PUBLIC ACCOUNTS

OF THE

GOVERNMENT OF THE NORTHWEST TERRITORIES

FOR THE YEAR ENDED MARCH 31, 2006

SECTION III

SUPPLEMENTARY FINANCIAL STATEMENTS

HONOURABLE FLOYD K. ROLAND

Minister of Finance

This page intentionally left blank.

Public Accounts of the
Government of the Northwest Territories

Table of Contents **TAB**

SECTION III

SUPPLEMENTARY FINANCIAL STATEMENTS

This page intentionally left blank.

AURORA COLLEGE

Audited Financial Statements

June 30, 2005

This page intentionally left blank.

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.

M. Evans

Maurice Evans
President

E. Weber

Edith Weber
Bursar/Chief Financial Officer

Fort Smith, Canada
September 23, 2005

This page intentionally left blank.

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister Responsible for the Aurora College

I have audited the balance sheet of the Aurora College as at June 30, 2005 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, 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 College and the financial statements are in agreement therewith and the transactions of the College that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* and regulations, the *Public Colleges Act* and regulations and by-laws of the College.

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Edmonton, Canada
September 23, 2005

This page intentionally left blank.

AURORA COLLEGE

BALANCE SHEET
as at June 30, 2005
(in thousands)

	2005	2004
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	$ 5,768	$ 3,217
Net accounts receivable (Note 4)	1,406	985
Prepaid expenses	157	470
	7,331	4,672
Property and equipment (Note 5)	3,464	3,147
	$10,795	$ 7,819
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,349	$ 1,743
Employee leave pay	1,170	1,072
Deferred project income	114	268
Current portion of employee future benefits	274	222
Due to the Government of the Northwest Territories	674	14
	4,581	3,319
Employee future benefits (Note 6)	820	887
Professional development fund (Note 7)	833	844
Deferred capital contributions	1,000	786
	7,234	5,836
EQUITY (Note 8)	3,561	1,983
	$10,795	$ 7,819

Commitments (Note 11)

Approved by the Board:

Dennis Bevington
Chairperson of the Board

Angus Lennie
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, 2005
(in thousands)

	2005	2004
REVENUES		
Project income		
Territorial government	$ 3,198	$ 3,428
Federal government	403	422
Other	1,699	1,238
Tuition fees	2,089	1,854
Room and board	807	726
Investment income	142	95
Other	751	687
	9,089	8,450
EXPENSES		
Compensation and benefits	19,776	19,492
Contract services	4,772	4,516
Building leases	3,094	3,063
Amortization of property and equipment	2,390	2,224
Materials and supplies	2,323	1,841
Utilities	1,565	1,451
Travel and accommodation	951	669
Fees and payments	926	1,182
Communication, postage and freight	470	462
	36,267	34,900
Net loss before government contributions	(27,178)	(26,450)
Government contributions (Note 9)	28,756	27,310
Net income after government contributions	**1,578**	860
Equity at beginning of year	1,983	1,123
Equity at end of year	**$ 3,561**	$ 1,983

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

AURORA COLLEGE

STATEMENT OF CASH FLOWS
for the year ended June 30, 2005
(in thousands)

	2005	2004
Cash flows from operating activities		
Cash receipts from students and contracts	$ 8,396	$ 8,266
Cash receipts from government contributions	26,530	25,270
Cash paid to suppliers and employees	(32,056)	(32,711)
Interest received	142	95
Net cash provided by operating activities	3,012	920
Cash flows from investing activities		
Proceeds from sale of equipment	-	38
Acquisition of property and equipment	(835)	(10)
Net cash provided by (used in) investing activities	(835)	28
Cash flows from financing activities		
Capital contributions	374	305
Net increase in cash	**2,551**	1,253
Cash and cash equivalents at beginning of year	3,217	1,964
Cash and cash equivalents at end of year	**$ 5,768**	$ 3,217

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

1. AUTHORITY AND MANDATE

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Measurement Uncertainty

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

b) Property and equipment

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

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

c) Employee future benefits

Pension benefits
Employees participate in the Public Service Pension 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 Pension Account.

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 the year-end. These benefits represent the only obligation of the College that entails settlement by future payment.

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, 2005 was 2.035% (2004 - 2.19%).

4. NET ACCOUNTS RECEIVABLE

	2005 (in thousands)			2004
	Accounts Receivable	**Allowance**	**Net**	**Net**
Government contributions	$ 24	$ -	$ 24	$ -
Project income				
Government	288	-	288	480
Other	1,062	48	1,014	434
Students	351	273	78	68
Advances	2	-	2	3
	$ 1,727	$ 321	$ 1,406	$ 985

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

5. PROPERTY AND EQUIPMENT

	2005			2004
	(in thousands)			
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Mobile equipment	$ 2,698	$ 1,240	$1,458	$ 1,141
Building additions and renovations	1,991	747	1,244	1,344
Furniture and equipment	1,206	783	423	367
Leasehold improvements	1,103	764	339	295
	$ 6,997	$ 3,534	$3,464	$ 3,147

6. EMPLOYEE FUTURE BENEFITS

Pension Benefits

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

	2005	2004
	(in thousands)	
College's contributions	$ 1,645	$ 1,583
Employees' contributions	744	740

Employee Severance Benefits

The College 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. Future benefits will be paid out of future appropriations. Information about the plan, measured as at the balance sheet date, is as follows:

	2005	2004
	(in thousands)	
Accrued benefit obligation, beginning of year	$ 1,109	$ 1,186
Cost for the year	87	-
Benefits paid during the year	(102)	(77)
Accrued benefit obligation, end of year	$ 1,094	$ 1,109
Short-term portion	$ 274	$ 222
Long-term portion	820	887
Total accrued benefit obligations	$ 1,094	$ 1,109

7. <u>PROFESSIONAL DEVELOPMENT FUND</u>

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. <u>EQUITY</u>

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:

			(in thousands)		
Appropriated equity:	**Balance, opening July 1, 2004**	**Net Results**	**Appropriated**	**Used in Operations**	**Balance, ending June 30, 2005**
a) Program delivery	$ 117	$ -	$ -	$ -	$ 117
b) Research & development	52	-	31	(18)	65
c) HEO replacement & maintenance	176	-	52	-	228
d) Restricted donations	24	-	20	(22)	22
Unappropriated equity:	1,614	1,578	(103)	40	3,129
Total equity	**$ 1,983**	**$1,578**	**$ -**	**$ -**	**$3,561**

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

	2005	2004
	(in thousands)	
Operating contributions	$26,441	$25,150
Amortization of deferred capital contributions	160	102
Services provided without charge	2,155	2,058
	$28,756	$27,310

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 $1,032,390 (2004 - $1,262,000) 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 $ 285,000 (2004 - $316,000).

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 $1,870,500 (2004 - $1,742,300), 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:

	2005	2004
	(in thousands)	
Contract services	$ 285	$ 316
Amortization of property and equipment	1,870	1,742
	$ 2,155	$ 2,058

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:

	(in thousands)
2006	$ 3,463
2007	3,381
2008	1,337
2009	852
2010	857
Thereafter	8,315
	$18,205

12. COMPARATIVE FIGURES

Some 2004 comparative figures have been reclassified to conform to financial statement presentation adopted in the current year.

Northwest Territories Business Development and Investment Corporation

Consolidated Financial Statements

UNAUDITED

March 31, 2006

This page intentionally left blank.

(Unaudited)
Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Northwest Territories Business Development and Investment Corporation (the Corporation) were prepared by management in accordance with Canadian generally accepted accounting principles, and related practices appropriate in the circumstances. Financial statements include amounts requiring estimates based upon informed judgment as to the expected results of current transactions and events, such as the provision for losses on impaired investments 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 Development and Investment Corporation Act* (the *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 Audit Committee, comprised of members of the Board of Directors (Board) and are not employees of the Corporation, is responsible for reviewing and recommends the audited annual financial statements to the Board for approval and oversees management's responsibilities for financial reporting and internal controls.

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.

Pawan K. Chugh
Chief Executive Officer

Leonard Kwong
Director, Program Evaluation and Finance

September 5, 2006

This page intentionally left blank.

This page intentionally left blank.

Northwest Territories Business Development and Investment Corporation

(Unaudited)
Consolidated Statement of Operations

	000's			
For the year ended March 31,		**2006**		**2005**
Revenue				
Sales	$	3,818	$	2,311
Cost of goods sold		2,335		1,818
Gross margin		**1,483**		**493**
Interest Income on loans receivable		2,126		2,276
Dividends		14		73
Interest		179		121
Other revenue		136		93
		3,938		**3,056**
Expenses				
Interest expense on Advance from the Government		1,194		1,200
Selling and administrative		4,242		3,854
Amortization of property and equipment		145		126
Provision for losses on impairments		622		463
Business Service Centre expenditures		100		-
Business Development Fund expenditures		41		60
Net (loss) from operations		**(2,406)**		**(2,647)**
Other items				
Asset impairment charge		-		377
Income taxes		4		-
Net (loss) before Government contribution		**(2,410)**		**(3,024)**
Government contribution		5,236		4,249
Net income	**$**	**2,826**	**$**	**1,225**

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

Northwest Territories Business Development and Investment Corporation

(Unaudited)
Consolidated Statement of Deficit and Contributed Equity - Venture Investments

	000's			
For the year ended March 31,		**2006**		**2005**
Deficit				
Balance, beginning of the year	$	(4,884)	$	(5,848)
Net Income		2,826		1,225
Transfer of dividends to Contributed Equity - Venture Investments		(14)		(73)
Balance, end of year	**$**	**(2,072)**	**$**	**(4,696)**
Contributed Equity - Venture Investments				
Balance, beginning of the year	$	6,417	$	5,718
Contribution from the Government		9		19
Dividends earned		14		73
Balance, end of year	**$**	**6,440**	**$**	**5,810**

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

Northwest Territories Business Development and Investment Corporation

(Unaudited)
Consolidated Balance Sheet

	000's	
As at March 31,	**2006**	**2005**
Assets		
Cash and cash equivalents	$ 7,987	$ 5,601
Accounts receivable	440	264
Loans receivable (net)	31,192	32,208
Inventory	849	1,295
Prepaid expenses and deposits	27	15
	40,495	39,383
Reserve funds	637	668
Venture investments (net)	469	404
Property and equipment (net)	1,437	352
	$ 43,038	**$ 40,807**
Liabilities		
Bank indebtedness	$ -	$ 5
Accounts payable and accrued liabilities	660	520
Current portion of long-term debt	21	-
	681	525
Advance from the Government	35,480	35,897
Long-term debt	39	-
Due to non-controlling interests	186	-
Deferred capital contributions	1,184	2,556
Deferred government assistance	385	-
	37,955	38,978
Equity		
Contributed surplus - Government	715	715
Contributed equity - venture investments	6,440	5,810
Deficit	(2,072)	(4,696)
	5,083	1,829
	$ 43,038	**$ 40,807**

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

Approved by the Board:

Darrell Beaulieu
Chairperson of the Board

Albert Lafferty
Chairperson of the Audit Committee

Northwest Territories Business Development and Investment Corporation

(Unaudited)
Consolidated Statement of Cash Flow

		000's		
For the year ended March 31,		**2006**		**2005**
Operating activities				
Net income	$	2,826	$	1,225
Items not affecting cash				
Amortization of property and equipment		145		126
Asset impairment charge		-		377
Amortization of deferred capital contributions		(1,712)		(472)
Change in provision for loss on investments		622		463
Change in non-cash operating working capital		393		170
Cash flows from operating activities		2,274		1,889
Investing Activities				
Disbursements to loans and investments		(6,131)		(7,084)
Repayments to loans and investments		6,319		6,940
Acquisition of property and equipment		(69)		(10)
Deferred interest		1		-
Recovery of share subscriptions		5		-
Cash flows from (used in) investing activities		125		(154)
Financing Activities				
Advance from the Government		1,600		500
Principal repayment of Advances from the Government		(2,017)		(181)
Contribution from the Government		349		379
Advances from non-controlling interests		(38)		-
Proceeds of long-term debt		2		-
Repayment of long-term debt		(60)		-
Cash flows from (used in) financing activities		(164)		698
Increase in Cash		2,235		2,433
Cash, beginning of the year		6,389		3,831
Cash, end of the year		**8,624**		**6,264**
Represented by:				
Cash and cash equivalents		7,987		5,601
Reserve funds		637		668
Bank indebtedness		-		(5)
	$	**8,624**	**$**	**6,264**

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

1. Authority, Objective and Operation

(a) Authority

The Corporation was established on April 1, 2005 pursuant to the *Northwest Territories Business Development and Investment Corporation Act*. It is subject to the *Financial Administration Act* and is a territorial Crown Corporation of the Government. The Corporation and its subsidiaries are agents of the Government.

The Corporation is the successor to the Northwest Territories Development Corporation (NWTDC) and the Northwest Territories Business Credit Corporation (NWTBCC). Both corporations were territorial Crown corporations that were dissolved on the establishment date of the Corporation. All assets, rights, titles, interests, agreements, obligations, liabilities and programs were transferred to the Corporation.

(b) Objective

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

(c) Operation

The Corporation invests in business enterprises directly through loans, minority or majority equity investments and provides financial assistance through contributions. It also provides business information to northern businesses and residents.

(d) Economic dependency

The Corporation is economically dependent upon the Government's funding and advances.

(e) Taxes

The Corporation and its subsidiaries are exempt from municipal and territorial taxes pursuant to Section 35 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. Significant Accounting Policies

The consolidated 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.

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the Corporation, and its subsidiaries. At March 31, 2006, these subsidiaries were:

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

Aklavik & Tuktoyaktuk Furs Ltd. had a wind up plan; in 2004 the company divested itself of its leases and properties in Aklavik and is in the process of selling the property 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, 2006 and the results of their operations for the year then ended.

2. Significant Accounting Policies (continued)

(b) Loans receivable

Loans receivable are stated at the lower of principal amounts or estimated realizable amounts receivable and include accrued interest receivable net of an allowance for losses on impaired loans.

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.

i) 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.

ii) General allowance: In addition to the specific allowance, the Corporation maintains a general allowance, established at two percent (2%) of principal amounts, 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 (continued)

(c) Inventory

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

During the year, the Corporation recognized an impairment in value of finished goods inventory of $70,826.

(d) Venture investments

Venture investments are in the form of equity investments.

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

Loss on ventures investments is recognized when there is other than a temporary decline in value. Provision for loss on ventures investments is determined following a detailed review of the venture investments and specific provisions are made for those ventures investments known to be in difficulty or have declined in value. 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 Loans and Investment Fund pursuant to Section 27(b) of the *Act*, to be used for additional investments in venture activities.

(e) Property and Equipment

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

Buildings	20 years
All other assets	4 years

(f) Revenue recognition

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

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

2. Significant Accounting Policies (continued)

(g) Business Service Centre expenditures

The Corporation is in partnership with Industry Canada, Government of Canada in providing information on government services, programs and regulations to northern businesses and residents. Operating expenditures are included in the Business Service Centre expenditures.

(h) Business Development Fund expenditures

Business Development Fund expenditures include spending on feasibility studies, business plans, investigations, due diligence assessments and appraisals that have been approved by the Corporation. It is the Corporation's policy to charge these expenses to current year operations.

(i) Employee future benefits

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

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. The Government upon resignation, retirement or death of employees pays these benefits.

(j) Contribution from the Government

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 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 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.

2. Significant Accounting Policies (continued)

(k) Federal and Territorial Funding

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

(l) Asset retirement obligations

The Corporation's legal obligations associated with site restoration costs on the retirement of property and equipment are recognized in the period in which they are incurred. No liabilities have been recognized for the retirement of property and equipment.

(m) Consolidation of variable interest entities

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

(n) 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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these statements, the Corporation believes the estimates and assumptions to be reasonable. Some of the more significant estimates made relate to investments in loans and ventures, accrued interest receivable, provision for losses on impairments and inventories.

3. Financial Statements Presentation - Consolidated per AcG-15

Variable Interest Entities (VIE) are defined under Acg-15 as entities that do not have sufficient equity at risk to finance their activities without additional subordinated financial support, or where the equity holders lack the overall characteristics of a controlling financial interest. The guideline requires that the VIE be consolidated with the financial results of the enterprise deemed to be the primary beneficiary of the VIE's expected losses and its expected residual returns.

The Corporation implemented AcG-15 on April 1, 2005.

Consolidated Statement of Operations

	000's		
For the year ended March 31, 2006	**Consolidated per AcG-15**	Impact of Implementation of AcG-15	Prior to Implementation of AcG-15
Revenue			
Sales	$ 3,818	$ 1,657	$ 2,161
Cost of goods sold	2,335	601	1,734
Gross margin	**1,483**	**1,056**	**427**
Interest Income on loans receivable	2,126	(8)	2,134
Dividends	14	(12)	26
Interest	179	-	179
Other revenue	136	5	131
	3,938	**1,041**	**2,897**
Expenses			
Interest expense on Advance from the Government	1,194	-	1,194
Selling and administrative	4,242	753	3,489
Amortization of property and equipment	145	83	62
Provision for losses on impairments	622	(102)	724
Business Service Centre expenditures	100	-	100
Business Development Fund expenditures	41	-	41
Net (loss) from operations	**(2,406)**	**307**	**(2,713)**
Other items			
Income taxes	(4)	(4)	-
Net (loss) before Government contribution	**(2,410)**	**303**	**(2,713)**
Government contribution	5,236	-	5,236
Net income	**$ 2,826**	**$ 303**	**$ 2,523**

3. Financial Statements Presentation - Consolidated per AcG-15 (continued)

Consolidated Statement of Deficit and Contributed Equity - Venture Investments

	000's		
For the year ended March 31, 2006	**Consolidated per AcG-15**	Impact of Implementation of AcG-15	Prior to Implementation of AcG-15
Deficit			
Balance, beginning of the year	$ (4,884)	$ (188)	$ (4,696)
Net Income	2,826	303	2,523
Transfer of dividends to Contributed Equity - Venture Investments	(14)	12	(26)
Balance, end of year	**$ (2,072)**	**$ 127**	**$ (2,199)**
Contributed Equity - Venture Investments			
Balance, beginning of the year	$ 6,417	$ 607	$ 5,810
Contribution from the Government	9	-	9
Dividends earned	14	(12)	26
Balance, end of year	**$ 6,440**	**$ 595**	**$ 5,845**

3. Financial Statements Presentation - Consolidated per AcG-15 (continued)

Consolidated Statement of Deficit and Contributed Equity - Venture Investments

	000's		
As at March 31,	**Consolidated per AcG-15**	Impact of Implementation of AcG-15	Prior to Implementation of AcG-15
Assets			
Cash and cash equivalents	$ 7,987	$ 193	$ 7,794
Accounts receivable	440	188	252
Loans receivable (net)	31,192	-	31,192
Inventory	849	5	844
Prepaid expenses and deposits	27	24	3
	40,495	410	40,085
Reserve funds	637	-	637
Venture investments (net)	469	-	469
Property and equipment (net)	1,437	1,141	296
	$ 43,038	**$ 1,551**	**$ 41,487**
Liabilities			
Accounts payable and accrued liabilities	660	198	462
Current portion of long-term debt	21	21	-
	681	219	462
Advance from the Government	35,480	-	35,480
Long-term debt	39	39	-
Due to non-controlling interests	186	186	-
Deferred capital contributions	1,184	-	1,184
Deferred government assistance	385	385	-
	37,955	829	37,126
Equity			
Contributed surplus - Government	715	-	715
Contributed equity - venture investments	6,440	595	5,845
Deficit	(2,072)	127	(2,199)
	5,083	722	4,361
	$ 43,038	**$ 1,551**	**$ 41,487**

3. Financial Statements Presentation - Consolidated per AcG-15 (continued)

Consolidated Statement of Cash Flow

For the year ended March 31, 2006	Consolidated per AcG-15 (000's)	Impact of Implementation of AcG-15 (000's)	Prior to Implementation of AcG-15 (000's)
Operating activities			
Net income	$ 2,826	$ 303	$ 2,523
Items not affecting cash			
Amortization of property and equipment	145	83	62
Amortization of deferred capital contributions	(1,712)	-	(1,712)
Change in provision for loss on investments	622	(102)	724
Change in non-cash operating working capital	393	(64)	457
Cash flows from operating activities	2,274	220	2,054
Investing Activities			
Disbursements to loans and investments	(6,131)	-	(6,131)
Repayments to loans and investments	6,319	-	6,319
Acquisition of property and equipment	(69)	(62)	(7)
Deferred interest	1	1	-
Recovery of share subscriptions	5	5	-
Cash flows from (used in) investing activities	125	(56)	181
Financing Activities			
Advance from the Government	1,600	-	1,600
Principal repayment of Advances from the Government	(2,017)	-	(2,017)
Contribution from the Government	349	-	349
Advances from non-controlling interests	(38)	(38)	-
Proceeds of long-term debt	2	2	-
Repayment of long-term debt	(60)	(60)	-
Cash flows from (used in) financing activities	(164)	(96)	(68)
Increase in Cash	2,235	68	2,167
Cash, beginning of the year	6,389	125	6,264
Cash, end of the year	**8,624**	**193**	**8,431**
Represented by:			
Cash and cash equivalents	7,987	193	7,794
Reserve funds	637	-	637
	$ 8,624	**$ 193**	**$ 8,431**

4. Financial Statements Presentation - Corporate Entity

The following consolidated statements reflect the corporate entity that is the NWT Business Development and Investment Corporation and its subsidiary companies before the impact of AcG-15.

Consolidated Statement of Operations

	000's			
For the year ended March 31,		**2006**		**2005**
Revenue				
Sales	$	2,161	$	2,311
Cost of goods sold		1,734		1,818
Gross margin		**427**		**493**
Interest Income on loans receivable		2,134		2,276
Dividends		26		73
Interest		179		121
Other revenue		131		93
		2,897		**3,056**
Expenses				
Interest expense on Advance from the Government (Note 17)		1,194		1,200
Selling and administrative (Note 24)		3,489		3,854
Amortization of property and equipment		62		126
Provision for losses on impairments (Note 13)		724		463
Business Service Centre expenditures		100		-
Business Development Fund expenditures		41		60
Net (loss) from operations		**(2,713)**		**(2,647)**
Other items				
Asset impairment charge		-		377
Net (loss) before Government contribution		**(2,713)**		**(2,270)**
Government contribution (Note 7)		5,236		4,249
Net income	**$**	**2,523**	**$**	**1,979**

4. **Financial Statements Presentation - Corporate Entity (continued)**

Consolidated Statement of Deficit and Contributed Equity - Venture Investments

For the year ended March 31,		000's 2006		2005
Deficit				
Balance, beginning of the year	$	(4,696)	$	(5,848)
Net Income		2,523		1,225
Transfer dividends to Contributed Equity - Venture Investments		(26)		(73)
Balance, end of year	**$**	**(2,199)**	**$**	**(4,696)**
Contributed Equity - Venture Investments				
Balance, beginning of the year	$	5,810	$	5,718
Contribution from the Government		9		19
Dividends earned		26		73
Balance, end of year	**$**	**5,845**	**$**	**5,810**

4. Financial Statements Presentation - Corporate Entity (continued)

Consolidated Balance Sheet

	000's	
As at March 31,	**2006**	**2005**
Assets		
Cash and cash equivalents (Note 9)	$ 7,794	$ 5,601
Accounts receivable	252	264
Loans receivable (net) (Note 11)	31,192	32,208
Inventory	844	1,295
Prepaid expenses and deposits	3	15
	40,085	39,383
Reserve funds (Note 9)	637	668
Venture investments (net) (Note 12)	469	404
Property and equipment (net) (Note 15)	296	352
	$ 41,487	**$ 40,807**
Liabilities		
Bank indebtedness	$ -	$ 5
Accounts payable and accrued liabilities	462	520
	462	525
Advance from the Government (Note 17)	35,480	35,897
Deferred capital contributions (Note 8)	1,184	2,556
	37,126	38,978
Equity		
Contributed surplus - Government	715	715
Contributed equity - venture investments	5,845	5,810
Deficit	(2,199)	(4,696)
	4,361	1,829
	$ 41,487	**$ 40,807**

4. Financial Statements Presentation - Corporate Entity (continued)

Consolidated Statement of Cash Flow

	000's	
As at March 31,	**2006**	**2005**
Operating activities		
Net income	$ 2,523	$ 1,225
Items not affecting cash		
Amortization of property and equipment	62	126
Asset impairment charge	-	377
Amortization of deferred capital contributions	(1,712)	(472)
Change in provision for loss on investments	724	463
Change in non-cash operating working capital (Note 18a)	457	170
Cash flows from operating activities	2,054	1,889
Investing Activities		
Disbursements to loans and investments	(6,131)	(7,084)
Repayments to loans and investments	6,319	6,940
Acquisition of property and equipment	(7)	(10)
Cash flows from (used in) investing activities	181	(154)
Financing Activities		
Advance from the Government	1,600	500
Principal repayment of Advances from the Government	(2,017)	(181)
Contribution from the Government (Note 18b)	349	379
Cash flows from (used in) financing activities	(68)	698
Increase in Cash	2,167	2,433
Cash, beginning of the year	6,264	3,831
Cash, end of the year	**8,431**	**6,264**
Represented by:		
Cash and cash equivalents	7,794	5,601
Reserve funds	637	668
Bank indebtedness	-	(5)
	$ 8,431	**$ 6,264**

5. Financial Statements Presentation - Transfer of 2005 Opening Balances

On April 1, 2005, the two predecessor corporations, Northwest Territories Development Corporation and Northwest Territories Business Credit Corporation, were dissolved. The rights, title, interest and obligations were transferred to the Corporation (NWTBDIC). The carrying values were determined to be fair market values at the time of transfer. There were no related party transactions between the two predecessor corporations. The respective and combined financial statements as at March 31, 2005 are presented below.

Statement of Operations

	000's		
	NWTBDIC	NWTBCC	NWTDC
Revenue			
Sales	$ 2,311	$ -	$ 2,311
Cost of goods sold	1,818	-	1,818
Gross margin	**493**	-	**493**
Interest Income on loans receivable	2,276	2,276	-
Dividends	73	-	73
Interest	121	13	108
Other revenue	93	-	93
	3,056	**2,289**	**767**
Expenses			
Interest expense on Advance from the Government	1,200	1,200	-
Selling and administrative	3,854	861	2,993
Amortization of property and equipment	126	10	116
Provision for losses on impairments	463	586	(123)
Business Development Fund expenditures	60	-	60
Net (loss) from operations	**(2,647)**	**(368)**	**(2,279)**
Other items			
Asset impairment charge	(377)	-	(377)
Net (loss) before Government contribution	**(3,024)**	**(368)**	**(2,656)**
Government contribution	4,249	871	3,378
Net income	**$ 1,225**	**$ 503**	**$ 722**

5. Financial Statements Presentation - Transfer of 2005 Opening Balances (continued)

Statement of Deficit and Contributed Equity - Venture Investments

	000's		
	NWTBDIC	NWTBCC	NWTDC
Deficit			
Balance, beginning of the year	$ (5,848)	$ (3,593)	$ (2,255)
Net Income	1,225	503	722
Transfer of dividends to Contributed Equity - Venture Investments	(73)	-	(73)
Balance, end of year	**$ (4,696)**	**$ (3,090)**	**$ (1,606)**
Contributed Equity - Venture Investments			
Balance, beginning of the year	$ 5,718	$ -	$ 5,718
Contribution from the Government	19	-	19
Dividends earned	73	-	73
Balance, end of year	**$ 5,810**	**$ -**	**$ 5,810**

5. Financial Statements Presentation - Transfer of 2005 Opening Balances (continued)

Balance Sheet

	000's		
	NWTBDIC	NWTBCC	NWTDC
Assets			
Cash and cash equivalents	$ 5,601	$ 599	$ 5,002
Accounts receivable	264	-	264
Loans receivable (net)	32,208	32,208	-
Inventory	1,295	-	1,295
Prepaid expenses and deposits	15	-	15
	39,383	32,807	6,576
Reserve funds	668	-	668
Venture investments (net)	404	-	404
Property and equipment (net)	352	5	347
	$ 40,807	**$ 32,812**	**$ 7,995**
Liabilities			
Bank indebtedness	$ 5	$ -	$ 5
Accounts payable and accrued liabilities	520	-	520
	525	-	525
Advance from the Government	35,897	35,897	-
Deferred capital contributions	2,556	5	2,551
	38,978	35,902	3,076
Equity			
Contributed surplus - Government	715	-	715
Contributed equity - venture investments	5,810	-	5,810
Deficit	(4,696)	(3,090)	(1,606)
	1,829	(3,090)	4,919
	$ 40,807	**$ 32,812**	**$ 7,995**

5. **Financial Statements Presentation - Transfer of 2005 Opening Balances (continued)**

Statement of Cash Flow

	000's		
	NWTBDIC	NWTBCC	NWTDC
Operating activities			
Net income	$ 1,225	$ 503	$ 722
Items not affecting cash			
Amortization of property and equipment	126	10	116
Asset impairment charge	377	-	(377)
Amortization of deferred capital contributions	(472)	(10)	(462)
Change in provision for loss on investments	463	586	(123)
Change in non-cash operating working capital	170	(35)	205
Cash flows from operating activities	1,889	1,054	81
Investing Activities			
Disbursements to loans and investments	(7,084)	(6,898)	(186)
Repayments to loans and investments	6,940	5,906	1,034
Acquisition of property and equipment	(10)	-	(10)
Cash flows from (used in) investing activities	(154)	(992)	838
Financing Activities			
Advance from the Government	500	500	-
Principal repayment of Advances from the Government	(181)	(181)	-
Contribution from the Government	379	-	379
Cash flows from financing activities	698	319	379
Increase in Cash	2,433	381	1,298
Cash, beginning of the year	3,831	218	3,613
Cash, end of the year	**6,264**	**599**	**4,911**
Represented by:			
Cash and cash equivalents	5,601	599	5,002
Reserve funds	668	-	668
Bank indebtedness	(5)	-	(5)
	$ 6,264	**$ 599**	**$ 5,665**

6. Job Creation or Maintenance

The Programs, Projects and Services Continuation Regulations (the Regulations) that govern the Corporation enable the Corporation to provide financial assistance to businesses in order to create or maintain jobs within the Northwest Territories.

Under subsection 18(5) of the Regulations, 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 18(4) of the Regulations, 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.

Subsidy amounts greater than the prescribed maximums may be provided with the approval of the FMB. The FMB approved a subsidy in excess of the $25,000 per job to Arctic Canada Trading Company Ltd. for the year. Aklavik & Tuktoyaktuk Furs Ltd. did not receive any capital or subsidy dollars in the fiscal year, nor did it create or maintain any jobs.

The following jobs were created or maintained by the Corporation's subsidiaries and venture partners during the 2005-2006 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 Subsidy Provided	Direct Jobs 2006	Direct Jobs 2005	Indirect Jobs (Aggregate Totals) 2006	Indirect Jobs (Aggregate Totals) 2005
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	$ 70,000	8.00	7.00		
Acho Dene Native Crafts Ltd.	100,000	3.00	3.00		
Arctic Canada Trading Co. Ltd.	17,537	0.25	1.00		
Dene Fur Clouds Ltd.	175,000	8.00	8.00		
Nahanni Butte General Store Ltd.	75,000	3.00	3.00		
Rae Lakes General Store Ltd.	-	6.00	5.00		
	$ 437,537	28.25	27.00	12.00	12.00
Venture Investments		95.50	73.50	19.00	21.00
		123.75	100.50	**31.00**	33.00

In fiscal 2005-2006, the total number of direct and indirect jobs created or maintained by the Corporation's subsidiaries and the ventures it has invested in, number 154.75 (2005: 133.50).

7. Government Contributions

		000's
Government of the Northwest Territories		
Contribution for subsidies to subsidiaries	$	438
Contribution for operations and business development		2,860
Amortization of deferred capital contributions		32
Working capital conversion		1,781
		5,111
Federal and Territorial programs		125
	$	**5,236**

8. Deferred Capital Contributions

	000's			
		2006		**2005**
Opening balance	$	2,556	$	2,668
Funding received in the year		340		360
Amortization recognized		(1,712)		(472)
	$	**1,184**	**$**	**2,556**

9. Funds

The consolidated cash and cash equivalents balance available to the Corporation and its subsidiaries at March 31, 2006 totaled $8,431,455. This balance consisted of $636,793 in reserve funds and $7,794,662 in consolidated cash balances. The unconsolidated bank balance of the Corporation as at March 31, 2006 was $7,987,306. The consolidated fund balances of the Corporation are comprised as follows:

		000's
Funds available for capital investments	$	684
Capital Reserve Fund		151
Funds available for venture investments		2,926
Venture Reserve Fund		486
Funds available for operation		1,094
Funds available for subsidies		1,246
Funds available for lending		1,400
		7,987
Subsidiary cash balances, net		444
Consolidated cash and cash equivalents balance including reserves	**$**	**8,431**

9. Funds (continued)

Reserve Funds

Pursuant to Sections 18 and 19 of the Regulations, 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 regulation states 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 18(7) and 19(6) of the Regulations.

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.

	000's	
	2006	**2005**
Capital Reserve Fund		
Opening reserve	$ 191	$ 181
Current year reserve deposit (draw)	(40)	10
Ending reserve	151	191
Venture Reserve Fund		
Opening reserve	$ 477	$ 458
Current year reserve deposit (draw)	9	19
Ending reserve	486	477
	$ 637	**$ 668**

10. 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 2.5% during the year (2005: 1.9%).

11. Loans Receivable

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

	000's 2006	000's 2005
Loans receivable	$ 41,520	$ 41,958
Accrued interest receivable	188	223
	41,708	42,181
Less: allowance for losses on impaired loans	10,516	9,973
	$ 31,192	**$ 32,208**

	Range of Annual Interest Rates		000's	
Region	**2006** %	**2005** %	**2006**	**2005**
Loans Receivable				
Dehcho	5.75 - 8.75	5.75 - 8.75	$ 3,722	$ 3,695
Inuvik	5.75 - 7.50	5.75 - 9.25	5,973	6,056
North Slave	3.50 - 9.75	3.50 - 9.75	12,701	13,354
Sahtu	6.75 - 8.50	6.75 - 8.50	2,983	3,082
South Slave	3.50 - 9.00	3.50 - 9.00	16,141	15,771
			41,520	41,958
Accrued Interest Receivable				
Current			145	146
Arrears			43	77
			188	223
			$ 41,708	**$ 42,181**

Loans receivable and accrued interest include $14,145,000 of loans receivable (2005: $11,599,000) and $23,000 of accrued interest (2005: $16,000) that the Corporation has specifically classified as impaired. In 2006, interest not accrued on impaired loans totalled $1,016,000 (2005: $906,000).

The value of loans in which the Corporation has title to or foreclosed on totalled $780,000 (2005: $816,000). These loans have related allowances for losses totalling $586,000 (2005: $736,000). The asset foreclosed on is real property and has been valued by a certified estate appraiser based on standard appraisal practice techniques.

11. Loans Receivable (continued)

As of March 31, 2006, 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	$	1,226
2007	6.25 - 9.75		1,838
2008	3.50 - 8.25		6,080
2009	6.25 - 9.50		6,259
2010	5.75 - 7.50		6,129
2011 and beyond	3.50 - 8.25		5,843
Impaired loans			14,145
		$	**41,520**

Economic sector diversity

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

	000's			
		2006		2005
Trade and Service	$	23,703	$	24,450
Travel and Tourism		5,189		6,036
Transportation, Communication and Utilities		4,288		3,868
Construction		3,757		3,501
Manufacturing		2,577		2,613
Agriculture		1,146		531
Fisheries		474		555
Wildlife		149		149
Forestry		123		132
Arts and Crafts		114		123
	$	**41,520**	**$**	**41,958**

11. Loans Receivable (continued)

The impaired loan portfolio, by economic sectors, is as follows:

	000's	
	2006	2005
Trade and Service	$ 6,627	$ 4,476
Travel and Tourism	3,112	3,641
Transportation, Communication and Utilities	1,280	1,233
Construction	1,146	224
Manufacturing	741	783
Agriculture	619	730
Fisheries	324	215
Wildlife	149	149
Forestry	111	111
Arts and Crafts	36	37
	$ 14,145	**$ 11,599**

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.

12. Venture Investments

	000's 2006	000's 2005
Red Dog Mountain Contracting Ltd.	$ 474	$ 514
Tri-Vanguard Ka'nages Prod. Ltd.	400	400
ADK Petroleum Limited Partnership	300	300
Kunnek Resource Development Corp	300	300
175119 Canada Inc.	273	273
Wekweti Hotel Limited	220	-
Two River Development Group Ltd.	160	160
Dunnett Petroleum Ltd.	135	135
North Nahanni Naturalist Lodge Ltd.	100	100
Enodah Wilderness Travel Ltd.	98	98
Holman Eskimo Co-operatives Ltd.	88	-
Paulette & Clarke's Renovations Ltd.	66	76
F.C. Services Ltd.	5	17
Tli-Cho Co-operative Ltd.	1	1
	2,620	2,374
Less: Allowance for loss	(2,151)	(1,970)
	$ 469	**$ 404**

During the year, Wekweti Development Corporation completed the conversion of their loan receivable to preferred shares.

Net recovery to income in 2006, in respect to impairment on investments, was $39,000 (2005 net recovery to income: $123,000).

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 $26,000 in 2006 (2005: $73,000).

13. Allowance for Losses on Impairment

	000's 2006	2005
Specific allowance for losses		
Opening balance	$ 11,290	$ 11,101
Provision for the year	742	454
Less: write-offs	-	(165)
forgiveness	-	(100)
	12,032	11,290
General allowance for losses		
Opening balance	653	644
Provision for the year	(18)	9
	635	653
	$ 12,667	**$ 11,943**
Represented by:		
Loans	$ 10,516	$ 9,973
Venture investments	2,151	1,970
	$ 12,667	**$ 11,943**

Total impairment recognized in the year ended March 31, 2006 is: $724,000 (2005: $463,000).

14. Investment Risk

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

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

14. Investment Risk (continued)

Write-offs

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

In 2006, no accounts were written off by the Legislative Assembly (2005: $165,000 representing two accounts were written off) and no accounts were written off by the Board of Directors (2005: nil).

In 2006, recoveries on accounts previously written off totaled $26,332 (2005:

Forgiveness

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

In 2006, no accounts were forgiven by the Legislative Assembly (2005: $100,000 presenting one account). No accounts were forgiven by the Financial Management Board (2005: nil).

15. Property and Equipment

			000's	
		Accumulated	Net Book Value	
	Cost	Amortization	2006	2005
Land	$ 20	$ -	$ 20	$ 20
Buildings	4,618	4,381	237	244
Equipment	1,057	1,019	38	80
Leasehold improvements	102	102	-	-
Computer equipment	173	172	1	3
Vehicles	114	114	-	5
	$ 6,084	**$ 5,788**	**$ 296**	**$ 352**

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

16. Bank Indebtedness

Bank indebtedness represents bank overdrafts that carry an interest rate of prime plus 5.0%. There was no bank indebtedness as at March 31, 2006 (2005: $5,000).

17. Advance from the Government of the Northwest Territories

The Act authorizes the Corporation to borrow for the purpose of lending and for minority equity investments, up to $150 million from the Government through an advance. Increases to the outstanding balance of the advance must be approved by the Financial Management Board based on the need of the Corporation. The balance was not to exceed $45 million as at March 31, 2006 (2005: $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 4.0% during the year (2005: 3.0% 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 $35,480,000 (2005: $35,897,000) approximates fair value.

18. Consolidated Statement of Cash Flows - Summary

(a) Changes in non-cash operating working capital

		000's
Accounts receivable	$	12
Inventory		451
Prepaid expenses and deposits		12
Accounts payable and accrued liabilities		(58)
Loan receivable interest income accruals		40
	$	**457**

(b) Contribution from Government

		000's
Accounts receivable	$	340
Accounts payable and accrued liabilities		9
	$	**349**

19. Commitment

Lease obligation

The Corporation is committed to one operating lease for equipment at its future minimum payment of $30,674 that expires in 2007.

20. Contingent Liabilities

The Corporation has two outstanding irrevocable standby letters of credit. These letters of credit are for $110,000 and $30,000 and expire in September 2006 and April 2006 respectively. The latter was renewed for another year on April 25, 2006. 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.

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

Corporation's contributions	$	111,184
Employee's contributions		66,781

22. 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.

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

Revenues		
Sales	$	30,472
Expenses		
Purchases	$	231,145
Balances at year end		
Accounts receivable	$	31,118
Accounts payable		34,522

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 regional and human resource services as well as office accommodation. The values of such services are estimated as follows:

Staff support	$	715,000
Accomodation and renovation		266,500
	$	**981,500**

Cumulative employee future long term benefits accrued at March 31, 2006 is $101,000. Effective April 1 2005, the Corporation is responsible for its employee future long term benefits.

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

23. 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.

24. Selling and Adminsitrative Expenses

	000's
Salaries and benefits	$ 2,487
Professional fees	224
Office and general	197
Utilities	177
Travel	94
Bad debts	69
Board members	65
Communication	60
Advertising and promotion	42
Rent	37
Training and workshops	21
Bank charges and interest	16
	$ 3,489

25. Comparative Figures

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

26. Segmented Information

	Acho Dene Native Crafts Ltd.	Aklavik & Tuktoyaktuk Fur Ltd.	Arctic Canada Trading Co. Ltd.	Dene Fur Clouds Ltd.	Ft. McPherson Tents	Nahanni Butte General Store Ltd.	Rae Lakes General Store Ltd.	**Total 2006**
Revenues	$ 134,763	$ -	$ 45,167	$ 113,520	$ 490,949	$ 314,279	$ 1,074,742	$ **2,173,420**
Net loss before subsidy	$ (144,587)	$ 378,114	$ 549,036	$ 66,274	$ (616,484)	$ (306,913)	$ (44,585)	$ **(119,145)**
Subsidy	$ 100,000	$ -	$ 17,537	$ 175,000	$ 70,000	$ 75,000	$ -	$ **437,537**
Profit (loss) after subsidy	$ 90,176	$ 378,114	$ 611,740	$ 354,794	$ (55,535)	$ 82,366	$ (45,585)	$ **1,416,070**
Deficit March 31, 2005	$ (724,489)	$ (1,000,633)	$ (713,607)	$ (447,470)	$ (1,099,687)	$ (1,001,361)	$ (180,508)	$ **(5,167,755)**
Deficit March 31, 2006	$ (634,313)	$ (622,519)	$ (101,867)	$ (92,676)	$ (1,155,222)	$ (918,995)	$ (225,093)	$ **(3,751,685)**

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

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

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES

For the Year Ended March 31, 2006

This page intentionally left blank.

TABLE OF CONTENTS

This page intentionally left blank.

AUDITORS' REPORT

Commissioner

We have audited the Balance Sheet of the Estate and Trust Fund as at March 31, 2006 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, 2006, the results of operations and the changes in the Estate and Trust Fund Balance for the year then ended in accordance with accounting policies of the Public Trustee as outlined in Note 2 to the financial statements and as required by the Public Trustee Act and Regulations.

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

Avery, Cooper & Co.

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

May 8, 2006

This page intentionally left blank.

Office of the
PUBLIC TRUSTEE
For the Northwest Territories

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

File No.
37-100

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

Public Trustee for the Northwest Territories

May 8, 2006

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

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2006

NOTE 1 AUTHORITY

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

NOTE 2 ACCOUNTING POLICIES

a) These financial statements have been prepared on the cash basis of accounting except as otherwise stated.

b) All Estate and Trust Fund assets other than cash, which include business interests, mortgages, stocks, bonds, term deposits, real estate and other assets, are carried at a nominal value of one dollar ($1).

c) Expenditures for the operation of the Office of the Public Trustee are paid from the Consolidated Revenue Fund of the Government of the Northwest Territories and, except for $99,925 (2005- $82,937) paid to the Consolidated Revenue Fund as administration fees, management fees, and the transfer of interest earned, are not reflected in these financial statements.

NOTE 3 CASH IN BANK

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

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

NOTE 4 UNDISTRIBUTED COMMON FUND EARNINGS

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

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

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

NOTE 5 ESTATE AND TRUST FUND

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

	2006	2005
Common Fund	$3,247,661	$3,266,893
Other assets, at nominal value	1	1
	$3,247,662	$3,266,894

NOTE 6 FINANCIAL INSTRUMENTS

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

This page intentionally left blank.

NORTHWEST TERRITORIES POWER CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2006

This page intentionally left blank.

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 26, 2006

This page intentionally left blank.

Auditor General of Canada
Vérificatrice générale du Canada

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, 2006 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
May 26, 2006

This page intentionally left blank.

NORTHWEST TERRITORIES POWER CORPORATION

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

	2006	2005
Revenues		
Sale of power	$ 65,032	$ 66,255
Fuel rider revenues (Note 3)	3,837	155
Other (Note 5)	2,050	2,043
	70,919	68,453
Expenses		
Salaries and wages	17,225	15,889
Fuels and lubricants	12,670	14,860
Fuel expense offset to rider revenue (Note 3)	3,837	155
Supplies and services	11,040	12,181
Amortization (Note 6)	8,299	7,551
Travel and accommodation	2,005	1,919
	55,076	52,555
Earnings from operations	15,843	15,898
Insurance proceeds (Note 8)	1,410	-
Insurance expenses (Note 8)	(1,410)	-
	-	-
Interest income	335	377
Earnings before interest expense	16,178	16,275
Interest expense (Note 9)	8,986	9,846
Net earnings	7,192	6,429
Retained earnings at beginning of year (Note 17)	38,941	36,097
Capital adjustment (Note 17)	-	(285)
Dividend (Note 10)	(3,500)	(3,300)
Retained earnings at end of year	$ 42,633	$ 38,941

See accompanying notes

NORTHWEST TERRITORIES POWER CORPORATION

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

	2006	2005
Cash flows from operating activities		
Cash receipts from customers	$ 70,796	$ 69,479
Cash paid to suppliers and employees	(44,167)	(50,429)
Interest received	335	220
Interest paid	(9,682)	(10,400)
Cash flows (used in) from operating activities	17,282	8,870
Cash flows used in investing activities		
Property, plant and equipment constructed or purchased & proceeds from sale of property, plant and equipment	(22,690)	(28,161)
Proceeds from insurance	3,961	2,250
Cash flows used in investing activities	(18,729)	(25,911)
Cash flows from (used in) financing activities		
Proceeds from long-term borrowings	15,000	25,000
Repayment of long-term debt	(1,032)	(998)
Sinking fund instalments	(5,685)	(3,308)
Dividends paid	(3,300)	(5,718)
Net (repayment) / proceeds from short-term borrowings	(2,000)	(1,000)
Repayment of net lease obligation	(62)	(118)
Government contributions (Note7)	730	-
Received from Nunavut Power Corporation related to Division (Note 17)	-	5,111
Cash flows from financing activities	3,651	18,969
Net increase in cash	2,204	1,928
Cash (bank indebtedness) at beginning of year	156	(1,772)
Cash at end of year	$ 2,360	$ 156

See accompanying notes

NORTHWEST TERRITORIES POWER CORPORATION

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

	2006	2005
Assets		
Property, plant and equipment (Note 11)		
Plant in service	$ 304,694	$ 294,133
Less accumulated amortization	(76,734)	(72,215)
	227,960	221,918
Construction work in progress	11,350	4,808
	239,310	226,726
Current assets		
Cash	2,360	156
Accounts receivable	12,670	13,646
Inventories	6,547	6,832
Prepaid expenses	628	647
	22,205	21,281
Other long-term assets		
Sinking fund investments (Note 12)	37,804	28,850
Regulatory assets (Note 3)	12,073	15,879
Other deferred costs	644	642
	50,521	45,371
	$ 312,036	$ 293,378
Liabilities and Shareholder's Equity		
Long-term debt		
Long-term debt, net of sinking fund investments (Note 13)	$ 115,279	$ 110,304
Sinking fund investments presented as assets	37,804	28,850
Net lease obligation (Note 14)	1,481	1,539
	154,564	140,693
Current liabilities		
Short-term debt (Note 15)	8,000	10,000
Accounts payable and accrued liabilities	14,522	12,927
Dividends payable	3,500	3,300
Current portion of long-term debt (Note 13)	1,068	1,032
	27,090	27,259
Other long-term liabilities		
Regulatory liabilities (Note 3)	41,704	40,867
Deferred government contributions (Note 7)	380	-
Employee future benefits (Note 16)	2,536	2,489
	44,620	43,356
Shareholder's equity (Note 17)	85,762	82,070
	$ 312,036	$ 293,378

Commitments and contingencies (Note 18)

See accompanying notes

Approved on behalf of the Board:

Richard Nerysoo
Chairman of the Board

Louis Sebert
Director

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

1. Authority and operation

The NWT Power Corporation (the Corporation, NTPC) 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.

Rate Regulation

The Corporation, with the exception of its subsidiary companies, is regulated by the Public Utilities Board of the Northwest Territories (PUB) pursuant to the *Public Utilities Act*. The PUB regulates matters covering rates, financing, accounting, construction, operation, and service area. As the PUB is a board appointed by the Government of the Northwest Territories (GNWT), and the Corporation is a public agency of the GNWT, the Corporation and the PUB are related parties. Although the PUB and NTPC are related parties, the GNWT can only provide general guidance to the PUB and cannot give specific direction to the PUB on a case before them, therefore the PUB and the Corporation are not under the same influence or control from the GNWT. The Corporation is subject to a cost of service regulatory mechanism under which the PUB establishes the revenues required (i) to recover the forecast operating costs, including amortization, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. In the 2001/03 General Rate Application (GRA) the PUB approved an allowed rate of return of 9.5%. As actual operating conditions will vary from forecast, actual returns achieved will differ from approved returns.

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 regulatory hearing process used to establish or change rates typically begins when the Corporation makes a general rate application for its proposed electricity rate changes.

The PUB typically follows a two-stage decision process for GRAs. In the first stage, the total costs (revenue requirement) that the Corporation will incur to provide electricity to its customers in the Test Year(s) are approved. The approval of these costs determines the total revenues the Corporation is allowed to collect from its customers. It is the responsibility of the PUB to examine the legitimacy of three classes of costs:

i) the costs to the Corporation to run its operations and maintain its equipment (personnel and materials);
ii) the cost associated with the amortization of its plant and equipment;
iii) the return on rate base (the costs related to borrowing that portion of rate base which is financed with debt, and the costs to provide a reasonable rate of return on that portion of rate base which is financed with equity).

As well, in the first stage, the PUB reviews the additions of the costs to the rate base and assesses these costs to ensure they are prudent.

In the second stage, the PUB approves how the revenue will be raised. This stage essentially determines the electricity rates for the various customer classes served by the Corporation: industrial, wholesale, general service, residential and streetlights. This process is guided mainly by a cost of service study which allocates the overall utility cost of service to the various customer classes on the basis of proposed costing principles.

Normally, the Corporation applies for rates in advance of the applicable Test Years. The last rate application was for the 2002/03 Test Year. Interim applications may be used between GRAs to deal with circumstances which could result in the use of interim rates or riders until the next rate application when rates are reviewed and set as final.

Capitalized allowance for funds used during construction
The PUB allows the Corporation to capitalize an allowance for funds used during construction (AFUDC) based on the most recent PUB approved cost of capital for the Corporation.

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 less accumulated amortization and unamortized contributions by utility customers to aid in the construction and acquisition of property, plant and equipment. Costs include materials, direct labour and a proportionate share of directly attributable overhead costs. Regulated operations within the Corporation include in property, plant and equipment an allowance for funds used during construction (AFUDC) at a rate approved by the PUB. Property, plant and equipment in the subsidiaries include only acquisition costs.

Certain regulated additions are made with the assistance of non-refundable cash contributions from customers when the estimated revenue is less than the cost of providing service. These contributions are amortized on the same basis, and offset the amortization charge of the assets to which they relate. The Corporation retains ownership of these assets.

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.

Included in amortization expense and Regulatory Liabilities is a Reserve for Future Removal and Site Restoration. The account will be applied to mitigate the impact of asset dismantling and disposal costs that are not otherwise related to an asset retirement obligation.

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
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 (GAAP), 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.

Management's estimates and assumptions regarding regulated assets and liabilities and the timing of the Corporation's ability to recover the cost of these assets through future rates, are subject to decisions of the PUB as described in Note 3.

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 December 2005 the CICA Emerging Issues Committee issued EIC-159 "Conditional Asset Retirement Obligations". It dealt with the timing of liability recognition for legal obligations associated with the retirement of a tangible long-lived asset when timing and/or method of settlement are conditional on a future event. The purpose of this Abstract is to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. This accounting treatment should be applied retroactively, with restatement of prior periods to all financial statements for reporting periods ending after March 31, 2006.

3. Financial statement effects of rate regulation

Regulatory assets and liabilities in these consolidated financial statements are accounted for differently than they would be in the absence of rate regulation.

Where regulatory decisions dictate, the Corporation defers certain costs or revenues as assets or liabilities on the balance sheet and records them as expenses or revenues in the statement of earnings as they collect or refund amounts through future customer rates. Any adjustments to these deferred amounts are recognized in earnings in the period that the PUB renders a subsequent decision.

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

Regulatory Assets

		2006		2005	Remaining recovery period
Rate Stabilization Funds (a)	$	4,040	$	3,078	Determined by PUB
Reserve for Injuries and Damages (a)		2,579		1,612	Determined by PUB
Snare Cascades Deferral Account		1,010		1,774	5 years
Regulated Employee Future Benefits (a)		1,884		1,354	Determined by PUB
Regulatory Costs		1,232		1,121	Determined by PUB
Financing Costs (a)		1,043		1,180	27 years
Other regulated assets		583		1,000	Determined by PUB
Normalized Overhaul Costs (a)		(298)		226	Determined by PUB
L-199 transmission line costs (a)		-		4,534	N/A
	$	12,073	$	15,879	

(a) the rate base does not include an allowance for a return on investment for this item.

Rate Stabilization Funds
The Rate Stabilization Funds were established by the PUB in 1997/98 through Decision 1-97. The funds mitigate the impact of volatile changes on utility rates from 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 remaining recovery period is indeterminate as the amounts deferred in the account depend on the market price of fuel and water levels on the Snare and Yellowknife river systems. Traditionally, once the PUB specified trigger limits are reached, the recovery period of the balance of the rate stabilization fund receivable (payable) has been 12 – 24 months.

In the absence of rate regulation, GAAP would require that actual fuel expenses be included in the operating result of the year that they are incurred. In 2006, fuel expenses were deferred and consequently lower by the amounts of fuel $4,254 (2005 - $2,309) and water $388 (2005 - $1,428). Interest expense resulting from the interest accrued on the balance of the funds was lower by $157 (2005 - $46). The combined effect was to increase net income by $4,799 (2005 - $3,783).

There were five fuel stabilization fund rate riders in effect in 2006. These riders collected revenues related to fuel expenses deferred in prior years. As a result, in the absence of rate regulation fuel expenses would have been lower by $3,837 (2005 – $155). See further discussion under Note 4.

Reserve for Injuries and Damages
The Reserve for Injuries and Damages includes costs for uninsured and uninsurable losses and the deductible portion of insured claims. The remaining recovery period is indeterminate as the amounts deferred to the account depend on the types and size of emergencies the Corporation faces during a given year. In the last GRA, the PUB approved $485 to be included in annual expenses for this fund. In 2006 actual costs deferred to this account totalled $1,452 (2005 - $1,084). In the absence of rate

regulation, GAAP would require that the actual cost of these events be expensed as they occurred, resulting in an net increase to net income in the amount of $967 (2005 - $599).

Snare Cascades Deferral Account

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 to be amortized over the next ten years to 2011. In the absence of rate regulation, GAAP would require that the actual cost of operations resulting from operating the Snare hydro system with the addition of Snare Cascades be expensed in the year incurred. A portion of the rider is to cover the costs of financing the balance in the fund, therefore the revenues and fuel expense resulting from the implementation of the Snare Cascades rider are not offsetting. In 2006, the rider resulting from this fund increased other revenues by $922 (2005 - $926) and fuel expense was increased by $764 (2005 - $720). The combined effect was to increase net income by $158 (2005 - $206).

The rider rate set to collect the balance in this fund was adjusted for 2007 to draw the collection term out to 2011. The Corporation expects to collect $410 in rider revenue in 2007 as a result of the rider adjustment.

Regulated Employee Future Benefits

Regulated Employee Future Benefits represent benefits accrued under employment agreements since April 1, 2001. The remaining recovery period is indeterminate as the amounts deferred to the account depend on the rate at which hires, retirements, terminations and new employment agreements contribute to Employee Future Benefits (see Note 16). In the absence of rate regulation, GAAP would require that the actual cost of these events be expensed as they occurred. The reduction in salaries and wages expenses has the effect of increasing net income by $430 (2005 - $285).

Regulatory Costs

Regulatory Costs include all third party costs and staff overtime, supplies, services and travel the Corporation incurs directly related to General Rate Applications and related regulatory proceedings incurred by the Corporation. In the absence of rate regulation, GAAP would require that the actual regulatory costs be expensed as they were incurred. The remaining recovery period is indeterminate as the amounts deferred to the account depend on the actual regulatory costs the Corporation incurs and this will vary from year to year as regulatory issues arise. In the last GRA, the PUB approved $228 to be included in annual expenses for this fund. In 2006 actual costs deferred to this account totalled $339 (2005 - $16) resulting in an increase to net income in the amount of $111 (2005 – decrease $212).

Financing cost

The financing cost relating to the issuance of a long-term debt is amortized on a declining balance basis over the 30 year term of the related debt. There are 27 years remaining in the term of the related debt. In the absence of rate regulation, GAAP would require that the financing cost be expensed when incurred. The increase in interest expenses as a result of rate regulation has the effect of decreasing net income by $137 (2005 - $43).

Other regulatory assets

Other regulatory assets include deferred water license costs, pending insurance claims costs and other costs. These costs are subject to recovery through insurance, the courts or the customers through PUB decisions. In the absence of rate regulation, GAAP would require that the actual cost of these events be expensed as they occurred. The remaining recovery period is indeterminate as the amounts deferred to the various accounts depend on what issues arise during the year. The amortization of the various accounts to deferred charges amortization is done on a straight-line basis over periods ranging from 3 to 20 years. Consequently, in the absence of rate regulation, operational expenses would increase by $130 (2005 – $782) and annual amortization expense would decrease by $72 (2005 - $346), resulting in a net increase in net income of $58 (2005 – increase of $436).

Normalized Overhaul Costs
The Normalized Overhaul Costs include costs over the life of the assets to overhaul hydro, diesel and natural gas units. In the absence of rate regulation, GAAP would require that the actual overhaul costs be expensed as they were incurred. In the last GRA, the PUB approved $1,573 to be included in annual expenses for this fund. The balance in the account will depend on the frequency and the cost of overhauls and therefore the recovery period is considered to be indeterminate. In 2006 actual costs deferred to this account totalled $1,049 (2005 - $2,267) resulting in a net decrease in net income of $ 524 (2005 – increase of $694).

L-199 transmission line costs
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. In 2006, the Corporation received a final settlement on litigation of $1,605. As per PUB Decision 1-2002, in January 2006, the Corporation included the balance of the previously deferred L-199 transmission line costs to its plant, property and equipment for future application to the PUB on the final disposition of this asset. The balance transferred from the deferral account to plant, property and equipment was $3,068 net of litigation proceeds. In the absence of rate regulation, GAAP would require that the amount spent to recommission the line be capitalized and the subsequent recovery of any proceeds from litigation be recorded as revenues at the time they were received. In 2006, interest income as a result of financing charges added to the balance of the deferral account was $139 (2005 - $162) higher, annual amortization expense was $90 (2005 - $120) lower and revenues were $1,605 (2005 – nil) lower than they would have been in the absence of rate regulation. The net effect is a decrease in net income of $1,376 (2005 – increase of $282).

Regulatory Liabilities

		2006		2005	Remaining settlement period
Reserve for Future Removal and Site Restoration	$	37,776	$	37,154	Determined by PUB
Deferred revenues		3,928		3,713	Determined by PUB
	$	41,704	$	40,867	

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.

Reserve for Future Removal and Site Restoration
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 that are not otherwise related to an asset retirement obligation. 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 amortization rates applied are periodically revised and updated for current information. Actual costs incurred in a given year for asset removals, site clean up or past environmental remediation are charged to this account.

The remaining recovery period is indeterminate due to the amounts added to the fund and the amounts drawing down the balance of the fund each year. The amount by which the fund is drawn down each year depends on which assets are removed from service in that year, the cost of disposal, the site restoration projects undertaken in the year and the costs associated with those projects. The fund is built up each year based on the following rates and the balance in plant, property and equipment of those asset categories:

	%
Electric power plants	0.00 – 2.11
Transmission and distribution systems	0.00 – 1.88
Electric power plants under capital lease	0.00 – 0.26
Warehouse, equipment, motor vehicles and general facilities	(0.74) – 0.35
Other utility assets	0.00
Other	0.00

In a non-regulated industry, future removal and site restoration costs would be limited to asset retirement obligations and the removal and site restoration costs would be expensed in the year incurred if they did not relate to an asset retirement obligation. In the absence of rate regulation the Corporation's 2006 expenses would have been higher by the amount of the removal and site restoration costs deferred in the year of $938 (2005 - $1,422). Amortization expenses were $1,561 (2005 - $1,461) higher than they would be in the absence of rate regulation. The net effect on net income is a decrease in the amount of $623 (2005 – $39).

Deferred revenues

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. In the absence of rate regulation, GAAP would require that the contributions received in a given year be recorded in revenues for that year and amortization expense would not be offset by the amortization of the deferred revenues. The remaining recovery period is indeterminate as the account is increased each year by new contributions received from customers and drawn down by the straight-line amortization of the account balance. The amortization rates for deferred revenues are the same as those found in Note 2 under *Amortization*. In 2006, revenues were $595 (2005 - $416) lower than they would have been and amortization on plant, property and equipment was $381 lower (2005 - $369) than they would have been in the absence of rate regulation. The net effect on net income is a decrease in the amount of $214 (2005 – $47).

The summarized impact of rate regulation to increase (decrease) net income:

		2006		2005
Rate Stabilization Funds	$	962	$	3,628
Reserve for Injuries and Damages		967		599
Snare Cascades Deferral Account		158		206
Regulated Employee Future Benefits		430		285
Regulatory Costs		111		(212)
Financing cost		(137)		(43)
Other regulatory assets		58		436
Normalized Overhaul Costs		(524)		694
L-199 transmission line costs		(1,376)		282
Reserve for Future Removal and Site Restoration		(623)		(39)
Deferred revenues		(214)		(47)
	$	(188)	$	5,789

4. Regulatory matters

Given the continued increase in fuel costs over the year, the Corporation applied for an increase to three of the fuel stabilization fund rate riders. Prior to March 31, 2006, the Corporation received approval for an increase to three of the rate riders. With the approved increases, the five fuel stabilization fund riders are expected to collect $6,377 in 2007 (2006 - $3,837).

The Corporation intends to file during 2006/07 a general rate application with the PUB for the 2006/07 and 2007/08 Test Years requesting, among other things, increase revenues to recover increased amortization and operating costs associated with increased rate base in the Northwest Territories. A decision from the PUB on the GRA is not expected until late in 2006/07. The Corporation will file an application requesting interim refundable rates pending the PUB's decision on the General Rate Application.

5. Other revenues

	2006	2005
Pension expenses rider / GNWT funding (Note 16)	$ 745	$ 618
Contract work	379	653
User fees	345	340
Miscellaneous	252	226
Connection fees	184	194
Government assistance (Note 7)	145	12
	$ 2,050	$ 2,043

6. Amortization

	2006	2005
Property, plant & equipment	$ 7,892	$ 7,239
Deferred charges	407	312
	$ 8,299	$ 7,551

7. Government assistance

In 2006, the GNWT agreed to provide the Corporation's subsidiary, the NWT Energy Corporation (03) Ltd. (NTEC), $1,775 between 2006 and 2007 to study increasing the hydro capacity at the Taltson Hydro Facility. Under the first contribution agreement, NTEC received $730 in funding in 2006 to cover $380 of spending on capital projects in 2006 and $350 to provide an advance on the funding for 2007. NTEC has accounted for the $380 as a deferred government contributions and the $350 is included in accounts payable.

The Corporation has four agreements with the territorial and federal governments to provide funding assistance to offset costs incurred by the Corporation in the energy assessment, apprenticeship, and micro turbine programs. The funding provided under these agreements in 2006 was $145 (2005 - $12) and is included in other revenues (Note 5). These agreements end in 2007.

8. Insurance proceeds and expenses

In 2006 the Corporation settled two insurance claims, one related to the Ft. McPherson fire from January 2003 and the other from an engine failure in Inuvik from March 2005. The Corporation received $6,711 for the Ft. McPherson fire of which $5,488 was recorded as an offset to the replacement plant that was built and $1,223 recorded as revenues to offset associated salary, supplies and travel expenses involved in responding to the emergency, restoring power, site clean up and disposal of the assets. The Corporation received $601 for an engine failure in Inuvik, of which $414 was recorded as an offset to the replacement plant that was built and $187 recorded as revenues to offset associated fuel expenses involved in responding to the emergency and restoring power.

9. Interest expense

		2006		2005
Interest on long-term debt	$	12,801	$	12,133
Short-term financing costs		318		328
Sinking fund income		(3,269)		(1,460)
Capitalized allowance for funds used during construction		(864)		(1,155)
	$	8,986	$	9,846

10. Dividend

Pursuant to Section 29 of the *Northwest Territories Power Corporation Act*, the GNWT directed the Corporation to declare a dividend of $3,500 (2005 - $3,300).

11. Property, plant and equipment

	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Electric power plants	$ 173,755	$ (46,205)	$ 127,550	$ 124,812
Transmission and distribution systems	67,872	(12,959)	54,913	51,678
Electric power plants under capital lease	26,342	(3,919)	22,423	23,180
Warehouse, equipment, motor vehicles and general facilities	24,136	(8,730)	15,406	14,809
Other utility assets	4,199	(941)	3,258	3,277
Other	8,390	(3,980)	4,410	4,162
	304,694	(76,734)	227,960	221,918
Construction work in progress	11,350	-	11,350	4,808
	$ 316,044	$ (76,734)	$ 239,310	$ 226,726

Engineering and other direct overhead expenses capitalized during the year amounted to $1,666 (2005 - $1,177).

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 $1,539 (2005 - $1,626). 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:

2007	2008	2009	2010	2011
$ 58	$ 20	$ (19)	$ (61)	$ (108)

The current portion of the net lease obligation is $58 (2005 - $87) and is recorded in accounts payable.

15. Short–term debt

The interest rate charged on bank overdrafts is prime. The short-term debt outstanding at year-end had a weighted average 90 day term (2005 – 90 day term) and a 3.61% (2005 – 2.55%) weighted average annual interest rate.

The Corporation has a $15,500 unsecured line of credit with its bank, from which nothing was outstanding at year end. The Corporation also has access on occasion to short term funds from its shareholder.

16. Employee future benefits

The Corporation and all eligible employees contribute to the Public Service Pension Plan (PSPP). This pension plan provides benefits upon retirement based on years of service and the five best consecutive years of earnings. The benefits are fully indexed to the increase in the Consumer Price Index. In 2005, the Corporation received funding, recorded as other revenues, from the GNWT of $618 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 replace funding previously received from the GNWT.

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

	2006	2005
Employer's contributions	$ 1,620	$ 1,359
Employees' contributions	676	683
Pension expenses rider / GNWT funding	(745)	(618)
	$ 1,551	$ 1,424

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 no assets, resulting in a plan deficit equal to the accrued benefit obligation.

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

	2006	2005
Accrued benefit obligation, beginning of the year	$ 2,489	$ 2,022
Costs for the year	299	511
Benefits paid during the year	(252)	(44)
Accrued benefit obligation, end of the year	$ 2,536	$ 2,489

17. Shareholder's equity and capital adjustment

	2006	2005
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	38,941	36,097
Capital adjustment – Division	-	(285)
Net earnings less dividends declared	3,692	3,129
Retained earnings at end of year	42,633	38,941
	$ 85,762	$ 82,070

Capital adjustment - Division

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 of assets, liabilities and shareholders' equity between the Corporation and NPC were settled. The Corporation collected $5,111 as part of this settlement. A capital adjustment reducing retained earnings was made in the 2005 financial results in the same manner as was done for the original allocation of assets, liabilities and shareholders' equity between the Corporation and NPC.

18. Commitments and contingencies

Capital projects

The estimated cost to complete capital projects in progress, as at March 31, 2006, was $8,077 (2005 - $12,701).

Supply contracts

The Corporation has a contract to purchase refined oil products based on market prices at time of delivery. This contract ends in 2007 and has a minimum quantity purchase commitments totalling 300,000 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 five lawsuits. Two actions relate to wrongful dismissal cases, which were raised in 1997/98 and in 2000/01. 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 lawsuit was raised in Nov 2004 and no further action is expected on this lawsuit. In the fourth action the Corporation is being sued by a contractor to recover amounts owing related to work completed by the contractor. The Corporation is disputing the completion of the work. This lawsuit was raised in January 2006. The total liquidated amount of these claims ranges from $108 to $513, exclusive of costs and interest. The fifth action, which has been ongoing since July 1996, 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.

19. 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:

	2006	2005
Sale of power and other	$ 20,838	$ 18,589
Purchase of fuel from government	6,463	1,658
Fuel tax paid to government	486	767
Other purchases and payments	736	470
Balances at year end:		
Accounts receivable	2,233	1,728
Accounts payable	956	419
Promissory note (included in short-term debt)	8,000	10,000
Dividend payable	3,500	3,300

20. Financial instruments

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 154,151	$ 187,381	$ 140,186	$ 171,557
Net lease obligation	1,539	4,811	1,626	3,974
Sinking fund investments	37,804	37,443	28,850	29,636

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.

21. Subsequent events – Fuel Management Services Agreement

In December 2005, the Corporation entered into a fuel management services agreement with the Petroleum Products Division (PPD) of the GNWT. This agreement transfers the fuel inventory and maintenance of fuel tank farms of 20 communities served by the Corporation to PPD. As of March 31, 2006, five communities had been transferred under this agreement. The Corporation expects to transfer the remaining 15 communities by December 2006.

22. Comparative figures

Certain of the 2005 figures have been reclassified to conform to the financial statement presentation adopted for 2006.

This page intentionally left blank.

GOVERNMENT OF THE NORTHWEST TERRITORIES

Department of Public Works and Services

Petroleum Products Revolving Fund

Financial Statements

for the year ended March 31, 2006

This page intentionally left blank.

CHARTERED
ACCOUNTANTS
MacKay LLP

4910-50th Street
P.O. Box 727
Yellowknife, NT X1A 2N5
Tel: (867) 920-4404
Fax: (867) 920-4135
www.MackayLLP.ca

mackay.ca

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, 2006, 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, 2006, 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 12, 2006

This page intentionally left blank.

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

Balance Sheet		**March 31 2006**		**March 31 2005**
(thousands of dollars)				
Assets:				
Current				
Prepaid expenses	$	90	$	-
Accounts receivable (Note 3)		3,641		3,349
Inventories (Note 4)		7,775		5,048
	$	11,506	$	8,397
Liabilities:				
Current				
Accounts payable and accrued liabilities	$	3,364	$	2,302
Employee leave and termination benefits		79		62
		3,443		2,364
Long-Term				
Employee termination benefits		100		49
Due to the Government of the Northwest Territories		7,963		5,984
		8,063		6,033
	$	11,506	$	8,397

Commitments and contingencies (Note 9).

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

Approved by management:

A/Mike Burns
Director

James Sergeant
Comptroller

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

Statement of Operations

For the Year Ended March 31 (thousands of dollars)		**2006**		**2005**
Revenue				
Sale of petroleum products (Note 5)	$	19,073	$	12,014
Cost of goods sold		15,008		8,336
Gross profit		4,065		3,678
Other revenue		37		80
		4,102		3,758
Expenses				
Commissions		1,528		1,596
Salaries, wages and employee benefits		1,231		1,042
Contracts and purchased services		695		547
Material, supplies and utilities		283		266
Travel		214		137
Insurance		50		23
Miscellaneous		143		131
		4,144		3,742
Net Profit from operations before the following		(42)		16
Financial Charges (Note 6)	$	(233)	$	(187)
Tangible capital assets - Rent expenses (Note 6)		(757)		(789)
Grant-in-kind - Government assets provided at no cost		990		976
Net Profit (loss)	$	**(42)**	$	**16**

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)		**2006**		**2005**
Balance, beginning of year	$	5,984	$	5,747
Plus:				
Payments by the Government				
Purchases of petroleum products		16,657		9,003
Other cash disbursement		4,091		3,732
Income from operations				16
Less:				
Transfers to the Government				
Cash receipts		18,727		12,514
Loss from Operations		42		
Balance, end of the year	$	7,963	$	5,984

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

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 2006 Net Book Value	Mar-31 2005 Net Book Value
Fuel Storage Facilities	$ 21,085	$ 10,316	$ 10,769	$ 9,639
Fuel Delivery Vehicles	2,857	1,909	948	923
Construction in progress	3,282		3,282	2,540
	$ 27,224	$ 12,225	$ 14,999	$ 13,102

Amortization expense for 2005-06 is $756,578. ($788,691 in 2004-05)

b. **Financing Charges**
Management estimated that the Fund required up to $11.3 million in working capital with an estimated financing cost of $233,084 for the year. (For 2004/2005 they were $9 million and $187,101 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. **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, three in 2009 and five in 2010. Under these contracts, fixed commission rates are paid. The value of this commitment is estimated at $3,294,900 as per the detailed listing below.

		Commitment			
2007	2008	2009	2010	2011	Total
$1,208,500	$995,500	$724,100	$316,800	$50,000	$3,294,900

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

There have been twenty-four (24) Phase III Assessments and two (2) Risk Assessments completed to date. The projected cost to remediate all contaminated sites is estimated to be in the range between $4,315,500 and $7,196,500. The value is based upon the most recent experience of the fund and others who have undertaken similar remediation projects. While the Fund expects remediation costs to come within the estimated range, true cost certainty cannot be obtained until remediation has commenced and the scope of work or the level of contamination has been confirmed. The value of said liabilities can also change with the identification of new areas of contamination and the completion of site remediation.

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

In 2005/06 the Fund expended the following on Environmental Site Remediation:

Sachs Harbour	Beach Area - Part 3	$	26,000
Sachs Harbour	Remediation Vault "B" pipeline spill work deferred until 2006- ground saturated		19,000
Paulatuk	Airport Site Remediation Part 1		127,000
Lutsel K'e	Oil Spill Dating Back to the early 1970's		65,000
Total		$	237,000

This page intentionally left blank.

Financial Statements of

NORTHWEST TERRITORIES LIQUOR COMMISSION

Year ended March 31, 2006

This page intentionally left blank.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Financial Statements

Year ended March 31, 2006

This page intentionally left blank.

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 Boden

Kyle Reid
General Manager

Ruth Boden
Manager, Finance & Administration

May 12, 2006

This page intentionally left blank.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Balance Sheet
(In thousands)

March 31, 2006

		2006		2005
Assets				
Current assets:				
Cash	$	3,571	$	3,387
Accounts receivable		7		2
Inventories (note 3)		2,955		2,657
Prepaid expenses		13		10
		6,546		6,056
Capital assets (note 4)		179		69
	$	6,725	$	6,125
Liabilities				
Current liabilities:				
Accounts payable	$	2,803	$	2,373
Current portion of employee future benefits (note 5)		51		-
Due to the Government of the Northwest Territories		3,823		3,646
		6,677		6,019
Employee future benefits (note 5)		48		106
Commitments (note 8)				
	$	6,725	$	6,125

See accompanying notes to financial statements.

Approved by Management:

Kyle Reid, General Manager

R Boden

Ruth Boden, Manager, Finance & Administration

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Income
(In thousands)

Year ended March 31, 2006

	2006	2005
Sales:		
Beer	$ 17,418	$ 17,046
Spirits	15,592	15,089
Wine	4,404	4,156
Coolers and ciders	1,362	1,382
	38,776	37,673
Cost of goods sold:		
Beer	7,498	7,414
Spirits	4,514	4,331
Wine	1,958	1,847
Coolers and ciders	605	624
	14,575	14,216
Gross profit on sales	24,201	23,457
Other income:		
License fees and permits	468	465
Import fees and other income	8	247
	476	712
	24,677	24,169
Expenses:		
Commissions to agents	2,660	2,489
Salaries, wages and employee benefits	1,017	1,043
Administration	385	364
Travel	126	118
Inspectors' fees	78	66
Rent	53	60
Board member honoraria	51	88
Amortization on capital assets	37	21
	4,407	4,249
Net income	$ 20,270	$ 19,920

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, 2006

		2006		2005
Balance, beginning of year	$	3,646	$	5,434
Net income		20,270		19,920
Salaries, wages and benefits incurred by the Government		1,099		1,071
		25,015		26,425
Net transfer of funds to the Government		21,192		22,779
Balance, end of year	$	3,823	$	3,646

See accompanying notes to financial statements.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Cash Flows
(In thousands)

Year ended March 31, 2006

		2006		2005
Cash flows from operating activities:				
Cash received from customers	$	39,282	$	38,406
Cash paid to suppliers		(17,759)		(16,832)
Net cash provided by operating activities		21,523		21,574
Cash flows from investing activities:				
Purchase of capital assets		(147)		(47)
Cash flows from financing activities:				
Cash transferred to the Government of the Northwest Territories		(21,192)		(22,779)
Increase (decrease) in cash		184		(1,252)
Cash, beginning of year		3,387		4,639
Cash, end of year	$	3,571	$	3,387

See accompanying notes to financial statements.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Notes to Financial Statements
(In thousands)

Year ended March 31, 2006

---

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 hardware and software	33%

Computer hardware and software under development is not amortized.

(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 and amortization of capital assets.

3. Inventories:

	2006	2005
Spirits	$ 1,128	$ 1,116
Wine	468	450
Beer	1,228	940
Coolers and ciders	131	151
	$ 2,955	$ 2,657

4. Capital assets:

			2006	2005
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 42	$ 35	$ 7	$ 24
Computer hardware and software under development	147	-	147	-
Computer hardware and software	539	514	25	45
	$ 728	$ 549	$ 179	$ 69

(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:

	2006	2005
Commission's contributions	$ 102	$ 99
Employees' contributions	45	46

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:

	2006	2005
Accrued benefit obligation, beginning of year	$ 106	$ 68
Cost for the year	9	38
Benefits paid during the year	(16)	-
Accrued benefit obligation, end of year	$ 99	$ 106
Short-term portion	$ 51	$ -
Long-term portion	48	106
Total accrued benefit obligation	$ 99	$ 106

(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:

	2006	2005
Revenues:		
Licensee fees	$ 388	$ 387
Special occasion licenses	46	43
Annual license fees	34	35
Other	4	4
	472	469
Expenses:		
Salaries, wages and benefits	248	300
Honoraria	50	88
Other	237	264
	535	652
Net loss	$ (63)	$ (183)

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 $11 (2005 - $22) for legal services provided by the Department of Justice, and $10 (2005 - $10) for payroll services provided by the Financial Management Board Secretariat.

(In thousands)

8. Commitments:

Subsequent to year-end, the Commission signed a five year lease agreement ending April 30, 2011 for its office premises. The minimum annual lease payments are:

Year ending March 31:		
2007	$	76
2008		82
2009		82
2010		82
2011		82
Thereafter		7
	$	411

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.

The Commission is also committed to purchase a new information and point of sale system with an estimated total cost of $403.

9. Fair value of financial assets and financial liabilities:

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

LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND
Yellowknife, NT

FINANCIAL STATEMENTS
For the Year Ended March 31, 2006

This page intentionally left blank.

TABLE OF CONTENTS

This page intentionally left blank.

Northwest Territories Legislative Assembly

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Legislative Assembly Retiring Allowance Fund

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

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

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

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

On behalf of the Board of Management

Speaker

Clerk

April 19, 2006

Government of the Northwest Territories, P.O. Box 1320, Yellowknife, NT Canada X1A 2L9
Telephone: (867) 669-2200 Fax: (867) 920-4735

This page intentionally left blank.

AVERY, COOPER & CO.
Certified General Accountants

Toll-Free: 1-800-661-0787
Website: www.averyco.nt.ca

Gerald F. Avery, FCGA
W. Brent Hinchey, B. Comm., C.G.A.
Kent D. Ferguson, B. Comm., P.A., C.F.E., C.A.F.M., F.C.G.A.
Cathy A. Cudmore, B. Rec, C.G.A.

4918 - 50th Street, P.O. Box 1620
Yellowknife, NT X1A 2P2
Telephone: (867) 873-3441
Facsimile: (867) 873-2353

AUDITORS' REPORT

To the Board of Management
Legislative Assembly Retiring Allowance Fund

We have audited the Statement of Net Assets Available for Benefits of the Legislative Assembly Retiring Allowance Fund as at March 31, 2006, 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, 2006. 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, 2006 and the changes in its Net Assets Available for Benefits for the year then ended in accordance with the basis of accounting as disclosed in Note 2 to the financial statements.

Avery, Cooper & Co.

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

April 19, 2006

This page intentionally left blank.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NET ASSETS AVAILABLE FOR BENEFITS

March 31, 2006

	2006	2005
ASSETS		
CURRENT		
Accounts Receivable	$ 1,241	$ 14,558
Accrued Investment Income	26,707	34,736
Prepaid Expense (Note 5)	15,000	22,500
	42,948	71,794
INVESTMENTS		
Retiring Allowance Fund (Notes 2 and 3)	19,903,073	17,917,245
	$ 19,946,021	$ 17,989,039
LIABILITIES		
CURRENT		
Accounts Payable	$ 25,506	$ 31,589
FUND BALANCE		
RETIRING ALLOWANCE FUND BALANCE		
Net Assets Available for Benefits per page 2	19,920,515	17,957,450
	$ 19,946,021	$ 17,989,039

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, 2006

	2006	2005
INCREASE (DECREASE) IN ASSETS		
Contributions	$ 152,435	$ 144,922
Interest and Dividends	1,622,743	931,346
	1,775,178	1,076,268
Current Period Change in Fair Market Value of Investments	898,655	477,303
Total Increase (Decrease) in Assets	2,673,833	1,553,571
DECREASE IN ASSETS		
Benefits		
Pension Payments	539,577	527,430
Termination Payments	37,621	160,994
Administrative Fees	133,570	110,189
Total Decrease in Assets	710,768	798,613
INCREASE IN NET ASSETS	1,963,065	754,958
NET ASSETS AVAILABLE FOR BENEFITS		
- BEGINNING OF YEAR	17,957,450	17,202,492
- END OF YEAR	$ 19,920,515	$ 17,957,450

See the accompanying notes.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

STATEMENT OF OBLIGATIONS FOR PENSON BENEFITS
March 31, 2006

	2006	2005
ACTUARIAL PRESENT VALUE OF DEFINED BENEFITS		
Active Members	$ 2,885,700	$ 2,132,000
Pensioners	9,671,300	9,671,000
Total Ongoing Plan Liabilities (Note 4)	12,557,000	11,803,000
ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS		
Net Assets Available for Benefits	18,438,000	17,547,000
Changes not reflected in actuarial value of net assets	1,482,515	410,450
Adjusted Actuarial Value of Net Assets Available For Benefits (page 2)	19,920,515	17,957,450
EXCESS OF ACTUARIAL VALUE OF NET ASSETS OVER ACTUARIAL PRESENT VALUE OF DEFINED BENEFITS	$ 7,363,515	$ 6,154,450

See the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2006

NOTE 1 DESCRIPTION OF PLAN

a) General

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

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

1) Funding Policy

The Legislative Assembly Retiring Allowance Act requires that the plan sponsor, the Government of the Northwest Territories, must fund the benefits determined under the Plan. The determination of the value of these benefits is made on the basis of an actuarial valuation for the fund that must be completed no less frequently than as of the day on which each general election is held. The next actuarial valuation will be under taken 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 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.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2006

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, 2006

NOTE 3 INVESTMENTS - RETIRING ALLOWANCE FUND

	2006	%	2005	%
Funds Managed by Investment Counsellors				
Cash and Cash Equivalents	$ 279	-	$ 1,286	-
UBS Canadian Equity Capital Fund Series A (Cost $2,416,691; 2005-$1,617,246)	2,494,339	12.53	2,247,556	12.5
McLean Budden Equity Funds (Cost $4,068,939; 2005-$3,325,569)	4,885,679	24.55	3,768,620	21.0
UBS US Equity Fund Series A (Cost $1,284,780; 2005 -$1,237,150)	1,264,176	6.35	1,121,849	6.3
Temporary Investments (Cost $515,207 ; 2005-$562,971)	514,228	2.58	562,972	3.1
NWT Legislative Assembly Building Society Series A Bonds (Cost $282,714; 2005 - $304,032)	296,263	1.49	318,602	1.8
Canada Fixed Income Mutual Funds (Cost $4,647,543; 2005 - $3,957,342)	4,618,970	23.21	3,973,002	22
Government of Canada Bonds (Cost $2,418,620; 2005 -$2,659,010)	3,104,878	15.60	3,152,879	18
McLean Budden Canadian Equity Value Fund (Cost $2,173,813; 2005 -$2,362,745)	2,724,261	13.69	2,770,479	15.5
Total at Fair Market Value	$ 19,903,073	100	$ 17,917,245	100

NOTE 4 OBLIGATIONS FOR PENSION BENEFITS

The present value of accrued pension benefits was determined using the projected accrued benefit method prorated on service and the plan administrator's best estimate assumptions. The most recent actuarial valuation was made as of April 1, 2004 by Hewitt Associates, a firm of consulting actuaries. This actuarial valuation report was prepared to April 1, 2004 using the projected accrued benefit actuarial cost method (also known as the projected unit credit method), prorated on service. The report was prepared in accordance with accepted actuarial practice and in accordance with Section PS3250 of the CICA Public Sector Accounting and Auditing Handbook.

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

	2006	2005
Actuarial present value of accrued pension benefits - beginning of year	$ 11,803,000	$ 11,724,000
Cost of benefits earned	490,000	458,000
Interest accrued on benefits	840,000	818,000
Experience gains and losses	-	(201,000)
Benefits paid	(576,000)	(996,000)
Actuarial present value of accrued pension benefits - end of year	$ 12,557,000	$ 11,803,000

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:

	2006	2005
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, 2006. 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

	2006	2005
Prepaid Fees - Opening Balance	$ 22,500	$ 30,000
Current amortization of Prepaid Fees.	(7,500)	(7,500)
	$ 15,000	$ 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 to expense on a straight-line basis over a four year period beginning with the 2005 fiscal year.

NOTE 6 FINANCIAL INSTRUMENTS

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

WORKERS' COMPENSATION BOARD
NORTHWEST TERRITORIES & NUNAVUT

FINANCIAL STATEMENTS
DECEMBER 31, 2005

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

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

David Clark,
President and Chief Executive Officer

John Doyle,
Chief Financial Officer

March 17, 2006

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, 2005 and the statements of operations and other comprehensive income, reserves, and cash flow for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 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 Northwest Territories and Nunavut Financial Administration Acts, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
March 17, 2006

WORKERS' COMPENSATION BOARD NORTHWEST TERRITORIES & NUNAVUT
BALANCE SHEET
As at December 31, 2005 (in thousands of dollars)

	2005	2004
	$	$
ASSETS		
Cash and cash equivalents (Note 3)	**8,173**	4,771
Assessments receivable	**3,789**	2,500
Other receivables and prepaid expenses	**1,593**	227
Fixed income investments (Note 4a)	**114,684**	111,353
Equity investments (Note 4b)	**160,091**	146,999
Property, plant and equipment (Note 5)	**6,558**	5,955
	294,888	271,805
LIABILITIES AND RESERVES		
Liabilities		
Accounts payable and accrued liabilities	**1,342**	1,728
Assessments refundable	**357**	278
Benefits liability (Note 6)	**208,366**	208,690
Obligation under capital lease	**-**	1,886
Employee future benefits (Note 7b)	**857**	1,153
	210,922	213,735
Reserves (Note 8)		
Operating Reserve	**13,252**	12,342
Investment Fluctuation Reserve	**22,286**	11,600
Rate Stability Reserve	**28,000**	14,000
Safety Reserve	**178**	178
Catastrophe Reserve	**20,250**	19,950
	83,966	58,070
	294,888	271,805

Commitments (Note 9)
Contingencies (Note 10)

The accompanying notes form an integral part of these financial statements

Approved by the Governance Council:

Denny Rodgers
Chairperson, Governance Council

WORKERS' COMPENSATION BOARD NORTHWEST TERRITORIES & NUNAVUT
STATEMENT OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2005 (in thousands of dollars)

	2005	2004
	$	$
REVENUE		
Assessments	**34,129**	28,519
Investments		
Interest and dividends	**11,581**	9,223
Investment gains (Note 4c)	**16,986**	14,499
Investment fees	**(1,026)**	(1,057)
	61,670	51,184
EXPENSES		
Claims costs		
Claims costs, current year (Note 6)	**25,729**	21,575
Claims costs, prior years (Note 6)	**(3,098)**	536
Recoveries for hunters and trappers (Note 12)	**(904)**	(718)
Third party legal claim recoveries	**(1,628)**	(225)
	20,099	21,168
Administration and general expenses (Note 11)	**15,675**	15,917
	35,774	37,085
NET INCOME FROM OPERATIONS	**25,896**	14,099
Other comprehensive income	**-**	-
NET INCOME FROM OPERATIONS AND OTHER COMPREHENSIVE INCOME	**25,896**	14,099

The accompanying notes form an integral part of these financial statements

STATEMENT OF RESERVES

For the year ended December 31, 2005 (in thousands of dollars)

	2005	2004
	$	$
Operating Reserve		
Balance, beginning of year	**12,342**	6,843
Net income from operations and other comprehensive income	**25,896**	14,099
Transfer to Rate Stability Reserve	**(14,000)**	3,000
Transfer to Investment Fluctuation Reserve	**(13,586)**	(11,600)
Transfer from Investment Fluctuation Reserve	**2,900**	-
Transfer to Catastrophe Reserve	**(300)**	-
Balance, end of year	**13,252**	12,342
Investment Fluctuation Reserve		
Balance, beginning of year	**11,600**	-
Transfer from Operating Reserve	**13,586**	11,600
Transfer to Operating Reserve	**(2,900)**	-
Balance, end of year	**22,286**	11,600
Rate Stability Reserve		
Balance, beginning of year	**14,000**	17,000
Transfer from Operating Reserve	**14,000**	(3,000)
Balance, end of year	**28,000**	14,000
Safety Reserve		
Balance, beginning of year	**178**	178
Transfers during the year	**-**	-
Balance, end of year	**178**	178
Catastrophe Reserve		
Balance, beginning of year	**19,950**	19,950
Transfer from Operating Reserve	**300**	-
Balance, end of year	**20,250**	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, 2005 (in thousands of dollars)

	2005	2004
	$	$
Operating Activities		
Cash received from:		
Assessments from employers	**32,919**	27,316
Interest	**144**	114
Cash paid to:		
Payments to claimants or third parties on their behalf	**(21,825)**	(23,338)
Purchases of goods and services	**(16,137)**	(15,279)
Cash used in operating activities	**(4,899)**	(11,187)
Financing Activities		
Capital lease principal payments	**(1,886)**	(274)
Investing Activities		
Transfer from investment manager's accounts	**12,000**	12,000
Purchase of capital assets	**(1,813)**	(2,195)
Cash provided by investing activities	**10,187**	9,805
Increase (decrease) in cash and cash equivalents	**3,402**	(1,656)
Cash and cash equivalents, beginning of year	**4,771**	6,427
Cash and cash equivalents, end of year (Note 3)	**8,173**	4,771

The accompanying notes form an integral part of these financial statements

1. Authority, mandate and shared operations

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

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

The Government of the Northwest Territories and the Government of Nunavut have signed an Inter-Governmental Agreement for a shared Workers' Compensation Board to allow the Board to remain as a single entity serving both territories. Cancellation of this agreement by either party requires one full fiscal year's notice.

2. Significant accounting policies

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

a) Use of estimates

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

b) Cash and cash equivalents

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

c) Assessments

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

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

d) Investments

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

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

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

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

e) Benefits liability

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

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

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

f) Administration and general expenses

A portion of administration and general expenses is allocated as claims management costs to the current year's claims and the prior years' claims. The amount allocated to claims is based on actuarially determined rates.

g) 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 to the Plan are based on a percentage of employees' contributions. The percentage may change from year to year depending on the experience of the Plan. The Board's contributions are charged to operations on a current basis as employees render services and represent the total pension obligations. The Board is not required to make contributions with respect to actuarial deficiencies of the Plan.

December 31, 2005 (in thousands of dollars)

Other benefits

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

h) 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:

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

3. Cash and cash equivalents

The Board invests in the short-term money market. The yield of this portfolio is 3.23% at December 31, 2005 (2004 - 2.65%). 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.

	2005 **$**	2004 $
Cash	**547**	23
Short-term investments	**7,711**	5,400
	8,258	5,423
Less: bank overdraft	**(85)**	(652)
	8,173	4,771

4. Investments

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

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

December 31, 2005 (in thousands of dollars)

a) Fixed income

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

	2005		2004	
	Fair Value	**Cost**	Fair Value	Cost
	$	**$**	$	$
Indexed bond funds	**72,432**	**70,905**	71,981	69,015
Other fixed income investments	**42,252**	**39,770**	39,372	37,097
	114,684	**110,675**	111,353	106,112

Included in the above amounts are investments in privately held related party bonds, as disclosed in Note 12. The amount taken into net assets as a result of the estimation of fair value of the privately held investments is $971 (2004 - $803) and the amount taken into net income in 2005 is $81 (2004 - $17).

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

	2005	2004
	$	$
Fixed income – cost	**110,675**	106,112
Cumulative unrealized gains	**4,009**	5,241
Fixed income – fair value	**114,684**	111,353

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 2005 $**
Cash, short term investments and net payable in investment manager accounts	3,080	-	-	-	-	**3,080**
Government bonds	-	2,472	9,652	9,230	5,839	**27,193**
Corporate bonds	-	417	1,084	1,101	8,869	**11,471**
Mortgage backed bonds	-	-	-	-	508	**508**
	3,080	2,889	10,736	10,331	15,216	**42,252**

December 31, 2005 (in thousands of dollars)

b) Equity

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

	2005		2004	
	Fair Value	**Cost**	Fair Value	Cost
	$	**$**	$	$
Canadian equities	**81,286**	**44,620**	71,936	44,538
U.S. equities	**33,879**	**36,444**	33,744	36,218
International equities	**44,926**	**42,283**	41,319	41,315
	160,091	**123,347**	146,999	122,071

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

	2005	2004
	$	$
Equity investments – cost	**123,347**	122,071
Cumulative unrealized gains	**39,315**	32,703
Cumulative unrealized losses	**(2,571)**	(7,775)
Equity investments – fair value	**160,091**	146,999

c) Investment gains

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

	2005	2004
	$	$
Realized gains on investments	**6,411**	3,970
Change in unrealized gains on investments during the period	**10,575**	10,529
	16,986	14,499

d) Investment performance

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

	2005	2004
Fixed income investments	**6.84%**	7.38%
Canadian equities	**24.79%**	19.35%
U.S. equities	**0.16%**	0.74%
International equities	**8.68%**	8.57%
Cash and cash equivalents	**2.05%**	2.65%

December 31, 2005 (in thousands of dollars)

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 B++ by the Canadian Bond Rating Service. 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 exceptions to the 5% or less concentration rule are investments of $72,432 in an indexed bond fund and $44,926 in an international equity fund. Both of these funds are highly diversified.

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

	Fair Value		Actual	
	Maximum	Minimum	**2005**	2004
Fixed income investments	50%	30%	**41.74%**	43.10%
Canadian equities	30%	20%	**29.58%**	27.84%
U.S. equities	20%	10%	**12.33%**	13.07%
International equities	20%	10%	**16.35%**	15.99%

g) Interest rate risk

Fluctuations in interest rates can affect the fair value of the fixed income investments, as well as shift investor preferences among asset classes. Interest rate risk is minimized by actively managing the duration of the fixed income investments as detailed in note 4a).

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, 2005 (2004 - nil).

December 31, 2005 (in thousands of dollars)

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

Foreign country currency	Fixed Income $	Equity $	**Total Investments Fair Value 2005 $**
U.S.	-	33,965	**33,965**
Europe	-	15,132	**15,132**
United Kingdom	-	10,306	**10,306**
Japan	-	9,589	**9,589**
Switzerland	-	4,929	**4,929**
Hong Kong	-	1,703	**1,703**
South Korea	-	493	**493**
Brazil	-	717	**717**
Australia	-	493	**493**
Mexico	-	269	**269**
Subtotal	-	77,596	**77,596**
Canada	114,684	82,495	**197,179**
	114,684	160,091	**274,775**

Included in assets designated as international equity investments are $86 in U.S. dollar assets and $1,209 in Canadian assets.

5. Property, plant and equipment

	2005 Cost $	Accumulated Amortization $	**Net Book Value $**	2004 Net Book Value $
Building	3,032	30	**3,002**	-
Assets under capital lease	-	-	**-**	1,112
Leasehold improvements	267	81	**186**	1,446
Equipment	3,254	2,387	**867**	1,080
Computer software, customized	3,015	744	**2,271**	2,053
Furnishings	574	342	**232**	264
	10,142	3,584	**6,558**	5,955

The Board acquired the building by exercising a bargain purchase option. The building was previously recorded as an asset under capital lease. The cost of the building includes the bargain purchase option price and the net book value of the asset under capital lease when the bargain purchase option was exercised.

December 31, 2005 (in thousands of dollars)

6. Benefits liability

	Medical Aid	Compensation	Future Capitalizations	Pension Awards	**Total 2005**	**Total 2004**
	$	$	$	$	**$**	$
Balance, beginning of year	25,914	19,256	34,688	128,832	**208,690**	210,142
Add: Claims costs						
Current year	5,663	6,664	10,648	2,754	**25,729**	**21,575**
Prior years	399	(1,135)	(8,111)	5,749	**(3,098)**	**536**
Liability transfer, capitalizations	-	-	(5,088)	5,088	**-**	**-**
	6,062	5,529	(2,551)	13,591	**22,631**	22,111
Less: Claims payments						
Current year injuries						
Claims payments	1,134	1,646	-	103	**2,883**	2,693
Claims management	397	576	-	9	**982**	943
Prior years' injuries						
Claims payments	3,084	2,311	-	10,832	**16,227**	16,742
Claims management	1,079	809	-	975	**2,863**	3,185
	5,694	5,342	-	11,919	**22,955**	23,563
Balance, end of year	26,282	19,443	32,137	130,504	**208,366**	208,690

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

	2005	2004
	$	$
Balance, beginning of year	**208,690**	210,142
Add:		
Provision for current year's claims	**21,864**	17,978
Interest allocated	**14,072**	11,988
	35,936	29,966
Deduct:		
Payments for prior years' claims	**(19,090)**	(19,928)
Experience gain	**(17,170)**	(11,490)
	(36,260)	(31,418)
Balance, end of year	**208,366**	208,690

The principal source for the experience gain is lower than expected compensation and pension payments for prior years' claims. Expectations of costs of awarded pensions and the ongoing cost of compensation and medical aid payments are based on the experience of prior years. The actual payments and awards of pensions in 2005 have been less than these expectations. In particular with regards to the expected number of pensions awarded. As well, the WCB uses an assumption of 3.5% inflation for long term pensions, and the experience in 2005 was 2.09%.

December 31, 2005 (in thousands of dollars)

Major actuarial assumptions

The claims liability is composed of two parts:

Future claims liability

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

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

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

Approved pension liability

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

The following economic assumptions are used in the valuation of the Future Claims Liability: discount rate 7.125%, inflation – i) future capitalizations: 2.08% in 2006 and 3.5% per annum thereafter ii) compensation and medical aid: 3.5% per annum.

The following economic assumptions are used in the valuation of the approved pension liability: discount rate 7.125%, inflation 2.08% in 2006 and 3.5% thereafter.

7. Employee future benefits

a) Pension plan

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

	2005	2004
	$	$
Board's contributions	**1,301**	1,184
Employees' contributions	**535**	510

December 31, 2005 (in thousands of dollars)

b) Other benefits

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

	2005	2004
	$	$
Accrued benefit obligation, beginning of year	**1,153**	890
Cost for the year	**48**	534
Benefits paid during the year	**(344)**	(271)
Accrued benefit obligation, end of year	**857**	1,153

8. Funding policy and reserves

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

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

a) Operating reserve

The operating reserve was established in accordance with the Workers' Compensation Acts and is intended to protect the Board against adverse fluctuations in claims costs and investment results. The target level for the operating reserve is established after the target level for the catastrophe reserve has been determined. Assessment rates are adjusted to bring the operating reserve to its target level over a period of between two years and ten years, depending on the margin by which the operating reserve is above or below the target level. The range of tolerance for the operating reserve is plus or minus 50% of the target level. The target range at year end was $4,920 to $14,759 (2004 - $4,480 to $13,442)

b) Investment fluctuation reserve

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

c) Rate stability reserve

The rate stability reserve was established to fund the provision of a rate discount to employers on their assessments. The target level for the rate stability reserve is determined after the target levels for the catastrophe reserve and operating reserve have been established. The 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 10% was applied to assessment rates (2004 - 20%).

d) Safety reserve

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

December 31, 2005 (in thousands of dollars)

e) Catastrophe reserve

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

9. 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:

	2005 $
2006	**1,372**
2007	**1,138**
2008	**881**
2009	**589**
2010	**616**
Thereafter	**319**
	4,915

10. Contingencies

The Supreme Court of the Northwest Territories awarded the Board $11,825 plus costs of $4,334, including pre-judgment interest, for the Giant Mine litigation. As at December 31, 2005, post-judgment interest is $706. Of the eight defendants to the action, five have appealed the decision. Subsequent to the year-end, one of the defendants not appealing the action, Royal Oak Mines, agreed to pay $1,400. The full amount of the recovery and the amounts to be distributed to the claimant plaintiffs are contingent upon outcome of the appeal. The Workers' Compensation Acts and Board policy require that, once legal costs are recovered, the lesser of 25% of the amount of the judgment and the net amount remaining is to be paid to the claimant plaintiffs. Until the outcome is known, the full amount of potential gain cannot be determined or estimated, nor can the allocation of recoveries to legal costs and the claimant plaintiffs.

There are a number of other legal claims outstanding for recovery of claims expenses from third parties. Recovery of these potential gains cannot reasonably be determined or estimated, therefore, no amount is recorded in the financial statements. Third party legal claims settled and recovered during the year, including the Royal Oak Mines receivable above, result in claims recoveries of $1,628 (2004 - $225).

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.

December 31, 2005 (in thousands of dollars)

In December 2005, the Supreme Court of the Northwest Territories directed the Appeals Tribunal to re-hear an appeal of the Board's denial of a permanent disability award for chronic pain syndrome to a claimant. The impact on the Board is not determinable nor can the Board estimate the potential loss as the Appeal Tribunal is still to re-hear the claimant's appeal.

11. Administration and general expenses

	2005	2004
	$	$
Salaries, wages and allowances	**11,187**	11,090
Professional services	**2,772**	3,867
Office lease and renovations (non-capital)	**1,619**	1,435
Amortization	**1,210**	1,028
Travel	**959**	887
Communications	**409**	423
Advertising and public information	**326**	334
Training and development	**319**	288
Office furnishings and equipment (non-capital)	**302**	306
Office services and supplies	**257**	332
Honoraria and retainers	**170**	162
Investigative costs	**139**	153
Interest expense on capital lease obligation	**108**	163
Grants	**73**	83
Recoveries, rent and other	**(330)**	(506)
	19,520	20,045
Less: Allocation to claims management costs	**(3,845)**	(4,128)
	15,675	15,917

12. Related party transactions

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

Balances due from related parties:

	2005	2004
	$	$
Government of Nunavut	**799**	562
Government of the Northwest Territories	**143**	157
Territorial public agencies	**19**	40
	961	759

December 31, 2005 (in thousands of dollars)

Through memoranda of understanding with the Governments of the Northwest Territories and Nunavut, the Board charges the governments for the costs of administering benefits relating to hunters and trappers claims. These costs include the increase or decrease in the future benefits liability related to hunters and trappers claims; therefore, a significant decrease in the future benefits liability can result in a refund by the Board to either government. Due from related includes reimbursements from the Governments of the Northwest Territories and Nunavut for hunters and trappers claims for the year in the amount of $105 (2004 - $157), and $799 (2004 - $561), respectively.

Balances payable to related parties:

	2005	2004
	$	$
Northwest Territories public health boards	**79**	67
Government of the Northwest Territories	**31**	-
	110	67

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

	2005	2004
	$	$
Government of the Northwest Territories	**1,692**	1,595
Government of Nunavut	**1,560**	1,443
Territorial public agencies	**211**	411
	3,463	3,449

Expenses to related parties:

	2005	2004
	$	$
Northwest Territories public health boards	**762**	858
Government of Nunavut	**161**	386
	923	1,244

December 31, 2005 (in thousands of dollars)

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

	2005	2004
	$	$
Northwest Territories Power Corporation		
11.00% maturing March 9, 2009	**584**	614
11.125% maturing June 6, 2011	**1,265**	1,304
6.42% maturing December 18, 2032	**2,094**	2,077
5.95% maturing December 15, 2034	**1,182**	1,019
	5,125	5,014
Northwest Territories Legislative Assembly Building Society		
13.00% Series A, maturing August 31, 2013	**413**	443
	5,538	5,457

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

13. 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.

14. Comparative Information

Certain comparative figures have been reclassified to conform to the current year's presentation.

Section IV - Actuarial Certification

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

1. The total actuarial liability as at December 31, 2005 for benefit payments of all types expected to be made after December 31, 2005 in respect of accidents of 2005 and prior years amounts to $208,365,785. This liability includes the Hunters & Trappers group and future administrative expenses for all benefits. It does not include any self-insured employers. A provision for future claims arising from latent occupational diseases was not included in this valuation.

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

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

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

H L Slaney

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

Thane MacKay

Thane MacKay, A.S.A
Actuarial Consultant, Morneau Sobeco

Date

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

GOVERNMENT OF THE NORTHWEST TERRITORIES

Department of Education, Culture and Employment

Student Loan Revolving Fund

FINANCIAL STATEMENTS

for the year ended March 31, 2006

(unaudited)

This page intentionally left blank.

Government of the Northwest Territories

Student Loan Revolving Fund
for the year ended March 31, 2006

Statement of Operations

(unaudited)

	2006 $000s	2005 $000s
Loans Receivable, opening balance	29,427	28,078
Loans granted during the year	5,350	5,581
Prior year adjustment - opening balance	-	-
	34,777	33,659
Less:		
Principal amount of loans repaid	2,675	3,109
Principal amount of loans written off		-
Principal amount of loan remissions	1,181	1,080
Loans Receivable, closing balance	30,921	29,427
Less:		
Estimated provision for remission and doubtful accounts	22,387	20,268
Net Loans Receivable, closing balance	8,534	9,159

Effect of Student Loan Revolving Fund
On Government Operations

Interest earned and credited to general revenues	460	430
Less:		
Financial collection agency fees	21	24
Estimated provision for remission and doubtful accounts	3,300	3,400
Operating deficiency for the year	(2,861)	(2,994)

1. During the fiscal year the allowance for remission and write-offs accounts was decreased by $3,300,000 (2004/05 - $3,400,000). These allowances represent estimated accrued expenses charged against the Consolidated Revenue Fund. These expenses represent loans that are unlikely to be collected, or loans which qualify for remission.

2. During the fiscal year, no loans were written off due to uncollectability (2004/05 - $43,070). $1,181,249.00 were granted remissions.

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

Approved:

Deputy Minister
Department of Education, Culture and Employment

Director, Management Services
Department of Education, Culture and Employment

This page intentionally left blank.

GOVERNMENT OF THE NORTHWEST TERRITORIES

Department of Industry, Tourism and Investment

Fur Marketing Service Revolving Fund

Financial Statements

for the year ended March 31, 2006

(unaudited)

This page intentionally left blank.

GOVERNMENT OF THE NORTHWEST TERRITORIES

INDUSTRY, TOURISM AND INVESTMENT (unaudited) March 31, 2006

Fur Marketing Service Revolving Fund

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

	($)	(thousands of dollars)		
	2005/2006 Actuals	**2005/2006 Revised Main Estimates**	**2004/2005 Main Estimates**	**2003/2004 Actuals**
Authorized Limit	**900,000**	**900**	**900**	**900**
Operating Results				
Opening Accounts Receivable	250,569.24	251	446	276
Advances to Trappers	746,193.56	754	360	772
Receipts of Fur Account Loans	(728,369.12)	-720	-301	-797
Closing Accounts Receivable (Note 1)	268,393.68	285	505	251

Note:

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.

Prepared By: Date: 4/24/06

Approved By: Date: 4/24/06

This page intentionally left blank.

GOVERNMENT OF THE NORTHWEST TERRITORIES

Department of Public Works and Services

Public Stores Revolving Fund Inventories

Financial Statements

for the year ended March 31, 2006

(unaudited)

This page intentionally left blank.

GOVERNMENT OF THE NORTHWEST TERRITORIES

Schedule of Public Stores Revolving Fund Inventories
for the year ended March 31, 2006
(unaudited)

Public Stores	Balance March 31, 2005	Net Receipts	Net Issues	Board of Survey	Inventory (Write-downs) Write-ups	Balance March 31, 2006
Yellowknife	136,961	354,748	(348,298)	0	0	143,410

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

Approved By: Chuck Gibson
Manager, Finance Services
Corporate Services

This page intentionally left blank.

NORTHWEST TERRITORIES OPPORTUNITIES FUND

FINANCIAL STATEMENTS
(unaudited)

March 31, 2006

This page intentionally left blank.

NORTHWEST TERRITORIES OPPORTUNITIES FUND

INDEX TO FINANCIAL STATEMENTS (unaudited)

March 31, 2006

This page intentionally left blank.

NORTHWEST TERRITORIES OPPORTUNITIES FUND

BALANCE SHEET

AS AT MARCH 31, 2006
(unaudited)

	2006	2005
ASSETS		
CURRENT		
Cash and cash equivalents (Note 3)	$ 57,609,860	$ 29,985,458
Accrued interest	37,934	23,439
	57,647,795	30,008,897
LONG-TERM DEBT ISSUE DEFERRED CHARGES (Note 4)	3,224,640	1,924,079
	$ 60,872,435	$ 31,932,976
LIABILITIES		
CURRENT		
Current portion of long-term debt	$ -	$ 88,215
LONG-TERM DEBT (Note 5)	60,204,282	31,752,844
EQUITY		
EQUITY	668,153	91,917
	$ 60,872,435	$ 31,932,976

APPROVED BY THE BOARD:

Chairman of the Board

President

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

NORTHWEST TERRITORIES OPPORTUNITIES FUND

STATEMENT OF OPERATIONS AND EQUITY

FOR THE YEAR ENDED MARCH 31, 2006

(unaudited)

	2006	2005
REVENUE		
Interest	$ 1,334,793	$ 343,683
EXPENSES		
Amortization of deferred charges	639,391	203,337
Bank charges and investment fees	119,166	49,618
	758,557	252,955
EXCESS OF REVENUE OVER EXPENSES	576,236	90,728
EQUITY AT BEGINNING OF THE YEAR	91,917	1,189
EQUITY AT THE END OF THE YEAR	$ 668,153	$ 91,917

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

NORTHWEST TERRITORIES OPPORTUNITIES FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2006

(unaudited)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income received	$ 1,320,298	$ 327,696
Bank charges and investment fees paid	(119,166)	(49,618)
	1,201,131	278,078
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings, net of the commissions	26,511,486	27,774,614
Repayment of long-term debt	(88,215)	-
	26,423,271	27,774,614
INCREASE IN CASH AND CASH EQUIVALENTS	27,624,402	28,052,692
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29,985,458	1,932,766
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 57,609,860	$ 29,985,458

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

NORTHWEST TERRITORIES OPPORTUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

(unaudited)

1 Authority and Operations

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

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

2 Significant Accounting Policies

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

Long-term debt issue deferred charges

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

Revenue

Interest revenue is accrued as earned.

Services Provided Without Charge

The Fund 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

FOR THE YEAR ENDED MARCH 31, 2006

(unaudited)

3 Cash and Cash Equivalents

The Fund's cash balances are pooled with the Government of the Northwest Territories surplus cash and are invested in a diversified portfolio of high-grade short term income producing assets. The cash can be withdrawn from the bank accounts at any time and is not restricted by maturity dates on investments made by the Government. The Department of Finance approved the eligible classes of securities, categories of issuers, limits and terms. All instruments, depending on their investment class, are rated R-1 Low or better by the Dominion Bond Rating Service Ltd. The Fund's average annual yield for the year ending March 31, 2006 was 2.97% (2005 - 2.34%).

4 Long-Term Debt Issue Deferred Charges

	2006	2005
Long-term debt issue deferred charges, at amortized cost	$ 3,224,640	$ 1,924,079

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

	2006	2005
Immigrant investor loans, 0% interest, repayable in a single payment at the end of 5 years. Maturing October 2008 to March 2011, secured by a guarantee from the Government of the Northwest Territories.	$ 60,204,282	$ 31,841,059
Less current portion	-	88,215
	$ 60,204,282	$ 31,752,844

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

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

2009	2,020,476
2010	29,728,806
2011	28,455,000
	$ 60,204,282

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:

	2006	2005
Carrying Value	$ 60,204,282	$ 31,841,059
Fair Value	$ 52,243,424	$ 26,936,197

In cases where a visa is not issued, an investor is entitled to a refund. As at March 31, 2006, a visa had not been issued to investors for corresponding loans totaling $342,455. 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 Industry, Tourism and Investment and other entities. For the year ended March 31, 2006, the estimated cost of the services received free of charge amount to $16,747 (2005 - $22,950).

Investment fees charged by the Government of the Northwest Territories in the amount of $118,867 (2005 - $49,583) have been included in the expenses.