Province of
Newfoundland and Labrador

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

FOR THE YEAR ENDED
31 MARCH 2013

Newfoundland Labrador

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For The Year Ended 31 March 2013

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INTRODUCTION

The Financial Statements of Crown Corporations, Boards and Authorities are a reproduction of the available audited financial statements of various Government organizations as approved by the applicable boards of these organizations. This report is produced alphabetically in two books; A to M and N to Z. The fiscal years noted in the table of contents are based on the fiscal year end of the organization. This report includes board-signed financial statements of crown corporations, boards and authorities for their most recent fiscal year end up to March 31, 2013. In certain instances, the financial statements for their prior fiscal year end are included due to timing of obtaining board signatures. Financial statements older than two previous fiscal year ends are excluded from this report.

Information on the financial position and results of operations of the Province for the 2012-13 fiscal year may be found in the following financial reports:

Public Accounts Volume I – Consolidated Summary Financial Statements

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

Public Accounts Volume II – Consolidated Revenue Fund Financial Statements

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

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

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

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

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This report includes the most recent fiscal year financial statements (current or one prior year), up to March 31, 2012, those have been received prior to the publication date. All earlier fiscal year statements have been excluded from this report. The financial statements of the following agencies were not received in time for the inclusion in this report:

Burin Peninsula Health Care Foundation Inc. (2013)

Business Investment Corporation (2013)

C.A. Pippy Park Commission (2013)

C.A. Pippy Park Golf Course Limited (2013)

Discovery Health Care Foundation Inc. (2013)

Dr. H. Bliss Murphy Cancer Care Foundation (2012 & 2013)

Eastern Education Foundation Inc. (2012)

Egg Farmers of Newfoundland and Labrador (2012)

Health Care Foundation of St. John's Inc. (2012 & 2013)

Heritage Foundation of Newfoundland and Labrador (2013)

House of Assembly (2012 & 2013)

Janeway Children's Hospital Foundation (2013)

Labrador School Board Trust Fund (2012)

Labrador-Grenfell Regional Health Authority (2013)

Marble Mountain Development Corporation (2013)

Newfoundland and Labrador Arts Council (2013)

Newfoundland and Labrador Farm Products (2012 & 2013)

Newfoundland and Labrador Film Development Corporation (2012)

Newfoundland and Labrador Government Sinking Fund (2013)

Newfoundland and Labrador Housing Corporation (2013)

Newfoundland and Labrador Immigrant Investor Fund Limited (2013)

Newfoundland and Labrador Industrial Development Corporation (2013)

Newfoundland and Labrador Legal Aid Commission (2012 & 2013)

Newfoundland and Labrador Municipal Financing Corporation (2013)

Newfoundland and Labrador Sports Centre Inc. (2013)

Newfoundland Hardwoods Limited (2013)

Newfoundland Government Fund (2012 & 2013)

Newfoundland International Student Education Program Inc. (2012 & 2013)

Newfoundland Ocean Enterprises Limited (2013)

Newvest Realty Corporation (2012)

Office of the High Sheriff of Newfoundland and Labrador (2013)

Office of the Public Trustee (2013)

Private Training Corporation Train Out Fund (2012)

Province of Newfoundland and Labrador Pooled Pension Fund (2012)

Provincial Advisory Council On The Status Of Women – Newfoundland and Labrador (2013)

Public Health Laboratory (2013)

Registrar of the Supreme Court – Supreme Court Fund (2013)

The Rooms Corporation of Newfoundland and Labrador (2013)

Trinity-Conception-Placentia Health Foundation Inc. (2013)

Nalcor Energy
Financial Statements
December 31, 2012

Management Report

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

The Consolidated Financial Statements have been prepared by management in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to April 23, 2013. Financial information presented elsewhere in the Business and Financial Report is consistent with that in the Consolidated Financial Statements.

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

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

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

Ed Martin
President and Chief Executive Officer

Derrick Sturge
Vice President, Finance and Chief Financial Officer

Independent Auditor's Report

To the Lieutenant-Governor in Council

Province of Newfoundland and Labrador

We have audited the accompanying consolidated financial statements of Nalcor Energy, which comprise the consolidated balance sheet as at December 31, 2012, and the consolidated statements of income and retained earnings, comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nalcor Energy as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
St. John's, NL
Canada
April 23, 2013

Consolidated Balance Sheet

As at December 31 (millions of dollars)	Notes	2012	2011
ASSETS			
Current assets			
Cash and cash equivalents		12.1	18.7
Short-term investments		11.5	16.9
Accounts receivable		125.0	163.6
Current portion of regulatory assets	6	2.2	2.8
Inventory		62.1	63.5
Prepaid expenses		5.6	4.8
Derivative assets		0.1	0.2
		218.6	270.5
Property, plant and equipment	4	2,435.0	2,109.5
Petroleum and natural gas properties	5	376.0	304.2
Regulatory assets	6	62.8	63.6
Other long-term assets	7	354.5	294.0
		3,446.9	3,041.8
LIABILITIES			
Current liabilities			
Short-term borrowings	10	125.0	-
Accounts payable and accrued liabilities		198.1	156.1
Current portion of long-term debt	10	8.2	8.2
Current portion of regulatory liabilities	6	169.0	137.6
Current portion of deferred credits	9	7.2	11.3
Current portion of asset retirement obligations	11	1.4	-
Derivative liabilities		-	0.2
		508.9	313.4
Long-term debt	10	1,125.9	1,131.5
Regulatory liabilities	6	33.2	33.3
Asset retirement obligations	11	30.0	24.8
Deferred credits	9	28.0	-
Long-term payables	12	82.4	42.7
Employee future benefits	13	73.6	66.4
		1,882.0	1,612.1
SHAREHOLDER'S EQUITY			
Share capital	14	122.5	122.5
Contributed capital	14	435.8	390.5
		558.3	513.0
Accumulated other comprehensive income	14	43.6	46.4
Retained earnings		963.0	870.3
		1,006.6	916.7
		1,564.9	1,429.7
		3,446.9	3,041.8

Commitments and contingencies (Note 22)

Subsequent events (Note 24)

See accompanying notes

On Behalf of the Board

Ed Martin
Director

Gerald Shortall
Director

Consolidated Statement of Income & Retained Earnings

For the year ended December 31 (millions of dollars)	Notes	**2012**	2011
Revenue			
Energy sales	15	**710.4**	700.0
Other revenue	15	**15.7**	14.1
		726.1	714.1
Expenses			
Fuels		**182.4**	154.9
Power purchased		**60.8**	52.9
Operating costs	16	**206.9**	200.1
Net finance expense	19	**73.6**	70.9
Amortization and depletion		**79.3**	85.2
Other income and expense		**0.4**	(2.8)
Regulatory adjustments	6	**30.0**	24.1
		633.4	585.3
Net income		**92.7**	128.8
Retained earnings at beginning of year		**870.3**	741.5
Retained earnings at end of year		**963.0**	870.3

See accompanying notes

Consolidated Statement of Comprehensive Income

For the year ended December 31 (millions of dollars)	Notes	**2012**	2011
Net income		**92.7**	128.8
Other comprehensive (loss) income	14	**(2.8)**	19.1
Comprehensive income		**89.9**	147.9

See accompanying notes

Consolidated Statement of Cash Flows

For the year ended December 31 (millions of dollars)	Notes	2012	2011
Cash provided by (used in)			
Operating activities			
Net income		**92.7**	128.8
Adjusted for items not involving a cash flow			
Amortization and depletion		**79.3**	85.2
Accretion		**2.7**	0.5
Increase in employee future benefits		**7.2**	6.0
Loss (gain) on disposal of property, plant and equipment		**3.6**	(1.9)
Other		**0.4**	0.6
		185.9	219.2
Changes in non-cash working capital balances	20	**113.9**	(52.2)
		299.8	167.0
Financing activities			
Increase in contributed capital		**45.3**	16.4
Increase in deferred credits		**23.9**	8.7
Short-term borrowings		**125.0**	-
Increase in long-term payables		**37.5**	38.1
		231.7	63.2
Investing activities			
Additions to property, plant and equipment		**(389.1)**	(190.7)
Additions to petroleum and natural gas properties		**(88.3)**	(63.2)
Increase in other long-term assets		**(69.6)**	(5.7)
Decrease (increase) in short-term investments		**5.4**	(1.2)
Proceeds on disposition of property, plant and equipment		**3.5**	4.8
		(538.1)	(256.0)
Net decrease in cash		**(6.6)**	(25.8)
Cash position at beginning of year		**18.7**	44.5
Cash position at end of year		**12.1**	18.7
Cash position is represented by			
Cash		**12.1**	18.7
Cash equivalents		**-**	-
		12.1	18.7

Supplementary cash flow information (Note 20)

See accompanying notes

Notes to Consolidated Financial Statements

1. DESCRIPTION OF BUSINESS

Nalcor Energy (Nalcor) is incorporated under a special act of the Legislature of the Province of Newfoundland and Labrador (the Province) as a Crown corporation and its business includes the development, generation and sale of electricity, oil and gas, industrial fabrication and energy marketing. Nalcor's head office is located in St. John's, Newfoundland and Labrador.

1.1 SUBSIDIARIES

Nalcor holds interests in the following subsidiaries:

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

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

Nalcor Energy – Bull Arm Fabrication Inc. (Bull Arm Fabrication) is incorporated under the Corporations Act of Newfoundland and Labrador. Bull Arm Fabrication is Atlantic Canada's largest industrial fabrication site and has a fully integrated infrastructure to support large-scale fabrication and assembly. Its facilities include onshore fabrication halls and shops, a dry-dock and a deepwater site.

In 2012, Nalcor created new subsidiaries as part of advancing the Muskrat Falls Project. The new subsidiaries are associated with the development, construction, financing and operation the Labrador-Island Link and include the Labrador-Island Link General Partner Corporation(LIL GP) and the Labrador-Island Link Holding Corporation (LIL Holdco). Nalcor also created the Labrador-Island Link Partnership (LIL Partnership) in accordance with the Labrador-Island Link Limited Partnership Agreement to develop the Labrador-Island link. LIL Holdco holds 100% of the Class A Units.

Nalcor also has two inactive subsidiaries, Gull Island Power Corporation (GIPCo) and Lower Churchill Development Corporation (LCDC).

1.2 JOINTLY CONTROLLED ENTITIES

Nalcor holds interests in the following jointly controlled entities:

Churchill Falls (Labrador) Corporation Limited (Churchill Falls) is incorporated under the laws of Canada and owns and operates a hydroelectric generating plant and related transmission facilities situated in Labrador which has a rated capacity of 5,428 megawatts (MW). Nalcor owns 65.8% of Churchill Falls.

Twin Falls Power Corporation (Twin Falls) is incorporated under the laws of Canada and has developed a 225 MW hydroelectric generating plant on the Unknown River in Labrador. The plant has been inoperative since 1974. Churchill Falls owns 33.33% of Twin Falls.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PRESENTATION

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

2.2 PRINCIPLES OF CONSOLIDATION

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

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

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

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

2.3 USE OF ESTIMATES

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

2.4 RATES AND REGULATIONS

Hydro's revenues from its electrical sales to most customers within the province are subject to rate regulation by the PUB. Hydro's borrowing and capital expenditure programs are also subject to review and approval by the PUB. Rates are set through periodic general rate applications utilizing a cost of service (COS) methodology. The allowed rate of return on rate base is 7.4% (2011 - 7.4%). Hydro applies various accounting policies that differ from enterprises that do not operate in a rate regulated environment. Generally these policies result in the deferral and amortization of costs or credits which will be recovered or refunded in future rates. In the absence of rate regulation these amounts would be included in the determination of net income in the year the amounts are incurred. The effects of rate regulation on the Consolidated Financial Statements are disclosed in Note 6.

2.5 CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and cash equivalents and short-term investments consist primarily of Canadian Treasury Bills and Banker's Acceptances (BAs). Those with original maturities at date of purchase of three months or less are classified as cash equivalents whereas those with original maturities beyond three months and less than 12 months are classified as short-term investments. The short-term investments bear interest rates of 1.26% to 1.35% (2011 - 0.74% to 1.24%) per annum. Cash and cash equivalents and short-term investments are measured at fair value.

2.6 INVENTORY

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

2.7 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Nalcor, Oil and Gas and Bull Arm Fabrication

Amortization is calculated on a straight-line basis over service lives ranging from four to 30 years.

Hydro

Construction in progress includes the costs incurred in engineering and construction of new generation, transmission and distribution facilities. Interest is charged to construction in progress at rates equivalent to Hydro's weighted average cost of debt.

Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Generation Plant	
Hydroelectric	45 to 100 years
Thermal	35 to 65 years
Diesel	25 to 55 years
Transmission	
Lines	30 to 65 years
Terminal stations	40 to 55 years
Distribution system	30 to 55 years

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

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

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

Other Assets

Other assets include telecontrol, computer software, buildings, vehicles, furniture, tools and equipment which are carried at costless accumulated amortization. Amortization is calculated on a straight-line basis over estimated useful lives ranging from 5 to 55 years. Amortization methods, useful lives and residual values are reviewed at each reporting date.

Churchill Falls

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

Hydroelectric generation plant	45 to 100 years
Transmission and terminals	30 to 65 years
Service facilities and other	7 to 45 years

2.8 CAPITALIZED INTEREST

Interest is charged to construction in progress until the project is complete at rates equivalent to the weighted average cost of debt. Capitalized interest cannot exceed actual interest incurred.

2.9 IMPAIRMENT OF LONG-LIVED ASSETS

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

2.10 PETROLEUM AND NATURAL GAS PROPERTIES

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

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

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

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

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

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

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

2.11 ASSET RETIREMENT OBLIGATIONS

The fair value of the future expenditures required to settle legal obligations associated with the retirement of property, plant and equipment, is recognized to the extent that they are reasonably estimable. Asset retirement obligations are recorded at fair value, with a corresponding increase to property, plant and equipment. Accretion of asset retirement obligations is included in net income through Amortization and depletion. Differences between the recorded asset retirement obligation and the actual retirement costs incurred are recorded as a gain or loss in the settlement period.

2.12 EMPLOYEE FUTURE BENEFITS

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

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

2.13 REVENUE RECOGNITION

Electricity Sales

Revenue is recognized on the accrual basis, as power deliveries are made, and includes an estimate of the value of electricity consumed by customers in the year, but billed subsequent to year end. Sales within the province are primarily at rates approved by the PUB, whereas export sales and sales to certain major industrial customers are either at rates under the terms of the applicable contracts, or at market rates.

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

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

The value of differences between energy delivered and the Annual Energy Base (AEB), as defined in the Power Contract, is tracked over a four-year period and then either recovered from or refunded to Hydro-Quebec over the subsequent four-year period, unless the balance is less than $1.0 million in which case it is recovered or refunded immediately. These long-term receivables or long-term payables are subject to interest at 7% per annum (2011 - 7%).

Oil Sales

Revenue from the sale of crude oil is recognized under the accrual method when the significant risks and rewards of ownership have passed and collection is reasonably assured. The transfer of risks and rewards is considered to have occurred when title to the product passes to the customer.

Revenue from properties in which Oil and Gas has an interest with other producers is recognized on the basis of the net working interest using the entitlement method. Under this method, crude oil produced and sold below or above the Oil and Gas' net working interest results in an underlift or overlift position. Underlift or overlift positions are measured at market value and recorded as an asset or liability respectively.

Lease Revenue

Lease revenue is recognized when services have been rendered; recovery of the consideration is probable; and the amount of revenue can be reliably estimated.

2.14 FOREIGN CURRENCY TRANSLATION

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

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

(b) At the date of settlement and at each balance sheet date, monetary assets and liabilities are adjusted to reflect exchange rates in effect at that date. Any resulting gain or loss is reflected in income, except gains or losses on purchases of fuel which are included in the cost of fuel inventory.

2.15 FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Financial Instruments

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

Nalcor has classified its financial instruments as follows:

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

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

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

Derivative Instruments and Hedging Activities

Derivative instruments are utilized by Nalcor to manage market risk. Nalcor's policy is not to utilize derivative instruments for speculative purposes. Nalcor may choose to designate derivative instruments as hedges and apply hedge accounting if there is a high degree of correlation between price movements in the derivative instruments and the hedged items. Nalcor formally documents all hedges and the risk management objectives at the inception of the hedge. Derivative instruments that have been designated and qualify for hedge accounting are classified as either cash flow or fair value hedges. Nalcor had no derivatives designated as hedges at December 31, 2012 (2011 - nil).

2.16 FUTURE ACCOUNTING CHANGES – INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Canadian Accounting Standards Board (AcSB) amended the introduction to Part 1 of the Canadian Institute of Chartered Accounts (CICA) Handbook – Accounting to allow qualifying entities with rate-regulated activities to defer the adoption of IFRS to January 1, 2015. Nalcor is a qualifying entity and chose to use the deferral option for the year ended December 31, 2012.

Although IFRS and Canadian GAAP are based on a similar conceptual framework, there are a number of differences in recognition, measurement and disclosure. The areas with the highest potential impact on Nalcor are property, plant and equipment, regulatory assets and liabilities and petroleum and natural gas properties.

Nalcor continues to assess the financial reporting impacts of the adoption of IFRS; however, the impact of IFRS will depend on the IFRS standards in effect at the time of conversion and the accounting elections made.

3. CHANGE IN ACCOUNTING POLICIES

During 2012, Hydro adopted new accounting policies as approved by the PUB in Order No P.U. 13(2012). These policy changes were applied retroactive to January 1, 2011. The policy changes are as follows:

Capitalization of property, plant and equipment

Previously, Hydro capitalized certain general overhead costs and training costs and included the costs of asset overhauls and major inspections as an operating expense. Hydro's revised policy is to expense general overheads and training costs as incurred and to capitalize costs associated with asset overhauls and major inspections. These changes resulted in a decrease in net income of $1.3 million for the year ended December 31, 2011.

Employee future benefits

Previously, Hydro accounted for employee future benefits under the corridor method whereby the excess of gains and losses over 10% of the accrued benefit obligation is amortized to income over the expected average remaining service life of the employee group.

Hydro's revised policy is to defer the amortization of actuarial gains and losses recognized in employee future benefits expense through regulatory adjustments. This change resulted in an increase in net income of $1.2 million for the year ended December 31, 2011.

Amortization of property, plant and equipment

Previously, Hydro amortized hydroelectric generating assets and transmission assets using the sinking fund method. Hydro's new policy is to calculate amortization using the straight-line methodology. As part of the methodology change, Hydro also changed its estimate of service lives effective January 1, 2011. In the absence of regulatory approval, this change would have been applied retroactively resulting in a decrease in retained earnings as at January 1, 2011 of $210.7 million. Pursuant to Order No. P.U. 13 (2012), the PUB approved the use of the carrying value of property, plant and equipment under Canadian GAAP as deemed cost at January 1, 2011. As the deemed cost of Hydro's regulated property, plant and equipment is recoverable through future rates, no adjustment to opening retained earnings is necessary. These changes resulted in an increase in net income of $2.2 million for the year ended December 31, 2011.

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Contributions In Aid of Construction	Accumulated Amortization	Net Book Value
(millions of dollars)		2012		
Electric generation	**1,501.0**	**2.4**	**371.7**	**1,126.9**
Electric transmission and distribution	**672.8**	**18.5**	**92.9**	**561.4**
Development projects	**618.0**	**-**	**-**	**618.0**
Other	**202.5**	**23.1**	**50.7**	**128.7**
	2,994.3	**44.0**	**515.3**	**2,435.0**
(millions of dollars)		2011		
Electric generation	1,468.7	2.4	341.2	1,125.1
Electric transmission and distribution	615.3	7.6	76.0	531.7
Development projects	337.5			337.5
Other	173.6	15.5	42.9	115.2
	2,595.1	25.5	460.1	2,109.5

As at December 31, 2012 the cost of assets under construction and therefore excluded from costs subject to amortization was $661.2 million (2011 - $384.3 million).

Included in Development projects is $609.3 million related to the Lower Churchill Project (2011 - $329 million). Phase 1 of the Project, which was sanctioned in December 2012, will result in the development of the 824 MW Muskrat Falls site, with power being transmitted over a new transmission line (the Labrador-Island Transmission Link) to be constructed from Labrador across the Strait of Belle Isle to the Avalon Peninsula on the island of Newfoundland, and the development of a new transmission system (the Maritime Transmission Link) from Newfoundland to Nova Scotia, for the provision of power to Emera in Nova Scotia and the provision of market access to Nalcor. Nalcor will also obtain transmission access in Nova Scotia, New Brunswick and Maine from Emera. Nalcor will own and finance 100% of Muskrat Falls and the Labrador Transmission Assets. Nalcor and Emera, through a partnership in which Nalcor has the majority interest, will finance the Labrador-Island Transmission Link. The Maritime Transmission Link will be 100% owned and financed by Emera.

5. PETROLEUM AND NATURAL GAS PROPERTIES

(millions of dollars)	2012	2011
Petroleum and natural gas properties	434.0	344.0
Less: accumulated depletion	58.0	39.8
	376.0	304.2

Internal costs directly related to acquisition, exploration and development activities capitalized in 2012 were $0.1 million (2011 - $0.5 million).

As at December 31, 2012, $187.1 million (2011 - $139.1 million) of accumulated costs of petroleum and natural gas properties were not subject to depletion and depreciation.

Oil and Gas properties include Nalcor's acquisition costs and proportionate share of exploration and development costs. Nalcor has a 4.9% working interest in the Hebron oil field, a 5.0% working interest in the White Rose Growth Project, and a 10% working interest in the Hibernia Southern Extension. Nalcor also has an average working interest of 99% in two onshore exploration permits in Parson's Pond on the Great Northern Peninsula. A third exploration permit, in which Nalcor had a 62% interest, has expired.

On February 17, 2011, Oil and Gas announced that it will not drill the third of a three well drilling program related to its exploration licenses in Parson's Pond on the West Coast of Newfoundland. The two drilled exploration wells are currently in a suspended state. The costs capitalized for Parson's Pond were included in the depletion base in December 2011.

6. REGULATORY ASSETS AND LIABILITIES

(millions of dollars)	2012	2011	Remaining Recovery Settlement Period (years)
Regulatory assets			
Foreign exchange losses	62.6	64.7	29.0
Deferred major extraordinary repairs	-	0.6	
Deferred energy conservation costs	2.4	1.1	n/a
Total regulatory assets	65.0	66.4	
Less current portion	2.2	2.8	
	62.8	63.6	
Regulatory liabilities			
Rate stabilization plan (RSP)	201.7	170.3	n/a
Deferred purchased power savings	0.5	0.6	14.5
Total regulatory liabilities	202.2	170.9	
Less current portion	169.0	137.6	
	33.2	33.3	

6.1 REGULATORY ADJUSTMENTS RECORDED IN THE CONSOLIDATED STATEMENT OF INCOME

(millions of dollars)	2012	2011
RSP recovery	60.4	25.4
Rural rate adjustment	7.0	4.4
RSP fuel deferral	(49.3)	(20.9)
RSP interest	13.2	12.2
Amortization of deferred foreign exchange losses	2.1	2.1
Deferred foreign exchange (losses) gains on fuel	(0.4)	0.2
Employee future benefit actuarial losses	(2.3)	(1.2)
Amortization of major extraordinary repairs	0.6	1.7
Deferred energy conservation	(1.4)	(0.5)
Insurance proceeds	0.2	0.8
Deferred purchased power savings	(0.1)	(0.1)
	30.0	24.1

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

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

6.2 RATE STABILIZATION PLAN

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

Balances accumulating in the RSP, including financing charges, are to be recovered or refunded in the following year, with the exception of hydraulic variation, which will be recovered or refunded at a rate of 25% of the outstanding balance at year end. Additionally, a fuel rider is calculated annually based on the forecast fuel price and is added to or subtracted from the rates that would otherwise be in effect. A portion of the RSP balance totaling approximately $135.0 million (2011 - $102.0 million) has been set aside by the PUB and will be subject to a future regulatory ruling on the allocation between the industrial customers and retail customers. This balance is mainly due to fuel savings at the Holyrood Thermal Generating Station (HTGS) as a result of the shutdown of a portion of the pulp and paper industry in the Province since 2007.

Hydro recognizes the RSP balances as a regulatory asset or liability based on the expectation that rates will be adjusted annually to provide for the collection from, or refund to, customers in future periods. In the absence of rate regulation, Canadian GAAP would require that the cost of fuel be recognized as an operating expense in the period in which it was consumed. In 2012, $49.3 million was deferred (2011 - $20.9 million) in the RSP and $60.4 million (2011 - $25.4 million) was recovered through rates and included in energy sales.

Hydro's rural rates on the Island Interconnected and Isolated systems are primarily based upon retail rates. Therefore, when a rate adjustment for retail rates has been approved by the PUB, Hydro's rural customers receive the same rate change. In 2012, the rural rate adjustment reduced income and increased the RSP liability by $7.0 million (2011 - $4.4 million). In the absence of rate regulation, the rate adjustment would have been recorded in income.

Hydro is required to charge or pay interest on balances accumulating in the RSP at a rate equal to Hydro's weighted average cost of capital. As a result, Hydro recognized interest expense of $13.2 million in 2012 (2011 - $12.2 million).

6.3 DEFERRED FOREIGN EXCHANGE LOSSES

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

Commencing in 2002, the PUB ordered Hydro's deferred realized foreign exchange losses be amortized over a forty year period. This amortization, of $2.1 million annually, is included in regulatory adjustments.

6.4 DEFERRED MAJOR EXTRAORDINARY REPAIRS

In its report dated April 13, 1992, the PUB recommended that Hydro adopt a policy of deferring and amortizing the costs of major extraordinary repairs in excess of $0.5 million, subject to PUB approval on a case-by-case basis. In 2005, Hydro started an asbestos abatement program at the HTGS. This program was carried out over a three year period. Pursuant to Order No. P.U. 2 (2005), the PUB approved the deferral and amortization of these costs as a major extraordinary repair. Accordingly, the costs incurred in each year of the program were recognized as a regulatory asset to be amortized over the subsequent five-year period. In 2006, Hydro incurred $2.3 million in expenses to repair a boiler tube failure at the HTGS. Pursuant to Order No. P.U. 44 (2006), the PUB approved the deferral and amortization of these costs as a major extraordinary repair. Accordingly, these costs are being amortized over a five-year period. In the absence of rate regulation, Canadian GAAP would require that Hydro expense the cost of the asbestos abatement program and the boiler tube repairs in the year incurred. In 2012, $0.6 million (2011 - $1.7 million) of amortization was recognized in operating costs.

6.5 DEFERRED ENERGY CONSERVATION COSTS

Pursuant to Order No. P.U. 14 (2009), Hydro received approval to defer costs associated with an electrical conservation program for residential, industrial, and commercial sectors. Accordingly, these costs have been recognized as a regulatory asset. In the absence of rate regulation, Canadian GAAP would require that Hydro include this program as operating costs in the year incurred. In 2012, $1.4 million (2011 - $0.5 million) was deferred.

6.6 DEFERRED PURCHASED POWER SAVINGS

In 1997, Hydro interconnected communities in the area of L'Anse au Clair to Red Bay to the Hydro system. In its report dated July 12, 1996, the PUB recommended that Hydro defer and amortize the benefits of a reduced initial purchased power rate over a 30-year period. The remaining unamortized savings of $0.5 million (2011 - $0.6 million) are recognized as a regulatory liability. In the absence of rate regulation, Canadian GAAP would require that Hydro include the actual cost of purchased power in operating costs in the year incurred.

6.7 PROPERTY, PLANT AND EQUIPMENT

Pursuant to Order No P.U. 13 (2012), the PUB approved the use of the carrying amount of property, plant and equipment under Canadian GAAP as the deemed cost at January 1, 2011.

During 2010, Hydro engaged an independent consultant to conduct an amortization study. The scope of this study included a review of Hydro's amortization methods as well as a statistical analysis of service life estimates and calculation of appropriate amortization rates and annual and accrued amortization balances as at December 31, 2009. Based on the results of this study and PUB approval, amortization previously calculated using the 'sinking fund' method under Canadian GAAP is now calculated on a straight-line basis. In addition, the service lives for certain assets have also been revised.

The PUB permits major inspections to be included in the cost of capital and amortized over the average expected period of the next major inspection. In 2012, $6.8 million (2011 - $0.9 million) was recognized as property, plant and equipment. In the absence of rate regulation, Canadian GAAP would require that Hydro include the major inspections as operating costs in the year incurred.

6.8 FOREIGN EXCHANGE GAINS AND LOSSES

Hydro purchases a significant amount of fuel in US dollars. The RSP allows Hydro to defer variances in fuel prices (including foreign exchange fluctuations). During 2012, Hydro deferred foreign exchange losses on fuel purchases of $0.4 million (2011 - $0.2 million gain). In the absence of rate regulation, Canadian GAAP would require that Hydro include gains and losses on foreign currencies in net finance expenses in the period incurred.

6.9 INSURANCE PROCEEDS

Pursuant to Order No. P.U. 13 (2012), Hydro records net insurance proceeds in excess of $50,000 against the capital costs of the related assets. In 2012, Hydro recorded net insurance proceeds of $0.2 million (2011- $0.8 million) against costs of the related assets.

6.10 EMPLOYEE FUTURE BENEFITS

Pursuant to Order No. P.U. 13 (2012), Hydro defers the amortization of actuarial gains and losses. During 2012, Hydro deferred actuarial gains and losses of $2.3 million (2011 - $1.2 million).

7. OTHER LONG-TERM ASSETS

(millions of dollars)		**2012**	2011
Long term receivables	(a)	**0.8**	1.6
Sinking funds	(b)	**302.8**	247.0
Reserve fund	(c)	**50.9**	45.4
		354.5	294.0

(a) The balance of $0.8 million (2011 - $1.6 million) includes the non-current portion of receivables associated with customer time payment plans and the long-term portion of employee purchase programs of $0.2 million (2011 - $0.2 million). During 2012, refundable deposits associated with applications for transmission service into Nova Scotia and New Brunswick were settled (2011 - $1.4 million). During 2011, Hydro-Quebec refunded two deposits totaling $24.1 million associated with applications for transmission service through Quebec. The remaining balance of $0.6 million (2011 - nil) relates to differences between the Annual Energy Base (AEB) in the Power Contract and energy delivered accumulating over the four-year period from September 2012 to August 2016.

(b) As at December 31, 2012, sinking funds include $263.3 million (2011 - $247.0) related to repayment of Hydro's long-term debt and $39.5 million (2011 - nil) related to funding of Nalcor's long-term payable under the UCRA.

Sinking fund investments consist of bonds, debentures, promissory notes and coupons issued by, or guaranteed by, the Government of Canada, provincial governments or Schedule 1 banks, and have maturity dates ranging from 2013 to 2041.

Hydro debentures, which are intended to be held to maturity, are deducted from long-term debt while all other sinking fund investments are shown separately on the balance sheet as assets. Annual contributions to the various sinking funds are in accordance with bond indenture terms, and are structured to ensure the availability of adequate funds at the time of expected bond redemption. Effective yields range from 1.38% to 9.86% (2011 - 3.12% to 9.86%).

Nalcor sinking funds are held to fund the annual payments to the Innu Nation as required under the Upper Churchill Redress Agreement (UCRA).

(millions of dollars)	2012	2011
Sinking funds at beginning of year	247.0	208.2
Contributions	48.1	8.2
Earnings	12.6	11.0
Redemptions	(2.0)	
Valuation adjustment	(2.9)	19.6
Sinking funds at end of year	302.8	247.0

Sinking fund instalments due for the next five years are as follows:

(millions of dollars)	2013	2014	2015	2016	2017
Sinking fund instalments	8.2	8.2	8.2	8.2	6.7

(c) Pursuant to the terms of the 1999 shareholders' agreement, in 2007, Churchill Falls commenced the creation of a $75.0 million segregated reserve fund to contribute towards the funding of capital expenditures related to Churchill Falls' existing facilities and their replacement. A summary of Nalcor's 65.8% share of the reserve fund is as follows:

(millions of dollars)	2012	2011
Opening balance	45.4	39.3
Contribution	5.3	5.3
Net interest	0.3	0.1
Mark to market adjustment	(0.1)	0.7
Fair value of reserve fund	50.9	45.4

8. JOINT VENTURE

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

(millions of dollars)	2012	2011
Current assets	39.9	41.8
Long term assets	383.2	394.8
Current liabilities	20.5	19.0
Long term liabilities	15.6	16.2
Revenues	73.5	64.2
Expenses	48.6	43.1
Net income	24.9	21.1
Cash provided by (used in)		
Operating activities	33.1	32.3
Financing activities	(2.5)	0.9
Investing activities	(23.8)	(32.6)

Income tax expense in the amount of $0.1 million (2011 - $0.2 million) related to a jointly controlled subsidiary, Twin Falls, has been included in expenses.

9. DEFERRED CREDITS

Deferred credits consist of funding from the Government of Newfoundland and Labrador, deferred revenue from Emera Inc., deferred lease revenue and oil production.

Hydro has received funding from the Province for wind feasibility studies in Labrador. Oil and Gas has received funding from the Province for oil and gas exploration initiatives. Funding related to studies and programs are amortized to income directly against the related expenditures as the costs are incured.

In July 2012, Nalcor entered into agreements with Emera Inc. related to the Muskrat Falls project. Under these agreements, Emera is constructing the Maritime Link in exchange for the provision of power by Nalcor for a 35-year period. Nalcor has recorded deferred revenue of $28.0 million which equals the construction costs to date incurred by Emera. Nalcor controls the Maritime Link asset and as such has recorded the costs as a component of property, plant and equipment under construction.

Other includes deferred lease revenue and over-lift on oil production. The following is a schedule of the deferred credits for the year:

(millions of dollars)	Hydro Wind Credits	Oil and Gas Program Funding	Deferred Energy Sales	Other	Total
Balance at January 1, 2011		2.2		0.3	2.5
Additions	3.5	8.0		0.6	12.1
Amortization		(3.3)			(3.3)
Balance at December 31, 2011	3.5	6.9		0.9	11.3
Additions		2.3	28.0	0.5	30.8
Amortization	(1.6)	(4.4)		(0.9)	(6.9)
Balance at December 31, 2012	1.9	4.8	28.0	0.5	35.2
Less: current portion	1.9	4.8		0.5	7.2
			28.0		28.0

10. DEBT

10.1 SHORT-TERM BORROWINGS

Nalcor maintains a $100.0 million unsecured demand operating credit facility with its banker. Borrowings in Canadian dollars may take the form of Prime Rate Advances, BAs and Letters of Credit. Borrowings in USD may take the form of Base Rate Advances, LIBOR Advances and Letters of Credit. The facility also provides coverage for overdrafts on Nalcor's bank accounts, with interest calculated at the Prime Rate. At year end, the drawings on the facility were four irrevocable letters of credit. One was issued to the Department of Fisheries and Oceans (DFO), two were issued to the Newfoundland Labrador Offshore Petroleum Board, and one was issued to Newfoundland Transshipment. The letter of credit issued to DFO in the amount of $0.3 million was in connection with the operation of hydroelectric assets on the Exploits River. The remaining letters of credit totaled $4.8 million and relate to Oil and Gas to ensure compliance with regulations relating to petroleum and natural gas exploration and production activities.

Hydro maintains a $50.0 million Canadian or US equivalent unsecured demand operating credit facility with its banker and at year end there were no amounts drawn on the facility (2011 - nil). Advances may take the form of a Prime Rate Advance or the issuance of a BA with interest calculated at the Prime Rate or prevailing Government BA fee. The facility also provides coverage for overdrafts on Hydro's bank accounts, with interest calculated at the Prime Rate. At year end, Hydro had 24 letters of credit outstanding, reducing the availability of the credit facility by $18.9 million (2011 - $18.9 million).

Churchill Falls maintains a $10.0 million Canadian or US equivalent unsecured demand operating credit facility with its banker and at year end there were no amounts drawn on the facility (2011 - nil). Advances may take the form of a Prime Rate Advance or the issuance of a BA with interest calculated at the Prime Rate or prevailing Government BA fee. Churchill Falls has issued three irrevocable letters of credit, totaling $2.0 million, to ensure satisfactory management of its waste management and compliance with a certificate of approval for the transportation of special hazardous wastes granted by the Department of Environment and Conservation.

Oil and Gas maintains a $5.0 million unsecured credit facility. As at December 31, 2012, $3.7 million was drawn on the facility (2011 - nil).

Short-term borrowings consist of promissory notes in Hydro totalling $52.0 million and bankers' acceptances in Nalcor totalling $73.0 million. There were no short-term borrowings at December 31, 2011.

10.2 LONG-TERM DEBT

Details of long-term debt are as follows:

(millions of dollars)		Face Value	Coupon Rate %	Year of Issue	Year of Maturity	2012	2011
V	*	125.0	10.50	1989	2014	**124.8**	124.7
X	*	150.0	10.25	1992	2017	**149.4**	149.4
Y	*	300.0	8.40	1996	2026	**293.8**	293.5
AB	*	300.0	6.65	2001	2031	**306.3**	306.5
AD	*	125.0	5.70	2003	2033	**123.7**	123.6
AE		225.0	4.30	2006	2016	**224.2**	224.0
Total debentures		1,225.0				**1,222.2**	1,221.7
Less: sinking fund investments in own debentures						**88.1**	82.0
						1,134.1	1,139.7
Less: payments due within one year						**8.2**	8.2
						1,125.9	1,131.5

* Sinking funds have been established for these issues.

Promissory notes, debentures and long-term loans are unsecured and unconditionally guaranteed as to principal and interest and, where applicable, sinking fund payments, by the Province. The Province charges Hydro a guarantee fee of 25 basis points annually on the total debt (net of sinking funds) with a remaining term to maturity less than ten years and 50 basis points annually on total debt (net of sinking funds) with a remaining term to maturity greater than ten years. The fee for 2012 was $3.7 million (2011 - $3.9 million).

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

(millions of dollars)	2013	2014	2015	2016	2017
Long term debt repayment		125.0		225.0	150.0

11. ASSET RETIREMENT OBLIGATIONS

Nalcor has recognized liabilities associated with the retirement of portions of the HTGS, disposal of polychlorinated biphenyls (PCB) and retirement obligations associated with Nalcor's net interest in petroleum and natural gas properties. The reconciliation of the beginning and ending carrying amount of asset retirement obligations is as follows:

(millions of dollars)	2012	2011
Obligations at beginning of year	**24.8**	14.8
Liabilities incurred	**1.4**	3.7
Accretion	**1.0**	0.7
Revisions	**4.3**	5.6
Settlements	**(0.1)**	
Obligations at end of year	**31.4**	24.8
Less current portion:	**1.4**	
	30.0	24.8

The total undiscounted estimated cash flows required to settle the HTGS obligations at December 31, 2012 are $32.1 million (2011 - $27.0 million). Payments to settle the liability are expected to occur between 2020 and 2024. The fair value of the asset retirement obligations was determined using the present value of future cash flows discounted at a credit adjusted risk free rate of 2.8% (2011 - 2.9%).

The total undiscounted estimated cash flows required to settle the PCB obligations at December 31, 2012 are $3.6 million (2011 - $3.6 million). Payments to settle the liability are expected to occur between 2013 and 2025. The fair value of the asset retirement obligations was determined using the present value of future cash flows discounted at credit adjusted risk free rates ranging between 3.1% and 5.5% (2011 - 3.1% and 5.6%).

Oil and Gas asset retirement obligations result from net ownership interests in petroleum and natural gas properties and related well sites. The total undiscounted estimated cash flows required to settle the obligations at December 31, 2012 is $10.7 million (2011 - $8.9 million). Payments to settle the liability are expected to occur between 2020 and 2030. The fair value of the asset retirement obligations was determined using the present value of future cash flows discounted at credit adjusted risk free rates ranging between 4.7% and 6.3% (2011 - 5.0% to 6.2%).

A significant number of Nalcor's assets include generation plants, transmission assets and distribution systems. These assets can continue to run indefinitely with ongoing maintenance activities. As it is expected that Nalcor's assets will be used for an indefinite period, no removal date can be determined and consequently, a reasonable estimate of the fair value of any related asset retirement obligation cannot be determined at this time. If it becomes possible to estimate the fair value of the cost of removing assets that Nalcor is legally required to remove, an asset retirement obligation for those assets will be recognized at that time.

12. LONG-TERM PAYABLES

(millions of dollars)	2012	2011
Balance at beginning of year	45.1	4.6
Additions and revisions	43.2	40.5
Accretion	2.2	
Balance at end of year	90.5	45.1
Less: current portion	(8.1)	(2.4)
	82.4	42.7

The long-term payables consist of a payable to the Innu Nation under the UCRA, a payable to the Innu Nation under the Impact and Benefits Agreement (IBA), a payable to Hydro-Quebec related to the AEB and a penalty payment regarding the Hebron Oil and Gas project.

Under the UCRA, Nalcor is required to pay to the Innu Nation, $2.0 million annually escalated by 2.5% annually until 2041. Currently, $2.1 million (2011 - $2.0 million) of the amount is current and is recorded in trade and other payables. Nalcor has sinking funds in the amount of $40.0 million to fund these future obligations.

Under the IBA, Nalcor is required to make annual payments to the Innu Nation commencing on sanction of the Muskrat Falls Project. The Muskrat Falls Project was sanctioned in December 2012 and the first IBA payment was made at that time. The IBA requires annual payments of $5.0 million escalated by the annual consumer price index from sanction until first commercial power. The present value of the payments using a discount rate of 3.7% is $40.4 million (2011 - nil). The current portion of the payable at December 31, 2012 is $5.0 million.

In September 2012, the joint venture partners in the Hebron project executed the Benefits Agreement Drilling Equipment Set (DES) Settlement Agreement. This Agreement allowed the Hebron partners to adjust the Hebron Benefits Agreement such that the Hebron Project DES could be constructed at a geographic location outside of Newfoundland and Labrador in exchange for a one-time payment to the Province. The total payment was agreed to be $150.0 million payable on June 30, 2016. Nalcor's proportionate 4.9% share of the payment will be $7.3 million. Oil and Gas has recognized the present value of its payable of $6.4 million determined using a discount rate of 3.4%.

The long-term payable to Hydro-Quebec as at December 31, 2012 is the accumulation of differences between energy delivered and the AEB energy base billed during the four-year period from September 1, 2008 to August 31, 2012. Monthly repayments commenced in September 2012 and will terminate on August 31, 2016. The current portion of $1.0 million (2011 - $0.4 million) is included in Accounts payable and accrued liabilities. The long-term portion is $2.6 million (2011 - $4.8 million).

13. EMPLOYEE FUTURE BENEFITS

13.1 PENSION PLAN

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions of $6.8 million (2011 - $6.4 million) are expensed as incurred.

13.2 OTHER BENEFITS

Nalcor provides group life insurance and health care benefits on a cost shared basis to retired employees, and in certain cases, their surviving spouses, in addition to a severance payment upon retirement. In 2012, cash payments to beneficiaries for its unfunded other employee future benefits was $3.0 million (2011 - $2.6 million). An actuarial valuation was performed at December 31, 2012.

Notes to Consolidated Financial Statements

(millions of dollars)	**2012**	2011
Accrued benefit obligation		
Balance at beginning of year	**113.1**	87.5
Current service cost	**4.6**	3.3
Interest cost	**5.0**	5.1
Actuarial (gain) loss	**(1.0)**	21.0
Regulatory adjustments	**(2.3)**	(1.2)
Benefits paid	**(3.0)**	(2.6)
Balance at end of year	**116.4**	113.1
Plan deficit	**116.4**	113.1
Unamortized actuarial loss	**(42.6)**	(46.5)
Unamortized past service cost	**(0.2)**	(0.2)
Accrued benefit liability at end of year	**73.6**	66.4

(millions of dollars)	**2012**	2011
Component of benefit cost		
Current service cost	**4.6**	3.3
Interest cost	**5.0**	5.1
Actuarial (gain) loss	**(1.0)**	21.0
	8.6	29.4
Difference between actuarial gain or loss and amount recognized	**3.9**	(19.6)
Benefit expense	**12.5**	9.8

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

		2012	2011
Discount rate	benefit cost	**4.55%**	5.75%
Discount rate	accrued benefit obligation	**4.00%**	4.55%
Rate of compensation increase		**3.50%**	3.50%

Assumed healthcare trend rates:

	2012	2011
Initial health care expense trend rate	**6.00%**	7.50%
Cost trend decline to	**4.50%**	5.00%
Year that rate reaches the rate it is assumed to remain at	**2020**	2016

A 1% change in assumed health care trend rates would have had the following effects:

Increase	**2012**	2011
Current service and interest cost	**2.3**	1.7
Accrued benefit obligation	**23.1**	23.1

Decrease	**2012**	2011
Current service and interest cost	**(1.7)**	(1.3)
Accrued benefit obligation	**(17.5)**	(17.6)

14. SHAREHOLDER'S EQUITY

14.1 SHARE CAPITAL

(millions of dollars)	2012	2011
Common shares of par value $1 each		
Authorized: unlimited		
Issued and outstanding 122,500,000	122.5	122.5

14.2 CONTRIBUTED CAPITAL

(millions of dollars)	2012	2011
Total contributed capital	435.8	390.5

On February 3, 2010, the Province established the Churchill Falls (Labrador) Corporation Trust (the Trust) with Churchill Falls as the beneficiary. The purpose of this trust is to fund the external costs and expenses incurred in relation to the motion filed by Churchill Falls seeking a modification to the pricing terms of the Power Contract. During 2012, the Province contributed capital in the amount of $45.0 million (2011 - $16.0 million) and the Trust contributed $0.3 million (2011 - $0.4 million).

14.3 ACCUMULATED OTHER COMPREHENSIVE INCOME

(millions of dollars)	2012	2011
Balance at beginning of year	46.4	27.3
Other comprehensive (loss) income	(2.8)	19.1
Balance at end of year	43.6	46.4

15. REVENUE

(millions of dollars)	2012	2011
Electricity sales	627.5	598.5
GWAC revenue	16.0	13.0
Oil sales	68.7	90.1
Royalties	(1.8)	(1.6)
Total energy sales	710.4	700.0
Lease revenue	5.2	4.3
Government funding	4.4	3.7
Preferred dividends	3.4	3.3
Other	2.7	2.8
Total other revenue	15.7	14.1

16. OPERATING COSTS

(millions of dollars)	2012	2011
Salaries and benefits	114.8	107.7
Maintenance and materials	36.8	37.5
Transmission rental	19.7	18.7
Professional services	15.7	12.9
Oil and gas production costs	10.4	9.0
Other operating costs	9.5	14.3
Total	206.9	200.1

17. CAPITAL MANAGEMENT

Nalcor's principal business requires ongoing access to capital in order to maintain assets to ensure the continued delivery of safe and reliable service to its customers. Therefore, Nalcor's primary objective when managing capital is to ensure ready access to capital at a reasonable cost, to minimize its cost of capital within the confines of established risk parameters, and to safeguard Nalcor's ability to continue as a going concern.

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

A summary of the capital structure is outlined below:

(millions of dollars)	2012		2011	
Debt				
Long term debt	1,125.9		1,131.5	
Short term borrowings	125.0			
Current portion of long term debt	8.2		8.2	
Sinking funds	(263.3)		(247.0)	
	995.8	38.9%	892.7	38.4%
Equity				
Share capital	122.5		122.5	
Contributed capital	435.8		390.5	
Accumulated other comprehensive income	43.6		46.4	
Retained earnings	963.0		870.3	
	1,564.9	61.1%	1,429.7	61.6%
Total debt and equity	2,560.7	100.0%	2,322.4	100.0%

Nalcor's unsecured demand operating facility has covenants restricting the issuance of debt such that the unconsolidated debt to total capitalization ratio cannot exceed 70%. The covenants further stipulate that the debt service coverage ratio should at all times be greater than 1.5 to 1.0 on an unconsolidated basis. As at December 31, 2012, Nalcor was in compliance with these covenants.

17.1 HYDRO

Hydro's unsecured demand operating facility has covenants restricting the issuance of debt such that the debt to total capitalization ratio cannot exceed 70%. The covenants further stipulate that the debt service coverage ratio should at all times be greater than 1.5 to 1.0. As at December 31, 2012, Hydro was in compliance with these covenants.

Hydro's approach to capital management encompasses various factors including monitoring the percentage of floating rate debt in the total debt portfolio, the weighted average term to maturity of its overall debt portfolio, its percentage of debt to debt plus equity and its interest coverage.

For the regulated portion of Hydro's operations a capital structure comprised of 75% debt and 25% equity is maintained, a ratio which management believes to be optimal with respect to its cost of capital. This capital structure is maintained by a combination of dividend policy, contributed equity and debt issuance. The issuance of any new debt with a term greater than one year requires prior approval of the PUB.

Legislation stipulates that the total of the short-term loans issued by Hydro and outstanding at any time shall not exceed a limit as fixed by the Lieutenant-Governor in Council. Short-term loans are those loans issued with a term not exceeding two years. The current limit is set at $300.0 million. There was $52.0 million outstanding as at December 31, 2012 (2011 - nil). Issuance of long-term and short-term debt by Hydro is further restricted by Bill C-24, an amendment to the Newfoundland and Labrador Hydro Act of 1975. The Bill effectively limits Hydro's total borrowings, which includes both long and short-term debt, to $1.6 billion at any point in time.

17.2 OIL AND GAS

Oil and Gas' objective when managing capital is to maintain the ability to fund operating costs and expenditures related to development and production assets, on a timely basis. Oil and Gas maintains an unsecured demand credit facility, which is used to finance operations in the short-term. Long-term capital includes share capital, contributed capital and retained earnings. Oil and Gas' future requirements for capital are expected to increase, as construction begins on new development assets. During this time, it is expected that Oil and Gas' cash from operations will be sufficient to fund a portion of its capital needs. Additional requirements will be funded entirely through contributed capital.

17.3 BULL ARM FABRICATION

Bull Arm Fabrication's objective when managing capital is to maintain its ability to continue as a going concern. The focus of the capital management policy is to provide flexibility to ensure cash continues to be available to satisfy capital requirements. Commencing in January 2009, earnings are retained by Bull Arm Fabrication and reported in retained earnings. Prior to this, net earnings received were payable to the Province.

17.4 CHURCHILL FALLS

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

At present, the capital position of Churchill Falls is comprised entirely of equity capital (issued capital, shareholder contributions, reserves and retained earnings). The capital structure is adjusted through the amount of dividends paid to shareholders.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

18.1 FAIR VALUE

The estimated fair values of financial instruments as at December 31, 2012 are based on relevant market prices and information available at the time. Fair value estimates are based on valuation techniques which are significantly affected by the assumptions used including the amount and timing of future cash flows and discount rates reflecting various degrees of risk. As such, the fair value estimates below are not necessarily indicative of the amounts that Nalcor might receive or incur in actual market transactions.

As a significant number of Nalcor's assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of Nalcor as a whole.

Establishing Fair Value

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

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

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

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

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

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
(millions of dollars)		**December 31, 2012**		December 31, 2011	
Financial assets					
Cash and cash equivalents	1	**12.1**	**12.1**	18.7	18.7
Short term investments	1	**11.5**	**11.5**	16.9	16.9
Accounts receivable	1	**125.0**	**125.0**	163.6	163.6
Derivative assets	2	**0.1**	**0.1**	0.2	0.2
Sinking funds investments in same Hydro issue	2	**88.1**	**107.3**	82.0	103.7
Sinking funds other investments	2	**302.8**	**302.8**	247.0	247.0
Reserve fund	2	**50.9**	**50.9**	45.4	45.4
Long term receivable	2	**0.8**	**0.8**	1.6	1.6
Financial liabilities					
Accounts payable and accrued liabilities	1	**198.1**	**198.1**	156.1	156.1
Short term borrowings	1	**125.0**	**125.0**		
Derivative liabilities	2	**-**	**-**	0.2	0.2
Long term debt including amount due within one year (before sinking funds)	2	**1,222.2**	**1,668.6**	1,221.7	1,695.3
Long term payables	2	**82.4**	**82.6**	42.7	43.2

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

There were no financial assets or liabilities valued using Level 3 of the fair value hierarchy as at December 31, 2012 and 2011.

18.2 RISK MANAGEMENT

Nalcor is exposed to certain credit, liquidity and market price risks through its operating and financing activities. Financial risk is managed in accordance with a board approved policy, which outlines the objectives and strategies for the management of financial risk, including the use of derivative contracts. Permitted financial risk management strategies are aimed at minimizing the volatility of Nalcor's expected future cash flows.

Credit Risk

Nalcor's expected future cash flows are exposed to credit risk through its operating activities, primarily due to the potential for non-performance by its customers, and through its financing and investing activities, based on the risk of non-performance by counterparties to its financial instruments. The degree of exposure to credit risk on cash and cash equivalents, short-term investments, long-term investments and derivative assets as well as from the sale of electricity to customers, including the associated accounts receivable, is determined by the financial capacity and stability of those customers and counterparties. The maximum exposure to credit risk on these financial instruments is represented by their carrying values on the balance sheet at the reporting date.

Credit risk on cash and cash equivalents is considered to be minimal, as Nalcor's cash deposits are held by a Canadian Schedule 1 Chartered Bank with a rating of A+ (Standard and Poor's).

Credit risk on short-term investments is minimized by limiting holdings to high-quality, investment grade securities issued by the Governments of Canada or any of the provinces, as well as Bankers' Acceptances and term deposits issued by Canadian Schedule 1 Chartered Banks.

Credit exposure on Nalcor's sinking funds is limited by restricting the holdings to long-term debt instruments issued by the Government of Canada or any province of Canada, crown corporations and Canadian Schedule 1 Chartered Banks. The following credit risk table provides information on credit exposures according to issuer type and credit rating for the remainder of the long-term investment portfolio:

	Issuer Credit Rating	Fair Value of Portfolio %	Issuer Credit Rating	Fair Value of Portfolio %
(millions of dollars)	2012		2011	
Provincial Governments	**AA- to AAA**	**4.71%**	AA to AAA	4.19%
Provincial Governments	**A- to A+**	**52.75%**	A to A+	57.75%
Provincially owned utilities	**A- to A+**	**37.31%**	A to A+	32.43%
Schedule 1 Canadian banks	**A- to A+**	**1.64%**	A to A+	1.31%
Provincially owned utilities	**BBB+**	**3.59%**	BBB+	4.32%
		100.00%		100.00%

Credit exposure on the reserve fund is mitigated by adhering to an investment policy which restricts the holdings to long-term debt instruments issued or guaranteed by the Government of Canada or any province of Canada. Investment in the long-term debt instruments of Canadian banks are also permitted, provided the bank is rated A or higher by Standard and Poor's. With the exception of Government of Canada, holdings of any one issuer are limited to 10% of the total principal amount of the portfolio. The following credit risk table provides information on credit exposures according to issuer type and credit rating for the reserve fund:

	Issuer Credit Rating	Fair Value of Portfolio %	Issuer Credit Rating	Fair Value of Portfolio %
(millions of dollars)	2012		2011	
Provincial Governments	AA- to AAA	13.19%	AA to AAA	17.03%
Canadian Schedule 1 banks	AA- to AAA	12.70%	AA to AAA	17.94%
Provincial Governments	A- to A+	20.86%	A to A+	23.12%
Provincially owned utilities	A- to A+	13.39%	A to A+	14.65%
Canadian Schedule 1 banks	A- to A+	39.86%	A to A+	27.26%
		100.00%		100.00%

Credit exposure on derivative assets is limited by the Financial Risk Management Policy, which restricts available counterparties for hedge transactions to Canadian Schedule 1 Chartered Banks and Federally Chartered US Banks.

Nalcor's exposure to credit risk on its energy sales and associated accounts receivable is determined by the credit quality of its customers. Nalcor's three largest customers are not covered by the credit policies outlined in the Financial Risk Management Policy. These customers account for 83.8% (2011 - 72.3%) of total energy sales and 57.9% (2011 - 63.4%) of accounts receivable. These customers are comprised of rate regulated entities and/or organizations with investment grade credit ratings.

Nalcor does not have any significant amounts that are past due and uncollectable, for which a provision has not been recognized at December 31, 2012.

Liquidity Risk

Nalcor is exposed to liquidity risk with respect to its contractual obligations and financial liabilities, including any derivative liabilities related to hedging activities. Liquidity risk management is aimed at ensuring cash is available to meet those obligations as they become due.

Short-term liquidity for Nalcor and its subsidiaries is mainly provided through cash and cash equivalents on hand, funds from operations and a $100.0 million (2011 - $100.0 million) demand operating credit facility which Nalcor maintains with its banker. In addition Hydro has access to a $300.0 million promissory note program and a $50.0 million (2011 - $50.0 million) unsecured demand operating credit facility. Oil and Gas and Churchill Falls also maintain small demand operating facilities of $5.0 million (2011 - $5.0 million) and $10.0 million (2011 - $10.0 million) respectively. Churchill Falls also maintains a $10.0 million minimum cash balance.

Long-term liquidity risk for Nalcor is managed by the issuance of a portfolio of debentures with maturity dates ranging from 2013 to 2033. Sinking funds have been established for these issues, with the exception of the issue maturing in 2016. For Churchill Falls, long-term liquidity risk is managed by maintenance of the reserve fund in accordance with the June 1999 shareholders' agreement and a dividend management policy that meets long-term liquidity requirements associated with Churchill Falls' capital expenditure program.

The following are contractual maturities of Nalcor's financial liabilities, including principal and interest as at December 31, 2012:

(millions of dollars)	<1 Year	1 3 Years	3 5 Years	>5 Years	Total
Accounts payable and accrued liabilities	198.1				198.1
Short term borrowings	125.0				125.0
Long term debt		125.0	375.0	725.0	1,225.0
Interest	61.8	160.6	135.7	588.7	946.8
Long term payables	15.3	156.1	406.7	796.1	1,374.2
	400.2	441.7	917.4	2,109.8	3,869.1

Market Risk

In the course of carrying out its operating, financing and investing activities, Nalcor is exposed to possible market price movements that could impact expected future cash flow and the carrying value of certain financial assets and liabilities. Market price movements to which Nalcor has significant exposure include those relating to prevailing interest rates, foreign exchange rates, most notably USD/CAD, and current commodity prices, most notably the spot prices for diesel fuel, electricity, No. 6 fuel and oil. These exposures were addressed as part of the 2012 Financial Risk Management Strategy.

Interest Rates

Changes in prevailing interest rates will impact the fair value of financial assets and liabilities classified as held for trading or available for sale, which includes Nalcor's cash and cash equivalents, short-term investments, sinking funds and reserve fund. Expected future cash flows associated with those financial instruments can also be impacted. The impact of a 0.5% change in interest rates on net income and other comprehensive income associated with cash and cash equivalents, short-term investments and debt and short-term debt would have been negligible throughout 2012 due to the short time period to maturity.

The table below shows the impact of a 50 basis point change in interest rates on net income and other comprehensive income associated with the sinking funds and reserve fund at the balance sheet date:

	Net Income		Other Comprehensive Income	
(millions of dollars)	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase
Sinking fund	(0.1)	0.1	11.0	(10.3)
Interest on reserve fund			1.1	(0.7)
	(0.1)	0.1	12.1	(11.0)

The impact of interest rates on the expected future cash outflows related to short-term debt, which includes promissory notes and banker's acceptances issued under Nalcor's credit lines and long-term debt, are managed within the corporate financing strategy, and whereby floating rate debt exposures and interest rate scenarios are forecast and evaluated. A diversified portfolio of fixed and floating rate debt is maintained and managed with a view to an acceptable risk profile. Key quantitative parameters for interest rate risk management includes the percentage of floating rate debt in the total debt portfolio, coupled with an examination of the weighted average term to maturity of the entire debt portfolio. By setting clear guidelines in respect to these quantitative parameters, Nalcor attempts to minimize the likelihood of a material impact on net income resulting from an unexpected change in interest rates.

Foreign Currency and Commodity Exposure

Nalcor's primary exposure to both foreign exchange and commodity price risk arises from its purchases of No. 6 fuel for consumption at the HTGS, USD denominated electricity sales, rental revenues and the sale of crude oil. These exposures are addressed in accordance with the board-approved Financial Risk Management Policy. Tactics used to address these exposures include the use of forward rate agreements and fixed price commodity swaps.

During 2012, total electricity sales denominated in USD were $33.8 million (2011 - $67.9 million). In 2012, Hydro mitigated foreign exchange risk on a portion of these sales through the use of foreign currency forward contracts. In March 2012, Hydro entered into a series of ten monthly foreign exchange forward contracts with a notional value of $39.1 million USD to hedge foreign exchange risk on 75% of Hydro's planned USD electricity sales for the year. These contracts had an average exchange rate of $1.00 CAD per USD. In 2012, management elected not to implement commodity price hedges aimed at addressing electricity price risk due to depressed market pricing conditions. During 2012, $0.1 million in gains from these derivative contracts were included in other income and expense (2011 - $1.9 million loss).

During 2012, total oil sales denominated in USD were $69.2 million (2011 - $90.4 million). While Oil and Gas had exposure to fluctuations in the USD/CAD exchange rate on those sales, a significant portion of Oil and Gas' planned capital expenditures for 2012 were denominated in USD, which mitigated this exposure. In 2012 Oil and Gas entered into a series of three commodity price swaps with a notional value of $2.8 million USD to mitigate price exposure on 10% of remaining budgeted production for the year. During 2012, $0.2 million in gains from these contracts were included in other income and expense (2011 - $2.0 million).

During 2012, total rental revenues at Bull Arm denominated in USD were $4.9 million (2011 - $3.9 million). In March 2012, Bull Arm entered into a series of nine monthly foreign exchange forward contracts with a notional value of $3.6 million USD to hedge foreign exchange risk on rental revenue. These contracts had an average exchange rate of $1.00 CAD per USD.

19. NET FINANCE EXPENSE

(millions of dollars)	2012	2011
Finance income		
Interest on sinking fund	18.8	16.6
Interest on reserve fund	1.6	1.5
Other interest income	1.6	5.0
	22.0	23.1
Finance expense		
Long term debt	90.5	90.5
Accretion	2.7	0.5
Debt guarantee fee	3.7	3.9
Other	1.4	0.7
	98.3	95.6
Interest capitalized during construction	(2.7)	(1.6)
	95.6	94.0
Net finance expense	73.6	70.9

20. SUPPLEMENTARY CASH FLOW INFORMATION

(millions of dollars)	2012	2011
Accounts receivable	38.6	(70.0)
Inventory	1.4	(0.5)
Prepaid expenses	(0.8)	(0.1)
Regulatory assets	1.4	3.3
Regulatory liabilities	31.3	11.1
Accounts payable and accrued liabilities	42.0	4.0
Changes in non cash working capital balances	113.9	(52.2)
Income taxes paid	0.1	0.2
Interest received	3.3	2.5
Interest paid	92.0	90.9

21. SEGMENT INFORMATION

Nalcor operates in seven business segments. Hydro Regulated encompasses sales of electricity to customers within the Province. Churchill Falls operates a hydroelectric generating facility and sells electricity primarily to Hydro-Quebec. Oil and Gas activities include exploration, development, production, transportation and processing sectors of the oil and gas industry. Bull Arm Fabrication consists of an industrial fabrication site which is leased for major construction of development projects. Energy Marketing includes the sale of electricity to markets outside the province and other non-regulated electricity sales. Muskrat Falls includes the development of a new hydroelectricity facility and related infrastructure in the province. Corporate and other activities encompass development activities including Phase 2 of the lower Churchill hydroelectric development and corporate activities. The designation of segments has been based on a combination of regulatory status and management accountability. The segments' accounting policies are the same as those described in Note 2.

	Hydro Regulated	Churchill Falls	Oil and Gas	Energy Marketing	Corporate and Other Activities	Muskrat Falls	Bull Arm	Inter Segment	Total
(millions of dollars)					2012				
Revenue									
Energy sales	520.7	73.0	66.9	53.6	0.2	-	-	(4.0)	710.4
Other revenue	2.1	0.5	4.5	-	-	-	5.2	3.4	15.7
	522.8	73.5	71.4	53.6	0.2	-	5.2	(0.6)	726.1
Expenses									
Fuels	182.4	-	-	-	-	-	-	-	182.4
Power purchased	57.0	0.1	-	7.7	-	-	-	(4.0)	60.8
Operations and administration	109.5	42.0	20.4	24.7	9.3	-	1.0	-	206.9
Net finance expense	74.0	(1.6)	(0.3)	0.1	1.4	-	-	-	73.6
Amortization	47.5	12.7	18.7	-	0.3	-	0.1	-	79.3
Other income and expense	5.3	(4.6)	(0.1)	(0.1)	-	-	(0.1)	-	0.4
Regulatory adjustments	30.0	-	-	-	-	-	-	-	30.0
	505.7	48.6	38.7	32.4	11.0	-	1.0	(4.0)	633.4
Net income (loss) from operations	17.1	24.9	32.7	21.2	(10.8)	-	4.2	3.4	92.7
Preferred dividends	-	3.4	-	-	-	-	-	(3.4)	-
Net income (loss)	17.1	28.3	32.7	21.2	(10.8)	-	4.2	-	92.7
Capital expenditures	77.6	30.1	88.8	-	5.6	275.3	-	-	477.4
Total assets	1,906.4	456.2	392.7	3.5	252.5	443.3	13.6	(21.3)	3,446.9

(millions of dollars)	Hydro Regulated	Churchill Falls	Oil and Gas	Energy Marketing	Corporate and Other Activities	Muskrat Falls	Bull Arm	Inter Segment	Total
					2011				
Revenue									
Energy sales	473.6	66.2	88.5	75.6				(3.9)	700.0
Other revenue	2.3	0.3	3.5				4.7	3.3	14.1
	475.9	66.5	92.0	75.6			4.7	(0.6)	714.1
Expenses									
Fuels	154.9								154.9
Power purchased	52.2			4.6				(3.9)	52.9
Operations and administration	104.4	41.8	21.4	22.7	8.8		1.0		200.1
Net finance expense	73.5	(1.4)	(0.1)	(0.6)	(0.5)				70.9
Amortization	43.2	12.2	29.6		0.2				85.2
Other income and expense	0.5	(7.2)	2.0	1.8	0.1				(2.8)
Regulatory adjustments	24.1								24.1
	452.8	45.4	52.9	28.5	8.6		1.0	(3.9)	585.3
Net income (loss) from operations	23.1	21.1	39.1	47.1	(8.6)		3.7	3.3	128.8
Preferred dividends		3.3						(3.3)	
Net income (loss)	23.1	24.4	39.1	47.1	(8.6)		3.7		128.8
Capital expenditures	62.3	25.6	63.3		13.5	89.2			253.9
Total assets	1,867.5	436.6	329.5	3.9	277.0	168.2	9.2	(50.1)	3,041.8

All of Nalcor's physical assets are located in the province and all revenues are generated in Canada.

22. COMMITMENTS AND CONTINGENCIES

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

(b) The results of an Environmental Site Assessment (ESA) conducted at the Twin Falls Generating Station indicated higher than acceptable concentrations of contaminants in the soil and waters adjacent to the powerhouse. Further testing was conducted to determine the extent of contamination. The recommendations arising from this testing indicate that remediation is not required, but that further monitoring be carried out. Monitoring was performed throughout 2010 with no remediation required. However, the 2010 sampling did indicate some increase in PCB concentrations in sediment and fish flesh in specific locations, and an increased frequency of monitoring was recommended. Further sampling has now been scheduled for 2013.

(c) Hydro has entered into power sales agreements with third parties. To facilitate market access, Hydro has entered into a transmission service agreement with Hydro-Quebec TransEnergie, which concludes in 2014, to acquire access to 265 MW of transmission capacity from Labrador through Quebec. Hydro has the right to renew its transmission service contract at the end of the contract term. If at that time there is a competing request for the same path, in order to renew the service agreement, Hydro must agree to accept a contract term that is at least equal to that competing request.

Pursuant to Hydro's five-year transmission service agreement with Hydro-Quebec TransEnergie, the transmission rental payments to contract maturity are as follows:

2013	$18.9 million
2014	$4.7 million

(d) Nalcor and its subsidiaries have received claims instituted by various companies and individuals with respect to outages and other miscellaneous matters. Although such matters cannot be predicted with certainty, management currently considers Nalcor's exposure to such claims and litigation, to the extent not covered by insurance policies or otherwise provided for, to be $0.3 million (2011 - $0.4 million).

One of Hydro's industrial customers commenced legal proceedings in 1997, claiming approximately $21.9 million (2011 - $21.9 million) related to outages and plant shutdowns. Hydro is defending this claim. While the ultimate outcome of this action is not determinable at this time, in the opinion of Hydro's management, following consultation with its legal counsel, no liability should be recognized.

(e) Outstanding commitments for capital projects total approximately $531.8 million as at December 31, 2012 (2011 - $54.0 million). In addition, Oil and Gas has committed to fund its share of all exploration and development projects.

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

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

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

(millions of dollars)	2013	2014	2015	2016	2017
Power purchases	24.9	24.5	24.7	24.9	25.2

(g) Nalcor has issued four irrevocable letters of credit. One was issued to the Department of Fisheries and Oceans (DFO), two were issued to the Newfoundland Labrador Offshore Petroleum Board and one was issued to Newfoundland Transshipment. The letter of credit issued to DFO in the amount of $0.3 million was in connection to the operation of the hydroelectric assets on the Exploits River. The remaining letters of credit totaled $4.8 million and relate to Oil and Gas to ensure compliance with regulations relating to petroleum and natural gas exploration and production activities.

Hydro has issued 23 irrevocable letters of credit to the New Brunswick System Operator totaling $18.6 million as credit support related to applications for point to point transmission services. In addition Hydro has issued one letter of credit to the Department of Fisheries and Oceans in the amount of $0.3 million as a performance guarantee in relation to the Fish Habitat Compensation Agreement.

Churchill Falls has issued two irrevocable letters of credit, totaling $2.0 million, to ensure satisfactory management of its waste management and compliance with a certificate of approval for the transportation of special hazardous wastes granted by the Department of Environment and Conservation.

(h) Hydro has received funding, in the amount of $3.0 million, from the Atlantic Canada Opportunities Agency in relation to a wind-hydrogen-diesel research and development project. This funding is repayable in annual installments of $25,000 per commercial implementation of the resulting product. As at December 31, 2012 there have been no commercial implementations.

(i) On February 23, 2010, Churchill Falls filed a motion against Hydro-Quebec in the Quebec Superior Court. The motion is seeking a modification to the pricing terms of the Power Contract as of November 30, 2009. The trial is scheduled for the fall of 2013. The outcome of this motion is not determinable at this time.

23. RELATED PARTY TRANSACTIONS

Nalcor enters into various transactions with its parent and other affiliates. These transactions occur within the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties. Related parties with which Nalcor transacts are as follows:

Related Party	Relationship
The Province	100% shareholder of Nalcor Energy.
Churchill Falls	Jointly controlled subsidiary of Hydro.
Twin Falls	Jointly controlled subsidiary of Churchill Falls.
The Trust	Created by the Province with Churchill Falls as the beneficiary.
Board of Commissioners of Public Utilities (PUB)	Agency of the Province.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

(a) Hydro has entered into a long-term power contract with Churchill Falls for the purchase of $6.1 million (2011 - $6.0 million) of the power produced by Churchill Falls.

(b) Hydro is required to contribute to the cost of operations of the PUB as well as the cost of hearings and applications costs. During 2012, Hydro incurred $1.5 million (2011 - $1.2 million) in costs related to the PUB of which $0.6 million (2011 - $0.6 million) was included in Accounts payable and accrued liabilities.

(c) The 2012 debt guarantee fee payable to the Province was $3.7 million (2011 - $3.9 million). Both the 2012 and 2011 debt guarantee fees were paid in full in March 2012.

(d) The Petroleum Exploration Enhancement Program (PEEP) was established as part of the Newfoundland and Labrador Energy Plan. PEEP is designed to boost new petroleum exploration in Western Newfoundland through the acquisition and assessment of seismic data. Funding for PEEP is provided by the Province and the program is administered by Oil and Gas. Total funding available under PEEP is $5.0 million over five years. There was no funding provided in 2012 (2011 - $4.5 million) and $1.8 million is included in Deferred Credits (2011 - $2.5 million).

(e) The Offshore Geoscience Data Project (OGDP) was established as part of the Newfoundland and Labrador Energy Plan. OGDP is designed to boost new offshore petroleum exploration in Newfoundland through the acquisition and assessment of seismic data. Funding for OGDP is provided by the Province and the program is administered by Oil and Gas. Total funding available under OGDP is $20.0 million over two years. In 2012, funding of $2.3 million was received from the Province (2011 - $10.5 million) of which $3.0 million has been recorded as Deferred Credits (2011 - $4.4 million).

(f) Prior to January 1, 2009, the Provincial Minister of Finance was authorized to invest any surplus from Bull Arm Fabrication's operations. Each year, the surplus or deficit from operations was credited or charged to the Distribution payable to the Province, however, there are no set terms of payment. The balance contains the accumulated results of operations of Bull Arm Fabrication since inception up to January 1, 2009, less any distributions paid to the Province. Effective January 1, 2009, earnings are to be retained and are reflected in retained earnings. As at December 31, 2012, $0.8 million (2011 - $0.8 million) of distributions payable to the Province are included in Accounts payable and accrued liabilities.

(g) During 2010, Bull Arm Fabrication received $1.0 million in funding from the Province of which $0.3 million was recognized as revenue in 2011. No grant revenue was received or recognized during 2012.

(h) Nalcor, as the operator of the Exploits assets, has a net payable to the Province of $17.4 million (2011 - $9.9 million) which is included in Accounts payable and accrued liabilities. Nalcor operates these assets on behalf of the Province on a cost recovery basis.

(i) On February 3, 2010, the Province established the Trust with Churchill Falls as the beneficiary. The purpose of this trust is to fund the external costs and expenses in relation to the motion filed by Churchill Falls seeking a modification to the pricing terms of the Power Contract. To date, $1.8 million (2011 - $1.4 million) has been received and $0.2 million (2011 - $0.2 million) has been accrued as due from the Trust.

(j) Under the terms and conditions of the Churchill Falls (Labrador) Corporation (Lease) Act, 1961, Churchill Falls must pay rentals and royalties to the Province annually. As at December 31, 2012, $6.2 million (2011 - $5.3 million) was payable.

(k) Hydro received contributions in aid of construction from the Province related to wind feasibility studies. As at December 31, 2012, $1.9 million (2011 - $3.5 million) has been recorded in Deferred credits.

(l) In relation to Nalcor's financial obligations with respect to the upper Churchill Redress Agreement, the Province provided funding in the amount of $39.9 million which is recorded as Other long-term assets. This funding will be used to offset payments to the Innu Nation.

24. SUBSEQUENT EVENTS

Forward Contracts

On January 18, 2013, Oil and Gas entered into a total of 11 commodity price swap contracts with a notional value of USD $25.3 million to mitigate commodity price exposure on energy sales. These contracts provide Oil and Gas with an average fixed price of $107.45 per barrel on approximately 36.0% of the estimated production for 2013.

In January 2013, Hydro entered into a total of 12 forward contracts with a notional value of US $23.0 million to mitigate a portion of the USD exposure on recall sales through to the end of 2013. The average rate on these forward contracts was $1.01 CAD per USD.

In January 2013, Bull Arm Fabrication entered into a total of 22 forward contracts with a notional value of US $10.1 million to mitigate USD/CAD exposure on a portion of its USD denominated lease revenue. The average rate on these forward contracts was $1.01 CAD per USD.

Cancellation of letters of credit

In February 2013, Hydro cancelled 23 letters of credit related to the New Brunswick System Operator totalling $18.6 million.

Demand Operating Facility

Subsequent to the year end, Nalcor increased the credit available under its demand operating facility from $100 million to $150 million.

Equity Contribution

In each of January and March 2013, Nalcor received a contributed capital of $100.0 million from the Province.

Change in Ownership

On February 11, 2013, Emera Newfoundland & Labrador Holdings Inc. contributed $67.7 million to the LIL Partnership in exchange for 25 Class B Limited Units in accordance with the terms and conditions of the Labrador-Island Link Limited Partnership Agreement. As a result, Nalcor's ownership in the LIL Partnership changed from 100% to 65%.

Capital Commitments

Subsequent to year end, Nalcor entered into new commitments totaling $434.8 million related to the Muskrat Falls project.

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the 2012 financial statement presentation of regulatory accounting adjustments.

Grant Thornton

Financial Statements

Newfoundland and Labrador Centre for Health Information

March 31, 2013

Statement of responsibility

The accompanying financial statements are the responsibility of the management of the Newfoundland and Labrador Centre for Health Information (the "Centre") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Finance and Audit Committee met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Grant Thornton LLP as the Centre's appointed external auditors, have audited the financial statements. The auditor's report is addressed to the Directors of the Centre and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Centre in accordance with Canadian public sector accounting standards.

_______________ Chair _______________ Director

Grant Thornton

Independent auditors' report

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To the Directors of

Newfoundland and Labrador Centre for Health Information

We have audited the accompanying financial statements of Newfoundland and Labrador Centre for Health Information, which comprise the statement of financial position as at March 31, 2013 and the statement of operations, statement of net debt and changes in cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Centre's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Grant Thornton

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland and Labrador Centre for Health Information as at March 31, 2013 and its financial performance, net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

St. John's, Canada

June 19, 2013

Chartered Accountants

Newfoundland and Labrador Centre for Health Information

Statement of Financial Position

March 31	2013	2012
Financial assets		
Cash and cash equivalents	**$ 12,495,946**	$ 10,535,147
Receivables (Note 3)	**4,646,001**	5,520,376
	17,141,947	16,055,523
Liabilities		
Payables and accruals (Note 4)	**6,237,415**	7,256,470
Deferred revenue	**16,081,992**	12,492,096
Deferred capital contributions (Note 5)	**11,867,534**	13,125,510
Accrued severance pay	**1,435,188**	1,239,126
	35,622,129	34,113,202
Net debt	**(18,480,182)**	(18,057,679)
Non-financial assets		
Tangible capital assets (Page 14)	**19,690,252**	19,236,131
Prepaids	**1,384,419**	1,461,836
	21,074,671	20,697,967
Accumulated surplus	**$ 2,594,489**	$ 2,640,288

Commitments (Note 8)

On behalf of the Centre

Chair

Director

See accompanying notes to the financial statements.

Newfoundland and Labrador Centre for Health Information

Statement of Operations and Changes in Accumulated Surplus

Year Ended March 31	Actual 2013	(Note 7) Budget 2013	Actual 2012
Revenue			
Grants			
Canada Health Infoway	$ 2,190,687	$ 5,148,321	$ 2,123,342
Government of Newfoundland and Labrador	21,997,624	24,920,900	19,832,845
Amortization of deferred capital	1,731,541	1,641,444	1,668,795
Research	785,753	938,950	678,032
Interest	139,875	-	117,263
Other projects	2,535,955	3,782,783	2,014,248
	29,381,435	36,432,398	26,434,525
Expenses (Pages 15, 16 & 17)			
Administration	7,604,489	8,708,643	6,978,402
Clinical Programs	4,325,253	5,454,513	4,048,161
Infrastructure, Information Protection and EHR Operations	11,173,542	12,728,291	10,088,110
Projects	4,091,928	8,210,089	3,874,324
Research and Evaluation	2,232,022	2,523,296	2,026,945
	29,427,234	37,624,832	27,015,942
Annual deficit	$ (45,799)	$ (1,192,434)	$ (581,417)

Accumulated surplus, beginning of year	$ 2,640,288	$ 2,640,288	$ 3,221,705
Annual deficit	(45,799)	(1,192,434)	(581,417)
Accumulated surplus, end of year	$ 2,594,489	$ 1,447,854	$ 2,640,288

See accompanying notes to the financial statements.

Newfoundland and Labrador Centre for Health Information

Statement of Net Debt

Year Ended March 31	Actual 2013	(Note 7) Budget 2013	Actual 2012
Annual deficit	$ (45,799)	$ (1,192,434)	$ (581,417)
Acquisition of tangible capital assets	(3,999,479)	(7,917,538)	(4,350,278)
Amortization of tangible capital assets	3,545,358	3,974,692	3,320,515
Decrease (increase) in prepaids	77,417	-	(364,693)
Increase in net debt	(422,503)	(5,135,280)	(1,975,873)
Net debt, beginning of year	(18,057,679)	(18,057,679)	(16,081,806)
Net debt, end of year	$(18,480,182)	$(23,192,959)	$(18,057,679)

See accompanying notes to the financial statements.

Newfoundland and Labrador Centre for Health Information

Statement of Cash Flows

Year Ended March 31	2013	2012
Increase (decrease) in cash and cash equivalents		
Operating		
Annual deficit	**$ (45,799)**	$ (581,417)
Change in non-cash items		
Amortization of capital assets	**3,545,358**	3,320,515
Amortization of deferred capital contributions	**(1,731,541)**	(1,668,795)
Increase in severance pay accrual	**196,062**	86,415
Change in non-cash operating working capital		
Receivables	**874,375**	2,875,278
Prepaid expenses	**77,417**	(364,693)
Payables and accruals	**(1,019,055)**	2,073,682
Deferred revenue	**3,589,896**	4,847,848
Cash provided by operating transactions	**5,486,713**	10,588,833
Capital		
Cash applied to capital transactions	**(3,999,479)**	(4,350,278)
Financing		
Capital contributions from Government and Infoway	**473,565**	1,148,578
Increase in cash and cash equivalents	**1,960,799**	7,387,133
Cash and cash equivalents, beginning of year	**10,535,147**	3,148,014
Cash and cash equivalents, end of year*	**$ 12,495,946**	$ 10,535,147

*Cash and cash equivalents consist of the following:

Cash in bank	**$ 2,902,420**	$ 5,535,147
Temporary investments	**9,593,526**	5,000,000
	$ 12,495,946	$ 10,535,147

See accompanying notes to the financial statements.

1. Purpose of organization

The Newfoundland and Labrador Centre for Health Information (the Centre) was established by the Government of Newfoundland and Labrador in 1996 following the recommendation of the Health System Information Task Force (1995). The Newfoundland and Labrador Centre for Health Information Act was proclaimed in April 27, 2007, thereby establishing the Centre as a Corporation without share capital under the Corporations Act. The Centre is a Government Organization and reports to the Legislative Assembly through the Ministry of Health and Community Services. The Centre is exempt from income tax under Section 149 of the Income Tax Act.

Through the support of the provincial government and Canada Health Infoway Inc., the Centre has been recognized for its contribution to the national agenda for development of the Electronic Health Record with the first provincial client registry designed and implemented for the Electronic Health Record. The Centre is also involved with data standards development and dissemination, applied health research and the evaluation of health information systems.

2. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Standards Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies.

Use of estimates

In preparing the Centre's financial statements in conformity with Canadian public sector accounting standards, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, estimated accrued severance and sick leave, rates of amortization and impairment of assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

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

Revenue recognition

Government grants are recognized in the period in which entitlement arises. Revenue from grants is recognized as deferred revenue when amounts have been received but not all eligibility criteria has been met. Other revenue from research and other contracts is recognized as the related expenditures are incurred. Interest income is recognized as it is earned.

Cash and cash equivalents

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

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual deficit, provides the change in net debt for the year.

Tangible capital assets

Tangible capital assets are recorded at cost. Depreciation is provided annually at rates calculated to write off the assets over their estimated useful life as follows:

Computer equipment	20%, straight line
Office furniture	15%, straight line
Computer software	33%, straight line
Leasehold improvements	10%, straight line
Pharmacy Network	10%, straight line
Health Information Access Layer	10%, straight line
iEHR Labs	10%, straight line

Impairment of long lived assets

Long lived assets are written down when conditions indicate that they no longer contribute to the Centre's ability to provide goods and services, or when the value of future economic benefits associated with the assets are less than their net book value. The net write downs would be accounted for as expenses in the statement of operations.

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

Capital contributions

The Centre receives funding specifically for the development of major software and systems to be used by the various stakeholders within the Province's health care sector. The Centre also has a responsibility to continue to develop and sustain the software and systems for the stakeholders. Based on the Centre's responsibilities to provide a service to maintain these major projects, the funding received has been included as a liability and recognized as revenue over the project's useful life.

Severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continual service. Severance pay is payable when the employee ceases employment with the Centre and has achieved the minimum of nine years of continual service.

Financial instruments

The Centre considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Centre accounts for the following as financial instruments:

- cash and cash equivalents;
- temporary investments;
- receivables; and
- payables and accruals.

A financial asset or liability is recognized when the Centre becomes party to contractual provisions of the instrument.

The Centre initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Centre subsequently measures its financial assets and financial liabilities at cost or amortized cost.

Financial assets measured at fair value include cash and cash equivalents and temporary investments. Financial assets measured at cost include receivables.

Financial liabilities measured at cost include payables and accruals.

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

The Centre removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

3. Receivables	2013	2012
Government of Newfoundland and Labrador	**$ 2,469,889**	$ 1,997,911
Canada Health Infoway	**1,270,233**	3,030,730
Harmonized sales tax	**405,576**	183,086
Other	**500,303**	308,649
	$ 4,646,001	$ 5,520,376

4. Payables and accruals	2013	2012
Trade	**$ 4,716,994**	$ 5,933,945
Vacation and compensatory pay	**1,520,421**	1,322,525
	$ 6,237,415	$ 7,256,470

5. Deferred capital contributions	2013	2012
Opening balance	**$ 13,125,510**	$ 13,645,727
Capital contributions from Government	**473,565**	907,769
Capital contribution from Canada Health Infoway	**-**	240,809
Amortization of deferred capital contribution	**(1,731,541)**	(1,668,795)
	$ 11,867,534	$ 13,125,510

6. Public Service Pension Plan and Government Money-Purchase Plan

The Centre participates in the Government of Newfoundland and Labrador's defined benefit Public Service Pension Plan (PSPP) for full-time employees and the defined contribution Government Money-Purchase Pension Plan (GMPP) for part-time employees. The assets of the plans are held separately from those of the Centre in an independently administered fund. Plan participation is mandatory for all employees.

PSPP members must have at least five years of pensionable service to obtain a pension benefit. Normal retirement age under the plan is 65, however early retirement options are available. The PSPP is integrated with the Canada Pension Plan (CPP).

Members of the Plan are required to make contributions toward the funding of their pension benefits as follows:

(i) 8.6% of earnings up to the Year's Basic CPP Exemption, the portion of earnings upon which no CPP contributions are required;
(ii) 6.8% of earnings in excess of the Year's Basic CPP Exemption up to and including the Year's Maximum Pensionable Earnings ("YMPE"); and
(iii) 8.6% of earnings in excess of the YMPE.

The lifetime PSPP pension benefit is determined as 1.4% of the best five year average salary (up to the three year average YMPE) multiplied by the years of pensionable service, plus 2% of the best five year average salary (in excess of the average YMPE) multiplied by the years of pensionable service.

Members of the GMPP can use the contributions along with interest and/or investment gain/loss to purchase a pension at retirement. Contributions made on or after January 1, 1997 are fully vested and locked-in after the completion of two years of plan participation.

Employer contributions paid and expensed by the Centre during the year for the PSPP and GMPP totalled $859,345 (2012 - $756,205). Additional information about the plan surplus or deficit is not available.

7. Budget figures

The reconciliation between the Centre's approved financial plan and the PSAB budget figures used in these statements is disclosed in the Schedule of Reconciliation of the Financial Plan to the Budget.

8. Commitments

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

2013	$ 4,609,101
2014	$ 3,671,416
2015	$ 3,637,024
2016	$ 2,876,836
2017	$ 1,383,530

9. Financial instruments

The Centre's financial instruments consist of cash and cash equivalents, temporary investments, receivables and payables and accruals. The book value of cash and cash equivalents, temporary investments, receivables and payables and accruals approximate fair value due to their short term maturity date.

Risks and concentrations

The Centre is exposed to various risks through its financial instruments. The following analysis provides a measure of the Centre's risk exposure and concentrations at March 31, 2013.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its payables and accruals in the amount of $6,237,415 (2012 - $7,256,470), which have a maturity of not later than one year. The payment of the accrued severance liability will occur later than one year. The Centre reduces its exposure to liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities. In the opinion of management the liquidity risk exposure to the Centre is low and not material.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Centre's credit risk is attributable to receivables in the amount of $4,646,001 (2012 - $5,520,376), of which $2,469,889 (2012 - $1,997,911) is receivable from the Government of Newfoundland and Labrador and $1,270,233 (2012 - $3,030,730) is receivable from Canada Health Infoway. Receivables are expected to be collected not later than one year. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

Newfoundland and Labrador Centre for Health Information

Schedule of Tangible Capital Assets

Year Ended March 31, 2013

	Computer equipment	Office furniture	Computer software	Leasehold improvements	Pharmacy Network	Electronic Health Records-Labs (iEHR Labs)	Health Information Access Layer (HIAL)	2013	2012
Cost									
Cost, beginning of year	$ 8,977,771	$ 344,655	$ 3,499,388	$ 223,821	$ 9,585,689	$ 1,789,568	$ 4,609,000	$ 29,029,892	$ 24,779,596
Additions during the year	1,956,004	10,859	602,228	40,600	-	1,217,604	184,824	4,012,119	4,355,874
Disposals during the year	(25,211)	-	-	-	-	-	-	(25,211)	(105,578)
Cost, end of year	$ 10,908,564	$ 355,514	$ 4,101,616	$ 264,421	$ 9,585,689	$ 3,007,172	$ 4,793,824	$ 33,016,800	$ 29,029,892
Accumulated Amortization									
Accumulated amortization, beginning of year	$ 3,705,576	$ 193,101	$ 2,623,925	$ 63,066	$ 2,238,526	$ -	$ 969,567	$ 9,793,761	$ 6,573,226
Amortization	1,641,252	40,943	511,699	25,129	925,135	-	401,200	3,545,358	3,320,514
Reversal of accumulated amortization relating to disposals	(12,571)	-	-	-	-	-	-	(12,571)	(99,979)
Accumulated amortization, end of year	$ 5,334,257	$ 234,044	$ 3,135,624	$ 88,195	$ 3,163,661	$ -	$ 1,370,767	$ 13,326,548	$ 9,793,761
Net book value of tangible capital assets	$ 5,574,307	$ 121,470	$ 965,992	$ 176,226	$ 6,422,028	$ 3,007,172	$ 3,423,057	$ 19,690,252	$ 19,236,131

Included in tangible capital assets are assets not in use and therefore not depreciated in the current year. These assets, $3,007,172 (2012 - $1,789,568) of which relate to iEHR Labs and $781,823 (2012 – $597,000) to HIAL, are expected to be depreciated in the next fiscal year.

Newfoundland and Labrador Centre for Health Information

Schedule of Expenses

March 31	2013	2012
Administration		
Consulting fees	$ 406,580	$ 194,734
Salaries and benefits	2,280,215	2,119,408
Depreciation	3,545,358	3,320,515
License fees	828	534
Minor equipment	5,471	9,854
Software maintenance	15,772	10,647
Rent	899,410	899,410
Other	450,855	423,300
	$ 7,604,489	$ 6,978,402
Clinical Programs		
Consulting fees	$ 557,422	$ 596,612
Salaries and benefits	2,919,190	2,665,245
License fees	26,162	66,946
Minor equipment	12,967	6,966
Software maintenance	547,301	267,607
Other	262,211	444,785
	$ 4,325,253	$ 4,048,161
Infrastructure, Information Protection and EHR Operations		
Consulting fees	$ 1,715,297	$ 1,556,079
Salaries and benefits	4,634,377	4,041,429
Data communication charges	975,275	892,602
License fees	271,299	275,642
Minor equipment	24,897	27,596
Software maintenance	3,200,668	2,904,887
Rent	33,900	33,900
Other	317,829	355,975
	$ 11,173,542	$ 10,088,110
Projects		
Consulting fees	$ 1,603,710	$ 2,368,499
Salaries and benefits	1,862,377	1,033,275
License fees	17,851	191,035
Minor equipment	31,752	61,040
Software maintenance	446,329	151,311
Other	129,909	69,164
	$ 4,091,928	$ 3,874,324

Newfoundland and Labrador Centre for Health Information

Schedule of Expenses

March 31	2013	2012
Research and Evaluation		
Consulting fees	$ 72,404	$ 66,890
Salaries and benefits	2,082,690	1,894,307
License fees	16,845	7,883
Minor equipment	1,528	4,066
Other	58,555	53,799
	$ 2,232,022	$ 2,026,945
Total expenses	$ 29,427,234	$ 27,015,942

Newfoundland and Labrador Centre for Health Information
Reconciliation of the Financial Plan to the Budget
Year Ended March 31, 2013

	Financial Plan	Capital Expenditures	PSAB Budget
Revenue			
Grants			
Canada Health Infoway	$ 5,148,321	-	$ 5,148,321
Government of Newfoundland and Labrador	24,920,900	-	24,920,900
Amortization of deferred capital	1,641,444	-	1,641,444
Research	938,950	-	938,950
Interest	-	-	-
Other	3,782,783	-	3,782,783
	$ 36,432,398	$ -	$ 36,432,398
Expenses			
Administration	$ 8,786,143	$ (77,500)	$ 8,708,643
Clinical Programs	5,471,713	(17,200)	5,454,513
Infrastructure, Information Protection and EHR Operations	13,753,389	(1,025,098)	12,728,291
Projects	14,993,828	(6,783,739)	8,210,089
Research and Evaluation	2,537,296	(14,000)	2,523,296
Total expenses	$ 45,542,369	$ (7,917,537)	$ 37,624,832
Surplus (deficit)	$ (9,109,971)	$ (7,917,537)	$ (1,192,434)

NEWFOUNDLAND AND LABRADOR
CROP INSURANCE AGENCY

NEWFOUNDLAND AND LABRADOR
CROP INSURANCE FUND

FINANCIAL STATEMENTS

MARCH 31, 2013

Management's Report

Management's Responsibility for the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information periodically and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Agency in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Crop Insurance Agency.

On behalf of the Newfoundland and Labrador Crop Insurance Agency.

C. MacDonald

Ms. Cynthia MacDonald, P.Ag.
Director of Agriculture Business Development

June 19, 2013

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Crop Insurance Agency
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund, which comprise the statement of financial position as at March 31, 2013, and the statement of operations and accumulated surplus for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund as at March 31, 2013, and its financial performance for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CA
Auditor General

June 19, 2013
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
STATEMENT OF FINANCIAL POSITION

As at March 31	2013	2012
FINANCIAL ASSETS		
Cash	$ 278,537	$ 127,172
Accounts receivable (Note 5)	3,835	6,282
	282,372	133,454
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	185,547	1,800
	185,547	1,800
Net financial assets	96,825	131,654
NON-FINANCIAL ASSETS	-	-
Accumulated surplus	$ 96,825	$ 131,654

The accompanying notes are an integral part of these financial statements

Signed on behalf of the Board:

C. MacDonald
Chairperson

Gerald Wicks
Member

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended March 31

	2013 Budget	2013 Actual	2012 Actual
	(Note 10)		
REVENUES			
Government of Canada (Note 7)	$ -	$ **274,152**	$ 181,652
Province of Newfoundland and Labrador (Note 7)	-	**182,768**	121,101
Premiums from insured persons	-	**68,073**	39,144
Late payment fees	-	**800**	1,400
Appeal administration fee	-	**-**	100
	-	**525,793**	343,397
EXPENSES (Note 8)			
Production Insurance Program	-	**205,812**	131,899
Administration (Note 4)	-	**354,810**	243,967
	-	**560,622**	375,866
Annual deficit	-	**(34,829)**	(32,469)
Accumulated surplus, beginning of year	-	**131,654**	164,123
Accumulated surplus, end of year	$ -	$ **96,825**	$ 131,654

The accompanying notes are an integral part of these financial statements

1. Nature of operations

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

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

2. Summary of significant accounting policies

(a) Basis of accounting

The Agency is classified as an Other Government Organization as defined by the Canadian Public Sector Accounting Standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board. The Agency does not prepare a statement of change in net financial assets and a statement of cash flows as this information is readily apparent from the other statements. In addition, the Agency does not prepare a statement of re-measurement gains and losses as the Agency does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Cash

Cash includes cash in bank.

(c) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Transfers (Province of Newfoundland and Labrador premium contributions and Government of Canada premium contributions) are recognized as revenues when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made.

2. Summary of significant accounting policies (cont.)

(d) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Indemnity claims are reported on an accrual basis. Indemnity claims are paid to insured persons upon approval by the Board of Directors of submitted insurance claims.

The Agency is administered as a division of the Department of Natural Resources. Expenses related to salaries and administration costs are paid directly by the Department and are reflected in these financial statements as expenses of the Agency and as revenue from the Province and the Government of Canada.

The Province and the Government of Canada have entered into a cost-shared agreement in which administration expenses are funded 60% by the Federal Government and 40% by the Province.

3. Financial instruments and financial risk management

The Agency's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, and accounts payable and accrued liabilities. The financial instruments are recorded at cost which approximates current fair value due to their nature and the short-term maturity associated with these instruments.

Risk management

The Agency recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. Risks currently managed by the Agency include credit and liquidity risk.

Credit risk

Credit risk is the risk of loss if a client cannot meet its obligations. The Agency is exposed to credit risk with respect to accounts receivable. The Agency has policies and procedures for the monitoring and collection of its accounts receivable so as to mitigate potential credit losses. In addition, any estimated impairment of these accounts receivable has been provided for through a provision for doubtful accounts, as disclosed in Note 5, and no further credit risk exists for these items.

Liquidity risk

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

4. Related party transactions

The Agency is administered by employees of the Department of Natural Resources. Salaries and other costs of $354,810 (2012 - $243,967) applicable to the operation of the Agency have been paid or are payable by the Department and are reflected in these financial statements as expenses of the Agency and as revenue in the form of payments made by the Province. The Province recovered $212,886 (2012 - $146,381) of these administration expenses from the Government of Canada under the Canada-Newfoundland and Labrador AgriInsurance Program funded under the Growing Forward Framework Agreement.

5. Accounts receivable

	2013	2012
Province of Newfoundland and Labrador	$ 1,839	$ 1,828
Premiums from insured persons	4,136	6,594
	5,975	8,422
Less: provision for doubtful accounts	2,140	2,140
	$ 3,835	$ 6,282

6. Accounts payable and accrued liabilities

	2013	2012
Indemnity claims payable to insured persons	$ 183,747	$ -
Province of Newfoundland and Labrador	1,800	1,800
	$ 185,547	$ 1,800

7. Premium contributions and administrative expenses

	2013	2012
Government of Canada		
Premium contributions	$ 61,266	$ 35,271
Payments for administration	212,886	146,381
	$ 274,152	$ 181,652
Province of Newfoundland and Labrador		
Premium contributions	$ 40,844	$ 23,515
Payments for administration	141,924	97,586
	$ 182,768	$ 121,101

8. Expenses by object

The following is a summary of expenses by object:

	2013	2012
Bad debt expense	$ 457	$ -
Bank charges	10	8
Board expenses	-	2,024
Equipment supplies	717	13,828
Indemnity claims	205,355	131,899
Professional services	64,960	2,952
Purchased services	1,305	5,553
Salaries and employee benefits	250,692	182,405
Supplies	18,491	18,856
Transportation and communications	18,635	18,341
	$ 560,622	$ 375,866

9. Comparative figures

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

10. Budgeted figures

Budgeted figures have not been presented as the Agency does not prepare a budget consistent with the presentation of the statement of operations and accumulated surplus.

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Financial Statements

Year Ended March 31, 2013

Pinsent & Associates

Certified General Accountants
P.O. Box 8411, Station A
St. John's, NL A1B 3N7

Tel: (709) 738-5300
Fax: (709) 738-5301
email: info@pinsent.ca

INDEPENDENT AUDITOR'S REPORT

To the Enter descriptions of Newfoundland and Labrador Film Development Corporation

We have audited the accompanying financial statements of Newfoundland and Labrador Film Development Corporation, which comprise the statement of financial position as at March 31, 2013 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

Independent Auditor's Report to the Enter descriptions of Newfoundland and Labrador Film Development Corporation *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland and Labrador Film Development Corporation as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Public Sector Accounting standards for Not - for - Profit Organizations.

Pinsent & Associates

CERTIFIED GENERAL ACCOUNTANTS

St. John's, Newfoundland and Labrador
June 14, 2013

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION
Statement of Revenues and Expenditures
Year Ended March 31, 2013

	Budget 2013	**2013**	2012
REVENUE	$ 699,000	**$ 699,000**	$ 710,000
EXPENDITURES			
Salaries and wages	404,752	**405,582**	395,722
Travel	73,048	**99,550**	67,062
Sponsorships	89,500	**82,271**	107,377
Office	78,600	**72,320**	78,634
Professional development	12,000	**14,743**	24,624
Advertising and promotion	21,000	**13,318**	22,950
Professional fees	8,000	**10,150**	8,250
Promotional materials and publications	8,600	**6,960**	8,019
Miscellaneous	3,500	**3,372**	3,671
Amortization	-	**2,120**	2,282
	699,000	**710,386**	718,591
DEFICIENCY OF REVENUE OVER EXPENDITURES FROM OPERATIONS	-	**(11,386)**	(8,591)
OTHER INCOME	-	**5,250**	4,145
DEFICIENCY OF REVENUE OVER EXPENDITURES	$ -	**$ (6,136)**	$ (4,446)

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION
Statement of Financial Position
March 31, 2013

		2013		2012
ASSETS				
CURRENT				
Cash	$	263,760	$	660,544
Receivables		30,656		2,886
Prepaid expenses		9,921		9,851
		304,337		673,281
PROPERTY, PLANT AND EQUIPMENT *(Note 3)*		3,898		6,018
	$	308,235	$	679,299
LIABILITIES AND NET ASSETS				
CURRENT				
Payables and accruals	$	65,492	$	32,217
Payables and accruals - Equity Investment Program		230,210		646,986
		295,702		679,203
NET ASSETS				
Share capital *(Note 4)*		3		3
Operations fund		(6,126)		10
Equity fund		18,656		83
		12,533		96
	$	308,235	$	679,299

ON BEHALF OF THE BOARD

Noreen Golfman Director

Director

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2013

	Operations Fund	Equity Fund	**2013**	2012
NET ASSETS - BEGINNING OF YEAR	$ 10	$ 83	**$ 93**	$ 26,983
Deficiency of revenue over expenditures	(6,136)	-	**(6,136)**	(4,446)
Excess of receipts over commitments (commitments over receipts) - Equity Investment Program (EIP) (Schedule 1)	-	18,573	**18,573**	(22,445)
NET ASSETS - END OF YEAR	$ (6,126)	$ 18,656	**$ 12,530**	$ 92

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION
Statement of Cash Flows
Year Ended March 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	**$ (6,136)**	$ (4,446)
Items not affecting cash:		
Amortization of property, plant and equipment	**2,120**	2,282
Excess of receipts over commitments (commitments over receipts) - (Equity Fund)	**18,573**	(22,445)
	14,557	(24,609)
Changes in non-cash working capital:		
Receivables	**(27,770)**	1,338
Payables and accruals	**33,275**	5,791
Prepaid expenses	**(70)**	(1,018)
Payables and accruals - Equity Investment Program	**(416,776)**	429,501
	(411,341)	435,612
Cash flow from (used by) operating activities	**(396,784)**	411,003
INVESTING ACTIVITY		
Purchase of property, plant and equipment	**-**	(3,189)
Cash flow used by investing activity	**-**	(3,189)
INCREASE (DECREASE) IN CASH FLOW	**(396,784)**	407,814
Cash - beginning of year	**660,544**	252,730
CASH - END OF YEAR	**$ 263,760**	$ 660,544

See notes to financial statements

1. DESCRIPTION OF BUSINESS

The Corporation is incorporated under the Newfoundland and Labrador Corporations Act. Its primary purpose is to promote the development of, and to stimulate employment and investment in, the Provincial film and video industry by providing financial and other assistance.

The Corporation has been designated by the Province's Finance Minister to administer the Newfoundland and Labrador Film Tax Credit Program, including registration of productions, review of tax credit applications and recommendations to the Department of Finance.

The Corporation is exempt from paying income taxes under Section 149 of the Canadian Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Public Sector Accounting Standards (PSA) as issued by the Public Sector Accounting Board (PSAB).

Fund accounting

Newfoundland and Labrador Film Development Corporation follows the restricted fund method of accounting for contributions.

The Operations Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Equity Investment Fund reports only restricted resources that are to be used for equity investment purposes.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealised gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

When financial instruments that include both a debt and an equity component are issued, the proceeds are allocated firstly to the component for which the fair value is more readily determinable, and the residual is allocated to the other component.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for government not for profit enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Computer equipment	45%	declining balance method
Furniture and fixtures	20%	declining balance method

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	**2013 Net book value**	2012 Net book value
Computer equipment	$ 47,849	$ 45,834	**$ 2,015**	$ 3,664
Furniture and fixtures	19,176	17,293	**1,883**	2,354
	$ 67,025	$ 63,127	**$ 3,898**	$ 6,018

4. SHARE CAPITAL

Authorized:
600 Common voting shares of no par value

	2013	2012
Issued:		
600 Common shares	**$ 3**	$ 3

5. Office

Office expense consists of the following:

	2013	2012
Rent and maintenance	$ 33,069	$ 30,035
Communications	14,170	17,095
Office Equipment	7,746	6,715
Board meeting expense	4,318	7,208
Travel	3,448	5,275
Office Supplies	2,323	4,860
Meeting Supplies	2,141	2,161
Printing	1,811	1,262
Business tax	1,307	1,813
Banking fees Operating	890	615
Computer maintenance	593	1,185
Postage	420	286
Banking fees	84	124
	$ 72,320	$ 78,634

6. EQUITY INVESTMENTS

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefits to Newfoundland and Labrador. Equity investments are made with the condition of repayment through participation in revenue generated by projects. Revenue is recorded as Recoupment when received.

Based on the Corporation's low Recoupment rate, an allowance has been set up to write-off the cumulative equity investment, net of Recoupment.

	2013	2012
Equity Investment	$ 28,847,572	$ 24,025,309
Allowance against Equity Investment	(28,539,023)	(23,753,785)
Recoupment - Equity Investment	(308,549)	(271,524)
	$ -	$ -

7. PROJECT DEVELOPMENT LOANS

The Corporation provides loans to qualified applicants to support the process of film and video development that takes an idea through the stages of research, writing, market analysis and budget development. This work must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production.

Project development loans are interest free and are to be repaid on the earlier of the first day of principal photography or on the optioning, sale, or transfer of the property to a third party.

An allowance has been made to write-off the cumulative amount of these development loans.

	2013	2012
Development Loans	**$ 3,305,413**	$ 3,036,921
Allowance against development loans	**(3,305,413)**	(3,036,921)
	$ -	$ -

8. COMMITMENTS

The Corporation entered into a rental agreement with CIT Financial Ltd. commencing July 1, 2009 for the use of 1 Kyocera Copier. The monthly lease commitment is $181 for 48 months.

Because of the lead times required to obtain all the resources necessary to complete film and video productions, the corporation approves applications for funding which will, on occasion, result in program disbursements in subsequent fiscal periods, pending availability of funds.

As at March 31, 2013, the Corporation was contractually committed to advance funds totaling $2,003,283 from the Equity Investment Program as investments and loans in respect of current and future projects subject to the availability of funds in subsequent years and other terms and conditions as outlined in the funding agreements.

	2013
Republic Season 4 Inc. - Republic of Doyle Season IV	**$ 1,500,000**
Pet ER (Season 2) Inc. - Pet ER Season II	**248,000**
Mickey's Farm (Season 4) Ltd. - Mickey's Farm series 4	**152,000**
Pope Productions Ltd. - NL Entertains	**87,000**
Mad Mummer Media Inc. - Sister Morphine	**16,283**
	$ 2,003,283

9. ECONOMIC DEPENDENCE

The Corporation is economically dependant on the Government of Newfoundland and Labrador for annual funding.

10. COMPARATIVE FIGURES

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

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Schedule of Receipts and Commitments - Equity Investment Program *(Schedule 1)*

Year Ended March 31, 2013

	2013	2012
Receipts		
Province of Newfoundland and Labrador Funding - Republic of Doyle	**$ 3,000,000**	$ 3,000,000
Province of Newfoundland and Labrador Funding	**2,000,000**	2,000,000
Recoupment	**37,026**	58,951
Interest Earned	**4,150**	1,971
	$ 5,041,176	$ 5,060,922
Current year commitments		
Away Films Inc. - Children of Dog Island	**$ -**	$ 10,000
Away Films Inc. - United Northern Film	**4,860**	-
Beat Down Productions Ltd. - Newfoundland Beatdown	**-**	328,380
Lucky Productions Inc. - Talus and Scree	**21,685**	-
Burlington Season I Inc. - Majumder Manor	**-**	200,000
Breathless Films Inc. - Of the Essence	**2,500**	14,000
62134 Newfoundland & Labrador Inc. - Seals and Men	**-**	50,000
Clew up Productions Ltd. - Sled Kings	**10,362**	-
The Energy Show Season Two Inc. - Energy Show Season Two	**26,712**	62,328
From Here Productions Inc. - February	**-**	10,000
Gander Boys Productions Inc. - This Tour Has 22 Cities	**-**	60,000
Henge Productions and Consulting Ltd. - Bruce and Company	**-**	9,950
Henge Productions and Consulting Ltd. - Regret	**-**	46,077
Hold Fast productions Inc. - Hold Fast	**268,594**	-
Kickham East Productions Inc. & Newfound Films Inc. - Last Resort	**-**	11,303
Lazy Bank Productions Inc. - Praising Song	**-**	36,569
Mad Mummer Media Inc. - Needle and the Damage Undone	**-**	19,204
Mad Mummer Media Inc. - Bubble Dancer	**-**	20,732
Mad Mummer Media Inc. - Life in the Days of Mary	**19,150**	-
Mad Mummer Media Inc. - Sister Morphine	**16,283**	-
Media Connections Inc. - Vocation phase 2	**19,470**	-
MF Productions Inc. - Mickey Series III	**-**	360,850
Mickey's Farm (Season 4) Ltd. - Mickey's Farm Series 4	**328,000**	-
Monkstown Productions Inc. - The Marksman	**-**	10,000
Morag Loves Company Limited - Away From Everywhere	**18,731**	-
Morag Loves Company Limited - What Lies Beneath	**3,969**	-
Morag Loves Company Limited - The Boomers are Coming	**11,543**	-
Morag Loves Company Limited - The Grand Seduction	**400,000**	600,000
More Life Films Inc. - Doom Show	**-**	18,315
Nine Island Production and Consulting Ltd. - Return of the White Fleet	**27,730**	-
Orange House Productions Inc. - Postal	**-**	10,000
Pet ER Inc. - Pet ER	**-**	100,000
Pet ER (Season 2) Inc. - Pet ER season 2	**522,000**	-
Petty Harbour Productions Inc. - Boy on Bridge	**55,830**	-
Pope Productions Ltd. - Comedy Festival	**32,800**	-
Pope Productions Ltd. - NL Entertains	**29,000**	-
Pope Productions Ltd. - Oddly Flowers Part II	**14,784**	23,683
Pope Productions Ltd. - Candy Man	**-**	8,762
Pope Productions Ltd. - I Hate Rich Kids	**13,480**	-
Pope Productions Ltd. - Pignut	**6,500**	-
Pope Productions Ltd. - Kings of the Earth	**20,575**	-
Pope Productions Ltd. - Len Rollie and the Devil Rose	**20,575**	-

See notes to financial statements

Quirky View Media, Inc. - Quirky View	-	16,500
Rain Productions Inc. - Sabrina Whyatt - That's Me	**25,000**	-
Republic Season 2 Inc. - Republic of Doyle - Season II	-	1,500,000
Republic Season 3 Inc - Republic of Doyle III	**1,500,000**	1,500,000
Republic Season 4 Inc. - Republic of Doyle IV	**1,500,000**	-
Rink Rat Productions Inc. - How to be deadly	**11,900**	-
Rink Rat Productions Inc. - When the boys came home	**9,240**	-
Rink Rat Productions Inc. - Maudie Phase IV	-	15,000
Rock Island Productions Inc. - Holdfast Phase III	-	9,000
Shadowy Souls Inc. - Tentacles Claw 12 Min	**16,715**	-
Springwater Productions Inc. - Vokey's Boat is Painted Green	-	12,914
Streely Maid Films Ltd. - Longshoreman	**4,950**	-
Streely Maid Films Ltd. - Picture start	**17,480**	-
The Hunting Party Inc. - Winners - Picture Start	**23,025**	19,800
Upskydown Films Inc. - One More Time	**6,200**	-
Wreckhouse Productions Inc. - Colony of Unrequited Dreams Phase 2	**12,960**	-
	$ 5,022,603	$ 5,083,367
Excess of receipts over commitments (commitments over receipts)	**$ 18,573**	$ (22,445)
Opening Balance	**83**	22,528
	$ 18,656	$ 83

See notes to financial statements

Financial Statements of

Newfoundland Labrador Liquor Corporation

April 6, 2013

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Newfoundland Labrador Liquor Corporation

We have audited the accompanying financial statements of **Newfoundland Labrador Liquor Corporation**, which comprise the statement of financial position as at April 6, 2013 and the statements of comprehensive income, changes in net assets and cash flows for the period then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Newfoundland Labrador Liquor Corporation** as at April 6, 2013 and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

St. John's, Canada
June 27, 2013

Chartered Accountants

Newfoundland Labrador Liquor Corporation

STATEMENT OF FINANCIAL POSITION

As at
[in thousands]

	April 6, 2013 $	April 7, 2012 $ [restated – note 17]
ASSETS		
Non-current		
Property, plant and equipment *[note 5]*	**24,820**	14,757
Intangible assets *[note 6]*	**5,741**	5,756
	30,561	20,513
Current		
Cash and cash equivalents	**27,414**	31,419
Accounts receivable *[note 7]*	**11,950**	10,403
Inventories *[note 8]*	**36,340**	34,702
Prepaid expenses	**5,357**	6,375
	81,061	82,899
TOTAL ASSETS	**111,622**	103,412
LIABILITIES AND NET ASSETS		
Non-current		
Employee benefits *[notes 9 and 17]*	**6,297**	6,228
Current		
Accounts payable and accrued liabilities *[note 10]*	**28,639**	27,773
Accrued vacation pay	**2,698**	2,409
	31,337	30,182
Commitments *[note 15]*		
Net assets	**73,988**	67,002
TOTAL LIABILITIES AND NET ASSETS	**111,622**	103,412

See accompanying notes

Director

Director

ERNST & YOUNG

A member firm of Ernst & Young Global Limited

Newfoundland Labrador Liquor Corporation

STATEMENT OF COMPREHENSIVE INCOME

Period ended
[in thousands]

	52 Weeks April 6, 2013 $	53 Weeks April 7, 2012 $
Sales *[note 11]*	**234,675**	224,360
Commission revenue on sale of beer	**61,847**	61,407
	296,522	285,767
Cost of sales	**105,946**	101,039
Gross profit	**190,576**	184,728
Administrative and operating expenses *[note 12]*	**46,322**	46,122
Earnings from operations	**144,254**	138,606
Other income		
Finance income	**368**	383
Miscellaneous income	**3,364**	2,807
	3,732	3,190
Comprehensive income for the period	**147,986**	141,796

See accompanying notes

Newfoundland Labrador Liquor Corporation

STATEMENT OF CHANGES IN NET ASSETS

Period ended
[in thousands]

	52 Weeks April 6, 2013 $	53 Weeks April 7, 2012 $ *[restated – note 17]*
Balance, beginning of period, as previously reported	**68,620**	64,824
Restatement of prior year financial statements (note 17)	**(1,618)**	(1,618)
Balance, beginning of period, restated	**67,002**	63,206
Comprehensive income for the period	**147,986**	141,796
	214,988	205,002
Distributions to the Province of Newfoundland and Labrador	**(141,000)**	(138,000)
Balance, end of year	**73,988**	67,002

See accompanying notes

Newfoundland Labrador Liquor Corporation

STATEMENT OF CASH FLOWS

Period ended
[in thousands]

	52 Weeks April 6, 2013 $	53 Weeks April 7, 2012 $
OPERATING ACTIVITIES		
Comprehensive income for the period	**147,986**	141,796
Adjustments for:		
Depreciation and amortization	**3,954**	3,645
Gain on disposal of property, plant and equipment	**(385)**	—
Accrued vacation pay	**289**	169
Employee benefits	**69**	235
	151,913	145,845
Net change in non-cash working capital	**(1,301)**	(1,819)
Cash provided by operating activities	**150,612**	144,026
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	**526**	—
Purchase of property, plant and equipment	**(12,820)**	(1,086)
Purchase of intangible assets	**(1,323)**	(2,214)
Cash used in investing activities	**(13,617)**	(3,300)
FINANCING ACTIVITY		
Distributions to the Province of Newfoundland and Labrador	**(141,000)**	(138,000)
Cash used in financing activities	**(141,000)**	(138,000)
Net (decrease) increase in cash during the period	**(4,005)**	2,726
Cash and cash equivalents, beginning of period	**31,419**	28,693
Cash and cash equivalents, end of period	**27,414**	31,419

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

April 6, 2013

1. NATURE OF OPERATIONS

The Newfoundland Labrador Liquor Corporation (the "Corporation" or "NLC") is a Provincial Crown Corporation responsible for managing the importation, sale and distribution of beverage alcohol throughout the Province of Newfoundland and Labrador (the "Province"). As a Crown Corporation, the NLC is not subject to any Provincial or Federal taxation in relation to its income.

The fiscal year of the Corporation ends on the first Saturday of April. As a result, the Corporation's fiscal year is usually 52 weeks in duration but includes a 53rd week every 5 to 6 years. The years ended April 6, 2013 and April 7, 2012 contained 52 weeks and 53 weeks, respectively.

2. BASIS OF PREPARATION

Statement of compliance

The financial statements of the Corporation for the 52 weeks ended April 6, 2013 were authorized for issue in accordance with a resolution of the directors on June 27, 2013.

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Going concern and basis of measurement

These financial statements were prepared on a going concern basis, under the historical cost convention. The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received (or receivable), excluding rebates, and sales taxes or duty. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Corporation has concluded that it is acting as a principal in all of its revenue arrangements. The Corporation's major revenue streams include sales to retail and wholesale customers and commission revenue on the sale of beer. The following specific recognition criteria apply before revenue is recognized:

Sale of goods

The Corporation generates and recognizes net sales to retail and licensee customers at the point of sale in its stores and upon delivery of products to Liquor Express operators. The commission paid to the Liquor Express operators is deducted from the selling price of the products delivered. The commission paid to Liquor Express operators for the year ended April 6, 2013 was $5.0 million (April 7, 2012 – $4.7 million).

Sales of gift cards are included in accounts payable and accrued liabilities as deferred revenue on the statement of financial position at the time of the sale and subsequently recognized in the statement of comprehensive income when redeemed.

Sales exclude HST and other taxes due.

Commission revenues

The Corporation earns a commission on the sale of beer products in the Province sold through Liquor Express outlets and brewer's agent stores. Commissions are recognized on an accrual basis, based upon beer products sold during the reporting period. The commission earned is presented within revenue as it is earned through the ordinary activities of the Corporation.

Foreign currency translation

Transactions in foreign currencies are initially recorded by the Corporation at rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the functional currency spot rate of exchange ruling at the reporting date. Non-monetary assets are valued at the historical amount.

Property, plant and equipment

Property, plant, and equipment are stated at cost less depreciation and any impairment. The cost includes expenditures that are directly attributable to the acquisition of the items. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Building components	10 - 50 years
Leasehold improvements	5 - 20 years
Office furniture and equipment	5 - 10 years
Computer hardware	5 - 6 years
Plant and warehouse equipment	5 - 20 years
Store equipment and fixtures	5 - 20 years
Motor vehicles	3 years

Building components include building structure (50 years), building exterior (20 years), mechanical and electrical (20 years), roofing and paving (20 years), and interior finishes (10 years). These components are combined and presented in these financial statements as building components.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset. The Corporation analyzes its lease agreements to assess whether they are finance or operating leases, using the lease term, useful life of the underlying asset, the present value of lease payments and other relevant factors. The Corporation has concluded that all its leases are operating leases.

Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

The Corporation uses office and warehouse space in St. John's that is owned by the Department of Works, Services and Transportation of the Province. The Corporation is not required to make any payments to the Department of Works, Services and Transportation; no amount has been recorded in these financial statements. All operating, leasehold and maintenance costs related to the buildings are the responsibility of the Corporation.

Intangible assets

Intangible assets consist of a trademark and computer software assets not considered integral to the operation of the related hardware. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any impairment losses. The Corporation capitalizes internally generated intangible assets that meet capitalization criteria. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Intangible assets with finite lives (including computer software) are amortized over periods of 5-9 years. New product research and development costs are expensed as incurred.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit ("CGU") level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Corporation considers the capitalized trademark to have an indefinite life.

Impairment of non-financial assets

The Corporation assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

NOTES TO FINANCIAL STATEMENTS

April 6, 2013

Cash and cash equivalents

Cash and cash equivalents are defined as short-term deposits with original maturities of three months or less. The Corporation holds cash in an investment account which is an interest-bearing account. The interest income earned on these deposits is recorded as finance income.

Inventories

Inventories are measured at the lower of cost and net realizable value and include raw materials and finished goods. Inventories at head office, in transit and in retail stores are measured at landed cost, consisting of acquisition costs, freight and customs and excise duties. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Periodically, NLC reviews its inventory to investigate whether an inventory reserve is required, to reduce the carrying value of inventory for obsolescence and amounts required to value inventory at the lower of cost or net realizable value.

General provisions

General provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee benefits

Severance

The Corporation provides a severance payment upon resignation, retirement or termination subject to certain vesting and other conditions of employment. The expected cost of this employee benefit is accounted for on an accrual basis and has been valued using an estimated actuarial basis. The Corporation reviews its assumptions annually and any resulting adjustments are recognized immediately in the statement of comprehensive income.

Sick leave

Certain employees of the Corporation are entitled to sick leave benefits that accumulate but do not vest. In accordance with IFRS, the Corporation recognizes the liability for the future use of these benefits in the period in which the employee renders the service. The obligation is actuarially determined using assumptions based on management's best estimates of the probability of use of accrued sick leave, salary changes, mortality, expectations on retention along with other relevant assumptions. Discount rates are based on the yield on high quality corporate bonds with cash flows similar to those of this liability. Actuarial gains or losses are recognized immediately in the statement of comprehensive income.

Pension

The Corporation and its employees participate in the Province's Public Service Pensions Plan ("PSPP"), a multi-employer defined benefit plan. The Corporation is however not able to obtain sufficient information from the plan administrator to account for the plan as a defined benefit plan and therefore applies defined contribution accounting guidelines. The Corporation's contributions are expensed as incurred.

Financial instruments

Financial assets

Financial assets within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* ("IAS 39") are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value through profit or loss.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial liabilities at initial recognition.

The Corporation has classified and subsequently measures financial assets/liabilities as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value through profit or loss
Accounts receivable	Loans and receivables	Amortized cost using Effective Interest Rate Method ("EIR").
Accounts payable and accrued liabilities	Loans and borrowings	Amortized cost using EIR

Significant accounting judgments, estimates and assumptions

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates and assumptions were made as part of the severance and sick leave account balances. The Corporation made assumptions regarding the discount rate, salary increases, and retention rates to estimate the amount of severance and sick leave accrued as of the reporting date.

NOTES TO FINANCIAL STATEMENTS

April 6, 2013

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Corporation monitors the activities of the IASB and considers the impact that changes in the standards may have on the Corporation's financial reporting. Some of the ongoing projects which may impact the Corporation are as follows:

IAS 17, Leases
The IASB has issued an exposure draft which proposes a new, single approach to lease accounting that would ensure that all assets and liabilities arising under lease contracts are recognized in the statement of financial position.

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1")
The amendments to IAS 1 require changes to the presentation of other comprehensive income (loss). Items that could be reclassified to net income (loss) for the year at a future point in time would be presented separately from items which will never be reclassified. The effective date of the standard is January 1, 2013. The Corporation decided not to early adopt the amendments.

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9")
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39, Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities. The standard is effective for years beginning on or after January 1, 2015. In subsequent phases, the IASB will address impairment of financial assets and hedge accounting. The completion of this project is expected in 2012. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. However, the Company determined that the effect will be quantified only in conjunction with the other phases when issued, to present a comprehensive picture.

IFRS 13 Fair Value Measurement ("IFRS 13")
IFRS 13 provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. The standard is effective for annual periods on or after January 1, 2013.

April 6, 2013

IFRS 19 Employee Benefits (Revised) ("IFRS 19")
The IASB has issued numerous amendments to IAS 19, the following is a summary of the most significant components as they apply to the Corporation. Under IAS 19, any defined benefit plan re-measurement must be immediately recognized in Other Comprehensive Income. Previously under IAS 19, companies had the option to recognize or defer recognition of changes in defined benefit obligations directly in the income statement. Past service costs previously spread over future service periods must now be recognized in profit or loss when the employee benefit plan is amended. In addition, there are increased disclosure requirements. The amendment becomes effective for annual periods beginning on or after January 1, 2013, with retrospective application required, early adoption is permitted. The Corporation has chosen not to early adopt the amendments and management's evaluation of the impact is ongoing.

The Corporation is analyzing the impact these new standards will have on its financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

	April 6, 2013			April 7, 2012
	Cost $	Accumulated depreciation $	Net book value $	Net book value $
Land	704	—	704	784
Building components	5,236	1,713	3,523	3,574
Leasehold improvements	14,243	8,600	5,643	5,607
Office furniture and equipment	1,496	1,180	316	517
Computer hardware	3,964	2,492	1,472	1,403
Plant and warehouse equipment	4,020	2,517	1,503	1,608
Store equipment and fixtures	4,779	3,052	1,727	1,172
Motor vehicles	180	105	75	92
Assets under construction	9,857	—	9,857	—
	44,479	19,659	24,820	14,757

NOTES TO FINANCIAL STATEMENTS

April 6, 2013

	April 6, 2013			
	Opening balance $	Additions $	Disposals $	Closing balance $
Cost				
Land	784	—	(80)	704
Building components	5,354	114	(232)	5,236
Leasehold improvements	13,376	1,069	(202)	14,243
Office furniture and equipment	1,473	51	(28)	1,496
Computer hardware	3,531	568	(135)	3,964
Plant and warehouse equipment	3,910	110	—	4,020
Store equipment and fixtures	4,006	1,029	(256)	4,779
Motor vehicles	158	22	—	180
Assets under construction	—	9,857	—	9,857
Total	32,592	12,820	(933)	44,479

Accumulated depreciation	Opening balance $	Depreciation $	Disposals $	Closing balance $
Building components	1,780	165	(232)	1,713
Leasehold improvements	7,769	943	(112)	8,600
Office furniture and equipment	1,075	126	(21)	1,180
Computer hardware	2,009	620	(137)	2,492
Plant and warehouse equipment	2,302	215	—	2,517
Store equipment and fixtures	2,834	474	(256)	3,052
Motor vehicles	66	39	—	105
Total	17,835	2,582	(758)	19,659
Net book value	14,757	10,238	(175)	24,820

On June 1, 2012, NLC entered into a contract to construct a new warehouse facility. The estimated cost of this warehouse, including land purchase, is $12.6 million. The estimated completion date is June 2013. Remaining payments outstanding as at April 6, 2013 are $2.7 million.

6. INTANGIBLE ASSETS

	April 6, 2013			April 7, 2012
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Trademark	**204**	**—**	**204**	204
Computer software	**11,096**	**5,559**	**5,537**	5,552
	11,300	**5,559**	**5,741**	5,756

	April 6, 2013			
	Opening balance $	Additions/ amortization $	Disposals $	Closing balance $
Cost				
Trademark	**204**	**—**	**—**	**204**
Computer software	**9,797**	**1,323**	**(24)**	**11,096**
Total	**10,001**	**1,323**	**(24)**	**11,300**
Accumulated amortization				
Computer software	**4,245**	**1,338**	**(24)**	**5,559**
Net book value	**5,756**	**(15)**	**—**	**5,741**

7. ACCOUNTS RECEIVABLE

Accounts receivable include the following:

	April 6, 2013 $	April 7, 2012 $
Accounts receivable	**6,076**	4,828
Beer commissions receivable	**5,874**	5,575
	11,950	10,403

For the year ended April 6, 2013, approximately 99% (April 7, 2012 – 98%) of the accounts receivable balance is current.

NOTES TO FINANCIAL STATEMENTS

April 6, 2013

8. INVENTORIES

	April 6, 2013 $	April 7, 2012 $
Distribution Centres	**19,832**	17,741
Branch stores	**10,018**	10,057
Stock in transit	**4,887**	5,883
Raw materials	**1,603**	1,021
	36,340	34,702

The total value of inventory expensed to cost of sales for the period ended April 6, 2013 was $99.7 million (April 7, 2012 - $96.5 million).

The inventory value includes a reserve of $0.2 million (April 7, 2012 - $0.2 million).

9. EMPLOYEE BENEFITS

Employee benefits include the following:

Accrued severance

	April 6, 2013 $	April 7, 2012 $
Accrued severance, beginning of period	**3,365**	3,130
Benefit expense	**240**	599
Benefits paid	**(273)**	(364)
Accrued severance, end of period	**3,332**	3,365

Accrued sick leave

	April 6, 2013 $	April 7, 2012 $
Accrued sick leave, beginning of period	**2,863**	2,863
Benefit expense	**403**	400
Benefits paid	**(301)**	(400)
Accrued sick leave, end of period	**2,965**	2,863
Total employee benefits	**6,297**	6,228

Benefit expense includes the current period benefit cost along with interest on the accrued benefit obligation.

The significant assumptions used by the Corporation in calculating the provisions are as follows:

	April 6, 2013 %	April 7, 2012 %
Salary increases	**3.25**	3.25
Discount rate	**3.25**	3.25

Employee retention rates used vary depending on age and length of service.

Pension plan

The Corporation's share of pension expense paid to the PSPP for the 52 weeks ended April 6, 2013 is $1.7 million (April 7, 2012 - $1.7 million).

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 6, 2013 $	April 7, 2012 $
Trade payables	**5,255**	6,075
Accrued liabilities	**7,133**	5,643
Excise duties	**11,014**	11,572
HST payable	**2,045**	2,035
Other payables	**3,192**	2,448
	28,639	27,773

11. SALES

Sales include the following:

	April 6, 2013 $	April 7, 2012 $
Sales of beverage alcohol	**226,664**	217,423
Other	**8,011**	6,937
	234,675	224,360

12. ADMINISTRATIVE AND OPERATING EXPENSES

	April 6, 2013 $	April 7, 2012 $
Salaries and employee benefits	**28,011**	27,955
Depreciation and amortization	**3,954**	3,645
Marketing	**3,206**	3,089
Rent and municipal taxes	**2,928**	2,744
Interest and bank charges	**1,983**	1,855
Other	**6,240**	6,834
	46,322	46,122

13. CAPITAL MANAGEMENT

The Corporation defines capital that it manages as net assets. Due to its nature as a Crown Corporation, NLC's capital management is strongly influenced by the liquidity forecasts of the Province, and although the Corporation prepares its own budget, including proposed distributions, the Province may at any time decide to request an additional distribution or to increase the distributions as included in the budget. Generally, the Corporation aims at maintaining a net assets balance that ensures that the Corporation is able to fund its obligations as they fall due and has available a reserve to allow for unexpected expenditure. Annual budgets and distribution plans are set to accommodate the Corporation's expenditures in relation to planned investments in property, plant and equipment and intangible assets.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit risk

The Corporation is exposed to credit risk with respect to accounts receivable from customers. The Corporation provides products to a large customer base, which minimizes the concentration of credit risk. There were two customers that accounted for 10% or more of the Corporation's accounts receivable as at April 6, 2013 (April 7, 2012 – two customers). The Corporation has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and utilizes internal and third-party collections processes for overdue accounts. Accounts receivable balances related to Liquor Express store operations are subject to general security agreements. The Corporation also maintains provisions for potential credit losses that are assessed on an ongoing basis.

15. COMMITMENTS

The Corporation has entered into rental leases covering most of its corporate stores.

Annual lease obligations are as follows:

	April 6, 2013 $	April 7, 2012 $
Within one year	**2,553**	2,539
After one year but no more than five years	**8,478**	9,309
More than five years	**2,818**	4,280

16. RELATED PARTY TRANSACTIONS

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

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of NLC, being the members of the Executive Management (CEO/President, Senior Vice President & CFO, Vice President of Sales and Marketing, Vice President of Supply Chain Management, Vice President of Human Resources and Corporate Administration, and Chief Information Officer). The total compensation (including salary and benefits) paid to key management personnel for the 52 weeks ended April 6, 2013 was $0.9 million (April 7, 2012 – $0.8 million).

17. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

During 2013, the Corporation engaged an external actuary to perform a valuation on the Corporation's sick leave accrual (the "Valuation"). Based on the results of the Valuation, it was determined that the sick leave accrual as at April 2, 2011 was lower than amounts previously estimated by the Corporation by $1.6 million. The financial statements for the fiscal year ended April 7, 2012 have been adjusted accordingly to increase employee benefits in the statement of financial position and reduce net assets in the statement of changes in net assets.

	Year ended April 7, 2012		
	As previously reported $	**Adjustment** $	**Restated** $
Statement of financial position:			
Employee benefits	4,610	1,618	6,228
Statement of changes in net assets:			
Net assets	68,620	(1,618)	67,002

NOVA CENTRAL SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS - JUNE 30, 2012

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the balance sheet of the current and capital funds of the **Nova Central School District** as at June 30, 2012, and the related statements of current revenues, expenditures and Board deficiency, and statement of changes in capital fund position for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting and as explained in Note 1 to the financial statements, which is in compliance with reporting requirements established for school boards in the Province of Newfoundland and Labrador by the Department of Education, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other

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

Basis for Disclaimer of Opinion

These financial statements, have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles. They have been prepared in accordance with the basis of accounting and as explained in Note 1 to the financial statements, which is in compliance with reporting requirements established for school boards in the Province of Newfoundland and Labrador by the Department of Education.

(Continued...)

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2012, and the results of its operations and the changes in its capital financial position for the year then ended in accordance with the basis of accounting and as explained in Note 1 to the financial statements, which is in compliance with reporting requirements established for school boards in the Province of Newfoundland and Labrador by the Department of Education.

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

Walters Hoffe
Chartered Accountants

Gander, Newfoundland

November 27, 2012

Nova Central School District
Balance Sheet
Year ended June 30, 2012

	2012	2011
Assets		
Current Assets		
Cash (Supp. Info 1)	$ 8,380,238	$ 8,243,948
Accounts Receivable (Note 2)	16,048,962	13,179,293
Inventory, at cost	-	-
Prepaid Expenses (Supp. Info 3)	641,761	607,814
Total Current Assets	25,070,961	22,031,055
Restricted Cash - Scholarship Contributions	723,947	721,709
Property and Equipment (Sch. 8)	224,350,255	213,200,147
	$ 250,145,163	$ 235,952,911
Liabilities and Board Equity		
Current Liabilities		
Bank indebtedness (Note 3)	$ -	$ -
Accounts Payable and Accruals (Note 4)	19,305,833	17,668,293
Current Maturities (Sch. 9B)	1,263,895	1,243,956
Total Current Liabilities	20,569,728	18,912,249
Scholarship Contributions	723,947	721,709
Long Term Debt (Sch. 9)	5,615,336	5,825,112
Accrued Support Staff Severance	2,979,338	3,042,333
Accrued Teacher Severance	21,052,147	20,081,629
Board Equity		
Investment in Capital Assets (Note 6)	217,471,023	206,131,080
Board Deficiency (Note 8)	(18,266,356)	(18,761,201)
Total Board Equity	199,204,667	187,369,879
Commitments (Note 7)		
	$ 250,145,163	$ 235,952,911

Approved: John Hayye Board Chairperson

______ Chairperson - Finance and Property Committee

See accompanying notes.

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

Year Ended June 30, 2012	2012	2011
Current Revenues (Schedule 1)		
Local Taxation	$ -	$ -
Provincial Government Grants	**147,173,935**	139,023,286
Donations	-	-
Ancillary Services	**36,000**	36,801
Miscellaneous	**1,742,845**	589,869
	$ 148,952,780	$ 139,649,956
Current Expenditures		
Administration (Schedule 2)	**$ 4,516,891**	$ 4,028,573
Instruction (Schedule 3)	**114,703,560**	108,705,862
Operations and Maintenance (Schedule 4)	**16,126,778**	13,743,168
Pupil Transportation (Schedule 5)	**12,052,177**	11,865,250
Ancillary Services (Schedule 6)	**2,226**	2,238
Interest Expense (Schedule 9C)	**3,679**	3,703
Miscellaneous Expenses (Schedule 7)	-	-
	147,405,311	138,348,794
23 111		
Excess of Revenue over Expenditure Before Teacher Severance, Funded Management Leave Accrual and Transfer to Capital	**$ 1,547,469**	$ 1,301,162
Teacher Severance	**(970,518)**	(890,230)
Funded Management Leave Accrual	**62,621**	39,536
Transfer to Capital	**(144,727)**	(1,137)
Net Increase (Decrease) in Board Equity	**$ 494,845**	$ 449,331
Board Deficit, beginning of period	**(18,761,201)**	(19,210,532)
Board Deficit, end of period	**$ (18,266,356)**	$ (18,761,201)

See accompanying notes.

Nova Central School District
Statement of Changes in Capital Fund

Year ended June 30, 2012		2012	2011
70	Capital Receipt		
71	Proceeds from Bank Loans		
011	School Construction	$ -	$ -
012	Equipment	-	-
013	Service Vehicles	-	67,115
014	Pupil Transportation	**1,133,640**	1,940,969
015	Other - Energy Performance Contracting	-	-
72	Department of Education Grants		
011	School Construction and Equipment	**11,522,834**	16,332,839
012	Other	-	119,941
73	Donations		
011	Cash Receipts	-	-
012	Non-Cash Receipts	-	-
013	Restricted Use	-	-
74	Sale of Capital Assets Proceeds		
011	Land	-	-
012	Buildings	**1,050**	11,289
013	Equipment	-	-
014	Service Vehicles	**736**	1,010
015	Pupil Transportation Vehicles	**5,929**	3,574
016	Other	-	-
75	Other Capital Revenues		
011	Interest on Capital Fund Investments	-	-
012	Premiums on Debentures	-	-
013	Recoveries of Expenditures	-	-
015	Insurance Proceeds	**17,500**	-
017	Miscellaneous-Energy Grant	-	-
Total Capital Receipts			
77	Transfer from Reserve Account	-	-
78	Transfer to/from Current Fund	**144,727**	1,137
		$ 12,826,416	$ 18,477,874

See accompanying notes.

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

Year ended June 30, 2012		2012	2011
80	Capital Disbursements		
81	Additions to Property and Equipment		
011	Land and Sites	$ -	$ 16,188
012	Buildings	**11,522,834**	16,313,466
013	Furniture and Equipment - School	**-**	-
014	Furniture and Equipment - Other	**83,219**	19,373
015	Services Vehicles	**51,177**	105,112
016	Pupil Transportation	**1,133,639**	2,006,724
017	Other		-
82	Principal Repayment of Loans		
011	School Construction		-
012	Equipment		-
013	Services Vehicles	**35,547**	17,011
014	Other		-
83	Miscellaneous Disbursements		
013	Other		-
Total Capital Disbursements		**$ 12,826,416**	$ 18,477,874

See accompanying notes.

1. Summary of Significant Accounting Policies

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

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

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

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

c) The Board does not calculate or record depreciation on any of its property and equipment.

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

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

Severance Pay

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

Severance pay for teachers is paid through the Department of Education. An amount of $1,345,033 has been paid during the 2011-2012 fiscal period and is included in employee benefits for teachers.

2. Accounts Receivable

			2012
		Current	
11	131	Provincial Government Grant	$ 14,899,494
	132	Transportation	-
	133	Federal Government	390,778
	134	School Taxes	-
	136	Other School Boards	-
	137	Rent	-
	138	Interest	-
	139	Travel Advances, Schools and Misc.	287,257
		Capital	
11	231	Department of Education-Capital Grants	471,433
	233	Local Contributions	-
	234	Other School Boards	-
	235	Other	-
			16,048,962
		Less: Allowance for uncollectible Government grants	-
			$ 16,048,962

3. Bank Indebtedness - Current

21	131	On Operating Credit	-
	132	On Current Account	-
			$ -

Nova Central School District
Notes to the Financial Statements

June 30, 2012

4. Accounts Payable and Accruals

			2012
		Current	
21	111	Trade Payables	$ 1,098,323
	112	Accrued - Liabilities	667,660
	113	- Interest	-
	114	- Wages	1,237,068
	115	Payroll Deductions	171,188
	116	Retail Sales Tax	-
	117	Deferred Grants	1,038,542
	119	Summer Pay- Teacher	12,717,948
	122	Department of Education	151,379
		Capital	
21	211	Trade Payables	-
	212	Accrued - Liabilities	-
	213	- Interest	-
	217	Deferred Grants	2,223,725
	218	Other	-
			$ 19,305,833

5. Reserve Account - Capital

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

5A. Reserve Account - Current

	2012
Balance, beginning of period	$ -
Less: Current Expenditures	-
Add: Transfer from Board Equity	-
Balance, end of period	$ -

6. Investment in Capital Assets

			2012
Balance, June 30, 2011			$ 206,131,080
Transfer of Operating Funds to Capital Fund			144,727
Grants	- Department of Education-Capital Projects	11,522,834	
	- Other	-	11,522,834
Proceeds from Sale of Capital Assets			7,715
Federal Government Energy Grant			-
Insurance Proceeds			17,500
			217,823,856
Deduct Adjustments:			
Cost of Assets Sold	- Land	-	
	- Buildings	770,210	
	- School Buses	837,582	
	- Service Vehicles-Mtce.	-	
	- Service Vehicles-Bussing	32,970	1,640,762
			216,183,094
Add Adjustments:			
Other - Pupil transportation loan payments made by current fund		1,102,498	
Energy Performance loan payments made by current fund		185,431	1,287,929
23 221 Investment in Capital Assets, end of period			$ 217,471,023

7. Commitments

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

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

2013-$ 138,842
2014-$ 138,842
2015-$ 136,003
2016-$ 134,753
2017-$ 52,675

8. Board Deficiency

Opening Board Deficiency, June 30, 2011	$ (18,761,201)
Net increase(decrease) in Board Equity (Page 5)	494,845
Board Deficiency, June 30, 2012	$ (18,266,356)

9. Department of Education Receivables and Payables

As at June 30, 2012 the Board has recorded the following receivables from the Province of Newfoundland & Labrador - Department of Education.

Accounts Receivable - Current

Amounts due re: Teacher Summer Pay	$ 12,717,948
Amounts due re: School Operations	2,181,545
	$ 14,899,493

Accounts Receivable - Capital

Amounts due re: Special Incentives	$ -
Amounts due re: School Construction	471,433
	$ 471,433

Accounts Payable

Amounts due re: Other	$ 151,379
Amounts due re: Teachers Payroll	-
	$ 151,379

Nova Central School District
Current Revenues

Schedule 1

Year Ended June 30, 2012		2012	2011
Current Revenues			
31 010	Local Taxation		
011	School Taxes	$ -	-
32 010	Provincial Government Grants		
011	Regular Operating Grants	$ 23,571,917	$ 22,877,569
012	Special Grants (Details on bottom of Schedule 1)	2,525,179	1,115,889
013	Payroll Tax	1,839,474	1,748,827
	Salaries and Benefits		
017	Directors and Assistant Directors/SEO	1,476,540	1,172,122
021	Regular Teachers	98,743,981	93,608,797
021	Student Assistants	2,804,796	2,755,677
022	Substitute Teachers	4,442,401	4,155,442
030	Pupil Transportation		
031	Board Owned	10,034,034	9,825,673
032	Contracted	1,257,112	1,246,433
033	Special Needs	478,501	516,857
		147,173,935	139,023,286
33 010	Donations		
012	Cash Receipts	-	-
013	Non Cash Receipts	-	-
014	Restricted Use	-	-
34 010	Ancillary Services	-	-
011	Revenue from Rental of Residences	-	-
015	Interest on Schools	-	-
021	Revenues from Rental of Schools and Facilities (Net)	-	801
022	Internally Generated Funds - Snow Clearing and Other Incentives	36,000	36,000
031	Cafeterias	-	-
032	Other	-	-
		36,000	36,801

Nova Central School District
Current Revenues

Schedule 1 (cont'd)

Year Ended June 30, 2012			2012	2011
Current Revenues				
35	010	Miscellaneous	$ -	$ -
	011	Interest on Investments	112,808	100,016
	012	Bus Charters	319,801	294,776
	021	Recoveries of Expenditures	996,864	82,602
	051	Insurance Proceeds	101,856	1,846
	081	Miscellaneous Federal Grant	66,689	53,807
	091	Textbooks	-	-
	092	Sundry	144,827	56,822
			1,742,845	589,869
36	011	Transfer from Capital		
		Total Current Revenues	$ 148,952,780	$ 139,649,956

Nova Central School District
Current Revenues

Schedule 1 (cont'd)

Year Ended June 30, 2012	2012	2011
Special Grants		
Apprenticeship Program (Salaries)	$ 94,969	$ 76,711
Art Works Conference	2,891	6,357
ASD S&C	45,840	20,439
Building Envelope Assessments	40,721	-
Building Envelope Upgrades - Smallwood Academy	49,889	-
Bus Depots - Life Safety Projects	53,475	2,093
CAD Drawings - Various Schools	29,960	-
Career Development Partnership Initiative	1,798	-
CDLI	20,984	66,706
Computers for Schools	752	-
Early Childhood	293	121
Enhanced/School Inspections	-	27,014
Entrance Security Upgrades - Various Schools	76,816	-
Fine Arts	70,452	11,607
French - ICF Admin Institute	-	5,500
French - ICF Resources	27,959	2,900
French - Recruitment and Training	6,750	8,000
French - Senior High Core French Resources	27,300	-
French - Smart Boards	10,207	18,595
French - Technology	-	4,550
French Camps	46,369	58,865
French Immersion	-	4,200
French Monitor	65,662	31,676
French Supplementary Materials	-	1,234
French Teacher Aide	53,992	29,016
Furniture and Equipment - Copper Ridge Academy	237,000	-
Furniture and Equipment - New World Island	40,055	-
Furniture and Equipment - St. Paul's Extension	40,499	-
Healthy Schools	3,385	78,160
Inclusion and Service Delivery Model	23,743	-
Inclusive Education	30,250	-
Intercom, Clock and Bell Systems - Various Schools	42,373	-
Intermediate Library Initiative	22,951	112,021
Kinderstart	7,225	5,988
Math Initiatives	42,808	37,966
Math Research	6,988	16,532
Mercury Clean Up - Glovertown Academy	73,653	-
Metal Lockers - Various Schools	177,390	-
Miscellaneous Repairs and Maintenance	124,687	52,925
Multi-Age Handbook	4,867	13,457
Music Equipment	-	48,171
Numeracy Support	31,568	28,148
Oil Tanks - Various Schools	33,700	-
Parking Lot - Woodland Primary	21,323	-
Parking Lot Safety - Various Schools	95,012	-
PISA/PCAP Schools	-	2,742
Positive Behaviours	2,436	-
Primary Core French	-	17,000
Provincial Theatre Arts Festival	50,000	-
Save-It-Forward Program	994	-
Soil Remediation - Grand Falls Windsor Bus Depot	467,712	-

Nova Central School District
Current Revenues

Schedule 1 (cont'd)

Year Ended June 30	2012	2011
Speech Language Pathology	$ 15,826	$ 6,786
St. Pierre Trips	76,876	$ 81,159
Student Information System	66,450	76,404
Teacher Induction	-	-
Training Initiatives-Special Education	-	76,098
Tutoring/Work Experience	34,642	43,514
Tutoring/Work Experience - CDLI	23,587	30,639
Youth Retention Strategy	100	12,595
	$ 2,525,179	$ 1,115,889

Nova Central School District
Administration Expenditures

Schedule 2

Year Ended June 30, 2012		2012	2011
51	011 Salaries and Benefits - Director and Assistant Directors/SEO	$ **1,476,540**	$ 1,172,123
	012 Salaries and Benefits - Board Office Personnel	**1,898,704**	1,715,138
	013 Office Supplies	**64,748**	62,592
	014 Replacement Furniture and Equipment	**34,963**	35,972
	015 Postage	**36,292**	42,446
	016 Telephone	**99,698**	87,262
	017 Office Equipment Rentals and Repairs	**19,235**	28,707
	018 Bank Charges	**427**	566
	019 Electricity	**161,423**	140,753
	021 Fuel	**-**	-
	022 Insurance	**4,262**	4,204
	023 Repairs and Maintenance (Office Building)	**29,188**	44,080
	024 Travel	**100,826**	116,221
	025 Board Meeting Expenses	**71,701**	77,746
	026 Election Expenses	**-**	-
	027 Professional Fees	**146,833**	126,367
	028 Advertising	**49,286**	49,745
	029 Membership Dues	**73,366**	76,008
	031 Municipal Taxes	**44,684**	43,015
	034 Miscellaneous	**175,547**	175,704
	035 Payroll Tax	**29,168**	29,924
Total Administration Expenditures		**$ 4,516,891**	$ 4,028,573

Nova Central School District
Instruction Expenditures

Schedule 3

Year Ended June 30, 2012			2012	2011
52	010	Instructional Salaries (Gross)		
	011	Teachers' Salaries - Regular	$ 83,454,378	$ 79,408,779
	012	- Substitute	4,441,402	4,155,442
	013	- Board Paid	1,078	-
	013	- Student Assistants	2,697,423	2,731,450
	014	Augmentation	-	-
	015	Employee Benefits	15,295,109	14,199,140
	016	School Secretaries - Salaries and Benefits	2,509,379	2,477,072
	017	Payroll Tax	1,882,413	1,791,866
	018	IMC Salary	38,908	35,299
			$ 110,320,090	$ 104,799,048
52	040	Instructional Materials		
	041	General Supplies	$ 813,894	$ 708,819
	042	Library Resource Materials	123,795	76,998
	043	Teaching Aids	538,722	526,068
	044	Curriculum Initiatives	-	-
			$ 1,476,411	$ 1,311,885
52	060	Instructional Furniture and Equipment		
	061	Replacement	$ 1,031,360	$ 754,170
	062	Rentals and Repairs	187,057	218,472
			$ 1,218,417	$ 972,642
52	080	Instructional Staff Travel		
	081	Program Co-ordinators	$ 78,866	$ 59,677
	082	Teachers' Travel	262,325	222,176
	083	Inservice and Conferences	140,090	175,795
			$ 481,281	$ 457,648
	090	Other Instructional Costs		
52	091	Postage and Stationary	-	-
	092	Miscellaneous	$ 1,207,361	$ 1,164,639
			$ 1,207,361	$ 1,164,639
			$ 114,703,560	$ 108,705,862

Nova Central School District
Operations and Maintenance Expenditures - Schools

Schedule 4

Year Ended June 30, 2012			2012	2011
53 011	Salaries and Benefits - Janitorial		**$ 3,979,494**	$ 3,778,399
012	Salaries and Benefits - Maintenance		**2,344,276**	2,285,061
013	Payroll Tax		**106,454**	108,842
014	Electricity		**3,337,751**	3,043,129
015	Fuel		**863,084**	757,344
016	Municipal Service Fees		**405,121**	357,492
017	Telephone		**566,490**	408,987
018	Vehicle Operating and Travel		**158,106**	171,860
019	Janitorial Supplies		**264,393**	273,663
021	Janitorial Equipment		**72,468**	38,822
022	Repairs and Maintenance	- Building	**1,226,269**	1,082,007
023		- Equipment	**7,812**	6,565
024	Contracted Services - Janitorial		**264,984**	303,153
025	Snowclearing		**675,869**	673,918
027	Other		**1,854,207**	453,926
Total Operations and Maintenance Expenditures			**$ 16,126,778**	$ 13,743,168

Nova Central School District
Pupil Transportation Expenditures

Schedule 5

Year Ended June 30, 2012			2012	2011
54	010	Operation and Maintenance of Board Owned Fleet		
	011	Salaries and Benefits - Administration	$ **228,049**	$ 233,455
	012	Salaries and Benefits Drivers and Mechanics	**6,198,864**	5,985,675
	013	Payroll Tax	**103,198**	101,803
	014	Debt Repayment - Interest	**136,212**	127,542
	015	- Principal	**1,102,498**	1,118,236
	016	Bank Charges	**-**	-
	017	Gas and Oil	**1,359,963**	1,210,197
	018	Licences	**88,578**	110,350
	019	Insurance	**108,038**	107,362
	021	Repairs and Maintenance - Fleet	**550,264**	620,148
	022	- Building	**52,419**	84,720
	023	Tires and Tubes	**76,505**	89,084
	024	Heat and Light	**95,288**	89,090
	025	Municipal Services	**9,510**	8,695
	026	Snowclearing	**41,860**	37,564
	027	Office Supplies	**18,254**	17,210
	029	Travel	**29,388**	12,991
	031	Professional Fees	**7,371**	7,129
	032	Miscellaneous	**64,287**	92,263
	033	Telephone	**46,018**	48,416
			$ **10,316,564**	$ 10,101,930
54	040	Contracted Services		
	041	Regular Transportation	**1,257,112**	1,246,433
	042	Special Needs	**478,501**	516,887
			1,735,613	1,763,320
Total Pupil Transportation Expenditures			$ **12,052,177**	$ 11,865,250

Nova Central School District
Ancillary Services and Miscellaneous Expenses

Year Ended June 30, 2012		2012	2011
Ancillary Services			Schedule 6
55	Ancillary Services		
011	Operations of Teachers' Residence	$ -	$ -
013	Janitorial	-	-
031	Cafeterias	-	12
032	Other	2,226	2,226
		$ 2,226	$ 2,238

Miscellaneous Expenses Schedule 7

The Board has incurred the following miscellaneous expenses:

57 001	Miscellaneous	-	-
		$ -	$ -

Nova Central School District
Details of Property and Equipment

Schedule 8

Year Ended June 30, 2012

			Balance June 30, 2011	Adjustment/ Transfer Current Year	Additions 2012	Disposals 2012	Balance June 30, 2012
Land and Sites							
12	210	Land and Sites					
	211	Land and Sites	2,778,858	-	-	-	2,778,858
12	212	Land Improvements	2,778,858	-	-	-	2,778,858
12	220	Buildings					
	221	Schools	167,632,982	-	10,986,493	770,210	177,849,265
	222	Administration	5,016,183	-	536,340	-	5,552,523
	223	Residential	-	-	-	-	-
	224	Recreation	-	-	-	-	-
	225	Other - Maintenance	136,323	-	-	-	136,323
			172,785,488	-	11,522,833	770,210	183,538,111
12	230	Furniture & Equipment					
	231	Schools	20,364,832	-	-	-	20,364,832
	232	Administration	2,043,212	-	83,219	-	2,126,431
	233	Residential	-	-	-	-	-
	234	Recreation	-	-	-	-	-
	235	Other - Maintenance	14,728	-	-	-	14,728
			22,422,772	-	83,219	-	22,505,991
12	240	Vehicles					
	241	Service Vehicles	329,799	-	51,178	32,969	348,008
12	250	Pupil Transportation					
	251	Land	60,817	-	-	-	60,817
	252	Building	1,016,779	-	-	-	1,016,779
	253	Vehicles - Buses	13,460,151	-	1,133,639	837,582	13,756,208
	254	- Service	275,643	-	-	-	275,643
	255	Equipment	69,840	-	-	-	69,840
	256	Other	-	-	-	-	-
			14,883,230	-	1,133,639	837,582	15,179,287
12	260	Miscellaneous Capital Assets					
	261	Other	-	-	-	-	-
Total Property & Equipment			$ 213,200,147	$ -	$ 12,790,869	$ 1,640,761	$ 224,350,255

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

Nova Central School District
Details of Long Term Debt

Schedule 9

Year Ended June 30, 2012

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

22 210 Loans Other Than Pupil Transportation

211 Bank Loans	
___Repayable $ 15,452 monthly, maturing 2015	$ 413,376
___Repayable $ monthly, maturing	-
___Repayable $ monthly, maturing	-
___Repayable $ monthly, maturing	-
___Repayable $ monthly, maturing	-
Total 211	$ 413,376
212 Mortgages	
___Repayable $ monthly, maturing	-
___Repayable $ monthly, maturing	-
___Repayable $ monthly, maturing	-
	-
Total 212	
	-
213 Vehicles	
___Repayable $ 539.62 monthly, maturing 2013	3,270
___Repayable $ 731.53 monthly, maturing 2013	7,209
___Repayable $ 552.61 monthly, maturing 2013	3,393
___Repayable $ 730.38 monthly, maturing 2013	3,718
___Repayable $ 619.21 monthly, maturing 2013	4,640
Total 213	22,230
Subtotal	435,606
215 Less: Current Maturities	207,670
Total Loans Other Than Pupil Transportation	$ 227,936

Nova Central School District
Details of Long Term Debt

Schedule 9 (cont'd)

Year Ended June 30, 2012

22 220 Loans - Pupil Transportation

221 Vehicle Bank Loans		
Prime-1% Repayable $13,293 monthly, maturing 2023	$	1,635,097
Prime-1% Repayable $6,277 monthly, maturing 2013		81,603
Prime-1% Repayable $1,125 monthly, maturing 2014		32,631
Prime-1% Repayable $2,914 monthly, maturing 2015		96,267
Prime-1% Repayable $3,794 monthly, maturing 2016		197,302
Prime-1% Repayable $2,090 monthly, maturing 2013		25,083
Prime-1% Repayable $2,738 monthly, maturing 2014		65,701
Prime-1% Repayable $2,793 monthly, maturing 2015		92,179
Prime-1% Repayable $1,084 monthly, maturing 2016		55,287
Prime-1% Repayable $ 21,563 monthly, maturing 2017		1,315,347
Prime-1% Repayable $ 24,443 monthly, maturing 2019		1,784,341
Prime- 1% Repayable $7,873 monthly, maturing 2023		1,062,787
Subtotal		6,443,625
223 Less: Current Maturities		1,056,225
Total Loans - Pupil Transportation		5,387,400
Total Long Term Debt	$	5,615,336

Nova Central School District
Summary of Long Term Debt

Schedule 9A

June 30, 2012

Description	Rate	Balance June 30 2011	Loans Obtained During Period	Principal Repayment for Period	Balance June 30 2012
A) 1. School Construction	**Prime - 1%**	$ -	$ -	$ -	$ -
2. Restructuring	**Prime - 1%**	-	-	-	-
B) Equipment		-	-	-	-
C) Service Vehicle		57,778	-	35,547	22,231
D) Other - Energy Performance Contracting	**Prime - 1%**	598,807	-	185,431	413,376
E) Pupil Transportation	**Prime - 1%**	6,412,483	1,133,640	1,102,499	6,443,624
Total Loans		7,069,068	1,133,640	1,323,477	6,879,231
Less: Current Maturities		1,243,956			1,263,895
Total Loans		$ 5,825,112	$ 1,133,640	$ 1,323,477	$ 5,615,336

Nova Central School District
Schedule of Current Maturities

Schedule 9B

June 30, 2012

Description	2013	2014	2015	2016	2017
A) School Construction	$ 185,424	185,424	42,535		
B) Equipment					
C) Service Vehicles	22,246				
D) Other					
E) Pupil Transportation	1,056,225	962,094	898,085	840,980	800,903
Total	$ 1,263,895	$ 1,147,518	$ 940,620	$ 840,980	$ 800,903

Nova Central School District
Schedule of Interest Expenses

Schedule 9C

Year Ended June 30, 2012	2012	2011
Description		
012 Capital		
School Construction Restructuring	$ -	$ -
Equipment	-	-
Service Vehicles	3,639	2,083
Other	-	-
Pupil Transportation	-	-
Total Capital	3,639	2,083
013 Current - Operating Loans	-	-
- Supplier Interest Charges	40	1,620
Total Current	40	1,620
Total Interest Expense	$ 3,679	$ 3,703

Nova Central School District
Supplementary Information

Year Ended June 30			2012	2011
1.		**Cash**		
		Current		
11	110	Cash on Hand and in Bank		
	111	Cash on Hand	$ 600	$ 900
	112	Bank - Current	8,237,012	7,357,141
	114	- Teachers' Payroll	822	6,318
	115	- Support Staff Payroll	141,804	879,589
		Capital		
11	210	Cash on Hand and in Bank	-	-
	211	Cash on Hand	-	-
	212	Bank - Current	-	-
	213	- Savings	-	-
	214	- Other	-	-
Total Cash on Hand and in Bank			$ 8,380,238	$ 8,243,948
2.		**Short Term Investments**		
		Current		
11	121	Term Deposits	$ -	$ -
	122	Canada Savings Bonds	-	-
	123	Other	-	-
			-	-
		Capital		
11	221	Term Deposits	-	-
	222	Canada Savings Bonds	-	-
	223	Other	-	-
Total Short Term Investments			$ -	$ -

Nova Central School District
Supplementary Information (Cont'd)

Year Ended June 30, 2012					2012		2011
3.		**Prepaid Expenses**					
		Current					
11	141	Insurance			-		-
	142	Municipal Service Fees		$	182,241	$	167,470
	143	Supplies			-		-
	144	Other	- WHSCC		257,343		256,312
			- Travel		-		-
			- Miscellaneous		202,177		184,032
		Capital					
11	241	Other (School Buses)			-		-
				$	641,761	$	607,814

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

FINANCIAL STATEMENTS

MARCH 31, 2013

Management's Report

Management's Responsibility for the Provincial Information and Library Resources Board Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information periodically and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Board in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Provincial Information and Library Resources Board.

On behalf of the Provincial Information and Library Resources Board.

Mr. Shawn Tetford
Executive Director

Mr. Andrew Hunt
Director of Financial Operations

June 28, 2013

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Provincial Information and Library Resources Board
Stephenville, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Provincial Information and Library Resources Board which comprise the statement of financial position as at March 31, 2013, the statements of operations, remeasurement gains and losses, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Provincial Information and Library Resources Board as at March 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CA
Auditor General

June 28, 2013
St. John's, Newfoundland and Labrador

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF FINANCIAL POSITION
March 31

	2013	2012
		Restated (Note 3)
FINANCIAL ASSETS		
Cash	$ 3,288,848	$ 2,620,519
Accounts receivable (Note 4)	87,764	130,926
Due from the Province	174,612	115,289
Portfolio investments (Note 5)	46,514	39,718
	3,597,738	2,906,452
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	929,131	936,717
Employee future benefits (Note 7)	2,222,498	2,319,967
Deferred revenue (Note 8)	2,161,771	1,337,808
Obligation under capital lease (Note 10)	36,020	40,098
	5,349,420	4,634,590
Net debt	(1,751,682)	(1,728,138)
NON-FINANCIAL ASSETS		
Inventories held for use	76,047	70,703
Prepaid expenses	176,389	156,270
Tangible capital assets (Note 11)	2,429,482	2,806,198
	2,681,918	3,033,171
Accumulated surplus	$ 930,236	$ 1,305,033
Accumulated surplus is comprised of:		
Accumulated operating surplus	$ 907,214	$ 1,288,807
Accumulated remeasurement gains	23,022	16,226
	$ 930,236	$ 1,305,033

Contractual obligations (Note 9)
Trusts under administration (Note 12)

The accompanying notes and supplementary schedules are an integral part of these financial statements.

Signed on behalf of the Board: Calvin Taylor Shaun Telford

Chairperson **Member**

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2013 Budget	2013 Actual	2012 Actual
	(Note 13)		Restated (Note 3)
REVENUE			
Province of Newfoundland and Labrador			
Operating grant	$ 10,815,900	$ 10,811,800	$ 10,815,900
Capital grant	350,000	250,000	846,738
Other grants			
Computerization projects	-	200,000	478,941
Kinderstart Literacy Program	-	-	81,327
Early Literacy Program	-	82,637	3,690
Miscellaneous	60,000	69,506	59,561
Fines and lost library materials	-	57,303	55,231
Interest	40,000	40,281	38,297
Dividend revenue	-	2,416	2,416
	11,265,900	11,513,943	12,382,101
EXPENSES			
Amortization	-	545,600	629,026
Books and periodicals	1,285,900	1,099,893	1,128,294
Computerization of libraries	325,000	291,309	338,835
Conferences and workshops	60,000	14,712	11,080
Early Literacy Program	-	80,448	6,020
Freight and postage	96,750	40,758	51,005
Grants - local libraries (Schedule)	683,711	750,687	682,575
Insurance	109,000	80,308	71,643
Kinderstart Literacy Program	-	-	82,555
Loss on disposal of capital assets	-	-	1,987
Miscellaneous	-	1,350	8,577
Office and library supplies	156,325	148,351	241,521
Professional fees	7,500	16,585	20,832
Rental of premises	437,044	414,370	396,941
Repairs and maintenance	16,780	43,210	20,105
Salaries and benefits	8,609,038	8,178,387	8,594,877
Telephone	72,944	68,332	64,764
Travel	155,454	121,236	136,654
	12,015,446	11,895,536	12,487,291
Annual operating deficit	(749,546)	(381,593)	(105,190)
Accumulated operating surplus, beginning of year	1,288,807	1,288,807	1,393,997
Accumulated operating surplus, end of year	$ 539,261	$ 907,214	$ 1,288,807

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
For the Year Ended March 31

	2013	2012
Accumulated remeasurement gains, beginning of year	**$ 16,226**	$ -
Unrealized gains attributable to:		
Portfolio investments	**6,796**	16,226
Accumulated remeasurement gains, end of year	**$ 23,022**	$ 16,226

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31

	2013 Budget	2013 Actual	2012 Actual
	(Note 13)		Restated (Note 3)
Annual operating deficit	$ (749,546)	$ (381,593)	$ (105,190)
Use of prepaid expenses	-	156,270	250,177
Acquisition of prepaid expenses	-	(176,389)	(156,270)
Net acquisition of inventories held for use	-	(5,344)	(4,104)
	-	(25,463)	89,803
Acquisition of tangible capital assets	-	(168,884)	(880,955)
Loss on disposal of tangible capital assets	-	-	1,987
Proceeds from disposal of tangible capital assets	-	-	3,979
Amortization of tangible capital assets	-	545,600	629,026
	-	376,716	(245,963)
Accumulated remeasurement gains	-	6,796	16,226
Increase in net debt	(749,546)	(23,544)	(245,124)
Net debt, beginning of year	(1,728,138)	(1,728,138)	(1,483,014)
Net debt, end of year	$ (2,477,684)	$ (1,751,682)	$(1,728,138)

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2013	2012
		Restated (Note 3)
Operating transactions		
Annual operating deficit	$ (381,593)	$ (105,190)
Adjustment for non-cash items		
Amortization	545,600	629,026
Loss on disposal of capital assets	-	1,987
	164,007	525,823
Change in non-cash operating items		
Accounts receivable	43,162	(42,563)
Due from the Province	(59,323)	(115,289)
Accounts payable and accrued liabilities	(7,586)	212,522
Employee future benefits	(97,469)	(29,525)
Deferred revenue	823,963	569,516
Inventories held for use	(5,344)	(4,104)
Prepaid expenses	(20,119)	93,907
Cash provided from operating transactions	841,291	1,210,287
Capital transactions		
Additions to capital assets	(168,884)	(880,955)
Proceeds from disposal of capital assets	-	3,979
Cash applied to capital transactions	(168,884)	(876,976)
Financing transactions		
Proceeds from obligations under capital lease	-	40,777
Repayments of obligations under capital lease	(4,078)	(679)
Cash (applied to) provided from financing transactions	(4,078)	40,098
Increase in cash	668,329	373,409
Cash, beginning of year	2,620,519	2,247,110
Cash, end of year	$ 3,288,848	$ 2,620,519

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES
For the Year Ended March 31

	2013	2012
Eastern Division		
Arnold's Cove	$ 2,676	$ 1,794
Bay Roberts	74,396	75,019
Bell Island	1,036	926
Bonavista	3,565	4,152
Brigus	7,133	6,615
Burin	531	605
Carbonear	39,332	39,630
Catalina	3,926	4,348
Clarenville	27,238	24,640
Conception Bay South	11,574	11,932
Fortune	392	410
Fox Harbour	5,301	5,267
Garnish	509	448
Grand Bank	9,000	9,410
Harbour Grace	9,526	7,839
Holyrood	6,881	6,108
Marystown	6,090	7,040
Mount Pearl	12,416	15,619
Old Perlican	1,706	2,098
Placentia	31,372	17,396
Pouch Cove	2,233	9,300
St. Brides	7,333	7,388
St. Lawrence	469	572
Southern Harbour	1,294	1,058
Torbay	1,123	3,052
Trepassey	7,751	7,926
Victoria	868	955
Whitbourne	4,749	3,759
Winterton	672	531
	281,092	275,837

SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES (Cont.)

For the Year Ended March 31	2013	2012
Central Division		
Baie Verte	**4,706**	4,396
Bishop's Falls	**962**	1,829
Botwood	**7,177**	7,078
Buchans	**648**	711
Carmanville	**793**	938
Centerville	**715**	1,374
Change Islands	**422**	496
Fogo	**4,642**	595
Gambo	**35,521**	7,388
Gander	**31,954**	31,415
Gaultois	**2,549**	2,752
Glenwood	**1,481**	1,633
Glovertown	**729**	496
Grand Falls-Windsor	**4,942**	6,415
Greenspond	**4,430**	4,194
Harbour Breton	**1,074**	2,701
Hare Bay	**1,044**	1,027
Harry's Harbour	**5,341**	5,303
Hermitage	**624**	737
King's Point	**3,965**	4,601
LaScie	**3,880**	3,376
Lewisporte	**4,421**	4,524
Lumsden	**438**	1,083
Musgrave Harbour	**1,913**	654
Norris Arm	**1,837**	3,056
Point Leamington	**763**	728
Robert's Arm	**4,225**	4,164
St. Albans	**4,529**	8,260
Seal Cove	**1,012**	681
Springdale	**1,979**	1,219
Summerford	**2,728**	2,197
Twillingate	**823**	4,688
Wesleyville	**440**	531
	142,707	121,240

For the Year Ended March 31	2013	2012
Western Newfoundland - Labrador Division		
Bay St. George South	1,388	493
Burgeo	596	603
Cape St. George	720	1,152
Cartwright	504	505
Churchill Falls	407	371
Codroy Valley	557	592
Cormack	1,800	1,924
Corner Brook	209,695	164,336
Cow Head	5,724	6,700
Daniel's Harbour	1,202	1,250
Deer Lake	14,939	16,370
Happy Valley	911	2,743
Labrador City	18,100	13,990
L'Anse au Loup	745	2,866
Lark Harbour	533	840
Lourdes	1,290	749
Norris Point	2,960	2,376
Pasadena	1,904	3,925
Port au Port	1,713	1,097
Port aux Basques	13,378	13,545
Port Saunders	8,016	6,535
Ramea	1,726	788
Rocky Harbour	394	434
St. Anthony	1,359	1,497
St. George's	1,239	1,125
St. Lunaire-Griquet	467	454
Sops Arm	940	1,503
Stephenville	26,580	27,970
Stephenville Crossing	1,124	1,638
Wabush	2,234	2,241
Woody Point	3,743	4,886
	326,888	285,498
	$ 750,687	$ 682,575

1. Nature of operations

The Provincial Information and Library Resources Board (the Board) operates under the authority of the *Public Libraries Act*. The purpose of the Board is to operate the public libraries in the Province. A majority of the members of the Board are appointed by the Lieutenant-Governor in Council. The Board reports to the Minister of Education.

The reporting entity for the purpose of these financial statements is the Board's head office and divisional offices. The Board's head office includes Administration, Technical Services and the Provincial Resource Library. These financial statements include expenditures for grants made to local libraries under the jurisdiction of the three divisional library boards detailed in the Schedule to the financial statements. Funds raised by local libraries in excess of the grants provided by the Board or any expenditures in excess of these grants are not reflected in these financial statements.

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

2. Summary of significant accounting policies

(a) Basis of accounting

The Board is classified as an Other Government Organizations as defined by Canadian Public Sector Accounting Standards (CPSAS). These financial statements have been prepared by the Board's management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board. Outlined below are the significant accounting policies followed.

(b) Financial instruments

The Board's financial instruments recognized in the statement of financial position consist of cash, accounts receivable, due from the Province, portfolio investments, accounts payable and accrued liabilities, and obligation under capital lease. The Board generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

The Board subsequently measures all of its financial assets and financial liabilities at cost or amortized cost, except for portfolio investments in equity instruments that are quoted in an active market, which are measured at fair value. Financial assets measured at cost include cash, accounts receivable, and due from the Province. Financial liabilities measured at cost include accounts payable and accrued liabilities. Financial liabilities measured at amortized cost include obligation under capital lease.

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

The carrying values of cash, accounts receivable, due from the Province, and accounts payable and accrued liabilities approximate current fair value due to their nature and the short-term maturity associated with these instruments. The carrying value of obligation under capital lease is considered to approximate market value.

The Board uses the quoted market price as at the fiscal year end to measure the fair value of its portfolio investments. Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

(c) Cash

Cash includes cash in bank.

(d) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Board's rate for incremental borrowing or the interest rate implicit in the lease. Note 10 provides a schedule of repayments and amount of interest on the leases.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Building improvements	10 years
Furniture and equipment	10 years
Motor vehicles	5 years
Computer equipment	3 years
Software	5 years
Assets under capital lease	10 years

2. Summary of significant accounting policies (cont.)

(d) Tangible capital assets (cont.)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Board's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus.

Contributed tangible capital assets are recorded as revenue at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

(e) Inventories held for use

Inventories held for use include office supplies and postage, and are recorded at the lower of historical cost and replacement cost.

(f) Prepaid expenses

Prepaid expenses include subscriptions, insurance and licenses, and are charged to expenses over the periods expected to benefit from it.

(g) Employee future benefits

Employee future benefits include severance pay and accumulating non-vested sick leave benefits.

(i) Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels.

(ii) The cost of accumulating non-vested sick leave benefits is actuarily determined using management's best estimates of long-term inflation rates, compensation increases, discount rate and remaining service life.

Under the *Public Libraries Act*, Board staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Board and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire.

Employee future benefits expenses are included with salaries and benefits in the Board's financial statements.

2. Summary of significant accounting policies (cont.)

(h) Revenues

Revenues are recorded on an accrual basis in the period in which the transactions or events which gave rise to the revenues occurred. When the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable, revenues are recorded when received.

Dividend revenue on portfolio investments is recognized when the dividend is declared.

Government transfers (Province of Newfoundland and Labrador operating grant and capital grant) are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

(i) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is recorded as an expense in that year.

Transfers include operating grants to local libraries. These transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

(j) Measurement uncertainty

The preparation of financial statements in conformity with CPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the expected future life of tangible capital assets, the probability of future severance payments made to employees with less than nine years of service and the probability of future sick leave benefits utilized by employees.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. Change in accounting policy

Previous to the year ended March 31, 2013, the Board did not record an accrued benefit obligation related to accumulating non-vesting sick leave benefits (compensated absences). CPSAS require that a liability and an expense be recognized for compensated absences that vest or accumulate in the period in which employees render services to the Board in return for the benefits. In order to comply with CPSAS, a retroactive adjustment was made to recognize a liability related to accumulating non-vesting sick leave benefits which resulted in the restatement of certain amounts in the prior period. An adjustment to the accumulated surplus at April 1, 2012 for $744,051 was made to record accumulating non-vesting sick leave benefits accrued prior to the 2012 fiscal year. The adjustment to the liability for employee future benefits at March 31, 2012 was $746,933, resulting in a decrease of $746,933 in accumulated surplus as at March 31, 2012. In addition, salaries and benefits increased by $2,882 for the year end March 31, 2012 which resulted in the annual deficit increasing by $2,882.

Comparative Restatement 2011-12

	2012	2012 Restated	Change
Statement of Financial Position:			
Employee future benefits	$ 1,573,034	$ 2,319,967	$ 746,933
Net debt	(981,205)	(1,728,138)	(746,933)
Accumulated surplus	2,051,966	1,305,033	(746,933)
Statement of Operations:			
Salaries and benefits	8,591,995	8,594,877	2,882
Annual operating deficit	(102,308)	(105,190)	(2,882)
Accumulated surplus, beginning of year	2,138,048	1,393,997	(744,051)
Statement of Change in Net Debt:			
Annual operating deficit	(102,308)	(105,190)	(2,882)
Net debt, beginning of year	(738,963)	(1,483,014)	(744,051)
Statement of Cash Flows:			
Annual operating deficit	(102,308)	(105,190)	(2,882)
Change in employee future benefits	(32,407)	(29,525)	2,882

For the year ended March 31, 2013, salaries and benefits increased by $4,116 as a result of the change in accounting policy.

4. Accounts receivable

	2013	2012
Federal Government		
Harmonized Sales Tax	$ 44,247	$ 94,288
Other	43,517	36,638
	$ 87,764	$ 130,926

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

5. Portfolio investments

Portfolio investments consist of 1,678 shares of Sun Life Financial Services of Canada Inc. which were given to the Board as a result of the demutualization of Sun Life Assurance Company of Canada. The carrying value of the shares is equal to their market price at the time of transfer to the Board.

	Market Value		Carrying Value	
	2013	2012	2013	2012
Investments held directly				
Sun Life Financial Services of Canada - 1,678 shares	$ 46,514	$ 39,718	$ 23,492	$ 23,492
	$ 46,514	$ 39,718	$ 23,492	$ 23,492

6. Accounts payable and accrued liabilities

	2013	2012
Accounts payable	$ 212,663	$ 208,933
Accrued salaries and benefits	716,468	727,784
	$ 929,131	$ 936,717

7. Employee future benefits

Employee future benefits consists of:

	2013	2012
Severance pay (a)	$ 1,471,449	$ 1,573,034
Accumulating non-vesting sick leave benefit liability (b)	751,049	746,933
	$ 2,222,498	$ 2,319,967

(a) Severance pay

Severance pay consists of the severance pay liability related to the following employees:

	2013	2012
Employees with 9 or more years of service	$ 1,317,171	$ 1,442,410
Employees with less than 9 years of service	154,278	130,624
	$ 1,471,449	$ 1,573,034

(b) Accumulating non-vesting sick leave benefit liability

	2013	2012
Accrued accumulating non-vesting sick leave benefit obligation, end of year	$ 811,015	$ 800,502
Unamortized actuarial (loss), end of year	(59,966)	(53,569)
Accumulating non-vesting sick leave benefit liability, end of year	$ 751,049	$ 746,933

(c) Accumulating non-vesting sick leave benefit expenses

	2013	2012
Current year benefit cost	$ 80,885	$ 74,339
Employer contributions and benefit payments	(111,612)	(108,098)
Interest on accrued benefit obligation	30,228	34,826
Recognized actuarial losses	4,615	1,815
Accumulating non-vesting sick leave benefit expenses	$ 4,116	$ 2,882

7. Employee future benefits (cont.)

(d) Employee future benefits

i. Severance pay

Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continuous service, and accordingly a liability has been recorded by the Board for these employees. For employees with less than nine years of continuous service, the Board has made a provision in the accounts for the payment of severance which is based upon the Board's best estimate of the probability of having to pay severance to the employees and current salary levels. In determining the best estimate of the probability that employees would be paid severance, the Board considered the rate of employee turnover. Employees with prior service with the Government of Newfoundland and Labrador or a Crown corporation or agency may be considered for severance provided the previous employer followed the same or an equivalent severance policy. Severance is payable when the employee ceases employment with the Board provided no severance has been paid by Government or another Crown corporation or agency for the same period and the employee has at least nine years of continuous service.

ii. Accumulating non-vested sick leave benefits

All unionized employees hired before May 4, 2004, are credited with 2 days per month and all unionized employees hired thereafter are credited with 1 day per month for use as paid absences in the year due to illness. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan are included in the financial statements. For the year ended March 31, 2013, a sick leave liability was calculated for 219 employees.

The accrued benefit obligation for accumulating non-vested sick leave benefits for the year ended March 31, 2013, are based on an actuarial extrapolation for accounting purposes to March 31, 2013 (valuation date as of March 31, 2012).

The actuarial valuation is based on assumptions about future events. The economic assumptions used in this valuation are the Board's best estimates of compensation increases of 4.0% per annum and discount rate of 3.6%. Other assumptions used in the valuation include estimates of expected termination rates, utilization rates and mortality rates.

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

7. Employee future benefits (cont.)

(d) Employee future benefits (cont.)

iii. Pension contributions

Under the *Public Libraries Act*, Board staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Board and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings average over five years. The maximum contribution rate for eligible employees was 8.6% (2012 - 8.6%). The Board's share of pension contributions and the total expense for 2013 was $430,046 (2012 - $436,009). The Board is not required to make contributions in respect of any actuarial deficiencies of the Plan.

8. Deferred revenue

Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement. As at March 31, 2013, the Board reported the following:

	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
Provincial source revenue	$1,329,186	$ 912,000	$ 82,637	**$ 2,158,549**
Other source revenue	8,622	3,474	8,874	**3,222**
	$1,337,808	$ 915,474	$ 91,511	**$ 2,161,771**

Deferred revenue relates to grants received for specific programs such as literacy initiatives and library book purchases, and renovations to local libraries which have not yet been spent for these purposes by the Board. These amounts will be recognized as revenue when the specific program expenses are incurred or the capital equipment is acquired.

9. Contractual obligations

The Board has entered into lease agreements for the rental of photocopiers, microfiche readers, postal equipment and various rental properties throughout the Province. Future minimum lease payments are as follows:

2014	$ 714,976
2015	605,476
2016	605,476
2017	604,454
2018	517,598
Thereafter	3,731,171
	$ 6,779,151

10. Obligation under capital lease

The Board acquired office furniture under the terms of a lease agreement ending January 31, 2022. There is no interest under the terms of the agreement and the Board will assume ownership at the end of the 10 year term. Payments under this obligation for the next 9 years are as follows:

2014	$ 4,078
2015	4,078
2016	4,078
2017	4,078
2018	4,078
2019 - 2022	15,630
Total minimum lease payments	$ 36,020

11. Tangible capital assets

Original Cost

	Balance March 31, 2012	Additions	Disposals	Balance March 31, 2013
Land	$ 285,907	$ -	$ -	$ 285,907
Buildings	1,758,867	-	-	1,758,867
Building improvements	1,661,142	27,507	-	1,688,649
Furniture and equipment	1,622,914	118,143	28,211	1,712,846
Motor vehicles	206,809	-	-	206,809
Computer equipment	1,624,794	23,234	284,988	1,363,040
Software	168,688	-	-	168,688
Assets under capital lease	40,777	-	-	40,777
	$ 7,369,898	$ 168,884	$ 313,199	$ 7,225,583

Accumulated Amortization

	Balance March 31, 2012	Amortization	Disposals	Balance March 31, 2013	Net book value March 31, 2013	Net book value March 31, 2012
Land	$ -	$ -	$ -	$ -	**$ 285,907**	$ 285,907
Buildings	1,210,078	38,789	-	1,248,867	**510,000**	548,789
Building improvements	633,116	165,613	-	798,729	**889,920**	1,028,026
Furniture and equipment	1,081,332	98,400	28,211	1,151,521	**561,325**	541,582
Motor vehicles	122,996	41,362	-	164,358	**42,451**	83,813
Computer equipment	1,343,412	197,358	284,988	1,255,782	**107,258**	281,382
Software	168,688	-		168,688	**-**	-
Assets under capital lease	4,078	4,078	-	8,156	**32,621**	36,699
	$ 4,563,700	$ 545,600	$ 313,199	$ 4,796,101	**$ 2,429,482**	$ 2,806,198

12. Trusts under administration

Trust funds administered by the Board have not been included in the financial statements as expenditures of these funds are not controlled by the Board. The balances of funds held in trust are as follows:

	2013	2012
Local libraries - deposits	$ 96,984	$ 96,892
Provincial Territorial Public Library Council	69,204	54,201
	$ 166,188	$ 151,093

Funds raised by some local libraries have been deposited with the Board to cover the cost of wages for additional opening hours and for the purchase of books, periodicals and computers. The balance on deposit at March 31, 2013 consists of cash of $20,001 (2012 - $5,159), accounts receivable of nil (2012 - $15,353) and 4,084 shares (2012 - 4,140 shares) of various Investor Group Mutual Funds held in trust for the St. John's Public Library Board which were donated to the Board. The carrying value of the mutual funds is recognized at the fair market value of $76,983 (2012 - $76,380), as determined by the average cost at the time the shares were acquired by the Board. The fair market value of these shares at March 31, 2013 was $86,329 (2012 - $81,280).

The Provincial Territorial Public Library Council is a national organization whose mandate is to study library services. Membership fees are paid each year into the account and expenses are periodically spent from the account as directed by the Council.

13. Budget

The Board's budget is prepared on a cash basis. The 2013 budget expenditure exceeded the Province's current year provision for operating grants for the Board and the expected difference would be funded from cash surpluses carried forward from prior years.

14. Financial risk management

The Board recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The risks that the Board is exposed to through its financial instruments are credit risk, liquidity risk and market risk.

14. Financial risk management (cont.)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Board's main credit risk relates to cash, accounts receivable and due from the Province. The Board's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Board is not exposed to significant credit risk with its cash because this financial instrument is held with a Chartered Bank. The Board is not exposed to significant credit risk with the amount due from the Province because of its nature. The Board is not exposed to significant credit risk related to its accounts receivable as it has policies and procedures for the monitoring and collection of its accounts receivable so as to mitigate potential credit losses. Any estimated impairment of these accounts receivable has been provided for through a provision for doubtful accounts. At the present time there is no provision for doubtful accounts as all amounts are considered collectible.

Liquidity risk

Liquidity risk is the risk that the Board will be unable to meet its contractual obligations and financial liabilities. The Board manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its contractual obligations and financial liabilities. The Board's exposure to liquidity risk relates mainly to its accounts payable and contractual obligations. The future minimum payments required from the Board in relation to its contractual obligations are outlined in Note 9.

Market risk

Market risk is the risk that the fair value of expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency (foreign exchange) risk, interest rate risk and other risk. The Board is not exposed to significant foreign exchange risk. The Board is not exposed to interest rate risk on its obligation under capital lease because it is non-interest bearing. In addition, the Board is not exposed to significant interest rate risk related to cash because of its nature.

The Board is exposed to other risk on its portfolio investments (equity investments) as the investments are quoted in an active market in which share pricing can fluctuate. The Board's maximum other risk is limited to the fair value of the shares as at March 31, 2013. As the Board's investment consists of 1,678 shares, any price fluctuation of $1 to the quoted market price will result in an unrecognized gain or loss of $1,678 for the Board.

15. Comparative figures

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

RESEARCH & DEVELOPMENT CORPORATION

OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

March 31, 2013

Management Certification

The accompanying financial statements of the Research & Development Corporation of Newfoundland and Labrador have been prepared by the Corporation's management in accordance with Canadian Public Sector Accounting Standards.

Management is responsible for the integrity and objectivity of the information contained in these financial statements, including the note disclosures. Some of the information in the financial statements is based on management's best estimate and judgment, and gives due consideration to materiality.

Management has developed and maintains a financial and management control system and practices designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information to maintain accountability of Research & Development Corporation of Newfoundland and Labrador funds.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and meets periodically with management to review and discuss the financial information. The Auditor General of Newfoundland and Labrador conducts an independent audit of the annual financial statements of the Research & Development Corporation of Newfoundland and Labrador in accordance with Canadian auditing standards in order to express an opinion thereon. The Auditor General has full and free access to the financial management of the Research & Development Corporation of Newfoundland and Labrador and meet when required.

Glenn Janes
Chief Executive Officer

Gerald Rockwood, CA
Chief Financial Officer

St. John's, Newfoundland and Labrador
June 10, 2013

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Research & Development Corporation
of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Research & Development Corporation of Newfoundland and Labrador which comprise the statement of financial position as at March 31, 2013, the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Research & Development Corporation of Newfoundland and Labrador as at March 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CA
Auditor General

St. John's, Newfoundland and Labrador
June 10, 2013

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF FINANCIAL POSITION
As at

	March 31, 2013 $	March 31, 2012 $
FINANCIAL ASSETS		
Cash and cash equivalents (Note 6)	**27,949,929**	30,873,318
Receivables	**210,142**	132,443
	28,160,071	31,005,761
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	**1,415,277**	3,378,223
	1,415,277	3,378,223
Net Financial Assets	**26,744,794**	27,627,538
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 8)	**1,154,551**	718,764
Prepaid expenses	**40,411**	15,110
	1,194,962	733,874
Accumulated surplus	**27,939,756**	28,361,412

Contractual obligations (Note 9)

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

Signed on behalf of the Board:

Director Director

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31

	2013 $ Budget (Note 14)	2013 $ Actual	2012 $ Actual
REVENUE			
Government grants	25,286,700	23,829,533	25,226,262
Investment income	483,893	504,071	449,232
	25,770,593	24,333,604	25,675,494
EXPENSES (Note 10)			
Program expenses - Academic	20,341,063	17,638,919	12,702,135
Program expenses - Business	5,773,888	3,288,358	2,643,886
Operating expenses	5,498,109	3,827,983	3,601,250
	31,613,060	24,755,260	18,947,271
Annual (deficit) surplus	(5,842,467)	(421,656)	6,728,223
Accumulated surplus, beginning of year	28,361,412	28,361,412	21,633,189
Accumulated surplus, end of year	22,518,945	27,939,756	28,361,412

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

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended March 31

	2013 $ Budget (Note 14)	2013 $ Actual	2012 $ Actual
Annual (deficit) surplus	**(5,842,467)**	**(421,656)**	6,728,223
Acquisition of tangible capital assets	**(348,500)**	**(685,992)**	(532,574)
Amortization of tangible capital assets	**430,096**	**250,205**	169,110
	81,596	**(435,787)**	(363,464)
Acquisition of prepaid expenses	-	**(69,494)**	(224,296)
Use of prepaid expenses	-	**44,193**	209,186
	-	**(25,301)**	(15,110)
(Decrease) increase in net financial assets	**(5,760,871)**	**(882,744)**	6,349,649
Net financial assets, beginning of year	**27,627,538**	**27,627,538**	21,277,889
Net financial assets, end of year	**21,866,667**	**26,744,794**	27,627,538

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

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF CASH FLOWS

For the year ended March 31

	2013 $	2012 $
OPERATING TRANSACTIONS		
Annual (deficit) surplus	**(421,656)**	6,728,223
Non-cash item		
Amortization of tangible capital assets	**250,205**	169,110
Increase in receivables	**(77,699)**	(101,404)
Increase in prepaid expenses	**(25,301)**	(15,110)
Decrease in accounts payable and accrued liabilities	**(1,962,946)**	(115,910)
Cash (applied to) provided by operating transactions	**(2,237,397)**	6,664,909
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	**(685,992)**	(532,574)
Cash applied to capital transactions	**(685,992)**	(532,574)
Net (decrease) increase in cash and cash equivalents	**(2,923,389)**	6,132,335
Cash and cash equivalents, beginning of year	**30,873,318**	24,740,983
Cash and cash equivalents, end of year (Note 6)	**27,949,929**	30,873,318

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

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

1. Nature of operations

The Research & Development Corporation of Newfoundland and Labrador (the Corporation) is incorporated under the authority of the *Research and Development Council Act (*the *Act)* and is funded by the Province of Newfoundland and Labrador (the Province). The *Act* came into effect December 18, 2009. The objective of the Corporation is to strengthen the focus, quantity, quality, and relevance of research and development (R&D) undertaken within the Province and elsewhere for the long-term economic benefit of the Province.

The affairs of the Corporation are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. The Corporation is a Crown entity of the Province and as such is not subject to Provincial or Federal income taxes.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (CPSA Standards) which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature these estimates are subject to measurement uncertainty. The most significant item for which estimates are used is the useful life of tangible capital assets. The effect on the financial statements of a change in this estimate in future periods could be material and would be accounted for in the period the change occurs.

Basis of presentation

These financial statements include the accounts relating to the operations carried on under the name of the Corporation, and have been prepared by the Corporation's management in accordance with CPSA Standards.

Cash and cash equivalents

Cash and cash equivalents Include cash in bank and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. These short term investments generally have a maturity of three months or less at acquisition.

Revenue recognition

The Corporation recognizes the receipt of government transfers as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the Corporation. Investment income is recognized as earned.

2. Summary of significant accounting policies (cont.)

Expenses

The Corporation recognizes expenses on an accrual basis. The cost of all goods consumed and services received during the year is expensed. Program grants are recorded as expenses when they are authorized, when eligibility criteria have been met by the recipient, and when a reasonable estimate of the amount can be made.

Tangible capital assets

Tangible capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives using the following terms:

	Term
Furniture and equipment	5 years
Computer hardware and software	2 years
Network infrastructure	4 years
Enterprise resource package software	3 years
Leasehold improvements	Lease term

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The net write downs are accounted for as expenses in the statement of operations.

Pension costs

Employees of the Corporation are covered by the Public Service Pension Plan administered by the Government of Newfoundland and Labrador or a self-directed RRSP. Contributions to each plan are required from the employees and are matched by the Corporation. The annual contributions for pensions are recognized during the year in which the services are rendered and represent the Corporation's total pension benefit obligation. The Public Service Pension Plan provides defined pension benefits to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees is 8.6% (2012 – 8.6%). The Corporation is not required to make contributions in respect of any actuarial deficiencies of the plan. Total pension expense for the Corporation at March 31, 2013 was $222,084 (2012 - $203,088).

3. Accounting pronouncements

In March 2011, the Public Sector Accounting Board approved new Section PS 3450, *Financial Instruments*, Section PS 2601 to replace current Section PS 2600, *Foreign Currency Translation* and Section PS 1201 to replace current Section PS 1200, *Financial Statement Presentation*. In addition, in March 2012, the Public Sector Accounting Board approved Section PS 3041 to replace current Section PS 3040, *Portfolio Investments*. The four sections are effective for the Corporation's year ending March 31, 2013. Government organizations are required to adopt the four sections in the same year. The impact on the Corporation of adopting these new sections in the current year is minimal and has been reflected in these financial statements.

4. Risk management

The Corporation's management recognizes the importance of managing significant risks and this includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board of Directors is provided with timely and relevant reports on the management of significant risks. Significant risks currently managed by the Corporation include liquidity risk.

Liquidity risk

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

5. Financial instruments

The Corporation's financial instruments recognized on the Statement of Financial Position consist of cash and cash equivalents, receivables, and accounts payable and accrued liabilities. The carrying value of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

6. Cash and cash equivalents

	2013 $	2012 $
Cash in bank	**2,949,929**	30,873,318
Cash equivalent investments	**25,000,000**	-
	27,949,929	30,873,318

7. Accounts payable and accrued liabilities

	2013 $	2012 $
Programs grants payable	**685,954**	2,423,434
Trade accounts payable & accruals	**243,232**	522,191
Payroll related accruals	**486,091**	432,598
	1,415,277	3,378,223

8. Tangible capital assets

	Leasehold Improve-ments $	Furniture & Equipment $	Computer Hardware & Software $	Network Infrastructure $	Enterprise Resource Package Software $	Total $
COST						
Balance, March 31, 2012	433,155	269,417	103,362	47,077	259,085	1,112,096
Additions	402,258	262,715	21,019	-	-	685,992
Balance, March 31, 2013	835,413	532,132	124,381	47,077	259,085	1,798,088
ACCUMULATED AMORTIZATION						
Balance, March 31, 2012	-	115,523	58,445	35,307	184,057	393,332
Amortization expense	62,656	80,155	36,520	11,770	59,104	250,205
Balance, March 31, 2013	62,656	195,678	94,965	47,077	243,161	643,537
Net book value, March 31, 2013	**772,757**	**336,454**	**29,416**	**-**	**15,924**	**1,154,551**
Net book value, March 31, 2012	433,155	153,894	44,917	11,770	75,028	718,764

9. Contractual obligations

The Corporation has outstanding contractual obligations under its various programs in respect of approved but not yet disbursed funds in the amount of $27,381,124. The Corporation has also entered into a lease agreement for the rental of office space and joint cost shared agreements totaling $4,415,881. Approximate payment of these obligations in future years is as follows:

	Programs $	Other $
2014	14,159,785	763,771
2015	6,634,519	442,680
2016	3,244,747	442,680
2017	1,933,426	442,680
2018	1,197,397	442,680
Thereafter	211,250	1,881,390
	27,381,124	4,415,881

10. Expenses

	2013 $ Budget (Note 14)	2013 $ Actual	2012 $ Actual
Program grants	**23,106,770**	**18,919,235**	13,350,755
Salaries and benefits	**5,190,193**	**3,939,400**	3,349,080
Purchased services	**1,671,613**	**1,336,836**	1,049,744
Professional services	**1,214,388**	**309,584**	1,028,582
Amortization of tangible capital assets	**430,096**	**250,205**	169,110
Total expenses	**31,613,060**	**24,755,260**	18,947,271

11. Related party transactions

These financial statements include transactions with related parties. The Corporation is related, as a result of common ownership, to all Crown corporations and agencies of the Province.

During the year, the Corporation had the following related party transactions:

- Program grants expense to related parties of $16,736,910 (2012 - $11,654,188).
- Purchased supplies and services from related parties for $491,972 (2012 - $138,720).

12. Economic dependence

As a result of the Corporation's reliance on funding from the Government of Newfoundland and Labrador, the Corporation's ability to continue viable operations is dependent upon the decisions of the Province.

13. Credit facilities

Subject to the prior approval of the Lieutenant-Governor in Council and the Board, the Corporation may borrow money for purposes related to the attainment of its objectives as set out in the *Act*. At March 31, 2013, the Corporation had available a revolving credit facility of up to $1,000,000 bearing interest at prime, a letter of credit of up to $50,000 bearing interest at 1%, and VISA business card(s) with an aggregate limit of $50,000. At March 31, 2013, the credit facility, letter of credit, and the VISA business card(s) are inactive.

14. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Province.

15. Comparative figures

Certain of the 2012 comparative figures have been reclassified to conform to the financial presentation adopted in 2013.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

MARCH 31, 2013

Management's Report

Management's Responsibility for the Student Loan Corporation of Newfoundland and Labrador

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information periodically and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Corporation in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Student Loan Corporation of Newfoundland and Labrador.

On behalf of the Student Loan Corporation of Newfoundland and Labrador.

Mr. Scott Jones, CMA	Mr. Jason Cole, CGA
Director of Portfolio Management	Manager of Financial Operations Reporting

July 18, 2013

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Student Loan Corporation of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Student Loan Corporation of Newfoundland and Labrador which comprise the statement of financial position as at March 31, 2013, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Student Loan Corporation of Newfoundland and Labrador as at March 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CA
Auditor General

July 18, 2013
St. John's, Newfoundland and Labrador

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF FINANCIAL POSITION

As at March 31	2013	2012
FINANCIAL ASSETS		
Cash	$ 5,404,347	$ 6,768,247
Due from government (Note 3)	476,680	531,513
Student loans receivable (Note 4)	105,197,372	118,428,817
	111,078,399	125,728,577
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	383,180	377,776
Employee future benefits (Note 6)	366,744	297,536
Due to government (Note 7)	45,073	60,606
Long-term debt (Note 8)	73,000,000	102,000,000
	73,794,997	102,735,918
Net financial assets	37,283,402	22,992,659
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	55,303	74,199
	55,303	74,199
Accumulated surplus	$ 37,338,705	$ 23,066,858

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

Signed on behalf of the Board: Julia Mullaley **Chairperson** **Director**

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the year ended March 31

	2013 Budget	2013 Actual	2012 Actual
	(Note 12)		
REVENUES			
Provincial grant	$ 35,000,000	$ 28,150,810	$ 28,842,761
Federal grant	-	5,662	213,341
Recovery in value of student loan receivable	2,160,000	2,371,552	1,886,956
Interest	100,000	138,954	193,412
Student loan interest	-	128,838	94,223
Other	10,000	135,523	135,615
	37,270,000	30,931,339	31,366,308
EXPENSES			
Administrative fees	996,000	746,827	736,669
Amortization	20,000	18,896	28,806
Bank charges	-	8,624	11,477
Grant - Federal	-	5,151	213,341
Grant - Provincial	20,687,500	12,632,485	13,060,790
Interest on long-term debt	1,050,000	1,146,208	1,552,165
Interest relief - repayment assistance	20,000	359,889	192,499
Operating	287,500	141,731	122,696
Other	-	-	30,000
Salaries	1,586,900	1,599,681	1,443,410
	24,647,900	16,659,492	17,391,853
Annual surplus	12,622,100	14,271,847	13,974,455
Accumulated surplus, beginning of year	23,066,858	23,066,858	9,092,403
Accumulated surplus, end of year	$ 35,688,958	$ 37,338,705	$ 23,066,858

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

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended March 31

	2013 Budget (Note 12)	2013 Actual	2012 Actual
Annual surplus	$ 12,622,100	$ 14,271,847	$ 13,974,455
Use of prepaid expense	-	-	2,010
Acquisition of tangible capital assets	(10,000)	-	(5,736)
Amortization of tangible capital assets	20,000	18,896	28,806
Increase in net financial assets	12,632,100	14,290,743	13,999,535
Net financial assets, beginning of year	22,992,659	22,992,659	8,993,124
Net financial assets, end of year	$ 35,624,759	$ 37,283,402	$ 22,992,659

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

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS

For the year ended March 31	2013	2012
Operating transactions		
Annual surplus	$ 14,271,847	$ 13,974,455
Adjustments for non-cash items		
Amortization	18,896	28,806
Recovery in value of student loan receivable	(2,371,552)	(1,886,956)
	11,919,191	12,116,305
Changes in non-cash operating items		
Due from government	54,833	(132,272)
Prepaid expense	-	2,010
Accounts payable and accrued liabilities	5,404	(166,252)
Due to government	(15,533)	27,324
Employee future benefits	69,208	182,657
Cash provided from operating transactions	12,033,103	12,029,772
Capital transactions		
Acquisition of tangible capital assets	-	(5,736)
Cash applied to capital transactions	-	(5,736)
Financing transactions		
Long-term debt issued	-	102,000,000
Repayment of long-term debt	(29,000,000)	(142,000,000)
Cash applied to financing transactions	(29,000,000)	(40,000,000)
Investing transactions		
Net decrease in student loans receivable (Note 4)	16,810,272	16,671,004
Student loans written off to allowance	(1,207,275)	(979,808)
Cash provided from investing transactions	15,602,997	15,691,196
Decrease in cash	(1,363,900)	(12,284,768)
Cash, beginning of year	6,768,247	19,053,015
Cash, end of year	$ 5,404,347	$ 6,768,247

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

1. Nature of operations

The Student Loan Corporation of Newfoundland and Labrador (the Corporation) was established on March 30, 2004 under the authority of the *Student Financial Assistance Act*. The objective of the Corporation is to act as the lender for all Provincial student loans. The affairs of the Corporation are managed by a Board of Directors comprised of senior government officials.

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

2. Summary of significant accounting policies

(a) Basis of accounting

The Corporation is classified as an Other Government Organization as defined by Canadian Public Sector Accounting Standards (CPSAS). These financial statements have been prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board. Outlined below are the significant accounting policies followed.

(b) Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash, due from government, student loans receivable, accounts payable and accrued liabilities, due to government and long-term debt. The Corporation generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

The Corporation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash and due from government. Student loans receivable is measured at amortized cost as disclosed in notes 2(e) and 4. Financial liabilities measured at cost include accounts payable and accrued liabilities and due to government. Long-term debt is measured at amortized cost as disclosed in note 8.

The carrying values of cash, due from government, accounts payable and accrued liabilities and due to government approximate current fair value due to their nature and the short-term maturity associated with these instruments. The carrying value of student loans receivable and long-term debt are considered to approximate market value.

Interest attributable to financial instruments is reported in the statement of operations and accumulated surplus.

2. Summary of significant accounting policies

(c) Cash

Cash includes cash in bank.

(d) Employee future benefits

Employee benefits include severance pay and accumulating, non-vested, sick leave benefits.

(i) Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels.

(ii) The Corporation has made a provision in the accounts for the payment of accumulating, non-vesting, sick leave benefits to certain employees which is based upon the Corporation's best estimate of the probability of the employees utilizing the benefits and current salary levels.

The Corporation and its employees are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Corporation and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The contribution of the Corporation to the plan is recorded as an expense for the year. The Corporation is not required to make contributions in respect of any actuarial deficiencies of the plan.

(e) Student loans receivable

The Corporation records student loans receivable at amortized cost. Student loans receivable are tested annually for impairment. A loan is classified as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of a portion of principal or interest related to the loan. When loans are identified as impaired, the Corporation records an allowance to reduce their carrying values to their estimated realizable amounts. Interest is accrued on loans receivable to the extent it is deemed collectible. Changes in the allowance are recognized on the statement of operations. Loan balances determined to be uncollectible are written off by the Corporation.

(f) Tangible capital assets

Tangible capital assets are recorded at cost, including amounts that are directly related to the acquisition of the assets.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Office equipment	10 years
Computer software	7 years
Computer hardware	4 years

2. Significant accounting policies (cont.)

(f) Tangible capital assets (cont.)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus.

(g) Prepaid expenses

Prepaid expenses include software maintenance and are charged to operations over the period in which the Corporation is expected to benefit.

(h) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Interest income is accounted for on the accrual basis for bank interest and student loans receivable other than the impaired portion of the loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired.

Government transfers (grants from the Province and Government of Canada) are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

(i) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is recorded as an expense in that year.

2. Significant accounting policies (cont.)

(i) Expenses (cont.)

Transfers, which include grants and interest relief - repayment assistance, are recorded as expenses when the grant is authorized, eligibility criteria have been met by the recipient and a reasonable estimate of the amount can be made.

(j) Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of a tangible capital assets, estimated employee benefits, rates for amortization and collectability of student loans issued.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. Due from government

	2013	2012
Federal government	$ 271,037	$ 296,134
Provincial government	205,643	235,379
	$ 476,680	$ 531,513

Amounts due from the Federal government relate to recoveries on student loans made by the Canada Revenue Agency. Amounts due from the Provincial government are related to payments received by the Province from defaulted loans.

4. Student loans receivable

The student loan portfolio consists of Provincial loans issued on or after August 1, 2000, and Provincial loans issued prior to that date where the student was still in school and did not receive additional loans.

4. Student loans receivable (cont.)

As at March 31, 2013 approximately 18,473 loans totaling $62,264,948 (2012 - 19,494 loans totaling $72,331,682) were being repaid as non-interest bearing for the period April 1, 2012 to March 31, 2013 (Class B loans) while 7,625 loans totaling $28,573,240 (2012 - 8,139 loans totaling $31,315,297) were not being repaid as the students were either still in attendance at an approved education institution or were within six months after the end of the study period (Class A loans). Generally, the maximum repayment period for Class B loans is 10 years. Upon graduation, students who meet certain criteria are eligible to have a portion of their loan forgiven through a debt reduction grant.

As at March 31, 2013 approximately 9,175 loans totaling $48,590,280 (2012 - 9,231 loans totaling $51,581,725) were defaulted. These loans are defined as Class B loans delinquent for 270 days (nine months). These loans were non-interest bearing for the period April 1, 2012 to March 31, 2013.

Student loans receivable consist of the following:

	2013	2012
Loans receivable		
Class A principal	**$ 28,573,240**	$ 31,315,297
Class B principal	**62,264,948**	72,331,682
Loans defaulted	**48,590,280**	51,581,725
Interest receivable	**2,627,142**	3,637,178
	142,055,610	158,865,882
Less: allowance for doubtful accounts	**(36,858,238)**	(40,437,065)
	$ 105,197,372	$ 118,428,817

The allowance for doubtful accounts represents the Corporation's best estimate of future probable losses with respect to loans receivable. The estimation of an appropriate allowance involves significant judgment. These financial statements represent management's best estimates based on available information.

The net decrease in student loans receivable during the year consists of the following:

	2013	2012
Student loan interest	**$ 128,838**	$ 94,223
Interest relief - repayment assistance	**(359,889)**	(192,499)
Student loan grants	**(2,449,400)**	(2,678,322)
Student loans disbursed	**11,060,139**	11,554,578
Student loan payments	**(23,982,685)**	(24,469,176)
Student loans written off to allowance	**(1,207,275)**	(979,808)
	$ (16,810,272)	$ (16,671,004)

5. Accounts payable and accrued liabilities

		2013		2012
Trade payables and accrued liabilities	$	242,377	$	332,705
Salaries and benefits payable		13,730		15,377
Accrued vacation pay		127,073		29,694
	$	383,180	$	377,776

6. Employee future benefits

		2013		2012
Vested severance benefits	$	118,115	$	81,072
Provision for non-vested, severance benefits		79,609		57,367
Provision for accumulating, non-vested, sick leave		169,020		159,097
	$	366,744	$	297,536

(a) Severance pay

Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continual service, and accordingly a liability has been recorded by the Corporation for these employees. For employees with less than nine years of continual service, the Corporation has made a provision in the accounts for the payment of severance which is based upon the Corporation's best estimate of the probability of having to pay severance to the employees and current salary levels. In determining the best estimate of the probability that employees would be paid severance, the Corporation considered the rate of employee turnover since its inception. Employees with prior service with the Government of Newfoundland and Labrador or a Crown corporation or agency may be considered for severance provided the previous employer followed the same or an equivalent severance policy. Severance is payable when the employee ceases employment with the Corporation provided no severance has been paid by Government or another Crown corporation or agency for the same period and the employee has at least nine years of continual service. No provision has been made for contractual employees.

(b) Accumulating, non-vested, sick leave benefits

The Corporation provides accumulating, non-vesting, sick leave benefits to certain employees. The Corporation has made a provision in the accounts for the payment of accumulating, non-vesting, sick leave benefits which is based upon the Corporation's best estimate of the probability of the employees utilizing the benefits and current salary levels. The availability of accumulating, non-vesting, sick leave benefits ceases upon termination of employment with the Corporation and no payment is made by the Corporation.

6. Employee future benefits (cont.)

(c) Pension contributions

The Corporation and its employees are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Corporation and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. The maximum contribution rate for eligible employees was 8.6%. The Corporation's share of pension contributions and the total expense for 2013 was $88,621. The Corporation is not required to make contributions in respect of any actuarial deficiencies of the Plan.

7. Due to government

	2013	2012
Federal government	$ -	$ 10,000
Provincial government	45,073	50,606
	$ 45,073	$ 60,606

The amount due to the Provincial government is related to payments received by the Corporation for non-integrated student loans that are administered by the Corporation on behalf of the Province.

8. Long-term debt

Long-term liabilities reported on the statement of financial position are comprised of the following:

	2013	2012
Issue of floating rate notes dated September 30, 2011, maturing September 30, 2021, and bearing interest at the 3-month Canadian Bankers' Acceptance rate less 10 basis points, payable quarterly	$ 73,000,000	$ 102,000,000
	$ 73,000,000	$ 102,000,000

The Corporation signed a floating rate note with the Crown to repay the outstanding principal and interest with terms as determined by the Debt Management Division of the Department of Finance. Principal payments on the debt, as determined by the Student Loan Corporation, and interest payments will be made quarterly, payable on June 30, September 30, December 31 and March 31 each fiscal year. The loan matures on September 30, 2021.

9. Tangible capital assets

	Office equipment	Computer software	Computer hardware	Total
Cost				
Balance, March 31, 2012	$ 60,694	$ 145,359	$ 22,404	$ 228,457
Additions	-	-	-	-
Balance, March 31, 2013	60,694	145,359	22,404	228,457
Accumulated amortization				
Balance, March 31, 2012	30,736	101,459	22,063	154,258
Amortization expense	3,896	14,659	341	18,896
Balance, March 31, 2013	34,632	116,118	22,404	173,154
Net book value, March 31, 2013	**$ 26,062**	**$ 29,241**	**$ -**	**$ 55,303**
Net book value, March 31, 2012	$ 29,958	$ 43,900	$ 341	$ 74,199

10. Financial risk management

The Corporation recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The risks that the Corporation is exposed to through its financial instruments are credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's main credit risk relates to cash, due from government, and student loans receivable. The Corporation's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Corporation is not exposed to significant credit risk with its cash because this financial instrument is held with a Chartered Bank. The Corporation is not exposed to significant credit risk with the amount due from government because of its nature.

10. Financial risk management (cont.)

The Corporation is exposed to credit risk related to its student loans receivable. The Corporation has policies and procedures for the monitoring and collection of its student loans receivable so as to mitigate potential credit losses. The Corporation classifies its student loans receivable in accordance with notes 2(e) and 4. Any estimated impairment of student loans receivable has been provided for through an allowance for decline in value.

As at March 31, 2013 Class B loans in repayment amounted to $62,264,948. A total balance of $8,834,306 of these loans was overdue as follows:

Days Overdue					
1 - 30	31 - 60	61 - 90	91 - 270	>270	Total
$50,817	$3,183,618	$684,580	$2,133,573	$2,781,718	$8,834,306

As well, as at March 31, 2013, the balance of defaulted loans subject to collection procedures was $48,590,280.

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its contractual obligations and financial liabilities. The Corporation's exposure to liquidity risk relates mainly to its accounts payable, not yet disbursed loans, grants and long-term debt. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its contractual obligations and financial liabilities. In the event that the Corporation does not believe that it has sufficient liquidity to meet its current obligations, consideration will be given to obtaining additional funds through borrowing or requesting additional funding from the Province.

Market risk

Market risk is the risk that the fair value of expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency (foreign exchange) risk, interest rate risk and other risk. The Corporation is not exposed to significant foreign exchange or other risk.

The Corporation is exposed to interest rate risk. Long-term debt is at a floating rate determined by the 3-month Canadian Bankers' Acceptance rate less 10 basis points, maturing September 30, 2021. An increase/decrease of 1% in the interest rate would result in an increase/decrease of $730,000 in interest expense on long-term debt. The Corporation is not exposed to significant interest rate risk on its student loans receivable as most are non-interest bearing loans.

11. Related party transactions

	2013	2012
Grants from the Province	$ 28,150,810	$ 28,842,761
	$ 28,150,810	$ 28,842,761

In addition to the above transactions, the Province holds the long-term debt of the Corporation totaling $73,000,000.

12. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors.

Grant Thornton

Consolidated Financial Statements

Western Regional Health Authority

March 31, 2013

Statement of responsibility

The accompanying consolidated financial statements are the responsibility of the Board of Trustees of the Western Regional Health Authority (the "Board") and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards as recommended by the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board met with management and its external auditors to review a draft of the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the consolidated finalized financial statements.

Grant Thornton LLP as the Board's appointed external auditors, have audited the consolidated financial statements. The auditor's report is addressed to the Board and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of the Board in accordance with Canadian public sector accounting standards.

________________ Chair ________________ Director

Grant Thornton

Independent auditors' report

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To the Board of Trustees

Western Regional Health Authority

We have audited the accompanying consolidated financial statements of Western Regional Health Authority, which comprise the consolidated statement of financial position as at March 31, 2013 and the consolidated statement of operations, changes in net debt and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Western Regional Health Authority as at March 31, 2013 and the results of its consolidated operations and changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Corner Brook, Canada

June 20, 2013

Chartered Accountants

Western Regional Health Authority
Consolidated statement of financial position

Year ended March 31 (in thousands of dollars)		2013		2012
Financial assets				
Cash and cash equivalents	$	**546**	$	1,778
Receivables (Note 3)		**25,073**		13,562
Trust funds on deposit (Note 4)		**580**		625
Replacement reserve fund		**150**		139
Restricted cash and investments		**141**		135
	$	**26,490**	$	16,239
Liabilities				
Bank indebtedness (Note 5)	$	**8,510**	$	-
Payables and accruals		**27,345**		30,948
Vacation pay accrual		**9,237**		9,387
Severance pay accrual (Note 6)		**30,474**		28,385
Sick leave accrual (Note 6)		**17,806**		17,331
Deferred contributions – operating		**2,751**		2,826
Deferred contributions – capital		**11,789**		11,349
Long term debt (Note 7)		**7,475**		8,143
Trust funds payable		**580**		625
	$	**115,967**	$	108,994
Net debt	$	**(89,477)**	$	(92,755)
Non-financial assets				
Tangible capital assets (Note 9)	$	**75,863**	$	78,691
Inventory (Note 10)		**6,156**		5,840
Prepaid expenses		**7,479**		6,898
		89,498		91,429
Accumulated surplus(deficit)	$	**21**	$	(1,326)

Contingencies and commitments (Note 11)

On behalf of the Board

_________________ Member _________________ Member

See accompanying notes to the consolidated financial statements

Western Regional Health Authority
Consolidated statement of operations

Year ended March 31 (in thousands of dollars)	Budget 2013	Actual 2013	Actual 2012
Revenue			
Provincial plan – operating grant	$ 292,661	$ 292,661	$ 284,929
Capital grant – provincial	5,259	5,259	7,891
Capital grant – other	1,037	1,037	645
National Child Benefit	757	757	464
Early Childhood Development	359	359	359
MCP physician revenue	17,249	16,961	17,907
Inpatient	1,642	1,725	1,247
Outpatient	1,638	1,759	1,533
Resident revenue – long term care	8,070	7,538	7,368
Mortgage interest subsidy	40	23	33
Food service	1,821	1,877	2,107
Other recoveries	8,628	9,468	9,619
Other	2,543	4,976	6,712
	341,704	344,400	340,814
Expenditures			
Administration	28,049	30,269	27,238
Support services	55,641	56,922	59,250
Nursing inpatient services	81,929	80,672	82,150
Medical services	21,917	21,891	21,281
Ambulatory care services	25,829	25,206	24,751
Diagnostic and therapeutic services	32,969	32,062	32,166
Community and social services	80,957	77,809	74,360
Educational services	5,913	5,446	5,570
Undistributed	2,204	2,061	2,091
	335,408	332,338	328,857
Surplus	$ 6,296	$ 12,062	$ 11,957

See accompanying notes to the consolidated financial statements

Western Regional Health Authority
Consolidated statement of operations (cont'd)

Year ended March 31 (in thousands of dollars)	Budget 2013	Actual 2013	Actual 2012
Adjustments for undernoted items – net expenses			
Amortization expense	$ 8,274	$ 8,274	$ 8,590
Accrued vacation expense-increase (decrease)	(150)	(150)	91
Accrued severance expense-increase	2,089	2,089	3,529
Accrued severance expense (cottages) - (decrease) increase	-	-	(14)
Accrued sick expense – increase	475	475	889
Cottages - deficit	-	27	137
Total adjustments for above noted items	10,688	10,715	13,222
Surplus (Deficit)	(4,392)	1,347	(1,265)
Accumulated deficit, beginning of year	(1,326)	(1,326)	(61)
Accumulated surplus (deficit), end of year	$ (5,718)	$ 21	$ (1,326)

See accompanying notes to the consolidated financial statements

Western Regional Health Authority
Consolidated statement of changes in net debt

March 31 (in thousands of dollars)	Budget 2013	Actual 2013	Actual 2012
Net debt, beginning of year	$ (92,755)	$ (92,755)	$ (91,420)
Surplus (deficit) for the year	(4,392)	1,347	(1,265)
Changes in tangible capital assets			
Acquisition of tangible capital assets	(6,500)	(6,468)	(9,699)
Disposal of tangible capital assets	-	534	-
Amortization of tangible capital assets	8,274	8,274	8,590
Amortization of tangible capital assets-Cottages	-	488	446
Increase (decrease) in net book value of tangible capital assets	1,774	2,828	(663)
Changes in other non-financial assets			
Acquisition of prepaid expense (net of usage)	-	(581)	613
Acquisition of inventories of supplies (net of usage)	-	(316)	(20)
Increase (decrease) in other non-financial assets	-	(897)	593
(Increase) decrease in net debt	(2,618)	3,278	(1,335)
Net debt, end of year	$ (95,373)	$ (89,477)	$ (92,755)

See accompanying notes to the consolidated financial statements

Western Regional Health Authority

Consolidated statement of cash flows

Year ended March 31 (in thousands of dollars)	2013	2012
Operating		
Annual surplus (deficit)	$ **1,347**	$ (1,265)
Add (deduct) non-cash items:		
Amortization of capital assets	**8,274**	8,590
Amortization of capital assets - cottages	**488**	446
Accrued vacation expense – increase (decrease)	**(150)**	91
Accrued severance expense – increase	**2,089**	3,529
Accrued sick expense – increase	**475**	889
Changes in:		
Receivables	**(11,511)**	8,501
Inventory	**(316)**	(20)
Prepaid expenses	**(581)**	613
Deferred contributions - operating	**(75)**	(2,726)
Payables and accruals	**(3,603)**	5,936
Severance accrual – cottages	**-**	(14)
Net cash (applied to) provided by operating transactions	**(3,563)**	24,570
Capital		
Acquisitions of tangible capital assets	**(6,468)**	(9,699)
Disposal of tangible capital assets	**534**	-
Net cash applied to capital transactions	**(5,934)**	(9,699)
Financing		
Short term debt assumed	**8,510**	-
Short term debt repaid	**-**	(8,737)
Repayment of long term debt	**(668)**	(1,523)
Increase (decrease) capital contributions	**440**	(3,499)
Net cash (applied to) provided by financing transactions	**8,282**	(13,759)
Investing		
Restricted cash and investments	**(6)**	1
Replacement reserve fund	**(11)**	44
Net cash provided by (applied to) investing transactions	**(17)**	45
Net cash provided (applied)	**(1,232)**	1,157
Cash and cash equivalents - beginning of year	**1,778**	621
Cash and cash equivalents - end of year	$ **546**	$ 1,778

See accompanying notes to the consolidated financial statements

1. Nature of operations

The Western Regional Health Authority ("Western Health") is constituted under the Regional Health Authority's Act (formerly known as the Hospital's Act) Constitution Order and is responsible for the management and control of the operations of acute and long term care facilities as well as community health services in the western region of the Province of Newfoundland and Labrador.

Western Health is an incorporated not-for-profit with no share capital, and as such, is exempt from income tax.

Western Health controls Gateway Apartments, Emile Benoit House & Units, Interfaith Home and Cottages, Bay St. George Cottages and LHC Cottages. These entities were established to provide housing to senior citizens. These entities have been included in the consolidated financial statements.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

Basis of consolidation
The consolidated financial statements include the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations which are controlled by Western Health including Gateway Apartments, Emile Benoit House & Units, Interfaith Cottages 1 & 2, Bay St. George Cottages and LHC Cottages.

Use of estimates
The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include department of veteran affairs accounts receivable, accrued severance, accrued sick leave, useful life of tangible capital assets, impairment of assets and allowance for doubtful accounts.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

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

Cash and cash equivalents

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

Accrued severance and sick leave

Upon termination, retirement or death, the organization provides their employees, with at least nine years of services, with severance benefits equal to one week of pay per year of service up to a maximum of 20 weeks. An actuarially determined accrued liability for severance has been recorded in the statements. This liability has been determined using management's best estimate of employee retention, salary escalation, long term inflation and discount rates.

The organization provides their employees with sick leave benefits that accumulate but do not vest. The benefits provided to employees vary based upon classification within the various negotiated agreements. An actuarially determined accrued liability has been recorded on the statements for non-vesting sick leave benefits. The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long term inflation rates and discount rates

Accrued vacation pay

An accrued liability for vacation pay is recorded in the accounts at year end for all employees who have a right to receive these benefits.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual deficit (surplus), provides the change in net financial debt for the year.

Inventory

Inventory is valued at average cost. Cost includes purchase price plus the non-refundable portion of applicable taxes.

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

Tangible capital assets

Western Health has control over certain assets for which title resides with the Government of Newfoundland and Labrador. These assets have not been recorded in the financial statements of Western Health. Capital assets acquired after January 1, 1996 are recorded at cost. Assets are not amortized until placed in use. Assets in use are amortized over their useful life on a declining balance basis at the following rates:

Land improvements	2 ½%
Buildings	6 ¼%
Parking lot	6 ¼%
Equipment	15%
Motor vehicles	20%
Leasehold Improvements	20%

Capital and operating leases

A lease that transfers substantially all of the risks and rewards incidental to the ownership of property is accounted for as a capital lease. Assets acquired under capital lease result in a capital asset and an obligation being recorded equal to the lesser of the present value of the minimum lease payments and the property's fair value at the time of inception. All other leases are accounted for as operating leases and the related payments are expensed as incurred.

Impairment of long-lived assets

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

Revenue recognition

Provincial plan revenues for operating and capital purposes are recognized in the period in which all eligibility criteria or stipulations have been met. Any funding received prior to satisfying these conditions is deferred until conditions have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer from the Province of Newfoundland and Labrador is authorized.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

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

Revenue recognition (cont'd)
Revenue from the sale of goods and services is recognized at the time the goods are delivered or the services are provided.

Western Health reviews outstanding receivables at least annually and provides an allowance for receivables where collection has become questionable.

Pension costs
Employees of Western Health are covered by the Public Service Pension Plan and the Government Money Pension Plan administered by the Province of Newfoundland and Labrador. Contributions to the plans are required from both the employees and Western Health. The annual contributions for pensions are recognized in the accounts on an accrual basis.

Funds and reserves
Certain amounts, as approved by the board are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

Financial instruments

Western Health considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. Western Health accounts for the following as financial instruments:

- cash and cash equivalents
- receivables
- trust funds on deposit
- restricted cash and investments
- bank indebtedness
- payables and accruals
- long term debt
- trust funds payable

A financial asset or liability is recognized when Western Health becomes party to contractual provisions of the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

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

Measurement

The company initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

Financial assets or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions except for those transactions that are with a person or entity whose sole relationship with Western Health is in the capacity of management in which case they are accounted for in accordance with financial instruments.

Western Health subsequently measures all of its financial assets and financial liabilities at cost or amortized cost less any reduction for impairment, except for investments in equity instruments that are quoted in an active market, which are measured at fair value; derivative contracts, which are measured at fair value; and certain financial assets and financial liabilities which the Authority has elected to measure at fair value.. Changes in fair value are recognized in annual surplus.

Financial assets measured at cost include cash and cash equivalents, receivables, trust funds on deposit, and restricted cash and investments.

Financial liabilities measured at cost include bank indebtedness, payables and accruals, long term debt and trust funds payable.

Impairment

Western Health removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

A financial asset (or group of similar financial assets) measured at cost or amortized cost are tested for impairment which there are indicators of impairment. Impairment losses are recognized in the statement of operations. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in annual surplus.

(in thousands of dollars)

3. Receivables

		2013		2012
Province of Newfoundland and Labrador				
Capital contributions	$	**1,534**	$	-
Provincial plan		**9,538**		999
MCP		**2,918**		3,202
Patient services		**2,229**		1,518
Foundations		**876**		344
Employees' pay and travel advances		**351**		404
Harmonized sales tax rebate		**321**		419
Department of veteran affairs		**2,554**		1,247
Other		**4,749**		5,429
NLHC		**3**		-
	$	**25,073**	$	13,562

4. Trust funds

Funds belonging to patients of Western Health are being held in trust for the benefit of the patients.

5. Bank indebtedness

Western Health has access to a line of credit with the Bank of Montreal in the amount of $17,500 (2012 - $17,500) in the form of revolving demand loans and/or bank overdrafts. The authorization to borrow has been approved by the Minister of Health and Community Services. The balance outstanding on this line of credit at March 31, 2013 is $NIL (2012 - $NIL) Interest is being charged at prime less 1.15% on any overdraft March 31, 2013 – 1.85% (March 31, 2012 - 1.85%).

6. Employee future benefits

The actuarial valuation was completed on May 15, 2013. The assumptions are based on future events. The economic assumptions used in the valuation are Western Health's best estimates of expected rates as follows:

	2013	2012
Wages and salary escalation	**4%**	4%
Interest	**3.6%**	3.85%

(in thousands of dollars)

6. Employee future benefits (cont'd)

The sick leave accrual as at March 31 is as follows:

		2013		2012
Accrued sick pay obligation beginning of year	$	**17,331**	$	16,442
Current period benefit cost		**1,715**		1,817
Benefit payments		**(2,152)**		(2,453)
Interest on the accrued benefit sick leave obligations		**658**		750
Actuarial (gains)/losses		**254**		775
Accrued sick pay obligations end of year	$	**17,806**	$	17,331

The severance pay accrual as at March 31 is as follows:

		2013		2012
Accrued severance obligation beginning of year	$	**28,385**	$	24,869
Current period benefit cost		**2,090**		1,821
Benefit payments		**(1,767)**		(1,401)
Interest on the accrued severance obligation		**1,098**		1,165
Actuarial (gains)/losses		**668**		1,931
Accrued severance obligation end of year	$	**30,474**	$	28,385

(in thousands of dollars)

7. **Long term debt**		**2013**		2012
1.8% mortgage on the Bay St. George Seniors Home, maturing in 2021, repayable in blended monthly payments of $12,113	$	**1,104**	$	1,228
8% mortgage on the Bay St. George Seniors Home, maturing in 2026, repayable in blended monthly payments of $9,523		**953**		991
4.56% mortgage on the Woody Point Clinic, maturing in 2020, repayable in blended monthly payments of $2,304		**169**		187
1.71 % CMHC loan maturing in 2017, repayable in monthly blended instalments of $9,270, amortized to 2017		**481**		579
2.86% CMHC loan due in 2018, repayable in monthly blended instalments of $6, 073 until December 1, 2013		**386**		447
10% CMHC loan due 2028, repayable in monthly blended instalments of $8,028		**756**		777
2.65% CMHC mortgage due 2019, amortized over 25 years, repayable in monthly blended instalments of $7, 370		**546**		619
2.40% CMHC mortgage due 2020, amortized over 25 years, repayable in monthly blended instalments of $7,473		**577**		652
1.67% NLHC loan due in 2024, payable in monthly blended instalments of $6,351 until March 2017		**766**		829

(in thousands of dollars)

7. **Long term debt (cont'd)**		**2013**		2012
2.14% NLHC loan amortized to 2029, repayable in monthly blended instalments of $3,953 until March 2014		**660**		693
1.67% NLHC mortgage due 2028, repayable in monthly blended instalments of $2,726 until March 2017		**350**		371
1.67% NLHC mortgage due 2027 repayable in monthly blended instalments of $4,529 until March 2017		**727**		770
	$	**7,475**	$	8,143

As security for the mortgages, Western Health has provided a first mortgage over land and buildings at Corner Brook Interfaith Cottages 1 and 2, Bay St. George Senior Citizens Home, Gateway Cottages, Cottages #1 & 2, NLHC and Woody Point Clinic having a net book value of 2013 - $7,475 (2012 - $ 8,143)

See Note 8 for five year principal repayment schedule.

8. Obligations under long term debt

Western Health has acquired building additions and equipment under the terms of long term debt. Payments under these obligations, scheduled to expire at various dates to 2018 are as follows:

Fiscal year ended

2014	$	653
2015		681
2016		712
2017		745
2018		708
	$	3,499

(in thousands of dollars)

9. Tangible capital assets

	Land	Land Improvements	Buildings	Parking Lot	Equipment	Motor Vehicles	Leasehold Improvements	Total
March 31, 2013								
Cost								
Opening balance	$ 1,102	$ 435	$ 65,651	$ 1,142	$ 120,601	$ 1,461	$ 232	$ 190,624
Additions	-	-	1,230	-	5,150	88	-	6,468
Disposals	-	-	534	-	-	-	-	534
Closing balance	1,102	435	66,347	1,142	125,751	1,549	232	196,558
Accumulated amortization								
Opening balance	-	248	31,601	668	78,367	835	214	111,933
Additions	-	5	2,119	29	6,471	134	4	8,762
Disposals	-	-	-	-	-	-	-	-
Closing balance	-	253	33,720	697	84,838	969	218	120,695
Net book value	**$ 1,102**	**$ 182**	**$ 32,627**	**$ 445**	**$ 40,913**	**$ 580**	**$ 14**	**$ 75,863**

(in thousands of dollars)

9 Tangible capital assets (cont'd)

March 31, 2012	Land	Land Improvements	Buildings	Parking Lot	Equipment	Motor Vehicles	Leasehold Improvements	Total
Cost								
Opening balance	$ 1,102	$ 435	$ 64,364	$ 1,142	$ 112,554	$ 1,096	$ 232	$ 180,925
Additions	-	-	1,287	-	8,047	365	-	9,699
Disposals	-	-	-	-	-	-	-	-
Closing balance	1,102	435	65,651	1,142	120,601	1,461	232	190,624
Accumulated amortization								
Opening balance	-	244	29,551	635	71,533	724	210	102,897
Additions	-	4	2,050	33	6,834	111	4	9,036
Disposals	-	-	-	-	-	-	-	-
Closing balance	-	248	31,601	668	78,367	835	214	111,933
Net book value	**$ 1,102**	**$ 187**	**$ 34,050**	**$ 474**	**$ 42,234**	**$ 626**	**$ 18**	**$ 78,691**

Book value of capitalized items that have not been amortized is $4,389 (2012 - $4,676)

(in thousands of dollars)

10. Inventory

		2013		2012
Dietary	$	**135**	$	154
Pharmacy		**1,985**		1,867
Supplies		**3,667**		3,819
Consignment		**369**		-
	$	**6,156**	$	5,840

11. Contingencies and commitments

Claims

As of March 31, 2013, there were a number of claims against Western Health in varying amounts for which no provision has been made. It is not possible to determine the amounts, if any, that may ultimately be assessed against Western Health with respect to these claims, but management believes any claim, if successful, will be covered by liability insurance.

Operating leases

Western Health has a number of agreements whereby it leases vehicles, office equipment and buildings. These leases are accounted for as operating leases. Future minimum lease payments for the next five years are as follows:

Fiscal year ended

2014	$	3,750
2015		3,074
2016		2,020
2017		1,241
2018		614
	$	10,699

(in thousands of dollars)

12. Budget

Western Health prepares an initial budget for a fiscal period that is approved by the Board of Trustees and Government [the "Original Budget"]. The Original Budget may change significantly throughout the year as it is updated to reflect the impact of all known service and program changes approved by the Government. Additional changes to services and programs that are initiated throughout the year would be funded through amendments to the Original Budget and an updated budget is prepared by Western Health. The updated budget amounts are reflected in the budget amounts as presented in the non-consolidated statement of operations [the "Budget"].

The Original Budget and Budget do not include amounts relating to certain non-cash and other items including capital asset amortization, the recognition of provincial capital grants and other capital contributions, adjustments required to the accrued benefit obligations associated with severance and sick leave, and adjustments to accrued vacation pay.

The following presents a reconciliation of budgeted revenue for the year ended March 31, 2013:

Original budgeted provincial plan revenue	$	289,638
Add: Net provincial plan budget adjustments		3,023
Ending budgeted provincial plan revenue		292,661
Original budgeted other revenue		41,833
Add: Net budget increases - other		914
Ending budgeted revenue	$	335,408
Original budgeted salary expenditure	$	207,372
Add: Net salary budget adjustments		93
Ending budgeted salary expenditure		207,465
Original budgeted supply expenditure		124,099
Add: Net supply budget adjustments		3,844
Ending budgeted expenditures	$	335,408

13. Financial instruments

The main risks Western Health is exposed to through its financial instruments are credit risk, liquidity risk and market risk.

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority's main credit risks related to its accounts receivable and notes receivable. The entity provides credit to is clients in the normal course of its operations. There was no significant change in exposure from the prior year.

The Authority's credit risk is primarily attributable to accounts receivable. Western Health has a collection policy and monitoring process intended to mitigate potential credit losses. Management believes that the credit risk with respect to accounts receivable is not material.

Liquidity risk
Liquidity risk is the risk that the Authority will encounter difficulty in meeting the obligations associated with its financial liabilities. The Authority is exposed to this risk mainly in respect of its long term debt, contributions to the pension plan and accounts payable. There was no significant change in exposure from the prior year.

The Authority mitigates this risk by having access to a line of credit in the amount of $17,500. In addition, consideration will be given to obtaining additional funds through third party funding in the Province, assuming these can be obtained.

Market risk
Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Authority is not significantly impacted by foreign exchange risk or interest rate risk.

14. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

Western Regional Health Authority
Consolidated expenditures – operating/shareable
Schedule I

Year ended March 31 (in thousands of dollars)	2013	2012
Administration		
General administration	$ 10,925	$ 9,386
Finance	3,340	3,039
Personnel services	5,257	5,150
System support	4,927	4,037
Other administrative	5,820	5,626
	30,269	27,238
Support services		
Housekeeping	10,547	10,527
Laundry and linen	2,655	2,704
Plant services	18,516	21,034
Patient food services	11,502	11,525
Other support services	13,702	13,460
	56,922	59,250
Nursing inpatient services		
Nursing inpatient services – acute	55,237	54,494
Medical services	21,891	21,281
Nursing inpatient services – long term care	25,435	27,656
	102,563	103,431
Ambulatory care services	25,206	24,751
Diagnostic and therapeutic services		
Clinical laboratory	10,808	10,670
Diagnostic imaging	8,725	8,681
Other diagnostic and therapeutic	12,529	12,815
	32,062	32,166

Western Regional Health Authority
Consolidated expenditures – operating/shareable
Schedule I (cont'd)

Year ended March 31
(in thousands of dollars)

	2013	2012
Community and social services		
Mental health and addictions	**7,485**	7,522
Community support programs	**59,051**	55,828
Family support programs	**2,936**	2,950
Health promotion and protection program	**8,337**	8,060
	77,809	74,360
Education	**5,446**	5,570
Undistributed	**2,061**	2,091
Shareable amortization	**180**	542
Total expenditures	**$ 332,518**	$ 329,399

Western Regional Health Authority
Consolidated revenue and expenditures for government reporting
Schedule II

Year ended March 31 (in thousands of dollars)		2013		2012
Revenue				
Provincial plan – operating grant	$	**292,661**	$	284,929
Capital grant – provincial		**5,259**		7,891
Capital grant – other		**1,037**		645
MCP physician revenue		**16,961**		17,907
National Child Benefit		**757**		464
Early Childhood Development		**359**		359
Inpatient		**1,725**		1,247
Outpatient		**1,759**		1,533
Resident Revenue – long term care		**7,538**		7,368
Mortgage interest subsidy		**23**		33
Food service		**1,877**		2,107
Other recoveries		**9,468**		9,619
Other		**4,976**		6,712
Total revenue		**344,400**		340,814
Expenditures				
Worked and benefit salaries and contributions		**174,728**		174,595
Benefit contributions		**30,553**		30,584
		205,281		205,179
Supplies – plant operations and maintenance		**6,640**		7,037
Supplies – drugs		**8,818**		8,474
Supplies – medical and surgical		**11,926**		11,973
Supplies – other		**12,780**		13,963
		40,164		41,447
Direct client costs – mental health and addictions		**357**		348
Direct client costs – community support		**44,156**		41,710
Direct client costs – family support		**1,304**		1,397
		45,817		43,455
Other shareable expenses		**40,969**		38,640

Western Regional Health Authority
Consolidated revenue and expenditures for government reporting
Schedule II (cont'd)

Year ended March 31 (in thousands of dollars)	2013	2012
Expenditures (cont'd)		
Long term debt – interest	107	139
Long term debt – principal	180	169
Capital lease – interest	-	(3)
Capital lease – principal	-	373
	287	678
Total expenditures	332,518	329,399
Less: Capital grant – provincial	5,259	7,891
Less: Capital grant – other	1,037	645
Surplus for government reporting	5,586	2,879
Long term debt - principal	180	169
Capital lease – principal	-	373
Surplus inclusive of other operations	5,766	3,421
Shareable amortization	180	542
Surplus before non-shareable items	5,586	2,879
Non-shareable items		
Amortization expense	8,094	8,048
Accrued vacation expense (decrease) increase	(150)	91
Accrued severance expense - increase	2,089	3,515
Accrued sick expense – increase	475	889
Cottages	27	137
Capital grant – Provincial	(5,259)	(7,891)
Capital grant - Other	(1,037)	(645)
	4,239	4,144
Surplus (deficit) as per Statement of Operations	$ 1,347	$ (1,265)

Western Regional Integrated Health Authority
Consolidated funding and expenditures for government reporting
Capital transactions
Schedule III

Year ended March 31 (in thousands of dollars)	2013	2012
Sources of funds		
Provincial capital equipment grant for current year	$ 5,313	$ 6,583
Provincial facility capital grant in current year	1,575	1,952
Add: Deferred capital grant from prior year	11,349	14,848
Add: Transfer from operating fund	500	-
Less: Capital facility grant reallocated for operating fund purchases	(1,689)	(4,143)
Less: Deferred capital grant from current year	(11,789)	(11,349)
	5,259	7,891
Other contributions		
Foundations, auxiliaries and other	1,037	645
Total funding	6,296	8,536
Capital expenditures		
Asset, building and land	1,231	1,287
Asset, equipment	5,237	8,412
Total expenditures	6,468	9,699
(Deficit) surplus on capital purchases	$ (172)	$ (1,163)

Western Regional Health Authority
Accumulated operating deficit for government reporting - excluding cottages
Schedule IVA

Year ended March 31
(in thousands of dollars)

	2013	2012
Accumulated operating deficit		
Current assets		
Cash and cash equivalents	$ 103	$ 1,610
Accounts receivable	24,177	13,204
Due from associated funds	2,125	1,297
Inventory	6,156	5,840
Prepaid expenses	7,362	6,798
Other	(14)	(13)
Total assets	39,909	28,736
Current liabilities		
Bank indebtedness	8,510	-
Accounts payable and accrued liabilities	27,225	30,868
Deferred contributions – operating	2,748	2,823
Deferred contributions - capital	11,789	11,349
Total current liabilities	(50,272)	45,040
Accumulated operating deficit	$ (10,363)	$ (16,304)
Reconciliation of operating deficit – operating fund only		
Accumulated operating deficit – beginning of year	$ (16,304)	$ (17,485)
Add: IFH mortgage settlement	535	(535)
Add: Net operating income per schedule II	5,586	2,880
Add: Net deficit on capital purchases per schedule III	(172)	(1,163)
Less: Restricted interest income	(8)	(1)
Accumulated operating deficit –end of year	(10,363)	(16,304)
Less: Net surplus on capital purchases-prior years	$ 1,170	$ 2,333
Less: Net surplus (deficit) on capital purchases -2012	-	(1,163)
Less: Net surplus (deficit) on capital purchases -2013	(172)	-
Accumulated operating deficit – per Department of Health and Community Services	$ (11,361)	$ (17,474)

Western Regional Health Authority
Reconciliation of consolidated accumulated operating deficit for government reporting
Schedule IVB

Year ended March 31
(in thousands of dollars)

	2013	2012
Accumulated operating deficit – end of year per Schedule IVA	$ **(10,363)**	$ (16,304)
Adjustments:		
Intercompany – cottages elimination	**(1,249)**	(954)
Cottages – current assets	**580**	283
Cottages – current liabilities	**(123)**	(83)
Other assets	**14**	13
Restricted cash and investments	**141**	135
Replacement reserve	**150**	139
Vacation pay accrual	**(9,237)**	(9,387)
Severance pay accrual	**(30,474)**	(28,385)
Sick pay accrual	**(17,806)**	(17,331)
Long term debt	**(7,475)**	(8,143)
Tangible capital assets	**75,863**	78,691
	10,384	14,978
Accumulated deficit per Statement of Financial Position	$ **21**	$ (1,326)

WESTERN SCHOOL DISTRICT

FINANCIAL STATEMENTS/AUDITOR'S REPORT
June 30, 2012

Auditors' Report

To The Members of Western School District

We have audited the balance sheet of the current and capital funds of Western School District as at June 30, 2012, and the related statements of current revenues, expenditures and district equity, and statement of changes in capital fund position for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by Section 66 (2) of the Schools Act, we report that the employees whose duties include collecting, receiving or depositing of money are bonded in amounts considered to be sufficient.

In our opinion, these financial statements present fairly, in all materials respects, the financial position of the District as at June 30, 2012 and the results of its operations and changes in its capital financial position for the year ended, in accordance with Canadian generally accepted accounting principles and as explained in Note 1 to the financial statements, and are in compliance with reporting requirements established for School Districts in the Province of Newfoundland and Labrador by the Department of Education

King + Roberts

Chartered Accountants

Stephenville, NL
August/20/2012

Western School District

BALANCE SHEET

June 30, 2012

Assets

	2012	2011
Current Assets		
Cash (Supp.Info.1)	$ 2,842,166	$ 2,863,144
Short Term Investments (Supp.Info.2)	2,056,211	137,755
Accounts Receivable (Note 2)	16,650,737	14,608,347
Prepaid Expenses	256,116	221,473
Total Current Assets	21,805,230	17,830,719
Property and Equipment (schedule 8)	92,792,669	99,149,600
	$ 114,597,899	$ 116,980,319

Liabilities and District Equity

	2012	2011
Current Liabilities		
Bank Indebtedness (Note 3)	$ --	$ --
Accounts Payable and Accrued (Note 4)	5,520,170	3,959,151
Vacation Pay Accrued	14,521,400	13,992,292
Current Maturities (schedule 9b)	316,154	359,742
Total Current Liabilities	20,357,724	18,311,185
Severance Pay Accrual	25,007,508	23,835,139
Long-Term Debt (schedule 9)	1,494,131	1,381,299
District Equity		
Investment in Capital Assets	91,034,859	97,461,033
Reserve Account	200,987	200,987
District Equity	(23,497,310)	(24,209,324)
Total District Equity	67,738,536	73,452,696
	$ 114,597,899	$ 116,980,319

Contingencies (Note 8)

Approved: ______________ **Chairman**

______________ **Secretary**

Western School District

STATEMENT OF CURRENT REVENUES, EXPENDITURES AND DISTRICT EQUITY

For the Year Ended June 30, 2012

		2012	2011
Current Revenue (Schedule 1)			
	Provincial Government Grants	$ 159,339,623	$ 154,784,922
	Donations	--	--
	Ancillary Services	41,242	101,549
	Miscellaneous	395,361	176,574
		159,776,226	155,063,045
Current Expenditures			
	Administration (Schedule 2)	9,020,987	9,171,657
	Instruction (Schedule 3)	130,818,211	127,671,021
	Operations and Maintenance (Schedule 4)	16,949,285	15,487,216
	Pupil Transportation (Schedule 5)	8,777,031	8,709,694
	Ancillary Services (Schedule 6)	35,621	35,240
	Interest Expense (Schedule 9C)	686	234
	Miscellaneous (Schedule 7)	74,246	111,500
		165,676,067	161,186,562
23 111	Excess of Revenue over Expenditures	(5,899,841)	(6,123,517)
	Transfer to/from Capital	6,611,855	5,153,010
	Net Increase/Decrease in District Equity	712,014	(970,507)
	District Equity, Beginning of Year	(24,209,324)	(23,238,817)
	District Equity, End of Year	$ (23,497,310)	$ (24,209,324)

See Accompanying Notes

Western School District

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended June 30, 2012

			2012	2011
60		**Operating Activities**		
	011	Excess of Revenue over Expenditures	$ (5,899,841)	$ (6,123,517)
	012	Changes in Non-Cash Working Capital		
	013	- Short-Term Investments	(1,918,456)	20,369
	014	- Accounts Receivable	(2,042,390)	(1,323,529)
	015	- Prepaid Expenses	(34,643)	18,817
	014	- Accounts Payable, Accruals & Vacation Payable	2,090,127	(359,855)
	015	- Current Maturities	(43,588)	6,825
	016	Other (Specify)		
		- Principal Payments	391,756	374,092
		- Increase (Decrease) in Severance Pay Accrual	1,172,369	1,192,852
	017	Amortization of Capital Assets	4,858,721	5,151,383
			(1,425,945)	(1,042,563)
61		**Financing Activities**		
	011	Proceeds from Bank Loans	461,000	435,600
	012	Grants – Deficit Retirement	--	--
	013	Other Capital Revenues- Buses	--	--
	014	Changes in Long-Term Debt	(348,167)	(380,918)
	15	Other (Specify) - Capital Grant		
		- Service Vehicle	--	--
		- Capital Grant – Buildings	--	--
		- Donations – Playground Equipment	--	--
			112,833	54,682
62		**Investing Activities**		
	011	Proceeds on Sale of Capital Assets	1,860,077	1,627
	012	Additions to Property and Equipment	(567,943)	(435,600)
	013	Other (Specify)	--	--
			1,292,134	(433,973)
63		**Increase (Decrease) in Cash**	(20,978)	(1,421,854)
64		**Cash, Beginning of The Year**	2,863,144	4,284,998
65		**Cash, End of The Year**	$ 2,842,166	$ 2,863,144

See Accompanying Notes

Western School District
STATEMENT OF CHANGES IN CAPITAL FUND
For the Year Ended June 30, 2012

			2012	2011
70		**Capital Receipts**		
71		Proceeds from Bank Loans		
	011	- School Construction	$ --	$ --
	012	- Equipment	--	--
	013	- Service Vehicles	--	--
	014	- Pupil Transportation	461,000	435,600
	015	- Other (Specify)	--	--
			461,000	435,600
72		**EIC Grants**		
	011	School Construction and Equipment	--	--
	012	Other – Transportation – Government	--	--
			--	--
73		**Donations**		
	011	- Cash Receipts	--	--
	012	- Non-Cash Receipts	--	--
	013	- Playground Equipment	--	--
			--	--
74		**Sale of Capital Assets – Proceeds**		
	011	- Land	--	--
	012	- Buildings	1,860,077	1,627
	013	- Equipment	--	--
	014	- Service Vehicles	--	--
	015	- Pupil Transportation Vehicles	--	--
	016	- Other (Specify)	--	--
		- Accounts Receivable – Capital	--	--
			1,860,077	1,627
75		**Other Capital Revenues**		
	011	- Interest on Capital Fund Investments	--	--
	012	- Premiums on Debentures	--	--
	013	- Recoveries of Expenditures	--	--
	015	- Insurance Proceeds	--	--
	016	- Native Peoples Grants	--	--
	017	- Miscellaneous – Funds for Debt servicing – Bussing	391,756	374,092
	018	- Provincial grants – Buses	--	--
		– Service Vehicle	--	--
		– Buildings	--	--
			391,756	374,092
Total Capital Receipts			2,712,833	811,319

Cont'd

See Accompanying Notes

Western School District

STATEMENT OF CHANGES IN CAPITAL FUND (Cont'd)

For the Year Ended June 30, 2012

		2012	2011
77	Transfer from Reserve Account	--	--
78	Transfer to/from Current Fund	(6,611,855)	(5,153,010)
	Add: Amortization of Capital Assets – Non cash items	4,858,721	5,151,383
Total		$ 959,699	$ 809,692
80	**Capital Disbursements**		
81	**Additions to Property & Equipment**		
011	- Land and Sites	--	--
012	- Building	--	--
013	- Furniture & Equipment – School	--	--
014	- Furniture & Equipment – Other	--	--
015	- Service Vehicles	107,038	--
016	- Pupil Transportation	460,905	435,600
017	- Other (Specify)	--	--
		567,943	435,600
82	**Principal Repayment of Long-Term Debt**		
011	- School construction	--	--
012	- Equipment	--	--
013	- Service Vehicles	--	--
014	- Other (Specify)	--	--
	- Office	--	--
	- Pupil transportation	391,756	374,092
		391,756	374,092
83	**Miscellaneous Disbursements**		
013	- Other (Specify)	--	--
	- Accounts payable	--	--
		--	--
	Total Capital Disbursements	$ 959,699	$ 809,692

See Accompanying Notes

Western School District
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Nature of Operation

The Western School District is responsible for maintenance and operation of all schools in the Western, Southern and Northern portion of the Province of Newfoundland and Labrador. It also includes schools in the Southern portion of Labrador.

1. Significant Accounting Policies

(a) Fund Accounting

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

(b) Revenue

The District's main source of funding is derived from the Government of Newfoundland and Labrador, Department of Education. The Department provides funding for operations, transportation, capital expenditures and teacher salaries and severance pay. Funding designated for specific purposes is deferred and included in revenue when the related expenditures have been incurred.

(c) Capital Assets

Capital assets are recorded at cost derived from the combining of the predecessor school boards. Amortization of capital assets is recorded by use of the straight-line method over the estimated useful life of the assets using the following rates:

Building	40 Years
Furniture and Equipment	10 Years
Service Vehicle	5 Years
Buses	12 Years

(d) Use of Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

Western School District
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

2. Accounts Receivable

		2012	2011
	Current		
11 131	Provincial Government	$ 15,219,435	$ 13,695,733
132	Transportation	838,252	57,412
133	Federal Government	--	--
134	Projects	137,063	148,555
135	HST Receivable	182,414	345,197
136	Bus Rentals	2,847	14,704
137	Water Program-Provincial	--	6,902
138	Interest	--	--
139	Travel Advances and Miscellaneous	67,817	156,066
	Capital		
11 231	Construction Grants	202,909	183,778
233	Local Contributions	--	--
234	Other School Districts	--	--
235	Other (Specify) – City of Corner Brook	--	--
		$ 16,650,737	$ 14,608,347

3. Bank Indebtedness

21 131	On Operating Credit	$ --	$ --
132	On Capital Account	--	--
		$ --	$ --

Western School District
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

4. Accounts Payable and Accrued

		2012	2011
	Current		
21 109	Scholarship	$ 104,733	$ 94,879
110	Accounts payable-Trade	1,387,140	975,665
111	Accrued Liabilities	460,811	323,108
112	Wages Payable	239,812	209,190
113	- Deferred Grants	3,245,540	2,280,878
114	- Wages	--	--
115	Payroll Deductions	82,134	75,431
118	Other	--	--
119	Payroll Tax	--	--
		$ 5,520,170	$ 3,959,151
	Capital		
21 211	Trade Payable	$ --	$ --
212	Accrued -- Liabilities	--	--
213	- Interest	--	--
217	Deferred Grants	--	--
218	Other (Specify)	--	--
		$ --	$ --

Western School District
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

5. Reserve Account

Description:

	2012	2011
Balance, Beginning of Year	$ 200,987	$ 200,987
Less Transfer from Reserve	--	--
Add Transfer to Reserve	--	--
Balance, End of Year	$ 200,987	$ 200,987

Western School District
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

		2012	2011
6.	Investment in Capital Assets, Beginning of Year	$ 97,461,033	$ 80,915,637
	Add:		
	Transfer To (From) Capital Fund	(6,611,855)	(5,153,010)
	Grants - EIC - Contribution for Capital Const.	--	--
	- Provincial grants-debt retirement.	--	--
	Capital projects funded by Department of Education but paid directly to other sources on behalf of District.	3,632,140	21,358,222
	Donations (Specify) – Playground Equipment	--	27,290
	Proceeds from Sale of Capital Assets		
	- Land	--	--
	- Building	1,860,077	1,627
	- Equipment	--	--
	- Vehicle	--	--
	- Other	--	--
	Interest on Capital Fund Investments		
	Recoveries of Expenditures – Prior	--	--
	Provincial Grant – Busses	--	--
	Provincial Capital Grant – Buildings	--	--
	Provincial Capital Grant – Service Vehicle	--	--
	Insurance Proceeds – Capital	--	--
	Native Peoples Grants – Capital	--	--
	Excess of Revenue over Expenditures		
	- Capital Fund		
	Principal - Bussing loan	391,756	374,092
	- Other	--	--
	Accumulated amortization on assets disposed	43,039,876	430,070
	Capital asset valuation adjustment	--	--
		139,773,027	97,953,928
	Deduct Adjustments:		
	Cost of assets sold		
	- Land	--	--
	- Building	48,738,168	381,506
	- Equipment	--	--
	- Vehicles	--	44,211
	- Other	--	67,178
		48,738,168	492,895
	Other	--	--
23 221	Investment in Capital Assets, End of Year	$ 91,034,859	$ 97,461,033

7. Commitments

At balance sheet date the District had the following commitments:

8. Contingencies

As of statement date, the following material contingencies are pending:

(a) A former vendor of a predecessor School Board has a claim of approximately $30,000 plus HST. The amount has not been recorded in the accounts. The likelihood of loss to the District cannot be determined.

(b) The District has a potential liability for site restoration and remediation costs associated with a school property sold to a purchaser in 2004. The property had an oil leak from its underground storage tank prior to the sale of this property. As of audit report date, a claim has been filed in court but the likelihood of loss or an estimate of this loss cannot be determined.

(c) A former school teacher has filed a statement of claim in 2006 for wrongful dismissal. Discovery examination was conducted in September 2007, but no damages have been estimated. The likelihood of loss or an estimate of this loss cannot be determined.

(d) An application has been made to the Attorney General of Canada to include the District, with other defendants, in a claim that relates to treatment of aboriginal students attending the residential school in St. Anthony, NL. The amount of claim and likelihood of loss cannot be determined at audit date.

9. District Equity (Deficit)

The School District has an accumulated operating deficit of $(23,497,310). A material amount of this operating deficit is contributed by a recorded teacher's severance pay accrual, non-teacher's severance pay accrual and executive paid leave accrual of $22,454,994, $2,552,515 and $684,391 respectively, as required by the Provincial Government.

Accumulated operating deficit per Financial statement	$ (23,497,310)
Less: teacher's severance pay accrual	22,454,994
: non-teacher's severance pay accrual	2,552,515
: executive paid leave accrual	684,391
Accumulated operating deficit less Severance pay and executive paid leave accrued	$ 2,194,590

Cont'd

10. Bond Coverage

As at June 30, 2012, the Insurance Division of the Department of Finance has provided $300,000 fidelity bond coverage for all District employees.

11. Comparative Figures

Certain 2011 figures have been reclassified to conform to 2012 financial statement presentation.

12. Financial Instruments

The company's financial instruments consist of cash, receivables, investments, payable and long term liabilities. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair market value of these financial instruments approximates their carrying value.

Schedule 1

Western School District
CURRENT REVENUES
For the Year Ended June 30, 2012

		2012	2011
32 010	**Provincial Government Grants**		
011	Regular	$ 24,425,605	$ 23,555,544
016	Special Grants (Details on bottom of Schedule 1)	2,347,569	2,961,767
	Salaries and Benefits		
017	- Directors and Asst. Directors	1,463,366	1,381,764
021	- Regular Teachers	115,589,444	111,962,937
022	- Substitute Teachers	4,236,271	3,931,139
023	- Student Assistants	2,672,629	2,522,338
030	Pupil Transportation		
031	- Board Owned	3,577,700	3,496,180
032	- Contracted	4,298,389	4,335,007
033	- Handicapped	728,650	638,246
		$ 159,339,623	$ 154,784,922
33 010	**Donations**		
012	Cash Receipts	--	--
011	Heritage Fair	--	--
013	Non-Cash Receipts	--	--
014	Restricted Use	--	--
		--	--

Western School District

CURRENT REVENUES

For the Year Ended June 30, 2012

		2012	2011
34 010	**Ancillary Services**		
011	Revenues from Rental of Residences	$ 11,350	$ 10,300
021	Revenues from Rental of Schools and Facilities (Net)	--	60,000
031	Cafeterias	29,892	31,249
032	Other – (Specify)	--	--
		41,242	101,549
35 010	**Miscellaneous**		
011	Interest on Investments	72,460	55,691
012	Bus Charters	29,160	48,020
021	Recoveries of Expenditures	289,746	50,642
031	Revenues from Other Agencies	--	--
041	Federal Rebates	--	--
051	Insurance Proceeds	--	--
061	Bilingual Education Revenue	--	--
071	Operating Rev. from Native Peoples Grant	--	--
081	Miscellaneous Federal Grants	--	--
091	Textbooks	--	--
092	Sundry	3,995	22,221
094	Scholarship Funds	--	--
		395,361	176,574
	Total Current Revenues	$ 159,776,226	$ 155,063,045
Special Grants			
	Fuel Adjustment	$ 46,833	$ 74,891
	Learning Disabilities	--	--
	Debt Servicing	--	--
	Student Assistant Salaries	--	--
	Textbook Credit Allocation	--	--
	Pay Equity	--	--
	Administration – Textbook	--	--
	Payroll Tax	--	--
	Utilities	--	--
	Maintenance	--	--
	French Monitor	55,697	47,172
	French Immersion	30,930	62,761
	Peer Tutoring	--	--
	Bottle Water	--	--
	Administrative Pay adjustment	--	--
	Computers	--	--

Western School District
CURRENT REVENUES
For the Year Ended June 30, 2012

	2012	2011
Special Grants (Cont'd)		
Surplus – Substitutes	$ --	$ --
Kinder – Start	--	--
Tutoring Work Experience	--	--
Other (Specify)		
-Miscellaneous grants	719,682	1,121,544
- Redundancy grant	--	--
- Maintenance reclassification	--	--
- Drama Festival	--	--
- Furniture	--	--
- Other Projects	526,167	751,678
- IGA Projects	51,508	41,775
- HRDC Grants	392,852	339,146
- School Board Elections	--	--
- Special Incentive	523,900	522,800
	$ 2,347,569	$ 2,961,767

Schedule 2

Western School District
ADMINISTRATION EXPENDITURES
For the Year Ended June 30, 2012

		2012	2011
51	**Salaries and Benefits**		
011	- Directors and Asst. Directors	$ 1,517,844	$ 1,368,737
012	- District Office Personnel	1,554,050	1,481,720
013	Office Supplies	65,000	66,955
014	Replacement Furniture and Equipment	34,916	16,122
015	Postage	71,342	72,840
016	Telephone	188,243	146,549
017	Office Equipment Rentals and Repairs	44,541	39,347
018	Bank Charges	2,470	2,527
019	Electricity	16,828	16,006
021	Fuel	38,941	36,565
022	Insurance	16,646	15,698
023	Repairs and Maintenance (Office Building)	20,957	24,363
024	Travel	199,918	259,373
025	Board Meeting Expenses	14,942	12,774
026	Election Expenses	--	--
027	Professional Fees	158,057	197,921
028	Advertising	123,398	184,810
029	Membership Dues	59,713	50,532
031	Municipal Service Fees	13,749	16,497
032	Rental of Office Space	--	--
033	Janitor Salaries/Supplies	13,727	7,630
034	Miscellaneous	6,984	2,560
035	Relocation Expenses	--	747
036	Redundancy	--	--
037	Capital Plan-Department	--	--
038	Amortization of Capital Assets	4,858,721	5,151,384
	Total Administration Expenditures	$ 9,020,987	$ 9,171,657

Schedule 3

Western School District
INSTRUCTION EXPENDITURES
For the Year Ended June 30, 2012

		2012	2011
52 010	**Instructional Salaries (Gross)**		
011	Teachers' Salaries – Regular	$ 116,484,500	$ 113,183,795
012	- Substitute	4,182,632	3,995,983
013	- District Paid	113,486	153,065
014	Student Assistants	2,676,497	2,492,127
015	Employee Benefits	--	--
016	School Secretaries – Secretaries & Benefits	2,865,424	2,898,481
017	Employee Benefits	--	--
018	Other – French Monitor	--	--
		126,322,539	122,723,451
52 040	**Instructional Materials**		
041	General Supplies	1,468,505	1,534,365
042	Library Resource Materials	--	--
043	Teaching Aids	167,461	209,802
044	Textbooks	--	--
		1,635,966	1,744,167
52 060	**Instructional Furniture and Equipment**		
061	Replacement	362,902	266,861
062	Rentals and Repair	4,952	7,221
063	Copier Cost	122,004	127,520
064	Replacement – Computer Equipment	345,933	496,193
065	Computer Repairs	51,291	58,989
		887,082	956,784
52 080	**Instructional Staff Travel**		
081	Program Coordinators	650,743	652,747
082	Teachers' Travel	306,281	349,816
084	Student Travel	23,888	30,826
		980,912	1,033,389
52 090	**Other Instructional Costs**		
091	Postage and Stationery	--	--
092	Miscellaneous	9,649	11,360
097	Other District Projects	534,862	821,372
098	IGA Projects	51,508	41,925
099	HRDC Projects	395,693	338,573
		991,712	1,213,230
	Total Instruction Expenditures	$ 130,818,211	$ 127,671,021

Schedule 4

Western School District

OPERATIONS AND MAINTENANCE EXPENDITURES - SCHOOLS

For the Year Ended June 30, 2012

		2012	2011
53 011	Salaries & Benefits - Janitorial	$ 5,308,136	$ 4,940,487
012	- Maintenance	1,747,307	1,527,250
013	- IT Support	919,290	893,309
014	Electricity	3,475,545	3,056,198
015	Fuel	1,381,820	1,097,518
016	Municipal Service Fee	671,845	681,383
017	Telephone	564,501	486,380
018	Vehicle Operating and Travel	294,879	296,627
019	Janitorial Supplies	312,433	222,770
021	Janitorial Equipment	27,359	43,018
022	Repairs and Maintenance - Buildings	1,252,375	1,390,217
023	- Equipment	24,671	24,068
024	Protective Clothing	14,328	11,372
025	Snow Clearing	954,796	816,619
026	Rentals	--	--
027	Other (Specify) - Repairs Covered By Insurance	--	--
	Total Operations and Maintenance	$ 16,949,285	$ 15,487,216

Western School District
PUPIL TRANSPORTATION EXPENDITURE
For the Year Ended June 30, 2012

		2012	2011
54 010	Operation and Maintenance of Board Owned Fleet		
011	Salaries - Administration	$ 175,188	$ 200,240
012	- Drivers and Mechanics	2,079,546	1,964,568
013	Payroll Tax and Benefits	--	--
014	Debt Repayment - Interest	58,781	51,729
015	- Principal	391,756	374,093
016	Bank Charges	--	--
017	Gas and Oil	432,606	389,138
018	Licenses	33,572	44,113
019	Insurance	40,185	38,221
021	Repairs and Maintenance - Fleet	235,015	248,824
022	- Building	63,265	173,948
023	Tires and Tubes	28,462	37,964
024	Heat and Light	36,041	33,182
025	Municipal Service	3,887	4,893
026	Snow Clearing	9,552	11,051
027	Office Supplies	6,473	6,598
028	Rent	--	--
029	Travel	7,673	2,640
030	Protective Clothing	--	119
031	Professional Fees	1,096	--
032	Miscellaneous	55,661	46,152
033	Telephone	36,613	33,743
034	Vehicle Leases	--	334
035	Cleaning – Bus Depot	--	--
		3,695,372	3,661,550
54 040	**Contracted Services**		
041	Regular Transportation	4,306,176	4,335,007
042	Handicapped	728,650	638,246
043	Miscellaneous	--	--
044	Fuel Adjustment Program	46,833	74,891
		5,081,659	5,048,144
	Pupil Transportation Expenditures	$ 8,777,031	$ 8,709,694

Schedule 6

Western School District

PUPIL TRANSPORTATION EXPENDITURE

For the Year Ended June 30, 2012

Ancillary Services

This District owns and operates the following ancillary services:

		2012	2011
55	**Ancillary Services**		
011	Operation of Teachers' Residences	$ 4,729	$ 5,249
031	Cafeterias	30,892	29,991
032	Other (Specify)	--	--
		$ 35,621	$ 35,240

Schedule 7

Miscellaneous Expenses (Specify)

The District has incurred the following miscellaneous expenses:

	2012	2011
57 011 Miscellaneous Expenses		
- Human Resources Expenses	$ 69,333	$ 108,822
- Other	4,913	2,678
	$ 74,246	$ 111,500

Western School District
Details of Property and Equipment
For The Year Ended June 30, 2012

Code		Cost 30-Jun-11	Additions	Adjustment and Disposals	Cost 30-Jun-12	Accumulated Amortization 30-Jun-11	Amortization	Adjustment	Accumulated Amortization 30-Jun-12	Net Book Value
	Land									
12211	Lots	$ 105,800	$ -	$ -	$ 105,800	$ -	$ -	$ -	$ -	$ 105,800
12211	Residential	194	-	-	194	-	-	-	-	194
12211	Administration	225,036	-	-	225,036	-	-	-	-	225,036
12211	Schools	1,646,689	-	-	1,646,689	-	-	-	-	1,646,689
		$ 1,977,719	$ -	$ -	$ 1,977,719	$ -	$ -	$ -	$ -	$ 1,977,719
	Buildings									
12221	Schools	$ 205,100,039	$ 3,529,662	$ (48,472,905)	$ 160,156,796	$ 110,368,624	$ 4,393,602	$ (42,886,709)	$ 71,875,517	$ 88,281,279
12222	Administration	2,145,867	102,478	(346,182)	1,902,163	1,925,439	19,373	(234,085)	1,710,727	191,436
12223	Residential	168,021	-	-	168,021	159,620	2,100	-	161,720	6,301
		$ 207,413,927	$ 3,632,140	$ (48,819,087)	$ 162,226,980	$ 112,453,683	$ 4,415,075	$ (43,120,794)	$ 73,747,964	$ 88,479,016
	Furniture and Equipment									
12231	Schools	$ 11,582,568	$ -	$ -	$ 11,582,568	$ 11,533,741	$ 5,425	$ -	$ 11,539,166	$ 43,402
12232	Administration	970,429	-	-	970,429	970,429	-	-	970,429	-
12233	Residential	1,534	-	-	1,534	1,534	-	-	1,534	-
12234	Recreation	87,005	-	-	87,005	87,005	-	-	87,005	-
12235	Other	5,450	-	-	5,450	5,450	-	-	5,450	-
		$ 12,646,986	$ -	$ -	$ 12,646,986	$ 12,598,159	$ 5,425	$ -	$ 12,603,584	$ 43,402
12241	Service Vehicles	$ 372,600	$ 107,038	$ -	$ 479,638	$ 274,576	$ 51,439	$ -	$ 326,015	$ 153,623
	Public Transportation									
12253	Buses	$ 5,202,177	$ 460,905	$ -	$ 5,663,082	$ 3,137,391	$ 386,782	$ -	$ 3,524,173	$ 2,138,909
	Total	$ 227,613,409	$ 4,200,083	$ (48,819,087)	$ 182,994,405	$ 128,463,809	$ 4,858,721	$ (43,120,794)	$ 90,201,736	$ 92,792,669

Schedule 9

Western School District

DETAILS OF LONG-TERM DEBT

For the Year Ended June 30, 2012

Bank loans, mortgage and debentures, approved by the District and the Government of Newfoundland and Labrador

		2012	2011
22 210	Loans Other than Pupil Transportation		
Ref. #			
211	**Bank Loans**		
_____	Repayable $ _____ monthly, maturing _____	$ --	$ --
_____	Repayable $ _____ monthly, maturing _____	--	--
_____	Repayable $ _____ monthly, maturing _____	--	--
_____	Repayable $ _____ monthly, maturing _____	--	--
_____	Repayable $ _____ monthly, maturing _____	--	--
_____	Repayable $ _____ monthly, maturing _____	--	--
	Total 211	--	--
212	**Mortgages**		
_____	Repayable $ _____ monthly, maturing _____	--	--
_____	Repayable $ _____ monthly, maturing _____	--	--
_____	Repayable $ _____ monthly, maturing _____	--	--
_____	Repayable $ _____ monthly, maturing _____	--	--
_____	Repayable $ _____ monthly, maturing _____	--	--
_____	Repayable $ _____ monthly, maturing _____	--	--
	Total 212	--	--
213	**Debentures**		
_____	Repayable $ _____ monthly, maturing _____	--	--
_____	Repayable $ _____ monthly, maturing _____	--	--
	Total 213	--	--
214	Other (Please Specify)	--	--
	Subtotal	--	--
215	Less Current Maturities	--	--
	Total Loans Other Than Pupil Transportation	$ --	$ --

Western School District
DETAILS OF LONG-TERM DEBT
For the Year Ended June 30, 2012

22 220 Loans – Pupil Transportation

Ref. #		2012	2011
221	**Vehicle Bank Loans**		
	Prime Repayable $ 523 monthly, maturing 2011	$ --	$ 1,046
	Prime Repayable $ 521 monthly, maturing 2011	--	6,253
	Prime Repayable $ 523 monthly, maturing 2012	5,751	12,028
	Prime Repayable $ 542 monthly, maturing 2017	27,100	33,603
	Prime Repayable $ 548 monthly, maturing 2014	13,141	19,712
	Prime Repayable $ 2,456 monthly, maturing 2012	--	14,736
	Prime Repayable $ 4,954 monthly, maturing 2012	--	59,445
	Prime Repayable $ 3,662 monthly, maturing 2013	43,939	87,879
	Prime Repayable $ 1,095 monthly, maturing 2015	27,379	40,521
	Prime Repayable $ 1,117 monthly, maturing 2016	44,688	58,095
	Prime Repayable $ 1,675 monthly, maturing 2016	66,981	87,075
	Prime Repayable $ 542 monthly, maturing 2017	27,641	34,145
	Prime Repayable $ 4,530 monthly, maturing 2018	289,919	344,279
	Prime Repayable $ 5,930 monthly, maturing 2019	456,635	527,799
	Prime Repayable $ 3,025 monthly, maturing 2022	378,125	414,425
	Prime Repayable $ 3,201 monthly, maturing 2023	428,986	--
	Total 221	$ 1,810,285	$ 1,741,041
222	**Land, Building and Equipment Bank Loans**		
	_____ Repayable $_____ monthly, maturing ____	--	--
	_____ Repayable $_____ monthly, maturing ____	--	--
	_____ Repayable $_____ monthly, maturing ____	--	--
	_____ Repayable $_____ monthly, maturing ____	--	--
	_____ Repayable $_____ monthly, maturing ____	--	--
	_____	--	--
	Total 222	--	--
	Subtotal	1,810,285	1,741,041
223	Less Current Maturities	316,154	359,742
	Total Loans – Pupil Transportation	1,494,131	1,381,299
	Total Long Term Debt	$ 1,494,131	$ 1,381,299

Schedule 9A

Western School District

SUMMARY OF LONG-TERM DEBT

For the Year Ended June 30, 2012

Description	Ref. #	Rate	Balance Beginning Of Year	Loans Obtained During Year	Principal Repayment For Year	Balance End of Year
A) School Construction			$ --	$ --	$ --	$ --
B) Equipment			--	--	--	--
C) Service Vehicle		Prime	--	--	--	--
D) Other – Office			--	--	--	--
E) Pupil Transportation		Prime	1,741,041	461,000	(391,756)	1,810,285
Total Loans			$ 1,741,041	$ 461,000	$ (391,756)	$ 1,810,285

Schedule 9B

Western School District
DETAILS OF CURRENT MATURITIES
For the Year Ended June 30, 2012

Description	Year 1	Year 2	Year 3	Year 4	Year 5
A) School Construction	$ --	$ --	$ --	$ --	$ --
B) Equipment	--	--	--	--	--
C) Service Vehicles	--	--	--	--	--
D) Other – Office	--	--	--	--	--
E) Pupil Transportation	316,154	266,462	247,845	224,416	202,950
Total	$ 316,154	$ 266,462	$ 247,845	$ 224,416	$ 202,950

Schedule 9C

56 010

Western School District
SCHEDULE OF INTEREST EXPENSE
For the Year Ended June 30, 2012

	Description	2012	2011
012	**Capital**		
	School Construction	$ --	$ --
	Equipment	--	--
	Service Vehicles	--	--
	Other – Office	--	--
	Total Capital	--	--
013	**Current** - Operating Loans	--	--
014	- Supplier Interest Charges	686	234
	Total Current	686	234
	Total Interest Expense	$ 686	$ 234

Western School District
SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

1. Cash

			2012	2011
		Current		
11	110	Cash on Hand and in Bank		
	111	Cash on Hand	$ 500	$ 585
	112	Bank - Current	2,841,666	4,862,559
	113	- Savings	--	--
	115	- Non-Teachers; Payroll	--	--
	116	- Coupon (Debenture)	--	--
	117	- Other (Specify)	--	--
		Capital		
11	210	Cash on Hand and in Bank	--	--
	211	Cash on Hand	--	--
	212	Bank - Current	--	--
	213	- Savings	--	--
	214	- Other (Specify)	--	--
		Total Cash on Hand & in Bank	$ 2,842,166	$ 2,863,144

2. Short Term Investments

			2012	2011
11	121	Term Deposits – Scholarships	$ 104,733	$ 94,879
	122	Term Deposits – Other	1,951,478	42,876
	123	Other (Specify)	--	--
		Capital		
11	221	Term Deposits	--	--
	222	Canada Savings Bonds	--	--
	223	Other (Specify)	--	--
		Total Short Term Investments	$ 2,056,211	$ 137,755

Western School District
SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

3. Prepaid Expenses

			2012	2011
		Current		
11	141	Insurance	$ --	$ --
	142	Municipal Service Fees	--	--
	143	Work, Health Safety and Commissions	229,547	219,473
	144	Other (Specify) --Travel Advances	--	2,000
		-- Supplies	26,569	--
		-- Legal Fees	--	--
		Capital		
11	241	Other (Specify)	--	--
			$ 256,116	$ 221,473

Workplace Health, Safety and Compensation Commission
Financial Statements
December 31, 2012

Management responsibility for financial reporting

The financial statements of the Workplace Health, Safety and Compensation Commission were prepared by management who are responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with International Financial Reporting Standards. Financial information contained elsewhere in this Annual Performance Report is consistent with these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains a system of accounting and reporting which provides for the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Auditor performs audits designed to test the adequacy and consistency of the Commission's internal controls, practices and procedures.

The Board of Directors oversees management responsibility for financial reporting through its Financial Services Committee. The Financial Services Committee oversees the external audit of the Commission's annual financial statements and the accounting and financial reporting and disclosure processes and policies of the Commission. The Financial Services Committee meets with management, the independent actuary and the independent auditors to discuss the results of the audit, the adequacy of internal accounting controls and the quality and integrity of financial reporting. The Commission's annual financial statements are reviewed by the Financial Services Committee with each of management and the external auditors before being recommended to the Board of Directors for approval.

The firm of Morneau Shepell has been appointed as independent consulting actuary to the Commission. Its role is to complete an independent actuarial valuation of the benefit liabilities of the Commission on an annual basis and to report thereon in accordance with generally accepted actuarial principles.

Ernst & Young, LLP, the external auditors of the Commission, have performed an independent audit of the 2012 financial statements of the Commission in accordance with Canadian generally accepted auditing standards. The Independent Auditors' Report outlines the scope of this independent audit and the opinion expressed.

Leslie Galway	Paul Kavanagh
Chief Executive Officer	Chief Financial & Information Officer

ACTUARIAL STATEMENT OF OPINION

I have completed the actuarial valuation of the benefit liabilities of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador (the "Commission") as at December 31, 2012 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part. In my opinion:

1. The estimate of the actuarial liabilities for assessed employers as at the valuation date is $968,803,986. This includes provisions for benefits and future administration expenses expected to be paid after the valuation date for claims that occurred on or before the valuation date. It also includes a provision for potential long-latency occupational disease claims associated with exposure that occurred on or before the valuation date. Self-insured employers are not included in this valuation.
2. The data on which the valuation is based were supplied by the Commission in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficient and reliable for the purpose of the valuation.
3. The actuarial assumptions adopted in computing the liabilities are appropriate for the purpose of the valuation.
4. The methods used are appropriate for the purpose of the valuation and in accordance with accepted actuarial practice for workers compensation organizations in Canada. The economic assumptions are consistent with the long-term financial strategy and long-term investment policies of the Commission. The discount rates used are disclosed in note 14 to the financial statements.
5. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly present the results of the valuation.
6. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.
7. The valuation is based on the provisions of the Workplace Health, Safety and Compensation Act of Newfoundland and Labrador and on the Commission's policies and practices in effect on the valuation date.

Conrad Ferguson, F.C.I.A.

Morneau Shepell Ltd.
March 25, 2013

This report has been peer reviewed by Howard Slaney, F.C.I.A.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the

Workplace Health, Safety, and Compensation Commission

We have audited the accompanying financial statements of Workplace Health, Safety, and Compensation Commission, which comprise the statement of financial position as at December 31, 2012, and the statement of operations and comprehensive income, changes in fund deficiency and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Workplace Health, Safety, and Compensation Commission as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

St. John's, Canada

April 4, 2013

Chartered accountants

***Statement of* FINANCIAL POSITION**
as at December 31

(thousands of dollars)	**2012**	2011
Assets		
Cash and cash equivalents	**$ 33,919**	$ 15,672
Accounts receivable [note 5]	**8,452**	11,750
Investments [note 6]	**842,889**	755,819
Property, plant and equipment [note 9]	**8,583**	8,451
Intangible assets [note 10]	**16,201**	15,254
	$ 910,044	$ 806,946
Liabilities		
Accounts payable and accrued liabilities [note 12]	**17,128**	14,758
Employee future benefits [note 15]	**5,905**	5,177
Benefit liabilities [note 14]	**968,804**	858,641
Total liabilities	**991,837**	878,576
Fund deficiency	**(81,793)**	(71,630)
	$ 910,044	$ 806,946

Commitments [note 23]

Authorized for issue on April 4, 2013 on behalf of the Board of Directors

Ralph Tucker
Chairperson

Darren Roberts
Director

See accompanying notes.

***Statements of* OPERATIONS and COMPREHENSIVE LOSS**
Year ended December 31

(thousands of dollars)	2012	2011
Revenue		
Assessments revenue [note 13]	**$ 197,488**	$ 188,367
Investment income (loss) [note 7]	**82,634**	(11,602)
Third-party recoveries	**838**	1,049
	280,960	177,814
Expenses		
Claims costs incurred [note 14]		
Short-term disability	**30,311**	29,913
Long-term disability	**68,081**	65,138
Survivor benefits	**4,933**	5,359
Health care	**44,598**	48,224
Rehabilitation	**1,296**	1,544
Occupational disease	**63,380**	-
Actuarial adjustments	**26,015**	(1,245)
Future administration costs	**4,001**	3,911
	242,615	152,844
Administration [note 16]	**33,869**	32,543
Legislated obligations [note 17]	**7,624**	6,952
Fees and interest [note 7]	**3,749**	3,245
Amortization [notes 9 and 10]	**2,664**	2,491
Other expenses [note 18]	**592**	1,520
	291,113	199,595
Comprehensive loss	**$ (10,153)**	$ (21,781)

See accompanying notes.

***Statement of* CHANGES IN FUND DEFICIENCY**
Year ended December 31

(thousands of dollars)	**2012**	2011
Accumulated operating deficit		
Balance, beginning of year	**$ (72,190)**	$ (50,409)
Comprehensive loss	**(10,153)**	(21,781)
	(82,343)	(72,190)
Reserves		
Occupational Health and Safety Research [note 19]	**550**	560
Fund deficiency, end of year	**$ (81,793)**	$ (71,630)

See accompanying notes.

***Statement of* CASH FLOWS**
Year ended December 31

(thousands of dollars)	**2012**	2011
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	**$ 200,787**	$ 186,593
Third parties	**838**	1,049
	201,625	187,642
Cash paid to:		
Claimants or third parties on their behalf	**(132,452)**	(133,504)
Suppliers and employees, for administrative and other goods and services	**(38,986)**	(41,158)
Investment manager, interest & other fees	**(2,881)**	(2,582)
Third party, from reserve fund	**(10)**	(80)
	(174,329)	(177,324)
Net cash provided from operating activities	**27,296**	10,318
Cash flows from investing activities		
Cash received from:		
Interest	**10,580**	10,930
Dividends	**12,823**	10,181
Sale of investments	**351,997**	410,619
	375,400	431,730
Cash paid for:		
Purchase of investments	**(380,705)**	(431,404)
Purchase of capital assets	**(3,744)**	(2,857)
	(384,449)	(434,261)
Net cash used for investing activities	**(9,049)**	(2,531)
Net change in cash and cash equivalents	**18,247**	7,787
Cash and cash equivalents		
Beginning of year	**15,672**	7,885
End of year	**$ 33,919**	**$ 15,672**

See accompanying notes.

Notes to FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

The Workplace Health, Safety and Compensation Commission (the Commission) was established by the Newfoundland Legislature in 1951, under the *Workplace Health, Safety and Compensation Act* (the Act), as amended. The Commission is a legislative incorporated entity with no share capital. The main office of the Commission is located at 146-148 Forest Road, St. John's, Newfoundland and Labrador, Canada. The Commission operates two regional offices in Newfoundland in Grand-Falls-Windsor and Corner Brook.

The Commission is responsible for, in accordance with the provisions of the *Act*, preventing and reducing the occurrence of workplace injuries and diseases through the promotion of health and safety in workplaces; the establishment of occupational health and safety certification standards and certification of trainers; facilitating the claims management process and administering the payment of benefits to injured workers and dependents of fatally injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and investing funds, following investment policies which are approved by the Commission within guidelines established under the *Insurance Companies Act* (Canada). An independent Workplace Health, Safety and Compensation Review Division is established under the *Act* to make rulings on any appeals pertaining to the Commission assessment or benefit decisions. The Commission does not receive government funding or other assistance.

The funds, investments and income of the Commission are free from taxation pursuant to Section 10(2) of the *Act*.

2. BASIS OF PREPARATION

Statement of Compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Going concern
The Commission has assessed the relevant financial and economic indicators and has determined that there is an ability to operate as a going concern, as supported by the funding strategy in place for the elimination of the unfunded liability.

Basis of measurement
The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the significant accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for assets.

The financial statements are presented in Canadian currency, (unless otherwise indicated).

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents and short-term investments

Cash and cash equivalents and short-term investments include cash, bank overdrafts and money market instruments. Those with original maturity dates at time of purchase of three months or less are classified as cash equivalents, whereas those with original maturities beyond 3 months, and less the 12 months are classified as short-term investments. Cash, cash equivalents and short-term investments are measured at fair value. Cash equivalents bear interest rates of 1.25% - 1.27% (2011 - 1.2%).

Assessments revenue

At the beginning of each year, an assessment is levied on employers by applying their industry assessment rate to their estimated payrolls at which point revenue is recognized. The assessment levy is payable by installments within the current year. At year-end, assessment revenue is adjusted based on a review of the employers' actual payrolls, as well for the estimate of practice incentive refunds which are payable to the employers under the Prevention & Return to Work Insurance Management for Employers/Employees Program (PRIME).

Assessment revenue also includes payments from self-insured employers, who directly bear the costs of their own incurred claims and their share of administration costs.

Accounts receivable

Actual employers' payrolls may differ from original estimates. Therefore, at year-end, a provision for accrued assessments is included in accounts receivable based on historical assessment information.

Property, plant and equipment

Property, plant and equipment are reported at cost, less accumulated amortization. These assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Building	40 years
Furniture and equipment	10 years
Computer equipment	1 to 5 years
Equipment under capital lease	3 to 5 years

At the end of each reporting period, the useful lives of items of property, plant and equipment are reviewed and adjusted if required, and an assessment is made whether there is any indication of impairment.

Intangible assets

Intangible assets, which include purchased software and internally developed systems are recorded at cost and are amortized monthly on a straight-line basis over their estimated useful lives of ten years. Intangible assets are assessed for an indication of impairment at the end of each reporting period, and if an asset is determined to be impaired, its carrying value is reduced to the net recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Benefit liabilities

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include a provision for all benefits provided by current legislation, policies and/or business practices in respect of existing claims and for future costs of administering claims.

The benefit liabilities were valued by an independent actuary using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

Benefit liabilities related to self-insured employers will be the responsibility of those employers when paid in future years. Accordingly, these benefit liabilities have not been determined by actuarial valuation and thus are not included in the Commission's benefit liabilities.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into their Canadian dollar equivalent using exchange rates in effect on the reporting date. Revenues and expenses are translated using exchange rates in effect at the transaction date. Realized and unrealized exchange gains or losses are included in comprehensive income.

Investments

Investments are designated as fair value through profit and loss (FVTPL). Realized gains and losses on the sale of investments, and unrealized gains and losses arising from the change in fair value of the investments are recorded in investment income during the period in which they arise. All purchases and sales of investments are recognized on the dates the trades are executed. Income from interest and dividends are recognized as investment income in the period earned.

The fair value of publicly traded investments is based on quoted prices from security exchanges, while that of domestic real estate investments is based on independent appraisals, and pooled fund units are valued at their year-end net asset values.

Financial instruments

The Commission's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and derivatives. The carrying value of financial instruments, with the exception of investments and derivatives, approximate fair value due to their immediate or short-term maturity and normal credit terms.

The following is a summary of the accounting model the Commission has elected to apply to each of its significant categories of financial instruments.

Asset/Liability	Classification	Measurement
Cash and cash equivalents	FVTPL	Fair Value
Accounts receivable	Loans and receivables	Amortized cost
Investments	FVTPL	Fair value
Derivatives	Held-for-trading	Fair value
Accounts payables and accrued liabilities	Other liabilities	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivatives are financial contracts whose price is dependent on the price of one or more underlying securities. The notional principal amounts, upon which payments are based, are not recognized in these financial statements. The investment portfolio does not contain any derivatives intended for speculation purposes and does not hold derivatives on a segregated basis but does have indirect exposure through its pooled fund investments.

The fair value of the Commission's derivative positions is determined by the following methods:

1) Interest rate swaps, forward foreign exchange contracts and currency swaps are valued based on discounted cash flows using current market yields and exchange rates.

2) Futures contracts are valued based on quoted market prices.

Financial instruments are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 Valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities.

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

Level 3 Valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

Financial instruments included in level 1 of the fair value hierarchy consist of cash and cash equivalents and equities. All other financial instruments are included in level 2, with the exception of asset backed commercial paper which is included in level 3.

Employee future benefits

Accumulated annual leave is accounted for on an accrual basis in the period during which employees render service, and has been actuarially determined.

Employees participate in the Province of Newfoundland and Labrador's Public Service Pension Plan [PPSP], a multi-employer defined benefit plan. The employer's contributions are expensed as incurred.

The Commission provides a severance payment upon resignation, retirement or termination. The expected costs of providing this employee future benefit is accounted for on an accrual basis and has been actuarially determined using the projected benefit method prorated on service, and management's best estimate of salary escalation, and retirement ages of employees. Discount rates are based on the market yields of high quality corporate bonds. Actuarial gains and losses are recognized immediately through the statement of operations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Third-party recoveries

In certain circumstances, under Section 45 of the *Act*, the Commission is deemed to be an assignee of a cause of action in respect of a claimant disability. The amount by which settlements exceed the cost of the action, including administration and future benefit entitlement, is paid to the worker or dependents. Amounts received from third-party recoveries are recorded in the year during which the settlement occurs. No provision is made in the benefit liability for possible future third-party recoveries due to their contingent nature.

Reserves

In accordance with Section 20.5 (1) of the Act, the Commission maintains a special reserve fund for the purpose of health and safety research. The Act permits the Commission to allocate up to a maximum of 2% of its total assessment and investment income in each calendar year to establish and maintain this special fund.

In accordance with Section 116 (1) of the Act, the Commission may, at its discretion, establish reserves for the following:

- to meet an increase in the capitalization of compensation payments payable in future years where the increase cannot be provided without placing an undue burden on the employers in an industrial classification;
- to meet the loss arising from a disaster or other circumstances which would unfairly burden the employers in an industrial classification; or
- subject to the approval of the Lieutenant-Governor in Council, to meet the costs of particular needs of the Commission that it considers necessary.

Future accounting pronouncements

The Commission monitors the activities of the International Accounting Standards Board (IASB) and considers the impact that changes in the standards may have on the Commission's financial reporting. Some of the ongoing projects which may impact the Commission are as follows:

<u>IFRS 4: Insurance Contracts</u>

In July 2010, the IASB issued an exposure draft proposing a comprehensive measurement approach for all types of insurance contracts. The Commission is analyzing the impact this new standard will have on its financial statements. It is anticipated that the IASB will issue a revised exposure draft in the first half of 2013.

<u>IFRS 13: Fair Value Measurement</u>

IFRS 13 provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. The standard is effective for annual periods commencing on or after January 1, 2013. The adoption of IFRS 13 will affect the fair value of certain investments and thus affect the profit and fund deficiency of the Commission.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 17: Leases
The IASB has issued an exposure draft which proposes new single approach to lease accounting that would ensure that all assets and liabilities arising under lease contracts are recognized in the statement of financial position. The Commission is analyzing the impact this new standard will have on it financial statements. It is anticipated that the IASB will issue a second re-exposure draft in the second quarter of 2013.

IAS 19: Employee Benefits
The IASB has issued a revised standard on employee benefits which is applicable for years beginning on or after January 1, 2013. The revised standard will require the impact of changes in actuarial assumptions from year to year be recorded in other comprehensive income rather than the Commission's current practice of recording through the statement of operations.

4. SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Benefit liabilities
An actuarial valuation of the benefit liabilities is prepared by an independent firm of consulting actuaries who have rendered their opinion that the valuation was prepared in accordance with accepted actuarial practice, and that the actuarial assumptions are appropriate.

The Commission believes that the amount provided for benefit liabilities as at December 31, 2012, is adequate, recognizing that actuarial assumptions as disclosed in note 14 may change over time to reflect underlying economic trends. Such changes could possibly cause a material change in the actuarial present value of the future payments.

Assessments revenue
Accounts receivable at year-end include an estimate of annual premium revenues for the year that have not yet been received from employers. The recorded amounts are based upon management's best information and judgment, with regards to actual experience in preceding years. However, until all employers actually submit their final annual payroll information to the Commission, the recorded assessments revenues for the year and the estimated amounts receivable at year-end are subject to measurement uncertainty.

Employee future benefits
An actuarial valuation of severance and annual leave liabilities is prepared by an independent firm of consulting actuaries, using the assumptions disclosed in note 15. Changes in these assumptions could have a material impact on the accrued benefit obligations.

5. ACCOUNTS RECEIVABLE

(thousands of dollars)	**2012**	2011
Assessments	**$ 9,134**	$ 9,784
Less: Allowance for doubtful accounts	**4,632**	4,071
	4,502	5,713
Accrued assessments	**1,379**	3,318
Other	**2,571**	2,719
	$ 8,452	$ 11,750

6. INVESTMENTS

(thousands of dollars)	**2012**		**2011**	
	Fair value	Cost	Fair value	Cost
Fixed term	**$ 265,061**	**$ 262,118**	$ 274,764	$ 267,057
Equities	**538,546**	**471,902**	467,740	437,586
Real Estate	**39,282**	**35,000**	13,315	12,333
	$ 842,889	**$ 769,020**	$ 755,819	$ 716,976

Derivatives

At December 31, 2012 the fair value of the Commission's derivative portfolio was $165,216 [notional value of $26,744,973]. Derivative instruments held at December 31, 2011 had a fair value of $271,919 [notional value of $13,542,470].

7. INVESTMENT INCOME (LOSS)

Investment income (loss) is comprised of the following:

(thousands of dollars)	**2012**	2011
Interest and dividends	**$ 22,871**	$ 21,111
Realized gain (loss) on sale of investments	**14,708**	(23,906)
Interest on short-term investments	**532**	412
Unrealized gain (loss) on change in fair market value of investments	**44,523**	(9,219)
Net investment income (loss)	**$ 82,634**	$ (11,602)

7. INVESTMENT INCOME (LOSS) (continued)

Fees and interest are comprised of the following:

(thousands of dollars)	**2012**	2011
Fund Managers' Investment Fees	**$ 2,767**	$ 2,569
Banking Fees	**96**	135
Bad Debt expense	**868**	456
Interest paid to claimants	**18**	85
Fees and interest	**$ 3,749**	$ 3,245

8. RISK MANAGEMENT

The Commission manages its investment portfolio in accordance with its long-term investment policy. The investment risk inherent in an investment portfolio is managed through diversification in both asset classes and investments within each asset class. The Commission also engages a number of different fund managers with a broad range of investment philosophies and styles.

The Board of Directors is ultimately responsible for the governance and strategic direction of the Commission's investments through its review and approval of the long-term investment policy and ensuring adherence to the policy. Management is responsible for monitoring performance, regular reporting to the board, and recommending changes in the investment policy or fund managers. The Board and Management use the services of an external consultant to benchmark the performance of fund managers and to provide advice on investment policies and practices.

Fair Value Hierarchy

	Fair Value	
(thousands of dollars)	**2012**	2011
Level 1		
Cash and cash equivalents	**$ 15,270**	$ 15,785
Equity	**533,813**	460,653
	549,083	476,438
Level 2		
Fixed term investments	**254,524**	263,686
Real Estate	**39,282**	13,315
	293,806	277,001
Level 3		
Asset Backed Commercial Paper[1]	**-**	2,380
	$ 842,889	$ 755,819

[1]The Commission sold its Asset Backed Commercial Paper (ABCP) in August 2012 for proceeds of $2,300,000.

8. RISK MANAGEMENT

The following sections describe the key financial risk exposures and management strategies to mitigate these risks.

Credit risk management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. At December 31, 2012, 85.0% [2011 - 88.7%] of the fixed income assets in the portfolio have at least an "A" credit rating. The Commission does not anticipate that any issuers will fail to meet their obligations.

The Commission may invest in short-term commercial debt or paper rated R1 or higher. Provincial short-term debt and debt of agencies guaranteed by the provinces may be rated lower than R1. The short-term portfolio investments held with any one corporate issuer is limited to 10%, at any given time, of the Commission's estimated annual cash receipts.

Currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates compared to the Canadian dollar. Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Forward foreign exchange and future contracts are used to hedge the currency risk of certain foreign denominated fixed-term investments. Hedge accounting has not been applied to hedging arrangements. The Commission does not undertake hedging strategies for the currency risk of foreign equity investments.

As at December 31, 2012, the Commission's holdings in foreign equities and pooled equity funds had a market value of $227.9 million [2011 - $191.3 million] representing 27.0% [2011 – 25.3%] of the market value of the total investment portfolio.

The table below presents the effect of a 10% appreciation in the value of the Canadian/U.S. dollar and the Canadian dollar/Euro on the value of the equity portfolio.

(thousands of dollars)	**2012**		2011	
	CAD/USD	**CAD/EURO**	CAD/USD	CAD/EURO
10% appreciation in the Canadian dollar	**$ (13,422)**	**$ (2,488)**	$ (10,571)	$ (2,596)

Interest rate risk

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Commission is exposed to interest rate risk through investment in fixed income securities. Interest rate risk is managed through diversification of fixed income securities through sector allocation and security duration.

8. RISK MANAGEMENT (continued)

The table below presents the effect of a 50 basis point (bps) and 100 bps changes in interest rates on the fixed income portfolio:

(thousands of dollars)	**2012**		2011	
Change in nominal interest rates	+50bps	+100pbs	+50bps	+100pbs
Nominal bonds	**$ (8,261)**	**$ (16,259)**	$ (8,387)	$ (16,493)

The table below represents the remaining term to maturity of the Commission's fixed-term investments:

(thousands of dollars)	Remaining Term to Maturity			
Fixed term Investments	Within 1 year	1 to 5 years	Over 5 years	Total
2012 Fair Value	**$ 42,981**	**$ 44,002**	**$ 178,078**	**$ 265,061**
2011 Fair Value	$ 23,297	$ 74,622	$ 168,147	$ 266,066

Liquidity risk

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

Market risk

Market risk is the risk that the fair value of marketable securities or long-term investments will change as a result of changes in the market price. Market prices of securities are subject to change as a result of perceived or real underlying changes in the economic condition of the issuer, the relative price of alternative investments, and general market conditions.

The Commission manages market risk through adherence to an investment policy that prescribes an asset mix that provides for the diversification of risk across a broad group of securities that meet the long-term return objectives of the investments portfolio.

8. RISK MANAGEMENT (continued)

The table below presents the effects of a material change in the key risk variable, the sector benchmark, for each of the equity mandates in the Commission's equity portfolio.

(thousands of dollars)	**2012**		2011	
Equities	**1 std dev**	**2 std dev**	1 std dev	2 std dev
% Change in market benchmark	**(17%)**	**(33.9%)**	(17%)	(34%)
Canadian equity	**$ (45,092)**	**$ (78,768)**	$ (40,254)	$ (70,295)
% Change in market benchmark	**(13.2%)**	**(26.5%)**	(13.1%)	(26.2%)
Non-Canadian equity	**$ (26,629)**	**$ (47,686)**	$ (22,177)	$ (39,745)

9. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)	**2012**			2011
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 3,000**	**$ -**	**$ 3,000**	$ 3,000
Building	**10,727**	**6,141**	**4,586**	4,781
Furniture and equipment	**2,765**	**2,499**	**266**	243
Computer equipment	**4,301**	**3,570**	**731**	427
	$ 20,793	**$ 12,210**	**$ 8,583**	$ 8,451

9. PROPERTY, PLANT AND EQUIPMENT (continued)

(thousands of dollars)	2012			
	Opening Balance	**Additions/ Depreciation**	**Disposals**	**Closing Balance**
Cost				
Land	**$ 3,000**	**-**	**-**	**$ 3,000**
Buildings	**10,727**	**-**	**-**	**10,727**
Furniture & equipment	**2,698**	**99**	**(32)**	**2,765**
Computer equipment	**4,493**	**614**	**(806)**	**4,301**
Total	**20,918**	**713**	**(838)**	**20,793**
Accumulated Depreciation				
Land	**-**	**-**	**-**	**-**
Buildings	**5,945**	**196**	**-**	**6,141**
Furniture & equipment	**2,455**	**75**	**(31)**	**2,499**
Computer equipment	**4,067**	**309**	**(806)**	**3,570**
Total	**12,467**	**580**	**(837)**	**12,210**
Net Book Value	**8,451**	**133**	**(1)**	**8,583**

(thousands of dollars)	2011			
	Opening Balance	Additions/ Depreciation	Disposals	Closing Balance
Cost				
Land	$3,000	$ -	$ -	$ 3,000
Buildings	10,810	-	(83)	10,727
Furniture & equipment	2,715	39	(56)	2,698
Computer equipment	4,394	194	(95)	4,493
Total	**20,919**	**233**	**(234)**	**20,918**
Accumulated Depreciation				
Land	-	-	-	-
Buildings	5,833	195	(83)	5,945
Furniture & equipment	2,424	87	(56)	2,455
Computer equipment	3,794	368	(95)	4,067
Total	**12,051**	**650**	**(234)**	**12,467**
Net Book Value	**$ 8,868**	**$ (417)**	**$ -**	**$ 8,451**

10. INTANGIBLE ASSETS

(thousands of dollars)	Cost	Accumulated Amortization	Net Book Value
Balance at January 1, 2011	$ 21,043	$ (6,572)	$ 14,471
Additions	2,624	-	2,624
Disposals	(69)	69	-
Amortization	-	(1,841)	(1,841)
Closing balance December 31, 2011	23,598	(8,344)	15,254
Additions	3,031	-	3,031
Disposals	(124)	124	-
Amortization	-	(2,084)	(2,084)
Closing balance December 31, 2012	**$ 26,505**	**$ (10,304)**	**$ 16,201**

Intangible assets include systems development costs for 2012 in the amount of $2,751,000 [2011 - $2,045,000] related to internally generated systems which are still under development.

11. BANK INDEBTEDNESS

The Commission has established an operating line of credit with its banker in the amount of $20,000,000. Advances on the line of credit bear interest at the bank's prime interest rate minus 0.4%. The credit facility is unsecured and was utilized during 2012 to the amount of $5,000,000; of which no amount was outstanding at December 31, 2012 and 2011.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(thousands of dollars)	**2012**	2011
Accounts payable	**$ 13,336**	$ 10,881
Amounts due to employees	**675**	705
Credit balances due to employers	**3,117**	3,172
	$ 17,128	$ 14,758

Accounts payable includes a provision in the amount of $5,355,000 [2011 - $5,099,000] for amounts owing to employers under the Commission's PRIME practice incentive program.

13. ASSESSMENTS REVENUE

The Commission administers the *Act* for two groups of employers, referred to as assessment-based employers and self-insured employers. Assessment-based employers are insured through "collective liability" and are required to contribute to the Commission's injury fund, whereas self-insured employers are individually liable. The Commission pays the actual cost of claims for self-insured employers and bills them on a monthly basis for payments related to: short-term disability, including rehabilitation; health care; long-term disability, including permanent functional impairment awards; and survivor benefits, together with their proportionate share of administration costs.

(thousands of dollars)	**2012**	2011
Gross assessed employers	**$ 190,558**	$ 181,476
Assessment reporting penalties & interest	**1,506**	1,499
PRIME refunds	**(5,355)**	(5,099)
Net assessment revenue	**186,709**	177,876
Self-insured employers [note 22]	**10,779**	10,491
Total	**$ 197,488**	$ 188,367

14. BENEFIT LIABILITIES AND CLAIMS COSTS

(thousands of dollars)	2012							2011
	Short-term disability	Long-term disability	Survivor benefits	Health care	Rehabilit-ation	Future Admin. Cost	Total	Total
Balance, beginning of year	$ 48,398	$ 485,012	$ 53,722	$ 212,169	$ 3,168	$ 56,172	$858,641	$ 839,301
Add:								
Claims costs incurred:								
Current–year injuries	26,475	31,564	883	28,352	1,094	-	88,368	90,514
Prior years' injuries	3,836	36,517	4,050	16,246	202	4,001	64,852	63,575
	30,311	68,081	4,933	44,598	1,296	4,001	153,220	154,089
Deduct:								
Claims payments:								
Current–year injuries	9,642	652	185	8,049	7	-	18,535	19,485
Prior years' injuries	20,029	54,001	7,518	31,343	1,026	-	113,917	114,019
	29,671	54,653	7,703	39,392	1,033	-	132,452	133,504
Sub-total	49,038	498,440	50,952	217,375	3,431	60,173	879,409	859,886
Occupational disease	3,754	37,723	3,928	17,743	232	-	63,380	-
Actuarial adjustments	387	(1,756)	764	16,233	(372)	10,759	26,015	(1,245)
Balance, end of year	$ 53,179	$ 534,407	$ 55,644	$ 251,351	$ 3,291	$ 70,932	$968,804	$ 858,641

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

Claims Development
(thousands of do ars)

Accident Year	2007	2008	2009	2010	2011	2012	Total
Estimate of cumulative claims:							
At end of year of accident	$ 139,692	$ 149,568	$ 186,721	$ 147,535	$ 154,019	143,952	
One year later	127,032	139,326	166,238	142,442	133,770		
Two years later	126,663	132,818	167,497	141,827			
Three years later	132,011	134,934	170,475				
Four years later	136,413	137,089					
Five years later	135,434						
Estimate of cumulative claims	135,434	137,089	170,475	141,827	133,770	143,952	862,547
Cumulative payments	(56,451)	(53,487)	(51,412)	(44,439)	(34,802)	(16,825)	(257,416)
Estimate of future payments	78,983	83,602	119,063	97,388	98,968	127,127	605,131
2006 and prior years							956,994
Effect of discounting							(727,633)
Occupational disease							63,380
Claims Administration							70,932
Benefit Liabilities at December 31, 2012							**$ 968,804**

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

The table below lists the principal economic assumptions used.

	2012		2011	
	CPI-Indexed awards	**Other payments**	CPI-Indexed awards	Other payments
Gross rate of return	**6.61%**	**6.61%**	7.12%	7.12%
Inflation year 1	**2.40%**	**3.00%**	2.50%	3.50%
Inflation later years	**3.00%**	**3.00%**	3.50%	3.50%
Net rate of return year 1	**4.11%**	**3.50%**	4.51%	3.50%
Net rate of return later years	**3.50%**	**3.50%**	3.50%	3.50%

The benefit liability includes a provision for the cost of future claims administration. At December 31, 2012, this was estimated at 8.5% of the benefit liability (2011 – 7%).

During 2012, the Commission's independent actuaries completed a study of occupational disease exposure in Newfoundland and Labrador. The purpose of the study was to develop a model capable of providing a reasonable estimate of the present value of the cost of all future claims associated with occupational diseases arising from exposure that has already occurred. Based on the results of the study, the actuaries estimate a reasonable range would be 5.8% to 7.8 % of the benefit liability. Consequently, the Commission has included a provision for latent occupational disease at December 31, 2012, of $63.4 million which is estimated at 7% of the benefit liability.

The table below highlights the sensitivity of benefit liabilities and claims costs to changes in the key assumptions.

(millions of dollars)

1% Change in assumption	Impact	Benefit Liabilities	Claims Costs
Decrease discount rate	Increase	**$ 77.4**	**$ 5.4**
Increase inflation rate	Increase	**$ 45.7**	**$ 3.4**
Increase health care inflation	Increase	**$ 27.4**	**$ 1.5**

15. EMPLOYEE FUTURE BENEFITS

Public Service Pension Plan

The Commission's contributions to the Public Service Pension Plan of $1,790,800 [2011 - $1,675,800] are included in administration expenses and have been expensed as incurred.

Severance payments and annual leave

The Commission provides a severance payment and a payment for accumulated annual leave balances to employees upon retirement, resignation or termination without cause. In 2012, cash payments to retirees for its unfunded employee future benefits amounted to $153,000 [2011 - $105,000]. The last actuarial valuation was performed effective December 31, 2012. The next actuarial valuation will be performed as at December 31, 2015.

(thousands of dollars)	**2012**	2011
Accrued benefit obligation, beginning of year	**$ 5,177**	$ 4,485
Current service cost	**391**	399
Interest cost	**242**	232
Actuarial loss	**248**	166
	6,058	5,282
Benefits paid	**(153)**	(105)
Accrued benefit obligation, end of year	**$ 5,905**	$ 5,177

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

	2012	**2011**
Discount rate – benefit cost	**4.50%**	5.00%
Discount rate – accrued benefit obligation	**3.75%**	4.50%
Rate of compensation increase	**3.00%**	3.50%

16. ADMINISTRATION

(thousands of dollars)	**2012**	2011
Salaries and employee benefits	**$ 28,464**	$ 26,911
Office and communications	**2,773**	2,566
Professional fees	**1,154**	1,188
Building operations	**891**	1,342
Travel and vehicle operating	**587**	536
	$ 33,869	$ 32,543

17. LEGISLATED OBLIGATIONS

The Commission is required by legislation to fund the operating costs of the Occupational, Health and Safety Branch of Service NL in delivering their occupational health and safety mandate and all of the costs of the Workplace Health, Safety and Compensation Review Division and the Statutory Review. The Commission also reimburses the provincial government for a portion of the operating costs of the Department of Advanced Education and Skills and the Labour Relations Agency in respect of administering the Act. The Commission is required to fund the operating costs of the employer and worker advisor positions. Total expenses incurred by the Commission for legislated obligations are detailed below:

(thousands of dollars)	**2012**	2011
Service NL, Advanced Education and Skills and Labour Relations Agency	**$ 5,634**	$ 5,645
Workplace Health, Safety and Compensation Review Division	**1,053**	807
Employer and Worker Advisors	**740**	500
Statutory Review on WHSCC	**197**	-
	$ 7,624	$ 6,952

18. OTHER EXPENSES

(thousands of dollars)	**2012**	2011
Sectoral advisors and grants	**$ 263**	$ 240
Business improvement projects	**329**	1,280
	$ 592	$ 1,520

19. RESERVES

As provided by legislation, the Commission maintains a reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace. During 2012, an amount of $10,000 was charged to the reserve [2011 - $80,000].

20. RELATED PARTY TRANSACTIONS

These financial statements include amounts resulting from normal operating transactions with various provincial government departments, agencies, and Crown corporations with which the Commission may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements and are settled under normal trade terms.

The Commission has identified the Board of Directors and Senior Management team as related parties. The Senior Management team includes the CEO, Executive Director of Employer Services, Executive Director of Worker Services, Chief Financial and Information Officer, Executive Director of Corporate Services, Director of Communications, Director of Human Resources, General Counsel and Corporate Secretary, and Executive Assistant. Salary and benefits related to these parties is shown below:

(thousands of dollars)		**2012**		2011
	Number	**Total**	Number	Total
Board of Directors	**9**	**$ 131**	9	$ 121
Senior Management	**9**	**$ 1,318**	9	$ 1,304

21. INDUSTRY LEVY

The Commission has levied a surcharge of $0.10 per $100 of payroll on employers in the construction sector to fund a portion of the operating costs of safety and health training programs conducted by the Newfoundland and Labrador Construction Safety Association. The amounts collected on behalf of the association totaled $1,153,000 [2011 - $865,500] and are not included in the statement of operations.

22. SELF-INSURED EMPLOYERS

The financial statements include the effects of transactions carried out for self-insured employers, principally federal and provincial government bodies, who directly bear the costs of their own incurred claims and a share of administration costs. The claims costs and administrative expenses included in assessments revenue on the statement of operations are as follows:

(thousands of dollars)	**2012**	2011
Claims costs incurred:		
Short-term disability	**$ 1,286**	$ 1,268
Long-term disability	**3,730**	3,984
Survivor benefits	**472**	571
Health Care	**2,889**	2,779
Administration charges	**2,402**	1,889
Revenue from self-insured employers	**$ 10,779**	$ 10,491

The benefit liabilities related to self-insured employers have not been included in the benefits liabilities account, as these liabilities will be borne by those employers when paid in future years.

23. COMMITMENTS

The Commission has committed to operating lease payments for office premises and equipment for the years 2013 to 2015 in the amount of $230,000 annually.

24. CAPITAL MANAGEMENT

The objective of the Commission’s long-term financial strategy is to maintain a funded position that will provide for the security of benefits promised to injured workers within employers’ reasonable ability to pay assessments. The Commission’s funded position is defined by the relationship of total assets to total liabilities and the Injury Fund is fully funded when the total assets equal or exceed total liabilities. At December 31, the funded ratio was 91.7% (2011 – 91.8%). The Fund balance consists of accumulated net operating deficits and the occupational health, safety and research reserve.

24. CAPITAL MANAGEMENT (continued)

The Board of Directors has established a funding target of total assets equal to 110% of total liabilities. When the funded ratio is less than 100%, the Commission will adjust assessment rates paid by employers over a fifteen-year period to achieve the funding target. The Commission's assessment rates for 2011 and 2012 included an upward adjustment of $0.25 per $100 of payroll. This adjustment will be retained until the 110% funding target is reached.

25. COMPARATIVE FIGURES

The comparative figures have been reclassified to conform to the 2012 financial statement presentation including property, plant and equipment; intangible assets; accounts payable and accrued liabilities; and employee benefits.

FIVE-YEAR HISTORY
DECEMBER 21, 2012

Statement of Operations and Fund Deficiency
for the Years Ending December 31

(thousands of dollars)	**2012**	**2011**	**2010**	**2009**	**2008**
Revenue					
Assessments	**$ 197,488**	$ 188,367	$ 166,220	$ 160,582	$ 152,440
Investment income (loss)	**82,634**	(11,602)	65,217	18,205	16,432
Third party recoveries	**838**	1,049	1,080	4,372	
	280,960	177,814	232,517	183,159	168,872
Expenses					
Claims costs incurred	**216,600**	154,089	148,999	156,333	146,935
Administration	**33,869**	32,543	30,170	27,340	26,897
Legislated obligations	**7,624**	6,952	6,649	6,588	6,424
Amortization	**2,664**	2,491	2,179	2,555	2,859
Fee and interest	**3,749**	3,245	2,627	3,431	3,327
Actuarial adjustments	**26,015**	(1,245)	(12,458)	(6,725)	(6,450)
Other	**592**	1,520	1,258	1,787	915
	291,113	199,595	179,424	191,309	180,907
(Deficit) surplus for the year	**(10,153)**	(21,781)	53,093	(8,150)	(12,035)
Fund deficiency, beginning of year	**(72,190)**	(50,409)	(103,502)	(188,756)	(30,276)
Reserve balance, beginning of year	**560**	640	815	839	889
Total fund deficiency, beginning of year	**(71,630)**	(49,769)	(102,687)	(187,917)	(29,387)
(Deficit) surplus for the year	**(10,153)**	(21,781)	53,093	(8,150)	(12,035)
Appropriation of reserve fund	**(10)**	(80)	(175)	(24)	(50)
Other comprehensive income (loss)				90,212	(146,445)
Total fund deficiency, end of year	**$ (81,793)**	$ (71,630)	$ (49,769)	$ (105,879)	$ (187,917)

* 2008 – 2009 presented under Canadian GAAP, 2010 – 2012 presented under IFRS