



Public Accounts

for the fiscal year ended 31 March 2006

Volume 3
Financial Statements
of Crown Corporations,
Boards, Commissions

Printed by
Authority of the Legislature
Fredericton, N.B.



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ISSN 0382-1277

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INTRODUCTION VOLUME III

The Public Accounts of the Province of New Brunswick are presented in five volumes.

Volume I contains the audited financial statements of the Provincial Reporting Entity as described in Note 1 to the financial statements. They include a Statement of Financial Position, a Statement of Operations, a Statement of Cash Flow and a Statement of Change in Net Debt. Volume I also contains the Auditor's Report, Statement of Responsibility, management's comments on the results for the year and a variance analysis.

Volume II contains unaudited supplementary information to the Financial Statements presented in Volume I. It presents summary statements for revenue and expenditure as well as five-year comparative statements. This volume also contains detailed information on Supplementary Appropriations, Funded Debt, statements of the General Sinking Fund, Securities Held, and revenue and expenditure by government department (this includes salary, travel, supplier, grant and contribution, and loan disbursement listings).

This volume contains the financial statements of those corporations, boards and commissions which are accountable for the administration of their financial affairs and resources to the Government or Legislature of the Province. The Government or Legislature also has the power to control these organizations either through ownership or through legislative provisions.

Volume IV contains the financial statements of various trust funds which the Province administers as Trustee.

Volume V contains salary listings of certain government organizations, including Regional Health Authorities, New Brunswick Power Group of Companies and New Brunswick Liquor Corporation. The salary listings are for employees who received earnings during the year ended 31 December 2005 in excess of \$40,000.

FINANCIAL STATEMENTS

ADVISORY COUNCIL ON THE STATUS OF WOMEN

31 MARCH 2006

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Chairperson and Members
Advisory Council on the Status of Women

I have audited the balance sheet of the Advisory Council on the Status of Women as at 31 March 2006 and the statement of revenue, expense and surplus 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 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script that reads 'K.D. Robinson'.

K.D. Robinson, CA
Deputy Auditor General

Fredericton, N.B.

30 May 2006

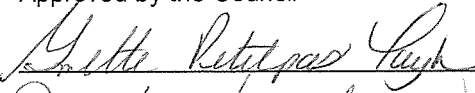
**ADVISORY COUNCIL ON THE STATUS OF WOMEN
BALANCE SHEET
31 MARCH 2006**

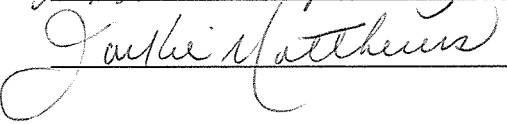
	2006	2005
ASSETS		
Accounts receivable - Province of New Brunswick	\$ 56,085	\$ 52,955

LIABILITIES AND SURPLUS

Surplus	\$ 56,085	\$ 52,955
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Approved by the Council


_____ Chairperson


_____ Member

**ADVISORY COUNCIL ON THE STATUS OF WOMEN
STATEMENT OF REVENUE, EXPENSE AND SURPLUS
FOR THE YEAR ENDED 31 MARCH 2006**

	2006 Budget	2006 Actual	2005 Actual
REVENUE			
Grants - Province of New Brunswick	\$ 422,417	\$ 422,417	\$ 414,146
EXPENSE			
Personal services	246,917	232,474	247,343
Other services	161,800	165,632	161,655
Materials and supplies	8,100	15,111	17,102
Contributions and grants	-	4,900	-
Property and equipment (Note 2)	5,600	1,170	8,385
	<u>422,417</u>	<u>419,287</u>	<u>434,485</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	<u>\$ -</u>	3,130	(20,339)
Surplus, beginning of year		<u>52,955</u>	<u>73,294</u>
SURPLUS, end of year		<u>\$ 56,085</u>	<u>\$ 52,955</u>

**ADVISORY COUNCIL ON THE STATUS OF WOMEN
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006**

1. Purpose of the organization

The Advisory Council on the Status of Women advises the New Brunswick government on matters relating to the status of women and brings before the public issues of concern to women.

2. Significant accounting policy

It is the policy of the Council to charge purchases of property and equipment to expense in the year in which the expenditure is incurred.

3. Expenses not included in these financial statements

The rental of the Council's office is paid for by the Province of New Brunswick and has not been included in the Council's expenses. Translation costs of \$20,778 are also provided by the Province and are not included in the Council's expenses.

The Department of Finance has assumed responsibility for the costs of information technology services, human resource services and the financial administration of the Council.

4. Statement of cash flows

A statement of cash flows has not been prepared as the required cash flow information is readily apparent from the other financial statements.

Financial Statements of

ALGONQUIN GOLF LIMITED

December 31, 2005

Deloitte & Touche LLP



Deloitte & Touche LLP
Brunswick House
44 Chipman Hill, 7th Floor
P.O. Box 6549
Saint John NB E2L 4R9
Canada
Tel: (506) 632-1080
Fax: (506) 632-1210
www.deloitte.ca

Auditors' Report

The Shareholder,
Algonquin Golf Limited

We have audited the balance sheet of Algonquin Golf Limited as at December 31, 2005 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2004 and for the year then ended were audited by the Auditor General of New Brunswick who expressed an opinion without reservation on those statements in his report dated October 31, 2005.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants

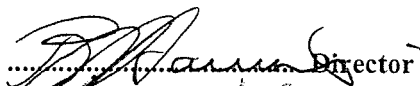
April 5, 2006

ALGONQUIN GOLF LIMITED**Balance Sheet**

as at December 31, 2005

	2005	2004
CURRENT ASSETS		
Cash and short-term investments	\$ 11,022	\$ 10,901
Accounts receivable	18	10,695
Pro shop inventory	79,343	48,444
Prepaid expenses	12,717	51,799
	<u>103,100</u>	<u>121,839</u>
CAPITAL ASSETS, NET (Note 4)	5,102,696	5,517,073
	<u>\$ 5,205,796</u>	<u>\$ 5,638,912</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 22,228	\$ 647
Current portion of due to Province of New Brunswick - principal (Note 5)	-	-
- interest	248,925	197,839
Current portion of capital lease obligations (Note 6)	54,614	63,237
	<u>325,767</u>	<u>261,723</u>
LONG-TERM LIABILITIES		
Due to Algonquin Properties Limited	2,873,466	2,510,894
Due to Province of New Brunswick - principal (Note 5)	3,945,795	3,959,853
- interest	335,990	297,822
Obligations under capital leases (Note 6)	62,655	113,022
Deferred contribution related to capital assets (Note 7)	1,548,554	1,655,350
	<u>8,766,460</u>	<u>8,536,941</u>
DEFICIT		
Capital stock		
Authorized		
Issued and fully paid 1 common share	1	1
Contributed surplus (Note 8)	59,531	59,531
Deficit	(3,945,963)	(3,219,284)
	<u>(3,886,431)</u>	<u>(3,159,752)</u>
	<u>\$ 5,205,796</u>	<u>\$ 5,638,912</u>

Basis of Presentation (Note 2)

APPROVED BY THE BOARD

 Director


 Director

ALGONQUIN GOLF LIMITED
Statement of Operations and Deficit
for the year ended December 31, 2005

	2005	2004
Revenue		
Green fees and rentals	\$ 998,057	\$ 990,200
Pro shop	145,070	145,960
RDC grant (Note 7)	106,797	106,797
Food sales	93,494	78,462
Beverage sales	83,938	100,447
Interest	127	109
Land sale	-	25,299
	1,427,483	1,447,274
Expenses		
Direct costs	883,733	949,681
Amortization - capital assets	452,137	497,887
Interest on loan payable (Note 5)	339,036	268,572
Administrative and general	144,845	143,119
Advertising and promotion	108,473	127,765
Pro shop cost of sales	82,996	84,518
Property taxes	63,162	61,930
Management fees	39,617	39,452
Heat, light, power and water	33,450	47,532
Interest on leases	6,713	10,081
	2,154,162	2,230,537
LOSS FOR THE YEAR	726,679	783,263
DEFICIT,		
BEGINNING OF YEAR	3,219,284	2,436,021
DEFICIT,		
END OF YEAR	\$ 3,945,963	\$ 3,219,284

ALGONQUIN GOLF LIMITED**Statement of Cash Flows**

for the year ended December 31, 2005

	2005	2004
CASH PROVIDED (USED)		
OPERATING ACTIVITIES		
Loss for the year	\$ 726,679	\$ 783,263
Amortization	452,137	497,887
Loss on sale of capital assets	-	91,800
RDC contributions related to capital assets (Note 7)	(106,797)	(106,797)
Gain on sale of land	-	(25,299)
	(381,339)	(325,672)
Net change in non-cash working capital items related to operations	40,441	25,873
	(340,898)	(299,799)
INVESTING ACTIVITIES		
Purchase of capital assets	(22,979)	(16,879)
Proceeds from sale of land	-	25,299
	(22,979)	8,420
FINANCING ACTIVITIES		
Increase in due to Algonquin Properties Limited	362,572	733,208
Repayment of capital leases	(73,770)	(133,171)
Increase in due to Province of New Brunswick	75,196	-
Repayment to Province of New Brunswick	-	(308,547)
	363,998	291,490
NET CASH INFLOW	121	111
CASH POSITION, BEGINNING OF YEAR	10,901	10,790
CASH POSITION, END OF YEAR	\$ 11,022	\$ 10,901

ALGONQUIN GOLF LIMITED
Notes to the Financial Statements
for the year ended December 31, 2005

1. DESCRIPTION OF OPERATIONS

Algonquin Golf Limited is wholly owned by the Province of New Brunswick and was incorporated on May 29, 1998 under the New Brunswick Business Corporations Act. Its purpose is to own and operate the Algonquin golf course.

On July 1, 2000, the golf course assets owned by Algonquin Properties Limited, represented by buildings, equipment and land were transferred to Algonquin Golf Limited. The Company has a management agreement which contracts the day-to-day management of the course to Fairmont Hotels Inc.

2. BASIS OF PRESENTATION

These financial statements have been prepared on the basis of accounting principles applicable to a going concern. The Company has incurred operating losses in each of the last three years, has an accumulated deficit of \$3,886,431 and a working capital deficiency of \$564,098 as at December 31, 2005. The Company's continued existence as a going concern is dependent on continuing financial support from Algonquin Properties Limited and the Province of New Brunswick and the achievement of profitable operations.

If the going concern assumption was not appropriate for these financial statements, adjustments may be necessary to the carrying values of assets and liabilities, the reported loss for the year and the balance sheet classifications used.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These 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 and short-term investments with maturities of three months or less.

Capital assets

- a. A reserve for replacement of equipment has been established pursuant to the management agreement with Fairmont Hotels Inc. The agreement states that each year an amount equal to four percent (4%) of gross revenue will be added to this reserve. Purchases of furniture, fixtures, course equipment and minor enhancements will be charged against this reserve up to the balance in the account.
- b. Replacement costs of china, glassware and other clubhouse supplies are charged to expense in the year of purchase.
- c. Amortization of capital assets of the course is recorded on a straight-line basis at the rate indicated in Note 4.

ALGONQUIN GOLF LIMITED**Notes to the Financial Statements****for the year ended December 31, 2005****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)***Revenue recognition*

Revenues are recognized when goods and services are provided and ultimate collection is reasonably assured.

Use of accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Company's 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 periods presented. Actual results could differ from the estimates made by management.

Inventory

Inventory is comprised of golf and related supplies. Inventory is valued at the lower of cost and net realizable value. Cost is determined on an average cost basis.

Long lived assets

Long lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

4. CAPITAL ASSETS

	Rate	Cost	Accumulated Depreciation	Net Book Value	
				2005	2004
Land	0%	\$ 211,556	\$ -	\$ 211,556	\$ 211,556
Buildings	5%	1,383,461	379,675	1,003,786	1,072,960
Building improvements	10%	28,866	9,371	19,495	22,383
Golf course improvements	5%	4,958,768	1,362,015	3,596,753	3,844,692
Golf course equipment	20%	635,911	521,470	114,441	189,376
External improvements	15%	265,296	179,875	85,421	104,115
Computer hardware & software	20%	10,325	6,618	3,707	3,891
Furniture & fixtures	8%	75,220	32,250	42,970	48,986
Automotive equipment	20%	46,636	22,069	24,567	19,114
		\$ 7,616,039	\$ 2,513,343	\$ 5,102,696	\$ 5,517,073

ALGONQUIN GOLF LIMITED
Notes to the Financial Statements
for the year ended December 31, 2005

5. DUE TO PROVINCE OF NEW BRUNSWICK

Financing from the Province of New Brunswick bears interest at 6% compounded semi-annually, not in advance, and matures on March 31, 2013. In 2005, the Province agreed to accept an interest only payment of \$263,841. Subsequent to year end, the Province has agreed to an interest only payment of \$263,872 for the year ending December 31, 2006. As at April 5, 2006 the interest payment due has not been made. The balance of the loan is repayable in blended annual installments of \$591,207 to 2012 and a final installment of \$2,168,926 on March 31, 2013.

Principal payments required in each of the next five years are as follows:

	\$
2006	-
2007	363,126
2008	385,241
2009	408,702
2010	433,592

6. OBLIGATIONS UNDER CAPITAL LEASES

Capital leases are in place for golf course equipment. The gross amount of assets under capital lease is \$281,721 with accumulated amortization totaling \$141,509. The total future principal and interest payments for capital leases amount to \$123,924.

	\$
2006	58,683
2007	37,726
2008	27,515
	<u>123,924</u>
Less interest	6,655
	<u><u>117,269</u></u>

7. DEFERRED CONTRIBUTION

In 1998, Algonquin Golf Limited received a non-repayable contribution of \$2,135,936 from the Regional Development Corporation towards costs associated with the redesign, construction, furnishings and equipment for the new signature golf course at the Algonquin golf site. The full amount was recorded as deferred revenue until the opening of the course. This amount is being amortized over the same period as the assets, which the contribution was used to fund, at a rate of 5% annually.

8. CONTRIBUTED SURPLUS

The contributed surplus represents the book value of the former clubhouse building that was transferred from Algonquin Properties Limited.

ALGONQUIN GOLF LIMITED
Notes to the Financial Statements
for the year ended December 31, 2005

9. RELATED PARTY TRANSACTIONS

Under the Management Agreement, Fairmont Hotels Inc. may:

- Purchase goods identified as goods of the Operator through the purchasing department of the Operator and the Operator shall charge a purchasing fee in the amount of 5% of the cost,
- Contract for advertising and promotional programs for the Algonquin as a member of the Operator's hotel chain, the cost of which shall be paid to the Operator,
- Contract for public relations programs and conduct public relations activities for the Algonquin as a member of the Operator's hotel chain, the cost of which shall be paid to the Operator.

These expenditures are recorded in the appropriate expense items in the Statement of Operations and Deficit.

The \$2.9 million (2004 – \$2.5 million) payable to Algonquin Properties Limited relates to the transfer of revenues, expenses, assets and liabilities between the two corporations since the golf course officially opened on July 1, 2000 as well as the work done for the course which was paid for by Algonquin Properties Limited. The amount will be reimbursed when sufficient funds are available.

10. STATEMENT OF CASH FLOWS

During the year, the Company received and paid the following:

	2005	2004
	\$	\$
Interest paid	270,554	268,572
Interest received	127	109

Also during the year the Company purchased capital assets under lease obligations in the amount of \$14,780.

11. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the presentation adopted in 2005.

Financial Statements of

ALGONQUIN PROPERTIES LIMITED

December 31, 2005

Deloitte & Touche LLP



Deloitte & Touche LLP
Brunswick House
44 Chipman Hill, 7th Floor
P.O. Box 6549
Saint John NB E2L 4R9
Canada
Tel: (506) 632-1080
Fax: (506) 632-1210
www.deloitte.ca

Auditors' Report

The Shareholder,
Algonquin Properties Limited

We have audited the balance sheet of Algonquin Properties Limited as at December 31, 2005 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2004 and for the year then ended were audited by the Auditor General of New Brunswick who expressed an opinion without reservation on those statements in his report dated October 31, 2005.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

Chartered Accountants

April 5, 2006

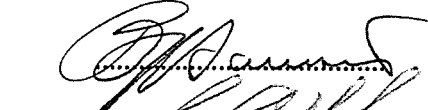
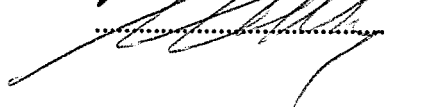
ALGONQUIN PROPERTIES LIMITED**Balance Sheet**

as at December 31, 2005

	2005	2004
CURRENT ASSETS		
Cash and short-term investments	\$ 1,124,276	\$ 1,459,014
Accounts receivable	225,839	132,405
Inventory, at cost	141,360	167,413
Prepaid expenses	59,736	90,410
	<u>1,551,211</u>	<u>1,849,242</u>
DUE FROM ALGONQUIN GOLF LIMITED (Note 5)	2,873,466	2,524,015
CAPITAL ASSETS, NET (Note 3)	12,965,773	13,724,724
	<u>\$ 17,390,450</u>	<u>\$ 18,097,981</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 315,108	\$ 403,741
Advance deposits	181,529	292,368
Current portion of capital lease obligation (Note 6)	12,922	-
	<u>509,559</u>	<u>696,109</u>
OBLIGATION UNDER CAPITAL LEASE (Note 6)	32,823	16,855
SHAREHOLDER'S EQUITY		
Capital stock	300,000	300,000
Contributed surplus (Note 4)	40,238,428	40,238,428
Deficit	(23,690,360)	(23,153,411)
	<u>16,848,068</u>	<u>17,385,017</u>
	<u>\$ 17,390,450</u>	<u>\$ 18,097,981</u>

Contingent liability (Note 9)

APPROVED BY THE BOARD

 Director
 Director

ALGONQUIN PROPERTIES LIMITED**Statement of Operations and Deficit**

for the year ended December 31, 2005

	2005	2004
Revenues		
Room sales	\$ 4,601,509	\$ 4,430,866
Food sales	2,854,963	2,281,254
Beverage sales	614,694	586,718
Miscellaneous	289,777	233,523
Other sport activities	269,786	163,374
Telephone	37,696	60,935
Interest	13,748	15,289
	<u>8,682,173</u>	<u>7,771,959</u>
Expenses		
Direct costs	4,523,401	4,166,043
Amortization - capital assets	1,033,089	987,260
Administrative and general	1,022,890	900,803
Advertising and promotion	718,266	641,743
Repairs and maintenance	664,587	643,291
Heat, light, power and water	656,640	585,228
Property taxes	340,636	341,955
Management fees	259,613	225,388
	<u>9,219,122</u>	<u>8,491,711</u>
LOSS FOR THE YEAR	536,949	719,752
DEFICIT, BEGINNING OF YEAR	23,153,411	22,433,659
DEFICIT, END OF YEAR	\$ 23,690,360	\$ 23,153,411

ALGONQUIN PROPERTIES LIMITED**Statement of Cash Flows**

for the year ended December 31, 2005

	2005	2004
CASH PROVIDED (USED)		
OPERATING ACTIVITIES		
Loss for the year	\$ 536,949	\$ 719,752
Amortization	1,033,089	987,260
	496,140	267,508
Net change in non-cash working capital items related to operations	(236,179)	209,693
	259,961	477,201
INVESTING ACTIVITIES		
Purchase of capital assets	(235,686)	(387,269)
Increase in long-term receivable from Algonquin Golf Limited	(349,451)	(733,209)
	(585,137)	(1,120,478)
FINANCING ACTIVITIES		
Repayment of capital lease obligation	(9,562)	(2,815)
	(9,562)	(2,815)
NET CASH OUTFLOW	(334,738)	(646,092)
CASH POSITION, BEGINNING OF YEAR	1,459,014	2,105,106
CASH POSITION, END OF YEAR	\$ 1,124,276	\$ 1,459,014

ALGONQUIN PROPERTIES LIMITED**Notes to the Financial Statements**for the year ended December 31, 2005

1. DESCRIPTION OF OPERATIONS

The Company is wholly-owned by the Province of New Brunswick and administers the operations of the Algonquin Hotel by means of a management agreement. The Company has contracted the day-to-day management of the hotel operations to Fairmont Hotels Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Algonquin Properties Limited is incorporated under the laws of the Province of New Brunswick. These 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 and short-term investments with maturities of three months or less.

Capital assets

Capital assets are recorded at cost. Amortization is based on their estimated useful lives using the straight-line method at the rates indicated below:

Buildings, improvements and equipment	2.5 - 10%
Operating equipment	8 - 20%

Assets are charged for a full year's amortization in the year of purchase. A reserve for replacement of equipment has been established, pursuant to the management agreement with Fairmont Hotels Inc., to represent limits on the replacement of equipment chargeable to the operation of the Hotel. The agreement states that each year an amount equal to four percent (4%) of gross revenue will be added to this reserve. Purchases of furniture, fixtures and equipment are charged against this reserve up to the balance in the account. Replacement costs of china, glassware, silverware, utensils, linen and similar equipment are charged to expense in the year of purchase pursuant to the management agreement with Fairmont Hotels Inc.

Revenue recognition

Revenues from hotel operations are recognized when services are provided and ultimate collection is reasonably assured. Hotel operations revenues are generated primarily from room occupancy and food and beverage services.

Use of accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Company's 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 periods presented. Actual results could differ from the estimates made by management.

ALGONQUIN PROPERTIES LIMITED

Notes to the Financial Statements

for the year ended December 31, 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory is comprised of operating supplies including food and beverage. Inventory is valued at the lower of cost and net realizable value. Cost is determined on the most recent supplier invoice price.

Long lived assets

Long lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

3. CAPITAL ASSETS

	Cost	Accumulated Depreciation	Net Book Value	
			2005	2004
Land	\$ 130,282	\$ -	\$ 130,282	\$ 130,282
Buildings, improvements and equipment	24,105,889	11,773,129	12,332,760	13,028,043
Operating equipment	3,631,380	3,128,649	502,731	566,399
	<u>\$ 27,867,551</u>	<u>\$ 14,901,778</u>	<u>\$ 12,965,773</u>	<u>\$ 13,724,724</u>

4. CONTRIBUTED SURPLUS

Contributed surplus results from the forgiveness by the Province of New Brunswick, during 1999 and 2000, of all loans and advances, including accrued interest.

5. RELATED PARTY TRANSACTIONS

Employees of the Province and Fairmont Hotels Inc., who are on business in connection with the management and operation of the Algonquin Hotel, are provided reasonable room accommodations, meals, laundry and valet services without charge.

All other goods and services provided by the Hotel to provincial employees are charged to those employees at fair market value.

ALGONQUIN PROPERTIES LIMITED

Notes to the Financial Statements

for the year ended December 31, 2005

5. RELATED PARTY TRANSACTIONS (continued)

Under the Management Agreement, Fairmont Hotels Inc. (the Operator) may:

- Purchase goods identified as goods of the Operator through the purchasing department of the Operator and the Operator shall charge the corporate purchasing fee described in the annual budget;
- Contract for advertising and promotional programs for the Algonquin as a member of the Operator's hotel chain, the cost of which shall be paid to the Operator;
- Contract for public relations programs and conduct public relations activities for the Algonquin as a member of the Operator's hotel chain, the cost of which shall be paid to the Operator;
- Obtain the services of the Operator's reservation facility known as the Global Reservation Centre, at rates mutually agreed to by the parties from time to time; and
- Obtain technical and specialized operational expertise (personnel of the Operator), at rates to be negotiated between both parties. This type of expertise would generally be related to a capital renovation program.

During 2005, Fairmont Hotels Inc. headquarters invoiced the Algonquin Hotel \$1,071,710 (2004 - \$1,062,601) for such services. The Algonquin also paid for \$87,682 (2004 - \$53,062) of goods and services from other Fairmont Hotels during 2005. These amounts have been reported in the appropriate expense items in the Statement of Operations and Deficit.

The operations of the Golf Course were separated from the Hotel operations on July 1, 2000 when the course became fully operational. The receivable is related to the transfer of revenues, expenses, assets and liabilities between the two companies. The total receivable from Algonquin Golf Limited is \$2.9 million (2004 - \$2.5 million). This amount will be reimbursed when sufficient funds are available.

6. OBLIGATIONS UNDER CAPITAL LEASES

Capital leases are in place for equipment. The gross amount of assets under capital leases is \$58,123 with accumulated amortization totaling \$9,406. The total future principal and interest payments for capital leases amount to \$49,662.

	\$
2006	14,616
2007	14,288
2008	8,520
2009	8,520
2010	3,718
	<u>49,662</u>
Less interest	3,915
	<u><u>45,747</u></u>

ALGONQUIN PROPERTIES LIMITED**Notes to the Financial Statements****for the year ended December 31, 2005**

7. STATEMENT OF CASH FLOWS

During the year, the Company received and paid the following:

	2005	2004
	\$	\$
Interest paid	1,505	233
Interest received	13,748	15,289

Also during the year the Company purchased capital assets under lease obligations in the amount of \$38,453.

8. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the presentation adopted in 2005.

9. CONTINGENT LIABILITY

During the year, the Department of Supply and Services, on behalf of Algonquin Properties, commenced the re-construction of Fort Tipperary, a facility owned by the Company that was destroyed by fire in 2004. The construction is expected to be completed in the summer of 2006. Algonquin Properties is liable to the Department of Supply and Services for the amount, if any, that the cost of re-construction exceeds the proceeds from the insurance claim.

ATLANTIC EDUCATION INTERNATIONAL INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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565 Priestman Street
Fredericton
New Brunswick
E3B 5X8

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**TEED
SAUNDERS
DOYLE & CO.**
Chartered Accountants

Member of DFK Accountancy Group Inc.
(Canada) and DFK International

AUDITORS' REPORT

To the Directors of Atlantic Education International Inc.

We have audited the statement of financial position of Atlantic Education International Inc. as at December 31, 2005 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 organization'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 company as at December 31, 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

October 23, 2006
Fredericton, NB

Teed Saunders Doyle & Co.
CHARTERED ACCOUNTANTS

Fredericton Partners
Brian J. Saunders Ralph D. Gorman
David H. Bradley



Saint John Partners
John H. Teed David L. Doyle
Andrew P. Logan

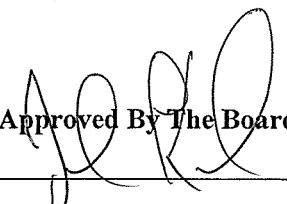
ATLANTIC EDUCATION INTERNATIONAL INC.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2005

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets		
Cash	\$ 517,375	\$ 61,752
Accounts receivable	<u>891,700</u>	<u>740,761</u>
	<u>\$ 1,409,075</u>	<u>\$ 802,513</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 468,141	\$ 355,772
Deferred revenue	379,440	305,685
Due to AKD International Inc. (note 3)	<u>222,548</u>	<u>46,887</u>
	<u>1,070,129</u>	<u>708,344</u>
Long Term Debt		
Loan payable (note 4)	<u>30,000</u>	<u>30,000</u>
NET ASSETS		
Capital Stock (note 5)	3	3
Unrestricted Net Assets	<u>308,943</u>	<u>64,166</u>
	<u>308,946</u>	<u>64,169</u>
	<u>\$ 1,409,075</u>	<u>\$ 802,513</u>

Approved By The Board:



ATLANTIC EDUCATION INTERNATIONAL INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>2005</u>	<u>2004</u>
Net Assets At Beginning Of Year	\$ 64,166	\$ 10,763
Excess of Receipts Over Disbursements For The Year	<u>244,777</u>	<u>53,403</u>
Net Assets At End Of Year	<u>\$ 308,943</u>	<u>\$ 64,166</u>

ATLANTIC EDUCATION INTERNATIONAL INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>2005</u>	<u>2004</u>
Receipts	\$ <u>603,293</u>	\$ <u>415,232</u>
Disbursements		
Administration	198,640	289,681
Education costs		
Enhanced program	35,987	9,824
Summer and winter camps	57,843	33,694
Other	14,402	8,766
Travel	<u>51,644</u>	<u>19,864</u>
	<u>358,516</u>	<u>361,829</u>
Excess Of Receipts Over Disbursements For The Year	\$ <u>244,777</u>	\$ <u>53,403</u>

ATLANTIC EDUCATION INTERNATIONAL INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>2005</u>	<u>2004</u>
Cash Provided By (Required For):		
Operating Activities		
Excess of receipts over disbursements for the year	\$ 244,777	\$ 53,403
Changes in non-cash operating working capital		
Accounts receivable	(150,939)	(740,761)
Accounts payable and accrued liabilities	112,369	355,773
Deferred revenue	73,755	103,435
Due to AKD International Inc.	<u>175,661</u>	<u>(36,080)</u>
Increase (Decrease) In Cash During The Year	455,623	(264,230)
Cash Position At Beginning Of Year	<u>61,752</u>	<u>325,982</u>
Cash Position At End Of Year	\$ <u>517,375</u>	\$ <u>61,752</u>

ATLANTIC EDUCATION INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

1. Significant Accounting Policies

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

Financial Instruments

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

Revenue

Revenue from tuition and course fees is recognized on the basis of instruction completed in relation to the start and end dates of the programs.

2. Purpose Of The Organization

Atlantic Education International Inc. operates to promote the international export of New Brunswick education and training products.

3. Due to AKD International Inc.

	<u>2005</u>	<u>2004</u>
Receipts	\$ <u>1,369,379</u>	\$ <u>2,118,717</u>
Disbursements		
Accommodations	502,042	427,593
Education costs		
Post-secondary program	363,470	963,445
Enhanced program	242,000	568,250
Summer and winter camps	3,684	89,290
Other	82,522	103,944
Travel	-	<u>2,275</u>
	<u>1,193,718</u>	<u>2,154,797</u>
Excess (Deficiency) Of Receipts Over Disbursements For The Year	175,661	(36,080)
Balance At Beginning Of Year	<u>46,887</u>	<u>82,967</u>
Balance At End Of Year	\$ <u>222,548</u>	\$ <u>46,887</u>

ATLANTIC EDUCATION INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

4. Loan Payable

The Department of Advanced Education and Labour contributed an initial amount of \$30,000 to assist in the cash flow of the corporation. This contribution is repayable when the cash flow of the corporation allows. There are no interest, security or specific terms of repayment.

5. Capital Stock

	<u>2005</u>	<u>2004</u>
Authorized		
An unlimited number of common shares without nominal or par value		
Issued		
1 common share	\$ <u>3</u>	\$ <u>3</u>

6. Comparative Figures

Certain comparative figures from previous year have been reclassified to conform with current year presentation.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

FINANCIAL STATEMENTS

MARCH 31, 2006

39 Canterbury Street
P.O. Box 6668
Saint John
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**TEED
SAUNDERS
DOYLE & CO.**
Chartered Accountants

Member of DFK Accountancy Group Inc.
(Canada) and DFK International

AUDITORS' REPORT

To the Board of Commissioners of Public Utilities of the Province of New Brunswick

We have audited the statements of financial position of the Board of Commissioners of Public Utilities of the Province of New Brunswick as at March 31, 2006 and the statements of operations and changes in surplus (deficit) and cash flows 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 March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Teed Saunders Doyle & Co.

CHARTERED ACCOUNTANTS

Saint John, NB
May 12, 2006

Saint John Partners
John H Teed David L. Doyle
Andrew P. Logan



Fredericton Partners
Brian J. Saunders Ralph D Gorman
David H. Bradley

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

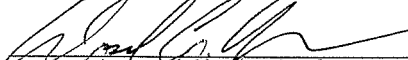
REGULATION OF ELECTRIC UTILITIES

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT		
Cash (Notes 2 and 3)	\$ 834,526	\$ 707,892
Accounts receivable (Notes 3 and 4)	27,831	26,588
Prepaid expenses	<u>1,436</u>	<u>968</u>
	<u>863,793</u>	<u>735,448</u>
CASH HELD IN TRUST (Notes 3 and 5)	<u>3,850</u>	<u>56,442</u>
CAPITAL (Notes 2 and 6)	<u>83,118</u>	<u>50,248</u>
	<u>\$ 950,761</u>	<u>\$ 842,138</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 3)	\$ <u>64,445</u>	\$ <u>36,656</u>
CASH HELD IN TRUST (Notes 3 and 5)	<u>3,850</u>	<u>56,442</u>
FUTURE EMPLOYEE BENEFITS (Note 9)	<u>129,578</u>	<u>84,507</u>
SURPLUS		
SURPLUS	<u>752,888</u>	<u>664,533</u>
	<u>\$ 950,761</u>	<u>\$ 842,138</u>
COMMITMENT (Note 11)		
CONTINGENT LIABILITY (Note 12)		

APPROVED ON BEHALF OF THE BOARD:

 Chairman

 Vice-Chairman

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF ELECTRIC UTILITIES

STATEMENT OF OPERATIONS AND CHANGES IN SURPLUS

FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
REVENUE (Note 2)		
Assessment of electric utilities (Note 7)	\$ 1,900,682	\$ 775,310
Licensing	6,767	28,900
Interest and other income	<u>25,685</u>	<u>8,258</u>
	1,933,134	812,468
DIRECT EXPENSES (Note 2)	<u>1,022,011</u>	<u>169,466</u>
	<u>911,123</u>	<u>643,002</u>
COMMON EXPENSES		
Salaries and benefits	618,273	485,450
Office and administration	137,533	58,925
Training	28,423	31,496
Library and publications	3,743	2,965
Computer maintenance	39,098	2,713
Professional fees	8,766	4,367
Amortization	<u>20,431</u>	<u>10,979</u>
	<u>856,267</u>	<u>596,895</u>
EXCESS OF REVENUE OVER EXPENSES	54,856	46,107
SURPLUS AT BEGINNING OF YEAR	<u>664,533</u>	<u>618,426</u>
	719,389	664,533
TRANSFER OF SURPLUS FROM AUTOMOBILE INSURANCE FUND (Note 10)	<u>33,499</u>	<u>-</u>
SURPLUS AT END OF YEAR	<u>\$ 752,888</u>	<u>\$ 664,533</u>

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF ELECTRIC UTILITIES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
CASH PROVIDED BY (USED IN)		
Operating activities		
Excess of revenue over expenses	\$ 54,856	\$ 46,107
Item not involving cash		
Amortization	<u>20,431</u>	<u>10,979</u>
	75,287	57,086
Changes in non-cash working capital balances		
Accounts receivable	(1,243)	(15,972)
Account receivable from Automobile Insurance Division	-	39,256
Prepaid expenses	(468)	(750)
Deferred future employee benefits	-	29,916
Accounts payable and accrued liabilities	27,789	10,330
Future employee benefits	<u>45,071</u>	<u>50,317</u>
	<u>146,436</u>	<u>170,183</u>
Investing activities		
Purchase of capital assets	<u>(3,053)</u>	<u>(1,772)</u>
Financing activities		
Capital assets transferred from Automobile Insurance Fund	(33,499)	-
Capital assets transferred from Natural Gas Fund	(16,749)	-
Surplus transferred from Automobile Insurance Fund	<u>33,499</u>	<u>-</u>
	<u>(16,749)</u>	<u>-</u>
INCREASE IN CASH	126,634	168,411
CASH AT BEGINNING OF YEAR	<u>707,892</u>	<u>539,481</u>
CASH AT END OF YEAR	<u>\$ 834,526</u>	<u>\$ 707,892</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	\$ 25,685	\$ 8,258

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF ELECTRIC UTILITIES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

1. PURPOSE OF THE ORGANIZATION

The Board of Commissioners of Public Utilities of the Province of New Brunswick has regulatory responsibility for electric utilities, the public motor bus industry and natural gas distribution in New Brunswick. Automobile insurance regulation by the Board ceased on April 1, 2005. The Board operates with funds received from the industries it regulates, with the exception of the public motor bus industry, where it carries out its responsibilities with funds from the Provincial Department of Transportation.

The Board is exempt from income tax under Section 149(1)(d) of the Income Tax Act of Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash

One bank account is maintained by the Board. The balance of this account is allocated between each of the regulatory divisions of the Board based on actual transactions.

Capital Assets

Capital assets are recorded at cost. Minor expenditures for furniture and fixtures are expensed in the year of acquisition. Amortization is being provided for using the straight-line method at the following annual rates:

Computer equipment	33 1/3%
Vehicle	20%
Leasehold improvements	10%

Revenue Recognition

The Board records revenue on an accrual basis once collection is reasonably assured.

Allocations

Certain amounts in the statement of financial position and statement of operations have been allocated between the Board's three areas of regulatory responsibility based on management's best judgment and actual activity during the year.

Direct Expenses

Direct expenses include hearing costs, travel, training and other out of pocket expenses directly attributable to a specific area of regulatory responsibility.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF ELECTRIC UTILITIES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Statement of Cash Flows

For the purpose of the statement of cash flows, the Board considers cash on hand and balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash or cash equivalents.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

3. FINANCIAL INSTRUMENTS

The Board of Commissioners of Public Utilities of the Province of New Brunswick's financial instruments consist of cash, accounts receivable, cash held in trust and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

4. ACCOUNTS RECEIVABLE

	<u>2006</u>	<u>2005</u>
Accounts receivable	\$ 192	\$ 13,628
HST receivable	26,639	12,335
Travel advances	<u>1,000</u>	<u>625</u>
	<u>\$ 27,831</u>	<u>\$ 26,588</u>

5. CASH HELD IN TRUST

Cash of \$3,850 (2005 - \$56,442) relating to the regulation of the public motor bus industry in New Brunswick was being held in trust by the Board on behalf of the New Brunswick Department of Transportation.

During the year, the Board conducted hearings, pursuant to the provisions of the Motor Carrier Act. Direct expenses associated with these hearings were paid by the Board, from fees collected from licensed motor carriers, with the approval of the Department of Transportation.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF ELECTRIC UTILITIES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

6. CAPITAL ASSETS

	<u>2006</u>			<u>2005</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 76,863	\$ 68,750	\$ 8,113	\$ 4,471
Vehicle	13,473	7,733	5,740	4,218
Leasehold improvements	<u>138,529</u>	<u>69,264</u>	<u>69,265</u>	<u>41,559</u>
	<u>\$ 228,865</u>	<u>\$ 145,747</u>	<u>\$ 83,118</u>	<u>\$ 50,248</u>

7. ASSESSMENT OF ELECTRIC UTILITIES

In accordance with Section 9 of the Public Utilities Act, public utilities are assessed each year for their individual direct expenses together with their share of common expenses. Each utility's share of common expenses is based on the proportion of its gross earnings to the aggregate of gross earnings for all utilities. Assessments are adjusted to include the audited surplus or deficit from the prior year.

	<u>2006</u>	<u>2005</u>
Estimate of common expenses	\$ 878,215	\$ 621,736
Less: estimate of interest income	<u>(8,000)</u>	<u>(8,000)</u>
Estimate of net common expenses	870,215	613,736
Estimate of direct expenses	<u>1,695,000</u>	<u>780,000</u>
	2,565,215	1,393,736
Surplus from prior year	<u>(664,533)</u>	<u>(618,426)</u>
Assessment of electric utilities	<u>\$ 1,900,682</u>	<u>\$ 775,310</u>

8. ASSESSMENT FOR PUBLIC INTERVENER

Pursuant to Section 9(1.1) of the Public Utilities Act, the costs of the Agent for the Attorney General with respect to interventions made are to be collected by the Board from the public utilities regulated by the Board and paid to the Minister of Finance. No such amounts were collected and paid during the Board's fiscal years ended March 31, 2006 and March 31, 2005 as the Attorney General submitted no costs to the Board to be collected in its assessment.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF ELECTRIC UTILITIES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

9. FUTURE EMPLOYEE BENEFITS

Pension Plan

The Board and its employees participate in a contributory defined benefit pension plan administered by the Province of New Brunswick under the Public Service Superannuation Act. The plan provides pensions to employees of the Provincial Government and certain Crown Corporations and agencies based on the length of service and highest successive five year average salary. As disclosed in the Province's March 31, 2005 financial statements, the pension plan has a net actuarial surplus. Any short fall in the funding of the plan is guaranteed by the Province of New Brunswick, which is the sponsor of the plan.

Retiring Allowances

Following the guidelines set forth by the Province of New Brunswick, employees of the Board with a minimum of five continuous years of service are entitled to two weeks of salary for every year of service up to a maximum of 25 years.

10. REGULATION OF AUTOMOBILE INSURERS

In September 2004, the Province of New Brunswick enacted legislation to establish the New Brunswick Insurance Board. Consequently, effective April 1, 2005, the Board is no longer responsible for the regulation of automobile insurers. The surplus of \$93,669 less the unfunded portion of the net capital assets, was transferred to the New Brunswick Insurance Board during the year. The remaining net capital assets were transferred to the Electric Utilities and Natural Gas funds.

11. COMMITMENT

The Board has negotiated a lease of its office premises for a ten year period commencing March 1, 2001. This cost is allocated between the divisions of the Board as described in Note 2.

The minimum annual lease payments due within the next five years are as follows:

2007	\$	126,112
2008		149,923
2009		149,923
2010		149,923
2011		149,923

12. CONTINGENT LIABILITY

The Board has been notified of a potential legal action by a former employee. Legal counsel and management are unable to assess the Board's potential liability, if any, resulting from this potential action. Any settlement will be reflected as a charge to income in the year incurred.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**


REGULATION OF AUTOMOBILE INSURERS

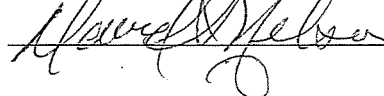
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT		
Cash (Notes 1 and 3)	\$ -	\$ 85,529
Accounts receivable (Note 3)	-	10,686
HST receivable (Note 3)	-	24,044
Prepaid expenses	<u>-</u>	<u>218</u>
	<u>-</u>	<u>120,477</u>
CAPITAL (Notes 1 and 5)	<u>-</u>	<u>50,248</u>
	<u>\$ -</u>	<u>\$ 170,725</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 3)	\$ <u>-</u>	\$ <u>9,450</u>
FUTURE EMPLOYEE BENEFITS (Notes 1 and 6)	<u>-</u>	<u>67,606</u>
SURPLUS		
SURPLUS	<u>-</u>	<u>93,669</u>
	<u>\$ -</u>	<u>\$ 170,725</u>
CONTINGENT LIABILITY (Note 7)		

APPROVED ON BEHALF OF THE BOARD:

 Chairman

 Vice-Chairman

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF AUTOMOBILE INSURERS

STATEMENT OF OPERATIONS AND CHANGES IN SURPLUS (DEFICIT)

FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
REVENUE (Note 1)		
Assessment of automobile insurers (Note 4)	\$ -	\$ 1,185,780
Interest	-	<u>8,258</u>
	-	1,194,038
DIRECT EXPENSES (Note 1)	<u>-</u>	<u>205,119</u>
	-	<u>988,919</u>
COMMON EXPENSES		
Salaries and benefits	-	369,271
Office and administration	-	61,867
Training	-	2,299
Library and publications	-	2,965
Computer maintenance	-	2,713
Professional fees	-	4,367
Amortization	-	<u>10,979</u>
	<u>-</u>	<u>454,461</u>
EXCESS OF REVENUE OVER EXPENSES	-	534,458
SURPLUS (DEFICIT) AT BEGINNING OF YEAR	<u>93,669</u>	<u>(440,789)</u>
	93,669	93,669
TRANSFER TO AUTOMOBILE INSURANCE BOARD (Note 2)	(43,421)	-
TRANSFER TO ELECTRIC UTILITIES FUND (Note 2)	(33,499)	-
TRANSFER TO NATURAL GAS FUND (Note 2)	<u>(16,749)</u>	<u>-</u>
SURPLUS AT END OF YEAR	<u>\$ -</u>	<u>\$ 93,669</u>

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF AUTOMOBILE INSURERS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
CASH PROVIDED BY (USED IN)		
Operating activities		
Excess of revenue over expenses	\$ -	\$ 534,458
Item not involving cash		
Amortization	<u>-</u>	<u>10,979</u>
	-	545,437
Changes in non-cash working capital balances		
Accounts receivable	10,686	(10,686)
HST receivable	24,044	(9,877)
Prepaid expenses	218	-
Deferred future employee benefits	-	29,916
Accounts payable and accrued liabilities	(9,450)	(61,649)
Account payable to Electrical Utilities Division	-	(39,256)
Due to Province of New Brunswick	-	(400,000)
Future employee benefits	<u>(67,606)</u>	<u>33,416</u>
	<u>(42,108)</u>	<u>87,301</u>
Investing activities		
Purchase of capital assets	<u>-</u>	<u>(1,772)</u>
Financing activities		
Capital assets transferred to Electric Utilities Fund	33,499	-
Capital assets transferred to Natural Gas Fund	16,749	-
Surplus transferred to Electric Utilities Fund	(33,499)	-
Surplus transferred to Natural Gas Fund	(16,749)	-
Surplus transferred to Automobile Insurance Board	<u>(43,421)</u>	<u>-</u>
	<u>(43,421)</u>	<u>-</u>
INCREASE IN CASH	(85,529)	85,529
CASH AT BEGINNING OF YEAR	<u>85,529</u>	<u>-</u>
CASH AT END OF YEAR	\$ <u>-</u>	\$ <u>85,529</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	\$ -	\$ 8,258

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF AUTOMOBILE INSURERS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash

One bank account is maintained by the Board. The balance of this account is allocated between each of the regulatory divisions of the Board based on actual transactions.

Capital Assets

Capital assets are recorded at cost. Minor expenditures for furniture and fixtures are expensed in the year of acquisition. Amortization is being provided for using the straight-line method at the following annual rates:

Computer equipment	33 1/3%
Vehicle	20%
Leasehold improvements	10%

Revenue Recognition

The Board records revenue on an accrual basis once collection is reasonably assured.

Allocations

Certain amounts in the statement of financial position and statement of operations have been allocated between the Board's three areas of regulatory responsibility based on management's best judgment and actual activity during the year.

Direct Expenses

Direct expenses include hearing costs, travel, training and other out of pocket expenses directly attributable to a specific area of regulatory responsibility.

Statement of Cash Flows

For the purpose of the statement of cash flows, the Board considers cash on hand and balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash or cash equivalents.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF AUTOMOBILE INSURERS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

2. REGULATION OF AUTOMOBILE INSURERS

In September 2004, the Province of New Brunswick enacted legislation to establish the New Brunswick Insurance Board. Consequently, effective April 1, 2005, the Board is no longer responsible for the regulation of automobile insurers. The surplus of \$93,669 less the unfunded portion of the net capital assets, was transferred to the New Brunswick Insurance Board during the year. The remaining net capital assets were transferred to the Electric Utilities and Natural Gas funds.

3. FINANCIAL INSTRUMENTS

The Board of Commissioners of Public Utilities of the Province of New Brunswick's financial instruments consist of cash, accounts receivable, HST receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

4. ASSESSMENT OF AUTOMOBILE INSURERS

In accordance with Section 9.1(1) of the Public Utilities Act, the automobile insurers of New Brunswick are assessed each year. The portion of the total assessment allocated to each insurer is the proportion that the insurer's net receipts are of total net receipts for all insurers conducting business in New Brunswick. That proportion is applied to the budget for the ensuing year, adjusted to include the audited surplus or deficit from the prior year.

	<u>2006</u>	<u>2005</u>
Automobile insurers' premiums	\$ <u> -</u>	\$ <u>407,280,000</u>
Assessment of premiums	\$ <u> -</u>	\$ <u>1,185,780</u>

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF AUTOMOBILE INSURERS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

5. CAPITAL ASSETS

	2006			2005
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ -	\$ -	\$ -	\$ 4,471
Vehicle	-	-	-	4,218
Leasehold improvements	-	-	-	41,559
	\$ -	\$ -	\$ -	\$ 50,248

6. FUTURE EMPLOYEE BENEFITS

Pension Plan

The Board and its employees participate in a contributory defined benefit pension plan administered by the Province of New Brunswick under the Public Service Superannuation Act. The plan provides pensions to employees of the Provincial Government and certain Crown Corporations and agencies based on the length of service and highest successive five year average salary. As disclosed in the Province's March 31, 2005 financial statements, the pension plan has a net actuarial surplus. Any short fall in the funding of the plan is guaranteed by the Province of New Brunswick, which is the sponsor of the plan.

Retiring Allowances

Following the guidelines set forth by the Province of New Brunswick, employees of the Board with a minimum of five continuous years of service are entitled to two weeks of salary for every year of service up to a maximum of 25 years.

7. CONTINGENT LIABILITY

The Board has been notified of a potential legal action by a former employee. Legal counsel and management are unable to assess the Board's potential liability, if any, resulting from this potential action. Any settlement will be reflected as a charge to income in the year incurred.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

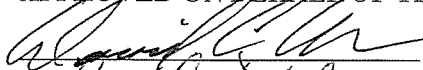
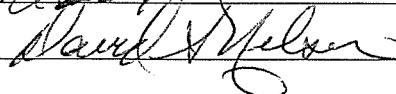
REGULATION OF NATURAL GAS

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT		
Cash (Notes 1 and 2)	\$ 263,024	\$ 84,394
Accounts receivable (Notes 2 and 4)	6,337	21,260
Prepaid expenses	<u>718</u>	<u>968</u>
	<u>270,079</u>	<u>106,622</u>
CAPITAL (Notes 1 and 5)	<u>75,241</u>	<u>74,198</u>
	<u>\$ 345,320</u>	<u>\$ 180,820</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 2)	\$ 17,193	\$ 37,644
Deferred revenue	<u>35,000</u>	<u>23,120</u>
	<u>52,193</u>	<u>60,764</u>
FUTURE EMPLOYEE BENEFITS (Notes 1 and 6)	<u>111,872</u>	<u>89,336</u>
SURPLUS		
SURPLUS	<u>181,255</u>	<u>30,720</u>
	<u>\$ 345,320</u>	<u>\$ 180,820</u>
COMMITMENT (Note 8)		
CONTINGENT LIABILITY (Note 9)		

APPROVED ON BEHALF OF THE BOARD:

 Chairman
 Vice-Chairman

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF NATURAL GAS

STATEMENT OF OPERATIONS AND CHANGES IN SURPLUS

FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
REVENUE (Note 1)		
Assessment of natural gas distributors (Note 3)	\$ 413,770	\$ 453,947
Franchise fees submitted by Department of Natural Resources and Energy	336,964	271,570
Marketers' filing fees	-	4,502
Interest and other income	<u>14,843</u>	<u>8,508</u>
	765,577	738,527
DIRECT EXPENSES (Note 1)	<u>107,362</u>	<u>222,498</u>
	<u>658,215</u>	<u>516,029</u>
COMMON EXPENSES		
Salaries and benefits	360,865	518,644
Office and administration	67,406	61,867
Training	25,454	26,255
Library and publications	1,872	2,965
Computer maintenance	19,549	2,713
Professional fees	4,034	4,367
Vehicle operating and maintenance	24,195	24,203
Amortization	<u>21,054</u>	<u>20,846</u>
	<u>524,429</u>	<u>661,860</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	133,786	(145,831)
SURPLUS AT BEGINNING OF YEAR	<u>30,720</u>	<u>176,551</u>
	164,506	30,720
TRANSFER OF SURPLUS FROM AUTOMOBILE INSURANCE FUND (Note 7)	<u>16,749</u>	<u>-</u>
SURPLUS AT END OF YEAR	<u>\$ 181,255</u>	<u>\$ 30,720</u>

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF NATURAL GAS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
CASH PROVIDED BY (USED IN)		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 133,786	\$ (145,831)
Items not involving cash		
Amortization	21,054	20,846
Gain on sale of capital assets	<u>(2,000)</u>	<u>-</u>
	152,840	(124,985)
Changes in non-cash working capital balances		
Accounts receivable	14,923	(16,971)
Prepaid expenses	250	(750)
Deferred future employee benefits	-	29,916
Accounts payable and accrued liabilities	(20,451)	19,610
Deferred revenue	11,880	9,965
Future employee benefits	<u>22,536</u>	<u>55,146</u>
	<u>181,978</u>	<u>(28,069)</u>
Investing activities		
Purchase of capital assets	(22,097)	(19,160)
Proceeds on disposal of capital assets	<u>2,000</u>	<u>-</u>
	<u>(20,097)</u>	<u>(19,160)</u>
Financing activities		
Capital assets transferred from Automobile Insurance Fund	(16,749)	-
Capital assets transferred to Electric Utilities Fund	16,749	-
Surplus transferred from Automobile Insurance Fund	<u>16,749</u>	<u>-</u>
	<u>16,749</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	178,630	(47,229)
CASH AT BEGINNING OF YEAR	<u>84,394</u>	<u>131,623</u>
CASH AT END OF YEAR	\$ <u>263,024</u>	\$ <u>84,394</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	\$ 12,843	\$ 8,258

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF NATURAL GAS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash

One bank account is maintained by the Board. The balance of this account is allocated between each of the regulatory divisions of the Board based on actual transactions.

Capital Assets

Capital assets are recorded at cost. Minor expenditures for furniture and fixtures are expensed in the year of acquisition. Amortization is being provided for using the straight-line method at the following annual rates:

Computer equipment	33 1/3%
Safety vehicles	20%
Vehicle	20%
Leasehold improvements	10%

Revenue Recognition

The Board records revenue on an accrual basis once collection is reasonably assured.

Allocations

Certain amounts in the statement of financial position and statement of operations have been allocated between the Board's three areas of regulatory responsibility based on management's best judgment and actual activity during the year.

Direct Expenses

Direct expenses include hearing costs, travel, training, safety costs and other out of pocket expenses directly attributable to a specific area of regulatory responsibility.

Statement of Cash Flows

For the purpose of the statement of cash flows, the Board considers cash on hand and balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash or cash equivalents.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF NATURAL GAS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

2. FINANCIAL INSTRUMENTS

The Board of Commissioners of Public Utilities of the Province of New Brunswick's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

3. ASSESSMENT OF NATURAL GAS DISTRIBUTORS

In accordance with Section 87 of the Natural Gas Distribution Act, natural gas distributors are assessed each year for their individual direct expenses together with their share of common expenses as determined by the Board. Fees paid by single end use franchisees to the Department of Natural Resources and Energy were submitted by the Department to the Board to be used to reduce common expenses for regulation of natural gas. Assessments are adjusted to include the audited surplus or deficit from the prior year.

	<u>2006</u>	<u>2005</u>
Estimate of common expenses	\$ 728,454	\$ 822,568
Less: estimate of interest income	(8,000)	(8,000)
Less: amounts from Department of Natural Resources and Energy	<u>(336,964)</u>	<u>(271,570)</u>
Estimate of net common expenses	383,490	542,998
Estimate of direct expenses	<u>61,000</u>	<u>87,500</u>
	444,490	630,498
Surplus from prior year	<u>(30,720)</u>	<u>(176,551)</u>
Assessment of natural gas distribution	<u>\$ 413,770</u>	<u>\$ 453,947</u>

4. ACCOUNTS RECEIVABLE

	<u>2006</u>	<u>2005</u>
Accounts receivable	\$ -	\$ 10,686
HST receivable	6,337	9,949
Travel advances	<u>-</u>	<u>625</u>
	<u>\$ 6,337</u>	<u>\$ 21,260</u>

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF NATURAL GAS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

5. CAPITAL ASSETS

	<u>2006</u>			<u>2005</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 38,431	\$ 34,375	\$ 4,056	\$ 4,471
Safety vehicles	77,149	43,468	33,681	23,950
Vehicle	6,737	3,866	2,871	4,218
Leasehold improvements	<u>69,265</u>	<u>34,632</u>	<u>-</u>	<u>41,559</u>
	<u>\$ 191,582</u>	<u>\$ 116,341</u>	<u>\$ 75,241</u>	<u>\$ 74,198</u>

6. FUTURE EMPLOYEE BENEFITS

Pension Plan

The Board and its employees participate in a contributory defined benefit pension plan administered by the Province of New Brunswick under the Public Service Superannuation Act. The plan provides pensions to employees of the Provincial Government and certain Crown Corporations and agencies based on the length of service and highest successive five year average salary. As disclosed in the Province's March 31, 2005 financial statements, the pension plan has a net actuarial surplus. Any short fall in the funding of the plan is guaranteed by the Province of New Brunswick, which is the sponsor of the plan.

Retiring Allowances

Following the guidelines set forth by the Province of New Brunswick, employees of the Board with a minimum of five continuous years of service are entitled to two weeks of salary for every year of service up to a maximum of 25 years.

7. REGULATION OF AUTOMOBILE INSURERS

In September 2004, the Province of New Brunswick enacted legislation to establish the New Brunswick Insurance Board. Consequently, effective April 1, 2005, the Board is no longer responsible for the regulation of automobile insurers. The surplus of \$93,669 less the unfunded portion of the net capital assets, was transferred to the New Brunswick Insurance Board during the year. The remaining net capital assets were transferred to the Electric Utilities and Natural Gas funds.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES OF THE
PROVINCE OF NEW BRUNSWICK**

REGULATION OF NATURAL GAS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

8. COMMITMENT

The Board has entered into a lease of its office premises for a ten year period commencing March 1, 2001. This cost is allocated between the divisions of the Board as described in Note 1.

The minimum annual lease payments due within the next five years are as follows:

2007	\$	126,112
2008		149,923
2009		149,923
2010		149,923
2011		149,923

9. CONTINGENT LIABILITY

The Board has been notified of a potential legal action by a former employee. Legal counsel and management are unable to assess the Board's potential liability, if any, resulting from this potential action. Any settlement will be reflected as a charge to income in the year incurred.

Financial Statements of

FOREST PROTECTION LIMITED

March 31, 2006

Deloitte & Touche LLP



Deloitte & Touche LLP
Brunswick House
44 Chipman Hill, 7th Floor
P.O. Box 6549
Saint John NB E2L 4R9
Canada
Tel: (506) 632-1080
Fax: (506) 632-1210
www.deloitte.ca

Auditors' Report

To the Shareholders,
Forest Protection Limited

We have audited the balance sheet of Forest Protection Limited as at March 31, 2006 and the statements of operations and unrestricted net assets (deficit), changes in net investment in capital assets, business opportunity fund, net assets internally restricted for equipment replacement 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 financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2006 and the results of its operations, the changes in net investment in capital assets, business opportunity fund, net assets internally restricted for equipment replacement and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


Chartered Accountants

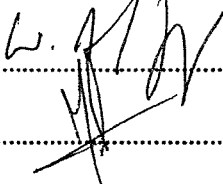
April 28, 2006

FOREST PROTECTION LIMITED**Balance Sheet**

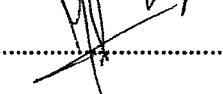
as at March 31, 2006

	2006	2005
CURRENT ASSETS		
Cash	\$ 165,488	\$ 230,748
Accounts receivable	81,610	117,053
Inventories	845,958	801,794
	1,093,056	1,149,595
CAPITAL ASSETS (Note 2)	11,305,174	11,907,936
	\$ 12,398,230	\$ 13,057,531
CURRENT LIABILITIES		
Operating loans (Note 3)	\$ -	\$ 833,333
Accounts payable	298,262	194,701
Deferred revenue	512,491	275,157
Current portion of capital lease obligation (Note 4)	13,701	12,475
	824,454	1,315,666
RESERVE FOR RETIRING ALLOWANCE (Note 5)	61,844	60,572
CAPITAL LEASE OBLIGATION (Note 4)	307,971	321,672
EQUITY		
Capital stock (Note 6)	2,000	2,000
Contributed surplus	715,888	715,888
Net investment in capital assets	10,983,498	11,573,785
Business opportunity fund	100,000	200,000
Net assets internally restricted for equipment replacement	(535,581)	(1,071,480)
Unrestricted net assets (deficit)	(61,844)	(60,572)
	11,203,961	11,359,621
	\$ 12,398,230	\$ 13,057,531

APPROVED BY THE BOARD



 Director



 Director

FOREST PROTECTION LIMITED**Statement of Operations and Unrestricted Net Assets (Deficit)**

year ended March 31, 2006

	2006	2005
REVENUES		
Contributions from owners		
Province of New Brunswick	\$ 2,645,245	\$ 2,710,474
Industry	345,261	425,055
Other revenue	2,265,144	2,023,229
Interest - Operating account	5,633	6,045
	5,261,283	5,164,803
OPERATING EXPENSES (Note 7)		
Overhead	859,319	833,708
Pest control	279,418	434,709
Fire suppression	2,311,566	2,287,798
Research and development	1,194,810	887,685
Business opportunity	88,087	-
	4,733,200	4,443,900
OTHER		
Interest expense	7,445	34,378
Amortization of capital assets	687,969	676,448
Reserve for retiring allowance	1,272	2,386
Sale of aircraft parts	(12,943)	(2,798)
Gain on disposal of capital assets - operating	-	(5,293)
Gain on disposal of TBMs	-	(252,168)
	683,743	452,953
EXCESS OF (EXPENSES OVER REVENUES) REVENUES OVER EXPENSES	(155,660)	267,950
UNRESTRICTED NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	(60,572)	326,205
	(216,232)	594,155
Transfer from net investment in capital assets	590,287	505,568
Transfer from (to) net assets internally restricted for Business opportunity fund	100,000	(200,000)
Transfer from (to) net assets internally restricted for equipment replacement	(535,899)	(960,295)
UNRESTRICTED NET ASSETS (DEFICIT) AT END OF YEAR	\$ (61,844)	\$ (60,572)

FOREST PROTECTION LIMITED**Statement of Changes in Business Opportunity Fund**

year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
BUSINESS OPPORTUNITY FUND		
Balance at beginning of year	\$ 200,000	\$ -
Transfers from (to) unrestricted operations:		
Expenses net	(86,430)	-
Current year allocation	(13,570)	200,000
	<u>(100,000)</u>	<u>200,000</u>
Balance at end of year	\$ 100,000	\$ 200,000

FOREST PROTECTION LIMITED**Statement of Changes in Net Assets**

year ended March 31, 2006

	2006	2005
NET INVESTMENT IN CAPITAL ASSETS		
Balance at beginning of year	\$ 11,573,785	\$ 12,079,353
Transfers from (to) unrestricted operations:		
Acquisition of capital assets	85,207	159,528
Principal portion of capital lease	12,475	11,352
Proceeds on disposed or retired assets	-	(5,293)
Amortization of capital assets	(687,969)	(676,448)
Gain on disposal of capital assets	-	5,293
	(590,287)	(505,568)
Balance at end of year	\$ 10,983,498	\$ 11,573,785

FOREST PROTECTION LIMITED**Statement of Changes in Net Assets**

year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
NET ASSETS INTERNALLY RESTRICTED FOR EQUIPMENT REPLACEMENT		
Balance at beginning of year	\$ (1,071,480)	\$ (2,031,775)
Transfers (to) from unrestricted operations:		
Transfer of Unrestricted Net Assets	530,401	739,707
Sale of TBMs	-	252,168
Sale of aircraft parts	12,943	2,798
Interest expense	(7,445)	(34,378)
	<u>535,899</u>	<u>960,295</u>
Balance at end of year	\$ (535,581)	\$ (1,071,480)

FOREST PROTECTION LIMITED**Statement of Cash Flows**

year ended March 31, 2006

	2006	2005
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of (expenses over revenues)		
revenues over expenses	\$ (155,660)	\$ 267,950
Amortization of capital assets	687,969	676,448
Retirement allowance	1,272	2,386
Gain on disposal of capital assets	-	(5,293)
Changes in non-cash operating working capital items:		
Accounts receivable	35,443	95,718
Prepaid expenses	-	17,663
Inventories	(44,164)	(5,936)
Accounts payable	103,561	(92,384)
Deferred revenue	237,334	(28,677)
	<u>865,755</u>	<u>927,875</u>
FINANCING		
Decrease in operating loans	(833,333)	(505,834)
Capital lease obligation repayment	(12,475)	(11,352)
	<u>(845,808)</u>	<u>(517,186)</u>
INVESTING		
Acquisition of capital assets	(85,207)	(159,528)
Proceeds on sale of capital assets	-	5,293
	<u>(85,207)</u>	<u>(154,235)</u>
NET CASH (OUTFLOW) INFLOW	(65,260)	256,454
CASH POSITION, BEGINNING OF YEAR	230,748	(25,706)
CASH POSITION, END OF YEAR	\$ 165,488	\$ 230,748

FOREST PROTECTION LIMITED

Notes to the Financial Statements

year ended March 31, 2006

1. ACCOUNTING POLICIES

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

Operations and net investment in capital assets

- a. The Company is an organization that carries out pest control, fire suppression and research and development programs comprised predominantly of forest protection activities. The costs of the pest control programs, including all overhead expenditures, are shared between various owners, including, the Province of New Brunswick and other organizations on the basis of approved cost sharing formulas. Costs directly attributable to fire suppression activities are recovered directly from the Province of New Brunswick and other jurisdictions. The net cost of research and development activities, after deducting revenues received, is recovered on the basis of a separate approved cost sharing formula. The Company is not taxable in Canada under section 149(1)(l) of the Income Tax Act.
- b. Program expenditures include all costs incurred during the year, including the cost of property, plant and equipment and inventories consumed during the year. Costs funded are reduced by proceeds on disposal of capital assets, except for aircraft sales, which are transferred to Net Assets Internally Restricted for Equipment Replacement.
- c. Capital assets on hand at the year end are recorded in the financial statements as Net Investment in Capital Assets.
- d. Inventories acquired up to October 31, 1975 are valued at historical cost, if determinable, or at an estimated replacement value at that date. Inventories acquired after October 31, 1975 are valued at acquisition cost. Consumable supplies, except for pesticides, aviation fuel and lubricants, on hand at the end of each year are not included in the inventory balance.
- e. Land and buildings acquired before October 31, 1975, are recorded at estimated cost. All other capital assets, including buildings acquired subsequent to October 31, 1975 are valued at cost.
- f. Amortization of property, plant and equipment is calculated as follows:

Building and mobile homes	-	10% straight-line
Aircraft	-	4% straight-line
Equipment	-	20% straight-line

Net assets internally restricted

- g. By authority of the Board of Directors, the following sources of funds are to be transferred to this account for the purpose of replacing the Company's equipment:
 - proceeds received from aircraft sales; and
 - operating surpluses arising from unrestricted operations.

FOREST PROTECTION LIMITED**Notes to the Financial Statements**

year ended March 31, 2006

1. ACCOUNTING POLICIES (continued)*Net assets internally restricted (continued)*

- h. By authority of the Board of Directors, the Company has established a business opportunity fund. New business opportunity expenses are allocated against the fund.

Statement of cash flows

For the purpose of the statement of cash flows, the Company considers cash on hand to be balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash or cash equivalents. Bank borrowings are considered to be financing activities.

Short-term investments

Discounts and premiums arising from the acquisition of short-term investments are amortized on a straight-line basis over the remaining term of the investment.

Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured.

2. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
			<u>2006</u>	<u>2005</u>
Land	\$ 75,000	\$ -	\$ 75,000	\$ 75,000
Building and mobile homes	741,645	324,173	417,472	482,748
Aircraft	12,943,419	2,379,661	10,563,758	11,034,107
Equipment	1,311,606	1,062,662	248,944	316,081
	<u>\$ 15,071,670</u>	<u>\$ 3,766,496</u>	<u>\$ 11,305,174</u>	<u>\$ 11,907,936</u>

3. OPERATING LOANS

The operating loans bear interest at rates ranging from Royal Bank Prime to Royal Bank Prime minus .55%.

FOREST PROTECTION LIMITED**Notes to the Financial Statements**

year ended March 31, 2006

4. CAPITAL LEASE OBLIGATION

Capital lease obligation consisted of the following at March 31:

	<u>2006</u>	<u>2005</u>
Capital lease obligation	\$ 321,672	\$ 334,147
Less current portion of capital lease obligation	(13,701)	(12,475)
Capital lease obligation, net of current portion	<u>\$ 307,971</u>	<u>\$ 321,672</u>

Future capital lease payments are as follows at March 31, 2006:

Year ending	
2007	\$ 43,200
2008	43,200
2009	43,200
2010	43,200
2011	43,200
2012 and thereafter	<u>336,618</u>
	<u>552,618</u>
Less amount representing interest	230,946
	<u>\$ 321,672</u>

5. RESERVE FOR RETIRING ALLOWANCE

The Company provides a retiring allowance for regular employees equal to one week's salary for each year of service, to a maximum of 25 weeks, payable upon retirement.

The amount represents the present value of the estimated liability for current employees based on a retirement age of 65.

6. CAPITAL STOCK

	<u>2006</u>	<u>2005</u>
Authorized		
500 common shares \$10 par value each		
Issued and outstanding		
200 common shares	<u>\$ 2,000</u>	<u>\$ 2,000</u>

FOREST PROTECTION LIMITED**Notes to the Financial Statements**

year ended March 31, 2006

7. OPERATING EXPENSES

	<u>2006</u>	<u>2005</u>
PROGRAM EXPENDITURES		
Salaries and wages	\$ 1,566,182	\$ 1,451,688
Employer contributions	215,830	193,492
Transportation and communications	308,928	263,294
Consultants' fees, legal fees, audit, contractual, services, insurance, etc.	1,042,075	926,717
Maintenance and repairs (contractual)	832,679	962,443
Rentals	148,801	166,646
Interest on capital lease	30,725	31,848
Pesticides, materials and supplies	587,980	447,772
Expenses charged to operations	4,733,200	4,443,900
Principal portion of capital lease	12,475	11,352
Capitalized - capital assets	85,207	159,528
Total program expenditures	\$ 4,830,882	\$ 4,614,780

PROGRAM EXPENDITURES BY OPERATIONAL DIVISION

Overhead expenditures	\$ 859,319	\$ 833,708
Business opportunity	88,087	-
Pest control expenditures	279,418	434,709
Research and development expenditures	1,194,810	887,685
Fire suppression - operational	2,311,566	2,287,798
	\$ 4,733,200	\$ 4,443,900

8. PENSION LIABILITY

The Company maintains a defined contribution pension plan for regular and contracted employees. The Company's contribution to the plan for fiscal 2006 was \$39,333 (2005 - \$37,599).

9. STATEMENT OF CASH FLOWS ADDITIONAL INFORMATION

During the year, the Company received and paid the following:

	<u>2006</u>	<u>2005</u>
	\$	\$
Interest received	5,633	6,045
Interest paid	38,170	34,378

Deloitte

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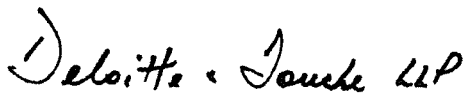
Additional Information

The Directors,
Forest Protection Limited

We have completed our examination of the financial statements of Forest Protection Limited for the year ended March 31, 2006. Our report to the shareholders dated April 28, 2006 describes the scope of our examination and opinion. The following schedule is included for your reference but is not necessary for a fair presentation of the financial position and the results of operations of the Company:

Schedule of Revenue and Expenditure by Department

Our examination was intended to enable us to form an opinion on the financial statements as a whole and was not such as to enable us to express an opinion on all the details contained in this schedule.



Chartered Accountants

April 28, 2006

FOREST PROTECTION LIMITED
Schedule of Revenue and Expenditure by Department
 year ended March 31, 2006

Department Number	Department	Total Annual Budget	Total Revenue to Date	Expenditures	Financial Statement Presentation Entries	Total Expenditures	Principal Payment on Capital Lease	Capital Expenses
10	Administration	\$ 815,200	\$ 790,989	\$ 875,217	\$ (15,898)	\$ 859,319	\$ -	\$ 15,898
30	Firebombing	1,645,000	1,662,490	1,657,179	(57,559)	1,599,620	12,475	45,084
31	Birding	335,700	336,801	299,128	(15,624)	283,504	-	15,624
33	Fire Supp. BC	120,000	-	-	-	-	-	-
34	Fire Supp. Idaho	410,000	920,755	428,442	-	428,442	-	-
35	Africa	80,000	-	-	-	-	-	-
40	Surveys & Assessment	146,200	146,207	144,056	-	144,056	-	-
41	Aerial Treatment (Herb. - D.N.R.)	56,600	64,025	65,575	-	65,575	-	-
44	Other (NS/ON/DND)	60,000	-	-	-	-	-	-
45	Bowater - Herbicide	55,300	56,467	63,659	-	63,659	-	-
46	UPM- Herbicide	30,000	-	-	-	-	-	-
48	FPL/NRCar/UNB Windtunnel	20,000	-	6,128	-	6,128	-	-
50	Business Opportunity	400,000	1,657	88,087	-	88,087	-	-
600-800	R. & D Projects	900,000	1,281,892	1,203,411	(8,601)	1,194,810	-	8,601
	Overall Totals	\$ 5,074,000	\$ 5,261,283	\$ 4,830,882	\$ (97,682)	\$ 4,733,200	\$ 12,475	\$ 85,207

Equipment Replacement Fund

Balance ERF March 31, 2005	\$ (1,071,480)
Loan Interest	(7,445)
A/C Parts Sale Profit	13,268
Misc. Cost on sold TBM's	(325)
Balance ERF March 31, 2006	<u>(1,065,982)</u>
Transfer from Unrestricted Net Assets	530,401
	<u><u>(535,581)</u></u>

*Administration Fees 15%: \$33,500. R&D: \$64,266 Fire USA

FINANCIAL STATEMENTS

KINGS LANDING CORPORATION

31 MARCH 2006

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

The Chairperson and Directors
Kings Landing Corporation
Prince William, New Brunswick

I have audited the statement of financial position of Kings Landing Corporation as at 31 March 2006 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 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 2006 and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Michael Ferguson".

Michael Ferguson, CA
Auditor General

Fredericton, N.B.
9 May 2006

**KINGS LANDING CORPORATION
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
ASSETS		
Current assets		
Cash	\$ 58,030	\$ 30,646
Short term investments	205,280	5,270
Accounts receivable	93,837	18,031
Prepaid expenses	20,888	23,449
Inventories (Note 1(c))	98,482	76,023
	<u>476,517</u>	<u>153,419</u>
Kings Landing Collection (Note 1(d))	1	1
Capital assets, net (Note 1(e))	1,994,169	2,026,767
	<u>\$ 2,470,687</u>	<u>\$ 2,180,187</u>

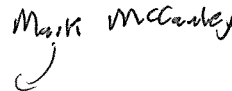
LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued liabilities	\$ 119,566	\$ 62,373
Working capital advance payable	200,000	-
Deferred revenue	6,473	6,677
Deferred revenue - workforce adjustment	36,266	54,283
	<u>362,305</u>	<u>123,333</u>
Deferred contributions related to capital assets (Note 1(g))	<u>1,941,923</u>	<u>1,994,887</u>
Net assets		
Net assets invested in capital assets	52,247	31,881
Unrestricted net assets	114,212	30,086
	<u>166,459</u>	<u>61,967</u>
	<u>\$ 2,470,687</u>	<u>\$ 2,180,187</u>

Approved by the Board


Chairperson

Director



**KINGS LANDING CORPORATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED FOR THE YEAR ENDED 31 MARCH 2006**

	Budget 2006 (Note 3)	Actual 2006	Actual 2005
REVENUE			
Admissions	\$ 309,800	\$ 300,423	\$ 307,714
Emporium	219,695	168,196	189,178
Food services	474,500	451,470	452,748
Education	86,085	78,960	80,887
Other operating revenue	78,660	67,339	85,751
	<u>1,168,740</u>	<u>1,066,388</u>	<u>1,116,278</u>
Grants			
Provincial operating	1,375,500	1,383,872	1,363,300
Provincial capital	75,000	32,833	31,863
Workforce adjustment	-	18,016	84,523
Marketing Grants	-	144,082	4,212
Employment programs	19,955	44,995	34,287
Built Heritage Program	25,000	25,000	-
Amortization of deferred contributions (Note 1(g))	-	98,184	101,184
	<u>1,495,455</u>	<u>1,746,982</u>	<u>1,619,369</u>
	<u>2,664,195</u>	<u>2,813,370</u>	<u>2,735,647</u>
EXPENSE			
Interpretation			
Interpretation	571,989	622,373	553,675
Education	82,965	63,576	56,222
Emporium	166,412	166,674	176,222
	<u>821,366</u>	<u>852,623</u>	<u>786,119</u>
Curatorial			
Maintenance	398,171	321,979	342,936
Security	171,559	160,046	159,820
Curatorial	248,766	180,154	224,880
	<u>818,496</u>	<u>662,179</u>	<u>727,636</u>
Visitor services	117,777	122,128	121,459
Public relations	196,248	349,179	185,428
Administration	257,324	247,034	261,288
Food services	387,061	357,891	371,265
Amortization	-	99,828	102,836
Workforce adjustment	35,000	18,016	84,523
	<u>993,410</u>	<u>1,194,076</u>	<u>1,126,799</u>
	<u>2,633,272</u>	<u>2,708,878</u>	<u>2,640,554</u>
EXCESS OF REVENUE OVER EXPENSE	<u>\$ 30,923</u>	<u>\$ 104,492</u>	<u>\$ 95,093</u>

**KINGS LANDING CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED FOR THE YEAR ENDED 31 MARCH 2006**

	Net assets			
	Invested in	Unrestricted	Total	Total
	Capital	Net Assets	2006	2005
	Assets			
Balance, beginning of year	\$ 31,881	\$ 30,086	\$ 61,967	\$ (33,124)
Investment in capital assets	22,010	(22,010)	-	-
Excess of revenue over expense	(1,644)	106,136	104,492	95,091
Balance, end of year	<u>\$ 52,247</u>	<u>\$ 114,212</u>	<u>\$ 166,459</u>	<u>\$ 61,967</u>

**KINGS LANDING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
CASH PROVIDED BY (USED FOR):		
Operating activities		
Excess of revenue over expense	\$ 104,492	\$ 95,093
Add items not involving cash:		
Amortization	99,828	102,836
Amortization of deferred contributions	(98,184)	(101,184)
Decrease (increase) of non-cash components of working capital	(56,729)	48,791
	<u>49,407</u>	<u>145,536</u>
Financing and investing activities:		
Purchases of capital assets	(67,233)	(324,535)
Government grant for purchase of capital assets	45,220	324,535
Working capital advance payable	200,000	-
	<u>177,987</u>	<u>-</u>
INCREASE IN CASH	227,394	145,536
Cash and short term investments, beginning of year	<u>35,916</u>	<u>(109,620)</u>
Cash and short term investments, end of year	<u>\$ 263,310</u>	<u>\$ 35,916</u>
Cash	\$ 58,030	\$ 30,646
Short term investments	<u>205,280</u>	<u>5,270</u>
Cash and short term investments, end of year	<u>\$ 263,310</u>	<u>\$ 35,916</u>

**KINGS LANDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

1. Summary of significant accounting policies

(a) General comments on operations

Kings Landing Corporation is a provincial Crown agency incorporated by an Act of the New Brunswick Legislature. The Corporation serves the people of New Brunswick and visitors to the province by operating a living historical village as a dynamic, progressive outdoor museum.

(b) Revenue recognition

Kings Landing Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Inventories

Inventories are valued at the lower of cost and net realizable value, and comprise the following:

	2006	2005
Emporium	\$ 60,642	\$ 60,533
Less: Provision for obsolescence	(12,339)	(12,339)
	<u>48,303</u>	<u>48,194</u>
Fabrics	8,118	6,169
Food and liquor	39,304	19,309
Other	2,757	2,351
	<u>\$ 98,482</u>	<u>\$ 76,023</u>

(d) Kings Landing Collection

The Kings Landing Collection is composed of some 70 major historical structures and thousands of individual artifacts from the period between 1780 and 1900. The structures and artifacts are not replaceable as each piece represents a unique aspect of New Brunswick history. In recognition of this, the collection is valued at \$1 and individual pieces purchased by the Corporation are expensed in the year of acquisition. Similarly, costs of maintaining the collection are expensed as incurred. During the year, artifacts worth an estimated \$84,581 (2005 - \$163,368) were donated.

**KINGS LANDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

1. Summary of significant accounting policies - continued

(e) Other capital assets

Purchased or contributed capital assets, except those of a historical nature, are recorded at cost or appraised value where cost is not determinable. Amortization is recorded using a fixed percentage on the declining balance method. The exception is the sewage treatment plant which is amortized on a straight line basis over thirty years, the estimated useful life of the asset.

Kings Landing Corporation has 91.5 acres of land spread on both sides of the St. John River. Approximately 40 acres are used for site purposes. Because its purpose is to serve as a site for the collection, the land has been recorded at a value of \$1.

Details of capital assets are as follows:

	Amortization Rate	2006	2005
Land		\$ 1	\$ 1
Buildings	5%	2,283,549	2,245,367
Computers and software	20%	20,993	10,000
Operating equipment	10%	-	25,963
Auto equipment	20%	67,203	108,694
Sewage treatment plant	30 years	529,032	520,979
		<u>2,900,778</u>	<u>2,911,003</u>
Less: Accumulated amortization		(906,609)	(884,236)
Total capital assets, net		<u>\$ 1,994,169</u>	<u>\$ 2,026,767</u>

(f) Contributed services

Volunteers contribute about 3,000 hours per year to assist Kings Landing Corporation in carrying out its activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(g) Deferred contributions related to capital assets

Deferred contributions related to capital assets represent capital assets which are not part of the historical collection and were donated to Kings Landing Corporation. These contributions are amortized on the same basis as the assets to which they relate. The changes in the deferred contributions balance of the period are as follows:

	2006	2005
Beginning balance	\$ 1,994,887	\$ 1,771,536
Additional grants	45,220	324,535
Less amounts amortized to revenue	(98,184)	(101,184)
Ending balance	<u>\$ 1,941,923</u>	<u>\$ 1,994,887</u>

**KINGS LANDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

2. Income tax status

The Corporation is a registered charitable organization under the Income Tax Act and is able to issue donation receipts for income tax purposes. In order to maintain its status, the Corporation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

3. Budget

The budget figures, as shown in the statement of operations, have been approved by the Board of Directors of the Corporation. They have not been audited.

4. Commitment

The Board of Directors of the Corporation is committed to taking remedial action to maintain the useful life of a building that contains asbestos. Artifacts and equipment have been stored in the building. The estimated cost of this project is \$300,000.

5. Comparative figures

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

FINANCIAL STATEMENTS

LOTTERIES COMMISSION OF NEW BRUNSWICK

31 MARCH 2006



AUDITOR'S REPORT

To the Members of the
Lotteries Commission of New Brunswick

I have audited the balance sheet of the Lotteries Commission of New Brunswick as at 31 March 2006 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'M. Ferguson', with a long horizontal flourish extending to the right.

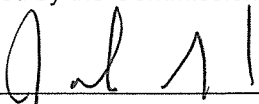
Michael Ferguson, CA
Auditor General

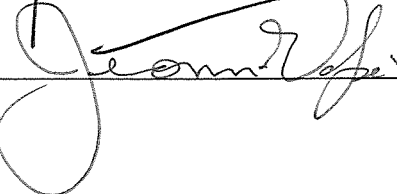
Fredericton, N. B.
21 July 2006

**LOTTERIES COMMISSION OF NEW BRUNSWICK
BALANCE SHEET
31 MARCH 2006**

	2006	2005
ASSETS		
Current assets		
Due from Atlantic Lottery Corporation Inc.	\$ 644,458	\$ 211,906
Other assets		
Investment in share capital of Atlantic Lottery Corporation Inc.	100	100
Investment in share capital of Interprovincial Lottery Corporation	1	1
	<u>101</u>	<u>101</u>
	<u>\$ 644,559</u>	<u>\$ 212,007</u>
LIABILITIES AND CONTRIBUTED SURPLUS		
Current liabilities		
Due to Province of New Brunswick (Note 4)	\$ 644,458	\$ 211,906
Contributed surplus (Note 2)	101	101
	<u>\$ 644,559</u>	<u>\$ 212,007</u>

Approved by the Commission


 _____ Member


 _____ Member

**LOTTERIES COMMISSION OF NEW BRUNSWICK
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2006**

	2006		2005
	Budget	Actual	Actual
REVENUE			
Share of net profit of Atlantic Lottery Corporation Inc. (Note 1)	\$ 124,100,000	\$ 117,554,662	\$ 122,744,669
Other revenue (Note 3)	25,000	23,875	24,510
	<u>124,125,000</u>	<u>117,578,537</u>	<u>122,769,179</u>
EXPENDITURE			
To the Province of New Brunswick (Note 1)			
Ordinary account revenue	120,586,000	107,921,709	114,812,366
Sport Development Trust Fund	500,000	500,000	500,000
Arts Development Trust Fund	700,000	700,000	700,000
Agreements with First Nations	-	6,076,797	4,348,446
Commission inspection expenses	1,137,000	1,180,450	1,206,426
Administrative costs	175,000	175,000	175,000
Department of Health and Wellness (Gambling addiction; education and treatment)	757,000	757,000	757,000
Department of Finance	270,000	267,581	269,941
	<u>124,125,000</u>	<u>117,578,537</u>	<u>122,769,179</u>
EXCESS OF REVENUE OVER EXPENDITURE	\$ -	\$ -	\$ -

**LOTTERIES COMMISSION OF NEW BRUNSWICK
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006**

1. Summary of significant accounting policies

New Brunswick's share of Atlantic Lottery Corporation Inc. profit

The profit of Atlantic Lottery Corporation Inc. is distributed to each of the four Atlantic Provinces or their lottery agencies. The Lotteries Commission of New Brunswick's share for the current year represents the calculated profit of the Atlantic Lottery Corporation in New Brunswick as determined by the Amended and Restated Unanimous Shareholders' Agreement signed August 8, 2000.

Payments to the Province of New Brunswick

The Lotteries Commission of New Brunswick remits the profits it receives from Atlantic Lottery Corporation Inc. to the Province of New Brunswick.

The profits from certain types of lotteries have been designated as revenue for specific trust funds operated by the Province of New Brunswick. Annual lottery profits designated for the Arts and Sport Development Trust Funds have each been set by the Province at a minimum of seven hundred thousand dollars and five hundred thousand dollars respectively.

The Lotteries Act provides that the First Nations may be paid 95% of all profits received from the Atlantic Lottery Corporation Inc. for the operation of video lottery on reserves having agreements with the Province. Where these agreements are in place the Province also rebates all provincial earnings from the sale of breakopen tickets sold on reserves. As of 31 March 2006, eight First Nations have signed agreements involving lottery revenues. In order for the First Nations to receive profits from the Lotteries Commission of New Brunswick, the agreements must be activated and the reserve must have a gaming commission. During the year, there were five active agreements with reserves having gaming commissions: Woodstock, St. Mary's, Elsipogtog, Oromocto and Burnt Church. Subsequent to year end, an agreement was signed with Eel River Bar. The agreement is retroactive for the 2005/2006 year and the repayments for that year are included in these financial statements.

Investments

The New Brunswick government does not operate any lottery but the Province is a shareholder in Atlantic Lottery Corporation Inc. and in the Interprovincial Lottery Corporation. Atlantic Lottery Corporation Inc. is a jointly-owned corporation of the four Atlantic provinces and is responsible to develop, organize, undertake, conduct and manage lotteries in Atlantic Canada. Atlantic Lottery Corporation Inc. also markets and handles regionally the products of the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is a corporation jointly owned by the ten Canadian provinces.

The investments in Atlantic Lottery Corporation Inc. and Interprovincial Lottery Corporation are carried at cost. Net profits of these corporations are distributed annually to the shareholders.

**LOTTERIES COMMISSION OF NEW BRUNSWICK
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006**

2. Contributed surplus

This amount represents funds paid by the Province of New Brunswick on behalf of the Lotteries Commission of New Brunswick to Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation in exchange for share capital.

3. Other revenue

The Province of New Brunswick requires that charitable/non-profit groups pay a small fee for their licenses for gaming activities such as bingo, raffles etc.

4. Statement of transactions with the Province of New Brunswick

	2006	2005
Current liability		
Balance, beginning of year	\$ 211,906	\$ 754,083
Income for the year	117,578,537	122,769,179
	<hr/>	<hr/>
Funds available to Province of New Brunswick	117,790,443	123,523,262
Less remittances during the year	117,145,985	123,311,356
Balance, end of year	<u>\$ 644,458</u>	<u>\$ 211,906</u>

5. Statement of cash flows

A statement of cash flows has not been prepared as the required cash flow information is readily apparent from the other financial statements.

FINANCIAL STATEMENTS

NEW BRUNSWICK

ADVISORY COUNCIL ON SENIORS

31 MARCH 2006

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Chair and Members
New Brunswick Advisory Council on Seniors

I have audited the balance sheet of the New Brunswick Advisory Council on Seniors as at 31 March 2006 and the statement of revenue, expense and surplus 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 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'K.D. Robinson'.

K.D. Robinson, CA
Deputy Auditor General

Fredericton, N.B.

7 June 2006

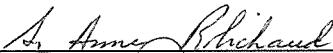
**NEW BRUNSWICK ADVISORY COUNCIL ON SENIORS
BALANCE SHEET
31 MARCH 2006**


	2006	2005
ASSETS		
Accounts receivable - Province of New Brunswick	\$ 234,211	\$ 191,141

LIABILITIES AND SURPLUS

Surplus	\$ 234,211	\$ 191,141
---------	------------	------------

Approved by the Council


_____ Chair


_____ Member

**NEW BRUNSWICK ADVISORY COUNCIL ON SENIORS
STATEMENT OF REVENUE, EXPENSE AND SURPLUS
FOR THE YEAR ENDED 31 MARCH 2006**

	2006 Budget	2006 Actual	2005 Actual
REVENUE			
Grants - Province of New Brunswick	\$ 209,917	\$ 209,917	\$ 204,146
EXPENSE			
Personal services	99,917	56,504	54,695
Other services	106,000	105,287	100,728
Materials and supplies	3,600	2,608	2,628
Property and equipment (Note 2)	400	2,448	7,202
	<u>209,917</u>	<u>166,847</u>	<u>165,253</u>
EXCESS OF REVENUE OVER EXPENSE	<u>\$ -</u>	43,070	38,893
Surplus, beginning of year		<u>191,141</u>	152,248
SURPLUS, end of year		<u>\$ 234,211</u>	<u>\$ 191,141</u>

**NEW BRUNSWICK ADVISORY COUNCIL ON SENIORS
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006**

1. Purpose of the organization

The Council, an organization for study and consultation, has a mission to advise government on questions of interest and concern to seniors in the Province. The Council was established under the New Brunswick Advisory Council on Seniors Act, which came into force on 1 April 2003.

2. Significant accounting policy

It is the policy of the Council to charge purchases of property and equipment to expense in the year in which the expenditure is incurred. These purchases consist mainly of computer and other office equipment.

3. Expenses not included in these financial statements

The Department of Finance has assumed responsibility for the costs of information technology services, human resource services and the financial administration of the Council.

Translation costs of \$8,070 are also provided by the Province and are not included in the Council's expenses.

4. Statement of cash flows

A statement of cash flows has not been prepared as the required cash flow information is readily apparent from the other financial statements.

5. Significant commitment

The Council is committed to the rental of its Fredericton office until 31 March 2009 at an annual cost of \$19,134.

FINANCIAL STATEMENTS

NEW BRUNSWICK

ADVISORY COUNCIL ON YOUTH

31 MARCH 2006

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Chairperson and Members
New Brunswick Advisory Council on Youth

I have audited the balance sheet of the New Brunswick Advisory Council on Youth as at 31 March 2006 and the statement of revenue, expense and surplus 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 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'K.D. Robinson'.

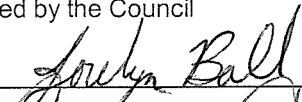
K.D. Robinson, CA
Deputy Auditor General

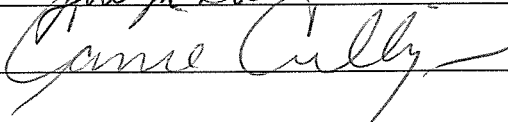
Fredericton, N.B.
27 September 2006

**NEW BRUNSWICK ADVISORY COUNCIL ON YOUTH
BALANCE SHEET
31 MARCH 2006**

	2006	2005
ASSETS		
Current Assets		
Accounts receivable	\$ 58,348	\$ 61,359
LIABILITIES AND SURPLUS		
Current liabilities		
Deferred revenue	\$ 41,287	\$ 20,474
Surplus	17,061	40,885
	<u>\$ 58,348</u>	<u>\$ 61,359</u>

Approved by the Council


 _____ Chairperson


 _____ Member

**NEW BRUNSWICK ADVISORY COUNCIL ON YOUTH
STATEMENT OF REVENUE, EXPENSE AND SURPLUS
FOR THE YEAR ENDED 31 MARCH 2006**

	2006 Budget	2006 Actual	2005 Actual
REVENUE			
Operating grant from the Province of New Brunswick	\$ 150,500	\$ 150,500	\$ 147,000
Other grants	-	13,040	7,094
Health Canada - Anti-tobacco	-	-	31,205
Rural dialogue follow-up	-	17,855	29,058
DHW Rock the Boat/Big Splash	-	9,174	-
Rock the Boat/Big Splash	-	13,840	-
DHW - Salaries	-	19,239	-
	<u>150,500</u>	<u>223,648</u>	<u>214,357</u>
EXPENSE			
Salaries and benefits	92,800	113,708	106,203
Travel and conference	18,900	22,709	23,446
Printing and photocopying	2,100	1,728	2,245
Telephone	7,600	6,908	8,080
Office expenses	9,650	18,470	14,308
Public relations and advertising	1,500	-	399
Honoraria	8,000	8,325	5,638
Furniture and equipment	4,000	1,569	8,624
Professional services	775	812	2,024
Translation	2,675	5,569	6,410
Rent	2,500	2,296	2,296
Repairs and maintenance	-	1,766	571
Miscellaneous	-	430	870
Health Canada - Anti-tobacco	-	-	31,205
Rural dialogue follow-up	-	17,855	35,260
DHW Rock the Boat/Big Splash	-	9,174	-
Rock the Boat/Big Splash	-	16,914	-
DHW - Salaries	-	19,239	-
	<u>150,500</u>	<u>247,472</u>	<u>247,579</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	<u>\$ -</u>	<u>(23,824)</u>	<u>(33,222)</u>
Surplus, beginning of year		40,885	74,107
SURPLUS, end of year		<u>\$ 17,061</u>	<u>\$ 40,885</u>

**NEW BRUNSWICK ADVISORY COUNCIL ON YOUTH
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006**

1. Purpose of the organization

The Council was established by a cabinet decision in May 1986 and the appointment of the Council was announced in March 1987. The Council began operations in May 1987.

The Council undertook a name change and reorganization upon proclamation of the *New Brunswick Advisory Council on Youth Act* on October 9, 2003. The New Brunswick Advisory Council on Youth is a provincial body established for study and consultation on matters relating to young people between the ages of 15 and 24.

2. Capital assets

It is the policy of the Council to charge all capital asset purchases to expense in the period in which the expenditure is incurred.

3. Expenses not included in the financial statements

The Department of Finance has assumed responsibility for costs of information technology services, human resource services and the financial administration of the Council.

The rental of the Council's office is paid for by the Province of New Brunswick and has not been included in the Council's expenses.

Translation costs of \$7,144 are also provided by the Province and are not included in the Council's expenses.

4. Statement of cash flows

A statement of cash flows has not been prepared as the required cash flow information is readily apparent from the other financial statements.

NEW BRUNSWICK ARTS BOARD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

(with comparative figures for March 31, 2005)

Audit Report
Balance Sheet
Statement of Income Operations
Statement of Cash Flow
Notes to Financial Statements

SANDY BREWER
CERTIFIED GENERAL ACCOUNTANT

1338 Highway 105
Douglas, NB E3A 7K4
Phone: 506-363-5105
Fax: 506-363-4634

AUDITOR'S REPORT

To the members of the "New Brunswick Arts Board"

I have audited the records of "New Brunswick Arts Board" as of March 31, 2006. I have carried out tests on these records that are normally carried out on a non-profit organization of this type.

I hereby state that, in my opinion, the attached statements present fairly the financial position of "New Brunswick Arts Board" as of March 31, 2006, in accordance with generally accepted accounting principles.

Sandy Brewer
Certified General Accountant

April 27, 2006
Douglas, NB

**NEW BRUNSWICK ARTS BOARD
AUDITED BALANCE SHEET
AS AT MARCH 31, 2006**

	2006	2005
ASSETS		
CURRENT		
Bank	\$ 37,381	\$ 1,850
HST receivable	6,300	12,027
Prepaid expenses	21,021	10,282
Accounts receivable	13,579	10,677
	78,281	34,836
INVESTMENTS (Note 3)	521,970	664,663
	\$ 600,251	\$ 699,499

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT		
Cheques in excess of funds on deposit	\$ -	\$ 34,480
Accounts payable and accrued liabilities	15,752	2,750
Employee deductions payable	5,983	63
	21,735	37,293
GRANTS & PROGRAMS PAYABLE (Note 6)	495,136	563,041
FUND BALANCES		
UNRESTRICTED	83,380	99,165
	\$ 600,251	\$ 699,499



Odette Snow
Secretary-Treasurer



Paul Daigle
Chairperson

NEW BRUNSWICK ARTS BOARD
AUDITED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2006

	2006	2005
REVENUES		
Excellence awards	\$ -	\$ 500
Arts Development Branch	-	52,325
Annual allocation	700,000	700,000
Special initiatives	256,544	-
Culture & sports secretariat	405,325	350,000
Other grants/revenue	19,622	12,802
Interest earned	17,995	13,426
Grants recovered	11,635	20,362
Expense reimbursement	-	8,851
	1,411,121	1,158,266
EXPENSES		
Capital assets (Note 4)	4,660	5,838
Salaries & benefits (Note 7)	234,291	243,880
Administration	75,179	77,574
Board & committee expenses	23,005	26,647
Jury expenses	44,199	39,631
Special initiatives	327,822	28,796
Excellence awards ceremonies	17,900	32,604
Grants & scholarships (Note 8)	699,850	699,971
	1,426,906	1,154,941
EXCESS OF REVENUES OVER EXPENSES	(15,785)	3,325
BEGINNING FUND BALANCE	99,165	100,213
PRIOR PERIOD ADJUSTMENTS (Note 9)	-	(4,373)
ENDING FUND BALANCE	\$ 83,380	\$ 99,165

*NEW BRUNSWICK ARTS BOARD
AUDITED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2006*

	2006	2005
CASH PROVIDED BY (USED IN) OPERATIONS		
Excess of revenues over expenses	\$ (15,785)	\$ 3,325
Add back:		
Changes in non-cash working capital	11,008	114,322
Prior period adjustments	-	(4,373)
Grants and programs payable	(67,905)	(95,528)
NET CASH PROVIDED IN OPERATING ACTIVITIES	(72,682)	17,746
NET CASH PROVIDED IN INVESTING ACTIVITIES		
Investments	142,693	14,389
INCREASE (DECREASE) IN CASH DURING THE YEAR	70,011	32,135
CASH POSITION, BEGINNING OF YEAR	(32,630)	(64,765)
CASH POSITION, END OF YEAR	\$ 37,381	\$(32,630)
CASH POSITION, END OF YEAR CONSISTS OF:		
Bank	\$ 37,381	\$ 1,850
Cheques in excess of funds on deposit	-	(34,480)
	\$ 37,381	\$ (32,630)

**NEW BRUNSWICK ARTS BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006**

1. GENERAL

The not-for-profit organization was a branch of the New Brunswick government until January 2000. At this time, the organization became an arm's length agency. The purpose of the not-for-profit organization is to provide grants and scholarships to qualifying individuals and organizations to enable them to perform various art functions.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles applied within the framework of the accounting policies summarized below.

Capital Assets

Capital assets are being expensed.

Revenue Recognition

Revenue is recognized when funds are committed from various organizations.

3. INVESTMENTS

The investment amount includes an amount deposited in a Money Market account as well as an amount invested in a short term investment with an annual interest rate of 2.39% and maturity date of March 30, 2006

	2006
Money market account	\$ 521,970
Short-term investment	-
	\$ 521,970

4. CAPITAL ASSETS

The following capital assets have been expensed:

	2006	2005
Office furniture	\$ -	\$ 520
Office equipment	4,660	5,318
	\$ 4,660	\$ 5,838

5. CONTRIBUTIONS

The not-for-profit organization is predominately funded by government. Contributions are received based on budgets presented to the government.

*NEW BRUNSWICK ARTS BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2006*

6. COMMITMENTS

The not-for-profit organization is committed to pay out previous years' grants and scholarships that were determined and authorized in previous years, as well as current year's commitments that were determined based on current programs. The total balance of these commitments is as follows:

GRANTS PAYABLE	<u>March 31, 2006</u>
Arts Builder – March 2002	5,916
Arts Builder – March 2003	20,000
Emerging Artists – April 2003	1,050
Arts Builder – September 2003	21,100
Creation/Documentation – October 2003	2,800
Emerging Artists – October 2003	1,050
Arts By Invitation – February 2004	527
Artist In Residence – February 2004	16,045
Arts Scholarships – February 2004	1,350
Presentation – February 2004	8,400
Aboriginal Arts – April 2004	6,000
Creation/Documentation – April 2004	10,120
Emerging Artists – April 2004	700
Creation/Documentation – October 2004	10,850
Emerging Artists – October 2004	3,150
Arts By Invitation – January 2005	619
Arts By Invitation – February 2005	397
Artist in Residence – February 2005	18,375
Arts Scholarships – February 2005	5,750
Presentation – February 2005	10,470
Professional Development – February 2005	3,000
Aboriginal Arts – April 2005	4,500
Creation/Documentation April 2005	40,576
Creation/Documentation October 2005	30,343
Arts By Invitation – December 2005	600
Arts by Invitation - May 2005	150
Arts by Invitation – August 2005	2,544
Arts By Invitation – September 2005	257
Arts By Invitation – October 2005	897
Aboriginal Arts – November 2005	600
School of The Arts – 2006	6,000
Excellence – 2006	20,000
Arts Scholarships – February 2006	58,000
Professional Development - February 2006	12,000
Artist in Residence – February 2006	80,000
Arts By Invitation – February 2006	2,400
Presentation – February 2006	88,000
Arts By Invitation – March 2006	<u>600</u>
	\$ <u>495,136</u>

*NEW BRUNSWICK ARTS BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2006*

7. SALARIES & BENEFITS

Executive salaries and benefits for the year ended March 31, 2006 were \$69,258 (\$67,799 for 2005).

8. GRANTS & SCHOLARSHIPS

This amount represents the total grants and scholarships awarded during the 2005-2006 fiscal year.

9. EXCESS OF EXPENSES OVER REVENUES

This over budget situation was planned and pre-approved by the board and government officials to be used for the second edition of the Atlantic Cultural Space Conference.

FINANCIAL STATEMENTS

**NEW BRUNSWICK CREDIT UNION
DEPOSIT INSURANCE CORPORATION**

31 DECEMBER 2005

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

The Chair and Directors
New Brunswick Credit Union Deposit Insurance Corporation

I have audited the balance sheet of the New Brunswick Credit Union Deposit Insurance Corporation as at 31 décembre 2005 and the statement of revenue, expenditure, and net assets 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 décembre 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

K. D. Robinson, CA
Deputy Auditor General

Fredericton, N.B.
3 April 2006

NEW BRUNSWICK CREDIT UNION DEPOSIT INSURANCE CORPORATION
BALANCE SHEET
31 DECEMBER 2005

	2005	2004
ASSETS		
Cash	\$ 13,250	\$ 14,929
Accounts receivable	323	401
Assets held in trust funds (Note 3)	2,800,277	2,763,055
	<u>\$ 2,813,850</u>	<u>\$ 2,778,385</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 382	\$ 328
Advances - stabilization boards (Note 2(a))	13,191	15,002
NET ASSETS OF THE DEPOSIT INSURANCE FUND (Note 6)	<u>2,800,277</u>	<u>2,763,055</u>
	<u>\$ 2,813,850</u>	<u>\$ 2,778,385</u>

Contingent liability (Note 4)

Approved by the Board

Robert Penny Chair

M. Paulette Moore Director

**NEW BRUNSWICK CREDIT UNION DEPOSIT INSURANCE CORPORATION
STATEMENT OF REVENUE, EXPENDITURE AND NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2005**

	<u>2005</u>	<u>2004</u>
REVENUE		
Contributions - Administrative expenses	\$ 1,811	\$ 2,779
Contributions - Deposit Insurance Fund (Note 6)	84,356	1,648,374
	<u>86,167</u>	<u>1,651,153</u>
EXPENDITURE		
Professional services and other	670	1,599
Board of Directors	1,141	1,180
Distributions - Deposit Insurance Fund (Note 6)	47,134	73,319
	<u>48,945</u>	<u>76,098</u>
EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR	37,222	1,575,055
NET ASSETS OF THE DEPOSIT INSURANCE FUND - BEGINNING OF YEAR	<u>2,763,055</u>	<u>1,188,000</u>
NET ASSETS OF THE DEPOSIT INSURANCE FUND - END OF YEAR	<u>\$ 2,800,277</u>	<u>\$ 2,763,055</u>

NEW BRUNSWICK CREDIT UNION DEPOSIT INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2005

1. Authority and objective

The Corporation is an independent entity created under the provisions of the Credit Unions Act proclaimed on 31 January 1994. The mandate of the Corporation is to provide deposit insurance to members of credit unions in New Brunswick. Currently, unlimited coverage is provided for insured deposits of each credit union member. The Corporation may also assist stabilization boards in providing financial assistance to credit unions.

The affairs of the Corporation are administered by a Board of Directors of five persons. The Superintendent of credit unions is responsible for the administration of the Credit Unions Act and is the Chair of the Board. Each stabilization board appoints two representatives to the Board of Directors of the Corporation, at least one of whom is appointed by the Minister.

2. Significant accounting policies

(a) Contributions – Administrative expenses

The Corporation receives advances from the stabilization boards to cover its administrative expenses. The Corporation records portions of the advances as revenue when expenses are incurred.

The Corporation operates as a separate entity within the Credit Unions, Co-operatives and Trust Companies Branch of the Department of Justice. As such, the Branch assumes the salary and some overhead costs which relate to the administration of the Corporation.

(b) Contributions/Distributions – deposit insurance fund

Contributions to the deposit insurance fund are recorded as revenue as they become due for payment.

When the balance of the deposit insurance fund exceeds the amount required, as calculated by the Corporation, the excess from the trust funds is distributed to the stabilization boards. This distribution is recorded with the expenses of the Corporation.

(c) Accrual for deposit insurance losses

The Corporation accrues expenses for any known or likely losses from specific credit unions, which it expects cannot be paid or assumed by the stabilization board of which the credit union is a member. No such expenses have been recorded by the Corporation since it began operations in 1994.

(d) Assets held in trust funds

Investments held in the trust funds are recorded at cost except when a decline in value has occurred that is other than temporary.

NEW BRUNSWICK CREDIT UNION DEPOSIT INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2005

3. Assets held in trust funds

The trust funds held the following assets at 31 December 2005:

	Book Value	Market Value
Cash	\$ 9,847	\$ 9,847
Interest receivable	23,579	23,579
Contribution receivable (refundable)	(159,735)	(159,735)
Government of Canada Bonds	288,113	294,490
Provincial and Municipal Bonds	2,112,789	2,165,328
Corporate Bonds	525,684	525,623
Total - 2005	<u>\$ 2,800,277</u>	<u>\$ 2,859,132</u>
Total - 2004	<u>\$ 2,763,055</u>	<u>\$ 2,808,010</u>

4. Contingent liability and future funding

At 31 December 2005, a large credit union was under the supervision of the Brunswick Credit Union Federation Stabilization Board Ltd. If required, funds to stabilize this entity would significantly exceed the assets of the Brunswick Credit Union Federation Stabilization Board Ltd. and also exceed the assets held in trust for the New Brunswick Credit Union Deposit Insurance Corporation for deposit insurance purposes. No request for payment of deposit insurance has been received by the Corporation to date and no amount has been recorded as a liability as the likelihood of such a request being received and paid is undeterminable at this time (See Note 2).

Pursuant to the Credit Unions Act, the Province of New Brunswick may, on application of the Corporation, make loans and advances to the Corporation in such instances and the Corporation has initiated discussions with the Province.

5. Income taxes

The Corporation is subject to income taxes under the *Income Tax Act*. The provisions of the Act generally exclude assessments contributed to the deposit insurance fund from taxable income.

6. Deposit Insurance Fund

Section 223 of the Credit Unions Act requires that the Corporation establish and maintain a deposit insurance fund. The Corporation is required by the Act to maintain the fund in two separate accounts. Each account consists of the amount paid into the fund by one of the stabilization boards together with investment income, less any expenditures charged to the account.

The Corporation has entered into a trust agreement with each stabilization board for the administration and investment of the funds in their respective account. Under the terms of the agreements, each stabilization board will invest the funds in accordance with the investment policy of the Corporation.

NEW BRUNSWICK CREDIT UNION DEPOSIT INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2005

6. Deposit Insurance Fund - continued

The Net Assets of the deposit insurance fund must be maintained at a level determined annually by a formula approved by the Board of Directors of the Corporation. The formula requires that a risk rating be given to each caisse populaire and credit union. The amount of assets of the trust funds is adjusted annually based on the requirement of the formula. This results in a contribution to the trust funds or a distribution to the stabilization boards.

In the event that the Corporation is obliged to make a payment under section 223 of the Credit Unions Act that should exceed the amount maintained in the deposit insurance fund, the Corporation may seek a loan or a loan guarantee pursuant to section 228 of the Act.

At 31 December 2005 the balance in the trust fund accounts administered by l'Office de Stabilisation de la Fédération des Caisses Populaires Acadiennes Limitée and by the Brunswick Credit Union Federation Stabilization Board Limited was as follows:

	Fund Balance as at 31 December 2004	Contribution/ (Distribution) to/(from) Corporation	Fund Balance as at 31 December 2005
L'Office de Stabilisation de la Fédération des Caisses Populaires Acadiennes Limitée	\$ 385,308	\$ 84,356	\$ 469,664
Brunswick Credit Union Federation Stabilization Board Limited	2,377,747	(47,134)	2,330,613
Total	<u>\$ 2,763,055</u>	<u>\$ 37,222</u>	<u>\$ 2,800,277</u>

7. Related parties

Transactions between the Corporation, the two stabilization funds and the two trust funds are considered related party transactions. Each of the two stabilization boards nominates two directors to sit as directors of the Corporation. Each stabilization board exercises significant influence on the activities of the Corporation.

8. Statement of cash flows

A statement of cash flows has not been prepared as the required cash flow information is readily apparent from the other financial statements.

FINANCIAL STATEMENTS

NEW BRUNSWICK

CROP INSURANCE COMMISSION

31 MARCH 2006

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Chairperson and Members of the
New Brunswick Crop Insurance Commission

I have audited the balance sheet of the New Brunswick Crop Insurance Commission as at 31 March 2006 and the statements of revenue and expense, surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script that reads "K.D. Robinson".

K.D. Robinson, CA
Deputy Auditor General

Fredericton, N.B.
24 August 2006

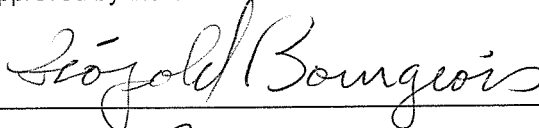
NEW BRUNSWICK CROP INSURANCE COMMISSION
BALANCE SHEET
31 MARCH 2006

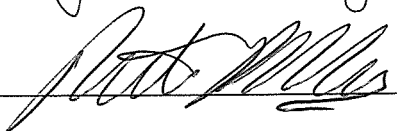
	2006	2005
ASSETS		
Accounts receivable		
- Canada	\$ 128,338	\$ 411,998
- Other	297	1,023
	<u>128,635</u>	<u>413,021</u>
Crop Insurance Trust Account (Note 2)	4,021,973	4,590,210
	<u>\$ 4,150,608</u>	<u>\$ 5,003,231</u>

LIABILITIES AND SURPLUS

Accounts payable		
- Indemnities	\$ 1,784,080	\$ 2,742,159
- Province of New Brunswick	2,103	2,103
- Canada	2,045	2,120
	<u>1,788,228</u>	<u>2,746,382</u>
Deferred revenue (Note 4)	71,162	63,288
Surplus	2,291,218	2,193,561
	<u>\$ 4,150,608</u>	<u>\$ 5,003,231</u>

Approved by the Commission


 _____ Chairperson


 _____ Member

**NEW BRUNSWICK CROP INSURANCE COMMISSION
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
REVENUE		
Premiums from producers (Schedule A)	\$ 1,657,117	\$ 625,691
Premiums contributions		
- Province of New Brunswick	1,080,068	536,489
- Canada	1,618,346	802,949
	<u>4,355,531</u>	<u>1,965,129</u>
Contributions for administration		
- Province of New Brunswick	466,101	376,631
- Canada	699,152	564,946
Interest from producers	6,520	2,379
	<u>5,527,304</u>	<u>2,909,085</u>
EXPENSE		
Indemnities (Schedule B)	4,220,837	5,429,109
Administration (Schedule C)	1,165,254	941,577
Crop Reinsurance Fund of New Brunswick	21,778	9,826
Crop Reinsurance Fund of Canada for New Brunswick	21,778	9,826
	<u>5,429,647</u>	<u>6,390,338</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE FOR THE YEAR	<u>\$ 97,657</u>	<u>\$(3,481,253)</u>

**NEW BRUNSWICK CROP INSURANCE COMMISSION
STATEMENT OF SURPLUS
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
Surplus, beginning of year	\$ 2,193,561	\$ 5,674,814
Excess (deficiency) of revenue over expense for the year	<u>97,657</u>	<u>(3,481,253)</u>
SURPLUS, END OF YEAR	<u>\$ 2,291,218</u>	<u>\$ 2,193,561</u>

**NEW BRUNSWICK CROP INSURANCE COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
CASH PROVIDED BY (USED FOR):		
Operating activities		
Excess (deficiency) of revenue over expense for the year	\$ 97,657	\$ (3,481,253)
(Increase) decrease in accounts receivable	284,386	(276,807)
Increase (decrease) in accounts payable	(958,154)	(83,816)
Increase in deferred revenue	7,874	1,330
(Increase) decrease in trust account	568,237	3,840,546
	<hr/>	<hr/>
CASH POSITION AT BEGINNING AND AT END OF YEAR	\$ -	\$ -

NEW BRUNSWICK CROP INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006

1. Description of operations

The Crop Insurance Act, assented to on 10 June 1966, serves as the basis for the establishment of the Commission. Regulation 95-122 under the Act establishes the Commission and sets out its powers and duties.

The Commission is responsible for administering the delivery to producers of a crop insurance plan to provide insurance protection against losses of production. This plan is funded through producer premiums and through contributions from the Province of New Brunswick and the Government of Canada.

All accounting transactions are recorded through the Consolidated Fund of the Province of New Brunswick. Administrative expenses provided by the Province are allocated to the Commission.

2. Crop Insurance Trust Account

The Province of New Brunswick maintains a trust account for the Commission. All cash receipts and disbursements of the Commission are made through this account.

3. Revenue - Province of New Brunswick and Government of Canada

(a) Premium contributions

The contributions of the producer, the Province of New Brunswick and Canada towards the necessary premiums are as follows:

Coverage Level	Producer Share	Province Share	Federal Share
60%	35%	26%	39%
70%	35%	26%	39%
80%	40%	24%	36%

(b) Administrative expense contributions

The Province of New Brunswick and Canada pay 40% and 60% respectively of all costs incurred in the administration of the crop insurance program.

NEW BRUNSWICK CROP INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006

3. Revenue - Province of New Brunswick and Government of Canada - continued

(c) Crop Reinsurance Funds

On an annual basis a reinsurance premium based on total crop insurance premiums (0.50% of total premiums in 2006 and 2005) is submitted to each of the Crop Reinsurance Fund of Canada for New Brunswick and the Crop Reinsurance Fund of New Brunswick. Contributions are made by the Funds for a portion of any operating deficits incurred by the Commission on a crop year basis.

Crop Reinsurance Fund of Canada for New Brunswick	2006	2005
Surplus, 1 April	\$ 9,826	\$ -
Premiums submitted	21,778	9,826
	<u>\$ 31,604</u>	<u>\$ 9,826</u>

Crop Reinsurance Fund of New Brunswick	2006	2005
Surplus, 1 April	\$ 2,186,547	\$ 2,176,721
Premiums submitted	21,778	9,826
	<u>\$ 2,208,325</u>	<u>\$ 2,186,547</u>

4. Deferred revenue

The deferred revenue represents premiums paid in advance by the producers.

5. Contingent liabilities

The Commission is named as a party to two civil actions. The outcome of these matters cannot be reasonably determined at this time. Accordingly, no provision has been made in the financial statements at 31 March 2006.

SCHEDULE A**NEW BRUNSWICK CROP INSURANCE COMMISSION
SCHEDULE OF PRODUCER PREMIUMS
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
Potatoes	\$ 1,415,098	\$ 450,112
Spring grain	144,137	83,304
Apples	29,690	30,414
Blueberries	41,605	31,133
Strawberries	19,163	18,724
Sweet corn	4,878	3,766
Processing carrots	2,546	8,238
	<u>\$ 1,657,117</u>	<u>\$ 625,691</u>

SCHEDULE B**NEW BRUNSWICK CROP INSURANCE COMMISSION
SCHEDULE OF INDEMNITIES
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
Potatoes	\$ 3,410,423	\$ 4,067,822
Spring grain	475,049	1,119,947
Apples	154,649	141,313
Blueberries	82,266	56,481
Strawberries	56,663	23,569
Sweet corn	41,787	9,236
Processing carrots	-	10,741
	<u>\$ 4,220,837</u>	<u>\$ 5,429,109</u>

SCHEDULE C

**NEW BRUNSWICK CROP INSURANCE COMMISSION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
Personnel	\$ 790,343	\$ 635,982
Information costs	3,318	1,452
Transportation and communication	71,582	64,442
Utilities, material and supplies	9,956	3,883
Professional services	196,326	150,849
Repairs and maintenance	6,706	7,749
Office accommodations and equipment rentals	48,444	48,444
Capital equipment	12,144	7,569
Other	26,435	21,207
	<u>\$ 1,165,254</u>	<u>\$ 941,577</u>

Financial Statements Of

**New Brunswick Distance Education Network Inc. /
Réseau de Formation à Distance
du Nouveau-Brunswick Inc.**

(Incorporated under the laws of New Brunswick without share capital)

March 31, 2006

Peter G. Gaulton
Chartered Accountant

Peter G. Gaulton Professional Corporation
Chartered Accountant
74 Adelaide Street
Saint John, NB
E2K 1W5

Bus: (506) 634-7393
Fax: (506) 652-8618

Res: (506) 634-7609
E Mail: gaultonp@nbnet.nb.ca

AUDITOR'S REPORT

To the Director's of New Brunswick Distance Education Network Inc.:

I have examined the statement of financial position of New Brunswick Distance Education Network Inc. / Réseau de Formation à Distance du Nouveau-Brunswick Inc. for the year ended March 31, 2006 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2006, and the results of operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for non-profit organizations.

Saint John, NB
July 12, 2006


Chartered Accountant

**New Brunswick Distance Education Network Inc. /
Réseau de Formation à Distance du Nouveau-Brunswick Inc.**
(Incorporated under the laws of New Brunswick without share capital)
Statement of Financial Position
For the year ended March 31, 2006

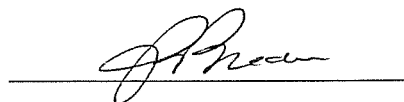
	2006	2005
ASSETS		
Current:		
Cash in bank	\$ 243,391	\$ 243,302
Accounts receivable	350	5,760
Harmonized sales tax recoverable	650	242
	\$ 244,391	\$ 249,304
LIABILITIES		
Current:		
Accounts payable	\$ 4,886	\$ 5,400
NET ASSETS		
Unrestricted net assets	239,505	243,904
	\$ 244,391	\$ 249,304

Discontinuance of activities (note 4)

See accompanying notes to financial statements

Approved by the board:

 Director

 Director

**New Brunswick Distance Education Network Inc. /
Réseau de Formation à Distance du Nouveau-Brunswick Inc.**

(Incorporated under the laws of New Brunswick without share capital)

Statement of Operations and Net Assets

For the year ended March 31, 2006

	2006	2005
Receipts:		
Federal Government	\$ -	\$ 271
Universities/colleges	-	1,000
Expense recovery	-	892
Interest income	5,039	3,411
	<u>5,039</u>	<u>5,574</u>
Disbursements:		
Bank charges	208	268
Interest and penalties	2,886	-
Travel	-	681
Professional services	775	6,200
Miscellaneous	160	379
Bad debts	5,409	233
	<u>9,438</u>	<u>7,761</u>
Excess of disbursements over receipts	(4,399)	(2,187)
Net assets, beginning of year	243,904	298,112
	<u>239,505</u>	<u>295,925</u>
Transfer Connect NB Branché bank account to New Brunswick Community Learning Access Network (NB CLAN)	-	(52,021)
Net assets, end of year	\$ 239,505	\$ 243,904

**New Brunswick Distance Education Network Inc. /
Réseau de Formation à Distance du Nouveau-Brunswick Inc.**

(Incorporated under the laws of New Brunswick without share capital)

Statement of Cash Flows

For the year ended March 31, 2006

	2006	2005
Cash provided by (used in)		
Operations:		
Excess of receipts over disbursements (disbursements over receipts)	\$ (4,399)	\$ (2,187)
Decrease (increase) in accounts receivable	5,410	424,390
Decrease (increase) in HST recoverable	(408)	7,952
Increase (decrease) in accounts payable	(514)	(298,412)
Transfer of funds to NB CLAN	-	(52,021)
Increase (decrease) in cash during the period	89	79,722
Cash, beginning of year	243,302	163,580
Cash, end of year	\$ 243,391	\$ 243,302

New Brunswick Distance Education Network Inc. / Réseau de Formation à Distance du Nouveau-Brunswick Inc.

(Incorporated under the laws of New Brunswick without share capital)

Notes to Financial Statements

For the year ended March 31, 2006

1. Purpose of the organization

The company is a non-profit company incorporated in 1994 for the purpose of seeking funding and partnership arrangements to facilitate access to distance education in New Brunswick and to support the development of the advanced training technologies sector of the provincial economy. The company is not taxable under the income tax laws of Canada and New Brunswick.

2. Significant Accounting Policies

(a) Method of accounting:

The corporation follows the deferral method of accounting for receipts. Restricted receipts are recognized as revenue in the year in which the related expenses are incurred. Unrestricted receipts are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Donated services:

Donated services are not recorded in the records.

3. Services in kind

The corporation is operated entirely by volunteer services of directors and committee members. Due to the difficulty of determining the fair market value for those services they are not recorded in the financial statements.

4. Discontinuance of activities

During the year the corporation did not seek any new funding sources and does not expect to seek new funding sources in the future.

FINANCIAL STATEMENTS

NEW BRUNSWICK

ELECTRIC FINANCE CORPORATION

31 MARCH 2006

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Shareholder of
New Brunswick Electric Finance Corporation

I have audited the balance sheet of the New Brunswick Electric Finance Corporation as at 31 March 2006 and the statements of income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script that reads 'K. D. Robinson'.

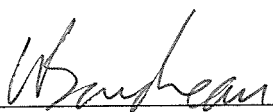
K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
8 August 2006

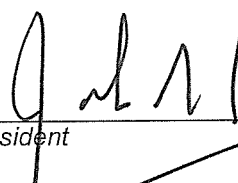
NEW BRUNSWICK ELECTRIC FINANCE CORPORATION
BALANCE SHEET
MARCH 31, 2006

ASSETS	MARCH 31, 2006	MARCH 31, 2005
Current Assets		
Cash	\$ 161,294	\$ 114,421
Short-term notes receivable from NB Power Holding Corporation	243,374,470	339,799,231
Accounts receivable from the NB Power Group	38,505,738	4,852,597
Accrued interest receivable from the NB Power Group	58,405,688	59,150,670
Prepaid expense	-	419,699
Current portion of long-term notes receivable from the NB Power Group	231,467,570	357,010,000
	<u>571,914,760</u>	<u>761,346,618</u>
Long-Term Assets		
Long-term notes receivable from the NB Power Group (Note 3)	2,654,769,430	2,458,480,000
Investment in the NB Power Group	218,994,139	135,660,951
	<u>2,873,763,569</u>	<u>2,594,140,951</u>
Other Assets		
Deferred debt costs, less amounts amortized	40,845,199	46,238,133
Total Assets	<u>\$ 3,486,523,528</u>	<u>\$ 3,401,725,702</u>

On behalf of New Brunswick Electric Finance Corporation



 Chair



 President

See accompanying notes to the financial statements

NEW BRUNSWICK ELECTRIC FINANCE CORPORATION
BALANCE SHEET
MARCH 31, 2006

LIABILITIES AND SHAREHOLDER'S EQUITY	MARCH 31, 2006	MARCH 31, 2005
Current Liabilities		
Short-term indebtedness (Note 4)	\$ 371,070,869	\$ 422,016,976
Accrued interest payable on debenture debt	70,893,451	73,398,195
Accounts payable - NB Power Group	10,776,362	4,011,919
Accounts payable - Other	84,267	52,597
Current portion of long-term debt	107,131,155	437,317,801
	<u>559,956,104</u>	<u>936,797,488</u>
Long-term Debt		
Debentures (Note 4)	3,367,686,975	3,085,443,130
Less Sinking Fund (Note 4)	383,823,534	434,904,480
	<u>2,983,863,441</u>	<u>2,650,538,650</u>
Shareholder's Equity		
Capital stock (Note 5)	1	1
Deficit	(57,296,018)	(185,610,437)
	<u>(57,296,017)</u>	<u>(185,610,436)</u>
Total Liabilities and Shareholder's Equity	<u>\$ 3,486,523,528</u>	<u>\$ 3,401,725,702</u>

NEW BRUNSWICK ELECTRIC FINANCE CORPORATION
STATEMENT OF INCOME AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 2006

	For the twelve month period ending March 31, 2006	For the six month period ending March 31, 2005
Revenue		
Interest from the NB Power Group	\$ 196,595,020	\$ 99,278,077
Net income from the NB Power Group	95,333,188	460,945
Special payments in lieu of taxes (Note 6)	60,126,202	15,788,919
Sinking fund earnings	25,971,274	13,056,022
Debt portfolio management fee (Note 3)	20,324,672	10,088,704
Administration recovery	249,512	52,597
Investment income	154,877	55,420
	<u>398,754,745</u>	<u>138,780,684</u>
Expenses		
Long-term interest expense	225,640,569	117,430,116
Short-term interest expense	14,880,582	5,007,549
Debt portfolio management fee (Note 4)	22,625,569	11,272,718
Amortization of deferred debt costs	6,943,934	3,548,657
Unrealized foreign exchange losses	100,160	127,969
Other expenses	249,512	52,597
	<u>270,440,326</u>	<u>137,439,606</u>
NET INCOME FOR THE PERIOD	128,314,419	1,341,078
Deficit, beginning of period	(185,610,437)	(186,951,515)
DEFICIT, end of period	<u>\$ (57,296,018)</u>	<u>\$ (185,610,437)</u>

NEW BRUNSWICK ELECTRIC FINANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2006

CASH PROVIDED BY (USED FOR):	For the twelve month period ending March 31, 2006	For the six month period ending March 31, 2005
Operations:		
Net income for the period	\$ 128,314,419	\$ 1,341,078
Add (deduct)		
Net income from the NB Power Group	(95,333,188)	(460,945)
Sinking fund earnings	(25,971,274)	(13,056,022)
Amortization of debt costs	6,943,934	3,548,657
Unrealized foreign exchange losses	100,160	127,969
Decrease in non-cash components of working capital ¹	18,041,563	5,674,099
	<u>32,095,614</u>	<u>(2,825,164)</u>
Financing Activities:		
Principal paid on debenture debt	(437,317,802)	(1,160,115)
Proceeds on sale of debentures	398,449,000	-
Withdrawals from sinking fund	100,000,000	-
Sinking fund installments	(33,672,940)	(17,410,300)
	<u>27,458,258</u>	<u>(18,570,415)</u>
Investing activities:		
Loans to the NB Power Group	(427,757,000)	-
Principal repayments made by the NB Power Group	357,010,000	21,510,000
Dividends	11,240,000	-
	<u>(59,507,000)</u>	<u>21,510,000</u>
INCREASE (DECREASE) IN CASH	46,873	114,421
Cash position, beginning of period	114,421	-
CASH POSITION, end of period	<u>\$ 161,294</u>	<u>\$ 114,421</u>

¹ Non-cash components of working capital include short-term notes receivable from NB Power Holding Corporation, accounts receivable from NB Power Group (excluding dividends receivable), accrued interest receivable from NB Power Group, prepaid expenses, short-term indebtedness, accrued interest payable on debenture debt and accounts payable.

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006**

**1. FORMATION AND BASIS OF PRESENTATION OF THE NEW BRUNSWICK ELECTRIC
FINANCE CORPORATION**

Basis of presentation

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The New Brunswick Electric Finance Corporation ("NBEFC") is classified as a government business enterprise and the financial results of the NB Power Holding Corporation and its subsidiaries are recorded on an equity basis of accounting.

Formation

NBEFC was established under the *Electricity Act* ("Act"), which came into force on October 1, 2004 and is incorporated under the Business Corporations Act of New Brunswick.

NBEFC has as its mandate to manage the assets, liabilities, rights and obligations that NBEFC received as part of the restructuring of New Brunswick Power Holding Corporation, and to dispose or otherwise deal with them as it sees fit.

Upon the proclamation of the *Electricity Act*, New Brunswick Power Corporation was restructured into the New Brunswick Power Holding Corporation with four subsidiary companies:

- New Brunswick Power Generation Corporation;
- New Brunswick Power Nuclear Corporation;
- New Brunswick Power Transmission Corporation, and
- New Brunswick Power Distribution and Customer Service Corporation.

As a result of the restructuring, the former New Brunswick Power Corporation's debt, accrued interest, deferred debt charges and sinking funds as of September 30, 2004 were transferred to NBEFC.

In exchange, as of October 1, 2004, NBEFC received promissory notes from each New Brunswick Power Holding Corporation's subsidiaries, including accrued interest, and a \$140-million equity share in New Brunswick Power Transmission Corporation. In addition, NBEFC relieved the newly formed NB Power Holding Corporation and its subsidiaries ("NB Power Group") of New Brunswick Power Corporation's \$187 million deficit.

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006**

1. FORMATION AND BASIS OF PRESENTATION OF THE NEW BRUNSWICK ELECTRIC FINANCE CORPORATION (continued)

The following is a summary of the amounts transferred and received from the NB Power Group at 30 September 2004:

(\$ millions)	Transferred	Received	Variance
Long-term debt	\$ 2,837.0	\$ 3,537.5	\$ (700.5)
Sinking Funds	-	(418.1)	418.1
Short-term debt	295.6	378.2	(82.6)
Accrued interest	70.6	82.4	(11.8)
	3,203.2	3,580.0	(376.8)
Deferred debt costs	-	(49.8)	49.8
Common equity share	140.0	-	140.0
Contributed surplus	187.0	-	187.0
	\$ 3,530.2	\$ 3,530.2	\$ -

NBEFC holds one Class "B" non-voting share of nominal value in the Holding Corporation as well as in its subsidiaries. NBEFC holds an additional one thousand Class "B" non-voting common shares in New Brunswick Power Transmission Corporation assigned a value of \$140 million.

NBEFC receives debt service payments, debt portfolio management fees, dividends and special payments in lieu of taxes from the newly formed companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency translation

Monetary assets and liabilities held in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date, except where such items have been hedged. In such cases, the rates established by the hedge are used in the translation. Revenue and expense items are translated at the rates of exchange in effect at the respective transaction dates. Gains and losses arising on translation of monetary assets and liabilities are included in income.

NEW BRUNSWICK ELECTRIC FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Short-term notes receivable from New Brunswick Power Holding Corporation

Short-term notes receivable from New Brunswick Power Holding Corporation are reported on the balance sheet at cost.

c) Long-term notes receivable from the NB Power Group

Loans to the NB Power Group are recorded at par value in Canadian dollars.

d) Long-term debt

Long-term debentures payable are reported on the balance sheet at par value in Canadian dollars. The estimated fair value of long-term debt is disclosed in the notes to the financial statements using market value or estimates of market values based on debt with similar terms and maturities. The estimated fair value does not include costs that would be incurred to exchange or settle the debt.

e) Deferred debt costs

Discounts and premiums, issue expenses and deferred interest relating to debt refinancing are deferred and amortized to income on a straight-line basis over the life of the related security.

3. LONG-TERM NOTES RECEIVABLE FROM THE NB POWER GROUP

The long-term notes receivable from the NB Power Group require a one per cent pay down of the original principal amount of each note on the anniversary date of its maturity. These payments will be made until the actual maturity date of the debenture, at which time the remaining principal amount will be repaid.

All interest payments are due on a semi-annual basis with the exception of the following two NB Power Generation Corporation issues: 7.5% Feb. 26, 2007 and 5.5% Feb. 25, 2013.

NEW BRUNSWICK ELECTRIC FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

3. LONG-TERM NOTES RECEIVABLE FROM THE NB POWER GROUP (continued)

The following is a maturity schedule for the total amount of long-term notes receivable from the NB Power Group as of March 31, 2006:

(\$ millions) Date of Maturity	Weighted Average Coupon Rate	Principal Repayments
Fiscal Year Ending:		
March 31, 2007	5.6	\$ 231.5
March 31, 2008	6.8	339.6
March 31, 2009	7.1	272.9
March 31, 2010	6.4	397.4
March 31, 2011	6.4	78.5
1-5 years	6.5	1,319.8
6-10 years	6.0	1,334.9
11-18 years	6.4	231.5
	6.3	\$ 2,886.2

Debt Portfolio Management Fee

Pursuant to subsection 37(4) of the Act, the Lieutenant Governor in Council under Order in Council 2005-160 ordered an annual debt portfolio management fee to be paid by the NB Power Group to NBEFC. The fee is .6489% of the total of long-term and short-term indebtedness to NBEFC, less accounts receivable, measured as at the opening balance sheet date.

4. DEBT

Short-term debt

NBEFC borrows all of its short-term funds from the Province of New Brunswick. The short-term borrowings due to the Province of New Brunswick were \$371.1 million at March 31, 2006 (\$422.0 million at March 31, 2005).

NEW BRUNSWICK ELECTRIC FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

4. DEBT (Continued)

Long-term debt

The following is the long-term debt outstanding, payable to the Province of New Brunswick, as at March 31, 2006:

(\$ millions)	March 31 2006	March 31 2005
Debentures guaranteed by the Province of New Brunswick	\$ 125.0	\$ 125.0
Debentures held by the Province of New Brunswick	3,346.8	3,393.3
Other loans	3.0	4.4
	<u>3,474.8</u>	<u>3,522.7</u>
Less current portion of long-term debt	107.1	437.3
	<u>3,367.7</u>	<u>3,085.4</u>
Less Sinking Funds	383.8	434.9
Long-term debt	\$ 2,983.9	\$ 2,650.5

The following is a maturity schedule for the total amount of NBEFC's long-term debt outstanding.

(\$ millions) Date of Maturity	Weighted Average Coupon Rate	Canadian Dollar	US Dollar	March 31 2006
Fiscal Year Ending:				
March 31, 2007	5.6	\$ 107.1	\$ -	\$ 107.1
March 31, 2008	4.7	356.0	-	356.0
March 31, 2009	7.3	275.5	-	275.5
March 31, 2010	5.9	400.5	-	400.5
March 31, 2011	6.4	200.3	-	200.3
1-5 years	5.9	1,339.3	-	1,339.3
6-10 years	6.7	1,693.7	-	1,693.7
11-24 years	7.9	150.0	291.8	441.8
	<u>6.6</u>	<u>\$ 3,183.0</u>	<u>\$ 291.8</u>	<u>\$ 3,474.8</u>

NEW BRUNSWICK ELECTRIC FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

4. DEBT (Continued)

Sinking Funds

Pursuant to section 12 of the *Provincial Loans Act*, the Minister of Finance maintains a General Sinking Fund for the repayment of funded debt. On debentures issued to the Province of New Brunswick by the former NB Power, NBEFC is required to contribute 1% of the debenture debt outstanding on the anniversary date of each issue.

The Minister of Finance also maintains a Sinking Fund for a debenture issued by the former NB Power and guaranteed by the Province of New Brunswick. NBEFC is required to contribute 1% of the debt outstanding on the anniversary date of the issue.

Sinking Fund earnings are reflected in NBEFC's income, and Sinking Fund investments are deducted from long-term debt.

On March 31, 2006, the amount of the Sinking Fund accumulated for the repayment of NBEFC debt was \$383.8 million.

The following estimated payments are required in each of the next five years to meet the Sinking Fund provisions of existing debt.

(\$ millions) Fiscal Year Ending	Sinking Fund Installments
March 31, 2007	\$32.8
March 31, 2008	\$31.7
March 31, 2009	\$29.1
March 31, 2010	\$26.3
March 31, 2011	\$22.3

Cross-currency Interest Rate Swaps

Upon the restructuring, the New Brunswick Power Corporation transferred the following cross-currency interest rate swaps to NBEFC:

7.63% Debentures, due February 2013 – US \$100 million

A cross-currency interest rate swap transaction with Canadian banks that results in an effective fixed interest rate of 7.75% on CDN \$159 million.

NEW BRUNSWICK ELECTRIC FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

4. DEBT (Continued)

6.75% Debentures, due August 2013 – US \$100 million

A cross-currency interest rate swap transaction with Canadian banks that results in an effective fixed interest rate of 6.8% on CDN \$159 million.

Debt Portfolio Management Fee

NBEFC pays an annual debt portfolio management fee to the Province of New Brunswick, amounting to .6489% of the total of long-term debt guaranteed by the Province, debentures held by the Province and short-term indebtedness to the Province, less the balance held in Sinking Funds, measured as at the previous year-end.

5. CAPITAL STOCK

NBEFC has one voting common share of nominal value, issued and outstanding to Her Majesty the Queen in right of the Province, as represented by the Minister of Finance.

NBEFC is authorized to issue an unlimited number of common shares without nominal or par value.

6. SPECIAL PAYMENTS IN LIEU OF TAXES

Effective Oct. 1, 2004, NBEFC is eligible to receive special payments in lieu of taxes from the NB Power Group. The special payments in lieu of taxes consist of:

- an income tax component based on accounting net income multiplied by a rate of 35.12 per cent
- a capital tax component based upon the large corporation tax rules contained in the federal and provincial income tax acts

NBEFC permits the NB Power Group to recognize future special payments in lieu of taxes benefit of current losses when it is more likely that sufficient income will be generated in future periods to utilize losses previously incurred. NB Power Group are not permitted to use other provisions for future special payments in lieu of taxes as a result of any temporary differences as the tax basis of assets and liabilities and their carrying amounts for accounting purposes are considered to be the same for the purposes of the calculation.

NEW BRUNSWICK ELECTRIC FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

7. DIVIDENDS

NBEFC, as the holder of Class B shares of the NB Power Group, pursuant to the Shareholder's Agreement, is entitled to receive dividends when declared by the NB Power Group's Boards of Directors. The designated percentage of the dividends declared may vary based upon the discretion of NBEFC and the financial position of each of the NB Power Group. The holder of the Class A shares cannot be paid dividends until such time that there are no longer any Class B shares outstanding.

Dividends are declared and paid at an individual company level. During the period, the New Brunswick Power Transmission Corporation declared a \$12 million dividend.

8. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The fair value of financial instruments have been estimated by reference to quoted market prices or from valuations supplied by counter-parties for actual or similar instruments at the period end, unless otherwise noted.

Foreign Exchange Risk Management

Foreign exchange or currency risk is the risk that the principal and interest payments on foreign debt will fluctuate in Canadian dollar terms due to fluctuations in foreign exchange rates. NBEFC was transferred two swap agreements in the restructuring, which converts foreign currency cash flows into Canadian dollar cash flows.

NBEFC has also assigned a percentage of the US dollar denominated Sinking Fund assets to provide an effective hedge against outstanding US dollar debentures. The Sinking Fund assets and outstanding debentures are translated to Canadian dollars at the current exchange rate with the resulting gains or losses recorded in income in the current period.

NEW BRUNSWICK ELECTRIC FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

8. FINANCIAL INSTRUMENTS (continued)

Fair value of debt and sinking funds

(\$ millions)	March 31 2006	March 31 2005
Long - Term Debt		
Book value	\$ 3,474.8	\$ 3,522.8
Fair value	\$ 3,877.3	\$ 4,029.6
Sinking Funds		
Book value	\$ 383.8	\$ 434.9
Fair value	\$ 415.8	\$ 477.9

Fair value of other financial assets and liabilities

The fair values of other financial assets and liabilities are not materially different from their carrying values.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. All of NBEFC's credit risk lies with the NB Power Group. NBEFC actively monitors the financial health of the NB Power Group on an ongoing basis. The maximum credit risk exposure is deemed to be the sum of amounts receivable from the NB Power Group. Amounts receivable is \$3,226.5 million (March 31, 2005 - \$3,219.3 million).

NEW BRUNSWICK ELECTRIC FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

9. CONTINGENT LIABILITIES

Guarantees

Since the newly formed NB Power Group have not yet established their own credit rating, NBEFC has provided guarantees to a number of financial institutions for obligations of Holdco and its subsidiaries. Guarantees have been provided to:

1. The Royal Bank of Canada ("RBC") for obligations of Holdco and its subsidiaries, limited to CDN \$100 million. This guarantee is to cover the day-to-day transactions between RBC and Holdco and its NB Power group of companies.
2. RBC for the New Brunswick Power Generation Corporation's ("Genco") obligations under an International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement limited to CDN \$29 million. Genco entered into this agreement on Oct. 1, 2004. The ISDA covers foreign exchange derivatives related to the cost of purchasing fuel in US dollars.
3. Morgan Stanley and J. Aron for Genco's obligations under ISDA Master Agreements totalling USD \$120 million. These agreements were entered into by the former New Brunswick Power Corporation and were transferred to Genco upon the restructuring. The ISDAs are related to the purchasing of commodities in US dollars.
4. CIBC for Genco's obligations under ISDA Master Agreements totalling USD \$45 million. This agreement was entered into by the former New Brunswick Power Corporation and was transferred to Genco upon the restructuring. The ISDA is related to the purchasing of commodities in US dollars.
5. Hydro-Quebec to cover an agreement entered into by Genco to purchase power from Hydro-Quebec. The guarantee is limited to US \$5 million.
6. New Brunswick System Operator for Genco's obligations limited to CDN \$5 million, and New Brunswick System Operator for New Brunswick Power Distribution and Customer Service Corporation's obligations of CDN \$10 million. Participants in the New Brunswick electricity market are required to post collateral with the New Brunswick System Operator.

**NEW BRUNSWICK ELECTRIC FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006**

10. SUBSEQUENT EVENTS

The NB Power Group borrows all funds from NBEFC. The interest charged to the NB Power Group is equivalent to NBEFC's cost of borrowing, with the exception of funds loaned to Nuclearco for the Point Lepreau Generating Station refurbishment project. All money borrowed by Nuclearco for the Point Lepreau Generating Station refurbishment project bore an interest rate of NBEFC's cost of borrowing plus 3.25%. A premium was charged to reflect the commercial cost of funding capital.

Since the decision was made in August 2005 to refurbish the Point Lepreau Generating Station without private sector involvement, Nuclearco's Board of Directors have requested a refund of this premium. Nuclearco paid a premium of \$3.4 million for the year ending March 31, 2006 (\$1.3 million for the year ending March 31, 2005).

Nuclearco's request will be discussed at a future NBEFC Board of Director's meeting.

CONSOLIDATED FINANCIAL STATEMENTS
NEW BRUNSWICK HIGHWAY CORPORATION
31 MARCH 2006

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Chairperson and Directors
New Brunswick Highway Corporation
Fredericton, New Brunswick

I have audited the consolidated balance sheet of the New Brunswick Highway Corporation as at 31 March 2006 and the consolidated statement of revenue and expense for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script that reads 'K. D. Robinson'.

K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
14 July 2006

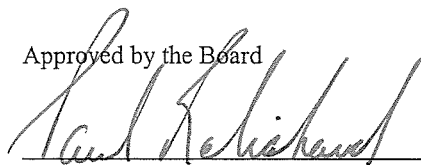
**NEW BRUNSWICK HIGHWAY CORPORATION
CONSOLIDATED BALANCE SHEET
31 MARCH 2006**

	2006	2005
ASSETS		
Due from Province of New Brunswick	\$ 882,393,958	\$ 898,446,082
Accounts receivable (Note 5)	13,754,303	13,493,429
Prepaid expenses	867,359	888,451
Fredericton-Moncton highway land (Note 3)	1	1
Fredericton-Moncton highway (Note 3)	822,447,957	840,523,737
Trans-Canada highway project – work in progress (Note 4)	61,164,871	32,240,353
Trans Canada highway project – completed sections (Note 4)	<u>1</u>	<u>1</u>
	<u>\$1,780,628,450</u>	<u>\$1,785,592,054</u>

LIABILITIES AND EQUITY

Accounts payable	\$ 3,082,936	\$ 2,106,013
Accrued interest payable	84,211,118	85,923,416
Contractor's deposit (Note 7)	1,342,150	1,800,000
Capital lease obligation (Note 6)	808,379,416	822,998,533
Deferred contribution from Province of New Brunswick		
Fredericton-Moncton highway	822,447,957	840,523,737
Trans-Canada highway project	61,164,871	32,240,353
Contribution from Province of New Brunswick (Notes 3, 4)	<u>2</u>	<u>2</u>
	<u>\$1,780,628,450</u>	<u>\$1,785,592,054</u>

Approved by the Board



Chairperson



Member

**NEW BRUNSWICK HIGHWAY CORPORATION
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED 31 MARCH 2006**

	2006		2005
	Budget	Actual	
REVENUE			
Province of New Brunswick	\$ 76,287,297	\$ 75,935,546	\$ 67,693,627
Fredericton-Moncton highway – amortization of deferred contribution from Province of New Brunswick	18,075,779	18,075,779	18,075,779
	<u>94,363,076</u>	<u>94,011,325</u>	<u>85,769,406</u>
EXPENSE			
Fredericton-Moncton highway operations and maintenance (Note 8)	9,531,000	9,539,686	8,821,258
Traffic count operations and maintenance (Note 8)	439,200	439,770	237,203
Operating and administrative expense	227,100	199,499	181,811
New Brunswick (F-M) Project Company Inc. administrative expenditures	188,100	109,666	49,422
Trans-Canada Highway Project Co. Ltd administrative expenditures	250,000	107,044	-
Trans Canada highway operations and maintenance (Note 8)	9,133,600	9,021,584	895,162
Fredericton-Moncton highway – amortization expense	18,075,779	18,075,779	18,075,779
Interest expense	56,518,297	56,518,297	57,508,771
	<u>94,363,076</u>	<u>94,011,325</u>	<u>85,769,406</u>
EXCESS OF REVENUE OVER EXPENSE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NEW BRUNSWICK HIGHWAY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2006**

1. New Brunswick Highway Corporation

The New Brunswick Highway Corporation (NBHC) is a provincial Crown Corporation incorporated by an Act of the New Brunswick Legislature effective 29 March 1995.

NBHC is the signatory for the Province in all agreements relating to the Fredericton-Moncton highway project and the Trans Canada Highway Project. As such, NBHC is responsible for monitoring, controlling and administering those agreements to ensure that agreement terms are respected by other signatories and that provincial commitments are met. This includes ensuring that construction of the highway and any required refurbishments are completed as required in those agreements. It also includes ensuring that the ongoing operation, management, and maintenance of the Fredericton-Moncton highway and the Trans Canada highway from the Quebec border to Longs Creek are conducted in accordance with agreement terms.

2. Summary of significant accounting policies

Physical Assets

Capital assets are amortized on a straight-line basis over fifty years. NBHC receives a capital grant from the Province for acquisition of assets, which is amortized at the same rate as the assets. Assets under construction are carried as work in progress until completion.

Leases

Long term leases, under which the Corporation, as lessee, assumes substantially all the benefits and risks of ownership of leased property, are classified as capital leases. The present value of a capital lease is accounted for as an asset and an obligation at the inception of the lease.

Consolidation Policy

These consolidated financial statements include the accounts of the Corporation and those of its wholly-owned subsidiary, Trans-Canada Highway Project Co. Ltd.

3. Fredericton-Moncton highway

In January 1998, the Province through NBHC entered into agreements with a private sector consortium and the New Brunswick (F-M) Project Company Inc., a not-for-profit company, to develop, design, build, operate, manage, maintain and rehabilitate a four lane toll highway between Longs Creek and Moncton. Effective 1 March 2000, the agreements were amended to eliminate tolling on the highway.

NEW BRUNSWICK HIGHWAY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2006

3. Fredericton-Moncton highway – continued

NBHC is responsible for making monthly traffic volume payments to the New Brunswick (F-M) Project Company Inc. The traffic volume payments are used to repay principal and pay interest on the toll-based debt. Any amount in excess of that required to service the debt is returned to NBHC.

NBHC leases land to the New Brunswick (F-M) Project Company Inc. which owns all improvements to these lands, in particular the four lane highway, and subleases the improvements back to NBHC. NBHC is responsible for making the sublease payments to the New Brunswick (F-M) Project Company Inc.

	2006	2005
Fredericton-Moncton highway		
Cost	\$ 903,788,964	\$ 903,788,964
Less: Accumulated amortization	81,341,007	63,265,227
Net book value	\$ 822,447,957	\$ 840,523,737

The transfer of the land corridor required for the Fredericton-Moncton highway by the Province to NBHC has been treated as an equity contribution for financial statement purposes and has been recorded at the nominal amount of one dollar.

4. Trans Canada highway project

NBHC is responsible for the design, construction and financing of the Grand Falls to Aroostook and the Perth-Andover to Woodstock sections (98 km) and for the operation, maintenance and rehabilitation of the entire Quebec border to Longs Creek section (261 km) of the Trans-Canada Highway (TCH), as well as Route 95 from Woodstock to the US border (14 km).

The Trans-Canada Highway Project Co. Ltd was created as a wholly owned subsidiary of NBHC to facilitate the completion of the twinning of the Trans-Canada highway.

On February 4, 2005 the Province through NBHC entered into agreements with a private sector consortium, Brun-Way Group Joint Venture and the Trans-Canada Highway Project Co. Ltd to develop, design, build, finance, operate, manage, maintain and rehabilitate a four lane highway between the Quebec border and Longs Creek for a guaranteed maximum construction price of \$543,762,000 as adjusted in accordance with the provisions of the Design-Build Agreement.

The Province is in the process of acquiring land and making improvements along the corridor. Work in progress at March 31, 2006 was \$61,164,871 (2005 - \$32,240,353). Completed sections of the highway have been transferred from the Province to NBHC in a non-arm's length transaction. The transfer has been treated as an equity contribution for financial statement purposes and has

NEW BRUNSWICK HIGHWAY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2006

4. Trans Canada highway project - continued

been recorded at the nominal amount of one dollar. The remaining sections of the corridor will be transferred at some point prior to completion.

5. Accounts receivable

The accounts receivable balance at 31 March 2006 of \$13,754,303 (2005 - \$13,493,429) is comprised of amounts paid by NBHC to the New Brunswick (F-M) Project Company Inc. to maintain a tolling reserve fund as required in the agreements with toll-based lenders.

6. Capital lease obligation

Due to the elimination of tolls under the 1 March 2000 amendments to the Fredericton-Moncton highway agreements, the payment arrangements are now being accounted for as a capital lease in accordance with the recommendations of the Canadian Institute of Chartered Accountants. Consequently, a capital lease obligation was accrued during the 1999-2000 fiscal year. The net present value of that capital lease obligation at 31 March 2006 was \$808.4 million (2005 - \$823.0 million).

Under the agreements NBHC will be required to make total future lease payments to the New Brunswick (F-M) Project Company Inc. of approximately \$1.64 billion, including principal and interest.

Annual principal and interest payments in each of the next five years are as follows:

<u>Fiscal Year</u>	<u>(millions)</u>
2006 – 2007	\$73.2
2007 – 2008	\$73.5
2008 – 2009	\$73.6
2009 – 2010	\$74.0
2010 - 2011	\$74.2

7. Contractor's deposit

The balance at 31 March 2006 of \$1,342,150 (2005 - \$1,800,000) is comprised of the balance remaining in the Trans-Canada highway project H.A.D.D. (Harmfully Altered, Disrupted or Destroyed) deposit. This was required from the Developer, Brun-Way Group Joint Venture, so as to meet TCH contractual agreements regarding environmental and wildlife habitat protection.

NEW BRUNSWICK HIGHWAY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2006

8. Revenue and expense

Under the terms of the amended Fredericton-Moncton Highway Operation, Management, Maintenance and Rehabilitation Agreement, NBHC is responsible to make scheduled payments for the operation, management, maintenance and rehabilitation of the Fredericton-Moncton highway and for costs relating to the traffic volume monitoring system.

Under the terms of the Trans-Canada Highway Operation, Maintenance and Rehabilitation Agreement, on June 1 2005 NBHC became responsible to make scheduled payments for the operation, maintenance and rehabilitation of completed sections of the Trans-Canada highway.

Also, under the terms of agreements between NBHC and the Province signed in November 2003, NBHC was responsible to make scheduled payments for summer and winter maintenance on opened sections of the Saint-Leonard to Longs Creek corridor of the TCH until 31 May 2005.

9. Staff resources

The Corporation has no employees. Staff support is provided by the Department of Transportation and the Department of Finance.

10. Statement of cash flows

A statement of cash flows has not been prepared as the required cash flow information is readily apparent from the other financial statements.

Financial Statements Of
New Brunswick Insurance Board

March 31, 2006

Peter G. Gaulton
Chartered Accountant

Peter G. Gaulton Professional Corporation
Chartered Accountant
74 Adelaide Street
Saint John, NB
E2K 1W5

Bus: (506) 634-7393
Fax: (506) 652-8618

Res: (506) 634-7609
E Mail: gaultonp@nbnet.nb.ca

AUDITOR'S REPORT

To the members of New Brunswick Insurance Board:

I have audited the statement of financial position of the New Brunswick Insurance Board as at March 31, 2006 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Board. 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 the Board, 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 March 31, 2006 and the results of its operations for the period then ended in accordance with Canadian generally accepted accounting principles.

Saint John, NB
June 22, 2006


Chartered Accountant

New Brunswick Insurance Board

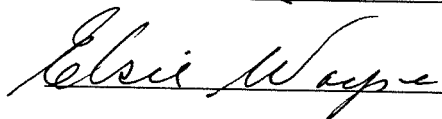
Statement of Financial Position

As at March 31, 2006

	2006	2005
Assets		
Current:		
Cash in bank	\$ 785,458	\$ 1,020,189
Scotiabank GIC's (1-year cashable; 3.25%)	600,000	600,000
Accrued interest receivable	6,186	5,376
Harmonized sales tax recoverable	38,258	45,193
Prepaid expenses	9,223	1,800
	<u>1,439,125</u>	<u>1,672,558</u>
Capital assets (note 3)	142,191	129,007
Less: accumulated amortization	(50,386)	(24,242)
	<u>91,805</u>	<u>104,765</u>
	<u>\$ 1,530,930</u>	<u>\$ 1,777,323</u>
Liabilities		
Current:		
Accounts payable and accrued liabilities	\$ 74,012	\$ 52,429
Employee deductions payable	20,171	17,542
Province of NB loan payable	-	500,000
Capital lease obligation- current portion (note 4)	6,779	6,076
Deferred assessments (note 7)	1,425,657	1,190,187
	<u>1,526,619</u>	<u>1,766,234</u>
Long-term:		
Capital lease obligation (note 4)	4,311	11,089
Surplus		
	<u>\$ 1,530,930</u>	<u>\$ 1,777,323</u>
Commitment (note 6)		

Approved by the board:

 Chairperson

 Audit Committee Member

New Brunswick Insurance Board

Statement of Operations and Surplus

For the year ended March 31, 2006

(comparative figures for the period October 1, 2004 to March 31, 2005)

	2006	2005
Receipts		
Assessments	\$ 1,268,039	\$ 617,710
Interest	14,633	2,671
Transfer from Public Utilities Board	43,421	-
	<u>1,326,093</u>	<u>620,381</u>
Disbursements		
Wages and benefits	450,996	208,040
Interest and bank charges	3,037	1,050
Travel	56,274	28,544
Advertising	3,186	5,501
Board member per diems	26,950	24,750
Board member stipends	46,250	22,500
Actuarial services	450,108	231,969
Rent	105,679	26,900
Amortization expense	33,860	24,242
Office expenses	11,343	2,899
Professional services	63,906	22,525
Training	6,277	5,974
Architectural	-	5,029
Telecommunications	10,363	4,356
Rentals	6,765	5,973
Public awareness campaign	35,807	-
Insurance	909	-
Computer support	10,185	-
Miscellaneous	4,198	129
	<u>1,326,093</u>	<u>620,381</u>
Excess of receipts over disbursements, being surplus at end of year	\$ NIL	\$ NIL

New Brunswick Insurance Board

Statement of Cash Flows

For the year ended March 31, 2006

(comparative figures for the period October 1, 2004 to March 31, 2005)

	2006	2005
Cash provided by (used in):		
Operations		
Excess of receipts over disbursements	\$ -	\$ -
Item not involving an outlay of cash		
Amortization expense	33,860	24,242
	33,860	24,242
Decrease (increase) in accounts receivable	(810)	(5,376)
Decrease (increase) in HST recoverable	6,935	(45,193)
Increase (decrease) in prepaid expenses	(7,423)	(1,800)
Increase (decrease) in accounts payable	21,583	52,429
Increase (decrease) in employee deductions payable	2,629	17,542
Increase (decrease) in capital lease obligation	(6,075)	17,165
Increase (decrease) in loan payable	(500,000)	500,000
Increase (decrease) in deferred revenue	235,470	1,190,187
	(213,831)	1,749,196
Investing		
Purchase of capital assets	(35,527)	(129,007)
Proceeds on the disposal of capital assets	14,627	-
Purchase of Scotiabank GIC's	1,100,000	(600,000)
GIC's redeemed	(1,100,000)	-
	(20,900)	(729,007)
Increase(decrease) in cash	(234,731)	1,020,189
Cash, beginning of year	1,020,189	-
Cash, end of year	\$ 785,458	\$ 1,020,189
Interest paid during the year	\$ 1,588	\$ 851

See accompanying notes to financial statements

New Brunswick Insurance Board

Notes to Financial Statements

For the year ended March 31, 2006

1. Purpose of the organization

Effective October 15, 2004, the New Brunswick Insurance Board commenced regulatory responsibility for automobile insurers in New Brunswick. Board operations began October 1, 2004.

The Board is exempt from income tax under Section 149(1)(d) of the Canadian Income Tax Act and recovers 100% of the harmonized sales tax (HST) paid. HST is not collected on assessments to the insurance companies.

2. Significant Accounting Policies

(a) Method of accounting:

The Board follows the deferral method of accounting for receipts. Restricted receipts are recognized as revenue in the year in which the related expenses are incurred. Unrestricted receipts are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis over 5 years on all assets except for equipment under capital lease. The equipment under capital lease is amortized on an annual basis at an amount equal to the principal portion of the long-term debt repayments.

3. Capital assets

	Cost	2006		2005
		Accumulated Amortization	Net book Value	Net book Value
Computer equipment	\$ 52,836	\$ 19,492	\$ 33,344	\$ 35,938
Computer software	2,010	608	1,402	824
Equipment under capital lease	19,508	8,418	11,090	17,166
Vehicles	20,161	4,032	16,129	17,634
Furniture and fixtures	47,676	17,836	29,840	33,203
	\$ 142,191	\$ 50,386	\$ 91,805	\$ 104,765

New Brunswick Insurance Board

Notes to Financial Statements

For the year ended March 31, 2006

4. Obligation under capital lease

The following is a schedule of future minimum lease payments under the capital lease, expiring October 2007, together with the balance of the obligation.

2007	\$ 7,664
2008	<u>4,471</u>
	12,135
Less: amount representing interest at a rate of 11.002%	<u>(1,045)</u>
Balance of obligation	11,090
Less: current portion	<u>(6,779)</u>
	<u>\$ 4,311</u>

5. Future employee benefits

Pension Plan:

The Board and its employees participate in a contributory defined benefit pension plan, administered by the Province of New Brunswick and the Public Service Superannuation Act. The plan provides pensions to employees of the Provincial Government and certain Crown Corporations and agencies based on the length of service and highest successive five year average salary. The expense for this pension plan is equivalent to the annual contribution of \$24,948. Any shortfall in the funding of the plan is guaranteed by the Province of New Brunswick, which is the sponsor of the plan.

6. Commitment

The Board has negotiated an operating lease of its office premises for a period of 5 years commencing January 1, 2005. Minimum annual payments under the lease total approximately \$100,000.

7. Deferred assessments

The Boards' expenses are funded 100% by the companies selling automobile insurance in the Province of New Brunswick. Annually, in advance of the coming fiscal year, the Board prepares an expense budget and assesses each company based on its proportion of the automobile premiums written in the Province of New Brunswick in the previous calendar year. Deferred assessments represents the assessments billed to the insurance companies in advance based on the budgeted expenses plus or minus adjustments between budgeted expenses and actual expenses as determined at each fiscal year-end.

8. Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires the Board 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 revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty.

Financial Statements of

**NEW BRUNSWICK INVESTMENT
MANAGEMENT CORPORATION**

Year ended March 31, 2006

**KPMG LLP****Chartered Accountants**

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AUDITORS' REPORT

To the Directors of New Brunswick Investment Management Corporation

We have audited the statement of financial position of New Brunswick Investment Management Corporation as at March 31, 2006 and the statement of operations and changes in net assets for the year 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 March 31, 2006 and the results of its operations and changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Fredericton, Canada
May 5, 2006

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Statement of Financial Position

March 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Current assets:		
Cash	\$ 5,122	\$ 60,930
Accounts receivable, Pension Funds	2,384,481	2,080,572
Other receivables	4,106	18,360
Prepaid expenses	266,581	263,233
	<u>2,660,290</u>	<u>2,423,095</u>
Capital assets (note 3)	229,199	241,030
	<u>\$ 2,889,489</u>	<u>\$ 2,664,125</u>

Liabilities, Deferred Contributions and Net Assets

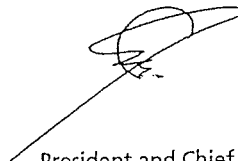
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,211,472	\$ 1,936,940
Harmonized sales tax	38,453	96,073
Current portion of pension liability (note 5)	23,114	22,530
	<u>2,273,039</u>	<u>2,055,543</u>
Pension liability (note 5)	277,968	301,199
Employee future benefit liability (note 6)	109,283	66,353
Deferred contributions related to capital assets (note 7)	229,199	241,030
Net assets	-	-
Commitments (note 4)		
	<u>\$ 2,889,489</u>	<u>\$ 2,664,125</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Chairman of the Board



President and Chief Executive Officer

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Statement of Operations and Changes in Net Assets

Year ended March 31, 2006, with comparative figures for 2005

	2006	2005
Revenue:		
Fees:		
Public Service Superannuation Fund	\$ 4,735,099	\$ 4,603,007
Teachers' Pension Fund	4,115,250	4,066,064
Judges' Superannuation Fund	30,601	35,437
Amortization of deferred contributions related to capital assets	117,476	143,759
Other income	50,793	906
	<u>9,049,219</u>	<u>8,849,173</u>
Expenses:		
Salaries and benefits	3,799,508	3,658,806
Other services (note 8)	5,066,056	4,988,264
Materials and supplies	66,179	58,344
Amortization of capital assets	117,476	143,759
	<u>9,049,219</u>	<u>8,849,173</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2006

New Brunswick Investment Management Corporation (the "Corporation") was established pursuant to the New Brunswick Investment Management Corporation Act which was proclaimed on March 11, 1996. The Corporation is exempt from income taxes.

Its legislated mandate is to:

- act as trustee for the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund (the "Funds");
- provide investment counselling services and other services for certain trust funds;
- promote the development of the financial services industry and capital markets in the Province;
- have regard to investment opportunities in the Province in developing its investment policies, and;
- carry out such other activities or duties as may be authorized or required by the Act or as the Lieutenant-Governor in Council may direct.

1. Significant accounting policies:

(a) Accounting entity:

The Corporation is an entity separate from the pension funds for which it is trustee. Expenses of the Corporation are fully funded by the Funds.

(b) Basis of accounting:

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

(c) Capital assets:

Capital assets are recorded at cost and amortization is calculated on a straight-line basis using annual rates shown in note 3.

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2006

1. Significant accounting policies (continued):

(d) Revenue recognition:

Fees for service are recognized in revenue as services are performed and collection is probable.

The Corporation follows the deferral method of accounting for contributions. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at rates corresponding with amortization rates for the related capital assets.

2. Statement of cash flows:

A statement of cash flows has not been prepared as the required cash flow information is readily apparent from the other financial statements.

3. Capital assets:

				2006	2005
	Rate	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	33 1/3%	\$ 432,412	\$ 347,456	\$ 84,956	\$ 69,738
Furniture and equipment	8%	332,650	227,393	105,257	123,388
Leasehold improvements	Straight-line over remaining lease term	282,318	243,332	38,986	47,904
		\$1,047,380	\$ 818,181	\$ 229,199	\$ 241,030

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2006

4. Commitments:

The Corporation leases premises and equipment under various operating leases which expire at various dates between 2006 and 2012.

Future minimum payments, by year and in aggregate, are as follows:

2007	\$ 245,700
2008	245,700
2009	245,700
2010	245,700
2011	245,700
Later years through 2012	204,750
	<hr/>
	\$ 1,433,250

5. Pension liability:

The Corporation has an estimated liability of \$301,000 (2005 - \$324,000) and salary and benefit expense of nil (2005 - nil) for special supplemental pension relating to past service awarded during 2003-2004. This amount is equivalent to the commuted value of the expected payments. The ultimate cost to the Corporation will vary based on the rise in the consumer price index and demographic factors. Changes in the expected liability are recorded in the period the change occurs. Payments to date and future payments will be received from an increase in the fees charged to the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund.

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2006

6. Employee future benefits:

a) Pension:

Full-time employees of the Corporation are covered by the Public Service Superannuation Plan (the "Plan") of the Province of New Brunswick. The Plan is a defined benefit multi-employer plan under which contributions are made by both the Corporation and the employees. For the year ended March 31, 2006, the Corporation expensed contributions of \$214,275 under the terms of the Plan (2005 - \$178,895). The Corporation has no direct liability or entitlement to any unfunded liability or surplus in the plan related to its current or former employees.

b) Retirement allowance:

Full-time employees of the Corporation are entitled to be paid a retirement allowance upon their retirement based upon years of service. Over the service life of its employees, the Corporation accrues the estimated future liability based upon actuarial estimates and assumptions. The accrued liability is reduced by actual payments made. This is an unfunded program with no specific assets segregated to meet the obligations when they come due.

Based upon an actuarial valuation dated March 31, 2005, the Corporation's accrued transitional obligation as of April 1, 2003, was \$118,300. This amount is being amortized on a straight-line basis over the estimated average remaining service life (19 years) of active employees.

The significant assumptions are as follows:

	Assumptions	
	2006	2005
Annual discount rate	5.00%	5.50%
Annual salary increases	3.00%	3.00%
Mortality	None	None
Termination of employment	Public Service Superannuation Plan experience	
Retirement age	15% at Age 57 60% at Age 60 25% at Age 63	
Actuarial cost method	Projected Unit Credit pro-rated on service	

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2006

6. Employee future benefits (continued):

b) Retirement allowance:

Information on the retirement allowance obligation is as follows:

	2006	2005
Accrued benefit plan obligation		
Balance, beginning of year	\$ 203,300	\$ 144,200
Current service cost	25,304	19,500
Interest cost	10,800	8,500
Actuarial loss	-	31,100
Balance, end of year (unfunded)	239,404	203,300
Unamortized net actuarial gain	(30,500)	(31,100)
Unamortized transitional obligation	(99,621)	(105,847)
Accrued benefit liability	\$ 109,283	\$ 66,353

Benefit cost recognized in the year is as follows:

	2006	2005
Current service cost	\$ 25,304	\$ 19,500
Interest cost	10,800	8,500
Amortization:		
Transitional liability	6,226	6,226
Net actuarial loss	600	-
Pension expense	\$ 42,930	\$ 34,226

7. Deferred contributions related to capital assets:

	2006	2005
Balance, beginning of year	\$ 241,030	\$ 286,828
Additional contributions received, net	105,645	97,961
Less amounts amortized to revenue	(117,476)	(143,759)
Balance, end of year	\$ 229,199	\$ 241,030

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2006

8. Other services:

	2006	2005
External management fees and expenses	\$ 2,806,472	\$ 2,954,067
Custodial services	297,996	185,932
Travel	212,034	193,566
Office rent	258,616	241,965
Professional services	274,872	281,923
Information systems	1,029,092	970,970
Other	186,974	159,841
	<u>\$ 5,066,056</u>	<u>\$ 4,988,264</u>

9. Fair value of financial assets and financial liabilities:

The fair value of the Corporation's cash, accounts receivable - Pension Funds, other receivables, accounts payable and accrued liabilities and pension liability approximate their carrying amounts.

FINANCIAL STATEMENTS

NEW BRUNSWICK

LEGAL AID SERVICES COMMISSION

31 MARCH 2006

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

Board of Directors of the
New Brunswick Legal Aid Services Commission

I have audited the statement of financial position of the New Brunswick Legal Aid Services Commission as at 31 March 2006 and the statement of operations and surplus for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Michael Ferguson', written over a horizontal line.

Michael Ferguson, CA
Auditor General



Fredericton, N. B.
29 August 2006

NEW BRUNSWICK LEGAL AID SERVICES COMMISSION
STATEMENT OF FINANCIAL POSITION
31 MARCH 2006

	2006	2005
ASSETS		
Current assets		
Cash	\$ 1,069,098	\$ 1,197,017
Accounts receivable (Note 2)	171,785	271,202
Accounts receivable - federal funding (Note 3)	633,406	333,889
Prepaid expenditures	1,940	-
	<u>\$ 1,876,229</u>	<u>\$ 1,802,108</u>
LIABILITIES AND SURPLUS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,153,743	\$ 1,156,491
Long-term liabilities		
Accrued retirement benefits (Note 2)	139,371	-
Surplus	583,115	645,617
	<u>\$ 1,876,229</u>	<u>\$ 1,802,108</u>

Contingent liability (Note 6)

Approved

Vice-chair

Executive Director

**NEW BRUNSWICK LEGAL AID SERVICES COMMISSION
STATEMENT OF OPERATIONS AND SURPLUS
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
REVENUE		
Province of New Brunswick	\$ 5,384,000	\$ 4,311,182
Federal funding (Note 3)	599,035	836,248
New Brunswick Law Foundation (Note 4)	150,000	150,000
Costs recovered from liens	43,491	59,868
Contributions from clients	35,365	38,765
Interest and other	50,257	19,246
Total revenue	<u>6,262,148</u>	<u>5,415,309</u>
EXPENDITURE		
Certificate fees and disbursements - criminal	769,732	896,719
Certificate fees and disbursements - domestic	213,294	225,401
Duty Counsel fees and disbursements - criminal	103,808	90,837
Duty Counsel fees and disbursements - domestic	52,884	26,219
Investment fund projects (Note 3)	2,148,279	1,620,297
Court appointed fees and disbursements	6,841	2,833
Alternate solicitor fees and disbursements	178,742	160,781
Contract lawyer fees and disbursements - domestic	345,878	668,863
Staff lawyer salaries - domestic	508,577	-
	<u>4,328,035</u>	<u>3,691,950</u>
Administration expenses		
Salaries and related expenses	1,136,118	765,792
Office rents	265,970	205,543
Telephone	50,391	43,132
Printing and office supplies	68,225	50,180
Postage	15,773	13,020
Travel	16,005	35,377
Professional development and training	5,416	2,509
Office furniture and equipment	48,841	72,361
Equipment rentals and service contracts	33,377	22,272
Advertising	1,979	936
Insurance	2,810	2,800
Recoverable lien registration fees	6,485	5,990
Miscellaneous	56,334	26,152
Translation	8,652	4,039
Computer upgrading and maintenance	160,900	11,140
Professional services	87,125	36,935
Moving expenses/renovations	250	3,141
Service of documents	5,806	4,480
Duty Counsel Impact Study	26,158	-
	<u>1,996,615</u>	<u>1,305,799</u>
Total expenditure	<u>6,324,650</u>	<u>4,997,749</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	(62,502)	417,560
Surplus, beginning of year	645,617	228,057
SURPLUS, end of year	<u>\$ 583,115</u>	<u>\$ 645,617</u>

NEW BRUNSWICK LEGAL AID SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006

1. Purpose of the organization

The New Brunswick Legal Aid Services Commission was established under an amendment to the *Legal Aid Act* on 12 December 2005. Prior to this date it operated under the name "Legal Aid New Brunswick". The Commission provides criminal and domestic legal aid services for eligible residents of the Province. These services are funded by grants from the Department of Justice and Consumer Affairs and by a grant from the New Brunswick Law Foundation.

2. Significant Accounting Policies

(a) Accounts receivable

Accounts receivable include amounts which have a likely expectation of collection in the near future. Amounts which could be collected in the future from liens placed on property or through costs and recoveries are only recognized when collected due to the uncertainty associated with the collection of such amounts.

Amounts due to the Commission as at 31 March 2006 represented by liens totalled \$1,569,157 (2005 - \$1,480,662). These amounts will only be collected if, and when, properties are sold which have liens registered against them.

(b) Employee retirement benefits

Full-time employees of the Commission are members of the New Brunswick Public Service Superannuation Plan. The Plan is a defined benefit multi-employer plan under which contributions are made by both the Commission and its employees. The employer's contributions to the plan are accounted for as a defined contribution plan, as the Commission's obligation is limited to the amount of these contributions.

Retirement allowance entitlements are earned by employees at the rate of one week's pay for each full year worked to a maximum of twenty-five weeks. The amount of the retirement allowance is based upon years of service and the employee's final salary.

(c) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that could differ from actual results.

Estimates have been made of the retirement allowance benefits, earned to date, that may become payable in the future.

NEW BRUNSWICK LEGAL AID SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006

3. Federal funding – Criminal

Investment Fund Projects

The Commission is currently involved with a three-year project funding agreement which was reached between the federal Minister of Justice and the provincial Minister of Justice. The Investment Fund Project agreement covers fiscal years 2003/2004, 2004/2005 and 2005/2006.

This agreement will cover some of the costs of a project to develop and implement innovative approaches for the delivery of legal aid services to:

1. improve and strengthen client access to legal assistance;
2. continue to improve francophone services;
3. improve and expand specialized legal aid services for mentally challenged accused and for aboriginals; and
4. improve duty counsel services for all clients.

Principal activities:

1. Bilingual staff duty Counsel in Edmundston and Grand Falls.
2. Staff Supervisory Duty Counsel in four areas.
3. Aboriginal Duty Counsel.
4. Detainee (Brydges) calls.
5. Mental Health Court in Saint John.
6. Rural Duty Counsel Services.
7. Service diversification.

4. New Brunswick Law Foundation grant - Domestic

The Law Foundation Board agreed to commit a maximum of \$150,000 or 50% of its available grant money, whichever is the lesser of the two, on an annual basis for a period of three years commencing with the year ended 31 March 2004.

5. Federal funding (Base)

Pursuant to Federal-Provincial cost sharing agreements, the Provincial Department of Justice submits a claim each year to the Government of Canada for recovery of a portion of the expenses incurred by the Commission for adult criminal legal aid and for young offender criminal legal aid.

6. Contingent liability

At 31 March 2006, 210 criminal certificates, 66 domestic certificates and 24 domestic legal services certificates were issued and outstanding for eligible applicants. The estimated cost to complete these certificates is \$349,316. No allowance has been made in these financial statements for this contingency.

NEW BRUNSWICK LEGAL AID SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006

7. Commitments

The Commission rents office facilities under operating leases which expire at various dates. Future minimum payments remaining under the leases as at 31 March 2006 are as follows:

2007	\$ 76,448
2008	73,336
2009	64,000
2010	58,667
	<u>\$ 272,451</u>

8. Statement of cash flows

A statement of cash flows has not been prepared as the required cash flow information is readily apparent from the other financial statements.

9. Comparative figures

The two Legal Aid Funds (Criminal and Domestic) have been combined in these financial statements for the first time. The 2005 comparative figures have been restated to conform with 2006 financial statement presentation.

**NEW BRUNSWICK LIQUOR CORPORATION
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2006**



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MANAGEMENT REPORT

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the Corporation. This responsibility includes the selection of appropriate accounting policies and making judgments and estimates consistent with Canadian generally accepted accounting principles.

The Corporation maintains an accounting system and related controls to provide management and the Board with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with Canadian generally accepted accounting principles.

Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

Barbara Winsor
President & CEO

Richard A. Smith, C.G.A., C.M.A.
Vice-President & CFO

May 26, 2006

Grant Thornton LLP
Chartered Accountants
Management Consultants

Grant Thornton 

Auditors' Report

To the Directors of the
New Brunswick Liquor Corporation

We have audited the balance sheet of the **New Brunswick Liquor Corporation** at March 31, 2006 and the statements of income and cash flows for the year 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 March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The budget figures presented for comparison with the actual figures in the financial statements and supplemental schedules were approved by the Board of Directors, but have not been audited.

The financial statements as at March 31, 2005 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated June 6, 2005.

Grant Thornton LLP

Fredericton, New Brunswick
May 26, 2006

Grant Thornton LLP
Chartered Accountants

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Canadian Member of Grant Thornton International

BALANCE SHEET

MARCH 31

Assets

2006

2005

Current Assets

Cash

\$ 940 596

\$ 172 940

Accounts receivable

2 428 048

1 723 166

Inventories (note 1)

16 513 988

17 380 969

Prepaid expenses

463 446

497 216

Total current assets

20 346 07819 774 291*Deferred Charges*

Deposit - injured workers (note 2)

737 920784 820*Fixed Assets*

Property, plant and equipment (note 3)

11 825 84510 518 060

Total Assets

\$ 32 909 843\$ 31 077 171**Liabilities***Current Liabilities*

Outstanding cheques in excess of funds on deposit

\$ 1 867 026

Accounts payable and accrued liabilities (note 4)

\$ 16 925 663

15 280 747

Current portion of pension liability

652 129

391 116

Total current liabilities

17 577 79217 538 889*Long Term Debt*

Pension liability (note 5)

678 8671 848 178**Equity of the Province of New Brunswick**

Balance at beginning of year

11 690 104

12 568 058

Net income

126 123 003121 824 602

137 813 107

134 392 660

Payments to the Province of New Brunswick

123 159 923122 702 556

Balance at end of year

14 653 18411 690 104

Total Liabilities and Equity

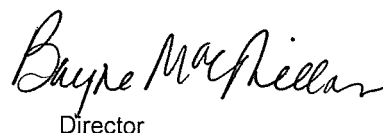
\$ 32 909 843\$ 31 077 171

Commitments (note 6)

See accompanying notes to financial statements

APPROVED BY THE BOARD:


Director


Director

INCOME STATEMENT

Year ended March 31

	Budget 2006	Actual 2006	Actual 2005
Total sales (note 7)	\$345 392 315	\$344 107 044	\$331 049 835
Less: commissions	4 822 446	4 679 139	4 601 670
Net sales	<u>340 569 869</u>	<u>339 427 905</u>	<u>326 448 165</u>
Cost of sales	178 475 984	176 518 333	169 387 381
Gross profit	<u>162 093 885</u>	<u>162 909 572</u>	<u>157 060 784</u>
Other income	1 206 600	1 557 575	1 644 730
	<u>163 300 485</u>	<u>164 467 147</u>	<u>158 705 514</u>
Operating expenses	<u>38 953 708</u>	<u>38 344 144</u>	<u>36 880 912</u>
Net income	<u><u>\$124 346 777</u></u>	<u><u>\$126 123 003</u></u>	<u><u>\$121 824 602</u></u>

See accompanying notes to financial statements

STATEMENT OF CASH FLOWS

Year ended March 31

	2006	2005
Cash from Operations		
Net income	\$126 123 003	\$121 824 602
Items not involving cash:		
Depreciation	1 916 040	1 753 376
(Gain) loss on sale of property, plant and equipment	12 043	(3 059)
Decrease in deposit - injured workers	46 900	16 744
Change in non-cash working capital	(26 241)	1 066 563
Decrease in pension liability	(908 298)	(268 113)
Cash available from operations	<u>127 163 447</u>	<u>124 390 113</u>
Net Capital Investments		
Additions to property, plant and equipment	(3 469 992)	(1 860 835)
Proceeds from sale of property, plant and equipment	234 124	17 748
Net cash used for capital investments	<u>(3 235 868)</u>	<u>(1 843 087)</u>
Payments to the Province of New Brunswick	<u>(123 159 923)</u>	<u>(122 702 556)</u>
Increase (Decrease) in Cash	767 656	(155 530)
Cash at Beginning of Year	<u>172 940</u>	<u>328 470</u>
Cash at End of Year	<u><u>\$ 940 596</u></u>	<u><u>\$ 172 940</u></u>

See accompanying notes to financial statements

Schedule of Sales

Year ended March 31

	Budget 2006	Actual 2006	Actual 2005
Spirits	\$ 77 500 847	\$ 78 165 020	\$ 75 324 164
Wine	45 692 860	46 670 572	43 304 492
Other beverages	20 064 482	18 812 706	18 976 656
Beer	202 134 126	200 458 746	193 444 523
	<u>\$345 392 315</u>	<u>\$344 107 044</u>	<u>\$331 049 835</u>

Schedule of Cost of Sales

Year ended March 31

	Spirits	Wine	Other beverages	Beer	2006 Total	2005 Total
Inventories at beginning of year	\$ 5 605 736	\$ 6 570 060	\$ 1 123 765	\$ 3 934 821	\$ 17 234 382	\$ 17 177 055
Purchases	18 356 044	16 100 459	7 832 357	115 261 232	157 550 092	151 873 319
Freight	656 780	1 473 505	465 126	270 352	2 865 763	2 627 995
Duty and excise tax	11 785 445	2 278 321	737 340	368 657	15 169 763	14 943 394
	<u>36 404 005</u>	<u>26 422 345</u>	<u>10 158 588</u>	<u>119 835 062</u>	<u>192 820 000</u>	<u>186 621 763</u>
Inventories at end of year	5 380 531	6 180 579	994 944	3 745 613	16 301 667	17 234 382
	<u>\$31 023 474</u>	<u>\$20 241 766</u>	<u>\$ 9 163 644</u>	<u>\$116 089 449</u>	<u>\$176 518 333</u>	<u>\$169 387 381</u>

Schedule of Other Income

Year ended March 31

	Budget 2006	Actual 2006	Actual 2005
Merchandising programs	\$ 1 000 540	\$ 1 179 445	\$ 1 236 042
Private importation revenue	53 468	57 070	56 822
Commission on collection of licensee user fees	-	-	3 340
Beer voucher administration fees	18 000	16 100	16 104
Unredeemed beverage container deposits	90 360	110 431	95 964
Subscriptions to sales reports	11 200	8 515	11 230
Gain (Loss) on sale of property, plant and equipment	(4 764)	(12 043)	3 059
Interest on deposit - injured workers	-	80 886	78 959
Sundry	37 796	117 171	143 210
	<u>\$1 206 600</u>	<u>\$1 557 575</u>	<u>\$1 644 730</u>

Schedule of Operating Expenses

Year ended March 31

	Budget 2006	Actual 2006	Actual 2005
Salaries - stores, warehouse and maintenance	\$15 351 321	\$15 416 778	\$15 034 024
- administration	3 814 890	4 018 315	3 724 772
Employee benefits	4 940 027	4 592 217	4 749 426
Rent	3 769 400	3 661 654	3 441 153
Heat and light	1 112 661	1 127 659	1 087 249
Depreciation	2 100 442	1 916 040	1 753 376
Training programs	176 249	165 163	149 003
Trucking	779 400	881 317	731 215
Repairs to property, plant and equipment	552 710	502 360	470 563
Property taxes	368 552	371 426	374 711
Minor equipment and supplies	742 918	587 582	593 526
Security	255 308	254 382	252 509
Retail automation system maintenance	256 090	268 083	259 755
Travel	332 924	266 220	283 460
Beverage container redemption costs	528 588	607 491	532 230
Shopping bags	280 246	303 755	271 641
Data processing	381 054	234 341	305 906
Telecommunications	562 627	550 951	547 161
Motor vehicle operation	44 290	50 331	48 307
Cleaning	231 100	180 329	184 854
Shortages	52 800	62 225	58 815
Management meetings	79 186	44 724	56 234
Postage	82 900	80 273	79 450
Professional services	238 996	322 368	196 209
Bank charges	1 206 730	1 308 637	1 183 485
Warehouse maintenance and supplies	61 530	68 475	51 189
Insurance	85 000	75 383	77 447
Advertising and promotions	348 993	284 476	254 477
Directors' remuneration	38 050	37 321	35 650
Other	178 726	103 868	93 115
	<u>\$38 953 708</u>	<u>\$38 344 144</u>	<u>\$36 880 912</u>

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2006

General

This Crown Corporation is incorporated under the New Brunswick Liquor Corporation Act and its primary business activity is the purchase, distribution and sale of alcoholic beverages throughout the Province of New Brunswick.

Summary of Significant Accounting Policies

Revenue Recognition

Revenue is recognized when goods are sold, all contractual obligations have been met and the amount is reasonably determinable.

Inventories

Inventory of goods for resale is valued at cost, which is lower than net realizable value. Inventory of supplies is valued at cost.

Deposit - Injured Workers

The cost of claims for employees injured prior to April 1, 2002 is being deducted from a deposit held in trust with the Workplace, Health, Safety and Compensation Commission and expensed as an employee benefit as incurred.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided on the straight-line basis using the following annual rates:

Buildings	2 1/2%
Paving	10%
Refrigeration equipment	10%
Software and services	10%
Retail automation equipment	20%
Furniture, fixtures and equipment	20%
Automotive equipment	25%

Leasehold improvements are depreciated on the straight-line basis over the remaining lease term. Property, plant and equipment includes assets purchased or under construction, all or a portion of which may not be in use at the end of the year. Assets under construction are depreciated when they are put in use and total \$1 454 843 in 2006.

Retiring Allowances

Employees of the Corporation are entitled to a retirement allowance based on years of service and rate of pay in the year of retirement or death. This program is funded in the year the allowance is paid.

The cost of the retirement allowance earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement age of employees.

The transitional liability related to the retirement allowance is amortized on a straight-line basis over the estimated remaining service period of the employees that participate in the plan (twelve years).

Any excess of the net actuarial gain (loss) over 10% of the benefit obligation is amortized over the estimated remaining service period of active employees.

Summary of Significant Accounting Policies (continued)

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 revenue and expenses during the reporting period. Actual results could differ from the estimates.

1. Inventories

	2006	2005
Spirits, wine, other beverages and beer	\$16 301 667	\$17 234 382
Supplies	<u>212 321</u>	<u>146 587</u>
	<u>\$16 513 988</u>	<u>\$17 380 969</u>

2. Deposit - Injured Workers

In conjunction with the conversion to the assessed basis of payment with the Workplace Health, Safety and Compensation Commission (WHSCC), the Corporation has placed the sum of \$1 000 000 on deposit in trust to cover the estimated cost of claims for employees injured prior to the conversion date of April 1, 2002. This deposit will be held for the period of June 1, 2002 to May 31, 2009 and accrues interest at WHSCC's accounting rate of return for the applicable year. Interest earned in 2006 was \$80 886 (\$78 959 in 2005). The actual cost of claims is deducted from the deposit in the year the expense is incurred. Actual costs for 2006 were \$127 786 (\$95 854 in 2005). At the end of the seven-year period or at any time prior, upon request of the Corporation, WHSCC will calculate the future costs associated with these claims, whereupon the Corporation will be responsible for a one-time payment of the amount. From that point forward, WHSCC will assume responsibility for the liability. It is anticipated that the amount currently on deposit will be sufficient to cover all future costs associated with injuries that occurred prior to April 1, 2002.

3. Property, Plant and Equipment

	Cost	Accumulated Depreciation	2006 Net	2005 Net
Land	\$ 207 995		\$ 207 995	\$ 209 075
Paving	492 587	\$ 457 972	34 615	57 642
Buildings	11 494 089	6 948 969	4 545 120	4 524 115
Leasehold improvements	5 620 179	3 572 795	2 047 384	1 880 108
Furniture, fixtures and equipment	9 786 225	8 079 309	1 706 916	1 350 781
Automotive equipment	229 872	175 388	54 484	96 078
Retail automation equipment	2 276 745	1 653 473	623 272	38 399
Software and services	4 578 921	2 696 571	1 882 350	1 616 612
Refrigeration equipment	<u>3 281 152</u>	<u>2 557 443</u>	<u>723 709</u>	<u>745 250</u>
	<u>\$37 967 765</u>	<u>\$26 141 920</u>	<u>\$11 825 845</u>	<u>\$10 518 060</u>

4. Employee Future Benefits

Pension Plan

Employees of the Corporation belong to the New Brunswick Public Service Superannuation Plan, a multi-employer, defined benefit pension plan. Contributions are made by both the Corporation and the employees. Since sufficient information is not readily available to account for the Corporation's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting rules for defined contribution pension plans. For the year ended March 31, 2006, the Corporation expensed contributions of \$1 176 857 (\$1 141 926 in 2005) under the terms of the Plan. The Corporation has no direct liability or entitlement to any unfunded liability or surplus in the Plan related to its current or former employees except as disclosed in Note 5.

Retiring Allowances

Included in accounts payable and accrued liabilities is an amount related to the retiring allowance plan. Information relating to the retirement allowance plan is as follows. This is based on the most recent actuarial valuation dated March 31, 2005:

	2006
Reconciliation of Accrued Benefit Obligation:	
Balance, beginning of year	\$ 3 112 500
Current service cost	151 500
Interest cost	177 125
Benefits paid	<u>(207 167)</u>
Balance, end of year, and funded status - deficit	3 233 958
Less: Unamortized transitional obligation	<u>1 200 000</u>
Accrued benefit liability	<u><u>\$ 2 033 958</u></u>

The Corporation's net benefit plan expense was \$321 458 (\$379 719 in 2005).

Significant actuarial assumptions used in determining the Corporation's accrued benefit obligation were a discount rate of 6.0% and a rate of salary escalation of 2.5%.

5. Pension Liability

Pursuant to a 1991 regulation under the Public Service Superannuation Act (NB), the New Brunswick Liquor Corporation was to contribute annually, until such time as the benefits were fully funded, sufficient amounts into the pension trust fund to amortize \$7 900 000 of the pension liability. The amortization period was estimated to be twenty-five years. The amount of these payments increase each year at the rate of the Canadian Consumer Price Index plus 2%.

Through some of the payment period, experience gains had been identified by actuarial valuations of the Plan from 1992 to 1999 and these gains were amortized over the estimated remaining service life of active contributors. After March 31, 2000, no payments to the pension trust fund were made as a result of actuarial valuations that determined the Plan was fully funded.

The most recent actuarial valuation of the Plan as at April 1, 2005 determined that the Plan is not fully funded. The balance on the financial statements reflects the payments required under this regulation pending the next actuarial valuation scheduled for April 1, 2008.

	2006	2005
Pension liability	\$1 330 996	\$2 239 294
Current portion of pension liability	<u>652 129</u>	<u>391 116</u>
	<u><u>\$ 678 867</u></u>	<u><u>\$1 848 178</u></u>

6. Commitments

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2007 and 2017. Certain of these operating leases contain renewal options at the end of the initial lease term. The following is a schedule, by years, of future minimum lease payments required under operating leases that have, as of March 31, 2006, initial lease terms in excess of one year:

2007	\$ 3 594 763
2008	3 411 532
2009	3 030 627
2010	2 796 758
2011	2 443 797
2012 to 2017	<u>6 414 231</u>
	<u>\$21 691 708</u>

7. Total Sales

Total sales reported include sales to retail customers, licensed establishments and agency stores. These amounts do not include subsequent resale by licensed establishments and agency stores.

8. Financial Instruments

The Corporation's financial instruments consist of cash, accounts receivable, outstanding cheques in excess of funds on deposit, accounts payable and accrued liabilities and pension liability. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values.

9. Related Party Transactions

These financial statements include the results of normal operating transactions with various Provincial Government controlled departments, agencies and Crown Corporations, with which the Corporation may be considered related.

10. Comparative Figures

Certain 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2006.

FINANCIAL STATEMENTS

NEW BRUNSWICK

MUNICIPAL FINANCE CORPORATION

31 DECEMBER 2005

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Board of Directors
New Brunswick Municipal Finance Corporation

I have audited the balance sheet of the New Brunswick Municipal Finance Corporation as at 31 December 2005 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 material respects, the financial position of the Corporation as at 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KD Robinson

K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
22 March 2006

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
BALANCE SHEET
31 DECEMBER 2005

	2005	2004
ASSETS		
Cash and short-term investments	\$ 1,029,889	\$ 1,081,181
Accrued interest receivable from municipalities and municipal enterprises	5,109,889	5,140,970
Accrued investment income receivable	-	3,851
	<u>6,139,778</u>	<u>6,226,002</u>
Long term investments	689,000	405,000
Unamortized premiums less discounts	(185,739)	(138,523)
	<u>503,261</u>	<u>266,477</u>
Loans to municipalities and municipal enterprises (Note 3)	495,625,000	466,353,000
	<u>\$ 502,268,039</u>	<u>\$ 472,845,479</u>
LIABILITIES AND RETAINED EARNINGS		
Accounts payable	\$ 6,851	\$ 2,667
Accrued interest payable on debenture debt	5,122,567	5,150,433
Debenture debt (Note 4)	496,147,000	466,638,000
	<u>501,276,418</u>	<u>471,791,100</u>
Retained earnings	991,621	1,054,379
	<u>\$ 502,268,039</u>	<u>\$ 472,845,479</u>

Approved by the Board

..... Director

..... Director

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2005**

	2005	2004
REVENUE		
Interest from municipalities and municipal enterprises	\$ 24,318,087	\$ 23,313,994
Retained for debenture issue expenses	144,126	158,939
Investment income	27,849	46,859
	<u>24,490,062</u>	<u>23,519,792</u>
EXPENSE		
Interest paid on debentures	24,343,625	23,331,309
Amortization of premium	(19,098)	5,243
Other expenses	228,293	91,514
	<u>24,552,820</u>	<u>23,428,066</u>
NET INCOME (LOSS) FOR THE YEAR	(62,758)	91,726
Retained earnings, beginning of year	1,054,379	962,653
RETAINED EARNINGS, end of year	<u>\$ 991,621</u>	<u>\$ 1,054,379</u>

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
CASH PROVIDED BY (USED FOR):		
Operating activities:		
Net income (loss) for the year	\$ (62,758)	\$ 91,726
Add (deduct)		
Amortization of premium	(19,098)	5,243
Decrease (increase) in non-cash components of working capital	11,249	13,934
	<u>(70,607)</u>	<u>110,903</u>
Financing activities:		
Proceeds on sale of debentures	95,934,197	104,968,307
Funds retained for debenture issues expenses	(144,126)	(158,939)
Principal paid on debenture debt	<u>(67,295,000)</u>	<u>(60,739,000)</u>
	28,495,071	44,070,368
Investing activities:		
Loans to municipalities and municipal enterprises	(95,790,070)	(104,809,368)
Principal repayments made by municipalities and municipal enterprises	67,532,000	61,024,000
Long term investments	<u>(217,686)</u>	<u>257,734</u>
	<u>(28,475,756)</u>	<u>(43,527,634)</u>
INCREASE (DECREASE) IN CASH	(51,292)	653,637
Cash position, beginning of year	<u>1,081,181</u>	<u>427,544</u>
CASH POSITION, end of year	<u>\$ 1,029,889</u>	<u>\$ 1,081,181</u>

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2005**

1. General

The Corporation was established under the New Brunswick Municipal Finance Corporation Act, which came into force on 1 February 1983. The purpose of the Corporation is to provide financing for municipalities and municipal enterprises through a central borrowing authority.

2. Summary of significant accounting policies

a) Loans to municipalities and municipal enterprises and debenture debt

Loans to municipalities and municipal enterprises and debenture debt are recorded at par value. Any discount or premium arising on the issuance of debenture debt is transferred to the municipality or municipal enterprise, and accounted for in their financial statements.

b) Investments

Long-term investments are recorded at par value, and adjusted for any unamortized premiums less discounts. Discounts and premiums are deferred and amortized to income on a straight-line basis over the remaining life of the related security.

3. Loans to municipalities and municipal enterprises

(a) Loans to municipalities and municipal enterprises are made on the security of their debentures due in annual instalments for periods up to a maximum of fifteen years.

(b) Principal payments receivable in each of the next five years are:

2006	\$70,900,000
2007	\$66,788,000
2008	\$58,842,000
2009	\$55,129,000
2010	\$47,751,000

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2005

4. Debenture debt

- (a) The following debenture debt outstanding at 31 December 2005 is in Canadian funds and is fully guaranteed by the Province of New Brunswick.

<u>Series</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Outstanding</u>
"U"	29 July 1993	29 July 1994 to 2008	5.5% to 8.375%	\$ 34,442,000	\$ 876,000
"AA"	24 July 1996	24 July 1997 to 2006	5.625% to 7.875%	19,028,000	4,397,000
"AB"	02 Dec. 1996	02 Dec. 1997 to 2006	3.625% to 6.625%	38,610,000	8,554,000
* "AC"	16 Oct. 1997	16 Oct. 1998 to 2007	4.125% to 6%	36,187,000	10,573,000
"AD"	18 Dec. 1997	18 Dec. 1998 to 2007	4.25% to 5.75%	34,346,000	10,895,000
"AE"	25 Aug. 1998	25 Aug. 1999 to 2008	5.25% to 5.625%	26,566,000	8,612,000
"AF"	15 Dec. 1998	15 Dec. 1999 to 2008	5.125% to 5.5%	29,838,000	12,852,000
"AG"	11 Aug. 1999	11 Aug. 2000 to 2009	5.2% to 5.75%	31,633,000	14,518,000
**"AH"	14 Dec. 1999	14 Dec. 2000 to 2009	5.7% to 6.5%	33,575,000	16,468,000
"AI"	10 Aug. 2000	10 Aug. 2001 to 2010	6.1% to 6.4%	31,887,000	16,735,000
"AJ"	19 Dec. 2000	19 Dec. 2001 to 2010	6% to 6.125%	27,801,000	14,267,000
"AK"	17 July 2001	17 July 2002 to 2011	4.45% to 6.2%	28,920,000	19,728,000
"AL"	30 Nov. 2001	30 Nov. 2002 to 2011	2.45% to 5.5%	42,281,000	27,660,000
"AM"	12 July 2002	12 July 2003 to 2012	3.375% to 5.75%	52,016,000	38,567,000
**"AN"	23 Dec. 2002	23 Dec. 2003 to 2012	3.1% to 5.6%	24,625,000	18,113,000
"AO"	28 July 2003	28 July 2004 to 2013	3.05% to 5.0%	41,532,000	34,894,000
"AP"	17 Dec. 2003	17 Dec 2004 to 2013	2.75% to 5.125%	51,873,000	42,721,000
**"AQ"	8 July 2004	8 July 2005 to 2014	2.75% to 5.50%	27,040,000	25,029,000
"AR"	16 Dec. 2004	16 Dec. 2005 to 2014	2.75% to 4.80%	78,919,000	73,884,000
**"AS"	7 July 2005	7 July 2006 to 2015	2.85% to 4.35%	21,781,000	21,781,000
"AT"	7 Dec. 2005	7 Dec. 2006 to 2015	3.75% to 4.375%	75,023,000	75,023,000
				<u>\$ 787,923,000</u>	<u>\$ 496,147,000</u>

- * These debentures were sold directly to funds administered by the Province of New Brunswick.

- (b) Principal payments due in each of the next five years are:

2006	\$70,713,000
2007	\$66,659,000
2008	\$58,778,000
2009	\$55,135,000
2010	\$47,836,000

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2005**

5. Financial Instruments

Fair value

The fair values of short-term investments, accrued interest receivable, investment income receivable, accounts payable and accrued interest payable are assumed to approximate their carrying amounts because of their short term to maturity.

The fair value of long-term investments is \$511,902.

The issue and repayment terms of the loans to municipalities and municipal enterprises and the debenture debt are in most cases identical, and in each case the asset and liability is intended to be held to maturity. For these two reasons, their fair value is considered to be the equivalent of par value.

Interest rate risk

The Corporation's rate of interest charged on loans to municipalities and municipal enterprises is equal to its cost of borrowing, thereby eliminating interest rate risk.

Credit risk

Since Section 14 of the New Brunswick Municipal Finance Corporation Act provides for the recovery of any defaults by municipalities and municipal enterprises by the Corporation, an allowance for doubtful accounts is not required.

It is management's opinion that the Corporation is not exposed to significant interest or credit risk arising from financial instruments.

The New Brunswick Museum

Consolidated Financial Statements
March 31, 2006



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Chartered Accountants
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Saint John, New Brunswick
Canada E2L 4B9
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Facsimile +1 (506) 632 8997

May 25, 2006

Auditors' Report

To the Directors of The New Brunswick Museum

We have audited the consolidated balance sheet of **The New Brunswick Museum** (the "Museum") as at March 31, 2006 and the consolidated statement of financial operations and changes in fund balances for the year then ended. These consolidated financial statements are the responsibility of the Museum'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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 Museum as at March 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

The New Brunswick Museum


Consolidated Balance Sheet

As at March 31, 2006

	General Funds \$	Property and Equipment Fund \$	Restricted Funds \$	Endowment Funds \$	2006 \$	2005 \$
Assets						
Cash	105,836	-	-	5,639	111,475	111,369
Short-term investments (note 3)	-	-	69,179	-	69,179	459,128
Accounts receivable - trade	25,096	-	3,027	26,094	54,217	79,935
Accounts receivable - grants	9,441	-	216,864	-	226,305	188,353
Inventory	44,843	-	-	-	44,843	47,301
Due from Province of New Brunswick	106,787	-	36,607	-	143,394	12,707
	292,003	-	325,677	31,733	649,413	898,793
Investments (note 3)	-	-	-	1,209,286	1,209,286	1,122,913
Property and equipment (note 4)	-	137,353	-	-	137,353	188,457
Collection and accessions (note 2)	2	-	-	-	2	2
	292,005	137,353	325,677	1,241,019	1,996,054	2,210,165
Liabilities and Fund Balances						
Accounts payable and accrued liabilities	154,866	-	27,067	-	181,933	289,811
Interfund loans	120,723	-	(108,623)	(12,100)	-	-
Due to Province of New Brunswick	-	-	-	-	-	121,856
	275,589	-	(81,556)	(12,100)	181,933	411,667
Fund balances						
Unrestricted	16,416	-	-	-	16,416	19,620
Internally restricted	-	-	58,178	54,550	112,728	147,887
Externally restricted	-	-	349,055	37,542	386,597	334,716
Endowments	-	-	-	1,161,027	1,161,027	1,107,818
Property and equipment	-	137,353	-	-	137,353	188,457
	16,416	137,353	407,233	1,253,119	1,814,121	1,798,498
	292,005	137,353	325,677	1,241,019	1,996,054	2,210,165

Approved by the Board of Directors

 Director

 Director

The New Brunswick Museum

Consolidated Statement of Financial Operations and Changes in Fund Balances For the year ended March 31, 2006

	General Funds \$ (note 6)	Property and Equipment Fund \$	Restricted Funds \$	Endowment Funds \$	2006 \$	2005 \$
Revenues						
Grants						
Provincial	2,031,652	–	52,820	–	2,084,472	2,075,068
Federal	–	–	77,767	–	77,767	36,204
Department of Canadian Heritage	–	–	106,956	–	106,956	152,500
Interest income	11,464	–	821	51,147	63,432	60,252
Webster Foundation	–	–	–	37,455	37,455	30,100
Museum services (note 5)	164,078	–	6,693	–	170,771	179,265
Other grants and bequests	10,000	–	80,903	–	90,903	104,691
Donations	–	–	204,930	18,555	223,485	66,463
	<u>2,217,194</u>	<u>–</u>	<u>530,890</u>	<u>107,157</u>	<u>2,855,241</u>	<u>2,704,543</u>
Expenditures						
Salaries and benefits	1,764,886	–	128,050	–	1,892,936	1,777,724
Materials, supplies and services	547,726	–	334,803	10,302	892,831	719,589
Collections and accessions	24,485	–	1,415	–	25,900	90,187
Amortization	–	73,758	–	–	73,758	63,474
Research grants	3,500	–	–	–	3,500	3,750
	<u>2,340,597</u>	<u>73,758</u>	<u>464,268</u>	<u>10,302</u>	<u>2,888,925</u>	<u>2,654,724</u>
Excess (deficiency) of revenues over expenditures	(123,403)	(73,758)	66,622	96,855	(33,684)	49,819
Gain on sale of investments	–	–	–	49,307	49,307	119,660
Net surplus (deficit)	(123,403)	(73,758)	66,622	146,162	15,623	169,479
Fund balance – Beginning of year	19,620	188,457	399,816	1,190,605	1,798,498	1,629,019
Inter fund transfers (note 8)	120,199	22,654	(59,205)	(83,648)	–	–
Fund balance – End of year	<u>16,416</u>	<u>137,353</u>	<u>407,233</u>	<u>1,253,119</u>	<u>1,814,121</u>	<u>1,798,498</u>

The New Brunswick Museum

Notes to Consolidated Financial Statements

For the year ended March 31, 2006

1 Nature of organization

The New Brunswick Museum (the "Museum") is incorporated under the laws of the Province of New Brunswick. As New Brunswick's provincial museum, it is the principal repository and steward of material that documents or represents the natural and human history of New Brunswick and other related regions. The New Brunswick Museum works in partnership with institutions and communities to collect, preserve, research and interpret material to foster a greater understanding and appreciation of New Brunswick provincially and globally.

The Museum is registered as a charitable organization under the Income Tax Act (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Museum must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2 Significant accounting policies

Financial statement presentation

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Museum, the accounts of the Museum are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into separate funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors (the "Board") or various funding authorities.

These consolidated financial statements include the accounts of The New Brunswick Museum and its subsidiary, The New Brunswick Museum Foundation, Inc.

For financial reporting purposes, the accounts have been classified into the following four groupings.

General Funds

These funds reflect the day-to-day operating transactions of the Museum.

Property and Equipment Fund

This fund reports the property and equipment owned by the Museum. The Museum's premises are provided by the Province of New Brunswick.

Assets are stated at cost and are amortized on a straight-line basis over their estimated useful lives as follows:

Computer equipment	33%
Equipment	20%
Furniture	10%

In the year of acquisition, amortization is calculated over the number of months the related asset is available for use.

The New Brunswick Museum

Notes to Consolidated Financial Statements
For the year ended March 31, 2006

2 Significant accounting policies (continued)

Restricted Funds

These funds include amounts received by the Museum which are designated to be for certain restricted activities. Such restricted activities include the following:

Grants – Amounts received from various governments and private agencies to finance specific projects.

Department of Canadian Heritage – Amounts received from the Federal Museum's Assistance Program which provides financial assistance for specific projects that foster access by present and future generations of Canadians to their human, natural, artistic and scientific heritage.

Bequests and donations – Amounts received from sources which place specific restrictions on their use.

Internally restricted funds – Amounts restricted by the Board for exhibitions and gallery upgrades. This also includes funds received from activities of the staff in the curatorial departments to assist in financing specific project expenditures.

Endowment Funds

These funds include amounts held for the long-term benefit of the Museum, the income for which is to be used for various restricted purposes. The Endowment Funds include the following individual funds whose stated purpose is as follows:

General Donation Fund – All undesignated donations are applied to this Fund upon receipt. Board Resolution may subsequently transfer these donations to the Legacy Collection or Name Donor Endowment Funds. Principal and income deriving from the Fund may be used for programs or collections of the Museum, at the discretion of the Board.

Legacy Endowment Fund – Income from the Legacy Endowment Fund is used to fund programs of the Museum.

Collection Endowment Fund – Income from the Collections Fund is designated for the acquisition of artifacts for the Museum's collection.

Research Endowment Funds

- *Matthew Research Fund* – Established by the New Brunswick Museum in 1987 to support geological research in New Brunswick by non-staff researchers. Scholarships are reviewed and approved by Management upon recommendation of the Curator of Geology.
- *Christie Research Fund* – Established by the New Brunswick Museum in 1987 to support research in natural science by non-staff researchers. Scholarships are reviewed and approved by Management upon recommendation of the Curator of Zoology.

The New Brunswick Museum

Notes to Consolidated Financial Statements

For the year ended March 31, 2006

2 Significant accounting policies (continued)

Endowment Funds (continued)

Named Donor Endowment Funds – These funds comprise individual trusts established to carry out the terms and conditions of certain bequests, as required. Disbursements from these trusts are made in accordance with the terms set by the donor.

Webster Fund - Funds received from the Webster Foundation are applied toward certain humanities programs under the General Fund.

Interest income earned on these contributions is classified as externally restricted assets to be applied towards the programs described above. Amounts approved by the Board to be transferred to the General Funds in the following financial year to fund such projects are classified as internally restricted assets.

Investments

Investments purchased by the Museum are valued at cost and investments donated to the Museum are valued at fair market value at the date of receipt. Investment income is recognized as earned.

Inventory

Inventory consisting of publications and items held for resale are valued at the lower of cost and net realizable value determined on a first-in, first-out basis.

Collections and accessions

Collections and accessions are recorded at a nominal value. Additions to the collections are expensed in the year of acquisition.

The collections of the Museum comprise a wide range of subject matter from the humanities, archives, library and natural science, which are relevant to New Brunswick and have been continually acquired since the institution's foundation in 1842. The humanities holdings, numbering about 100,000 artifacts, include history and technology artifacts, fine and decorative arts and archival material. The archives and research library holds 300 meters of archival material, 45,000 monographs and 500 periodical titles. The natural science holdings, numbering about 317,000 specimens or specimen lots, include botanical, palaeontology and zoological collections.

Contributed services

Volunteers contributed approximately 1,850 hours (2005-2,849) to assist the Museum in carrying out its service delivery activities.

The New Brunswick Museum

Notes to Consolidated Financial Statements
For the year ended March 31, 2006

2 Significant accounting policies (continued)

Management 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, liabilities, revenues and expenditures during the reporting period. Estimates are used for, but not limited to, provisions for doubtful accounts, and inventory obsolescence and amortization. Actual results could differ from those estimates.

Financial instruments

The Museum's financial instruments recognized in the consolidated balance sheet consist of cash, accounts receivable, investments, accounts payable and accrued liabilities and amounts due to/from the Province of New Brunswick. The fair values of these instruments approximate their carrying value due to their short-term nature unless otherwise noted.

Comparative figures

Certain prior year's figures have been reclassified to conform to the presentation adopted for the current year.

3 Investments

Investments comprise the following:

	2006		2005	
	Cost \$	Market value \$	Cost \$	Market value \$
Short-term investments				
Treasury bills	69,179	69,179	459,128	457,876
Long-term investments				
Bonds	856,888	894,226	784,191	826,727
Equities	352,398	575,446	338,722	495,097
	1,209,286	1,469,672	1,122,913	1,321,824

4 Property and equipment

	2006			2005
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Computer equipment	235,829	181,332	54,497	83,931
Equipment	269,607	206,493	63,114	78,891
Furniture	78,033	58,291	19,742	25,635
	583,469	446,116	137,353	188,457

The New Brunswick Museum

Notes to Consolidated Financial Statements

For the year ended March 31, 2006

5 Museum services

Museum services consist of the following revenue and expenditures:

	2006 \$	2005 \$
Revenues		
Gift shop, programs and other	286,648	268,987
Admissions	85,799	103,553
Facility rentals	24,569	32,633
Membership	13,281	12,035
	<u>410,297</u>	<u>417,208</u>
Expenditures		
Gift shop, programs and other	239,526	237,943
	<u>170,771</u>	<u>179,265</u>

6 General Funds revenues and expenditures – Detailed comparison to budget

	2006 Actual \$	2006 Budget (unaudited) \$
Revenues		
Provincial grants	2,031,652	2,004,000
Museum services	164,078	166,000
Investment income	11,464	6,000
Other grants and bequests	10,000	–
	<u>2,217,194</u>	<u>2,176,000</u>
Expenditures		
Salaries and benefits	1,764,886	1,720,141
Operations	293,578	263,000
Curatorial and library	103,967	120,700
Marketing and development	81,912	76,500
Exhibition and technical services	61,263	37,500
Outreach	10,582	10,000
Visitor services	24,409	23,200
	<u>2,340,597</u>	<u>2,251,041</u>
Deficiency of revenues over expenditures	<u>(123,403)</u>	<u>(75,041)</u>

The New Brunswick Museum

Notes to Consolidated Financial Statements

For the year ended March 31, 2006

7 Commitments

Minimum annual commitments under long-term operating leases are as follows:

	\$
Year ending March 31, 2007	16,376
2008	12,768
2009	12,768
2010	12,768

8 Inter fund transfers

	\$
Transfer from the Endowment Funds and the Restricted Funds to the General Funds to fund certain humanities programs.	126,264
Transfer from the General Funds and Restricted Funds to the Property and Equipment Fund to fund cash outlays for capital asset acquisitions.	22,654

Combined Financial Statements of

**NEW BRUNSWICK POWER
HOLDING CORPORATION**

for the year ended March 31, 2006

Deloitte & Touche LLP

Deloitte

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Auditors' Report

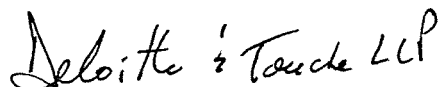
To the Honourable Hermenegilde Chiasson,
Lieutenant-Governor of New Brunswick,
Fredericton, New Brunswick

Sir:

We have audited the combined balance sheet of New Brunswick Power Holding Corporation (the "Corporation") as at March 31, 2006 and the combined statements of operations, deficit and cash flows for the year 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 combined financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

May 26, 2006

NEW BRUNSWICK POWER HOLDING CORPORATION
COMBINED STATEMENT OF OPERATIONS
(in millions)

For the year ended March 31	2006	2005
Revenues (Notes 3 & 5)		
Sales of power		
In-province	\$ 1,056	\$ 1,049
Out-of-province	379	251
Miscellaneous	73	62
Transmission	77	41
	<u>1,585</u>	<u>1,403</u>
Expenses		
Fuel and purchased power	512	497
Transmission (Note 3)	86	46
Operations, maintenance and administration	373	384
Amortization and decommissioning (Note 6)	217	219
Taxes (Note 7)	47	41
	<u>1,235</u>	<u>1,187</u>
Income before finance charges & special payments in lieu of income taxes	350	216
Finance charges (Note 8)	199	202
Income before special payments in lieu of income taxes	151	14
Special payments in lieu of income taxes (Note 9)	55	5
Net income for the year	\$ 96	\$ 9


COMBINED STATEMENT OF DEFICIT

For the year ended March 31	2006	2005
Deficit, beginning of year	\$ (191)	\$ (195)
Net income for the year	96	9
Dividends declared (Note 10)	(12)	(5)
Deficit, end of year	\$ (107)	\$ (191)

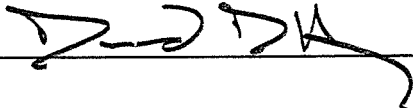
NEW BRUNSWICK POWER HOLDING CORPORATION
COMBINED BALANCE SHEET
(in millions)

As at March 31	2006	2005
Current Assets		
Cash and short-term investments (Note 11)	\$ 21	\$ 4
Accounts receivable (Note 21)	208	217
Materials, supplies and fuel	151	106
Prepaid expenses	4	3
	<u>384</u>	<u>330</u>
Property, Plant and Equipment (Note 12)		
Land, buildings, plant and equipment, at cost	6,501	6,320
Less: accumulated amortization	3,221	3,047
	<u>3,280</u>	<u>3,273</u>
Long-Term Assets		
Nuclear decommissioning and used fuel management funds (Note 13)	229	189
Other investments (Note 14)	6	6
	<u>235</u>	<u>195</u>
Other Assets		
Future special payments in lieu of income taxes (Note 9)	-	5
Deferred pension benefit (Note 15)	70	71
	<u>70</u>	<u>76</u>
Total Assets	\$ 3,969	\$ 3,874

ON BEHALF OF NEW BRUNSWICK POWER HOLDING CORPORATION



Chairman



President and Chief Executive Officer

NEW BRUNSWICK POWER HOLDING CORPORATION
COMBINED BALANCE SHEET
(in millions)

As at March 31	2006	2005
Current Liabilities		
Short-term indebtedness (Note 16)	\$ 243	\$ 340
Accounts payable and accruals (Note 21)	228	199
Accrued interest (Note 21)	59	60
Current portion of long-term debt (Note 17)	232	357
	<u>762</u>	<u>956</u>
Long-Term Debt (Note 17)		
Debentures and other loans	2,655	2,459
Deferred Liabilities		
Plant decommissioning and used nuclear fuel management (Note 18)	261	251
Other (Note 19)	71	72
	<u>332</u>	<u>323</u>
Shareholders' Equity		
Capital stock (Note 10)	140	140
Contributed surplus	187	187
Deficit	(107)	(191)
	<u>220</u>	<u>136</u>
Total Liabilities & Shareholders' Equity	\$ 3,969	\$ 3,874

NEW BRUNSWICK POWER HOLDING CORPORATION
COMBINED STATEMENT OF CASH FLOWS
(in millions)

For the year ended March 31	2006	2005
Operating Activities		
Net income for the year	\$ 96	\$ 9
Amounts charged or credited to operations not requiring a current cash payment (Note 20)	223	236
	<u>319</u>	<u>245</u>
Nuclear decommissioning and used fuel management funds installments and earnings	(40)	(13)
Decommissioning liability expenditures	(5)	(1)
Net change in non-cash working capital balances	(11)	(51)
	<u>263</u>	<u>180</u>
Investing Activities		
Expenditure on property, plant and equipment, net of proceeds on disposal and customer contributions	(209)	(335)
Other investments	-	(6)
	<u>(209)</u>	<u>(341)</u>
Financing Activities		
Debt retirements	(357)	(58)
Sinking fund installments and earnings	-	(27)
Proceeds from issuance of long-term debt	428	297
Increase (decrease) in short-term indebtedness	(97)	(54)
Dividends paid	(11)	-
	<u>(37)</u>	<u>158</u>
Net cash inflow (outflow)	17	(3)
Cash, beginning of year	4	7
Cash, end of year	\$ 21	\$ 4

**NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2006
(in millions)

1. INCORPORATION

Incorporation

The New Brunswick Power Corporation (NB Power) was established as a Crown Corporation of the Province of New Brunswick in 1920 by enactment of the New Brunswick *Electric Power Act*.

On October 1, 2004 the Province of New Brunswick proclaimed the *Electricity Act*, which resulted in the reorganization of NB Power and the restructuring of the electricity industry in New Brunswick. NB Power was continued as New Brunswick Power Holding Corporation (Holdco) with four new subsidiary operating companies that commenced operations on this date. The subsidiaries include

- New Brunswick Power Generation Corporation* (Genco)
- New Brunswick Power Nuclear Corporation (Nuclearco)
- New Brunswick Power Transmission Corporation (Transco)
- New Brunswick Power Distribution & Customer Service Corporation (Disco)

* including the New Brunswick Power Coleson Cove Corporation (Colesonco), formed as a subsidiary of Genco upon restructuring, and NB Coal Limited (NB Coal)

The *Electricity Act* resulted in the establishment of the New Brunswick Electric Finance Corporation (Electric Finance), a Crown Corporation and agent of the Crown, whose purpose is to facilitate the conversion of NB Power's debt to appropriate levels in the subsidiary operating companies and to assume and reduce the remaining portion of NB Power's debt.

The *Electricity Act* also resulted in the establishment of the New Brunswick System Operator (System Operator), a not-for-profit body whose primary objective is to independently direct the operation of the electricity market and maintain the long-term adequacy and reliability of the electricity system.

2. BASIS OF PRESENTATION

The accompanying combined financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with the preceding year. The combined financial statements include the accounts of Holdco and those of its subsidiaries listed above (collectively the Corporation).

**NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2006
(in millions)

3. BASIS OF REGULATION

Transco

The New Brunswick Board of Commissioners of Public Utilities (PUB) regulates the Open Access Transmission Tariff (OATT). The OATT establishes non-discriminatory access to the transmission system for generators and customers inside and outside the province and generates revenues for the Corporation to operate and maintain the transmission system.

The System Operator has responsibility for the design and administration of the OATT. As such, Transco bills the System Operator for the majority of its revenue requirement, which the System Operator collects through the OATT from the various load and load-serving customers including Genco, Nuclearco and Disco.

The revenue requirement for Transco is based on its cost of service with an allowed rate of return of 9.5 per cent based on a deemed capital structure of 65 per cent debt and 35 per cent equity.

Regulatory assets or liabilities may arise as a result of the rate-setting process. 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 of March 31, 2006, Transco has a regulatory asset related to allowance for funds used during construction (AFUDC).

The PUB permits AFUDC to be capitalized monthly on capital construction projects based on the Corporation's weighted average cost of capital. AFUDC is included in the cost of property, plant and equipment for financial reporting purposes and is amortized over future periods as part of the cost of the related asset. Since AFUDC includes a cost-of-equity component as well as an interest component, it exceeds the amount that would be capitalized in similar circumstances in the absence of rate regulation.

It is expected that future amortization from property, plant and equipment containing AFUDC is recoverable from the OATT. However, the expected recovery or likelihood of recovery is affected by risk and uncertainties relating to the ultimate power of the PUB in determining the item's treatment for rate-setting purposes.

**NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2006
(in millions)

3. BASIS OF REGULATION (continued)

Disco

Disco is regulated under a system whereby annual average rate increases greater than three per cent or the percentage change in the average Consumer Price Index, whichever is higher, require regulatory review by the PUB. For rate increases that require PUB review, Disco is required to file its revenue requirement.

Regulatory assets or liabilities may arise as a result of the rate-setting process. 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 of March 31, 2006, Disco does not have any regulatory assets or liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES

a. Property, plant and equipment

The cost of additions to property, plant and equipment is the original cost of contracted services, direct labour and material, interest and allowance for funds used during construction, indirect charges for administration and other expenses related to capital projects, less credits for the value of power generated during commissioning.

Property, plant and equipment also includes the present value of asset retirement obligations related to the disposal of used nuclear fuel and decommissioning of the nuclear and thermal generating stations.

Interest during construction is capitalized monthly on capital construction projects within unregulated businesses based on the cost of long-term borrowings. Allowance for funds used during construction is capitalized monthly on capital construction projects within regulated businesses based on the weighted average cost of capital.

Contributions in aid of construction, which include amounts received from customers as well as research and development grants in respect of new facilities, are netted against the cost of related assets.

The cost of distribution system assets retired, net of dismantlement and salvage, is charged to accumulated amortization. For all other property, plant and equipment dispositions, the cost and accumulated amortization is removed from the accounts, with the gain or loss on disposal being reflected in income.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2006
(in millions)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Property, plant and equipment (continued)

Amortization is provided for all assets sufficient to amortize the cost of such assets less estimated salvage value over their estimated service lives. The estimated service lives of fixed assets are periodically reviewed and any changes are applied prospectively. All assets are amortized on a straight-line basis.

The main categories of property, plant and equipment are being amortized based on the following estimated service lives

<u>Assets</u>	<u>Years</u>
Hydro generating facilities	35 – 100
Thermal generating stations	25 – 35
Nuclear generating station	29
Combustion turbine generating stations	25
Terminals and substations	40
Transmission system	45 – 60
Distribution system	10 – 35
Buildings	
- General	40
- Head Office	50
Communications and computer systems	3 – 15
Mining equipment	20 – 35
Motor vehicles	4 – 10

The Corporation evaluates its property, plant and equipment for impairment whenever conditions indicate that estimated undiscounted future net cash flows may be less than the net carrying amount of assets. If the undiscounted expected future cash flows are less than the carrying amount, an impairment loss will be recognized equal to the amount by which the carrying amount exceeds the fair value.

b. Cash and short-term investments

Cash and short-term investments, which are stated at cost, consist of balances with banks and investments in money market instruments.

c. Materials, supplies and fuel

Inventories of materials, supplies and fuel other than nuclear fuel are valued at average cost. Nuclear fuel is valued at cost using the first-in, first-out method.

d. Foreign exchange transactions

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at rates of exchange prevailing at the balance sheet date except where such items have been hedged by the acquisition of a forward exchange contract, in which case the rate established by the terms of the contract is used in the translation. Exchange gains and losses resulting from foreign currency translation are reflected in income.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Long-term debt

Long-term debt is recorded on the balance sheet at cost. The estimated fair value of long-term debt is disclosed in the notes to the financial statements using market values or estimates of market values based on debt with similar terms and maturities. The estimated fair value does not include costs that would be incurred to exchange or settle the debt.

f. Asset retirement obligations

Nuclear and Thermal Generating Stations

In order to provide for the estimated future costs of permanently disposing of used nuclear fuel and decommissioning the nuclear and thermal generating stations to return the sites to a state of unrestricted use, the Corporation recognizes these liabilities taking into account the time value of money.

The following costs have been recognized as a liability as at March 31, 2006

- the estimated present value of the costs of decommissioning the nuclear and thermal generating stations at the end of their useful lives
- the estimated present value of the fixed cost portion of used nuclear fuel management activities that are required regardless of the volume of fuel consumed and the estimated present value of the variable cost portion of used nuclear fuel management activities to take into account actual fuel volumes incurred up to March 31, 2006

The liability for used nuclear fuel management is increased for nuclear fuel bundles used each year with the corresponding amounts charged to operations through fuel expense.

The liabilities for nuclear and thermal plant decommissioning and used nuclear fuel management are increased for the passage of time by calculating accretion (interest) on the liabilities. The accretion expense is calculated using the Corporation's credit-adjusted risk-free rate and is included with amortization expense.

The calculations of the anticipated future costs are based on detailed studies that take into account various assumptions regarding the method and timing of dismantlement of the nuclear and thermal generating stations, the cost of transportation of nuclear material to permanent disposal facilities and estimates of inflation rates in the future.

Expenditures incurred on a current basis relating to used nuclear fuel management and plant decommissioning are charged against the deferred liability accounts.

In view of potential developments in the technology of decommissioning and used nuclear fuel management and the various assumptions and estimates inherent in the calculations, the Corporation reviews such calculations periodically.

In accordance with the *Nuclear Fuel Waste Act*, which came into force in November 2002, the Nuclear Waste Management Organization was formed to prepare and review alternatives and provide recommendations for long-term management of used nuclear fuel. The Nuclear Waste Management Organization's recommendations were submitted to the federal government in November 2005. The federal government will determine the strategy for dealing with the long-term management of used nuclear fuel based on submitted alternatives. The strategy determined by the federal government could significantly change management's estimate of the used nuclear fuel management liability.

NEW BRUNSWICK POWER HOLDING CORPORATION
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Asset retirement obligations (continued)

Hydro Generating Stations

The Corporation currently has no intention of decommissioning its hydro generating stations. With either maintenance efforts or rebuilding, the assets are expected to be used for the foreseeable future. Therefore, no removal date can be determined and consequently a reasonable estimate of the fair value of any related asset retirement obligations cannot be made at this time. If at some future date it becomes possible to estimate a fair value cost of removing assets that the Corporation is legally required to remove, an asset retirement obligation will be recognized at that time.

Transmission and Distribution Assets

Although some of the Corporation's transmission and distribution assets may have asset retirement obligations, the Corporation expects to use the majority of its transmission and distribution assets for an indefinite period of time. Therefore, no removal date can be determined and consequently a reasonable estimate of the fair value of any related asset retirement obligation cannot be made at this time. If at some future date it becomes possible to estimate the fair value cost of removing assets that the Corporation is legally required to remove, an asset retirement obligation will be recognized at that time.

g. Pension plans

Corporation employees, other than NB Coal employees, are members of the Province of New Brunswick Public Service Superannuation Plan. This multi-employer, defined benefit plan provides pensions based on length of service and the average of the highest five consecutive years of earnings. Pension benefits paid are escalated each year based on the Consumer Price Index to a maximum of five or six per cent depending on retirement date. The Corporation and its employees make contributions to the plan as prescribed in the *Public Service Superannuation Act* and its regulations. NB Coal maintains a private defined benefit pension plan for its employees.

Under both plans, future salary levels affect the amount of employee future benefits, and therefore the projected benefit method pro-rated on service has been used to determine the accrued benefit obligation. The expected return on plan assets is based on the fair value of plan assets. Actuarial gains or losses in excess of 10 per cent of the greater of the accrued benefit obligation and the fair value of the plan assets at the beginning of the year are amortized over the expected average remaining service life of the employee group. The transitional asset (fair market value of the plan assets less the accrued benefit obligation as determined at April 1, 2000), is also amortized over the average remaining service life of the employee group.

h. Retirement allowance

The Corporation has a retirement allowance program for employees that provides a lump-sum payment equal to one week of pay for each full year of employment to a maximum of 26 weeks of pay. Actuarial calculations are prepared to determine the amount of the Corporation's obligations for retirement allowances. The actuarial method used incorporates management's best estimate assumptions to determine the present value of the accrued retirement allowance obligation based on projections of salaries and wages to expected retirement dates. The actuarial present value of accrued retirement allowance obligations for past service is amortized on a straight-line basis over the expected average remaining service life of the employee group.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Early retirement programs

The present value of the estimated future costs of early retirement programs is charged to income in the year the program is accepted by employees, irrespective of when payments are actually made.

j. Revenue

The Corporation recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured. Billings to residential and general service customers are rendered monthly on a cyclical basis. All other customers are billed at the end of each month. Revenue in respect of items not billed at the end of a fiscal period is estimated and accrued.

k. Derivative financial instruments

In accordance with its hedging policies and objectives, the Corporation enters into derivative financial instruments to manage underlying exposures. The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its hedging objectives and strategy underlying various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific forecasted transactions.

Hedge accounting, which allows deferral of gains and losses until settlement, is applied when the derivative instrument is designated as a hedge and the derivative is expected to be effective throughout the life of the hedged item. Effectiveness is achieved when changes in the cash flows or fair value of the derivative instrument substantially offset changes in the cash flows or fair value of the hedged item. The Corporation assesses both at inception and on an ongoing basis whether the derivatives used in hedging transactions are effective.

Effective derivatives that meet hedge criteria are not recorded on the balance sheet and any gains or losses on these instruments are deferred and only recognized at the settlement date. Derivative instruments not meeting hedge criteria are accounted for on the balance sheet at fair value and subsequent changes in fair value are recorded in earnings.

If a derivative instrument ceases to exist and is not replaced, the termination gain or loss is deferred and recognized when the hedged item is settled. If a hedged item ceases to exist or is no longer probable of occurring, any previously deferred gains or losses associated with a derivative instrument are recognized in earnings. If a hedging relationship is terminated or ceases to be effective, any previously deferred gains or losses are carried forward and recognized in earnings in the same period as the hedged item and any subsequent gains or losses on the fair value of the instrument are recognized in earnings.

The Corporation currently uses derivative financial instruments to manage the following risks

- foreign currency exchange rates
- heavy fuel oil and natural gas prices
- export electricity prices

NEW BRUNSWICK POWER HOLDING CORPORATION
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Derivative financial instruments (continued)

Foreign Currency Exchange Rates

The Corporation enters into Canadian dollar – US dollar forward contracts to hedge exchange risk related to forecasted US-dollar purchases. Gains or losses on forward contracts hedging forecasted US-dollar purchases are deferred and recognized at the settlement date as part of the underlying item. In the event that a forward contract is terminated, the realized gain or loss would also be deferred and recognized in income at the settlement date of the related underlying item.

Heavy Fuel Oil and Natural Gas Prices

The Corporation enters into heavy fuel oil and natural gas swaps to hedge the anticipated exposure related to changes in the cost of heavy fuel oil in the operations of its generating stations and on purchase contracts largely based on natural gas prices. Gains or losses on these swaps are recognized at the settlement dates as an adjustment to the related underlying item.

Export Electricity Prices

The Corporation periodically enters into electricity swaps to hedge the anticipated exposure related to changes in electricity prices on export sales. Gains or losses on these swaps are recognized at the settlement dates as an adjustment to export revenue.

l. Special payments in lieu of taxes

The Corporation is required to make special payments in lieu of taxes to Electric Finance. Total special payments in lieu of taxes consist of

- an income tax component based on accounting net income multiplied by a rate of 35.12 per cent
- a capital tax component based upon the large corporation tax rules contained in the federal and provincial income tax acts

The Corporation also recognizes the future special payments in lieu of taxes benefit of current losses when it is more likely than not that sufficient income will be generated in future periods to utilize losses previously incurred. No other provisions are made for future special payments in lieu of taxes as a result of any temporary differences as the tax basis of assets and liabilities and their carrying amounts for accounting purposes are considered to be the same for the purposes of the calculation.

NEW BRUNSWICK POWER HOLDING CORPORATION
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Consolidation of variable interest entities

Effective April 1, 2005, the Corporation adopted Accounting Guideline AcG-15, Consolidations of Variable Interest Entities (VIE), issued by the Canadian Institute of Chartered Accountants. A VIE is any type of legal structure controlled by contractual or financial arrangements, rather than by voting equity. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that absorbs the majority of the VIE's expected losses or returns or both.

The Corporation has several variable interests in the form of power purchase contracts with third party corporations. The Corporation has not consolidated these third-party entities. For all of these contracts except one, it was determined that there is an insignificant amount of variability being absorbed by the Corporation as a result of these contracts and therefore consolidation is inappropriate. There is one contract to purchase all the capacity and electrical energy produced by a 90MW co-generation facility that began production in December 2004. Purchases under this contract were \$ 67 million for the year ended March 31, 2006. Pursuant to the scope exemption contained in AcG-15 paragraph 4(g), the Corporation has made exhaustive efforts to obtain information in order to make an assessment of whether or not the third party corporation is a variable interest entity. The Corporation has not been able to obtain this information and therefore has not been able to determine if the third-party corporation is a variable interest entity. As a result the Corporation has not consolidated this third-party entity.

n. Use of estimates

The preparation of financial statements in conformity with 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 revenue and expense during the reporting period. Actual results could differ from the estimates. See Note 15 regarding the estimate of the deferred pension benefit, Note 18 regarding the estimate of the plant decommissioning and used nuclear fuel management liabilities and Note 19 regarding the estimate of other deferred liabilities.

5. REVENUES

Total revenue includes \$120 million (2005 - \$99 million) of sales to customers in the United States.

6. AMORTIZATION AND DECOMMISSIONING

	2006	2005
Amortization	\$ 200	\$ 201
Decommissioning	17	18
Amortization and decommissioning	\$ 217	\$ 219

**NEW BRUNSWICK POWER HOLDING CORPORATION
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7. TAXES

	2006	2005
Property taxes	\$ 20	\$ 18
Utility and right of way taxes	16	17
Special payments in lieu of provincial capital taxes	11	6
Taxes	\$ 47	\$ 41

Utility taxes reflect amounts charged by the Province of New Brunswick on the net book value of assets not covered by property taxes.

8. FINANCE CHARGES

	2006	2005
Interest expense	\$ 197	\$ 223
Less: Income from sinking funds, trust funds, and other	(10)	(21)
	187	202
Debt portfolio management fee	20	21
Amortization of deferred debt costs	-	3
Realized foreign exchange (gains) or losses	2	(2)
	209	224
Less: Interest capitalized	(10)	(22)
Finance charges	\$ 199	\$ 202

Interest paid during the year was \$198 million (2005 - \$221 million). Interest received on investments during the year was \$11 million (2005 - \$20 million).

NEW BRUNSWICK POWER HOLDING CORPORATION
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9. SPECIAL PAYMENTS IN LIEU OF INCOME TAXES

	2006	2005
Income before special payments in lieu of income taxes	\$ 151	\$ 14
Less: Income up to October, 2004	-	(8)
Less: Subsidiary income not subject to special payments in lieu of income taxes	(5)	-
Income subject to special payments in lieu of income taxes	146	6
Income tax rate	35.12%	35.12%
	51	2
Special payments in lieu of federal capital taxes	4	3
Total special payments in lieu of income taxes	\$ 55	\$ 5

Components of special payments in lieu of income taxes

	2006	2005
Provision for current special payments in lieu of income taxes	\$ 51	\$ 7
Provision for future special payments in lieu of income taxes	-	(5)
Special payments in lieu of federal capital taxes	4	3
	\$ 55	\$ 5

Special payments in lieu of income taxes are calculated at a subsidiary company level.

10. CAPITAL STOCK

The Corporation has one Class A voting common share of nominal value, issued and outstanding to the New Brunswick Minister of Energy.

The Corporation has 1,006 Class B non-voting common shares issued and outstanding to Electric Finance with a stated value of \$140 million.

The Corporation, with Electric Finance's approval, is authorized to issue an unlimited number of Class A or Class B shares without nominal or par value.

Dividends

The holder of the Class B shares, Electric Finance, is entitled to receive dividends when declared by the Corporation's Board of Directors. The designated percentage of the dividends declared may vary based upon the discretion of the Shareholder and the financial position of the Corporation. The holder of the Class A shares cannot be paid dividends until such time that there are no longer any Class B shares outstanding.

Dividends are declared and paid at a subsidiary company level.

NEW BRUNSWICK POWER HOLDING CORPORATION
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11. CASH AND SHORT-TERM INVESTMENTS

	2006	2005
Cash	\$ 18	\$ 3
Short-term investments	3	1
Cash and short-term investments	<u>\$ 21</u>	<u>\$ 4</u>

12. PROPERTY, PLANT AND EQUIPMENT

	2006			2005		
	Cost	Accumulated amortization	Net Book Value	Cost	Accumulated amortization	Net Book Value
Power generating stations	\$ 4,476	\$ 2,312	\$ 2,164	\$ 4,433	\$ 2,187	\$ 2,246
Transmission system	293	143	150	291	137	154
Terminals and substations	464	241	223	452	232	220
Distribution system	741	336	405	727	314	413
Buildings and properties	59	33	26	59	31	28
Communications and computer systems	100	60	40	95	51	44
Mining equipment and related assets	53	53	-	53	53	-
Motor vehicles	49	33	16	51	33	18
Miscellaneous assets	15	10	5	13	9	4
Construction-in-progress*	251	-	251	146	-	146
Total	<u>\$ 6,501</u>	<u>\$ 3,221</u>	<u>\$ 3,280</u>	<u>\$ 6,320</u>	<u>\$ 3,047</u>	<u>\$ 3,273</u>

*Construction-in-progress at March 31, 2006 includes \$199 million (2005 - \$90 million) of expenditures on the Point Lepreau Generating Station Refurbishment Project.

NEW BRUNSWICK POWER HOLDING CORPORATION
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13. NUCLEAR DECOMMISSIONING AND USED FUEL MANAGEMENT FUNDS

	2006	2005
<u>Used Nuclear Fuel Management Funds</u>		
1. The Corporation has established a used nuclear fuel segregated fund held in a custodial account to meet the license conditions of the Point Lepreau Generating Station set by the Canadian Nuclear Safety Commission (CNSC). Funding requirements are reviewed at the time of each license renewal.	\$ 85	\$ 81
2. The Corporation has also established a trust fund pursuant to the <i>Nuclear Fuel Waste Act</i> .		
The <i>Nuclear Fuel Waste Act</i> requires major owners of used nuclear fuel in Canada to establish trust funds to finance the long-term management of used nuclear fuel. The Act requires the Corporation to contribute \$4 million annually in November of each year until a long-term disposal plan is chosen. Further funding requirements beyond this time will be based on the plan chosen (see Note 4(f)). The funds contained in the established fund to meet the license conditions of the generating station described above will also be used to meet these requirements.	33	28
	118	109
<u>Nuclear Decommissioning Fund</u>		
The Corporation has established a decommissioning segregated fund held in a custodial account to meet the license conditions for the Point Lepreau Generating Station set by the CNSC.	111	80
Total nuclear decommissioning and used fuel management funds	\$ 229	\$ 189

14. OTHER INVESTMENTS

The Corporation entered into a 15-year agreement to have an outside party build and operate an ash separation facility at the Belledune Generating Station to process the fly ash produced at the plant. The \$6 million (2005 – \$6 million) investment represents the Corporation's required share of the cost of the facility. Pursuant to this agreement, the Corporation will receive royalties on the sale of the processed ash over the term of the agreement.

NEW BRUNSWICK POWER HOLDING CORPORATION
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15. DEFERRED PENSION BENEFIT

Corporation employees, other than NB Coal employees, are members of the Province of New Brunswick Public Service Superannuation Plan as described in Note 4(g). Pension assets and liabilities for the Public Service Superannuation Plan are measured as at March 31, 2006 while the assets and liabilities for the NB Coal plan are measured as at December 31, 2005. The most recent actuarial valuation done for funding purposes for the Public Service Superannuation Plan was April 1, 2005. The next valuation for funding purposes is required to be completed as at April 1, 2008.

The significant assumptions of management include the following

- discount rate used to determine the accrued benefit obligation – 5.25 per cent (2005 – 5.75 per cent)
- expected long-term rate of return on plan assets – 6.25 per cent (2005 – 6.75 per cent)
- salary increases – 2.5 per cent (2005 – 2.5 per cent)

The costs recognized for the period are

	2006	2005
Current service cost	\$ 16	\$ 15
Interest on accrued benefit obligation	57	54
Actual gain on plan assets	(129)	(61)
Difference between actual and expected return on plan assets	73	7
Actuarial losses on accrued benefit obligation	94	53
Difference between actuarial loss recognized for the year and actuarial loss on accrued benefit obligation for the year	(85)	(45)
Amortization of transitional asset	(3)	(3)
Costs recognized	\$ 23	\$ 20

The status of the assets and obligations of the Corporation's share of the Public Service Superannuation Plan and NB Coal's private plan as at March 31, 2006 was as follows

	2006	2005
Pension fund assets at fair value	\$ 964	\$ 841
Accrued benefit obligation	1,123	987
Pension deficit	(159)	(146)
Unamortized transitional asset	(34)	(37)
Unamortized losses	263	254
Deferred pension benefit	\$ 70	\$ 71

In accordance with prescribed regulations, employees contributed \$10 million (2005 - \$10 million) and the Corporation contributed \$23 million to the plans (2005 - \$23 million) during the year. Total contributions to date in excess of pension expense in the amount of \$70 million (2005 - \$71 million) have been recorded as a deferred charge.

NEW BRUNSWICK POWER HOLDING CORPORATION
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16. SHORT-TERM INDEBTEDNESS

The Corporation borrows funds for temporary purposes from Electric Finance. The short-term borrowings due to Electric Finance were \$243 million at March 31, 2006 (2005 - \$340 million).

17. LONG-TERM DEBT

	2006	2005
Debentures held by Electric Finance	\$ 2,886	\$ 2,815
Other	1	1
	2,887	2,816
Less: Current portion	(232)	(357)
Long-term debt	\$ 2,655	\$ 2,459

Terms

The maturity dates of the debentures range from 2006 - 2024. The terms of the debentures are such that the Corporation is required to make an annual principal repayment of one per cent of the original amount of each debenture on the anniversary date of its maturity. These payments will be made until the actual maturity date of the debenture, at which time the remaining principal amount will be repaid.

Interest rates

The debentures bear interest at fixed rates ranging from 3.4 to 10 per cent. The weighted average coupon interest rate on all debentures outstanding at March 31, 2006 is 6.25 per cent (2005 - 6.71 per cent).

Debt portfolio management fee

The Corporation pays an annual debt portfolio management fee to Electric Finance amounting to 0.6489 per cent of the total of long-term debt and short-term indebtedness, measured as at the beginning of the fiscal year.

Principal repayments

Long-term debt principal repayments are due as follows

Year ending	Principal repayment
March 31, 2007	\$ 232
March 31, 2008	339
March 31, 2009	273
March 31, 2010	397
March 31, 2011	78
March 31, 2012 and thereafter	1,568

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18. PLANT DECOMMISSIONING AND USED NUCLEAR FUEL MANAGEMENT

The Corporation's nuclear generating station produces used nuclear fuel in the form of radioactive fuel bundles. The used nuclear fuel will need to be disposed of and the nuclear station will need to be dismantled and decommissioned at the end of its service life.

The Corporation also provides for decommissioning its thermal generating stations at the end of their service lives.

The liability for plant decommissioning and used nuclear fuel management consists of the following

	2006	2005
<u>Used Nuclear Fuel Management</u>		
Balance, beginning of year	\$136	\$ 66
Add: Liabilities incurred	5	65
Add: Accretion expense	9	5
Less: Expenditures	(4)	-
Balance, end of year	146	136
<u>Nuclear Decommissioning</u>		
Balance, beginning of year	75	138
Add: Accretion expense	5	9
Less: Liabilities incurred, net of revisions to cash flows	(8)	(72)
Balance, end of year	72	75
<u>Thermal Decommissioning</u>		
Balance, beginning of year	40	36
Add: Liabilities incurred, net of revisions to cash flows	1	1
Add: Accretion expense	3	3
Less: Expenditures	(1)	-
Balance, end of year	43	40
Total used nuclear fuel management and plant decommissioning liability	\$261	\$ 251

**NEW BRUNSWICK POWER HOLDING CORPORATION
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18. PLANT DECOMMISSIONING AND USED NUCLEAR FUEL MANAGEMENT (continued)

Liability for used nuclear fuel management

The liability for used nuclear fuel management costs represents the cost of managing the used nuclear fuel bundles generated by the nuclear station. See Note 13 for details on the funding of this liability. The key assumptions on which the liability is based are

- the total undiscounted amount of the estimated cash flows required to settle the liability is \$922 million (2005 - \$885 million)
- the management of the used nuclear fuel will require cash expenditures until 2048 to settle the liability
- the credit-adjusted risk-free rate at which the estimated cash flows have been discounted is 7.1 per cent for the initial recognition of the liability and 5.9 per cent for the subsequent recognition of the additional liability

Liability for nuclear decommissioning

The liability for nuclear decommissioning represents the costs of decommissioning the nuclear generating station after the end of its service life. See Note 13 for details on the funding of this liability. The key assumptions on which the liability is based are

- the total undiscounted amount of the estimated cash flows required to settle the liability is \$656 million (2005 - \$642 million)
- the decommissioning of the nuclear generating station will require cash expenditures until 2076 to settle the liability
- the credit-adjusted risk-free rate at which the estimated cash flows have been discounted is 7.1 per cent for the initial recognition of the liability and 5.9 per cent for the subsequent recognition of the additional liability

Liability for thermal decommissioning

The liability for thermal decommissioning represents the costs of decommissioning the thermal generating stations after the end of their service lives. The liability is not funded. The key assumptions on which the liability is based are

- the total undiscounted amount of the estimated cash flows required to settle the liability is \$111 million (2005 - \$98 million)
- the decommissioning of the thermal generating stations will require cash expenditures until 2035 to settle the liability
- the credit-adjusted risk-free rates at which the estimated cash flows have been discounted are 7.1 per cent for the initial recognition of the liability and 5.3 to 6.3 per cent for the subsequent recognition of the additional liability

NEW BRUNSWICK POWER HOLDING CORPORATION
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19. DEFERRED LIABILITIES – OTHER

	2006	2005
Early retirement programs	\$ 51	\$ 57
Retirement allowance program	12	9
Other future employee benefits payable	4	2
NB Coal land reclamation	2	2
NB Coal environmental liability	9	9
	78	79
Less: Amounts due within one year	(7)	(7)
Deferred liabilities – other	\$ 71	\$ 72

Early retirement liability

The Corporation has an early retirement program as described in Note 4(i). The latest actuarial calculation to estimate the liability was completed as at April 1, 2005.

The discount rate used to determine the early retirement liability was 5.25 per cent (2005 - 5.75 per cent).

The costs recognized for the period are

	2006	2005
Current service cost	\$ 1	\$ 30
Interest on early retirement liability	3	3
Costs recognized for the year	\$ 4	\$ 33

The status of the obligation of the Corporation as at March 31, 2006 was as follows

	2006	2005
Accrued benefit obligation	\$ 47	\$ 46
Unamortized losses	(2)	(1)
Lump sum payable	6	12
Early retirement liability	\$ 51	\$ 57

The cumulative amount expensed in excess of amounts paid out under the early retirement program is recorded as a deferred liability.

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19. DEFERRED LIABILITIES – OTHER (continued)

Retirement allowance liability

The Corporation has a retirement allowance program as described in Note 4(h). The latest actuarial calculation to estimate the liability was completed as at April 1, 2005.

The significant assumptions of management include the following

- discount rate used to determine the retirement allowance liability – 5.25 per cent (2005 - 5.75 per cent)
- salary increases – 2.5 per cent (2005 - 2.5 per cent)

The costs recognized for the period are

	2006	2005
Current service cost	\$ 2	\$ 2
Interest on retirement allowance liability	3	2
Costs recognized for the year	\$ 5	\$ 4

The status of the obligation of the Corporation as at March 31, 2006 was as follows

	2006	2005
Accrued benefit obligation	\$ 34	\$ 27
Unamortized losses	(22)	(18)
Retirement allowance liability	\$ 12	\$ 9

The cumulative amount expensed in excess of amounts paid out under the retirement allowance program is recorded as a deferred liability.

NB Coal environmental liability

The Corporation and its subsidiary NB Coal have a long-term plan to treat acidic water drainage from an inactive mine. NB Coal has recognized an environmental liability equal to the net present value of the expected future costs.

	2006	2005
Balance, beginning of year	\$ 9	\$ 10
Add: Accretion expense	1	1
Less: Expenditures	(1)	(2)
Balance, end of year	\$ 9	\$ 9

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20. AMOUNTS CHARGED OR CREDITED TO OPERATIONS NOT REQUIRING A CURRENT CASH PAYMENT

	2006	2005
Amortization and decommissioning	\$ 217	\$ 219
Amortization of deferred debt costs	-	3
Retirement expense less related funding	(1)	17
Pension expense less related funding	-	(4)
Future payments in lieu of income taxes	5	(5)
Other	2	6
Amounts not requiring a current cash payment	\$ 223	\$ 236

21. RELATED PARTY TRANSACTIONS

Related parties of the Corporation include Electric Finance and the System Operator.

Revenues and expenses

The following related party revenues and expenses are included in the financial results for the year ended March 31, 2006

	Electric Finance		System Operator	
	2006	2005	2006	2005
Revenues				
Transmission revenue	\$ -	\$ -	\$ 77	\$ 41
Miscellaneous revenue	-	-	11	5
Expenses				
Transmission expense	-	-	86	46
Other	-	-	2	-
Finance charges	197	100	-	-
Debt portfolio management fee	20	10	-	-
Special payments in lieu of provincial capital taxes	11	6	-	-
Special payments in lieu of income taxes*	55	10	-	-

*Excluding the future payments in lieu of income taxes provision

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21. RELATED PARTY TRANSACTIONS (continued)

Receivables and payables

The following related party receivable and payable balances existed as at March 31, 2006

	Electric Finance		System Operator	
	2006	2005	2006	2005
Accounts receivable	\$ 8	\$ 4	\$ 10	\$ 10
Accounts payable	37	5	10	7
Accrued interest payable	59	60	-	-

The amounts included in accounts receivable and accounts payable for related parties are subject to the normal payment terms extended to unrelated parties.

Dividends

During the year Transco declared \$12 million (2005 - \$5 million) in dividends, payable to Electric Finance.

Debt and guarantees

The Corporation has short and long-term debt payable to Electric Finance (Note 16 and 17) as at March 31, 2006.

Electric Finance has provided certain guarantees for the Corporation to significant third-party creditors with respect to banking arrangements, trade payables and derivative financial instrument obligations.

22. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The fair value of financial instruments have been estimated by reference to quoted market prices or from valuations supplied by counterparties for actual or similar instruments at the balance sheet date, unless otherwise noted.

Foreign exchange

At March 31, 2006, the Corporation had outstanding foreign exchange contracts maturing over the next 18 months as follows

	2006	2005
<u>Foreign Exchange Contracts</u>		
Net commitment to purchase US\$ (in millions)	\$ 370	\$ 265
Weighted average exchange rate	1.1946	1.2738
Fair value liability (in millions)	\$ (13)	\$ (18)

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2006
(in millions)

22. FINANCIAL INSTRUMENTS (continued)

Fuel price

At March 31, 2006, the Corporation had outstanding heavy fuel oil swap contracts maturing over the next 18 months as follows

<u>Heavy Fuel Oil Swaps</u>	<u>2006</u>	<u>2005</u>
Notional amount (in barrels)	5.2 million	5.0 million
Weighted average fixed price/barrel (in US\$)	\$ 40.96	\$ 27.86
Fair value asset (in millions)	\$ 51	\$ 36

At March 31, 2006, the Corporation had outstanding natural gas swap contracts maturing over the next 18 months as follows

<u>Natural Gas Swaps</u>	<u>2006</u>	<u>2005</u>
Notional amount (in btu)	12.9 million	13.0 million
Weighted average fixed price/btu (in US\$)	\$ 10.14	\$ 7.12
Fair value asset (in millions)	\$ 13	\$ 33

Under these contracts, the Corporation exchanges monthly payments based on the differential between a fixed price and a monthly cumulative floating price for the associated fuel. The differential to be paid or received is reflected in the cost of fuel and purchased power.

Electricity price

At March 31, 2006, the Corporation had outstanding electricity swap contracts maturing over the next six months as follows

<u>Electricity Swaps</u>	<u>2006</u>	<u>2005</u>
Notional amount (in MWh)	0.3 million	-
Weighted average fixed price/MWh (in US\$)	\$ 79.33	\$ -
Fair value asset (in millions)	\$ 3	\$ -

Fair value of long-term debt

<u>Long-term Debt</u>	<u>2006</u>	<u>2005</u>
Book value (in millions)	\$ 2,887	\$ 2,816
Fair value (in millions)	\$ 3,101	\$ 3,126

Fair value of nuclear decommissioning and used fuel management funds

<u>Nuclear Decommissioning & Used Fuel Management Funds</u>	<u>2006</u>	<u>2005</u>
Book value (in millions)	\$ 229	\$ 189
Fair value (in millions)	\$ 252	\$ 202

Fair value of other financial assets and liabilities

The fair values of other financial assets and liabilities are not materially different from their carrying values.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2006

(in millions)

22. FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Corporation conducts a thorough assessment of debtors prior to granting credit and actively monitors the financial health of its debtors on an on-going basis. The maximum credit risk exposure is deemed to be the sum of accounts receivable net of applicable reserves and the total unrealized gains on other financial instruments exposed to credit risk. Accounts receivable net of applicable reserves is \$208 million (2005 - \$217 million). The total unrealized gains on other financial instruments exposed to credit risk is \$67 million (2005 - \$69 million).

23. COMMITMENTS, CONTINGENCIES & GUARANTEES

Belledune wharf

The Corporation has entered into an operating lease expiring in 2013 with a 20-year renewal option for the port facility at Belledune. This lease provides for annual charges of approximately \$5 million.

Courtenay Bay Generating Station

The Corporation has entered into a lease agreement for site facilities expiring in 2021 with a five-year option to extend. The tenant has repowered an existing 100 MW unit to a 280 MW combined cycle natural gas unit, which began commercial operation effective September 2001.

The Corporation also entered into a related power purchase and transmission access agreement expiring in 2021 with a five-year option to extend with the same third party. The Corporation will purchase all the electrical energy produced by the repowered 280 MW combined cycle natural gas unit during the winter period, November 1 to March 31, and from time to time some or all of the electrical energy produced during the summer period.

The Corporation has also entered into an agreement expiring in 2015 for firm natural gas transportation service to the repowered Courtenay Bay Generating Station. The cost of transportation will be recovered from the tenant referred to in the lease of the Station.

Power purchase agreements

The Corporation has entered into a 20-year power purchase agreement to purchase all the capacity and electrical energy produced by a 90 MW co-generation facility that began production in December 2004.

The Corporation has an outstanding power purchase agreement for 38.5 MW of capacity and energy from a co-generation facility that expires in 2027.

The Corporation has signed a 20-year contract to purchase all the electrical energy of a 20 MW wind generation facility to be constructed by a third party.

**NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2006

(in millions)

23. COMMITMENTS, CONTINGENCIES & GUARANTEES (continued)

Orimulsion® fuel supply

The Corporation has an agreement with Bitor America Corporation to purchase Orimulsion® fuel for the Dalhousie Generating Station to 2010. The Corporation has been notified by Bitor America Corporation of its intention to provide alternate fuel under this agreement. This notification is currently under review by the Corporation subject to a reservation of its rights.

The Corporation also entered into a contract with Bitumenes Orinoco, S.A. (Bitor) a wholly-owned subsidiary of Petroleos de Venezuela, S.A. (PDVSA) for the purchase of Orimulsion® fuel for the Coleson Cove Generating Station for a 20-year term, beginning with the date of first delivery. Bitor has breached the terms of the contract and on September 1, 2005, a Notice of Arbitration and Statement of Claim was filed by the Corporation with the American Arbitration Association in New York against Bitor and PDVSA. Bitor and PDVSA brought proceedings in New York state court to stay the arbitration, which the Corporation removed to the United States District Court in Manhattan, thereafter filing a cross-petition to compel Bitor and PDVSA to arbitrate the contract claims. Also on September 1, 2005, the Corporation filed in the New Brunswick Courts a Notice of Action with Statement of Claim Attached against Bitor, PDVSA and the State of Venezuela. The Corporation agreed to stay this action (except in relation to completing service of process) pending the outcome of the proceedings before the United States District Court.

Transmission Power Line

The Corporation is constructing a 345KV transmission power line in New Brunswick, from Point Lepreau to the border crossing near Woodland, Maine, USA. The total cost of the project is estimated to be \$60 million. To ensure the financial viability of the project, Commitment Agreements were signed with load-serving entities in the Maritimes for the equivalent of long-term firm reservations for 25 years.

A construction commitment agreement has been signed with a U.S. electric utility, for a December 31, 2007 in-service date.

Point Lepreau Refurbishment

The Corporation will refurbish the Point Lepreau Generating Station replacing key components of the reactor and upgrading other major plant systems. This project is expected to extend the operating life of the facility by approximately 22 years, to 2034. The Corporation is in the process of renewing the Station's operating license for a five-year period ending June 30, 2011.

The Corporation awarded fixed price contracts to a third-party corporation in August 2005 to manage the project and to complete retubing of the reactor. The value of the refurbishment and retube contracts is approximately \$540 million, with the total project expected to cost approximately \$1 billion. In the event of early termination of these contracts, the Corporation may be subject to costs and penalties.

The Station will shut down in April 2008 for completion of the retubing and refurbishment work. Project completion and start-up is expected by the fall of 2009.

Transmission Reservations

For the purposes of delivering electricity to out-of-province markets, the Corporation has committed to certain long-term transmission reservations with the System Operator.

**NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2006
(in millions)

23. COMMITMENTS, CONTINGENCIES & GUARANTEES (continued)

Ancillary Services Contract

The Corporation has entered into an Ancillary Services contract with the System Operator. The services provided are voltage support, automatic generation control, load following, operating reserve and black start capability. The Corporation's obligation is for the life of each individual generator and the quantity varies with system conditions.

24. SEGMENTED INFORMATION

The Corporation is organized and operates under five reportable business segments. On October 1, 2004, the restructuring of NB Power resulted in each of the business segments becoming incorporated companies (see Note 1). As these segments existed for the full year ended March 31, 2005, the comparative results presented are representative of the full-year activities of the segments. These results will differ from the comparative results presented in the individual company statements, which only report the results of the segment for the period since October 1, 2004, when the company commenced operations.

Genco

Responsible for operating and maintaining the thermal and hydro powered generating stations of the Corporation.

Nuclearco

Responsible for operating and maintaining the Point Lepreau Generating Station.

Transco

Responsible for operating and maintaining the transmission system of the Corporation.

Disco

Responsible for operating and maintaining the distribution system of the Corporation. Disco is designated as the standard service supplier for the Province of New Brunswick and is obligated to provide standard services to residential, commercial, wholesale and industrial customers located throughout the province.

Holdco

Provides strategic direction, governance and services to the Corporation's other business segments.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2006
(in millions)

24. SEGMENTED INFORMATION (continued)

Significant inter-company agreements

The following are significant inter-company agreements

Power Purchase Agreement – Disco and Nuclearco

Disco and Nuclearco entered into a power purchase agreement whereby Disco purchases 95 per cent of the Point Lepreau Generating Station's 635 MW capacity and the electricity produced. The agreement expires 25 years after the Station returns to service after refurbishment, with annual renewal options in favour of Disco thereafter.

Power Purchase Agreement – Disco and Colesonco

Disco and Colesonco entered into a 25-year tolling agreement whereby Disco purchases tolling capacity and related services to convert fuel to electricity. The agreement requires the sale of all energy generated at the Coleson Cove Generating Station to Disco.

Power Purchase Agreement – Disco and Genco

Disco and Genco entered into a long-term power purchase agreement whereby Genco supplies capacity and energy to Disco. The agreement continues until all of Genco's heritage assets, including third-party power purchase agreements, are retired or expire, or Disco reduces its nominated capacity under the terms of the agreement to zero. The commitment at March 31, 2006 was 2,425 MW of base capacity and 1,258 MW of peaking capacity.

Under the agreement, Disco sells and Genco purchases all capacity and energy Disco receives under the Disco/Colesonco power purchase agreement. Genco is also responsible to procure and deliver fuel on behalf of Disco to the Coleson Cove Generating Station.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2006
(in millions)

24. SEGMENTED INFORMATION (continued)

Financial Overview – 2006

	Genco	Nuclearco	Transco	Disco	Holdco	Eliminations	Total
Sales of power							
In-province	\$ (7)	\$ 2	\$ -	\$ 1,061	\$ -	\$ -	\$ 1,056
Out-of-province	369	10	-	-	-	-	379
Inter-company	595	216	-	3	-	(814)	-
Miscellaneous	30	-	9	34	-	-	73
Transmission	-	-	77	-	-	-	77
Other inter-company	1	1	15	5	77	(99)	-
Total revenues	988	229	101	1,103	77	(913)	1,585
Fuel & purchased power	503	13	-	806	-	(810)	512
Transmission	35	2	-	58	-	(9)	86
Operations, maintenance & administration	113	136	40	105	60	(81)	373
Amortization & decommissioning	101	52	19	42	3	-	217
Taxes	19	7	8	13	-	-	47
Finance charges	137	10	11	40	14	(13)	199
Special payments in lieu of income taxes	29	4	8	14	-	-	55
Total expenses	937	224	86	1,078	77	(913)	1,489
Net income for the year	\$ 51	\$ 5	\$ 15	\$ 25	\$ -	\$ -	\$ 96
Total assets	\$ 2,196	\$ 755	\$ 365	\$ 747	\$ 273	\$ (367)	\$ 3,969
Capital expenditures	\$ 41	\$ 118	\$ 14	\$ 36	\$ -	\$ -	\$ 209

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2006
(in millions)

24. SEGMENTED INFORMATION (continued)

Financial Overview – 2005

	Genco	Nuclearco	Transco	Disco	Holdco	Eliminations	Total
Sales of power							
In-province	\$ -	\$ -	\$ -	\$ 1,049	\$ -	\$ -	\$ 1,049
Out-of-province	239	12	-	-	-	-	251
Inter-company	607	213	-	4	-	(824)	-
Miscellaneous	22	1	6	33	-	-	62
Transmission	-	-	41	-	-	-	41
Other inter-company	1	-	55	7	139	(202)	-
Total revenues	869	226	102	1,093	139	(1,026)	1,403
Fuel & purchased power	488	12	-	820	-	(823)	497
Transmission	33	2	3	55	-	(47)	46
Operations, maintenance & administration	111	135	44	119	55	(80)	384
Amortization & decommissioning	84	73	18	41	3	-	219
Taxes	15	6	8	12	-	-	41
Finance charges	83	11	14	34	128	(68)	202
Special payments in lieu of income taxes	27	(3)	6	5	(30)	-	5
Total expenses	841	236	93	1,086	156	(1,018)	1,394
Net income (loss) for the year	\$ 28	\$ (10)	\$ 9	\$ 7	\$ (17)	\$ (8)	\$ 9
Total assets	\$ 2,196	\$ 637	\$ 369	\$ 759	\$ 363	\$ (450)	\$ 3,874
Capital expenditures	\$ 238	\$ 30	\$ 28	\$ 39	\$ -	\$ -	\$ 335

25. SUBSEQUENT EVENT

On June 19, 2006 the Corporation received the decision from the PUB on its request for an overall increase in firm rates of 11.4 per cent, effective April 1, 2006. The decision, which under the Electricity Act forms a recommendation to government, set the overall rate increase at 9.6 per cent, effective August 1, 2006.

On June 30, 2006, the Province of New Brunswick government modified the PUB decision pursuant to section 105(1) of the Electricity Act. The overall increase in firm rates approved by the Lieutenant-Governor in Council is 6.9 per cent. Pursuant to section 105(2), the Lieutenant-Governor in Council ruled that the rates would be effective July 1, 2006.

The impact on revenues for 2006/07 as a result of the above is estimated to be a reduction of \$67 million.

New Brunswick Public Libraries Foundation

Financial Statements

March 31, 2006



Bringloefeeney LLP
Chartered Accountants

A Member Firm of The AC Group of Independent Accounting Firms Limited

212 Queen Street, Suite 401
Fredericton, NB E3B 1A8
Tel: (506) 458-8326
Fax: (506) 458-9293
www.bringloefeeney.ca

Auditors' Report

To: The Chairperson and Directors of New Brunswick Public Libraries Foundation

We have audited the statement of financial position of New Brunswick Public Libraries Foundation as at March 31, 2006 and the statement of operations and changes in net assets 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.

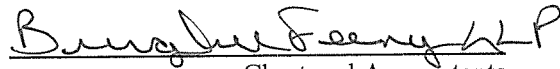
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence 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 revenue from the general public, the completeness of which is not susceptible of 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 public donations, excess (deficiency) of revenues over expenditures, assets and deficiency in 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 the contributions 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, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were reported on by another auditor.

Fredericton, New Brunswick
Le 25 août 2006


Chartered Accountants

New Brunswick Public Libraries Foundation

Statement of Financial Position

As at March 31, 2006

	2006	2005
ASSETS		
Current		
Cash	<u>\$ 366,782</u>	<u>\$ 506,298</u>
LIABILITIES		
Current		
Due to Province of New Brunswick (note 5)	\$ 381,541	\$ 471,725
Due to Minister of Finance	638	638
Accounts payable and accrued liabilities	5,000	-
Deferred revenue	<u>45,019</u>	<u>62,010</u>
	432,198	534,373
DEFICIENCY		
Deficiency in net assets	<u>(65,416)</u>	<u>(28,075)</u>
	<u>\$ 366,782</u>	<u>\$ 506,298</u>

Approved by the Board

Chairperson *Suzanne Goulet*

Director *Raymond Goulet*



New Brunswick Public Libraries Foundation

Statement of Operations and Changes in Net Assets

Year ended March 31, 2006

	2006	2005
Revenues		
Public donations	\$ 256,206	\$ 164,162
New Brunswick Public Libraries Trust Fund	125,106	-
Grants from the Department of Education	100,000	100,000
Grants from the Department of Family and Community Services	52,253	49,104
Interest income	6,288	4,576
Miscellaneous revenue	<u>-</u>	<u>13,517</u>
	<u>539,853</u>	<u>331,359</u>
Expenditures		
Books, magazines and other	448,700	314,197
Salaries and related expenses	53,357	78,063
Advertising, office supplies and printing	39,856	52,734
Postage	15,166	54,828
Travel	9,288	2,765
Professional services	5,450	14,959
Other	1,899	1,867
Maintenance	1,365	2,968
Meetings	1,098	1,464
Telephone	<u>1,015</u>	<u>1,509</u>
	<u>577,194</u>	<u>525,354</u>
Deficiency of revenues over expenditures	(37,341)	(193,995)
Net assets (Deficiency), beginning of year	<u>(28,075)</u>	<u>165,920</u>
Deficiency, end of year	<u>\$ (65,416)</u>	<u>\$ (28,075)</u>



New Brunswick Public Libraries Foundation

Notes to Financial Statements

March 31, 2006

1. Authority and objective

New Brunswick Public Libraries Foundation is an independent entity created under the provisions of the New Brunswick Public Libraries Foundation Act proclaimed 1 March 1998. The mandate for the foundation is:

- 1) to receive gifts of real and personal property, including money, to support public library services in the Province, including support for capital projects for public library facilities, purchase of materials, equipment and supplies for public libraries and support for such library services as may be delivered through the public library system in the Province,
- 2) to invest and administer the property received,
- 3) to encourage, facilitate and carry out programs and activities that will directly or indirectly increase the financial support of or confer a benefit on public libraries in the Province,
- 4) to make grants and gifts in support of the public library system in the Province,
- 5) to promote the use and benefits of public libraries in the Province, and
- 6) to assist public library boards in raising funds for public libraries in the Province.

The affairs of the foundation are administered by a Board of Directors consisting of ten persons appointed by the Lieutenant-Governor in Council. The Department of Education is responsible for the administration of the New Brunswick Public Libraries Foundation Act.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant policies are detailed as follows:

(a) Revenue recognition

The foundation follows the deferral method of accounting for contributions which includes grants and restricted donations.

Restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Any unexpended portions of restricted contributions are recorded as deferred revenue.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions in-kind of books and materials are recognized as revenue and expenditures at the estimated fair market value when an amount can be determined.



New Brunswick Public Libraries Foundation

Notes to Financial Statements

March 31, 2006

2. Significant accounting policies, continued

(b) Financial instruments

The foundation's financial instruments consist of cash, accounts payable and amounts due to the Province of New Brunswick and the Minister of Finance. Unless otherwise noted it is management's opinion that the foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

3. Expenses not included in these financial statements

Certain direct and indirect costs of operating the foundation are absorbed by the Province of New Brunswick through the Department of Education.

4. Related party transactions

The Friends of the New Brunswick Public Library Foundation Inc. (Friends) and the New Brunswick Public Libraries Foundation (foundation) are subject to common significant influence. The trustees of the Friends consist of the board members of the foundation, who receive no compensation for their services.

The administration of the Friends is performed by the management of the foundation. Certain direct and indirect costs of operating the Friends are absorbed by the foundation.

Funds received by the Friends may be provided to the foundation. During the year, \$8,350 was received by the foundation from the Friends.

5. Due to Province of New Brunswick

The amount due to the Province of New Brunswick represents the amount due to the Department of Education for operating costs of the foundation.

The Department of Education pays these operating costs on behalf of the foundation throughout the fiscal year. At the beginning of each fiscal year, the foundation reimburses the Department for the prior years' expenditures.

6. Statement of cash flows

Inclusion of a statement of cash flows would not provide any additional information that is not evident from the financial statements already presented. Therefore, a statement of cash flows has not been presented.



CONSOLIDATED FINANCIAL STATEMENTS

NEW BRUNSWICK

RESEARCH AND PRODUCTIVITY COUNCIL

31 MARCH 2006

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

The Honourable Bernard Lord
Premier of the Province of New Brunswick

- and -

The Chairman and Members of the
New Brunswick Research and Productivity Council

I have audited the consolidated statement of financial position of the New Brunswick Research and Productivity Council as at 31 March 2006 and the consolidated statements of operations and changes in fund balances 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 consolidated financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Michael Ferguson'.


Michael Ferguson, CA
Auditor General

Fredericton, N.B.
15 June 2006

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 MARCH 2006**

	Operating Fund	Capital Fund	2006 Total	2005 Total
ASSETS				
Current assets				
Cash and term deposits	\$ 1,255,225	\$ -	\$ 1,255,225	\$ 971,706
Accounts receivable	2,291,182	-	2,291,182	1,400,556
Work in progress	306,083	-	306,083	287,873
Prepaid expenses	68,366	-	68,366	28,660
	3,920,856	-	3,920,856	2,688,795
Long term investments, at cost (Note 3)	68,672	3,136,789	3,205,461	2,208,797
Capital assets, net (Note 4)	-	2,710,943	2,710,943	2,844,859
	<u>\$ 3,989,528</u>	<u>\$ 5,847,732</u>	<u>\$ 9,837,260</u>	<u>\$ 7,742,451</u>
LIABILITIES AND FUND BALANCES				
Current liabilities				
Accounts payable and accrued liabilities	\$ 1,538,819	\$ -	\$ 1,538,819	\$ 856,396
Deferred revenue	692,144	-	692,144	425,338
Current portion of long term debt (Note 5)	-	41,458	41,458	59,400
	2,230,963	41,458	2,272,421	1,341,134
Long term liabilities				
Accrued retirement benefits	521,748	-	521,748	451,293
Notes payable (Note 5)	-	43,750	43,750	85,208
	521,748	43,750	565,498	536,501
Deferred contributions (Note 6)	-	121,404	121,404	131,580
Fund balances				
Unrestricted	1,236,817	-	1,236,817	1,025,525
Board restricted (Note 7)	-	3,136,789	3,136,789	2,139,040
Invested in capital assets	-	2,504,331	2,504,331	2,568,671
	1,236,817	5,641,120	6,877,937	5,733,236
	<u>\$ 3,989,528</u>	<u>\$ 5,847,732</u>	<u>\$ 9,837,260</u>	<u>\$ 7,742,451</u>

Approved by the Council



Chairman



Executive Director

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL
CONSOLIDATED STATEMENT OF OPERATIONS AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 31 MARCH 2006**

	Operating Fund	Capital Fund	2006 Total	2005 Total
REVENUE				
Operations	\$ 8,927,051	\$ -	\$ 8,927,051	\$ 7,047,920
Operating grant				
Province of New Brunswick	740,700	-	740,700	740,700
Interest	107,502	-	107,502	83,808
Sundry	129,796	-	129,796	81,241
Gain on sale of capital assets	-	-	-	1,000
	<u>9,905,049</u>	<u>-</u>	<u>9,905,049</u>	<u>7,954,669</u>
EXPENSE				
Operations	6,428,007	-	6,428,007	5,780,042
General and administrative	1,838,556	-	1,838,556	1,661,718
Amortization (Notes 4 and 6)	466,591	-	466,591	475,566
Bad debts	27,194	-	27,194	3,455
	<u>8,760,348</u>	<u>-</u>	<u>8,760,348</u>	<u>7,920,781</u>
EXCESS OF REVENUE OVER EXPENSE	1,144,701	-	1,144,701	33,888
Fund balances, beginning of year	1,025,525	4,707,711	5,733,236	5,699,348
Interfund adjustment	(933,409)	933,409	-	-
FUND BALANCES, end of year	<u>\$ 1,236,817</u>	<u>\$ 5,641,120</u>	<u>\$ 6,877,937</u>	<u>\$ 5,733,236</u>

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2006**

	Operating Fund	Capital Fund	2006 Total	2005 Total
CASH PROVIDED BY (USED FOR):				
Operating activities				
Excess of revenue over expense	\$ 1,144,701	\$ -	\$ 1,144,701	\$ 33,888
Amortization	466,591	-	466,591	475,566
Gain on sale of capital assets	-	-	-	(1,000)
Net change in non-cash working capital	687	(17,942)	(17,255)	(1,054)
Net cash provided (used) by operating activities	<u>1,611,979</u>	<u>(17,942)</u>	<u>1,594,037</u>	<u>507,400</u>
Financing and investing activities				
Purchase or transfer of long-term investment	1,085	(997,749)	(996,664)	6,758
Accrual of retirement allowance entitlements	70,455	-	70,455	45,383
Payment of long term loans	-	(41,458)	(41,458)	(59,400)
Proceeds on disposal of capital assets	-	-	-	1,000
Deferred contributions towards capital assets	-	13,639	13,639	74,293
Acquisition of capital assets	-	(356,490)	(356,490)	(813,843)
Net cash provided (used) in financing and investing activities	<u>71,540</u>	<u>(1,382,058)</u>	<u>(1,310,518)</u>	<u>(745,809)</u>
NET INCREASE (DECREASE) IN CASH	1,683,519	(1,400,000)	283,519	(238,409)
Cash and term deposits, beginning of year	971,706	-	971,706	1,210,115
Interfund transfer (Note 7)	(1,400,000)	1,400,000	-	-
CASH AND TERM DEPOSITS, end of year	\$ 1,255,225	\$ -	\$ 1,255,225	\$ 971,706

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2006**

1. Purpose of the organization

The New Brunswick Research and Productivity Council is a non-profit organization incorporated under the Research and Productivity Council Act 1962. The objectives of the Council are to promote, stimulate and expedite continuing improvement in productive efficiency and expansion in the various sectors of the New Brunswick economy. The Council provides independent research, testing and technical services to enterprises primarily within New Brunswick on a fee-for-service basis.

2. Significant accounting policies

(a) Fund accounting

Revenue and expense associated with delivery of services and administrative support are reported in the Operating Fund. The Capital Fund reports assets, liabilities, gains and expenditures related to the acquisition, disposal and financing of capital assets, as well as the amount of net assets restricted for capital purposes.

(b) Revenue recognition

Revenue is determined to be earned and is recorded in the Operating Fund on a percentage of completion basis when services are performed. The value of work completed but not billed is reported as Work in Progress, while amounts which have been paid or billed in advance, but for which work has not been done, are reflected as Deferred Revenue. All interest income is reported in the Operating Fund in the year it is earned, while gains and losses relating to disposal of capital assets are reported in the Capital Fund in the year the disposal occurs.

(c) Capital assets

Capital assets are recorded in the Capital Fund at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives. Amortization expense is recorded in the Operating Fund as part of the cost of service delivery.

(d) Consolidation policy

These consolidated financial statements include the accounts of the Council and those of its wholly-owned subsidiary, Minuvar Ltd.

(e) Employee retirement benefits

Full-time employees of the Council are members of the New Brunswick Public Service Superannuation Plan. The Plan is a defined benefit multi-employer plan under which contributions are made by both the Council and its employees. The employer's contributions to the plan are accounted for as a defined contribution plan, as the Council's obligation is limited to the amount of these contributions.

Retirement allowance entitlements are earned by employees at the rate of one week's pay for each full year worked to a maximum of twenty-five weeks. The amount of the retirement allowance is based upon years of service and the employee's final salary.

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2006**

2. Significant accounting policies - continued

(f) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that could differ from actual results.

Estimates have been made of the retirement allowance benefits, earned to date, that may become payable in the future.

Estimates have also been established for accounts receivable which are, or may become, uncollectible.

3. Long-term investments

Investments held at 31 March 2006 have a market value of \$3,206,875 (2005 - \$2,240,306). The fundamental source of uncertainty to which long-term investments are exposed is interest rate risk. Interest rate risk is the risk that the value of an investment will fluctuate due to future changes in market interest rates.

4. Capital assets

	Amortization Rates	2006	2005
Vehicles	25 percent	\$ 11,880	\$ 11,880
Computer equipment	25 percent	1,418,037	1,380,480
Other equipment	12.5 percent	7,217,350	6,992,990
Building	3 percent	2,399,637	2,305,064
Cost		11,046,904	10,690,414
Less: accumulated amortization		8,335,961	7,845,555
Capital assets, net		<u>\$ 2,710,943</u>	<u>\$ 2,844,859</u>

Amortization expense is comprised of the following amounts:

	2006	2005
Amortization of assets	\$ 490,406	\$ 497,459
Amortization of deferred contributions	(23,815)	(21,893)
	<u>\$ 466,591</u>	<u>\$ 475,566</u>

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2006**

5. Note payable

	2006	2005
Atlantic Canada Opportunities Agency, interest free, payable May 1, 2006	\$ 2,004	\$ 17,004
Atlantic Canada Opportunities Agency, interest free, payable \$4,850 quarterly through November 1, 2006	14,454	33,854
Atlantic Canada Opportunities Agency, interest free, payable \$6,250 quarterly through October 1, 2008	68,750	93,750
	<u>85,208</u>	<u>144,608</u>
Less: current portion	41,458	59,400
	<u>\$ 43,750</u>	<u>\$ 85,208</u>

6. Deferred contributions

Deferred contributions reported in the Capital Fund represent the unamortized portion of external contributions received towards the cost of specific capital assets. Amortization of deferred contributions is calculated at the same rate as amortization of the assets to which they relate, and is netted with amortization expense for presentation purposes.

The changes for the year in the deferred contributions balance reported in the Capital Fund are as follows:

	2006	2005
Deferred contributions at 1 April	\$ 131,580	\$ 79,180
Contributions to the cost of equipment	13,639	74,293
Amortization of deferred contributions	<u>(23,815)</u>	<u>(21,893)</u>
Deferred contributions at 31 March	<u>\$ 121,404</u>	<u>\$ 131,580</u>

7. Inter-fund transfers and internally restricted fund balances

The board of directors of the New Brunswick Research and Productivity Council internally restricted resources amounting to \$3,136,789 as at 31 March 2006 (2005 - \$2,139,040). This internally restricted amount is intended for the acquisition of capital assets and payment of capital obligations and is not available for other purposes without the approval of the board of directors. This amount includes a 31 March 2006 transfer of \$1,400,000 from the Operating Fund to the Capital Fund (2005 - \$800,000).

NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2006

8. Related party transactions

During the year the Council provided services to government departments and Crown agencies of the Province of New Brunswick. The Council provides these services under its normal terms and conditions.

	2006	2005
Revenue from services provided for the year		
Government departments and agencies	\$ 675,932	\$ 988,710
Accounts receivable at 31 March		
Government departments and agencies	\$ 93,747	\$ 167,811

FINANCIAL STATEMENTS

NEW BRUNSWICK SECURITIES
COMMISSION

31 MARCH 2006

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

The Chair and Members
New Brunswick Securities Commission

I have audited the balance sheet of the New Brunswick Securities Commission as at 31 March 2006 and the statements of income, fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Michael Ferguson'.

Michael Ferguson, CA
Auditor General

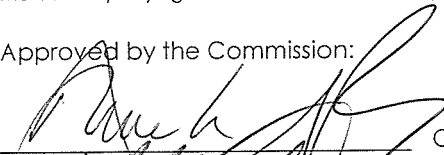
Fredericton, N. B.
23 May 2006


**NEW BRUNSWICK SECURITIES COMMISSION
BALANCE SHEET
31 MARCH 2006**

	2006	2005
ASSETS		
Current assets		
Cash (Note 3)	\$ 1,326,603	\$ 1,180,527
Accounts Receivable	120,919	15,267
Prepaid Expenses	10,051	7,651
	<u>1,457,573</u>	<u>1,203,445</u>
Investments held for designated purposes (Note 3)	889,096	564,154
Capital assets (Note 5)	<u>440,143</u>	<u>54,436</u>
	<u>\$ 2,786,812</u>	<u>\$ 1,822,035</u>
LIABILITIES AND FUND BALANCES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 417,852	\$ 126,648
Accrued salaries and benefits	72,484	47,082
Accrued vacation liabilities	31,986	29,935
	<u>522,322</u>	<u>203,665</u>
Accrued benefit liabilities (Note 8)	<u>260,963</u>	<u>241,247</u>
Total liabilities	<u>783,285</u>	<u>444,912</u>
Fund balances		
General	1,114,431	812,969
Fee stabilization reserve (Note 4)	750,000	500,000
Market enhancement reserve (Note 4)	139,096	64,154
	<u>2,003,527</u>	<u>1,377,123</u>
	<u>\$ 2,786,812</u>	<u>\$ 1,822,035</u>

The accompanying notes and schedules are part of these financial statements.

Approved by the Commission:


 _____ Chair


 _____ Member

**NEW BRUNSWICK SECURITIES COMMISSION
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	(9 Months) 2005
REVENUE		
Fees		
Distribution of securities	\$ 4,441,950	\$ 2,897,791
Registrations	2,607,300	2,220,400
Financial filings	1,672,374	913,548
Exemptions and orders	309,975	138,475
Other	22,772	652
Administrative penalties and settlements	72,719	64,000
Enforcement cost recoveries	7,750	2,000
Investment income	81,605	33,540
	<u>9,216,445</u>	<u>6,270,406</u>
EXPENSES		
Salaries and benefits	1,901,198	1,199,704
Administration	322,556	218,318
Professional services	85,152	112,263
Travel	133,956	73,021
Canadian Securities Administrators initiatives	44,835	43,160
Premises	106,573	41,476
Amortization	82,802	18,146
	<u>2,677,072</u>	<u>1,706,088</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 6,539,373</u>	<u>\$ 4,564,318</u>

**NEW BRUNSWICK SECURITIES COMMISSION
STATEMENT OF FUND BALANCES
FOR THE YEAR ENDED 31 MARCH 2006**

	General	Fee Stabilization Reserve	Market Enhancement Reserve	Total
Balance, 31 March 31 2005 (9 Months)	\$ 812,969	\$ 500,000	\$ 64,154	\$ 1,377,123
Excess of revenues over expenses	6,539,373	-	-	6,539,373
Disposition of surplus operating funds (Note 6)	(5,912,969)	-	-	(5,912,969)
Investment income reallocation	(2,223)	-	2,223	-
Allocation to reserves (Note 4)	(322,719)	250,000	72,719	-
Expense reallocation	-	-	-	-
Balance, 31 March 2006	<u>\$ 1,114,431</u>	<u>\$ 750,000</u>	<u>\$ 139,096</u>	<u>\$ 2,003,527</u>

**NEW BRUNSWICK SECURITIES COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	(9 Months) 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 6,539,373	\$ 4,564,318
Adjustment for amortization - capital assets	82,802	18,146
	<u>6,622,175</u>	<u>4,582,464</u>
Changes in non-cash working capital		
Accounts receivable	(105,652)	(15,267)
Prepaid expenses	(2,400)	(7,651)
Accounts payable and accrued liabilities	291,204	126,648
Accrued salaries and benefits	25,402	47,082
Accrued vacation liabilities	2,051	29,935
Accrued benefit liabilities	19,716	241,247
	<u>6,852,496</u>	<u>5,004,458</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Disposition of surplus operating funds	(5,912,969)	(3,187,195)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	(468,509)	(72,582)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>471,018</u>	<u>1,744,681</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,744,681</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,215,699</u>	<u>\$ 1,744,681</u>
Represented by:		
Cash	\$ 1,326,603	\$ 1,180,527
Investments held for designated purposes	889,096	564,154
	<u>\$ 2,215,699</u>	<u>\$ 1,744,681</u>

**NEW BRUNSWICK SECURITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2006**

1. Nature of the Corporation

The New Brunswick Securities Commission is a Provincial Corporation operating under the *Securities Act* (New Brunswick) established on 1 July 2004. The business of the Commission is the regulation of the New Brunswick capital market, including the administration of the Act, the Securities Regulation and the New Brunswick Securities Commission rules.

The mission of the Commission is to foster a fair and efficient capital market in New Brunswick and confidence in that market. In carrying out its mission, the Commission strives to balance the needs of investors for adequate protection with the needs of industry to access capital necessary for continued economic growth.

As a Crown corporation, the Commission is exempt from income taxes.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The accounting policies of significance to the Commission are as follows:

(a) Revenue recognition

Fees are recognized when earned which is normally upon receipt.

Recovery of the costs of investigations and administrative penalty revenues are recognized upon the date of decision unless management determines there is no reasonable assurance as to ultimate collection, in which case recovery is recognized when cash is received.

Investment income is recorded on the accrual basis.

(b) Capital assets

Capital assets are recorded at cost and amortized using the straight line method starting in the year of acquisition over their estimated useful lives as follows:

Office furniture and equipment - four years
Computers and electronic equipment - three years
Automobile - four years
Leasehold improvements - over term of lease

**NEW BRUNSWICK SECURITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2006**

2. Significant accounting policies - continued

(c) 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

(d) Restricted cash

Consistent with s. 25(4) of the *Securities Act*, revenue received by the Commission from administrative penalties shall not be used for the normal operating expenditures of the Commission and must only be used for endeavours or activities that, in the opinion of the Commission, enhance the capital market in New Brunswick.

(e) Employee benefit plan

The Commission provides pension benefits to its full-time employees through participation in the Public Service Superannuation Plan, which is a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan, as the Commission has insufficient information to apply defined benefit accounting to this pension plan. Pension costs included in these financial statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years.

(f) Financial instruments

The Commission's financial instruments consist of cash and short-term deposits, accounts receivable, restricted short-term deposits, and accrued liabilities. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

3. Cash and investments held for designated purposes

The Commission maintains two separate bank accounts. The first is comprised of the operating account and those monies attributable to the fee stabilization reserve. The second account is maintained for the market enhancement reserve. Under the terms of the Commission's banking agreement, both accounts earn interest at prime less 2% calculated daily.

**NEW BRUNSWICK SECURITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2006**

4. Reserves

Fee Stabilization Reserve

The Commission has established a reserve consistent with subsection 25(6) of the *Securities Act* to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature, and for changes in market activity that have an effect on revenue. The reserve is funded through charges to retained earnings. The maximum value of the reserve has been set at \$750,000.

Market Enhancement Reserve

The Commission collects administrative penalties under section 186 of the *Securities Act*. Consistent with subsection 25(4) of the *Securities Act*, these amounts are not used for the normal operating expenditures of the Commission. Instead, they are used for endeavours or activities that enhance the capital market in New Brunswick. Market enhancement reserve funds are maintained separate from the normal operating funds of the Commission and generate their own investment revenue.

Public Legal Education and Information Service

As a result of enforcement activity associated with the Securities Branch of the Department of Justice, the predecessor organization for the Commission, certain voluntary payments were made to the Public Legal Education and Information Service of New Brunswick (PLEIS). These payments were made with the acknowledgement that they were to foster the mandate of PLEIS as it relates to financial markets. The Commission, as a result of its relationship and arrangements with PLEIS, has a significant ability to influence expenditures and those expenditures would have a similar purpose as to those from the market enhancement reserve. During the fiscal year \$101,977 of eligible expenditures were incurred. As at 31 March 2006 the balance of available funds held by PLEIS was \$0. Of the Commission's accounts receivable balance, \$43,457 represents a receivable from PLEIS resulting from payments made on PLEIS' behalf by the Commission that were subsequently invoiced to PLEIS. The Commission does not anticipate any further financial relationship with PLEIS.

5. Capital assets

	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture and equipment	\$ 76,727	\$ 31,369	\$ 45,358	\$ 30,561
Computers and electronic equipment	45,649	16,428	29,221	2,727
Automobile	28,198	14,099	14,099	21,148
Leasehold improvements	390,517	39,052	351,465	-
	<u>\$ 541,091</u>	<u>\$ 100,948</u>	<u>\$ 440,143</u>	<u>\$ 54,436</u>

**NEW BRUNSWICK SECURITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2006**

6. Disposition of surplus operating funds

The disposition of surplus operating funds consists of payments to the Consolidated Fund of the Province of New Brunswick subject to the approval of the Board of Management and consistent with subsection 25(5) of the *Securities Act*.

7. Commitments and contingencies

Set out below are details of commitments to organizations outside the Commission and contingencies from guarantees and legal actions. Any losses arising from the settlement of contingencies are treated as expenses in the year of settlement.

(a) Commitments

Commitments arising from contractual obligations associated primarily with the lease of the premises and minor rental of office equipment at 31 March 2006 amounted to \$2,204,048. The Commission entered into a ten year lease for office space effective 15 February 2006. Under the terms of its lease agreements, the Commission will be required to make the following annual lease payments:

2006-07	\$ 209,484
2007-08	220,896
2008-09	218,496
2009-10	218,496
2010-11	220,567
Thereafter	<u>1,116,109</u>
Total	<u>\$ 2,204,048</u>

The Department of Supply and Services subsidized the Commission's lease costs by \$34,833 in 2005-06. This is a result of leasing arrangements that existed prior to the establishment of the Commission and no subsidy is expected in subsequent fiscal years.

(b) Legal Actions

The Commission is involved in various legal proceedings arising from its regulatory activities. Management considers the chance of liability under these legal proceedings not to be determinable and, accordingly, an estimate of any contingent loss cannot be made. The Commission is not aware of any legal proceedings against it at the date of these financial statements.

**NEW BRUNSWICK SECURITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2006**

8. Accrued benefit liabilities

The Commission has a retirement allowance program for employees with five or more years of continuous employment. This is available on retirement, death or lay-off. Each employee is entitled to receive five days of pay for each year of service up to a maximum of one hundred and twenty-five days, plus an additional twenty percent of accumulated sick leave. In total, this benefit can not exceed one hundred and sixty-six days. The employee's rate of pay is used to calculate the allowance.

This benefit is calculated on those employees' with five or more years of service and is represented at the aggregate amount without the application of a discount factor.

9. Related party transaction

The Department of Justice, a related party to the Commission, provides certain services on a cost-recovery basis to the Commission. These services are primarily of an information technology nature such as providing the data storage, back-up, data protection and support for the Commission. The Commission expended \$63,004 during the reporting period on this service.

The Translation Bureau for the Government of New Brunswick also provides translation services to the Commission on a cost-recovery basis. Total expenditures during the period were \$48,888.

NEW BRUNSWICK TIRE STEWARDSHIP BOARD



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AUDITORS' REPORT

To the Board of Directors

We have audited the statement of financial position of the New Brunswick Tire Stewardship Board as at December 31, 2005 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 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.

The Board derives revenue from the collection of tire levies pursuant to the provisions of the Clean Environment Act, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these fee and levy revenues was limited to the amounts recorded in the records of the Board and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets, liabilities and surplus.

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 the fee and levy revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2005 and the results of its operations and changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

Fredericton, Canada
February 7, 2006

NEW BRUNSWICK TIRE STEWARDSHIP BOARD

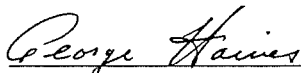
STATEMENT OF FINANCIAL POSITION

December 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Cash	\$ 713,031	\$ 131,709
Accounts receivable	503,729	484,929
Prepaid expenses	3,770	2,989
Current portion of advances to Tire Recycling Atlantic Canada Corporation (note 2)	58,076	55,942
	1,278,606	675,569
Investments	1,849,946	1,791,100
Advances to Tire Recycling Atlantic Canada Corporation (note 2)	172,154	230,230
Capital assets (note 3)	37,874	18,251
	\$ 3,338,580	\$ 2,715,150
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 262,017	\$ 21,059
Accrued processing fees	1,262,115	1,080,622
	1,524,132	1,101,681
Net assets:		
Invested in capital assets	37,874	18,251
Unrestricted	1,776,574	1,595,218
	1,814,448	1,613,469
	\$ 3,338,580	\$ 2,715,150

See accompanying notes to financial statements.

On behalf of the Board:



Director

NEW BRUNSWICK TIRE STEWARDSHIP BOARD

STATEMENT OF OPERATIONS

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

	2005	2004
Fees and levies	\$ 2,718,164	\$ 2,732,926
Expenses:		
Scrap tire processing costs	2,295,411	3,010,943
Salaries and employee benefits	141,642	163,040
Travel	13,256	28,677
Board	1,343	3,157
Professional services	23,169	44,853
Consulting fees	-	105,051
Off the Road recycling project	-	71,764
Communication and translation	48,908	33,553
Office	13,494	14,530
Telephone	6,414	5,740
Rent	10,800	11,205
Insurance	5,394	5,622
Training and subscriptions	1,270	1,387
Interest and bank charges	683	735
Amortization	13,114	6,553
Donations	-	14,400
Recyclable Development Program	-	48,500
Security services	22,119	3,304
	2,597,017	3,573,014
	121,147	(840,088)
Other income:		
Investment income	79,832	92,703
Harmonized sales tax	-	1,812,518
	79,832	1,905,221
Excess of revenue over expenses	\$ 200,979	\$ 1,065,133

See accompanying notes to financial statements.

 NEW BRUNSWICK TIRE STEWARDSHIP BOARD

STATEMENT OF CHANGES IN NET ASSETS

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

	Invested in capital assets	Unrestricted	2005 Total	2004 Total
Balance, beginning of year	\$ 18,251	\$ 1,595,218	\$ 1,613,469	\$ 548,336
Excess (deficiency) of revenue over expenses	(13,114)	214,093	200,979	1,065,133
Net change in investment in capital assets	32,737	(32,737)	-	-
Balance, end of year	\$ 37,874	\$ 1,776,574	\$ 1,814,448	\$ 1,613,469

See accompanying notes to financial statements.

NEW BRUNSWICK TIRE STEWARDSHIP BOARD

STATEMENT OF CASH FLOWS

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

	2005	2004
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 200,979	\$ 1,065,133
Amortization, not involving cash	13,114	6,553
Changes in non-cash operating working capital:		
Increase in accounts receivable	(18,800)	(76,582)
Increase in prepaid expenses	(781)	(332)
Increase (decrease) in accounts payable and accrued liabilities	240,958	(1,814,987)
Increase in accrued processing fees	181,493	780,622
	616,963	(39,593)
Financing and investing activities:		
Capital assets acquired	(32,737)	(14,955)
Increase in investments	(73,901)	(276,787)
Advance to Tire Recycling Atlantic Canada Corporation	-	(300,000)
Repayments from Tire Recycling Atlantic Canada Corporation	55,942	13,828
	(50,696)	(577,914)
Increase (decrease) in cash position	566,267	(617,507)
Cash position, beginning of year	131,709	749,216
Cash position, end of year	\$ 697,976	\$ 131,709

See accompanying notes to financial statements.

 NEW BRUNSWICK TIRE STEWARDSHIP BOARD

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

The New Brunswick Tire Stewardship Board (the "Board") is an agent of the crown incorporated under the Clean Environment Act. The principal business activity is overseeing the collection and recycling of used tires on behalf of the Minister of Environment for the Province of New Brunswick.

1. Significant accounting policies:

(a) General:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Investments:

Investments are carried at cost. If the market value of the investments becomes lower than cost and this decline is considered to be other than temporary, the investments are written down to market value.

(c) Fees and levies:

Fees and levies are recognized by the Board when cash is received or receivable from the tire retailers. The Board uses a closing date of January 31st of the following year to recognize fee transfers from tire retailers related to the current year as a receivable.

(d) Capital assets:

Capital assets are recorded at cost. Amortization is recorded using the following method and annual rates:

Asset	Basis	Rate
Office equipment	Straight-line	5 years
Furniture and fixtures	Straight-line	5 years
Computer equipment	Straight-line	3 years

(e) Scrap tire processing costs:

The Board remits a portion of all levies to Tire Recycling Atlantic Canada Corporation (TRACC). Half of the amount payable is remitted at time of collection and half is payable when TRACC has sold products containing the recycled material. The total amount due to TRACC is accounted for at time of pickup.

NEW BRUNSWICK TIRE STEWARDSHIP BOARD

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. Advance to Tire Recycling Atlantic Canada Corporation:

The amount advanced to TRACC is supported by a demand promissory note, secured by a general security agreement, bearing interest at 3.75%, repayable in monthly instalments of \$5,476 including principal and interest and due September 2009.

3. Capital assets:

		Cost	Accumulated amortization	2005 Net book value	2004 Net book value
Office equipment	\$	16,774	\$ 15,563	\$ 1,211	\$ 1,719
Furniture and fixtures		11,551	8,406	3,145	3,793
Computer equipment		75,611	42,093	33,518	12,739
	\$	103,936	\$ 66,062	\$ 37,874	\$ 18,251

4. Fair value of financial assets and financial liabilities:

The fair value of the Board's cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts.

The fair value of investments at December 31, 2005 was \$1,827,584 (2004 - \$1,781,497) based on published listings of market values.

The fair value of the accrued processing fees is not possible to estimate given the uncertainty of timing related to processing and related payment.

FINANCIAL STATEMENTS

**PREMIER'S COUNCIL ON THE
STATUS OF DISABLED PERSONS**

31 MARCH 2006

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Chairperson and Members of
Premier's Council on the Status of Disabled Persons

I have audited the balance sheet of the Premier's Council on the Status of Disabled Persons as at 31 March 2006 and the statement of revenue, expense and surplus 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 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Michael Ferguson".

Michael Ferguson, CA
Auditor General

Fredericton, N.B.
18 May 2006

**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS
BALANCE SHEET
31 MARCH 2006**

	2006	2005
ASSETS		
Current assets		
Cash	\$ 24,104	\$ 89,486
Accounts receivable	3,875	1,835
Prepaid expenses	2,439	2,902
	<u>\$ 30,418</u>	<u>\$ 94,223</u>

LIABILITIES AND SURPLUS

Current liabilities		
Accounts payable and accrued liabilities	\$ 10,535	\$ 6,788
Deferred revenue	-	64,000
	<u>10,535</u>	<u>70,788</u>
Surplus	19,883	23,435
	<u>\$ 30,418</u>	<u>\$ 94,223</u>

Approved by the Council

Lauren Peters Chairperson

Krista Carr Member

**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS
STATEMENT OF REVENUE, EXPENSE AND SURPLUS
FOR THE YEAR ENDED 31 MARCH 2006**

	2006 Budget (Note 3)	2006 Actual	2005 Actual
REVENUE			
Grants-Province of New Brunswick	\$ 258,000	\$ 260,500	\$ 256,000
Miscellaneous revenue	3,500	3,453	3,632
	<u>261,500</u>	<u>263,953</u>	<u>259,632</u>
EXPENSE			
Salaries and employee benefits	201,079	204,478	199,651
Furniture and equipment	3,000	2,229	721
Office supplies	3,700	4,230	2,343
Telephone	4,200	3,370	2,832
Printing	12,056	11,575	8,695
Translation	7,500	2,964	1,093
Honoraria	8,000	7,100	7,175
Travel expenses	7,550	6,214	5,963
Postage	7,000	4,407	3,881
Maintenance	1,500	1,938	1,377
Hotel expenses	7,600	5,961	5,103
Parking	2,900	2,517	2,700
Council meetings	5,500	4,587	3,028
Consultations and seminars	2,000	606	1,135
Meals	1,800	1,495	1,358
Library and subscriptions	1,700	1,481	1,485
Office equipment rental	2,100	1,706	2,009
Insurance	550	504	496
Miscellaneous	500	25	26
Bank charges	250	118	158
	<u>280,485</u>	<u>267,505</u>	<u>251,229</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE FOR THE YEAR			
	<u>\$ (18,985)</u>	(3,552)	8,403
Surplus, beginning of year		<u>23,435</u>	<u>15,032</u>
SURPLUS, END OF YEAR		<u>\$ 19,883</u>	<u>\$ 23,435</u>

**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006**

1. Summary of significant accounting policies

(a) Employee retirement benefits

Full-time employees of the Council are members of the New Brunswick Public Service Superannuation Plan. The Plan is a defined benefit multi-employer plan under which contributions are made by both the Council and its employees. The employer's contributions to the plan are accounted for as a defined contribution plan, as the Council's obligation is limited to the amount of these contributions.

The cost of retirement allowances which may become due to staff of the Council are paid by the Province.

(b) Capital assets

It is the policy of the Council to charge all capital asset purchases to expense in the period in which the expenditure is incurred.

(c) Services provided by the Province of New Brunswick

The Council uses an office for which rent is paid by the Province of New Brunswick. The Province also pays for certain other services.

2. Other activities – Disability Awareness Week

The Council acts as a co-ordinator for Disability Awareness Week (DAW). The Council also maintains the accounting records for the DAW Executive Committee. The role of this Executive Committee is to oversee DAW and make key decisions regarding its operations. In return for administration costs incurred on behalf of DAW during the year, the DAW Executive Committee paid \$3,000 to the Council. Should this Committee not receive sufficient funding in the year to cover its costs, the Council is responsible for the additional expenditures.

3. Budget

The budget figures as shown in the statement of revenue, expense and surplus have been approved by the members of the Council. These figures have been prepared on the cash basis and have not been audited.

4. Statement of cash flows

A statement of cash flows has not been prepared as the required cash flow information is readily apparent from the other financial statements.

FINANCIAL STATEMENTS

PROVINCIAL HOLDINGS LTD.

31 MARCH 2006

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

To the Shareholder of
Provincial Holdings Ltd.

I have audited the balance sheet of Provincial Holdings Ltd. as at 31 March 2006 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 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script that reads "K.D. Robinson".


K.D. Robinson, CA
Deputy Auditor General

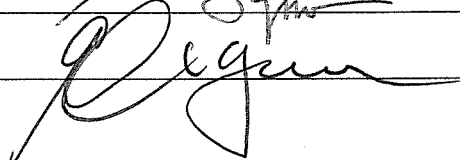
Fredericton, N.B.
25 August 2006

**PROVINCIAL HOLDINGS LTD.
BALANCE SHEET
31 MARCH 2006**

	2006	2005
ASSETS		
Current assets		
Cash and short-term investments	\$ 605,373	\$ 492,136
Interest receivable	1,277	27,671
Miscellaneous receivable	7	10,184
	<u>606,657</u>	<u>529,991</u>
Industrial development projects (Notes 2 and 3)		
Loans to Client Companies	3,655,720	4,566,210
Shares in client companies	2,926,609	2,941,045
Building held for development purposes	-	310,000
	<u>6,582,329</u>	<u>7,817,255</u>
Less: Provision for loss	<u>(5,801,970)</u>	<u>(5,423,284)</u>
	<u>780,359</u>	<u>2,393,971</u>
	<u>\$ 1,387,016</u>	<u>\$ 2,923,962</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable	\$ -	\$ 42,617
Provision for loss on guaranteed loans	-	92,595
	<u>-</u>	<u>135,212</u>
Long-term debt		
Due to Province of New Brunswick (Note 3)	5,532,331	6,447,256
Less: Provision for loss on industrial development projects (Note 2)	<u>(4,751,971)</u>	<u>(4,423,285)</u>
	<u>780,360</u>	<u>2,023,971</u>
Capital stock		
Authorized: 500 common shares, par value of \$10 each		
Issued: 500 shares	5,000	5,000
Retained earnings	<u>601,656</u>	<u>759,779</u>
	<u>606,656</u>	<u>764,779</u>
	<u>\$ 1,387,016</u>	<u>\$ 2,923,962</u>

Approved by the Board


 Director


 Director

**PROVINCIAL HOLDINGS LTD.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
REVENUE		
Provincial contribution	\$ 749,675	\$ 200,000
Loss recovery - provincially funded (Note 2)	1,164,792	2,051,800
Interest income	67,449	91,185
Miscellaneous revenue	77,625	7,500
	<u>2,059,541</u>	<u>2,350,485</u>
EXPENSE		
Development grant	750,000	200,000
Bad debts	1,256,727	2,049,055
Miscellaneous	135	10
Loss on sale of building	200,000	-
Holding costs for investment in building	10,802	25,758
Interest	-	1,761
	<u>2,217,664</u>	<u>2,276,584</u>
NET INCOME (LOSS) FOR THE YEAR	(158,123)	73,901
Retained earnings, beginning of year	759,779	685,878
RETAINED EARNINGS, end of year	<u>\$ 601,656</u>	<u>\$ 759,779</u>

**PROVINCIAL HOLDINGS LTD.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
CASH PROVIDED BY (USED FOR):		
Operating activities		
Net income (loss) for the year	\$ (158,123)	\$ 73,901
Add (deduct) items not affecting cash:		
Loss on sale of building	200,000	-
Bad debts	1,256,727	2,049,055
Loss recovery - provincially funded	<u>(1,164,792)</u>	<u>(2,051,800)</u>
	133,812	71,156
Increase (decrease) of non-cash components of working capital*	<u>(140,576)</u>	<u>(129,965)</u>
	<u>(6,764)</u>	<u>(58,809)</u>
Investing activities:		
Industrial development projects - recoveries		
Loans	74,384	176,242
Shares	14,436	-
Building	110,000	-
Industrial development projects - investments		
Loans	<u>-</u>	<u>(14,660)</u>
	<u>198,820</u>	<u>161,582</u>
Financing activities:		
Repayments to the Province	<u>(78,819)</u>	<u>(176,242)</u>
INCREASE (DECREASE) IN CASH	113,237	(73,469)
Cash position, beginning of year	<u>492,136</u>	<u>565,605</u>
CASH POSITION, end of year	<u>\$ 605,373</u>	<u>\$ 492,136</u>

* Non-cash working capital components include accounts receivable and accounts payable.

**PROVINCIAL HOLDINGS LTD.
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006**

1. Description of operations

Provincial Holdings Ltd. was established in 1973 under the Companies Act of the Province of New Brunswick. The Company is wholly owned by the Province of New Brunswick and is responsible for administering industrial development project investments. The administration of the Company's affairs is carried out by employees of the Province of New Brunswick under the direction of the Company's Board of Directors. All costs associated with these employees are paid by the Province.

2. Summary of significant accounting policies

Industrial development projects

The Company's investments in industrial development projects are carried at cost except where, by agreement, interest on such projects is capitalized. In these cases the capitalized interest is added to the cost of the investment.

To recognize potential losses relating to industrial development project investments, the Company maintains a provision for loss against its investments. Pursuant to Treasury Board minute 74-57, any losses arising on investments funded by advances from the Province of New Brunswick will be borne by the Province through a corresponding reduction in the long term debt of the Company. As a result of this undertaking by the Province, any losses recorded as an expense by the Company are offset by a recovery from the Province.

3. Long-term debt

Pursuant to Treasury Board Minute 74-57, advances from the Province of New Brunswick are interest free and are to be repaid from recoveries of amounts invested in industrial development projects.

4. Contingent liabilities

The Company has guaranteed loans to two client companies. Under one agreement, the amount guaranteed shall not exceed the lesser of \$15,000,000 or 75% of the balance of the loan. The contingent liability in respect of this guarantee was \$14,750,000(2005 - \$0) at 31 March 2006.

Under the other agreement, the amount guaranteed shall not exceed the lesser of \$175,000 or the balance of the loan. The contingent liability in respect to this guarantee was \$175,000 at 31 March 2006.

In both cases, any resulting loss will be borne by the Province of New Brunswick and will not be reflected as an expense of the Company.

In December 2005, the Province of New Brunswick paid out a loan guarantee of \$319, 846 on behalf of Provincial Holdings Ltd.

PROVINCIAL HOLDINGS LTD.
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006

5. Outstanding commitments

At 31 March 2006, the Company had outstanding commitments in respect of industrial development projects of \$1,130,000 (2005 - \$880,000).

FINANCIAL STATEMENTS
REGIONAL DEVELOPMENT CORPORATION
31 MARCH 2006

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

Lieutenant-Governor in Council
- and -
The Chairperson and Directors
Regional Development Corporation
Fredericton, New Brunswick

I have audited the balance sheet of the Regional Development Corporation as at 31 March 2006 and the statement of revenue and expenditure 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 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
15 August 2006

**REGIONAL DEVELOPMENT CORPORATION
BALANCE SHEET
31 MARCH 2006**

	2006	2005
ASSETS		
Current assets		
Cash	\$ 860,124	\$ 2,358,321
Accounts receivable		
Canada - Regional Economic Development Agreement	-	3,703,231
- Other agreements	3,545,044	2,448,860
Province of New Brunswick - operating and capital funds	534,740	439,227
Other	33,930	59,675
Prepays	9,708	9,708
	<u>4,983,546</u>	<u>9,019,022</u>
Other assets		
Advance to Fundy Trail Endowment Fund - In Trust (Note 2)	2,600,000	4,000,000
Loans receivable	1,000,000	3,100,000
Less: Provision for loss - loans receivable	-	(1,800,000)
	<u>3,600,000</u>	<u>5,300,000</u>
	<u>\$ 8,583,546</u>	<u>\$ 14,319,022</u>
LIABILITIES		
Current liabilities		
Accounts payable		
Province of New Brunswick - claims on Canada	\$ 3,534,897	\$ 6,141,006
Deferred revenue	624,420	442,908
Provision for losses on guaranteed loans	49,438	62,308
Other	1,774,791	3,672,800
	<u>5,983,546</u>	<u>10,319,022</u>
Due to Province of New Brunswick		
Fundy Trail Endowment Fund - In Trust (Note 2)	2,600,000	4,000,000
Loan payable	-	1,800,000
Less: Provision for loss - loan payable	-	(1,800,000)
	<u>2,600,000</u>	<u>4,000,000</u>
	<u>\$ 8,583,546</u>	<u>\$ 14,319,022</u>

Approved by the Board

Bernard Saulnier

Chairperson

Maurice J. Bernier

Director

**REGIONAL DEVELOPMENT CORPORATION
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
REVENUE		
Federal contribution (Schedule 1)	\$ 2,101,724	\$ 10,162,109
Provincial contribution (Schedule 2)	53,696,352	45,666,376
Other contributions	-	365,961
	<u>55,798,076</u>	<u>56,194,446</u>
EXPENDITURE		
Regional development initiatives		
Acadian Peninsula Economic Development Fund	5,332,562	4,659,930
Restigouche-Chaleur Economic Development Fund	2,873,508	2,761,026
Miramichi Regional Economic Development Fund	1,771,498	2,025,697
	<u>9,977,568</u>	<u>9,446,653</u>
Community development initiatives		
Family and Youth Capital Assistance Program	2,031,385	2,054,886
Community Events Program	243,000	121,334
Special Initiatives	13,148,721	3,406,084
Community Partnership Fund	870,000	-
	<u>16,293,106</u>	<u>5,582,304</u>
Fund management and administration		
Grants to RDC - SOA (Note 1)	14,388,870	15,305,183
Regional Economic Development Agreement	-	9,282,481
Regional Economic Development Agreement - Special Initiatives	-	2,089,605
Provision of French Language Services Agreement	3,384,182	4,432,729
Centres scolaires communautaires	1,758,000	1,710,500
Tobacco Sales Enforcement Agreement	150,000	150,000
Aboriginal Affairs Initiatives	151,716	277,922
Total Development Fund	4,438,897	3,001,456
Community Economic Development Fund	1,759,783	1,020,199
Atlantic Canada Tourism Marketing Agreement	721,525	724,000
International Business Development Program	79,911	168,000
Advance Sport Participation Bilateral Agreement	240,000	-
Operations	2,293,663	2,388,028
Other projects (Schedule 3)	160,855	615,386
	<u>29,527,402</u>	<u>41,165,489</u>
	<u>55,798,076</u>	<u>56,194,446</u>
EXCESS OF REVENUE OVER EXPENDITURE	<u>\$ -</u>	<u>\$ -</u>

**REGIONAL DEVELOPMENT CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
Schedule 1 - Revenue - Federal Contribution		
<hr/>		
Fund Management and Administration		
Provision of French Language Services Agreement	\$ 1,524,505	\$ 1,721,544
Regional Economic Development Agreement	-	6,497,738
Regional Economic Development Agreement - Special initiatives	-	1,348,924
Centres scolaires communautaires	330,000	282,500
Tobacco Sales Enforcement Agreement	150,000	150,000
Aboriginal Affaires Initiatives	97,219	161,403
	<hr/>	<hr/>
	\$ 2,101,724	\$ 10,162,109
Schedule 2 - Revenue - Provincial Contribution		
<hr/>		
Regional development initiatives		
Acadian Peninsula Economic Development Fund	\$ 5,332,562	\$ 4,659,930
Restigouche - Chaleur Economic Development Fund	2,873,508	2,761,026
Miramichi Regional Economic Development Fund	1,771,498	2,025,697
	<hr/>	<hr/>
	9,977,568	9,446,653
Community development initiatives		
Family and Youth Capital Assistance Program	2,031,385	2,054,886
Community Events Program	243,000	121,334
Special Initiatives	13,148,721	3,406,084
Community Partnership Fund	870,000	-
	<hr/>	<hr/>
	16,293,106	5,582,304
Fund Management and Administration		
Grants to RDC - SOA (Note 1)	14,388,870	15,305,183
Regional Economic Development Agreement	-	2,418,782
Regional Economic Development Agreement - Special initiatives	-	740,681
Provision of French Language Services Agreement	1,859,677	2,711,185
Centres scolaires communautaires	1,428,000	1,428,000
Aboriginal Affairs Initiatives	54,497	116,519
Total Development Fund	4,438,897	3,001,456
Community Economic Development Fund	1,759,783	1,020,199
Atlantic Canada Tourism Marketing Agreement	721,525	724,000
International Business Development Program	79,911	168,000
Advance Sport Participation Bilateral Agreement	240,000	-
Operations	2,293,663	2,388,028
Other projects	160,855	615,386
	<hr/>	<hr/>
	27,425,678	30,637,419
	<hr/>	<hr/>
	\$ 53,696,352	\$ 45,666,376

**REGIONAL DEVELOPMENT CORPORATION
SCHEDULES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
Schedule 3 - Expenditure - Other Projects		
<hr/>		
Other projects		
Provisions for loss	\$ 160,855	\$ 609,439
DIIR - Special initiative - administration expenses	-	5,947
	<hr/>	<hr/>
	\$ 160,855	\$ 615,386
	<hr/>	<hr/>

**REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006**

1. General comments on operations

The Regional Development Corporation is a provincial Crown agency incorporated by an Act of the New Brunswick Legislature. The Corporation has administrative responsibility for a number of projects assigned to it by the Province.

Federal contributions are in some instances paid directly to project recipients. Such payments are not recorded in the revenues and expenditures of the Corporation.

The Regional Development Corporation established a Special Operating Agency (SOA) effective 31 March 1994. Amounts provided to the Corporation by the Province, which were subsequently transferred to the SOA, are shown in the Corporation's statement of revenue and expenditure. Amounts provided by other agencies or departments of government to the SOA are included in the financial statement of the SOA but are not included in these financial statements.

2. Fundy Trail Endowment Fund

The Province of New Brunswick and the Government of Canada have agreed to the establishment of this fund. The sole purpose of the fund is to assist in the construction and operation of a scenic roadway from St. Martins, N.B. to Alma, N.B.

The Province of New Brunswick has advanced \$5 million to this fund. This \$5 million was advanced through the Regional Development Corporation. At a future date all or part of this \$5 million may be returned to the Regional Development Corporation. This date is to be no later than 31 March 2020. Prior to the 2006 fiscal year the loan was to be repaid no later than 2010. The extension of the loan repayment date results in a new calculation of the concessionary value of the loan. This is further explained in the following paragraph.

Loans such as these, that are significantly concessionary because they earn a low rate of return, are originally recorded as assets at the net present value of the expected future cash flows. The net present value is calculated at each year end using the Province's borrowing rate at the time the loan was issued.

3. Commitments

Under the Atlantic Canada Tourism Marketing Agreement and the International Business Development Program, the provincial government has committed funds subsequent to 31 March 2006 totalling approximately \$1.2 million (31 March 2005 - \$0.9 million).

Such commitments are made subject to funds being approved by the Legislature of New Brunswick.

**REGIONAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006**

4. Contingent liabilities

Contributions received from the federal government under federal/provincial cost sharing agreements are subject to adjustment following audits by federal authorities. Adjustments as a result of federal audits will be reflected in the financial statements of the Corporation in the period of settlement.

The Corporation has guaranteed loans of certain organizations. At 31 March 2006 the contingent liability in respect of these guarantees was \$3,549,438 (31 March 2005 - \$3,262,308). Any resulting losses will be borne by the Corporation.

5. Statement of cash flows

A statement of cash flows has not been prepared as the required cash flow information is readily apparent from the other financial statements.

FINANCIAL STATEMENTS
REGIONAL DEVELOPMENT CORPORATION
SPECIAL OPERATING AGENCY
31 MARCH 2006

Office of the
Auditor General

Bureau du
vérificateur général



AUDITOR'S REPORT

Lieutenant-Governor in Council
- and -
The Chairperson and Directors
Regional Development Corporation
Fredericton, New Brunswick

I have audited the balance sheet of the Regional Development Corporation - Special Operating Agency as at 31 March 2006 and the statement of revenue and expenditure 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 Regional Development Corporation - Special Operating Agency as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script that reads 'K.D. Robinson'.

K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
15 August 2006

**REGIONAL DEVELOPMENT CORPORATION
SPECIAL OPERATING AGENCY
BALANCE SHEET
31 MARCH 2006**

ASSETS	2006	2005
Current assets		
Accounts receivable		
Government of Canada	\$ 11,804,325	\$ 4,529,516
Province of New Brunswick	10,153,665	-
	<u>\$ 21,957,990</u>	<u>\$ 4,529,516</u>
 LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable		
Province of New Brunswick	\$ -	\$ 2,810,844
Equity	<u>21,957,990</u>	<u>1,718,672</u>
	<u>\$ 21,957,990</u>	<u>\$ 4,529,516</u>

Approved by the Board

Bernard Paulin Chairperson

Maurice J. Bernier Director

**REGIONAL DEVELOPMENT CORPORATION
SPECIAL OPERATING AGENCY
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2006**

	2006	2005
REVENUE		
Federal contribution		
- Canada/NB Gas Tax Transfer Fund	\$ 13,927,000	\$ -
- Canada/NB Municipal Rural Infrastructure Fund	995,917	-
- Canada/NB Public Transit Fund	9,408,258	-
- Canada/NB Infrastructure Agreement	5,877,478	16,371,008
- Other special initiatives	933,290	1,969,486
	<u>31,141,943</u>	<u>18,340,494</u>
Provincial contribution		
- Canada/NB Gas Tax Transfer Fund	3,600,000	-
- Canada/NB - Infrastructure Agreement	6,587,192	14,663,936
- Canada/NB Municipal Rural Infrastructure Fund	3,005,000	-
- Community Economic Development Agencies	1,196,677	641,247
	<u>14,388,869</u>	<u>15,305,183</u>
	<u>45,530,812</u>	<u>33,645,677</u>
EXPENDITURE		
Canada/NB Municipal Rural Infrastructure Fund	1,991,832	-
Canada/NB Infrastructure Agreement	11,761,437	32,570,316
Canada/NB Public Transit Fund	9,408,258	-
Community Economic Development Agencies	1,196,677	1,196,677
Other special initiatives	933,290	1,969,486
	<u>25,291,494</u>	<u>35,736,479</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	20,239,318	(2,090,802)
Equity, beginning of year	1,718,672	3,809,474
EQUITY, end of year	<u>\$ 21,957,990</u>	<u>\$ 1,718,672</u>

**REGIONAL DEVELOPMENT CORPORATION
SPECIAL OPERATING AGENCY
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006**

1. General comments on operations

The Regional Development Corporation Special Operating Agency (SOA) was established effective 31 March 1994. The SOA was formed initially for the purpose of providing financial management for the Canada - New Brunswick Infrastructure Agreement. The Agency is now also responsible for a number of other projects assigned to it by the Province.

The equity balance for the SOA represents amounts funded by the Province for future expenditures by the SOA.

2. Contingent liabilities - federal contribution

Contributions received from the federal government under federal/provincial cost sharing agreements are subject to adjustment following audits by federal authorities. Adjustments as a result of federal audits will be reflected in the financial statements of the Agency in the period of settlement.

3. Commitments

Under the Canada-New Brunswick Infrastructure and Municipal Rural Infrastructure Agreements, the provincial government has committed funds subsequent to 31 March 2006 totalling approximately \$18.67 million.

Such commitments are made subject to funds being approved by the Legislature of New Brunswick.

4. Statement of cash flows

A statement of cash flows has not been prepared as the required cash flow information is readily apparent from the other financial statements.



Service New Brunswick
Services Nouveau-Brunswick

Financial Statements

March 31, 2006

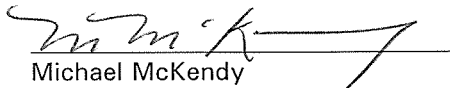
Service New Brunswick


MANAGEMENT REPORT

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the Corporation.

The Corporation maintains an accounting system and related controls to provide management and the Board with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

It is the responsibility of the Board to oversee management's performance of its financial reporting responsibilities and to review and approve the financial statements. Upon the recommendation of the Audit Committee, these financial statements are approved by the Board of the Corporation.


Michael McKendy
Chief Executive Officer


Carol Macdonald, CA
Vice President Corporate Services

Fredericton, N B Canada
May 29, 2006

Service New Brunswick

AUDITORS' REPORT

To the Members of the Board:

We have audited the balance sheet of Service New Brunswick as at March 31, 2006 and the statements of income and changes in equity and cash flows for the year 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 March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

Saint John, N B Canada
May 29, 2006

Chartered Accountants

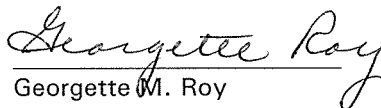
Service New Brunswick

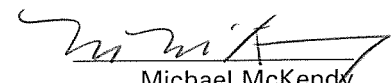
BALANCE SHEET

As at March 31

	2006	2005 (Restated Note 2)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 21,025,609	\$ 16,991,224
Restricted assets (Note 5)	10,107,429	13,280,120
Accounts receivable (Note 6)	3,066,235	2,002,965
Prepaid expenses	1,504,389	1,207,594
	<u>35,703,662</u>	<u>33,481,903</u>
LONG TERM ASSETS		
Prepaid expenses	113,803	31,427
Equipment (Note 7)	2,692,635	2,562,665
System development (Notes 3, 7 and 11)	15,332,855	16,180,977
	<u>18,139,293</u>	<u>18,775,069</u>
	\$ 53,842,955	\$ 52,256,972
LIABILITIES & EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	\$ 6,380,445	\$ 5,625,483
Partner liabilities (Note 9)	7,928,385	11,603,186
Deferred funding from the Province	6,352,500	6,333,750
Deferred receipts	323,294	58,413
	<u>20,984,624</u>	<u>23,620,832</u>
LONG TERM LIABILITIES		
Deferred employee benefits (Notes 2, 8, and 12)	1,575,078	1,414,364
Land titles assurance (Note 10)	2,179,044	1,676,934
	<u>3,754,122</u>	<u>3,091,298</u>
EQUITY (Restated – Note 2)	29,104,209	25,544,842
	\$ 53,842,955	\$ 52,256,972

Commitments Note 13
See accompanying notes


Georgette M. Roy
Chairperson


Michael McKendy
Chief Executive Officer

Service New Brunswick

STATEMENT OF INCOME AND CHANGES IN EQUITY

For the years ended March 31

	2006	2005 (Restated Note 2)
REVENUES		
Provincial services	\$ 25,934,256	\$ 25,468,806
Municipal services	7,478,969	7,003,558
Registry fees	18,032,085	14,756,634
Products and services	2,757,114	2,762,423
Interest	553,877	364,841
Salary recoveries	70,893	91,514
Software sales and consulting	70,532	397,038
	54,897,726	50,844,814
EXPENSES		
Personnel services	31,731,915	30,309,158
Space and equipment services	5,004,092	5,017,106
Communications and computer services	4,785,036	4,807,290
Amortization	3,562,663	3,730,850
Professional services	3,018,548	3,563,033
Travel and meetings	1,337,227	1,156,569
Furniture and equipment	744,990	470,546
Materials and supplies	739,399	786,314
Other	414,489	308,630
	51,338,359	50,149,496
NET INCOME	3,559,367	695,318
OPENING EQUITY (as previously stated)	26,576,956	25,796,811
Less: Restatement due to change in accounting (Note 2)	1,032,114	947,287
OPENING EQUITY (as restated)	25,544,842	24,849,524
ENDING EQUITY	\$ 29,104,209	\$ 25,544,842

See accompanying notes

Service New Brunswick

STATEMENT OF CASH FLOWS
 For the years ended March 31

	2006	2005 (Restated – Note 2)
Cash and cash equivalents provided by (used in)		
Operations		
Net income	\$ 3,559,367	\$ 695,318
Amortization	3,562,663	3,730,850
Deferred employee benefits	160,714	144,785
	<u>7,282,744</u>	<u>4,570,953</u>
Change in non-cash working capital:		
Accounts receivable	(1,063,270)	(360,326)
Prepaid expenses	(379,171)	(264,568)
Accounts payable and accrued liabilities	754,962	16,652
Deferred funding from the Province	18,750	6,333,750
Deferred receipts	264,881	2,711
	<u>6,878,896</u>	<u>10,299,172</u>
Investments		
Additions to equipment	(1,193,871)	(627,112)
Additions to system development	(1,650,640)	(1,202,220)
	<u>(2,844,511)</u>	<u>(1,829,332)</u>
Increase in cash	4,034,385	8,469,840
Cash and cash equivalents, beginning of year	16,991,224	8,521,384
Cash and cash equivalents, end of year	\$ 21,025,609	\$ 16,991,224
See accompanying notes		

Service New Brunswick

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2006

1. SERVICE NEW BRUNSWICK

Service New Brunswick is a non-taxable Crown Corporation established under the *Service New Brunswick Act*. Its mission is making government services more accessible and being stewards for authoritative information.

2. RETIREMENT ALLOWANCE OBLIGATION AND CHANGE IN ACCOUNTING

Regular employees of Service New Brunswick are entitled to a paid retirement allowance prior to their retirement based upon years of service. In the year ended March 31, 2006, Service New Brunswick commissioned an actuarial valuation of the obligation for this benefit plan. As a result of this valuation, it was determined that a defined benefit actuarial methodology is more appropriate than a defined contribution methodology. The resulting actuarial obligation for this benefit was \$2,417,800 as at March 31, 2006 (Note 12).

Prior year results have been restated to reflect this change in methodology. The impact on the financial statements for the year ended March 31, 2005 was to reduce net income by \$84,827 and opening equity for that year was reduced by \$947,287. Opening equity for the year ended March 31, 2006 was decreased by a total of \$1,032,114.

3. ACCOUNTING POLICIES

General

The Corporation follows Canadian generally accepted accounting principles (GAAP).

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and short term, highly liquid financial instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Restricted assets

Management has segregated cash and receivables equal to the amount of Partner Liabilities (Note 9) and the amount accumulated under Land Titles Assurance (Note 10).

Financial instruments

The carrying values of the Corporation's financial instruments approximate fair market values because of their short-term maturity and normal credit terms.

Long-term assets

Investments in information systems and databases and in physical assets having a value of \$5,000 or greater are capitalized and written off to income in accordance with the amortization policy.

Service New Brunswick

Revenue

Revenue is recognized on an accrual basis as earned with an offset, in the case of Corporate Registry annual filing, for fees from businesses likely to be inactive. Amounts deemed receivable but uncollectable are recognized as bad debt expense.

Pension expense

Service New Brunswick employees are part of a multi-employer plan. Although the plan is a defined benefit plan, only current year contributions are expensed.

CGI Commercial Alliance Agreement

Funds received from CGI Information Systems and Management Consultants Inc. (CGI), under this Agreement (Note 11), are applied against the capital cost of the related investment.

Amortization

Amortization is computed on a straight-line basis on original cost with rates as follows:

Furniture, databases and systems	10 years
Leasehold improvements	duration of lease up to 10 years
Equipment and vehicles	5 years
Computers and software	4 years

Measurement uncertainty

The preparation of financial statements in accordance with 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 revenues and expenses during the reporting periods. Actual results could differ from those estimates.

4. RELATED ENTITY TRANSACTIONS

Service New Brunswick is solely owned by the Province of New Brunswick. The Balance Sheet contains the following related entity amounts:

	Year Ended 2006	Year Ended 2005
Accounts receivable	\$ 724,955	\$ 379,410
Accounts payable	651,289	606,071
Net owing to SNB/(Province)	\$ 73,666	\$ (226,661)

Service New Brunswick

The Statement of Income and Changes in Equity contains the following related entity amounts:

	Year Ended 2006	Year Ended 2005
Revenue	\$ 34,512,082	\$ 33,499,615
Expense	2,018,353	1,688,392
Net revenue	<u>\$32,439,729</u>	<u>\$ 31,811,223</u>

5. RESTRICTED ASSETS

Restricted assets are comprised of the following amounts.

	Year Ended 2006	Year Ended 2005
Partner cash and receivables (Note 9)	\$ 7,928,385	\$ 11,603,186
Land titles assurance cash (Note 10)	2,179,044	1,676,934
	<u>\$ 10,107,429</u>	<u>\$13,280,120</u>

6. ACCOUNTS RECEIVABLE

	Year Ended 2006			Year Ended 2005
	Accounts Receivable	Allowance for Doubtful Accounts	Net	Net
Current				
Service Canada	\$ 760,266	\$ -	\$ 760,266	\$ -
HST rebate	740,510	-	740,510	663,526
Province of New Brunswick	729,193	4,238	724,955	379,410
Trade	428,210	18,337	409,873	559,128
Corporate registry	191,477	6,683	184,794	184,505
Employee computer loans	181,935	-	181,935	186,240
Interest receivable	63,902	-	63,902	30,156
	<u>\$3,095,493</u>	<u>\$ 29,258</u>	<u>\$ 3,066,235</u>	<u>\$ 2,002,965</u>

The Corporation's trade accounts receivable do not represent significant concentration of credit risk because the accounts are owed by a large number of organizations on normal credit terms. Most other receivables are deemed collectable because of the nature of the debtor or the transactions.

Service New Brunswick

7. EQUIPMENT AND SYSTEM DEVELOPMENT

Equipment	Year Ended 2006		
	Cost	Accumulated Amortization	Net
Computers and software	\$ 3,392,310	\$ 2,145,032	\$ 1,247,278
Furniture and equipment	1,458,979	950,321	508,658
Leasehold improvements	2,443,624	1,521,568	922,056
Vehicles	19,075	4,432	14,643
	<u>\$ 7,313,988</u>	<u>\$ 4,621,353</u>	<u>\$ 2,692,635</u>
System development			
Systems	\$ 29,642,540	\$ 16,066,589	\$ 13,575,951
Databases	1,018,040	1,016,806	1,234
Work in process	1,755,670	-	1,755,670
	<u>\$ 32,416,250</u>	<u>\$ 17,083,395</u>	<u>\$ 15,332,855</u>

Equipment	Year Ended 2005		
	Cost	Accumulated Amortization	Net
Computers and software	\$ 3,192,858	\$ 2,251,140	\$ 941,718
Furniture and equipment	1,443,460	887,842	555,618
Leasehold improvements	2,298,896	1,256,112	1,042,784
Vehicles	26,985	4,440	22,545
	<u>\$ 6,962,199</u>	<u>\$ 4,399,534</u>	<u>\$ 2,562,665</u>
System development			
Systems	\$28,574,867	\$ 13,570,288	\$ 15,004,579
Databases	1,018,040	1,014,344	3,696
Work in process	1,172,702	-	1,172,702
	<u>\$30,765,609</u>	<u>\$ 14,584,632</u>	<u>\$ 16,180,977</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Year Ended 2006	Year Ended 2005
Current		
Trade payables	\$ 3,095,521	\$ 3,148,329
Salary and benefit accruals	1,943,878	1,509,754
Deferred employee benefits	230,000	235,028
Payroll deductions payable	459,757	126,301
Province of New Brunswick payables	651,289	606,071
	<u>\$ 6,380,445</u>	<u>\$ 5,625,483</u>

Service New Brunswick

9. PARTNER LIABILITIES

Service New Brunswick collects cash on behalf of the Province of New Brunswick and other business partners. The following amounts were payable to the Province and other partners at year end. Receivables are short-term accounts which are collected from provincial clients and, subsequently, remitted to the Province.

	Year Ended 2006	Year Ended 2005
Provincial cash	\$ 5,863,923	\$ 9,406,260
Provincial receivables	497,651	30,494
Other partners cash	1,566,811	2,166,432
	<u>\$ 7,928,385</u>	<u>\$ 11,603,186</u>

10. LAND TITLES ASSURANCE

Under the *Land Titles Act*, the Province guarantees title to real property registered under Land Titles. The Corporation has established a fund, based on actuarial estimate, to provide for potential claims respecting indemnification pursuant to the *Land Titles Act*. An assurance fee of \$5.00 is charged for each registration in the Land Titles registry.

	Year Ended 2006	Year Ended 2005
Opening balance	\$ 1,676,934	\$ 1,212,477
Assurance fees collected	518,610	486,790
Less: claims	(16,500)	(22,333)
Ending balance	<u>\$ 2,179,044</u>	<u>\$ 1,676,934</u>

11. CGI COMMERCIAL ALLIANCE AGREEMENT

CGI Information Systems and Management Consultants Inc. (CGI) and Service New Brunswick signed a seven-year agreement in 2001. Under the terms of the agreement, CGI provides up to \$3.5 million to the Corporation in exchange for considerations that enable CGI to establish credibility as experts in the provision of e-government services. The considerations provided by Service New Brunswick include the contracting of CGI resources for project management and technical architecture, presentations of Service New Brunswick systems to potential clients, and exclusive access to CGI to market g-commerce software developed for Service New Brunswick. All solutions and other intellectual property developed under this Agreement are jointly owned by CGI and SNB.

Under this agreement, Service New Brunswick received \$474,802 in the year ended March 31, 2006 and \$309,031 in the year ended March 31, 2005. The total amount received since 2002 was \$2,263,068.

Service New Brunswick

12. EMPLOYEE FUTURE BENEFITS

- a) Regular employees of Service New Brunswick are covered by the Public Service Superannuation Plan of the Province of New Brunswick. The Superannuation Plan is a defined benefit multi-employer plan under which contributions are made by both Service New Brunswick and the employees. For the year ended March 31, 2006, the Corporation expensed contributions of \$1,800,755 under the terms of the plan. The comparable amount for the year ended March 31, 2005 was \$1,752,902. Service New Brunswick has no direct liability or entitlement to any unfunded liability or surplus in the plan related to its current or former employees.
- b) Regular employees of Service New Brunswick are entitled to a paid retirement allowance prior to their retirement based upon years of service. The most recent valuation determined the accrued actuarial obligation for this benefit to be \$2,417,800 as at March 31, 2006. At the end of this fiscal year, the Corporation had recorded a total liability of \$1,488,197.

	<u>Year Ended 2006</u>	<u>Year Ended 2005</u>
Accrued benefit obligation		
Beginning balance	\$2,286,241	\$ 2,303,562
Current service cost	172,691	164,583
Interest cost on obligation	114,733	111,946
Benefit payments	(155,865)	(293,850)
Accrued benefit obligation	<u>\$2,417,800</u>	<u>\$2,286,241</u>
Reconciliation of accrued benefit obligation to accrued benefit liability		
Accrued benefit obligation	\$2,417,800	\$2,286,241
Unamortized transitional amount	(929,603)	(1,032,893)
Accrued benefit liability	<u>\$1,488,197</u>	<u>\$1,253,348</u>
Accrued benefit liability		
Opening balance	\$1,253,348	\$ 1,167,379
Retirement allowance expense	390,714	379,819
Benefit payments	(155,865)	(293,850)
Ending balance	<u>\$1,488,197</u>	<u>\$ 1,253,348</u>

This estimate is based on current service cost of 0.70% of payroll and an annual discount rate of 5.00%. The transitional obligation related to the retirement allowance is amortized on a straight-line basis over the estimated remaining service period of the employees that participate in the plan (fifteen years).

Service New Brunswick

- c) Service New Brunswick incurred a liability related to an early retirement incentive offered to employees, including those of the Corporation, by the Province of New Brunswick in the year ended March 31, 1996. Pursuant to an agreement with the Province, the amount of the obligation and expense recorded was equal to the amount of the employer contributions that the Corporation would have otherwise funded to the Public Service Superannuation Plan. The Corporation annually reduces the recorded obligation by the amount it remits to the Province. The benefit obligation was \$316,881 at March 31, 2006 and \$396,044 at March 31, 2005.

13. LEASE COMMITMENTS

The following are future minimum payments for leased premises and equipment for the years ending:

2007	\$ 3,491,885
2008	3,328,231
2009	2,947,523
2010	2,757,078
2011	2,506,975
Thereafter	5,198,785
	<u>\$20,230,477</u>

14. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to minor reclassifications in the financial statement presentation adopted for the current year.

Financial Statements of

STRAIT CROSSING FINANCE INC.

Year ended October 30, 2005

**KPMG LLP****Chartered Accountants**

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PO Box 2388 Stn Main
Saint John NB E2L 3V6
Telephone (506) 634-1000
Fax (506) 633-8828

AUDITORS' REPORT

To the Shareholder of Strait Crossing Finance Inc.

We have audited the statement of financial position of Strait Crossing Finance Inc. as at October 30, 2005 and the statement of earnings and retained earnings 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 financial statements present fairly, in all material respects, the financial position of the Company as at October 30, 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Fredericton, Canada
December 7, 2005

STRAIT CROSSING FINANCE INC.

Statement of Financial Position

October 30, 2005, with comparative figures for 2004

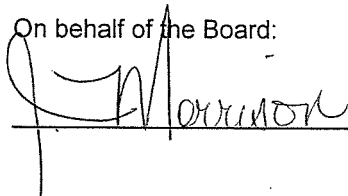
	2005	2004
Assets		
Current assets:		
Cash	\$ 1	\$ 1
Accounts receivable	1,269	1,384
	\$ 1,270	\$ 1,385

Liabilities and Shareholder's Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,269	\$ 1,384
Shareholder's equity:		
Share capital:		
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
1 Share	1	1
	\$ 1,270	\$ 1,385

See accompanying notes to financial statements.

On behalf of the Board:

 Director

STRAIT CROSSING FINANCE INC.

Statement of Earnings and Retained Earnings

Year ended October 30, 2005, with comparative figures for 2004

	2005	2004
Revenue:		
Financial maintenance fee (note 2(d))	\$ 21,182	\$ 20,897
Expenses:		
Trustee fees	18,757	18,587
Professional services	2,185	2,070
Filing fees	240	240
	21,182	20,897
Net earnings, being retained earnings, end of year	\$ —	\$ —

See accompanying notes to financial statements.

STRAIT CROSSING FINANCE INC.

Notes to Financial Statements

Year ended October 30, 2005

1. Incorporation:

Strait Crossing Finance Inc. ("SC Finance" or the "Company") was incorporated under the Canada Business Corporations Act as a special purpose corporation. Its sole business is restricted to the issuance and sale of Indexed Fully Amortizing Bonds due April 1, 2032, the lending of money to and making payments to Strait Crossing Development Inc. (SC Development) and matters related thereto.

The outstanding share of SC Finance is owned by Her Majesty the Queen in Right of New Brunswick. No shareholder is entitled to transfer any shares of SC Finance. SC Finance is exempt from taxes otherwise payable under the provisions of section 149(1)(d) of the Income Tax Act (Canada).

2. Transactions and agreements:

(a) Issue of Bonds:

On October 7, 1993, SC Finance issued Indexed Fully Amortizing Bonds (the "Bonds") in the principal amount of \$661,542,612 maturing on April 1, 2032. The Bonds will bear interest at an annual real rate, compounded annually, equivalent to 4.50% compounded semi-annually. Irrespective of any decline in the level of the consumer price index over any period after May 27, 1992, the aggregate payment to be made on the Bonds on May 31, 1997 will not be less than \$35,012,328 and on April 1, 1998 will equal at least \$41,900,000. On any subsequent Payment Date, the aggregate payment to be made on the Bonds will be not less than the highest payment made on any previous Payment Date, except for the payment made on April 1, 2032. No interest payments are required on the Bonds until May 31, 1997. Commencing May 31, 1997 and thereafter on April 1st of each year, 36 annual payments are due on account of principal and interest, such that all interest and principal will be fully repaid as of April 1, 2032.

(b) Subsidy Agreement and Assignment:

Also on October 7, 1993, SC Finance entered into a Subsidy Agreement with the Government of Canada whereby Canada agreed to make payments to SC Finance which correspond in timing and amount with the payments required on the Bonds, as described above. On the same date, SC Finance irrevocably assigned its rights to receive payments under the Subsidy Agreement to the Bond Trustee. The recourse of the Bondholders is limited to the Bond Trustee's right to receive payments under the Subsidy Agreement. Since an obligation of the Government of Canada has been irrevocably assigned to a trust, solely to satisfy the scheduled interest and principal repayment requirements of the Bonds, the Bonds are considered extinguished for financial reporting purposes. Accordingly, the Bonds payable and the amounts receivable under the Subsidy Agreement have been removed from the Company's statement of financial position.

STRAIT CROSSING FINANCE INC.

Notes to Financial Statements

Year ended October 30, 2005

2. Transactions and agreements (continued):

(c) Developer Loan Agreement:

The proceeds from the issuance of Bonds were loaned by SC Finance to SC Development pursuant to a Developer Loan Agreement (the "Agreement") dated October 7, 1993. The Promissory Note from SC Development is unsecured and bears interest at a rate equivalent to that owing on the Bonds. The Promissory Note cannot be assigned or transferred by SC Finance without the consent of SC Development. The repayment terms of the Promissory Note are matched exactly with the payments required on the Bonds.

Under the terms of the Agreement, when the Bond Trustee receives a payment from the Government of Canada under the Subsidy Agreement, SC Finance must, on the same day, make a Contribution in the same amount to SC Development provided that SC Finance has received the required payment from SC Development under the Promissory Note.

Since the Promissory Note from SC Development is exactly matched by SC Finance's obligation to make Contributions to SC Development, and SC Finance and SC Development intend to settle these assets and liabilities simultaneously, the Promissory Note from SC Development and the Contributions due to SC Development have been removed from the Company's statement of financial position.

(d) Financial Maintenance Fee:

Under the Developer Loan Agreement, SC Finance is entitled to receive a Financial Maintenance Fee from SC Development to compensate SC Finance for on-going financial services. The Financial Maintenance Fee is to be equal to the costs SC Finance incurs with respect to the maintenance of records, including the fees and expenses of the Bond Trustee, less any other net revenues received.

3. Fair value of financial assets and financial liabilities:

The fair value of the Company's cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts.