,420,491	$ 3,224,640

Long-term debt issue deferred charges consist of a 7% commission paid on allocations from the Federal Government under the Immigrant Investor program. Expenses are amortized on a straight line method over the 5 year term of loans under the program.

5 Long-Term Debt

	2007	2006
Immigrant investor loans, 0% interest, repayable in a single payment at the end of 5 years. Maturing October 2008 to March 2012, secured by a guarantee from the Government of the Northwest Territories.	$ 76,650,652	$ 60,204,282
Less current portion	-	-
	$ 76,650,652	$ 60,204,282

Under Section 92 of the Immigration and Refugee Protection Regulations the investment is due on demand until a permanent resident visa is issued at which time the investment is not refundable to the end of the 5 year investment period.

Estimated long-term debt principal repayments to be made in the next 5 years are as follows:

2009	2,020,476
2010	29,606,115
2011	26,870,025
2012	18,154,036
	$ 76,650,652

5 Long-Term Debt (continued)

The fair value of long-term debt items is determined using the present value of future cash flows under current debt agreements based on market interest rates for loans with similar conditions and maturities.

The carrying value and fair value of the long-term debt are as follows:

	2007	2006
Carrying Value	$ 76,650,652	$ 60,204,282
Fair Value	$ 67,261,384	$ 52,243,424

In cases where a visa is not issued, an investor is entitled to a refund. As at March 31, 2007, a visa had not been issued to investors for corresponding loans totalling $103,309. All loans are carried as long-term until maturity unless a request has been received for repayment where no visa was issued.

6 Financial Instruments

The Fund's financial instruments include cash and cash equivalents and interest receivable. Their fair values approximate their carrying values.

7 Related Party Transactions

The Fund records the value of the accounting and administrative services it receives without charge from the Department of Industry, Tourism and Investment and other entities at fair market value. For the year ended March 31, 2007, the estimated fair market value of the services received free of charge amount to $31,535 (2006 - $16,747).

Investment fees charged by the Government of the Northwest Territories in the amount of $134,734 (2006 - $118,867) have been included in the expenses.

8 Prior Period Adjustment

During the year the Fund decided to record the services it received from the Department of Industry, Tourism and Investment at fair market value. This change in accounting policy was applied retroactively and the figures for 2006 have been restated. Revenue from the Government of the Northwest Territories has been increased by $16,747 and administration services expense has been increased by $16,747 resulting in no change to excess of revenue over expenses, equity, assets or liabilities.

Department of Public Works and Services
Petroleum Products Division

Financial Statements

March 31, 2007

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CHARTERED ACCOUNTANTS
MacKay LLP

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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, 2007, 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, 2007, and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, we report that in our opinion their principles have been applied on a basis consistent with that of the preceding year.

Mackay LLP
Chartered Accountants

Yellowknife, Northwest Territories
May 16, 2007

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GOVERNMENT OF THE NORTHWEST TERRITORIES
PUBLIC WORKS AND SERVICES
PETROLEUM PRODUCTS REVOLVING FUND

Balance Sheet

As at March 31, (Thousands of dollars)		2007		2006
Assets:				
Current				
Prepaid expenses	$	34	$	90
Accounts receivable (Note 3)		7,806		3,641
Inventories (Note 4)		11,963		7,775
	$	19,803	$	11,506
Liabilities:				
Current				
Accounts payable and accrued liabilities	$	7,595	$	3,364
Employee leave and termination benefits		100		79
		7,695		3,443
Long-Term				
Employee termination benefits		74		100
Due to the Government of the Northwest Territories		12,034		7,963
		12,108		8,063
	$	19,803	$	11,506

Commitments and contingencies (Note 8).

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

Approved by management:

John Vandenberg
Director

James Sergeant
Comptroller

GOVERNMENT OF THE NORTHWEST TERRITORIES
PUBLIC WORKS AND SERVICES
PETROLEUM PRODUCTS REVOLVING FUND

Statement of Operations

For the Year Ended March 31, (Thousands of dollars)		**2007**		**2006**
Revenue				
Sale of petroleum products (Note 5)	$	22,523	$	19,073
Cost of goods sold		18,042		15,008
Gross profit		4,481		4,065
Other revenue		435		37
		4,916		4,102
Expenses				
Commissions		1,554		1,528
Contracts and purchased services		615		695
Insurance		88		50
Material, supplies and utilities		510		283
Miscellaneous		52		143
Salaries, wages and employee benefits		1,427		1,231
Travel		248		214
		4,494		4,144
Net Profit (loss) from operations before the following		422		(42)
Financing Charges (Note 6)		(532)		(233)
Tangible capital assets - Rent expenses (Note 6)		(969)		(757)
Grant-in-kind - Government assets provided at no cost		1,501		990
Net Profit (loss)	$	**422**	$	**(42)**

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

GOVERNMENT OF THE NORTHWEST TERRITORIES
PUBLIC WORKS AND SERVICES
PETROLEUM PRODUCTS REVOLVING FUND

Statement of Amount Due to the Government of the Northwest Territories

For the Year Ended March 31, (Thousands of dollars)		2007		2006
Balance, beginning of year	$	7,963	$	5,984
Plus:				
Payments Made by the Government				
Purchases of petroleum products		18,013		16,657
Cash disbursements		4,486		4,091
Income from operations		422		-
Less:				
Transfers to the Government				
Cash receipts		18,850		18,727
Loss from operations		-		42
Balance, end of the year	$	12,034	$	7,963

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

1. Authority and Operations

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

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

The prices for the Fund's petroleum products are approved by the Government. It is the expectation of the Government that the Fund's cost of goods sold and operating expenses will be recovered through the price structure to achieve a break-even operation. Under the Act, there is a special account in the CRF called the Petroleum Products Stabilization Fund to which profits of the Fund shall be credited and losses shall be charged. The debit or credit amount in the Stabilization Fund shall not exceed $5,000,000 at the end of any fiscal year. The balance in the stabilization Fund at March 31, 2007 is a surplus of $851,649.

(Thousands of Dollars)	2007	2006
Surplus at beginning of year	430	472
Net profit (loss)	422	(42)
Surplus at ending of year	852	430

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 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. Revenue Recognition

Revenue is recognized when fuel is dispensed or delivered to customers.

b. Inventories

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

c. Services Provided Without Charge

Environmental Restoration Costs

The Fund does not record any future environmental restoration costs, as they are the responsibility of the Government.

Other Services Provided Without Charge

Other than an annual administration fee of $60,000 charged by Public Works and Services and service charges of $32,000 charged by Technology Service Centre, following existing practice, 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. as it is difficult to estimate them.

d. 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 to the cost of the plan. The Fund contributes at a rate of 2.14 times that of the employees. During the year the Fund contributed $104,542 to the plan while employees contributed $42,927. 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 deficencies to the Public Service Superannuation Account.

2. Significant Accounting Policies, continued

e. 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.

f. Use of Estimates

The preparation of these 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 amount of revenue and expenses during the period. Actual results could differ from these estimates.

g. Financial Instruments

All significant financial assets, financial liabilities and equity instruments of the Fund are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

3. Accounts Receivable

(thousands of dollars)	Mar-31 2007	Mar-31 2006
Commercial/Private	$ 1,803	$ 1,261
Territorial Municipalities & Housing Associations	1,125	1,051
Government of the Northwest Territories:		
Departments and Agencies	595	578
Northwest Territories Power Corporation	4,205	765
	4,800	1,343
Government of Canada	147	69
	7,875	3,724
Less: Allowance for Doubtful Accounts	(69)	(83)
	$ 7,806	$ 3,641

4. Inventories

(thousands of dollars)	Mar-31 2007	Mar-31 2006
Heating fuel	$ 9,466	$ 5,960
Gasoline	2,155	1,630
Other fuel	342	185
	$ 11,963	$ 7,775

5. Sale of Petroleum Products

(thousands of dollars)	2007	2006
Commercial/Private	$ 7,940	$ 6,788
Territorial Municipalities & Housing Associations	3,618	3,281
Government of the Northwest Territories:		
Northwest Territories Power Corporation	8,870	6,917
Departments and Agencies	1,824	1,833
Government of Canada	271	254
	$ 22,523	$ 19,073

6. Expenses off-set with Grant-in-Kind

a. Financing Charges

Management estimated that the Fund required up to $18.2 million in working capital with an estimated financing cost of $532,353 for the year. (For 2005/2006 it was $11.3 million and $233,084 respectively.) The financing cost is based upon the average monthly balance due to the Government at an average interest rate for the Government of 4.54% per annum.

b. Rent Expenses

Tangible Capital Assets (TCA), i.e. tank farms and fuel delivery vehicles, are owned by the Government. TCA are amortized over the estimated useful life of the assets at the following rates:

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

(thousands of dollars)	Cost	Accumulated Amortization	Mar-31 2007 Net Book Value	Mar-31 2006 Net Book Value
Fuel Storage Facilities	$ 27,330	$ 11,566	$ 15,764	$ 10,769
Fuel Delivery Vehicles	3,095	2,083	1,012	948
Construction in progress	3,282		3,282	3,282
	$ 33,707	$ 13,649	$ 20,058	$ 14,999

Amortization expense for 2006-07 is $967,220. ($756,578 in 2005-06)

7. 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 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.

8. Commitments and Contingencies

a. Fuel Resupply Contracts

The Government continues negotiations to establish a contract for supply and delivery of bulk petroleum products to the communities serviced by marine transport. The Northern Transportation Company Limited has confirmed pricing and availability of product for the 2007 barge resupply season. The Government also entered into a one-year contract for the supply and delivery of bulk products, by tanker truck, for furtherance to the communities serviced by winter/ice roads with Bassett Petroleum Distributors Ltd. This contract will terminate in November 2007.

b. Community Fuel Delivery Contracts

The Government provides local fuel delivery services in 16 communities across the Northwest Territories. The contracts for sales, dispensing and delivery services are awarded based on a competitive request for proposal (RFP) process. Contracts are awarded to local residents or businesses. There are currently 12 signed contracts in effect. Three contracts will expire in the fiscal year ending 2009, five in 2010, one in 2011 and three in 2012. Under these contracts, fixed commission rates are paid. The value of this commitment is estimated at $3,259,462 as per the detailed listing below.

Commitment 2008	2009	2010	2011	2012	Total
$1,265,435	$1,008,035	$600,735	$333,935	$51,322	$3,259,462

Historically the government pays $1.6 million in commissions to local contractors in the 16 communities that the government serves.

8. Commitments and Contingencies, continued

c. Environmental Site Assessment

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

There have been twenty-four (24) Phase III Assessments and two (2) Risk Assessments completed to date. The projected cost to remediate all contaminated sites is estimated to be in the range between $5,596,600 and $6,510,000. The value is based upon the most recent experience of the fund and others who have undertaken similar remediation projects. While the Fund expects remediation costs to come within the estimated range, true cost certainty cannot be obtained until remediation has commenced and the scope of work or the level of contamination has been confirmed. The value of said liabilities can also change with the identification of new areas of contamination and the completion of site remediation.

A fuel spill in Lutsel K'e from the early 1970's, by unknown parties, has migrated to the surface through fractured rock due to the extremely high water table in August 2005. The Northwest Territories Power Corporation and the Government of the Northwest Territories, Petroleum Products Division are jointly working together to monitor the situation to come up with a joint remediation plan once both tank farms have been decommissioned.

In 2006/07 the Fund expended the following on Environmental Site Remediation:

Fort Good Hope	Phase 111 E Manifold	$	24,600
Sachs Harbour	Remediation Beach Parts 3 and 4		41,100
Sachs Harbour	Remediation Vault B		70,000
Total		$	135,700

9. Financial Instruments

Financial instruments consist of recorded amounts of accounts receivable which will result in future cash receipts, as well as accounts payable and accrued liabilities, employee leave and termination benefits, long-term employee termination benefits and amounts due to the Government of the Northwest Territories which will result in future cash outlays. The Fund is exposed to the following risks in respect of certain of the instruments held:

a. Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Fund is exposed to credit risk from its customers. In particular, a significant portion of the accounts receivable are from the Northwest Territories Power Corporation.

b. Fair Value

The Fund's carrying value accounts receivable, accounts payable and accrued liabilities, and employee leave and termination benefits approximates its fair value due to the immediate or short-term nature of these instruments.

The fair value of the amounts due to the Government of the Northwest Territories cannot be determined with any degree of certainty as the amounts have no terms of repayment.

10. Economic Dependence

The company earned $8,869,766 (2006 -$6,917,108), which represents 40% (2006 - 36%) of its revenue, from one customer.

GOVERNMENT OF THE NORTHWEST TERRITORIES

Department of Public Works and Services

Public Stores Revolving Fund Inventories

Financial Statements

for the year ended March 31, 2007

(unaudited)

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Schedule of Public Stores Revolving Fund Inventories for the year ended March 31, 2007						
Public Stores	**Balance March 31, 2006**	**Net Receipts**	**Net Issues**	**Board of Survey**	**Inventory (Write-downs) Write-ups**	**Balance March 31, 2007**
Yellowknife	143,410	272,911	(280,188)	0	0	136,134
	143,410	272,911	(280,188)	0	0	136,134

Prepared By: Bev Bourque

Manager, Finance & Admin
NSRO, Public Works & Services

Approved By:

Steve Lewis
Director, Corporate Services
Public Works & Services

GOVERNMENT OF THE NORTHWEST TERRITORIES

Department of Education, Culture and Employment

Student Loan Revolving Fund

Financial Statements

for the year ended March 31, 2007

(unaudited)

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Government of the Northwest Territories
Student Loan Revolving Fund
for the year ended March 31, 2007
Statement of Operations

	2007 $000s	2006 $000s
Loans Receivable, opening balance	30,921	29,427
Loans granted during the year	5,063	5,350
Prior year adjustment - opening balance	-	-
	35,984	34,777
Less:		
Principal amount of loans repaid	2,816	2,675
Principal amount of loans written off		-
Principal amount of loan remissions	1,589	1,181
Loans Receivable, closing balance	31,579	30,921
Less:		
Estimated provision for remission and doubtful accounts	23,998	22,387
Net Loans Receivable, closing balance	7,581	8,534

Effect of Student Loan Revolving Fund
On Government Operations

	2007	2006
Interest earned and credited to general revenues	454	460
Less:		
Financial collection agency fees	30	21
Estimated provision for remission and doubtful accounts	3,200	3,300
Operating deficiency for the year	(2,776)	(2,861)

1. During the fiscal year the allowance for remission and write-offs accounts was decreased by $3,200,000 (2005/06 - $3,300,000). 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 uncollectability, $1,589,310.00 were granted remissions.

3. No cost for administration of the Student Loan Fund are included.

Approved:

Deputy Minister
Department of Education, Culture and Employment

Director, Business Services
Department of Education, Culture and Employment

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AURORA COLLEGE

Audited Financial Statements

June 30, 2006

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AURORA COLLEGE

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

Maurice Evans	Edith Weber
President	Bursar/Chief Financial Officer

Fort Smith, Canada
September 15, 2006

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Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister Responsible for the Aurora College

I have audited the balance sheet of the Aurora College as at June 30, 2006 and the statements of operations and equity and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Edmonton, Canada
September 15, 2006

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AURORA COLLEGE

BALANCE SHEET
as at June 30, 2006
(in thousands)

	2006	**2005**
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	$ 5,991	$ 5,768
Net accounts receivable (Note 4)	1,206	1,406
Prepaid expenses	288	157
	7,485	7,331
Property and equipment (Note 5)	3,335	3,464
	$10,820	$10,795
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,674	$ 2,349
Employee leave pay	1,329	1,170
Deferred project income	205	114
Current portion of employee future benefits (Note 6)	277	274
Due to the Government of the Northwest Territories	486	674
	3,971	4,581
Employee future benefits (Note 6)	833	820
Professional development fund (Note 7)	896	833
Deferred capital contributions	1,485	1,000
	7,185	7,234
EQUITY (Note 8)	3,635	3,561
	$10,820	$10,795

Commitments (Note 12)

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

Approved by the Board:

Yacub Adam
Chairperson of the Board

John McKee
Chairperson of the Finance Committee

AURORA COLLEGE

STATEMENT OF OPERATIONS AND EQUITY
for the year ended June 30, 2006
(in thousands)

	2006	2005
REVENUES		
Project income		
Territorial government	$ 2,431	$ 3,198
Federal government	311	403
Other	3,161	1,699
Tuition fees	2,019	2,089
Room and board	812	807
Interest income	260	142
Other	714	751
	9,708	9,089
EXPENSES		
Compensation and benefits	20,581	19,776
Contract services	5,289	4,772
Building leases	3,575	3,094
Amortization of property and equipment	2,369	2,390
Materials and supplies	2,637	2,323
Utilities	1,665	1,565
Travel and accommodation	1,269	951
Fees and payments	843	926
Communication, postage and freight	513	470
	38,741	36,267
Net loss before government contributions	(29,033)	(27,178)
Government contributions (Note 9)	29,107	28,756
Net income after government contributions	**74**	1,578
Equity at beginning of year	3,561	1,983
Equity at end of year	**$ 3,635**	$ 3,561

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

AURORA COLLEGE

STATEMENT OF CASH FLOWS
for the year ended June 30, 2006
(in thousands)

	2006	2005
Cash flows from operating activities		
Cash receipts from students and projects	$ 9,617	$ 8,396
Cash receipts from government contributions	26,921	26,530
Cash paid to suppliers and employees	(36,833)	(32,056)
Interest received	260	142
Net cash (used in) provided by operating activities	(35)	3,012
Cash flows from investing activities		
Acquisition of property and equipment	(452)	(835)
Cash flows from financing activities		
Capital contributions	710	374
Net increase in cash	**223**	2,551
Cash and cash equivalents at beginning of year	5,768	3,217
Cash and cash equivalents at end of year	**$ 5,991**	$ 5,768

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

1. AUTHORITY AND MANDATE

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Measurement Uncertainty

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

b) Property and equipment

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

Mobile equipment	5 - 33.33%
Building additions and renovations	5%
Furniture and equipment	10 - 50%
Leasehold improvements	over the term of the lease

c) Employee future benefits

i) Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The College contributes at a rate of approximately 2.19 times (2005 – 2.21) the employee's contribution. The College's contributions are charged as an expense on a current year basis and represent the total pension obligations. The College is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Pension Plan.

ii) Employee severance and removal benefits

Employees are entitled to severance benefits and reimbursement of removal costs, as provided under labour contracts and conditions of employment, based upon years of service. The benefits are paid upon resignation, retirement or death of an employee. The expected cost of providing these benefits is recognized as employees render service. Termination benefits are also recorded when employees are identified for lay-off. The cost of the benefits has been determined based on management's best estimates.

d) Government contributions and deferred capital contributions

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

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

e) Government Contributions –services provided without charge

The Government provides certain services without charge to the College. The estimated value of these services is recorded as government contributions – services provided without charge, and included in the expenses.

f) Project income and deferred project income

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

g) Contract services

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

3. CASH AND CASH EQUIVALENTS

The College's cash balances are pooled with the Government's surplus cash and are invested in a diversified portfolio of high-grade short term income producing assets. The cash can be withdrawn from the bank accounts at any time and is not restricted by maturity dates on investments made by the Government. The Department of Finance approves the eligible classes of securities, categories of issuers, limits and terms. All instruments, depending on their investment class, are rated R-2 High or better by the Dominion Bond Rating Service Ltd. The College's average annual investment yield for the year ended June 30, 2006 was 2.994% (2005 - 2.035%).

4. NET ACCOUNTS RECEIVABLE

	2006 (in thousands)			2005
	Accounts Receivable	Allowance	Net	Net
Government contributions	$ -	$ -	$ -	$ 24
Project income				
Government	189	-	189	288
Other	989	15	974	1,014
Students	189	150	39	78
Advances	4	-	4	2
	$ 1,371	$ 165	$ 1,206	$ 1,406

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

5. PROPERTY AND EQUIPMENT

	2006 (in thousands)			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Mobile equipment	$ 2,774	$ 1,381	$1,393	$ 1,458
Building additions and renovations	1,991	846	1,145	1,244
Furniture and equipment	1,257	946	311	423
Leasehold improvements	1,428	942	486	339
	$ 7,450	$ 4,115	$3,335	$ 3,464

6. EMPLOYEE FUTURE BENEFITS

i) Pension Benefits

The College and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The College's and employees' contributions in the Public Service Pension Plan for the year were as follows:

	2006	2005
	(in thousands)	
College's contributions	$ 1,680	$ 1,645
Employees' contributions	767	744

ii) Severance and Removal Benefits

The College provides severance benefits to its employees based on years of service and final salary. The College also provides removal assistance to eligible employees, as provided under labour contracts. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Future benefits will be paid out of future appropriations. Information about the plan, measured as at the balance sheet date, is as follows:

	2006	2005
	(in thousands)	
Accrued benefit obligation, beginning of year	$ 1,094	$ 1,109
Cost for the year	187	87
Benefits paid during the year	(171)	(102)
Accrued benefit obligation, end of year	$ 1,110	$ 1,094
Short-term portion	$ 277	$ 274
Long-term portion	833	820
Total accrued benefit obligations	$ 1,110	$ 1,094

7. PROFESSIONAL DEVELOPMENT FUND

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

8. EQUITY

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

Appropriated equity:	Balance, opening July 1, 2005	Net Results	Appropriated	Used in Operations	Balance, ending June 30, 2006
			(in thousands)		
a) Program delivery	$ 117	$ -	$ -	$ -	$ 117
b) Research & development	65	-	20	(37)	48
c) HEO replacement & maintenance	228	-	-	-	228
d) Restricted donations	22	-	14	(13)	23
Unappropriated equity:	3,129	74	(34)	50	3,219
Total equity	**$ 3,561**	**$ 74**	**$ -**	**$ -**	**$3,635**

a) Appropriated for Program Delivery

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

b) Appropriated for Research & Development

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

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

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

d) Restricted Donations

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

9. GOVERNMENT CONTRIBUTIONS

	2006	2005
	(in thousands)	
Operating contributions	$26,799	$ 26,441
Amortization of deferred capital contributions	225	160
Services provided without charge	2,083	2,155
	$29,107	$ 28,756

10. RELATED PARTIES

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

Expenses

Under terms of administrative agreements, the Government provides and charges for certain support services to the College. The College reimbursed the Government $1,450,916 (2005 - $1,032,390) for facility operating and utility costs, employee benefits and other expenses recorded in these statements.

Services Provided Without Charge

Additional services provided by the Government without charge to the College include payroll processing, insurance and risk management, legal counsel, construction management, records storage, computer operations, asset disposal, project management, and translation services. These services would have cost the College an estimated $ 295,000 (2005 - $285,000).

The College also receives from the Government, without any rental charges, the use of facilities for two of its campuses, certain student housing units and community learning centres. The use of these facilities would have cost the College an estimated \$1,788,000 (2005 - \$1,870,500), the Government's amortization expense for these assets has been used as the basis for this estimate.

These services provided without charge are included in:

	2006	2005
	(in thousands)	
Contract services	\$ 295	\$ 285
Amortization of property and equipment	1,788	1,870
	\$2,083	\$2,155

11. CONTINGENT LIABILITIES

There is one outstanding claim against Aurora College which is an allegation of discrimination from a former student. The likelihood is not determinable and an amount cannot be reasonably estimated. Contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

12. COMMITMENTS

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

	(in thousands)
2007	4,291
2008	1,417
2009	900
2010	905
2011	863
Thereafter	7,963
	\$ 16,339

Northwest Territories Business Development and Investment Corporation

Consolidated Financial Statements

(unaudited)

March 31, 2007

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Management's Responsibility for Financial Reporting (unaudited)

The accompanying consolidated financial statements of the Northwest Territories Business Development and Investment Corporation (the Corporation) are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The consolidated financial statements include some amounts, such as the allowance for credit losses and the provision for employee future benefits, that are necessarily based on management's best estimates and judgment.

The consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles on a basis consistent with that of the preceding year, except for the change in accounting policy adopted in the current year as explained in Note 2 and 3 to the consolidated financial statements.

In discharging its responsibility for the integrity, fairness and quality of the consolidated financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded, liabilities are recognized, proper records are maintained, and the Corporation complies with applicable laws and conflict of interest rules.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through the Audit Committee, which is comprised of Directors who are not employees of the Corporation. The Audit committee meets with management on a regular basis.

The Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing her report thereon.

Pawan K. Chugh
Chief Executive Officer

Leonard Kwong
Director, Finance and Subsidiaries

July 27, 2007

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Consolidated Financial Statements (unaudited)

March 31, 2007 **Page**

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Northwest Territories Business Development and Investment Corporation

Consolidated Balance Sheet (unaudited)

For the year ended March 31,	2007 (000's)	2006 (000's)
Assets		
Cash and cash equivalents	$ 2,149	$ 1,725
Accounts receivable	311	326
Inventory	959	850
Prepaid expenses and deposits	24	20
	3,443	2,921
Funds and Reserves (Note 5)	7,632	6,895
Loans receivable (net) (Note 6)	28,917	30,897
Venture investments (net) (Note 8)	87	392
Property and equipment (net) (Note 11)	767	861
Real estate acquired in settlement of loans	-	310
	$ 40,846	**$ 42,276**
Liabilities		
Accounts payable and accrued liabilities	813	712
	813	712
Advance from the Government (Note 12)	33,129	35,480
Deferred capital contributions (Note 14)	1,405	1,184
Employee future benefits (Note 18b)	314	258
Deferred Government assistance	223	253
Due to shareholders of variable interest entities	194	189
	36,078	38,076
Equity		
Contributed surplus - Government	715	715
Deficit	4,053	3,485
	4,768	4,200
	$ 40,846	**$ 42,276**

Guarantees and commitments (Note 20).
The accompanying notes form an integral part of the financial statements.

Approved by the Board:

Darrell Beaulieu
Chairperson of the Board

Albert Lafferty
Chairperson of the Audit Committee

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Operations (unaudited)

	000's	
For the year ended March 31,	**2007**	**2006**
Lending and Investments		
Income on loans receivable and investments		
Interest	$ 2,084	$ 2,150
Dividends	62	30
Interest on pooled cash	456	179
	2,602	2,359
Interest expense on Advance from the Government	1,373	1,194
Allowance for credit losses (Note 7)	991	884
Write-downs (recoveries) on investments (Note 8)	(9)	(39)
Operating and administrative expenses (Note 16)	3,496	3,507
Net (loss) on lending and investments	**(3,249)**	**(3,187)**
Retail and Manufacturing		
Sales	2,924	3,357
Cost of goods sold	1,898	2,384
	1,026	973
Other income	73	65
Operating and administrative expenses (Note 17)	1,872	1,770
Net (loss) on retail and manufacturing	**(773)**	**(732)**
Net (loss) from operations	(4,022)	(3,919)
Gain on disposal of assets	10	-
Timing charges related to consolidation of VIE's	-	(45)
Net (loss) before Government contribution	(4,012)	(3,964)
Government contribution (Note 13)	4,580	6,262
Net income	**$ 568**	**$ 2,298**

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

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Retained Earnings (unaudited)

	000's			
For the year ended March 31,		**2007**		**2006**
Retained Earnings				
Balance, beginning of the year	$	3,485	$	1,259
Net Income		568		2,298
Initial adoption of AcG-15: Consolidation of Variable Interest Entities		-		(72)
Balance, end of year	**$**	**4,053**	**$**	**3,485**

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

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Cash Flow (unaudited)

	000's			
For the year ended March 31,		**2007**		**2006**
Operating activities				
Net income	$	568	$	2,298
Items not affecting cash				
Amortization of property and equipment		90		96
Working capital conversion and other government contribution		-		(1,680)
Amortization of deferred capital contributions		(32)		(32)
Change in allowance for credit and investment loss		-		845
Change in non-cash operating working capital (Note 16a)		95		718
Cash flows from operating activities		721		2,245
Investing Activities				
Disbursements to loans and investments		0		(6,131)
Repayments to loans and investments		0		6,504
(Acquisition) of property and equipment, net		0		(148)
Other investing activity		0		1
Cash flows from (used in) investing activities		0		226
Financing Activities				
Advance from the Government		0		1,600
Principal repayment of Advances from the Government		0		(2,017)
Contribution from the Government (Note 16b)		250		340
(Repayment) proceeds of long-term debt		0		(23)
Other financing activity		0		(15)
Cash flows (used in) from financing activities		250		(115)
Increase in Cash		971		2,356
Cash, beginning of the year		8,620		6,264
Cash, end of the year		**9,591**		**8,620**
Represented by:				
Cash and cash equivalents		2,149		1,725
Reserve funds		7,632		6,895
Bank indebtedness		-		-
	$	**9,781**	**$**	**8,620**

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

Supplemental information				
Cash interest paid during the year	**$**	**1,194**	**$**	**1,194**

1. The Corporation

(a) Authority

The Northwest Territories Business Development and Investment Corporation (Corporation or BDIC) was established on April 1, 2005 pursuant to the *Northwest Territories Business Development and Investment Corporation Act* (Act). The Corporation is the successor to the Northwest Territories Business Development Corporation (DC) and the Northwest Territories Business Credit Corporation (BCC). Both corporations were territorial Crown corporations that were dissolved on the establishment date of the Corporation. All assets, rights, titles, interests, agreements, obligations, liabilities and programs were transferred to the Corporation.

The Corporation is a territorial Crown corporation of the Government of the Northwest Territories (Government) named in Schedule B of the *Financial Administration Act* (FAA). Accordingly, the Corporation operates in accordance with Part IX of the FAA, the *Northwest Territories Business Development and Investment Corporation Act*, the Regulations made under Subsection 42(5) of the Act entitled the *Programs, Projects and Services Continuation Regulations* (Regulations), and any directives issued to it by the Minister responsible for the Corporation under Section 4 of the *Act*. No directives have been issued by the Minister to the Corporation.

(b) Mandate

The mandate of the Corporation is to support the economic objectives of the Government by encouraging the creation and development of business enterprises and by providing information and financial assistance to, and making investments in, such enterprises.

(c) Government contributions and advances

In accordance with Section 30 of the Act, the Corporation must annually submit a corporate plan, operating budget and capital plan identifying the contributions requested from the Government for approval by the Government's Financial Management Board prior to the commencement of the fiscal year. The contributions received from the Government are for the purposes of financing the Corporation's operations, making capital investments in and providing working capital advances and operating subsidies to subsidiaries based on need, providing subsidy contributions for approved business development projects, and investing in business enterprises.

The Corporation and its subsidiaries are economically dependent upon the contributions received from the Government for their ongoing operations.

Section 26 of the Act also authorizes the Government to advance to Corporation an amount out of the Consolidated Revenue Fund not exceeding $150 million for the purposes of providing financial assistance or making investments in business enterprises. The advance is repayable to the Government on such terms and conditions as the Minister of Finance may fix.

1. The Corporation (continued)

(d) Taxes

The Corporation and its subsidiaries are exempt from the payment of any municipal, territorial and federal income taxes pursuant to Section 35 of the Act and Section 149 of the Income Tax Act. This tax exemption does not apply to certain variable interest entities (VIEs) included in the consolidated financial statements of the Corporation.

2. Significant Accounting Policies

The consolidated financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

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 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. 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 estimates made relate to investments in loans and ventures, accrued interest receivable, provision for losses on impairments and inventories

The significant accounting policies followed by the Corporation in the preparation of these financial statements are summarized below.

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation, and its subsidiaries, and the results of operations of all Variable Interest Entities (VIE's) where the Corporation is the Primary Beneficiary, after the elimination of all identifiable intercompany transactions and balances.

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.

2. Significant Accounting Policies (continued)

(a) Basis of consolidation (continued)

These consolidated financial statements include the accounts of the following subsidiaries:

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

Aklavik & Tuktoyaktuk Furs Ltd. had a wind up plan approved by the Board in November 2002; in 2004 the company divested itself of its leases and properties in Aklavik and is continuing operations pending sale of the building in Tuktoyaktuk.

The Corporation also invests in ventures where it does not hold a majority voting interest. These venture capital investments are accounted for in accordance with Accounting Guideline 15 on Consolidation of Variable Interest Entities (AcG 15) which requires the Corporation to consolidate certain VIEs where the Corporation is exposed to the majority of the VIE's expected losses or is entitled to a majority of the VIE's expected residual returns, or both. Those venture capital investments which the Corporation is not required to consolidate in accordance with AcG 15 are accounted for in accordance with the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3051 on Investments.

(b) Cash and cash equivalents

Cash and cash equivalents are comprised of bank account balances net of outstanding cheques and short-term highly liquid investments that are readily convertible to cash with a maturity date of 90 days or less from the date of acquisition.

2. Significant Accounting Policies (continued)

(c) Inventory

Inventories consist of raw materials, work-in-process and finished goods. Raw materials and work-in-process are valued at the lower of cost and replacement cost. Finished goods are valued at the lower of cost and estimated net realizable value, with cost being determined on a first in first out basis.

(d) Loans receivable

Loans receivable are stated net of allowance for credit losses.

Loans are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. In addition, a loan is also classified as impaired when, principal and interest is three months past due, unless the loan is fully secured; or the loan has been previously restructured and principal and interest is three months past due; or principal or interest is six months past due regardless of whether or not the loan is fully secured; or there has been a significant decline in the value of the security underlying the loan.

When a loan is classified as impaired, the recorded investment in the loan is reduced to its estimated net realizable amount through an adjustment to the allowance for credit losses. Changes in the estimated net realizable amount arising subsequent to initial impairment are also adjusted through the allowance for credit losses.

Interest income is recorded on an accrual basis until such time as the loan is classified as impaired. All payments received on an impaired loan are credited against the recorded investment in the loan. The loan reverts to accrual status when all provisions for credit losses are reversed and, in management's opinion, the ultimate collection of principal and interest is reasonably assured. At that time previously non-accrued interest income is recognized as interest income.

(e) Allowance for credit losses

The allowance for credit losses represents management's best estimate of the probable credit losses existing in the loan portfolio. The allowance is determined based on management's identification and evaluation of problem accounts and estimated probable credit losses that exist on the remaining portfolio.

In determining the allowance for credit losses, management segregates probable credit losses in two components: specific and general.

The specific allowance is established to value impaired loans at the lower of the recorded investment in the loan or the estimated net realizable amount of the underlying security. The estimated net realizable amount is determined as the fair value of the underlying security less the costs required to realize the security.

The general allowance is established to reflect the probable losses on performing loans which cannot yet be specifically identified as impaired. The general allowance is based on the Corporation's historical loan loss experience and management's assessment of the Corporation's aggregate exposure to particular industries or geographical regions and prevailing economic conditions

2. Significant Accounting Policies (continued)

(e) Allowance for credit losses (continued)

The allowance for credit losses is an accounting estimate based on historical loan loss experience and an assessment of current conditions. Events may occur that render the underlying assumptions invalid and thus cause actual credit losses to vary significantly from management's estimate.

The allowance is increased by provisions for credit losses and reduced by loan write-offs and forgiveness. The recoveries are accounted for when received and are included in interest income.

(f) Venture investments

Venture investments where the Corporation does not exercise significant influence are recorded at cost. Dividends are recognized as revenue when receivable. Gains and losses on disposal are recognized in income when realized. Where there has been a significant and other than temporary decline in value, the investment is written down to recognize the loss.

Dividends from venture investments are included in revenue when received and are deposited to the Venture Investment Fund to be used for additional investments in venture activities.

(g) Property and Equipment

Property and equipment is carried at cost less accumulated amortization. Amortization is recorded by the straight line method at rates set out below:

Buildings	20 years
All other assets	4 years

Property and equipment are reviewed for impairment whenever events and changes in circumstances suggest that the carrying amount of an asset may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted projected future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value.

(h) Property acquired in settlement of loans

Property acquired from customers to satisfy loan commitments is classified as held for sale and recorded at fair value, less cost to sell. Fair value less cost to sell is the amount that could be realized in an arm's length disposition, considering the estimated time required to realize the security, the estimated costs of realization and any amounts legally required to be paid to the borrower.

Net operating costs incurred on real property held for sale are included as a component of interest income. Recoveries arising from the disposal of real property held for sale are recognized when title to the property passes to the purchaser. The carrying value of real property held for sale is also adjusted to reflect significant decreases in the estimated fair value subsequent to acquisition. These recoveries and adjustments are included as a component of other income.

2. Significant Accounting Policies (continued)

(i) Contribution from the Government

The contributions approved to finance the Corporation's operations are recognized as revenue in the year it is received by the Corporation.

Deferred capital contributions for working capital advances are recognized as revenue whenever there has been a significant erosion in the subsidiary's working capital balance such that it is unlikely that the subsidiary would be able to recover the loss in working capital in the future.

The contributions approved for providing operating subsidies to the subsidiaries are recognized as revenue in the year that the subsidy is paid to the subsidiary. A subsidy contribution which has not been expended at year-end may be carried forward to the following year and is recorded as a deferred subsidy contribution.

The contributions approved for investments in majority-owned subsidiaries and purchasing capital assets for the parent company are recorded as a deferred capital contribution and are amortized (into income) on the same basis as the amortization of the related property, plant and equipment.

The contributions approved for providing project contributions and paying business development expenses are recorded as a deferred capital contribution and are recognized as revenue in the year that the project contribution or business expenses are paid.

(j) Employee future benefits

i) Pension benefits: Employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation contributes at a rate of 2.14 times (2005: 2.14) the employee's contribution. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Pension Plan.

ii) Employee severance and removal benefits: Employees are entitled to severance benefits and reimbursement of removal costs, as provided under labour contracts and conditions of employment. The benefits are paid upon resignation, retirement or death of an employee. The expected cost of providing these benefits is recognized as employee's rendered service. Termination benefits are also recorded when employees are identified for lay-off. The cost of the benefits has been determined based on management's best estimates.

(k) Contribution from the Government - services provided without charge

The Government provides certain services without charge to the Corporation. The estimated value of these services is recorded as government contributions - services provided without charge, and included in the expenses.

2. Significant Accounting Policies (continued)

(l) Change in accounting

Consolidation of variable interest entities

On April 1, 2005, the Corporation prospectively adopted the Accounting Guideline 15, "Consolidation of Variable Interest Entities (AcG-15)", issued by the Canadian Institute of Chartered Accountants (CICA). AcG-15 provides guidance for applying consolidation principles found in the CICA Handbook Section 1590, *Subsidiaries*, to those entities defined as variable interest entities (VIEs). A variable interest entity is an entity in which the total equity investment at risk is not sufficient to finance its activities without additional subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. The new guideline requires consolidation of an entity by the primary beneficiary and defines a primary beneficiary to be the enterprise that absorbs or receives the majority of the VIE's expected losses or gains, or both. AcG-15 also requires specific disclosure for VIEs that are not consolidated but in which the Corporation has a significant variable interest.

The effect of applying AcG-15 to the statements of the Corporation for fiscal 2005-2006 is as follows:

	000's		
For the year ended March 31, 2006	Prior to Implementation of AcG-15	Impact of Implementation of AcG-15	**Consolidated per AcG-15**
	Restated - Note 3		
Statement of Operations			
Net (loss) on lending and investments	(3,211)	24	(3,187)
Net (loss) on retail and manufacturing	(836)	104	(732)
All other items	6,273	(56)	6,217
Net income	**$ 2,226**	**$ 72**	**$ 2,298**
Retained Earnings			
Balance, beginning of the year	$ 1,259	$ (72)	$ 1,187
Balance, end of year	**$ 3,485**	**$ -**	**$ 3,485**

2. Significant Accounting Policies (continued)

(l) Change in accounting (continued)

Consolidation of variable interest entities (continued)

	000's		
For the year ended March 31, 2006	Prior to Implementation of AcG-15	Impact of Implementation of AcG-15	**Consolidated per AcG-15**
	Restated - Note 3		
Balance Sheet as at March 31, 2006			
Assets			
Cash and other current assets	$ 2,688	$ 233	$ 2,921
Reserve funds	6,895	-	6,895
Loans receivable (net)	30,998	(101)	30,897
Venture investments (net)	469	(77)	392
Property and all other assets (net)	660	511	1,171
	$ 41,710	**$ 566**	**$ 42,276**
Liabilities			
Current liabilities	588	124	712
Advances and long-term debt	35,480	-	35,480
Employee future benefits	258	-	258
Deferred Government assistance	-	253	253
Due to non-controlling interests of VIE's	-	189	189
Deferred capital contributions	1,184	-	1,184
	37,510	566	38,076
Equity			
Contributed surplus	715	-	715
Retained earnings	3,485	-	3,485
	4,200	-	4,200
	$ 41,710	**$ 566**	**$ 42,276**

2. Significant Accounting Policies (continued)

(m) Future changes in accounting

On January 2005, the CICA issued a number of new Handbook Sections including Section 3855, *Financial Instruments - Recognition and Measurement*, Section 1530, *Comprehensive Income* and Section 3251, *Equity*. Section 3855, *Financial Instruments - Recognition and Measurement* provides standards on the recognition and measurement of financial assets, liabilities and non-financial derivatives. Section 1530, *Comprehensive Income* establishes standards on the reporting and display of changes in equity from transactions and other events and circumstances from non-owner sources (comprehensive income). Section 3251, *Equity* establishes standards for the presentation of equity and changes in the reporting period. All of these Sections are effective for fiscal years beginning on or after October 1, 2006. The Corporation is currently evaluating these Sections and their implications.

3. Cash and Cash Equivalents

The cash of the parent company and it's direct subsidiaries 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-2 High or better from the Dominion Bond Rating Service Limited. The Corporation's average investment yield was 4.0% during the year (2006: 2.8%) and net investment income of $386,000 (2006: $170,000) is included in interest income.

	000's	
	2007	**2006**
Cash held by the parent company		
Cash on hand	$ 9,353	$ 7,987
Less: Cash held in funds	(7,632)	(6,895)
Cash available for operations	1,721	1,092
Cash held by subsidiaries and VIEs, net	428	633
	$ 2,149	**$ 1,725**

4. Inventory

		000's 2007		2006
Finished goods	$	699	$	619
Raw materials		209		196
Work in progress		51		35
	$	**959**	**$**	**850**

During the year, inventories of $8,000 (2006: $71,000) were written off.

5. Funds and Reserves

In accordance with Sections 27 of the Act, the Corporation is required to establish a Loan and Investments Fund for its loan and investment operations. The Program, Projects and Services Continuation Regulations of the Corporation specifies in Part I Section 4 (2), that a Loans and Bonds Fund will be used to record the lending operations while in the Part II Section 19 (2), a Venture Investment Fund will be used to record the venture investment operations.

Furthermore under the Program, Projects and Services Continuation Regulations Part II 18 (2), the Corporation has the obligation to continue to maintain the Capital Fund, the Subsidy Fund and the Capital Reserve Fund established under the former Northwest Territories Development Corporation.

In addition to these funds, the Corporation is required under the Program, Projects and Services Continuation Regulations Part II 18 (6) and 19 (5) to establish a Capital Reserve Fund and Venture Reserve Fund respectively. The Corporation will continue to deposit to the reserve funds an amount equal to 10% of each capital or venture investment made. The Corporation may use the reserve funds for further investment or financing for its subsidiaries and venture investments through approved drawdowns.

Fund and reserve balances are summarized as follows:

		000's 2007		2006
Loans and Bond Fund				
Opening balance	$	1,400	$	599
GNWT Loan advance		-		1,600
Repayments on loans and interests received		8,449		7,865
Repayments on GNWT Loan advance		(3,450)		(3,000)
Disbursements of loans		(5,315)		(5,664)
Ending balance	**$**	**1,084**	**$**	**1,400**

5. Funds and Reserves (continued)

		000's 2007		2006
Venture Investments Fund				
Opening balance	$	2,928	$	2,909
Allocation of committed funds		-		15
Use of committed funds		(15)		-
Dividends received and interest earned		97		28
Repayments of loans and investments		554		63
Investments made		-		(87)
Ending balance	**$**	**3,564**	**$**	**2,928**
Subsidy Fund				
Opening balance	$	1,246	$	765
Government contributions received		650		961
Subsidy payments to subsidiaries		(507)		(438)
Business Development contributions		(16)		(42)
Ending balance	**$**	**1,373**	**$**	**1,246**
Capital Fund				
Opening balance	$	684	$	344
Government contributions received		250		340
Ending balance	**$**	**934**	**$**	**684**
Capital Reserve Fund				
Opening balance	$	151	$	191
Government contributions received		-		100
Capital investments made in subsidiaries		-		(140)
Recoveries made from subsidiaries		40		-
Ending balance	**$**	**191**	**$**	**151**
Venture Reserve Fund				
Opening balance	$	486	$	477
Deposits from the Venture Investment Fund		-		9
Ending balance	**$**	**486**	**$**	**486**
Total Funds and Reserves	**$**	**7,632**	**$**	**6,895**

6. Loans Receivable

The Corporation provides loans for periods up to five years and amortization not exceeding twenty-five years at fixed rates based on risk factors including the security provided and the ability of the client to make scheduled payments.

As of March 31, 2007, loans receivable are expected to mature as follows:

		000's			
		2007		2006	
		Average Yield	Balances	Average Yield	Balances
Performing loans					
due within:	1 year	7.20	$ 7,646	8.02	$ 3,018
	1 - 2 years	7.45	4,369	6.73	6,081
	2 - 3 years	6.75	5,367	7.40	6,204
	3 - 4 years	6.70	5,053	6.58	6,129
	over 4 years	7.89	4,363	6.69	5,843
			26,798		27,275
Accrued loan interest receivable			182		186
Impaired loans			12,618		13,126
			39,598		40,587
Less: allowance for credit losses			10,681		9,690
			$ 28,917		**$ 30,897**

Concentration of credit risk

Concentration of credit risk may arise from exposure to groups of debtors having similar characteristics such that their ability to meet their obligations may be affected similarly by changes in economic or other conditions. The concentrations of performing loans and impaired loans by geographic and enterprise concentration are displayed in the following tables:

Geographic concentration

	000's			
	2007		2006	
	Performing	Impaired	Performing	Impaired
South Slave Region	$ 11,317	$ 5,523	$ 10,634	$ 5,507
North Slave Region	7,073	3,762	7,919	3,772
Inuvik Region	3,419	1,672	3,940	2,033
Decho Region	2,652	918	2,756	857
Sahtu Region	2,337	743	2,026	957
	$ 26,798	**$ 12,618**	**$ 27,275**	**$ 13,126**

6. Loans Receivable (continued)

Enterprise concentration

	000's			
	2007		2006	
	Performing	Impaired	Performing	Impaired
Construction	$ 5,392	$ 1,752	$ 6,421	1,227
Retail Trade	5,786	1,014	4,647	1,370
Accomodations, Food and Beverage	2,807	1,616	2,700	1,815
Transportation and Storage	3,405	680	3,553	607
Travel and Tourism	881	2,181	977	2,266
Fisheries and Wildlife Harvesting	56	943	150	1,395
Finance and Insurance	846	-	762	-
Oil and Gas	-	1,260	-	1,344
Manufacturing	152	464	841	568
Communication	32	562	45	606
Forestry and Logging	-	48	-	66
Arts and Crafts	-	4	3	4
Agriculture	-	3	-	3
Other Services	7,441	2,091	7,176	2,067
	$ 26,798	**$ 12,618**	**$ 27,275**	**$ 13,338**

The loans receivable contains loans, totalling $0.0 million, made to venture investees. The loans are in addition to the venture investments shown in note 9. Of the $0.0 million (2006: $1.2 million), $000,000 are performing loans while $000,000 (2006: $645,000) are impaired.

7. Allowance for Credit Losses

	000's	
	2007	2006
Balance, beginning of year	$ 9,690	$ 8,806
Allowance for the year, net	991	893
Recoveries	0	(9)
Balance, end of the year	**10,681**	**9,690**
Comprised of:		
Specific allowance	10,097	9,057
General allowance	584	633
	$ 10,681	**$ 9,690**

8. Venture Investments

The Corporation's portfolio of venture investments is focused on providing financing in the form of preferred shares and debt to companies in the Northwest Territories.

As March 31, 2007, the corporation does not have significant influence in the companies in which she has invested into.

The carrying value of the debt investments is zero while the carrying value of the preferred shares is $87,000 (2006: $392,000).

	000's			
	2007		2006	
Balance, beginning of the year	$	392	$	404
Investments		-		87
Redemptions and repayments (net)		(305)		(22)
Eliminations related to adoption of AcG-15		-		(77)
Balance, end of the year	**$**	**87**	**$**	**392**

No investments were made during the year (2006: $87,000) and $305,000 (2006: $62,000) were redeemed. For 2006-2007, there were no write-downs (2006: nil) in the carrying value of the Corporation's preferred shares or debt.

In 2005-2006 one of the investments, held in the form of debt, was converted into preferred shares. The carrying value of this investment is zero.

Preferred Shares and Dividends

Investments in preferred shares carry the right of conversion to common shares. This right, if exercised, may result in the holding of a controlling interest under certain circumstances.

Preferred shares are redeemable at the option of the Corporation, and earn dividends at variable rates. Dividends have been waived for the first three years for certain of the investments. Investment yields vary from year to year due to the amount and timing of dividend and interest income received.

9. Investment Risk

The Corporation's investment risk exposure relating to loans and ventures is directly impacted by the clients' ability to meet their obligations. This ability is impacted by the clients' exposure to fluctuations in the economy of the Northwest Territories.

The Corporation mitigates investment risk by holding no significant concentration with any individual client. It is prevented by the Act from lending to and investing in any one business enterprise or to a group of related enterprises an amount in excess of $2 million. Where appropriate, the Corporation takes security for the investments.

Write-offs

Under the provisions of the *Financial Administration Act*, an account (loan and venture investment) can only be approved for write-off by either the Legislative Assembly (over $20,000) or the Board of Directors ($20,000 or less). An account written off is still subject to collection action.

In 2007, no accounts were written off by the Legislative Assembly (2006: nil) and five accounts representing five borrowers totalling $56,000 were written off by the Board of Directors (2006: nil).

In 2007, recoveries on accounts previously written off totaled $8,000 (2006: $26,000).

Forgiveness

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

In 2007, no accounts were forgiven by the Legislative Assembly (2006: nil). One account representing one borrower in the amount of $81.00 was forgiven by the Financial Management Board (2006: nil).

10. Variable Interest Entities

The Corporation has significant interests in two VIEs that are not consolidated because the Corporation is not considered the primary beneficiary. These two entities, to which the Corporation provided loans and investment dollars, had asset values of approximately $3,634,000 as at March 31, 2006.

The Corporation's maximum exposure to loss as a result of its involvement with these VIE's was approximately $107,000 as at March 31, 2007 (2006: $1,216,000). For this purpose, maximum exposure to loss represents the carrying value of loans and investments in these VIE's

The Corporation has determined it is the primary beneficiary of six entities; however it was unable to obtain the information necessary to consolidate three of these entities as the entities were either unable or unwilling to provide the financial information by the statements date. These entities are investment related, their approximate assets totalled $1,633,000 with maximum exposure of $907,000 as at March 31, 2006.

11. Property and Equipment

						000's		
				Accumulated		Net Book Value		
		Cost		Amortization		2007		2006
Land	$	20	$	-	$	20	$	20
Buildings		4,825		4,418		407		460
Equipment		1,233		1,110		123		140
Leasehold improvements		104		102		2		-
Computer equipment		175		170		5		6
Vehicles		979		769		210		235
	$	**7,336**	**$**	**6,569**	**$**	**767**	**$**	**861**

12. Advance from the Government of the Northwest Territories

The *Act* authorizes the Corporation to borrow for the purpose of lending and for minority equity investments, up to $150 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 $45 million as at March 31, 2007 (2006: $45 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 3.9% to 4.5% during the year (2006: 3.0% to 4.0%).

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.

13. Government Contributions

		000's		
		2007		2006
Government of the Northwest Territories				
Contribution for operations and business development	$	2,981	$	2,904
Working capital conversion		-		1,680
Services provided without charge		917		982
Contribution for subsidies to subsidiaries		507		438
Release of working capital commitment		-		101
Amortization of deferred capital contributions		29		32
		4,434		6,137
Federal and Territorial programs		146		125
	$	**4,580**	**$**	**6,262**

13. Government Contributions (continued)

In 2005-2006 the Corporation, per Record of Decision FB-05-02-E4, converted working capital advances loaned to the subsidiaries into a one time subsidy. In two cases there were dollars committed to subsidiaries that had been subsequently dissolved; in those cases the working capital commitments were released.

14. Deferred Capital Contributions

	000's			
		2007		2006
Opening balance	$	1,184	$	2,556
Funding received in the year		250		340
Working capital conversion		-		(1,680)
Amortization of deferred capital contribution		(29)		(32)
	$	**1,405**	**$**	**1,184**

15. Consolidated Statement of Cash Flows - Summary

(a) Changes in non-cash operating working capital

	000's			
		2007		2006
Accounts receivable	$	15	$	37
Inventory		(109)		222
Prepaid expenses and deposits		(4)		(12)
Accounts payable and accrued liabilities		157		(41)
Loan receivable interest income accruals		36		(35)
	$	**95**	**$**	**171**

(b) Contribution from Government

Capital fund	$	250	$	340
Venture fund		-		-
	$	**250**	**$**	**340**

16. Operating and Administrative Expenses

	000's			
	2007		2006	
	Lending	Retail / Manufacturing	Lending	Retail / Manufacturing
Salaries	$ 2,631	$ 941	$ 2,515	$ 906
Rent	189	34	378	38
Professional fees	179	138	163	74
Office and general	158	189	128	160
Utilities	-	188	-	183
Board members	100	5	65	-
Travel	54	111	51	98
Communication	20	49	24	48
Training and workshops	22	-	16	-
Advertising and promotion	20	105	10	83
Amortization	6	84	8	88
Bad debts	-	4	4	65
Bank charges and interest	2	24	3	27
	3,381	1,872	3,365	1,770
Business Service Centre	99	-	100	-
Business Development Fund	16	-	42	-
	$ 3,496	**$ 1,872**	**$ 3,507**	**$ 1,770**

17. Due to Shareholders of Variable Interest Entities

The shareholder's loan is unsecured, non-interest bearing with no fixed terms of repayment. Since the loan is non-interest bearing, it may not be stated at fair value. In the opinion of management, fair value is not relevant to the users of the financial statements. Management has stated that they will not demand repayment within the next fiscal year and consequently the balance has been presented as long-term.

18. Employee Future Benefits

a) Pension benefits

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions in the Public Service Pension Plan for the year were as follows:

	000's	
	2007	2006
Corporation's contributions	$ 192	$ 63
Employee's contributions	83	32

18. Employee Future Benefits (continued)

b) Severance and removal benefits

The Corporation provides severance benefits to its employees based on years of service and final salary. The Corporation also provides removal assistance to eligible employees, as provided under labour contracts. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Future benefits will be paid out of future appropriations. Information about the plan, measured as at the balance sheet date, is as follows:

	000's	
	2007	2006
Accrued benefit obligation, beginning of the year	$ 258	$ 101
Cost for the year	56	157
Benefits paid during the year	-	-
Accrued benefit obligation, end of the year	**$ 314**	**$ 258**

19. Fair Value of Financial Instruments

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, loans receivable, Funds and reserves, venture investments, accounts payable and accrued liabilities. 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 values are determined using the valuation methods and assumptions described thereafter.

- Short term financial instruments such as the cash and cash equivalents, accounts receivable, Funds and reserves and accounts payable and accrued liabilities are valued at their balance sheet carrying values, which are reasonable estimates of fair value due to the relatively short period to maturity.

- The estimated fair value for the performing loans is assumed to equal carrying value, which are reasonnable estimates of fair value due to the fact that all loans are issued at the market interest rates for equivalent tems to maturity. The estimated fair value of the impaired loans receivable is equal to their net realizable value, which is based on underlying security.

- The estimated fair value for the venture investments is assumed to equal carrying value, which is reasonable estimates of fair value since there is no quoted market value available and the return on investment is too unpredictable.

As with any estimate, uncertainty is inherent due to the unpredictability of future events. Estimates of fair values are based on market conditions at a certain point of time, and may not be reflective of the actual values that could be realized upon settlement.

20. Guarantees and Commitments

Guarantees

The Corporation has two outstanding loans to two northern Community Futures organizations for lending purposes in the amounts of $950,000 and $500,000 respectively. Loans provided by these two organizations from these amounts that later become impaired may be assigned to the Corporation. Once assigned, the Corporation will credit to the Community Futures organization the impaired loan balance against its own loan with the Corporation. In 2007, there was one account in the amount of $60,000 assigned to the Corporation (2006: nil).

Loan commitments

As at March 31, 2007, loans to businesses, approved but as yet undisbursed, totalled $3.1 million at an average interest rate of 7.5% (2006: $2.9 million at an average rate of 7.42%). These loans do not form part of the loans receivable balance until disbursed.

Letters of credit and revolving loans

The Corporation has four outstanding irrevocable standby letters of credit. The amounts of these letters of credit totalled $405,000 and expire in 2007 and 2008. Both were renewed for another year on their expiry dates. Payment by the Corporation is due from these letters in the event that the applicant is in default of the underlying debt. To the extent that the Corporation has to pay out third parties as a result of these agreements, these payments will be owed to the Corporation by the applicants. The letters of credit are secured by promissory notes and general security agreements. There are currently no amounts that the Corporation has paid out as a result of these letters of credit and no amount has been recorded as a liability.

The Corporation has one outstanding revolving loan to one borrower that expires March 31, 2009. There were no amounts outstanding as at March 31, 2007 (2006: nil).

Other commitments

The Corporation is committed to one operating lease for equipment at its future minimum payment of $9,000 that expires in 2008.

21. 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 and on normal trade terms applicable to all individuals and enterprises except that certain services, as explained hereafter, are provided without charge.

21. Related Party Transactions (continued)

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

	000's			
	2007		2006	
Revenues				
Sales	$	33	$	30
Expenses				
Purchases	$	256	$	225
Balances at year end				
Accounts receivable	$	11	$	31
Accounts payable		22		33

Services provided without charge

The Corporation records the value of other property and equipment or services provided by the Government without charge in these financial statements. Services provided by the Government include regional and human resource services as well as office accommodation. The values of such services are estimated as follows:

	000's			
	2007		2006	
Staff support	$	728	$	715
Accomodation and renovation		189		267
	$	**917**	$	**982**

22. Comparative Figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

NORTHWEST TERRITORIES HOUSING CORPORATION

FINANCIAL STATEMENTS

for the year ended March 31, 2007

(unaudited)

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

(unaudited)

To the Honourable Joe Handley
Minister Responsible for the
Northwest Territories Housing Corporation

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

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

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

Jeff Polakoff
President

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

Yellowknife, Northwest Territories
July 6, 2007

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NORTHWEST TERRITORIES HOUSING CORPORATION

Consolidated Balance Sheet
As at March 31, 2007
(in thousands)
(unaudited)

	2007	2006
ASSETS		
Current		
Cash	$ 7,765	$ 9,892
Short-term investments (Note 3a)	11,830	13,928
Accounts receivable (Note 4)	22,093	3,545
Prepaid expenses	68	212
	41,783	27,577
Fixed-term investments (Note 3b)	6,462	6,393
Investment in housing projects		
Land and buildings (Note 5a)	159,105	140,005
Mortgages receivable (Note 5b)	1,901	3,806
	161,006	143,811
Property and equipment (Note 6)	4,506	4,769
	$ 213,730	$ 182,550
LIABILITIES		
Current		
Accounts payable (Note 7)	$ 19,036	$ 13,976
Current portion of long-term debt and capital leases	5,722	5,892
	24,758	19,868
Long-term debt (Note 8)	69,903	74,999
Obligation under capital leases (Note 9)	7,878	8,235
Employee future benefits (Note 10)	2,184	2,168
Deferred capital funding (Note 11)	76,845	67,620
	156,810	172,890
EQUITY		
Equity of the Government of the Northwest Territories	32,162	9,660
	$ 213,730	$ 182,550

Contingencies and commitments (Notes 15 and 16)

Approved by Management:

President

Chief Financial Officer

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

NORTHWEST TERRITORIES HOUSING CORPORATION

Consolidated Statement of Operations
For the year ended March 31, 2007
(in thousands)
(unaudited)

		2007		2006
Expenses				
Rental housing programs				
Utilities, taxes and land leases	$	16,106	$	15,216
Repairs, maintenance, and other costs		14,424		13,847
Interest on long-term debt		8,391		8,991
Amortization		7,365		7,461
Contributions for social housing		6,345		6,253
Leasing		2,830		2,970
Contributions for market housing		1,036		1,094
Homeownership programs				
Homeownership grants and contributions		4,358		5,787
Provision for impaired mortgages		1,530		3,187
Mortgage subsidies, net of recoveries		326		-
Administration (Note 12)		19,587		19,392
		82,299		84,198
Revenues and recoveries				
Rental revenue		4,740		4,058
Subsidy recoveries, net of subsidies		-		2,747
Other revenue and recoveries		1,828		1,691
Gain on disposal of capital assets		295		1,455
Investment revenue		1,184		776
Mortgage interest revenue		142		270
Recovery of prior year grants		-		176
		8,189		11,173
Net cost of operations prior to government funding		74,110		73,025
Government funding				
Government of the Northwest Territories		58,220		50,220
Canada Mortgage and Housing Corporation (Note 13)		17,993		18,365
Amortization of deferred capital funding (Note 11)		4,464		5,229
		80,677		73,814
Net funding of operations	$	6,567	$	789

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

NORTHWEST TERRITORIES HOUSING CORPORATION

Consolidated Statement of Equity
For the year ended March 31, 2007
(in thousands)
(unaudited)

	2007	2006
Equity of the Government of the Northwest Territories, beginning of the year	$ 9,660	$ 6,400
Net funding of operations	6,567	789
	16,227	7,189
Funding from the Government of the Northwest Territories		
Acquisition of non-depreciable capital assets	15,626	2,183
Long-term debt principal repayment	309	288
Equity of the Government of the Northwest Territories, end of the year	$ 32,162	$ 9,660

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

NORTHWEST TERRITORIES HOUSING CORPORATION

Consolidated Statement of Cash Flows
For the year ended March 31, 2007
(in thousands)
(unaudited)

		2007		2006
Cash flow from operating activities				
Cash received from:				
Government of the Northwest Territories	$	41,136	$	53,274
Canada Mortgage and Housing Corporation (CMHC)		13,912		18,914
Rental revenue		4,534		4,189
Miscellaneous revenue and recoveries		3,146		2,446
		62,728		78,823
Cash used for:				
Administration		(23,497)		(23,870)
Utilities, taxes and land leases		(17,827)		(17,345)
Interest on long-term debt		(8,380)		(8,981)
Repairs, maintenance and other costs		(11,649)		(8,518)
Homeownership grants and contributions		(3,436)		(3,955)
Contributions for social housing		(3,345)		(3,329)
Leasing		(2,830)		(2,970)
Mortgage subsidies		(326)		(1,695)
Contributions for market housing		(1,036)		(1,047)
		(72,326)		(71,710)
Net cash (used) provided by operating activities		(9,598)		7,113
Cash flow from financing activities				
From the Government for capital assets		29,372		15,822
From CMHC for loan repayment		4,546		4,253
Repayment of long-term debt and capital leases		(5,970)		(5,514)
Net cash provided by financing activities		27,948		14,561
Cash flow from investing activities				
Mortgage payments received		1,086		841
Proceeds on sale of capital assets		3,111		4,538
Capital assets purchased		(26,703)		(19,124)
Investments purchased		(38,612)		(37,145)
Investments redeemed		40,641		35,400
Net cash used by investing activities		(20,477)		(15,490)
Net (decrease) increase in cash		(2,127)		6,184
Cash, beginning of the year		9,892		3,708
Cash, end of the year	$	7,765	$	9,892

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

1. PURPOSE OF THE ORGANIZATION

The Northwest Territories Housing Corporation (the Corporation) is a Territorial Crown Corporation, established under the *Northwest Territories Housing Corporation Act* (the Act). The 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.

The Government of the Northwest Territories (the Government) provides funding to the Corporation under Section 20 of the Act. Pursuant to provisions of this Act, the Corporation is dependent upon the Government, either directly or indirectly through guarantees, for the funds required to finance the net cost of its operations and for capital projects.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation

These consolidated financial statements include the accounts of the Corporation and, as required by *Accounting Guideline 15: Consolidation of Variable Interest Entities* (AcG-15) issued by the Canadian Institute of Chartered Accountants (see Note 3), the accounts of Local Housing Associations and Authorities (LHAs), variable interest entities (VIEs) for which the risks of their operations are effectively the responsibility of the Corporation.

Consolidation requires line-by-line compilation of accounts, however detailed LHA administration costs and cash flow cost of LHA operations are not readily available. Consequently, these are disclosed as a single amount in the statement of cash flows and note 14. Inter-entity balances and transactions have been eliminated in the consolidated figures.

Contributions for social housing

Housing units owned by the Corporation are operated by local housing associations, authorities, municipalities, and bands under agreements. The operations of the housing associations and authorities are fully consolidated in these financial statements as described in the consolidation accounting policy. The Corporation also provides contributions to municipalities and bands, under similar agreements, for the annual operating requirements of these local housing organizations, net of rent revenues collected. These are recorded in these statements, on an accrual basis, but only to the extent of the Corporation's agreed upon contributions to them.

The Corporation 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)

Revenue recognition

Funding received from the Government of the Northwest Territories for operating expenses is recognized as revenue in the fiscal year for which it is approved. The portion of the funding used to purchase depreciable capital assets is recorded as deferred capital funding and is amortized on the same basis and over the same period as the related capital assets. Grant-in-lieu contributions of depreciable capital assets from the government are also recorded as deferred capital funding. The portion used for non-depreciable capital assets and long-term debt principal repayments are credited directly to equity in the year the expenditures are incurred.

Funding provided through the Government's Department of Education, Culture and Employment is under a contribution agreement and is recognized as revenue in the year in which the related expenses are incurred.

Funding from Canada Mortgage and Housing Corporation (CMHC) under the Social Housing Agreement (SHA) is restricted under provisions of the Agreement. Accordingly, federal funding is recognized as revenue in the year in which the related expenses are incurred. Funding used for the repayment of loans used to purchase capital assets approximate the annual amortization expense of these assets and is recognized as revenue in the year received.

Contributions from CMHC under the Affordable Housing Program agreement are credited against the capital costs of housing units built under the program.

Investments

Short-term investments are valued at the lower of cost or market value, invested in a money market portfolio, and not considered cash equivalents. Fixed-term investments are valued at cost; with unrealized losses only recognized when there has been a permanent decline in the value of investments. Interest income is recorded on the accrual basis.

Investment in housing projects - land and buildings

Land and buildings constructed or purchased by the Corporation for the rental portfolio are at cost. Buildings transferred from CMHC or the Government, were stated at their respective book value when transferred. This was considered a reasonable estimate of cost. Construction in progress includes amounts which may be transferred to land and buildings for rental programs and are carried at cost. Construction in progress and housing for sale, including amounts that may be transferred to homeowners and a mortgage taken back against the property, are carried at lower of cost and estimated realizable value. Housing materials are valued at lower of cost and net realizable value.

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

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

Housing for sale and construction in progress are not amortized.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment in housing projects - mortgages receivable

a) Mortgage subsidies

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

Accordingly, the mortgage receivable balance represents the present value of the expected future payments from clients on the mortgages, prior to an allowance for impairment. Subsequent changes to the amount of subsidy provided, resulting from changes in income of the mortgagee, are recognized in the year the changes occur.

b) Allowance for impaired mortgages

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

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

c) 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 amortized 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.

Public Service Pension Plan

Employees participate in the Public Service Pension Plan (the Plan) administered by the Government of Canada. The Corporation's contributions reflect the full cost as employer. This amount is based on a multiple of employee contributions and may fluctuate over time, depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation. The Corporation is not required to make contributions with respect to actuarial deficiencies of the Plan.

(in thousands)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee future benefits

Under the terms and conditions of employment, employees may earn leave, severance and removal benefits based on years of service. The benefits are paid upon resignation, retirement, or death of an employee. The cost of these benefits has been determined based on management's best estimates and accrued as a liability as employees render service.

Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could significantly differ from those estimates. The more significant management estimates relate to valuation of allowances for mortgages receivable and of mortgage subsidies; employee future benefits; and the allocation of the costs of administering social housing programs for CMHC.

3. INVESTMENTS

a) Short-term investments

The Corporation invests in the short-term money market. The market yield of this portfolio ranged from 1.75% to 4.63% in 2007 (2006 – 1.25% to 5.20%). All instruments held are in high quality debt obligations with an average term to maturity of 27 days (2006 - 36 days).

b) Fixed-term investments

	2007			2006
Issuer	Effective rate of return	Term to Maturity	Carrying Value	Carrying Value
Government of Canada	3.26%	1 to 2 years	$ 1,100	$ 1,031
Trust company	3.55%	1 to 3 years	1,015	1,015
Provincial government	4.54%	1 to 9 years	4,347	4,347
			$ 6,462	$ 6,393

The average yield of this portfolio in 2007 was % (2006 – 4.17%).

4. ACCOUNTS RECEIVABLE

	2007	2006
Trade accounts receivable	$ 2,358	$ 1,398
Tenant rents receivable	1,264	636
Receivables from related parties		
Government of the Northwest Territories	17,572	147
Canada Mortgage and Housing Corporation	899	1,364
	$ 22,093	$ 3,545

(in thousands)

5. INVESTMENT IN HOUSING PROJECTS

a) Land and buildings

	2007			2006
	Cost	Accumulated Amortization	Net	Net
Land	$ 230	$ -	$ 230	$ 230
Housing for sale	4,083	-	4,083	3,920
Social housing	184,893	85,693	99,200	102,116
Social housing under capital lease	11,318	4,601	6,717	7,181
Lease/purchase housing	14,734	3,548	11,186	11,438
Market housing	7,379	1,060	6,319	5,689
Construction in progress	31,370	-	31,370	9,431
	$ 254,007	$ 94,902	$ 159,105	$ 140,005

b) Mortgages receivable

	2007	2006
Mortgages, interest at rates varying between 5.95% and 14.25% per annum, repayable over a maximum of 25 years	$ 45,697	$ 47,157
Less: allowance for mortgage subsidy	(29,225)	(30,031)
Unsubsidized mortgage receivable	16,472	17,126
Less: allowance for impaired mortgages	(14,571)	(13,320)
	$ 1,901	$ 3,806

The recorded value of those mortgages specifically identified as being impaired is $14,571 (2006 - $13,320). There were no write-offs in the current year (2006 – none).

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

6. PROPERTY AND EQUIPMENT

	2007			2006
	Cost	Accumulated Amortization	Net	Net
Warehouses and offices	$ 6,549	$ 3,237	$ 3,312	$ 3,461
Office furniture and equipment	4,813	3,885	928	976
Leasehold improvements	657	391	266	332
	$ 12,019	$ 7,513	$ 4,506	$ 4,769

NORTHWEST TERRITORIES HOUSING CORPORATION
Notes to Consolidated Financial Statements
March 31, 2007
(in thousands)
(unaudited)

7. ACCOUNTS PAYABLE

	2007	2006
Trade payables	$ 14,480	$ 9,935
Security deposits	1,294	1,244
Employee leave benefits (includes LHA benefits of $395; 2006 - $254)	898	823
Accrued interest	449	460
Wages and benefits	453	430
Prepaid rent	56	70
Deferred revenues	97	46
Payables to related parties		
Government of the Northwest Territories	1,309	968
	$ 19,036	$ 13,976

8. LONG-TERM DEBT

	2007	2006
Loans payable to Canada Mortgage and Housing Corporation, repayable in annual installments until the year 2033, bearing interest of 6.97% (2006 - 6.97%). The loans are guaranteed by the Government of the Northwest Territories	$ 24,709	$ 25,404
Mortgages payable to Canada Mortgage and Housing Corporation for units transferred under the Social Housing Agreement, maturing between the years 2007 and 2038, at interest rates ranging from 2.78% to 21.5% (2006 – 2.78% - 21.5%)	50,296	54,942
	75,005	80,346
Portion included in current liabilities	5,102	5,347
	$ 69,903	$ 74,999

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

	Principal	Interest	Total
2008	5,102	7,177	12,279
2009	5,368	6,627	11,995
2010	5,068	6,082	11,150
2011	4,596	5,589	10,185
2012	3,964	5,170	9,134
2013-2017	11,448	22,264	33,712
2018-2038	39,459	41,788	81,247

(in thousands)

9. OBLIGATION UNDER CAPITAL LEASES

The Northwest Territories Housing Corporation is committed, in aggregate, to payments of $1,746 per annum for 15 lease agreements for housing units that were initiated to support the Public Housing and Senior Citizens' Rent Supplement Programs and three lease agreements for market housing units. These lease agreements are based on implicit interest rates varying from 6.6% to 11.5% and expiry dates ranging from 2012 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	Executory Costs	Imputed Interest	Lease Obligation
Current				
2008	1,754	378	756	620
Long-term				
2009	1,754	378	694	682
2010	1,754	378	633	743
2011	1,754	378	563	813
2012	1,754	378	487	889
2013-2023	8,278	1,936	1,591	4,751
	15,294	3,448	3,968	7,878
Total	$ **17,048**	$ **3,826**	$ **4,724**	$ **8,498**

10. EMPLOYEE FUTURE BENEFITS

Pension Benefits

The Corporation and all eligible employees contribute to the Public Service Pension Plan (the Plan). The Plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index.

Contributions to the Plan were as follows:

	2007	2006
Employer contributions	$ 1,107	$ 1,054
Employee contributions	520	496

Leave, severance, and removal benefits

The Corporation provides leave, severance and removal benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

(in thousands)

10. EMPLOYEE FUTURE BENEFITS (CONT'D)

Liability for leave, severance, and removal benefits is as follows:

	2007	2006
Corporate benefit liabilities		
Accrued benefit obligation, beginning of the year	$ 2,168	$ 2,073
(Recoveries)/costs for the year	(298)	(194)
Benefits paid during the year	(58)	(34)
Accrued benefit obligation, end of the year	1,812	1,845
Less: Corporate current employee leave benefits	(503)	(569)
LHA benefit liabilities	875	892
	$ 2,184	$ 2,168

11. DEFERRED CAPITAL FUNDING – GOVERNMENT OF THE NORTHWEST TERRITORIES

	2007	2006
Balance, beginning of year	$ 67,620	$ 58,803
Government funding used for depreciable capital assets	13,688	14,046
Amortization of deferred capital funding	(4,464)	(5,229)
Balance, end of year	$ 76,844	$ 67,620

12. ADMINISTRATION EXPENSES

	2007	2006
Salaries and benefits	$ 13,809	$ 13,569
LHA administration	1,968	2,034
Building and equipment rentals	1,491	1,324
Travel and relocation	762	834
Professional and special services	478	739
Computer services	394	300
Communications	255	239
Materials and supplies	262	206
Land title fees and expenses	92	75
Workshops and studies	76	72
	$ 19,587	$ 19,392

(in thousands)

13. FUNDING FROM CANADA MORTGAGE AND HOUSING CORPORATION

	2007	2006
Recoveries in respect of:		
Operations and maintenance		
Funding for social housing including loan repayment and interest expense	$ 15,513	$ 15,786
Repairs, maintenance, and other costs	2,480	2,579
	$ 17,993	$ 18,365

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

CMHC's ownership interest in the social housing and loan portfolio affected by the SHA is transferred to the Corporation as Trustee, in accordance with a Declaration of Trust Agreement. A portion of the SHA funding is used to make payments on portfolio-related CMHC mortgages (Note 10). As the related mortgages mature, the Corporation obtains clear title to CMHC's share of the book value of the respective assets. Until clear title is obtained, CMHC is entitled to its respective share of any gains realized upon the disposal of any portfolio assets. Effective April 1, 2005, funding under the SHA for the operations and maintenance of the social housing programs, not including loan repayment and interest, is forwarded to the Government of the Northwest Territories, as they have assumed the responsibility for the provision of all rental subsidy related to social housing.

14. FINANCIAL INSTRUMENTS

a) Fair Value

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

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Fixed-term investments	$ 6,462	$ 6,397	$ 6,393	$ 6,329
Loans payable	24,709	26,645	25,404	27,465
Mortgages payable	50,296	78,310	54,942	83,577

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

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

The fair value of mortgages receivable is estimated to be the carrying amount due to the significant valuation allowances provided. The fair value of the remaining financial assets and liabilities approximate the carrying amounts because of the short term to maturity.

14. FINANCIAL INSTRUMENTS CONT'D

b) Credit Risk

Investments are managed by external investment managers. All investments have an R-1 medium or an AA rating or higher from the Dominion Bond Rating Service. Investments are limited to a maximum of 10% to 50% of the total portfolio and a maximum dollar value of $10 million depending on the issuer of the investment. There is no significant concentration in any one investment counterparty.

Accounts receivable are primarily amounts due from the Government, CMHC, and federal Goods and Services Tax rebates, which in aggregate represent 87% (2006 – 48%) of balances outstanding.

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

Loan guarantees provided by the Corporation to banks are in respect of loans advanced to individual homeowners and contractors throughout the territory. Guaranteed loans mature at various dates to the year 2023. Losses relating to loan defaults are not significant to the Corporation's 2006 operations.

15. CONTINGENCIES

The Corporation provided guarantees to banks financing certain new or renovated residential housing construction. As at March 31, 2007 a total of 43 (2006 - 46) loan guarantees were in effect, and the outstanding balance of loans guaranteed was $10,293 (2006 - $10,701).

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 outstanding balances of these third party loans as at March 31, 2007 is $35,106 (2006 - $36,392).

The outstanding balances represent the maximum amount of future loan principal payments under the guarantees and indemnities. In the event of default by the borrowers, the lenders could request payment from the Corporation. However the debts are secured by property which could also be sold to cover the guaranteed debt. The value of the underlying assets is considered to be sufficient to cover the debts.

(in thousands)

16. COMMITMENTS

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

	Total
2008	$ 4,429
2009	3,810
2010	2,487
2011	2,228
2012	1,703
After	1,636
Total	$ 16,293

17. RELATED PARTY TRANSACTIONS

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

18. SUBSEQUENT EVENT

Subsequent to year-end, the Corporation acquired a housing project from a third party sponsor group, which relinquished the asset and associated debt back to the Corporation. The mortgage on the project was administered by the Corporation, on behalf of CMHC, as provided under the Social Housing Agreement signed in 1997. The corresponding asset and liability of approximately $1,805,000 have been set up on the Corporation's books in the new year.

Report to the Commissioner of the Northwest Territories on the examination of the accounts and financial statements of the

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES

For the Year Ended March 31, 2007

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Office of the
PUBLIC TRUSTEE
For the Northwest Territories

Telephone (867) 873-7464
NWT Toll Free 1-866-535-0423
Fax (867) 873-0184

File No.
37-100

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

Public Trustee for the Northwest Territories

May3, 2007

Larry Porter

Mail: Office of the Public Trustee, Box 1320, Yellowknife, NT, Canada, X1A 2L9
Location: 4903-49th Street Fifth Floor Courthouse Yellowknife, NT

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Certified General Accountants

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AUDITORS' REPORT

Commissioner

We have audited the Balance Sheet of the Estate and Trust Fund as at March 31, 2007 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 for the Northwest Territories. 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, 2007, the results of operations and the changes in the Estate and Trust Fund Balance for the year then ended in accordance with accounting policies of the Public Trustee as outlined in Note 2 to the financial statements and as required by the Public Trustee Act and Regulations.

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

Avery, Cooper & Co.

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

May 3, 2007

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PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES
ESTATE AND TRUST FUND

BALANCE SHEET
March 31, 2007

ASSETS

	2007	2006
Cash (Note 3)	$3,161,549	$3,291,339
Other assets at nominal value	1	1
	$3,161,550	$3,291,340

LIABILITIES

	2007	2006
Undistributed Common Fund earnings per Statement II (Note 4)	$ 58,297	$ 43,678
Estate and Trust Fund per Statement III (Note 5)	3,103,253	3,247,662
	$3,161,550	$3,291,340

APPROVED:

____

Public Trustee for the Northwest Territories

See the accompanying notes.

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES
ESTATE AND TRUST FUND

STATEMENT OF OPERATIONS
For the year ended March 31, 2007

	2007	2006
Undistributed Common Fund earnings, opening	$ 43,678	$ 30,274
Add		
Common Fund earnings	139,396	96,350
	183,074	126,624
Less		
Interest paid to estates and trusts	85,065	46,628
Management fees	32,521	32,581
Miscellaneous account deficiencies		151
Excess interest paid to the Government of the Northwest Territories	7,191	3,586
	124,777	82,946
Undistributed Common Fund earnings, closing	$ 58,297	$ 43,678

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, 2007

	2007	2006
Estate and trust funds provided:		
Estate and trust assets received	$ 860,836	$ 1,116,400
Common Fund interest paid to estates and trusts	85,065	46,628
	945,901	1,163,028
Estate and trust funds applied:		
Payments to beneficiaries	831,743	627,748
Disbursements made on behalf of estates and trusts	167,536	484,942
Administration fees	84,780	63,757
GST on Administration fees	5,151	4,463
Court fees	1,100	1,350
	1,090,310	1,182,260
Increase (Decrease) in Estate and Trust Fund balance	(144,409)	(19,232)
Estate and Trust Fund balance, opening	3,247,662	3,266,894
Estate and Trust Fund balance, closing	$ 3,103,253	$ 3,247,662

See the accompanying notes.

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007

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 $124,492 (2006- $99,925) 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.

.../2

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:

	2007	2006
Common Fund	$3,103,252	$3,247,661
Other assets, at nominal value	1	1
	$3,103,253	$3,247,662

NOTE 6 FINANCIAL INSTRUMENTS

The financial instruments of the organization consist of cash, undistributed Common Fund earnings, and the Common Fund. It is management's opinion that the organization is not exposed to significant interest, currency or credit risks and that the fair value of these financial instruments approximate their carrying value.

WORKERS' COMPENSATION BOARD
NORTHWEST TERRITORIES & NUNAVUT
FINANCIAL STATEMENTS
DECEMBER 31, 2006

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Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

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

I have audited the balance sheet of the Workers' Compensation Board of the Northwest Territories and Nunavut as at December 31, 2006 and the statements of operations and other comprehensive income, reserves, and cash flow 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, 2006 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. In addition, 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.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
May 4, 2007

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Workers' Compensation Board and all information in this annual report are the responsibility of the Board's management and have been reviewed and approved by the Governance Council. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include some amounts, such as the benefits liability, that are necessarily based on management's best estimates and judgment. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibilities for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized and in accordance with the specified legislation, assets are safeguarded, and proper records are maintained.

The Governance Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Governance Council exercises this responsibility and is composed of Directors who are not employees of the Workers' Compensation Board. The Governance Council meets with management and the external auditors on a regular basis. The external auditors have full and free access to the Governance Council.

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

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

John Doyle,
Acting President

Jeffrey Dalley,
Corporate Comptroller

May 4, 2007

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WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
BALANCE SHEET
As at December 31, 2006
(in thousands of dollars)

	2006 $	2005 $ Restated (Note 3)
ASSETS		
Cash and cash equivalents (Note 4)	**3,900**	8,173
Assessments receivable	**4,972**	3,789
Other receivables and prepaid expenses	**230**	1,593
Fixed income investments (Note 5a)	**129,759**	114,684
Equity investments (Note 5b)	**196,579**	160,091
Buildings and equipment (Note 6)	**6,877**	6,558
	342,317	294,888
LIABILITIES AND RESERVES		
Liabilities		
Accounts payable and accrued liabilities	**2,060**	1,342
Assessments refundable	**537**	357
Benefits liability (Note 7)	**218,957**	206,544
Deferred proceeds from Giant Mine litigation (Note 11a)	**15,932**	-
Employee future benefits (Note 8b)	**977**	857
	238,463	209,100
Reserves (Note 9)		
Operating reserve	**11,951**	15,074
Investment fluctuation reserve	**33,488**	22,286
Rate stability reserve	**38,000**	28,000
Safety reserve	**165**	178
Catastrophe reserve	**20,250**	20,250
	103,854	85,788
	342,317	294,888

Commitments (Note 10)
Contingencies (Note 11)

The accompanying notes form an integral part of these financial statements

Approved by the Governance Council:

Denny Rodgers
Chairperson, Governance Council

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
STATEMENT OF OPERATIONS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2006
(in thousands of dollars)

	2006 $	2005 $ Restated (Note 3)
REVENUE		
Assessments	**36,651**	34,129
Investments		
Interest and dividends	**13,742**	11,581
Investment gains – net (Note 5c)	**21,874**	16,986
Investment fees	**(1,145)**	(1,026)
	71,122	61,670
EXPENSES		
Claims costs		
Claims costs, current year (Note 7)	**29,197**	25,729
Claims costs, prior years (Note 7)	**8,202**	(5,778)
Claim costs, prior years' cost of living payments	**151**	-
Recoveries for hunters and trappers (Note 13)	**(873)**	(904)
Third party legal claim recoveries (Note11)	**(51)**	(1,628)
	36,626	17,419
Administration and general expenses (Note 12)	**16,430**	15,675
	53,056	33,094
NET INCOME FROM OPERATIONS	**18,066**	28,576
Other comprehensive income	-	-
NET INCOME FROM OPERATIONS AND OTHER COMPREHENSIVE INCOME	**18,066**	28,576

The accompanying notes form an integral part of these financial statements

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
STATEMENT OF RESERVES

For the year ended December 31, 2006
(in thousands of dollars)

	2006 $	2005 $ Restated (Note 3)
Operating reserve		
Balance, beginning of year	**15,074**	11,484
Net income from operations and other comprehensive income	**18,066**	28,576
Transfer to Rate stability reserve	**(10,000)**	(14,000)
Transfer to Investment fluctuation reserve	**(17,499)**	(13,586)
Transfer from Investment fluctuation reserve	**6,297**	2,900
Transfer from Safety reserve	**13**	-
Transfer to Catastrophe reserve	**-**	(300)
Balance, end of year	**11,951**	15,074
Investment fluctuation reserve		
Balance, beginning of year	**22,286**	11,600
Transfer from Operating reserve	**17,499**	13,586
Transfer to Operating reserve	**(6,297)**	(2,900)
Balance, end of year	**33,488**	22,286
Rate stability reserve		
Balance, beginning of year	**28,000**	14,000
Transfer from Operating reserve	**10,000**	14,000
Balance, end of year	**38,000**	28,000
Safety reserve		
Balance, beginning of year	**178**	178
Transfer to Operating reserve	**(13)**	-
Balance, end of year	**165**	178
Catastrophe reserve		
Balance, beginning of year	**20,250**	19,950
Transfer from Operating reserve	**-**	300
Balance, end of year	**20,250**	20,250

The accompanying notes form an integral part of these financial statements

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
STATEMENT OF CASH FLOW
For the year ended December 31, 2006
(in thousands of dollars)

	2006 $	2005 $
OPERATING ACTIVITIES		
Cash received from:		
Assessments from employers	**35,648**	32,919
Interest	**553**	144
Deferred proceeds from Giant Mine litigation (Note 11a)	**15,932**	-
Cash paid to:		
Payments to claimants or third parties on their behalf	**(23,740)**	(21,825)
Purchases of goods and services	**(14,793)**	(16,137)
Cash provided by (used in) operating activities	**13,600**	(4,899)
FINANCING ACTIVITIES		
Capital lease principal payments	-	(1,886)
INVESTING ACTIVITIES		
Net transfer (to) / from investment managers' accounts	**(16,500)**	12,000
Purchase of capital assets	**(1,373)**	(1,813)
Cash (used) / provided by investing activities	**(17,873)**	10,187
(Decrease) Increase in cash and cash equivalents	**(4,273)**	3,402
Cash and cash equivalents, beginning of year	**8,173**	4,771
Cash and cash equivalents, end of year (Note 4)	**3,900**	8,173

The accompanying notes form an integral part of these financial statements

1. Authority, mandate and shared operations

The Workers' Compensation Board (the Board) operates under the authority of the Northwest Territories and Nunavut Workers' Compensation Acts. In addition, the Board is also responsible for the administration of the Northwest Territories and Nunavut Safety Acts, Mine Health and Safety Acts, and the Explosives Use Acts. The Board is exempt from income tax and the goods and services tax.

The mandate of the Board is to provide benefits to injured workers and to levy assessments against employers to cover the current and future costs of existing claims. The Board is also responsible for developing safety awareness programs and for monitoring safety practices in the workplace.

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 Board to remain as a single entity serving both territories. Cancellation of this agreement by either party requires one full fiscal year's notice.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies:

a) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. The more significant management estimates relate to the determination of the benefits liability and assessments receivable.

b) Cash and cash equivalents

Cash and cash equivalents are cash and money market instruments with initial maturities up to three months, less any bank overdraft. Cash and short-term investments held by the investment managers for investment purposes are excluded from cash and cash equivalents reported on the balance sheet.

c) Assessments

At the beginning of each year, the Board levies assessments on employers by applying their industry assessment rate to their estimated payrolls for the year. The assessment levy is payable by installments during the year. At year end, an estimate of the amount of adjustments to assessments based on the expected difference between estimated payroll and actual payroll is recognized as assessment revenue and recorded as a receivable.

An allowance for doubtful accounts is recorded for assessments receivable based on management's best judgment. The Governance Council must approve all assessments receivable write-offs.

d) Investments

Canadian generally accepted accounting principles require financial assets to be designated as held for trading, held-to-maturity or available-for-sale. Held for trading generally refers to financial assets that are acquired with the objective of generating a profit in the near term. However, a financial asset may be designated as held for trading even if an entity does not intend to sell or repurchase it in the near term. Once an entity designates a financial asset as held for trading, the designation is irrevocable.

The Board has chosen to designate all of its investments as held for trading. Consequently, investments are recorded at fair value. The fair value for publicly traded investments is based on quoted market prices. The fair value of privately held investments is determined using a yield to maturity method. When classifying investments as held for trading, realized and unrealized gains or losses, arising from a change in the fair value of the investments during the year, are recognized in income in the period in which the change occurred.

Interest and dividends are recognized in income in the period earned. Purchases and sales of investments are recognized on the trade date.

Investments denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the end of the year. Interest, dividends and realized gains and losses are translated at the exchange rates in effect on the transaction date. Exchange gains and losses resulting from the translation of foreign currency balances at year-end and transactions during the year are recorded in investment gains.

e) Benefits liability

The benefits liability represents the present value of future payments in respect of medical aid benefits, compensation payments, and pensions in respect of claims arising from accidents occurring prior to the end of the fiscal year. The benefits liability also includes an allowance for future claims management costs.

Many assumptions are required to calculate the benefits liability, including estimates of future inflation, interest rates and mortality rates. The benefits liability is determined annually by an independent actuarial valuation. The independent actuary's opinion on the adequacy and appropriateness of the benefits liability is attached to these financial statements.

The benefits liability includes provision for all benefits provided by current legislation, policies and administrative practices. A provision for future claims arising from latent occupational diseases was not included in this valuation.

f) Administration and general expenses

A portion of administration and general expenses is allocated as claims management costs to the current year's claims and the prior years' claims. The amount allocated to claims is reviewed by the independent actuary for reasonableness as part of the annual actuarial valuation of the benefits liability.

g) Employee future benefits

Pension benefits

All eligible employees participate in the Public Service Pension Plan (the PSPP) administered by the Government of Canada. The Board's contributions to the PSPP are based on a percentage of employees' contributions. The percentage may change from year to year depending on the experience of the PSPP. The Board's contributions are charged to operations on a current basis as employees render services and represent the total pension obligations. The Board is not required to make contributions with respect to actuarial deficiencies of the PSPP.

(in thousands of dollars)

Other benefits

Under the terms and conditions of employment, employees may earn non-pension benefits for resignation, retirement and removal out benefits based on years of service and final salary. The cost of these non-pension benefits is determined based on management's best estimates and recognized as an expense and liability as employees render services.

h) Buildings and equipment

Buildings and equipment are recorded at cost and amortized over their estimated useful lives using the straight-line method as follows:

Building	25 years
Furnishings	10 years
Equipment, including application software	5 years
Leasehold improvements and office space (leased)	over the term of the lease
Computer software, customized	8 years

3. Correction of errors and restatement of 2005

The opening balance of the operating reserve was overstated and the benefits liability was understated by $858 in 2005, respectively, due to errors in the historical claims payments file used to calculate the benefits liability for prior years' claims. The claims costs, prior years and benefits liability were also overstated by $2,680 in 2005 due to an error in the calculation of the benefits liability. The comparative financial statements of 2005 have been restated to correct these errors. The effect of the restatement on those financial statements is summarized below. There is no effect on the information presented for the current year.

	2005 $
Decrease in opening balance of the operating reserve	858
Decrease in claims costs, prior years	2,680
Increase in net income from operations and other comprehensive income	2,680
Net decrease in benefits liability	1,822
Increase in ending balance of the operating reserve	1,822

(in thousands of dollars)

4. Cash and cash equivalents

The Board invests in the short-term money market. The market yield of this portfolio for the year was 4.05% (2005 – 3.23%). All instruments held in cash and cash equivalents are readily convertible to cash and are held 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.

	2006	2005
	$	$
Cash	**1,558**	547
Short-term investments	**2,432**	7,711
	3,990	8,258
Less: bank overdraft	**(90)**	(85)
	3,900	8,173

5. Investments

The Board's investment portfolio is comprised of fixed income and equity investments. The Board's investment objective is to achieve a long-term rate of return that is sufficient to fund the Board's benefits liability, cover its operating costs, and provide for reasonable and stable assessment rates for employers.

The Governance Council is responsible for reviewing and approving the Board's investment policy and plan. The investment policy and plan outlines the types and classes of investments the Board may invest in and how the Board plans to achieve its investment objective and manage its investment risk. The investments are managed by external investment managers with different investment management styles to reduce the Board's investment risk. Generally speaking, investments are held until market conditions provide a better investment opportunity. The Board regularly reviews the performance of its investment portfolio against established industry benchmarks.

a) Fixed income

The fair value and cost of the fixed income investments are as follows:

	2006		2005	
	Fair Value	**Cost**	Fair Value	Cost
	$	**$**	$	$
Indexed bond funds	**82,187**	**81,112**	72,432	70,905
Other fixed income investments	**47,572**	**45,866**	42,252	39,770
	129,759	**126,978**	114,684	110,675

Included in the above amounts are investments in privately held related party bonds, as disclosed in Note 13. The amount taken into net assets as a result of the estimation of fair value of the privately held investments is $833 (2005 - $971) and the amount taken into net income in 2006 is $(225) (2005 - $81).

(in thousands of dollars)

The cumulative unrealized gains on fixed income investments at the end of the year are:

	2006 $	2005 $
Fixed income – cost	**126,978**	110,675
Cumulative unrealized gains	**2,781**	4,009
Fixed income – fair value	**129,759**	114,684

The remaining term to maturity of the other fixed income investments is as follows:

	Within 1 Year $	1 to 2 Years $	2 to 5 Years $	5 to 10 Years $	Over 10 Years $	**Fair Value 2006 $**
Cash, short term investments and net payable in investment manager accounts	2,331	-	-	-	-	**2,331**
Government bonds	-	11,749	4,597	6,719	9,792	**32,857**
Corporate bonds	-	152	2,332	1,085	8,167	**11,736**
Mortgage backed bonds	-	-	-	-	648	**648**
	2,331	11,901	6,929	7,804	18,607	**47,572**

b) Equity

The fair value and cost of the equity investments are as follows:

	2006		2005	
	Fair Value $	**Cost $**	Fair Value $	Cost $
Canadian equities	**90,240**	**49,171**	81,286	44,620
U.S. equities	**50,913**	**47,865**	33,879	36,444
International equities	**55,426**	**45,885**	44,926	42,283
	196,579	**142,921**	160,091	123,347

The cumulative unrealized gains and losses on the equity investments at the end of the year are as follows:

	2006 $	2005 $
Equity investments – cost	**142,921**	123,347
Cumulative unrealized gains	**57,682**	39,315
Cumulative unrealized losses	**(4,024)**	(2,571)
Equity investments – fair value	**196,579**	160,091

(in thousands of dollars)

c) Investment gains - net

The investment gains - net recorded in income can be broken down as follows:

	2006	2005
	$	$
Realized gains on investments	**6,186**	6,411
Change in unrealized gains and losses on investments during the period	**15,688**	10,575
	21,874	16,986

d) Investment performance

Investments are managed by six independent investment managers. The market yield of the portfolio for the year is as follows:

	2006	2005
Fixed income investments	**4.09%**	6.84%
Canadian equities	**15.97%**	24.79%
U.S. equities	**16.46%**	0.16%
International equities	**23.28%**	8.68%
Cash and cash equivalents	**2.63%**	2.05%

e) Credit risk

Credit risk on financial instruments arises from the possibility that the issuer of a fixed income investment will fail to meet its obligations. In order to manage this risk, the Board's investment policy is that short term investments have a minimum credit rating of R-1(low) or its equivalent and that 90% or more of other fixed income investments have a minimum credit rating of A-1 or its equivalent. These ratings are performed by an independent rating service.

f) Market risk

The Board invests in publicly traded fixed income and equity investments available on domestic and foreign exchanges and in privately held investments. These investments are affected by market changes and fluctuations. Market risk is managed through diversification between different asset classes and geographic diversification and by limiting the concentration in any single entity to 5% or less of the fair value of the investment fund. The exceptions to the 5% or less concentration rule are investments of $82,187 in an indexed bond fund and $55,426 in an international equity fund. Both of these funds are highly diversified.

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

	Target		Actual	
	Maximum	Minimum	**2006**	2005
Fixed income investments	50%	30%	**39.76%**	41.74%
Canadian equities	30%	20%	**27.65%**	29.58%
U.S. equities	20%	10%	**15.61%**	12.33%
International equities	20%	10%	**16.98%**	16.35%
			100.00%	100.00%

(in thousands of dollars)

g) Interest rate risk

Fluctuations in interest rates can affect the fair value of the fixed income investments, as well as shift investor preferences among asset classes. Interest rate risk is minimized by actively managing the duration of the fixed income investments as detailed in note 5a).

h) Foreign exchange risk

The Board has investments denominated in foreign currencies which are exposed to currency risk. To mitigate this risk, investment managers are authorized to enter into forward foreign exchange contracts, which represent commitments to exchange two currencies at a specified future date based on a rate agreed to by both parties at the inception of the contract, for the sole purpose of hedging foreign currency transactions. There were no forward foreign exchange contracts outstanding at December 31, 2006 (2005 - nil).

The total amount of investments, at fair value, exposed to foreign currency risk is as follows:

Foreign country currency	Fixed Income $	Equity $	**Total Investments Fair Value 2006 $**
U.S.	-	50,927	**50,927**
Europe	-	20,114	**20,114**
United Kingdom	-	11,687	**11,687**
Japan	-	11,894	**11,894**
Switzerland	-	6,111	**6,111**
Hong Kong	-	2,491	**2,491**
Brazil	-	1,161	**1,161**
Australia	-	774	**774**
South Korea	-	442	**442**
Mexico	-	332	**332**
Subtotal	-	105,933	**105,933**
Canada	129,759	90,646	**220,405**
	129,759	196,579	**326,338**

Included in assets designated as international equity investments are $14 in U.S. dollar assets and $406 in Canadian assets.

(in thousands of dollars)

6. Buildings and equipment

	Cost	2006 Accumulated Amortization	**Net Book Value**	2005 Net Book Value
	$	$	**$**	$
Building	3,193	150	**3,043**	3,002
Leasehold improvements	403	119	**284**	186
Equipment	3,542	2,705	**837**	867
Computer software, customized	3,569	1,092	**2,477**	2,271
Furnishings	619	383	**236**	232
	11,326	4,449	**6,877**	6,558

7. Benefits liability

	Medical Aid	Compensation	Future Capitalizations	Pension Awards	**Total 2006**	Total 2005
	$	$	$	$	**$**	$
						Restated (Note 3)
Balance, beginning of year	26,711	19,872	32,137	127,824	**206,544**	209,548
Add: Claims costs						
Current year*	6,787	8,151	11,832	2,427	**29,197**	25,729
Prior years*	(72)	(1,221)	1,109	8,386	**8,202**	(5,778)
Liability transfer, capitalizations	-	-	(4,397)	4,397	**-**	-
	6,715	6,930	8,544	15,210	**37,399**	19,951
Less: Claims payments						
Current year injuries						
Claims payments	1,361	1,942	66	-	**3,369**	2,883
Claims management	476	680	6	-	**1,162**	982
Prior years' injuries						
Claims payments	3,188	2,809	1,949	9,390	**17,336**	16,227
Claims management	1,116	983	175	845	**3,119**	2,863
	6,141	6,414	2,196	10,235	**24,986**	22,955
Balance, end of year	27,285	20,388	38,485	132,799	**218,957**	206,544

*The Governance Council approved a change in policy to allow for payment of permanent pensions to those workers suffering from chronic pain. As a result of this change in policy, the claims liability increased by $1.1 million for the current year's accidents and $5.7 million for prior years' accidents.

(in thousands of dollars)

The following is an actuarial reconciliation of the changes in the benefits liability:

	2006 $	2005 $ Restated (Note 3)
Balance, beginning of year	**206,544**	209,548
Add:		
Provision for current year's claims	**24,666**	21,864
Interest allocated	**14,128**	14,072
	38,794	35,936
Deduct:		
Payments for prior years' claims	**(20,455)**	(19,090)
Experience gain	**(5,926)**	(19,850)
	(26,381)	(38,940)
Balance, end of year	**218,957**	206,544

The principal source for the experience gain is lower than expected compensation and pension payments for prior years' claims. Expectations of costs of awarded pensions and the ongoing cost of compensation and medical aid payments are based on the experience of prior years. The actual payments and awards of pensions in 2006 have been less than these expectations. In particular with regards to the expected number of pensions awarded. As well, the WCB uses an assumption of 3.5% inflation for long term pensions, and the experience in 2006 was 2.09%.

Major actuarial assumptions

The claims liability is composed of two parts:

Future claims liability

This liability represents the present value of the expected future claim payments on claims arising from accidents which occurred on or prior to the end of the fiscal year for hospital and medical services ("Medical Aid"), short-term income benefits ("Compensation"), pension benefits for future capitalizations ("Future Capitalizations") and related administrative expenses. "Future Capitalizations" represents that portion of the future claims liability that is an estimate of the liability for expected pension benefit awards that relates to injuries that have already occurred.

A provision for expected future claims costs for Hunters & Trappers have been included in the Future Claims Liability in accordance with the Memorandum of Understanding on Renewable Resources Harvesters (May 1994).

The liabilities for the medical aid and compensation benefits were developed using the loss development method. This method is also commonly known as the "claims run-off" approach. The liability for future capitalizations was developed using a modified version of the loss development method.

The following economic assumptions are used in the valuation of the Future Claims Liability: discount rate 7.125% (2005 - 7.125%), inflation – i) future capitalizations: 2.48% in 2007 and 3.5% per annum thereafter (2005 - 2.08% and 3.5%) ii) compensation and medical aid: 3.5% per annum (2005 - 3.5%).

(in thousands of dollars)

Approved pension liability

This liability represents the present value of the expected future pension payments plus related expenses for approved pension awards as at the end of the fiscal year.

The following economic assumptions are used in the valuation of the approved pension liability: discount rate 7.125% (2005 - 7.125%), inflation 2.48% in 2007 and 3.5% thereafter (2005 – 2.08% and 3.5%).

8. Employee future benefits

a) Pension plan

The Board and all eligible employees contribute to the Public Service Pension Plan (PSPP). This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. Contributions to the Public Service Pension Plan were as follows:

	2006	2005
	$	$
Board's contributions	**1,220**	1,301
Employees' contributions	**557**	535

b) Other benefits

The Board provides other benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Liability for resignation, retirement severance and removal out benefits measured at the balance sheet date is as follows:

	2006	2005
	$	$
Accrued benefit obligation, beginning of year	**857**	1,153
Cost for the year	**152**	48
Benefits paid during the year	**(32)**	(344)
Accrued benefit obligation, end of year	**977**	857

9. Funding policy and reserves

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

Reserves are the portion of the Board's net assets which are in excess of the amount required to fund the Board's liabilities. These reserves are established for specific purposes and have prescribed levels.

a) Operating reserve

The operating reserve was established in accordance with the Workers' Compensation Acts and is intended to protect the Board against adverse fluctuations in claims costs and investment results. The target level for the operating reserve is established after the target level for the catastrophe reserve has been determined. Assessment rates are adjusted to bring the operating reserve to its target level over a period of between two years and ten years, depending on the margin by which the operating reserve is above or below the target level. The range of tolerance for the operating reserve is plus or minus 50% of the target level. The target range at year end was $5,184 to $15,553 (2005 - $4,920 to $14,759).

b) Investment fluctuation reserve

The purpose of the investment fluctuation reserve is to recognize the annual gains and losses on investments on an even basis in the operating reserve over a period of five years.

c) Rate stability reserve

The rate stability reserve was established to fund the provision of a rate discount to employers on their assessments. The target level for the rate stability reserve is determined after the target levels for the catastrophe reserve and operating reserve have been established. The rate stability reserve will be used to stabilize employer assessments as the investment market changes and there are fluctuations in the accident fund.

d) Safety reserve

The safety reserve was established to fund safety programs and will be used to implement the Board's safety strategy.

e) Catastrophe reserve

The catastrophe reserve is intended to protect the Board against a catastrophic event that results in a substantial increase in the Board's benefits liability. The Board has established specific criteria for determining whether an accident or event meets the definition of a catastrophic claim. The target level for the catastrophe reserve has been set at 300 times the Year's Maximum Insurable Remuneration (YMIR) of $67,500 (2005 - $66,500). The target level for the catastrophe reserve provides for the cost of a disaster.

(in thousands of dollars)

10. Commitments

Future minimum lease payments on operating leases for office premises, staff accommodations and equipment over the next five years, and in aggregate, are as follows:

	2006 $
2007	1,398
2008	996
2009	704
2010	731
2011	434
Thereafter	358
	4,621

11. Contingencies

a) Giant Mine Litigation

In 2006, the Supreme Court of the Northwest Territories awarded the Board $11,825 plus costs of $4,107, including pre-judgment interest, for the Giant Mine litigation. As required by the Supreme Court decision, the Board received payment of $15,932 in 2006 from the Government of the Northwest Territories insurer, one of the eight defendants in the litigation.

The decision of the Supreme Court is being appealed by some of the original defendants and therefore there is uncertainty whether the Board will retain the full amount received. The appeal will be heard in October 2007. In addition, the Workers' Compensation Acts and Board policy require that, once legal costs are recovered, the lesser of 25% of the amount of the judgment and the net amount remaining is to be paid to the claimant plaintiffs.

Until the outcome of the appeal is known, the full amount of potential gain cannot be determined or estimated, nor can the allocation of recoveries to legal costs and the claimant plaintiffs. Therefore, no amount has been recognized in income and the total proceeds of $15,932 have been recorded as a deferred credit on the balance sheet.

b) Other litigation

There are a number of other third party legal claims outstanding for recovery of claims expenses from third parties. Third party legal claim recoveries, net of legal expenses, recognized in income during the year were $51 (2005 - $1,628).

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

A worker has launched an appeal with the NWT Human Rights Commission related to the Board's policy that does not include EI as compensable earnings. The case was heard in January 2007 but no decision has been rendered. The outcome cannot be predicted, nor the impact on the Board's financial position if successful.

(in thousands of dollars)

12. Administration and general expenses

	2006 $	2005 $
Salaries, wages and allowances	**11,993**	11,187
Professional services	**2,850**	2,772
Office lease and renovations (non-capital)	**1,699**	1,619
Amortization	**1,054**	959
Travel	**1,195**	1,210
Advertising and public information	**462**	326
Training and development	**436**	319
Communications	**424**	409
Office services and supplies	**341**	257
Office furnishings and equipment (non-capital)	**266**	302
Honoraria and retainers	**159**	170
Grants	**107**	212
Interest expense on capital lease obligation	**-**	108
Recoveries	**(275)**	(330)
	20,711	19,520
Less: Allocation to claims management costs	**(4,281)**	(3,845)
	16,430	15,675

13. Related party transactions

The Board is related to all departments and territorial public agencies of the Governments of the Northwest Territories and Nunavut. The Board enters into transactions with these entities in the normal course of business. The following tables summarize the Board's:

Balances due from related parties:

	2006 $	2005 $
Government of Northwest Territories	**111**	143
Government of Nunavut	**762**	761
Territorial public agencies	**6**	19
	879	923

Through memoranda of understanding with the Governments of the Northwest Territories and Nunavut, the Board charges the governments for the costs of administering benefits relating to hunters and trappers claims. These costs include the increase or decrease in the future benefits liability related to hunters and trappers claims; therefore, a significant decrease in the future benefits liability can result in a refund by the Board to either government. Due from related parties includes reimbursements from the Governments of the Northwest Territories and Nunavut for hunters and trappers claims for the year in the amount of $111 (2005 - $143), and $762 (2005 - $761), respectively.

(in thousands of dollars)

Balances payable to related parties:

	2006 $	2005 $
Territorial public agencies	**124**	79
Government of the Northwest Territories	**62**	31
	186	110

Assessments revenue, at rates determined using the same method as with others, from related parties:

	2006 $	2005 $
Government of the Northwest Territories	**1,810**	1,692
Government of Nunavut	**1,366**	1,560
Territorial public agencies	**397**	211
	3,573	3,463

Expenses to related parties:

	2006 $	2005 $
Territorial public agencies	**697**	762
Government of Nunavut	**203**	161
	900	923

Investments in bonds of related parties at fair value:

	2006 $	2005 $
Northwest Territories Power Corporation		
11.00% maturing March 9, 2009	**558**	584
11.125% maturing June 6, 2011	**1,220**	1,265
6.42% maturing December 18, 2032	**1,990**	2,094
5.95% maturing December 15, 2034	**1,163**	1,182
	4,931	5,125
Northwest Territories Legislative Assembly Building Society		
13.00% Series A, maturing August 31, 2013	**382**	413
	5,313	5,538

The Board does not record the value of other services provided without charge by the Governments of the Northwest Territories and Nunavut in these financial statements. The services provided without charge are not significant but include areas where the Board follows government administrative policies and employment contracts. These services include training services, records management, and human resources support.

14. Fair value of other financial instruments

Cash and cash equivalents, accounts payable and accrued liabilities, and other amounts receivable and refundable are valued at their carrying values on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments.

Section IV - Actuarial Certification

With respect to the Workers' Compensation Board of the Northwest Territories and Nunavut, we state that in our opinion:

1. The total actuarial liability as at December 31, 2006 for benefit payments of all types expected to be made after December 31, 2006 in respect of accidents of 2006 and prior years amounts to $218,957,000. This liability includes the Hunters & Trappers group and future administrative expenses for all benefits. It does not include any self-insured employers. A provision for future claims arising from latent occupational diseases was not included in this valuation.

2. The data on which the valuation is based were provided by the Board in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficiently reliable to permit a realistic valuation of the liabilities of the Board as described above.

3. The actuarial assumptions adopted in computing the foregoing liabilities are adequate and appropriate, and the methods employed are in accordance with accepted actuarial practice. The economic assumptions adopted for purposes of computing the above-noted liabilities are consistent with the funding and investment policies of the Board.

4. The valuation report has been prepared and our opinion has been given in accordance with accepted actuarial practice.

Howard Slaney, F.S.A., F.C.I.A.
Partner, Morneau Sobeco

Thane MacKay, F.S.A
Senior Consultant, Morneau Sobeco

Date

This report has been peer reviewed by Conrad Ferguson, F.S.A., F.C.I.A.