PUBLIC ACCOUNTS

NORTHWEST TERRITORIES 2003 - 2004

Section III Supplementary Financial Statements

Northwest Territories

We have been asked by the Financial Management Board Secretariat to distribute the following revised pages in table document 59-15(3):

1. **Inside cover page Section III Supplementary Financial Statements.**

2. **Inside cover page Section IV Government Indicators.**

Sorry for the inconvenience.
Thank you

PUBLIC ACCOUNTS

OF THE

GOVERNMENT OF THE NORTHWEST TERRITORIES

FOR THE YEAR ENDED MARCH 31, 2004

SECTION III

SUPPLEMENTARY FINANCIAL STATEMENTS

HONOURABLE FLOYD K. ROLAND

Minister of Finance

PUBLIC ACCOUNTS

OF THE

GOVERNMENT OF THE NORTHWEST TERRITORIES

FOR THE YEAR ENDED MARCH 31, 2004

SECTION III

SUPPLEMENTARY FINANCIAL STATEMENTS

HONOURABLE JOE HANDLEY

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

FINANCIAL STATEMENTS

for the year ended June 30, 2003

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.

Ronald Holtorf
President

Edith Weber
Bursar/Chief Financial Officer

Fort Smith, Canada
August 29, 2003

This page intentionally left blank.

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

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

I have audited the balance sheet of the Aurora College as at June 30, 2003 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Edmonton, Canada
August 29, 2003

This page intentionally left blank.

AURORA COLLEGE

BALANCE SHEET
as at June 30, 2003
(thousands of dollars)

	2003	2002
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	$ 1,964	$ 1,859
Net accounts receivable (Note 4)	1,053	1,730
Prepaid expenses	67	65
	3,084	3,654
Capital assets (Note 5)	**3,621**	3,299
	$ 6,705	$ 6,952
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,173	$ 1,672
Employee leave pay	1,049	920
Due to the Government of the Northwest Territories	785	450
Current portion of employee future benefits	237	195
Deferred project income	122	427
	3,366	3,664
Employee future benefits (Note 6)	**949**	780
Professional development fund (Note 7)	**684**	510
Deferred capital contributions	**583**	356
	5,582	5,310
EQUITY (Note 8)	**1,123**	1,642
	$ 6,705	$ 6,952

Commitments (Note 11)

Approved by the Board:

Earl Jacobson
Chairperson of the Board

Gina Dolphus
Chairperson of the Finance Committee

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

AURORA COLLEGE

STATEMENT OF OPERATIONS AND EQUITY
for the year ended June 30, 2003
(thousands of dollars)

	2003	2002
REVENUE		
Government contributions (Note 9)	$ 24,858	$ 23,683
Project income		
Territorial government	3,606	3,909
Federal government	640	696
Other	1,404	1,449
Tuition fees	1,738	1,500
Room and board	772	722
Investment income	76	105
Other	634	895
TOTAL REVENUE	**33,728**	32,959
EXPENSES		
Compensation and benefits	20,619	17,994
Contract services	7,015	8,118
Materials and supplies	1,938	2,643
Utilities	1,520	1,317
Fees and payments	1,260	1,383
Travel and accommodation	994	1,236
Communication, postage and freight	511	688
Amortization of capital assets	390	394
TOTAL EXPENSES	**34,247**	33,773
DEFICIT	**(519)**	(814)
EQUITY AT BEGINNING OF YEAR	**1,642**	2,456
EQUITY AT END OF YEAR	**$ 1,123**	$ 1,642

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

AURORA COLLEGE

CASH FLOWS STATEMENT
for the year ended June 30, 2003
(thousands of dollars)

	2003	**2002**
Cash flows from operating activities		
Deficit	**$ (519)**	$ (814)
Non-cash transactions:		
(Gain) loss on disposal of capital assets	(28)	5
Amortization of deferred capital contributions	(48)	(45)
Amortization of capital assets	390	394
	(205)	(460)
Changes in non-cash items		
Accounts receivable and prepaid expenses	675	(749)
Accounts payable and other current liabilities	(340)	215
Employee future benefits	211	(53)
Professional development fund	174	34
	720	(553)
Cash generated from (used by) operating activities	**515**	(1,013)
Cash flows from financing activities		
Capital contributions	**275**	259
Cash flows from investing activities		
Proceeds from sale of equipment	28	20
Acquisition of capital assets	(713)	(485)
Cash used by investing activities	**(685)**	(465)
Net increase (decrease) in cash	**105**	(1,219)
Cash and cash equivalents at beginning of year	**1,859**	3,078
Cash and cash equivalents at end of year	**$ 1,964**	$1,859

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

AURORA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2003

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) Capital assets

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

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

c) Employee future benefits

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

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

d) Government contributions and deferred capital contributions

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

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

e) Project income and deferred project income

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

f) Contract services

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

3. CASH AND CASH EQUIVALENTS

The College's cash balances are pooled with the Government's surplus cash and are invested in a diversified portfolio of high-grade short term income producing assets. The cash can be withdrawn from the bank accounts at any time and is not restricted by maturity dates on investments made by the Government. The Department of Finance approves the eligible classes of securities, categories of issuers, limits and terms. All instruments, depending on their investment class, are rated R-1 Low or better by the Dominion Bond Rating Service Ltd. The College's average annual investment yield for the year ended June 30, 2003 was 2.50% (2002 - 2.63%.)

4. NET ACCOUNTS RECEIVABLE

	2003 (thousands of dollars)			2002
	Accounts Receivable	**Allowance**	**Net**	**Net**
Government contributions	$ 120	$ -	$ 120	$ 115
Project income				
- Government	316	3	313	681
- Other	640	80	560	820
Students	340	283	57	108
Advances	3	-	3	6
	$ 1,419	$ 366	$ 1,053	$ 1,730

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

5. CAPITAL ASSETS

	2003 (thousands of dollars)			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Mobile equipment	$ 2,345	$ 1,026	$ 1,319	$ 996
Building additions and renovations	1,991	547	1,444	1,543
Furniture and equipment	1,217	708	509	481
Leasehold improvements	909	560	349	279
	$ 6,462	$ 2,841	$ 3,621	$3,299

6. EMPLOYEE FUTURE BENEFITS

Pension benefit
During the year the Public Service Superannuation Plan (PSSA) required the College to contribute at a rate of 2.14 (2002- 2.14) times the employees' contributions. Contributions to the PSSA during the year were approximately $1,161,000 (2002- $1,322,000).

7. PROFESSIONAL DEVELOPMENT FUND

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

8. EQUITY

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

(thousands of dollars)

Appropriated equity:	Balance, opening	Net deficit	Appropri-ated	Used in Operations	Balance, ending
a) Program delivery	$ 117	$ -	$ -	$ -	$ 117
b) Research & development	76	-	28	(29)	75
c) HEO replacement & maintenance	164	-	-	-	164
d) Restricted Donations	21	-	34	(32)	23
Unappropriated equity:	1,264	(519)	(62)	61	744
Total equity	**$1,642**	**$ (519)**	**$ -**	**$ -**	**$ 1,123**

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

	2003	2002
	(thousands of dollars)	
Operating contributions	$ 24,810	$ 23,652
Amortization of deferred capital contributions	48	45
Other	-	(14)
	$ 24,858	**$ 23,683**

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 $1,649,000 (2002 - $1,774,000) 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 $405,000 (2002 - $540,000).

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 $1,805,800 (2002- $1,703,900), the Government's amortization expense for these assets has been used as the basis for this estimate.

11. COMMITMENTS

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

	(thousands of dollars)
2004	2,979
2005	2,703
2006	2,687
2007	2,605
2008	1,223
thereafter	9,784
	$ 21,981

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORTION

FINANCIAL STATEMENTS

for the year ended March 31, 2004

This page intentionally left blank.

FINANCIAL STATEMENTS

MARCH 31, 2004

TABLE OF CONTENTS

This page intentionally left blank.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

Management's Responsibility for Financial Reporting

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

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

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

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

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

Afzal Currimbhoy,
Chief Executive Officer

June 4, 2004

This page intentionally left blank.

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of the
Northwest Territories Business Credit Corporation

I have audited the balance sheet of the Northwest Territories Business Credit Corporation as at March 31, 2004 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Edmonton, Canada
June 4, 2004

This page intentionally left blank.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

BALANCE SHEET
MARCH 31

	$ 000's	
ASSETS	**2004**	**2003**
Cash and Cash Equivalents (Note 3)	$ 218	$ 43
Loans Receivable (Note 4)	40,534	35,891
Accrued Interest Receivable (Note 4)	188	174
	40,722	36,065
Less: Allowance for Losses on Impaired Loans (Note 5)	8,955	7,370
	31,767	28,695
Capital Assets (net of accumulated amortization of $93 (2003: $97))	15	25
	$ 32,000	$ 28,763
LIABILITIES		
Deferred Capital Contribution	$ 15	$ 25
Advance from the Government (Note 6)	35,578	31,204
	35,593	31,229
DEFICIT		
Deficit	(3,593)	(2,466)
	$ 32,000	$ 28,763

CONTINGENT LIABILITIES (NOTE 7)

APPROVED:

Kimberly Staples

Chairperson of the Board of Directors

Chief Executive Officer

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

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

STATEMENT OF OPERATIONS AND DEFICIT
For the Year Ended March 31

	$ 000's	
LENDING ACTIVITIES	**2004**	**2003**
Interest Income on Loans Receivable	$ 2,139	$ 1,853
Interest Expense on Advance from the Government (Note 6)	1,050	1,119
Net Interest Income	1,089	734
Provision for Losses on Impaired Loans (Note 5)	2,216	956
Net Loss on Lending Activities	(1,127)	(222)
ADMINISTRATIVE EXPENSES		
Salaries and Benefits	667	624
Office	53	46
Professional Fees	34	23
Board Meetings	15	22
Amortization	13	29
Computer Services	13	2
Communications	12	10
	807	756
Net loss before contribution toward administrative expenses	(1,934)	(978)
Less: Administrative Contribution - the Government (Note 9)	807	756
NET LOSS FOR THE YEAR	(1,127)	(222)
DEFICIT AT THE BEGINNING OF THE YEAR	(2,466)	(2,244)
DEFICIT AT THE END OF THE YEAR	$ (3,593)	$ (2,466)

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

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

STATEMENT OF CASH FLOWS
For the Year Ended March 31

	$ 000's	
CASH FLOWS FROM OPERATING ACTIVITIES	**2004**	**2003**
Interest Received on Loans Receivable	$ 2,108	$ 1,875
Interest Repayment of Advance to the Government	(1,386)	(783)
Contribution Received Toward Administrative Expenses	801	722
Administrative Expenses Paid	(801)	(722)
Interest Received on Bank Account	17	12
	739	1,104
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans Receivable Repaid	6,587	6,298
Loans Receivable Disbursed	(11,861)	(10,102)
Purchase of Capital Assets	(3)	(15)
	(5,277)	(3,819)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from the Government	4,847	2,345
Principal Repayment of Advance to the Government	(137)	-
Contribution Received Toward Acquisition of Capital Assets	3	15
	4,713	2,360
NET INCREASE (DECREASE) IN CASH	$ 175	$ (355)
Cash and Cash Equivalents at Beginning of the Year	$ 43	$ 398
Cash and Cash Equivalents at End of the Year	$ 218	$ 43

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

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

1. AUTHORITY, OBJECTIVE AND OPERATION

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

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

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

Economic dependency

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Loans

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Allowance for losses on impaired loans

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition

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

Capital assets

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

Computers	3 years
Furniture and Equipment	4 years

Employee future benefits

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

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

Use of Estimates

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

3. CASH AND CASH EQUIVALENTS

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

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 2.4% during the year (2003: 2.3%).

Net investment income of $17,000 (2003: $12,000) is included in Interest Income on Loans Receivable.

4. LOANS AND ACCRUED INTEREST RECEIVABLE

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

	Range of Annual Interest Rates		$ 000's	
Region	2004	2003	2004	2003
Loans Receivable				
Deh Cho	5.75 - 9.25%	5.75 - 9.50%	$ 2,921	$ 3,151
Inuvik	6.50 - 9.50%	6.50 - 9.50%	7,012	4,082
North Slave	3.50 - 9.75%	3.50 - 9.75%	13,180	12,993
Sahtu	6.75 - 9.50%	6.75 - 9.50%	2,422	2,769
South Slave	5.75 - 9.50%	5.75 - 9.50%	14,999	12,896
			40,534	35,891
Accrued Interest Receivable				
Current			155	140
Arrears			33	34
			188	174
			$ 40,722	$ 36,065

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

Loans receivable and accrued interest include $11,159,000 (2003: $9,185,000) that the Corporation has specifically classified as impaired. In 2004, interest not accrued on impaired loans totalled $785,000 (2003: $800,000).

The value of loans in which the Corporation has title to or foreclosed on totalled $839,000 (2003: $770,000). These loans have related allowances for losses totalling $723,000 (2003: $625,000). The value of assets in which the Corporation has title to or foreclosed on totalled $116,000 (2003: $145,000).

As of March 31, 2004, loans receivable are expected to mature as follows:

Maturity Date	Range of Annual Interest Rates	$ 000's
Loans past due	6.00 – 8.50%	$ 9,415
2005	6.75 – 9.50%	2,864
2006	7.00 – 9.50%	3,275
2007	6.25 – 9.75%	3,550
2008	3.50 – 7.75%	9,169
2009 and beyond	6.25 – 9.50%	12,261
		$ 40,534

Write-offs

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

In 2004, no accounts were written off by the Legislative Assembly (2003: nil) and no accounts were written off by the Board of Directors (2003: twelve accounts representing eleven borrowers totalling $56,010).

In 2004, recoveries on loans previously written off totalled $746 (2003: $2,067).

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

Forgiveness

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

In 2004, four accounts representing four borrowers totalling $630,733 were forgiven by the Legislative Assembly (2003: ten accounts representing nine borrowers totalling $341,176). No accounts were forgiven by the Financial Management Board (2003: nil).

Credit risk

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

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

Economic sector diversity

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

	$ 000's	
	2004	2003
Trade and Services	$ 22,722	$ 21,076
Travel and Tourism	5,269	5,195
Transportation, Communication and Utilities	4,382	2,079
Construction	3,706	4,221
Manufacturing	2,799	2,103
Agriculture	623	224
Fisheries	614	589
Wildlife	160	198

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

Economic sector diversity (cont'd)

	$ 000's	
	2004	2003
Arts and Crafts	138	162
Forestry	121	44
	$ 40,534	$ 35,891

Impaired loan balances by economic sectors are as follows:

	$ 000's	
	2004	2003
Trade and Services	$ 4,428	$ 4,549
Travel and Tourism	3,217	447
Construction	1,307	1,771
Manufacturing	856	998
Transportation, Communication and Utilities	800	900
Agriculture	224	224
Fisheries	190	136
Arts and Crafts	99	116
Forestry	38	44
	$ 11,159	$ 9,185

Fair Value

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

5. ALLOWANCE FOR LOSSES ON IMPAIRED LOANS

	$ 000's	
	2004	2003
Specific Allowance for Losses on Impaired Loans:		
Balance at beginning of year	$ 6,788	$ 6,286
Provision for the year	2,154	899
	8,942	7,185
Less: write-offs	-	56
forgiveness	631	341
	631	397
Balance at end of year	8,311	6,788
General Allowance for Losses on Impaired Loans:		
Balance at beginning of year	582	525
Provision for the year	62	57
Balance at end of year	644	582
Allowance for Losses on Impaired Loans	$ 8,955	$ 7,370

6. ADVANCE FROM THE GOVERNMENT OF THE NORTHWEST TERRITORIES

The Act authorizes the Corporation to borrow for the purpose of lending, up to $50 million from the Government through an advance. Increases to the outstanding balance of the advance must be approved by the Financial Management Board based on the need of the Corporation. The balance was not to exceed $45 million as at March 31, 2004 (2003: $38 million).

Interest on the advance is based on the rate set at the last week of each month of the Government of Canada 3-year bonds, compounded annually. The rate varied from 2.7% to 3.8% during the year (2003: 3.5% to 4.3%).

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 $35,578,000 (2003: $31,204,000) approximates fair value.

7. CONTINGENT LIABILITIES

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

8. PUBLIC SERVICE SUPERANNUATION PLAN

Under the Public Service Superannuation Plan, the expense for the Corporation's share of contribution totalled $68,000 (2003: $59,000) at a rate of 2.14 times the employee's contribution. The contributions from the Corporation and its employees represent the total pension obligation of the Corporation and are recognized in the accounts on a current basis.

9. RELATED PARTY TRANSACTIONS

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

Administrative contribution

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

Services provided without charge

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

9. RELATED PARTY TRANSACTIONS (CONT'D)

Services provided without charge (cont'd)

	$ 000's	
	2004	2003
Staff support	$ 623	$ 540
Accommodation	48	48
Employee future long term benefits	14	7
	$ 685	$ 595

Cumulative employee future long term benefits accrued at March 31, 2004 is $106,000 (2003: $92,000).

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

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES

FINANCIAL STATEMENTS

for the year ended March 31, 2004

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, 2004 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, 2004, the results of operations and the changes in the Estate and Trust Fund Balance for the year then ended in accordance with accounting policies of the Public Trustee as outlined in Note 2 to the financial statements and as required by the Public Trustee Act and Regulations.

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

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

May 27, 2004

This page intentionally left blank.

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES
ESTATE AND TRUST FUND

BALANCE SHEET
March 31, 2004

ASSETS

	2004	2003
Cash (Note 3)	$2,894,961	$2,694,502
Other assets at nominal value	1	1
	$2,894,962	$2,694,503

LIABILITIES

	2004	2003
Undistributed Common Fund earnings per Statement II (Note 4)	$ 27,085	$ 29,703
Estate and Trust Fund per Statement III (Note 5)	2,867,877	2,664,800
	$2,894,962	$2,694,503

APPROVED:

____

Public Trustee for the Northwest Territories

See the accompanying notes.

This page intentionally left blank.

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES
ESTATE AND TRUST FUND

STATEMENT OF OPERATIONS
For the year ended March 31, 2004

	2004	2003
Undistributed Common Fund earnings, opening	$ 29,703	$ 26,317
Add		
Common Fund earnings	77,187	68,751
	106,890	95,068
Less		
Interest paid to estates and trusts	49,571	38,639
Management fees	26,495	24,442
Miscellaneous account deficiencies	-	-
Excess interest paid to the Government of the Northwest Territories	3,739	2,284
	79,805	65,365
Undistributed Common Fund earnings, closing	$ 27,085	$ 29,703

See the accompanying notes.

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES
ESTATE AND TRUST FUND

STATEMENT OF CHANGES IN ESTATE AND TRUST FUND BALANCE

For the year ended March 31, 2004

	2004	2003
Estate and trust funds provided:		
Estate and trust assets received	$ 1,136,295	$ 1,342,144
Common Fund interest paid to estates and trusts	49,570	38,639
	1,185,865	1,380,783
Estate and trust funds applied:		
Payments to beneficiaries	790,989	992,830
Disbursements made on behalf of estates and trusts	120,629	113,171
Administration fees	63,805	74,786
GST on Administration fees	4,467	5,235
Court fees	2,898	1,025
	982,788	1,187,047
Increase (Decrease) in Estate and Trust Fund balance	203,077	193,736
Estate and Trust Fund balance, opening	2,664,800	2,471,064
Estate and Trust Fund balance, closing	$2,867,877	$2,664,800

See the accompanying notes.

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

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 $94,040 (2003 - $101,512) 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.

...cont'd

PUBLIC TRUSTEE FOR THE NORTHWEST TERRITORIES

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

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:

	2004	2003
Common Fund	$2,867,876	$2,664,799
Other assets, at nominal value	1	1
	$2,867,877	$2,664,800

NORTHWEST TERRITORIES POWER CORPORATION

CONSOLDIATED
FINANCIAL STATEMENTS

for the year ended March 31, 2004

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, 2004 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

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

Ottawa, Canada
June 2, 2004

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.

Léon Courneya, FCA
President & CEO

Judith Goucher, MA
Director, Finance & CFO

Hay River, NT
June 2, 2004

NORTHWEST TERRITORIES POWER CORPORATION

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

	2004	2003
Revenues		
Sale of power (Note 3)	$ 66,019	$ 64,480
Other (Note 4)	2,336	2,229
	68,355	66,709
Expenses		
Salaries and wages	16,409	15,568
Fuels and lubricants	15,550	15,209
Supplies and services	10,822	10,084
Amortization of plant, property & equipment	7,519	6,884
Travel and accommodation	1,880	1,712
	52,180	49,457
Earnings from operations	16,175	17,252
Interest income	467	278
Contract work, net (Note 6)	133	255
Earnings before interest expense	16,775	17,785
Interest expense (Note 7)	9,596	10,060
Net earnings	7,179	7,725
Retained earnings at beginning of year	32,755	29,030
Dividend (Note 8)	(3,500)	(4,000)
Retained earnings at end of year	$ 36,434	$ 32,755

See accompanying notes

NORTHWEST TERRITORIES POWER CORPORATION

Consolidated Cash Flow Statements
For the years ended March 31
($000's)

	2004	2003
Cash flows from operating activities		
Cash receipts from customers	$ 73,725	$ 68,445
Cash paid to suppliers and employees	(48,066)	(43,872)
Interest received	289	1,066
Interest paid	(10,063)	(9,937)
Cash flows from operating activities	15,885	15,702
Cash flows used in investing activities		
Plant, property and equipment constructed or purchased	(11,124)	(8,650)
Proceeds from sale of plant, property and equipment	13	73
Cash flows used in investing activities	(11,111)	(8,577)
Cash flows used in financing activities		
Repayment of long-term debt	(964)	(21,918)
Proceeds from long-term borrowings	-	20,000
Net proceeds from short-term borrowings	997	1,947
Repayment of net lease obligation	(144)	(143)
Sinking fund instalments	(3,008)	(2,744)
Proceeds from sinking fund redemption	-	156
Dividend paid	(4,000)	(4,000)
Cash flows used in financing activities	(7,119)	(6,702)
Net (decrease) increase in cash	(2,345)	423
Cash at beginning of year	573	150
(Bank indebtedness) cash at end of year (Note 14)	$ (1,772)	$ 573

See accompanying notes

NORTHWEST TERRITORIES POWER CORPORATION

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

	2004	2003
Assets		
Plant, property and equipment (Note 9)		
Plant in service	$ 272,681	$ 265,036
Less accumulated amortization	(70,377)	(65,025)
	202,304	200,011
Construction work in progress	16,767	4,455
	219,071	204,466
Current assets		
Cash	-	573
Accounts receivable	11,152	15,995
Prepaid expenses	1,156	862
Inventories	5,992	6,925
	18,300	24,355
Other assets		
Due from NPC (Note 19)	5,646	5,454
Deferred costs (Note 10)	11,573	8,735
Sinking fund investments (Note 11)	24,082	19,650
	41,301	33,839
	$ 278,672	$ 262,660
Liabilities and Shareholder's Equity		
Long-term debt		
Long-term debt, net of sinking fund investments (Note 12)	$ 91,106	$ 96,537
Sinking fund investments presented as assets	24,082	19,650
Net lease obligation (Note 13)	1,622	1,740
	116,810	117,927
Current liabilities		
Short-term debt and bank indebtedness (Note 14)	12,772	10,003
Note payable for Bluefish (Note 15)	9,399	-
Accounts payable and accrued liabilities	10,527	10,174
Dividends payable	5,799	6,299
Current portion of long-term debt (Note 12)	999	965
	39,496	27,441
Other liabilities		
Future removal and site restoration provision (Note 16)	37,115	36,170
Deferred revenues and other liabilities (Note 17)	5,688	5,238
	42,803	41,408
Shareholder's equity (Note 18)	79,563	75,884
	$ 278,672	$ 262,660

Commitments and contingencies (Note 19)

See accompanying notes

Approved on behalf of the Board:

Richard Nerysoo
Chairman of the Board

Louis Sebert
Director

1. Authority and operation

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

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

2. Accounting policies

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

Rates and regulation (Excluding sales by subsidiaries)

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

Consolidation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Corporation and its wholly owned subsidiaries NWT Energy Corporation Ltd., and 923204 N.W.T. Ltd., operating as NWT Energy Corporation (03) Ltd.

NWT Energy Corporation Ltd., under the authority of the *Northwest Territories Power Corporation Act*, financed the Dogrib Power Corporation for the construction of a 4.3 MW hydro facility. The NWT Energy Corporation (03) Ltd. has two operations: the operation and management of one residual heat project in Fort McPherson and the development of business opportunities outside the regulated business including development of hydroelectric projects.

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.

Plant, property and equipment

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

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

Amortization

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

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

Amortization rates are as follows:

	%
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.

Deferred costs

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

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

The Rate Stabilization Funds mitigate the impact on utility rates of 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 Reserve for Injuries and Damages includes costs for uninsured and uninsurable losses and the deductible portion of insured claims. The PUB approved $485 to be included in annual expenses for this fund.

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

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

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

Other deferred costs include the L-199 transmission line costs, financing costs, pending insurance claims costs and other costs. These costs are subject to recovery through insurance, the courts or the customers through PUB decisions. Financing costs relating to the issue of long-term debt are amortized on a straight-line basis over the remaining term of the related debt.

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

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.

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

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

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

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

Measurement uncertainty
To prepare these financial statements in accordance with Canadian generally accepted accounting principles, management has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities.

Actual results may differ from these estimates. Significant estimates include amortization, the future removal and site restoration provision, and the April 1, 2001, allocated assets, liabilities and shareholder's equity to the NWT as a result of division.

New Accounting Recommendations

Asset Retirement Obligations
In March 2003 the CICA issued the new Handbook Section 3110 Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and the normal operation of a long-lived asset, except for certain obligations of lessees. The Corporation already has a liability recorded to recover these costs.

Section 3110 is effective for fiscal years beginning on or after January 1, 2004 and is to be applied retroactively with restatement of prior years. The Corporation is currently evaluating Section 3110 and its implications in a regulated environment.

3. Sale of power – General Rate Application

The Corporation's 2001-2003 General Rate Application is complete. The PUB has approved community-based rates and these rates were implemented in November 2003.

4. Other revenues

	2004	2003
Government funding of pension expenses (Note 5)	$ 931	$ 669
Miscellaneous	547	623
User fees	406	334
Connection fees	207	186
Contract work	174	322
Heat	71	95
	$ 2,336	$ 2,229

5. Pension expense

The Corporation contributes to the Public Service Superannuation Plan at a rate of 2.14 times (2003 – 2.14 times) the employee's contributions. Contributions for pension expense during the year were $1,972 (2003 - $1,924). The Corporation receives funding, recorded as other revenues, from the GNWT of $931 (2003 - $669) to cover part of these pension expenses. This funding was available until March 31, 2004. The Government of the Northwest Territories (GNWT) has agreed to continue funding beyond 2004. The terms of the new contract are being finalized. Should this additional funding cease the Corporation will apply to the PUB to recover these additional costs through rates.

6. Contract work

The Corporation has an agreement with the Nunavut Power Corporation (NPC), to provide engineering services until August 1, 2004. The revenues and expenses to provide services under this agreement are outside of the normal operations of the Corporation and therefore are reflected separately on the income statement. The Corporation's gross revenues from the contract were $720 (2003 - $784) and the associated expenses were $587 (2003 - $529) for net earnings of $133 (2003 - $255). There are no assets or liabilities in the Corporation held solely for the purpose of this contract.

7. Interest expense

	2004	2003
Interest on long-term debt	$ 11,935	$ 11,104
Short-term financing costs	292	245
Sinking fund income	(1,425)	(1,104)
Capitalized allowance for funds used during construction	(1,206)	(185)
	$ 9,596	$ 10,060

8. Dividend

Pursuant to the *Northwest Territories Power Corporation Act*, the Government of the Northwest Territories directed the Corporation to declare a dividend of $3,500 (2003 - $4,000).

9. Plant, property and equipment

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Electric power plants	$ 153,924	$ (44,789)	$ 109,135	$ 107,479
Transmission and distribution systems	62,352	(10,521)	51,831	51,038
Electric power plants under capital lease	26,342	(2,783)	23,559	23,938
Warehouse, equipment, motor vehicles and general facilities	21,533	(7,825)	13,708	13,133
Other utility assets	3,795	(621)	3,174	3,457
Other	4,735	(3,838)	897	966
	272,681	(70,377)	202,304	200,011
Construction work in progress	16,767	-	16,767	4,455
	$ 289,448	$ (70,377)	$ 219,071	$ 204,466

Engineering and other direct overhead expenses capitalized during the year amounted to $1,083 (2003 - $1,136).

10. Deferred costs

	March 31 2004	2004 Costs Deferred and Interest Charged to the Fund	2004 Amortization of Fund Balance	March 31 2003
Snare Cascades Deferral Account	$ 2,494	$ 22	$ (726)	$ 3,198
Rate Stabilization Funds	(549)	1,944	125	(2,618)
Reserve for Injuries and Damages	1,013	393	(485)	1,105
Regulatory Costs	1,156	400	(228)	984
Normalized Overhaul Costs	(468)	1,659	(1,573)	(554)
Regulated Employee Future Benefits	1,069	486	(106)	689
L-199 transmission line costs	4,372	414	-	3,958
Other deferred expenses	2,486	688	(175)	1,973
	$ 11,573	$ 6,006	$ (3,168)	$ 8,735

The rate stabilization funds are comprised of fuel $1,138 (2003 - $534) and water $(1,688) (2003 - $(3,152)).

11. Sinking fund investments

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

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

The sinking fund agreements require the Corporation to make minimum annual installments. The installments calculated for the next five years are disclosed in Note 12. Fair value information for sinking funds is included in Note 21. The Corporation realized a return of 6.52% (2003 – 6.17%) on the $24,082 (2003 - $19,650) book value of the sinking funds.

	2004		2003	
	Carrying Value	Weighted average effective rate of return (1)	Carrying Value	Weighted average effective rate of return (1)
Fixed Income Securities				
Federal Government guaranteed	$ 6,524	3.80%	$ 4,437	4.00%
Corporate Bonds	6,388	3.80%	4,470	5.30%
Municipal Government guaranteed	2,638	4.90%	1,748	5.70%
Cash and short-term investments	966	2.60%	2,325	3.10%
Provincial Government guaranteed	582	4.50%	1,054	5.30%
Equities				
Canadian	4,838		3,635	
US	1,411		1,406	
International	735		575	
	24,082		$ 19,650	

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

12. Long-term debt

	2004	2003
11% sinking fund debentures, due March 9, 2009	$ 20,000	$ 20,000
10¾% sinking fund debentures, due May 28, 2012	20,000	20,000
6.63% amortizing debenture, due December 18, 2032	19,333	20,000
11⅛% sinking fund debentures, due June 6, 2011	15,000	15,000
6.33% redeemable sinking fund debentures, due October 27, 2018	10,000	10,000
8.41% redeemable sinking fund debentures, due February 27, 2026	8,700	8,700
9.11% debenture series 3, due September 1, 2026, repayable in equal monthly payments of $73.	8,370	8,478
9¾% debenture series 2, due October 1, 2025, repayable in equal monthly payments of $69	7,400	7,494
10% debenture series 1, due May 1, 2025, repayable in equal monthly payments of $70	7,379	7,475
Other	5	5
	116,187	117,152
Less: Current portion	999	965
	115,188	116,187
Less: Sinking fund investments	24,082	19,650
	$ 91,106	$ 96,537

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

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

	2005	2006	2007	2008	2009
Principal Repayments	$ 999	$ 1,032	$ 1,068	$ 1,105	$1,153
Sinking Fund Investment Contributions	$ 2,778	$ 3,001	$ 3,001	$ 3,001	$1,931

13. Net lease obligation

The NWT Energy Corporation Ltd. loaned funds to the Dogrib Power Corporation to finance the construction of a hydroelectric generating plant on the Snare River in the Northwest Territories. The balance of the loan receivable is $21,505 (2003 - $21,765). The loan bears interest at an annual rate of 9.6%, which is the average rate of interest on NWT Energy Corporation Ltd.'s long-term debt issued to finance the loan. It is due July 2026 and is repayable, in equal monthly payments of $195. The loan is secured by a charge against the plant and the lease agreement.

The Corporation has an initial 65-year lease for the plant at an imputed interest rate of 9.6% from the Dogrib Power Corporation until 2061. The value of the capital lease obligation is $23,245 (2003 - $23,650).

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

Upon consolidation, the loan receivable held by NWT Energy Corporation Ltd. is offset with the capital lease obligation of the Corporation resulting in a net lease obligation of $1,740 (2003 - $1,885). As a result, in some years there will be a net payment and in other years there will be a net receipt upon consolidation. The net lease obligation payments / (receipts) over the next five years are:

2004	2005	2006	2007	2008
$ 118	$ 90	$ 58	$ 23	$ (15)

The current portion of the net lease obligation is $118 (2003 - $145) and is recorded in accounts payable.

14. Short–term debt and bank indebtedness

		2004		2003
Bankers' acceptance and shareholder's advance	$	11,000	$	10,000
Bank overdraft		1,772		3
	$	12,772	$	10,003

The interest rate charged on bank overdrafts is prime. The short-term debt outstanding at year-end had a weighted average 74 day term (2003 – 55 day term) and a 2.38% (2003 – 3.30%) weighted average annual interest rate. The Corporation has a $15 million unsecured line of credit with its bank and also has access on occasion to short term funds from its shareholder.

15. Bluefish Purchase Agreement

The Corporation purchased the Bluefish Hydroelectric Generating Station ("Bluefish") effective April 4, 2003 from Miramar Con Mine. The essential elements of the Purchase Agreement are: a $10 million note payable December 31, 2004, specified energy and demand power credits for Miramar Con Mine until December 31, 2009, assumption of all future removal and site restoration costs for the Bluefish Station, and assumption of operating costs until December 31, 2004. The Corporation intends to convert the $10 million note payable to long term debt in 2005. The specified energy and demand power credits work as follows: from April 4, 2003 to December 31, 2004 Miramar will receive as much energy from Bluefish at zero cost ("power credits") as Bluefish would have produced when Miramar owned the hydro facility. Miramar also gets demand credits of 7,200 kVa per month in each of the two fiscal years in this period. From January 1, 2005 until December 31, 2009 Miramar will receive 5 GWh of energy at zero cost each fiscal year and demand credits of 1,500 KVa per month. The purchase considerations and acquisition of the facility has been reviewed and approved by the PUB.

16. Future removal and site restoration provision

The provision for the year, included in amortization of plant, property and equipment is $1,427 (2003 - $1,401) and the amount spent is $482 (2003 - $630).

17. Deferred revenues and other liabilities

		2004		2003
Donations in aid of construction	$	3,666	$	3,803
Employee future benefits		2,022		1,435
	$	5,688	$	5,238

18. Shareholder's equity

		2004		2003
Capital Stock				
Authorized: unlimited number of voting common shares without par value				
Issued: 431,288 common shares	$	43,129	$	43,129
Retained earnings at end of year		36,434		32,755
	$	79,563	$	75,884

19. Commitments and contingencies

Capital projects
The estimated cost to complete capital projects in progress, as at March 31, 2004, was $14,029 (2003 - $7,199).

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

2005	2006	2007	2008	2009	2010-2030	Total
$ 293	$ 141	$ 113	$ 46	$ 14	$ 22	**$ 629**

Supply contracts
The Corporation has contracts to purchase refined oil products based on market prices at time of delivery. These contracts end in 2005 and 2006 and reflect various minimum quantity purchase commitments totalling 40.4 million litres in this two 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. The Corporation has been named as a co-defendant in the third action as a result of the Corporation managing a project for the Nunavut Power Corporation (NPC) through the NPC engineering contract. The fourth action names the Corporation as a co-defendant in a lawsuit involving allegations of negligence and breaches of duty arising out of a snowmobile accident. The total liquidated amount of these claims ranges from $123 to $355, exclusive of costs and interest. The fifth action names the Corporation as a co-defendant with the GNWT and the Federal Government in a claim for $45,000 related to the construction of the hydro system on the Taltson River in 1965. It is management's estimate that no significant loss to the Corporation will result from any of these five 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.

Division
All corporate operations within the Nunavut Territory were taken over by the NPC on April 1, 2001. The allocation of the Corporation's assets, liabilities and shareholder's equity between its Nunavut operations to NPC and its Northwest Territories operations to the Corporation was governed by two agreements, a due diligence process and approval by the Corporation, GNWT, NPC and the Government of Nunavut. As at the date these financial statements were completed the allocation of assets, liabilities and shareholder's equity as at March 31, 2001, was agreed to by the four parties, with the exception of the allocation of some of the short term debt. The parties are currently undergoing arbitration to resolve the dispute. The allocations of assets, liabilities and shareholder's equity as at March 31, 2001 were determined based on management's best estimate using the approach set out in the agreements. As a result of the arbitration, any adjustments with an income statement impact that may be required to this estimate will be adjusted through retained earnings.

20. Related party transactions

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

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

	2004	2003
Sale of power and other	$ 20,138	$ 18,992
Purchase of fuel from government	1,469	1,268
Fuel tax paid to government	776	761
Other purchases and payments	510	983
Balances at year end:		
Accounts receivable	2,226	2,226
Accounts payable	1,071	626
Promissory note (included in short-term debt)	8,000	4,000
Dividend payable to the GNWT	3,500	4,000

21. Financial instruments

	2004		2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 116,186	$ 148,107	$ 117,152	$ 143,690
Net lease obligation	1,740	4,041	1,885	3,325
Sinking fund investments	24,082	24,625	19,650	18,600

The fair values of cash, other current accounts receivable and payable, Due from NPC, note payable for Bluefish 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.

GOVERNMENT OF THE NORTHWEST TERRITORIES

PETROLEUM PRODUCTS REVOLVING FUND

FINANCIAL STATEMENTS

for the year ended March 31, 2004

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, 2004, 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, 2004, 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 14, 2004

This page intentionally left blank.

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

Petroleum Products Revolving Fund

Balance Sheet

As at March 31, (thousands of dollars)		**2004**		**2003**
Assets:				
Current				
Accounts receivable (Note 3)	$	3,769	$	3,426
Inventories (Note 4)		3,863		4,874
	$	7,632	$	8,300
Liabilities:				
Current				
Accounts payable and accrued liabilities	$	1,772	$	2,139
Employee leave and termination benefits		64		34
		1,836		2,173
Long-Term				
Employee termination benefits		49		54
Due to the Government of the Northwest Territories		5,747		6,073
		5,796		6,127
	$	7,632	$	8,300

Commitments and contingencies (Note 9).

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

Approved by management:

Mike Aumond
Director

Shirley Kwong
Comptroller

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

Petroleum Products Revolving Fund

Statement of Operations

For the Year Ended March 31, (thousands of dollars)		**2004**		**2003** Restated (Note 10)
Revenue				
Sale of petroleum products (Note 5)	$	13,807	$	12,444
Cost of goods sold		9,997		8,822
Gross profit		3,810		3,622
Rent and other revenue		50		169
		3,860		3,791
Expenses				
Commissions		1,488		1,369
Salaries, wages and employee benefits		1,212		874
Purchased services		547		510
Material, supplies and utilities		237		249
Travel		204		150
Insurance		36		99
Miscellaneous		134		85
		3,858		3,336
Net Profit (Loss) from operations before the following		2		455
Financial Charges (Note 6)		(231)		(225)
Tangible capital assets - Rent expenses (Note 6)		(729)		(761)
Grant-in-kind - Government assets Provided at no cost		960		986
Net Profit	$	**2**	$	**455**

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

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

Petroleum Products Revolving Fund

Statement of Amount Due to the Government of the Northwest Territories

For the Year Ended March 31, (thousands of dollars)		**2004**		**2003**
Balance, beginning of year	$	6,073	$	7,009
Plus:				
Payments Made by the Government				
Purchases of petroleum products		9,291		7,385
Other cash disbursements		3,895		3,254
Income from operations		2		455
Less:				
Transfers to the Government				
Cash receipts		13,514		12,030
Balance, end of the year	$	5,747	$	6,073

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

1. Authority and Operations

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

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

The fund is exempt from income tax.

The prices for the Fund's petroleum products are approved by the Government. It is the expectation of the Government that the Fund's cost of goods sold and operating expenses will be recovered through the price structure to achieve a break-even operation. Under the Act, there is a special account in the CRF called the Petroleum Products Stabilization Fund to which profits of the Fund shall be credited and losses shall be charged. The debit or credit amount in the Stabilization Fund shall not exceed $5,000,000 at the end of any fiscal year. The balance in the stabilization Fund at March 31, 2004 is a surplus of $456,211.

	2004	2003
Surplus (Deficit) at beginning of year	$ 454	$ (4,191)
Net Profit (Net Loss)	2	454
Write off of Stabilization Fund Deficit	0	4,191
Surplus (Deficit) at ending of year	$ 456	$ 454

2. Significant Accounting Policies

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

a. Revenue Recognition

Revenue is recognized when fuel is dispensed or delivered.

b. Inventories

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

c. Services Provided Without Charge

Environmental Restoration Costs

The Fund does not record any future environmental restoration costs.

Other Services Provided Without Charge

Other than an annual administration fee of $58,000 charged by Public Works and Services and service charges of $28,000 charged by Technology Service Centre, following existing practice, the Fund does not record the following services provided without charge by the Government: the procurement of goods and services, the processing of payroll, legal counsel and internal audit services, as it is difficult to estimate them.

d. Pensions

The Fund and its employees, who are deemed to be employees of the Government, make contributions to the Public Service Superannuation Plan administered by the Government of Canada. The Fund and the employees contribute to the cost of the plan. The Fund contributes at rate of 2.14 times that of the employees. These contributions represent the total pension obligation of the Fund and are expensed on a current year basis. The Fund is not required under present legislation to make contributions with respect to actuarial deficiencies to the Public Service Superannuation Account

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

3. Accounts Receivable

(thousands of dollars)	Mar-31 2004	Mar-31 2003
Commercial/Private	$ 1,484	$ 1,426
Territorial Municipalities & Housing Associations	1,075	1,033
Government of the Northwest Territories:		
Departments and Agencies	599	604
Northwest Territories Power Corporation	670	419
	1,269	1,023
Government of Canada	51	51
	3,879	3,533
Less: Allowance for Doubtful Accounts	(110)	(107)
	$ 3,769	$ 3,426

4. Inventories

(thousands of dollars)	Mar-31 2004	Mar-31 2003
Heating fuel	$ 2,589	$ 3,461
Gasoline	1,125	1,361
Other fuel	149	52
	$ 3,863	$ 4,874

5. Sale of Petroleum Products

(thousands of dollars)	2004	2003
Commercial/Private	$ 5,516	$ 4,864
Territorial Municipalities & Housing Associations	2,910	2,622
Government of the Northwest Territories:		
Northwest Territories Power Corporation	1,474	1,350
Departments and Agencies	1,644	1,474
Wholesale Revenue	2,062	1,958
Government of Canada	201	176
	$ 13,807	$ 12,444

6. **Expenses Off-Set with Grant-in-Kind**

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

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

(thousands of dollars)	Cost	Accumulated Amortization	Mar-31 2004 Net Book Value	Mar-31 2003 Net Book Value
Fuel Storage Facilities	$ 19,423	$ 9,519	$ 9,904	$ 11,254
Fuel Delivery Vehicles	2,526	1,559	967	911
Construction in progress	1,370		1,370	363
	$ 23,319	$ 11,078	$ 12,241	$ 12,528

b. **Financing Charges**
Management estimated that the Fund required up to $11 million in working capital with an estimated financing cost of $231,352 for the year. (For 2002/2003 they were $11 million and $225,741 respectively.) The financing cost is based upon the average monthly balance due to the Government at an average interest rate for the Government of 2.95% 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 has a contract for the supply and delivery of bulk petroleum products, by barge, with the Northern Transportation Company Limited. The renewed contract expires at the termination of the 2004 summer resupply. The Government also 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. Nine contracts will expire in the fiscal year ending 2005, two in 2006 and four in 2008. Under these contracts, fixed commission rates are paid. The value of this commitment is estimated at $2,790,000 as per the detailed listing below.

Commitment				
2005	2006	2007	2008	Total
$1,291,000	$693,000	$550,000	$256,000	$2,790,000

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

c. Environmental Site Assessment

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

There have been nine Phase III Assessments and one Risk Assessment completed to date. The estimate cost to remediate all contaminated sites is estimated to be in the range between $5,350,000 and $8,132,500. This value is based upon the most recent experience of PPD and others who have undertaken similar environmental remediation projects. While PPD expects remediation costs to come within the estimated range, cost certainty cannot be obtained until remediation has commenced and the scope of work or the level of contamination has been confirmed. The value of said liabilities can also change with the identification of new areas of contamination and the completion of site remedia

In 2003/04 the Fund expended the following on Environmental Site Remediation:

Rae Lakes	Alternate Site outside of fenced area	$	19,000
Trout Lake	Spill in front of dispenser		2,000
Tulita	Outside of fenced area		79,000
Sachs Harbour	Beach Area - Part 1		24,000
Sachs Harbour	Resupply Pipeline Vault "B"		10,000
Paulatuk	Airport Site		2,000
Total		$	136,000

10. Change in Accounting Policy

In previous years, the fair value of the interest expense from the advances to the Fund and the Funds' use of assets owned by the GNWT were not recorded in the financial statements. The policy has been changed to record the amounts estimated to be the value of the financing charges and the use of assets. This policy has be applied retroactively.

The net effect of the change on net profit (loss) for both March 31, 2004 and March 31, 2003 is nil.

The accounting policy change results in an increase in revenue - grants in kind of $960,000 (2003 - $986,000) and of financing and rent expenses of $231,000 and $729,000 respectively (2003 - $225,000 and $761,000).

NORTHWEST TERRITORIES LIQUOR COMMISSION

FINANCIAL STATEMENTS

for the year ended March 31, 2004

This page intentionally left blank.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Financial Statements

Year ended March 31, 2004

This page intentionally left blank.

Northwest Territories Liquor Commission

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

R.J. Courtoreille
General Manager

Ruth Boden
Manager, Finance & Administration

May 7, 2004

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

This page intentionally left blank.

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Northwest Territories Liquor Commission as at March 31, 2004 and the statements of income, amount due to the Government of the Northwest Territories and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Edmonton, Canada
May 7, 2004

This page intentionally left blank.

NORTHWEST TERRITORIES LIQUOR COMMISSION
Balance Sheet

March 31, 2004, with comparative figures for 2003

		2004		2003
		($000's)		($000's)
Assets				
Current assets:				
Cash	$	4,639	$	3,938
Accounts receivable		–		75
Due from Nunavut Liquor Commission		23		25
Inventories (note 3)		2,848		2,308
Prepaid expenses		20		12
		7,530		6,358
Capital assets (note 4)		43		52
	$	7,573	$	6,410
Liabilities				
Current liabilities:				
Accounts payable	$	2,071	$	1,693
Due to the Government of the Northwest Territories (note 7)		5,434		4,667
		7,505		6,360
Employee future benefits (note 5)		68		50
Commitments (note 9)				
	$	7,573	$	6,410

See accompanying notes to financial statements.

Approved by Management:

R.J. Courtoreille
General Manager

Ruth Boden
Manager, Finance & Administration

This page intentionally left blank.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Income

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
	($000's)	($000's)
Sales:		
Beer	$ 17,153	$ 16,801
Spirits	14,317	14,418
Wine	3,879	3,364
Coolers and ciders	1,328	1,377
	36,677	35,960
Cost of goods sold:		
Beer	7,406	7,365
Spirits	4,114	4,299
Wine	1,656	1,399
Coolers and ciders	584	615
	13,760	13,678
Gross profit on sales	22,917	22,282
Other income:		
License fees and permits	535	567
Import fees and other income	291	248
	826	815
	23,743	23,097
Expenses:		
Commissions to agents	2,302	2,256
Salaries, wages and employee benefits	950	908
Administration	328	352
Travel	153	108
Rent	59	57
Inspectors' fees	45	48
Amortization of capital assets	18	14
Board member honoraria	72	38
	3,927	3,781
Net income	$ 19,816	$ 19,316

See accompanying notes to financial statements.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Amount Due to the Government of the Northwest Territories

Year ended March 31, 2004, with comparative figures for 2003

	2004 ($000's)	2003 ($000's)
Balance, beginning of year	$ 4,667	$ 2,978
Net income	19,816	19,316
Salaries, wages and benefits incurred by the Government	958	964
	25,441	23,258
Net transfer of funds to the Government	20,007	18,591
Balance, end of year	$ 5,434	$ 4,667

See accompanying notes to financial statements.

NORTHWEST TERRITORIES LIQUOR COMMISSION

Statement of Cash Flows

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
	($000's)	($000's)
Cash flows from operating activities:		
Cash received from customers	$ 37,581	$ 36,687
Cash paid to suppliers	(16,864)	(16,504)
Net cash provided by operating activities	20,717	20,183
Cash flows from investing activities:		
Purchase of capital assets	(9)	(20)
Net cash used in investing activities	(9)	(20)
Cash flows from financing activities:		
Cash transferred to the Government of the Northwest Territories	(20,007)	(18,591)
Net cash used in financing activities	(20,007)	(18,591)
Increase in cash	701	1,572
Cash, beginning of year	3,938	2,366
Cash, end of year	$ 4,639	$ 3,938

See accompanying notes to financial statements.

1. Authority and operations:

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

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

These financial statements include the operations of the Liquor Licensing Board of the Northwest Territories (note 6).

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

2. Significant accounting policies:

(a) Inventories:

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

(b) Capital assets:

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
Computer equipment	33%
Recycling equipment	10%
Furniture and fixtures	20%

Computer equipment includes hardware and software.

2. Significant accounting policies, continued:

(c) Pension benefits:

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

(d) Severance benefits:

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

(e) Use of estimates:

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

3. Inventories:

		2004		2003
		($000's)		($000's)
Spirits	$	1,237	$	1,028
Wine		496		367
Beer		954		773
Coolers and ciders		161		140
	$	2,848	$	2,308

4. Capital assets:

						2004		2003
		Cost		Accumulated amortization		Net book value		Net book value
		($000's)		($000's)		($000's)		($000's)
Computer equipment	$	493	$	475	$	18	$	30
Recycling equipment		150		135		15		15
Furniture and fixtures		41		31		10		7
	$	684	$	641	$	43	$	52

5. Employee future benefits:

Pension benefit:

During the year the Public Service Superannuation Plan ("PSSA") required the Commission to contribute to the PSSA at a rate of 2.14 times the employees' contributions. The Commission contributed $79,710 to the PSSA during the year (2003 – $81,000).

6. Operations of the Liquor Licensing Board of the Northwest Territories:

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

	2004	2003
Revenues:		
Licensee fees	$ 450	$ 483
Special occasion licenses	48	48
Annual license fees	36	34
Other	15	22
	549	587
Expenses:		
Salaries, wages and benefits	283	267
Honoraria	72	38
Other	249	198
	604	503
Net revenues over expenses (expenses over revenues)	$ (55)	$ 84

The operations of the LLB are administered by the Commission. 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 $29,050 (2003 – $39,110) for legal services provided by the Department of Justice, and $10,355 (2003 - $9,355) for payroll services provided by the Financial Management Board Secretariat.

8. Service agreement:

The Commission provides various corporate and program delivery services to the Nunavut Liquor Commission and Nunavut Liquor Licensing Board. It received $131,000 (2003 – $136,000) in fees for the services rendered. This amount is included in import fees and other income on the statement of income.

9. Commitments:

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

		($000's)
Year ending March 31:		
2005	$	56
2006		27
2007		5
	$	88

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

10. Fair value of financial assets and financial liabilities:

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

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

FINANCIAL STATEMENTS

for the year ended March 31, 2004

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

Chair

Secretary

April 21, 2004

Yellowknife, Northwest Territories, Canada X1A 2L9/Fax (403) 920-4735/Telephone (403) 669-2200

This page intentionally left blank.

AVERY, COOPER & CO.
Certified General Accountants

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

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

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, 2004, 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, 2004. 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, 2004 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 21, 2004

This page intentionally left blank.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NET ASSETS AVAILABLE FOR BENEFITS
March 31, 2004

	2004	2003
ASSETS		
CURRENT		
Accounts Receivable	$ 14,200	$ 18,783
Accrued Investment Income	31,460	3,623
	45,660	22,406
INVESTMENTS		
Retiring Allowance Fund (Notes 2 and 3)	17,181,028	14,726,166
	$ 17,226,688	$ 14,748,572
LIABILITIES		
CURRENT		
Accounts Payable	$ 24,197	$ 39,054
FUND BALANCE		
RETIRING ALLOWANCE FUND BALANCE		
Net Assets Available for Benefits per page 2	17,202,491	14,709,518
	$ 17,226,688	$ 14,748,572

APPROVED:

____________________________ Director

____________________________ *Director*

See the accompanying notes.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the Year Ended March 31, 2004

	2004	2003
INCREASE (DECREASE) IN ASSETS		
Contributions	$ 172,483	$ 195,215
Interest and Dividends	588,464	808,242
	760,947	1,003,457
Current Period Change in Fair Market Value of Investments	2,689,165	(2,542,765)
Total Increase (Decrease) in Assets	3,450,112	(1,539,308)
DECREASE IN ASSETS		
Benefits		
Pension Payments	464,474	433,006
Termination Payments	394,168	-
Administrative		
Actuary Fees	98,497	94,213
Total Decrease in Assets	957,139	527,219
INCREASE (DECREASE) IN NET ASSETS	2,492,973	(2,066,527)
NET ASSETS AVAILABLE FOR BENEFITS		
- BEGINNING OF YEAR	14,709,518	16,776,045
- END OF YEAR	$ 17,202,491	$ 14,709,518

See the accompanying notes.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

STATEMENT OF OBLIGATIONS FOR PENSON BENEFITS
March 31, 2004

	2004	2003
ACTUARIAL PRESENT VALUE OF DEFINED BENEFITS		
Active Members	$ 3,299,000	$ 2,946,000
Pensioners	8,425,000	8,092,000
Total Ongoing Plan Liabilities (Note 4)	11,724,000	11,038,000
ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS		
Net Assets Available for Benefits	17,563,000	17,831,000
Changes not reflected in actuarial value of net assets	(360,509)	(3,121,482)
Adjusted Actuarial Value of Net Assets Available For Benefits (page 2)	17,202,491	14,709,518
EXCESS OF ACTUARIAL VALUE OF NET ASSETS OVER ACTUARIAL PRESENT VALUE OF DEFINED BENEFITS	$ 5,478,491	$ 3,671,518

See the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

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.

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) Prior year's figures have been restated, where applicable, to conform to current year's presentation.

f) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

NOTE 3 INVESTMENTS - RETIRING ALLOWANCE FUND

	2004	%	2003	%
Funds Managed by Investment Counsellors				
Cash and Cash Equivalents	$ 1,381	0.01	$ 1	-
UBS Canadian Equity Capital Fund Series A (Cost $1,817,726; 2003-$4,039,248)	2,282,392	13.28	3,873,251	26.3
McLean Budden Equity Funds (Cost $3,180,198; 2003-zero)	3,703,560	21.56	-	-
UBS US Equity Fund Series A (Cost $1,126,268; 2003 - 2,468,373)	1,008,216	5.87	1,844,597	12.5
UBS International Equity Funds Series A (Cost $1,126,268; zero: 2003 $4,613,881)	-	-	1,791,601	12.2
Temporary Investments (Cost $402,951 ; 2003-$1,114,977)	402,951	2.35	1,114,977	7.6
NWT Legislative Assembly Building Society Series A Bonds (Cost $323,205; 2003 - $353,236)	338,694	1.97	356,059	2.4
Canada Fixed Income Mutual Funds (Cost $3,859,214; 2003 - $5,856,949)	3,838,761	2.34	5,745,680	39
Government of Canada Bonds (Cost $2,841,419; 2003 - zero)	3,142,167	8.29	-	-
McLean Budden Canadian Equity Value Fund (Cost $2,078,068; 2003 - zero)	2,462,906	4.34	-	-
Total at Fair Market Value	$ 17,181,028	100	$ 14,726,166	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, 2002 by Hewitt Associates, a firm of consulting actuaries. This actuarial valuation report was prepared to March 31, 2003 using the projected accrued benefit actuarial cost method (also known as the projected unit credit method), prorated on service. The report was prepared in accordance with accepted actuarial practice and in accordance with Section PS3250 of the CICA Public Sector Accounting and Auditing Handbook.

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

	2004	2003
Actuarial present value of accrued pension benefits - beginning of year	$ 11,038,000	$ 10,387,000
Cost of benefits earned	437,000	437,000
Interest accrued on benefits	784,000	743,000
Experience gains and losses	-	(97,000)
Benefits paid	(535,000)	(432,000)
Actuarial present value of accrued pension benefits - end of year	$ 11,724,000	$ 11,038,000

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:

	2004	2003
Valuation Interest Rate (net of expenses)	7.0%	7.0%
Salary Projection Rate	5.0%	5.0%
Interest Credited on Contributions	7.0%	7.0%
Inflation Rate	4.0%	4.0%

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

NOTE 5 FINANCIAL INSTRUMENTS

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

WORKERS' COMPENSATION BOARD

(NORTHWEST TERRITORIES AND NUNAVUT)

FINANCIAL STATEMENTS

for the year ended December 31, 2003

This page intentionally left blank.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT

TABLE OF CONTENTS

This page intentionally left blank.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

David Clark,
President

John Doyle,
Chief Financial Officer

March 26, 2004

This page intentionally left blank.

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, 2003 and the statements of operations, reserves and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the 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.

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

Ottawa, Canada
March 26, 2004

This page intentionally left blank.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
BALANCE SHEET
as at December 31, 2003
(in thousands of dollars)

	2003 $	2002 $
ASSETS		
Current		
Cash and cash equivalents *(Note 3a)*	**7,219**	6,354
Accrued interest receivable	**475**	623
Assessments receivable	**1,494**	2,077
Prepaid expenses	**75**	131
Other receivables	**50**	39
	9,313	9,224
Investments *(Note 3b)*	**244,112**	249,663
Capital assets *(Note 4)*	**4,790**	4,698
	258,215	263,585
LIABILITIES AND RESERVES		
Current liabilities		
Accounts payable and accrued liabilities	**2,833**	3,402
Assessments refundable	**475**	692
Obligation under capital lease, current portion *(Note 5a)*	**273**	252
	3,581	4,346
Benefits liability *(Note 7)*	**210,142**	205,541
Obligation under capital lease *(Note 5a)*	**1,887**	2,160
	215,610	212,047
Reserves		
Operating reserve	**5,477**	10,010
Rate subsidy reserve	**17,000**	22,000
Safety reserve	**178**	178
Catastrophe reserve	**19,950**	19,350
	42,605	51,538
	258,215	263,585

CONTINGENCIES *(Note 9)*

Approved by the Governance Council

Chairperson, Finance and Audit Committee

Chairperson, Governance Council

See accompanying notes and schedule.

This page intentionally left blank.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
STATEMENT OF OPERATIONS
For the year ended December 31, 2003
(in thousands of dollars)

	2003	2002
	$	$
REVENUE		
Assessments	**23,126**	20,079
Investment revenue *(Note 3c)*	**12,230**	13,936
Recoveries	**526**	873
	35,882	34,888
EXPENSES		
Cost of claims, current year *(Note 7)*	**21,729**	25,263
Cost of claims, prior years *(Note 7)*	**8,319**	6,486
	30,048	31,749
Administration and general expenses *(Schedule)*	**14,767**	13,156
	44,815	44,905
Loss from operations	**(8,933)**	(10,017)

See accompanying notes and schedule.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
STATEMENT OF RESERVES
For the year ended December 31, 2003
(in thousands of dollars)

	2003 $	2002 $
Operating reserve *(Note 8a)*		
Balance, beginning of year	**10,010**	42,372
Loss from operations	**(8,933)**	(10,017)
Transfer from (to) Rate Subsidy reserve	**5,000**	(22,000)
Transfer to Catastrophe reserve	**(600)**	(345)
Balance, end of year	**5,477**	10,010
Rate subsidy reserve *(Note 8b)*		
Balance, beginning of year	**22,000**	-
Transfer from (to) Operating reserve	**(5,000)**	22,000
Balance, end of year	**17,000**	22,000
Safety reserve		
Balance, beginning of year	**178**	178
Balance, end of year	**178**	178
Catastrophe reserve *(Note 8c)*		
Balance, beginning of year	**19,350**	19,005
Transfer from Operating reserve	**600**	345
Balance, end of year	**19,950**	19,350

See accompanying notes and schedule.

WORKERS' COMPENSATION BOARD, NORTHWEST TERRITORIES & NUNAVUT
STATEMENT OF CASH FLOWS
For the year ended December 31, 2003
(in thousands of dollars)

	2003 $	2002 $
OPERATING ACTIVITIES		
Cash received from:		
Employers for assessments	**23,917**	20,664
Investment revenue on short term investments	**104**	98
Cash paid to:		
Claimants or third parties on their behalf	**(25,750)**	(24,297)
Suppliers for administration and other goods and services	**(14,308)**	(12,119)
Cash used in operating activities	**(16,037)**	(15,654)
INVESTING ACTIVITIES		
Transfers from investment managers	**17,824**	19,336
Purchases of capital assets	**(922)**	(1,149)
Cash provided by investing activities	**16,902**	18,187
Increase in cash and cash equivalents	**865**	2,533
Cash and cash equivalents, beginning of year	**6,354**	3,821
Cash and cash equivalents, end of year	**7,219**	6,354

See accompanying notes and schedule.

Note 1 Authority, Mandate and Operations

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

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

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

Note 2 Significant Accounting Policies

a) Investments

Equity investments are valued using a moving average market value method. Gains and losses that arise on the sale of equity investments or that arise as a result of changes in the market value of those investments are amortized over a five-year period.

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

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

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

A decline in market value of an entire portfolio which is considered other than temporary is recognized immediately.

b) Capital Assets

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

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

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

c) Administration and General Expenses

A portion of administration and general expenses is allocated as claims management costs between current year's claims and prior years' claims. The amount allocated to prior years' claims is based on actuarially determined rates applied to the amount of claims payments for prior year injuries. The amount allocated to current year's claims is based on a proportion of total administration costs, less the amount allocated to prior years' claims.

d) Benefits Liability

The benefits liability is estimated annually using an actuarial valuation and is comprised of:

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

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

The benefits liability is reviewed annually by an independent actuary. The opinion on the adequacy and appropriateness of the actuary's valuation of the future claims and pension liabilities as at December 31, 2003 is attached to these financial statements.

e) Funding Policy

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

f) Reserves

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

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

Operating Reserve

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

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

Catastrophe Reserve

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

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

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

Rate Subsidy Reserve

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

g) Employee Future Benefits

Pension Benefits

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

Non-pension Benefits

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

(all amounts in thousands of dollars)

h) Assessment Revenue

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

i) Measurement Uncertainty

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

Note 3 Investments

a) Cash and Cash Equivalents

The Board invests in the short-term money market. The overall yield of this portfolio is 2.8% at December 31, 2003 (2002 - 2.3%). 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. The Board's investment policy limits investment in cash and cash equivalents to a maximum of 10% of the total investment portfolio.

	2003	2002
	$	$
Cash in bank	**556**	313
Cash in trust	**791**	966
Short term investments	**5,872**	5,075
	7,219	6,354

Included in the amounts above is Canadian $307 (2002 – Canadian $618) in foreign currencies.

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

b) Long-term Investments

	2003		2002	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
	$	$	$	$
Fixed term investments				
Indexed funds	**72,571**	**72,046**	84,746	83,423
Other	**32,013**	**34,823**	45,038	47,782
	104,584	**106,869**	129,784	131,205
Equity investments	**136,617**	**135,661**	115,617	103,469
Investments maturing within one year	**2,911**	**2,585**	4,262	4,262
	244,112	**245,115**	249,663	238,936

(all amounts in thousands of dollars)

Included in the carrying value at December 31, 2003 are net unamortized losses of $49 (2002 - $11,751). Management has reviewed currently available information regarding those investments whose estimated fair value is less than carrying value and has determined that the carrying values are expected to be recovered. Fair values for equity investments and marketable fixed term investments are the closing value (i.e. market value) on the appropriate exchange at December 31.

The maturity periods of the fixed income portfolio (other) at December 31, 2003 are as follows:

	2003		2002	
Term to maturity	**Cost** **$**	**Fair Value** **$**	Cost $	Fair Value $
Government of Canada				
After one through five years	**8,026**	**8,026**	11,343	11,403
After five years	**6,582**	**6,685**	13,340	13,721
Provincial/territorial securities and securities guaranteed by provinces/territories				
After five years	**5,129**	**6,003**	7,220	8,059
Corporate securities				
Due in one year or less	**1,201**	**1,213**	1,000	1,015
After one through five years	**907**	**955**	2,958	3,031
After five years	**11,283**	**11,941**	10,059	10,553
	33,128	**34,823**	45,920	47,782
Less: Unamortized gains	**(1,115)**		(882)	
Carrying value	**32,013**		45,038	

c) Investment Revenue

	2003		2002	
	Interest & Dividends **$**	**Gains (Losses)** **$**	Interest & Dividends $	Gains (Losses) $
Fixed term investments	**7,208**	**296**	8,531	910
Equity investments	**2,425**	**3,198**	2,548	2,850
Investments maturing within one year	**-**	**-**	21	-
	9,633	**3,494**	11,100	3,760

	2003	2002
Total investment revenue	**13,127**	14,860
Less: Investment fees	**(1,001)**	(1,022)
Add: Interest on Cash and cash equivalents	**104**	98
	12,230	13,936

(all amounts in thousands of dollars)

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

	2003	2002
Fixed term	**7.0%**	9.1%
U.S. equities	**1.4%**	-20.9%
International equities	**7.0%**	-18.7%
Canadian equities	**25.9%**	-6.7%

d) Investment Policies

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

	Fair Value		Actual	
	Maximum	Minimum	**2003**	2002
Bonds	50%	30%	**39.4%**	49.5%
Canadian equities	30%	20%	**26.3%**	21.0%
U.S. equities	20%	10%	**13.2%**	9.0%
Non-North American equities	20%	10%	**15.1%**	12.1%
Cash and cash equivalents	10%	0%	**3.0%**	4.2%

e) Credit Risk Management

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

f) Interest Rate Risk Management

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

	Interest Receivable Basis	**2003**		2002	
		Effective Rate (% range)	**Coupon Rate (% range)**	Effective Rate (% range)	Coupon Rate (% range)
Government of Canada	Semi-annual	**3.70 - 4.70%**	**5.75 - 6.16%**	3.29 - 5.53%	4.00 - 8.00%
Provincial/territorial securities and securities guaranteed by provinces/territories	Semi-annual	**4.30 - 5.30%**	**6.65 - 6.86%**	5.68 - 6.54%	5.90 - 13.00%
Corporate securities	Semi-annual	**4.50 - 5.80%**	**6.49 - 6.88%**	4.34 - 7.20%	5.30 - 10.62%

(all amounts in thousands of dollars)

g) Foreign Currency Balances

The Board has investments denominated in foreign currencies. At times, the Board will enter into derivative financial instruments denominated in various currencies. The purpose of these financial instruments is to optimize yields while sustaining acceptable levels of risk due to foreign currency exposure. The only derivative financial instruments used are forward foreign exchange contracts. There are no unrealized gains or losses at December 31, 2003 (2002-$59 loss).

The following chart shows the Board's net exposure to foreign currency risk.

Currency	**2003 Net Exposure $**	2002 Net Exposure $
United States dollar	**33,221**	23,058
Euro currency	**13,401**	10,393
Pound sterling	**9,986**	9,289
Japanese yen	**5,559**	3,004
Swiss franc	**4,806**	3,884
South Korean won	**1,561**	-
Hong Kong dollar	**1,249**	851
Australian dollar	**956**	996
Singapore dollar	**201**	-
Thailand baht	**3**	-
Danish krone	**1**	1
	70,944	51,476

Note 4 Capital Assets

	Cost $	**Accumulated Amortization $**	**2003 Net Book Value $**	2002 Net Book Value $
Assets under capital lease	**4,242**	**2,917**	**1,325**	**1,536**
Leasehold improvements	**2,987**	**1,569**	**1,418**	**1,289**
Equipment	**2,987**	**1,671**	**1,316**	**1,284**
Computer software, customized	**971**	**322**	**649**	**494**
Furnishings	**352**	**270**	**82**	**95**
	11,539	**6,749**	**4,790**	**4,698**

(all amounts in thousands of dollars)

Note 5 Leases

a) Obligation Under Capital Lease

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

Fair value approximates carrying value of the liability.

	Future Minimum Lease Payments $	Imputed Interest at 8% $	**2003 Lease Obligation $**
Current	436	163	**273**
Non-current			
2005	436	140	**296**
2006	436	116	**320**
2007	436	89	**347**
2008	436	60	**376**
Thereafter	580	32	**548**
	2,324	437	**1,887**

b) Operating Leases

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

Note 6 Employee Future Benefits

During the year, the Public Service Superannuation Plan required the Board to contribute to the PSSA at a rate of 2.14 (2002 - 2.14) times the employee's contributions. Contributions to the PSSA during the year were $1,133 (2002 - $963).

(all amounts in thousands of dollars)

Note 7 Benefits Liability

	Medical Aid $	Compensation $	Pension Capitalization $	Pension Awards $	**2003 Total $**	2002 Total $
Balance, January 1	24,255	22,994	31,623	126,669	**205,541**	198,793
Add: Claims expenses						
Current year	6,200	7,373	7,881	275	**21,729**	25,263
Prior years	688	(2,404)	(239)	10,274	**8,319**	6,486
Liability transfer, capitalizations	-	-	(3,239)	3,239	**-**	-
Recoveries from third parties	-	372	-	-	**372**	466
	31,143	28,335	36,026	140,457	**235,961**	231,008
Less: Claims payments						
Current year injuries						
Claims payments	1,214	1,633	-	-	**2,847**	3,051
Claims management	420	566	-	-	**986**	805
Prior years' injuries						
Claims payments	3,559	3,788	-	10,695	**18,042**	17,985
Claims management	1,327	1,412	-	1,205	**3,944**	3,626
	6,520	7,399	-	11,900	**25,819**	25,467
Balance, December 31	24,623	20,936	36,026	128,557	**210,142**	205,541

Note 8 Reserves

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

a) Operating Reserve

The target level at year end was $8,266 (2002 - $7,982). The target range at year end was $4,133 to $12,400.

b) Rate Subsidy Reserve

The funding policy of the Board provides for discounts on assessment rates when the operating reserve exceeds its target range. During the year, a discount of 30% was applied to assessment rates (2002 - 35%).

c) Catastrophe Reserve

The target level for the catastrophe reserve provides for the average cost of a disaster. The target level of the reserve at the end of the year is $19,950 (2002 - $19,350).

(all amounts in thousands of dollars)

Note 9 Contingencies

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

The Board has a number of other legal claims outstanding for recovery of compensation expenses from third parties. Recovery of these amounts cannot be reasonably estimated; therefore, no amount is recorded in the financial statements. Settlement of legal claims is recognized in the year in which settlement occurs. Legal claims settled during the year resulted in recoveries of $372 (2002 - $466). These recovered amounts are netted against total claims expenses.

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

Under the Workers Compensation Acts of the Northwest Territories and Nunavut, the Board is responsible for the costs of transporting injured workers from the worksite to the nearest healthcare facility as defined in the Northwest Territories and Nunavut Hospital Insurance and Health and Social Services Administration Acts. The total cost of this travel incurred by the Government of Nunavut on behalf of the Board has been estimated between $400 to $650. A liability has been accrued in these financial statements in the amount of $400. The Board is currently working with the Government of Nunavut to resolve this matter.

Note 10 Commitments

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

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

	$
2004	**699**
2005	**553**
2006	**350**
2007	**277**
2008	**229**
Thereafter	**895**
	3,003

(all amounts in thousands of dollars)

Note 11 Related Party Transactions

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

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

	2003 **$**	2002 $
Government of the Northwest Territories	**1,307**	914
Government of Nunavut	**1,163**	805
Public Agencies	**155**	130
	2,625	1,849

Balances due from related parties as at December 31, 2003 are as follows:

	2003 **$**	2002 $
Government of Nunavut	**-**	1,077
Government of the Northwest Territories	**187**	181
Public Agencies	**-**	14
	187	1,272

Through memoranda of understanding with the Governments of the Northwest Territories and Nunavut, the Board charges the governments for the costs of administering benefits relating to hunters and trappers claims. These costs include the increase or decrease in the future benefits liability related to hunters and trappers claims; therefore, a significant decrease in the future benefits liability can result in a refund by the Board to either government. The Government of the Northwest Territories (GNWT) will provide a reimbursement for hunters and trappers claims in the amount of $153 (2002 - $148). The Board will provide a reimbursement to the Government of Nunavut for hunters and trappers claims of $90 (2002 -The Government of Nunavut provided a reimbursement of $369 to the Board).

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

	2003 **$**	2002 $
Northwest Territories Power Corporation		
11.00% maturing March 9, 2009	626	636
11.125% maturing June 6, 2011	1,307	1,316
6.42% maturing December 18, 2032	2,018	2,059
Northwest Territories Legislative Assembly Building Society		
13.00% Series A, maturing August 31, 2013	469	492
	4,420	4,503

Note 12 Fair Value of 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.

Note 13 Comparative Amounts

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

SCHEDULE OF ADMINISTRATION AND GENERAL EXPENSES

For the year ended December 31, 2003
(all amounts in thousands of dollars)

	2003 **$**	2002 $
Salaries, wages and allowances	**9,950**	9,627
Professional services	**4,457**	2,926
Office lease and renovations (non-capital)	**1,359**	1,094
Travel	**1,096**	1,013
Communications	**456**	376
Amortization - capital leases and improvements	**449**	397
Amortization - furnishings and equipment	**381**	517
Office services and supplies	**299**	329
Office furnishings and equipment (non-capital)	**276**	281
Training and development	**234**	297
Advertising and public information	**187**	193
Interest expense on capital lease obligation	**184**	203
Honoraria and retainers	**170**	177
Miscellaneous	**99**	70
Grants	**92**	79
Computer lease and services	**8**	8
	19,697	17,587
Less: Allocation to claims costs	**(4,930)**	(4,431)
	14,767	13,156

Hewitt

Workers' Compensation Board – Northwest Territories and Nunavut
Actuarial Opinion as at December 31, 2003

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

As more fully described in our report dated March 26, 2004:

- We understand the valuation is intended for use in preparing the Board's balance sheet at December 31, 2003;
- The valuation was performed by Hewitt Associates and the results represent our independent assessment of the Board's liabilities for future claim payments and claim management expenses;
- We are aware that the Auditor General intends to use this valuation in accordance with the Joint Policy Statement of the CIA and the CICA;
- We confirm that the valuation has been performed in accordance with accepted actuarial practice;
- The methods and assumptions are detailed in the Statement of Funding Policy, Methods and Assumptions (March 2004);
- There have been some changes in the assumptions since the prior valuation, the impact of which are disclosed in the Changes in Future Claims Liability and Changes in Future Pension Liability sections of this report;
- The valuation makes provision for all benefit obligations of the Board, including future indexing adjustments and future claims management expenses;
- We are not aware of any subsequent events that would materially impact this valuation; and
- The Benefits Liability at December 31, 2003 of $210,142,000 makes appropriate provision for the Board's benefits obligations.

In our opinion, for the purposes of the valuation:

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

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

Respectfully submitted for
HEWITT ASSOCIATES

John Sanges
Fellow, Canadian Institute of Actuaries

March 26, 2004

NORTHWEST TERRITORIES HOUSING CORPORATION

FINANCIAL STATEMENTS

for the year ended March 31, 2004

This page intentionally left blank.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

Fred E. Koe, CMA, CAFM
President

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

Yellowknife, NT
June 11, 2004

This page intentionally left blank.

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of the
Northwest Territories Housing Corporation

I have audited the balance sheet of the Northwest Territories Housing Corporation as at March 31, 2004 and the statements of operations, surplus/(deficit), and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Edmonton, Canada
June 11, 2004

This page intentionally left blank.

NORTHWEST TERRITORIES HOUSING CORPORATION

Balance Sheet
As at March 31, 2004

	2004 ($'000)	2003 ($'000)
ASSETS		
Current		
Short-term investments (Note 3a)	$ 12,892	$ 14,705
Accounts receivable (Note 4)	6,935	9,312
Due from the Government of the Northwest Territories (Note 8)	1,485	-
	21,312	24,017
Other receivables	501	-
Fixed-term investments (Note 3b)	4,060	2,010
	4,561	2,010
Investment in housing projects		
Land and buildings (Note 5a)	131,770	125,802
Mortgages receivable (Note 5b)	3,015	3,380
	134,785	129,182
Property and equipment (Note 6)	4,173	4,304
	$ 164,831	$ 159,513
LIABILITIES		
Current		
Bank indebtedness	$ 272	$ 1,161
Accounts payable (Note 7)	10,319	10,221
Due to the Government of the Northwest Territories (Note 8)	-	1,141
Current portion of long-term debt and capital leases	5,006	4,454
	15,597	16,977
Long-term debt (Note 9)	85,364	89,917
Deferred capital contributions (Note 10)	51,245	44,792
Obligation under capital leases (Note 11)	9,279	8,491
Employee future benefits	1,331	1,255
	162,816	161,432
EQUITY		
Accumulated surplus/(deficit)	2,015	(1,919)
	$ 164,831	$ 159,513

Contingencies and commitments (Notes 16 and 17)

Approved by Management:

President

Chief Financial Officer

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

This page intentionally left blank.

NORTHWEST TERRITORIES HOUSING CORPORATION

Statement of Operations
For the year ended March 31, 2004

	2004 ($'000)	2003 ($'000)
Expenses		
Rental housing programs		
Contributions for social housing	$ 32,757	$ 32,866
Interest on long-term debt	10,025	10,458
Amortization	6,995	6,866
Repairs, maintenance, and other costs	3,633	4,748
Contributions for market housing	735	-
Homeownership programs		
Homeownership grants and contributions	10,414	9,230
Mortgage subsidies	2,947	4,812
Provision for impaired mortgages	1,805	1,579
Administration (Note 15)	13,864	12,988
Administration of government staff housing	-	403
	83,175	83,950
Revenues and recoveries		
Other revenue and recoveries	1,435	1,343
Investment revenue	768	793
Recoveries from government for staff housing	-	374
Mortgage interest revenue	187	237
Gain on disposal of capital assets	420	661
Recovery of prior year grants	34	238
	2,844	3,646
Net cost of operations prior to government contributions	80,331	80,304
Government contributions		
Government of the Northwest Territories	41,613	41,634
Canada Mortgage and Housing Corporation (Note 14)	33,546	33,545
Amortization of deferred capital contributions	3,266	2,583
	78,425	77,762
Net cost of operations	$ 1,906	$ 2,542

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

NORTHWEST TERRITORIES HOUSING CORPORATION

Statement of Surplus/(Deficit)
For the year ended March 31, 2004

	2004 ($'000)	2003 ($'000)
Accumulated deficit at beginning of the year	$ (1,919)	$ (3,473)
Net cost of operations – unfunded items	(1,906)	(2,542)
	(3,825)	(6,015)
Contributions from the Government of the Northwest Territories		
Acquisition of non-depreciable capital assets	5,588	3,861
Long-term debt principal repayment (Note 8)	252	235
	5,840	4,096
Accumulated surplus/(deficit) at end of the year	$ 2,015	$ (1,919)

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

NORTHWEST TERRITORIES HOUSING CORPORATION

Statement of Cash Flows
For the year ended March 31, 2004

	2004 ($'000)	2003 ($'000)
Cash flow from operating activities		
Cash received from:		
Government of the Northwest Territories (GNWT)	$ 40,701	$ 41,464
Canada Mortgage and Housing Corporation (CMHC)	30,121	29,892
Miscellaneous revenue and recoveries	2,354	1,984
	73,176	73,340
Cash used for:		
Contributions for social housing	(32,624)	(32,176)
Administration	(13,593)	(12,748)
Interest on long-term debt	(10,008)	(10,454)
Mortgage subsidies	(3,639)	(3,539)
Repairs, maintenance and other costs	(3,633)	(4,748)
Homeownership grants and contributions	(9,050)	(9,369)
Contributions for market housing	(735)	(403)
	(73,282)	(73,437)
Net cash used by operating activities	(106)	(97)
Cash flow from financing activities		
Contribution from GNWT for capital assets	14,073	7,956
Contribution from CMHC for loan repayment	3,404	3,404
Repayment of long-term debt and capital leases	(4,487)	(4,039)
Net cash provided by financing activities	12,990	7,321
Cash flow from investing activities		
Mortgage payments received	1,088	758
Sale of capital assets	5,009	1,032
Capital assets purchased	(17,855)	(8,675)
Fixed-term investments purchased	(2,050)	(2,010)
Short-term investments redeemed	1,813	279
Net cash used by investing activities	(11,995)	(8,616)
Net increase (decrease) in cash	889	(1,392)
Cash (bank indebtedness), beginning of year	(1,161)	231
Bank indebtedness, end of year	$ (272)	$ (1,161)

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

1. PURPOSE OF THE ORGANIZATION

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

Federal contributions provided under the Affordable Housing Program agreement are credited against the capital costs of housing units built under the homeownership and the assisted rental housing programs. The contribution under this program for 2004 is $1,775,000 (2003 - $1,775,000).

Investments

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

Investment in housing projects - land and buildings

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

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

Inventoried units are not amortized.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment in housing projects - mortgages receivable

a) Mortgage subsidies

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

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

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

b) Allowance for impaired mortgages

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

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

Mortgage interest revenue

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

Property and equipment

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contributions for social housing

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

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

Employee future benefits

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

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

Measurement uncertainty

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

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

3. INVESTMENTS

a) Short-term investments

The Corporation invests in the short-term money market. The market yield of this portfolio ranged from 0.75% to 5.20% in 2004 (2003 – 1.00% to 6.10%). All instruments held are in high quality debt obligations with an average term to maturity of 51 days (2003 - 87 days).

b) Fixed-term investments

	2004			2003
	Effective rate of return	Term to Maturity	Carrying Value ($'000)	Carrying Value ($'000)
Fixed-term investments				
Government of Canada	3.13%	1 to 32 years	$ 2,081	$ 1,031
Trust company	4.75%	1 to 4 years	979	979
Provincial government	4.50%	1 to 7 years	1,000	-
			$ 4,060	$ 2,010

The average yield of this portfolio in 2004 was 3.85% (2003 – 3.57%).

4. ACCOUNTS RECEIVABLE

	2004 ($'000)	2003 ($'000)
Trade accounts receivable	$ 1,200	$ 3,063
Receivables from related parties		
Government of the Northwest Territories	877	1,207
Canada Mortgage and Housing Corporation	4,556	4,535
Local housing organizations	302	507
	$ 6,935	$ 9,312

5. INVESTMENT IN HOUSING PROJECTS

a) **Land and buildings**

	2004 ($'000) Cost	2004 ($'000) Accumulated Amortization	2004 ($'000) Net	2003 ($'000) Net
Land	$ 261	$ -	$ 261	$ 326
Housing for sale	5,142	-	5,142	1,779
Social housing	176,516	72,063	104,453	106,816
Social housing under capital lease	11,033	2,465	8,568	7,981
Lease/purchase housing	5,463	1,445	4,018	3,210
Staff housing	-	-	-	656
Market housing	2,814	209	2,605	-
Construction in progress	6,723	-	6,723	5,034
	$ 207,952	$ 76,182	$ 131,770	$ 125,802

b) **Mortgages receivable**

	2004 ($'000)	2003 ($'000)
Mortgages, bearing interest at rates varying between 5.95% and 14.25% per annum, repayable over a maximum period of 25 years	$ 11,531	$ 10,530
Less: allowance for impaired mortgages	(8,692)	(7,517)
	2,839	3,013
Direct lending and land acquisition loans bearing interest at rates varying between 7.75% and 13.25% per annum, repayable over a maximum period of 15 years	849	855
Less: allowance for impaired mortgages	(673)	(488)
	176	367
	$ 3,015	$ 3,380

The recorded value of those mortgages specifically identified as being impaired is $9,365,000 (2003 - $8,005,000). There were no write-offs in the current year.

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

6. PROPERTY AND EQUIPMENT

	2004 ($'000)			2003 ($'000)
	Cost	Accumulated Amortization	Net	Net
Warehouses and offices	$ 5,624	$ 2,709	$ 2,915	$ 3,069
Office furniture and equipment	4,225	3,178	1,047	1,016
Leasehold improvements	405	194	211	219
	$ 10,254	$ 6,081	$ 4,173	$ 4,304

7. ACCOUNTS PAYABLE

	2004 ($'000)	2003 ($'000)
Trade payables	$ 6,397	$ 7,469
Accrued interest	481	498
Employee leave benefits	752	590
Deferred revenues	26	62
Payables to related parties		
Local Housing Organizations	1,316	1,388
Government of the Northwest Territories	1,347	214
	$ 10,319	$ 10,221

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

	2004 ($'000)	2003 ($'000)
Balance at beginning of the year	$ 1,141	$ 1,690
Total contributions	53,312	49,276
Contributions for long-term debt principal repayment	(252)	(235)
Contributions for capital assets	(14,073)	(7,956)
Cost of operations funded by GNWT	(41,613)	(41,634)
Balance at end of year	$ (1,485)	$ 1,141

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

9. LONG-TERM DEBT

	2004 ($'000)	2003 ($'000)
Loans payable to Canada Mortgage and Housing Corporation, repayable in annual installments until the year 2033, bearing interest of 6.97% (2003 - 6.97%). The loans are guaranteed by the Government of the Northwest Territories	$ 26,659	$ 27,225
Mortgages payable to Canada Mortgage and Housing Corporation for units transferred under the Social Housing Agreement, maturing between the years 2005 and 2038, at interest rates ranging from 2% to 21.5% (2003 - 4.5% - 21.5%)	63,252	66,793
	89,911	94,018
Portion included in current liabilities	4,547	4,101
	$ 85,364	$ 89,917

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

	Principal ($'000)	Interest ($'000)	Total ($'000)
2005	$ 4,547	$ 8,703	$ 13,250
2006	5,015	8,217	13,232
2007	5,356	7,671	13,027
2008	5,118	7,132	12,250
2009	5,383	6,584	11,967
2010-2014	18,909	26,088	44,997
2014-2038	45,582	54,470	100,052

10. DEFERRED CAPITAL CONTRIBUTIONS – GOVERNMENT OF THE NORTHWEST TERRITORIES

	2004 ($'000)	2003 ($'000)
Balance, beginning of year	$ 44,792	$ 43,280
GNWT contribution for depreciable capital assets	9,719	4,095
Amortization of deferred capital contributions	(3,266)	(2,583)
Balance, end of year	$ 51,245	$ 44,792

11. OBLIGATION UNDER CAPITAL LEASES

The Northwest Territories Housing Corporation is committed, in aggregate, to payments of $1,697,000 per annum for 15 lease agreements for housing units that were initiated to support the Public Housing and Senior Citizens' Rent Supplement Programs and three lease agreements for market housing units. These lease agreements are based on implicit interest rates varying from 6.6% to 11.5% and expiry dates ranging from 2012 to 2023. The lease payments may be renegotiated every five years for changes in specific operating costs such as interest rates and cost of utilities. The Corporation is also responsible for other operating costs not included in the annual lease payment.

	Future Minimum Lease Payments ($'000)	Executory Costs ($'000)	Imputed Interest ($'000)	Lease Obligation ($'000)
Current				
2005	1,697	374	864	459
Long term				
2006	1,697	374	824	499
2007	1,697	374	778	545
2008	1,697	374	729	594
2009	1,697	374	670	653
2010-2023	13,083	2,886	3,209	6,988
	19,871	4,382	6,210	9,279
Total	**$ 21,568**	**$ 4,756**	**$ 7,074**	**$ 9,738**

12. PENSION BENEFIT EXPENSE

The Public Service Superannuation Plan requires the Corporation to contribute to the PSSA at a rate of 2.14 times (2003 - 2.14 times) the employees' contributions. The Corporation's contributions to the Plan during the year were approximately $963,000 (2003 - $861,000).

13. FINANCIAL INSTRUMENTS

a) Fair Value

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

	2004 ($'000)		2003 ($'000)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Fixed-term investments	$ 4,060	$ 4,240	$ 2,010	$ 1,897
Loans payable	26,659	28,324	27,225	27,721
Mortgages payable	63,252	91,407	66,793	94,567

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

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

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

b) Credit Risk

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

Accounts receivable consists primarily of amounts due from GNWT, CMHC and federal Goods and Services Tax rebates, which in aggregate represent 82% (2003 – 70%) of balances outstanding.

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

Loan guarantees provided by the Corporation to banks are in respect of loans advanced to individual homeowners and contractors throughout the Territory. Guaranteed loans mature at various dates to the year 2023. Losses relating to loan defaults are not significant to the Corporation's 2004 operations.

14. CONTRIBUTIONS FROM CANADA MORTGAGE AND HOUSING CORPORATION

	2004 ($'000)	2003 ($'000)
Recoveries in respect of:		
Operations and maintenance		
Contributions for social housing including interest expense	$ 30,983	$ 31,008
Repairs, maintenance, and other costs	2,563	2,537
	$ 33,546	$ 33,545

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

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

15. ADMINISTRATION EXPENSES

	2004 ($'000)	2003 ($'000)
Salaries and benefits	$ 10,467	$ 9,291
Building and equipment rentals	1,223	1,064
Travel and relocation	748	774
Computer services	101	716
Professional and special services	810	587
Materials and supplies	262	324
Communications	201	193
Land title fees and expenses	47	34
Workshops and studies	5	5
	$ 13,864	$ 12,988

16. CONTINGENCIES

The Corporation provided guarantees to banks financing certain new or renovated residential housing construction. As at March 31, 2004 a total of 40 (2003 - 41) loan guarantees were in effect, and the outstanding balance of loans guaranteed was $6,459,000 (2003 - $7,201,000).

Under the terms of the Social Housing Agreement with CMHC, the Corporation is responsible for the administration of a number of loans to third parties, where CMHC is the lender or insurer of these loans. The agreement provides that the Corporation shall indemnify and reimburse CMHC for and save it harmless from all losses, costs and expenses related to these loans. The value of these third party loans is approximately $39,035,000 as at March 31, 2004 (2003 - $40,233,000).

17. COMMITMENTS

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

	Total ($'000)
2005	4,355
2006	4,366
2007	3,792
2008	3,140
2009	2,810

18. RELATED PARTY TRANSACTIONS

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

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

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

19. COMPARATIVE FIGURES

Certain of the 2003 comparative figures have been reclassified to conform to the current year presentation.

Northwest Territories Development Corporation

Unaudited Consolidated Financial Statements

March 31, 2004

This page intentionally left blank.

Northwest Territories Development Corporation

Unaudited Consolidated Financial Statements

March 31, 2004	**Page**

This page intentionally left blank.

Northwest Territories Development Corporation

Unaudited Consolidated Statement of Operations

For the year ended March 31,	2004	2003
Revenue		
Sales	$ 2,171,776	$ 2,395,529
Cost of goods sold	1,526,120	1,554,335
Gross margin	**645,656**	**841,194**
Dividends	173,703	105,791
Interest	115,812	81,026
Other revenue	88,165	128,952
	1,023,336	**1,156,963**
Expenses		
Selling and administrative (Note 15)	2,806,831	2,873,629
Amortization of capital assets	92,847	118,746
Provision for loss on investments	205,000	457,050
Business development expenditures	167,139	46,607
	3,271,817	3,496,032
Net loss from operations	**(2,248,481)**	**(2,339,069)**
Other items		
Gain on disposal of capital assets	755	11,770
	755	11,770
Net loss before government contributions	**(2,247,726)**	**(2,327,299)**
Government of the Northwest Territories contributions (the Government) (Note 4)	3,236,030	2,904,443
Net income	**$ 988,304**	**$ 577,144**

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

This page intentionally left blank.

Unaudited Consolidated Statement of Deficit and Contributed Equity - Venture Investments

For the year ended March 31,		2004		2003
Deficit				
Balance, beginning of year	$	(3,052,838)	$	(3,524,191)
Net Income (loss)		988,304		577,144
Transfer of dividends to Contributed Equity - Venture Investments		(173,703)		(105,791)
Balance, end of year	**$**	**(2,238,237)**	**$**	**(3,052,838)**
Contributed Equity - Venture Investments				
Balance, beginning of year	$	5,543,907	$	4,835,316
Contribution from the Government		-		602,800
Dividends earned		173,703		105,791
Balance, end of year	**$**	**5,717,610**	**$**	**5,543,907**

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

Northwest Territories Development Corporation

Unaudited Consolidated Balance Sheet

As at March 31,	2004	2003
Assets		
Current		
Cash (Note 6)	$ 3,028,751	$ 1,452,698
Accounts receivable	301,018	270,420
Inventory	1,517,122	1,570,224
Prepaid expenses and deposits	2,872	12,256
	4,849,763	3,305,598
Reserve funds (Note 6)	639,492	779,492
Venture investments (Note 7)	1,129,000	1,634,000
Capital assets (Note 8)	859,651	835,442
Sinking fund investment (Note 10)	-	1,350,000
	$ 7,477,906	**$ 7,904,532**
Liabilities		
Current		
Bank indebtedness (Note 9)	$ 55,402	$ 25,194
Accounts payable and accrued liabilities	560,973	391,486
Current portion of long term debt (Note 10)	-	1,620,000
	616,375	2,036,680
Deferred capital contributions (Note 5)	2,666,905	2,661,530
	3,283,280	4,698,210
Equity		
Contributed surplus - Government	715,253	715,253
Contributed equity - Venture Investments	5,717,610	5,543,907
Deficit	(2,238,237)	(3,052,838)
	4,194,626	3,206,322
	$ 7,477,906	**$ 7,904,532**

Commitments (Note 12).
The accompanying notes form an integral part of the financial statements.

Northwest Territories Development Corporation

Unaudited Consolidated Statement of Cash Flow

For the year ended March 31,	**2004**	2003
Operating activities		
Net income	$ 988,304	$ 577,144
Items not affecting cash		
Amortization of capital assets	92,847	118,746
Amortization of deferred capital contributions	(74,729)	(95,194)
Gain on disposal of capital assets	(755)	(11,770)
Provision for loss on investments	205,000	457,050
Change in non-cash operating working capital (Note 11a)	201,375	(398,299)
Cash flows from operating activities	**1,412,042**	**647,677**
Financing activities		
Contribution from the Government (Note 11b)	80,104	695,830
Contribution to sinking fund	(270,000)	(324,000)
Cash flows from (used in) financing activities	**(189,896)**	**371,830**
Investing activities		
Investment in venture investments	-	(548,000)
Redemptions and repayments by venture investments	300,000	350,000
Acquisition of capital assets	(117,056)	(243,137)
Proceeds from disposal of capital assets	755	11,770
Cash flows from (used in) investing activities	**183,699**	**(429,367)**
Increase in cash	1,405,845	590,140
Cash, beginning of year	2,206,996	1,616,856
Cash, end of year	**$ 3,612,841**	**$ 2,206,996**
Represented by:		
Cash	$ 3,028,751	$ 1,452,698
Reserve funds	639,492	779,492
Bank indebtedness	(55,402)	(25,194)
	$ 3,612,841	**$ 2,206,996**

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

1. Authority and operations

(a) Authority

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

(b) Operations

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

(c) Economic Dependency

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

(d) Taxes

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

(e) Northwest Territories Business Development & Investment Corporation Act

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

2. Accounting Principles

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the parent company, Northwest Territories Development Corporation, and its subsidiaries. At March 31, 2004, these subsidiaries were:

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

Muskox Leather Inc. was dissolved in July 2003 and had no revenues from operations during the reporting period. Aklavik & Tuktoyaktuk Furs Ltd. had a wind-up plans approved by the Board in November 2002. Aklavik & Tuktayaktuk Furs Ltd. is currently operating pending sale of the building in Tuktoyaktuk.

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

These consolidated statements include the assets and liabilities of the above named subsidiaries as at March 31, 2004 and the results of their operations for the year then ended.

(b) Financial Instruments

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

2. Accounting Principles (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.

(d) Venture Investments

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

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

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

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

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

2. Accounting Principles (continued)

(e) Capital Assets

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

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

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

(f) Employee Benefit Liabilities

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

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

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

(g) Revenue

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

(h) Business Development Expenses

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

2. Accounting Principles (continued)

(i) Contributions from the Government of the Northwest Territories

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

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

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

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

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

(j) Federal and Territorial Funding

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

(k) Measurement Uncertainty

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

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

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

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

The *Act* further states that amounts greater than the prescribed maximums may be provided with the approval of the FMB. The FMB has approved the subsidy expense for the 2003-2004 fiscal year through a Financial Management Board Record of Decision; amounts were expended consistent with the Corporation's policy on Job Creation and Measuring the Results and with the *Northwest Territories Development Corporation Regulations*. Arctic Canada Trading Co. Ltd., with the approval of the FMB, received a subsidy in excess of the $25,000 per job.

The following jobs were created or maintained by the Corporation, its subsidiaries and venture partners during the 2003-2004 fiscal year. Indirect jobs have been calculated using the Northwest Territories Bureau of Statistics Input-Output Model and have been calculated on an aggregate basis for subsidiary operations. Direct and indirect venture job creation and maintenance numbers have been aggregated in order not to compromise venture operations.

	Current Year Subsidies Provided	Direct Jobs		Indirect Jobs (Aggregate Totals)	
		2004	2003	**2004**	2003
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	$ 100,000	11.00	18.50		
Acho Dene Native Crafts Ltd.	95,000	4.00	4.00		
Arctic Canada Trading Co. Ltd.	61,709	1.00	.75		
Dene Fur Clouds Ltd.	200,000	9.00	9.00		
Nahanni Butte General Store Ltd.	75,000	3.00	3.00		
Rae Lakes General Store Ltd.	-	5.00	5.00		
	$ 531,709	33.00	40.25	14.00	14.00
NWT Development Corporation Head Office		8.00	8.00	5.00	7.00
		41.00	48.25	19.00	21.00
Venture Investments		72.50	76.50	26.00	32.00
		113.50	124.75	45.00	53.00

In fiscal 2003-2004, the total number of direct and indirect jobs created or maintained by the Corporation, its subsidiaries and the ventures that it has invested in, number 158.50 (2003: 177.75).

4. Government Contributions

	2004	2003
Government of the Northwest Territories		
Contribution for subsidies to subsidiaries	$ 531,709	$ 780,000
Contribution to operations and business development	2,589,982	1,985,230
Amortization of deferred capital contributions - Government	74,729	95,194
	3,196,420	2,860,424
Federal and Territorial programs	39,610	44,019
	$ 3,236,030	**$ 2,904,443**

5. Deferred Capital Contributions

	2004	2003
Opening balance	$ 2,661,530	$ 2,663,694
Funding received in the year	80,104	93,030
Amortization recognized	(74,729)	(95,194)
Ending balance	**$ 2,666,905**	**$ 2,661,530**

6a. Funds

The consolidated cash balance available to the Corporation and its subsidiaries at March 31, 2004 totalled $3,612,841. This balance consisted of $639,492 in reserve funds and $2,973,349 in consolidated cash balances (net of bank indebtedness). The unconsolidated bank balance of the Corporation as at March 31, 2004 was $3,448,233. The consolidated fund balances of the Corporation are comprised as follows:

Funds available for capital investments	$ 93,923
Capital Reserve Fund	181,381
Funds available for venture investments	1,587,008
Venture Reserve Fund	458,111
Funds available for operations	633,803
Funds available for subsidies	494,007
	3,448,233
Subsidiary cash balances, net	164,608
Consolidated cash balance including reserves	**$ 3,612,841**

6b. Reserve Funds

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

The Corporation 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.

	2004	2003
Capital Reserve Fund		
Opening reserve	$ 321,381	$ 349,381
Current year reserve deposit	10,000	22,000
Draws	(150,000)	(50,000)
Ending reserve	**181,381**	**321,381**
Venture Reserve Fund		
Opening reserve	458,111	153,311
Current year reserve deposit	-	54,800
Repayments (draws)	-	250,000
Ending reserve	**458,111**	**458,111**
	$ 639,492	**$ 779,492**

6c. Cash Management

The Corporation's cash is pooled with the Government's surplus cash and is invested in a diversified portfolio of high grade, short term income producing assets. The cash can be withdrawn at any time and is not restricted by maturity dates on investments made by the Government. The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments, depending on the investment class, are rated R-1 Low or better by the Dominion Bond Rating Service Limited. The Corporation's average annual investment yield to March 31, 2004 was 2.47% (2003: 2.28%).

7. Venture Investments

		2004	2003
Loans Receivable			
Wekweti Development Corporation		$ -	220,000
Tli-Cho Co-operative Ltd.		212,350	212,350
Nats'enelu Ltd.		100,000	100,000
		312,350	532,350
Less: Provision for loss		(312,350)	(477,350)
		-	55,000
Investments in Shares			
Red Dog Mountain Contracting Ltd.	preferred	1,425,600	1,425,600
Tri-Vanguard Pictures Ltd.	preferred	400,000	400,000
ADK Corporate Group	preferred	300,000	300,000
Canzeal Enterprises Ltd.	preferred	-	300,000
Kunnek Resource Development Corp	preferred	300,000	300,000
175119 Canada Inc. (Norweta Cruises)	preferred	273,311	273,311
Wekweti Development Corporation	preferred	220,000	-
Two River Development Group Ltd.	preferred	160,000	160,000
Nats'enelu Ltd.	preferred	150,000	150,000
Dunnett Petroleum Ltd.	preferred	135,000	135,000
North Nahanni Naturalist Lodge Ltd.	preferred	100,000	100,000
Enodah Wilderness Travel Ltd.	preferred	98,000	98,000
F.C. Services Ltd.	preferred	30,000	30,000
Acoda Gifts Ltd.	common	15,000	15,000
Tli-Cho Co-operative Ltd.	preferred	100	100
		3,607,011	3,687,011
Less: Provision for loss		(2,478,011)	(2,108,011)
		1,129,000	1,579,000
Net Investment in Venture Investments		**$ 1,129,000**	**$ 1,634,000**

Investments, in all classes of ventures, for 2004 totalled $3,919,361 (2003: $4,219,361) with associated provisions made of $2,790,361 (2003: $2,585,361). Impaired loans in 2004 total $312,350 (2003: $532,350); the associated provision for loss is $312,350 (2003: $477,350).

7. Venture Investments (continued)

Preferred Shares and Dividends

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

Preferred shares are redeemable at the option of the Corporation, and earn dividends at variable rates. Dividends have been waived for the first three years for certain of the investments. Investment yields vary from year to year due to the amount and timing of dividend and interest income received; venture investments earned $173,703 in 2004 (2003: $105,791).

Forgiveness

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

In 2004, no accounts were forgiven by the Legislative Assembly (2003: five accounts totalling $1,411,239). No accounts were forgiven by the FMB in 2004 (2003:nil).

8. Capital Assets

	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
Land	$ 20,247	$ -	$ 20,247	$ 18,247
Buildings	4,752,961	3,929,912	823,049	494,082
Equipment	593,136	593,136	-	2,132
Leasehold improvements	252,909	249,490	3,419	6,840
Office and equipment	384,733	383,934	799	7,666
Computer equipment	120,402	118,067	2,335	3,502
Vehicles	108,515	98,713	9,802	15,232
Construction in progress	-	-	-	287,741
	$ 6,232,903	$ 5,373,252	**$ 859,651**	**$ 835,442**

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

9. Bank Indebtedness

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

	2004	2003
Bank overdrafts	**55,402**	25,194

10. Long-term Debt

	2004	2003
Aurora Fund loan repayable at end of term. Simple interest of 7.00% ($9,450) payable monthly.	**$ -**	$ 1,620,000

In relation to the Aurora Fund loan, the Corporation was required to make monthly payments into a sinking fund, held by a trustee, for the redemption of long-term debt. At the end of the five year term, January 2004, the sinking fund was used to repay the full amount of the loan.

	2004	2003
Sinking Fund Balance	**$ -**	**$ 1,350,000**

11. Consolidated Statement of Cash Flow - Summaries

(a) Changes in Non-cash Operating Working Capital

		2004		2003
Accounts receivable	$	(30,598)	$	66,122
Inventory		53,102		(177,606)
Deposits and prepaid expenses		9,384		6,150
Accounts payable and accrued liabilities		169,487		(292,965)
	$	**201,375**	**$**	**(398,299)**

(b) Contribution From Government

Capital funds	$	80,104	$	93,030
Venture funds		-		602,800
	$	**80,104**	**$**	**695,830**

12. Commitments

Lease Obligations

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

		2004		2003
2004		-		149,115
2005		27,785		40,102
2006		10,591		10,739
2007		-		575
	$	**38,376**	$	**200,531**

13. Related Party Transactions

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

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

		2004		2003
Revenues				
Sales	$	63,834	$	123,733
Expenses				
Purchases	$	679,112	$	495,076
Balances at year end				
Accounts Receivable	$	13,321	$	14,594
Accounts Payable	$	46,776	$	75,991

14. Discontinued Operations

In July, 2003, Muskox Leather Inc. was dissolved. There were no gains or losses associated with this event.

15. Selling and Administrative Expenses

	2004	2003
Salaries and wages	$ 1,714,796	$ 1,670,867
Utilities	228,408	180,067
Office and general	159,328	195,410
Rent	144,955	155,794
Advertising and promotion	137,467	172,569
Travel	137,012	190,702
Board members	108,316	73,443
Professional fees	97,222	85,774
Telephone	43,627	48,788
Bank charges and interest	39,304	60,945
Workshops	9,033	3,945
Bad debts (recovery)	(12,637)	35,325
	$ 2,806,831	**$ 2,873,629**

16. Segmented Information

	Acho-Dene Crafts	Aklavik & Tuk Furs	Arctic Canada Trading Co.	Dene Fur Clouds	Ft. McPherson Tents	Nahanni-Butte General	Rae Lakes General	**2004 Total**
Revenues	$ 169,348	$ 1,704	$ 280,919	$ 116,549	$ 487,436	$ 320,523	$ 962,123	**$ 2,338,602**
Net profit (loss) before subsidy	$ (120,807)	$ (17,514)	$ (102,235)	$ (306,045)	$ (58,691)	$ (115,590)	$ (4,677)	**$ (725,559)**
Subsidy	$ 95,000	$ -	$ 61,709	$ 200,000	$ 100,000	$ 75,000	$ -	**$ 531,709**
Profit (loss) after subsidy	$ (25,807)	$ (17,514)	$ (40,526)	$ (106,045)	$ 41,309	$ (40,590)	$ (4,677)	**$ (193,850)**
Deficit March 31,2003	$ (734,967)	$ (953,583)	$ (455,182)	$ (322,728)	$ (1,190,274)	$ (943,026)	$ (132,701)	**$ (4,732,461)**
Deficit March 31,2004	$ (760,776)	$ (971,100)	$ (495,712)	$ (428,776)	$ (1,148,967)	$ (983,615)	$ (137,379)	**$ (4,926,325)**

In 2003 Muskox Leather Inc. had a surplus of $9,671, making the overall surplus/(deficit) at March 31, 2003: $4,722,790. The company was dissolved in 2003 and is not included in the segmented information for 2004 above.

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

GOVERNMENT OF THE NORTHWEST TERRITORIES

Department of Education, Culture and Employment

Student Loan Revolving Fund

FINANCIAL STATEMENTS

for the year ended March 31, 2004

(unaudited)

This page intentionally left blank.

GOVERNMENT OF THE NORTHWEST TERRITORIES

Student Loan Revolving Fund
for the year ending March 31, 2004

STATEMENT OF OPERATIONS

	2004	2003
	(thousands of dollars)	
Loans receivable, opening balance	$ 26,256	$ 24,382
Add : Loans granted during the year	5,761	5,436
	32,017	29,818
Less: Principal amount of loans repaid	2,319	2,022
Principal amount of loans written off	-	288
Principal amount of loan remissions	1,620	1,252
Loans receivable, closing balance	28,078	26,256
Less: Estimated provision for remission and written off accounts	18,579	16,799
Net loans receivable, closing balance	**$ 9,499**	**$ 9,457**

Effect of Student Loan Revolving Fund on Government Operations

	2004	2003
Interest earned and credited to general revenues	452	486
Less: Financial Collection Agency fees	15	11
Estimated provision for remission and written off accounts	3,399	3,207
Operating deficiency for the year	**$ (2,962)**	**$ (2,732)**

(1) During the fiscal year the allowance for remission and write-off accounts were increased by $3,399,000 (2003 - $3,207,240). 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, NIL loans were written off due to uncollectability (2003 - $288,122); $1,619,702 (2003 - $1,251,522) were remitted.

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

APPROVED:

Mark Cleveland	Paul Devitt
Deputy Minister	Director, Financial & Mgmt. Services
Department of Education, Culture and Employment	Department of Education, Culture and Employment

This page intentionally left blank.

GOVERNMENT OF THE NORTHWEST TERRITORIES

Department of Resources, Wildlife and Economic Development

Fur Marketing Service Revolving Fund

Financial statements

for the year ended March 31, 2004

(unaudited)

This page intentionally left blank.

GOVERNMENT OF THE NORTHWEST TERRITORIES

RESOURCES, WILDLIFE AND ECONOMIC DEVELOPMENT **March 31, 2004**

Fur Marketing Service Revolving Fund

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

	($)	(thousands of dollars)		
	2003/2004 Actuals	**2003/2004 Revised Main Estimates**	**2003/2004 Main Estimates**	**2002/2003 Actuals**
Authorized Limit	**900,000**	**900**	**900**	**900**
Operating Results				
Opening Accounts Receivable	18,402	18	103	127
Advances to Trappers	977,406	593	90	25
Receipts of Fur Account Loans	-720,230	-230	-120	-134
Closing Accounts Receivable (Note 1 & 2)	275,578	381	73	18

Notes:

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

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

Prepared By: Marissa Martin

Prepared By: Jim Kennedy

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, 2004

(unaudited)

This page intentionally left blank.

GOVERNMENT OF THE NORTHWEST TERRITORIES

Schedule of Public Stores Revolving Fund Inventories
for the year ended March 31, 2004

Public Stores	Balance March 31, 2003	Net Receipts	Net Issues	Board of Survey	Inventory (Write-downs) Write-ups	Balance March 31, 2004
Yellowknife	**$ 92,176**	**$ 234,133**	**$ (212,780)**	**$ -**	**$ -**	**$ 113,526**

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, 2004

NORTHWEST TERRITORIES OPPORTUNITIES FUND

INDEX TO FINANCIAL STATEMENTS

March 31, 2004 **Page**

NORTHWEST TERRITORIES OPPORTUNITIES FUND

FINANCIAL STATEMENTS
(unaudited)

March 31, 2004

NORTHWEST TERRITORIES OPPORTUNITIES FUND

INDEX TO FINANCIAL STATEMENTS

March 31, 2004 **Page**

Management's Responsibility for Financial Reporting

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

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

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

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

Chairman

Secretary-Treasurer

NORTHWEST TERRITORIES OPPORTUNITIES FUND

BALANCE SHEET
(unaudited)

AS AT MARCH 31, 2004

ASSETS

CURRENT		
Cash and equivalents (Note 3)	$	1,932,766
Accrued interest		7,452
		1,940,218
LONG-TERM DEBT ISSUE DEFERRED CHARGES (Note 4)		136,154
	$	2,076,372

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	$	-
Current portion of long-term debt		-
		-
LONG-TERM DEBT (Note 5)		2,075,183

NET ASSETS

SURPLUS		1,189
	$	2,076,372

APPROVED BY THE BOARD:

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

NORTHWEST TERRITORIES OPPORTUNITIES FUND

STATEMENT OF OPERATIONS AND NET ASSETS
(unaudited)

FOR THE PERIOD FROM JUNE 4, 2003 (Date of incorporation) TO MARCH 31, 2004

REVENUE		
Interest	$	7,452
EXPENDITURES		
Amortization of deferred charges		6,248
Bank charges and interest		15
		6,263
EXCESS OF REVENUE OVER EXPENDITURES AND SURPLUS AT THE END OF THE PERIOD	$	1,189

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

NORTHWEST TERRITORIES OPPORTUNITIES FUND

STATEMENT OF CASH FLOWS
(unaudited)

FOR THE PERIOD FROM JUNE 4, 2003 (Date of incorporation) TO MARCH 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES		
Commissions paid on long-term borrowings	$	(142,402)
Cash paid to suppliers		-15
		-142,417
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings		2,075,183
INCREASE IN CASH AND EQUIVALENTS AND CASH AND EQUIVALENTS AT END OF PERIOD	$	1,932,766

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

NORTHWEST TERRITORIES OPPORTUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS
(unaudited)

March 31, 2004

1 Authority and Operations

The Fund is a society incorporated under the Northwest Territories Societies Act and operates under a board of directors appointed by the Minister of Resources Wildlife and Economic Development of the Government of the Northwest Territories to manage loans 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).

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.

Donated services

The Fund does not recognize the value of administration services provided by the Government of the Northwest Territories without charge. Services provided by the Government include all accounting and administrative services required by the Fund. The value of such services is estimated as follows:

Accounting	$	4,948
Administration		11,326
Total	$	16,274

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

Use of Estimates

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

NORTHWEST TERRITORIES OPPORTUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS
(unaudited)

March 31, 2004

3 Cash and Cash Equivalents

The Fund's cash balances are pooled with the Government of the Northwest Territories surplus cash and are invested in a diversified portfolio of high-grade short term income producing assets. The cash can be withdrawn from the bank accounts at any time and is not restricted by maturity dates on investments made by the Government. The Department of Finance approved the eligible classes of securities, categories of issuers, limits and terms. All instruments, depending on their investment class, are rated R-1 Middle Low or better by the Dominion Bond Rating Service Ltd. The Fund's average annual yield for the period ending March 31, 2004 was 2.11%.

4 Long-Term Debt Issue Deferred Charges

Long-term debt issue deferred charges, at amortized cost	$	136,154

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

5 Long-Term Debt

Immigrant investor loan, 0% interest, repayable in a single payment at the end of 5 years. Maturing October 2008 to February 2009, secured by a guarantee from the Government of the Northwest Territories.	$	2,075,183
Less current portion		-
	$	2,075,183

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

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

2009	$	2,075,183

6 Contingent Liability

In cases where a visa is not issued, an investor is entitled to a refund. As at March 31, 2004, a visa had not been issued to investors for corresponding loans totaling $ 246,772. Since the amount of investments for which a visa are not issued is not material, all loans are carried as long-term until maturity.

7 Financial Instruments

The Fund's financial instruments included in the balance sheet are comprised of cash and accounts receivable. Their fair values approximate their carrying values. The fund is subject to risk on their investments. The fund limits this risk by a low risk investment policy.

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:

	Carrying value	Fair value
Long-term debt	$ 2,075,183	$1,676,604

8 Commencement of Operations

The Fund commenced operations November 2003.