Province of
Newfoundland and Labrador

Financial Statements of Crown Corporations, Boards and Authorities (N - Z)

FOR THE YEAR ENDED
31 MARCH 2010

Province of Newfoundland and Labrador

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For The Year Ended 31 March 2010

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INTRODUCTION

The Financial Statements of Crown Corporations, Boards and Authorities are a reproduction of the available audited financial statements of various Government organizations as approved by the applicable boards of these organizations. This report is produced alphabetically in two books; A to M and N to Z. The fiscal years noted in the table of contents are based on the fiscal year end of the organization.

Information on the financial position and results of operations of the Province for the 2009-10 fiscal year may be found in the following financial reports:

Public Accounts Volume I – Consolidated Summary Financial Statements

This volume presents the summary financial statements which consolidate the financial statements of the Consolidated Revenue fund with the financial statements of various Crown Corporations, Boards and Authorities, as approved by Treasury Board, which are controlled by the Government of Newfoundland and Labrador.

Public Accounts Volume II – Consolidated Revenue Fund Financial Statements

This Volume presents the financial position of the Consolidated Revenue Fund and the results of its activities on an accrual basis.

Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund

This report presents the actual budgetary contribution (requirement) of the Consolidated Revenue Fund along with details on the actual revenues and expenditures, by program, using the modified cash basis of accounting.

The Financial Statements of Crown Corporations, Boards and Agencies are also available on the Government's website at: http://www.fin.gov.nl.ca/fin/public_accounts/index.html

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The financial statements of the following agencies were not received in time for the inclusion in this report:

Dr. H. Bliss Murphy Cancer Care Foundation (2008 & 2009)

Health Care Foundation of St. John's Inc. (2010)

House of Assembly (2009)

Janeway Children's Hospital Foundation (2010)

Labrador School Board Trust Fund (2010)

Newfoundland and Labrador Arts Council (2010)

Newfoundland and Labrador Farm Products (2006, 2007, 2008 & 2009)

Newfoundland and Labrador Film Development Corporation (2010)

Newfoundland Government Fund (2004, 2005, 2006, 2007, 2008 & 2009)

Newfoundland and Labrador Government Sinking Fund (2010)

Newfoundland and Labrador Industrial Development Corporation (2010)

Newfoundland and Labrador Legal Aid Commission (2008 & 2009)

Newfoundland and Labrador Municipal Financing Corporation (2010)

Newfoundland and Labrador Sports Centre Inc. (2010)

Office of the High Sheriff of Newfoundland and Labrador (2010)

Private Training Corporation Train Out Fund (2006)

Public Health Laboratory (2010)

The Burin Peninsula Health Care Foundation Inc. (2008 & 2009)

The Rooms Corporation of Newfoundland and Labrador (2010)

NALCOR ENERGY

FINANCIAL STATEMENTS - MARCH 9, 2010

Management Report

The accompanying Consolidated Financial Statements of Nalcor Energy, and all information in the Business and Financial Report, are the responsibility of Management and have been approved by the Board of Directors.

The Consolidated Financial Statements have been prepared by Management in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on Management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to March 9, 2010. Financial information presented elsewhere in the Business and Financial Report is consistent with that in the Consolidated Financial Statements.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for the appropriate delegation of authority and segregation of responsibilities. An internal audit department independently evaluates the effectiveness of these internal controls on an ongoing basis, and reports its findings to Management and to the Audit Committee of the Board of Directors.

The responsibility of the external auditor, Deloitte & Touche LLP, is to express an independent, professional opinion on whether the Consolidated Financial Statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Board of Directors, through its Audit Committee, is responsible for ensuring that Management fulfils its responsibility for financial reporting and internal controls. The Audit Committee meets regularly with Management, the internal auditors and the external auditors to satisfy itself that each group has properly discharged its respective responsibility and to review the Consolidated Financial Statements before recommending approval by the Board of Directors. The internal and external auditors have full and free access to the Audit Committee, with and without the presence of Management.

Ed Martin
President and Chief Executive Officer

Derrick Sturge
Vice President, Finance and Chief Financial Officer

Auditors' Report

To the Lieutenant-Governor in Council
Province of Newfoundland and Labrador

We have audited the consolidated balance sheet of Nalcor Energy (the Company) as at December 31, 2009, and the consolidated statements of income and retained earnings and comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Company'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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 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 Energy Corporation Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Deloitte & Touche LLP

Chartered Accountants
St. John's, NL
Canada
March 9, 2010

Consolidated Balance Sheet

As at December 31 (millions of dollars)	2009	2008 (Note 1)
ASSETS		
Current assets		
Cash and cash equivalents	14.0	49.8
Short-term investments	49.2	24.6
Accounts receivable	88.9	77.2
Current portion of regulatory assets (Note 6)	4.8	5.0
Fuel and supplies	59.5	52.7
Prepaid expenses	3.3	1.6
	219.7	210.9
Property, plant and equipment (Note 4)	1,901.7	1,863.4
Petroleum and natural gas properties (Note 5)	193.8	112.1
Regulatory assets (Note 6)	69.3	74.6
Other long-term assets (Note 7)	246.2	214.0
	2,630.7	2,475.0
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	124.4	85.1
Current portion of long-term debt (Note 9)	37.5	9.1
Current portion of regulatory liabilities (Note 6)	89.8	22.3
Deferred credits	3.1	0.5
Promissory notes	-	163.0
	254.8	280.0
Long-term debt (Notes 9 and 15)	1,141.6	1,175.7
Regulatory liabilities (Note 6)	32.8	31.5
Other long-term liabilities (Note 10)	5.1	1.7
Employee future benefits (Note 11)	54.4	51.6
	1,488.7	1,540.5
SHAREHOLDER'S EQUITY		
Share capital (Note 12)	122.5	122.5
Contributed capital (Note 12)	333.5	191.5
	456.0	314.0
Accumulated other comprehensive income (Notes 14 and 15)	22.0	16.5
Retained earnings	664.0	604.0
	686.0	620.5
	1,142.0	934.5
	2,630.7	2,475.0

Commitments and contingencies (Note 19)

Subsequent events (Note 24)

See accompanying notes

On Behalf of the Board

John Ottenheimer
Director

Gerald Shortall
Director

Consolidated Statement of Income and Retained Earnings

Year ended December 31 (millions of dollars)	2009	2008 (Note 1)
Revenue		
Energy sales (Notes 2 and 21)	561.6	563.3
Other	11.0	7.0
	572.6	570.3
Expenses		
Operations and administration	171.9	148.2
Fuels	155.2	164.8
Interest (Note 16)	83.5	78.2
Amortization	54.9	53.2
Power purchased	47.1	41.0
Write-down of investment	-	2.7
	512.6	488.1
Net income	60.0	82.2
Retained earnings, beginning of year	604.0	521.8
Retained earnings, end of year	664.0	604.0

See accompanying notes

Consolidated Statement of Comprehensive Income

Year ended December 31 (millions of dollars)	2009	2008 (Note 1)
Net income	60.0	82.2
Other comprehensive income		
Change in fair value of sinking fund and reserve fund investments (Note 14)	(0.7)	(3.0)
Unrealized gain on derivatives designated as cash flow hedges (Note 14)	6.2	-
Comprehensive income	65.5	79.2

See accompanying notes

Consolidated Statement of Cash Flows

Year ended December 31 (millions of dollars)	2009	2008 (Note 1)
Cash provided by (used in)		
Operating activities		
Net income	60.0	82.2
Adjustments for items not involving cash		
Amortization	54.9	53.2
Accretion of long-term debt	0.4	0.5
Loss on disposal of property, plant and equipment	1.8	2.5
Unrealized gain on derivative instruments	(0.8)	-
Write-down of investments	-	2.7
	116.3	141.1
Changes in non-cash operating working capital balances (Note 17)	96.2	36.1
	212.5	177.2
Financing activities		
(Decrease) increase in promissory notes	(163.0)	156.0
Repayment of long-term debt	(0.9)	(207.5)
Contributed capital	142.0	77.5
Issue of common shares	-	100.0
Increase in deferred credits	2.6	0.5
Increase in other liabilities	3.4	0.6
	(15.9)	127.1
Investing activities		
Additions to property, plant and equipment	(96.4)	(93.4)
Additions to oil and gas properties	(81.7)	(112.1)
Increase in other long-term assets	(31.1)	(35.0)
Increase in short-term investments	(24.6)	(13.1)
Proceeds on disposal of property, plant and equipment	1.4	0.7
	(232.4)	(252.9)
Net (decrease) increase in cash	(35.8)	51.4
Cash position, beginning of year	49.8	(1.6)
Cash position, end of year	14.0	49.8
Cash position is represented by		
Bank indebtedness	(3.0)	(5.1)
Cash equivalents	17.0	54.9
	14.0	49.8
Supplementary disclosure of cash flow information		
Income taxes paid	0.2	0.2
Interest income received	0.8	0.9
Interest paid	92.8	101.6

See accompanying notes

Notes to Consolidated Financial Statements

1. DESCRIPTION OF BUSINESS

Nalcor Energy (Nalcor) is incorporated under a special act of the Legislature of the Province of Newfoundland and Labrador (Province) as a Crown corporation and its business includes the development, generation and sale of electricity, oil and gas, wind energy, industrial fabrication and energy marketing.

Nalcor holds interests in the following subsidiaries and jointly controlled companies:

Newfoundland and Labrador Hydro (Hydro) is incorporated under a special act of the Legislature of the Province. The principal activity of Hydro is the generation, transmission and sale of electricity. Hydro's activities include both regulated and non-regulated activities.

Churchill Falls (Labrador) Corporation Limited (Churchill Falls) is incorporated under the laws of Canada and owns and operates a hydroelectric generating plant and related transmission facilities situated in Labrador which has a rated capacity of 5,428 megawatts (MW).

Twin Falls Power Corporation (Twin Falls) is incorporated under the laws of Canada and has developed a 225 MW hydroelectric generating plant on the Unknown River in Labrador. The plant has been inoperative since 1974.

Nalcor Energy - Oil and Gas Inc. (Oil and Gas) is incorporated under the Corporations Act of Newfoundland and Labrador. Oil and Gas has a broad mandate to engage in upstream and downstream sectors of the oil and gas industry including exploration, development, production, transportation and processing.

Nalcor Energy - Bull Arm Fabrication Inc. (Bull Arm Fabrication) is incorporated under the Corporations Act of Newfoundland and Labrador. Bull Arm Fabrication is Atlantic Canada's largest industrial fabrication site and has a fully integrated infrastructure to support large-scale fabrication and assembly. Its facilities include onshore fabrication halls and shops, a dry-dock, and a deepwater site. The Province transferred its shares in Bull Arm Fabrication to Nalcor effective March 31, 2009. The transfer has been accounted for using the continuity of interests method which resulted in a restatement of 2008 comparative figures to include Bull Arm Fabrication's financial position, results of operations and cash flows as if Bull Arm Fabrication had been combined since its inception.

Gull Island Power Corporation (GIPCo) is incorporated under the laws of Canada. Its objective was to develop the hydroelectric potential at Gull Island on the lower Churchill River in Labrador, and construct a direct current transmission system from Labrador to the island of Newfoundland. Lower Churchill Development Corporation (LCDC) is incorporated under the laws of Newfoundland and Labrador with the objective of developing all or part of the hydroelectric potential of the lower Churchill River (Lower Churchill Development). Both GIPCo and LCDC are inactive. All current Lower Churchill Development activities are being conducted in Nalcor.

Nalcor and its subsidiaries and jointly controlled companies, other than Twin Falls, are exempt from paying income taxes under Section 149 (1) (d) of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles.

Principles of Consolidation

The Consolidated Financial Statements include the financial statements of Nalcor and its subsidiary companies: Hydro (100% owned), Oil and Gas (100% owned), Bull Arm Fabrication (100% owned), GIPCo (100% owned) and LCDC (51% owned). Intercompany transactions and balances have been eliminated upon consolidation.

Effective June 18, 1999, Hydro, Churchill Falls and Hydro-Québec entered into a shareholders' agreement which provided, among other matters, that certain of the strategic operating, financing and investing policies of Churchill Falls be subject to approval jointly by representatives of Hydro and Hydro-Québec on the Board of Directors of Churchill Falls. Although Hydro retains its 65.8% ownership interest, the agreement changed the nature of the relationship between Hydro and Hydro-Québec, with respect to Churchill Falls, from that of majority and minority shareholders, respectively, to that of joint venturers. Accordingly, Hydro has adopted the proportionate consolidation method of accounting for its interest in Churchill Falls subsequent to the effective date of the shareholders' agreement.

A portion of Hydro's shareholding in Churchill Falls was deposited in a voting trust pursuant to an agreement with Hydro Québec, in relation to Churchill Falls' General Mortgage Bonds. Effective February 25, 2008, the bonds were retired, removing the requirement for the shares to be held in trust.

Churchill Falls holds 33.33% of the equity share capital of Twin Falls and is a party with other shareholders in a participation agreement which gives Churchill Falls joint control of Twin Falls. This investment is accounted for by the proportionate consolidation method.

Substantially all of Oil and Gas' activities are conducted jointly with others and accordingly these statements reflect only Nalcor's proportionate interest in such activities.

Use of Estimates

Preparation of these Consolidated Financial Statements requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Key areas where management has made complex or subjective judgements include the fair value and recoverability of assets, the reported amounts of revenue and expenses, litigation, environmental and asset retirement obligations, amortization, property, plant and equipment and other employee future benefits. Actual results may differ from these estimates, including changes as a result of future decisions made by the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB), and these differences could be material.

Rates and Regulations

Hydro's revenues from its electrical sales to most customers within the Province are subject to rate regulation by the PUB. Hydro's borrowing and capital expenditure programs are also subject to review and approval by the PUB. Rates are set through periodic general rate applications utilizing a cost of service (COS) methodology. The allowed rate of return on rate base is 7.4% (2008 - 7.4%). Hydro applies various accounting policies that differ from enterprises that do not operate in a rate regulated environment. Generally these policies result in the deferral and amortization of costs or credits which will be recovered or refunded in future rates. In the absence of rate regulation these amounts would be included in the determination of net income in the year the amounts are incurred. The effects of rate regulation on the financial statements are more fully disclosed in Note 6.

Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents and short-term investments consist primarily of Canadian Treasury Bills and Bankers' Acceptances. Those with original maturities at date of purchase of three months or less are classified as cash equivalents whereas those with original maturities beyond three months and less than 12 months are classified as short-term investments. The short-term investments bear interest rates of 0.26% to 0.65% (2008 - 1.58% to 3.60%) per annum. Cash and cash equivalents and short-term investments are measured at fair value.

Fuel and Supplies

Fuel and supplies inventories are recorded at the lower of average cost or net realizable value.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost, which comprises materials, labour, contracted services, other costs directly related to construction and an allocation of certain overhead costs. Expenditures for additions and betterments are capitalized and normal expenditures for maintenance and repairs are charged to operations. The cost of property, plant and equipment under construction is transferred to property, plant and equipment in service when construction is completed and facilities are commissioned, at which point amortization commences.

Contributions in aid of construction are funds received from customers and governments toward the incurred cost of property, plant and equipment, or the fair value of assets contributed. Contributions are treated as a reduction to property, plant and equipment and the net property, plant and equipment is amortized.

Gains or losses on the disposal of property, plant and equipment are recognized in income as incurred.

Nalcor, Oil and Gas and Bull Arm Fabrication

Amortization is calculated on a straight-line basis over service lives ranging from five to 27 years.

Hydro

Amortization is calculated on hydroelectric generating plant and on transmission plant in service on the sinking fund method using interest factors ranging from 5.25% to 15.79%. Amortization on distribution system and other plant in service is calculated on the straight-line method. These methods are designed to fully amortize the cost of the facilities, after deducting contributions in aid of construction, over their estimated service lives.

Estimated service lives of the major assets are as follows:

Generation plant	
Hydroelectric	50, 75 and 100 years
Thermal	25 and 30 years
Diesel	20 years
Transmission	
Lines	40 and 50 years
Switching stations	40 years
Distribution system	30 years
Other	3 to 50 years

Hydroelectric generation plant includes the powerhouse, turbines, governors and generators, as well as water conveying and control structures, including dams, dykes, tailrace, penstock and intake structures. Thermal generation plant is comprised of the powerhouse, turbines and generators, boilers, oil storage tanks, stacks and auxiliary systems. Diesel generation plant includes the buildings, engines, generators, switchgear, fuel storage and transfer systems, dykes and liners and cooling systems.

Transmission lines include the support structures, foundations and insulators associated with lines at voltages of 230, 138 and 69 kilovolt (kV). Switching station assets are used to step up voltages of electricity from generating to transmission and to step down voltages for distribution.

Distribution system assets include poles, transformers, insulators and conductors.

Other assets include telecontrol, computer software, buildings, vehicles, furniture, tools and equipment.

Churchill Falls

Churchill Falls uses the group amortization method for certain property, plant and equipment, other than the generation plant, transmission and terminals and service facilities.

Amortization is calculated on a straight-line basis over the following estimated useful lives:

Hydroelectric generation plant	67 years
Transmission and terminals	67 years
Service facilities	67 years
Other	5 to 100 years

Petroleum and Natural Gas Properties

Nalcor employs the full cost method of accounting for oil and gas interests whereby all costs related to the acquisition, exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, carrying charges of non-producing properties, drilling of productive and non-productive wells, the cost of petroleum and natural gas production equipment and administrative costs directly related to exploration and development activities.

Under the full cost method, capitalized costs, together with estimated future capital costs associated with proved reserves, are depleted and depreciated using the unit-of-production method based on estimated gross proved reserves at future prices and costs as determined by independent reservoir engineers.

Costs of acquiring and evaluating unproved properties and certain costs associated with major development projects are not subject to depletion until proved reserves are attributable to the property, production commences or impairment occurs. The carrying value of petroleum and natural gas properties is assessed annually or as circumstances dictate.

Impairment losses are recognized when the carrying value exceeds the sum of:

- the undiscounted future net cash flows from production of proved reserves based on forecast prices and costs;
- the costs of unproved properties, less impairment; and
- the costs of major development projects, less impairment.

The amount of impairment loss is the amount by which the carrying value exceeds the sum of:

- the fair value of proved and probable reserves; and
- the cost, less impairment, of unproved properties and major development projects.

Capitalized Interest

Interest is charged to construction in progress until the project is complete at rates equivalent to the weighted average cost of debt or the last approved weighted average cost of capital for regulated assets. Capitalized interest cannot exceed actual interest incurred.

Asset Retirement Obligations

The fair value of the future expenditures required to settle legal obligations associated with the retirement of property, plant and equipment, are recognized to the extent that they are reasonably estimable. Asset retirement obligations are recorded as a liability at fair value, with a corresponding increase to property, plant and equipment. As it is expected that Nalcor's assets will be used for an indefinite period, no removal date can be determined and consequently, a reasonable estimate of the fair value of any related asset retirement obligation cannot be determined at this time. If it becomes possible to estimate the fair value of the cost of removing assets that Nalcor is legally required to remove, an asset retirement obligation will be recognized at that time.

Impairment of Long-lived Assets

Nalcor reviews the carrying value of its oil and gas properties and development projects at the end of each accounting period. Nalcor reviews the carrying value of its other property, plant and equipment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss corresponding to the amount by which the carrying value exceeds fair value is recognized, if applicable.

Revenue Recognition

Revenue is recognized on the accrual basis, as power deliveries are made, and includes an estimate of the value of electricity consumed by customers in the year, but billed subsequent to year-end. Sales within the Province are primarily at rates approved by the PUB. Sales to other markets are at rates or at market prices under the terms of applicable contracts.

Notes to Consolidated Financial Statements

A power contract with Hydro-Québec (Power Contract), dated May 12, 1969, provides for the sale of substantially all the energy from Churchill Falls until 2041. The Power Contract has a 40-year term to 2016 which then renews for a further term of 25 years. The rate is predetermined in the Power Contract and decreases from the existing rate of 2.5426 mills per kilowatt hour (kWh) to 2.0 mills per kWh upon renewal in 2016.

Churchill Falls receives revenues from Hydro-Québec, under a guaranteed winter availability contract (GWAC) through 2041. The GWAC provides for the sale of 682 MW of guaranteed seasonal availability to Hydro-Québec during the months of November through March in each of the remaining years until the end of the Power Contract.

The value of differences between energy delivered and the Annual Energy Base (AEB), as defined in the Power Contract, are tracked over a four-year period and then either recovered from or refunded to Hydro-Québec over the subsequent four-year period, unless the balance is less than $1.0 million in which case it is recovered or refunded immediately. These long-term receivables or long-term payables are subject to interest at 7% per annum (2008 - 7%).

Foreign Currency Translation

Foreign currency transactions are translated into their Canadian dollar equivalent as follows:

(a) At the transaction date, each asset, liability, revenue or expense is translated using exchange rates in effect at that date.

(b) At the date of settlement and at each balance sheet date, monetary assets and liabilities are adjusted to reflect exchange rates in effect at that date. Any resulting gain or loss is reflected in income.

(c) Foreign exchange gains and losses are included in income except for unrealized gains and losses related to First Mortgage Bonds which were recoverable under the Power Contract.

Employee Future Benefits

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions are expensed as incurred.

Nalcor provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a severance payment upon retirement. The expected cost of providing these other employee future benefits is accounted for on an accrual basis and has been actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs. The excess of net cumulative actuarial gains and losses over 10% of the accrued benefit obligation are amortized over the expected average remaining service life of the employee group, which is approximately 13 years.

Financial Instruments and Hedging Activities

Financial Instruments

Financial assets and financial liabilities are recognized on the balance sheet when Nalcor becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Subsequent measurement is based on classification. Nalcor has classified each of its financial instruments into the following categories:

financial assets and liabilities held for trading; loans and receivables; financial assets held to maturity; financial assets available for sale; and other financial liabilities.

Nalcor has classified its financial instruments as follows:

Cash and cash equivalents	Held-for-trading
Short-term investments	Available-for-sale
Accounts receivable	Loans and receivables
Sinking funds - investments in same Hydro issue	Held-to-maturity
Sinking funds - other investments	Available-for-sale
Reserve fund	Available-for-sale
Long-term receivable	Loans and receivables
Bank indebtedness	Other liabilities
Accounts payable and accrued liabilities	Other liabilities
Promissory notes	Other liabilities
Long-term debt	Other liabilities

Each of these financial instruments is measured at amortized cost, except for the reserve fund, sinking fund - other investments, cash and cash equivalents, and short-term investments which are measured at fair value.

Transaction costs related to financial assets and financial liabilities are included as part of the cost of the instrument, with the exception of cash and cash equivalents and short-term investments which are expensed as incurred, based upon the pricing obtained during the quotation process. Discounts and premiums on financial instruments are amortized to income over the life of the instrument.

Derivative Instruments and Hedging Activities

Derivative instruments are utilized by Nalcor to manage market risk. Nalcor's policy is not to utilize derivative instruments for speculative purposes. Nalcor may choose to designate derivative instruments as hedges and apply hedge accounting if there is a high degree of correlation between price movements in the derivative instruments and the hedged items. Nalcor formally documents all hedges and the risk management objectives at the inception of the hedge. Derivative instruments that have been designated and qualify for hedge accounting are classified as either cash flow or fair value hedges.

Nalcor has designated forward foreign exchange contracts as cash flow hedges (Notes 7 (d) and 15). In a cash flow hedge relationship, the portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in Other Comprehensive Income (OCI), while the ineffective portion is recorded in net income. The amounts recognized in OCI are reclassified in net income when the hedged item affects net income.

Nalcor had no fair value hedges in place at December 31, 2009 or 2008.

Notes to Consolidated Financial Statements

3. CHANGES IN ACCOUNTING POLICIES

New Accounting Policies

Effective January 1, 2009, Nalcor adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Goodwill and Intangible Assets

Section 3064, Goodwill and Intangible Assets establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets and provides more comprehensive guidance particularly with respect to internally developed intangible assets. This new standard did not have any impact on Nalcor's financial results or disclosures.

Financial Instruments

EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities issued by the Emerging Issues Committee. This abstract requires that an entity's own credit risk (for financial liabilities) and the credit risk of the counterparty (for financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this abstract did not have a material impact on Nalcor's Consolidated Financial Statements.

Nalcor also adopted the changes made by CICA to Section 3862, Financial instruments – Disclosures whereby an entity shall classify and disclose fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The required disclosures are included in Note 15.

Future Accounting Changes

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued the following new Handbook sections: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests which replace Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements. These new Sections will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption is permitted to the extent the three new Sections are adopted simultaneously. Together, the new Sections establish standards for the accounting for a business combination, the preparation of consolidated financial statements and the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Nalcor does not expect that the adoption of these new Sections will have a material impact on its Consolidated Financial Statements.

International Financial Reporting Standards (IFRS)

In October 2009, the Accounting Standards Board (AcSB) issued a third and final Omnibus Exposure Draft confirming that publically accountable enterprises in Canada will be required to apply IFRS in full and without modification, for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Accordingly, starting in 2011, Nalcor will present its financial statements in accordance with IFRS, and will be required to present restated comparative information for its year-ended December 31, 2010 balances, and will also restate its opening balance sheet as at January 1, 2010.

Nalcor is continuing to assess the financial reporting impacts of the adoption of IFRS, however, the impact of these differences on Nalcor's future financial position and results of operations are not reasonably estimable or determinable at this time. Nalcor does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required as well as any system changes that may be necessary to compile and process the information.

The International Accounting Standards Board (IASB) project schedule had indicated that a final standard on rate-regulated activities would be released in the second quarter of 2010. Commentary received on the Exposure Draft, and the resulting activities now planned by the IASB, creates uncertainty as to if and when a final standard will be released. If a final standard is released, it may not be until late 2011. Accordingly, Nalcor is unable to conclude on the impact, if any, of differences that will apply to accounting for rate-regulated activities under IFRS versus Canadian GAAP.

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Contributions in aid of Construction	Accumulated Amortization	Net Book Value
(millions of dollars)		**2009**		
Electric – generation	**1,722.1**	**29.6**	**581.7**	**1,110.8**
Electric – transmission and distribution	**822.9**	**67.7**	**263.3**	**491.9**
Development projects	**194.2**	**-**	**-**	**194.2**
Other	**295.5**	**23.5**	**167.2**	**104.8**
	3,034.7	**120.8**	**1,012.2**	**1,901.7**
(millions of dollars)		2008		
Electric – generation	1,721.1	27.3	573.9	1,119.9
Electric – transmission and distribution	798.7	60.2	248.2	490.3
Development projects	157.0	-	-	157.0
Other	291.6	32.4	163.0	96.2
	2,968.4	119.9	985.1	1,863.4

As at December 31, 2009, the cost of assets under construction and therefore excluded from costs subject to amortization was $200.9 million (2008 - $169.5 million).

5. PETROLEUM AND NATURAL GAS PROPERTIES

(millions of dollars)	**2009**	2008
Petroleum and natural gas properties	**193.8**	112.1
Accumulated depletion	-	-
	193.8	112.1

Internal costs directly related to acquisition, exploration and development activities capitalized in 2009 were $0.2 million (2008 - $0.2 million).

As at December 31, 2009 and December 31, 2008 all costs of petroleum and natural gas properties were not subject to depletion and depreciation.

Petroleum and natural gas properties include Nalcor's acquisition costs and proportionate share of exploration and development costs. Nalcor has a 4.9% working interest in the Hebron oil field, a 5.0% working interest in the White Rose Growth Project and an average working interest of 67% in three onshore exploration permits. On February 16, 2010, Nalcor acquired a 10% working interest in the Hibernia Southern Extension.

Acquisitions

On January 30, 2009, Oil and Gas signed an agreement to purchase a 5% working interest in the oil resources contained within the White Rose Growth Project which includes the North Amethyst Field, West White Rose and the South White Rose Extension. The purchase price was a maximum of $30.0 million, to be paid in two instalments. The first instalment of $7.0 million was paid on January 30, 2009; the remaining payment will be made upon the determination of the West White Rose Extension oil reserves. This payment will be dependent on the extent of these oil reserves but will be no more than $23.0 million.

On August 7, 2009, Oil and Gas announced its operatorship in three exploration permits in Western Newfoundland acquiring an average of 67% gross working interest in the three permits. Oil and Gas acquired the permits from Leprechaun Resources for a purchase price of $0.6 million. Oil and Gas has also assumed its proportionate share of Leprechaun Resources' work commitments valued at $0.6 million, which is refundable upon completion of the drilling program.

6. FINANCIAL STATEMENT EFFECTS OF RATE REGULATION

(millions of dollars)	2009	2008	Remaining Recovery Settlement Period (years)
Regulatory assets			
Foreign exchange losses	68.9	71.1	32.0
Deferred regulatory costs	-	0.2	-
Deferred major extraordinary repairs	4.9	7.6	2.8
Deferred study costs	0.1	0.2	2.0
Deferred wind power costs	-	0.5	-
Deferred energy conservation costs	0.2	-	n/a
Total regulatory assets	74.1	79.6	
Less current portion	4.8	5.0	
	69.3	74.6	
Regulatory liabilities			
Rate stabilization plan	122.0	53.2	n/a
Deferred purchased power savings	0.6	0.6	17.5
Total regulatory liabilities	122.6	53.8	
Less current portion	89.8	22.3	
	32.8	31.5	

Nalcor's subsidiary, Hydro, has operations that are regulated by the PUB.

Regulatory assets represent future revenues associated with certain costs, incurred in current or prior periods that are expected to be recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that are expected to be refunded to customers as a result of the rate-setting process. The risks and uncertainties related to regulatory assets and liabilities are subject to periodic assessment. When Hydro considers that the value of these regulatory assets or liabilities are no longer likely to be recovered or repaid through future rate adjustments, the carrying amount is reflected in operations. The following is a description of each of the circumstances in which rate regulation affects the accounting for a transaction or event.

Rate Stabilization Plan and Related Long-term Receivable

On January 1, 1986, Hydro, having received the approval of the PUB, implemented a Rate Stabilization Plan (RSP) which primarily provides for the deferral of fuel expense variances resulting from changes in fuel prices, levels of precipitation and load. Adjustments required in retail rates to cover the amortization of the balance in the plan are implemented on July 1 of each year. Similar adjustments required in industrial rates are implemented on January 1 of each year.

Pursuant to Order No. P.U. 7 (2002-2003) and Order No. P.U. 40 (2003) RSP balances which accumulated prior to December 31, 2003, were converted to a long-term receivable bearing interest at the weighted average cost of capital to be recovered over a four-year period, which commenced in 2004. The recovery period for industrial customers ended on December 31, 2007, and for the utility customers on June 30, 2008, and any remaining balances were transferred to the current plan. Any subsequent balances accumulating in the RSP, including financing charges, are to be recovered in the following year, with the exception of hydraulic variation, which will be recovered or refunded at a rate of 25% of the outstanding balance at year-end. Additionally, a fuel rider is calculated annually based on the forecast fuel price and is added to or subtracted from the rates that would otherwise be in effect.

Hydro recognizes the RSP balances as a regulatory asset or liability based on the expectation that rates will be adjusted annually to provide for the collection from, or refund to, customers in future periods. In the absence of rate regulation, Canadian generally accepted accounting principles require that the cost of fuel be recognized as an operating expense in the period in which it was consumed. In 2009, $42.3 million was recognized (2008 - $9.1 million) in the RSP and $18.3 million (2008 - $14.9 million) was recovered through rates and included in energy sales, with a corresponding cost amortized in fuel expenses.

Foreign Exchange Losses

Hydro incurred foreign exchange losses related to the issuance of Swiss Franc and Japanese Yen denominated debt in 1975 and 1985, respectively, which were recognized when the debt was repaid in 1997. The PUB has accepted the inclusion of realized foreign exchange losses related to long-term debt in rates charged to customers in future periods. Any such loss, net of any gain, is deferred to the time of the next rate hearing for inclusion in the new rates to be set at that time. Accordingly, these losses are recognized as a regulatory asset. In the absence of rate regulation, Canadian generally accepted accounting principles would require that Hydro include the losses in operating costs, in each year that the related debt was outstanding, to reflect the exchange rates in effect on each reporting date.

Commencing in 2002, the PUB ordered Hydro's deferred realized foreign exchange losses be amortized over a 40-year period. This amortization, of $2.2 million annually, is included in interest expense (Note 16).

Deferred Regulatory Costs

Pursuant to Order No. P.U. 8 (2007), the PUB approved the deferral and amortization of external costs associated with Hydro's 2006 General Rate Application in the amount of $0.6 million. These costs are recognized as a regulatory asset. In the absence of rate regulation, Canadian generally accepted accounting principles would require that Hydro include these costs in operating costs in the year incurred. In 2009, $0.2 million (2008 - $0.2 million) of amortization was recognized in operations and administration expense.

Deferred Major Extraordinary Repairs

In its report dated April 13, 1992, the PUB recommended that Hydro adopt a policy of deferring and amortizing the costs of major extraordinary repairs in excess of $0.5 million, subject to PUB approval on a case-by-case basis. In 2005, Hydro started an asbestos abatement program at the Holyrood Thermal Generating Station (HTGS). This program was carried out over a three-year period. Pursuant to Order No. P.U. 2 (2005), the PUB approved the deferral and amortization of these costs as a major extraordinary repair. Accordingly, the costs incurred in each year of the program were recognized as a regulatory asset to be amortized over the subsequent five-year period. In 2006, Hydro incurred $2.3 million in expenses to repair a boiler tube failure at the HTGS. Pursuant to Order No. P.U. 44 (2006), the PUB approved the deferral and amortization of these costs as a major extraordinary repair. Accordingly, these costs are being amortized over a five-year period. In 2007, $2.0 million of expenses related to a turbine failure were deferred as a major extraordinary repair. This amount, net of insurance proceeds, was expensed in 2008. In the absence of rate regulation, Canadian generally accepted accounting principles would require that Hydro expense the cost of the asbestos abatement program and the boiler tube repairs in the year incurred. In 2009, $2.7 million (2008 - $2.7 million) of amortization was recognized in operations and administration expense.

Deferred Study Costs

Pursuant to Order No. P.U. 14 (2004), the PUB directed Hydro to conduct an independent study of the treatment of Newfoundland Power's generation in Hydro's COS, and an independent marginal cost study, and to accumulate these costs in a deferral account to be dealt with at the next general rate application. Pursuant to Order No. P.U. 8 (2007), Hydro received approval for recovery of these costs over a three-year period commencing in 2007. Accordingly, these costs have been recognized as a regulatory asset. In the absence of rate regulation, Canadian generally accepted accounting principles would require that Hydro include the cost of these studies in operating costs in the year incurred. In 2009, there were no additions (2008 - nil) and $0.1 million (2008 - $0.2 million) of amortization was recognized in operations and administration expense.

Deferred Wind Power Costs

Pursuant to Order No. P.U. 20 (2008), the PUB agreed to allow Hydro to defer $0.5 million in costs associated with connecting the wind farms at St. Lawrence and Fermeuse to the Island Interconnected Grid through Newfoundland Power's transmission system and accordingly, these costs have been recognized as a regulatory asset. These costs were expensed in 2009. In the absence of rate regulation, Canadian generally accepted accounting principles would require that Hydro include these costs in operating costs in the year incurred.

Deferred Energy Conservation Costs

Pursuant to Order No. P.U. 8 (2007), Hydro received approval to defer costs associated with an electrical conservation program for residential, industrial, and commercial sectors and, accordingly, these costs have been recognized as a regulatory asset. In the absence of rate regulation, Canadian generally accepted accounting principles would require that Hydro include this program as operating costs in the year incurred. In 2009, $0.2 million (2008 – nil) was deferred.

Deferred Purchased Power Savings

In 1997, Hydro interconnected communities in the area of L'Anse au Clair to Red Bay to the Hydro-Québec electricity system. In its report dated July 12, 1996, the PUB recommended that Hydro defer the benefits of a reduced initial purchased power rate, to be amortized over a 30-year period. These savings in the amount of $0.6 million (2008 - $0.6 million) are recognized as a regulatory liability. In the absence of rate regulation, Canadian generally accepted accounting principles would require that Hydro include the actual cost of purchased power in operating costs in the year incurred.

Property, Plant and Equipment

The PUB permits an allowance for funds used during construction (AFUDC), based on Hydro's weighted average cost of capital, to be included in the cost of capital assets and amortized over future periods as part of the total cost of the related asset. In 2009, Hydro's AFUDC of 7.6% is higher than its cost of debt of 7.2% and the amount capitalized is higher and interest expense is lower by $0.1 million than that which would be permitted in the absence of rate regulation. In 2008, Hydro's AFUDC of 7.6% was higher than its cost of debt of 7.3%, the amount capitalized was lower and interest expense was higher by $0.4 million than that which would have been permitted in the absence of rate regulation (Note 16).

Hydro amortizes its hydroelectric generating assets and transmission assets using the sinking fund method, as approved by the PUB. In the absence of rate regulation, these assets would likely be amortized using the straight-line method.

During 2005, Hydro engaged an independent consultant to conduct an amortization study. The scope of this study included a review of Hydro's amortization methods as well as a statistical analysis of service life estimates and calculation of appropriate amortization rates and annual and accrued amortization balances as at December 31, 2004. Based on the results of this study, management currently estimates that accumulated amortization is approximately \$170.0-\$180.0 million lower than it would otherwise be and annual amortization expense is \$10.0-\$11.0 million lower, primarily due to the use of sinking fund rather than straight-line amortization for hydroelectric and transmission assets. A more recent study indicated that the amounts could be significantly higher. An update to this study is to be completed in 2010.

7. OTHER LONG-TERM ASSETS

(millions of dollars)		2009	2008
Long-term receivable	(a)	24.8	26.7
Sinking funds	(b)	179.6	163.9
Reserve fund	(c)	34.8	23.4
Derivative instruments	(d)	7.0	-
Lower Churchill Development Corporation Limited	(e)	-	-
		246.2	214.0

(a) Included in long-term receivables are two refundable deposits in the amount of \$23.9 million (2008 - \$25.4 million) associated with an application for transmission service into Québec, bearing interest at one-year Guaranteed Income Certificate (GIC) rates and a \$0.1 million deposit associated with an application for transmission service in New Brunswick. The remaining portion of \$0.8 million (2008 – \$1.3 million) is a long-term receivable from Hydro-Québec bearing interest at 7.0%.

(b) Sinking fund investments consist of bonds, debentures, promissory notes and coupons issued by, or guaranteed by, the Government of Canada or any province of Canada, and have maturity dates ranging from 2013 to 2033. Hydro debentures, which management intends to hold to maturity, are deducted from long-term debt while all other sinking fund investments are shown separately on the balance sheet as assets. Annual contributions to the various sinking funds are as per bond indenture terms, and are structured to ensure the availability of adequate funds at the time of expected bond redemption. Effective yields range from 4.50% to 9.86% (2008 - 4.50% to 9.86%).

(c) Pursuant to the terms of the 1999 shareholders' agreement, in 2007, Churchill Falls commenced the creation of a \$75.0 million segregated reserve fund to contribute towards the funding of capital expenditures related to Churchill Falls' existing facilities and their replacement. Churchill Falls invested \$17.0 million in each of 2007, 2008 and 2009. The remaining investments will be acquired during a 30-day period commencing on each of the following dates:

January 1, 2010	\$8.0 million
January 1, 2011	\$8.0 million
January 1, 2012	\$8.0 million

This fund must remain in place until the end of the shareholders' agreement in 2041. Any amounts removed to fund capital expenditures must be replaced. Reserve fund holdings consist of securities issued by the Government of Canada, various provinces of Canada and Schedule 1 Canadian Chartered Banks. Nalcor's share of this commitment is 65.8%.

A summary of Nalcor's 65.8% share of the reserve fund is as follows:

(millions of dollars)	2009	2008
Opening balance	23.4	11.2
Contribution	11.2	11.2
Total contribution to reserve fund	34.6	22.4
Net interest	(0.2)	0.4
Mark-to-market adjustment	0.4	0.6
Fair value of reserve fund	34.8	23.4

(d) During 2009, Nalcor entered into a series of 24 foreign exchange forward contracts to manage exchange rate risk on US dollar (USD) electricity sales. The nominal contract values range from $2.4 million to $6.0 million with an average exchange rate of $1.17 Canadian to USD. During the year, eight of these contracts were settled with the effective portion of the gain, in the amount of $2.4 million, reported as energy sales and the ineffective portion as other income. The $7.0 million represents the fair value of the remaining 16 contracts outstanding as at December 31, 2009. These contracts have been designated as part of a hedging relationship (Note 15).

(e) LCDC was incorporated in 1978 pursuant to the provisions of an agreement (Principal Agreement), between the Province and the Government of Canada. The Province and the Government of Canada own equity interests of 51% and 49% of LCDC, respectively. The Principal Agreement provides that future issues of Class A common shares shall preserve, as closely as possible, this ratio of beneficial ownership. Hydro is the designate for the Province's shareholding in LCDC.

Pursuant to the provisions of the Principal Agreement, the Province agreed to enter into an Option Agreement, dated November 24, 1978, with LCDC in respect of the GIPCo assets and the hydroelectric development rights to the Lower Churchill River, (the Water Rights). In consideration of the option granted from the Province, LCDC issued 520 Class A common shares to Hydro valued at $5.2 million.

The option provided that, upon agreement to continue with the lower Churchill hydroelectric development, LCDC would have acquired the GIPCo assets for $94.8 million ($100.0 million less the amount of $5.2 million representing the shares issued pursuant to the signing of the Option Agreement). A 10% convertible demand debenture in the amount of $94.8 million would have been issued as consideration for the GIPCo assets, and LCDC would have acquired the Water Rights from the Province with the consideration having been the issue of 3,000 Class B common shares without nominal or par value.

On November 20, 2008, LCDC was advised by the Province that it would not be extending the Option Agreement. As a consequence, LCDC's option expired on November 24, 2008, which had the effect of terminating the Option Agreement. Hydro's share of the option in the amount of $2.7 million was expensed as an asset write-down in 2008 and the liability to the Government of Canada for non-controlling interest in the amount of $2.5 million was eliminated.

Hydro holds 1,540 Class A common shares of LCDC which have a stated value of $0.01 million each. 520 shares were acquired in 1979 pursuant to signing of the Option Agreement and 510 shares were acquired in each of the years 1980 and 1981, by way of capital contributions from the Province.

8. JOINT VENTURE

The following amounts included in the Consolidated Financial Statements represent Nalcor's proportionate share of Churchill Falls' assets and liabilities at December 31, 2009, and its proportionate interest in Churchill Falls' operations for the year then ended.

(millions of dollars)	2009	2008
Current assets	45.7	35.1
Long-term assets	374.5	372.8
Current liabilities	38.8	10.2
Long-term liabilities	12.7	38.0
Revenues	57.4	65.4
Expenses	50.9	51.6
Net income	6.5	13.8
Cash provided by (used in)		
Operating activities	15.3	31.4
Financing activities	0.9	(15.7)
Investing activities	(17.4)	(18.7)

Income tax expense in the amount of $0.2 million (2008 - $0.2 million) related to a jointly controlled subsidiary, Twin Falls, has been included in expenses.

9. LONG-TERM DEBT

	Hydro	Churchill Falls	Total	Hydro	Churchill Falls	Total
(millions of dollars)		2009			2008	
Long-term debt	1,149.8	29.3	1,179.1	1,154.7	30.1	1,184.8
Less current portion	8.2	29.3	37.5	8.3	0.8	9.1
	1,141.6	-	1,141.6	1,146.4	29.3	1,175.7

Required repayments of long-term debt and sinking fund requirements over the next five years will be as follows:

(millions of dollars)	2010	2011	2012	2013	2014
Sinking fund requirements	8.2	8.2	8.2	8.2	8.2
Long-term debt repayment	29.3	-	-	-	125.0
	37.5	8.2	8.2	8.2	133.2

Nalcor

Nalcor maintains an unsecured revolving term credit facility with its banker in the amount of $150.0 million Canadian or US equivalent. Borrowings in Canadian dollars may take the form of Prime Rate advances, Bankers' Acceptances (BAs), and Letters of Credit. Borrowings in USD may take the form of Base Rate advances, LIBOR Advances and Letters of Credit. The facility also provides coverage for overdrafts on Nalcor's bank accounts, with interest calculated at the Prime Rate. The terms of the credit facility provide for the expansion of the facility up to $300.0 million Canadian or US equivalent as a non-revolving term credit facility, secured by the guarantee of the Province. At year-end, the only drawing on the facility was one irrevocable letter of credit issued on behalf of Nalcor's subsidiary, Oil and Gas. This letter of credit, in the amount of $1.5 million, was issued to the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) to satisfy certain financial responsibility requirements specified in the Accords Acts with respect to the issuance of authorizations for petroleum-related work or activities within the Newfoundland and Labrador offshore area.

Hydro

Series	Face Value	Coupon Rate %	Year of Issue	Year of Maturity		
(millions of dollars)					**2009**	2008
V *	125.0	10.50	1989	2014	**124.5**	124.5
X *	150.0	10.25	1992	2017	**149.2**	149.1
Y *	300.0	8.40	1996	2026	**293.1**	292.9
AB *	300.0	6.65	2001	2031	**306.8**	306.9
AD *	125.0	5.70	2003	2033	**123.6**	123.5
AE	225.0	4.30	2006	2016	**223.7**	223.5
Total debentures	1,225.0				**1,220.9**	1,220.4
Less sinking fund investments in own debentures					**71.1**	65.9
					1,149.8	1,154.5
Other					**-**	0.2
					1,149.8	1,154.7
Less payments due within one year					**8.2**	8.3
					1,141.6	1,146.4

* Sinking funds have been established for these issues.

Promissory notes, debentures and long-term loans are unsecured and unconditionally guaranteed as to principal and interest, and where applicable, sinking fund payments, by the Province. The Province charges Hydro a guarantee fee of 1.0% annually on the total debt (net of sinking funds) guaranteed by the Province, outstanding as of the preceding December 31. During 2008 and 2009 the Province waived the payment of this fee.

Hydro uses promissory notes to fulfill its short-term funding requirements. As at December 31, 2009, no promissory notes were outstanding (2008 - $163.0 million).

Hydro maintains a $50.0 million Canadian or US equivalent unsecured operating credit facility with its banker and at year-end, there were no amounts drawn on the facility (2008 - nil). Advances may take the form of a Prime Rate advance or the issuance of a BA with interest calculated at the Prime Rate or prevailing Government BA fee. The facility also provides coverage for overdrafts on Hydro's bank accounts, with interest calculated at the Prime Rate. At year-end, Hydro had two letters of credit outstanding (Note 19(g)) reducing the availability of the credit facility by $7.5 million. In February 2010 Hydro issued 22 additional letters of credit, see Note 24.

Churchill Falls

(millions of dollars)	**2009**	2008
Bank of Nova Scotia Credit Agreement		
4.4% due December 15, 2010		
Outstanding	**29.3**	30.1
Due within one year	**29.3**	0.8
Total long-term debt	**-**	29.3

Refinancing

On February 25, 2008, Churchill Falls completed a refinancing of the General Mortgage Bonds. The General Mortgage Bonds, bearing an interest rate of 7.5% (6.0% net of subsidies) were retired and replaced with a 4.4% fixed rate credit agreement with The Bank of Nova Scotia. Principal repayment terms of the new credit agreement are the same as those required by the General Mortgage Bonds which provided for semi-annual payments in an amount equal to 1.0% of the aggregate principal amount outstanding on January 1 preceding each payment date with a final principal payment due in 2010.

Dividend Restriction

Under the terms of the long-term debt instruments, Churchill Falls may pay cash dividends only out of earnings, as defined, accumulated from September 1, 1976. A shareholders' agreement signed in June 1999 places additional restrictions on common dividends based on cash flow.

Operating Credit Facility

Churchill Falls maintains a $10.0 million Canadian unsecured operating credit facility with its banker and at year-end, there were no amounts drawn on the facility (2008 - nil). Advances may take the form of a Prime Rate advance or the issuance of BAs with interest calculated at the Prime Rate or prevailing Government BA fee. The facility provides coverage for overdrafts on Churchill Falls' bank accounts, with interest calculated at the Prime Rate. At year-end, Churchill Falls has one letter of credit outstanding (Note 19(g)) reducing the availability of the credit facility by $0.7 million.

10. OTHER LONG-TERM LIABILITIES

(millions of dollars)		2009	2008
Long-term payable	(a)	**4.3**	0.7
Distribution payable to Province	(b)	**0.8**	1.0
		5.1	1.7

(a) The long-term payable to Hydro-Québec as at December 31, 2009, represents the accumulation of differences between energy delivered monthly and the AEB energy billed monthly, which will be tracked during the four-year period from September 1, 2008 to August 31, 2012. Currently, the full amount of $4.3 million (2008 - $0.7 million) is long-term bearing interest of 7.0%. The final amount will be determined on August 31, 2012, and will be paid/collected monthly beginning September 2012 and ending August 2016.

(b) Prior to January 1, 2009, the Provincial Minister of Finance was authorized to invest any surplus from Bull Arm Fabrication's operations. Each year, the surplus or deficit from operations was credited or charged to the Distribution payable to the Province, however, there are no set terms of payment. This balance contains the accumulated results of operations of Bull Arm Fabrication since inception up to January 1, 2009, less any distributions paid to the Province. Effective January 1, 2009, rental revenues are to be retained and are reflected in retained earnings.

11. EMPLOYEE FUTURE BENEFITS

Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions of $5.3 million (2008 - $4.9 million) are expensed as incurred.

Other Benefits

Additionally, Nalcor provides group life insurance and healthcare benefits on a cost-shared basis to retired employees, and in certain cases, their surviving spouses, in addition to a severance payment upon retirement. In 2009, cash payments to beneficiaries for its unfunded other employee future benefits was $2.7 million (2008 - $3.0 million). An actuarial valuation was performed on December 31, 2009.

(millions of dollars)	**2009**	2008
Accrued benefit obligation		
Balance at beginning of year	**52.3**	68.6
Current service cost	**1.6**	2.2
Interest cost	**3.9**	3.8
Actuarial loss (gain)	**17.6**	(19.3)
Benefits paid	**(2.7)**	(3.0)
Balance at end of year	**72.7**	52.3
Plan deficit	**72.7**	52.3
Unamortized actuarial loss	**(18.1)**	(0.4)
Unamortized past-service cost	**(0.2)**	(0.3)
Accrued benefit liability at end of year	**54.4**	51.6

(millions of dollars)	**2009**	2008
Components of benefit cost		
Current service cost	**1.6**	2.2
Interest cost	**3.9**	3.8
Actuarial loss (gain)	**17.6**	(19.3)
	23.1	(13.3)
Difference between actual actuarial (gain) loss and amount recognized	**(17.6)**	20.4
Benefit expense	**5.5**	7.1

The significant actuarial assumptions used in measuring the accrued benefit obligations and benefit expense are as follows:

	2009	2008
Discount rate – benefit cost	**7.5%**	5.5%
Discount rate – accrued benefit obligation	**6.5%**	7.5%
Rate of compensation increase	**3.5%**	3.5%

Assumed health care trend rates:

	2009	2008
Initial health care expense trend rate	**7.5%**	7.0%
Cost trend decline to	**5.0%**	5.0%
Year that rate reaches the rate it is assumed to remain at	**2014**	2011

A 1% increase in assumed health care trend rates would have had the following effect:

(millions of dollars)	2009	2008
Current service and interest cost	**0.8**	1.2
Accrued benefit obligation	**11.1**	7.2

A 1% decrease in assumed health care trend rates would have had the following effect:

(millions of dollars)	2009	2008
Current service and interest cost	**(0.6)**	(0.8)
Accrued benefit obligation	**(8.7)**	(5.5)

12. SHAREHOLDER'S EQUITY

Share Capital

(millions of dollars)	2009	2008
Common shares		
Authorized: unlimited; Issued and outstanding 122,500,000 (2008 – 122,500,000)	**122.5**	122.5

In 2007, the Province held 22,503,924 shares in Hydro with a value of $22.5 million and pursuant to the Hydro Corporation Act, 2007 these shares were transferred to Nalcor. This transfer of shares was accounted for using the continuity of interests method. During 2008, Nalcor issued an additional 99,996,076 shares with a value of $100.0 million.

Contributed Capital

(millions of dollars)	2009	2008
Total contributed capital	**333.5**	191.5

During 2009, the Province contributed capital in the amount of $142.0 million (2008 - $77.5 million).

13. CAPITAL MANAGEMENT

Nalcor's primary objectives when managing capital are to minimize Nalcor's cost of capital within the confines of established risk parameters, and to safeguard Nalcor's ability to continue as a going concern. Nalcor's approach to capital management is performed on a consolidated basis. Management monitors the capital requirement for each subsidiary individually.

The capital managed by Nalcor is comprised of debt (long-term debentures, promissory notes, bank credit facilities and bank indebtedness) and equity (share capital, contributed capital, accumulated other comprehensive income and retained earnings).

A summary of the capital structure is outlined below:

(millions of dollars)	2009		2008	
Debt				
Long-term debt	1,141.6		1,175.7	
Current portion of long-term debt	37.5		9.1	
Promissory notes	-		163.0	
Sinking funds	(179.6)		(163.9)	
	999.5	**46.7%**	1,183.9	55.9%
Equity				
Share capital	122.5		122.5	
Contributed capital	333.5		191.5	
Accumulated other comprehensive income	22.0		16.5	
Retained earnings	664.0		604.0	
	1,142.0	**53.3%**	934.5	44.1%
Total debt and equity	**2,141.5**	**100.0%**	2,118.4	100.0%

Hydro

Hydro requires access to capital due to the capital intensive nature of the business which is required to ensure the continued delivery of safe and reliable service to its customers. Hydro's approach to capital management encompasses various factors including monitoring the percentage of floating rate debt in the total debt portfolio, the weighted average term to maturity of its overall debt portfolio, its percentage of debt to debt plus equity and its earnings before interest and taxes (EBIT) coverage of interest. Adjustments to the capital structure are accomplished through adjustments to the amount of dividends paid to the Shareholder, cash infusion via contributed equity and new debt issuance or debt issuance with differing characteristics. Hydro's goal is to achieve a capital structure and cash flows to support debt.

Churchill Falls

Churchill Falls' objective when managing capital is to maintain its ability to continue as a going concern. Churchill Falls' requirements for capital in the future are expected to increase, coincident with the aging of the plant and related infrastructure. The focus of the capital management policy is to provide flexibility to ensure cash continues to be available to satisfy capital requirements. Managing the level of dividend payments is a key aspect of ensuring the availability of funding to maintain the plant and infrastructure.

At present, the capital position of Churchill Falls is weighted heavily toward equity capital (share capital and retained earnings). The only remaining long-term debt at the end of the year consisted of a loan from the Bank of Nova Scotia, the balance of which comprised less than 10% of the Churchill Falls capital structure. This loan carries the same terms of repayment as the former General Mortgage Bonds and will mature in December of 2010, with any remaining principal due at that time. Churchill Falls has the right to prepay under certain conditions and has already taken advantage of the opportunity to do so. On March 19, 2008, Churchill Falls exercised its prepayment rights under the Credit Agreement to prepay $10.0 million in principal effective March 25, 2008. The corporate strategy is to ensure that funding is in place to extinguish the entire debt by the end of 2010 without re-financing. The capital structure is adjusted through the amount of dividends paid to shareholders.

Oil and Gas

Future requirements for capital are expected to increase, coincident with the increase in projects in development. Capital costs to date have been financed by equity. Once projects reach the production stage, Oil and Gas' cash from operations will contribute to funding its capital requirements.

14. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in the fair value of sinking fund and reserve fund investments comprise the items in other comprehensive income.

(millions of dollars)	2009	2008
Balance, beginning of year	16.5	19.5
Change in fair value of sinking fund investments	(1.1)	(3.6)
Change in fair value of reserve fund investments	0.4	0.6
Unrealized gains on derivatives designated as cash flow hedges	6.2	-
Balance, end of year	22.0	16.5

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

The estimated fair values of financial instruments as at December 31, 2009 are based on relevant market prices and information available at the time. The fair value of long-term debt is estimated based on the quoted market price for the same or similar debt instruments. The fair value estimates below are not necessarily indicative of the amounts that Nalcor might receive or incur in actual market transactions. As a significant number of Nalcor's assets and liabilities, including fuels and supplies and property, plant and equipment, do not meet the definition of financial instruments. The fair value estimates below do not reflect the fair value of Nalcor as a whole.

	Carrying Value	Fair Value	Carrying Value	Fair Value
(millions of dollars)	2009		2008	
Long-term debt including amount due within one year	1,179.1	1,471.0	1,184.8	1,484.8

Establishing Fair Value

The fair value of cash and cash equivalents, short-term investments, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements, based on the Nalcor's current estimated borrowing rate for loans with similar terms and conditions.

Fair Value Hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Financial instruments included in Level 1 are cash and cash equivalents and short-term investments. Financial instruments included in Level 2 are the derivative instruments, the reserve fund and sinking funds - other investments. There are no financial instruments in Level 3.

Risk Management

Exposure to credit risk, liquidity risk and market risk arises in the normal course of Nalcor's business.

Credit Risk

Nalcor is exposed to credit risk in the event of non performance by counterparties to its financial instruments. The majority of the receivables are from regulated utilities which minimizes credit risk. There is risk that Nalcor will not be able to collect all of its remaining accounts receivable and amounts owing under its customer finance plans. These financial instruments which arise in the normal course of business do not represent a significant concentration of credit risk as amounts are owed by a large number of customers on normal credit terms. Nalcor manages this credit risk primarily by executing its credit and collection policy including the requirement for security deposits from certain customers.

Nalcor manages its investment credit risk exposure by restricting its investments to high-quality securities such as Canada Treasury Bills, Bankers' Acceptances drawn on Schedule 1 Canadian Chartered Banks and Term Deposits issued by Schedule 1 Canadian Chartered Banks. Additionally, the investments held within the portfolios of Churchill Falls do not exceed 10% with any one institution, with the exception of the Government of Canada.

Liquidity Risk

Nalcor is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. This risk is managed by maintaining borrowing facilities sufficient to cover both anticipated and unexpected fluctuations within the operations and by continuously monitoring cash flows. Short-term liquidity is provided through cash and cash equivalents on hand, funds from operations, a $300.0 million promissory note program and credit facilities. Long-term liquidity risk is managed by the issuance of a portfolio of debentures with maturity dates ranging from 2014 to 2033. Sinking funds have been established for these issues. In addition, the reserve fund in Churchill Falls and the dividend management policy are used to meet long-term liquidity requirements associated with debt retirement and capital expenditure programs.

Market Risk

Market risk refers primarily to the risk of loss resulting from changes in interest rates, commodity prices and foreign exchange rates. During 2009, the Board of Directors of Nalcor approved a formal financial risk management policy that outlined the risks associated with the operations of Nalcor and its subsidiaries and approaches and guidelines to be followed in the management of those risks. This policy will be reviewed by the Board annually, or more frequently if there is a material change to Nalcor's financial risks, and outlines a formal approval process for various hedging instruments used. The Audit Committee will provide oversight on behalf of the Board with the exception of any items that specifically require Board approval.

Interest Rates

Interest rate risk is managed within the corporate financing strategy whereby floating rate debt exposures and interest rate scenarios are forecast and evaluated. A diversified portfolio of fixed and floating rate debt is maintained and managed with a view to an acceptable risk profile. Key quantitative parameters for interest rate risk management includes the percentage of floating rate debt in the total debt portfolio, coupled with an examination of the weighted average term to maturity of the entire debt portfolio. By setting clear guidelines in respect to these quantitative parameters, Nalcor attempts to minimize the likelihood of a material impact on net income resulting from an unexpected change in interest rates.

Within Hydro, exposure to changes in interest rates on interest expense related to the short-term debt portfolio and interest income related to the sinking fund investment portfolios, creates risk. Hydro estimates that a change of 100 basis points from the actual average yield on the short-term debt portfolio in 2009 would have resulted in a change in interest expense of $0.5 million (2008 - $1.3 million). Similarly, a change of 100 basis points from the actual average yield on the sinking fund investment portfolio in 2009 would have resulted in a change in interest income of $2.3 million (2008 - $2.0 million) and a change in other comprehensive income of $16.6 million (2008 - $16.1 million). Interest rate risk on the long-term debt portfolio is mitigated through the use of fixed rate debentures.

Within Churchill Falls, interest rate risk is mitigated on the company's long-term debt by virtue of a fixed interest rate to maturity. Exposure to changes in interest rates exists on investment income related to the short-term and reserve fund investment portfolios. Churchill Falls estimates that a change of 100 basis points from the actual average yield earned on the short-term investment portfolio in 2009 would have resulted in a change in interest income of $0.1 million (2008 - $0.2 million). Similarly, a change of 100 basis points from the actual average yield earned on the reserve fund investment portfolio in 2009 would have resulted in a change in interest income of $0.3 million (2008 - $0.2 million) and a change in other comprehensive income of $0.8 million (2008 - $0.5

(e) Outstanding commitments for capital projects total approximately \$22.4 million (2008 - \$13.6 million). In addition, Oil and Gas has committed to funding its share of all exploration and development projects.

(f) Hydro has entered into a number of long-term power purchase agreements as follows:

Type	Rating	In-service Date	Term
Hydroelectric	175 kW	1988	Continual
Hydroelectric	3 MW	1995	25 years
Hydroelectric	4 MW	1998	25 years
Cogeneration	15 MW	2003	20 years
Wind	390 kW	2004	15 years
Wind	27 MW	2008	20 years
Wind	27 MW	2009	20 years

Estimated payments due in each of the next five years are as follows:

(millions of dollars)	2010	2011	2012	2013	2014
Power purchases	27.0	27.6	28.5	29.5	30.2

On December 16, 2008, the Province licensed Nalcor Energy to manage and operate hydro facilities on behalf of the Province. Nalcor is operating the Star Lake, Grand Falls and Bishop's Falls facilities on a cost recovery basis. The power purchase agreements that previously applied to these facilities have been cancelled through Legislation.

(g) Nalcor has issued an irrevocable letter of credit, in the amount of \$1.5 million, to the C-NLOPB to satisfy certain financial responsibility requirements specified in the Accords Acts with respect to the issuance of authorizations for petroleum-related work or activities within the Newfoundland and Labrador offshore area.

Hydro has issued two irrevocable letters of credit, one in the amount of \$7.2 million to New Brunswick System Operator as credit support related to an application for point-to-point transmission service. The second letter of credit has been issued to the Department of Fisheries and Oceans in the amount of \$0.3 million as a performance guarantee in relation to the Fish Habitat Compensation Agreement.

Churchill Falls has issued an irrevocable letter of credit, in the amount of \$0.7 million, for waste management and compliance with a Certificate of Approval for the transportation of special hazardous wastes, granted by the Department of Environment and Conservation.

(h) Hydro has received funding in the amount of \$2.5 million from the Atlantic Canada Opportunities Agency in relation to a Wind-Hydrogen-Diesel research and development project; this funding is repayable by annual installments of \$25,000 per commercial implementation of the resulting product. As at December 31, 2009, there have been no commercial implementations.

20. RELATED PARTY TRANSACTIONS

The Province, Hydro, Churchill Falls, Bull Arm Fabrication, LCDC, GIPCo and Oil and Gas are related parties of Nalcor. In addition, the PUB is related to Nalcor by virtue of its status as an agency of the Province. Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

million). Interest rate risk is managed within the corporate financing strategy whereby floating rate debt exposures and interest rate scenarios are forecast and evaluated.

Foreign Currency and Commodity Exposure

Fair value of future cash flows of a financial instrument will fluctuate due to changes in the exchange rate between the foreign currency and the Canadian dollar. Nalcor's primary exposure to both foreign exchange and commodity price risk arises within Hydro from its purchases of No. 6 fuel for consumption at the HTGS and certain electricity sales both of which are denominated in USD.

During 2009, Hydro had total purchases of No. 6 fuel of $87.5 million (2008 - $103.9 million), denominated in USD. Nalcor's exposure to both the foreign exchange and commodity price risk associated with these fuel purchases is mitigated through the operation of the RSP. The purpose of the RSP is to both reduce volatility in customer rates as well as mitigate potential net income volatility from fuel price and volume variations. All variances in actual fuel prices and exchange rates, as compared to that approved in Hydro's most recent cost of service study used to set rates, are captured in the RSP and are either refunded to or collected from customers through automatic rate adjustments. Nalcor also employs the periodic use of forward currency contracts to avoid exposure to exchange rates on a particular day.

During 2009, total electricity sales denominated in USD were $42.5 million. Nalcor mitigates this risk through the use of forward contracts. During 2009, Nalcor entered into a series of 24 monthly foreign currency forward contracts, in the amount of $87.8 million USD at an average exchange rate of 1.17 to hedge 75% of Nalcor's forecasted USD sales, the last of which expires in April 2011. These contracts have been designated as part of a hedging relationship.

Effect of Hedge Accounting on Financial Statements

(millions of dollars)	Net Gains Included in Net Income	Unrealized Gains Included in OCI
Ineffective portion	0.5	-
Effective portion	2.4	6.2

16. INTEREST EXPENSE

(millions of dollars)	2009	2008
Gross interest		
Long-term debt	92.0	96.0
Promissory notes	0.6	4.2
	92.6	100.2
Accretion of long-term debt	0.4	0.5
Amortization of foreign exchange losses	2.2	2.2
Other	7.2	2.8
	102.4	105.7
Less		
Recovered from Hydro-Québec	-	0.1
Interest capitalized during construction	0.8	9.6
Interest earned	18.1	17.8
Net interest expense	83.5	78.2

Under the terms of the Power Contract, Churchill Falls recovers the difference between interest calculated at the rates prescribed in the Power Contract and interest paid on its long-term debt. In addition, Churchill Falls is required to share with Hydro-Québec any benefits resulting from the refinancing of the General Mortgage Bonds.

Also, Churchill Falls can request Hydro and Hydro-Québec to make advances against the issue of Subordinated Debt Obligations, to service its debt and to cover expenses if funds are not otherwise available. If such requests fail to attract sufficient advances, Churchill Falls can require Hydro-Québec to make additional advances, against the issue of units of Subordinate Debentures and shares of common stock, to service its debt and to cover its expenses that remain unfunded.

17. CHANGES IN NON-CASH OPERATING WORKING CAPITAL BALANCES

(millions of dollars)	**2009**	2008
Accounts receivable	**(11.7)**	3.1
Fuel and supplies	**(6.8)**	17.0
Prepaid expenses	**(1.7)**	(0.4)
Regulatory assets	**5.5**	18.9
Regulatory liabilities	**68.8**	14.8
Accounts payable and accrued liabilities	**39.3**	(21.5)
Employee future benefits	**2.8**	4.2
	96.2	36.1

18. SEGMENT INFORMATION

Nalcor operates in five business segments. Hydro Regulated encompasses sales of electricity to customers within the Province. Churchill Falls operates a hydroelectric generating facility and sells electricity primarily to Hydro-Québec. Energy Marketing activities include the sale of electricity to markets outside the Province. Oil and Gas activities include exploration, development, production, transportation and processing sectors of the oil and gas industry. Other encompasses industrial fabrication, some non-regulated electricity sales, development activities including the Lower Churchill Project and corporate activities. The designation of segments has been based on a combination of regulatory status and management accountability. The segments' accounting policies are the same as those previously described in Note 2.

(millions of dollars)	Hydro Regulated	Churchill Falls	Oil and Gas	Energy Marketing	Other	Inter-Segment	Total
				2009			
Revenue							
Energy sales	443.8	61.0	-	54.7	6.0	(3.9)	561.6
Other	2.2	0.3	0.4	0.7	6.1	(1.3)	11.0
	446.0	61.3	0.4	55.4	12.1	(2.6)	572.6
Expenses							
Operations and administration	100.9	37.7	2.7	17.2	13.4	-	171.9
Fuels	155.2	-	-	-	-	-	155.2
Interest	83.5	0.4	-	-	(0.4)	-	83.5
Amortization	41.7	12.8	0.1	-	0.3	-	54.9
Power purchased	46.8	-	-	4.2	-	(3.9)	47.1
	428.1	50.9	2.8	21.4	13.3	(3.9)	512.6
Net income (loss) from operations	17.9	10.4	(2.4)	34.0	(1.2)	1.3	60.0
Preferred dividends	-	1.3	-	-	-	(1.3)	-
Net income (loss)	17.9	11.7	(2.4)	34.0	(1.2)	-	60.0
Capital expenditures	54.1	3.7	82.6	-	37.7	-	178.1
Total assets	1,766.0	420.5	198.3	10.2	286.2	(50.5)	2,630.7
				2008			
Revenue							
Energy sales	440.1	68.9	-	51.3	6.9	(3.9)	563.3
Other	2.2	0.3	0.3	-	1.1	3.1	7.0
	442.3	69.2	0.3	51.3	8.0	(0.8)	570.3
Expenses							
Operations and administration	99.1	38.8	0.4	-	9.9	-	148.2
Fuels	164.8	-	-	-	-	-	164.8
Interest	87.6	0.1	-	-	(9.5)	-	78.2
Amortization	40.4	12.6	-	-	0.2	-	53.2
Power purchased	41.4	-	-	3.5	-	(3.9)	41.0
Write-down of investment	-	-	-	-	2.7	-	2.7
	433.3	51.5	0.4	3.5	3.3	(3.9)	488.1
Net income (loss) from operations	9.0	17.7	(0.1)	47.8	4.7	3.1	82.2
Preferred dividends	-	3.1	-	-	-	(3.1)	-
Net income (loss)	9.0	20.8	(0.1)	47.8	4.7	-	82.2
Capital expenditures	45.6	4.3	112.4	-	43.2	-	205.5
Total assets	1,711.4	414.4	112.7	3.7	250.4	(27.6)	2,475.0

Revenues by geographic area:

(millions of dollars)	2009	2008
Newfoundland and Labrador	459.6	448.7
Québec	69.8	121.6
Nova Scotia	39.7	-
New Brunswick	3.5	-
	572.6	570.3

All of Nalcor's assets are located in the Province.

19. COMMITMENTS AND CONTINGENCIES

(a) Under the terms of a sublease with Twin Falls, expiring on December 31, 2014, Churchill Falls is required to deliver to Twin Falls, at an agreed price, horsepower equivalent to the installed horsepower of the Twin Falls plant and to maintain Twin Falls' plant and equipment. The costs associated with making the plant operational, if required, are not estimable at this time. In 2015, the physical assets of Twin Falls will revert to Churchill Falls, and Churchill Falls is required to make this horsepower available to Hydro at rates that are commercially reasonable pursuant to the 1999 shareholders' agreement.

(b) The results of an Environmental Site Assessment (ESA) conducted at the Twin Falls Generating Station indicated higher than acceptable concentrations of contaminants in the soil and waters adjacent to the powerhouse. Further testing was conducted to determine the extent of contamination. The recommendations arising from this testing indicate that remediation is not required, but further monitoring be carried out. Further monitoring is recommended for 2010 and every five years thereafter.

(c) Effective March 31, 2009, Hydro's five-year power sales agreement to sell energy to Hydro-Québec expired. Effective April 1, 2009, Hydro entered into a power sales agreement with a third party with respect to the energy previously sold to Hydro-Québec. To facilitate market access, Hydro has entered into a five-year transmission service agreement with Hydro-Québec TransÉnergie to acquire access to 265 MW of transmission capacity from Labrador through Québec. Hydro has the right to renew its transmission service contract at the end of the contract term. If at that time there is a competing service request for the same path, in order to renew the service agreement, Hydro must agree to accept a contract term that is at least equal to that of the competing request.

Pursuant to Hydro's five-year transmission service agreement with Hydro-Québec TransÉnergie, the transmission rental payments for the next five years are as follows:

2010	$19.2 million
2011	$19.2 million
2012	$19.2 million
2013	$19.2 million
2014	$4.8 million

(d) Nalcor and its subsidiaries have received claims instituted by various companies and individuals with respect to outages and other miscellaneous matters. Although such matters cannot be predicted with certainty, management currently considers Nalcor's exposure to such claims and litigation, to the extent not covered by insurance policies or otherwise provided for, to be $0.1 million (2008 - $0.2 million).

One of Hydro's industrial customers commenced legal proceedings in 1997, claiming approximately $21.9 million (2008 - $22.2 million) related to outages and plant shutdowns. Hydro is defending this claim. While the ultimate effect of such an action cannot be ascertained at this time, in the opinion of Hydro's management, following consultation with its legal counsel, no liability should be recognized.

(a) Hydro has entered into a long-term power contract with Churchill Falls for the purchase of $5.9 million (2008 - $6.0 million) of the power produced by Churchill Falls and Nalcor's 65.8% share is eliminated upon consolidation.

(b) For the year ended December 31, 2009, approximately $2.3 million (2008 - $2.2 million) of operating costs were recovered from Churchill Falls for engineering, technical, management and administrative services. Nalcor's 65.8% share is eliminated upon consolidation.

(c) Hydro is required to contribute to the cost of operations of the PUB as well as pay for the cost of hearings into applications it makes. During 2009, Hydro incurred $0.6 million in costs related to the PUB (2008 - $0.6 million) of which $0.1 million (2008 - $0.1 million) was included in accrued liabilities.

(d) Nalcor, and its subsidiaries, have a net payable to the Province of $9.5 million (2008 - $4.3 million). This payable consists of various transactions including rentals and royalties, power purchases, cost recoveries and amounts related to the acquisition of Bull Arm Fabrication. Of the $9.5 million, $8.7 million is included in Accounts payable and accrued liabilities (2008 - $3.3 million).

(e) During 2009, Hydro received $0.4 million (2008 - $0.4 million) as a rate subsidy for rural isolated customers from the Province and $1.6 million (2008 - $1.5 million) as an energy rebate to offset the cost of basic electricity consumption for Labrador rural isolated residential customers under the Northern Strategic Plan with $0.1 million (2008 - $0.1 million) recorded as accounts receivable at year-end.

(f) During 2009, Bull Arm Fabrication received $2.0 million (2008 - $0.5 million) in funding from the Province. As at December 31, 2009, $0.5 million is included in deferred credits.

(g) Oil and Gas administers the Petroleum Exploration Enhancement Program (PEEP), established as part of the Newfoundland and Labrador Energy Plan, on behalf of the Province. PEEP is designed to boost new petroleum exploration in western Newfoundland through the acquisition and assessment of seismic data. Total funding available under PEEP is $5.0 million over five years. During 2009, $1.0 million (2008 – nil) in funding was received of which $0.4 million is included in deferred credits at December 31, 2009 (2008 – $0.3 million included in receivables).

21. SIGNIFICANT OCCURRENCE

On November 3, 2008, a fire occurred in a cable shaft at Churchill Falls causing extensive damage to two sets of high voltage cables in two units of the cable shaft. This resulted in Nalcor's 65.8% share of lost GWAC revenue and power sales of approximately $7.7 million and $2.5 million in 2009 and $8.4 million and $2.1 million in 2008.

Nalcor's share of total repair costs of $5.3 million as of December 31, 2009 was covered by insurance with the exception of a $1.3 million deductible. Repair work was completed on the first unit in February 2009 and the second unit in October 2009.

22. ACQUISITION

On March 31, 2009, Nalcor acquired 100% of the shares of Bull Arm Fabrication from the Province for cash consideration of one dollar. At the time of acquisition, Nalcor and Bull Arm Fabrication were subject to common control. As a result, the acquisition was accounted for using the continuity of interests method and the assets and liabilities acquired were recorded at their carrying values. Accordingly, these financial statements have been prepared to reflect the financial position and results of operations and cash flows as if Nalcor and Bull Arm Fabrication had been combined since inception.

23. WATER MANAGEMENT AGREEMENT

In June 2007, the Province passed an amendment to the Electrical Power Control Act, 1994 (EPCA). The amendment requires parties, that utilize a common water resource in the province for power production, enter into a water management agreement. If the parties cannot reach an agreement, the PUB has the authority to impose an agreement on the parties. Nalcor's proposed hydroelectric development shares the Churchill River with Churchill Falls' hydroelectric generation plant. The amendment provides that any resulting water management agreement will not adversely affect existing power contracts.

A tentative agreement reached between management of Nalcor and Churchill Falls was not approved by the Churchill Falls Board of Directors. As a result, on November 10, 2009, Nalcor applied to the PUB to establish the terms of the agreement. In March 2010, the PUB established an agreement, see Note 24.

24. SUBSEQUENT EVENTS

(a) In January 2010, Hydro entered into 28 swap contracts to hedge the commodity price risk on electricity sales in the amount of $24.7 million.

(b) On February 16, 2010, Oil and Gas signed formal agreements to purchase a 10% working interest in the Hibernia Southern Extension for $30.0 million.

(c) On February 23, 2010, Churchill Falls filed a motion against Hydro-Québec in the Québec Superior Court. The motion is seeking a modification to the pricing terms of the 1969 Power Contract as of November 30, 2009. The outcome of this motion is not determinable at this time.

On February 3, 2010, the Province established a trust with Churchill Falls as the beneficiary. The purpose of this trust is to fund the external costs and expenses incurred in relation to this matter.

(d) In February 2010, Hydro issued 22 letters of credit, for transmission bookings, reducing the availability of its credit facility by $11.5 million.

(e) On March 2, 2010, Nalcor received notification that a $40.0 million equity contribution from the Province was approved.

(f) On March 9, 2010, the PUB issued a board order establishing the water management agreement proposed by Nalcor in November 2009.

Grant Thornton

Financial Statements

Newfoundland and Labrador Centre for Health Information

March 31, 2010

Grant Thornton

Auditors' report

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To the Directors of the

Newfoundland and Labrador Centre for Health Information

We have audited the statement of financial position of the Newfoundland and Labrador Centre for Health Information at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Centre'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 financial position of the Newfoundland and Labrador Centre for Health Information as at March 31, 2010 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

St. John's, Newfoundland and Labrador

May 28, 2010

Chartered Accountants

Newfoundland and Labrador Centre for Health Information

Statements of Operations and Changes in Net Assets

Year Ended March 31	2010	(Note 11) 2009
Revenue		
Government operating grants	$ 13,137,780	$ 7,164,089
Canada Health Infoway	2,163,586	5,660,958
Research funding	970,075	1,109,024
Government project grants	3,151,482	2,465,394
Amortization of deferred capital contributions	874,055	88,293
Interest income	21,260	145,172
	20,318,238	16,632,930
Expenditure		
Advertising	23,979	25,096
Data communications	708,707	936,538
Depreciation	1,347,185	207,453
Insurance	42,508	32,464
Minor equipment	1,575,464	61,404
Miscellaneous	9,295	21,098
Office supplies	297,093	288,252
Picture Archiving and Communication System Regional Integrated Health Authority reimbursements	-	1,219,684
Professional fees	72,639	104,415
Project consulting fees	4,023,438	5,179,589
Rent	911,744	291,904
Salaries and benefits	8,985,562	6,275,767
Software maintenance	1,883,629	1,165,661
Telephone	159,766	114,440
Training	161,017	174,834
Travel	230,667	311,703
	20,432,693	16,410,302
Excess of (expenditure over revenue) revenue over expenditure	$ (114,455)	$ 222,628

Net assets, beginning of year	$ 1,145,171	$ 922,543
Excess of (expenditure over revenue) revenue over expenditure	(114,455)	222,628
Net assets, end of year	$ 1,030,716	$ 1,145,171

Newfoundland and Labrador Centre for Health Information

Statement of Financial Position

March 31

	2010	2009
Assets		
Current		
Cash and cash equivalents	$ 816,558	$ 4,457,193
Receivables (Note 5)	7,049,484	7,383,936
Prepaids	1,132,323	821,544
Deferred project costs	4,610,316	2,964,562
	13,608,681	15,627,235
Property and equipment (Note 6)	17,168,205	14,419,239
	$ 30,776,886	$ 30,046,474
Liabilities		
Current		
Payables and accruals (Note 7)	$ 5,380,319	$ 4,715,670
Deferred revenue	9,833,950	14,298,576
	15,214,269	19,014,246
Deferred capital contributions (Note 8)	13,719,541	9,306,981
Accrued severance pay	812,360	580,076
	29,746,170	28,901,303
Net Assets		
Net assets	1,030,716	1,145,171
	$ 30,776,886	$ 30,046,474

Commitments (Note 10)

On behalf of the Board

Bill Allen Director

Director

Newfoundland and Labrador Centre for Health Information

Statement of Cash Flows

Year Ended March 31	2010	2009
(Decrease) increase in cash and cash equivalents		
Operating		
Excess of (expenditure over revenue) revenue over expenditure	$ (114,455)	$ 222,628
Items not requiring a cash outlay		
Depreciation	1,347,185	207,453
Amortization of deferred capital contributions	(874,055)	(88,293)
Increase in severance pay accrual	232,284	159,165
	590,959	500,953
Change in non-cash operating working capital (Note 9)	(5,422,058)	6,062,940
	(4,831,099)	6,563,893
Financing		
Capital contributions	5,286,614	1,721,948
Investing		
Purchase of capital assets	(4,103,150)	(6,007,045)
Proceeds on sale of capital assets	7,000	-
	(4,096,150)	(6,007,045)
(Decrease) increase in cash and cash equivalents	(3,640,635)	2,278,796
Cash and cash equivalents		
Beginning of year	4,457,193	2,178,397
End of year	$ 816,558	$ 4,457,193

Newfoundland and Labrador Centre for Health Information

Notes to the Financial Statements

March 31, 2010

1. Nature of operations

The Newfoundland and Labrador Centre for Health Information (the Centre) was established by the Government of Newfoundland and Labrador in 1996 following the recommendation of the Health System Information Task Force (1995). Through the support of the provincial government and Canada Health Infoway Inc., the Centre has been recognized for its contribution to the national agenda for development of the Electronic Health Record with the first provincial client registry designed and implemented for the Electronic Health Record. The Centre is also involved with data standards development and dissemination, applied health research and the evaluation of health information systems.

The Newfoundland and Labrador Centre for Health Information Act was proclaimed on April 27, 2007, thereby establishing the Centre as a Corporation without share capital under the Corporations Act. The Centre now acts as an agent of the Crown.

2. Summary of significant accounting policies

These financial statements have been prepared within the framework of Canadian generally accepted accounting principles, the more significant of which are as follows:

Basis of accounting

These financial statements include only the assets, liabilities, revenues and expenditures relating to the operations carried on under the name of Newfoundland and Labrador Centre for Health Information.

Use of estimates

In preparing the Centre's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

2. **Summary of significant accounting policies** (cont'd.)

Revenue recognition

Government grants are recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred revenue. Revenue from research and other contracts is recognized as the related expenditures are incurred. Interest income is recognized as it is earned.

Depreciation

Rates and basis of depreciation applied to write off the cost of property and equipment over their estimated lives are as follows:

Computer equipment	20%, straight line
Office furniture	15%, straight line
Computer software	33%, straight line
Leasehold improvements	10%, straight line
Pharmacy Network	10%, straight line

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

Capital contributions

Capital contributions are recorded as deferred contributions and are amortized to income on a straight line basis using the same rates as the depreciation expense related to the capital assets purchased.

Deferred project costs

Project costs are deferred as incurred until the same period in which the related revenue can be recognized as per the terms of the project contract.

2. **Summary of significant accounting policies** (cont'd.)

Severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continual service, and accordingly no provision has been made in accounts for employees with less than nine years of continual service. Severance pay is payable when the employee ceases employment with the Centre.

Pension costs

Employees of the Centre are covered by the Public Service Pension Plan administered by the Government of Newfoundland and Labrador. Contributions to the plan are required from both the employees and the Centre. The annual contributions for pensions are recognized in the accounts on a current basis. Total pension expense for the Centre in the year was $546,242 (2009 – $362,750).

Financial instruments

The CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement", requires the Organization to revalue all of its financial assets and liabilities at fair value on the initial date of implementation.

This standard also requires the Centre to classify financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurements. Classification choices for financial assets include: a) held for trading - measured at fair value with changes in fair value recorded in excess of revenue over expenditure; b) held to maturity – recorded at amortized cost with gains and losses recognized in excess of revenue over expenditure in the period that the asset is no longer recognized or impaired; c) available-for-sale - measured at fair value with changes in fair value recognized in net assets for the current period until realized through disposal or impairment; and d) loans and receivables - recorded at amortized cost with gains and losses recognized in excess of revenue over expenditure in the period that the asset is no longer recognized or impaired.

2. **Summary of significant accounting policies** (cont'd.)

Classification choices for financial liabilities include: a) held for trading - measured at fair value with changes in fair value recorded in excess of revenue over expenditure and b) other – measured at amortized cost with gains and losses recognized in excess of revenue over expenditure in the period that the liability is no longer recognized.

Subsequent measurement for these assets and liabilities are based on either fair value or amortized cost using the effective interest method, depending upon their classification. Any financial asset or liability can be classified as held for trading as long as its fair value is reliably determinable.

In accordance with this standard, the Centre's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	**Classification**	**Measurement**
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Payables and accruals	Other liabilities	Amortized cost

Other balance sheet accounts, such as prepaids, deferred project costs, property and equipment, deferred capital contributions and deferred revenue are not within the scope of these accounting standards as they are not financial instruments.

Embedded derivatives are required to be separated and measured at fair values if certain criteria are met. Under an election permitted by this standard, management reviewed contracts entered into or modified subsequent to April 1, 2007 and determined that the Centre does not currently have any significant embedded derivatives in its contracts that require separate accounting treatment.

The fair value of a financial instrument is the estimated amount that the Centre would receive or pay to terminate the instrument agreement at the reporting date. To estimate the fair value of each type of financial instrument various market value data and other valuation techniques were used as appropriate. The fair value of cash and cash equivalents approximated its carrying value.

3. Financial risk management

The Centre's policy for managing significant risks includes a comprehensive infrastructure of policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board of Directors is provided with timely and relevant reports on the management of significant risks. Significant risks managed by the Centre include liquidity and credit risks.

Liquidity risk

Liquidity risk is the risk that the Centre will be unable to meet its contractual obligations and financial liabilities. The Centre manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Centre's credit risk is attributable to receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

4. Capital management

The capital structure of the Centre consists of net assets. The primary objective of the Centre's capital management is to ensure adequate funding for efficient operations.

The net assets are available for future operations and are preserved so the Centre can have financial flexibility in the future.

5. Receivables

	2010	2009
Government of Newfoundland and Labrador	$ 4,562,211	$ 3,080,298
Canada Health Infoway	1,243,517	4,025,702
Harmonized sales tax	520,391	-
Other	723,365	277,936
	$ 7,049,484	$ 7,383,936

6. **Property and equipment**

	Cost	Accumulated Depreciation	2010 Net Book Value	2009 Net Book Value
Computer equipment	$ 5,552,676	$ 1,442,386	**$ 4,110,290**	$ 3,723,712
Office furniture	295,727	113,471	**182,256**	287,130
Computer software	2,531,927	1,788,553	**743,374**	313,743
Leasehold improvements	215,476	17,672	**197,804**	65,545
Pharmacy network	12,438,979	504,498	**11,934,481**	10,029,109
	$ 21,034,785	$ 3,866,580	**$ 17,168,205**	$ 14,419,239

During the year, the Centre purchased $4,103,150 of capital assets. As of year end $4,273,260 (2009-$5,602,293) of unfunded additions remain from prior years. The majority of unfunded assets will be funded through claims once key project milestones have been reached.

During the year, the Centre acquired property and equipment totalling $640,974 (2009 - $6,378,511) which was not available for use during the year and was not depreciated.

7. **Payables and accruals**

	2010	2009
Trade and sundry	**$ 4,415,461**	$ 4,085,279
Harmonized sales tax	-	58,153
Vacation and compensatory pay	**964,858**	572,238
	$ 5,380,319	$ 4,715,670

8. **Deferred capital contributions**

	2010	2009
Opening balance	**$ 9,306,981**	$ 7,673,326
Capital contributions from Government	**3,512,447**	688,062
Capital contribution from Canada Health Infoway	**1,774,168**	1,033,886
Amortization of deferred capital contribution	**(874,055)**	(88,293)
	$ 13,719,541	$ 9,306,981

9. Supplemental cash flow information

	2010	2009
Change in non-cash operating working capital		
Receivables	$ 334,453	$ (987,053)
Prepaids	(310,779)	(777,546)
Deferred project costs	(1,645,754)	1,592,839
Payables and accruals	664,648	1,460,564
Deferred revenue	(4,464,626)	4,774,136
	$ (5,422,058)	$ 6,062,940

10. Commitments

Under the terms of several long-term contracts related to the rental of office space, equipment lease and software fees, the Centre is committed to make the approximate lease payments for the next five years as follows:

2011	$ 4,591,423
2012	$ 4,644,573
2013	$ 4,429,427
2014	$ 4,242,903
2015	$ 3,118,846

11. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY

NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND

FINANCIAL STATEMENTS

31 MARCH 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Crop Insurance Agency
Corner Brook, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund as at 31 March 2010 and the statement of revenues, expenses and deficit for the year then ended. These financial statements are the responsibility of the Agency'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 Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund as at 31 March 2010 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
7 June 2010

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
BALANCE SHEET

31 March	2010	2009
ASSETS		
Current		
Cash	$ 130,332	$ 52,356
Accounts receivable (Note 2)	1,902	1,477
	$ 132,234	$ 53,833
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 3)	$ 6,591	$ 1,400
Equity		
Contributions – Province of Newfoundland and Labrador	280,000	280,000
Deficit	(154,357)	(227,567)
	125,643	52,433
	$ 132,234	$ 53,833

Signed on behalf of the Board: C. MacDonald Chair   Gerald Wicks Member

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
STATEMENT OF REVENUES, EXPENSES AND DEFICIT

For the Year Ended 31 March	2010	2009
REVENUES		
Government of Canada (Note 4)	$ 195,044	$ 189,605
Province of Newfoundland and Labrador (Note 4)	130,029	126,402
Premiums from insured persons	58,351	40,032
Appeal administration fee	100	-
	383,524	356,039
EXPENSES		
Administration (Note 5)		
Bank charges	17	41
Board expenses	1,597	2,607
Equipment supplies	9,463	7,310
Professional services	2,904	2,529
Purchased services	5,626	5,815
Salaries and employee benefits	190,108	189,075
Supplies	10,903	16,691
Transportation and communications	16,928	24,988
	237,546	249,056
Refund appeal fees	-	100
Indemnity claims	72,768	96,751
	310,314	345,907
Excess of revenues over expenses	73,210	10,132
Deficit, beginning of year	(227,567)	(237,699)
Deficit, end of year	$ (154,357)	$ (227,567)

Authority

The Newfoundland and Labrador Crop Insurance Agency (the Agency) operates under the authority of the *Crop Insurance Act*. The purpose of the Agency is to operate the Newfoundland and Labrador Crop Insurance Fund which provides insurance to farmers of the Province through restricting the amount of financial loss due to crop failure. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the Newfoundland and Labrador Crop Insurance Fund.

1. Significant accounting policies

These financial statements have been prepared by the Agency's management in accordance with Canadian generally accepted accounting principles. The Agency does not prepare a statement of cash flows since the changes in cash flows are readily apparent from the other statements.

2. Accounts receivable

	2010	2009
Province of Newfoundland and Labrador	$ 1,902	$ 1,477
Premiums from insured persons	2,140	2,140
	4,042	3,617
Less: allowance for doubtful accounts	2,140	2,140
	$ 1,902	$ 1,477

3. Accounts payable and accrued liabilities

	2010	2009
Indemnity claim payable to insured persons	$ 5,191	$ -
Province of Newfoundland and Labrador	1,400	1,400
	$ 6,591	$ 1,400

4. Premium contributions and administration expenses

Under an agreement with the Government of Canada, the Province of Newfoundland and Labrador recovers 60% of the total government contribution for premiums and eligible administration expenses.

	2010	2009
Government of Canada		
Premiums contributions	$ 52,516	$ 40,171
Payments for administration	142,528	149,434
	$ 195,044	$ 189,605
Province of Newfoundland and Labrador		
Premiums contributions	$ 35,011	$ 26,780
Payments for administration	95,018	99,622
	$ 130,029	$ 126,402

5. Payments on behalf of the Agency for administration

Agency staff are employees of the Department of Natural Resources. Excluding bank charges, salaries and other costs of $237,529 (2009 - $249,015) applicable to the operation of the Agency have been paid by the Department and are reflected in these financial statements as expenses of the Agency and as revenue in the form of payments made by the Province and the Government of Canada.

6. Economic dependence

As a result of the Agency's reliance on provincial funding to meet its operating costs, the Agency's ability to continue viable operations is dependent upon continued funding from the Province.

7. Financial instruments

The Agency's financial instruments recognized on the balance sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Any estimated impairment of accounts receivable has been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to the financial instruments.

8. Income taxes

The Agency is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chairperson and Members
Newfoundland and Labrador Housing Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Housing Corporation as at 31 March 2010 and the statements of revenues, expenses and surplus, 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 31 March 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
25 June 2010

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
BALANCE SHEET

31 March	2010	2009
	(000's)	(000's)
ASSETS		
Cash	$ 61,177	$ 40,633
Accounts receivable (Note 2)	10,231	5,346
Due from the Province of Newfoundland and Labrador - Labrador Housing Programs (Note 3)	2,291	3,341
Inventory and prepaid expenses (Note 4)	3,911	3,418
Mortgages and loans receivable (Note 5)	10,502	13,390
Receivable from municipalities re: land transfers (Note 6)	1,448	1,504
Land assemblies (Note 7)	1,322	7,321
Rental properties (Note 8)	190,167	193,614
Capital assets (Note 9)	11,238	9,070
	$ 292,287	$ 277,637
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	$ 14,594	$ 12,021
Deferred revenue (Note 10)	29,418	24,263
Group health and life insurance retirement benefits (Note 11)	14,768	13,343
Capital replacement fund (Note 12)	6,267	6,668
Mortgage insurance fund (Note 13)	3,252	3,252
Mortgages, debentures and similar indebtedness (Note 14)	24,777	24,374
CMHC investment in cost-shared programs (Note 15)	110,570	117,578
	203,646	201,499
Equity		
Contributed capital - Province of Newfoundland and Labrador (Note 16)	62,861	62,861
Surplus	25,780	13,277
	88,641	76,138
	$ 292,287	$ 277,637

Contingent liabilities (Note 17)

Commitments (Note 18)

See accompanying notes

Signed on behalf of the Board: Len Simms, **Chairperson** Rhonda M. Neary, **Member**

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the Year Ended 31 March	2010	2009
	(000's)	(000's)
REVENUES		
CMHC (Note 20)	$ 60,052	$ 59,345
Province of Newfoundland and Labrador operating grant	56,570	35,668
Rent	18,797	18,662
Land assemblies sales	10,759	6,818
Interest	5,482	6,439
Other income	852	355
Profit from land sales by municipalities	317	395
Gain on sale of rental properties	79	481
Gains on mortgages, loans and repossessions	-	30
	152,908	128,193
EXPENSES		
Administrative expenses (Note 21)	22,051	20,469
CMHC share of interest revenue	680	1,060
Community based housing operating subsidies	13,838	9,834
Grants to homeowners	22,332	20,930
Interest expense	2,429	2,390
Land assemblies costs (Note 7)	6,901	2,395
Losses on mortgages, loans and repossessions	55	-
Mortgage subsidies	611	850
Rental properties expenses (Note 22)	65,692	61,359
Rental properties written off	59	5
Rent supplement subsidies	5,757	4,362
	140,405	123,654
Excess of revenues over expenses	12,503	4,539
Surplus, beginning of year	13,277	8,738
Surplus, end of year	$ 25,780	$ 13,277

See accompanying notes

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2010	2009
	(000's)	(000's)
Cash flows from operating activities:		
Excess of revenues over expenses	$ 12,503	$ 4,539
Add (deduct) non-cash items:		
Mortgage subsidies	611	850
Losses (gains) on mortgages, loans and repossessions	55	(30)
Amortization of rental properties (Note 22)	6,874	6,983
Amortization of community based housing	913	831
Amortization of Labrador Housing Programs	1,050	1,050
Write-off of rental properties	59	5
Gain on sale of rental properties	(79)	(481)
Amortization of capital assets	1,281	1,070
CMHC portion of non-cash items	262	2,803
Group health and life insurance retirement benefits (Note 11)	1,425	1,371
	24,954	18,991
Net change in other operating items	(2,805)	(1,188)
	22,149	17,803
Cash flows from investing activities:		
Decrease in receivable from municipalities re: land transfers	56	131
Decrease in land assemblies	5,999	2,010
Advances of mortgages and loans	(1,831)	(1,663)
Principal recoveries of mortgages and loans	4,053	4,396
Proceeds from sale of rental properties	349	1,115
Investment in capital assets	(3,449)	(2,114)
Investment in rental properties	(4,669)	(274)
Labrador Housing Programs	-	(170)
	508	3,431
Cash flows from financing activities:		
Increase in deferred revenue	5,155	9,899
Decrease in capital replacement fund	(401)	(527)
Increase in mortgages, debentures, and similar indebtedness	1,521	-
Repayments of mortgages, debentures, and similar indebtedness	(1,118)	(1,071)
Repayments of CMHC investment in cost-shared programs	(7,270)	(10,524)
	(2,113)	(2,223)
Increase in cash	20,544	19,011
Cash, beginning of year	40,633	21,622
Cash, end of year	$ 61,177	$ 40,633

Authority

The Newfoundland and Labrador Housing Corporation (the Corporation) operates under authority of the *Housing Corporation Act*. The purpose of the Corporation is to provide cost-effective housing and related programs for the benefit of the residents of the Province with priority given to those most in need. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Mortgages and loans receivable

An allowance for mortgages and loans impairment is estimated based on the value of accounts referred to a collection agency and the accounts with reported arrears balances. The security and source of funding for the accounts that are in arrears are considered in this estimation.

(b) Repossessed units

Repossessed units are valued at the lower of cost and net realizable value based on appraised values and the estimated recovery of cost through social housing rental programs.

(c) Land assemblies

Land assemblies are valued at the lower of cost and net realizable value. Items capitalized as the cost of land assemblies include land acquisition costs, development costs, interest and other related carrying charges.

Land assembly sales are recognized as earned. A portion of the sales revenue is deferred to cover future anticipated costs relative to the land sold. The percentage of revenue deferred is equal to the percentage of cost to complete on a project by project basis.

(d) Rental properties

Rental properties are valued at the lower of cost less accumulated amortization and net recoverable amount. Items capitalized as the cost of a project include land acquisition costs, development and construction costs, interest and other related carrying charges. In instances where properties have been transferred from Government departments, costs have been recorded at $1. Amortization is calculated using the methods described below based on the expected useful lives of all assets as follows:

1. **Significant accounting policies (cont.)**

(d) Rental properties (cont.)

Non-profit housing	
- Capital cost	Sinking fund, 25-50 years
- Renovation costs	Sinking fund, 15 years
Market housing	
- Capital cost	2% declining balance
- Renovation costs	Straight line, 15 years

(e) Capital assets

All capital assets are capitalized at cost at the time of acquisition. Amortization is calculated using the methods described below based on the expected useful lives of all assets as follows:

Office buildings	2% declining balance
Furniture and office equipment	Straight line, 10 years
Maintenance tools and equipment	Straight line, 10 years
Computer hardware and software	Straight line, 4 years
Vehicles	Straight line, 5 years

(f) Severance pay

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service. The amount is payable when employees cease employment with the Corporation unless an employee transfers to another entity in the public service, in which case the liability is transferred with that employee to the other entity.

(g) Revenue recognition

Interest income is accounted for on the accrual basis for all mortgages and loans other than the impaired portion of mortgages and loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired. A loan is classified as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of a portion of principal or interest. The impaired portion of loans may revert to accrual status only when principal and interest payments have become fully current again, at which time any interest will be recognized in that fiscal year.

1. **Significant accounting policies (cont.)**

(g) Revenue recognition (cont.)

Revenue received for a future period is deferred until that future period and is reflected as deferred revenue.

(h) Use of estimates

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 at the date of the financial statements, and reported amounts of revenues and expenses during the year.

(i) Financial instruments

The Corporation's financial instruments consist of cash, accounts receivable, due from the Province of Newfoundland and Labrador – Labrador Housing Programs, mortgages and loans receivable, receivable from municipalities re: land transfers, accounts payable and accrued liabilities, group health and life insurance retirement benefits, and mortgages, debentures and similar indebtedness. These financial instruments are accounted for as follows:

Held-for-trading

The Corporation has designated cash as held-for-trading and is measured at fair value.

Loans and receivable

The Corporation has classified the following financial assets as loans and receivables: accounts receivable, due from the Province of Newfoundland and Labrador – Labrador Housing Programs, mortgages and loans receivable, and receivable from municipalities re: land transfers. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Gains and losses arising from changes in fair value are recognized in net income upon de-recognition or impairment. Given the short-term nature of accounts receivable, due from the Province of Newfoundland and Labrador – Labrador Housing Programs, and receivables from municipalities re: land transfers, their carrying values equate to their current fair value. The current fair value of mortgages and loans receivable is set out in Note 5.

(i) Financial instruments (cont.)

Other financial liabilities

The Corporation has classified the following as other financial liabilities: accounts payable and accrued liabilities, group health and life insurance retirement benefits, and mortgages, debentures and similar indebtedness. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Given the short-term nature of accounts payable and accrued liabilities, their carrying value equate their current fair value. The carrying value of the Corporation's group health and life insurance retirement benefits is based on actuarial valuations adjusted over time for the effect of changes in assumptions and approximates its fair value. The current fair value of mortgages, debentures and similar indebtedness is set out in Note 14.

2. Accounts receivable

	2010 (000's)	2009 (000's)
CMHC	**$ 8,170**	$ 2,690
HST	**1,210**	1,369
Land assemblies	**-**	389
Rents	**95**	224
Other	**831**	802
	10,306	5,474
Less: allowance for doubtful accounts	**75**	128
	$ 10,231	$ 5,346

3. Due from the Province of Newfoundland and Labrador - Labrador Housing Programs

In March 2000, the Province directed the Corporation to fund the renovation of existing dwellings and construction of new dwellings in Northern Coastal Labrador. In March 2002, the Province directed the Corporation to fund the construction of a personal care home in Mary's Harbour.

Under these initiatives, title to these dwellings is held by the homeowners with the Province repaying the renovation and construction costs over a 15 year period. As at 31 March 2010 the amount due from the Province was $2,291,000 (2009 - $3,341,000).

These projects are being amortized at $1,050,000 annually.

4. **Inventory and prepaid expenses**

		2010 (000's)		2009 (000's)
Inventory	$	**355**	$	322
Prepaid expenses		**3,556**		3,096
	$	**3,911**	$	3,418

5. **Mortgages and loans receivable**

		2010 (000's)		2009 (000's)
Provincial Home Repair Program	$	**5,977**	$	6,201
Residential Rehabilitation Assistance Program loans		**2,704**		3,985
Subsidized mortgages to homeowners		**1,880**		3,366
Other mortgages and loans		**1,507**		1,562
		12,068		15,114
Less: allowance for impaired accounts		**1,566**		1,724
	$	**10,502**	$	13,390

The allowance for impaired mortgages and loans relates primarily to the Residential Rehabilitation Assistance Program loans portfolio.

6. **Receivable from municipalities re: land transfers**

In September 1998, the Province directed the Corporation to enter into agreements with municipalities to transfer its banked and developed industrial and commercial land. The agreements will transfer these lands to the municipalities under a mortgage arrangement and provide for a share of future land sales revenue to the Corporation.

The receivable is valued at the lower of the carrying value of the land at the date of transfer and the Corporation's share of the net realizable value of the land as outlined in the agreement. The estimated net realizable value is determined using management's best estimates of future sales. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates are not predictable. Consequently, adjustments to the carrying value of the receivable from municipalities re: land transfers are possible depending on the impact of any changes and management's best estimate of them.

As of 31 March 2010, twenty-one agreements have been completed for the transfer of lands to municipalities at a carrying value of $1,448,000 (2009 - $1,504,000).

7. Land assemblies

	2010	2009
	(000's)	(000's)
Land assemblies, beginning of year	**$ 7,321**	$ 9,331
Cost incurred during the year:		
Land acquisition and development	**744**	281
Interest, capitalized	**158**	104
	8,223	9,716
Less: cost of earned sales recognized during year	**6,901**	2,395
Land assemblies, end of year	**$ 1,322**	$ 7,321

In September 1998, the Province directed the Corporation to divest of the majority of its land holdings. Land assemblies are valued at the lower of cost and net realizable value. The estimated net realizable value is determined using management's best estimates of future sales and costs. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates, are not predictable. Consequently, material adjustments to the carrying value of the asset are possible depending upon the impact of any changes and management's best estimate of them.

8. Rental properties

		2010		2009
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
	(000's)	**(000's)**	**(000's)**	(000's)
Non-profit housing				
- Capital cost	**$ 254,834**	**$ 73,385**	**$ 181,449**	$ 187,380
- Renovation costs	**4,981**	**3,380**	**1,601**	2,101
Market housing				
- Capital cost	7,476	**2,830**	**4,646**	3,712
Affordable Housing Trust				
- Construction costs	**1,392**	**-**	**1,392**	295
- Capital costs	**942**	**-**	**942**	-
- Other costs	**11**	**-**	**11**	-
Leased land	**126**	**-**	**126**	126
	$ 269,762	**$ 79,595**	**$ 190,167**	$ 193,614

9. Capital assets

	2010			2009
	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)	Net Book Value (000's)
Office buildings - capital cost	$ 8,979	$ 2,592	$ 6,387	$ 4,941
- construction	2,276	-	2,276	1,651
Furniture and office equipment	317	114	203	76
Maintenance tools and equipment	86	4	82	-
Computer hardware and software	3,918	2,652	1,266	1,602
Vehicles	2,099	1,075	1,024	800
	$ 17,675	$ 6,437	$ 11,238	$ 9,070

10. Deferred revenue

	2010 (000's)	2009 (000's)
CMHC Affordable Housing Program	$ 9,193	$ 8,185
CMHC Economic Stimulus Program	8,818	-
CMHC Social Housing Agreement	498	406
CMHC Provincial Home Repair Program	360	-
Sub-total CMHC Deferred Revenue	18,869	8,591
Affordable Housing Trust	8,447	14,005
Land Sales	400	-
Rentals	402	367
Capital cost – office building	1,300	1,300
	$ 29,418	$ 24,263

Deferred revenue CMHC relates to the unearned balance of funds from CMHC under the Social Housing Agreement and the Affordable Housing, Economic Stimulus, and Provincial Home Repair Programs.

Deferred revenue Affordable Housing Trust (AHT) relates to the unearned balance of the AHT Federal Government funding

10. Deferred revenue (cont.)

Deferred land sales relates to future development costs to be funded from sales received to date.

Deferred revenue rentals consists of rental payments received by the Corporation in advance of the due dates.

Deferred capital cost relates to a capital grant from the Province towards the construction of a new office/maintenance building.

11. Group health and life insurance retirement benefits

All retired employees of the Corporation are eligible to participate in the group insurance plans. Under the plans, the Corporation pays 50% of the total premium charged towards the benefits of both active employees and retirees for life insurance and health benefits. As at 31 March 2010, the health plan provided benefits to 161 retirees (2009 - 155) and the life insurance plan to 183 retirees (2009 - 178).

The actuarial extrapolation prepared by the Corporation's actuary was based on a number of assumptions about future events including an interest rate of 6%, health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect the Corporation's best estimates of expected long-term rates and short-term forecasts.

Group health and life insurance retirement benefits liability

Details of the group health and life insurance retirement benefits liability are outlined in the table below:

	Estimated Accrued Benefit Obligation	**Unamortized Experience Gains (Losses)**	**Net Liability 2010**	Net Liability 2009	Change
	(000's)	**(000's)**	**(000's)**	(000's)	(000's)
Group health retirement benefits	**$ 16,024**	**$ (2,838)**	**$ 13,186**	$ 11,851	$ 1,335
Group life insurance retirement benefits	**1,528**	**54**	**1,582**	1,492	90
	$ 17,552	**$ (2,784)**	**$ 14,768**	$ 13,343	$ 1,425

There are no fund assets associated with these plans.

11. Group health and life insurance retirement benefits (cont.)

Group health and life insurance retirement benefits expense

In these financial statements group health and life insurance retirement benefits costs have been determined as the cost of benefits accrued during the period. Interest on the liability has been accrued for the same period.

The change in the liability for the current period is comprised of the following amounts:

	Corporation's Share of Current Period Costs (000's)	Interest Expense on the Liability (000's)	Corporation's Current Period Contributions (000's)	Current Period Amortization of Experience Changes (000's)	Change (000's)
Group health retirement benefits	$ 335	$ 905	$ (253)	$ 348	$ 1,335
Group life insurance retirement benefits	21	86	(12)	(5)	90
	$ 356	$ 991	$ (265)	$ 343	$ 1,425

Experience gains or losses

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount will be included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

The unamortized experience loss at 31 March 2010 resulted from an increase in health premium rates charged by the insurance provider.

12. Capital replacement fund

In accordance with program guidelines for non-profit and urban native housing projects, sponsor groups are required to set aside funds for the replacement of major capital items. The funds are held on behalf of the project sponsors and are released as eligible capital replacement expenditures are incurred.

Transactions relating to the capital replacement fund during the year are as follows:

	2010 (000's)	2009 (000's)
Balance, beginning of year	**$ 6,668**	$ 7,195
Capital replacement expenditures	**(401)**	(527)
Balance, end of year	**$ 6,267**	$ 6,668

13. Mortgage insurance fund

Upon signing the Canada - Newfoundland Social Housing Agreement, the Corporation assumed liability for all losses and costs that may be incurred in respect of a portfolio of loans that are owned and were previously insured by Canada Mortgage and Housing Corporation (CMHC). In return, CMHC provided the Corporation with a $3,000,000 mortgage insurance fund as protection against future losses. Losses on loans are deducted from the fund, while interest earnings were added to the fund until 1 April 2003. The Corporation ceased accruing interest as of 1 April 2003.

	2010	2009
	(000's)	(000's)
Balance, beginning of year	**$ 3,252**	$ 3,252
Gains (losses) for the year	**-**	-
Balance, end of year	**$ 3,252**	$ 3,252

The fund covers a portfolio of Federal loans totalling $135,725,167. The majority of these loans relate to either Social Housing projects that receive significant Federal/Provincial annual operating subsidies or nursing home accommodations with Provincial Government guarantees. While an independent actuarial valuation of the fund has not been carried out, the fund is considered adequate by the Corporation's management.

14. Mortgages, debentures and similar indebtedness

	2010	2009
	(000's)	(000's)
With fixed terms of repayment		
CMHC fixed rate term debentures, at an interest rate of 4.12% repayable in blended annual installments of $2,215,848, with final due dates ranging from March 2022 to January 2030	**$ 24,777**	$ 24,374

Principal repayments for the next five years on the $24,777,000 of debt with fixed terms of repayment are as follows:

	(000's)
2011	$ 1,224
2012	$ 1,275
2013	$ 1,328
2014	$ 1,383
2015	$ 1,441

15. CMHC investment in cost-shared programs

	2010 (000's)	2009 (000's)
Non-profit rental housing	$ 85,769	$ 87,018
Rural and native housing	23,236	27,916
Home repair assistance	1,565	2,644
	$ 110,570	$ 117,578

The principal and interest payments required to amortize CMHC's investment in non-profit rental housing and rural and native housing is funded entirely through the annual Federal grant paid by CMHC, pursuant to the Canada - Newfoundland Social Housing Agreement signed in April 1997.

Repayment of CMHC's investment in the home repair assistance programs has no fixed term and is dependant upon future repayments of principal and interest on mortgages and loans.

16. Contributed capital - Province of Newfoundland and Labrador

Contributed capital represents accumulated capital grants of $62,861,000 made to the Corporation by the Province. These grants were utilized by the Corporation to develop housing projects, land assemblies and related programs for the benefit of the residents of the Province.

17. Contingent liabilities

(a) Claims

Claims have been filed against the Corporation for:

(i) General damages related to the enforcement of a Sales and Development Agreement for a shopping mall complex.

(ii) $100,000 relating to funds withheld from a contractor for deficiencies on houses constructed. This claim was filed by the contractor against both the Corporation (the mortgagee) and the homeowners of the houses.

(iii) Special damages related to an alleged breach of contract and/or negligence relating to the sale of an apartment and commercial complex property.

The above claims have not progressed far enough to enable the formation of a definite opinion as to their outcome. Therefore, the likelihood and the amount of loss to the Corporation is not determinable at this time.

17. Contingent liabilities (cont.)

(b) Environmental issues

Possible environmental liabilities exist for the following:

(i) In 1996, the Corporation learned that possible environmental liabilities exist with respect to potential large quantities of fuel left in abandoned fuel storage facilities in the Stephenville area. The Corporation has removed some of the underground tanks and fuel lines and has undertaken some further study. To date, expenditures related to this work have totalled $2,600,000. As well, based on the studies completed to date, further remediation is estimated to cost $10,000,000.

(ii) In 1998, the Corporation learned that possible environmental liabilities exist with respect to environmental contaminants including hydrocarbons and various heavy metals in the soil and groundwater on 20 hectares of the total 102 hectares in the Paradise area. Title to this site had been transferred to the Town of Paradise during 1998-99 as part of the Corporation's land divestiture program; however, the Corporation will be liable for any costs that must be incurred to clean up the site. Information received from a study completed in January 2000 indicates that the estimated costs of undertaking site remediation based on the information to date is in the order of $6,000,000.

(iii) In 1999, the Corporation learned of possible environmental liabilities relating to 17 underground fuel tanks in its St. John's properties located at Buckmaster's Circle. As a result of an environmental study conducted in 2000, the cost of environmental remediation related to this property is estimated at $1,000,000. To date, expenditures related to this work have totalled $317,000. All 17 tanks have been removed and remediation has been completed on 7 of the 17 sites.

(iv) In 2005, the Corporation learned of possible environmental liabilities relating to underground fuel tanks in its St. John's properties located on Cashin Avenue, Froude Avenue, Empire Avenue and Hoyles Avenue. The cost of environmental remediation is estimated at $1,400,000. It is currently estimated that there are 21 underground fuel tanks at these properties. To date, expenditures related to this work have totalled approximately $190,000. Removal and remediation has been completed on 9 of the 21 estimated sites.

17. Contingent liabilities (cont.)

(v) In 2009, the Corporation learned of possible environmental liabilities relating to 7 underground fuel tanks in its St. John's properties located at Pleasantville. The cost of environmental remediation is estimated at $700,000.

(vi) In 2009, the Corporation learned of possible environmental liabilities relating to electrical transformers containing polychlorinated biphenyls (PCBs) located around its St. John's properties at Chalker Place. The cost of environmental remediation is estimated at $200,000.

(vii) In 2010, the Corporation learned of possible environmental liabilities relating to 43 fuel tanks at its St. John's properties in the Guy Street-Whiteway Street area. The cost of environmental remediation is estimated at $1,290,000. To date, expenditures related to this work have totalled approximately $39,000.

The Corporation's ability to remediate these sites is dependent upon funding from the Province of Newfoundland and Labrador.

18. Commitments

The Corporation has commitments totalling $38,469,545 comprised of:

(i) Uncompleted purchase and construction contracts at year end of $10,398,983
(ii) Commitments under lending programs of $15,728,800
(iii) Commitments under grant program of $12,341,762

19. Financial instrument risks

The Corporation, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at 31 March 2010:

(a) Credit risk

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist of cash, accounts receivable, mortgages and loans receivable, and receivable from municipalities re: land transfers. Any estimated impairment of mortgages and loans receivable is provided for through an allowance for impaired accounts and no further credit risk exists for these long-term receivables.

19. Financial instrument risks (cont.)

(b) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is not materially exposed to foreign exchange risk as all financial instruments are denominated in Canadian dollars and there was an immaterial amount of foreign currency-denominated accounts payable transactions during the year.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk. Interest rates on the majority of mortgages and loans receivable and mortgages, debentures and similar indebtedness are fixed to maturity.

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

20. Revenue from CMHC

CMHC's share of program subsidies and administration costs are as follows:

	2010 (000's)	2009 (000's)
1997 Canada-Newfoundland Social Housing Agreement	**$ 49,317**	$ 50,398
Affordable Housing Program	**1,855**	4,705
Provincial Home Repair Program	**3,826**	4,240
Residential Rehabilitation Assistance Program	**(24)**	(7)
Mortgages	**7**	9
Community Based Housing Stimulus Renovations	**1,720**	-
Public Rental Housing Stimulus Renovations	**3,351**	-
	$ 60,052	$ 59,345

21. Administrative expenses

	2010 (000's)	2009 (000's)
Advertising and promotion	$ 222	$ 151
Computer system costs	1,825	1,787
General	765	805
Office equipment	120	96
Office supplies	214	172
Rent, heat, light, cleaning and maintenance	1,173	1,289
Salaries and employee benefits	16,686	15,125
Telephone and postage	455	426
Travel and vehicle expenses	591	618
	$ 22,051	$ 20,469

22. Rental properties expenses

	2010 (000's)	2009 (000's)
Amortization	$ 6,874	$ 6,983
Bad debts	78	114
Heat, light and operating	10,016	10,461
Interest on debt	16,540	17,039
Municipal taxes	5,674	5,312
Repairs and maintenance	26,510	21,450
	$ 65,692	$ 61,359

23. Pensions

Under the *Housing Corporation Act*, Corporation staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Corporation and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions for 2010 was $1,288,774 (2009 - $1,179,363).

24. Self-insurance

With the exception of certain high-risk projects, the Corporation follows the policy of self-insuring its rental properties for property damage such as fire, water and vandalism. The costs of these repairs are charged to rental properties expenses.

25. Province of Newfoundland and Labrador contribution

The Province of Newfoundland and Labrador contributed approximately 37% (2009 – 28%) of the Corporation's total revenues. The contribution enables the Corporation to carry out its overall mandate and to meet its fiscal challenges.

The Corporation's ability to continue to fulfill its mandate is dependent upon the decisions of the Province of Newfoundland and Labrador.

26. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED

FINANCIAL STATEMENTS

31 MARCH 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Immigrant Investor Fund Limited
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Immigrant Investor Fund Limited as at 31 March 2010 and the statements of revenues, expenses and surplus, 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 31 March 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
13 May 2010

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
BALANCE SHEET

31 March	**2010**	**2009**
ASSETS		
Current		
Cash	**$ 198,723,633**	$ 147,108,034
Interest receivable	**74,546**	74,950
	198,798,179	147,182,984
Deferred financing costs (Note 2)	**8,428,074**	7,049,554
	$ 207,226,253	$ 154,232,538
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**$ 3,390**	$ 3,500
Obligations to investors (Note 3)	**26,050,189**	-
	26,053,579	3,500
Obligations to investors (Note 3)	**178,179,488**	149,599,320
	204,233,067	149,602,820
Shareholder's equity		
Share capital (Note 4)		
Authorized 100 common shares of no par value Issued 3 shares	-	-
Surplus	**2,993,186**	4,629,718
	$ 207,226,253	$ 154,232,538

See accompanying notes

Signed on behalf of the Board: _______________ **Chairperson** _______________ **Member**

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the Year Ended 31 March	2010	2009
REVENUES		
Interest	$ 790,774	$ 3,225,071
EXPENSES		
Amortization of deferred financing costs	2,421,618	1,718,382
Audit fees	3,280	3,475
Bank charges	6	41
Miscellaneous	385	-
Safekeeping fees	2,017	7,517
	2,427,306	1,729,415
Excess of (expenses over revenues) revenues over expenses	(1,636,532)	1,495,656
Surplus, beginning of year	4,629,718	3,134,062
Surplus, end of year	$ 2,993,186	$ 4,629,718

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2010	2009
Cash flows from operating activities		
Excess of (expenses over revenues) revenues over expenses	**$ (1,636,532)**	$ 1,495,656
Items not affecting cash		
Amortization of deferred financing costs	**2,421,618**	1,718,382
Changes in non-cash working capital		
Interest receivable	**404**	(62,131)
Accounts payable and accrued liabilities	**(110)**	-
	785,380	3,151,907
Cash flows from financing activities		
Deferred financing charges	**(3,800,138)**	(3,590,487)
Amounts received from investors	**54,790,901**	51,788,192
Refund to investors	**(160,544)**	(121,380)
	50,830,219	48,076,325
Increase in cash	**51,615,599**	51,228,232
Cash, beginning of year	**147,108,034**	95,879,802
Cash, end of year	**$ 198,723,633**	$ 147,108,034

Authority

Newfoundland and Labrador Immigrant Investor Fund Limited (the Corporation), was incorporated on 28 April 2005 under the *Corporations Act* of the Province of Newfoundland and Labrador (the Province). All shares of the Corporation are held by the Minister of Innovation, Trade and Rural Development on behalf of the Province. Its affairs are governed by a Board of Directors appointed by the Lieutenant Governor in Council.

The purpose of the Corporation is to receive, administer and invest funds received from Citizenship and Immigration Canada (CIC) under its Business Immigration Program. Section 92(f) of the *Immigration and Refugee Protection Regulations* to the *Immigration and Refugee Protection Act* requires that during the allocation period of five years, the provincial allocation must be used for the purpose of creating or continuing employment in Canada to foster the development of a strong and viable economy.

In April 2005 the Provincial Cabinet instructed the Board of Directors to direct the investment activities of the Corporation and refer projects to Cabinet for approval. The Provincial Cabinet also directed that all recommended investments are subject to a thorough financial and business analysis by the sponsoring department.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Deferred financing costs

Deferred financing costs are amortized, on a straight line basis, over the five year period during which the funds are available to the Corporation.

(b) Obligations to investors

An obligation to an investor is recognized upon receipt of funds from CIC.

2. Deferred financing costs

Deferred financing costs of $8,428,074 (2009 - $7,049,554) consist of a seven percent commission paid to CIC approved financial institutions which market the program and assist investors in the administration of their investments. The marketing and financing fee was paid in connection with 5,144 of the 5,190 immigrant investors at 31 March 2010 (3,703 of the 3,741 immigrant investors at 31 March 2009).

3. Obligations to investors

One of the conditions for the issuance of a visa to immigrants under the Citizenship and Immigration Canada (CIC), Business Immigration Program, is that they must invest $400,000 in Canada for a period of five years. The amount of the investment is allocated to the participating provinces on the first day of the second month following the month payment is received from the investor. $200,000 of the $400,000 is divided equally among the participating provinces while the remaining $200,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces. As at 31 March 2010, the Newfoundland and Labrador allocation of funds had been received from 5,190 investors (2009 – 3,741 investors).

These obligations to investors are secured by a non-transferable zero interest promissory note issued by CIC, as agent for the Corporation, and the guarantee of the Province of Newfoundland and Labrador. The guarantee is to CIC, as agent for the Corporation, who will repay investors. The promissory notes are repayable without interest, in full, five years from the date the funds were allocated to the Province or within 90 days after the receipt of a written request by the investor for repayment of the funds provided that such a request for repayment has been received by the agent before a visa has been issued to the investor. As at 31 March 2010, 47 of the 5,190 investors had not received a permanent resident visa (2009 - 24 of 3,741 investors).

Obligations to investors at 31 March 2010 totalled $204,229,677 (2009 - $149,599,320). Scheduled investment repayment dates are as follows:

31 May 2010	$ 2,504,060
30 June 2010	2,465,536
31 July 2010	3,351,588
31 August 2010	2,889,300
30 September 2010	3,197,492
31 October 2010	2,850,776
30 November 2010	1,964,724
31 December 2010	1,851,312
31 January 2011	1,581,329
28 February 2011	1,658,467
31 March 2011	1,735,605
30 April 2011	2,622,692
31 May 2011	1,581,329
30 June 2011	1,427,053
31 July 2011	1,889,881
31 August 2011	1,928,450
30 September 2011	1,967,019
31 October 2011	1,928,450
30 November 2011	2,082,726
31 December 2011	1,321,138
31 January 2012	815,997
29 February 2012	1,049,139

3. Obligations to investors (cont.)

31 March 2012	1,321,138
30 April 2012	1,631,994
31 May 2012	2,214,849
30 June 2012	3,263,988
31 July 2012	4,934,839
31 August 2012	4,857,125
30 September 2012	6,799,975
31 October 2012	5,466,461
30 November 2012	5,876,337
31 December 2012	5,648,722
31 January 2013	2,731,759
28 February 2013	4,305,993
31 March 2013	4,215,265
30 April 2013	3,978,895
31 May 2013	3,821,314
30 June 2013	4,294,055
31 July 2013	3,252,776
31 August 2013	7,194,396
30 September 2013	7,542,528
31 October 2013	6,312,768
30 November 2013	4,632,096
31 December 2013	4,420,624
31 January 2014	1,876,680
28 February 2014	2,710,760
31 March 2014	1,546,512
30 April 2014	2,960,984
31 May 2014	2,038,584
30 June 2014	3,057,876
31 July 2014	6,756,048
31 August 2014	8,048,872
30 September 2014	6,186,048
31 October 2014	6,528,604
30 November 2014	4,837,664
31 December 2014	4,003,816
31 January 2015	2,834,560
28 February 2015	3,472,336
31 March 2015	3,988,373
Total	204,229,677
Less: current portion	26,050,189
Obligation to investors: long-term	$ 178,179,488

4. Share capital

The Minister of Innovation, Trade and Rural Development holds 100% of the issued common shares of the Corporation on behalf of the Province of Newfoundland and Labrador.

5. Related party transactions

For administrative purposes the Corporation is managed by the Department of Innovation, Trade and Rural Development and short-term investments for cash management purposes are made by the Department of Finance. Expenses related to salaries, accommodations and administration are incurred directly by the departments and no provision is made in these financial statements for these expenses. The amount of these expenses is not material to these financial statements.

6. Financial instruments

The Corporation's financial instruments recognized on the balance sheet consist of cash, interest receivable, accounts payable and accrued liabilities, and obligations to investors. The purpose of the Corporation is to receive capital from immigrant investors and invest the funds for the purpose of creating and continuing employment in Canada to foster the development of a strong viable economy. At 31 March 2010, the Corporation had not invested any of the funds received from immigrant investors in projects.

Fair value

The carrying value of the interest receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. Due to the fact that the obligations to investors are guaranteed by the Province and the Corporation pays no interest, the face value of the obligations to investors is their fair value.

Interest rate risk

Interest rate risk reflects the risk that the Corporation's earnings will decline due to fluctuation in interest rates. The Corporation's cash is held in a bank account bearing an interest rate based on prime. There is no interest to be paid to investors and therefore, there is no interest rate risk.

7. Economic dependence

As a result of its reliance on actions by Citizenship and Immigration Canada and investment decisions by the Government of Newfoundland and Labrador, the Corporation's ability to continue viable operations is dependent on the actions of both entities.

8. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

Financial statements of

NEWFOUNDLAND LABRADOR LIQUOR CORPORATION

April 3, 2010

AUDITORS' REPORT

To the Board of Directors of
Newfoundland Labrador Liquor Corporation

We have audited the balance sheet of the Newfoundland Labrador Liquor Corporation ("the Corporation") as at April 3, 2010 and the statement of earnings, retained earnings and cash flows for the 52- week period then ended. These financial statements are the responsibility of the Corporation'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 financial position of the Corporation as at April 3, 2010 and the results of its operations and its cash flows for the fiscal period then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

St. John's, Canada,
May 19, 2010.

Chartered Accountants

NEWFOUNDLAND LABRADOR LIQUOR CORPORATION
Balance Sheet
(in thousands)

	April 3, 2010	April 4, 2009 (restated - note 4)
ASSETS	$	$
CURRENT		
Cash and cash equivalents	**27,500**	20,679
Accounts receivable	**5,885**	4,461
Beer commissions receivable	**5,360**	5,598
Inventories (Note 6)	**31,770**	34,636
Prepaid expenses	**2,607**	1,959
	73,122	67,333
CAPITAL ASSETS (Note 7)	**15,133**	15,426
INTANGIBLE ASSETS (Note 8)	**2,880**	2,808
	91,135	85,567
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**24,544**	25,973
Accrued vacation pay	**1,912**	1,704
	26,456	27,677
ACCRUED SEVERANCE PAY	**2,364**	2,513
	28,820	30,190
EQUITY		
RETAINED EARNINGS	**62,315**	55,377
	91,135	85,567

ON BEHALF OF THE BOARD:

Glenn Bim

CHAIRMAN OF THE BOARD

Agnes Richard

DIRECTOR

NEWFOUNDLAND LABRADOR LIQUOR CORPORATION
Statement of Earnings
(in thousands)

	52 weeks ended April 3, 2010	52 weeks ended April 4, 2009
	$	$
SALES	198,529	182,916
COST OF GOODS SOLD	83,710	76,944
GROSS PROFIT	114,819	105,972
ADMINISTRATIVE AND OPERATING EXPENSES (Note 9)	46,037	42,457
EARNINGS FROM OPERATIONS	68,782	63,515
OTHER INCOME		
Commission revenue on sale of beer	59,756	57,361
Interest	68	622
Miscellaneous	2,332	1,670
	62,156	59,653
NET EARNINGS	130,938	123,168

NEWFOUNDLAND LABRADOR LIQUOR CORPORATION
Statement of Retained Earnings
(in thousands)

	52 weeks ended April 3, 2010 $	52 weeks ended April 4, 2009 $
BALANCE, BEGINNING OF YEAR	**55,377**	50,209
NET EARNINGS	**130,938**	123,168
	186,315	173,377
PAYMENTS TO THE PROVINCE OF NEWFOUNDLAND LABRADOR	**(124,000)**	(118,000)
BALANCE, END OF YEAR	**62,315**	55,377

NEWFOUNDLAND LABRADOR LIQUOR CORPORATION
Statement of Cash Flows
(in thousands)

	April 3, 2010	April 4, 2009
	$	$
OPERATING ACTIVITIES		
Net earnings	**130,938**	123,168
Adjustments for:		
Amortization	**4,026**	3,425
Accrual for vacation pay	**208**	303
Accrual for severance pay	**(149)**	85
Net change in non-cash operating working capital	**(397)**	763
	134,626	127,744
INVESTING ACTIVITIES		
Purchase of intangible assets	**(1,159)**	(1,701)
Purchase of capital assets	**(2,646)**	(3,340)
	(3,805)	(5,041)
FINANCING ACTIVITIES		
Payments to the Province of Newfoundland Labrador	**(124,000)**	(118,000)
Repayment of obligation under capital lease	-	(52)
	(124,000)	(118,052)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**6,821**	4,651
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**20,679**	16,028
CASH AND CASH EQUIVALENTS, END OF PERIOD	**27,500**	20,679

1. DESCRIPTION OF BUSINESS

The Newfoundland Labrador Liquor Corporation ("the Corporation") is a Provincial Crown Corporation responsible for managing the importation, sale and distribution of beverage alcohol throughout Newfoundland and Labrador.

2. FISCAL PERIOD-END

The fiscal period of the Corporation ends on the first Saturday of April. As a result, the Corporation's fiscal period is usually 52 weeks in duration but includes a 53rd week every 5 to 6 years. The fiscal periods ended April 3, 2010 and April 4, 2009 contained 52 weeks.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

Revenue recognition

Revenue is recognized when goods have been sold and all contractual obligations have been met and collection is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents are defined as short-term deposits with original maturities of twelve months or less.

Inventories

Inventory is carried at the lower of average cost and net realizable value.

Capital assets

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

Leasehold improvements	1 to 20 years
Buildings	20 years
Office furniture and equipment	5 years and 10 years
Plant and warehouse equipment	5 years
Store equipment and fixtures	5 years
Motor vehicles	3 years

Intangible assets

Intangible assets consist of a trademark and computer software assets not considered integral to the operation of the related hardware. The trademark is recorded at cost and amortized on a straight-line basis over a ten-year period. Computer software is recorded at cost and amortized on a straight-line basis over a five-year period.

Severance pay

A liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such payment.

Financial instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are initially recorded in the balance sheet at fair value. In subsequent periods, loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost; held-for-trading financial assets and liabilities are measured at fair value and changes in fair value are recognized in net earnings, and available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income (loss) until the instrument is derecognized or impaired. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale, normal purchase exemption. All changes in their fair value are recorded in earnings unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income (loss).

The Corporation classifies its financial assets and liabilities as follows:

Cash and cash equivalents are classified as held-for-trading financial assets. These assets are measured at fair value and changes in fair value are recognized in earnings.

Accounts receivable and beer commissions receivable are classified as loans and receivables and are measured at amortized cost, which is generally the amount on initial recognition.

Accounts payable, accrued liabilities and accrued vacation pay are classified as other financial liabilities and are measured at amortized cost, which is generally the amount on initial recognition.

Use of estimates

The preparation of the Corporation's 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 as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

April 3, 2010 (tabular amounts in thousands)

4. CHANGE IN ACCOUNTING POLICIES

Goodwill and Intangible Assets

Effective April 5, 2009, the Corporation adopted the recommendations of the Canadian Institute of Chartered Accountant's ("CICA") *Handbook* Section 3064, *Goodwill and Intangible Assets*. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The standard requires that intangible assets to be segregated, presented separately on the balance sheet and amortized over their estimated useful lives. Intangible assets of the Corporation include a trademark and computer software and are amortized on a straight-line basis. The trademark is fully amortized while the computer software is amortized over five years. For the period ended April 3, 2010, this has resulted in the recognition of intangible assets, previously included in capital assets, in the amount of $6.3 million (2009 - $5.4 million) net of accumulated amortization of $3.7 million (2009 - $2.6 million). Amortization of $1.1 million (2009 - $0.7) is included in administrative and operating expenses for the period.

5. FUTURE ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS")

In October 2009, the Accounting Standards Board ("AcSB") issued a third and final Omnibus Exposure Draft confirming that publicly accountable enterprises in Canada will be required to apply IFRS, in full and without modification, for period-ends beginning on or after January 1, 2011. The Corporation's expected IFRS transition date of April 3, 2011 will require the restatement, for comparative purposes, of amounts reported on the Corporation's opening IFRS balance sheet as at April 4, 2010 and amounts reported by the Corporation for the period ended April 2, 2011.

In July 2009, *CICA Handbook* Section 1506, *Accounting Changes*, was modified such that it does not apply to changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. The requirement for all publicly accountable enterprises in Canada to apply IFRS, beginning for period- ends ending on or after January 1, 2011, represents a complete replacement of the Corporation's primary basis of accounting. *CICA Handbook* Section 1506, therefore, does not apply to the adoption of IFRS.

6. INVENTORIES

	April 3, 2010	April 4, 2009
	$	$
Head office	**15,973**	15,894
Branch stores	**9,915**	10,065
Stock in transit	**4,930**	7,254
Raw materials	**952**	1,423
	31,770	34,636

The total value of inventory expensed to cost of goods for the period ended April 3, 2010 amounted to $80.7 million (2009 - $74.9 million).

April 3, 2010 (tabular amounts in thousands)

7. CAPITAL ASSETS

	April 3, 2010		
	Cost	Accumulated amortization	Net book value
	$	$	$
Land	1,115	-	1,115
Leasehold improvements	15,649	8,338	7,311
Buildings	5,903	3,255	2,648
Office furniture and equipment	4,418	2,928	1,490
Plant and warehouse equipment	3,914	2,517	1,397
Store equipment and fixtures	3,762	2,625	1,137
Motor vehicles	77	42	35
	34,838	19,705	15,133

	April 4, 2009 (restated - note 4)		
	Cost	Accumulated amortization	Net book value
	$	$	$
Land	1,115	-	1,115
Leasehold improvements	14,127	7,121	7,006
Buildings	5,837	3,050	2,787
Office furniture and equipment	4,028	2,507	1,521
Plant and warehouse equipment	3,730	1,914	1,816
Store equipment and fixtures	3,403	2,244	1,159
Motor vehicles	48	26	22
	32,288	16,862	15,426

During the period, the Corporation acquired capital assets in the amount of $3.8 million (2009 - $5.0 million).

April 3, 2010 (tabular amounts in thousands)

8. INTANGIBLE ASSETS

	April 3, 2010		
	Cost	Accumulated amortization	Net book value
	$	$	$
Computer software	6,524	3,644	2,880
Trademark	203	203	-
	6,727	3,847	2,880

	April 4, 2009 (restated - note 4)		
	Cost	Accumulated amortization	Net book value
	$	$	$
Computer software	5,368	2,562	2,806
Trademark	203	201	2
	5,571	2,763	2,808

9. ADMINISTRATIVE AND OPERATING EXPENSES

	April 3, 2010	April 4, 2009
	$	$
Salaries and employee benefits	24,916	22,797
Express store commissions and expenses	4,845	4,887
Amortization	4,026	3,425
Rent and municipal taxes	2,448	1,979
Marketing	1,987	1,707
Interest, bank and payment card charges	1,583	1,416
Other	6,232	6,246
	46,037	42,457

10. FINANCIAL INSTRUMENTS

Market risk - foreign currency exposure

The Corporation purchases beverage alcohol internationally and is therefore exposed to market risks related to foreign currency exchange rate fluctuations. Such exposure arises from purchases of beverage alcohol in currencies other than the Canadian dollar. Approximately 3% of the Corporation's purchases are denominated in currencies other than the Canadian dollar. To perform a sensitivity analysis, the Corporation assesses the risk of loss in fair values due to the impact of hypothetical changes in foreign currency exchange rates on monetary assets and liabilities denominated in currencies other than the Canadian dollar. The Corporation's primary exposures to foreign currency exchange rate fluctuations are in European Euro, U.S dollar, Australian dollar, U.K pound sterling and New Zealand dollar. For the 52 weeks ended April 3, 2010, the potential decrease or increase in earnings from a hypothetical instantaneous 10% increase or decrease in the April 3, 2010 quoted foreign currency spot rates applied to the above currency denominated monetary assets and liabilities included in the April 3, 2010 balance sheet would have been approximately $0.02 million. To mitigate the potential risk with respect to foreign currency exchange rate fluctuations, the Corporation periodically adjusts the landed cost of its products to account for changing foreign currency exchange rates. The Corporation's retail prices are calculated in reference to landed cost.

Credit risk

The Corporation is exposed to credit risk with respect to accounts receivable from customers. The Corporation provides products to a large customer base, which minimizes the concentration of credit risk. There were no single customers that accounted for 10% or more of the Corporation's accounts receivable at April 3, 2010 (2009 – one customer accounted for more than 10%). The Corporation has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and utilizes internal and third-party collections processes for overdue accounts. Customers with contracts related to the Corporation's manufacturing operation are required to provide adequate security for outstanding credit balances. Accounts receivable balances related to Liquor Express Store operations are subject to General Security Agreements. The Corporation also maintains provisions for potential credit losses that are assessed on an ongoing basis.

Liquidity risk

The Corporation is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Corporation manages liquidity risk by maintaining adequate cash and cash equivalents. The Corporation believes that cash and cash equivalents on hand and future cash flows generated by operations will be adequate to meet its financial obligations. All of the Corporation's financial liabilities are due within one year.

April 3, 2010 (tabular amounts in thousands)

Fair values

Fair value estimates are made as of a specific point in time, using available information about the financial instruments and current market conditions. The estimates are subjective in nature and involve uncertainties and judgment. The carrying values of financial instruments included in current assets and current liabilities on the balance sheet approximate their fair values, reflecting the short-term maturity and normal trade credit terms of these instruments.

11. LEASE COMMITMENTS

The Corporation has entered into rental leases covering retail outlets. Annual lease obligations for the next five years are as follows:

	$
2010	1,927
2011	1,799
2012	1,523
2013	1,187
2014	1,084
	7,520

12. RELATED PARTY TRANSACTIONS

The Corporation is leasing office and warehouse space in St. John's from the Department of Works, Services and Transportation. These leases are rent-free; however, all operating, leasehold and maintenance costs related to the buildings are the responsibility of the Corporation.

13. PENSIONS

The Corporation and its employees are subject to the *Public Service Pensions Act* effective June 26, 1973. Pension contributions deducted from employees' salaries are matched by the Corporation and then remitted to the Province of Newfoundland Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension expense for the year amounted to $1.5 million (2009 - $1.3 million).

NEWFOUNDLAND HARDWOODS LIMITED

Auditor's Report

Financial Statements

Year ended March 31, 2010

AUDITOR'S REPORT

To the Shareholders of Newfoundland Hardwoods Limited:

I have audited the balance sheet of Newfoundland Hardwoods Limited as at March 31, 2010 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company'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 company as at March 31, 2010 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANT

Clarenville, Newfoundland
June 02, 2010

NEWFOUNDLAND HARDWOODS LIMITED

Balance Sheet

March 31, 2010

	2010	2009
Assets		
Current assets:		
Cash and term deposits	$ 119,190	120,858
Total current assets	$ 119,190	120,858
Liabilities and Shareholders' Equity		
Current liabilities:		
Payables and accruals	$ 1,500	1,500
Total current liabilities	1,500	1,500
Contingent losses (Note 2)	--	--
Commitments (Note 3)	--	--
Shareholders' equity:		
Common shares of no par value:		
Authorized an unlimited number; issued and fully paid at stated value, 253 shares	25,300	25,300
Retained earnings, per accompanying statement	92,390	94,058
Total shareholders' equity	117,690	119,358
	$ 119,190	120,858

See Accompanying Notes

Approved: ______________________ Director

______________________ Director

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Income and Retained Earnings

Year ended March 31, 2010

	2010	2009
Revenue	$ --	--
Administrative expenses:		
Bank charges	18	15
Professional and consulting fees	1,650	1,850
Licences and fees	--	75
	1,668	1,940
Operating loss	(1,668)	(1,940)
Interest income	--	15
Net loss	(1,668)	(1,925)
Retained earnings, beginning of year	94,058	95,983
Retained earnings, end of year	$ 92,390	94,058

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Cash Flows

Year ended March 31, 2010

	2010	2009
Cash provided by operating activities:		
Net loss	$ (1,668)	(1,925)
Changes in non-cash working capital balances:		
Harmonized sales tax receivable	--	487
Decrease in cash	(1,668)	(1,438)
Cash, beginning of year	120,858	122,296
Cash, end of year	$ 119,190	120,858

NEWFOUNDLAND HARDWOODS LIMITED

Notes to the Financial Statements

March 31, 2010

1. Divestiture:

   During the 1996 fiscal year the company sold the property and equipment and inventory relating to its wood preservation and asphalt manufacturing operations. The Company has consequently ceased commercial operations.

2. Contingent losses:

   Environmental concerns:

   The Government of Newfoundland and Labrador, through an environmental indemnity, has released the current owner of any and all present and future liabilities which may result from the presence, release, loss, discharge, leakage or spillage of hazardous material on, at or from the properties formerly owned and operated by Newfoundland Hardwoods Limited up to the date of the said agreements.

3. Commitments:

   The company had committed to the dismantling and removal of five surplus storage tanks from the present location. As of the balance sheet date, four of these tanks have been removed and the costs of such have been reflected in these financial statements.

NEWFOUNDLAND INTERNATIONAL STUDENT EDUCATION PROGRAM INC.

REPORT AND FINANCIAL STATEMENTS

June 30, 2009

BYRON SMITH
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

BYRON D. SMITH, B. Comm., C.F.E., C.A.

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46 Powell Drive
Carbonear, NL
A1Y 1A5
Telephone: (709) 596-2211

AUDITOR'S REPORT

To the Board Members of:
Newfoundland International Student Education Program Inc.

I have audited the balance sheet of the Newfoundland International Student Education Program Inc. as at June 30, 2009 and the statement of revenue, expenses and accumulated surplus for the year then ended. These financial statements are the responsibility of the corporations 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 Newfoundland International Student Education Program Inc. as at June 30, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

September 25, 2009
Spaniard's Bay, NL

Byron Smith
CHARTERED ACCOUNTANT

Newfoundland International Student Education Program Inc.
Balance Sheet
As At June 30,

	2009	2008
Assets		
Due from related party (Note 2)	$ 678,853	$ 692,604
Accounts receivable		41,007
Prepaid expenses		6,750
	$ 678,853	$ 740,361

	2009	2008
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 12,000	$ 53,200
Deferred revenue (Note 3)		53,890
	12,000	107,090
Equity		
Contributed surplus	11,856	11,856
Accumulated surplus	654,997	621,415
	666,853	633,271
	$ 678,853	$ 740,361

On Behalf of the Board:

______________ Chair ______________ Treasurer

Newfoundland International Student Education Program Inc.
Statement of Revenue, Expenses and Accumulated Surplus
For the Year Ended June 30

	2009	2008
Revenue		
Student fees	$ 577,998	$ 578,985
Memorial University of Newfoundland grant		21,295
	577,998	600,280
Expenses		
Agency fees		37,230
Home stay fees	207,407	205,792
Coordinator fees	28,230	27,375
Insurance	18,877	22,291
Operating expense	15,796	25,636
Travel	30,548	77,829
Professional fees	16,281	4,129
School fees	85,650	95,150
Salary and benefits	141,627	122,731
	544,416	618,163
Surplus (Deficit) for the year	$ 33,582	$ (17,883)

Accumulated Surplus, beginning of the year	$ 621,415	$ 639,298
Surplus (Deficit) for the year	33,582	(17,883)
Accumulated Surplus, end of the year	$ 654,997	$ 621,415

Nature of Operations

The Corporation was incorporated under the laws of Newfoundland and Labrador on May 6, 2003.

The Corporation is established for educational purposes to recruit, assist, contract with, and monitor international students in the Intermediate and Secondary schools that fall under the responsibility of the Eastern School District. The Corporation is a non-profit organization and is exempt from income taxes in accordance with section 149(1)(g) of the Income Tax Act.

1. Significant Accounting Policies

Revenue

Revenue is recognized when services are provided. Grants and subsidies are also recorded on the accrual basis.

Use of Accounting Estimates

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 reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

Basis of presentation

The Corporation follows the accrual basis of accounting.

2. Due from Related Party

The Corporation does not have a bank account. All cash and cash equivalents are held by a related party "Eastern School District" in trust.

3. Deferred Revenue

Deferred revenue consists of student fees collected in the current fiscal year for which the service will be provided in the following fiscal year. These amounts are deferred and included in revenue when the related expenditures have been incurred.

4. Going Concern

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and payment of liabilities in the ordinary course of business. However, the company has been requested by the Minister of Education for the Province of Newfoundland and Labrador; to wind up its operations effective June 30, 2009. Due to the current nature of the corporation's assets and liabilities, these can be liquidated in the ordinary course of business at full value on or before June 30, 2009. The Corporation was not wound up as at September 25, 2009 due to committments made to existing students and management estimates that the corporation will be wound up by June 30, 2010.

Grant Thornton

Consolidated Financial Statements

Newfoundland Ocean Enterprises Limited

March 31, 2010

Grant Thornton

Auditors' report

Grant Thornton LLP
187 Kenmount Road
St. John's, NL
A1B 3P9

T (709) 722-5960
F (709) 722-7892
www.GrantThornton.ca

To the Shareholders of

Newfoundland Ocean Enterprises Limited

We have audited the consolidated balance sheet of Newfoundland Ocean Enterprises Limited at March 31, 2010 and the consolidated statements of loss and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

St. John's, Newfoundland and Labrador

June 4, 2010

Chartered Accountants

Newfoundland Ocean Enterprises Limited
Consolidated Statements of Loss and Deficit

Year Ended March 31	2010	2009
Revenue		
Recoveries and sundry	$ 17	$ 1,437
Expenses		
Interest	61	83
Other costs	17,924	5,345
	17,985	5,428
Net loss	$ (17,968)	$ (3,991)

Deficit, beginning of year	$ (90,750,133)	$ (90,746,142)
Net loss	(17,968)	(3,991)
Deficit, end of year	$ (90,768,101)	$ (90,750,133)

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Balance Sheet

March 31	2010	2009
Assets		
Current		
Cash and cash equivalents	$ 47,515	$ 67,783
Liabilities		
Current		
Payables and accruals	$ 12,616	$ 14,916
Shareholders' Equity		
Capital stock (Note 3)	3,000	3,000
Contributed surplus (Note 4)	90,800,000	90,800,000
Deficit	(90,768,101)	(90,750,133)
	34,899	52,867
	$ 47,515	$ 67,783

Contingency (Note 5)
On behalf of the Board

Director

Director

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Cash Flows

Year Ended March 31		2010		2009
Increase (decrease) in cash and cash equivalents				
Operating				
Net loss	$	(17,968)	$	(3,991)
Change in non-cash operating working capital		(2,300)		(627)
		(20,268)		(4,618)
Net decrease in cash and cash equivalents		(20,268)		(4,618)
Cash and cash equivalents				
Beginning of year		67,783		72,401
End of year	$	47,515	$	67,783

See accompanying notes to the consolidated financial statements.

1. Operations

The Company ceased active operations on January 1, 1998.

2. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are set out below.

Principles of consolidation

The consolidated financial statements include the accounts of Newfoundland Ocean Enterprises Limited, its wholly owned subsidiaries Marystown Shipyard Limited and Vinland Industries Limited, and Vinland Industries, a Limited Partnership.

Use of estimates

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 the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of any overdrafts. Bank borrowings are considered to be financing activities.

3. Capital stock

	2010	2009
Authorized		
An unlimited number of common shares of no par value		
Issued		
3 shares	$ 3,000	$ 3,000

4. Contributed surplus

In 2005, the Government of Newfoundland and Labrador advanced funds to the Company in the amount of $5,400,000 to retire the operating loan.

In 1999, the Government of Newfoundland and Labrador advanced funds to the Company in the amount of $85,400,000 to retire the bankers' acceptances and certain other debt.

5. Contingency

The Company is a party to an agreement dated March 27, 2002 assigning an Environmental Indemnity Agreement (the "Agreement") effective December 31, 1997 between the Government of Newfoundland and Labrador, Friede Goldman Marystown Limited and the Company to Peter Kiewitt Sons Co. Ltd.

On May 15, 2009 the Government of Newfoundland and Labrador received notice from Kiewitt Offshore Services of a potential claim under the Agreement concerning the shipyard facilities. The claim was amended by virtue of a second notice dated December 21, 2009.

The claim was considered by the Board in 2009. Funds were committed to hire the necessary Environmental Consultant and the Province was advised of the claim pursuant to the Environmental Indemnity Agreement. The Province has reviewed the Consultant's report and the recommendations with respect to remediation. Funding has been allocated in the Province's 2010/11 budget under the Department of Innovation Trade and Rural Development and direction has been provided to proceed with the remediation.

6. Financial instruments

Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from the carrying amounts. Where amounts receivable and payable are subject to normal credit terms, their carrying amount is used as an approximation of their fair values.

NEWVEST REALTY CORPORATION

FINANCIAL STATEMENTS

31 DECEMBER 2009

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Shareholder
Newvest Realty Corporation

I have audited the balance sheet of Newvest Realty Corporation as at 31 December 2009 and the statements of income and retained earnings, 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 materials respects, the financial position of the Corporation as at 31 December 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
11 May 2010

NEWVEST REALTY CORPORATION
BALANCE SHEET

31 December	2009	2008
	(000's)	(000's)
ASSETS		
Income producing properties (Note 3)	**$ 180,712**	$ 177,149
Deferred charges (Note 4)	**3,138**	5,016
Prepaid expenses	**187**	238
Accounts receivable	**568**	987
Cash and short-term investments	**8,087**	9,482
	$ 192,692	$ 192,872
LIABILITIES AND EQUITY		
Mortgages payable (Note 5)	**$ 67,722**	$ 71,822
Accounts payable and accrued liabilities	**3,642**	5,172
Dividends payable (Note 6)	**3,500**	1,200
	74,864	78,194
Shareholder's equity		
Share capital (Note 7)	**98,451**	98,451
Retained earnings	**19,377**	16,227
	117,828	114,678
	$ 192,692	$ 192,872
Equity per share (Note 7)	**$ 11.97**	$ 11.65

See accompanying notes

Signed on behalf of the Board:

Chairperson **Director**

NEWVEST REALTY CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year Ended 31 December	2009	2008
	(000's)	(000's)
Income		
Rents and parking	$ 14,360	$ 14,934
Expense recoveries from tenants	6,107	5,326
Adjustment on sale of income producing property	249	-
Investment and other income	24	200
	20,740	20,460
Less: Operating expenses (Note 8)	7,622	7,404
Operating income	13,118	13,056
Other expenses		
Administrative costs	133	236
Amortization of deferred charges	673	864
Asset management fees	575	559
Loss on sale of income producing property	-	2,273
Mortgage interest	3,787	4,094
Participation fee (Note 9)	-	7
	5,168	8,033
Net income for the year	7,950	5,023
Retained earnings, beginning of year	16,227	14,244
Dividends (Note 6)	(4,800)	(3,040)
Retained earnings, end of year	$ 19,377	$ 16,227

NEWVEST REALTY CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended 31 December

	2009	2008
	(000's)	(000's)
Cash flows from operating activities		
Net income for the year	$ 7,950	$ 5,023
Items not affecting cash		
Amortization of deferred charges	673	864
Loss on sale of income producing property	-	2,273
Changes in non-cash working capital		
Accounts receivable	419	(354)
Prepaid expenses	51	(36)
Accounts payable and accrued liabilities	(1,530)	(1,046)
	7,563	6,724
Cash flows from investing activities		
Acquisition of income producing properties	-	(47,043)
Additions to income producing properties	(1,831)	(5,560)
Capitalization of deferred recoverable expenditures to income producing properties (Note 4)	(1,732)	-
Proceeds from disposal of income producing property	-	22,488
	(3,563)	(30,115)
Cash flows from financing activities		
Change in deferred charges	1,205	(1,359)
Mortgage advances	-	13,050
Mortgage principal repayments	(4,100)	(12,612)
Dividends (Note 6)	(2,500)	(3,440)
Issuance of common shares (Note 7)	-	39,270
Cancellation of common shares (Note 7)	-	(9,760)
	(5,395)	25,149
Increase (decrease) in cash and short-term investments during the year	(1,395)	1,758
Cash and short-term investments, beginning of year	9,482	7,724
Cash and short-term investments, end of year	$ 8,087	$ 9,482

Authority

Newvest Realty Corporation was incorporated on 9 August 2001 under the provisions of the *Canada Business Corporations Act*. It is also registered under the *Corporations Act* of the Province of Newfoundland and Labrador. The Corporation has its headquarters in Toronto, Ontario. All shares of the Corporation are held by the Province of Newfoundland and Labrador Pooled Pension Fund (the Fund). Board members are appointed by the Pension Investment Committee of the Fund. The purpose of the Corporation is to invest monies received from the Fund in Canadian real estate property.

The Corporation has an Investment Services Agreement with Bentall Limited Partnership dated 30 June 2001, under which Bentall Limited Partnership is responsible for the acquisition, disposal, leasing and management of real estate properties and performance of all administrative functions on behalf of the Corporation.

1. **Significant accounting policies**

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Cash and short-term investments represent unrestricted cash and highly liquid money-market investments.

(b) Income producing properties held for investment are recorded at cost. Amortization is not recorded on properties as it is not considered meaningful when the objective of the business is to acquire, develop and hold property for eventual sale. The Corporation capitalizes all direct costs relating to the acquisition of all properties. Leasing costs are capitalized and amortized on a straight-line basis over the term of the respective lease.

(c) The Corporation accounts for its investments in co-ownerships on a proportionate consolidation basis whereby the Corporation includes its pro-rata share of the assets, liabilities, revenue and expenses of the co-ownerships on a line-by-line basis. (See Note 10).

(d) Rental revenue includes rents from tenants under leases, property tax and operating cost recoveries, parking income and incidental income. Rental revenue with respect to rents from tenants under leases is recognized on a straight-line basis over the term of the lease.

(e) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing these financial statements are reasonable and prudent; however, actual results may differ from these estimates.

(f) The Corporation defers and amortizes financing costs over the term of the related mortgages.

2. Change in accounting policy

In the past, the Corporation's practice has been to record capital and maintenance costs, recoverable under tenant leases over specified periods of time, as deferred recoverable expenditures. However, effective for the 2009 year, as a result of amendments to Canadian Institute of Chartered Accountants (CICA) Section 1000 (Financial Statement Concepts) and new CICA Section 3064 (Goodwill and Intangible Assets), these costs no longer qualify as intangible assets and must either be expensed or capitalized to the properties. During the year, the Corporation reviewed all amounts previously recorded as deferred recoverable expenditures to determine appropriate treatment. As a result, a significant portion of the costs were capitalized to the income producing properties, while any remaining costs were expensed. These changes have been made in accordance with section 1506 of the CICA Handbook and have not been made retrospectively because it is not practical to do so. See Note 4 for a more detailed breakdown.

3. Income producing properties

For investment information purposes all properties are presented below at both cost and appraised values. Appraised values are in accordance with the Corporation's appraisal policy which requires that properties be appraised at least once every two years by professionally qualified independent appraisers. The external appraisals are completed in six month cycles on approximately one quarter of the Corporation's portfolio. The properties that are not externally appraised during each six month cycle are appraised by Bentall Limited Partnership.

		2009		2008	
		Cost or Value (000's)	**Appraised Value (000's)**	Cost or Value (000's)	Appraised Value (000's)
(a)	Bayview Chateau and White Rock Gardens, White Rock, British Columbia	**$ 10,242**	**$ 12,650**	$ 10,111	$ 12,800
(b)	Sperling Plaza, Burnaby, British Columbia	**16,716**	**22,800**	16,151	24,500
(c)	Park and Tilford Shopping Centre, North Vancouver, British Columbia	**44,602**	**50,600**	41,993	50,000
(d)	TD Creekside Corporate Centre (50% interest), Mississauga, Ontario	**29,284**	**31,000**	29,284	33,500
(e)	2001 Bantree (50% interest), Ottawa, Ontario	**10,421**	**9,650**	10,421	10,350
(f)	Thunder Centre (50% interest), Thunder Bay, Ontario	**15,149**	**14,000**	15,109	15,950
(g)	Centre 5735, Calgary, Alberta	**7,037**	**6,000**	7,037	7,200
(h)	4500 Cousens Road, St. Laurent, Quebec	**6,989**	**5,750**	6,687	6,687

3. **Income producing properties (cont.)**

	2009		2008	
	Cost or Value (000's)	**Appraised Value (000's)**	Cost or Value (000's)	Appraised Value (000's)
(i) 4500 Chemin Bois Franc, St. Laurent, Quebec	**4,533**	**3,850**	4,533	4,533
(j) Faubourg Bois Franc, St. Laurent, Quebec	**15,681**	**13,450**	15,746	15,746
(k) Vintage Park, Calgary, Alberta	**20,058**	**15,600**	20,077	20,077
	$ 180,712	**$ 185,350**	$ 177,149	$ 201,343

4. **Deferred charges**

Deferred charges consist of costs incurred, net of accumulated amortization, with respect to obtaining debt financing, leasing and potential acquisitions. Amortization is recorded on a straight line basis over the term of the respective credit facility or over the remaining term of the respective leases to which the costs relate.

	2009			2008
	Cost (000's)	**Accumulated Amortization (000's)**	**Net Carrying Value (000's)**	Net Carrying Value (000's)
Tenant inducements and leasing costs	**$ 4,471**	**$ 2,937**	**$ 1,534**	$ 1,623
Deferred financing costs	**80**	**52**	**28**	41
Deferred recoverable expenditures	**-**	**-**	**-**	1,741
Straight line rent	**1,576**	**-**	**1,576**	1,611
	$ 6,127	**$ 2,989**	**$ 3,138**	$ 5,016

At 31 December 2008, there were $2,158,000 of capitalized deferred recoverable expenditures with a corresponding accumulated amortization of $417,000 for a net value of $1,741,000. Upon completion of the analysis of this account, it was determined that $1,732,000 would be capitalized to the income producing properties in the following manner:

(a)	Sperling Plaza	$ 485,000
(b)	Park and Tilford Shopping Centre	$ 1,207,000
(c)	Thunder Center (50% interest)	$ 40,000

Accumulated amortization of $417,000 was reversed and $426,000 that had previously been capitalized as deferred recoverable expenditures was expensed through general repairs and maintenance in the current year.

5. Mortgages payable

Mortgages payable represent financing obtained by the Corporation for the acquisition of income producing properties. For investment information purposes, principal values and appreciated values are shown. Appreciated value is the mortgage's market value based on the discounted future cash payments using current or similar market interest rates. Details are as follows:

	2009		2008	
	Principal Value	**Appreciated Value**	Principal Value	Appreciated Value
	(000's)	**(000's)**	(000's)	(000's)
(a) Bayview Chateau and White Rock Gardens, White Rock, British Columbia. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $26,705, including interest calculated at a rate of 5.58% per annum, maturing 1 July 2012, secured by a conventional first mortgage, a general security agreement, and a general assignment of rents.	**$ 4,133**	**$ 4,268**	$ 4,223	$ 4,297
(b) Park and Tilford Shopping Centre, North Vancouver, British Columbia. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $137,927, including interest calculated at a rate of 5.88% per annum, maturing 1 September 2010.	**18,880**	**18,879**	19,421	19,820
(c) TD Creekside Corporate Centre, Mississauga Ontario. Mortgage (50% interest), held by Metropolitan Life Insurance Company, repayable in monthly installments of $115,194, including interest calculated at a rate of 5.71% per annum, maturing 1 July 2014, secured by a freehold first mortgage and charge on the property, a general security agreement, a first general assignment of rents, and a first specific assignment of a tenant lease.	**16,362**	**16,688**	16,808	17,022

5. Mortgages payable (cont.)

	2009		2008	
	Principal Value	**Appreciated Value**	Principal Value	Appreciated Value
	(000's)	**(000's)**	(000's)	(000's)
(d) 2001 Bantree, Ottawa, Ontario. Mortgage (50% interest), held by Equitable Life, repayable in monthly installments of $38,816, including interest calculated at a rate of 5.09% per annum, maturing 1 August 2015, secured by a first mortgage and charge on the property, a first general assignment of leases and rents, a first specific assignment of leases, a first general security agreement of assets of the property, and assignment of insurance proceeds and endorsements to all policies.	**5,975**	**5,884**	6,135	5,970
(e) Thunder Centre, Thunder Bay, Ontario. Mortgage (50% interest), held by CIBC, repayable in monthly installments of $53,718, including interest calculated at a rate of 5.743% per annum, maturing 1 September 2015, secured by a first mortgage and charge on the property, a first general assignment of leases and rents, a specific assignment of leases, assignment of the head lease with the vendor, and assignment of the letter of credit relative to the head lease.	**7,844**	**7,950**	8,037	8,037
(f) Centre 5735, Calgary, Alberta. Mortgage, held by Equitable Life, repayable in monthly installments of $26,630, including interest calculated at a rate of 5.28% per annum, maturing 1 December 2016, secured by a first mortgage and charge on the property, and a general security agreement.	**4,174**	**4,105**	4,273	4,142

5. Mortgages payable (cont.)

	2009		2008	
	Principal Value	**Appreciated Value**	Principal Value	Appreciated Value
	(000's)	**(000's)**	(000's)	(000's)
(g) 4500 Chemin Bois Franc, St. Laurent, Quebec. Mortgage, held by TD Canada Trust, repayable in full on 26 January 2009 at an amount of $2,401,000, including interest calculated at a rate of 5.40% per annum.	-	-	2,401	2,401
(h) Faubourg Bois Franc, St. Laurent, Quebec. Mortgage, held by CIBC Mortgages Inc., repayable in monthly installments of $57,238, including interest calculated at a rate of 5.00% per annum, maturing 1 September 2017, secured by a first hypothec for registration against title to the properties in the amount of $10,725,000, a general immovable hypothec of rents being a first priority interest in rents payable and the insurance indemnities on such rents, a movable hypothec of the lease(s), and a movable hypothec in the amount of $10,725,000 being a first priority interest in all present and future personal or movable property corporeal or incorporeal of the Borrower.	**10,354**	**9,899**	10,524	10,524
	$ 67,722	**$ 67,673**	$ 71,822	$ 72,213

Annual principal repayments totalling $43.0 million (2008 - $32.0 million) to be made during the next five years are as follows:

	(000's)
2010	$ 20,101
2011	1,290
2012	5,193
2013	1,325
2014	15,117
	$ 43,026

6. Dividends payable

Dividends are payable on a resolution of the Board to the holder of common shares on a quarterly basis based on the net income for the quarter ended, less reasonable reserves as determined by Bentall Limited Partnership, divided by the number of issued and outstanding common shares.

	2009	2008
	(000's)	(000's)
Dividends payable, beginning of year	**$ 1,200**	$ 1,600
Dividends declared	**4,800**	3,040
Dividends paid	**(2,500)**	(3,440)
Dividends payable, end of year	**$ 3,500**	$ 1,200

7. Share capital

The authorized capital of the Corporation consists of an unlimited number of common shares without par value. The shares may be issued only to the Province of Newfoundland and Labrador Pooled Pension Fund. The sale, transfer or other disposition of common shares is restricted.

Changes in share capital are as follows:

	2009		2008	
	Number of shares	**Amount**	Number of shares	Amount
		(000's)		(000's)
Issued and outstanding, beginning of year	**9,845,100**	**$ 98,451**	6,894,100	$ 68,941
Issued during the year for cash	-	-	3,927,000	39,270
Cancelled during the year for cash	-	-	(976,000)	(9,760)
Issued and outstanding, end of year	**9,845,100**	**$ 98,451**	9,845,100	$ 98,451

Equity per share is calculated as net asset value divided by the number of shares issued and outstanding at year end. At 31 December 2009, equity per share was $11.97 (2008 - $11.65).

8. Operating expenses

Operating expenses consist of:

	2009 (000's)	2008 (000's)
Elevator, HVAC and plumbing	$ 278	$ 305
Exterior grounds	538	613
General administrative	387	356
Insurance	158	192
Janitorial	320	341
Management fees	572	590
Miscellaneous	36	109
Non-recoverable property expenses	592	236
Parking lot	321	201
Property taxes	3,464	3,172
Repairs and maintenance	231	142
Security	112	170
Utilities	613	977
	$ 7,622	$ 7,404

9. Participation fee

Section 1.4 of Schedule 3 to the Investment Services Agreement with Bentall Limited Partnership dated 30 June 2001 provides for the payment of a participation fee to Bentall Limited Partnership by the Corporation. This participation fee shall be calculated and paid semi-annually on the fiscal year end of the Corporation and on that date which is six months thereafter. The calculation of the participation fee is based on the Corporation's performance as it relates to preset hurdle rates. A participation fee of $0 (2008 - $6,968) has been calculated for 2009. The calculation of this fee is based mainly on the changes in market values of the income producing properties.

10. Co-ownerships

The following amounts represent the Corporation's proportionate interest in unincorporated co-ownerships. These are included in the amounts presented on the balance sheet and the statement of income and retained earnings.

	2009 (000's)	2008 (000's)
Assets	**$ 56,692**	$ 55,607
Liabilities	**30,398**	31,467
Income	**5,406**	5,735
Operating expenses	**1,466**	1,662
Mortgage interest	**1,702**	1,728

11. Related party transactions

During the year, charges of $1,314,394 (2008 - $1,371,228) were incurred for services from Bentall Limited Partnership, a related party. These amounts are incurred in the normal course of business and are measured at the amount of consideration established and agreed to by the related parties.

These amounts are charged in these financial statements to income producing properties, operating expenses, asset management fees and participation fee.

12. Financial instruments

The Corporation's financial instruments recognized on the balance sheet consist of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, mortgages payable and dividends payable. The carrying values of these instruments approximate current fair value due to their nature and the terms and conditions associated with them. Interest rates on the mortgages payable are fixed to maturity. Therefore, the carrying values of these long-term financial instruments approximate their fair value and these instruments are not subject to any material interest rate risk.

13. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

NOVA CENTRAL SCHOOL DISTRICT

AUDITORS' REPORT

FINANCIAL STATEMENTS - JUNE 30, 2009

Walters Hoffe
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Members of the **Nova Central School District**

We have audited the balance sheet of the current and capital funds of the **Nova Central School District** as at June 30, 2009, and the related statements of current revenues, expenditures and Board deficiency, and statement of changes in capital fund position for the year then ended. These financial statements are the responsibility of the Board'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 financial position of the Board as at June 30, 2009, and the results of its operations and the changes in its capital financial position for the year then ended in accordance with the basis of accounting and as explained in Note 1 to the financial statements, which is in compliance with reporting requirements established for school boards in the Province of Newfoundland and Labrador by the Department of Education.

As required by Section 66(2) of the Schools Act, 1997, we report that all employees collecting, receiving and depositing cash are adequately bonded.

These financial statements, which have not been, were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are intended for the information and use of the Board and the Province of Newfoundland and Labrador and may not be appropriate for any other purpose.

Walters Hoffe
Chartered Accountants

Gander, Newfoundland

October 30, 2009

Nova Central School District
Balance Sheet
Year ended June 30

	2009	2008
Assets		
Current Assets		
Cash (Supp. Info 1)	5,540,847	$ 3,557,619
Accounts Receivable (Note 2)	12,917,811	12,739,626
Inventory, at cost	-	5,723
Prepaid Expenses (Supp. Info 3)	432,517	339,388
Total Current Assets	18,891,175	16,642,356
Restricted Cash - Scholarship Contributions	666,134	659,192
Property and Equipment (Sch. 8)	186,026,712	183,131,606
	$ 205,584,021	$ 200,433,154
Liabilities and Board Equity		
Current Liabilities		
Bank indebtedness (Note 3)	-	$ -
Accounts Payable and Accruals (Note 4)	16,581,656	14,943,753
Current Maturities (Sch. 9B)	1,220,741	1,226,743
Total Current Liabilities	17,802,397	16,170,496
Scholarship Contributions	666,134	659,192
Long Term Debt (Sch. 9)	6,408,491	7,629,557
Accrued Support Staff Severance	2,946,438	2,851,757
Accrued Teacher Severance	18,183,084	17,531,326
Board Equity		
Investment in Capital Assets (Note 6)	178,397,486	174,275,313
Board Deficiency (Note 8)	(18,820,009)	(18,684,487)
Total Board Equity	159,577,477	155,590,826
Commitments (Note 7)		
	$ 205,584,021	$ 200,433,154

Approved: John George Chairperson

Hubert Lang Treasurer

See accompanying notes.

Nova Central School District
Statement of Current Revenues, Expenditures and Board Deficiency

Year Ended June 30		2009		2008
Current Revenues (Schedule 1)				
Local Taxation				
Provincial Government Grants	$	129,262,585	$	121,082,920
Donations				
Ancillary Services		36,000		40,920
Miscellaneous		2,987,697		1,147,928
	$	132,286,282	$	122,271,768
Current Expenditures				
Administration (Schedule 2)	$	3,921,632	$	3,319,980
Instruction (Schedule 3)		101,014,625		94,584,630
Operations and Maintenance (Schedule 4)		15,675,335		13,656,450
Pupil Transportation (Schedule 5)		11,118,010		10,703,414
Ancillary Services (Schedule 6)		39,117		37,450
Interest Expense (Schedule 9C)		1,327		8,933
Miscellaneous Expenses (Schedule 7)		-		-
		131,770,046		122,310,857

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Excess (Deficiency) of Revenue over Expenditure Before Teacher Severance, Summer Pay and Transfer to Capital	$	516,236	$	(39,089)
Teacher Severance		(651,758)		(190,731)
Teacher Summer Pay		-		-
Transfer to Capital		-		-
Net Increase (Decrease) in Board Equity	$	(135,522)	$	(229,820)
Board Deficit, beginning of period		(18,684,487)		(18,454,667)
Board Deficit, end of period	$	(18,820,009)	$	(18,684,487)

Nova Central School District
Statement of Changes in Capital Fund

Year ended June 30		2009	2008
70	Capital Receipt		
71	Proceeds from Bank Loans		
011	School Construction	$ -	$ -
012	Equipment		
013	Service Vehicles		11,694
014	Pupil Transportation		-
015	Other - Energy Performance Contracting		
72	Department of Education Grants		
011	School Construction and Equipment	4,293,110	6,519,914
012	Other		275,414
73	Donations		
011	Cash Receipts	-	-
012	Non-Cash Receipts	-	-
013	Restricted Use	-	-
74	Sale of Capital Assets Proceeds		
011	Land		
012	Buildings		
013	Equipment		500
014	Service Vehicles	1,151	
015	Pupil Transportation Vehicles	2,425	
016	Other		
75	Other Capital Revenues		
011	Interest on Capital Fund Investments		
012	Premiums on Debentures		
013	Recoveries of Expenditures	53,462	290,329
015	Insurance Proceeds		
017	Miscellaneous-Energy Grant	52,232	
Total Capital Receipts			
77	Transfer from Reserve Account		
78	Transfer to/from Current Fund		
		$ 4,402,380	$ 7,097,851

Nova Central School District
Statement of Changes in Capital Fund (cont'd)

Year ended June 30		2009	2008
80	Capital Disbursements		
81	Additions to Property and Equipment		
011	Land and Sites	$ 287,019	$ 15,564
012	Buildings	3,329,807	6,127,506
013	Furniture and Equipment - School	522,234	431,695
014	Furniture and Equipment - Other	217,150	27,807
015	Services Vehicles	30,843	11,694
016	Pupil Transportation		275,414
017	Other		
82	Principal Repayment of Loans		
011	School Construction	-	191,815
012	Equipment		
013	Services Vehicles	15,327	16,356
014	Other		
83	Miscellaneous Disbursements		
013	Other		
Total Capital Disbursements		$ 4,402,380	$ 7,097,851

1. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Boards. Fund accounting can be defined as "accounting procedures in which a self-balancing group of accounts is provided for each fund." It is customary for School Boards to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the Board, relating to their use of fund accounting, is as follows:

a) Grants received by the Board from the Department of Education are recorded in either the current or capital funds depending on the project.

b) Land, buildings and equipment are recorded in the accounts based on estimated values at January 1, 1997. Additions since that date are recorded at full cost in the capital fund.

c) The Board does not calculate or record depreciation on any of its fixed assets.

d) All capital expenditures financed out of current revenue funds are recorded as an expenditure in the current account.

e) Principal Repayment of Pupil Transportation Loans are recorded as Current Expenditures. All other prinicipal repayment of bank loans are recorded as Capital Expenditures.

Severance Pay

The Board has in effect severance pay policies whereby employees are entitled to a severance payment upon leaving employment with the Board. Under these policies, a permanent employee who has nine (9) or more years of continuous service in the employ of the School Board is entitled to be paid on resignation, retirement, termination by reasons of disability, expiry of recall rights, or in the event of death, to the employee's estate, severance pay equal to the amount obtained by multiplying the number of completed years of continuous employment by his weekly salary to a maximum of twenty (20) weeks pay. This liability for severance pay has been accrued in the accounts for all employees who have a vested right to receive such payments.

Severance pay for teachers is paid through the Department of Education. An amount of $1,451,739 has been paid during the 2008-09 fiscal period and is included in employee benefits for teachers.

Nova Central School District
Notes to the Financial Statements

June 30, 2009

2. Accounts Receivable

			2009
		Current	
11	131	Provincial Government Grant	$ 11,767,312
	132	Transportation	-
	133	Federal Government	327,773
	134	School Taxes	
	136	Other School Boards	
	137	Rent	
	138	Interest	-
	139	Travel Advances, Schools and Misc.	155,030
		Capital	
11	231	Department of Education-Capital Grants	667,696
	233	Local Contributions	
	234	Other School Boards	
	235	Other	
			12,917,811
		Less: Allowance for uncollectible Government grants	-
			$ 12,917,811

3. Bank Indebtedness - Current

21	131	On Operating Credit	
	132	On Current Account	
			$ -

4. Accounts Payable and Accruals

			2009
	Current		
21 111	Trade Payables		$ 942,583
112	Accrued	- Liabilities	363,879
113		- Interest	-
114		- Wages	1,183,801
115	Payroll Deductions		72,024
116	Retail Sales Tax		
117	Deferred Grants		756,555
119	Summer Pay	- Teacher	11,233,904
122	Department of Education		708,181
	Capital		
21 211	Trade Payables		
212	Accrued	- Liabilities	
213		- Interest	
217	Deferred Grants		1,320,729
218	Other		
			$ 16,581,656

5. Reserve Account - Capital

Description:	
Balance, beginning of period	$ -
Less: Transfer to Capital Fund	
	-
Add: Transfer from Board Equity	
Balance, end of period	$ -

	2009
5A. Reserve Account - Current	
Description:	
Balance, beginning of period	$ -
Less: Current Expenditures	
Add: Transfer from Board Equity	
Balance, end of period	$ -

			2009
6. Investment in Capital Assets			
Balance, June 30, 2008			$ 174,275,313
Transfer of Operating Funds to Capital Fund			-
Grants	- Department of Education-Capital Projects	4,293,110	
	- Other	-	4,293,110
Proceeds from Sale of Capital Assets- Equipment			3,576
Federal Government Energy Grant			52,232
Recoveries of Expenditures			53,463
			178,677,694
Deduct Adjustments:			
Cost of Assets Sold	- Land	62,494	
	- Buildings	1,036,400	
	- School Buses	375,309	
	- Service Vehicles-Mtce.	17,744	
	- Service Vehicles-Bussing	-	1,491,948
			177,185,746
Add Adjustments:			
Other - Pupil transportation loan payments made by current fund		1,026,309	
Energy Performance loan payments made by current fund		185,431	1,211,740
23 221 Investment in Capital Assets, end of period			$ 178,397,486

7. Commitments

At the Balance Sheet date, the District had the following commitments:

The District has entered into lease agreements with estimated future payments for the next five years as follows:

2010-$199,235
2011-$159,520
2012-$49,393
2013-$1,222
2014-$873

8. Board Deficiency

Opening Board Deficiency, June 30, 2008	(18,684,487)
Net increase(decrease) in Board Equity (Page 4)	(135,522)
Board Deficiency, June 30, 2009	$ (18,820,009)

9. Department of Education Receivables and Payables

As at June 30, 2009 the Board has recorded the following receivables from the Province of Newfoundland & Labrador - Department of Education.

Accounts Receivable - Current

Amounts due re: Teacher Summer Pay	$	11,233,904
Amounts due re: School Operations		405,012
Amounts due re: Insurance - Point Leamington		62,312
Amounts due re: Miscellaneous		66,084
	$	11,767,312

Accounts Receivable - Capital

Amounts due re: Special Incentives	$	362,600
Amounts due re: School Construction		305,096
	$	667,696

Accounts Payable

Amounts due re: Other	$	708,181
Amounts due re: Teachers Payroll		-
	$	708,181

Nova Central School District
Current Revenues

Schedule 1

Year Ended June 30		2009	2008
Current Revenues			
31 010	Local Taxation		
011	School Taxes		
32 010	Provincial Government Grants		
011	Regular Operating Grants	$ 21,744,440	$ 20,613,377
012	Special Grants (Details on bottom of Schedule 1)	671,047	550,433
013	Payroll Tax	1,609,839	1,499,188
	Salaries and Benefits		
017	Directors and Assistant Directors	1,149,738	753,113
021	Regular Teachers	87,239,895	82,082,182
021	Student Assistants	2,502,164	2,161,634
022	Substitute Teachers	3,563,960	3,081,577
030	Pupil Transportation		
031	Board Owned	9,157,653	8,866,629
032	Contracted	1,128,353	1,112,058
033	Special Needs	495,496	362,729
		129,262,585	121,082,920
33 010	Donations		
012	Cash Receipts	-	-
013	Non Cash Receipts	-	-
014	Restricted Use	-	-
34 010	Ancillary Services		
011	Revenue from Rental of Residences		-
015	Interest on Schools		-
021	Revenues from Rental of Schools and Facilities (Net)	-	920
022	Internally Generated Funds - Snow Clearing and Other Incentives	36,000	40,000
031	Cafeterias		-
032	Other		-
		36,000	40,920

Nova Central School District
Current Revenues

Schedule 1 (cont'd)

Year Ended June 30			2009	2008
Current Revenues				
35	010	Miscellaneous		
	011	Interest on Investments	94,806	165,911
	012	Bus Charters	329,156	272,349
	021	Recoveries of Expenditures	2,467,895	594,626
	051	Insurance Proceeds	-	1,630
	081	Miscellaneous Federal Grant	45,938	83,310
	091	Textbooks	-	-
	092	Sundry	49,902	30,102
			2,987,697	1,147,928
36	011	Transfer from Capital		
		Total Current Revenues	$ 132,286,282	$ 122,271,768

Nova Central School District
Current Revenues

Schedule 1 (cont'd)

Year Ended June 30	2009	2008
Special Grants		
French Monitor	42,497	$ 53,188
French Immersion	-	6,462
French Teacher Aide	43,038	39,310
French Supplementary Materials	-	52,881
CFT Teacher TP - French	15,058	-
CFT Administration TP - French	2,910	7,787
French - Teaching Math	-	1,357
French - ICF Resources	5,445	13,703
French - ICF Follow up	486	2,703
St. Pierre Trips	49,577	45,712
French - Recruitment and Training	4,874	-
French Camps	77,714	36,058
Inclusive Education	-	3,000
NLTA Leadership	-	1,000
Kinderstart	2,767	18,500
Tutoring/Work Experience	37,335	29,133
Tutoring/Work Experience - CDLI	33,254	17,499
MUN Action Research	-	1,740
CDLI	56,117	64,993
Fine Arts	-	11,266
Positive Behaviours	34,205	-
Cultural Connections - PD	60,000	-
Early Childhood	1,586	4,742
Teacher Induction	1,500	2,000
Math Initiatives	33,199	29,653
Math Leadership	16,803	3,197
Math Research	21,234	8,766
Read With Me	-	2,627
Art Works Conference	-	73,952
Numeracy Support	30,180	19,204
Provincial Drama Festival	46,100	-
Healthy Schools	31,196	
Training Initiatives-Special Education	21,370	
Miscellaneous	2,602	-
	$ 671,047	$ 550,433

Nova Central School District
Administration Expenditures

Schedule 2

Year Ended June 30		2009	2008
51 011	Salaries and Benefits - Director and Assistant Directors	1,149,738	$ 753,113
012	Salaries and Benefits - Board Office Personnel	1,705,616	1,467,181
013	Office Supplies	64,675	65,494
014	Replacement Furniture and Equipment	69,386	47,145
015	Postage	43,990	37,762
016	Telephone	114,268	102,573
017	Office Equipment Rentals and Repairs	32,429	40,856
018	Bank Charges	446	427
019	Electricity	134,881	111,421
021	Fuel	3,426	43,260
022	Insurance	4,548	4,376
023	Repairs and Maintenance (Office Building)	58,849	54,107
024	Travel	142,168	110,076
025	Board Meeting Expenses	60,814	79,940
026	Election Expenses	-	-
027	Professional Fees	104,918	181,062
028	Advertising	58,563	61,554
029	Membership Dues	67,498	75,052
031	Municipal Taxes	38,639	31,549
034	Miscellaneous	41,424	30,976
035	Payroll Tax	25,356	22,056
Total Administration Expenditures		$ 3,921,632	$ 3,319,980

Nova Central School District
Instruction Expenditures

Schedule 3

Year Ended June 30			2009	2008
52	010	Instructional Salaries (Gross)		
	011	Teachers' Salaries - Regular	$ 73,333,924	$ 69,340,958
	012	- Substitute	3,447,732	3,090,617
	013	- Board Paid	-	2,364
	013	- Student Assistants	2,451,817	2,134,048
	014	Augmentation		
	015	Employee Benefits	13,905,971	12,741,224
	016	School Secretaries - Salaries and Benefits	2,377,790	1,928,472
	017	Payroll Tax	1,648,502	1,534,462
	018	IMC Salary	24,572	32,347
			$ 97,190,308	$ 90,804,492
52	040	Instructional Materials		
	041	General Supplies	$ 785,431	$ 728,362
	042	Library Resource Materials	92,021	75,782
	043	Teaching Aids	553,318	827,125
	044	Curriculum Initiatives	-	-
			$ 1,430,770	$ 1,631,269
52	060	Instructional Furniture and Equipment		
	061	Replacement	$ 803,387	$ 543,275
	062	Rentals and Repairs	246,895	242,164
			$ 1,050,282	$ 785,439
52	080	Instructional Staff Travel		
	081	Program Co-ordinators	$ 79,894	$ 57,511
	082	Teachers' Travel	275,403	251,659
	083	Inservice and Conferences	224,069	305,004
			$ 579,366	$ 614,174
	090	Other Instructional Costs		
52	091	Postage and Stationary		
	092	Miscellaneous	$ 763,899	$ 749,256
			$ 763,899	$ 749,256
			$ 101,014,625	$ 94,584,630

Nova Central School District
Operations and Maintenance Expenditures - Schools

Schedule 4

Year Ended June 30			2009	2008
53 011	Salaries and Benefits - Janitorial		**3,783,446**	$ 3,356,043
012	Salaries and Benefits - Maintenance		**2,122,994**	1,818,360
013	Payroll Tax		**123,374**	73,429
014	Electricity		**3,337,779**	3,266,609
015	Fuel		**618,910**	891,733
016	Municipal Service Fees		**241,666**	240,213
017	Telephone		**356,880**	383,229
018	Vehicle Operating and Travel		**185,276**	171,240
019	Janitorial Supplies		**306,010**	293,098
021	Janitorial Equipment		**98,873**	52,461
022	Repairs and Maintenance	- Building	**2,129,050**	1,317,275
023		- Equipment	**14,183**	7,504
024	Contracted Services - Janitorial		**247,909**	224,049
025	Snow Clearing		**599,277**	724,303
027	Other		**1,510,808**	836,904
Total Operations and Maintenance Expenditures			**15,675,335**	$ 13,656,450

Nova Central School District
Pupil Transportation Expenditures

Schedule 5

Year Ended June 30		2009	2008
54 010	Operation and Maintenance of Board Owned Fleet		
011	Salaries and Benefits - Administration	213,002	$ 189,725
012	Salaries and Benefits - Drivers and Mechanics	5,581,345	4,976,651
013	Payroll Tax	87,957	73,732
014	Debt Repayment - Interest	189,072	393,748
015	- Principal	1,026,309	1,034,179
016	Bank Charges	-	-
017	Gas and Oil	1,065,116	1,302,506
018	Licences	109,033	109,780
019	Insurance	106,375	148,113
021	Repairs and Maintenance - Fleet	571,465	529,084
022	- Building	61,885	91,868
023	Tires and Tubes	81,206	82,054
024	Heat and Light	71,439	86,759
025	Municipal Services	7,881	8,865
026	Snow Clearing	35,200	44,226
027	Office Supplies	21,564	16,127
029	Travel	16,114	15,911
031	Professional Fees	7,500	6,637
032	Miscellaneous	185,853	62,964
033	Telephone	55,845	53,698
		$ 9,494,161	$ 9,228,627
54 040	Contracted Services		
041	Regular Transportation	1,128,353	$ 1,112,058
042	Handicapped	495,496	$ 362,729
		1,623,849	1,474,787
Total Pupil Transportation Expenditures		$ 11,118,010	$ 10,703,414

Nova Central School District
Ancillary Services and Miscellaneous Expenses

Year Ended June 30		2009	2008
Ancillary Services			**Schedule 6**
55	Ancillary Services		
011	Operations of Teachers' Residence	$ -	$ -
013	Janitorial		
031	Cafeterias	39,117	37,450
032	Other		
		$ 39,117	$ 37,450

Miscellaneous Expenses — **Schedule 7**

The Board has incurred the following miscellaneous expenses:

		2009	2008
57 001	Miscellaneous		
		$ -	$ -

Nova Central School District
Details of Property and Equipment

Schedule 8

Year Ended June 30, 2009

	Balance June 30, 2008	Adjustment/ Transfer Current Year	Additions 2009	Disposals 2009	Balance June 30, 2009
Land and Sites					
12 210 Land and Sites					
211 Land and Sites	2,493,380		287,019	62,494	2,717,905
12 212 Land Improvements	2,493,380	-	287,019	62,494	2,717,905
12 220 Buildings					
221 Schools	138,530,068	-	3,121,434	1,036,400	140,615,102
222 Administration	4,500,145		208,373	-	4,708,518
223 Residential					-
224 Recreation					-
225 Other - Maintenance	136,323				136,323
	143,166,536	-	3,329,807	1,036,400	145,459,943
12 230 Furniture & Equipment					
231 Schools	19,737,520		522,234	-	20,259,754
232 Administration	1,806,689	-	217,150		2,023,839
233 Residential					-
234 Recreation					-
235 Other - Maintenance	14,728				14,728
	21,558,937	-	739,384	-	22,298,321
12 240 Vehicles					
241 Service Vehicles	262,710		-	17,744	244,966
12 250 Pupil Transportation					
251 Land	60,817				60,817
252 Building	853,699		-		853,699
253 Vehicles - Buses	14,468,642	-	-	375,309	14,093,333
254 - Service	197,045	-	30,843	-	227,888
255 Equipment	69,840		-		69,840
256 Other	-				-
	15,650,043	-	30,843	375,309	15,305,577
12 260 Miscellaneous Capital Assets					
261 Other					-
Total Property & Equipment	$183,131,606	$ -	$ 4,387,053	$ 1,491,947	$ 186,026,712

Land, buildings and equipment have been recorded in the accounts at estimated values at January 1, 1997. Additions since that date have been recorded at cost. Lands and sites on which some of the buildings are erected are vested in the former school boards or denominational education councils or churches. All real and personal property used for the purpose of education by Nova Central School District will be subject to the terms and conditions contained in Section 84 of the 1997 Schools Act.

Nova Central School District
Details of Long Term Debt

Schedule 9

Year Ended June 30, 2009

Bank loans, mortgages and debentures, approved by the Board and the Government of Newfoundland and Labrador

22 210 Loans Other Than Pupil Transportation

Ref.#

211 Bank Loans		
___Repayable $ 15,452 monthly, maturing 2015	$	969,668
___Repayable $___ monthly, maturing		-
___Repayable $_____ monthly, maturing		
___Repayable $_____ monthly, maturing		
___Repayable $_____ monthly, maturing		
Total 211	$	969,668
212 Mortgages		
___Repayable $_____ monthly, maturing		
___Repayable $_____ monthly, maturing		
___Repayable $_____ monthly, maturing		
Total 212		
213 Vehicles		
___Repayable $ 555.10 monthly, maturing 2009		14,124
___Repayable $ 550.43 monthly, maturing 2010		2,672
Total 213		16,796
Subtotal		986,464
215 Less: Current Maturities		194,431
Total Loans Other Than Pupil Transportation	$	792,033

Nova Central School District
Details of Long Term Debt

Schedule 9 (cont'd)

Year Ended June 30, 2009

##

22 220 Loans - Pupil Transportation

Ref.#

221 Vehicle Bank Loans	
Prime-1% Repayable $2,677 monthly, maturing 2011	$ 56,218
Prime-1% Repayable $1,537 monthly, maturing 2011	43,042
Prime-1% Repayable $3,648 monthly, maturing 2012	127,669
Prime-1% Repayable $6,277 monthly, maturing 2013	307,577
Prime-1% Repayable $1,125 monthly, maturing 2014	73,139
Prime-1% Repayable $2,914 monthly, maturing 2015	201,158
Prime-1% Repayable $3,794 monthly, maturing 2016	333,877
Prime-1% Repayable $1,549 monthly, maturing 2011	24,777
Prime-1% Repayable $2,083 monthly, maturing 2011	47,917
Prime-1% Repayable $5,211 monthly, maturing 2011	119,852
Prime-1% Repayable $2,090 monthly, maturing 2013	100,333
Prime-1% Repayable $2,738 monthly, maturing 2014	164,252
Prime-1% Repayable $2,793 monthly, maturing 2015	192,738
Prime-1% Repayable $1,084 monthly, maturing 2016	94,311
Prime-1% Repayable $ 21,563 monthly, maturing 2017	2,091,617
Prime-1% Repayable $ 24,443 monthly, maturing 2019	2,664,291
Subtotal	6,642,768
223 Less: Current Maturities	1,026,310
Total Loans - Pupil Transportation	5,616,458
Total Long Term Debt	6,408,491

Nova Central School District
Summary of Long Term Debt

Schedule 9A

June 30, 2009

Description	Ref.#	Rate	Balance June 30 2008	Loans Obtained During Period	Principal Repayment for Period	Balance June 30 2009
A) 1. School Construction		Prime - 1%				
2. Restructuring		Prime - 1%	$ -		$ -	$ -
B) Equipment						
C) Service Vehicle			32,123	-	15,327	16,796
D) Other - Energy Performance Contracting		Prime - 1%	1,155,099		185,431	969,668
E) Pupil Transportation		Prime - 1%	7,669,078	-	1,026,310	6,642,768
Total Loans			$ 8,856,300	$ -	$ 1,227,068	$ 7,629,232
Less: Current Maturities			1,226,743			1,220,741
Total Loans			$ 7,629,557	$ -	$ 1,227,068	$ 6,408,491

Nova Central School District
Schedule of Current Maturities

Schedule 9B

June 30, 2009

Description	2010	2011	2012	2013	2014
A) School Construction	185,431	185,431	185,431	185,431	185,431
B) Equipment					
C) Service Vehicles	9,000	6,500	1,300	0	0
D) Other					
E) Pupil Transportation	1,026,310	869,629	825,852	825,852	825,852
Total	$1,220,741	$ 1,061,560	$ 1,012,583	$ 1,011,283	$1,011,283

Nova Central School District
Schedule of Interest Expenses

Schedule 9C

Year Ended June 30	2009	2008
Description		
012 Capital		
School Construction Restructuring		5,058
Equipment		
Service Vehicles	1,169	1,882
Other		
Pupil Transportation		
Total Capital	1,169	6,940
013 Current - Operating Loans	-	-
- Supplier Interest Charges	158	1,993
Total Current	158	1,993
Total Interest Expense	1,327	$ 8,933

Nova Central School District
Supplementary Information

Year Ended June 30			2009	2008
1.		**Cash**		
		Current		
11	110	Cash on Hand and in Bank		
	111	Cash on Hand	$ 835	$ 485
	112	Bank - Current	5,434,647	3,435,176
	114	- Teachers' Payroll	12,875	11,421
	115	- Support Staff Payroll	92,490	110,537
		- Trust Account	-	
		Capital		
11	210	Cash on Hand and in Bank		
	211	Cash on Hand		
	212	Bank - Current		
	213	- Savings		
	214	- Other		
Total Cash on Hand and in Bank			5,540,847	$ 3,557,619
2.		**Short Term Investments**		
		Current		
11	121	Term Deposits		
	122	Canada Savings Bonds		
	123	Other		
		Capital		
11	221	Term Deposits		
	222	Canada Savings Bonds		
	223	Other		
Total Short Term Investments			-	-

Nova Central School District
Supplementary Information (Con't)

Year Ended June 30			2009	2008
3.		**Prepaid Expenses**		
		Current		
11	141	Insurance		
	142	Municipal Service Fees	**122,408**	114,454
	143	Supplies		
	144	Other - WHSCC	**228,701**	217,596
		- Travel		
		- Miscellaneous	**81,408**	7,338
		Capital		
11	241	Other (School Buses)		-
			$ 432,517	$ 339,388

PRIVATE TRAINING CORPORATION

TRAIN OUT FUND

FINANCIAL STATEMENTS

31 DECEMBER 2007

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Private Training Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Private Training Corporation, Train Out Fund as at 31 December 2007 and the statements of revenue, expenses and surplus, 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 Fund as at 31 December 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
18 March 2008

PRIVATE TRAINING CORPORATION
TRAIN OUT FUND
BALANCE SHEET

31 December	2007	2006
ASSETS		
Current		
Cash	$ 270,702	$ 74,802
Short-term investments, at cost (Note 2)	1,497,985	1,348,507
Investment income receivable	26,494	17,805
Accounts receivable from private training institutions	76,176	72,803
	$ 1,871,357	$ 1,513,917
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	$ 9,321	$ 4,843
Surplus	1,862,036	1,509,074
	$ 1,871,357	$ 1,513,917

Signed on behalf of the Corporation: Lorelei Dean **Chairperson** Don J. Stapleton **Director**

PRIVATE TRAINING CORPORATION
TRAIN OUT FUND
STATEMENT OF REVENUE, EXPENSES AND SURPLUS

For the Year Ended 31 December	2007	2006
REVENUE		
Contributions from private training institutions	$ 300,988	$ 263,395
Investment income	63,313	41,548
Bad debt recovery	-	13,027
	364,301	317,970
EXPENSES		
Board expenses (Note 3)	5,300	12,059
Office expense	3,993	2,965
Professional fees	2,046	1,606
	11,339	16,630
Excess of revenue over expenses	352,962	301,340
Surplus, beginning of year	1,509,074	1,207,734
Surplus, end of year	$ 1,862,036	$ 1,509,074

PRIVATE TRAINING CORPORATION
TRAIN OUT FUND
STATEMENT OF CASH FLOWS
For the Year Ended 31 December

	2007	2006
Cash flows from operating activities		
Excess of revenue over expenses	$ 352,962	$ 301,340
Change in non-cash working capital		
Investment income receivable	(8,689)	(9,411)
Accounts receivable from private training institutions	(3,373)	(558)
Accounts payable and accrued liabilities	4,478	(3,367)
Net increase in cash and cash equivalents	345,378	288,004
Cash and cash equivalents, beginning of year	1,423,309	1,135,305
Cash and cash equivalents, end of year	$ 1,768,687	$ 1,423,309
Cash and cash equivalents include:		
Cash	$ 270,702	$ 74,802
Short-term investments	1,497,985	1,348,507
	$ 1,768,687	$ 1,423,309

Authority

The Private Training Corporation (the Corporation), established 1 January 1999, operates under the authority of the *Private Training Institutions Act*. The purpose of the Corporation is to operate the Train Out Fund to provide compensation to students to complete their training where a private training institution fails to fulfill its training to students due to closure, and to monitor the financial operations of all private training institutions. Private training institutions make contributions to the Fund based on a percentage of the student tuition.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles.

2. Short-term investments

Short-term investments of $1,497,985 (2006 - $1,348,507) in guaranteed investment certificates are valued at cost. Maturity dates range from 17 March 2008 to 3 November 2008 with interest rates from 3.99% to 4.73%.

3. Related party transaction

Employees of the Department of Education perform certain duties related to the administration of the Train Out Fund. The Corporation reimburses the Department for these expenses charged to Board expenses in the amount of $5,300 for 2007 (2006 - $10,600).

4. Financial instruments

The Corporation's financial instruments recognized on the balance sheet consist of cash, short-term investments, investment income receivable, accounts receivable from private training institutions, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Any estimated impairment of accounts receivable would have been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to the financial instruments.

5. Comparative figures

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

PRIVATE TRAINING CORPORATION

TRAIN OUT FUND

FINANCIAL STATEMENTS

31 DECEMBER 2009

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Board of Directors
Private Training Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Private Training Corporation, Train Out Fund as at 31 December 2009 and the statements of revenues, expenses and surplus, 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 Fund as at 31 December 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
10 March 2010

PRIVATE TRAINING CORPORATION
TRAIN OUT FUND
BALANCE SHEET

31 December	2009	2008
ASSETS		
Current		
Cash	$ **91,202**	$ 205,019
Short-term investments (Note 2)	**1,116,755**	1,965,911
Investment income receivable	**18,506**	28,196
Accounts receivable from private training institutions	**68,428**	61,725
	1,294,891	2,260,851
Long-term investments (Note 3)	**1,290,292**	-
	$ 2,585,183	$ 2,260,851
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	$ **12,111**	$ 16,976
Surplus	**2,573,072**	2,243,875
	$ 2,585,183	$ 2,260,851

See accompanying notes

Signed on behalf of the Corporation: Lorelei Dean Don Stapleton

Chairperson **Director**

PRIVATE TRAINING CORPORATION
TRAIN OUT FUND
STATEMENT OF REVENUES, EXPENSES AND SURPLUS
For the Year Ended 31 December

	2009	2008
REVENUES		
Contributions from private training institutions	$ 292,482	$ 320,685
Investment income	52,174	72,459
	344,656	393,144
EXPENSES		
Board expenses (Note 4)	7,713	5,300
Office expense	2,366	596
Professional fees	5,380	5,409
	15,459	11,305
Excess of revenues over expenses	329,197	381,839
Surplus, beginning of year	2,243,875	1,862,036
Surplus, end of year	$ 2,573,072	$ 2,243,875

PRIVATE TRAINING CORPORATION
TRAIN OUT FUND
STATEMENT OF CASH FLOWS
For the Year Ended 31 December

	2009	2008
Cash flows from operating activities		
Excess of revenues over expenses	$ 329,197	$ 381,839
Change in non-cash working capital		
Investment income receivable	9,690	(1,702)
Accounts receivable from private training institutions	(6,703)	14,451
Accounts payable and accrued liabilities	(4,865)	7,655
	327,319	402,243
Cash flows from investing activities		
Purchase of long-term investments	(1,290,292)	-
Net increase (decrease) in cash and cash equivalents	(962,973)	402,243
Cash and cash equivalents, beginning of year	2,170,930	1,768,687
Cash and cash equivalents, end of year	$ 1,207,957	$ 2,170,930
Cash and cash equivalents include:		
Cash	$ 91,202	$ 205,019
Short-term investments	1,116,755	1,965,911
	$ 1,207,957	$ 2,170,930

Authority

The Private Training Corporation (the Corporation), established 1 January 1999, operates under the authority of the *Private Training Institutions Act*. The purpose of the Corporation is to operate the Train Out Fund to provide compensation to students to complete their training where a private training institution fails to fulfill its training to students due to closure, and to monitor the financial operations of all private training institutions. Private training institutions make contributions to the Fund based on a percentage of the student tuition.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles.

2. Short-term investments

Short-term investments of $1,116,755 (2008 - $1,965,911) in guaranteed investment certificates are valued at cost which approximates market value because of their current nature. Maturity dates range from 12 February 2010 to 3 November 2010 with interest rates from 0.42% to 2.00%.

3. Long-term investments

Long-term investments of $1,290,292 (2008 - $0) in guaranteed investment certificates are valued at cost which approximates market value because of their current nature. Maturity dates range from 4 February 2011 to 18 September 2012 with interest rates from 1.35% to 2.25%.

4. Related party transaction

Board expenses of $7,713 (2008 - $5,300) includes $5,300 (2008 - $5,300) that the Corporation reimburses the Department of Education for performance of certain duties related to the administration of the Train Out Fund.

5. Financial instruments

The Corporation's short-term financial instruments recognized on the balance sheet consist of cash, short-term investments, investment income receivable, accounts receivable from private training institutions, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Any estimated impairment of accounts receivable would have been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to the financial instruments.

The Corporation also holds long-term investments. The policy and intention of the Board is to hold these long-term investments to maturity. Therefore, their reported value is current fair value to the Corporation and there is no rate risk associated with these investments.

6. **Comparative figures**

Certain figures in the 2008 financial statements have been reclassified to conform with the basis of presentation used in 2009.

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Trustee
Province of Newfoundland and Labrador
Pooled Pension Fund
St. John's, Newfoundland and Labrador

I have audited the consolidated statement of net assets available for benefits of the Province of Newfoundland and Labrador Pooled Pension Fund as at 31 December 2009 and the consolidated statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund'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 net assets available for benefits of the Fund as at 31 December 2009 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
15 June 2010

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
31 December

		2009		2008
		(000's)		(000's)
ASSETS				
Investments (Note 2)				
Short-term notes and deposits	$	86,889	$	79,197
Bonds and debentures		1,139,604		1,393,807
Equities - Canadian		2,224,657		1,713,657
- Foreign		2,391,252		1,773,325
Real estate (Note 3)		185,350		201,343
		6,027,752		5,161,329
Receivables				
Employee contributions		5,319		3,899
Employer contributions		5,013		3,770
Accrued investment income		12,535		15,799
Accounts receivable		568		987
		23,435		24,455
Cash		17,955		13,709
Prepaid expenses		187		238
Deferred charges		3,138		5,016
		6,072,467		5,204,747
LIABILITIES				
Accounts payable and accrued liabilities		8,194		9,940
Refunds payable		1,152		2,034
Due to Province of Newfoundland and Labrador		589		530
Mortgages payable (Note 4)		67,673		72,213
		77,608		84,717
NET ASSETS AVAILABLE FOR BENEFITS	$	5,994,859	$	5,120,030

Signed on behalf of the Fund:

Minister of Finance and President of Treasury Board Trustee

Chairperson Pension Investment Committee

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the Year Ended 31 December

	2009						200
	Public Service Pension Plan (000's)	Teachers' Pension Plan (000's)	Uniformed Services Pension Plan (000's)	Members of the House of Assembly Pension Plan (000's)	Provincial Court Judges' Pension Plan (000's)	Total (000's)	Tota (000's
Increase (decrease) in net assets from:							
Investments (Note 5)							
Investment income	$ 101,730	$ 76,550	$ 3,317	$ 364	$ 84	$ 182,045	$ 206,67
Gain (loss) on sale of investments	(73,857)	(55,576)	(2,409)	(264)	(61)	(132,167)	(208,28
Current period change in market value of investments	507,002	381,509	16,534	1,815	418	907,278	(1,374,52
	534,875	402,483	17,442	1,915	441	957,156	(1,376,13
Contributions							
Employee	114,008	43,568	4,121	475	166	162,338	141,44
Employer (Note 6)	113,433	41,342	3,936	331	170	159,212	135,14
Special payments (Note 6)	-	-	100,000	-	181	100,181	-
	762,316	487,393	125,499	2,721	958	1,378,887	(1,099,538
Other changes in net assets							
Pensions	(221,127)	(229,894)	(17,156)	(487)	(31)	(468,695)	(444,769
Refund of contributions with interest	(14,693)	(4,861)	(85)	-	-	(19,639)	(28,341
Administrative costs (Note 7)	(9,311)	(6,032)	(311)	(60)	(10)	(15,724)	(16,987
	(245,131)	(240,787)	(17,552)	(547)	(41)	(504,058)	(490,097
Total increase (decrease) in net assets	517,185	246,606	107,947	2,174	917	874,829	(1,589,635
Net assets available for benefits, beginning of year	2,849,509	2,209,366	49,576	9,531	2,048	5,120,030	6,709,66
Net assets available for benefits, end of year	$ 3,366,694	$ 2,455,972	$ 157,523	$ 11,705	$ 2,965	$ 5,994,859	$ 5,120,03

Authority and description

The Province of Newfoundland and Labrador Pooled Pension Fund (the Fund) was created 1 July 1980 under the authority of the *Pensions Funding Act* for the purpose of providing for the funding of pension plans sponsored by the Province. The affairs of the Fund are managed by the Minister of Finance, as Trustee of the Fund. Section 9 of the *Act* states that where there are insufficient assets to meet the obligations of the Fund, or the equity apportioned to a plan is insufficient to meet the obligations of the plan, the Minister shall pay out of the Consolidated Revenue Fund sufficient monies as may be necessary to cover the deficiency.

The following pension plans participate in the Fund: Public Service Pension Plan, Teachers' Pension Plan, Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan and the Provincial Court Judges' Pension Plan.

(a) Public Service Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering full-time employees of the Government of the Province of Newfoundland and Labrador, the Legislature and various Crown corporations, agencies and commissions created by or under a statute of the Province.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Employee contributions

Employee contributions are equal to 8.6% of the Canada Pension Plan (CPP) basic exemption, plus 6.8% of the employee's salary between the CPP basic exemption and the Year's Maximum Pensionable Earnings (YMPE) under the CPP, plus 8.6% of the employee's salary in excess of the YMPE, up to a maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan.

(iii) Accrued service pensions

A service pension is available from the Registered Plan based on the number of years of pensionable service times 2% of the member's best five years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after 1 April 1967. The calculated amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Authority and description (cont.)

(a) Public Service Pension Plan (cont.)

(iii) Accrued service pensions (cont.)

Where the calculated amount does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested member who is no longer an employee can receive a pension from the Supplementary Plan. The total pension received from both the Registered Plan and the Supplementary Plan equals the amount calculated based on the number of years of pensionable service times 2% of the member's best five years average salary.

Employees who have reached age 50 and have at least 30 years of service are permitted to retire with a 0.5% reduction in pension benefit for each month under age 55.

Employees who have reached age 55 and have 30 years of service may retire with an unreduced pension. Employees age 55 or greater with less than 30 years service and with age and service equal to 85 may retire with a pension reduced by 0.5% for each month under age 60.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary the commuted value of the employee's pension entitlement is paid to the employee's estate.

Authority and description (cont.)

(a) Public Service Pension Plan (cont.)

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension or commuted value.

(viii) Indexing

Effective 1 October 2002 and each 1 October thereafter the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 will be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual pension or survivor benefit.

(b) Teachers' Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering teachers employed by school boards or the Province of Newfoundland and Labrador and full-time employees of the Newfoundland and Labrador Teachers' Association.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Employee contributions

Employee contributions are equal to 9.35% of salary, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan.

Authority and description (cont.)

(b) Teachers' Pension Plan (cont.)

(iii) Accrued service pensions

A service pension is available from the Registered Plan based on 1/45th of the member's best five years average salary times years of pensionable service prior to 1 January 1991, plus 2% of the member's best five years average salary times years of pensionable service after 1 January 1991. When a member who retired after 31 August 1998 reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after 1 April 1967. The calculated amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Where the calculated amount does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested member who is no longer an employee can receive a pension from the Supplementary Plan. The total pension received from both the Registered Plan and the Supplementary Plan equals the amount calculated based on 1/45th of the member's best five years average salary times years of pensionable service prior to 1 January 1991, plus 2% of the member's best five years average salary times years of pensionable service after 1 January 1991.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary the commuted value of the employee's pension entitlement is paid to the employee's estate.

Authority and description (cont.)

(b) Teachers' Pension Plan (cont.)

(vii) Termination benefits

On termination of employment, a teacher may elect to receive a refund of the teacher's own contributions with interest or, if the teacher has at least five years pensionable service, may elect to receive a deferred pension or commuted value.

(viii) Indexing

Effective 1 September 2002 and each 1 September thereafter the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 will be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual pension or survivor benefit. This provision only applies to a pension or survivor benefit where the teacher to whom that pension or benefit relates retires after 31 August 1998.

(c) Uniformed Services Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering members of the Royal Newfoundland Constabulary, warders at various Provincial correctional institutions, and some members of the St. John's Regional Fire Department.

(ii) Employee contributions

Employee contributions are equal to 9.95% of the CPP basic exemption, plus 8.15% of the employee's salary between the CPP basic exemption and the YMPE under the CPP, plus 9.95% of the employee's salary in excess of the YMPE.

(iii) Accrued service pensions

A service pension is available based on the number of years of pensionable service times 2% of the member's best three years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best three years average salary up to average YMPE times years of pensionable service after 1 April 1967.

Authority and description (cont.)

(c) Uniformed Services Pension Plan (cont.)

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service. For grandfathered members, the survivor pension is 55% of the member's accrued service pension.

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary the commuted value of the employee's pension entitlement is paid to the employee's estate.

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension or the commuted value.

(d) Members of the House of Assembly Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan for Members of the House of Assembly (MHAs). Members may elect not to participate in the Plan for their first term.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

Authority and description (cont.)

(d) Members of the House of Assembly Pension Plan (cont.)

(ii) Member contributions

Members are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Member contributions cease after seventeen years of service if elected before or during the 43rd General Assembly and after twenty years of service if elected since that time.

On 22 December 2009, the Province amended the *Members of the House of Assembly Retiring Allowances Act*. This amendment provided that for Members elected prior to 1 January 2010, their pensionable salary effective 1 July 2007 would be equal to 81.2% of the salary authorized to be paid to an MHA under section 11(1) of the *House of Assembly Accountability, Integrity and Administration Act*. The pensionable salary for Members elected after 31 December 2009 would be the salary authorized under subsection 11(1) of the *House of Assembly Accountability, Integrity and Administration Act*.

(iii) Calculation of allowances on retirement

A vested Member who is no longer an MHA or a minister may, on application and subject to eligibility criteria, receive an allowance as follows:

For Members elected for the first time before or during the 43rd General Assembly, the percentage is calculated at 5% for each of the first ten years, 4% for each of the next five years, 2.5% for each of the next two years and 2% for each year of other service. Ministers receive an additional allowance calculated similarly and based on service and salary as a Minister (excluding Member's salary).

For Members elected for the first time after the 43rd General Assembly and prior to 1 January 2010, the percentage is 5% for each of the first ten years, 2.5% for each of the next ten years, and 2% for each year of other service.

On 22 December 2009, the Province amended the *Members of the House of Assembly Retiring Allowances Act*. These amendments provided for a new benefit accrual rate and new eligibility criteria for Members first elected to the House of Assembly after 31 December 2009. The annual accrual benefit rate for the new Member would be 3.5% to a maximum of 20 years service. The new Member would have to reach age 55 before being eligible for an unreduced pension. A new Member who retires between the ages of 50 and 54 would be eligible for a pension that would be reduced by 6% for each year that the Member is under the age of 55.

Authority and description (cont.)

(d) Members of the House of Assembly Pension Plan (cont.)

(iii) Calculation of allowances on retirement (cont.)

These allowances are paid as follows:

Under the Registered Plan the allowance is the product of 2% of MHA's and minister's salary for the best three calendar years. When a Member reaches age 65, the amount of the registered allowance is reduced by 0.6% of the Member's average YMPE times years of service between 1 January 1998 and 31 December 2004. The amount of the registered allowance shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Where the calculated allowance does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested Member who is no longer an MHA or a minister can receive an allowance from the Supplementary Plan. The Member's supplementary allowance is reduced by the amount of his or her registered allowance. The annual allowance is based on a percentage of the average of the Member's pensionable salary for the best three calendar years. When a Member reaches age 65, the amount of the supplementary allowance is reduced by 0.6% of the Member's average YMPE times years of service after 1 April 1967 (service between 1 January 1998 and 31 December 2004 excluded).

(iv) Disability allowance

A disability allowance equal to the amount of the registered allowance the Member would have been eligible to receive at 65 years of age is available if a Member becomes permanently disabled. Additional supplementary benefits are also available on disability.

(v) Survivor benefits

A survivor benefit equal to 60% of the Member's registered allowance that he or she would have received had he or she reached age 65 on the date of death is paid to the surviving principal beneficiary.

(vi) Pre-retirement death benefits

If a Member dies before receiving an allowance and a survivor benefit is payable, the surviving principal beneficiary may elect to receive the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the Member's entitlement. Where a survivor pension is not payable, the commuted value of the pension entitlement is paid to the deceased plan Member's estate.

Authority and description (cont.)

(d) Members of the House of Assembly Pension Plan (cont.)

(vii) Termination benefits

A Member who is no longer an MHA or a minister and who has been elected to only one general assembly or who has less than five years of service may elect to receive a refund of his or her contributions with interest.

A vested Member who is no longer an MHA or a minister may, subject to eligibility criteria, elect to transfer the commuted value of his or her entitlement under the Registered Plan to another approved retirement arrangement, or receive a deferred registered allowance. Also, the Member may receive a lump sum payment of his or her entitlement under the Supplementary Plan, or receive a deferred supplementary allowance.

(e) Provincial Court Judges' Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering all Provincial Court judges appointed on or after 1 April 2002, and to a judge who elected on or before 1 April 2002 to join the Plan.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Judges' contributions

Judges are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Judges' contributions cease when they have accrued and paid contributions for twenty years of pensionable service.

Authority and description (cont.)

(e) **Provincial Court Judges' Pension Plan (cont.)**

(iii) Calculation of allowances on retirement

The annual amount of the allowance paid to a vested judge on normal retirement is the product of 3.33% of his or her annual salary on ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years.

The annual amount of the allowance paid from the Registered Plan to a vested judge on normal retirement is the product of 2% of his or her annual salary on ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years. The amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada). The remaining allowance is paid from the Supplementary Plan.

Normal retirement date is the first day of the month following the judge's 65th birthday.

(iv) Survivor benefits

A survivor benefit equal to 60% of the pensioner's or judge's registered allowance that he or she would have received had he or she reached age 65 on the date of death is paid to the surviving principal beneficiary.

(v) Pre-retirement death benefits

If a judge dies before receiving an allowance and a survivor benefit is payable, the surviving principal beneficiary may elect to receive the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the judge's entitlement. Where a survivor pension is not payable, the commuted value of the entitlement is paid to the deceased judge's estate.

(vi) Termination benefits

A judge who has stopped serving as a judge and who has less than two years of judge's service may elect to receive a refund of his or her contributions with interest.

A judge who has at least two years of judge's service may, subject to eligibility criteria, elect to transfer the commuted value of his or her entitlement under the Registered Plan to another approved retirement arrangement, receive a lump sum payment of his or her entitlement under the Supplementary Plan, or receive a deferred allowance.

Authority and description (cont.)

(e) Provincial Court Judges' Pension Plan (cont.)

(vii) Indexing

Effective 1 October 2002 and each 1 October thereafter, the amount of the allowance or survivor benefit paid to an individual who has reached the age of 65 shall be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual allowance or survivor benefit.

1. Significant accounting policies

These consolidated financial statements have been prepared by the Fund's management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements present the aggregate financial position of the Fund as a separate financial reporting entity including the operations of its subsidiary Newvest Realty Corporation. They are prepared to assist plan members and others in reviewing the activities of the Fund for the fiscal period. Outlined below are the significant accounting policies followed.

(a) Principles of consolidation

These consolidated financial statements include the assets, liabilities and the changes in net assets of the Fund and Newvest Realty Corporation, a wholly-owned subsidiary incorporated on 9 August 2001 under the *Canada Business Corporations Act* to invest monies received from the Fund in Canadian real estate property. It is also registered under the *Corporations Act* of the Province of Newfoundland and Labrador. Inter-entity transactions and balances have been eliminated in these consolidated financial statements.

(b) Gains and losses on investments

The cost of sales for all investment dispositions is calculated as the weighted average of their costs.

1. Significant accounting policies (cont.)

(c) Investment income

Investment income is allocated to the pension plans under the Fund based on the respective equity position, calculated on a market basis, of each plan after giving effect to a time weighting of receipts and disbursements. The proportionate share of investment income is then attributed to each plan.

Investment income consists of the following:

(i) Dividend income which is recognized as of the date of record for North American equities and as of the date of receipt for non-North American equities.

(ii) Bank interest and interest on bonds and debentures, and short-term notes and deposits, which is recognized as it is earned.

(iii) Real estate income which is recognized on consolidation of Newvest Realty Corporation.

(iv) Foreign exchange gains or losses.

(d) Current period change in the market value of investments

The current period change in the market value of investments is allocated to the pension plans under the Fund based on the respective equity position, calculated on a market basis, of each plan after giving effect to a time weighting of receipts and disbursements. The proportionate share of current period change in the market value of investments is then attributed to each plan.

(e) Use of estimates

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 at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Management believes that the estimates utilized in preparing these consolidated financial statements are reasonable and prudent; however, actual results could differ from these estimates.

2. Investments

All investments are valued as follows:

(a) Short-term notes and deposits are valued at book value which approximates market value.

(b) Bonds and debentures are valued at the mean or the average price at the valuation date.

2. Investments (cont.)

(c) Publicly traded equities are valued using the mid day quote on the valuation date. In instances where the quoted stock has not been traded on valuation date, the last available traded price is used.

(d) The Fund holds its real estate investments through its sole ownership interest in Newvest Realty Corporation. Income producing properties are presented in these financial statements at their appraised values in accordance with the Corporation's appraisal policy which requires that properties be appraised at least once every two years by professionally qualified independent appraisers. The external appraisals are completed in six month cycles on approximately one quarter of the Corporation's portfolio. The properties that are not externally appraised during each six month cycle are appraised by Bentall Limited Partnership. Any properties acquired by the Corporation in the current year have not been appraised and are therefore recorded at cost. Any increases or decreases in value resulting from the appraisal process are reflected in the Fund's financial statements on consolidation.

3. Real estate investments

The Fund's investment in real estate as at 31 December 2009, is comprised of real estate investments held by its wholly owned subsidiary, Newvest Realty Corporation, as follows:

	2009 (000's)	2008 (000's)
Assets		
Income producing properties (Appraised Value)	**$ 185,350**	$ 201,343
Other assets	**11,980**	15,723
Total assets	**$ 197,330**	$ 217,066
Liabilities and Equity		
Mortgages payable (Appreciated Value)	**$ 67,673**	$ 72,213
Other liabilities	**7,142**	6,372
Shareholder's equity	**122,515**	138,481
Total liabilities and equity	**$ 197,330**	$ 217,066
Income, Expenses and Shareholder's Equity		
Income	**$ 20,740**	$ 20,460
Operating expenses	**(7,622)**	(7,404)
Operating income (at cost)	**13,118**	13,056
Other expenses	**(5,168)**	(8,033)
Net income for the year (at cost)	**7,950**	5,023

3. Real estate investments (cont.)

	2009 **(000's)**	2008 (000's)
Current period change in market value of income producing properties	**(19,556)**	(4,959)
Current period change in market value of mortgages	**440**	176
	(19,116)	(4,783)
Net income (loss) for the year (at appraised and appreciated values)	**(11,166)**	240
Shareholder's equity, beginning of year	**138,481**	111,771
Shares issued for cash	**-**	39,270
Shares cancelled for cash	**-**	(9,760)
Dividends declared	**(4,800)**	(3,040)
Shareholder's equity	**$ 122,515**	$ 138,481

4. Mortgages payable

Mortgages payable represent financing obtained by the Corporation for the acquisition of income producing properties. For investment information purposes, principal values and appreciated values are shown. Appreciated value is the mortgage's market value based on the discounted future cash payments using current or similar market interest rates. Details are as follows:

	2009		2008	
	Principal Value (000's)	**Appreciated Value (000's)**	Principal Value (000's)	Appreciated Value (000's)
(a) Bayview Chateau and White Rock Gardens, White Rock, British Columbia. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $26,705, including interest calculated at a rate of 5.58% per annum, maturing 1 July 2012, secured by a conventional first mortgage, a general security agreement, and a general assignment of rents.	**$ 4,133**	**$ 4,268**	$ 4,223	$ 4,297

4. Mortgages payable (cont.)

	2009		2008	
	Principal Value (000's)	**Appreciated Value (000's)**	Principal Value (000's)	Appreciated Value (000's)
(b) Park and Tilford Shopping Centre, North Vancouver, British Columbia. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $137,927, including interest calculated at a rate of 5.88% per annum, maturing 1 September 2010.	**18,880**	**18,879**	19,421	19,820
(c) TD Creekside Corporate Centre, Mississauga Ontario. Mortgage (50% interest), held by Metropolitan Life Insurance Company, repayable in monthly installments of $115,194, including interest calculated at a rate of 5.71% per annum, maturing 1 July 2014, secured by a freehold first mortgage and charge on the property, a general security agreement, a first general assignment of rents, and a first specific assignment of a tenant lease.	**16,362**	**16,688**	16,808	17,022
(d) 2001 Bantree, Ottawa, Ontario. Mortgage (50% interest), held by Equitable Life, repayable in monthly installments of $38,816, including interest calculated at a rate of 5.09% per annum, maturing 1 August 2015, secured by a first mortgage and charge on the property, a first general assignment of leases and rents, a first specific assignment of leases, a first general security agreement of assets of the property, and assignment of insurance proceeds and endorsements to all policies.	**5,975**	**5,884**	6,135	5,970

4. Mortgages payable (cont.)

	2009		2008	
	Principal Value (000's)	**Appreciated Value (000's)**	Principal Value (000's)	Appreciated Value (000's)
(e) Thunder Centre, Thunder Bay, Ontario. Mortgage (50% interest), held by CIBC, repayable in monthly installments of $53,718, including interest calculated at a rate of 5.743% per annum, maturing 1 September 2015, secured by a first mortgage and charge on the property, a first general assignment of leases and rents, a specific assignment of leases, assignment of the head lease with the vendor, and assignment of the letter of credit relative to the head lease.	**7,844**	**7,950**	8,037	8,037
(f) Centre 5735, Calgary, Alberta. Mortgage, held by Equitable Life, repayable in monthly installments of $26,630, including interest calculated at a rate of 5.28% per annum, maturing 1 December 2016, secured by a first mortgage and charge on the property, and a general security agreement.	**4,174**	**4,105**	4,273	4,142
(g) 4500 Chemin Bois Franc, St. Laurent, Quebec. Mortgage, held by TD Canada Trust, repayable in full on 26 January 2009 at an amount of $2,401,000, including interest calculated at a rate of 5.40% per annum.	**-**	**-**	2,401	2,401
(h) Faubourg Bois Franc, St. Laurent, Quebec. Mortgage, held by CIBC Mortgages Inc., repayable in monthly installments of $57,238, including interest calculated at a rate of 5.00% per annum, maturing 1 September 2017, secured by a first hypothec for registration against title to the properties in the amount of $10,725,000, a general immovable hypothec of rents being a first priority interest in rents payable and the insurance indemnities on such rents, a movable hypothec of the lease(s), and a movable hypothec in the amount of $10,725,000 being a first priority interest in all present and future personal or movable property corporeal or incorporeal of the Borrower.	**10,354**	**9,899**	10,524	10,524
	$ 67,722	**$ 67,673**	$ 71,822	$ 72,213

4. Mortgages payable (cont.)

Annual principal repayments totalling $43.0 million (2008 - $32.0 million) to be made during the next five years are as follows:

	(000's)
2010	$ 20,101
2011	1,290
2012	5,193
2013	1,325
2014	15,117
	$ 43,026

5. Increase (decrease) in net assets, investments

	Investment income	Gain (loss) on sale of investments	Current period change in market value of investments	2009 Total	2008 Total
	(000's)	(000's)	(000's)	(000's)	(000's)
Canadian common equities	$ 54,812	$ (24,486)	$ 506,269	$ 536,595	$ (715,034)
Foreign common equities	57,778	(140,864)	400,128	317,042	(747,865)
Bonds and debentures	60,343	33,555	20,035	113,933	77,223
Short-term notes and deposits	1,162	(372)	(38)	752	9,306
Real estate	7,950	-	(19,116)	(11,166)	240
	$ 182,045	$ (132,167)	$ 907,278	$ 957,156	$(1,376,130)

6. Funding policy

In accordance with legislation, the Province's funding requirement is to match employee contributions for current service. Matching of contributions may also occur for certain other types of prior service, which may be purchased under contract (see Note 9).

Also, the Province is required to pay into the Fund amounts required to cover any actual plan deficiencies which may occur. A plan deficiency occurs when pension payments, refunds of contributions and administrative costs exceed a plan's fund balance.

Pursuant to a commitment made to the Newfoundland and Labrador Association of Public Employees during the negotiation of the Correctional Officers' Collective Agreement and under the authority of section 22(f) of the *Financial Administration Act*; in July 2009 the Province made a special payment of $100 million to reduce the Province's unfunded pension liability related to the Uniformed Services Pension Plan.

In April 2009, the Province made a special payment of $181,278 to fully fund the unfunded pension liability noted in the 31 December 2007 Actuarial Report for the registered portion of the Provincial Court Judges' Pension Plan.

7. Administrative costs

Administrative costs are direct costs of the Department of Finance, Pensions Division, and are allocated to the various pension plans based on a combination of expenses directly attributable to a plan, the number of members participating in the various pension plans and a time weighing of receipts and disbursements. Administrative costs were comprised as follows:

	2009 (000's)	2008 (000's)
Investment management, consulting and custodial fees	**$ 12,890**	$ 14,348
Salaries and benefits	**2,169**	1,828
Computer charges	**209**	269
Other expenses	**249**	226
Medical and professional fees	**119**	172
Actuarial consulting fees	**88**	144
	$ 15,724	$ 16,987

8. Teachers' Indexing Fund

The total fund balance relating to the Teachers' Pension Plan is comprised of the regular fund balance and the fund balance of the Teachers' Indexing Fund. In accordance with the most recent Teachers' Collective Agreement, contributions required to fund the indexing benefit introduced as of 1 September 2002 shall be deposited to a separate account. As at 31 December 2009 the increase and decrease in the net assets of the Fund related to the Teachers' Indexing Fund and the closing balance, along with the closing balance of the Fund related to the Teachers' Regular Fund, are comprised as follows:

8. Teachers' Indexing Fund (cont.)

	2009 (000's)	2008 (000's)
Teachers' Indexing Fund:		
Increases in net assets		
Contributions	**$ 7,163**	$ 6,348
Investment income (loss)	**8,049**	(9,480)
	15,212	(3,132)
Decreases in net assets		
Pensions	**22**	14
Administrative costs	**121**	108
	143	122
Increase (decrease) in net assets	**15,069**	(3,254)
Teachers' Indexing Fund balance, beginning of year	**39,136**	42,390
Teachers' Indexing Fund balance, end of year	**54,205**	39,136
Teachers' Regular Fund balance	**2,401,767**	2,170,230
Teachers' Pension Plan combined balance	**$ 2,455,972**	$ 2,209,366

9. Obligations for pension benefits

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and the best estimate assumptions of the Trustee of the Province of Newfoundland and Labrador Pooled Pension Fund. Actuarial valuations were performed for each plan as of the valuation dates noted below, by a firm of consulting actuaries. The unfunded liabilities at the most recent valuation date are shown in the following table. In addition, the table shows the unfunded liabilities for each plan as extrapolated by the actuaries to 31 December 2009.

		At Valuation Date				
Plan	**Valuation Date**	**Actuarial Present Value (000's)**	**Asset Value (000's)**	**Unfunded Liability (000's)**	**Extrapolated Unfunded Liability at 31 December 2009 (000's)**	**Extrapolated Unfunded Liability at 31 December 2008 (000's)**
Public Service Pension Plan	12/31/2006	$ 4,464,970	$ 2,630,150	$ 1,834,820	$ 2,042,350	$ 2,210,170
Teachers' Pension Plan	08/31/2006	3,344,950	2,750,940	594,010	1,193,380	1,342,890
Uniformed Services Pension Plan	12/31/2005	269,590	62,530	207,060	159,700	253,250
Members of the House of Assembly Pension Plan	12/31/2006	9,820	11,220	(1,400)	1,700	2,620
Provincial Court Judges' Pension Plan	12/31/2007	2,331	2,165	166	270	650
		$ 8,091,661	$ 5,457,005	$ 2,634,656	$ 3,397,400	$ 3,809,580

The actuarial present values for the Public Service Pension Plan, the Teachers' Pension Plan and the Uniformed Services Pension Plan include the effects of future pension benefits accruing to members for periods of prior service that are being purchased under contract. These contracts provide for deferred payment terms, subject to interest, and have not been recognized in the Fund's assets. As at 31 December 2009, the total estimated value of payments to be received on these contracts is $7.5 million (2008 - $4.3 million).

10. Related party transactions

The following related party investments were held by the Fund as at 31 December 2009:

Description	Face Value (000's)	Market Value (000's)
Province of Newfoundland and Labrador Debentures		
- Series maturing 17 October 2033	$ 8,032	$ 8,736
Newfoundland and Labrador Hydro Debentures		
- Maturing 14 July 2017	912	1,285
	$ 8,944	$ 10,021

11. Portfolio management

In accordance with an agreement dated 28 September 2008, between the Minister of Finance as Trustee of the Province of Newfoundland and Labrador Pooled Pension Fund and CIBC Mellon Global Securities Services, custodial and administrative services for the Fund were performed by CIBC Mellon Global Securities Services, as agent for the Trustee.

As at 31 December 2009, the external investment fund counselling group was comprised of the following firms:

Baillie Gifford Overseas Limited
Bentall Limited Partnership
Beutel, Goodman & Company Ltd.
Connor, Clark & Lunn Investment Management Ltd.
Genus Capital Management Inc.
Jacobs Levy Equity Management Inc.
Phillips, Hager & North Investment Management Ltd.
Sanford C. Bernstein and Company, LLC
Sprucegrove Investment Management Ltd.
Systematic Financial Management Limited Partnership
UBS Global Asset Management (Canada) Co.

12. Financial instruments

The Fund's financial instruments recognized in the Consolidated Statement of Net Assets Available for Benefits consist of investments, which are carried at market value, and receivables, cash, accounts payable and accrued liabilities, refunds payable, due to Province of Newfoundland and Labrador, and mortgages payable, the carrying values of which approximate current fair value due to their nature and the terms and conditions of those instruments.

13. Income taxes

The Fund is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

PROVINCIAL ADVISORY COUNCIL
ON THE STATUS OF WOMEN -
NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Provincial Advisory Council on the Status
of Women - Newfoundland and Labrador
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Provincial Advisory Council on the Status of Women - Newfoundland and Labrador as at 31 March 2010 and the statements of revenues, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Council'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 Council as at 31 March 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
25 June 2010

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR

BALANCE SHEET

31 March

	2010	2009
ASSETS		
Current		
Cash	$ **72,066**	$ 9,915
Accounts receivable (Note 2)	**5,060**	3,619
Prepaid expenses (Note 3)	**6,815**	3,218
	83,941	16,752
Capital assets (Note 4)	**12,564**	22,164
	$ **96,505**	$ 38,916
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	$ **14,330**	$ 14,755
Surplus	**82,175**	24,161
	$ **96,505**	$ 38,916

Commitments (Note 5)

See accompanying notes

Signed on behalf of the Council: Linda Ross **President** Kelly Power **Member**

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the Year Ended 31 March	2010	2009
REVENUES		
Province of Newfoundland and Labrador operating grant	$ 493,800	$ 420,900
Interest	816	1,009
	494,616	421,909
EXPENSES		
Amortization	10,453	14,017
Council meetings	38,598	40,814
Operating expenses	65,122	48,006
Outreach	11,662	17,487
Rent	29,608	29,608
Salaries and employee benefits	281,159	280,678
	436,602	430,610
Excess of revenues over expenses (expenses over revenues)	58,014	(8,701)
Surplus, beginning of year	24,161	32,862
Surplus, end of year	$ 82,175	$ 24,161

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR

STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2010	2009
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues)	$ 58,014	$ (8,701)
Adjustment for non-cash items		
Amortization	10,453	14,017
	68,467	5,316
Changes in non-cash working capital		
Accounts receivable	(1,441)	7,583
Prepaid expenses	(3,597)	1,978
Accounts payable and accrued liabilities	(425)	6,273
Deferred revenue	-	(11,000)
	63,004	10,150
Cash flows from investing activities		
Purchase of capital assets	(853)	(946)
	(853)	(946)
Net increase in cash	62,151	9,204
Cash, beginning of year	9,915	711
Cash, end of year	$ 72,066	$ 9,915

Authority

The Provincial Advisory Council on the Status of Women - Newfoundland and Labrador (the Council) was established under the *Status of Women Advisory Council Act.* The purpose of the Council is to advise the Minister responsible for the Status of Women, the Government and the public on matters of interest and concern to women. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

1. Significant accounting policies

These financial statements have been prepared by the Council's management in accordance with Canadian generally accepted accounting principles. Outlined below is the significant accounting policy followed.

Capital assets

All capital assets are capitalized at cost at the time of acquisition. Amortization for capital assets is calculated using the methods described below based on the expected future useful life of the assets as follows:

Furniture and office equipment	Straight line, 5 years
Computer hardware and software	Straight line, 3 years
Leasehold improvements	Straight line, 5 years

2. Accounts receivable

	2010	2009
Harmonized sales tax	$ 4,672	$ 3,619
Trade accounts receivable	388	-
	$ 5,060	$ 3,619

There is no allowance for doubtful accounts since all amounts are considered collectible.

3. Prepaid expenses

	2010	2009
Insurance	$ 805	$ 793
Rent	2,618	-
Salary	1,186	-
Travel	-	517
Workplace Health, Safety and Compensation Commission	2,206	1,908
	$ 6,815	$ 3,218

4. **Capital assets**

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and office equipment	$ 28,749	$ 17,214	$ 11,535	$ 16,432
Computer hardware and software	23,767	23,767	-	4,188
Leasehold improvements	2,574	1,545	1,029	1,544
Total	$ 55,090	$ 42,526	$ 12,564	$ 22,164

5. **Commitments**

In March 2007, the Council entered into a 5 year agreement to lease a postage meter requiring monthly lease payments of $28. In August 2007, the Council entered a 5 year agreement for the lease of office space requiring monthly lease payments of $2,618 with an option to renew for an additional 5 years at the same terms and conditions.

6. **Pensions**

Council staff are subject to the *Public Service Pensions Act.* Employee contributions are matched by the Council and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Council's share of pension contributions for 2010 was $16,766 (2009 - $18,306).

7. **Economic dependence**

As the Council's revenue consists primarily of operating grants from the Province, its ability to continue viable operations is dependent upon the decisions of the Province.

8. **Financial instruments**

The Council's current financial instruments recognized on the balance sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

9. **Income taxes**

The Council is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

FINANCIAL STATEMENTS

31 MARCH 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chairperson and Members
Provincial Information and Library
Resources Board
Stephenville, Newfoundland and Labrador

I have audited the balance sheet of the Provincial Information and Library Resources Board as at 31 March 2010 and the statements of changes in net assets, revenue and expenses, 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 31 March 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
4 June 2010

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
BALANCE SHEET

31 March	2010	2009
ASSETS		
Current		
Cash	$ 2,592,512	$ 2,369,467
Accounts receivable (Note 2)	155,949	137,634
Prepaid expenses (Note 3)	266,695	284,616
	3,015,156	2,791,717
Deposits - local libraries (Note 4)	81,316	8,314
Provincial Territorial Public Library Council Trust fund	24,295	34,910
Long-term investments (Note 5)	23,492	23,492
Capital assets (Note 6)	2,541,543	2,363,091
	$ 5,685,802	$ 5,221,524
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 983,632	$ 1,009,707
Deferred revenue (Note 8)	1,083,056	795,395
	2,066,688	1,805,102
Deposits - local libraries (Note 4)	81,316	8,314
Provincial Territorial Public Library Council Trust fund payable	24,295	34,910
Severance pay liability	1,234,944	1,183,585
	3,407,243	3,031,911
Net assets		
Unrestricted net assets (deficit)	(262,984)	(173,478)
Net assets invested in capital assets	2,541,543	2,363,091
	2,278,559	2,189,613
	$ 5,685,802	$ 5,221,524

Commitments (Note 9)

Signed on behalf of the Board: Colin Tongle — **Chairperson** Shaun Teiford — **Member**

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended 31 March

	Invested in Capital Assets	Unrestricted	2010	2009
Net assets (deficit), beginning of year	**$ 2,363,091**	**$ (173,478)**	**$ 2,189,613**	$ 2,435,802
Capital grant from Province	-	**482,665**	**482,665**	382,270
Less: Deferred capital grant	-	**(20,000)**	**(20,000)**	(20,000)
Excess of revenue over expenses (expenses over revenue)	**(608,663)**	**234,944**	**(373,719)**	(608,459)
Invested in capital assets	**788,537**	**(788,537)**	-	-
Proceeds from disposal of capital assets	**(1,422)**	**1,422**	-	-
Net assets (deficit), end of year	**$ 2,541,543**	**$ (262,984)**	**$ 2,278,559**	$ 2,189,613

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended 31 March

	2010		2009
	Actual	**Budget (Note 10)**	Actual
REVENUE			
Operating grant from the Province	$ 10,360,500	$ 10,360,500	$ 9,637,300
Other grants			
Computerization projects	466,623	-	541,852
Gain on disposal of assets	897	-	29,734
Interest	9,981	60,000	66,631
Miscellaneous	44,870	-	63,122
Fines and lost library materials	51,477	40,000	55,199
	10,934,348	10,460,500	10,393,838
EXPENSES			
Amortization	609,560	-	619,976
Bad debt expense	1,869	-	-
Books and periodicals	1,078,721	1,288,928	1,029,363
Computerization of libraries	374,848	335,000	328,129
Conferences and workshops	38,600	60,000	23,316
Educational DVD Project	390	-	300
Freight and postage	65,306	76,750	59,706
Grants - local libraries (Schedule)	497,070	452,000	517,567
Heat and light	-	-	5,821
Insurance	67,555	109,000	70,396
Miscellaneous	10,330	-	5,444
Office and library supplies	226,934	195,323	182,361
Professional fees	7,900	7,500	9,298
Rental of premises	397,836	399,500	364,086
Repairs and maintenance	24,326	17,650	13,847
Salaries and benefits	7,695,641	8,209,379	7,563,079
Telephone	76,148	72,500	69,865
Travel	135,033	176,850	139,743
	11,308,067	11,400,380	11,002,297
Excess of expenses over revenue	$ (373,719)	$ (939,880)	$ (608,459)

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2010	2009
Cash flows from operating activities		
Excess of expenses over revenue	$ (373,719)	$ (608,459)
Adjustments for non-cash items		
Amortization	609,560	619,976
Bad debt expense	1,869	-
Gain on disposal of capital assets	(897)	(29,734)
	236,813	(18,217)
Change in non-cash working capital		
Accounts receivable	(20,184)	(73,586)
Prepaid expenses	17,921	(98,854)
Accounts payable and accrued liabilities	(26,075)	201,726
Deferred revenue	287,661	113,122
	496,136	124,191
Increase in severance pay liability	51,359	116,425
	547,495	240,616
Cash flows from investing activities		
Additions to capital assets	(788,537)	(685,179)
Proceeds from disposal of capital assets	1,422	41,919
	(787,115)	(643,260)
Cash flows from financing activities		
Capital grant	482,665	382,270
Deferred capital grant	(20,000)	(20,000)
	462,665	362,270
Net increase (decrease) in cash	223,045	(40,374)
Cash, beginning of year	2,369,467	2,409,841
Cash, end of year	$ 2,592,512	$ 2,369,467

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES

For the Year Ended 31 March	2010	2009
Eastern Division		
Arnold's Cove	$ **1,455**	$ 1,978
Bay Roberts	**81,250**	74,833
Bell Island	**1,060**	791
Bonavista	**3,350**	4,019
Brigus	**5,450**	6,211
Burin	**630**	696
Carbonear	**39,685**	30,202
Catalina	**3,437**	4,564
Clarenville	**21,162**	19,301
Conception Bay South	**10,340**	9,807
Fortune	**455**	376
Fox Harbour	**1,699**	1,497
Garnish	**919**	965
Grand Bank	**5,891**	7,641
Harbour Grace	**8,479**	9,355
Holyrood	**5,542**	6,522
Marystown	**6,031**	6,861
Mount Pearl	**12,245**	18,239
Old Perlican	**2,697**	2,459
Placentia	**20,602**	18,769
Pouch Cove	**2,894**	2,033
St. Brides	**6,794**	6,279
St. Lawrence	**497**	1,445
Southern Harbour	**1,363**	2,388
Torbay	**1,379**	1,323
Trepassey	**7,008**	7,028
Victoria	**1,130**	1,049
Whitbourne	**3,800**	3,325
Winterton	**685**	777
	257,929	250,733

For the Year Ended 31 March	2010	2009
Central Division		
Baie Verte	**4,918**	4,194
Bishop's Falls	**1,171**	6,986
Botwood	**10,883**	6,544
Buchans	**1,022**	1,018
Carmanville	**1,346**	1,358
Centerville	**1,065**	2,197
Change Islands	**769**	662
Fogo	**972**	1,145
Gambo	**5,778**	1,578
Gander	**27,033**	47,170
Gaultois	**2,676**	2,761
Glenwood	**1,417**	6,694
Glovertown	**802**	539
Grand Falls-Windsor	**6,911**	5,270
Greenspond	**4,782**	6,322
Harbour Breton	**765**	1,066
Hare Bay	**1,277**	1,454
Harry's Harbour	**5,032**	5,410
Hermitage	**897**	894
King's Point	**5,843**	5,512
LaScie	**4,447**	4,216
Lewisporte	**4,111**	4,265
Lumsden	**1,461**	2,139
Musgrave Harbour	**695**	955
Norris Arm	**2,171**	2,881
Point Leamington	**1,721**	1,954
Robert's Arm	**3,514**	3,661
St. Albans	**1,252**	1,294
Seal Cove	**2,373**	989
Springdale	**1,382**	1,050
Summerford	**1,729**	1,447
Twillingate	**1,183**	1,157
Wesleyville	**501**	1,150
	111,899	135,932

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES (Cont.)

For the Year Ended 31 March	2010	2009
Western Newfoundland - Labrador Division		
Bay St. George South	**967**	1,102
Burgeo	**465**	460
Cape St. George	**820**	1,040
Cartwright	**906**	1,074
Churchill Falls	**445**	505
Codroy Valley	**609**	561
Cormack	**1,463**	1,414
Corner Brook	**7,352**	7,087
Cow Head	**5,882**	7,506
Daniel's Harbour	**1,816**	1,995
Deer Lake	**15,582**	18,965
Happy Valley	**1,778**	1,486
Labrador City	**12,256**	13,989
L'Anse au Loup	**2,476**	3,067
Lark Harbour	**1,182**	1,135
Lourdes	**710**	969
Norris Point	**2,585**	2,969
Pasadena	**1,942**	2,826
Port au Port	**1,270**	982
Port aux Basques	**11,855**	13,122
Port Saunders	**4,470**	5,692
Ramea	**1,918**	915
Rocky Harbour	**554**	508
St. Anthony	**1,620**	1,383
St. George's	**1,027**	1,479
St. Lunaire-Griquet	**411**	791
Sops Arm	**1,158**	854
Stephenville	**36,474**	30,070
Stephenville Crossing	**1,059**	1,406
Wabush	**2,462**	1,877
Woody Point	**3,728**	3,673
	127,242	130,902
	$ 497,070	$ 517,567

Authority

The Provincial Information and Library Resources Board (the Board) operates under the authority of the *Public Libraries Act*. The purpose of the Board is to operate the public libraries in the Province. A majority of the members of the Board are appointed by the Lieutenant-Governor in Council. The Board reports to the Minister of Education.

1. Significant accounting policies

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. The budget disclosed in these financial statements is presented on a cash basis. Outlined below are the significant accounting policies followed.

(a) Reporting entity

The reporting entity for the purpose of these financial statements is the Board's head office and divisional offices. The Board's head office includes Administration, Technical Services and the Provincial Resource Library. These financial statements include expenditures for grants made to local libraries under the jurisdiction of the three divisional library boards detailed in the Schedule to the financial statements. Funds raised by local libraries in excess of the grants provided by the Board or any expenditures in excess of these grants are not reflected in these financial statements.

(b) Capital assets

All capital assets are capitalized at cost at the time of acquisition. Amortization is calculated using the straight line method based on the expected future life of all assets as follows:

Buildings	40 years
Building improvements	10 years
Furniture and equipment	10 years
Motor vehicles	5 years
Computer equipment	3 years
Software	5 years

(c) Severance pay

The calculation of severance pay is based on years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continuous service, and accordingly no provision has been made in the accounts for employees with less than nine years of continuous service. The amount is payable when the employee ceases employment with the Board. If the employee transfers to another entity included in the public service, then the liability is transferred with the employee to the other entity.

2. Accounts receivable

	2010	2009
Federal Government		
Harmonized Sales Tax	$ 89,197	$ 42,385
Provincial Government	-	30,000
Other	68,621	65,249
	157,818	137,634
Less: allowance for doubtful accounts	1,869	-
	$ 155,949	$ 137,634

3. Prepaid expenses

Prepaid expenses of $266,695 (2009 - $284,616) include inventory of supplies of $63,827 (2009 - $54,615) on hand at the Board's head office and the three divisional library board offices.

4. Deposits - local libraries

Funds raised by some local libraries have been deposited with the Board to cover the cost of wages for additional opening hours and for the purchase of books, periodicals and computers. The balance on deposit at 31 March 2010 was $81,316 (2009 - $8,314) consisting of cash of $6,838 and 4,044 shares of various Investor Group Mutual Funds held in Trust for the St. John's Public Library Board which were donated to the Board. The carrying value of the mutual funds is recognized at the fair market value of $74,478, as determined by the mutual fund at the time of the transfer of shares to the Board. The fair market value of these shares was $78,007 as at 31 March 2010.

5. Long-term investments

Long-term investments consist of 1,678 shares of Sun Life Financial Services of Canada Inc. which were given to the Board as a result of the demutualization of Sun Life Assurance Company of Canada. The carrying value of the shares is recognized at the fair market value of $23,492, as determined by the share price at the time of the transfer of shares to the Board. The fair market value of these shares was $54,820 as at 31 March 2010 (2009 - $38,326).

6. Capital assets

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 285,907	$ -	$ 285,907	$ 285,907
Buildings	1,758,867	1,132,500	626,367	665,156
Building improvements	1,161,235	332,740	828,495	677,675
Furniture and equipment	1,622,983	1,255,130	367,853	257,962
Motor vehicles	165,702	67,145	98,557	84,835
Computer equipment	1,691,985	1,370,535	321,450	344,905
Software	168,688	155,774	12,914	46,651
	$ 6,855,367	$ 4,313,824	$ 2,541,543	$ 2,363,091

7. Accounts payable and accrued liabilities

	2010	2009
Accounts payable	$ 128,316	$ 188,537
Accrued salaries and benefits	855,316	821,170
	$ 983,632	$ 1,009,707

8. Deferred revenue

Deferred revenue represents money received from funding agencies that has not been utilized, and is available for specified expenditures in future years:

	2010	2009
Provincial Government	$ 1,049,664	$ 768,330
Other	33,392	27,065
	$ 1,083,056	$ 795,395

9. Commitments

The Board has entered into lease agreements for the rental of photocopiers, microfiche readers, postal equipment and various rental properties throughout the Province. Future minimum lease payments for the next five years are as follows:

2011	$521,144
2012	$549,809
2013	$429,593
2014	$391,993
2015	$321,493

10. Budget

The Board's budget is prepared on the cash basis and, as a result, the 2010 budgeted expenditure exceeded the Province's current year provision for operating grants for the Board. The difference would be funded from cash surpluses carried forward from prior years.

11. Pensions

Under the *Public Libraries Act*, Board staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Board and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Board's share of pension contributions for 2010 was $392,019 (2009 - $368,337).

12. Income taxes

The Board is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

13. Economic dependence

As a result of the Board's reliance on Provincial funding, the Board's ability to continue viable operations is dependent upon decisions of the Province.

14. Financial instruments

The Board's financial instruments recognized on the balance sheet, in addition to the long-term investments described in Note 5, consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity or current market rate associated with them. An estimated impairment of accounts receivable has been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to the financial instruments.

15. Comparative figures

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

PUBLIC ACCOUNTANTS LICENSING BOARD

FINANCIAL STATEMENTS

31 DECEMBER 2009

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chair and Members
Public Accountants Licensing Board
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Public Accountants Licensing Board as at 31 December 2009 and the statement of revenue, expenses and equity 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 31 December 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
22 March 2010

PUBLIC ACCOUNTANTS LICENSING BOARD
BALANCE SHEET
31 December

		2009		2008
ASSETS				
Current				
Cash	$	**7,888**	$	6,396
Short-term investments (Note 2)		**38,100**		43,935
Sales tax receivable		**1,455**		1,061
Prepaid expense		**-**		493
		47,443		51,885
Long-term				
Long-term investment (Note 2)		**3,420**		-
	$	**50,863**	$	51,885
LIABILITIES AND EQUITY				
Current				
Accounts payable and accrued liabilities	$	**920**	$	920
Deferred revenue (Note 3)		**8,500**		6,700
		9,420		7,620
Equity		**41,443**		44,265
	$	**50,863**	$	51,885

Signed on behalf of the Board: Alex Fraser (signature) — **Chair**

(signature) — **Member**

PUBLIC ACCOUNTANTS LICENSING BOARD
STATEMENT OF REVENUE, EXPENSES AND EQUITY
For the Year Ended 31 December

	2009	2008
REVENUE		
Licences	$ 22,000	$ 22,800
Interest income	586	1,189
	22,586	23,989
EXPENSES		
Advertising	767	610
Board remuneration	7,150	2,760
Insurance	493	880
Interest and bank charges	160	246
Meeting expense	2,058	1,774
Office supplies	326	1,619
Professional fees	2,350	2,065
Secretarial services	5,220	2,940
Travel	6,884	3,449
	25,408	16,343
Excess of (expenses over revenue) revenue over expenses	(2,822)	7,646
Equity, beginning of year	44,265	36,619
Equity, end of year	$ 41,443	$ 44,265

Authority

The Public Accountants Licensing Board (the Board) was established under authority of the *Public Accountancy Act.* The powers of the Board include granting licences to practice as a public accountant under the *Act*, keeping a roll of persons licensed, and prescribing the educational standards and other qualifications of applicants for a licence. A new *Act*, the *Public Accountants Act*, was assented to December 22, 2009 to replace the *Public Accountancy Act.* The *Public Accountants Act* comes into force on a day to be proclaimed by the Lieutenant-Governor in Council.

1. **Significant accounting policies**

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. The Board does not prepare a statement of cash flows since the changes in cash flows are readily apparent from the other statements.

2. **Investments**

Short-term investments of $38,100 (2008 - $43,935) in guaranteed investment certificates are valued at cost which approximates market value. Maturity dates range from 12 January 2010 to 21 December 2010 with interest rates from 0.2% to 1.2%

Long-term investment of $3,420 (2008 - nil) in a guaranteed investment certificate is valued at cost. The maturity date is 27 January 2012 and the interest rate is 1.9%.

3. **Deferred revenue**

Deferred revenue consists of licence payments for the subsequent year received in advance.

4. **Financial instruments**

The Board's short-term financial instruments recognized on the balance sheet consist of cash, short-term investments, sales tax receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

The Board's long-term financial instrument recognized on the balance sheet consists of a long-term investment. The carrying value of the investment approximates the current value.

5. **Income taxes**

The Public Accountants Licensing Board is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

REGISTRAR OF THE SUPREME COURT

FINANCIAL STATEMENTS

31 MARCH 2009

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Registrar of the Supreme Court
St. John's, Newfoundland and Labrador

I have audited the statement of fund balances of the Registrar of the Supreme Court as at 31 March 2009 and the statements of changes in fund balance for the Estate/Trust Fund, Supreme Court Fund and Administration Fund for the year then ended. These financial statements have been prepared to meet the information needs of the Registrar of the Supreme Court, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*. The financial statements are the responsibility of the Registrar. 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 balances of the Funds of the Registrar of the Supreme Court as at 31 March 2009 and the changes in fund balances for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Registrar of the Supreme Court, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador to meet their information needs under Section 67 of the *Judicature Act*. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
26 June 2009

REGISTRAR OF THE SUPREME COURT
STATEMENT OF FUND BALANCES
31 March

	Estate/Trust Fund (Note 2)	Supreme Court Fund (Note 3)	Administration Fund (Note 4)	2009	2008
ASSETS					
Cash	$ 8,257,582	$ 5,618,882	$ 329,001	$ 14,205,465	$ 12,336,509
Investments (Note 5)	17,087,118	1,675,945	-	18,763,063	19,974,261
Irrevocable letters of credit and securities	-	670,511	-	670,511	565,511
Real estate and other assets (Note 1)	1	-	-	1	1
Total assets	$ 25,344,701	$ 7,965,338	$ 329,001	$ 33,639,040	$ 32,876,282
Total Fund balances	$ 25,344,701	$ 7,965,338	$ 329,001	$ 33,639,040	$ 32,876,282

Signed: QC

Registrar

REGISTRAR OF THE SUPREME COURT
STATEMENT OF CHANGES IN FUND BALANCE
ESTATE/TRUST FUND
For the Year Ended 31 March

	2009	2008
INCREASES		
Estate/trust assets received	$ 6,091,356	$ 9,264,073
Investment income	741,729	695,460
Pension, compensation and assistance	1,980,062	1,900,304
Sale of chattels	21,183	12,125
Sale of real estate	988,148	1,413,174
	9,822,478	13,285,136
DECREASES		
Commissions charged and paid to Administration Fund	305,077	511,707
Estates/trusts completed	4,299,361	3,861,111
Estate/trust disbursements	3,358,848	5,218,728
Excess interest paid to Administration Fund	17,646	34,893
Harmonized sales tax paid to Administration Fund	40,444	72,385
Revaluation of investments	842,825	131,972
Unclaimed estates paid to Administration Fund	53,962	1,289
	8,918,163	9,832,085
Net increase	904,315	3,453,051
Fund balance, beginning of year	24,440,386	20,987,335
Fund balance, end of year	$ 25,344,701	$ 24,440,386

REGISTRAR OF THE SUPREME COURT
STATEMENT OF CHANGES IN FUND BALANCE
SUPREME COURT FUND

For the Year Ended 31 March	2009	2008
INCREASES		
Court actions (Payments into Court)	$ 1,740,938	$ 2,698,668
Divorce fees	8,040	7,750
Fees	1,173,316	1,230,816
Fines and bail	2,526	15,592
Investment income	202,635	339,367
Judgment recovery	200	-
Law Society fees	12,678	12,963
	3,140,333	4,305,156
DECREASES		
Commissions charged and paid to Administration Fund	3,279	9,765
Court actions (Payments out of Court)	2,083,378	2,459,448
Divorce fees	7,970	7,740
Excess interest paid to Administration Fund	13,324	24,158
Fees paid to Consolidated Revenue Fund	1,167,015	1,310,772
Fines and bail	20,650	2,635
Harmonized sales tax on Commissions paid to Administration Fund	-	35
Law Society fees	15,972	13,053
	3,311,588	3,827,606
Net (decrease) increase	(171,255)	477,550
Fund balance, beginning of year	8,136,593	7,659,043
Fund balance, end of year	$ 7,965,338	$ 8,136,593

REGISTRAR OF THE SUPREME COURT
STATEMENT OF CHANGES IN FUND BALANCE
ADMINISTRATION FUND
For the Year Ended 31 March

For the Year Ended 31 March	2009	2008
INCREASES		
Commissions received from other Funds	$ 308,356	$ 521,472
Excess interest received from other Funds	30,970	59,051
Harmonized sales tax received from other Funds	40,444	72,420
HST refunded from Federal Government	3,826	-
Refunds to Special Reserve Fund	920	-
Unclaimed and undistributable amounts received from other Funds	53,962	1,289
	438,478	654,232
DECREASES		
Commissions paid to Consolidated Revenue Fund	309,478	519,610
Harmonized sales tax remitted to Federal Government	42,444	71,158
Office administration expenses paid from Special Reserve Fund	1,476	1,905
Professional fees	1,420	22,096
Unclaimed and undistributable amounts paid to Consolidated Revenue Fund	53,962	1,289
	408,780	616,058
Net increase	29,698	38,174
Fund balance, beginning of year	299,303	261,129
Fund balance, end of year	$ 329,001	$ 299,303

Authority

The Registrar of the Supreme Court (the Registrar) operates under the authority of the *Judicature Act.*

The Registrar administers estates of deceased persons when appointed personal representative by the Supreme Court of Newfoundland and Labrador and administers trusts of minors and mentally disabled persons when appointed guardian by the Court or by virtue of Section 20 of the *Mentally Disabled Persons' Estates Act.* The Registrar also has custody of monies paid to the Court in pending actions, as well as monies paid to the Court or to the Registrar under various statutes.

1. Basis of accounting

These financial statements have been prepared by the Registrar in accordance with the significant accounting policies set out below to meet the information needs of the Registrar, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act.* The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because all receipts and disbursements are being recognized on a cash basis and not all expenditures related to the operations of the Registrar are reflected in these statements.

Significant accounting policies

These financial statements are prepared on the cash basis of accounting. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the Registrar, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for the cost of these items. However, office administration expenditures paid from the Registrar's Special Reserve Fund under Section 72(2) of the *Judicature Act* are recorded in these financial statements in the amount of $1,476 for the 2008-09 year (2007-08 - $1,905).

(b) Investments

Investments consist of Bank and Trust Company Guaranteed Investment Certificates, Canada Savings Bonds, mortgages, life insurance, pre-arranged funerals, Registered Retirement Savings Plans/Income Funds, Registered Education Savings Plans and shares owned by estates at the dates of appointment of the Registrar. Such investments are recorded at face or market value, except for mortgages which are recorded at face value net of principal payments received.

1. **Basis of accounting (cont.)**

Significant accounting policies (cont.)

(c) Real estate and other assets

Real estate and other assets are recorded in these financial statements at an aggregate nominal value of $1 as valuation of these assets is not readily determinable. These assets are recorded in the client accounts at estimated market value for administrative purposes.

(d) Capital assets

Capital assets are charged to expenditure in the year of acquisition.

2. **Estate/Trust Fund**

The Registrar, in certain cases, is appointed by the Court as personal representative of the estates of deceased persons or as guardian of the trusts of minors and mentally disabled persons. The trust accounts of the Registrar include monies and other assets held on behalf of such estates/trusts.

3. **Supreme Court Fund**

The Supreme Court Fund consists mainly of monies received by the Registrar under, inter alia, the following Acts, and Rules and Regulations thereunder:

(a) *Automobile Insurance Act*
(b) *Direct Sellers Act*
(c) *Elections Act, 1991*
(d) *Expropriation Act*
(e) *Judicature Act*
(f) *Leaseholds in St. John's Act*
(g) *Life Insurance Act*
(h) *Municipalities Act*
(i) *Public Utilities Acquisition of Lands Act*
(j) *Real Estate Trading Act*
(k) *Residential Tenancies Act (2000)*
(l) *Unified Family Court Act*

4. **Administration Fund**

The Administration Fund was established to record monies collected pursuant to the Rules of the Supreme Court of Newfoundland and Labrador. It is comprised primarily of a Special Reserve Fund consisting of interest earned in the Estate/Trust Fund and Supreme Court Fund in excess of that allocated to clients in accordance with Section 72(1) of the *Judicature Act*. Other monies flowing through the Administration Fund include commissions and unclaimed and undistributable assets to be paid over to the Consolidated Revenue Fund, and Harmonized Sales Tax collected on commissions to be paid over to the Federal Government.

5. **Investments**

	2009	2008
Total investments held for all Funds is comprised of the following:		
Guaranteed Investment Certificates and Canada Savings Bonds	$ 14,625,999	$ 15,301,487
Mortgages	126,167	127,567
Life Insurance - cash surrender value	77,412	81,862
Pre-arranged funerals	292,666	256,462
Registered Retirement Savings Plans/Income Funds and Registered Education Savings Plans	3,456,997	4,026,113
Shares	183,822	180,770
	$ 18,763,063	$ 19,974,261

6. **Related party transactions**

Commissions earned and service fees are paid into the Province's Consolidated Revenue Fund.

7. **Subsequent event**

Subsequent to year end, on 28 May 2009 the Legislature enacted the *Public Trustee Act, 2009*. This *Act* may have a significant impact on the future operations of the Registrar's office. The legislation provides that responsibility for monies held in trust, relating to estates currently administered by the Registrar under legislation including the *Judicature Act* and the *Mentally Disabled Persons' Estates Act*, will be transferred to a public trustee reporting to the Minister of Justice.

8. **Income taxes**

The Registrar of the Supreme Court of Newfoundland and Labrador is an entity of the Crown and as such is not subject to Provincial or Federal income taxes.

9. **Comparative figures**

Certain figures from the 2008 financial statements have been reclassified to conform with the basis of presentation used in 2009.

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Research & Development Corporation of
Newfoundland and Labrador
St. John's, Newfoundland and Labrador

I have audited the statement of financial position of the Research & Development Corporation of Newfoundland and Labrador as at 31 March 2010 and the statements of operations and changes in net assets, and cash flows for the period 18 December 2009 to 31 March 2010. 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 31 March 2010 and the results of its operations and its cash flows for the period 18 December 2009 to 31 March 2010 in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
21 May 2010

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF FINANCIAL POSITION

31 March		2010
ASSETS		
Current Assets		
Cash	$	688,782
Other receivables		21,171
Prepaid expenses		5,946
Total current assets		715,899
Capital assets, net (Note 5)		311,468
	$	1,027,367
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	$	213,887
Deferred revenue		639,361
Total current liabilities		853,248
Accrued severance		16,100
Deferred capital contributions (Note 6)		158,019
Net assets		-
	$	1,027,367

Commitments (Note 10)

Signed on behalf of the Board: ______________ Director ______________ Director

RESEARCH & DEVELOPMENT CORPORATION OF
NEWFOUNDLAND AND LABRADOR
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
For the period 18 December 2009 to 31 March 2010

		2010
REVENUE		
Government grants (Note 7)	$	754,198
Amortization of deferred capital contributions (Note 6)		54,786
Total revenue for the period		**808,984**
EXPENDITURES		
Advertising and printing		10,777
Amortization of capital assets		83,950
Communications		5,492
Computer equipment and supplies		5,720
Conference and membership fees		2,766
Director fees		2,800
Interest and bank charges		136
Office and meeting		16,793
Professional services		104,349
Property lease		50,000
Repair and maintenance		7,934
Salaries and benefits		495,638
Travel		22,629
Total expenditures for the period		**808,984**
Excess of revenue over expenditures and net assets at the end of the period	$	-

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF CASH FLOWS

For the period 18 December 2009 to 31 March 2010

		2010
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the period	$	-
Add (deduct) items not involving cash		
Amortization of capital assets		83,950
Amortization of deferred capital contributions		(54,786)
Accrued severance pay		16,100
Net change in non-cash working capital balances related to operations (Note 12)		826,131
Cash provided by operating activities		871,395
INVESTING ACTIVITIES		
Purchase of capital assets (Note 5)		(395,418)
Additions to deferred capital contributions (Note 6)		212,805
Cash used in investing activities		(182,613)
Net increase in cash during the period		688,782
Cash, beginning of period		-
Cash, end of period	$	688,782

1. Nature of operations

The Research & Development Corporation of Newfoundland and Labrador (the Corporation) was established under the authority of the *Research and Development Council Act* (the *Act*) and is funded by the Province of Newfoundland and Labrador (the Province). The objective of the Corporation is to strengthen the focus, quantity, quality, and relevance of research and development (R&D) undertaken within the Province and elsewhere for the long-term economic benefit of the Province.

The affairs of the Corporation are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. The *Act* came into effect 18 December 2009. Under the *Act*, the Research & Development Corporation of Newfoundland and Labrador was incorporated and the *Research Council Act* was repealed. The *Act* provides the Corporation with a 31 March year end. These financial statements present the Corporation's transactions from the date of incorporation to 31 March 2010. The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to the Provincial or Federal income taxes.

The programs administered by the Corporation can be grouped into two categories: Academia and Industry.

Academia

Through the Industrial Research and Innovation Fund (IRIF), the Corporation focuses on building R&D capacity at Newfoundland and Labrador's post-secondary institutions and other not-for-profit research facilities that support research and development, innovation and commercialization in areas that are relevant to both industry and the economy of Newfoundland and Labrador.

Industry

The R&D Proof of Concept program funds up to 75% of the eligible 'out-of-pocket' costs of early-stage R&D projects, to a maximum non-repayable contribution of $250,000 per project. Eligible activities include incremental, out-of-pocket, project-specific costs such as securing intellectual property and patent protection, materials, R&D personnel salaries, specialized equipment, technical services, access to test facilities and equipment, field trials, project-specific technical expertise, renovations, project-related travel costs, and other costs that support collaborative R&D.

The R&D Vouchers program provides small and medium-sized enterprises with research and development vouchers up to 75% of eligible project costs to a maximum voucher of $15,000 per project. This program will improve access to and establish collaborative relationships with academic researchers, research facilities and other R&D performers.

2. Significant accounting policies

These financial statements have been prepared within the framework of Canadian generally accepted accounting principles, the more significant of which are as follows:

Basis of presentation

These financial statements include only the assets, liabilities, revenues and expenditures relating to the operations carried on under the name of the Research & Development Corporation of Newfoundland and Labrador.

Use of estimates

In preparing the Corporation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenditures during the year. Actual results could differ from these estimates.

Revenue recognition

Government grants revenue is recognized in the period in which related expenditures are incurred. Grants received relating to future period expenditures are deferred and reflected as deferred revenue in the statement of financial position.

Capital assets

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	5 years
Computer hardware and software	2 years
Network infrastructure	4 years
Enterprise resource package software	3 years

Deferred capital contributions

Capital contributions are recorded as deferred contributions and are amortized to income on a straight line basis using the same rates as the amortization expense related to the capital assets. The Corporation's deferred capital contributions balance is comprised of the capital contributions transferred to the Corporation from the Government of Newfoundland and Labrador prior to 18 December 2009, the date of incorporation.

2. Significant accounting policies (cont.)

Accrued severance

Accrued severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continual service, and accordingly no provision has been made in accounts for employees with less than nine years of continual service. As well, no provision has been made for contractual employees. Employees with prior service with Government or a Crown corporation or agency may be considered for severance provided the previous employer followed the same or equivalent severance policy. Severance is payable when the employee ceases employment with the Corporation provided no severance has been paid by Government or another Crown corporation or agency for the same period.

Pension costs

Employees of the Corporation are covered by the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador. Contributions to each plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis. Total pension expense for the Corporation in the year was $30,835.

Financial instruments

The Corporation classifies financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurements. Classification choices for financial assets include: a) held for trading – measured at fair value with changes in fair value recorded in excess of revenue over expenditures; and b) loans and receivables – recorded at amortized cost with gains and losses recognized in excess or revenue over expenditures in the period that the asset is no longer recognized or impaired.

Classification choices for financial liabilities include: a) held for trading – measured at fair value with changes in fair value recorded in excess of revenue over expenditures and b) other – measured at amortized cost, which approximates fair value, with gains and losses recognized in excess of revenue over expenditures in the period that the liability is no longer recognized.

Subsequent measurement for these assets and liabilities are based on either fair value or amortized cost using the effective interest method, depending upon their classification. Any financial asset or liability can be classified as held for trading as long as it's fair value is reliably determinable.

2. Significant accounting policies (cont.)

Financial instruments (cont.)

In accordance with this standard, the Corporation's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash	Held for trading	Fair value
Other receivables	Loans and receivables	Amortized cost
Accounts payable and Accrued liabilities	Other liabilities	Amortized cost

3. Financial statement presentation

The Corporation has adopted Section 4400 of the CICA Handbook, *Financial Statement Presentation for Not-for-Profit Organizations.* As part of this adoption, the Corporation reviewed recent changes to Section 4400, including the elimination of the requirement to disclose the amount of net assets invested in capital assets separately, and the reporting of revenues and expenses on a gross basis in the statement of operations, unless not required by other guidance. In addition, the Corporation also considered recent amendments to certain other Sections of *CICA Handbook* that relate to not-for-profit organizations, including Section 1540, *Cash Flow Statements*, and the creation of the new Section 4470, *Disclosures of Allocated Expenses by Not-for-Profit Organizations*.

Impact of adopting future accounting policies

Assessment of strategic direction of financial reporting standards for not-for-profit organizations

The Accounting Standards Board and the Public Sector Accounting Board are currently working together to assess the strategic direction of financial reporting standards for not-for-profit organizations in Canada. The Corporation will continue to monitor the impact of any proposed changes and the timing of their adoption.

4. Risk management

The Corporation's management recognizes the importance of managing significant risks and are in the process of designing a comprehensive infrastructure of policies, procedures and oversight to reduce potential risks to the Corporation. Upon completion of this risk analysis, the Board of Directors will be provided with timely and relevant reports on the management of significant risks. Significant risks currently managed by the Corporation include liquidity risk.

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its contractual obligations and financial liabilities. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities.

5. Capital assets

		2010	
	Cost $	Accumulated amortization $	Net book value $
Furniture and equipment	$ 151,894	$ 28,472	$ 123,422
Computer hardware and software	32,905	16,452	16,453
Network infrastructure	47,077	11,769	35,308
Enterprise resource package software	163,542	27,257	136,285
	$ 395,418	$ 83,950	$ 311,468

The calculation of amortization for assets purchased by the Corporation since the beginning of the period (totalling $182,613) was based on a half year. The capital assets which were part of the contributed capital balance for the period and which were in use by the Research and Development Council (the Council) prior to the beginning of the period (totalling $212,805) were amortized based on a full year. (The Council was renamed the Corporation per Section 3 of the *Act* in September 2009).

6. Deferred capital contributions

	2010
Balance, beginning of period	$ -
Contributions	212,805
Less: amount amortized to revenue	(54,786)
	$ 158,019

7. Government grants

	2010
Government grants received in the period	$1,393,559
Less: amount recorded as deferred revenue	(639,361)
Government grants revenue for the period	$ 754,198

8. Industrial research and innovation fund

Prior to 1 April 2009, funding for the IRIF program resided with the Department of Education while responsibility for client files and decision making resided with the Department of Innovation, Trade and Rural Development (INTRD). Funding was provided to Memorial University of Newfoundland (Memorial) through lump sum disbursements to be held on account by Memorial. Memorial placed the funds in an interest bearing account and disbursed funds to projects approved by INTRD.

Through the 2009 budget process it was decided that the IRIF program aligned best with the mandate of the Research and Development Council (the Council). Effective 1 April 2009 the program was transferred to the Council (which was renamed the Corporation per Section 3 of the *Act*) with accountability and responsibility for the program on a go forward basis. On 22 March 2010 a formal request was issued to Memorial to forward the IRIF account balance to the Corporation. As of the date of the financial statements, this transfer has not occurred and as a result no amounts related to the IRIF program have been recorded in these financial statements.

The amount to be reimbursed to the Corporation during fiscal year 2010-11 is $5,107,090.

9. Economic dependence

As a result of the Corporation's reliance on funding from the Government of Newfoundland and Labrador, the Corporation's ability to continue viable operations is dependent upon the decisions of the Province.

10. Commitments

The Corporation has outstanding commitments under its various programs in respect of approved but not yet disbursed funds in the amount of $9,115,729. Approximate payment of the commitments for the next three years is as follows:

2011	$3,990,252
2012	$3,200,000
2013	$1,925,477

Additionally, the Corporation has entered into various contracts for the rental of office space, joint cost shared agreements, professional service contract and for the purchase of furniture and supplies totalling approximately $417,293. The Corporation expects to make these payments in 2011 and is in addition to the program commitments noted above.

11. Credit facilities

As at 31 March 2010, the Corporation has a revolving credit facility of up to $1,000,000, bearing interest at prime, and a letter of credit available of up to $50,000 which would bear interest of 1% per annum if utilized. Additionally, the Corporation has available to it a VISA business card(s) with an aggregate limit of $50,000.

As at 31 March 2010, the credit facility, letter of credit, and the VISA business card(s) are inactive and would require the approval of the Board of Directors of the Corporation and the Lieutenant-Governor in Council prior to activation.

12. Non-cash working capital balance

The net change in non-cash working capital balances related to operations is comprised of the following:

	2010
Increase in other receivables	$ (21,171)
Increase in prepaid expenses	(5,946)
Increase in accounts payable and accrued liabilities	213,887
Increase in deferred revenue	639,361
Net change in non-cash working capital balances related to operations for the period	$ 826,131

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Student Loan Corporation of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Student Loan Corporation of Newfoundland and Labrador as at 31 March 2010 and the statements of revenues, expenses and surplus, 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 31 March 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
11 June 2010

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
BALANCE SHEET

31 March	2010	2009
ASSETS		
Cash	$ 26,480,685	$ 12,817,794
Short-term investments, at cost (Note 2)	-	10,144,027
Interest receivable on investments	-	139,623
Accounts receivable	529,185	427,245
Prepaid expense	2,862	3,112
Student loans receivable (Note 3)	144,288,901	163,845,279
	171,301,633	187,377,080
Capital assets (Note 4)	113,163	145,623
	$ 171,414,796	$ 187,522,703
LIABILITIES AND SURPLUS		
Accounts payable and accrued liabilities	$ 413,655	$ 411,520
Accrued vacation pay	70,730	89,391
Current portion - long-term debt (Note 5)	14,000,000	14,000,000
Current portion - obligation under capital lease (Note 6)	2,898	4,348
	14,487,283	14,505,259
Long-term debt (Note 5)	142,000,000	156,000,000
Accrued severance pay	74,115	65,464
Obligation under capital lease (Note 6)	-	2,898
	156,561,398	170,573,621
Surplus	14,853,398	16,949,082
	$ 171,414,796	$ 187,522,703

Signed on behalf of the Board: ______________ Chairperson ______________ Director

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the year ended 31 March	2010	2009
REVENUES		
Provincial grant revenue	$ 13,574,691	$ 13,259,196
Federal grant revenue	5,312,941	4,350,637
Recovery in value of student loan receivable	2,842,223	423,060
Student loan interest	1,404,770	7,518,169
Interest revenue	253,600	766,051
Other revenue	11,708	18,782
	23,399,933	26,335,895
EXPENSES		
Administrative fees	753,783	928,022
Amortization	32,460	30,268
Bank charges	14,190	17,507
Grant expense – Federal	5,312,941	4,350,637
Grant expense – Provincial	16,926,182	17,718,954
Interest expense on long-term debt	768,934	5,410,913
Interest relief expense	178,931	1,024,657
Operating expenses	141,952	102,751
Salaries	1,366,244	1,348,934
	25,495,617	30,932,643
Excess of expenses over revenues	(2,095,684)	(4,596,748)
Surplus, beginning of year	16,949,082	21,545,830
Surplus, end of year	$ 14,853,398	$ 16,949,082

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS

For the year ended 31 March	2010	2009
Cash flows from operating activities		
Excess of expenses over revenues	$ (2,095,684)	$ (4,596,748)
Add (deduct) non-cash items		
Amortization	32,460	30,268
Recovery in value of student loan receivable	(2,842,223)	(423,060)
	(4,905,447)	(4,989,540)
Changes in non-cash operating items		
Interest receivable on investments	139,623	19,672
Accounts receivable	(101,940)	(93,750)
Prepaid expense	250	2,598
Student loans receivable (Note 3)	22,487,137	19,197,337
Student loans written off to allowance	(88,536)	(353,934)
Accounts payable and accrued liabilities	2,135	140,105
Accrued vacation pay	(18,661)	6,970
	17,514,561	13,929,458
Accrued severance pay	8,651	32,773
	17,523,212	13,962,231
Cash flows from investing activities		
Purchase of capital assets	-	(43,999)
Cash flows from financing activities		
Repayment of long-term debt	(14,000,000)	(14,000,000)
Repayment of capital lease obligation	(4,348)	(4,348)
	(14,004,348)	(14,004,348)
Net increase (decrease) in cash and cash equivalents	3,518,864	(86,116)
Cash and cash equivalents, beginning of year	22,961,821	23,047,937
Cash and cash equivalents, end of year	$ 26,480,685	$ 22,961,821
Cash and cash equivalents include:		
Cash	$ 26,480,685	$ 12,817,794
Short-term investments	-	10,144,027
	$ 26,480,685	$ 22,961,821

Authority

The Student Loan Corporation of Newfoundland and Labrador was established on 30 March 2004 under the authority of the *Student Financial Assistance Act*. The objective of the Corporation is to act as the lender for all Provincial student loans. The affairs of the Corporation are managed by a Board of Directors comprised of senior government officials.

1. Significant accounting policies

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed:

(a) Capital assets

All capital assets are recorded at cost at the time of acquisition. Amortization is calculated using the straight-line method based on the expected future life of all assets as follows:

Office equipment	10 years
Computer software	7 years
Computer hardware	4 years
Capital photocopier lease	5 years

(b) Severance pay

The calculation of severance pay is based on years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continuous service, and accordingly no provision has been made in the accounts for employees with less than nine years of continuous service. The amount is payable when the employee ceases employment with the Corporation. If the employee transfers to another entity included in the public service, then the liability is transferred with the employee to the other entity.

2. Short-term investments

The Corporation did not hold any short-term investments at 31 March 2010. Short-term investments at 31 March 2009 were valued at cost of $10,144,027 which approximated market value.

3. **Student loans receivable**

The student loan portfolio consists of Provincial loans issued on or after 1 August 2000 and Provincial loans issued prior to 1 August where the student was still in school and did not receive additional loans.

As at 31 March 2010 approximately 20,645 loans totalling $97,014,294 (2009 - 20,477 loans totaling $110,515,241) were being repaid at an average interest rate of prime for the period 1 April 2009 to 31 July 2009, and are non-interest bearing for the period 1 August 2009 to 31 March 2010 (Class B loans) while 9,115 loans totalling $37,707,863 (2009 - 9,444 loans totalling $47,621,883) were not being repaid as the students were either still in attendance at an approved education institution or were within 6 months after the end of the study period (Class A loans).

As at 31 March 2010 approximately 8,694 loans totalling $52,401,527 (2009 - 8,010 loans totalling $50,186,870) were defaulted. These loans are defined as Class B loans delinquent for 270 days (nine months). The interest rate on these loans was prime for the period 1 April 2009 to 31 July 2009 and non-interest bearing for the period 1 August 2009 to 31 March 2010.

Student loans receivable consist of the following:

	2010	2009
Loans receivable		
Class B principal	$ 97,014,294	$ 110,515,241
Class A principal	37,707,863	47,621,883
Loans defaulted	52,401,527	50,186,870
Interest receivable	6,520,464	7,807,291
	193,644,148	216,131,285
Less: allowance for doubtful accounts	(49,355,247)	(52,286,006)
	$ 144,288,901	$ 163,845,279

The allowance for doubtful accounts represents the Corporation's best estimate of future probable losses with respect to loans receivable. The estimation of an appropriate allowance involves significant judgment. These financial statements represent management's best estimates based on available information.

The net decrease in student loans receivable during the year consists of the following:

	2010	2009
Student loan interest	$ 1,404,770	$ 7,518,169
Interest relief	(178,931)	(1,024,657)
Student loan grants	(10,486,042)	(11,863,476)
Student loans disbursed	13,197,200	15,287,427
Student loan payments	(26,335,598)	(28,760,866)
Student loan written off	(88,536)	(353,934)
	$ (22,487,137)	$ (19,197,337)

4. Capital assets

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	$ 17,453	$ 2,855	$ 14,598	$ 16,343
Computer software	145,359	60,598	84,761	105,527
Computer hardware	24,584	14,041	10,543	16,145
Capital photocopier lease	21,739	18,478	3,261	7,608
	$ 209,135	$ 95,972	$ 113,163	$ 145,623

5. Long-term debt

	2010	2009
Issue of floating rate notes dated 2 October 2006 maturing 30 September 2011 and bearing interest at the 3-month Canadian Bankers' Acceptance rate less 2 basis points, payable quarterly.	$ 156,000,000	$ 170,000,000
Less: current portion	14,000,000	14,000,000
	$ 142,000,000	$ 156,000,000

On 2 October 2006, the Corporation repaid $206 million principal amount of floating rate notes by using available cash of $8 million to reduce the principal balance to $198 million, then arranging a new long-term borrowing to refinance this amount for a term of five years. A principal payment of $14 million will be made on 30 September in each of the years to 2010, inclusive, with the balance of the debt maturing 30 September 2011. Interest is payable quarterly on 31 March, 30 June, 30 September, and 31 December each year.

Principal repayments on long-term debt for the next two years are as follows:

Year Ended 31 March	
2011	$ 14,000,000
2012	$ 142,000,000

6. **Obligation under capital lease**

The following is a schedule of future minimum lease payments under the capital lease expiring in December 2010.

Year Ended 31 March		2010		2009
2010	$	-	$	4,348
2011		**2,898**		2,898
		2,898		7,246
Less: current portion		**2,898**		4,348
	$	-	$	2,898

7. **Related party transactions**

The Province unconditionally guarantees the principal and interest outstanding on long-term debt of $156,000,000.

8. **Economic dependence**

As a result of its reliance on the Government of Newfoundland and Labrador to address the future funding requirements of the student loans program, the Corporation's ability to continue is dependent upon the decisions of Government.

9. **Financial instruments**

The Corporation's short-term financial instruments recognized on the balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities, accrued vacation pay and current portion of long-term debt. The carrying values of these instruments approximate current fair value due to their nature and short-term maturity associated with them.

The Corporation's long-term financial instruments recognized on the balance sheet consist of student loans receivable, long-term debt and accrued severance pay. The student loans receivable are reported at cost with provision being made for any decline in their value. Therefore, no further credit risk exists relating to these loans. The Corporation's long-term debt is at a floating rate determined by the 3-month Canadian Bankers' Acceptance rate less 2 basis points, maturing in September 2011. This may subject the Corporation to interest rate risk caused by changes in the interest rate. The carrying values of these long-term financial instruments approximate their current fair value.

10. **Income taxes**

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

Financial Statements of

TRINITY-CONCEPTION-PLACENTIA HEALTH FOUNDATION INC.

March 31, 2009

Deloitte.

Auditors' Report

To the Board of Directors of
Trinity-Conception-Placentia Health Foundation Inc.

We have audited the statement of financial position of Trinity-Conception-Placentia Health Foundation Inc. (the "Foundation") as at March 31, 2009 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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 common with many charitable organizations, the Foundation derives certain of its revenue from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of (expenditures over revenues) revenue over expenditures, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by another firm of chartered accountants who issued their report with a qualified opinion dated September 2, 2008.

Deloitte & Touche LLP

Chartered Accountants
October 28, 2009

TRINITY-CONCEPTION-PLACENTIA HEALTH FOUNDATION INC.

Statement of Operations and Changes in Net Assets

Year ended March 31, 2009

	2009	2008
	$	$
		As restated
Revenue		(Note 2)
Fundraising programs		
Donations	**287,298**	325,969
50/50 lottery	**35,088**	28,439
In kind donations	**29,738**	16,823
	352,124	371,231
SEED grant	**17,910**	41,350
Interest	**16,258**	15,446
	386,292	428,027
Expenditures		
Donations to Eastern Regional Health Authority	**202,871**	44,372
Salaries and benefits	**178,848**	109,181
Fundraising projects	**74,443**	65,051
Contribution to SEED students	**17,910**	41,350
Travel	**11,032**	11,734
Other	**4,717**	10,051
Office supplies and postage	**3,003**	8,569
Interest and bank charges	**2,579**	3,685
	495,403	293,993
Excess of (expenditures over revenue) revenue over expenditures	**(109,111)**	134,034
Net assets, beginning of year	**242,826**	108,792
Net assets, end of year	**133,715**	242,826

TRINITY-CONCEPTION-PLACENTIA HEALTH FOUNDATION INC.

Statement of Financial Position

March 31, 2009

	2009	2008
	$	$
		As restated
Assets		(Note 2)
Current assets		
Cash and cash equivalents	**582,549**	330,669
Short-term investment	**38,632**	38,564
Accounts receivable	**6,416**	3,908
Due from Eastern Regional Health Authority	**-**	6,664
Other assets - land held for resale	**48,500**	48,500
	676,097	428,305
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**150,534**	154,714
Deferred revenue	**-**	13,532
	150,534	168,246
Due to Eastern Regional Health Authority	**367,412**	-
Accrued severance pay	**24,436**	17,233
	542,382	185,479
Net assets		
Net assets	**133,715**	242,826
	676,097	428,305

Approved on behalf of the Board:

____________ Director ____________ Director

TRINITY-CONCEPTION-PLACENTIA HEALTH FOUNDATION INC.

Statement of Cash Flows

Year ended March 31, 2009

	2009	2008
	$	$
Operating activities		
Excess of (expenditures over revenue) revenue over expenditures	(109,111)	134,034
Adjustments for:		
Decrease in deferred revenue	(13,532)	1,321
Increase in accrued severance pay	7,203	1,486
Changes in non-cash operating working capital		
Due from Eastern Regional Health Authority	6,664	-
Short-term investment	(68)	(38,564)
Accounts receivable	(2,508)	(2,166)
Prepaids	-	4,278
Accounts payable and accrued liabilities	(4,180)	(80,754)
Due to Eastern Regional Health Authority	367,412	-
	251,880	19,635
Net change in cash and cash equivalents	251,880	19,635
Cash and cash equivalents, beginning of year	330,669	311,034
Cash and cash equivalents, end of year	582,549	330,669
Supplemental disclosure of cash flow information:		
Interest paid	2,579	3,685

1. NATURE OF OPERATIONS

Trinity-Conception-Placentia Health Foundation Inc. (the "Foundation") is a not-for-profit organization which raises funds for the Eastern Regional Health Authority and is incorporated under the Corporations Act of Newfoundland and Labrador.

As a not-for-profit organization, the Foundation is exempt from income taxes.

2. CORRECTION OF PRIOR PERIOD ERROR

The financial statements for the year ended March 31, 2008 have been restated to adjust for retroactive wages not previously recorded. As a result accounts payable have increased by $97,383, wage expense has increased by $18,778 and opening net assets have decreased by $78,605.

3. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2008 the Foundation adopted the Canadian Institute of Chartered Accountants' ("CICA") new accounting standards related to "Capital Disclosures" (Section 1535), and "General Standards of Financial Statement Presentation" (Section 1400).

Capital Disclosures

CICA Section 1535 "Capital Disclosures" establishes standards for disclosure of information about the Foundation's capital and capital management, including the Foundation's objectives and processes of managing capital, quantitative data about what the Foundation regards as capital, whether the Foundation has complied with any externally imposed capital requirements, and if it has not complied, the consequences of such non-compliance. The adoption of this standard had no effect on the Foundation's financial position, operations or cash flows and these disclosures have been included in Note 6.

General Standards of Financial Statement Presentation

CICA Section 1400 "General Standards of Financial Statement Presentation" provides additional guidance related to management's assessment of the Foundation's ability to continue as a going concern. The Foundation's current disclosures meet the reporting requirements of this Section.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term investment

Short-term investment is measured and reported at fair value, which is quoted market value.

Revenue recognition

Grants and other revenues are recognized as earned and when collection is reasonably assured.

Contributed materials and services

Contributed materials and services are recognized as in lieu donations revenue when the fair value of the assets can be reasonably estimated and when the materials and services are used in the normal course of the Foundation's operations and would otherwise have been purchased.

Land held for resale

The land held for resale has been recorded in the financial statements at its appraised value at the date of contribution.

Accrued vacation pay

Vacation pay is accrued for all employees as entitlement to these payments is earned.

Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. No provision for the ultimate severance pay liability is made in the accounts for any employee who does not have a vested right to the payment. The amount is payable when the employeé ceases employment with the Foundation.

Pension costs

Employees of the Foundation are included in the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Foundation. The annual contributions for pensions are recognized as an expenditure in the accounts on a current basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

In December 2006, CICA issued new Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation", which established standards for the presentation and disclosure of financial instruments and non-financial derivatives.

Following a decision by CICA that permits the application of Section 3861, "Financial Instruments – Disclosure and Presentation", in place of Section 3862 and 3863, the Foundation has decided to continue to apply Section 3861.

Financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Short-term investment	Available for sale	Fair value
Due from Eastern Regional Health Authority	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Due to Eastern Regional Health Authority	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Other balance sheet accounts do not meet the criteria to be considered financial instruments.

The Foundation has determined that it does not have derivatives or embedded derivatives.

Use of accounting estimates

In preparing the Foundation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements, and reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

Future accounting standards

In September 2008, the CICA amended the introduction to accounting standards that apply only to not-for-profit organizations as outlined in the Section 4400 series of CICA Handbook (the "Handbook") as well as consequential changes to other sections of the Handbook.

These new standards are effective for the Foundation on April 1, 2009. The Foundation's management does not expect the application of these standards will have a material impact on its financial statements.

5. RELATED PARTY TRANSACTIONS

The Foundation operates for the purpose of accumulating funds to assist Eastern Regional Health Authority with the purchase of medical equipment used in the provision of patient care. Transactions between these related parties are measured at their exchange value.

6. CAPITAL MANAGEMENT

The capital structure of the Foundation consists of net assets. The Foundation's objective when managing capital is to ensure it maintains adequate capital to support its continued operations.

The Foundation is not subject to externally imposed capital requirements.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Foundation has exposure to credit risk and liquidity risk. The Foundation's Board of Directors has overall responsibility for the oversight of these risks and reviews the Foundation's policies on an ongoing basis to ensure that these risks are appropriately managed. The sources of risk exposure and how each is managed are outlined below.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. The Foundation's credit risk is primarily attributable to accounts receivable. Management believes that the credit risk with respect to accounts receivable is not significant.

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they become due. As at March 31, 2009 the Foundation had cash and cash equivalents and a short-term investment totalling $621,181.

To the extent that the Foundation does not believe that it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through fundraising or third party financing, assuming these can be obtained.

Fair value

The fair value of the Foundation's short-term financial instruments approximate the carrying value due to the short-term maturity and normal credit terms of those instruments.

Grant Thornton

Financial Statements

Western Regional Health Authority

March 31, 2010

Grant Thornton

Auditors' report

Grant Thornton LLP
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Corner Brook, NL
A2H 2X1

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To the Board of Trustees

Western Regional Health Authority

We have audited the statement of financial position of the Western Regional Health Authority as at March 31, 2010 and the statements of changes in deficiency, statement of operations and cash flows for the year then ended. These financial statements are the responsibility of the Authority'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 financial position of the Authority as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Corner Brook, Newfoundland and Labrador

June 15, 2010

Chartered Accountants

Western Regional Health Authority
Statement of financial position

March 31		2010		2009
Assets				
Current				
Cash and cash equivalents	$	**851,658**	$	160,069
Receivables (Note 4)		**14,642,569**		18,960,328
Inventory (Note 5)		**5,224,088**		3,512,510
Prepaid expenses		**6,807,514**		5,934,819
		27,525,829		28,567,726
Due from associated funds (Note 6)		**725,950**		775,487
Capital assets (Note 7)		**68,561,950**		63,179,552
Trust funds on deposit (Note 8)		**543,725**		490,343
Restricted cash and investments		**129,145**		116,586
	$	**97,486,599**	$	93,129,694
Liabilities				
Current				
Bank indebtedness (Note 9)	$	**900,892**	$	8,383,974
Payables and accruals		**23,315,659**		22,252,988
Deferred contributions – operating		**5,980,913**		4,205,265
Deferred contributions - capital		**18,283,370**		19,292,033
Vacation pay accrual		**9,381,457**		7,983,362
Current portion of severance pay accrual		**1,500,000**		1,500,000
Current portion of long term debt (Note 10)		**881,000**		831,900
		60,243,291		64,449,522
Severance pay accrual		**26,916,001**		24,361,378
Trust funds payable		**543,725**		490,343
Long term debt (Note 10)		**3,482,848**		4,363,818
Deferred contributions				
– unamortized portion of capital asset grants		**60,947,519**		54,548,530
		152,133,384		148,213,591
Net assets (deficiency)				
Net assets invested in capital assets		**3,250,580**		3,435,301
Restricted net assets, endowments		**136,172**		121,032
Unrestricted deficiency (Note 11)		**(58,033,537)**		(58,640,230)
		(54,646,785)		(55,083,897)
	$	**97,486,599**	$	93,129,694

Contingencies and commitments (Note 13)

On behalf of the Board

_______________ Member _______________ Member

See accompanying notes to the financial statements.

Western Regional Health Authority
Statement of changes in deficiency
March 31

				2010	2009
	Unrestricted	**Capital**	**Endowments (Restricted)**	**Total**	Total
Net assets (deficiency), Beginning of year	$ (58,640,230)	$ 3,435,301	$ 121,032	$ **(55,083,897)**	$ (55,556,905)
Operating surplus	437,112	-	-	**437,112**	473,008
Principal repayment of long term debt	(173,650)	173,650	-	-	-
Principal repayment of capital lease	(658,220)	658,220	-	-	-
Restricted interest income	(15,140)	-	15,140	-	-
Amortization of capital assets					
Shareable	831,870	(831,870)	-	-	-
Non-shareable	6,834,728	(6,834,728)	-	-	-
Amortization of deferred capital asset grants	(6,650,007)	6,650,007	-	-	-
Net assets (deficiency), end of year	$ (58,033,537)	$ 3,250,580	$ 136,172	$ **(54,646,785)**	$ (55,083,897)

See accompanying notes to the financial statements.

Western Regional Health Authority

Statement of operations

Year ended March 31	2010	2009
Revenue		
Provincial plan	$ 257,801,362	$ 231,126,172
Other	46,766,929	42,857,270
	304,568,291	273,983,442
Expenditures		
Administration	23,224,356	21,618,344
Support services	53,353,298	50,374,684
Nursing inpatient services	73,275,739	67,638,434
Medical services	17,595,220	16,485,418
Ambulatory care services	20,870,643	18,971,431
Diagnostic and therapeutic services	28,438,599	26,074,640
Community and social services	74,114,397	62,953,065
Educational services	4,855,476	4,387,760
Undistributed	3,434,142	1,974,934
	299,161,870	270,478,710
Operating surplus before shareable amortization and non-shareable items	5,406,421	3,504,732
Shareable amortization	831,870	785,841
Operating surplus for government reporting before non-shareable items	4,574,551	2,718,891
Adjustments for non-shareable items		
Amortization expense	6,834,728	6,243,658
Accrued vacation expense – increase	1,398,095	315,510
Accrued severance expense – increase	2,554,623	1,727,861
Amortization of deferred capital equipment grants	(6,650,007)	(6,041,146)
	4,137,439	2,245,883
Surplus on operations	$ 437,112	$ 473,008

Western Regional Health Authority

Statement of cash flows

Year ended March 31	2010	2009
Decrease in cash and cash equivalents		
Operating		
Operating surplus	$ 437,112	$ 473,008
Increase in severance and vacation pay accrual	3,952,718	2,043,371
Amortization of capital assets – non-shareable	6,834,728	6,243,658
Amortization of capital assets – shareable	831,870	785,841
Amortization of capital asset grants	(6,650,007)	(6,041,146)
	5,406,421	3,504,732
Changes in		
Receivables	4,317,759	(6,591,928)
Inventory	(1,711,578)	(148,658)
Prepaid expenses	(872,695)	(345,763)
Due from associated funds	49,537	(234,860)
Deferred contributions - operating	1,775,648	867,181
Payables and accruals	1,062,671	(2,218,898)
	10,027,763	(5,168,194)
Financing		
Decrease in bank indebtedness	(7,483,082)	(5,313,099)
Capital contributions	12,040,333	20,214,016
Repayment of long term debt – operating	(831,870)	(785,841)
	3,725,381	14,115,076
Investing		
Purchase of capital assets	(13,048,996)	(8,974,180)
(Increase) decrease in restricted cash and investments	(12,559)	18,913
	(13,061,555)	(8,955,267)
Net increase (decrease) in cash and cash equivalents	691,589	(8,385)
Cash and cash equivalents		
Beginning of year	160,069	168,454
End of year	$ 851,658	$ 160,069

Western Regional Health Authority
Notes to the financial statements
March 31, 2010

1. Nature of operations

The Western Regional Health Authority ("Western Health") is constituted under the Regional Health Authority's Act (formerly known as the Hospital's Act) Constitution Order and is responsible for the management and control of the operations of acute and long term care facilities as well as community health services in the western region of the Province of Newfoundland and Labrador.

Western Health is an incorporated not-for-profit with no share capital, and as such, is exempt from income tax.

2. Summary of significant accounting policies

Basis of presentation
These financial statements include the assets, liabilities, revenues, and expenditures of the operating, capital, and endowment funds.

Fund accounting
The Authority applies fund accounting principles in recording its financial transactions in the operating fund or net investment in capital assets.

The operating fund contains all the operating assets, liabilities, revenue and expenditures of the Authority related to the provision of health care services. The assets of the operating fund are available for the satisfaction of debts, contingent liabilities and commitments of the Authority.

The net investment in capital assets represents assets purchased with the operating fund.

Use of estimates
In preparing Western Health's financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and balances with banks and short term deposits, with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Inventory
Inventory is valued at average cost. Cost includes purchase price plus the non-refundable portion of applicable taxes.

2. Summary of significant accounting policies (cont'd)

Capital assets

Western Health has control over certain assets for which title resides with the Government of Newfoundland and Labrador. These assets have not been recorded in the financial statements of Western Health. Capital assets acquired after January 1, 1996 are recorded at cost. Assets are not amortized until placed in use. Assets that are acquired through long term borrowing are amortized at an amount equal to the annual principal repayment of the debt obligation. The remaining assets in use are amortized on a declining balance basis at the following rates:

Land improvements	2 ½%
Buildings	6 ¼%
Parking lot	6 ¼%
Equipment	15%
Equipment under capital lease	15%
Motor vehicles	20%
Leasehold Improvements	20%

Capital and operating leases

A lease that transfers substantially all of the risks and rewards incidental to the ownership of property is accounted for as a capital lease. Assets acquired under capital lease result in a capital asset and an obligation being recorded equal to the lesser of the present value of the minimum lease payments and the property's fair value at the time of inception. All other leases are accounted for as operating leases and the related payments are expensed as incurred.

Severance and vacation pay liability

An accrued liability for severance and vacation pay is recorded in the accounts for all employees who have a vested right to receive such payments. Severance pay vests after nine years of continuous service and no provision has been made for employees with less than nine years of service.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

2. Summary of significant accounting policies (cont'd)

Revenue recognition

Provincial plan revenue is recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred contributions - operating.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Capital contributions expended are recorded as deferred contributions and amortized to income on a declining balance basis using the same rates as depreciation expense related to the capital assets purchased. Capital contributions expended for non-depreciable capital assets are recorded as direct increases in net assets. Non-expended capital contributions are deferred and are not amortized until expended.

Revenue from the sale of goods and services is recognized at the time the goods are delivered or the services are provided.

The Authority reviews outstanding receivables at least annually and provides an allowance for receivables where collection has become questionable.

Pension costs

Employees of Western Health are covered by the Public Service Pension Plan and the Government Money Pension Plan administered by the Province of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Authority. The annual contributions for pensions are recognized in the accounts on a current basis.

Financial instruments

Section 3855, "Financial Instruments - Recognition and Measurement", requires the Authority to revalue all of its financial assets and liabilities at fair value on the initial date of implementation and at each subsequent financial reporting date.

This standard also requires the Authority to classify financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurements. Classification choices for financial assets include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings; b) held to maturity - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired; c) available-for-sale - measured at fair value with changes in fair value recognized in net assets for the current period until realized through disposal or impairment; and d) loans and receivables - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired.

2. Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Classification choices for financial liabilities include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings and b) other - measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is no longer recognized. Subsequent measurement for these assets and liabilities are based on either fair value or amortized cost using the effective interest method, depending upon their classification. Any financial asset or liability can be classified as held for trading as long as its fair value is reliably determinable.

In accordance with the standard, the Authority's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Due from associated funds	Loans and receivables	Amortized cost
Trust funds on deposit	Held for trading	Fair value
Restricted cash and investments	Held for trading	Fair value
Bank indebtedness	Held for trading	Fair value
Payables and accruals	Other liabilities	Amortized cost
Long term debt	Other liabilities	Amortized cost
Trust funds payable	Held for trading	Fair value

Other balance sheet accounts, such as inventory, prepaid expenses, capital assets, and deferred contributions are not within the scope of the accounting standards as they are not financial instruments.

Embedded derivatives are required to be separated and measured at fair values if certain criteria are met. Under an election permitted by the standard, management reviewed contracts entered into or modified subsequent to April 1, 2003 and determined that the Authority does not currently have any significant embedded derivatives in its contracts that require separate accounting treatment.

The fair value of a financial instrument is the estimated amount that the Authority would receive or pay to terminate the instrument agreement at the reporting date. To estimate the fair value of each type of financial instrument various market value data and other valuation techniques were used as appropriate. The fair values of cash approximated its carrying value.

3. Control of not-for-profit entities

The Authority controls Gateway Apartments, Emile Benoit House & Units, Interfaith Home and Cottages, Bay St. George Cottages and LHC Cottages. These entities were established to provide housing to senior citizens.

The Authority is responsible for policy direction, distribution of operating funds and capital grants, and providing certain services to the homes, which are individually controlled.

The above not-for-profit entities have not been consolidated into the Authority's financial statements; however separate financial statements are available on request. Financial summaries of these non-consolidated entities as at March 31, 2010 and 2009 and for the years then ended are as follows:

	2010	2009
Financial position		
Total assets	$ 7,661,881	$ 8,143,139
Total liabilities	7,641,034	8,020,351
Total net assets	20,847	122,788
	$ 7,661,881	$ 8,143,139
Results of operations		
Total revenue	$ 1,551,258	$ 1,564,034
Total expenditures	1,590,757	1,649,658
Transfer from NLHC	10,296	28,634
Excess of expenditures over revenue	$ (29,203)	$ (56,990)
Cash flows		
Cash from operations	$ 356,742	$ 458,118
Cash used in financing and investing activities	(405,716)	(376,783)
(Decrease) increase in cash	$ (48,974)	$ 81,335

4. Receivables

		2010		2009
Province of Newfoundland and Labrador				
Capital contributions	$	**669,945**	$	6,380,434
Provincial plan		**7,393,684**		6,732,084
MCP		**2,014,762**		2,018,652
Patient services		**1,224,515**		1,448,758
Employees' pay and travel advances		**477,178**		498,706
Harmonized sales tax rebate		**607,457**		527,317
Other		**2,255,028**		1,354,377
	$	**14,642,569**	$	18,960,328

5. Inventory

		2010		2009
Dietary	$	**119,995**	$	86,670
Pharmacy		**1,776,457**		1,491,295
Pandemic		**991,235**		-
Supplies		**2,336,401**		1,934,545
	$	**5,224,088**	$	3,512,510

6. Due from associated funds

		2010		2009
Cottages	$	**677,958**	$	727,985
Foundations		**47,992**		47,502
	$	**725,950**	$	775,487

Amounts due from associated funds are non-interest bearing with no set terms of repayment.

7. Capital assets

2010

	Cost	Accumulated Depreciation	Net Book Value
Land	$ 674,808	$ -	$ 674,808
Land improvements	435,091	238,608	196,483
Buildings	51,706,863	23,515,388	28,191,475
Parking lot	1,141,682	601,708	539,974
Equipment	96,276,411	58,880,730	37,395,681
Equipment under capital lease	7,162,767	5,922,756	1,240,011
Motor vehicles	944,842	649,628	295,214
Leasehold improvements	232,458	204,154	28,304
	$ 158,574,922	$ 90,012,972	$ 68,561,950

2009

	Cost	Accumulated Depreciation	Net Book Value
Land	$ 674,808	$ -	$ 674,808
Land improvements	435,091	233,572	201,519
Buildings	48,774,688	21,879,840	26,894,848
Parking lot	1,141,682	565,709	575,973
Equipment	86,159,590	53,659,626	32,499,964
Equipment under capital lease	7,162,767	5,234,725	1,928,042
Motor vehicles	944,842	575,824	369,018
Leasehold improvements	232,458	197,078	35,380
	$ 145,525,926	$ 82,346,374	$ 63,179,552

Book value of capitalized items that have not been amortized $5,854,308 (2009 - $2,656,123)

8. Trust funds

Funds belonging to patients of the Authority are being held in trust for the benefit of the patients.

9. Bank indebtedness

The Authority has access to a line of credit with the Bank of Montreal in the amount of $21,500,000 (2009 - $23,500,000) in the form of revolving demand loans and/or bank overdrafts. The authorization to borrow has been approved by the Minister of Health and Community Services. The balance outstanding on this line of credit at March 31, 2010 is $900,892. Interest is being charged at prime less 1.15% on any overdraft (March 31, 2010 - 1.1%; March 31, 2009 – 1.35%).

10. Long term debt

	2010	2009
4.26% mortgage on the Bay St. George Seniors Home, maturing in 2021, payable in blended monthly payments of $13,544	$ 1,444,752	$ 1,543,949
8% mortgage on the Bay St. George Seniors Home, maturing in 2026, payable in blended monthly payments of $9,523	1,057,741	1,087,466
7.875% mortgage on the Corner Brook Interfaith Home, maturing in 2022, repayable in blended monthly payments of $6,056	567,243	594,763
4.56% mortgage on the Woody Point Clinic, maturing in 2020, repayable in blended monthly payments of $2,304	223,032	240,240
Obligations under capital lease, 5.83%, maturing in 2011, payable in blended monthly payments of $61,759	1,071,080	1,729,300
	4,363,848	5,195,718
Less: Current portion	881,000	831,900
	$ 3,482,848	$ 4,363,818

As security for the mortgages, Western Health has provided a first mortgage over land and buildings at the Corner Brook Interfaith Home, the Bay St. George Senior Citizens Home and Woody Point Clinic having a net book value of $3,292,768 (2009 - $3,466,418).

As security for the capital leases Western Health has provided specific capital equipment having a net book value of $1,240,011 (2009 - $1,928,043).

See Note 12 for five year principal repayment schedule.

11. Unrestricted deficiency

	2010	2009
Accumulated operating deficit	**$ 20,236,079**	$ 24,795,490
Accrued severance pay	**28,416,001**	25,861,378
Accrued vacation pay	**9,381,457**	7,983,362
	$ 58,033,537	$ 58,640,230

12. Obligations under long term debt and leases

Western Health has acquired building additions and equipment under the terms of long term debt and capital leases. Payments under these obligations, scheduled to expire at various dates to 2015 are as follows:

Fiscal year ended

2011	$ 881,000
2012	558,000
2013	204,600
2014	216,200
2015	228,700
	$ 2,088,500

13. Contingencies and commitments

Claims
As of March 31, 2010, there were a number of claims against the Authority in varying amounts for which no provision has been made. It is not possible to determine the amounts, if any, that may ultimately be assessed against the Authority with respect to these claims, but management believes any claim, if successful, will be covered by liability insurance.

Operating leases
Western Health has a number of agreements whereby it leases vehicles, office equipment and buildings, in addition to those disclosed under Note 10. These leases are accounted for as operating leases. Future minimum lease payments under operating leases are estimated to be $2,000,000 per year for the next five years.

13. Contingencies and commitments (cont'd)

Capital assets

During the year, the Authority entered into a contract with GE for the purchase and installation of 4 x-ray units. At year end, the Authority has a commitment to pay $83,271 once the equipment is installed.

14. Subsequent event

Subsequent to year end the Child Youth & Family Services activities were transferred to a new government department of the same name. As of the date of the audit report, the administrative task of determining which activities, account balances and staff members etc, that would be transferred to the new department was still in process. As a result, management was not able to determine the full impact of the transfer of these activities at the time of completion of the financial statements.

Western Regional Health Authority
Expenditures – operating/shareable
Schedule I

Year ended March 31	2010	2009
Administration		
General administration	$ 9,076,337	$ 8,672,086
Finance	2,996,312	2,601,970
Personnel services	3,339,738	3,033,875
System support	2,994,153	2,876,512
Other administrative	4,817,816	4,433,901
	23,224,356	21,618,344
Support services		
Housekeeping	8,879,292	8,763,195
Laundry and linen	2,487,591	2,374,766
Plant services	17,777,495	17,555,359
Patient food services	11,245,110	10,893,717
Other support services	12,963,810	10,787,647
	53,353,298	50,374,684
Nursing inpatient services		
Nursing inpatient services – acute	48,535,820	44,987,569
Medical services	17,595,219	16,485,418
Nursing inpatient services – long term care	24,739,920	22,650,865
	90,870,959	84,123,852
Ambulatory care services	20,870,643	18,971,431
Diagnostic and therapeutic services		
Clinical laboratory	9,355,396	8,337,570
Diagnostic imaging	7,943,808	7,398,521
Other diagnostic and therapeutic	11,139,395	10,338,549
	28,438,599	26,074,640

Western Regional Health Authority
Expenditures – operating/shareable
Schedule I (cont'd)

Year ended March 31	2010	2009
Community and social services		
Mental health and addictions	**5,446,838**	4,419,042
Community support programs	**39,384,366**	32,809,346
Family support programs	**18,558,503**	16,133,355
Community youth corrections program	**2,419,751**	2,380,890
Health promotion and protection program	**8,304,939**	7,210,432
	74,114,397	62,953,065
Education	**4,855,476**	4,387,760
Undistributed	**3,434,142**	1,974,934
Shareable amortization	**831,870**	785,841
Total expenditures	**$ 299,993,740**	$ 271,264,551

Western Regional Health Authority
Revenue and expenditures for government reporting
Operating fund
Schedule II

Year ended March 31	2010	2009
Revenue		
Provincial plan	$ 257,801,362	$ 231,126,172
MCP physician	14,502,037	13,774,444
ELCC	1,614,935	1,393,509
NCB	1,424,222	1,489,571
ECD	1,039,073	587,154
Inpatient	2,150,953	2,054,689
Outpatient	1,701,154	1,339,077
LTC resident	7,361,501	7,144,407
Mortgage interest subsidy	40,507	40,507
Food service	2,745,474	2,754,782
Other recoveries	8,587,152	7,971,063
Other	5,599,921	4,308,067
Total revenue	304,568,291	273,983,442
Expenditures		
Worked and benefit salaries and contributions	159,055,531	145,547,170
Benefit contributions	27,514,425	25,591,512
	186,569,956	171,138,682
Supplies – plant operations and maintenance	5,686,499	6,471,328
Supplies – drugs	7,360,739	7,094,451
Supplies – medical and surgical	9,366,780	8,643,455
Supplies – other	14,213,513	12,765,879
	36,627,531	34,975,113
Direct client costs – mental health and addictions	200,803	158,330
Direct client costs – community support	27,796,578	23,687,934
Direct client costs – family support	8,291,379	6,873,742
Direct client costs – community youth corrections	13,654	26,072
	36,302,414	30,746,078
Other shareable expenses	39,376,362	33,287,106

Western Regional Health Authority
Revenue and expenditures for government reporting
Operating fund
Schedule II (cont'd)

Year ended March 31	2010	2009
Long term debt – interest	202,724	211,658
Long term debt – principal	173,650	164,811
Capital lease – interest	82,883	120,073
Capital lease – principal	658,220	621,030
	1,117,477	1,117,572
Total expenditures	299,993,740	271,264,551
Operating surplus for government reporting	4,574,551	2,718,891
Long term debt - principal	173,650	164,811
Capital lease – principal	658,220	621,030
Surplus inclusive of other operations	5,406,421	3,504,732
Shareable amortization	831,870	785,841
Surplus before non-shareable items	4,574,551	2,718,891
Non-shareable items		
Amortization expense	6,834,728	6,243,658
Accrued vacation expense increase	1,398,095	315,510
Accrued severance expense - increase	2,554,623	1,727,861
Amortization of deferred capital equipment grants	(6,650,007)	(6,041,146)
	4,137,439	2,245,883
Surplus inclusive of non-shareable items	$ 437,112	$ 473,008

Western Regional Integrated Health Authority
Funding and expenditures for government reporting
Capital transactions
Schedule III

Year ended March 31		2010		2009
Sources of funds				
Provincial capital equipment grant for current year	$	**8,305,453**	$	13,983,135
Provincial facility capital grant in current year		**4,990,000**		7,690,000
Add: Deferred capital grant from prior year		**19,292,033**		8,052,198
Less: Capital facility grant reallocated for operating fund purchases		**(2,458,095)**		(2,405,594)
Less: Deferred capital grant from current year		**(18,283,370)**		(19,292,033)
		11,846,021		8,027,706
Other contributions				
Foundations, auxiliaries and other		**1,202,975**		946,474
Total funding		**13,048,996**		8,974,180
Capital expenditures				
Asset, building and land		**2,932,175**		388,832
Asset, equipment		**10,116,821**		8,585,348
		13,048,996		8,974,180
Total expenditures		**13,048,996**		8,974,180
Surplus on capital purchases	$	**-**	$	-

Western Regional Health Authority
Accumulated operating deficit for government reporting
Schedule IV

Year ended March 31		2010		2009
Accumulated operating deficit				
Current assets				
Cash and cash equivalents	$	**851,658**	$	160,069
Accounts receivable		**14,642,569**		18,960,328
Inventory		**5,224,088**		3,512,510
Prepaid expenses		**6,807,514**		5,934,819
Due from associated funds		**725,950**		775,487
Other		**(7,024)**		(4,443)
Total assets	$	**28,244,755**	$	29,338,770
Current liabilities				
Bank indebtedness	$	**900,892**	$	8,383,974
Accounts payable and accrued liabilities		**23,315,659**		22,252,988
Deferred contributions – operating		**5,980,913**		4,205,265
Deferred contributions - capital		**18,283,370**		19,292,033
Total current liabilities		**48,480,834**		54,134,260
Accumulated operating deficit	$	**(20,236,079)**	$	(24,795,490)
Reconciliation of operating deficit – operating fund only				
Accumulated operating deficit – beginning of year	$	**(24,795,490)**	$	(27,530,483)
Add: Net operating income per schedule II		**4,574,551**		2,718,891
Less: Restricted interest (income) loss		**(15,140)**		16,102
Accumulated operating deficit –end of year	$	**(20,236,079)**	$	(24,795,490)

Western Regional Health Authority
Bay St. George Senior Citizens Home
30 Unit Cottages
Financial Statements
March 31, 2010

TODD R. P. LEE
CHARTERED ACCOUNTANT

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Auditor's report

To the Directors
Western Regional Health Authority

I have audited the balance sheet of Bay St. George Senior Citizens Home – 30 unit cottages, as at March 31, 2010, and the statements of revenues and expenses, cash flows and change in net assets for the year then ended. These financial statements are the responsibility of the Cottages 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 statements presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Bay St. George Senior Citizens Home – 30 unit cottages as at March 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Todd R. P. Lee
Chartered Accountant

Deer Lake, NL
May 25, 2010

Western Regional Health Authority
Bay St. George Senior Citizens Home
30 Unit Cottages
Statement of Revenue and Expenses
For the Year Ended March 31, 2010

	2010	2009
Revenue		
Rentals	$ 184,548	$ 184,365
CMHC subsidy (Note 5)	59,670	59,670
	244,218	244,035
Expenses		
Administration	3,996	3,996
Allocation to replacement reserve fund (Note 2)	11,545	11,545
Depreciation	82,637	79,026
Heat and light	47,691	55,113
Insurance	1,490	1,801
Inspections	1,273	-
Interest on long term debt	36,463	40,099
Municipal tax	17,624	17,062
Professional fees	1,335	1,225
Repairs and maintenance	8,459	13,535
Salaries – repairs and maintenance	14,629	17,768
	227,142	241,170
Net earnings	$ 17,076	$ 2,865

Western Regional Health Authority
Bay St. George Senior Citizens Home
30 Unit Cottages
Balance Sheet
March 31, 2010

	2010	2009
Assets		
Current		
Cash and cash equivalents (Note 1)	$ 53,508	$ 37,995
Receivables	-	186
HST receivable	4,153	10,565
Due from Replacement Reserve fund	896	3,102
Prepaid expenses	13,218	13,218
	71,775	65,066
Replacement reserve fund (Note 2)	9,418	7,212
Property and equipment (Note 3)	753,656	836,293
	$ 834,849	$ 908,571
Liabilities		
Current		
Payables and accruals	$ 197,229	$ 207,796
Security deposits	3,000	2,800
Current portion of long term debt	86,700	82,700
	286,929	293,296
Long term debt (Note 4)	669,762	756,399
	956,691	1,049,695
Net Assets		
Net assets restricted for replacement reserve purposes	9,418	7,212
Contributed Surplus	1,142	1,142
Deficit	(132,402)	(149,478)
	(121,842)	(141,124)
	$ 834,849	$ 908,571

On behalf of the Board

_______________ Member _______________ Member

See accompanying notes to the financial statements.

Western Regional Health Authority
Bay St. George Senior Citizens Home
30 Unit Cottages
Statement of Cash Flows
Year Ended March 31,2010

	2010	2009
Cash and cash equivalents derived from (applied to):		
Operating		
Net Income	$ 17,076	$ 2,865
Depreciation	82,637	79,026
	99,713	81,891
Changes in		
Receivables	8,804	361
Prepaid expenses	-	(562)
Payables and accruals	(10,567)	20,081
Security deposits	200	(600)
	98,150	101,171
Financing		
Reduction of long-term debt	(82,637)	(79,026)
Net (decrease) increase in cash and cash equivalents	15,513	22,145
Cash and cash equivalents		
Beginning of year	37,995	15,850
End of year	$ 53,508	$ 37,995
Interest paid	$ 36,789	$ 40,099

Western Regional Health Authority
Bay St. George Senior Citizens Home
30 Unit Cottages
Statement of Changes in Net Assets
For the Year Ended March 31, 2010

	Restricted for replacement reserve purposes	Contributed Surplus	Deficit	2010 Total	2009 Total
Balance, beginning of year	$ 7,212	$ 1,142	$ (149,478)	$(141,124)	$(143,418)
Transfer for the year	11,545	-	-	11,545	11,545
Net earnings (loss)	-	-	17,076	17,076	2,865
Expense paid during the year	(9,339)	-	-	(9,339)	(12,116)
Interest	-	-	-	-	-
Balance, end of year	$ 9,418	$ 1,142	$ (132,402)	$(121,842)	$(141,124)

Western Regional Health Authority
Bay St. George Senior Citizens Home
30 Unit Cottages
Notes to Financials
March 31, 2010

1. Summary of significant accounting policies

Cash and cash equivalents
Cash and cash equivalents includes balances with banks and short term deposits. Bank borrowings are considered financing activities.

Depreciation
Depreciation is provided on the buildings, furniture, and equipment purchased from loans insured by the CMHC at a rate equal to the annual principal reduction of the mortgage. No depreciation is charged on other fixed assets. Donated fixed assets are not depreciated.

2. Replacement reserve fund

Under the terms of the agreement with Canada Mortgage and Housing Corporation (CMHC), the Replacement Reserve account is to be credited in the amount of $11,545 annually until it accumulates to $115,450 plus interest. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are charged to interest first and then principal.

At year-end, the amounts in the reserve consisted of the following:

	2010	2009
Segregated cash	$ 10,314	10,314
Payable to operating	(896)	(3,102)
	$ 9,418	$ 7,212

Western Regional Health Authority
Bay St. George Senior Citizens Home
30 Unit Cottages
Notes to Financials
March 31, 2010

3. Property and equipment

	Cost	Accumulated Depreciation	2010 Net Book Value	2009 Net Book Value
Land improvements	$ 91,781	$ -	$ 91,781	$ 91,781
Buildings	1,378,446	745,749	632,697	712,029
Equipment	60,039	30,861	29,178	32,483
	$ 1,530,266	$ 776,610	$ 753,656	$ 836,293

4. Long term debt

	2010	2009
4.63% CMHC loan maturing in 2012, repayable in monthly principal and interest instalments of $9,952, amortized to 2017	$ 756,462	$ 839,099
Less: current portion	86,700	82,700
	$ 669,762	$ 756,399

As security, the home provided a mortgage on the building known as Block A, Stephenville Crossing.

Principal payments over the next five years are as follows: ; 2011 - $86,700; 2012 - $90,800; 2013 - $95,100; 2014 - $99,700; 2015 - $104,500.

5. CMHC subsidy

Bay St. George Senior Citizens Home – 30 Unit Cottages has received federal assistance through CMHC pursuant to the National Housing Act. The assistance, paid by NLHC, their agent, is intended to reduce operating expenses enabling the Cottages to provide housing to low-income individuals. The amount of assistance received during the year was $59,670 (2009- $59,670).

6. Related party transaction

i) The financial statements include a payable to the Western Regional Health Authority of $172,801 (2009 - $185,541).

ii) Administration fees and repairs and maintenance salaries have been paid to Western Regional Health Authority.

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Auditors' Confirmation

Newfoundland and Labrador Housing Corporation

I have audited the balance sheet of Bay St. George Senior Citizens Home – 30 unit cottages as at March 31, 2010 and the statements of revenue and expenses, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements.

In my opinion

The organization has not applied the occupancy charge-to-income ratio. Rentals are based upon a flat monthly charge.

With reference to the Statement of Changes in Net Assets presented in the financial statements for the year ended March 31, 2010, the replacement reserve has been fully funded and maintained. All interest accruing to this fund has been recorded.

Todd R. P. Lee
Chartered Accountant

Deer Lake, NL
May 25, 2010

Western Regional Health Authority
Gateway Cottages Association
Cottage Project
Financial Statements
March 31, 2010

TODD R. P. LEE
CHARTERED ACCOUNTANT

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Auditor's report

To the Directors
Western Regional Health Authority

I have audited the balance sheet of Gateway Cottages Association – Cottages Project, as at March 31, 2010, and the statements of revenues and expenses, cash flows and change in net assets for the year then ended. These financial statements are the responsibility of the Cottage Project'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 statements presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Cottage Project as at March 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Todd R. P. Lee
Chartered Accountant

Deer Lake, NL
May 13, 2010

Western Regional Health Authority
Gateway Cottages Association
Cottage Project
Statement of Revenue and Expenses
For the Year Ended March 31, 2010

	2010	2009
Revenue		
Rent	$ 119,745	$ 120,000
CMHC subsidy (Note 5)	17,755	22,008
	137,500	142,008
Expenses		
Allocation to replacement reserve fund	9,233	6,876
Depreciation	55,975	50,959
Heat and light	33,887	35,816
Insurance	1,520	1,520
Interest and bank charges	398	415
Interest on long term debt	16,771	25,151
Municipal tax	11,193	10,823
Professional fees	1,412	1,460
Snowclearing	2,947	3,483
Repairs and maintenance	16,605	24,733
Inspections	689	689
	150,630	161,925
Net loss	$ (13,130)	$ (19,917)

Western Regional Health Authority
Gateway Cottages Association
Cottage Project
Balance Sheet
March 31, 2010

	2010	2009
Assets		
Current		
Prepaid expenses	$ 9,229	$ 8,117
Replacement reserve fund (Note 2)	95,520	95,520
Property and equipment (Note 3)	562,826	618,801
	$ 667,575	$ 722,438
Liabilities		
Current		
Payables and accruals	$ 87,149	$ 73,101
Due to replacement reserve fund	76,536	76,343
Current portion of long term debt	54,500	52,100
	218,185	201,544
Long term debt (Note 4)	509,342	567,716
	727,527	769,260
Net Assets		
Net assets restricted for replacement reserve purposes (Note 2)	95,520	95,520
Deficit	(155,472)	(142,342)
	(59,952)	(46,822)
	$ 667,575	$ 722,438

On behalf of the Board

_______________ Member _______________ Member

Western Regional Health Authority
Gateway Cottages Association
Cottage Project
Statement of Cash Flows
For the Year Ended March 31, 2010

	2010	2009
Cash and cash equivalents derived from (applied to)		
Operating		
Net loss	$ (13,130)	$ (19,917)
Depreciation	55,975	50,959
	42,845	31,042
Changes in		
Prepaid expenses	(1,111)	
Payables and accrual	14,048	20,767
Due to replacement reserve	193	(850)
	55,975	50,959
Financing		
Reduction of long term debt	(55,975)	(50,959)
Net increase in cash and cash equivalents	$ -	$ -
Interest paid	$ 16,906	$ 26,175

Western Regional Health Authority
Gateway Cottages Association
Cottage Project
Statement of Changes in Net Assets
For the Year Ended March 31, 2010

	Restricted for replacement reserve purposes	Surplus/ Deficit	2010 Total	2009 Total
Balance, beginning of year	$ 95,520	$ (142,342)	$ (46,822)	$ (26,777)
Net loss	-	(13,130)	(13,130)	(19,917)
Allocation from operations to replacement reserve	9,233	-	9,233	6,876
Expenses paid, during the year	(9,242)	-	(9,242)	(7,079)
Interest	9	-	9	75
Balance, end of year	$ 95,520.	$ (155,472)	$ (59,952)	$ (46,822)

Western Regional Health Authority
Gateway Cottages Association
Cottage Project
Notes to the Financial Statements
March 31, 2010

1. Summary of significant accounting policies

Cash and cash equivalents
Cash and cash equivalents includes balances with banks and short term deposits. Bank borrowings are considered financing activities.

Depreciation
Depreciation is provided on buildings, furniture and equipment purchased from loans insured by the CMHC at a rate equal to the annual principal reduction of the mortgage. No depreciation is charged on other fixed assets. Donated fixed assets are not depreciated.

2. Replacement reserve fund

Under the terms of the agreement with Canada Mortgage and Housing Corporation (CMHC), the Replacement Reserve account is to be credited in the amount of $11,352 annually until it accumulates to $95,520 plus interest. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are charged to interest first and then principal.

At year end, the amounts in the reserve consisted of the following:

	2010	2009
Segregated cash and cash equivalents		
Cash	$ -	$ -
Short term deposits	5,301	5,292
Non-segregated cash	13,683	13,885
Receivable from operating fund	76,536	76,343
	$ 95,520	$ 95,520

3. Property and equipment

	2010			2009
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Buildings	$ 1,150,074	$ 634,831	$ 515,243	$ 571,218
Equipment	47,583	-	47,583	47,583
	$ 1,197,657	$ 634,831	$ 562,826	$ 618,801

4. Long term debt

		2010		2009
2.86% CMHC loan due in 2018, repayable in monthly blended instalments of $6,073 until December 1, 2013	$	563,842	$	619,816
Less: current portion		54,500		52,100
	$	509,342	$	567,716

As security the Association provided a mortgage on the building, a chattel mortgage on equipment and an assignment of rent and fire insurance.

Principal payments over the next five years are as follows: 2011 - $54,500; 2012 - $56,900; 2013- $59,500; 2014 - $62,200; 2015 - $64,989.

5. CMHC subsidy

Gateway Cottages Association - Cottage Project has received federal assistance through CMHC pursuant to Section 27 of the National Housing Act. The assistance, paid by NLHC, their agent, is intended to reduce operating expenses enabling the Cottages to provide housing to low-income individuals. The amount of assistance received during the year was $17,755 (2009 - $22,008).

6. Related party transactions

The financial statements include accounts payable to the Western Regional Health Authority of $77,596 (2009 - $65,741).

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CHARTERED ACCOUNTANT

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Auditors' Confirmation

Newfoundland and Labrador Housing Corporation

I have audited the balance sheet of Gateway Cottages Association – Cottage Project as at March 31, 2010 and the statements of revenue and expenses, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements.

In my opinion

The organization has not applied the occupancy charge-to-income ratio. Rentals are based upon a flat rated charge depending if the unit is one or two bedrooms.

With reference to the Statement of Replacement Reserve Fund presented in the financial statements for the year ended March 31, 2010, the replacement reserve has not been fully funded and maintained. All interest accruing to this fund has been recorded.

Todd R. P. Lee
Chartered Accountant

Deer Lake, NL
May 13, 2010

Western Regional Health Authority
Inter-Faith Home for Senior Citizens
Cottages #1 & #2
Financial Statements
March 31, 2010

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Auditors' Report

To the Directors
Western Regional Health Authority

I have audited the balance sheet of Inter-Faith Home for Senior Citizens – Cottages # 1 & 2, as at March 31, 2010, and the statements of revenues and expenses, cash flows and change in net assets for the year then ended. These financial statements are the responsibility of the Cottages 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 statements presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Inter-Faith Home for Senior Citizens – Cottages # 1 & 2 as at March 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Todd R. P. Lee
Chartered Accountant

Deer Lake, NL
May 25, 2010

Western Regional Health Authority
Inter-Faith Home for Senior Citizens
Cottages #1 & #2
Statement of Revenue and Expenses
Year Ended March 31, 2010

	2010	2009
Revenue		
Rentals	$ 508,328	$ 514,278
NLHC subsidy (Note 5)	75,303	63,759
CMHC subsidy (Note 6)	80,003	80,995
	663,634	659,032
Expenses		
Administration	$ 19,214	$ 17,695
Allocation to replacement reserve fund (Note 2)	18,128	18,128
Bad debt expense (Recovery)	-	(1,935)
Depreciation	143,627	137,489
Heat and light	155,744	156,829
Insurance	4,568	4,809
Interest on long term debt	139,658	147,078
Janitorial and garbage removal	658	1,885
Municipal tax	51,899	50,146
Professional fees	1,412	1,300
Repairs and maintenance	146,599	154,387
Snow clearing	15,276	11,159
	696,783	698,970
Net loss	$ (33,149)	$ (39,938)

Western Regional Health Authority
Inter- Faith Home for Senior Citizens
Cottages #1 & #2
Balance Sheet
March 31, 2010

	2010	2009
Assets		
Current		
Cash and cash equivalents	$ 93,417	$ 144,810
Receivables (net of allowance)	4,338	5,858
Due from Replacement reserve	124,158	60,076
Prepaid expenses	42,869	37,610
	264,782	248,354
Property and equipment (Note 3)	2,665,553	2,809,180
	$ 2,930,335	$ 3,057,534
Liabilities		
Current		
Payables and accruals	$ 355,281	$ 307,985
Replacement reserve fund	124,158	60,076
Current portion of long term debt	150,100	142,507
	629,539	510,568
Long term debt (Note 4)	2,217,267	2,368,486
Severance pay accrual	26,865	24,585
	2,873,671	2,903,639
Net Assets		
Net assets restricted for replacement reserve purposes (Note 2)	(124,158)	(60,076)
Contributed surplus	278,846	278,846
Deficit	(98,024)	(64,875)
	56,664	153,895
	$ 2,930,335	$ 3,057,534

On behalf of the Board

______________ Member

______________ Member

Western Regional Health Authority
Inter-Faith Home for Senior Citizens
Cottages #1 & #2
Statement of Cash Flows
Year Ended March 31, 2010

	2010	2009
Cash and cash equivalents derived from (applied to)		
Operating		
Net loss	$ (33,149)	$ (39,938)
Depreciation	143,627	137,489
	110,478	97,551
Changes in		
Receivables	1,520	5,459
Prepaid expenses	(5,259)	-
Payables and accruals	47,296	125,781
Due to replacement reserve	(64,082)	(24,544)
Severance pay accrual	2,280	-
	92,233	204,247
Financing		
Reduction of long term debt	(143,626)	(137,490)
Net (decrease) increase in cash and cash equivalents	(51,393)	66,757
Cash and cash equivalents		
Beginning of year	144,810	78,053
End of year	$ 93,417	$ 144,810
Interest paid	$ 140,990	$ 147,078

Western Regional Health Authority
Inter-Faith Home for Senior Citizens
Cottages #1 & #2
Statement of Changes in Net Assets
Year Ended March 31, 2010

	Restricted for replacement reserve	Contributed Surplus	Surplus	2010 Total	2009 Total
Balance, beginning of year	$ (60,076)	$ 278,846	$ (64,875)	$153,895	$ 218,378
Net loss	-	-	(33,149)	(33,149)	(39,938)
Transfer for the year	18,128	-	-	18,128	18,128
Expenses paid					
During the year	(82,210)	-	-	(82,210)	(42,673)
Balance, end of year	$ (124,158)	$ 278,846	$ (98,024)	$ 56,664	153,895

Western Regional Health Authority
Inter-Faith Home for Senior Citizens
Cottages #1 & #2
Notes to the Financial Statements
March 31, 2010

1. Summary of significant accounting policies

Cash and cash equivalents
Cash and cash equivalents include cash on hand and balances with banks. Bank borrowings are considered financing activities.

Depreciation
Depreciation is provided on the buildings, furniture and equipment purchased from loans insured by the CMHC at a rate equal to the annual principal repayment of the mortgage. No depreciation is charged on other fixed assets. Donated fixed assets are not depreciated.

Severance pay
An accrued liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such payments. Severance pay vests after nine years of continuous service and no provision has been made for employees with less than nine years.

2. Replacement reserve fund

Under the terms of the agreement with Canada Mortgage and Housing Corporation (CMHC), the replacement reserve account is to be credited in the amount of $18,128 annually until the reserve accumulates to $181,280 plus interest. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are charged to interest first and then principal.

At year end, the funds in the reserve consisted of the following:

	2010	2009
Payable from operating	$ (124,158)	$ (60,076)
	$ (124,158)	$ (60,076)

Western Regional Health Authority
Inter-Faith Home for Senior Citizens
Cottages #1 & #2
Notes to the Financial Statements
March 31, 2010

3. Property and equipment

			2010	2009
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 210,258	$ -	$ 210,258	$ 210,258
Buildings	3,784,620	1,464,379	2,320,241	2,463,868
Equipment	135,054	-	135,054	135,054
	$ 4,129,932	$ 1,464,379	$ 2,665,553	$ 2,809,180

4. Long term debt

	2010	2009
Interfaith #1 10% CMHC loan due 2028, repayable in monthly principal and interest instalments of $8,028	$ 813,397	$ 829,171
Interfaith #2 3.88% CMHC mortgage due 2019, amortized over 25 years, repayable in monthly principal and interest instalments of $7,803	759,545	822,881
Interfaith #2 3.71% CMHC mortgage due 2020, amortized over 25 years, repayable in monthly principal and interest instalments of $7,923	794,425	858,941
	2,367,367	2,510,993
Less: current portion	(150,100)	(142,507)
	$ 2,217,267	$ 2,368,486

As security Cottages #1 & 2 has provided a mortgage on the land and building.

Principal repayments over the next five years are as follows: 2011 - $150,100; 2012 - $157,000; 2013 - $ 165,000; 2014 - $174,000; 2015 - $180,100.

5. Newfoundland and Labrador Housing Corporation (NLHC) rent subsidy

Cottages #1 provides housing to low income senior citizens who pay 25-30% of their fixed income. If this amount falls short of the rent charged, NLHC provides a subsidy for the difference.

6. CMHC subsidy

Inter-Faith Home for Senior Citizens - Cottages #1 and #2 has received federal assistance through CMHC pursuant to Section 27 of the National Housing Act. The assistance, paid by NLHC, their agent, is intended to reduce operating expenses, enabling the Cottages to provide housing to low-income individuals. The amount of assistance received during the year was $80,003 (2009 - $80,995).

7. Related party transactions

i) The financial statements include accounts payable to the Western Regional Health Authority of $ 317,010 (2009 - $281,705).

ii) Administration fees of $ 19,214 (2009 - $17,695) were paid to the Western Regional Health Authority.

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Auditors' Confirmation
Newfoundland and Labrador Housing Corporation

I have audited the balance sheet of Inter-Faith Home for Senior Citizens – Cottages # 1 & 2 as at March 31, 2010 and the statements of revenue and expenses, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements.

In my opinion for Cottages # 1

The organization has requested and obtained evidence of the income of lessees in designated units as required by the Operating Agreement with Newfoundland and Labrador Housing Corporation.

The organization has applied a rent-to-income scale for the income-test occupants in accordance with the operating agreement.

The organization has adjusted the occupancy charges for income-tested occupants in accordance with the operating agreement.

This has been done for those tenants whose sources of income include sources other than Department of Human Resources and Employment or Human Resources Development Canada (Old Age Security and Canada Pension), and for those households where the household composition has changed.

For tenants whose only source of income is from either Department of Human Resources and Employment or Human Resources Development Canada (Old Age Security and Canada Pension), their last lease renewal locked in their rent for a period of 3 years, unless a tenant receives income form another source during this period.

In my opinion for Cottages # 2

The organization has not applied the occupancy charge-to-income ratio. Rentals are based upon a flat rated charge depending if the unit is one or two bedrooms.

With reference to the Statement of Replacement Reserve Fund presented in the financial statements for the year ended March 31, 2010, the replacement reserve has not been fully funded and maintained, the operating reserve and surplus reserve has been fully funded and maintained. All interest accruing to these funds has been recorded.

Todd R. P. Lee
Chartered Accountant

Deer Lake, NL
May 25, 2010

Western Regional Health Authority
NLHC Seniors Cottages
Financial Statements
March 31, 2010

TODD R. P. LEE
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Auditor's report

To the Directors
Western Regional Health Authority

I have audited the balance sheet of the combined statements of Gateway Cottages Association, Apartment Project, Interfaith # 3 and Bay St George & Emile Benoit House as at March 31, 2010, and the statements of revenues and expenses, cash flows and change in net assets for the year then ended. These financial statements are the responsibility of the Apartment Projects 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 statements presentation.

In my opinion, these combined financial statements present fairly, in all material respects, the financial position of the Gateway Cottages, Apartment Project, Interfaith # 3 and Bay St George 8 Unit & Emile Benoit House as at March 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Todd R. P. Lee
Chartered Accountant

Deer Lake, NL
June 11, 2010

Western Regional Health Authority
NLHC Seniors Cottages
Statement of Revenue and Expenses
For the Year Ended March 31, 2010

	Budget	2010	2009
Revenue			
Rentals	$ 237,132	$ 225,034	$ 228,106
NLHC subsidy (Note 2)	232,297	232,297	243,542
Electrical surcharge	13,560	13,461	13,318
Laundry recoveries	8,520	8,606	8,459
Meal program	27,600	26,508	25,534
	519,109	505,906	518,959
Expenses			
Administration	16,668	16,704	16,795
Depreciation	123,478	123,478	109,330
Heat and light	93,846	86,888	96,233
Insurance	3,650	4,013	3,540
Interest on long term debt	110,019	110,825	139,100
Janitorial	9,000	9,000	9,000
Meal program cost	16,680	17,734	18,081
Municipal tax	31,592	32,357	30,874
Professional fees	3,900	4,030	3,747
Repairs and maintenance(Note 7)	90,739	86,427	100,683
Snowclearing	12,400	24,746	20,210
	511,972	516,202	547,593
Excess of revenue over expenses (expenses over revenue)	7,137	(10,296)	(28,634)
Transfer (to) from NLHC	(7,137)	10,296	28,634
	$ NIL	$ NIL	$ NIL

Western Regional Health Authority
NLHC Seniors Cottages
Balance Sheet
March 31, 2010

	2010	2009
Assets		
Current		
Cash and cash equivalents (Note 1)	$ 104,274	$ 117,368
Receivables	6,989	13,487
Due from NLHC (Note 2)	10,294	28,634
Due from replacement reserve fund	12,086	68,164
Prepaid expenses	26,424	23,548
	160,067	251,201
Replacement reserve fund (Note 3)	140,599	151,461
Property and equipment (Note 4)	2,928,456	3,051,934
	$ 3,229,122	$ 3,454,596
Liabilities		
Current		
Payables and accruals	$ 152,304	$ 243,438
Deferred grant	7,755	7,755
Current portion of long term debt	119,300	114,000
	279,359	365,193
Long term debt (Note 5)	2,803,786	2,932,564
	3,083,145	3,297,757
Net Assets		
Net assets restricted for replacement reserve purposes	140,599	151,461
Contributed surplus	5,378	5,378
	145,977	156,839
	$ 3,229,122	$ 3,454,596

On behalf of the Board

Tom O'Brien Member   A Menge Member

Western Regional Health Authority
NLHC Seniors Cottages
Statement of Cash Flows
For the Year Ended March 31, 2010

	2010	2009
Cash and cash equivalents derived from (applied to):		
Operating		
Depreciation	$ 123,478	$ 109,330
Changes in		
Receivables	6,498	(6,956)
Prepaid expenses	(2,876)	(524)
Due from NLHC	18,340	(13,453)
Due from replacement reserve fund	56,078	(57,219)
Payables and accruals	(91,134)	70,563
	110,384	101,741
Financing		
Reduction of long term debt	(123,478)	(109,308)
Net decrease in cash and cash equivalents	(13,094)	(7,567)
Cash and cash equivalents		
Beginning of year	117,368	124,935
End of year	$ 104,274	$ 117,368
Interest paid	$ 110,825	$ 141,712

Western Regional Health Authority
NLHC Seniors Cottages
Statement of Changes in Net Assets
For the Year Ended March 31, 2010

	Restricted for replacement reserve purposes	Contributed surplus	2010 Total	2009 Total
Balance, beginning of year	$ 151,461	$ 5,378	$ **156,839**	$ 387,231
Expenses paid during the year	(10,862)		**(10,862)**	(230,392)
Balance, end of year	$ 140,599	$ 5,378	$ **145,977**	$ 156,839

Western Regional Health Authority
NLHC Seniors Cottages
Notes to the Financial Statements
March 31, 2010

1. Summary of significant accounting policies

Cash and cash equivalents
Cash and cash equivalents includes cash on hand and balances with banks. Bank borrowings are considered financing activities.

Depreciation
Depreciation on the buildings is recorded at an amount equal to the annual principal repayment on the mortgages.

2. Due from (to) NLHC

	2010	2009
Balance, beginning of year	$ 28,634	$ 15,177
Subsidy for the year	232,297	243,542
Net loss receivable from NLHC	10,296	28,634
Mortgage payments from NLHC	(234,696)	(251,042)
Advances received from NLHC	(60,134)	(61,814)
Repayments issued to NLHC	33,897	54,137
Due from NLHC, end of year	$ 10,294	$ 28,634

3. Replacement reserve fund

Newfoundland and Labrador Housing Corporation (NLHC) maintains a consolidated replacement reserve fund to maintain and account for replace reserve funds for non-profit housing groups. Prior to 1996, the group was responsible for its own replacement reserve. NLHC provides the organization with an annual statement as of March 31, indicating its reserve balance. The funds in the account may only be used as approved by NLHC. Withdrawals are credited to interest first and then principal. Transactions in the reserve consist of the following:

	2010	2009
Balance, beginning of year	$ 151,461	$ 381,853
Expenses paid during the year	10,862	230,392
Balance, end of year	$ 140,599	$ 151,461
Balance, end of year		
Principal	$ 140,599	$ 149,172
Interest	-	2,289
	$ 140,599	$ 151,461

4. Property and equipment

	Cost	Accumulated Depreciation	2010 Net Book Value	2009 Net Book Value
Land	$ 124,911	$ -	$ 124,911	$ 124,911
Buildings	3,946,573	1,203,468	2,743,105	2,866,583
Equipment	60,440	-	60,440	60,440
	$ 4,131,924	$ 1,203,468	$ 2,928,456	$ 3,051,934

5. Long term debt

	2010	2009
Gateway Apartments 4.31% NLHC loan due in 2024, payable in monthly blended instalments of $7,361 until March 1, 2012	$ 929,763	$ 977,259
Interfaith #3 2.14% NLHC loan maturing in 2014 amortized to 2029, repayable in monthly principal and interest instalments of $3,953 until March 2014.	756,467	787,430
Bay St George Senior 8 Unit 4.31% NLHC mortgage due 2028, repayable in monthly principal and interest instalments of $2,742 until March 2012	403,677	418,973
Bay St George Emile Benoit 4.31% NLHC mortgage due 2027 repayable in monthly principal and interest instalments of $5,502, until March 2012	833,179	862,902
	2,923,086	3,046,564
Less: current portion	119,300	114,000
	$ 2,803,786	$ 2,932,564

As security the home provided a mortgage on the land and buildings.

Principal payments over the next five years are as follows: 2011 - $119,300; 2012 - $124,800, 2013 - $130,500; 2014 - $136,500; 2015 - $142,700

Western Regional Health Authority
NLHC Seniors Cottages
Notes to the Financial Statements
March 31, 2010

6. Related party transaction

i. The financial statements include accounts payable of $118,304 (2009 - $209,865) to Western Regional Health Authority.

ii The following expenses were paid to Western Regional Health Authority, a related party.

	2010	2009
Administration	$ 15,296	$ 15,296
Janitorial	9,000	9,000
Maintenance	6,623	6,623
	$ 30,919	$ 30,919

7. Repairs and maintenance

	2009	2009
Fire Alarm	$ 4,533	$ 2,633
Maintenance supplies	17,548	23,872
Security	891	547
Elevator maintenance	9,156	8,655
Service maintenance	4,800	4,800
Salaries	49,499	60,176
	$ 86,427	$100,683

8. Combined Statements

The combined Financial Statements include Gateway Cottages – Apartment Project, Interfaith # 3 and Bay St George 8 Unit & Emile Benoit House.

Western Regional Health Authority
Gateway Cottages Association
Apartment Project
Statement of Revenue and Expenses
For the Year Ended March 31, 2010

	Budget	2010	2009
Revenue			
Rent	$ 85,932	$ 78,497	$ 85,151
Electricity	5,520	5,520	5,520
Laundry	2,520	2,520	2,520
NLHC subsidy (Note 2)	87,135	87,135	83,735
	181,107	173,672	176,926
Expenses			
Administration	6,500	6,500	6,500
Depreciation	47,496	47,496	45,611
Heat and light	31,850	30,222	34,423
Insurance	1,400	1,300	1,300
Interest and bank charges	280	203	217
Interest on long term debt	39,639	40,666	42,568
Janitorial	9,000	9,000	9,000
Municipal tax	11,629	11,809	11,490
Professional fees	1,300	1,412	1,300
Repairs and maintenance	25,798	25,668	23,446
Snowclearing	2,100	1,476	2,865
	176,992	175,752	178,720
Excess of (expenses over revenue) revenue over expenses	4,115	(2,080)	(1,794)
Transfer from (to) NLHC (Note 2)	(4115)	2,080	1,794
	$ NIL	$ NIL	$ NIL

Western Regional Health Authority
NLHC Seniors Cottages
Schedule of Income & Expenses
Interfaith # 3
March 31, 2010

	Budget	2010	2009
Revenue			
Rentals	$ 50,400	$ 52,126	$ 50,307
NLHC subsidy (Note 2)	40,042	40,042	52,987
Laundry	1,440	1,430	1,380
Electricity	2,880	2,860	2,760
	94,762	96,458	107,434
Expenses			
Administration	3,600	3,847	3,732
Depreciation	30,963	30,963	20,446
Heat and light	18,866	18,613	18,635
Insurance	850	1,548	830
Interest on long term debt	16,479	16,423	41,030
Municipal tax	5,491	5,719	5,437
Professional fees	1,300	1,284	1,222
Repairs and maintenance	10,474	14,083	13,577
Snowclearing	5,300	16,997	13,571
	93,323	109,477	118,480
Excess of revenue over expenses (expenses over revenues)	1,439	(13,019)	(11,046)
Transfer (to) from NLHC (Note 2)	(1,439)	13,019	11,046
	$ NIL	$ NIL	$ NIL

Western Regional Health Authority
NLHC Seniors Cottages
Schedule of Income & Expenses
Bay St George 8 Unit & Emile Benoit House
March 31, 2010

	Budget	2010	2009
Revenue			
Rentals	$ 100,800	$ 94,411	$ 92,648
NLHC subsidy (Note 2)	105,120	105,120	106,820
Electrical surcharge	6,600	6,511	6,418
Laundry recoveries	3,120	3,226	3,179
Meal program	27,600	26,508	25,534
	243,240	235,776	234,599
Expenses			
Administration	6,288	6,154	6,346
Depreciation	45,019	45,019	43,273
Heat and light	43,130	38,053	43,175
Insurance	1,400	1,165	1,410
Interest on long term debt	53,901	53,736	55,502
Meal program cost	16,680	17,734	18,081
Municipal tax	14,472	14,829	13,947
Professional fees	1,300	1,334	1,225
Repairs and maintenance	54,467	46,676	63,660
Snowclearing	5,000	6,273	3,774
	241,657	230,973	250,393
Excess of revenue over expenses (expenses over revenue)	1,583	4,803	(15,794)
Transfer (to) from NLHC	(1,583)	(4,803)	15,794
	$ NIL	$ NIL	$ NIL

Replacement Reserve

	2010	2009
Balance, end of year		
Principal	$ 140,599	$ 149,172
Interest	-	2,289
	$ 140,599	$ 151,461

TODD R. P. LEE
CHARTERED ACCOUNTANT

9A Church Street
Deer Lake, NL
A8A 1C9

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Fax:709-635-1153

Auditors Confirmation

Newfoundland and Labrador Housing Confirmation

I have audited the balance sheet of the combined statements of Gateway Cottages Association, Apartment Project, Interfaith # 3 and Bay St George & Emile Benoit House as at March 31, 2010 and the statements of revenue and expenses, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements.

In my opinion

The organization has requested and obtained evidence of the income of lessees in designated units as required by the Operating Agreement with Newfoundland and Labrador Housing Corporation.

The organization has applied a rent-to-income scale for the income-test occupants in accordance with the operating agreement.

This organization has adjusted the occupancy charges for income-tested occupants in accordance with the operating agreement.

This has been done for those tenants whose sources of income include sources other than Department of Human Resources and Employment or Human Resources Development Canada (Old Age Security and Canada Pension), and for those households where the household composition has changed.

For tenants whose only source of income is from either Department of Human Resources and Employment or Human Resources Development Canada (Old Age Security and Canada Pension), their last lease renewal locked in their rent for a period of 3 years, unless a tenant receives income from another source during this period.

With reference to the Reserve Fund presented in the audited financial statements for the year ended March 31, 2010, the Replacement Reserve Fund has been fully funded. Interest accruing on these funds has not been recorded.

TODD R. P. LEE
Chartered Accountant

Deer Lake, NL
June 11, 2010

WESTERN SCHOOL DISTRICT

FINANCIAL STATEMENTS/AUDITOR'S REPORT
June 30, 2009

Auditors' Report

To The Members of Western School District

We have audited the balance sheet of the current and capital funds of Western School District as at June 30, 2009, and the related statements of current revenues, expenditures and district equity, and statement of changes in capital fund position for the year then ended. These financial statements are the responsibility of the District'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.

As required by Section 66 (2) of the Schools Act, we report that the employees whose duties include collecting, receiving or depositing of money are bonded in amounts considered to be sufficient.

In our opinion, these financial statements present fairly, in all materials respects, the financial position of the District as at June 30, 2009 and the results of its operations and changes in its capital financial position for the year ended, in accordance with Canadian generally accepted accounting principles and as explained in Note 1 to the financial statements, and are in compliance with reporting requirements established for School Districts in the Province of Newfoundland and Labrador by the Department of Education.

Kenny & Roberts
Chartered Accountants

Stephenville, NL
City
August 27, 2009
Date

Western School District

BALANCE SHEET

June 30, 2009

Assets

	2009	2008
Current Assets		
Cash (Supp.Info.1)	$ 3,742,922	$ 2,810,764
Short Term Investments (Supp.Info.2)	156,266	146,302
Accounts Receivable (Note 2)	13,559,853	12,825,414
Prepaid Expenses	221,146	218,708
Total Current Assets	17,680,187	16,001,188
Property and Equipment (schedule 8)	52,805,523	34,166,344
	$ 70,485,710	$ 50,167,532

Liabilities and District Equity

	2009	2008
Current Liabilities		
Bank Indebtedness (Note 3)	--	--
Accounts Payable and Accrued (Note 4)	4,696,227	4,124,043
Vacation Pay Accrued	12,740,804	11,701,663
Current Maturities (schedule 9b)	361,121	361,121
Total Current Liabilities	17,798,152	16,186,827
Severance Pay Accrual	21,375,834	20,659,653
Long-Term Debt (schedule 9)	1,679,534	2,040,655
District Equity		
Investment in Capital Assets	50,817,343	31,817,043
Reserve Account	200,987	200,987
District Equity	(21,386,140)	(20,737,633)
Total District Equity	29,632,190	11,280,397
	$ 70,485,710	$ 50,167,532

Approved: ____________ Chairman

____________ Secretary

Western School District

STATEMENT OF CURRENT REVENUES, EXPENDITURES AND DISTRICT EQUITY

For the Year Ended June 30, 2009

		2009	2008
Current Revenue (Schedule 1)			
	Provincial Government Grants	$ 147,203,847	$ 136,319,701
	Donations	--	--
	Ancillary Services	106,115	111,820
	Miscellaneous	152,907	211,445
		147,462,869	136,642,966
Current Expenditures			
	Administration (Schedule 2)	7,024,872	6,199,513
	Instruction (Schedule 3)	121,551,676	111,462,678
	Operations and Maintenance (Schedule 4)	14,693,653	13,778,703
	Pupil Transportation (Schedule 5)	8,130,006	8,290,420
	Ancillary Services (Schedule 6)	41,260	36,590
	Interest Expense (Schedule 9C)	6	454
	Miscellaneous (Schedule 7)	74,519	70,883
		151,515,992	139,839,241
23 111	Excess of Revenue over Expenditures	(4,053,123)	(3,196,275)
	Transfer to/from Capital	3,404,616	2,959,209
	Net Increase/Decrease in District Equity	(648,507)	(237,066)
	District Equity, Beginning of Year	(20,737,633)	(20,500,567)
	District Equity, End of Year	$ (21,386,140)	$ (20,737,633)

See Accompanying Notes

Western School District

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended June 30, 2009

			2009	2008
60		**Operating Activities**		
	011	Excess of Revenue over Expenditures	$ (4,053,123)	$ (3,196,275)
	012	Changes in Non-Cash Working Capital		
	013	- Short-Term Investments	(9,964)	(58,436)
	014	- Accounts Receivable	(734,439)	(356,636)
	015	- Prepaid Expenses	(2,438)	19,163
	014	- Accounts Payable, Accruals & Vacation Payable	1,611,325	1,704,248
	015	- Current Maturities	--	--
	016	Other (Specify)		
		- Principal Payments	361,121	362,162
		- Increase (Decrease) in Severance Pay Accrual	716,181	333,416
	017	Amortization of Capital Assets	3,402,354	2,972,413
			1,291,017	1,780,055
61		**Financing Activities**		
	011	Proceeds from Bank Loans	--	--
	012	Grants – Deficit Retirement	--	--
	013	Other Capital Revenues- Buses	--	357,296
	014	Changes in Long-Term Debt	(361,121)	(372,393)
	15	Other (Specify) –Capital Grant – Service Vehicle	32,200	--
		– Capital Grant – Buildings	304,437	--
			(24,484)	(15,097)
62		**Investing Activities**		
	011	Proceeds on Sale of Capital Assets	79,401	53,731
	012	Additions to Property and Equipment	(413,776)	(414,000)
	013	Other (Specify)	--	--
			(334,375)	(360,269)
63		**Increase (Decrease) in Cash**	932,158	1,404,689
64		**Cash, Beginning of The Year**	2,810,764	1,406,075
65		**Cash, End of The Year**	$ 3,742,922	$ 2,810,764

Western School District

STATEMENT OF CHANGES IN CAPITAL FUND

For the Year Ended June 30, 2009

			2009	2008
70		**Capital Receipts**		
71		Proceeds from Bank Loans		
	011	- School Construction	$ --	$ --
	012	- Equipment	--	--
	013	- Service Vehicles	--	--
	014	- Pupil Transportation	--	--
	015	- Other (Specify)	--	--
			--	--
72		**EIC Grants**		
	011	School Construction and Equipment	--	--
	012	Other – Transportation – Government	--	--
			--	--
73		**Donations**		
	011	- Cash Receipts	--	--
	012	- Non-Cash Receipts	--	--
	013	- Restricted Use	--	---
			--	--
74		**Sale of Capital Assets - Proceeds**		
	011	- Land	--	--
	012	- Buildings	79,401	52,541
	013	- Equipment	--	540
	014	- Service Vehicles	--	--
	015	- Pupil Transportation Vehicles	--	650
	016	- Other (Specify)	--	--
		- Accounts Receivable – Capital	--	--
			79,401	53,731
75		**Other Capital Revenues**		
	011	- Interest on Capital Fund Investments	--	--
	012	- Premiums on Debentures	--	--
	013	- Recoveries of Expenditures	--	--
	015	- Insurance Proceeds	--	--
	016	- Native Peoples Grants	--	--
	017	- Miscellaneous – Funds for Debt servicing – Bussing	361,121	362,162
	018	- Provincial grants – Buses	--	357,296
		– Service Vehicle	32,200	--
		– Buildings	304,437	--
			697,758	719,458
Total Capital Receipts			777,159	773,189

Western School District
STATEMENT OF CHANGES IN CAPITAL FUND (Cont'd)
For the Year Ended June 30, 2009

		2009	2008
77	Transfer from Reserve Account	--	--
78	Transfer to/from Current Fund	(3,404,616)	(2,959,209)
	Add: Amortization of Capital Assets – Non cash items	3,402,354	2,972,414
Total		$ 774,897	$ 786,394
80	**Capital Disbursements**		
81	**Additions to Property & Equipment**		
011	- Land and Sites	--	--
012	- Building	--	--
013	- Furniture & Equipment – School	--	--
014	- Furniture & Equipment – Other	--	--
015	- Service Vehicles	413,776	56,704
016	- Pupil Transportation	--	357,296
017	- Other (Specify)	--	--
		413,776	414,000
82	**Principal Repayment of Long-Term Debt**		
011	- School construction	--	--
012	- Equipment	--	--
013	- Service Vehicles	--	10,232
014	- Other (Specify)	--	--
	- Office	--	--
	- Pupil transportation	361,121	362,162
		361,121	372,394
83	**Miscellaneous Disbursements**		
013	- Other (Specify)	--	--
	- Accounts payable	--	--
		--	--
	Total Capital Disbursements	$ 774,897	$ 786,394

Western School District
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Nature of Operation

The Western School District is responsible for maintenance and operation of all schools in the Western, Southern and Northern portion of the Province of Newfoundland and Labrador. It also includes schools in the Southern portion of Labrador.

1. Significant Accounting Policies

(a) Fund Accounting

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Boards. Fund accounting can be defined as "accounting procedures in which a self balancing group of accounts is provided for each fund." It is customary for School Boards to account separately for the current and capital funds. These financial statements include both the current and capital funds on a combined basis.

(b) Revenue

The District's main source of funding is derived from the Government of Newfoundland and Labrador, Department of Education. The Department provides funding for operations, transportation, capital expenditures and teacher salaries and severance pay. Funding designated for specific purposes is deferred and included in revenue when the related expenditures have been incurred.

(c) Capital Assets

Capital assets are recorded at cost derived from the combining of the predecessor school boards. Amortization of capital assets is recorded by use of the straight-line method over the estimated useful life of the assets using the following rates:

Building	40 Years
Furniture and Equipment	10 Years
Service Vehicle	5 Years
Buses	12 Years

(d) Use of Accounting Estimates

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 reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

2. **Accounts Receivable**

		2009	2008
	Current		
11 131	Provincial Government	$ 13,049,737	$ 12,359,933
132	Transportation	--	56,186
133	Federal Government	--	--
134	Projects	185,537	77,425
135	HST Receivable	170,701	223,192
136	Bus Rentals	38,750	28,468
137	Water Program-Provincial	--	--
138	Interest	--	--
139	Travel Advances and Miscellaneous	115,128	80,210
	Capital		
11 231	EIC – Construction Grants	--	--
233	Local Contributions	--	--
234	Other School Districts	--	--
235	Other (Specify) – City of Corner Brook	--	--
		$ 13,559,853	$ 12,825,414

3. **Bank Indebtedness**

		2009	2008
21 131	On Operating Credit	$ --	$ --
132	On Capital Account	--	--
		$ --	$ --

Western School District

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

4. **Accounts Payable and Accrued**

	Current	2009	2008
21 109	Scholarship	$ 150,704	$ 140,769
110	Accounts payable-Trade	1,436,320	1,072,452
111	Accrued Liabilities	324,318	609,165
112	Wages Payable	464,466	405,732
113	- Deferred Grants	2,237,731	1,859,306
114	- Wages	--	--
115	Payroll Deductions	82,688	36,619
118	Other	--	--
119	Payroll Tax	--	--
		$ 4,696,227	$ 4,124,043

	Capital	2009	2008
21 211	Trade Payable	$ --	$ --
212	Accrued – Liabilities	--	--
213	- Interest	--	--
217	Deferred Grants	--	--
218	Other (Specify)	--	--
		$ --	$ --

Western School District

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

5. **Reserve Account**

Description:

	2009	2008
Balance, Beginning of Year	$ 200,987	$ 200,987
Less Transfer from Reserve	--	--
Add Transfer to Reserve	--	--
Balance, End of Year	$ 200,987	$ 200,987

	2009	2008
6. Investment in Capital Assets, Beginning of Year	$ 31,817,043	$ 155,307,442
Add:		
Transfer To(From) Capital Fund	(3,404,616)	(2,959,209)
Grants - EIC - Contribution for Capital Const.	--	--
- Provincial grants-debt retirement.	--	--
Capital projects funded by Department of Education but paid directly to other sources on behalf of District.	21,747,817	--
Donations (Specify)		
Proceeds from Sale of Capital Assets		
- Land	--	--
- Building	79,401	52,541
- Equipment	--	540
- Vehicle	--	650
- Other	--	--
Interest on Capital Fund Investments		
Recoveries of Expenditures – Prior	--	--
Provincial Grant – Busses	--	357,296
Provincial Capital Grant – Buildings	304,437	--
Provincial Capital Grant – Service Vehicle	32,200	--
Insurance Proceeds – Capital	--	--
Native Peoples Grants – Capital	--	--
Excess of Revenue over Expenditures - Capital Fund		
Principal - Bussing loan	361,121	362,162
- Other	--	--
Accumulated amortization on building sold	3,418,863	405,919
Capital asset valuation adjustment	--	(121,304,379)
	54,356,266	32,222,962
Deduct Adjustments:		
Cost of assets sold		
- Land	--	--
- Building	3,538,923	405,919
- Equipment	--	--
- Vehicles	--	--
- Other	--	--
	3,538,923	405,919
Other	--	--
23 221 Investment in Capital Assets, End of Year	$ 50,817,343	$ 31,817,043

Western School District
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

7. Commitments

At balance sheet date the District had the following commitments:

8. Contingency

As of statement date, the following material contingencies are pending:

(a) A former vendor of a predecessor School Board has a claim of approximately $30,000 plus HST. The amount has not been recorded in the accounts. The likelihood of loss to the District cannot be determined.

(b) The District has a potential liability for site restoration and remediation costs associated with a school property sold to a purchaser in 2004. The property had an oil leak from its underground storage tank prior to the sale of this property. As of audit report date, a claim has been filed in court but the likelihood of loss or an estimate of this loss cannot be determined.

(c) A former school teacher has filed a statement of claim in 2006 for wrongful dismissal. Discovery examination was conducted in September 2007, but no damages have been estimated. The likelihood of loss or an estimate of this loss cannot be determined.

9. District Equity (Deficit)

The School District has an accumulated operating deficit of $ 21,386,140. A material amount of this operating deficit is contributed by a recorded teacher's severance pay accrual and non-teacher's severance pay accrual of $ 19,080,420 and $ 2,295,414 respectively, as required by the Provincial Government.

Accumulated operating deficit per Financial statement	$	21,386,140
Less: teacher's severance pay accrual		(19,080,420)
: non-teacher's severance pay accrual		(2,295,414)
Accumulated operating deficit less Severance pay accrued	$	10,306

10. <u>Bond Coverage</u>

As at June 30, 2009, the Insurance Division of the Department of Finance has provided $ 300,000 fidelity bond coverage for all District employees.

Western School District
CURRENT REVENUES
For the Year Ended June 30, 2009

		2009	2008
32 010	**Provincial Government Grants**		
011	Regular	$ 22,311,771	$ 20,497,343
016	Special Grants (Details on bottom of Schedule 1)	3,248,667	3,714,535
	Salaries and Benefits		
017	- Directors and Asst. Directors	1,180,475	939,238
021	- Regular Teachers	106,306,703	98,125,279
022	- Substitute Teachers	3,473,527	2,959,794
023	- Student Assistants	2,318,985	2,062,264
030	Pupil Transportation		
031	- Board Owned	3,210,600	2,963,400
032	- Contracted	4,383,251	4,367,149
033	- Handicapped	769,868	690,699
		$ 147,203,847	$ 136,319,701
33 010	**Donations**		
012	Cash Receipts	--	--
011	Heritage Fair	--	--
013	Non-Cash Receipts	--	--
014	Restricted Use	--	--
		--	--

Schedule 1 (Cont'd)

Western School District
CURRENT REVENUES
For the Year Ended June 30, 2009

		2009	2008
34 010	**Ancillary Services**		
011	Revenues from Rental of Residences	$ 15,779	$ 22,821
021	Revenues from Rental of Schools and Facilities (Net)	60,645	62,697
031	Cafeterias	29,691	26,302
032	Other – (Specify)	--	--
		106,115	111,820
35 010	**Miscellaneous**		
011	Interest on Investments	53,524	149,881
012	Bus Charters	63,173	47,289
021	Recoveries of Expenditures	30,887	10,978
031	Revenues from Other Agencies	--	--
041	Federal Rebates	--	--
051	Insurance Proceeds	1,567	1,728
061	Bilingual Education Revenue	--	--
071	Operating Rev. from Native Peoples Grant	--	--
081	Miscellaneous Federal Grants	--	--
091	Textbooks	--	42
092	Sundry	3,756	1,527
094	Scholarship Funds	--	--
		152,907	211,445
	Total Current Revenues	$ 147,462,869	$ 136,642,966

Special Grants	2009	2008
Fuel Adjustment	$ (45,561)	$ 89,226
Learning Disabilities	--	--
Debt Servicing	--	--
Student Assistant Salaries	--	--
Textbook Credit Allocation	--	--
Pay Equity	--	--
Administration – Textbook	--	--
Payroll Tax	--	--
Utilities	--	--
Maintenance	--	--
French Monitor	43,305	16,507
French Immersion	12,000	52,970
Peer Tutoring	--	--
Bottle Water	--	--
Administrative Pay adjustment	--	--
Computers	--	--

Schedule 1 (Cont'd)

Western School District

CURRENT REVENUES

For the Year Ended June 30, 2009

	2009	2008
Special Grants (Cont'd)		
Surplus – Substitutes	$ --	$ --
Kinder – Start	--	--
Tutoring Work Experience	--	--
Other (Specify)		
-Miscellaneous grants	1,360,724	1,826,718
- Redundancy grant	--	--
- Maintenance reclassification	--	--
- Drama Festival	--	--
- Furniture	--	--
- Other Projects	1,379,915	1,285,281
- IGA Projects	90,994	29,110
- HRDC Grants	407,290	414,723
- School Board Elections	--	--
	$ 3,248,667	$ 3,714,535

Western School District
ADMINISTRATION EXPENDITURES
For the Year Ended June 30, 2009

		2009	2008
51	**Salaries and Benefits**		
011	- Directors and Asst. Directors	$ 1,180,475	$ 939,238
012	- District Office Personnel	1,267,982	1,085,002
013	Office Supplies	72,274	52,522
014	Replacement Furniture and Equipment	25,834	35,031
015	Postage	74,589	59,673
016	Telephone	161,673	121,725
017	Office Equipment Rentals and Repairs	62,919	62,294
018	Bank Charges	2,890	2,589
019	Electricity	36,047	13,477
021	Fuel	37,908	37,761
022	Insurance	16,465	5,841
023	Repairs and Maintenance (Office Building)	25,565	49,281
024	Travel	234,138	205,236
025	Board Meeting Expenses	14,543	13,780
026	Election Expenses	8,601	--
027	Professional Fees	89,842	90,461
028	Advertising	225,713	200,704
029	Membership Dues	50,435	51,319
031	Municipal Service Fees	17,157	16,565
032	Rental of Office Space	--	156,246
033	Janitor Salaries/Supplies	10,616	6,812
034	Miscellaneous	6,852	6,077
035	Relocation Expenses	--	15,465
036	Redundancy	--	--
037	Capital Plan-Department	--	--
038	Amortization of Capital Assets	3,402,354	2,972,414
	Total Administration Expenditures	$ 7,024,872	$ 6,199,513

Schedule 3

Western School District
INSTRUCTION EXPENDITURES
For the Year Ended June 30, 2009

		2009	2008
52 010	**Instructional Salaries (Gross)**		
011	Teachers' Salaries – Regular	$ 107,044,824	$ 98,375,891
012	- Substitute	3,473,527	2,965,558
013	- District Paid	101,193	75,682
014	Student Assistants	2,326,523	2,036,164
015	Employee Benefits	--	--
016	School Secretaries – Secretaries & Benefits	2,588,394	2,233,917
017	Employee Benefits	--	--
018	Other – French Monitor	--	--
		115,534,461	105,687,212
52 040	**Instructional Materials**		
041	General Supplies	879,867	516,998
042	Library Resource Materials	24,662	96,001
043	Teaching Aids	499,479	950,314
044	Textbooks	--	--
045	School Fees Allocation	450,799	652,755
		1,854,807	2,216,068
52 060	**Instructional Furniture and Equipment**		
061	Replacement	450,993	279,469
062	Rentals and Repair	3,503	2,440
063	Copier Cost	234,235	240,347
064	Replacement – Computer Equipment	598,553	585,000
065	Computer Repairs	65,539	41,822
		1,352,823	1,149,078
52 080	**Instructional Staff Travel**		
081	Program Co-ordinators	360,218	272,575
082	Teachers' Travel – within District	315,917	272,213
083	Teacher Travel – Out of District	236,076	81,791
084	Student Travel	34,184	39,928
		946,395	666,507
52 090	**Other Instructional Costs**		
091	Postage and Stationery	--	--
092	Miscellaneous	10,917	10,228
097	Other District Projects	1,318,669	1,283,783
098	IGA Projects	90,994	28,873
099	HRDC Projects	442,610	420.929
		1,863,190	1,743,813
	Total Instruction Expenditures	$ 121,551,676	$ 111,462,678

Western School District

OPERATIONS AND MAINTENANCE EXPENDITURES - SCHOOLS

For the Year Ended June 30, 2009

		2009	2008
53 011	Salaries & Benefits - Janitorial	$ 5,070,122	$ 4,605,473
012	- Maintenance	1,550,446	1,237,095
013	- IT Support	689,735	534,235
014	Electricity	3,090,828	2,786,778
015	Fuel	1,024,580	1,308,432
016	Municipal Service Fee	280,689	259,950
017	Telephone	457,479	435,183
018	Vehicle Operating and Travel	265,071	243,275
019	Janitorial Supplies	362,568	293,574
021	Janitorial Equipment	27,193	25,348
022	Repairs and Maintenance - Buildings	1,234,079	1,358,309
023	- Equipment	23,087	30,563
024	Protective Clothing	13,731	11,308
025	Snow Clearing	604,045	649,180
026	Rentals	--	--
027	Other (Specify) - Repairs Covered By Insurance	--	--
	Total Operations and Maintenance	$ 14,693,653	$ 13,778,703

Schedule 5

Western School District
PUPIL TRANSPORTATION EXPENDITURE
For the Year Ended June 30, 2009

		2009	2008
54 010	Operation and Maintenance of Board Owned Fleet		
011	Salaries - Administration	$ 164,365	$ 135,282
012	- Drivers and Mechanics	1,639,170	1,651,629
013	Payroll Tax and Benefits	--	--
014	Debt Repayment - Interest	79,822	148,922
015	- Principal	361,122	357,548
016	Bank Charges	--	--
017	Gas and Oil	358,510	428,935
018	Licenses	39,087	36,070
019	Insurance	41,350	56,768
021	Repairs and Maintenance - Fleet	209,241	184,136
022	- Building	17,365	19,728
023	Tires and Tubes	20,531	28,420
024	Heat and Light	28,021	37,757
025	Municipal Service	5,423	5,217
026	Snow Clearing	9,548	18,669
027	Office Supplies	5,149	4,645
028	Rent	--	--
029	Travel	3,043	8,870
030	Protective Clothing	--	7,644
031	Professional Fees	--	--
032	Miscellaneous	40,998	17,397
033	Telephone	25,544	20,234
034	Vehicle Leases	--	--
035	Cleaning – Bus Depot	--	4,182
		3,048,289	3,172,053
54 040	**Contracted Services**		
041	Regular Transportation	4,355,751	4,339,649
042	Handicapped	769,867	690,699
043	Miscellaneous	290	1,477
044	Fuel Adjustment Program	(44,191)	86,542
		5,081,717	5,118,367
	Pupil Transportation Expenditures	$ 8,130,006	$ 8,290,420

Schedule 6

Western School District

PUPIL TRANSPORTATION EXPENDITURE

For the Year Ended June 30, 2009

Ancillary Services

This District owns and operates the following ancillary services:

		2009	2008
55	**Ancillary Services**		
011	Operation of Teachers' Residences	$ 12,437	$ 10,001
031	Cafeterias	28,823	26,589
032	Other (Specify)	--	--
		$ 41,260	$ 36,590

Schedule 7

Miscellaneous Expenses (Specify)

The District has incurred the following miscellaneous expenses:

	2009	2008
57 011 Miscellaneous Expenses		
- Human Resources Expenses	$ 68,159	$ 65,883
- Other	6,360	5,000
	$ 74,519	$ 70,883

Western School District
Details of Property and Equipment
For The Year Ended June 30, 2009

		Cost 30-Jun-08	Additions	Adjustment and Disposals	Cost 30-Jun-09	Accumulated Amortization 30-Jun-08	Amortization	Adjustment	Accumulated Amortization 30-Jun-09	Net Book Value
12211	Land and Sites	$1,977,719	--	--	$1,977,719	--	--	--	--	$1,977,719
	Buildings									
12221	Schools	$134,199,068	$22,052,254	($3,538,923)	$152,712,399	$105,592,510	$2,798,177	($3,418,863)	$104,971,824	$47,740,575
12222	Administration	2,534,279	--	--	2,534,279	1,856,718	161,077	--	2,017,795	516,484
12223	Residential	168,021	--	--	168,021	151,219	4,200	--	155,419	12,602
		$136,901,368	$22,052,254	($3,538,923)	$155,414,699	$107,600,447	$2,963,454	($3,418,863)	$107,145,038	$48,269,661
	Furniture and Equipment									
12231	Schools	$11,528,316	--	--	$11,528,316	$11,528,316	--	--	$11,528,316	--
12232	Administration	970,429	--	--	970,429	970,429	--	--	970,429	--
12233	Residential	1,534	--	--	1,534	1,534	--	--	1,534	--
12234	Recreation	87,005	--	--	87,005	87,005	--	--	87,005	--
12235	Other	5,450	--	--	5,450	5,450	--	--	5,450	--
		$12,592,734	--	--	$12,592,734	$12,592,734	--	--	$12,592,734	--
12241	Service Vehicles	$269,840	$109,339	--	$379,179	$189,274	$36,087	--	$225,361	$153,818
	Public Transportation									
12253	Buses	$4,833,755	--	--	$4,833,755	$2,026,617	$402,813	--	$2,429,430	$2,404,325
	Total	$156,575,416	$22,161,593	($3,538,923)	$175,198,086	$122,409,072	$3,402,354	($3,418,863)	$122,392,563	$52,805,523

Western School District

DETAILS OF LONG-TERM DEBT

For the Year Ended June 30, 2009

Bank loans, mortgage and debentures, approved by the District and the Government of Newfoundland and Labrador

				2009	2008
22 210	Loans Other than Pupil Transportation				
Ref. #					
211	**Bank Loans**				
_____	Repayable	$ _____	monthly, maturing _____	$ --	$ --
_____	Repayable	$ _____	monthly, maturing _____	--	--
_____	Repayable	$ _____	monthly, maturing _____	--	--
_____	Repayable	$ _____	monthly, maturing _____	--	--
_____	Repayable	$ _____	monthly, maturing _____	--	--
_____	Repayable	$ _____	monthly, maturing _____	--	--
	Total 211			--	--
212	**Mortgages**				
_____	Repayable	$ _____	monthly, maturing _____	--	--
_____	Repayable	$ _____	monthly, maturing _____	--	--
_____	Repayable	$ _____	monthly, maturing _____	--	--
_____	Repayable	$ _____	monthly, maturing _____	--	--
_____	Repayable	$ _____	monthly, maturing _____	--	--
_____	Repayable	$ _____	monthly, maturing _____	--	--
	Total 212			--	--
213	**Debentures**				
_____	Repayable	$ _____	monthly, maturing _____	--	--
_____	Repayable	$ _____	monthly, maturing _____	--	--
	Total 213			--	--
214	Other (Please Specify)			--	--
	Subtotal			--	--
215	Less Current Maturities			--	--
	Total Loans Other Than Pupil Transportation			$ --	$ --

Western School District
DETAILS OF LONG-TERM DEBT
For the Year Ended June 30, 2009

22 220 Loans – Pupil Transportation

Ref. #		2009	2008
221	**Vehicle Bank Loans**		
	Prime Repayable $ 516 monthly, maturing 2011	$ 12,388	$ 18,583
	Prime Repayable $ 523 monthly, maturing 2011	13,594	19,868
	Prime Repayable $ 521 monthly, maturing 2011	18,759	25,013
	Prime Repayable $ 523 monthly, maturing 2012	24,583	30,860
	Prime Repayable $ 542 monthly, maturing 2017	46,611	53,115
	Prime Repayable $ 548 monthly, maturing 2014	32,854	39,425
	Prime Repayable $ 960 monthly, maturing 2011	14,836	26,356
	Prime Repayable $ 2,456 monthly, maturing 2012	73,680	103,152
	Prime Repayable $ 4,954 monthly, maturing 2012	178,338	237,784
	Prime Repayable $ 3,662 monthly, maturing 2013	175,757	219,696
	Prime Repayable $ 1,095 monthly, maturing 2015	66,805	79,947
	Prime Repayable $ 1,117 monthly, maturing 2016	84,908	98,315
	Prime Repayable $ 1,675 monthly, maturing 2016	127,264	147,358
	Prime Repayable $ 542 monthly, maturing 2017	47,153	53,657
	Prime Repayable $ 4,530 monthly, maturing 2018	452,998	507,357
	Prime Repayable $ 5,930 monthly, maturing 2019	670,127	741,290
	Total 221	$ 2,040,655	$2,401,776
222	**Land, Building and Equipment Bank Loans**		
	____ Repayable $____ monthly, maturing ____	--	--
	____ Repayable $____ monthly, maturing ____	--	--
	____ Repayable $____ monthly, maturing ____	--	--
	____ Repayable $____ monthly, maturing ____	--	--
	____ Repayable $____ monthly, maturing ____	--	--
		--	--
	Total 222	2,040,655	2,401,776
	Subtotal	2,040,655	2,401,776
223	Less Current Maturities	361,121	361,121
	Total Loans – Pupil Transportation	1,679,534	2,040,655
	Total Long Term Debt	$ 1,679,534	$2,040,655

Schedule 9A

Western School District
SUMMARY OF LONG-TERM DEBT
For the Year Ended June 30, 2009

Description	Ref. #	Rate	Balance Beginning Of Year	Loans Obtained During Year	Principal Repayment For Year	Balance End of Year
A) School Construction			$ --	$ --	$ --	$ --
B) Equipment			--	--	--	--
C) Service Vehicle		Prime		--	--	--
D) Other – Office			--	--	--	--
E) Pupil Transportation		Prime	2,401,776	--	361,121	2,040,655
Total Loans			$ 2,401,776	$ --	$ 361,121	$ 2,040,655

Schedule 9B

Western School District
DETAILS OF CURRENT MATURITIES
For the Year Ended June 30, 2009

Description	Year 1	Year 2	Year 3	Year 4	Year 5
A) School Construction	$ --	$ --	$ --	$ --	$ --
B) Equipment	--	--	--	--	--
C) Service Vehicles	--	--	--	--	--
D) Other – Office	--	--	--	--	--
E) Pupil Transportation	361,121	352,918	323,445	241,438	191,746
Total	$ 361,121	$ 352,918	$ 323,445	$ 241,438	$ 191,746

56 010

Western School District
SCHEDULE OF INTEREST EXPENSE
For the Year Ended June 30, 2009

	Description	2009	2008
012	Capital		
	School Construction	$ --	$ --
	Equipment	--	--
	Service Vehicles	--	287
	Other – Office	--	--
	Total Capital	--	287
013	Current - Operating Loans	--	--
014	- Supplier Interest Charges	6	167
	Total Current	6	167
	Total Interest Expense	$ 6	$ 454

Western School District

SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2009

			2009	2008
1.		**Cash**		
		Current		
11	110	Cash on Hand and in Bank		
	111	Cash on Hand	$ 585	$ 734
	112	Bank - Current	3,742,337	2,810,030
	113	- Savings	--	--
	115	- Non-Teachers; Payroll	--	--
	116	- Coupon (Debenture)	--	--
	117	- Other (Specify)	--	--
		Capital		
11	210	Cash on Hand and in Bank	--	--
	211	Cash on Hand	--	--
	212	Bank - Current	--	--
	213	- Savings	--	--
	214	- Other (Specify)	--	--
		Total Cash on Hand & in Bank	$ 3,742,922	$ 2,810,764
2.		**Short Term Investments**		
11	121	Term Deposits – Scholarships	$ 150,704	$ 140,769
	122	Term Deposits – Other	5,562	5,533
	123	Other (Specify)	--	--
		Capital		
11	221	Term Deposits	--	--
	222	Canada Savings Bonds	--	--
	223	Other (Specify)	--	--
		Total Short Term Investments	$ 156,266	$ 146,302

Western School District
SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009

3. Prepaid Expenses

			2009	2008
		Current		
11	141	Insurance	$ --	$ --
	142	Municipal Service Fees	--	--
	143	Work, Health Safety and Commissions	208,016	201,648
	144	Other (Specify) --Travel Advances	2,000	2,000
		-- Supplies	7,800	15,060
		-- Legal Fees	3,330	--
		Capital		
11	241	Other (Specify)	--	--
			$ 221,146	$ 218,708

WORKERS HEALTH SAFETY AND COMPENSATION COMMISSION

FINANCIAL STATEMENTS

31 DECEMBER 2009

Management responsibility for financial reporting

The financial statements of the Workplace Health, Safety and Compensation Commission were prepared by management who are responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in this Annual Performance Report is consistent with these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains a system of accounting and reporting which provides for the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Auditor performs audits designed to test the adequacy and consistency of the Commission's internal controls, practices and procedures.

The Board of Directors oversees management responsibility for financial reporting through its Financial Services Committee. The Financial Services Committee oversees the external audit of the Commission's annual financial statements and the accounting and financial reporting and disclosure processes and policies of the Commission. The Financial Services Committee meets with management, the independent actuary, the independent auditors and the internal auditor to discuss the results of the audit, the adequacy of internal accounting controls and the quality and integrity of financial reporting. The Commission's annual financial statements are reviewed by the Financial Services Committee with each of management and the external auditors before being recommended to the Board of Directors for approval.

The firm of Morneau Sobeco has been appointed as independent consulting actuary to the Commission. Its role is to complete an independent actuarial valuation of the benefit liabilities of the Commission on an annual basis and to report thereon in accordance with generally accepted actuarial principles.

Grant Thornton, LLP, the external auditors of the Commission, have performed an independent audit of the 2009 financial statements of the Commission in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and the opinion expressed.

Leslie Galway
Chief Executive Officer

Paul Kavanagh
Chief Financial & Information Officer

Actuarial Statement of Opinion

I have completed the actuarial valuation of the benefit liabilities of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador (the "Commission") as at December 31, 2009 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part. In my opinion:

1. The estimate of the actuarial liabilities for assessed employers as at the valuation date is $831,298,585. This includes provisions for benefits and future administration expenses expected to be paid after the valuation date for claims that occurred on or before the valuation date. Self-insured employers, and future claims arising from long latency occupational diseases are not included in this valuation.

2. The valuation is based on the provisions of the Workplace Health, Safety and Compensation Act of Newfoundland and Labrador and on the Commission's policies and practices in effect on the valuation date.

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

4. The actuarial assumptions adopted in computing the liabilities are adequate and appropriate, and the methods used are in accordance with accepted actuarial practice for workers compensation organizations in Canada. The economic assumptions are consistent with the long-term financial strategy and long-term investment policies of the Commission. The discount rates used are disclosed in note 13 to the financial statements.

Conrad Ferguson, F.S.A., F.C.I.A.
Partner, Morneau Sobeco

March 22, 2010
Date

Grant Thornton

Auditors' report

Grant Thornton LLP
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To the Board of Directors of the

Workplace Health, Safety and Compensation

Commission of Newfoundland and Labrador

We have audited the statement of financial position of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador at December 31, 2009 and the statements of operations, changes in fund deficiency, comprehensive loss and cash flows for the year then ended. These financial statements are the responsibility of the Commission'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 financial position of the Commission as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

St. John's, Newfoundland and Labrador

March 19, 2010

Chartered Accountants

STATEMENT OF FINANCIAL POSITION as at December 31

(dollars in thousands)	**2009**	2008
Assets		
Cash and cash equivalents	**$ 101**	$ 124
Receivables (Note 5)	**13,865**	11,298
Investments (Note 6)	**710,007**	611,923
Capital assets (Note 8)	**3,925**	4,500
Intangible assets (Note 9)	**12,165**	11,132
	$ 740,063	$ 638,977
Liabilities		
Payables and accruals (Note 11)	**$ 14,643**	$ 18,896
Benefit liabilities (Note 12)	**831,299**	807,998
Total liabilities	**845,942**	826,894
Fund Deficiency	**(105,879)**	(187,917)
	$ 740,063	$ 638,977

Commitments (Note 23)

Contingencies (Note 24)

On behalf of the Commission

Ralph Tucker
Chairperson

Darren Roberts
Director

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

STATEMENT OF OPERATIONS years ended December 31

(dollars in thousands)	**2009**	2008
Revenue		
Assessments	**$ 159,951**	$ 151,782
Investment income (Note 6)	**15,845**	13,763
Third party recoveries (Note 3c)	**3,932**	-
	179,728	165,545
Expenses		
Claims costs incurred (Note 12)		
Short-term disability	**28,282**	29,549
Long-term disability	**67,551**	64,250
Survivor benefits	**11,333**	5,024
Health care	**44,041**	43,125
Rehabilitation	**1,361**	1,312
Future administration costs	**3,765**	3,675
	156,333	146,935
Administration (Note 16)	**27,340**	26,897
Legislated obligations (Note 17)	**6,588**	6,424
Amortization (Notes 2 & 3)	**2,555**	2,859
Other (Note 18)	**1,787**	915
	194,603	184,030
Deficit from operations	**(14,875)**	(18,485)
Actuarial adjustments (Note 12)	**6,725**	6,450
Deficit for the year	**$ (8,150)**	$ (12,035)

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

STATEMENT OF CHANGES IN FUND DEFICIENCY years ended December 31

(dollars in thousands)	**2009**	2008
Accumulated operating deficit (Note 15)		
Balance, beginning of year	**$ (96,502)**	$ (84,467)
Operating deficit	**(8,150)**	(12,035)
	(104,652)	(96,502)
Accumulated other comprehensive (loss) income		
Balance, beginning of year	**(92,254)**	54,191
Other comprehensive income (loss)	**90,212**	(146,445)
	(2,042)	(92,254)
Reserves		
Occupational Health and Safety Research	**815**	839
Fund deficiency end of year	**$ (105,879)**	$ (187,917)

STATEMENT OF COMPREHENSIVE INCOME (LOSS) years ended December 31

(dollars in thousands)	**2009**	2008
Deficit for the year	**$ (8,150)**	$ (12,035)
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale investments	**75,049**	(141,146)
Realized loss (gains) on available-for-sale investments included in deficit from operations	**11,689**	(12,077)
Permanent impairment included in deficit from operations on available-for-sale investments	**3,474**	6,778
Net change in other comprehensive income (loss) for the year	**90,212**	(146,445)
Comprehensive income (loss)	**$ 82,062**	$ (158,480)

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

STATEMENT OF CASH FLOWS years ended December 31

(dollars in thousands)	**2009**	2008
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	**$ 161,316**	$ 151,115
Investment income	**20,534**	21,699
	181,850	172,814
Cash paid to:		
Claimants or third parties on their behalf	**(126,307)**	(121,129)
Suppliers and employees, for administrative and other goods and services	**(39,954)**	(33,059)
Third party, from reserve fund	**(24)**	(50)
	(166,285)	(154,238)
Net cash provided from operating activities	**15,565**	18,576
Cash flow from financing activities		
Repayment of short-term borrowings	**-**	(4,935)
Net cash used for financing activities	**-**	(4,935)
Cash flow from investing activities		
Purchase of investments	**(12,149)**	(8,656)
Purchase of capital and intangible assets	**(3,439)**	(4,282)
Net cash used for investing activities	**(15,588)**	(12,938)
Net (decrease) increase in cash and cash equivalents	**(23)**	703
Cash and cash equivalents		
Beginning of year	**124**	(579)
End of year	**$ 101**	$ 124

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

NOTES TO FINANCIAL STATEMENTS years ended December 31, 2009 and 2008

1. Nature of operations

The Workplace Health, Safety and Compensation Commission (the Commission) was established by the Newfoundland Legislature in 1951, under the *Workplace Health, Safety and Compensation Act (*the *Act),* as amended. The Commission is responsible for, in accordance with the provisions of the *Act,* preventing and reducing the occurrence of workplace injuries and diseases through the promotion of health and safety in workplaces; the establishment of occupational health and safety certification standards and certification of trainers; facilitating the claims management process and administering the payment of benefits to injured workers and dependents of fatally injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and investing funds, following investment policies which are approved by the Commission within guidelines established under the *Insurance Companies Act* (Canada). An independent Workplace Health, Safety and Compensation Review Division is established under *the Act* to make rulings on any appeals pertaining to the Commission's assessment or benefit decisions. The Commission does not receive government funding or other assistance.

The Commission administers the *Act* for two groups of employers, referred to as assessment-based employers and self-insured employers. Assessment-based employers are insured through "collective liability" and are required to contribute to the Commission's Injury Fund, whereas self-insured employers are individually liable. The Commission pays the actual cost of claims for self-insured employers and bills them on a monthly basis for payments related to short-term disability, health care, rehabilitation, extended earnings loss, permanent functional impairment awards and survivor benefits, together with their proportionate share of administration costs.

2. Adoption of new Canadian accounting standards

Effective January 1, 2009, the Commission adopted the Canadian Institute of Chartered Accountants standard for Intangible Assets (CICA – 3064) which requires that expenditures related to the design and development of new information systems be classified as intangible assets. Previously, expenditures for new information systems were recorded as capital assets. Under the new standard the information systems development expenditures are recognized as intangible assets. In addition, research and training expenditures are not included under information systems development but are expensed in administration costs. The unamortized training and research costs totaled $421,000 and have been charged to other costs.

In conjunction with the adoption of the new standard the Commission also reconsidered the estimated useful lives of systems development initiatives and changed the amortization period of these assets from five to ten years. The Commission estimates that future benefits will be derived from the systems over a period of ten years.

At January 1, 2009, the Commission reclassified all information systems development expenditures as intangible, and amortized the remainder on a pro rata basis over the estimated remaining useful life to a maximum of ten years. The effect of the change in estimated useful lives is to reduce future annual amortization charges by approximately $945,000.

3. Significant accounting policies

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

(a) Cash and cash equivalents

Cash and cash equivalents which include cash, bank overdrafts and short-term investments in money market instruments and which will be liquidated in the near term are recorded at fair value.

(b) Assessments revenue

At the beginning of each year, an assessment is levied on employers by applying their industry assessment rate to their estimated payrolls. The assessment levy is payable by installments within the current year. At year-end, assessment income is adjusted based on a review of the employers' actual payrolls.

(c) Third party recoveries

In certain circumstances, under Section 45 of the *Act,* the Commission is deemed to be an assignee of a cause of action in respect of a claimant disability. The amount by which settlements exceed the cost of the action, including administration and future benefit entitlement, are paid to the worker or dependents. Amounts received from third party recoveries are recorded in the year settlement occurs. No provision is made in the benefit liability for possible future third party recoveries due to their contingent nature.

(d) Assessments receivable

Due to varying economic conditions, actual employers' payrolls may differ from original estimates. Therefore, at year-end, a provision for accrued assessments is recorded based on historical assessment information.

(e) Investments

Investments are designated as available-for-sale and are recorded at fair value. The Commission applies trade date accounting for investments. Gains and losses realized on the disposal of investments are recorded in operating surplus in the year. Unrealized gains and losses are recorded in other comprehensive income until realized. Interest and dividend income are recognized in the period earned.

The Commission assesses at each balance sheet date whether there is objective evidence of whether its investments have suffered impairment in value that is other than temporary. If any such evidence exists, the carrying amount of the investment is reduced to the extent that it is impaired and the amount of the loss is recognized in the statement of operations.

(f) Capital assets

Capital assets are reported at cost and are amortized monthly on a straight-line basis over their estimated useful lives. The periods used are as follows:

Building	40 years
Furniture and equipment	10 years
Computer equipment	1 to 5 years
Equipment under capital lease	3 to 5 years

3. Significant accounting policies (cont'd)

(g) Intangible assets

Intangible assets, which include information systems development, are reported at cost and are amortized monthly on a straight-line basis over their estimated useful lives which is determined to be 10 years. The information systems development is reviewed for impairment annually. Due to the custom nature of the systems development there is no active market to determine value therefore indicators of impairment include:

- Discontinued use of the system,
- Using the system for fewer functions and processes than originally intended, and
- Unexpected change in the duration of its life.

(h) Benefit liabilities

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include a provision for all benefits provided by current legislation, policies and/or business practices in respect of existing claims and for future costs of administering claims. No provision has been made for future claims related to latent occupational disease, because they cannot be reasonably estimated.

The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

Benefit liabilities related to self-insured employers will be the responsibility of those employers when paid in future years. Accordingly, these benefit liabilities have not been determined by actuarial valuation and thus are not included in the Commission's benefit liabilities.

(i) Reserves

In accordance with Section 20.5 (1) of the *Act*, the Commission maintains a special reserve fund for the purpose of health and safety research. The *Act* permits the Commission to allocate up to a maximum of 2 per cent of its total assessment and investment income in each calendar year to establish and maintain this special fund.

In accordance with Section 116 (1) of the *Act*, the Commission may, at its discretion, establish reserves for the following:

- to meet an increase in the capitalization of compensation payments payable in future years where the increase cannot be provided without placing an undue burden on the employers in an industrial classification;

- to meet the loss arising from a disaster or other circumstances which would unfairly burden the employers in an industrial classification; or

- subject to the approval of the Lieutenant-Governor in Council, to meet the costs of particular needs of the Commission that it considers necessary.

3. Significant accounting policies (cont'd)

(j) Use of accounting estimates

1) Benefit liabilities

An actuarial valuation of the benefit liabilities is prepared by an independent firm of consulting actuaries who have rendered their opinion that the valuation was prepared in accordance with accepted actuarial practice, and that the actuarial assumptions are appropriate.

The Commission believes that the amount provided for benefit liabilities as at December 31, 2009, is adequate, recognizing that actuarial assumptions as disclosed in Note 13 may change over time to reflect underlying economic trends. When they do, it is possible to cause a material change in the actuarial present value of the future payments.

2) Assessments revenue

Accounts receivable at year-end include an estimate of annual premium revenues for the year that have not yet been received from employers. The recorded amounts are based upon management's best information and judgment, having regard to actual experience in preceding years. However, until all employers actually submit their final annual payroll information to the Commission, the recorded assessments revenues for the year and the estimated amounts receivable at year-end are subject to measurement uncertainty.

(k) **Financial instruments**

The Commission's financial instruments consist of cash and cash equivalents, receivables, investments and accounts payable and accruals. The carrying value of financial instruments, with the exception of investments, approximate their fair values due to their immediate or short-term maturity and normal credit terms. The fair value of investments is based on quoted market prices.

The following is a summary of the accounting model the Commission has elected to apply to each of its significant categories of financial instruments.

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Investments	Available-for-sale	Fair value
Derivatives	Held for trading	Fair value
Payables and accrued liabilities	Other liabilities	Amortized cost

Investments include derivatives, which are financial contracts whose price is dependent on the price of one or more underlying securities. The notional principal amounts, upon which payments are based, are not recognized in these financial statements.

3. Significant accounting policies (cont'd)

The fair value of the Commission's derivative positions is determined by the following methods:

1) Interest rate swaps, forward foreign exchange contracts and currency swaps are valued based on discounted cash flows using current market yields and exchange rates.

2) Futures contracts are valued based on quoted market prices.

(l) **Annual leave and post-employment benefits**

Costs for employee future benefits related to annual leave are accrued over the periods in which the employees render services in return for these benefits.

Under conditions of employment, employees may qualify and earn severance benefits. The liability for accrued severance benefits is based on the December 31, 2009 actuarial valuation calculated by the Commission's actuary. This benefit is calculated using a discounted cash flow method.

(m) Recent accounting standards pending adoption

In February 2008, the Canadian Accounting Standards Board confirmed that all publicly accountable enterprises will be required to report under International Financial Reporting Standards (IFRS) in 2011 at which time IFRS will replace Canadian generally accepted accounting principles. On January 1, 2011, these standards will apply to the Commission. The Commission has continued with the conversion to IFRS and is at the implementation phase of the project.

4. Long-term Financial Strategy

The objective of the Commission's Long-term Financial Strategy is to maintain a funded position that will provide for the security of benefits promised to injured workers within employers' reasonable ability to pay assessments. The strategy provides guidance to the Commission in responding to external influences, such as volatile investment markets and general economic factors, in a controlled and responsible manner.

The Commission's funded position is defined by the relationship of total assets to total liabilities and the Injury Fund is fully funded when the total assets equal or exceed total liabilities. However, due to the potential volatility of investment market returns, the Board of Directors has established a funding target of total assets equal to 110 per cent of total liabilities. The Funding Policy specifies a funding target operating range from 100 per cent to 120 per cent. If the funded status moves outside the targeted range the Commission will adjust assessment rates paid by employers over a fifteen year period to achieve the funding target. The Commission's assessment rates for 2009 and 2010 include an upward adjustment of $0.25 per $100 of payroll. This adjustment will be retained until the 110 per cent funding target is reached.

At funding levels above 140 per cent the Commission will consider one-time expenditures. One-time expenditures include, but are not limited to, benefit improvements, assessment rebates and funding for prevention programs. The introduction of benefit improvements is subject to the approval of the Government of the Province of Newfoundland and Labrador. In order to ensure the long-term sustainability of the workers' compensation system, the Commission will take into account the current and all future costs associated with any one-time expenditures.

4. **Long-term Financial Strategy (cont'd)**

The following statement outlines the components of the Commission's net funding strategy deficiency. The fund deficiency represents the amount by which the Commission's total liabilities exceeded its total assets at December 31, 2009. The required 10 per cent stabilization fund represents the additional assets required to meet the Commission's 110 per cent long-term funding target. The stabilization fund is calculated as 10 per cent of the total liabilities at December 31, 2009. The impact of assessment rate adjustments is calculated using the current surcharge of $0.25 per $100 of payroll. The surcharge would have to be maintained until 2027 to recover the current funding strategy deficiency.

Funding Statement	**2009**	2008
Fund deficiency	**$ 105,879**	$ 187,917
Required 10% stabilization fund	**84,594**	82,689
Funding strategy deficiency	**190,473**	270,606
Less: impact of assessment rate adjustments	**(190,473)**	(270,606)
Net funding strategy deficiency	**$ -**	$ -

The Fund balance consists of accumulated net operating deficits, accumulated other comprehensive loss, and the occupational health, safety and research reserve. Accumulated comprehensive loss represents the unrealized holding gains and losses from changes in the fair values of the Injury Fund assets. The Commission maintains one reserve within the Injury Fund: the Occupational Health and Safety Research Reserve.

5. **Receivables**

(dollars in thousands)	**2009**	2008
Assessments	**$ 8,298**	$ 10,083
Less: Allowance for doubtful accounts	**4,092**	4,280
	4,206	5,803
Accrued assessments	**4,300**	4,300
Third party recoveries	**3,932**	-
Other	**1,427**	1,195
	$ 13,865	$ 11,298

6. **Investments**

(dollars in thousands)	**2009**		2008	
	Fair Value	**Cost**	Fair Value	Cost
Fixed term	**$ 237,931**	**$ 237,409**	$ 272,009	$ 284,215
Equities	**472,076**	**474,630**	339,914	419,430
	$ 710,007	**$ 712,039**	$ 611,923	$ 703,645

6. Investments (cont'd)

Included in fixed term investments is the Commission's investment in third party sponsored asset backed commercial paper ("ABCP"). The ABCP was originally issued by Rocket Trust (Series A) with a par value of $2,967,000 (maturity value $3,000,000) in 2007.

As part of the ABCP restructuring plan completed on January 21, 2009 the Commission's interest in the ABCP was replaced with a number of long term floating rate notes ("the Notes"). These notes representing the pooled assets were issued under a Master Asset Vehicle (MAV 2) Trust Indenture with up to four classes named A1, A2, B and C in declining order of seniority. The ABCP relating to ineligible for pooling ("Ineligible Assets") and traditional financial assets ("Traditional Series") was replaced with tracking notes whose characteristics are designed to track the performance of the particular assets of the series to which they correspond.

The Commission has undertaken a fair value estimation as of December 31, 2009 using a methodology consistent with that of the previous year. Due to the lack of an active market that methodology employed a discounted cashflow model which considered the specific characteristics of the Notes.

Based upon a sensitivity analysis of the assumptions used, the expected yield required by a potential investor remains the most significant assumption included in the fair value estimate. Based on this exercise the Commission estimated that as at December 31, 2009 the range of fair values varied between $1,724,000 and $1,959,000. The Commission's estimate of fair value is $1,838,000. There can be no assurance that this estimate will be realized. Subsequent adjustments, which could be material, may be required in future reporting periods. The table below summarizes the Commission's valuation as at December 31.

(dollars in thousands)	Par Value	Fair Value 2009	Fair Value 2008	Expected Maturity date
MAV 2 Notes				
A1 (rated A)	$ 2,500	**$ 1,833**	$ 1,441	12/20/2016
C	78	**1**	3	12/20/2016
Class 13 - tracking notes	393	**4**	59	03/20/2014
Total investment	$ 2,971	**$ 1,838**	$ 1,503	

The Commission has reduced the fair value estimate of the Class C and Class 13 notes due to weaknesses in the underlying assets which have increased the probability of default of these notes. Consequently, the Commission has recognized an additional other than temporary impairment totaling $57,500 for the decline in the Class C and Class 13 Notes. The total impairment on the notes recognized to December 31, 2009 is $1,418,000.

At December 31, 2009 the fair value of the Commission's derivative portfolio was $10,000 (notional value of $6,580,000). Derivative instruments held at December 31, 2008 had a fair value of $532,000 (notional value of $5,666,000).

6. Investments (cont'd)

Investment income is comprised of the following:

(dollars in thousands)	**2009**	2008
Interest and dividends	**$ 22,723**	$ 24,010
Realized investment loss	**(5,449)**	(1,690)
Recognized impairment other than temporary	**(3,474)**	(6,777)
Unrealized (loss) gain on derivatives	**(522)**	532
Reversal of other than temporary impairment on sale	**4,756**	-
	18,034	16,075
Less: Portfolio management expenses	**(2,189)**	(2,312)
Total investment income	**$ 15,845**	$ 13,763

The Commission's asset mix policy for 2009 and 2008 is presented below:

	Asset Mix	**Tolerance Range**
Bonds, Canadian	35%	±5%
Equities, Canadian	35%	±5%
Equities, United States	15%	±3%
Equities, Europe, Asia and Far East (EAFE)	15%	±3%

During 2009 the Commission's Board of Directors approved a change in the asset mix policy to include a 5 per cent allocation to Canadian real estate. This change will be accomplished by reducing the allocation to Canadian bonds from 35 to 30 per cent. The Commission plans to implement this change commencing in 2010.

7. Financial risk management

The Commission manages its investment portfolio in accordance with its Long-Term Investment policy. The investment risk inherent in an investment portfolio is managed through diversification in both asset classes and investments within each asset class. The Commission also engages a number of different fund managers with a broad range of investment philosophies and styles.

The Board of Directors is ultimately responsible for the governance and strategic direction of the Commission's investments through its review and approval of the Long-Term Investment policy and ensuring adherence to the policy. Management is responsible for monitoring performance, regular reporting to the Board, and recommending changes in the investment policy or fund managers. The Board and Management use the services of an external consultant to benchmark the performance of fund managers and to provide advice on investment policies and practices.

7. Financial risk management (cont'd)

The following sections describe the key financial risk exposures and management strategies to mitigate these risks.

(a) Credit risk management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. At least 83.8 per cent (2008; 95.4 per cent) of the fixed income assets in the portfolio have at least an 'A' credit rating. The Commission does not anticipate that any issuers will fail to meet their obligations.

The Commission may invest in short-term commercial debt or paper rated R1 or higher. Provincial short-term debt and debt of agencies guaranteed by the provinces may be rated lower than R1. The short-term portfolio investments held with any one corporate issuer is limited to 10 per cent, at any given time, of the Commission's estimated annual cash receipts.

(b) Currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates compared to the Canadian dollar. Forward foreign exchange and futures contracts are used to hedge the currency risk of certain foreign denominated fixed term investments. Hedge accounting has not been applied to hedging arrangements. The Commission does not undertake hedging strategies for the currency risk of foreign equity investments. Currency fluctuations are not expected to affect the long term position of the investment portfolio.

As at December 31, 2009, the Commission's holdings in foreign equities and pooled equity funds had a market value of $198.9 million (2008; $148.9 million) representing 28.0 per cent (2008; 24.3 per cent) of the market value of the total investment portfolio.

The table below presents the negative effect of a 10 per cent appreciation in the value of the Canadian/US dollar and the Canadian/Euro dollar on the value of the equity portfolio.

(dollars in thousands)	**2009**		2008	
	CAD/US	**CAD/EURO**	CAD/US	CAD/EURO
10% Appreciation in the Canadian dollar	**$ (9,293)**	**$ (3,241)**	$ (7,390)	$ (2,157)

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Commission is exposed to interest rate risk through investment in fixed income securities. Interest rate risk is managed through diversification of fixed income securities through sector allocation and security duration.

7. Financial risk management (cont'd)

The table below presents the negative effects of a 50 basis point (bps) and 100 bps adverse change in interest rates on the fixed income portfolio:

(dollars in thousands)	**2009**		2008	
Change in nominal interest rates	**+50bps**	**+100bps**	+50bps	+100bps
Nominal Bonds	**$ (7,087)**	**$ (13,879)**	$ (7,677)	$ (15,156)

The table below represents the remaining term to maturity of the Commission's fixed term investments:

(dollars in thousands)	Remaining Term to Maturity				
Fair Value	Within 1 year	Within 1 to 5 years	Over 5 years	Total 2009	Total 2008
Fixed Term Investments	$ 25,952	$ 63,917	$ 148,062	$ 237,931	$ 272,009

(d) Liquidity risk

Liquidity risk is the risk that the Commission will be unable to meet its contractual obligations and financial liabilities. The Commission manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash, and credit facilities available to meet its obligations and liabilities.

(e) Market risk

Market risk is the risk that the fair value of marketable securities or long-term investments will change as a result of changes in the market price. Market prices of securities are subject to change as a result of perceived or real underlying changes in the economic condition of the issuer, the relative price of alternative investments, and general market conditions.

The Commission manages market risk through adherence to an investment policy that prescribes an asset mix that provides for the diversification of risk across a broad group of securities that meet the long term return objectives of the investments portfolio.

7. Financial risk management (cont'd)

The table below presents the effect of a material change[1] in the key risk variable, the sector benchmark, for each of the equity mandates in the Commission's equity portfolio.

(dollars in thousands)	**2009**		2008	
Equities	**1 std dev**	**2 std dev**	1 std dev	2 std dev
% Change in Market Benchmark	**(16.7%)**	**(33.4%)**	(14.9%)	(29.8%)
Canadian Equity	**$ (38,951)**	**$ (68,140)**	$ (24,729)	$ (43,775)
% Change in Market Benchmark	**(12.6%)**	**(25.2%)**	(10.8%)	(21.7%)
US Equity	**$ (10,829)**	**$ (19,480)**	$ (7,659)	$ (13,955)
% Change in Market Benchmark	**(14.4%)**	**(28.7%)**	(12.7%)	(25.4%)
Foreign Equity	**$ (12,819)**	**$ (22,775)**	$ (7,959)	$ (14,305)

8. Capital assets

(dollars in thousands)		**2009**		2008
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 11**	**$ -**	**$ 11**	$ 11
Building	**8,345**	**5,635**	**2,710**	2,785
Furniture and equipment	**2,760**	**2,421**	**339**	387
Computer equipment	**6,854**	**5,989**	**865**	1,317
Equipment under capital lease	**201**	**201**	**-**	-
	$ 18,171	**$ 14,246**	**$ 3,925**	$ 4,500

9. Intangible assets

(dollars in thousands)		**2009**		2008
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Systems development	**$ 26,110**	**$ 13,945**	**$ 12,165**	$ 11,132

Included in systems development costs for 2009 is $2,656,000 (2008; $3,093,000) related to business improvement projects.

[1] *Material risk is measured by analyzing the effect of the change in the benchmark return rate. The change is measured through the use of standard deviation. Standard deviation measures the normal variance in a probability distribution. One standard deviation (std dev) covers 68 per cent of all probable outcomes; two standard deviations cover 95 per cent of all probable outcomes.*

10. Bank indebtedness

The Commission has established an operating line of credit with its banker in the amount of $20,000,000. Advances on the line of credit bear interest at the bank's prime interest rate minus 0.4 per cent. The credit facility is unsecured and was utilized during 2009 to the amount of $15,000,000; of which no amount was outstanding at December 31, 2009 (2008; Nil).

11. Payables and accruals

(dollars in thousands)	**2009**	2008
Accounts payable	**$ 8,376**	$ 10,240
Annual leave, post-employment benefits, and other amounts due to employees	**3,393**	5,581
Credit balances due to employers	**2,874**	3,075
	$ 14,643	$ 18,896

In 2009, accounts payable includes a provision of $2,100,000 (2008; $3,200,000) for amounts owing to employers under the Commission's practice incentive and experience refund programs.

Post-employment benefits are the Commission's obligation to 385 employees for severance benefits. During the year the Commission engaged its actuary to complete a valuation of the liability for severance benefits which included discounting the future obligations. In prior years the liability was determined on a non-discounted basis. The change to an actuarial valuation resulted in a decrease in severance liability of approximately $699,000.

The following are the key assumptions used in the actuarial valuation:

Gross discount rate	6%
Wage inflation rate	3.5%
Mortality	Newfoundland life table 1995-1997
Retirement age	50% at age 60, remainder at earlier of age 65 and age 55 with 30 years of service.

NOTES TO FINANCIAL STATEMENTS years ended December 31, 2009 and 2008

12. Benefit liabilities and claims costs

An independent consulting actuary completes a valuation of benefit liabilities of the Commission on an annual basis. An analysis of the components of, and changes in, benefit liabilities is as follows:

(dollars in thousands)				2009				2008
	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Future Admin. Cost	**Total**	Total
Balance, Beginning of year	$ 46,383	$ 477,111	$ 51,584	$ 177,307	$ 2,753	$ 52,860	**$ 807,998**	$ 788,642
Add: Claims costs incurred:								
Current year injuries	25,128	31,528	7,296	30,319	1,015	-	**95,286**	87,723
Prior year injuries	3,154	36,023	4,037	13,722	346	3,765	**61,047**	59,212
	28,282	67,551	11,333	44,041	1,361	3,765	**156,333**	146,935
Deduct: Claims payments:								
Current year injuries	9,024	622	711	7,529	14	-	**17,900**	18,268
Prior year injuries	20,290	50,648	6,294	29,810	1,365	-	**108,407**	102,861
	29,314	51,270	7,005	37,339	1,379	-	**126,307**	121,129
Balance before actuarial adjustments	45,351	493,392	55,912	184,009	2,735	56,625	**838,024**	814,448
Actuarial adjustments	1,764	(10,202)	(1,767)	5,653	68	(2,241)	**(6,725)**	(6,450)
Balance, end of year	$ 47,115	$ 483,190	$ 54,145	$ 189,662	$ 2,803	$ 54,384	**$ 831,299**	$ 807,998

13. Actuarial assumptions

The benefit liabilities are based on projections of future benefit payments which reflect long-term estimates of economic and actuarial assumptions and methods, modified for current trends. As these assumptions may change over time, it is possible that such changes could cause a material change in the actuarial present value of future benefit liabilities.

The table below lists the principal economic assumptions used.

	2009		2008	
	CPI-Indexed Awards	**Other Payments**	CPI-Indexed Awards	Other Payments
Gross rate of return	**7.12%**	**7.12%**	7.12%	7.12%
Inflation Year 1	**1.70%**	**3.50%**	2.20%	3.50%
Inflation later years	**3.50%**	**3.50%**	3.50%	3.50%
Net rate of return Year 1	**5.33%**	**3.50%**	4.81%	3.50%
Net rate of return later years	**3.50%**	**3.50%**	3.50%	3.50%

14. Reserves

As provided by legislation, the Commission maintains a reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace. During 2009, $24,000 was charged to the reserve (2008; $50,000).

15. Change in accumulated operating deficit

(dollars in thousands)	**2009**	2008
Accumulated operating deficit, beginning of year	**$ (96,502)**	$ (84,467)
Favourable revenue variance	**23,300**	20,600
Interest on accumulated operating deficit	**(6,900)**	(6,000)
Investment income variance	**(31,300)**	(33,000)
Liability adjustments for prior years' claims	**6,725**	6,450
Other	**25**	(85)
Accumulated operating deficit, end of year	**$ (104,652)**	$ (96,502)

16. Administration expenses

(dollars in thousands)	**2009**	2008
Salaries and employee benefits	**$ 22,976**	$ 22,064
Office and communications	**2,037**	2,390
Building operations	**887**	830
Travel and vehicle operating	**416**	670
Professional fees	**1,024**	943
	$ 27,340	$ 26,897

17. Legislated obligations

The Commission is required by legislation to fund a portion of the operating costs of the Occupational, Health and Safety Branch of the Department of Government Services in delivering their occupational health and safety mandate and all of the costs of the Workplace Health, Safety and Compensation Review Division and the Statutory Review. The Commission also reimburses the provincial government for a portion of the operating costs of the Department of Human Resources, Labour and Employment and the Labour Relations Agency in respect of administering the *Act*. The Commission is required to fund the operating costs of the employer and worker advisor positions. Total expenses incurred by the Commission for legislated obligations are detailed below:

(dollars in thousands)	**2009**	2008
Government Departments and Labour Relations Agency	**$ 5,053**	$ 5,047
Workplace Health, Safety and Compensation Review Division	**822**	704
Employer and Worker Advisors	**713**	673
	$ 6,588	$ 6,424

18. Other expenses

(dollars in thousands)	**2009**	2008
Sectoral advisors and grants	**$ 48**	$ -
Business improvement projects	**1,739**	915
	$ 1,787	$ 915

19. Related party transactions

These financial statements include amounts resulting from normal operating transactions with various provincial government departments, agencies, and crown corporations with which the Commission may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements and are settled under normal trade terms.

20. Industry levy

The Commission has levied a surcharge of $0.10 per $100 of payroll on employers in the construction sector to fund a portion of the operating costs of safety and health training programs conducted by the Newfoundland and Labrador Construction Safety Association. The amounts collected on behalf of the Association totalled $561,200 in 2009 (2008; $455,900) and are not included in the Statement of Operations.

21. Self-insured employers

These financial statements include the effects of transactions carried out for self-insured employers, principally federal and provincial government bodies, who directly bear the costs of their own incurred claims and a share of administration costs. Aggregate amounts of such assessment revenue and offsetting expenses included in the Statement of Operations are as follows:

(dollars in thousands)	**2009**	2008
Assessments revenue	**$ 9,488**	$ 8,625
Claims costs incurred:		
Short-term disability	**922**	664
Long-term disability	**3,690**	3,484
Survivor benefits	**563**	463
Health care	**2,468**	2,403
Administration charges	**1,845**	1,611
	$ 9,488	$ 8,625

22. Pension costs

All permanent employees of the Commission are covered by the Public Service Superannuation Plan administered by the Province of Newfoundland and Labrador. Contributions to the plan are required from both the employees and the Commission. The annual contributions of $1,610,500 (2008; $1,352,000) for pensions are recognized in the accounts on a current basis.

23. Commitments

The Commission has committed to operating lease payments for office premises and equipment for the years 2010 to 2013 in the amount of $230,000 annually.

24. Contingencies

The Commission may be liable for the future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, the liabilities cannot be reasonably estimated and have not been recorded in these financial statements.

25. Comparative figures

Certain of the comparative information has been reclassified to conform with the presentation adopted in the current year.

FIVE-YEAR HISTORY
DECEMBER 31, 2009

STATEMENT OF OPERATIONS AND FUND DEFICIENCY for the Years Ending December 31

(dollars in thousands)	2009	2008	2007	2006	2005
Revenue					
Assessments	**$ 159,951**	$ 151,782	$ 137,713	$ 124,763	$ 158,217
Investment income	**15,845**	13,763	79,918	60,104	37,091
Third party recoveries	**3,932**	-	-	-	-
	179,728	165,545	217,631	184,867	195,308
Expenses					
Claims costs incurred	**156,333**	146,935	138,304	137,021	133,003
Administration	**27,340**	26,897	23,828	22,356	21,016
Legislated obligations	**6,588**	6,424	6,145	6,347	6,505
Amortization	**2,555**	2,859	2,017	1,882	2,047
Other	**1,787**	915	686	633	1,225
	194,603	184,030	170,980	168,239	163,796
Deficit / surplus from operations before the following	**(14,875)**	(18,485)	46,651	16,628	31,512
Actuarial adjustments	**6,725**	6,450	265	(8,771)	(10,609)
Deficit / surplus for the year	**(8,150)**	(12,035)	46,916	7,857	20,903
Fund deficiency, beginning of year (as previously stated)	**(187,917)**	(29,387)	(8,332)	(53,625)	(56,063)
Change in accounting policies	**-**	-	-	-	(45,388)
Fund deficiency, beginning of year (restated)	**(187,917)**	(29,387)	(8,332)	(53,625)	(101,451)
Other comprehensive income	**90,212**	(146,445)	(67,947)	37,436	26,981
(loss)	**(24)**	(50)	(24)	-	(58)
Appropriation to reserve fund					
Fund deficiency end of year	**$ (105,879)**	$ (187,917)	$ (29,387)	$ (8,332)	$ (53,625)