PUBLIC ACCOUNTS

NORTHWEST TERRITORIES 2004 - 2005

Section III Supplementary Financial Statements

Northwest Territories

PUBLIC ACCOUNTS

OF THE

GOVERNMENT OF THE NORTHWEST TERRITORIES

FOR THE YEAR ENDED MARCH 31, 2005

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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Aurora College

Financial Statements

for the year ended June 30, 2004

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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.

Ron Holtorf
President

Edith Weber
Bursar/Chief Financial Officer

Fort Smith, Canada
August 27, 2004

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Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

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

I have audited the balance sheet of the Aurora College as at June 30, 2004 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, 2004 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
August 27, 2004

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AURORA COLLEGE

BALANCE SHEET
as at June 30, 2004
(thousands of dollars)

	2004	2003
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	$ 3,217	$ 1,964
Net accounts receivable (Note 4)	985	1,053
Prepaid expenses	470	67
	4,672	3,084
Property and equipment (Note 5)	**3,147**	3,621
	$ 7,819	$ 6,705
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,743	$ 1,173
Employee leave pay	1,072	1,049
Deferred project income	268	122
Current portion of employee future benefits	222	237
Due to the Government of the Northwest Territories	14	785
	3,319	3,366
Employee future benefits (Note 6)	**887**	949
Professional development fund (Note 7)	**844**	684
Deferred capital contributions	**786**	583
	5,836	5,582
EQUITY (Note 8)	**1,983**	1,123
	$ 7,819	$ 6,705

Commitments (Note 11)

Approved by the Board:

Earl Jacobson
Chairperson of the Board

Gina Dolphus
Chairperson of the Finance Committee

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

AURORA COLLEGE

STATEMENT OF OPERATIONS AND EQUITY
for the year ended June 30, 2004
(thousands of dollars)

	2004	2003
REVENUE		
Government contributions (Note 9)	$ 27,310	$ 27,069
Project income		
Territorial government	3,428	3,606
Federal government	422	640
Other	1,238	1,404
Tuition fees	1,854	1,738
Room and board	726	772
Investment income	95	76
Other	687	634
TOTAL REVENUE	**35,760**	35,939
EXPENSES		
Compensation and benefits	19,492	20,619
Contract services	7,579	7,420
Amortization of property and equipment	2,224	2,196
Materials and supplies	1,841	1,938
Utilities	1,451	1,520
Fees and payments	1,182	1,260
Travel and accommodation	669	994
Communication, postage and freight	462	511
TOTAL EXPENSES	**34,900**	36,458
NET RESULTS	**860**	(519)
EQUITY AT BEGINNING OF YEAR	**1,123**	1,642
EQUITY AT END OF YEAR	**$ 1,983**	$ 1,123

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

AURORA COLLEGE

CASH FLOWS STATEMENT
for the year ended June 30, 2004
(thousands of dollars)

	2004	2003
Cash flows from operating activities		
Net Results	$ 860	$ (519)
Non-cash transactions:		
Goods and services received without charge (Note 9)	(2,058)	(2,211)
Goods and services received without charge		
- contract services (Note 10)	316	405
- amortization of property and equipment (Note 10)	1,742	1,806
(Gain) on disposal of property and equipment	(36)	(28)
Amortization of deferred capital contributions	(102)	(48)
Amortization of property and equipment	483	390
	1,205	(205)
Changes in non-cash items		
Accounts receivable and prepaid expenses	(336)	675
Accounts payable and other current liabilities	(47)	(340)
Employee future benefits	(62)	211
Professional development fund	160	174
	(285)	720
Cash generated from operating activities	920	515
Cash flows from financing activities		
Capital contributions	305	275
Cash flows from investing activities		
Proceeds from sale of equipment	38	28
Acquisition of property and equipment	(10)	(713)
Cash from (used in) investing activities	28	(685)
Net increase in cash	1,253	105
Cash and cash equivalents at beginning of year	1,964	1,859
Cash and cash equivalents at end of year	$ 3,217	$1,964

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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

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 - 40%
Leasehold improvements	over the term of the lease

c) Employee future benefits

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

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

d) Government contributions and deferred capital contributions

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

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

e) 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-1 Low or better by the Dominion Bond Rating Service Ltd. The College's average annual investment yield for the year ended June 30, 2004 was 2.19% (2003 - 2.50%).

4. NET ACCOUNTS RECEIVABLE

	2004 (thousands of dollars)			2003
	Accounts Receivable	Allowance	Net	Net
Government contributions	$ -	$ -	$ -	$ 120
Project income				
- Government	483	3	480	313
- Other	450	16	434	560
Students	386	318	68	57
Advances	3	-	3	3
	$ 1,322	$ 337	$ 985	$ 1,053

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

5. PROPERTY AND EQUIPMENT

	2004 (thousands of dollars)			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Mobile equipment	$ 2,246	$ 1,105	$ 1,141	$ 1,319
Building additions and renovations	1,991	647	1,344	1,444
Furniture and equipment	1,006	639	367	509
Leasehold improvements	919	624	295	349
	$ 6,162	$ 3,015	$ 3,147	$3,621

6. EMPLOYEE FUTURE BENEFITS

Pension benefit
During the year the Public Service Superannuation Plan (PSSA) required the College to contribute at a rate of 2.14 (2003 - 2.14) times the employees' contributions. Contributions to the PSSA during the year were approximately $1,583,000 (2003 - $1,161,000).

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:

(thousands of dollars)

Appropriated equity:	Balance, opening	Net Results	Appropriated	Used in Operations	Balance, ending
a) Program delivery	$ 117	$ -	$ -	$ -	$ 117
b) Research & development	75	-	19	(42)	52
c) HEO replacement & maintenance	164	-	12	-	176
d) Restricted Donations	23	-	11	(10)	24
Unappropriated equity:	744	860	(42)	52	1,614
Total equity	**$1,123**	**$ 860**	**$ -**	**$ -**	**$ 1,983**

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

	2004	2003
	(thousands of dollars)	
Operating contributions	$ 25,150	$ 24,810
Amortization of deferred capital contributions	102	48
Services provided without charge	2,058	2,211
	$ 27,310	**$ 27,069**

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 $1,262,000 (2003 - $1,649,000) for facility operating and utility costs, employee benefits and other expenses recorded in these statements.

Services Provided Without Charge

Additional services provided by the Government without charge to the College include payroll processing, insurance and risk management, legal counsel, construction management, records storage, computer operations, asset disposal, project management, and translation services. These services would have cost the College an estimated $316,000 (2003 - $405,000).

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 $1,742,300 (2003 - $1,805,800), 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:

	2004	2003
	(thousands of dollars)	
Contract services	$ 316	$ 405
Amortization of property and equipment	1,742	1,806
	$ 2,058	$ 2,211

11. COMMITMENTS

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

	(thousands of dollars)
2005	$ 3,061
2006	2,888
2007	2,806
2008	1,253
2009	799
thereafter	8,788
	$ 19,595

12. COMPARATIVE FIGURES

The 2003 comparative figures have been re-stated to conform with financial statement presentation adopted in the current year.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

FINANCIAL STATEMENTS

for the year ended March 31, 2005

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FINANCIAL STATEMENTS

MARCH 31, 2005

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NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

Management's Responsibility for Financial Reporting

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

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

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

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

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

Douglas Doan,
Interim Chief Executive Officer

June 1, 2005

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AUDITOR'S REPORT

To the Minister responsible for the
Northwest Territories Business Credit Corporation

I have audited the balance sheet of the Northwest Territories Business Credit Corporation as at March 31, 2005 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Edmonton, Canada
June 1, 2005

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NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

BALANCE SHEET
MARCH 31

	000's	
ASSETS	**2005**	**2004**
Cash and Cash Equivalents (Note 3)	$ 599	$ 218
Loans Receivable (Note 4)	41,526	40,534
Accrued Interest Receivable (Note 4)	223	188
	41,749	40,722
Less: Allowance for Losses on Impaired Loans (Note 5)	9,541	8,955
	32,208	31,767
Property and Equipment (net of accumulated amortization of $97 (2004: $93))	5	15
	$ 32,812	$ 32,000
LIABILITIES		
Deferred Property and Equipment Contribution	$ 5	$ 15
Advance from the Government (Note 6)	35,897	35,578
	35,902	35,593
DEFICIT		
Deficit	(3,090)	(3,593)
	$ 32,812	$ 32,000

CONTINGENT LIABILITIES (NOTE 7)

APPROVED:

Chairperson of the Board of Directors

Interim Chief Executive Officer

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

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

STATEMENT OF OPERATIONS AND DEFICIT
For the Year Ended March 31

	000's	
LENDING ACTIVITIES	**2005**	**2004**
Interest Income on Loans Receivable	$ 2,289	$ 2,139
Interest Expense on Advance from the Government (Note 6)	1,200	1,050
Net Interest Income	1,089	1,089
Provision for Losses on Impaired Loans (Note 5)	586	2,216
Net Income (Loss) on Lending Activities	503	(1,127)
ADMINISTRATIVE EXPENSES		
Salaries and Benefits	689	667
Professional Fees	53	34
Office and General	49	53
Board Meetings	31	15
Computer Services	16	13
Rent	13	-
Amortization	10	13
Communications	10	12
	871	807
Net loss before contribution toward administrative expenses	(368)	(1,934)
Less: Administrative Contribution - the Government (Note 9)	871	807
NET INCOME (LOSS) FOR THE YEAR	503	(1,127)
DEFICIT AT THE BEGINNING OF THE YEAR	(3,593)	(2,466)
DEFICIT AT THE END OF THE YEAR	$ (3,090)	$ (3,593)

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

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

STATEMENT OF CASH FLOWS
For the Year Ended March 31

	000's	
CASH FLOWS FROM OPERATING ACTIVITIES	**2005**	**2004**
Interest Received on Loans Receivable	$ 2,241	$ 2,108
Interest Repayment of Advance to the Government	(1,200)	(1,386)
Contribution Received Toward Administrative Expenses	864	801
Administrative Expenses Paid	(864)	(801)
Interest Received on Bank Account	13	17
	1,054	739
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans Receivable Repaid	5,906	6,587
Loans Receivable Disbursed	(6,898)	(11,861)
Purchase of Property and Equipment	-	(3)
	(992)	(5,277)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from the Government	500	4,847
Principal Repayment of Advance to the Government	(181)	(137)
Contribution Received Toward Acquisition of Property and Equipment	-	3
	319	4,713
NET INCREASE IN CASH	$ 381	$ 175
Cash and Cash Equivalents at Beginning of the Year	$ 218	$ 43
Cash and Cash Equivalents at End of the Year	$ 599	$ 218

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

1. AUTHORITY, OBJECTIVE AND OPERATION

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

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

Economic dependency

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Loans

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Allowance for losses on impaired loans

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition

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

Property and Equipment

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

Computers	3 years
Furniture and Equipment	4 years

Employee future benefits

Employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation'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 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.

Under the conditions of employment, employees earn non-pension severance and removal benefits. These non-pension benefits are not a liability of the Corporation, they are accrued by the Government as the benefits are earned. These benefits are paid by the Government upon resignation, retirement or death of employees.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Use of Estimates

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

3. CASH AND CASH EQUIVALENTS

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

The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments depending on the investment class, are rated R-1 Low or better from the Dominion Bond Rating Service Limited. The Corporation's average investment yield was 1.9% during the year (2004: 2.4%).

Net investment income of $13,000 (2004: $17,000) is included in Interest Income on Loans Receivable.

4. LOANS AND ACCRUED INTEREST 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 size of the loan, the security provided and the ability of the client to make scheduled payments.

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

	Range of Annual Interest Rates		000's	
Region	2005	2004	2005	2004
Loans Receivable				
Deh Cho	5.75 - 8.75%	5.75 - 9.25%	$ 3,695	$ 2,921
Inuvik	5.75 - 9.25%	6.50 - 9.50%	6,056	7,012
North Slave	3.50 - 9.75%	3.50 - 9.75%	12,922	13,180
Sahtu	6.75 - 8.50%	6.75 - 9.50%	3,082	2,422
South Slave	5.75 - 9.50%	5.75 - 9.50%	15,771	14,999
			41,526	40,534
Accrued Interest Receivable				
Current			146	155
Arrears			77	33
			223	188
			$ 41,749	$ 40,722

Loans receivable and accrued interest include $11,167,000 of loans receivable (2004: $11,150,000) and $16,000 of accrued interest (2004: $9,000) that the Corporation has specifically classified as impaired. In 2005, interest not accrued on impaired loans totalled $906,000 (2004: $785,000).

The value of loans in which the Corporation has title to or foreclosed on totalled $816,000 (2004: $839,000). These loans have related allowances for losses totalling $736,000 (2004: $723,000). The value of assets in which the Corporation has title to or foreclosed on totalled $80,000 (2004: $116,000). The asset foreclosed on is real property and has been valued by a certified estate appraiser based on standard appraisal practice techniques.

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

As of March 31, 2005, loans receivable are expected to mature as follows:

Maturity Date	Range of Annual Interest Rates	000's
Non-impaired loans		
Loans past due	6.75 – 9.50%	$ 2,402
2006	7.00 – 9.00%	1,291
2007	6.25 – 9.75%	2,204
2008	3.50 – 7.50%	7,455
2009	6.25 – 9.50%	8,531
2010 and beyond	5.75 – 8.50%	8,476
Impaired loans		11,167
		$ 41,526

Write-offs

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

In 2005, no accounts were written off by the Legislative Assembly (2004: nil) and no accounts were written off by the Board of Directors (2004: nil).

In 2005, recoveries on loans previously written off totalled $12,147 (2004: $746).

Forgiveness

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

In 2005, no accounts were forgiven by the Legislative Assembly (2004: four accounts representing four borrowers totalling $630,733). No accounts were forgiven by the Financial Management Board (2004: nil).

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

Credit risk

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

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

Economic sector diversity

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

	000's	
	2005	2004
Trade and Services	$ 24,238	$ 22,722
Travel and Tourism	5,816	5,269
Transportation, Communication and Utilities	3,868	4,382
Construction	3,501	3,706
Manufacturing	2,613	2,799
Fisheries	555	614
Agriculture	531	623
Wildlife	149	160
Forestry	132	121
Arts and Crafts	123	138
	$ 41,526	$ 40,534

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

Impaired loan portfolio by economic sectors are as follows:

	000's	
	2005	2004
Trade and Services	$ 4,264	$ 4,423
Travel and Tourism	3,421	3,216
Construction	1,233	1,305
Transportation, Communication and Utilities	783	800
Manufacturing	730	856
Agriculture	224	224
Fisheries	215	190
Wildlife	149	-
Arts and Crafts	111	98
Forestry	37	38
	$ 11,167	$ 11,150

Fair Value

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

5. ALLOWANCE FOR LOSSES ON IMPAIRED LOANS

	000's	
	2005	2004
Specific Allowance for Losses on Impaired Loans:		
Balance at beginning of year	$ 8,311	$ 6,788
Provision for the year	577	2,154
	8,888	8,942
Less: write-offs	-	-
forgiveness	-	631
	-	631
Balance at end of year	8,888	8,311
General Allowance for Losses on Impaired Loans:		
Balance at beginning of year	644	582
Provision for the year	9	62
Balance at end of year	653	644
Allowance for Losses on Impaired Loans	$ 9,541	$ 8,955

6. ADVANCE FROM THE GOVERNMENT OF THE NORTHWEST TERRITORIES

The Act authorizes the Corporation to borrow for the purpose of lending, up to $50 million from the Government through an advance. Increases to the outstanding balance of the advance must be approved by the Financial Management Board based on the need of the Corporation. The balance was not to exceed $45 million as at March 31, 2005 (2004: $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 3.0% to 3.8% during the year (2004: 2.7% to 3.8%).

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

The carrying amount of the advance from the Government of the Northwest Territories of $35,897,000 (2004: $35,578,000) approximates fair value.

7. CONTINGENT LIABILITIES

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

The Corporation has two outstanding irrevocable standby letters of credit. These letters of credit are for $110,000 and $30,000 and expire on September 25, 2005 and April 26, 2005 respectively. The latter was renewed for another year on April 20, 2005. 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.

8. PUBLIC SERVICE PENSION PLAN

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 Consume Price Index. The Corporation's and employees' contributions in the Public Service Pension Plan for the year were as follow:

	000's	
	2005	2004
Corporation's contributions	$ 57	$ 68
Employees' contributions	31	29

9. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed, the Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business and on normal trade terms applicable to all individuals and enterprises except that certain services, as explained hereafter, are provided without charge.

9. RELATED PARTY TRANSACTIONS (CONT'D)

Administrative contribution

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

Services provided without charge

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

	000's	
	2005	2004
Staff support	$ 596	$ 623
Accommodation	36	48
Employee future long term benefits	10	14
	$ 642	$ 685

Cumulative employee future long term benefits accrued at March 31, 2005 is $101,000 (2004: $106,000). The Government paid out $15,000 of employee future long term benefits during the year (2004: nil).

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

10. NORTHWEST TERRITORIES BUSINESS DEVELOPMENT AND INVESTMENT CORPORATION

On April 1, 2005, the *Northwest Territories Business Development and Investment Act* came into effect and created the Northwest Territories Business Development and Investment Corporation. This new corporation is the successor of the Corporation that was dissolved effective that date. All rights, titles, interests, agreements, obligations, liabilities and programs of the Corporation were transferred to the new corporation.

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES

FINANCIAL STATEMENTS

for the year ended March 31, 2005

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AUDITORS' REPORT

Commissioner

We have audited the Balance Sheet of the Estate and Trust Fund as at March 31, 2005 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, 2005, the results of operations and the changes in the Estate and Trust Fund Balance for the year then ended in accordance with accounting policies of the Public Trustee as outlined in Note 2 to the financial statements and as required by the Public Trustee Act and Regulations.

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

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

May 12, 2005

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STATEMENT I

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES
ESTATE AND TRUST FUND

BALANCE SHEET
March 31, 2005

ASSETS

	2005	2004
Cash (Note 3)	$3,297,167	$2,894,961
Other assets at nominal value	1	1
	$3,297,168	$2,894,962

LIABILITIES

	2005	2004
Undistributed Common Fund earnings per Statement II (Note 4)	$ 30,274	$ 27,085
Estate and Trust Fund per Statement III (Note 5)	3,266,894	2,867,877
	$3,297,168	$2,894,962

APPROVED:

____

Public Trustee for the Northwest Territories

See the accompanying notes.

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PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES
ESTATE AND TRUST FUND

STATEMENT OF OPERATIONS
For the year ended March 31, 2005

	2005	2004
Undistributed Common Fund earnings, opening	$ 27,085	$ 29,703
Add		
Common Fund earnings	68,808	77,187
	95,893	106,890
Less		
Interest paid to estates and trusts	35,931	49,571
Management fees	28,072	26,495
Miscellaneous account deficiencies	-	-
Excess interest paid to the Government of the Northwest Territories	1,616	3,739
	65,619	79,805
Undistributed Common Fund earnings, closing	$ 30,274	$ 27,085

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, 2005

	2005	2004
Estate and trust funds provided:		
Estate and trust assets received	$ 1,238,411	$ 1,136,295
Common Fund interest paid to estates and trusts	35,931	49,570
	1,274,342	1,185,865
Estate and trust funds applied:		
Payments to beneficiaries	705,084	790,989
Disbursements made on behalf of estates and trusts	110,774	120,629
Administration fees	53,250	63,805
GST on Administration fees	3,727	4,467
Court fees	2,490	2,898
	875,325	982,788
Increase (Decrease) in Estate and Trust Fund balance	399,017	203,077
Estate and Trust Fund balance, opening	2,867,877	2,664,800
Estate and Trust Fund balance, closing	$ 3,266,894	$ 2,867,877

See the accompanying notes.

NORTHWEST TERRITORIES POWER CORPORATION

CONSOLIDATED
FINANCIAL STATEMENTS

for the year ended March 31, 2005

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Management's Responsibility for Financial Reporting

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

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

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

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

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

Leon Courneya

Leon Courneya, FCA
President & CEO

Judith Goucher

Judith Goucher, MA
Director, Finance & CFO

Hay River, NT
May 27, 2005

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AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Power Corporation

I have audited the consolidated balance sheet of the Northwest Territories Power Corporation as at March 31, 2005 and the consolidated statements of earnings and retained earnings, and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the classification of the provision for future removal and site restoration as explained in Note 3 to the consolidated financial statements, on a basis consistent with that of the preceding year.

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

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

Ottawa, Canada
May 27, 2005

NORTHWEST TERRITORIES POWER CORPORATION

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

	2005	2004 (restated Note 4b)
Revenues		
Sale of power	$ 66,410	$ 66,019
Other (Note 5)	1,698	2,336
	68,108	68,355
Expenses		
Salaries and wages	15,761	16,409
Fuels and lubricants	15,016	15,550
Supplies and services	11,735	10,822
Amortization, property, plant & equipment	7,239	7,159
Travel and accommodation	2,191	1,880
Amortization, deferred charges	312	360
	52,254	52,180
Earnings from operations	15,854	16,175
Interest income	377	467
Contract work, net (Note 6)	44	133
Earnings before interest expense	16,275	16,775
Interest expense (Note 7)	9,846	9,596
Net earnings	6,429	7,179
Retained earnings at beginning of year, as restated (Note 4 & 16)	36,097	32,418
Capital adjustment (Note 4a)	(285)	-
Dividend (Note 8)	(3,300)	(3,500)
Retained earnings at end of year	$ 38,941	$ 36,097

See accompanying notes

NORTHWEST TERRITORIES POWER CORPORATION

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

	2005	2004
Cash flows from operating activities		
Cash receipts from customers	$ 69,479	$ 73,725
Cash paid to suppliers and employees	(50,429)	(48,066)
Interest received	220	289
Interest paid	(10,400)	(10,063)
Cash flows from operating activities	8,870	15,885
Cash flows used in investing activities		
Property, plant and equipment constructed or purchased	(25,921)	(11,124)
Proceeds from sale of property, plant and equipment	10	13
Cash flows used in investing activities	(25,911)	(11,111)
Cash flows from (used in) financing activities		
Repayment of long-term debt	(998)	(964)
Proceeds from long-term borrowings	25,000	-
Received from Nunavut Power Corporation related to Division (Note 4)	5,111	-
Net (repayment) / proceeds from short-term borrowings	(1,000)	997
Repayment of net lease obligation	(118)	(144)
Sinking fund instalments	(3,308)	(3,008)
Dividends paid	(5,718)	(4,000)
Cash flows from (used in) financing activities	18,969	(7,119)
Net increase (decrease) in cash	1,928	(2,345)
(Bank indebtedness) cash at beginning of year	(1,772)	573
Cash (bank indebtedness) at end of year	$ 156	$ (1,772)

See accompanying notes

NORTHWEST TERRITORIES POWER CORPORATION

Consolidated Balance Sheet
As at March 31
($000's)

		2005		2004 (restated Note 4b)
Assets				
Property, plant and equipment (Note 9)				
Plant in service	$	294,133	$	272,681
Less accumulated amortization		(72,215)		(70,377)
		221,918		202,304
Construction work in progress		4,808		16,767
		226,726		219,071
Current assets				
Cash		156		-
Accounts receivable		13,646		11,152
Inventories		6,832		5,992
Prepaid expenses		647		1,156
		21,281		18,300
Other long-term assets				
Due from Nunavut Power Corporation (Note 4)		-		5,309
Sinking fund investments (Note 10)		28,850		24,082
Regulatory assets (Note 11)		15,879		11,051
Other deferred costs		642		522
		45,371		40,964
	$	293,378	$	278,335
Liabilities and Shareholder's Equity				
Long-term debt				
Long-term debt, net of sinking fund investments (Note 12)	$	110,304	$	91,106
Sinking fund investments presented as assets		28,850		24,082
Net lease obligation (Note 13)		1,539		1,622
		140,693		116,810
Current liabilities				
Short-term debt and bank indebtedness (Note 14)		10,000		12,772
Accounts payable and accrued liabilities		12,927		10,527
Dividends payable		3,300		5,799
Note payable for Bluefish		-		9,399
Current portion of long-term debt (Note 12)		1,032		999
		27,259		39,496
Other long-term liabilities				
Regulatory liabilities (Note 11)		40,867		40,781
Employee future benefits (Note 15)		2,489		2,022
		43,356		42,803
Shareholder's equity (Note16)		82,070		79,226
	$	293,378	$	278,335

Commitments and contingencies (Note 17)

See accompanying notes

Approved on behalf of the Board:

Richard Nerysoo
Chairman of the Board

Louis Sebert
Director

1. Authority and operation

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

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

2. Accounting policies

Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries NWT Energy Corporation Ltd., NWT Energy Corporation (03) Ltd., Sahdae Energy Ltd., and 5383 NWT Ltd.

NWT Energy Corporation Ltd., under the authority of the *Northwest Territories Power Corporation Act*, financed the Dogrib Power Corporation in 1996 for the construction of a 4.3 MW hydro facility. The NWT Energy Corporation (03) Ltd. has two operations: the operation, management and shared ownership of one residual heat project in Fort McPherson and the development of business opportunities outside the regulated business including development of hydroelectric projects. Sahdae Energy Ltd. began operations in 2005. Its mandate is to pursue a hydro development project on the Great Bear River to provide power to the potential Mackenzie Valley pipeline. 5383 NWT Ltd. is an inactive company.

Rates and regulation (excluding sales by subsidiaries)

The Corporation is regulated by the Public Utilities Board of the Northwest Territories (PUB), which administers regulations covering such matters as rates, financing, accounting, construction, operation, and service area. The PUB is an entity independent from the Corporation. The PUB sets the Corporation's electricity rates on a community cost of service basis for a given year. The PUB uses cost of service regulation to regulate the Corporation's earnings on a rate of return basis. In the last General Rate Application the PUB approved an allowed rate of return of 9.5%. The PUB is required by the *Public Utilities Act* to review the affairs, earnings and accounts of the Corporation a minimum of every three years.

The PUB has the authority to include or exclude costs, revenues, losses or gains in the rates for a given year, resulting in a difference in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Corporation's regulatory assets represent certain amounts receivable from customers in the future and costs that have been deferred for accounting purposes that will be recovered in future rates. The Corporation also has regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case if the Corporation was unregulated. Specific regulatory assets and liabilities are disclosed in Note 11.

As a result of rate regulation, the regulatory accounting policies adopted by the Corporation may differ from the accounting policies typically followed by unregulated entities. Specifically, policies in relation to regulatory assets and liabilities and amortization policies are different. A summary of the significant accounting policies follows. The PUB has approved the accounting treatments described.

Regulatory Assets

The L-199 transmission line costs captures the amounts spent to recommission and litigate outstanding issues with respect to the L-199 transmission line. The PUB approved these costs in the 2001/02 General Rate Application. The PUB directed that these costs be set up in a deferral account until such time as the litigation is completed. Once this process is complete, the PUB will set the period of recovery and allocation of cost in rates.

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

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

The Reserve for Injuries and Damages includes costs for uninsured and uninsurable losses and the deductible portion of insured claims. The PUB approved $485 to be included in annual expenses for this fund.

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

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

Regulatory Costs include incremental expenses incurred to apply to the PUB for a multi-year General Rate Application (GRA). The PUB approved $228 to be included in annual expenses for this fund.

The Normalized Overhaul Costs include costs to overhaul hydro, diesel and natural gas units that occur over the life of these assets. The PUB approved $1,573 to be included in annual expenses for this fund.

The regulatory assets noted above are charged to operations at PUB approved amounts that are estimated to annualize the costs over time or will be recoverable in the future through straight line rate collections (refunds).

Other regulatory assets include the pending insurance claims costs and other costs. These costs are subject to recovery through insurance, the courts or the customers through PUB decisions.

Regulatory Liabilities

The Reserve for Future Removal and Site Restoration is a deferral account that records the funds collected from customers for the future removal of assets and the restoration of the Corporation's operating sites. A provision for environmental costs related to future costs required to remediate past contamination is also included in the reserve. This reserve increases annually using PUB approved amortization rates applied over the estimated useful lives of the related assets on a straight-line average group useful life basis. Due to the long term nature of the assumptions made in deriving these estimates, the reserve is periodically revised and updated for current information. Actual costs incurred in a given year for asset removals, site clean up or environmental remediation are charged to this account.

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

Revenues

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

Property, plant and equipment

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

Included in amortization expense and regulatory liabilities is an amount allowed for regulatory purposes for future removal and site restoration costs. Actual costs of removal and restoration are recorded against this balance in regulatory liabilities in Note 11.

When a regulated asset is retired or disposed of the retirement of these assets is charged to the accumulated amortization with no gain or losses reflected in operations. Gains or losses arising from exceptional circumstances are included in earnings.

Amortization

Amortization of property, plant and equipment is provided on the straight-line average group useful life basis, at rates which are approved by the PUB, a portion of which is accounted for as a reserve for future removal and site restoration costs. Amortization is suspended when assets are removed from service for an extended period of time.

Amortization rates are as follows:

	%
Electric power plants	1.16 - 5.25
Transmission and distribution systems	1.09 - 4.66
Electric power plants under capital lease	1.16 - 5.25
Warehouse, equipment, motor vehicles and general facilities	1.76 - 9.76
Other utility assets	2.5 - 20.0
Other	20.0

Inventories

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

Asset retirement obligations

As of April 1, 2004, the Corporation retroactively adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3110, "Asset Retirement Obligations". This new standard identifies the recognition, measurement and disclosure of legal obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. An asset retirement obligation is recorded as a liability, with a corresponding increase to property, plant and equipment.

The Corporation has asset retirement obligations for certain of its transmission and distribution assets. However, the Corporation expects to operate these assets in perpetuity and therefore it is not possible to make a reasonable estimate of the fair value of these obligations at this time. The Corporation intends to recognize asset retirement obligations when the timing and cost can be reasonably estimated.

Sinking fund investments
Securities held in sinking funds are recorded at cost. Interest, dividends and realized gains and losses are included in sinking fund income. Unrealized gains are not recognized. Unrealized losses are recognized only when the decline in value is considered other than a temporary decline in the value of the sinking fund investments.

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

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

Measurement uncertainty
To prepare these financial statements in accordance with Canadian generally accepted accounting principles, management has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Actual results may differ from these estimates. Significant estimates include amortization, employee future benefits, regulatory assets and liabilities and asset retirement obligations.

New accounting recommendations
In 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" established 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 in a regulated environment.

In May 2005 the CICA issued Accounting Guideline 19 "Disclosures by Entities Subject to Rate Regulation". The purpose of this guideline is to ensure that financial statement users are better informed about the existence, nature and effects of all forms of rate regulation. This Guideline is effective for fiscal years ending on or after December 31, 2005. The Corporation has implemented some of the disclosures defined in this Guideline in Note 11 of the 2005 financial statements and plans to have full disclosure of rate regulated operations as defined by Guideline 19 in its 2006 financial statements.

3. Change in accounting policy

Reserve for future removal and site restoration
As a consequence of the implementation of asset retirement obligations, the CICA Handbook removed the requirement to record a provision for Future Removal and Site Restoration. However, this liability is provided for by PUB direction as an integral part of the amortization expense which the Corporation continues to collect from customers. Therefore the balance in this account has been retroactively reclassified and included as a regulatory liability.

4. Division – capital adjustment and correction of error

All corporate operations within the Nunavut Territory were taken over by the Nunavut Power Corporation (NPC) on April 1, 2001. The allocation of the Corporation's assets, liabilities and shareholder's equity between its Nunavut operations to NPC and its Northwest Territories operations to the Corporation was governed by two agreements, a due diligence process and approval by the Corporation, Government of the Northwest Territories (GNWT), NPC and the Government of Nunavut (GN). Certain allocations in the division process were disputed and taken to arbitration as set out in the agreement.

In September 2004 the disputed allocations were settled, and the amount owing to the Corporation was calculated at $5,111. At this time the receivable from NPC was $5,733. The remaining balance of $622 was accounted for as follows:

a) Capital adjustment
$285 of the $622 was the final settlement on the allocation of assets, liabilities and shareholders' equity between the Corporation and NPC. The $285 has been accounted for in the same manner as was done for the original allocation, as a capital adjustment reducing retained earnings.

b) Correction of error
The remaining balance of $337 is a correction of an error in 2002 in calculating interest due from NPC to the Corporation. The financial statements of prior periods have been restated to account for this error, reducing retained earnings from $32,755 to $32,418 and the receivable from NPC from $5,646 to $5,309.

5. Other revenues

	2005	2004
GNWT funding of pension expenses (Note 15)	$ 618	$ 931
User fees	340	406
Connection fees	318	207
Contract work	194	174
Miscellaneous	177	547
Heat	51	71
	$ 1,698	$ 2,336

6. Contract work

The Corporation had an agreement with the NPC, to provide engineering services. This agreement was cancelled in November 2004. The Corporation provides contract services to NPC on an individual project basis. The revenues and expenses to provide contract services are outside of the normal operations of the Corporation and therefore are reflected separately on the income statement. The Corporation's gross revenues from the contract were $335 (2004 - $720) and the associated expenses were $291 (2004 - $587) for net earnings of $44 (2004 - $133). There were no assets or liabilities in the Corporation held solely for the purpose of this contract.

7. Interest expense

	2005	2004
Interest on long-term debt	$ 12,133	$ 11,935
Short-term financing costs	328	292
Sinking fund income	(1,460)	(1,425)
Capitalized allowance for funds used during construction	(1,155)	(1,206)
	$ 9,846	$ 9,596

8. Dividend

Pursuant to the *Northwest Territories Power Corporation Act*, the GNWT directed the Corporation to declare a dividend of $3,300 (2004 - $3,500).

9. Property, plant and equipment

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Electric power plants	$169,448	$ (44,636)	$ 124,812	$ 109,135
Transmission and distribution systems	63,268	(11,590)	51,678	51,831
Electric power plants under capital lease	26,342	(3,162)	23,180	23,559
Warehouse, equipment, motor vehicles and general facilities	22,950	(8,141)	14,809	13,708
Other utility assets	4,056	(779)	3,277	3,174
Other	8,069	(3,907)	4,162	897
	294,133	(72,215)	221,918	202,304
Construction work in progress	4,808	-	4,808	16,767
	$298,941	(72,215)	226,726	$ 219,071

Engineering and other direct overhead expenses capitalized during the year amounted to $1,177 (2004 - $1,083).

10. Sinking fund investments

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

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

The sinking fund agreements require the Corporation to make annual installments to retire debt at maturity. The installments calculated for the next five years are disclosed in Note 12. Fair value information for sinking funds is included in Note 19. The Corporation realized a return of 5.52% (2004 – 6.52%) on the $28,850 (2004 - $24,082) book value of the sinking funds.

	2005		2004	
	Carrying Value	Weighted average effective rate of return (1)	Carrying Value	Weighted average effective rate of return (1)
Fixed Income Securities				
Federal Government guaranteed	$ 9,953	4.74%	$ 6,524	3.80%
Corporate Bonds	6,414	5.27%	6,388	3.80%
Cash and short-term investments	3,770	2.56%	966	2.60%
Municipal Government guaranteed	2,639	5.64%	2,638	4.90%
Provincial Government guaranteed	672	5.29%	582	4.50%
Equities				
Canadian	5,402		4,838	
US	-		1,411	
International	-		735	
	$ 28,850		$ 24,082	

(1) – Rate calculated on market yield for cash and fixed income securities.

11. Regulatory assets and liabilities

Regulatory assets and liabilities arise as a result of the rate making process. The Corporation has recorded the following regulatory assets and liabilities in order to match revenues with expenses (see Note 2):

Regulatory Assets

	March 31 2005	2005 Costs Deferred and Interest Charged to the Fund	2005 Amortization of Fund Balance	2005 Rate Refunds (Collections)	March 31 2004
L-199 transmission line costs	$ 4,534	$ 162	$ -	$ -	$ 4,372
Rate Stabilization Funds	3,078	3,782	-	(155)	(549)
Snare Cascades Deferral Account	1,774	-	-	(720)	2,494
Reserve for Injuries and Damages	1,612	1,084	(485)	-	1,013
Regulated Employee Future Benefits	1,354	285	-	-	1,069
Financing Costs	1,180	-	(43)	-	1,223
Regulatory Costs	944	16	(228)	-	1,156
Normalized Overhaul Costs	226	2,267	(1,573)	-	(468)
Other regulated assets	1,177	782	(346)	-	741
	$ 15,879	$ 8,378	$ (2,675)	$ (875)	$ 11,051

The rate stabilization funds are comprised of fuel $3,367 (2004 - $1,138) and water $(289) (2004 - $(1,688)). During the 2005 year fuel stabilization fund rate riders of $155 (2004 – Nil) were charged to customers. These amounts were recorded as revenues and fuel expenses. Subsequent to March 31, 2005, the PUB approved four additional fuel stabilization fund rate riders. The five fuel stabilization fund riders are expected to collect $3,767 in 2005/06.

Regulatory Liabilities

	March 31 2005	2005 Amortization of Fund Balance	2005 Contributions or (Costs)	March 31 2004
Reserve for Future Removal and Site Restoration	$ 37,154	$ 1,461	$ (1,422)	$ 37,115
Deferred revenues	3,713	(369)	416	3,666
	$ 40,867	$ 1,092	$ (1,006)	$ 40,781

12. Long-term debt

	2005	2004
5.995% redeemable debenture due December 15, 2034	$ 25,000	$ -
11% sinking fund debentures, due March 9, 2009	20,000	20,000
10¾% sinking fund debentures, due May 28, 2012	20,000	20,000
6.63% amortizing debenture, due December 18, 2032	18,666	19,333
11⅛% sinking fund debentures, due June 6, 2011	15,000	15,000
6.33% redeemable sinking fund debentures, due October 27, 2018	10,000	10,000
8.41% redeemable sinking fund debentures, due February 27, 2026	8,700	8,700
9.11% debenture series 3, due September 1, 2026, repayable in equal monthly payments of $73.	8,250	8,370
9¾% debenture series 2, due October 1, 2025, repayable in equal monthly payments of $69	7,294	7,400
10% debenture series 1, due May 1, 2025, repayable in equal monthly payments of $70	7,271	7,379
Other	5	5
	140,186	116,187
Less: Current portion	1,032	999
	139,154	115,188
Less: Sinking fund investments	28,850	24,082
	$ 110,304	$ 91,106

All long-term debt is guaranteed by the GNWT.

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

	2006	2007	2008	2009	2010
Principal Repayments	1,032	1,068	1,105	21,153	1,202
Sinking Fund Investment Contributions	3,043	3,043	3,043	1,983	1,983

13. Net lease obligation

The NWT Energy Corporation Ltd. loaned funds to the Dogrib Power Corporation to finance the construction of a hydroelectric generating plant on the Snare River in the Northwest Territories from 1994 to 1996. The balance of the loan receivable is $21,213 (2004 - $21,505). The loan bears interest at an annual rate of 9.6%, which is the average rate of interest on NWT Energy Corporation Ltd.'s long-term debt issued to finance the loan. It is due July 2026 and is repayable, in equal monthly payments of $195. The loan is secured by a charge against the plant and the lease agreement.

The Corporation has an initial 65-year lease for the plant at an imputed interest rate of 9.6% from the Dogrib Power Corporation until 2061. The value of the capital lease obligation is $22,839 (2004 - $23,245).

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

Upon consolidation, the loan receivable held by NWT Energy Corporation Ltd. is offset with the capital lease obligation of the Corporation resulting in a net lease obligation of $1,626 (2004 - $1,740). As a result, upon consolidation, in the early years there will be a net payment and in later years there will be a net receipt until such time as the loan receivable is fully repaid in 2026 when only the capital lease obligation payments continue until 2061. The net lease obligation payments / (receipts) over the next five years are:

2006	2007	2008	2009	2010
$ 87	$ 55	$ 20	$ (19)	$ (61)

The current portion of the net lease obligation is $87 (2004 - $118) and is recorded in accounts payable.

14. Short–term debt and bank indebtedness

		2005		2004
Bankers' acceptance and shareholder's advance	$	10,000	$	11,000
Bank overdraft		-		1,772
	$	10,000	$	12,772

The interest rate charged on bank overdrafts is prime. The short-term debt outstanding at year-end had a weighted average 90 day term (2004 – 74 day term) and a 2.55% (2004 – 2.38%) weighted average annual interest rate. The Corporation has a $15,000 unsecured line of credit with its bank and also has access on occasion to short term funds from its shareholder.

15. Employee future benefits

The Corporation 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. The Corporation received funding, recorded as other revenues, from the GNWT of $618 (2004 - $931) to cover part of these pension expenses. As of April 1, 2005 the GNWT ceased its funding of the PSPP. The PUB approved a rate rider to collect $745 for fiscal year 2005/06 to offset funding previously received from the GNWT.

a) Contributions to the Public Service Pension Plan were as follows:

		2005		2004
Employer's contributions	$	1,359	$	1,972
Employees' contributions		683		628
Funding received from the GNWT		(618)		(931)
	$	1,424	$	1,669

The Corporation provides severance benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has not assets, resulting in a plan deficit equal to the accrued benefit obligation.

b) Liability for severance and ultimate removal benefits is as follows:

		2005		2004
Accrued benefit obligation, beginning of the year	$	2,022	$	1,435
Costs for the year		511		693
Benefits paid during the year		(44)		(106)
Accrued benefit obligation, end of the year	$	2,489	$	2,022

16. Shareholder's equity

	2005	2004 (restated Note 4b)
Capital Stock		
Authorized: unlimited number of voting common shares without par value		
Issued: 431,288 common shares	$ 43,129	$ 43,129
Retained earnings at beginning of year	36,097	32,755
Correction of error – Division (Note 4b)	-	(337)
Restated retained earnings at beginning of year	36,097	32,418
Capital adjustment – Division (Note 4a)	(285)	-
Net earnings less dividends declared	3,129	3,679
Retained earnings at end of year	38,941	36,097
	$ 82,070	$ 79,226

17. Commitments and contingencies

Capital projects

The estimated cost to complete capital projects in progress, as at March 31, 2005, was $12,701 (2004 - $14,029).

Supply contracts

The Corporation has a contract to purchase refined oil products based on market prices at time of delivery. This contract ends in 2005 and has a minimum quantity purchase commitments totalling 4.9 million litres in this one year period, consistent with the Corporation's operational requirements.

Natural gas purchase commitment

The Corporation has an agreement to purchase natural gas to produce electricity in Inuvik. The minimum obligation is to purchase 5,622,900m^3 of natural gas per annum until July 2014, consistent with the Corporation's operational requirements. The price is calculated annually on August 1 and will depend on the Edmonton Average Unbranded High Sulphur Diesel Price as posted in the Bloomberg Oil Buyers Guide on that date.

Litigation

The Corporation has been named as a defendant in four lawsuits. Two actions relate to wrongful dismissal cases. The third action names the Corporation as a co-defendant in a lawsuit involving allegations of negligence and breaches of duty arising out of a snowmobile accident. The total liquidated amount of these claims ranges from $60 to $465, exclusive of costs and interest. The fourth action names the Corporation as a co-defendant with the GNWT and the Federal Government in a claim for $45,000 related to the construction of the hydro system on the Taltson River in 1965. It is management's estimate that no significant loss to the Corporation will result from any of these four claims. In the event that any of these claims are not settled in favour of the Corporation, the Corporation has insurance which may cover all or a portion of the settlement cost.

18. Related party transactions

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

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

	2005	2004
Sale of power and other	$ 18,589	$ 20,138
Purchase of fuel from government	1,658	1,469
Fuel tax paid to government	767	776
Other purchases and payments	470	510
Balances at year end:		
Accounts receivable	1,728	2,226
Accounts payable	419	1,071
Promissory note (included in short-term debt)	10,000	8,000
Dividend payable	3,300	3,500

19. Financial instruments

	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 140,184	$ 161,145	$ 116,186	$ 148,107
Net lease obligation	1,626	3,725	1,740	4,041
Sinking fund investments	28,850	29,636	24,082	24,625

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

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

The fair value of the sinking fund investments is determined using market prices.

20. Comparative figures

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

GOVERNMENT OF THE NORTHWEST TERRITORIES

PETROLEUM PRODUCTS REVOLVING FUND

FINANCIAL STATEMENTS

for the year ended March 31, 2005

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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, 2005, 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, 2005, 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 13, 2005**

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

Balance Sheet		March 31 2005		March 31 2004
(thousands of dollars)				
Assets:				
Current				
Accounts receivable (Note 3)	$	3,349	$	3,769
Inventories (Note 4)		5,048		3,863
	$	8,397	$	7,632
Liabilities:				
Current				
Due to the Government of the Northwest Territories	$	5,984	$	5,747
Accounts payable and accrued liabilities		2,302		1,772
Employee leave and termination benefits		62		64
		8,348		7,583
Long-Term				
Employee termination benefits		49		49
	$	8,397	$	7,632

Commitments and contingencies (Note 10).

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

Approved by management:

Mike Aumond
Director

Shirley Kwong
Comptroller

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

Statement of Operations

For the Year Ended March 31 (thousands of dollars)		2005		2004
Revenue				
Sale of petroleum products (Note 5)	$	12,014	$	13,807
Cost of goods sold		8,336		9,997
Gross profit		3,678		3,810
Other revenue		80		50
		3,758		3,860
Expenses				
Commissions		1,596		1,488
Salaries, wages and employee benefits		1,042		1,212
Contracts and Purchased services		547		547
Material, supplies and utilities		266		237
Travel		137		204
Insurance		23		36
Miscellaneous		131		134
		3,742		3,858
Net Profit from operations before the following		16		2
Financial Charges (Note 6)	$	(187)	$	(231)
Tangible capital assets - Rent expenses (Note 6)		(789)		(729)
Grant-in-kind - Government assets provided at no cost		976		960
Net Profit	$	**16**	$	**2**

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)		2005		2004
Balance, beginning of year	$	5,747	$	6,073
Plus:				
Payments Made by the Government				
Purchases of petroleum products		9,003		9,291
Other cash disbursement		3,732		3,895
Income from operations		16		2
Less:				
Transfers to the Government				
Cash receipts		12,514		13,514
Balance, end of the year	$	5,984	$	5,747

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, 2005 is a surplus of $471,690.

	2005	2004
Surplus at beginning of year	456	454
Net Profit	16	2
Surplus at ending of year	472	456

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 rate of 2.14 times that of the employees. During the year the Fund contributed $199,632 to the plan while employees contributed $33,957. 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.

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.

3. **Accounts Receivable**

(thousands of dollars)	Mar-31 2005	Mar-31 2004
Commercial/Private	$ 1,236	$ 1,484
Territorial Municipalities & Housing Associations	1,090	1,075
Government of the Northwest Territories:		
Departments and Agencies	508	599
Northwest Territories Power Corporation	558	670
	1,066	1,269
Government of Canada	61	51
	3,453	3,879
Less: Allowance for Doubtful Accounts	(104)	(110)
	$ 3,349	$ 3,769

4. **Inventories**

(thousands of dollars)	Mar-31 2005	Mar-31 2004
Heating fuel	$ 3,472	$ 2,589
Gasoline	1,413	1,125
Other fuel	163	149
	$ 5,048	$ 3,863

5. **Sale of Petroleum Products**

(thousands of dollars)	2005	2004
Commercial/Private	$ 5,219	$ 5,516
Territorial Municipalities & Housing Associations	3,127	2,910
Government of the Northwest Territories:		
Northwest Territories Power Corporation	1,641	1,474
Departments and Agencies	1,806	1,644
Wholesale Revenue	0	2,062
Government of Canada	221	201
	$ 12,014	$ 13,807

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

a. **Capital Assets - Rent Expeses**
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 2005 Net Book Value	Mar-31 2004 Net Book Value
Fuel Storage Facilities	$ 19,800	$ 10,161	$ 9,639	$ 9,904
Fuel Delivery Vehicles	2,686	1,763	923	967
Construction in progress	2,540		2,540	1,370
	$ 25,026	$ 11,924	$ 13,102	$ 12,241

Amortization expense for 2004-05 is $788,691. ($729,000 in 2003-04)

b. **Financing Charges**
Management estimated that the Fund required up to $9 million in working capital with an estimated financing cost of $187,101 for the year. (For 2003/2004 they were $11 million and $231,352 respectively.) The financing cost is based upon the average monthly balance due to the Government at an average interest rate for the Government of 2.71% p.a.

7. **Fair Value of Financial Instruments**
The carrying values of accounts receivable, accounts payable and accrued liabilities are reasonable estimates of the fair value due to the relatively short period to maturity of the financial instruments. The fair value of the amount due to the Government cannot be readily determined.

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

9. **Due to the Government of the Northwest Territories**
The amount due is unsecured and without repayment terms.

10. **Commitments and Contingencies**

a. **Fuel Resupply Contracts**
The Government is finalizing negotiations for a contract for the supply and delivery of bulk petroleum products, by barge, with the Northern Transportation Company Limited. It is expected this new contract will expire at the termination of the 2010 summer resupply. The Government also entered into a two-year contract for the supply and delivery of bulk petroleum products, by tanker truck, for furtherance to the communities serviced by winter/ice roads with Bassett Petroleum Distributors Ltd. This contract is scheduled to terminate in April 2006.

b. **Community Fuel Delivery Contracts**
The Government provides local fuel delivery services in 15 communities across the Northwest Territories. The contracts for sales, dispensing and delivery services are awarded based on a competitive request for proposal (RFP) process. Contracts are awarded to local residents or businesses. Six contracts will expire in the fiscal year ending 2006, four in 2009 and five in 2010. Under these contracts, fixed commission rates are paid. The value of this commitment is estimated at $4,337,000 as per the detailed listing below.

		Commitment			
2006	2007	2008	2009	2010	Total
$1,445,000	$994,000	$994,000	$668,000	$236,000	$4,337,000

Historically the government pays $1.6 million in commissions to local contractors in the 15 communities that the government serves.

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

There have been eleven Phase III Assessments and one Risk Assessment completed to date. The estimate cost to remediate all contaminated sites is estimated to be in the range between $5,222,000 and $8,001,500. This value is based upon the most recent experience of the Fund and others who have undertaken similar environmental remediation projects. While the Fund expects remediation costs to come within the estimated range, 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 identication of new areas of contamination and the completion of site remediation.

In 2004/05 the Fund expended the following on Environmental Site Remediation:

Sachs Harbour	Beach Area - Part 2	$	12,000
Sachs Harbour	Phase III ESA for 2003 pipeline spill		22,500
Paulatuk	Airport Site Phase III ESA		31,500
Trout Lake	Spill in front of dispenser		2,500
Wrigley	Pre 1995 Site		500
Total		$	69,000

NORTHWEST TERRITORIES LIQUOR COMMISSION

FINANCIAL STATEMENTS

for the year ended March 31, 2005

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NORTHWEST TERRITORIES LIQUOR COMMISSION

Financial Statements

Year ended March 31, 2005

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Northwest
Territories Liquor Commission

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.

R.J. Courtoreille
General Manager

Ruth Boden
Manager, Finance & Administration

May 18, 2005

Suite 201, 31 Capital Drive, Hay River, NT Canada X0E 1G2 Telephone 867-874-2100 Fax 867-874-2180

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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, 2005 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Edmonton, Canada
May 18, 2005

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NORTHWEST TERRITORIES LIQUOR COMMISSION

Balance Sheet
(In thousands)

March 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Current assets:		
Cash	$ 3,387	$ 4,639
Accounts receivable	2	-
Inventories (note 3)	2,657	2,848
Prepaid expenses	10	20
Due from Nunavut Liquor Commission	-	23
	6,056	7,530
Capital assets (note 4)	69	43
	$ 6,125	$ 7,573
Liabilities		
Current liabilities:		
Accounts payable	$ 2,373	$ 2,071
Due to the Government of the Northwest Territories (note 7)	3,646	5,434
	6,019	7,505
Employee future benefits (note 5)	106	68
Commitments (note 9)		
	$ 6,125	$ 7,573

See accompanying notes to financial statements.

Approved by Management:

R.J. Courtoreille, General Manager

Ruth Boden, Manager, Finance & Administration

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Income
(In thousands)

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

	2005	2004
Sales:		
Beer	$ 17,046	$ 17,153
Spirits	15,089	14,317
Wine	4,156	3,879
Coolers and ciders	1,382	1,328
	37,673	36,677
Cost of goods sold:		
Beer	7,414	7,406
Spirits	4,331	4,114
Wine	1,847	1,656
Coolers and ciders	624	584
	14,216	13,760
Gross profit on sales	23,457	22,917
Other income:		
License fees and permits	465	535
Import fees and other income	247	291
	712	826
	24,169	23,743
Expenses:		
Commissions to agents	2,489	2,302
Salaries, wages and employee benefits	1,043	950
Administration	364	328
Travel	118	153
Board member honoraria	88	72
Inspectors' fees	66	45
Rent	60	59
Amortization on capital assets	21	18
	4,249	3,927
Net income	$ 19,920	$ 19,816

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, 2005, with comparative figures for 2004

		2005		2004
Balance, beginning of year	$	5,434	$	4,667
Net income		19,920		19,816
Salaries, wages and benefits incurred by the Government		1,071		958
		26,425		25,441
Net transfer of funds to the Government		22,779		20,007
Balance, end of year	$	3,646	$	5,434

See accompanying notes to financial statements.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Cash Flows
(In thousands)

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

	2005	2004
Cash flows from operating activities:		
Cash received from customers	$ 38,406	$ 37,581
Cash paid to suppliers	(16,832)	(16,864)
Net cash provided by operating activities	21,574	20,717
Cash flows from investing activities:		
Purchase of capital assets	(47)	(9)
Cash flows from financing activities:		
Cash transferred to the Government of the Northwest Territories	(22,779)	(20,007)
Increase (decrease) in cash position	(1,252)	701
Cash position, beginning of year	4,639	3,938
Cash position, end of year	$ 3,387	$ 4,639

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) 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.

(b) Inventories:

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

2. **Significant accounting policies (continued):**

(c) Capital assets:

Capital assets are stated at amortized 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 equipment	33%
Recycling equipment	10%

Computer equipment includes hardware and software.

(d) 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.

(e) 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. These benefits represent the only obligation of the Commission that entails settlement by future payment.

(In thousands)

2. Significant accounting policies (continued):

(f) 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, bottle returns and amortization of capital assets.

3. Inventories:

	2005	2004
Spirits	$ 1,116	$ 1,237
Wine	450	496
Beer	940	954
Coolers and ciders	151	161
	$ 2,657	$ 2,848

4. Capital assets:

			2005	2004
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 57	$ 33	$ 24	$ 10
Computer equipment	539	494	45	18
Recycling equipment	150	150	-	15
	$ 746	$ 677	$ 69	$ 43

(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 in the Public Service Pension Plan for the year were as follows:

	2005	2004
Commission's contributions	$ 99	$ 80
Employees' contributions	46	37

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:

	2005	2004
Accrued benefit obligation, beginning of year	$ 68	$ 50
Cost for the year	38	18
Benefits paid during the year	-	-
Accrued benefit obligation, end of year	$ 106	$ 68
Short-term portion	$ -	$ -
Long-term portion	106	68
Total accrued benefit obligation	$ 106	$ 68

(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:

	2005	2004
Revenues:		
Licensee fees	$ 387	$ 450
Special occasion licenses	43	48
Annual license fees	35	36
Other	4	15
	469	549
Expenses:		
Salaries, wages and benefits	300	283
Honoraria	88	72
Other	264	249
	652	604
Net loss	$ (183)	$ (55)

The activities of the LLB are administered by the Commission as agent for the LLB. The net income (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. At year-end, no material accounts receivable and accounts payable balances remained relating to these transactions.

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 $22 (2004 - $29) for legal services provided by the Department of Justice, and $10 (2004 - $10) for payroll services provided by the Financial Management Board Secretariat.

(In thousands)

8. Service agreement:

The Commission provided various corporate and program delivery services to the Nunavut Liquor Commission and Nunavut Liquor Licensing Board until November, 2004. It received $31 (2004 - $131) in fees for the services rendered. This amount is included in import fees and other income on the statement of income.

9. Commitments:

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

Year ending March 31:		
2006	$	27
2007		5
	$	32

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

10. Fair value of financial assets and financial liabilities:

The fair values of the Commission's cash, accounts receivable, due from Nunavut Liquor Commission, 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.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

FINANCIAL STATEMENTS

for the year ended March 31, 2005

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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, 2005, 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, 2005. 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, 2005 and the changes in its Net Assets Available for Benefits for the year then ended in accordance with the basis of accounting as disclosed in Note 2 to the financial statements.

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

April 18, 2005

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LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NET ASSETS AVAILABLE FOR BENEFITS

March 31, 2005

	2005	2004
ASSETS		
CURRENT		
Accounts Receivable	$ 14,558	$ 14,200
Accrued Investment Income	34,736	31,460
Prepaid Expense (Note 5)	22,500	-
	71,794	45,660
INVESTMENTS		
Retiring Allowance Fund (Notes 2 and 3)	17,917,245	17,181,028
	$ 17,989,039	$ 17,226,688
LIABILITIES		
CURRENT		
Accounts Payable	$ 31,589	$ 24,196
FUND BALANCE		
RETIRING ALLOWANCE FUND BALANCE		
Net Assets Available for Benefits per page 2	17,957,450	17,202,492
	$ 17,989,039	$ 17,226,688

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, 2005

	2005	2004
INCREASE (DECREASE) IN ASSETS		
Contributions	$ 144,922	$ 172,483
Interest and Dividends	931,346	588,464
	1,076,268	760,947
Current Period Change in Fair Market Value of Investments	477,303	2,689,165
Total Increase (Decrease) in Assets	1,553,571	3,450,112
DECREASE IN ASSETS		
Benefits		
Pension Payments	527,430	464,474
Termination Payments	160,994	394,168
Administrative		
Actuary Fees	110,189	98,497
Total Decrease in Assets	798,613	957,139
INCREASE IN NET ASSETS	754,958	2,492,973
NET ASSETS AVAILABLE FOR BENEFITS		
- BEGINNING OF YEAR	17,202,492	14,709,519
- END OF YEAR	$ 17,957,450	$ 17,202,492

See the accompanying notes.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

STATEMENT OF OBLIGATIONS FOR PENSON BENEFITS
March 31, 2005

	2005	2004
ACTUARIAL PRESENT VALUE OF DEFINED BENEFITS		
Active Members	$ 2,132,000	$ 3,299,000
Pensioners	9,671,000	8,425,000
Total Ongoing Plan Liabilities (Note 4)	11,803,000	11,724,000
ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS		
Net Assets Available for Benefits	17,547,000	17,563,000
Changes not reflected in actuarial value of net assets	410,450	(360,508)
Adjusted Actuarial Value of Net Assets Available For Benefits (page 2)	17,957,450	17,202,492
EXCESS OF ACTUARIAL VALUE OF NET ASSETS OVER ACTUARIAL PRESENT VALUE OF DEFINED BENEFITS	$ 6,154,450	$ 5,478,492

See the accompanying notes.

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 last actuarial valuation took place in May 2004, for the general election that was held in November 2003. (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 best 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.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2005

NOTE 3 INVESTMENTS - RETIRING ALLOWANCE FUND

		2005	%		2004	%
Funds Managed by Investment Counsellors						
Cash and Cash Equivalents	$	1,286	0.01	$	1,381	-
UBS Canadian Equity Capital Fund Series A (Cost $1,617,246; 2004-$1,817,726)		2,247,556	12.54		2,282,392	13.3
McLean Budden Equity Funds (Cost $3,325,569; 2004-$3,180,198)		3,768,620	21.03		3,703,560	21.6
UBS US Equity Fund Series A (Cost $1,237,150; 2004 - $1,126,268)		1,121,849	6.26		1,008,216	5.9
Temporary Investments (Cost $562,971; 2004-$402,951)		562,972	3.14		402,951	2.3
NWT Legislative Assembly Building Society Series A Bonds (Cost $304,032; 2004 - $323,205)		318,602	1.78		338,694	2.0
Canada Fixed Income Mutual Funds (Cost $3,957,342; 2004 - $3,859,214)		3,973,002	:2.17		3,838,761	22
Government of Canada Bonds (Cost $2,659,010; 2004 -$2,841,419)		3,152,879	7.60		3,142,167	18
McLean Budden Canadian Equity Value Fund (Cost $2,362,745; 2004 - $2,078,068)		2,770,479	5.46		2,462,906	14
Total at Fair Market Value	$	17,917,245	100	$	17,181,028	99

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:

	2005	2004
Actuarial present value of accrued pension benefits - beginning of year	$ 11,724,000	$ 11,038,000
Cost of benefits earned	458,000	437,000
Interest accrued on benefits	818,000	784,000
Experience gains and losses	(201,000)	-
Benefits paid	(996,000)	(535,000)
Actuarial present value of accrued pension benefits - end of year	$ 11,803,000	$ 11,724,000

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:

	2005	2004
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, 2005. 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

	2005	2004
Prepaid Expense	$ 30,000	$ -
Current portion of Prepaid Expense	(7,500)	-
	$ 22,500	$ -

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 on a straight line basis over a four year period beginning with the current fiscal year.

NOTE 6 FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, marketable securities, long-term investments, accounts receivable and accounts payable. 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.

WORKERS' COMPENSATION BOARD

(NORTHWEST TERRITORIES AND NUNAVUT)

FINANCIAL STATEMENTS

for the year ended December 31, 2004

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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 through the Finance and Audit Committee which is composed of Directors who are not employees of the Workers' Compensation Board. The Finance and Audit Committee meets with management and the external auditors on a regular basis. The external auditors have full and free access to the Finance and Audit Committee.

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

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

David Clark,
President and Chief Executive Officer

John Doyle,
Chief Financial Officer

February 25, 2005

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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, 2004 and the statements of operations, 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, 2004 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, except for the change in the method of accounting for financial instruments as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the 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.

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

Ottawa, Canada
February 25, 2005

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

	2004 $	2003 $
ASSETS		
Current		
Cash and cash equivalents (Note 4)	**5,785**	7,219
Assessments receivable	**2,500**	1,494
Accrued interest receivable	**629**	475
Prepaid expenses	**148**	75
Other receivables	**79**	50
	9,141	9,313
Investments		
Fixed income (Note 5a)	**110,822**	105,888
Equities (Note 5b)	**146,539**	138,224
	257,361	244,112
Property, plant and equipment (Note 6)	**5,955**	4,790
	272,457	258,215
LIABILITIES AND RESERVES		
Current liabilities		
Bank overdraft (Note 4)	**652**	-
Accounts payable and accrued liabilities	**1,728**	1,943
Assessments refundable	**278**	475
Obligation under capital lease, current portion (Note 7)	**295**	273
	2,953	2,691
Benefits liability (Note 8)	**208,690**	210,142
Obligation under capital lease (Note 7)	**1,591**	1,887
Employee future benefits (Note 12b)	**1,153**	890
	214,387	215,610
Reserves (Note 9)		
Operating reserve	**12,342**	5,477
Investment fluctuation reserve	**11,600**	-
Rate subsidy reserve	**14,000**	17,000
Safety reserve	**178**	178
Catastrophe reserve	**19,950**	19,950
	58,070	42,605
	272,457	258,215

Contingencies (Note 13)
Approved by:

Acting Chairperson, Governance Council

The accompanying notes form an integral part of these financial statements

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

	2004 $	2003 $
REVENUE		
Assessments	**28,519**	23,126
Investments		
Interest and dividends	**9,223**	9,737
Gains (Note 5c)	**14,499**	3,494
Investment fees	**(1,057)**	(1,001)
	22,665	12,230
Recoveries	**1,224**	526
	52,408	35,882
EXPENSES		
Cost of claims, current year (Note 8)	**21,575**	21,729
Cost of claims, prior years (Note 8)	**311**	8,319
	21,886	30,048
Administration and general expenses (Note 10)	**16,423**	14,767
	38,309	44,815
NET INCOME (LOSS) FROM OPERATIONS	**14,099**	(8,933)

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
(in thousands of dollars)

	2004 $	2003 $
Operating reserve		
Balance, beginning of year	**5,477**	10,010
Change in accounting policy, January 1, 2004 (Note 3)	**1,366**	-
Net income (loss) from operations	**14,099**	(8,933)
Transfer from Rate subsidy reserve	**3,000**	5,000
Transfer to Investment fluctuation reserve	**(11,600)**	-
Transfer to Catastrophe reserve	**-**	(600)
Balance, end of year	**12,342**	5,477
Investment fluctuation reserve		
Balance, beginning of year	**-**	-
Transfer from Operating reserve	**11,600**	-
Balance, end of year	**11,600**	-
Rate subsidy reserve		
Balance, beginning of year	**17,000**	22,000
Transfer to Operating reserve	**(3,000)**	(5,000)
Balance, end of year	**14,000**	17,000
Safety reserve		
Balance, beginning of year	**178**	178
Balance, end of year	**178**	178
Catastrophe reserve		
Balance, beginning of year	**19,950**	19,350
Transfer from Operating reserve	**-**	600
Balance, end of year	**19,950**	19, 950

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
(in thousands of dollars)

	2004 $	2003 $
OPERATING ACTIVITIES		
Cash received from:		
Assessments from employers	**27,316**	23,917
Interest and dividends	**9,082**	9,781
Cash paid to:		
Payments to claimants or third parties on their behalf	**(23,338)**	(25,750)
Purchases of goods and services	**(14,499)**	(14,308)
Investment managers and custodian	**(1,057)**	(1,001)
Cash used in operating activities	**(2,496)**	(7,361)
INVESTING ACTIVITIES		
Sale of investments	**213,332**	223,846
Purchase of investments	**(210,727)**	(214,698)
Purchase of capital assets	**(2,195)**	(922)
Cash provided by investing activities	**410**	8,226
Increase (decrease) in cash and cash equivalents	**(2,086)**	865
Cash and cash equivalents, beginning of year	**7,219**	6,354
Cash and cash equivalents, end of year	**5,133**	7,219

The accompanying notes form an integral part of these financial statements

1. Nature of operations

a) 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.

b) Funding policy

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.

c) Reserves

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.

The operating reserve was established in accordance with the Workers' Compensation Act 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 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.

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).

The rate subsidy reserve was established to fund the provision of a rate subsidy to employers on their assessments. The target level for the rate subsidy reserve is determined after the target levels for the catastrophe reserve and operating reserve have been established.

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

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting policies. 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 assessment revenue.

b) Cash and cash equivalents

Cash and cash equivalents are funds consisting of cash and money-market instruments with initial maturities up to three months, less any bank overdraft.

c) Assessments

At the beginning of each year, an assessment is levied 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. All write-offs of assessments receivable must be approved by the Governance Council.

d) Recoveries

Amounts recovered from third parties for compensation expenses are recorded as part of claims expense in the year received. Recoveries of other expenses are recorded as revenue when received. These recoveries include funding received from the Government of the Northwest Territories to cover a portion of the Board's contributions to the Public Service Pension Plan, recoveries of housing rents paid on behalf of employees, other legal recoveries, and penalties from third parties.

e) 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 benefit liability, cover its operating costs, and provides for reasonable and stable assessment rates for employers.

The Governance Council is responsible for annually 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.

Canadian generally accepted accounting policies permit all 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 is not precluded from being designated as held for trading because an entity does not intend to sell or repurchase it in the near term. An entity is permitted to designate any financial asset irrevocably on initial recognition as held for trading.

The Board has chosen to designate all of its investments as held for trading. Under held for trading, realized gains and losses and unrealized gains or losses arising from a change in the fair value of the investments are recorded in net income in the period in which the change occurred. The investments are recorded at fair value which 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. The effect of the change in accounting policy for investments is described in Note 3.

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. Income is translated at the exchange rates in effect during the year. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are recorded in investment gains for the year.

f) Benefits liability

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

Many assumptions are required in the calculation of the benefits liability, including estimates of future inflation, interest rates and mortality rates. The amount of the benefits liability is determined on a basis which allows for future inflationary increases by using a discount rate of 3.5% per annum.

The benefits liability includes provision for all benefits provided by current legislation, policies and administrative practices.

The benefits liability is determined annually by an actuarial valuation. The independent actuary's opinion on the adequacy and appropriateness of the benefits liability is attached to these financial statements.

g) 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 based on actuarially determined rates.

h) Employee future benefits

Pension benefits

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

Other benefits

Under the terms and conditions of employment, the Board provides severance and removal benefits to its employees based on years of service and final salary. The cost of these benefits is determined based on management's best estimate. The Board recognizes the cost of future severance and removal benefits over the periods in which the employees render services. The liability for these benefits is recorded in the accounts as benefits accrue to employees. These benefits plans are not pre-funded and thus have no assets resulting in a deficit equal to the accrued benefit obligation.

i) Property, plant and equipment

Property, plant and equipment is recorded at cost and amortized over its estimated useful lives under the straight-line method as follows:

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

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

3. Change in accounting policy

Effective January 1, 2004, the Board early adopted the new CICA Handbook Section 3855 on "Financial Instruments – Recognition and Measurement". The new standards for financial instruments permit the Board to designate its investments as held for trading, held-to-maturity or available-for-sale. The Board has chosen to designate all of its investments as held for trading. Under held for trading, the realized gains and losses and unrealized gains or losses arising from a change in the fair value of the investments are recorded in net income in the period in which the change occurred.

The new standards for financial instruments have been implemented using the transitional provisions of Section 3855. Differences between the previous carrying amount of the investments and the fair value of the investments at the beginning of the year have been recognized as an adjustment of the balance of the operating reserve at the beginning of the year. In addition, all realized and unrealized gains and losses on investments previously deferred as an asset or liability have been recognized as an adjustment of the balance of the operating reserve at the beginning of the year.

(in thousands of dollars)

The change in accounting policy resulted in a $1,366 increase to the investments and the operating reserve on January 1, 2004. The adjustment to the opening operating reserve as a result of the change in accounting policy is as follows:

	Increase (decrease) in opening operating reserve $
Recognition of realized gains on investments previously deferred	**6,075**
Recognition of unrealized losses on investments previously deferred	**(6,125)**
Adjustment to remeasure the fixed income investments at fair value	**1,416**
Net increase in investments and operating reserve at January 1, 2004	**1,366**

In early adopting the new standards for financial instruments the Board also had to adopt the new CICA Handbook Section 3865 on "Hedges" and Section 1530 on "Comprehensive Income". These new standards did not have an impact on the financial statements. The Board did not present a separate statement of comprehensive income since there were no transactions that should be recognized in other comprehensive income during the year. Therefore, the net income for the year is the same as comprehensive income.

4. Cash and cash equivalents

The Board invests in the short-term money market. The overall yield of this portfolio is 2.65% at December 31, 2004 (2003 - 2.8%). 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.

	2004 $	2003 $
Cash	**385**	1,347
Short-term investments	**5,400**	5,872
	5,785	7,219
Less bank overdraft	**(652)**	-
Cash and cash equivalents	**5,133**	7,219

Included in the amounts above is $176 Canadian held in foreign currencies (2003 - $307 Canadian).

(in thousands of dollars)

5. Investments

a) Fixed income

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

	2004		2003	
	Fair Value	**Cost**	Carrying Value	Cost
	$	**$**	$	$
Indexed bond funds	**71,980**	**69,013**	72,571	72,326
Other fixed income investments	**38,842**	**36,569**	33,317	34,432
	110,822	**105,582**	105,888	106,758

Included in the above amounts are investments in privately held related party bonds as disclosed in Note 14. The amount taken into net assets as a result of the estimation of fair value of the privately held investments is $803 and the amount taken into net income in 2004 is $17.

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

	2004
	$
Fixed income – cost	**105,582**
Cumulative unrealized gains	**5,240**
Fixed income – fair value	**110,822**

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 2004 $**
Government bonds	2,896	5,516	3,970	1,905	13,009	**27,296**
Corporate bonds	-	-	3,364	1,582	6,108	**11,054**
Mortgage backed bonds	-	-	-	-	492	**492**
	2,896	5,516	7,334	3,487	19,609	**38,842**

(in thousands of dollars)

b) Equities

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

	2004		2003	
	Fair Value	**Cost**	Carrying Value	Cost
	$	**$**	$	$
Canadian equities	**71,623**	**44,221**	56,496	46,142
U.S. equities	**33,700**	**36,174**	37,649	36,155
International equities	**41,216**	**41,216**	44,079	36,780
	146,539	**121,611**	138,224	119,077

Included in the above totals for equities is $894 in short term investments (2003 - $1,607) to be invested at the investment managers' discretion.

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

	2004
	$
Equities – cost	**121,611**
Cumulative unrealized gains	**32,703**
Cumulative unrealized losses	**(7,775)**
Equities – fair value	**146,539**

c) Gains on investments

The gains on investments recorded in net income can be broken down as follows:

	2004
	$
Realized gains on investments	**3,970**
Change in unrealized gains on investments during the period	**10,529**
Gains on investments	**14,499**

(in thousands of dollars)

d) Investment performance

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

	2004	2003
Fixed income investments	**7.38%**	7.0%
Canadian equities	**19.35%**	25.9%
U.S. equities	**0.74%**	1.4%
International equities	**8.57%**	7.0%
Cash and cash equivalents	**2.65%**	2.80%

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 policy is that short term investments must have a minimum credit rating of A-1 by Moody's rating agency or its equivalent. Fixed income investments of a longer term must have a minimum credit rating of BBB by Standard & Poor's 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, geographic diversification and investment management styles and by limiting the concentration in any single entity to 5% or less of the fair value of the investment fund.

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

	Fair Value		Actual	
	Maximum	Minimum	**2004**	2003
Fixed income investments	50%	30%	**41.7%**	39.4%
Canadian equities	30%	20%	**27.2%**	26.3%
U.S. equities	20%	10%	**12.8%**	13.2%
International equities	20%	10%	**15.7%**	15.1%
Cash and cash equivalents	10%	0%	**3.2%**	3.0%

g) Interest rate risk

Fluctuations in interest rates can impact 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.

(in thousands of dollars)

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 exchange contracts outstanding at December 31, 2004 (2003 - nil). The total amount of investments (at fair value) exposed to foreign currency risk is as follows:

Currency	Fixed Income $	Equity $	**Total Investments Fair Value 2004 $**
Canadian	110,822	71,623	**182,445**
US		33,700	**33,700**
Euro	-	15,119	**15,119**
Pound Sterling	-	10,293	**10,293**
Japan	-	7,804	**7,804**
Switzerland	-	4,570	**4,570**
Hong Kong	-	1,153	**1,153**
Korea	-	782	**782**
Brazil	-	576	**576**
Australia	-	371	**371**
Sweden	-	329	**329**
Mexico	-	206	**206**
Russia	-	12	**12**
	110,822	146,539	**257,361**

6. Property, plant and equipment

	Cost $	**Accumulated Amortization $**	**2004 Net Book Value $**	2003 Net Book Value $
Assets under capital lease	4,242	3,130	**1,112**	1,325
Leasehold improvements	3,277	1,831	**1,446**	1,418
Equipment	3,508	2,063	**1,445**	1,316
Computer software, customized	2,080	396	**1,684**	649
Furnishings	572	304	**268**	82
	13,679	7,724	**5,955**	4,790

(in thousands of dollars)

7. Obligation under capital lease

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

	Future Minimum Lease Payments $	Imputed Interest at 8% $	**2004 Lease Obligation $**
Current	436	141	**295**
Non-current			
2006	436	116	**320**
2007	436	89	**347**
2008	436	61	**375**
2009	436	30	**406**
Thereafter	145	2	**143**
	1,889	298	**1,591**

8. Benefits liability

	Medical Aid $	**Compensation $**	**Pension Capitalization $**	**Pension Awards $**	**Total 2004 $**	Total 2003 $
Balance, January 1	24,623	20,936	36,026	128,557	**210,142**	205,541
Add: Claims expense						
Current year	6,259	7,300	8,016	-	**21,575**	21,729
Prior years	1,611	(3,431)	(4,334)	6,465	**311**	8,319
Liability transfer, capitalizations	-	-	(5,020)	5,020	**-**	
Recovered from third parties	-	225	-	-	**225**	372
	32,493	25,030	34,688	140,042	**232,253**	235,961
Less: Claims payments						
Current year injuries						
Claims payments	1,177	1,516	-	-	**2,693**	2,847
Claims management	415	528	-	-	**943**	986
Prior years' injuries						
Claims payments	3,694	2,763	-	10,285	**16,742**	18,042
Claims management	1,293	967	-	925	**3,185**	3,944
	6,579	5,774	-	11,210	**23,563**	25,819
Balance, December 31	25,914	19,256	34,688	128,832	**208,690**	210,142

(in thousands of dollars)

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

	2004 **$**	2003 $
Balance, beginning of year	**210,142**	205,541
Add:		
Provision for current year's claims	**17,978**	17,896
Interest allocated	**11,988**	11,940
	29,966	29,836
Deduct:		
Payments for prior years' claims	**19,928**	21,986
Experience gain	**11,490**	3,249
	31,418	25,235
Balance, end of year	**208,690**	210,142

The principal source for the experience gain is lower than expected compensation and pension payments for prior years' claims.

9. Funding policy and reserves

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

a) Operating reserve

The level at year end was $12,342 (2003 - $5,477). The target range at year end was $4,480 to $13,442 (2003 - $4,133 to $12,400)

b) Catastrophe reserve

The target level for the catastrophe reserve provides for the cost of a disaster. The level of the reserve at the end of the year is $19,950 (2003 - $19,950).

c) Rate subsidy reserve

The funding policy of the Board provides for discounts on assessment rates when the operating reserve exceeds its target range. During the year, a discount of 20% was applied to assessment rates (2003 - 30%).

d) Investment fluctuation reserve

The level of the reserve is set at 80% of the gains and losses for 2004 - $11,600 (2003 - $0)

(in thousands of dollars)

10. Administration and general expenses

	2004 **$**	2003 $
Salaries, wages and allowances	**11,090**	9,950
Professional services	**3,867**	4,457
Office lease and renovations (non-capital)	**1,435**	1,359
Travel	**887**	1,096
Amortization - furnishings and equipment	**554**	381
Amortization - capital leases and improvements	**474**	449
Communications	**423**	456
Advertising and public information	**334**	187
Office services and supplies	**332**	299
Office furnishings and equipment (non-capital)	**293**	276
Training and development	**288**	234
Interest expense on capital lease obligation	**163**	184
Honoraria and retainers	**162**	170
Miscellaneous	**153**	99
Grants	**83**	92
Computer lease and services	**13**	8
Administrative and general costs	**20,551**	19,697
Less: Allocation to claims costs	**(4,128)**	(4,930)
Administrative and general expenses	**16,423**	14,767

11. 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:

	2004 **$**
2005	**616**
2006	**350**
2007	**277**
2008	**229**
2009	**182**
Thereafter	**710**
	2,364

(in thousands of dollars)

12. Employee future benefits

a) Contributions to the Public Service Pension Plan were as follows:

	2004 $	2003 $
Board's contributions	**1,184**	1,133
Employees' contributions	**510**	452

b) Liability for severance and removal out benefits as at December 31 is as follows:

	2004 $	2003 $
Accrued benefit obligation, beginning of year	**890**	1,015
Cost for the year	**534**	(9)
Benefits paid during the year	**(271)**	(116)
Accrued benefit obligation, end of year	**1,153**	890
Short term portion (included in Account payable and other accrued liabilities)	**-**	-
Long-term portion	**1,153**	890
	1,153	890

13. Contingencies

On December 16, 2004, the Supreme Court of the Northwest Territories awarded the Board $10.7 million plus interest and costs for the Giant Mine litigation. A formal Order will not be filed until after the matter of costs is heard in February 2005. The defendants may appeal the judgment. The amount and likelihood of a final resolution can not be determined at this time.

The Board has a number of other legal claims outstanding for recovery of compensation expenses from third parties. Recovery of these amounts cannot be reasonably estimated, therefore, no amount is recorded in the financial statements. Legal claims settled during the year resulted in recoveries of $225 (2003 - $372).

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.

The Board has placed an offer to purchase a piece of land in the City of Yellowknife for the purpose of constructing an office building for its headquarters. The offer is still pending.

(in thousands of dollars)

14. Related party transactions

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

Assessments revenue from related parties:

	2004	2003
	$	$
Government of the Northwest Territories	**1,595**	1,307
Government of Nunavut	**1,443**	1,163
Public Agencies	**411**	155
	3,449	2,625

Balances due from related parties:

	2004	2003
	$	$
Government of Nunavut	**562**	-
Government of the Northwest Territories	**157**	187
Public Agencies	**40**	-
	759	187

Investments in bonds of related parties (at fair value):

	2004	2003
	$	$
Northwest Territories Power Corporation		
11.00% maturing March 9, 2009	**614**	626
11.125% maturing June 6, 2011	**1,304**	1,307
6.42% maturing December 18, 2032	**2,077**	2,018
5.95% Maturing December 15, 2034	**1,019**	-
	5,014	3,951
Northwest Territories Legislative Assembly Building Society		
13.00% Series A, maturing August 31, 2013	**443**	469
	5,457	4,420

Through memoranda of understanding with the Governments of the Northwest Territories and Nunavut, the Board charges the governments for the costs of administering benefits relating to hunters and trappers claims. These costs include the increase or decrease in the future benefits liability related to hunters and trappers claims; therefore, a significant decrease in the future benefits liability can result in a refund by the Board to either government. The Government of the Northwest Territories will provide a reimbursement for hunters and trappers claims in the amount of $157 (2003 - $153). The Government of Nunavut will provide a reimbursement for hunters and trappers claims of $561 (2003 – The Board provided a reimbursement to the Government of Nunavut for hunters and trappers claims of $90).

The Board does not record the value of other services provided by the Government of the Northwest Territories and the Government of Nunavut without charge in these financial statements. The services provided included training services, records management, and human resources support.

15. 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.

16. Comparative amounts

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

Hewitt

Workers' Compensation Board – Northwest Territories and Nunavut
Actuarial Opinion as at December 31, 2004

Hewitt Associates has been appointed by the Workers' Compensation Board of the Northwest Territories and Nunavut (the Board) to value the liabilities for future claim payments (Benefits Liability) in accordance with the **Workers' Compensation Act, N.W.T. 1988**.

As more fully described in our report dated February 25, 2005:

- We understand the valuation is intended for use in preparing the Board's balance sheet at December 31, 2004;
- The valuation was performed by Hewitt Associates and the results represent our independent assessment of the Board's liabilities for future claim payments and claim management expenses;
- We are aware that the Auditor General intends to use this valuation in accordance with the Joint Policy Statement of the CIA and the CICA;
- We confirm that the valuation has been performed in accordance with accepted actuarial practice;
- The methods and assumptions are consistent with the previous valuation and are detailed in the Statement of Funding Policy, Methods and Assumptions (March 2004);
- The valuation makes provision for all benefit obligations of the Board, including future indexing adjustments and future claims management expenses;
- We are not aware of any subsequent events that would materially impact this valuation; and
- The Benefits Liability at December 31, 2004 of $208,690,000 makes appropriate provision for the Board's benefits obligations.

In our opinion, for the purposes of the valuation:

- The data on which the valuation is based are sufficient and reliable;
- The assumptions used are appropriate; and
- The methods employed are consistent with sound actuarial principles.

This report has been prepared, and our opinions given, in accordance with accepted actuarial practices.

Respectfully submitted for
HEWITT ASSOCIATES

J.A. Brown

Allan Brown
Fellow, Canadian Institute of Actuaries

February 25, 2005

NORTHWEST TERRITORIES HOUSING CORPORATION

FINANCIAL STATEMENTS

for the year ended March 31, 2005

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Honourable David Krutko
Minister Responsible for the
Northwest Territories Housing Corporation

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

Management has developed and maintains books of accounts, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled and that transactions are in accordance with the *Financial Administration Act*, the *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 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.

Fred E. Koe, CMA, CAFM
President

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

Yellowknife, NT
June 17, 2005

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Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister responsible for the
Northwest Territories Housing Corporation

I have audited the balance sheet of the Northwest Territories Housing Corporation as at March 31, 2005 and the statements of operations, equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Edmonton, Canada
June 17, 2005

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NORTHWEST TERRITORIES HOUSING CORPORATION

Balance Sheet
As at March 31, 2005

	2005 ($'000)	2004 ($'000)
ASSETS		
Current		
Cash	$ 1,017	$ -
Short-term investments (Note 3a)	11,193	12,892
Accounts receivable (Note 4)	8,101	6,935
Due from the Government of the Northwest Territories (Note 5)	1,288	1,485
	21,599	21,312
Other receivables	113	501
Fixed-term investments (Note 3b)	7,383	4,060
	7,496	4,561
Investment in housing projects		
Land and buildings (Note 6a)	135,054	131,770
Mortgages receivable (Note 6b)	3,416	3,015
	138,470	134,785
Property and equipment (Note 7)	4,684	4,173
	$ 172,249	$ 164,831
LIABILITIES		
Current		
Bank indebtedness	$ -	$ 272
Accounts payable (Note 8)	11,113	10,319
Current portion of long-term debt and capital leases	5,514	5,006
	16,627	15,597
Long-term debt (Note 9)	80,345	85,364
Deferred capital contributions (Note 10)	58,803	51,245
Obligation under capital leases (Note 11)	8,780	9,279
Employee future benefits (Note 12)	1,248	1,331
	165,803	162,816
EQUITY		
Equity of the Government of the Northwest Territories	6,446	2,015
	$ 172,249	$ 164,831

Contingencies and commitments (Notes 16 and 17)

Approved by Management:

President

Chief Financial Officer

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

NORTHWEST TERRITORIES HOUSING CORPORATION

Statement of Operations
For the year ended March 31, 2005

	2005 ($'000)	2004 ($'000)
Expenses		
Rental housing programs		
Contributions for social housing	$ 32,325	$ 32,757
Interest on long-term debt	9,509	10,025
Amortization	7,236	6,995
Repairs, maintenance, and other costs	5,543	3,633
Contributions for market housing	1,170	735
Homeownership programs		
Homeownership grants and contributions	6,625	10,414
Mortgage subsidies	1,911	2,947
Provision for impaired mortgages	1,286	1,805
Administration (Note 13)	13,588	13,864
	79,193	83,175
Revenues and recoveries		
Other revenue and recoveries	1,245	1,435
Investment revenue	755	768
Mortgage interest revenue	217	187
Gain on disposal of capital assets	1,478	420
Recovery of prior year grants	57	34
	3,752	2,844
Net cost of operations prior to government contributions	75,441	80,331
Government contributions		
Government of the Northwest Territories	40,632	41,613
Canada Mortgage and Housing Corporation (Note 14)	33,466	33,546
Amortization of deferred capital contributions	3,600	3,266
	77,698	78,425
Net cost of (contributions from) operations	$ (2,257)	$ 1,906

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

NORTHWEST TERRITORIES HOUSING CORPORATION

Statement of Equity
For the year ended March 31, 2005

	2005 ($'000)	2004 ($'000)
Equity (deficit) of the Government of the Northwest Territories, beginning of the year	$ 2,015	$ (1,919)
Net contributions from (cost of) operations	2,257	(1,906)
	4,272	(3,825)
Contributions from the Government of the Northwest Territories		
Acquisition of non-depreciable capital assets	1,905	5,588
Long-term debt principal repayment (Note 5)	269	252
	2,174	5,840
Equity of the Government of the Northwest Territories, end of the year	$ 6,446	$ 2,015

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

NORTHWEST TERRITORIES HOUSING CORPORATION

Statement of Cash Flows
For the year ended March 31, 2005

	2005 ($'000)	2004 ($'000)
Cash flow from operating activities		
Cash received from:		
Government of the Northwest Territories (GNWT)	$ 42,023	$ 40,701
Canada Mortgage and Housing Corporation (CMHC)	29,635	30,121
Miscellaneous revenue and recoveries	2,253	2,354
	73,911	73,176
Cash used for:		
Contributions for social housing	(32,743)	(32,624)
Administration	(14,637)	(13,593)
Interest on long-term debt	(9,520)	(10,008)
Mortgage subsidies	(3,387)	(3,639)
Repairs, maintenance and other costs	(5,642)	(3,633)
Homeownership grants and contributions	(6,305)	(9,050)
Contributions for market housing	(1,170)	(735)
	(73,404)	(73,282)
Net cash used by operating activities	(507)	(106)
Cash flow from financing activities		
Contribution from GNWT for capital assets	12,962	14,073
Contribution from CMHC for loan repayment	3,831	3,404
Repayment of long-term debt and capital leases	(5,010)	(4,487)
Net cash provided by financing activities	11,783	12,990
Cash flow from investing activities		
Mortgage payments received	847	1,088
Sale of capital assets	3,361	5,009
Capital assets purchased	(13,585)	(17,855)
Fixed-term investments purchased	(3,323)	(2,050)
Short-term investments redeemed	1,699	1,813
Net cash used by investing activities	(11,001)	(11,995)
Net increase in cash	1,289	889
Bank indebtedness, beginning of the year	(272)	(1,161)
Cash (bank indebtedness), end of the year	$ 1,017	$ (272)

The accompanying notes form an integral part of the 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 Corporation is exempt from income tax but is subject to Goods & Services Taxes.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

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

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

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

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

Federal contributions from CMHC provided under the Affordable Housing Program agreement are credited against the capital costs of housing units built under the homeownership and the assisted rental housing programs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments

Short-term investments are valued at the lower of cost or market value, held to maturity 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 stated at cost. Buildings transferred to the Corporation from CMHC or the government, are stated at their respective book value when transferred. This is considered a reasonable estimation of cost. Construction in progress includes amounts which may be transferred to land and buildings for rental programs and are carried at cost. Construction in progress and housing for sale include amounts that may be transferred to homeowners and a mortgage taken back against the property. These properties 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Mortgage interest revenue

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

Property and equipment

Property and equipment are stated at 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.

Contributions for social housing

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

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

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 an employees' 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.

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

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

3. INVESTMENTS

a) Short-term investments

The Corporation invests in the short-term money market. The market yield of this portfolio ranged from 1.00% to 5.20% in 2005 (2004 – 0.75% to 5.20%). All instruments held are in high quality debt obligations with an average term to maturity of 52 days (2004 - 51 days).

b) Fixed-term investments

	2005			2004
Issuer	**Effective rate of return**	**Term to Maturity**	**Carrying Value ($'000)**	**Carrying Value ($'000)**
Government of Canada	3.26%	1 to 2 years	$ 1,031	$ 2,081
Trust company	3.55%	1 to 4 years	1,015	979
Provincial government	4.59%	1 to 10 years	5,337	1,000
			$ 7,383	$ 4,060

The average yield of this portfolio in 2005 was 4.26% (2004 – 3.85%).

4. ACCOUNTS RECEIVABLE

	2005 ($'000)	2004 ($'000)
Trade accounts receivable	$ 809	$ 1,200
Receivables from related parties		
Government of the Northwest Territories	52	877
Canada Mortgage and Housing Corporation	6,166	4,556
Local housing organizations	1,074	302
	$ 8,101	$ 6,935

5. DUE FROM THE GOVERNMENT OF THE NORTHWEST TERRITORIES

	2005 ($'000)	2004 ($'000)
Receivable (payable) at beginning of the year	$ 1,485	$ (1,141)
Total contributions	(54,160)	(53,312)
Contributions for long-term debt principal repayment	269	252
Contributions for capital assets	13,062	14,073
Cost of operations funded by GNWT	40,632	41,613
Receivable at end of year	$ 1,288	$ 1,485

The GNWT makes contributions to the Corporation to fund operations, principal repayments of long-term debt, capital assets, and for repairs, maintenance, grants and other costs. The amount of contributions recorded in the financial statements is dependent upon actual expenses incurred for the year. Amounts spent in advance of the contributions are due from the GNWT and are carried forward to be funded from future year's contributions.

6. INVESTMENT IN HOUSING PROJECTS

a) Land and buildings

	2005 ($'000)			2004 ($'000)
	Cost	Accumulated Amortization	Net	Net
Land	$ 275	$ -	$ 275	$ 261
Housing for sale	4,853	-	4,853	5,142
Social housing	176,639	76,472	100,167	104,453
Social housing under capital lease	11,033	3,158	7,875	8,568
Lease/purchase housing	11,591	2,444	9,147	4,018
Market housing	6,103	499	5,604	2,605
Construction in progress	7,133	-	7,133	6,723
	$ 217,627	$ 82,573	$ 135,054	$ 131,770

b) Mortgages receivable

	2005 ($'000)	2004 ($'000)
Mortgages, bearing interest at rates varying between 5.95% and 14.25% per annum, repayable over a maximum period of 25 years	$ 13,081	$ 11,531
Less: allowance for impaired mortgages	(9,683)	(8,692)
	3,398	2,839
Direct lending and land acquisition loans bearing interest at rates varying between 7.75% and 13.25% per annum, repayable over a maximum period of 15 years	818	849
Less: allowance for impaired mortgages	(800)	(673)
	18	176
	$ 3,416	$ 3,015

The recorded value of those mortgages specifically identified as being impaired is $10,483,000 (2004 - $9,365,000). There were no write-offs in the current year.

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

7. PROPERTY AND EQUIPMENT

	2005 ($'000)			2004 ($'000)
	Cost	Accumulated Amortization	Net	Net
Warehouses and offices	$ 6,136	$ 2,880	$ 3,256	$ 2,915
Office furniture and equipment	4,467	3,436	1,031	1,047
Leasehold improvements	657	260	397	211
	$ 11,260	$ 6,576	$ 4,684	$ 4,173

8. ACCOUNTS PAYABLE

	2005 ($'000)	2004 ($'000)
Trade payables	$ 7,724	$ 6,397
Accrued interest	470	481
Employee leave benefits	825	752
Deferred revenues	8	26
Payables to related parties		
Local housing organizations	1,670	1,316
Government of the Northwest Territories	416	1,347
	$ 11,113	$ 10,319

9. LONG-TERM DEBT

	2005 ($'000)	2004 ($'000)
Loans payable to Canada Mortgage and Housing Corporation, repayable in annual installments until the year 2033, bearing interest of 6.97% (2004 - 6.97%). The loans are guaranteed by the Government of the Northwest Territories	$ 26,053	$ 26,659
Mortgages payable to Canada Mortgage and Housing Corporation for units transferred under the Social Housing Agreement, maturing between the years 2005 and 2038, at interest rates ranging from 2.78% to 21.5% (2004 – 2.85% - 21.5%)	59,307	63,252
	85,360	89,911
Portion included in current liabilities	5,015	4,547
	$ 80,345	$ 85,364

9. LONG-TERM DEBT CONT'D

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

	Principal ($'000)	Interest ($'000)	Total ($'000)
2006	5,015	8,217	13,232
2007	5,356	7,671	13,027
2008	5,118	7,132	12,250
2009	5,383	6,584	11,967
2010	5,082	6,040	11,122
2011-2015	15,776	24,475	40,251
2016-2038	43,630	50,039	93,669

10. DEFERRED CAPITAL CONTRIBUTIONS – GOVERNMENT OF THE NORTHWEST TERRITORIES

	2005 ($'000)	2004 ($'000)
Balance, beginning of year	$ 51,245	$ 44,792
GNWT contribution for depreciable capital assets	11,158	9,719
Amortization of deferred capital contributions	(3,600)	(3,266)
Balance, end of year	$ 58,803	$ 51,245

11. OBLIGATION UNDER CAPITAL LEASES

The Northwest Territories Housing Corporation is committed, in aggregate, to payments of $1,746,000 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.

11. OBLIGATION UNDER CAPITAL LEASES (CONT'D)

	Future Minimum Lease Payments ($'000)	Executory Costs ($'000)	Imputed Interest ($'000)	Lease Obligation ($'000)
Current				
2006	$ 1,746	$ 423	$ 824	$ 499
Long-term				
2007	1,746	423	778	545
2008	1,746	423	729	594
2009	1,746	423	670	653
2010	1,746	423	611	712
2011-2023	11,694	2,821	2,597	6,276
	18,678	4,513	5,385	8,780
Total	$ **20,424**	$ **4,936**	$ **6,209**	$ **9,279**

12. EMPLOYEE FUTURE BENEFITS

The Corporation 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 PSPP were as follows:

	2005 ($'000)	2004 ($'000)
Employer's contributions	$ 1,104	$ 963
Employee's contributions	521	453
	$ 1,625	$ 1,416

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.

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

	2005 ($'000)	2004 ($'000)
Accrued benefit obligation, beginning of the year	$ 2,083	$ 1,845
Costs for the year	108	279
Benefits paid during the year	(118)	(41)
Accrued benefit obligation, end of the year	2,073	2,083
Less: Employee leave benefits in accounts payable	(875)	(752)
	$ 1,248	$ 1,331

13. ADMINISTRATION EXPENSES

	2005 ($'000)	2004 ($'000)
Salaries and benefits	$ 10,373	$ 10,467
Building and equipment rentals	1,220	1,223
Travel and relocation	684	748
Professional and special services	396	810
Computer services	342	101
Materials and supplies	247	262
Communications	220	201
Workshops and studies	60	5
Land title fees and expenses	46	47
	$ 13,588	$ 13,864

14. CONTRIBUTIONS FROM CANADA MORTGAGE AND HOUSING CORPORATION

	2005 ($'000)	2004 ($'000)
Recoveries in respect of:		
Operations and maintenance		
Contributions for social housing including interest expense	$ 30,903	$ 30,983
Repairs, maintenance, and other costs	2,563	2,563
	$ 33,466	$ 33,546

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

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

Contributions from CMHC under the Affordable Housing Program for 2005 are approximately $1,495,000 (2004 - $1,775,000).

15. FINANCIAL INSTRUMENTS

a) Fair Value

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

	2005 ($'000)		2004 ($'000)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Fixed-term investments	$ 7,383	$ 7,321	$ 4,060	$ 4,240
Loans payable	26,053	27,815	26,659	28,324
Mortgages payable	59,307	87,182	63,252	91,407

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

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

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

b) Credit Risk

Investments are managed by the Corporation's external investment managers. All investments have an R-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 consists primarily of amounts due from GNWT, CMHC and federal Goods and Services Tax rebates, which in aggregate represent 82% (2004 – 82%) 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 2005 operations.

16. CONTINGENCIES

The Corporation provided guarantees to banks financing certain new or renovated residential housing construction. As at March 31, 2005 a total of 44 (2004 - 40) loan guarantees were in effect, and the outstanding balance of loans guaranteed was $11,676,000 (2004 - $6,459,000). As at March 31, 2005, no claims have been made on guarantees and no accrued liabilities recorded.

Under the terms of the Social Housing Agreement with CMHC, the Corporation is responsible for the administration of a number of loans to third parties, where CMHC is the lender or insurer of these loans. The agreement provides that the Corporation shall indemnify and reimburse CMHC for and save it harmless from all losses, costs and expenses related to these loans. The value of these third party loans as at March 31, 2005 is approximately $37,781,000. (2004 - $39,035,000).

17. COMMITMENTS

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

	Total ($'000)
2006	4,443
2007	3,863
2008	3,210
2009	2,871
2010	1,920

18. RELATED PARTY TRANSACTIONS

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

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

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

19. SUBSEQUENT EVENT

Effective April 1, 2005, the GNWT Department of Education, Culture & Employment (EC&E) is responsible for providing social housing rental subsidies. A GNWT contribution of $30,950,000 which in the past was provided as an appropriation to the Corporation has, for 2005/06, been voted as an appropriation to EC&E to carry out its new responsibilities. For 2005/06 however, EC&E will return this funding to the Corporation to administer the social housing rental subsidies on their behalf. Consequently there will be minimal financial effect on the Corporation at this time.

Northwest Territories Development Corporation
(unaudited)

Consolidated Financial Statements

March 31, 2005

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Management's Responsibility for Financial Reporting

July 29, 2005

To the Minister responsible for the
Northwest Territories Development Corporation

Management is responsible for the preparation and presentation of the consolidated financial statements. The accompanying consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles, and related practices that are appropriate in the circumstances. The financial information includes certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis.

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

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

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

Pawan K. Chugh
Chief Executive Officer

Leonard Kwong
Director Program Evaluation and Finance

Northwest Territories Development Corporation
(unaudited)

Consolidated Financial Statements

March 31, 2005 **Page**

Northwest Territories Development Corporation
(unaudited)

Consolidated Statement of Operations

For the year ended March 31,	2005	2004
Revenue		
Sales	$ 2,311,155	$ 2,171,776
Cost of goods sold	1,818,042	1,526,120
Gross margin	**493,113**	**645,656**
Dividends	73,495	173,703
Interest	107,515	115,812
Other revenue	92,839	88,165
	766,962	**1,023,336**
Expenses		
Selling and administrative (Note 15)	2,992,990	2,806,831
Amortization of property and equipment	115,684	123,374
(Reversal of) provision for loss on investments	(123,347)	205,000
Business development expenditures	60,400	167,139
	3,045,727	3,302,344
Net loss from operations	**(2,278,765)**	**(2,279,008)**
Other items		
Asset impairment charge (Note 8)	(377,376)	-
Gain on disposal of property and equipment	19	755
	(377,357)	755
Net loss before government contributions	**(2,656,122)**	**(2,278,253)**
Government of the Northwest Territories contributions (Note 4)	3,378,527	3,249,666
Net income	**$ 722,405**	**$ 971,413**

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

Northwest Territories Development Corporation
(unaudited)

Consolidated Statement of Deficit and Contributed Equity - Venture Investments

For the year ended March 31,		2005		2004
Deficit				
Balance, beginning of year	$	(2,255,128)	$	(3,052,838)
Net Income		722,405		971,413
Transfer of dividends to Contributed Equity - Venture Investments				(73,495)
(173,703)				
Balance, end of year	**$**	**(1,606,218)**	**$**	**(2,255,128)**
Contributed Equity - Venture Investments				
Balance, beginning of year	$	5,717,610	$	5,543,907
Contribution from the Government		18,551		-
Dividends earned		73,495		173,703
Balance, end of year	**$**	**5,809,656**	**$**	**5,717,610**

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

Northwest Territories Development Corporation
(unaudited)

Consolidated Balance Sheet

As at March 31,	2005	2004
Assets		
Current		
Cash and cash equivalents (Note 6)	$ 5,001,952	$ 3,028,751
Accounts receivable	264,204	301,018
Inventory	1,295,293	1,517,122
Prepaid expenses and deposits	14,902	2,872
	6,576,351	4,849,763
Reserve funds (Note 6)	668,043	639,492
Venture investments (Note 7)	404,000	1,129,000
Property and equipment (Note 8)	346,323	829,124
	$ 7,994,717	**$ 7,447,379**
Liabilities		
Current		
Bank indebtedness (Note 9)	$ 4,981	$ 55,402
Accounts payable and accrued liabilities	519,821	560,973
	524,802	616,375
Deferred capital contributions (Note 5)	2,551,224	2,653,269
	3,076,026	3,269,644
Equity		
Contributed surplus - Government	715,253	715,253
Contributed equity - Venture Investments	5,809,656	5,717,610
Deficit	(1,606,218)	(2,255,128)
	4,918,691	4,177,735
	$ 7,994,717	**$ 7,447,379**

Commitments (Note 11).
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 Development Corporation
(unaudited)

Consolidated Statement of Cash Flow

For the year ended March 31,	2005	2004
Operating activities		
Net income	$ 722,405	$ 971,413
Items not affecting cash		
Amortization of property and equipment	115,684	123,374
Asset impairment charge (Note 8)	377,376	-
Amortization of deferred capital contributions	(462,045)	(88,365)
Gain on disposal of property and equipment	(19)	(755)
Change in provision for loss on investments	(123,347)	205,000
Change in non-cash operating working capital (Note 10a)	205,461	201,375
Cash flows from operating activities	**835,515**	**1,412,042**
Financing activities		
Contribution from the Government (Note 10b)	378,551	80,104
Contribution to sinking fund	-	(270,000)
Cash flows from (used in) financing activities	**378,551**	**(189,896)**
Investing activities		
Investment in venture investments	(185,514)	-
Venture Investments - redemptions and repayments	1,033,861	300,000
Acquisition of property and equipment	(10,259)	(117,056)
Proceeds from disposal of property and equipment	19	755
Cash flows from investing activities	**838,107**	**183,699**
Increase in cash	2,052,173	1,405,845
Cash, beginning of year	3,612,841	2,206,996
Cash, end of year	**$ 5,665,014**	**$ 3,612,841**
Represented by:		
Cash and cash equivalents	$ 5,001,952	$ 3,028,751
Reserve funds	668,043	639,492
Bank indebtedness	(4,981)	(55,402)
	$ 5,665,014	**$ 3,612,841**

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

1. Authority and operations

(a) Authority

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

(b) Operations

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

(c) Economic Dependency

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

(d) Taxes

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

2. Accounting Principles

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies of the Corporation are:

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the parent company, Northwest Territories Development Corporation, and its subsidiaries. At March 31, 2005, these subsidiaries were:

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

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

These consolidated statements include the assets and liabilities of the above named subsidiaries as at March 31, 2005 and the results of their operations for the year then ended.

2. Accounting Principles (continued)

(b) Inventory

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

(c) Venture Investments

Venture investments are in the form of equity investments and loans receivable.

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

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

Investments in ventures are carried at cost, or at cost less an allowance for loss on realization.

Loss on investments is recognized when there is other than a temporary decline in value. Provision for loss on investments is determined following a detailed review of the investments and specific provisions are made for those investments known to be in difficulty or have declined in value. Provision for loss on investments includes loan forgiveness and a provision for loss on realization of venture investments. It is not possible to determine the fair value of venture investments given their illiquid nature.

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

2. Accounting Principles (continued)

(d) 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
Equipment	4 years
Office furniture and equipment	4 years
Leasehold improvements	4 years
Computer equipment	4 years
Vehicles	4 years

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

(e) Employee Future Benefits

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

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

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

(f) Revenue

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

(g) Business Development Expenses

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

2. Accounting Principles (continued)

(h) Contributions from the Government of the Northwest Territories

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

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

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

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

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

(i) Federal and Territorial Funding

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

(j) Measurement Uncertainty

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

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

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

Under subsection 16(4) of the *Act*, the Corporation may, for each job directly or indirectly created in a project or subsidiary, pay from the Subsidy Fund to a subsidiary or for the benefit of a project, a subsidy for operating costs each fiscal year in an amount not exceeding the prescribed maximum of $25,000 per job created. Under subsection 16(3) of the *Act*, the Corporation may, for each job directly or indirectly created in a project or subsidiary, pay from the Capital Fund to a subsidiary or for the benefit of a project, as initial investment, an amount not exceeding the prescribed maximum of $100,000 per job created.

The *Act* further states that amounts greater than the prescribed maximums may be provided with the approval of the FMB. The FMB has approved the subsidy expense for the 2004-2005 fiscal year through a Financial Management Board Record of Decision; amounts were expended consistent with the Corporation's policy on Job Creation and Measuring the Results and with the *Northwest Territories Development Corporation Regulations*. Acho-Dene Native Crafts Ltd., Arctic Canada Trading Co. Ltd., Dene Fur Clouds Ltd. and Nahanni Butte General Store Ltd., with the approval of the FMB, received a subsidy in excess of the $25,000 per job.

The following jobs were created or maintained by the Corporation, its subsidiaries and venture partners during the 2004-2005 fiscal year. Indirect jobs have been calculated using the Northwest Territories Bureau of Statistics Input-Output Model and have been calculated on an aggregate basis for subsidiary operations. Direct and indirect venture job creation and maintenance numbers have been aggregated in order not to compromise venture operations.

	Current Year Subsidies Provided	Direct Jobs 2005	Direct Jobs 2004	Indirect Jobs (Aggregate Totals) 2005	Indirect Jobs (Aggregate Totals) 2004
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	$ 90,000	7.00	11.00		
Acho Dene Native Crafts Ltd.	150,000	3.00	4.00		
Arctic Canada Trading Co. Ltd.	64,071	1.00	1.00		
Dene Fur Clouds Ltd.	250,000	8.00	9.00		
Nahanni Butte General Store Ltd.	115,000	3.00	3.00		
Rae Lakes General Store Ltd.	-	5.00	5.00		
	$ 669,071	27.00	33.00	12.00	14.00
NWT Development Corporation Head Office		8.00	8.00	6.00	5.00
		35.00	41.00	18.00	19.00
Venture Investments		73.50	72.50	21.00	26.00
		108.50	113.50	39.00	45.00

In fiscal 2004-2005, the total number of direct and indirect jobs created or maintained by the Corporation, its subsidiaries and the ventures that it has invested in, number 147.50 (2004: 158.50). Aklavik & Tuktoyaktuk Furs Ltd. did not receive any capital or subsidy dollars in the fiscal year, nor did it create or maintain any jobs.

4. Government Contributions

		2005		2004
Government of the Northwest Territories				
Contribution for subsidies to subsidiaries	$	669,071	$	531,709
Contribution to operations and business development		2,152,378		2,589,982
Amortization of deferred capital contributions - Government		462,045		88,365
		3,283,494		3,210,056
Federal and Territorial programs		95,033		39,610
	$	**3,378,527**	**$**	**3,249,666**

5. Deferred Capital Contributions

		2005		2004
Opening balance	$	2,653,269	$	2,661,530
Funding received in the year		360,000		80,104
Amortization recognized		(462,045)		(88,365)
Ending balance	**$**	**2,551,224**	**$**	**2,653,269**

6a. Funds

The consolidated cash and cash equivalents balance available to the Corporation and its subsidiaries at March 31, 2005 totalled $5,669,995. This balance consisted of $668,043 in reserve funds and $5,001,952 in consolidated cash balances (net of bank indebtedness). The unconsolidated bank balance of the Corporation as at March 31, 2005 was $5,296,914. The consolidated fund balances of the Corporation are comprised as follows:

Funds available for capital investments	$	343,923
Capital Reserve Fund		191,381
Funds available for venture investments		2,908,841
Venture Reserve Fund		476,662
Funds available for operations		611,572
Funds available for subsidies		764,535
		5,296,914
Subsidiary cash balances, net		373,081
Consolidated cash and cash equivalents balance including reserves	**$**	**5,669,995**

6b. Reserve Funds

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

The Corporation may pay a sum out of the reserve fund to a subsidiary or business enterprise as a further investment or as a short-term or long-term financing to carry on its business. The amount should not exceed the prescribed maximum of $250,000, or if greater than the prescribed maximum with the Financial Management Board's approval, pursuant to subsections 16(6) and 17(5) of the Act.

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

	2005	2004
Capital Reserve Fund		
Opening reserve	$ 181,381	$ 321,381
Current year reserve deposit	10,000	10,000
Draws	-	(150,000)
Ending reserve	**191,381**	**181,381**
Venture Reserve Fund		
Opening reserve	458,111	458,111
Current year reserve deposit	18,551	-
Ending reserve	**476,662**	**458,111**
	$ 668,043	**$ 639,492**

6c. Cash Management

The Corporation's cash is pooled with the Government's surplus cash and is invested in a diversified portfolio of high grade, short term income producing assets. The cash can be withdrawn at any time and is not restricted by maturity dates on investments made by the Government. The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments, depending on the investment class, are rated R-1 Low or better by the Dominion Bond Rating Service Limited. The Corporation's average annual investment yield to March 31, 2005 was 1.91% (2004: 2.47%).

7. Venture Investments

		2005	2004
Loans Receivable			
Wekweti Development Corporation		$ 220,000	220,000
Tli-Cho Co-operative Ltd.		212,350	212,350
Nats'enelu Ltd.		-	100,000
		432,350	532,350
Less: Provision for loss		(432,350)	(532,350)
		-	-
Investments in Shares			
Red Dog Mountain Contracting Ltd.	preferred	514,239	1,425,600
Tri-Vanguard Pictures Ltd.	preferred	400,000	400,000
ADK Corporate Group	preferred	300,000	300,000
Kunnek Resource Development Corp	preferred	300,000	300,000
175119 Canada Inc. (Norweta Cruises)	preferred	273,311	273,311
Two River Development Group Ltd.	preferred	160,000	160,000
Nats'enelu Ltd.	preferred	-	150,000
Dunnett Petroleum Ltd.	preferred	135,000	135,000
North Nahanni Naturalist Lodge Ltd.	preferred	100,000	100,000
Enodah Wilderness Travel Ltd.	preferred	98,000	98,000
Paulette & Clarke's Renovations Ltd.	preferred	75,514	-
F.C. Services Ltd.	preferred	17,500	30,000
Acoda Gifts Ltd.	common	-	15,000
Tli-Cho Co-operative Ltd.	preferred	100	100
		2,373,664	3,387,011
Less: Provision for loss		(1,969,664)	(2,258,011)
		404,000	1,129,000
Net Investment in Venture Investments		$ **404,000**	$ **1,129,000**

Investments, in all classes of ventures, for 2005 totalled $2,806,014 (2004: $3,919,361) with associated provisions made of $2,402,014 (2004: $2,790,361). Impaired loans in 2005 total $432,350 (2004: $532,350); the associated provision for loss is $432,350 (2004: $532,350).

Net recovery to income in 2005, in respect to loan impairment, was $123,347 (2004 net charge to income: $205,000). In 2005, there were no recoveries on loans written off (2004: nil).

7. Venture Investments (continued)

Preferred Shares and Dividends

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

Preferred shares are redeemable at the option of the Corporation, and earn dividends at variable rates. Dividends have been waived for the first three years for certain of the investments. Investment yields vary from year to year due to the amount and timing of dividend and interest income received; venture investments earned $73,495 in 2005 (2004: $173,703).

Write-off and Forgiveness

Under the provisions of the *Financial Administration Act*, an account can only be approved for write-off by either the Legislative Assembly (over $20,000) or the FMB ($20,000 or less) or for forgiveness by either the Legislative Assembly (over $1,000) or the FMB ($1,000 or less). Once an account has been forgiven, no further collection action is possible.

In 2005,two accounts totalling $165,000 were written off by by the Legislative Assembly and one account totalling $100,000 was forgiven by the Legislative Assembly (2004: nil). No accounts were written off or forgiven by the FMB in 2005 (2004:nil).

8. Property and Equipment

	Cost	Accumulated Amortization	**2005 Net Book Value**	2004 Net Book Value
Land	$ 20,247	$ -	$ 20,247	$ 20,247
Buildings	4,610,595	4,366,372	244,223	678,053
Equipment	1,047,670	971,358	76,312	115,268
Leasehold improvements	101,571	101,571	-	3,419
Computer equipment	133,440	132,272	1,168	2,335
Vehicles	114,515	110,142	4,373	9,802
	$ 6,028,038	$ 5,681,715	**$ 346,323**	**$ 829,124**

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. Effective April 1, 2004, the Corporation adopted the new CICA Handbook Section 3063, *Impairment of Long-Lived Assets*. 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.

The Corporation leased out a building and the lease payment is based on the lessee's net income. Since the lessee is not expected to have net income in the future, an amount of $377,376, representing the balance of the unamortized cost of the building, has been charged to income. This impairment charge has been recognized in the consolidated statement of operations under asset impairment charge.

9. Bank Indebtedness

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

	2005	2004
Bank overdrafts	**4,981**	55,402

10. Consolidated Statement of Cash Flow - Summaries

(a) Changes in Non-cash Operating Working Capital

	2005	2004
Accounts receivable	$ 36,814	$ (30,598)
Inventory	221,829	53,102
Prepaid expenses and deposits	(12,030)	9,384
Accounts payable and accrued liabilities	(41,152)	169,487
	$ 205,461	**$ 201,375**

(b) Contribution From Government

	2005	2004
Capital funds	$ 360,000	$ 80,104
Venture funds	18,551	-
	$ 378,551	**$ 80,104**

11. Commitments

Lease Obligations

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

	2005	2004
2005	-	125,733
2006	59,922	28,040
2007	30,674	-
	$ 90,596	**$ 153,773**

12. Related Party Transactions

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

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

		2005		2004
Revenues				
Sales	$	46,089	$	63,834
Expenses				
Purchases	$	585,408	$	679,112
Balances at year end				
Accounts Receivable	$	2,859	$	13,321
Accounts Payable	$	2,886	$	152,888

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

13. Financial Instruments

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

14. Subsequent Event

In July 2005, the conversion of a loan receivable to preferred shares, in regards to Wekweti Development Corporation, was completed.

In March 2005, Tli-Cho Co-operatives Ltd. declared bankruptcy. It is expected that the bankruptcy proceedings will be completed in 2006. The associated venture investment made by the Corporation has been fully provided for.

15. Selling and Administrative Expenses

	2005	2004
Salaries and wages	$ 1,916,835	$ 1,714,796
Advertising and promotion	183,341	139,117
Travel	172,405	137,012
Office and general	146,122	157,678
Utilities	183,722	228,408
Rent	121,554	144,955
Board members	112,827	108,316
Professional fees	83,273	97,222
Telephone	49,619	43,627
Bank charges and interest	19,038	39,304
Workshops	8,514	9,033
Bad debts (recovery)	(4,260)	(12,637)
	$ 2,992,990	**$ 2,806,831**

16. Comparative Figures

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

17. Northwest Territories Business Development and Investment Corporation

On April 1, 2005, the *Northwest Territories Business Development and Investment Act* came into effect and created the Northwest Territories Business Development and Investment Corporation. This new corporation is the successor of the Corporation that was dissolved effective that date. All rights, titles, interests, agreements, obligations, liabilities and programs of the Corporation were transferred to the new corporation.

18. Segmented Information

	Acho-Dene Crafts	Aklavik & Tuk Furs	Arctic Canada Trading Co.	Dene Fur Clouds	Ft. McPherson Tents	Nahanni-Butte General	Rae Lakes General	**2005 Total**
Revenues	$ 153,626	$ -	$ 286,425	$ 99,262	$ 447,087	$ 298,688	$ 1,081,321	**$ 2,366,409**
Net loss before subsidy	$ (113,713)	$ (26,064)	$ (281,966)	$ (268,694)	$ (40,720)	$ (164,816)	$ (26,239)	**$ (922,212)**
Subsidy	$ 150,000	$ -	$ 64,071	$ 250,000	$ 90,000	$ 115,000	$ -	**$ 669,071**
Profit (loss) after subsidy	$ 36,287	$ (26,064)	$ (217,895)	$ (18,694)	$ 49,280	$ (49,816)	$ (26,239)	**$ (253,141)**
Deficit March 31,2004	$ (760,776)	$ (971,100)	$ (495,712)	$ (428,776)	$ (1,148,967)	$ (983,615)	$ (137,379)	**$ (4,926,325)**
Deficit March 31,2005	$ (724,489)	$ (1,000,633)	$ (713,607)	$ (447,470)	$ (1,099,687)	$ (1,001,361)	$ (180,508)	**$ (5,167,755)**

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

GOVERNMENT OF THE NORTHWEST TERRITORIES

Department of Education, Culture and Employment

Student Loan Revolving Fund

FINANCIAL STATEMENTS

for the year ended March 31, 2005

(unaudited)

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Government of the Northwest Territories

Student Loan Revolving Fund
for the year ended March 31, 2005

Statement of Operations

	2005 $000s	2004 $000s
Loans Receivable, opening balance	28,078	26,256
Loans granted during the year	5,581	5,761
Prior year adjustment - opening balance	-	-
	33,659	32,017
Less:		
Principal amount of loans repaid	3,109	2,319
Principal amount of loans written off	43	-
Principal amount of loan remissions	1,080	1,620
Loans Receivable, closing balance	29,427	28,078
Less:		
Estimated provision for remission and doubtful accounts	20,268	18,579
Net Loans Receivable, closing balance	9,159	9,499

Effect of Student Loan Revolving Fund
On Government Operations

	2005	2004
Interest earned and credited to general revenues	430	452
Less:		
Financial collection agency fees	24	15
Estimated provision for remission and doubtful accounts	3,400	3,399
Operating deficiency for the year	(2,994)	(2,962)

1. During the fiscal year the allowance for remission and write-offs accounts was increased by $3,400,000 (2003/04 - $3,999,000). 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, $43,070 loans were written off due to uncollectability (2003/04 - $0), $1,079,802 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, Management Services
Department of Education, Culture and Employment

GOVERNMENT OF THE NORTHWEST TERRITORIES

Department of Resources, Wildlife and Economic Development

Fur Marketing Service Revolving Fund

Financial statements

for the year ended March 31, 2005

(unaudited)

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GOVERNMENT OF THE NORTHWEST TERRITORIES

RESOURCES, WILDLIFE AND ECONOMIC DEVELOPMENT — March 31, 2005

Fur Marketing Service Revolving Fund

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

	($)	(thousands of dollars)		
	2004/2005 Actuals	2004/2005 Revised Estimates	2004/2005 Main Estimates	2003/2004 Actuals
Authorized Limit	**900,000**	**900**	**900**	**900**
Operating Results				
Opening Accounts Receivable	275,578	275	381	18
Advances to Trappers	772,221	593	355	977
Receipts of Fur Account Loans	-797,229	-230	-290	-720
Closing Accounts Receivable (Note 1 & 2)	**250,570**	**638**	**446**	**275**

Notes:

1) Some fur remains unsold at auction for extended periods. The spring sale proceeds which are received after fiscal year end pay off most of the remaining advances from the season's trapping.

2) In the past, direct recovery from individual trappers was necessary if the fur sold for less than the advance amount. In 2003-2004 the Department revised the fur program so that prices are guaranteed to the trapper. The trapper will still receive any excess receipts over the advance, but is no longer responsible for any deficit on the sale. This change is reflected in the 2003-2004 Revised Main Estimates.

Prepared by: Campbell   Date: 10/8/05

Approved by: Date: 10/8/05

GOVERNMENT OF THE NORTHWEST TERRITORIES

Department of Public Works and Services

Public Stores Revolving Fund Inventories

Financial Statements

for the year ended March 31, 2005

(unaudited)

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GOVERNMENT OF THE NORTHWEST TERRITORIES

Schedule of Public Stores Revolving Fund Inventories
for the year ended March 31, 2005

Public Stores	Balance March 31, 2004	Net Receipts	Net Issues	Board of Survey	Inventory (Write-downs) Write-ups	Balance March 31, 2005
Yellowknife	$ 113,526	$ 348,094	$ (324,659)	$ -	$ -	$ 136,961

Prepared By: Bev Bourque
Manager, Finance and Administration
North Slave Office

Approved By: Chuck Gibson
Manager, Finance Services
Corporate Services

8/19/2005

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NORTHWEST TERRITORIES OPPORTUNITIES FUND

FINANCIAL STATEMENTS
(unaudited)

for the year ended March 31, 2005

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NORTHWEST TERRITORIES OPPORTUNITIES FUND

(unaudited)

INDEX TO FINANCIAL STATEMENTS

March 31, 2005 **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
(unaudited)

AS AT MARCH 31, 2005

		2005		2004
ASSETS				
CURRENT				
Cash and cash equivalents (Note 3)	$	29,985,458	$	1,932,766
Accrued interest		23,439		7,452
		30,008,897		1,940,218
LONG-TERM DEBT ISSUE DEFERRED CHARGES (Note 4)		1,924,079		136,154
	$	31,932,976	$	2,076,372
LIABILITIES				
CURRENT				
Current portion of long-term debt	$	88,215	$	-
LONG-TERM DEBT (Note 5)		31,752,844		2,075,183
EQUITY				
EQUITY		91,917		1,189
	$	31,932,976	$	2,076,372

APPROVED BY THE BOARD:

Chairman of the Board

Director

NORTHWEST TERRITORIES OPPORTUNITIES FUND

STATEMENT OF OPERATIONS AND EQUITY
(unaudited)

FOR THE YEAR ENDED MARCH 31, 2005

(With comparative amounts for the ten-month period ended March 31, 2004)

	For the year ended March 31, 2005	For the ten-month period ended March 31, 2004
REVENUE		
Interest	$ 343,683	$ 8,875
EXPENSES		
Amortization of deferred charges	203,337	6,248
Bank charges and investment fees	49,618	1,438
	252,955	7,686
EXCESS OF REVENUE OVER EXPENSES	90,728	1,189
EQUITY AT BEGINNING OF THE PERIOD	1,189	-
EQUITY AT THE END OF THE PERIOD	$ 91,917	$ 1,189

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

NORTHWEST TERRITORIES OPPORTUNITIES FUND

STATEMENT OF CASH FLOWS
(unaudited)

FOR THE YEAR ENDED MARCH 31, 2005
(With comparative amounts for the ten-month period ended March 31, 2004)

	For the year ended March 31, 2005	For the ten-month period ended March 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income received	$ 327,696	$ -
Bank charges and investment fees paid	(49,618)	(15)
	278,078	(15)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings, net of the commissions	27,774,614	1,932,781
INCREASE IN CASH AND CASH EQUIVALENTS	28,052,692	1,932,766
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,932,766	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 29,985,458	$ 1,932,766

NOTES TO THE FINANCIAL STATEMENTS
(unaudited)

FOR THE YEAR ENDED MARCH 31, 2005
(With comparative amounts for the ten-month period ended March 31, 2004)

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 does not record the value of the administration services provided by the Government of the Northwest Territories without charge. The value of these services are disclosed in Note 7.

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.

NORTHWEST TERRITORIES OPPORTUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS
(unaudited)

FOR THE YEAR ENDED MARCH 31, 2005
(With comparative amounts for the ten-month period ended March 31, 2004)

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 period ending March 31, 2005 was 2.34% (2004 - 2.11%).

4 Long-Term Debt Issue Deferred Charges

	2005	2004
Long-term debt issue deferred charges, at amortized cost	$ 1,924,079	$ 136,154

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

	2005	2004
Immigrant investor loans, 0% interest, repayable in a single payment at the end of 5 years. Maturing October 2008 to February 2010, secured by a guarantee from the Government of the Northwest Territories.	$ 31,841,059	$ 2,075,183
Less current portion	88,215	-
	$ 31,752,844	$ 2,075,183

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:

2006	$ 88,215
2009	2,071,362
2010	29,681,482
	$ 31,841,059

The 2006 repayments are the Northwest Territories Opportunities Fund's share of funds returned to immigrants for which visas were not issued.

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:

	2005	2004
Carrying Value	$ 31,841,059	$ 2,075,183
Fair Value	$ 26,936,197	$ 1,676,604

In cases where a visa is not issued, an investor is entitled to a refund. As at March 31, 2005, a visa had not been issued to investors for corresponding loans totaling $307,588. 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 does not record the value of the accounting and administrative services it receives without charge from the Department of Resources, Wildlife and Economic Development and other entities. For the period ended March 31, 2005, the estimated cost of the services received free of charge amount to $22,950 (2004 - $16,274).

Investment fees charged by the Government of the Northwest Territories in the amount of $49,583 (2004 - $1,423) have been included in the expenses.