Province of
Newfoundland and Labrador

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

FOR THE YEAR ENDED
31 MARCH 2014

Newfoundland Labrador

Province of Newfoundland and Labrador

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(N-Z)

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PRINTED UNDER AUTHORITY OF THE HOUSE OF ASSEMBLY

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, 2014. 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 2013-14 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/publications/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, 2013, those that 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 inclusion in this report:

C.A. Pippy Park Commission (2013)

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

Consumer Protection Fund For Prepaid Funeral Services (2013 & 2014)

Discovery Health Care Foundation Inc. (2013 & 2014)

Dr. H. Bliss Murphy Cancer Care Foundation (2013 & 2014)

Eastern Education Foundation (2012 & 2013)

Egg Farmers of Newfoundland and Labrador (2012 & 2013)

Health Care Foundation of St. John’s Inc. (2013 & 2014)

Heritage Foundation of Newfoundland and Labrador (2013)

House of Assembly (2013 & 2014)

Janeway Children’s Hospital Foundation (2013 & 2014)

Labrador-Grenfell Regional Health Authority (2013 & 2014)

Labrador School Board Trust Fund (2012 & 2013)

Marble Mountain Development Corporation (2013)

Newfoundland and Labrador Arts Council (2013)

Newfoundland and Labrador Farm Products (2013 & 2014)

Newfoundland and Labrador Government Sinking Fund (2013)

Newfoundland and Labrador Legal Aid Commission (2013 & 2014)

Newfoundland and Labrador Sports Centre Inc. (2013)

Newfoundland Government Fund (2013)

Newfoundland International Student Education Program Inc. (2013 & 2014)

Newvest Realty Corporation (2012)

Office of the Public Trustee (2013)

Private Training Corporation (2012)

Province of Newfoundland and Labrador pooled pension Fund (2012)

Provincial Advisory Council on the Status of Women (2013)

Public Health Laboratory (2013)

The Burin Peninsula Health Care Foundation Inc. (2013 & 2014)

The Rooms Corporation of Newfoundland and Labrador (2014)

Trinity-Conception-Placentia Health Foundation Inc. (2013 & 2014)

2013 BUSINESS AND FINANCIAL REPORT

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 judgment, 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 3, 2014. 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 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 Auditor's 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, 2013, 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 CONSOLIDATED 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, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte LLP

Chartered Accountants
St. John's, NL
Canada
April 3, 2014

CONSOLIDATED BALANCE SHEET

As at December 31 (millions of Canadian dollars)	Notes	2013	2012
ASSETS			
Current assets			
Cash and cash equivalents		94.0	12.1
Restricted cash	3	525.5	-
Short-term investments		1.7	11.5
Accounts receivable		150.2	125.0
Current portion of regulatory assets	6	2.2	2.2
Inventory		75.2	62.1
Current portion of sinking funds	7	65.4	-
Prepaid expenses		7.5	5.6
Derivative assets		0.2	0.1
		921.9	218.6
Property, plant and equipment	4	3,218.0	2,435.0
Petroleum and natural gas properties	5	552.6	376.0
Regulatory assets	6	62.2	62.8
Other long-term assets	7	305.1	354.5
Long-term investments	8	4,477.4	-
Total assets		9,537.2	3,446.9
LIABILITIES			
Current liabilities			
Short-term borrowings	10	41.0	125.0
Accounts payable and accrued liabilities	11	438.4	198.1
Current portion of long-term debt	10	82.2	8.2
Current portion of regulatory liabilities	6	214.0	169.0
Derivative liabilities		1.5	-
Current portion of other liabilities	13	5.8	8.6
		782.9	508.9
Long-term debt	10	6,047.9	1,125.9
Regulatory liabilities	6	40.3	33.2
Class B limited partnership units	12	73.0	-
Employee future benefits	13	81.4	73.6
Other liabilities	14	178.2	140.4
		7,203.7	1,882.0
SHAREHOLDER'S EQUITY			
Share capital	15	122.5	122.5
Contributed capital	15	1,141.8	435.8
		1,264.3	558.3
Accumulated other comprehensive income	15	10.6	43.6
Retained earnings		1,058.6	963.0
		1,069.2	1,006.6
Total equity		2,333.5	1,564.9
Total liabilities and shareholder's equity		9,537.2	3,446.9

Commitments and contingencies (Note 23)

Subsequent events (Note 25)

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 Canadian dollars)	Notes	2013	2012
Revenue			
Energy sales	16	**756.0**	710.4
Other revenue	16	**28.8**	15.7
		784.8	726.1
Expenses			
Fuels		**190.9**	182.4
Power purchased		**63.2**	60.8
Operating costs	17	**215.4**	206.9
Net finance expense	20	**72.5**	73.6
Amortization and depletion		**87.7**	79.3
Other income and expense		**3.9**	0.4
Regulatory adjustments	6	**55.6**	30.0
		689.2	633.4
Net income		**95.6**	92.7
Retained earnings at beginning of year		**963.0**	870.3
Retained earnings at end of year		**1,058.6**	963.0

See accompanying notes

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31 (millions of Canadian dollars)	Notes	2013	2012
Net income		**95.6**	92.7
Other comprehensive (loss) income			
Change in fair value of available for sale financial instruments		**(5.0)**	8.4
Change in fair value of derivatives designated as cash flow hedges	19	**(12.3)**	-
Amounts recognized in net income		**(15.7)**	(11.2)
Comprehensive income		**62.6**	89.9

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31 (millions of Canadian dollars)	Notes	2013	2012
Cash provided by (used in)			
Operating activities			
Net income		95.6	92.7
Adjusted for items not involving a cash flow			
Amortization and depletion		87.7	79.3
Regulatory adjustments	6	55.6	30.0
Accretion		4.4	2.7
Increase in employee future benefits	13	9.5	9.5
(Gain) loss on disposal of property, plant and equipment		(0.9)	3.4
Change in fair value of cash flow hedges	19	(12.3)	-
Other		1.6	0.4
		241.2	218.0
Changes in non-cash working capital balances	21	200.1	81.8
		441.3	299.8
Financing activities			
Long-term debt issued	10	5,001.3	-
Increase in restricted cash		(525.5)	-
Issuance of Class B limited partnership units	12	67.7	-
Contributions from shareholder	15	706.0	45.3
Decrease in deferred credits	14	(0.9)	(4.1)
(Decrease) increase in short-term borrowings		(84.0)	125.0
(Decrease) increase in long-term payables		(8.0)	37.5
		5,156.6	203.7
Investing activities			
Additions to property, plant and equipment	4	(814.8)	(361.1)
Additions to petroleum and natural gas properties	5	(194.7)	(88.3)
Increase in long-term investments	8	(4,477.4)	-
Increase in other long-term assets		(42.9)	(69.6)
Proceeds on disposal of property, plant and equipment		4.0	5.4
Decrease in short-term investments		9.8	3.5
		(5,516.0)	(510.1)
Net increase (decrease) in cash		81.9	(6.6)
Cash position at beginning of year		12.1	18.7
Cash position at end of year		94.0	12.1
Cash position is represented by			
Cash		87.4	12.1
Cash equivalents		6.6	-
		94.0	12.1

Supplementary cash flow information (Note 21)

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Nalcor Energy (Nalcor or the Company) 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:

A 100.0% interest in Newfoundland and Labrador Hydro (Hydro) whose principal activity is the generation, transmission and sale of electricity. Hydro's operations include both regulated and non-regulated activities.

A 100.0% interest in Nalcor Energy – Oil and Gas Inc. (Oil and Gas), a company with a broad mandate to engage in upstream and downstream sectors of the oil and gas industry including exploration, development, production, transportation and processing.

A 100.0% interest in Nalcor Energy – Bull Arm Fabrication Inc. (Bull Arm Fabrication), Atlantic Canada's largest industrial fabrication site with 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.

A 100.0% interest in Muskrat Falls Corporation (Muskrat Falls) created to develop, construct, finance and operate the Muskrat Falls plant, an 824 megawatt (MW) hydroelectric generating facility in Labrador.

A 100.0% interest in Labrador Transmission Corporation (Transco) created to develop, construct, finance and operate transmission assets connecting the Muskrat Falls plant to the existing hydro electric generating facility in Churchill Falls.

A limited partnership interest in the Labrador-Island Link Limited Partnership (LIL LP), created to develop, construct, finance and operate the assets and property constituting the Labrador-Island Link (LIL), a transmission link to be constructed between the Muskrat Falls plant and the Newfoundland and Labrador Island Interconnected System. Labrador-Island Link Holding Corporation (LIL Holdco) holds 100.0% of the Class A limited partnership units.

A 100.0% interest in Labrador-Island Link General Partner Corporation (LIL GP) and LIL Holdco, both created to hold Nalcor's 65.0% interest in the LIL LP.

A 100.0% interest in the Labrador-Island Link Operating Corporation (LIL Opco), created to operate and maintain the LIL.

A 100.0% interest in the Lower Churchill Management Corporation (LCMC), created to carry out the project development and management functions for Phase 1 of the Lower Churchill Project including planning, engineering and design management, construction management, risk management, finance, procurement and supply chain management.

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:

A 65.8% indirect interest (through Hydro) in Churchill Falls (Labrador) Corporation Limited (Churchill Falls), a company that owns and operates a hydroelectric generating plant and related transmission facilities situated in Labrador with a rated capacity of 5,428 MW.

A 33.3% indirect interest (through Churchill Falls) in Twin Falls Power Corporation (Twin Falls), a 225 MW hydroelectric generating plant on the Unknown River in Labrador. The plant has been inoperative since 1974.

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

1.3 VARIABLE INTEREST ENTITIES

Nalcor consolidates the results of variable interest entities (VIEs) in which it holds a financial interest and is the primary beneficiary. Nalcor has determined that it is the primary beneficiary of the LIL Construction Project Trust (Project Trust) and as a result has included the financial statements of the Project Trust in these consolidated financial statements. Nalcor has determined that it is not the primary beneficiary of the Muskrat Falls/Labrador Transmission Assets (MF/LTA) Funding Trust or the Labrador-Island Link (LIL) Funding Trust and therefore the operations of these trusts are not reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PRESENTATION

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

2.2 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial statements of Nalcor, its subsidiary companies and jointly controlled entities. In addition, the financial statements of all variable interest entities for which Nalcor has been determined to be the primary beneficiary are included in these consolidated financial statements. Intercompany transactions and balances have been eliminated upon consolidation.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2.3 USE OF ESTIMATES AND JUDGMENTS

Preparation of these consolidated financial statements requires the use of estimates and assumptions that affect the amounts reported and disclosed in these consolidated financial statements and related notes. Key areas where management has made complex or subjective judgments 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. Management has also applied significant judgment in determining whether to consolidate Nalcor's interests in variable interest entities. 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% (2012 - 7.4%) +/- 15 basis points. 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 Government of Canada Treasury Bills, Banker's Acceptances (BAs) and term deposits drawn on Canadian Schedule 1 Chartered Banks. 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 1.12% to 1.33% (2012 - 1.26% to 1.35%) 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 in progress 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.

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 generation 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 cost less accumulated amortization. Amortization is calculated on a straight-line basis over estimated useful lives ranging from five 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

Twin Falls

Amortization is calculated on a straight-line basis over the estimated useful lives of 33 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Lower Churchill Project

Since the assets associated with the Lower Churchill Project are under construction, there is no amortization recognized until the assets are put into service.

2.8 CAPITALIZED INTEREST

Interest is charged to construction in progress until the project is complete at rates equivalent to the embedded 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 10.0% 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. 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-Québec 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 kilowatt hours (kWh) to 2.0 mills per kWh upon renewal in 2016.

Churchill Falls receives revenues from Hydro-Québec under a guaranteed winter availability contract (GWAC) through 2041. The GWAC provides for the sale of 682 MW of guaranteed seasonal availability to Hydro-Québec during the months of November through March in each of the remaining years 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-Québec over the subsequent four-year period, unless the balance is less than $1.0 million in which case it is recovered or refunded immediately. These long-term receivables or long-term payables are subject to interest at 7.0% per annum (2012 - 7.0%).

In the absence of a signed agreement with Hydro-Québec related to the AEB, Churchill Falls continues to apply the terms of the previous agreement which expired August 31, 2012. Management continues to work to negotiate terms of a new agreement.

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 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.

Other Revenue

Revenue associated with the sale of geoscience data is recognized when the terms and conditions governing sales have been met and the amount of revenue can be reliably estimated.

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 (CAD) 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 and reflected in income when fuel is used.

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
Investments	Held to maturity
Reserve fund	Available for sale
Long-term receivables	Loans and receivables
Short-term borrowings	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities
Long-term payables	Other financial liabilities
Class B limited partnership units	Other financial 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, 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, 2013 (2012 – $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 Professional Accountants (CICPA) 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 has chosen to avail of the deferral option for the year ended December 31, 2013.

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. In January 2014, the IASB issued an interim standard *IFRS 14 Regulatory Deferral Accounts*, which will be applicable to rate-regulated entities who have not yet converted to IFRS. The purpose of the interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities. The interim standard is effective for first-time adopters of IFRS for a period beginning on or after January 1, 2016 with early adoption permitted.

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. RESTRICTED CASH

Restricted cash is held in accounts administered by the collateral agent for the sole purpose of funding construction costs related to Phase 1 of the Lower Churchill Project. The Company draws funds from this account on a monthly basis in accordance with procedures set out in the LIL Project Finance Agreement and the MF/LTA Project Finance Agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

(millions of Canadian dollars)	Cost	Contributions In Aid of Construction	Accumulated Amortization	Net Book Value
		2013		
Electric – generation	**1,546.8**	**2.4**	**404.2**	**1,140.2**
Electric – transmission and distribution	**709.5**	**19.3**	**111.4**	**578.8**
Development projects	**1,361.6**	**-**	**-**	**1,361.6**
Other	**223.5**	**24.1**	**62.0**	**137.4**
	3,841.4	**45.8**	**577.6**	**3,218.0**

(millions of Canadian 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

As at December 31, 2013 the cost of assets under construction and therefore excluded from costs subject to amortization was $1,384.5 million (2012 – $661.2 million).

Included in Development projects is $1,353.0 million related to the Lower Churchill Project (2012 – $609.3 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 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 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 and New Brunswick into New England from Emera. Nalcor will own and finance 100.0% of Muskrat Falls and the Labrador Transmission Assets. Nalcor and Emera, through the LIL LP will finance the Labrador-Island Link. The Maritime Link will be 100.0% owned and financed by Emera.

5. PETROLEUM AND NATURAL GAS PROPERTIES

(millions of Canadian dollars)	2013	2012
Petroleum and natural gas properties	**631.3**	434.0
Less: accumulated depletion	**78.7**	58.0
	552.6	376.0

There were no internal costs directly related to acquisition, exploration and development activities capitalized in 2013 (2012 – $0.1 million).

As at December 31, 2013, $302.2 million (2012 – $187.1 million) of accumulated costs of petroleum and natural gas properties were not subject to depletion.

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 10.0% working interest in the Hibernia Southern Extension. Nalcor also has an average working interest of 99.0% in two onshore exploration permits in Parson's Pond on the Great Northern Peninsula.

6. REGULATORY ASSETS AND LIABILITIES

(millions of Canadian dollars)	**2013**	2012	Remaining Recovery Settlement Period (years)
Regulatory assets			
Foreign exchange losses	**60.5**	62.6	28.0
Deferred energy conservation costs	**3.9**	2.4	n/a
Total regulatory assets	**64.4**	65.0	
Less: current portion	**2.2**	2.2	
	62.2	62.8	
Regulatory liabilities			
Rate stabilization plan (RSP)	**253.8**	201.7	n/a
Deferred purchased power savings	**0.5**	0.5	13.5
Total regulatory liabilities	**254.3**	202.2	
Less: current portion	**214.0**	169.0	
	40.3	33.2	

6.1 REGULATORY ADJUSTMENTS RECORDED IN THE CONSOLIDATED STATEMENT OF INCOME

(millions of Canadian dollars)	**2013**	2012
RSP recovery	**58.9**	60.4
Rural rate adjustment	**11.4**	7.0
RSP fuel deferral	**(35.3)**	(49.3)
RSP interest	**17.1**	13.2
Amortization of deferred foreign exchange losses	**2.1**	2.1
Deferred foreign exchange losses on fuel	**-**	(0.4)
Employee future benefit actuarial losses	**(1.7)**	(2.3)
Amortization of deferred major extraordinary repairs	**-**	0.6
Deferred energy conservation	**(1.5)**	(1.4)
Insurance proceeds	**4.6**	0.2
Deferred purchased power savings	**-**	(0.1)
	55.6	30.0

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 sections describe 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 variations, which will be recovered or refunded at a rate of 25.0% 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 $134.4 million has been set aside with $115.3 million to be refunded to retail customers, $10.9 million to be used to phase in Island Industrial rate increases and $8.2 million subject to a future regulatory ruling. 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 in 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 2013, $35.3 million was deferred (2012 – $49.3 million) as an RSP fuel deferral and $58.9 million (2012 – $60.4 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 rates ordered by the PUB. Therefore, when a rural rate electricity adjustment has been approved by the PUB, Hydro's rural customers are charged the approved rate change. In 2013, Hydro recognized in regulatory adjustments, a rural rate adjustment that reduces income and increases the RSP liability by $11.4 million (2012 – $7.0 million). In the absence of rate regulation, the rural 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 in regulatory adjustments an RSP interest expense of $17.1 million in 2013 (2012 – $13.2 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 40-year period. This amortization of $2.1 million (2012 – $2.1 million) 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 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 were amortized over a five-year period. In the absence of rate regulation, Canadian GAAP would require that Hydro expense the boiler tube repairs in the year incurred. In 2013, there was amortization of $nil (2012 – $0.6 million) as a regulatory adjustment.

6.5 DEFERRED ENERGY CONSERVATION COSTS

Pursuant to Order No. P.U. 35 (2013), 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 2013, Hydro recognized $1.5 million (2012 – $1.4 million) in regulatory adjustments. Discharge of the balance will be dealt with as part of the General Rate Application currently before the PUB.

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-Québec 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 in the amount of $0.5 million (2012 – $0.5 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

The PUB permits major inspections and overhauls to be included in the cost of capital and amortized over the average expected period of the next major inspection. In 2013, $3.5 million (2012 – $6.8 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 for HTGS in US dollars (USD). The RSP allows Hydro to defer variances in fuel prices (including foreign exchange fluctuations). During 2013, Hydro deferred, in regulatory adjustments, foreign exchange losses on fuel purchases of $nil (2012 – loss of $0.4 million). In the absence of rate regulation, Canadian GAAP would require that Hydro include gains and losses on foreign currencies in net finance expense 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. During 2013, Hydro recorded, in regulatory adjustments, net insurance proceeds of $4.6 million (2012 – $0.2 million) with an offset against costs of the related assets. In the absence of rate regulation, Canadian GAAP would require Hydro to include insurance proceeds in net income.

6.10 EMPLOYEE FUTURE BENEFITS

Pursuant to Order No. P.U. 13 (2012), Hydro defers the amortization of employee future benefit actuarial losses. During 2013, Hydro recorded, in regulatory adjustments, a deferral of actuarial gains and losses of $1.7 million (2012 – $2.3 million). In the absence of rate regulation, Canadian GAAP would require Hydro to include employee future benefits gains and losses in net income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. OTHER LONG-TERM ASSETS

(millions of Canadian dollars)		2013	2012
Long-term receivables	(a)	16.7	0.8
Sinking funds	(b)	237.9	302.8
Reserve fund	(c)	50.5	50.9
		305.1	354.5

(a) The majority of the balance relates to a $15.0 million long-term advance to a supplier in relation to construction of the Muskrat Falls hydroelectric plant. The balance of $0.2 million (2012 – $0.2 million) includes the non-current portion of receivables associated with customer time payment plans and the long-term portion of employee purchase programs. The remaining balance of $1.5 million (2012 – $0.6 million) relates to differences between the AEB in the Churchill Falls Power contract and energy delivered accumulating over the four-year period from September 2012 to August 2016.

(b) As at December 31, 2013, sinking funds include $267.6 million (2012 – $263.3 million) related to repayment of Hydro's long-term debt and $35.7 million (2012 – $39.5 million) related to funding of Nalcor's long-term payable under the Upper Churchill Redress Agreement (UCRA).

Sinking fund investments consist of bonds, debentures, promissory notes and coupons issued by, or guaranteed by, the Government of Canada, provincial governments or Canadian Schedule 1 Chartered banks, and have maturity dates ranging from 2014 to 2041.

Sinking fund investments in Hydro debentures, which are intended to be held to maturity, are deducted from debt while all other sinking fund investments are shown separately on the consolidated 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 1.17% to 9.86% (2012 – 1.38% to 9.86%).

Nalcor sinking funds are held to fund the annual payments to the Innu Nation as required under the UCRA.

(millions of Canadian dollars)	2013	2012
Balance at beginning of year	302.8	247.0
Contributions	8.4	48.1
Earnings	14.7	12.6
Redemptions	(1.8)	(2.0)
Valuation adjustment	(20.8)	(2.9)
Balance at end of year	303.3	302.8
Current portion of sinking funds	65.4	-
	237.9	302.8

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

(millions of Canadian dollars)	2014	2015	2016	2017	2018
Sinking fund instalments	8.1	8.1	8.1	6.7	6.7

(c) In 2007, pursuant to the terms of the 1999 shareholders' agreement, 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 Canadian dollars)	2013	2012
Balance at beginning of year	50.9	45.4
Contribution	-	5.3
Net interest	-	0.3
Mark-to-market adjustment	(0.4)	(0.1)
Balance at end of year	50.5	50.9

8. LONG-TERM INVESTMENTS

As at December 31, 2013, long-term investments consist of structured deposit notes of $1,807.3 million (2012 – $nil) related to Muskrat Falls, $396.7 million (2012 – $nil) related to Transco and $2,273.4 million (2012 – $nil) related to the LIL Partnership. These notes were acquired on December 20, 2013.

Structured deposit notes are issued by a Schedule 1 bank, and have maturity dates ranging from 2016 to 2017. Funds held in these notes can be accessed in accordance with procedures set out in the Labrador-Island Link Project Finance Agreement and Muskrat Falls/LTA Project Finance Agreement. Effective yields range from 1.59% to 1.62% (2012 – nil).

(millions of Canadian dollars)	2013	2012
Long-term investments at beginning of year	-	-
Contributions	4,749.6	-
Redemptions	(274.5)	-
Earnings	2.3	-
Long-term investments at end of year	4,477.4	-

9. JOINT VENTURE

The following amounts 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 Canadian dollars)	2013	2012
Current assets	37.6	39.9
Long-term assets	434.0	383.2
Current liabilities	19.4	20.5
Long-term liabilities	16.4	15.6
Revenues	76.8	73.5
Expenses	56.8	48.6
Net income	20.0	24.9
Cash provided by (used in)		
Operating activities	40.8	33.1
Financing activities	(0.2)	(2.5)
Investing activities	(32.3)	(23.8)

Income tax expense in the amount of $0.1 million (2012 - $0.1 million) related to Twin Falls has been included in expenses.

10. DEBT

10.1 SHORT-TERM BORROWINGS

Nalcor maintains a $250.0 million (2012 – $100.0 million) unsecured demand operating credit facility with its banker and at year end there were no amounts drawn on this facility (2012 – $nil). Borrowings in CAD 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 totalled $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 CAD or USD equivalent unsecured demand operating credit facility with its banker and at year end there were no amounts drawn on this facility (2012 – $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 one letter of credit outstanding, reducing the availability of the credit facility by $0.3 million (2012 – $18.9 million).

Churchill Falls maintains a $10.0 million CAD or USD equivalent unsecured demand operating credit facility with its banker and at year end there were no amounts drawn on this facility (2012 – $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, totalling $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, 2013, there were no amounts drawn on this facility (2012 – $3.7 million). Oil and Gas has issued one irrevocable letter of credit in the amount of $0.3 million to secure its share of a joint obligation to complete a fish habitat compensation and monitoring program for the Hibernia South Extension, as required under the Fisheries Act.

Short-term borrowings consist of promissory notes in Hydro totalling $41.0 million. As at December 31, 2012, there were $52.0 million of promissory notes in Hydro and BAs in Nalcor totalling $73.0 million.

10.2 LONG-TERM DEBT

Details of long-term debt are as follows:

(millions of Canadian dollars)	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	**2013**	2012
Hydro						
V *	125.0	10.50	1989	2014	**125.0**	124.8
X *	150.0	10.25	1992	2017	**149.5**	149.4
Y *	300.0	8.40	1996	2026	**294.0**	293.8
AB *	300.0	6.65	2001	2031	**306.1**	306.3
AD *	125.0	5.70	2003	2033	**123.7**	123.7
AE	225.0	4.30	2006	2016	**224.4**	224.2
LIL LP						
Tranche A	725.0	3.76	2013	2033	**725.3**	-
Tranche B	600.0	3.86	2013	2045	**600.1**	-
Tranche C	1,075.0	3.85	2013	2053	**1,075.2**	-
Muskrat Falls/Transco						
Tranche A	650.0	3.63	2013	2029	**650.3**	-
Tranche B	675.0	3.83	2013	2037	**675.1**	-
Tranche C	1,275.0	3.86	2013	2048	**1,275.3**	-
Total debentures	6,225.0				**6,224.0**	1,222.2
Less: sinking fund investments in own debentures					**93.9**	88.1
					6,130.1	1,134.1
Less: payments due within one year					**82.2**	8.2
					6,047.9	1,125.9

* Sinking funds have been established for these issues.

Hydro's 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 10 years and 50 basis points annually on total debt (net of sinking funds) with a remaining term to maturity greater than 10 years. The fee for 2013 was $3.7 million (2012 – $3.7 million).

On November 29, 2013, the Project Trust entered into the IT Project Finance Agreement (IT PFA) with the Labrador-Island Link Funding Trust (Funding Trust). Under the terms and conditions of the IT PFA, the Funding Trust agreed to provide a non-revolving credit facility in the amount of $2.4 billion available in three tranches (Tranches A, B and C) to the LIL LP. The purpose of the Funding Trust is to issue long-term debentures to the public, which debt is guaranteed by the federal government of Canada and to on-lend the proceeds to the Project Trust. The proceeds of the facility are to be used exclusively for the construction of the LIL.

On December 13, 2013, all three tranches of the construction facility were drawn down by way of a single advance to the Project Trust of $2.4 billion. Under the terms of the IT PFA, the $2.4 billion advance is held in an account administered by a collateral agent with a portion of the funds invested in structured deposits notes. The LIL LP draws funds from this account on a monthly basis in accordance with procedures set out in the IT PFA.

The role of the collateral agent is to act on behalf of the lending parties, including the Funding Trust and the Government of Canada. The collateral agent oversees the lending and security arrangements, the various project accounts and the compliance with covenants.

As security for these debt obligations, the LIL LP has granted to the collateral agent first ranking liens on all present and future assets. On the date of the release of the final funding request from the collateral agent, sinking funds are required to be set up for each of the three tranches to be held in a sinking fund account administered by the collateral agent.

On November 29, 2013, Muskrat Falls entered into the PFA with the Funding Trust and Transco. Under the terms and conditions of the PFA, the Funding Trust agreed to provide a non-revolving credit facility in the amount of $2.6 billion available in three tranches (Tranches A, B and C). The purpose of the Funding Trust is to issue long-term debentures to the public, which debt is guaranteed by the Federal Government of Canada and to on-lend the proceeds to Muskrat Falls and Transco. Muskrat Falls and Transco are both jointly and severally liable for the full amount of the credit facility.

On December 13, 2013, all three tranches of the construction facility were drawn down by way of a single advance of $2.6 billion. Under the terms of the PFA, the $2.6 billion advance is held in an account administered by the collateral agent with a portion of the funds invested in structured deposits notes. The Company draws funds from this account on a monthly basis in accordance with procedures set out in the PFA. Muskrat Falls' portion of the drawings under the facility totals $2.1 billion and is to be used exclusively for the construction of the Muskrat Falls hydroelectric facility.

As security for these debt obligations, Muskrat Falls and Transco have granted to the collateral agent, first ranking liens on all present and future assets. On the date of the release of the final funding requests from the collateral agent, sinking funds are required to be set up for each of the three tranches to be held in an account administered by the collateral agent.

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

(millions of Canadian dollars)	2014	2015	2016	2017	2018
Long-term debt repayment	125.0	-	225.0	150.0	-

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(millions of Canadian dollars)	**2013**	2012
Trade payables	**378.2**	146.3
Accrued interest	**37.9**	28.7
Due to related parties	**20.6**	17.4
Other payables	**1.7**	5.7
	438.4	198.1

12. CLASS B LIMITED PARTNERSHIP UNITS

Debt and equity instruments issued by the LIL LP are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Class B limited partnership units issued represent Emera's interest in the LIL LP. The Class B limited partnership units have certain rights and obligations, including mandatory distributions, that result in the classification of these units as financial liabilities. The partnership units are measured at amortized cost using the effective interest method. The return on the units is classified as a finance expense and capitalized as non-cash additions to property, plant and equipment.

In 2013, the Class B limited partnership units were issued to Emera NL which contributed cash of $67.7 million to the Class B partnership account. The components of the change in balances in the Class B limited partnership units are as follows:

(millions of Canadian dollars)	Units	2013	Units	2012
Class B limited partnership units at beginning of year		-		-
Units issued	25	67.7	-	-
Accrued interest		5.3		-
Class B limited partnership units at end of year	25	73.0	-	-

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 $7.3 million (2012 – $6.8 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 2013, cash payments to beneficiaries for its unfunded other employee future benefits were $3.1 million (2012 – $3.0 million). An actuarial valuation was performed as at December 31, 2012, with an extrapolation to December 31, 2013. The next actuarial valuation will be performed at December 31, 2015.

(millions of Canadian dollars)	2013	2012
Accrued benefit obligation		
Balance at beginning of year	119.9	114.3
Current service cost	5.2	4.6
Interest cost	4.9	5.0
Actuarial gain	(8.4)	(1.0)
Benefits paid	(3.1)	(3.0)
Balance at end of year	118.5	119.9

(millions of Canadian dollars)	2013	2012
Plan deficit	118.5	119.9
Unamortized actuarial loss	(31.8)	(42.6)
Unamortized past-service cost	(0.1)	(0.2)
Regulatory adjustments	(5.2)	(3.5)
Accrued benefit liability at end of year	81.4	73.6

(millions of Canadian dollars)	2013	2012
Component of benefit cost		
Current service cost	5.2	4.6
Interest cost	4.9	5.0
Actuarial gain/loss	(8.4)	(1.0)
	1.7	8.6
Difference between actuarial gain or loss and amount recognized	10.8	3.9
Benefit expense	12.5	12.5

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

	2013	2012
Discount rate – benefit cost	4.00%	4.55%
Discount rate – accrued benefit obligation	5.00%	4.00%
Rate of compensation increase	3.50%	3.50%

Assumed health care trend rates:

	2013	2012
Initial health care expense trend rate	6.00%	6.00%
Cost trend decline to	4.50%	4.50%
Year that rate reaches the rate it is assumed to remain at	2020	2020

A 1.0% change in assumed health care trend rates would have had the following effects:

Increase	2013	2012
Current service and interest cost	2.5	2.3
Accrued benefit obligation	22.4	23.1

Decrease	2013	2012
Current service and interest cost	(1.7)	(1.7)
Accrued benefit obligation	(17.1)	(17.5)

14. OTHER LIABILITIES

(millions of Canadian dollars)		2013	2012
Long-term payables	(a)	78.3	82.4
Deferred credits	(b)	66.8	28.0
Asset retirement obligations	(c)	33.1	30.0
		178.2	140.4

(a) Long-Term Payables

The long-term payables consist of a payable to the Innu Nation under the Upper Churchill Redress Agreement (UCRA), a payable to the Innu Nation under an 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.

(millions of Canadian dollars)	2013	2012
Balance at beginning of year	90.5	45.1
Payments	(8.1)	-
Additions and revisions	0.2	43.2
Accretion	3.9	2.2
Balance at end of year	86.5	90.5
Less: current portion	(8.2)	(8.1)
	78.3	82.4

Under the UCRA, Nalcor is required to pay to the Innu Nation $2.0 million annually escalating by 2.5% annually until 2041. Currently, $2.2 million (2012 – $2.1 million) of the amount is current and is recorded in accounts payable and accrued liabilities. Nalcor has sinking funds in the amount of $35.7 million (2012 – $40.0 million) to fund these future obligations.

Under the IBA, Nalcor is required to make annual payments to the Innu Nation that commenced on sanction of the Muskrat Falls hydroelectric plant. The Muskrat Falls hydroelectric plant was sanctioned in December 2012 and the first IBA payment was made at that time. The IBA requires annual payments of $5.0 million escalating 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 $36.8 million (2012 – $40.4 million). The current portion of the payable at December 31, 2013, is $5.0 million (2012 – $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 undiscounted payment will be $7.3 million. The payable is recorded at its present value of $6.7 million (2012 – $6.4 million) using a discount rate of 2.6%.

The long-term payable to Hydro-Québec as at December 31, 2013 is the accumulation of differences between energy delivered and the AEB 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 (2012 – $1.0 million) is included in accounts payable and accrued liabilities. The long-term portion is $1.6 million (2012 – $2.6 million).

(b) Deferred Credits

Deferred credits consist of funding from the Province, deferred revenue from Emera, 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 incurred.

In July 2012, Nalcor entered into agreements with Emera related to Phase 1 of the Lower Churchill Project. Under these agreements, Emera is constructing the Maritime Link in exchange for the provision of power and energy by Nalcor for a 35-year period. Nalcor has recorded deferred revenue of $65.0 million (2012 – $28.0 million) which equals the construction costs to date incurred by Emera. Nalcor has determined that it controls the Maritime Link asset for financial reporting purposes and, as such, has recorded the costs as a component of property, plant and equipment under construction.

The following is a schedule of the deferred credits for the year:

(millions of Canadian dollars)	Hydro Wind Credits	Oil and Gas Program Funding	Deferred Energy Sales	Bull Arm Lease Revenue	Total
Balance at January 1, 2012	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
Additions	**-**	**1.5**	**37.0**	**1.4**	**39.9**
Amortization	**(1.2)**	**(2.1)**	**-**	**(0.5)**	**(3.8)**
Balance at December 31, 2013	**0.7**	**4.2**	**65.0**	**1.4**	**71.3**
Less: current portion	**(0.7)**	**(2.4)**	**-**	**(1.4)**	**(4.5)**
	-	**1.8**	**65.0**	**-**	**66.8**

(c) 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 Canadian dollars)	**2013**	2012
Obligations at beginning of year	**31.4**	24.8
Liabilities incurred	**0.3**	1.4
Accretion	**1.2**	1.0
Revisions	**2.0**	4.3
Settlements	**(0.5)**	(0.1)
Obligations at end of year	**34.4**	31.4
Less: current portion	**1.3**	1.4
	33.1	30.0

The estimated total undiscounted cash flows required to settle the HTGS obligations at December 31, 2013, are $32.1 million (2012 – $32.1 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 the Company's credit adjusted risk-free rate of 2.8% (2012 – 2.8%). Hydro has recorded $22.6 million (2012 – $21.8 million) related to HTGS obligations.

The estimated total undiscounted cash flows required to settle the PCB obligations at December 31, 2013, are $3.3 million (2012 – $3.6 million). Payments to settle the liability are expected to occur between 2014 and 2025. The fair value of the asset retirement obligations was determined using the present value of future cash flows discounted at the Company's credit adjusted risk-free rates ranging between 3.1% and 5.7% (2012 – 3.1% and 5.5%). Hydro has recorded $1.5 million (2012 – $2.1 million) related to PCB obligations.

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, 2013, are $14.5 million (2012 – $10.7 million). Payments to settle the liabilities are expected to occur between 2020 and 2030. The fair value of the decommissioning liabilities was determined using the present value of future cash flows discounted at rates ranging from 4.5% to 5.9% (2012 – 4.7% to 6.3%).

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.

15. SHAREHOLDER'S EQUITY

15.1 SHARE CAPITAL

(millions of Canadian dollars)	**2013**	2012
Common shares of par value $1 each		
Authorized: unlimited		
Issued and outstanding: 122,500,000	**122.5**	122.5

15.2 CONTRIBUTED CAPITAL

(millions of Canadian dollars)	**2013**	2012
Total contributed capital	**1,141.8**	435.8

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 2013, the Trust contributed $1.7 million (2012 – $0.3 million).

In addition, during 2013, the Province contributed capital in the amount of $704.3 million (2012 – $45.0 million) in relation to Nalcor's capital investments.

15.3 ACCUMULATED OTHER COMPREHENSIVE INCOME

(millions of Canadian dollars)	**2013**	2012
Balance at beginning of year	**43.6**	46.4
Other comprehensive (loss) income		
Change in fair value of available for sale financial instruments	**(5.0)**	8.4
Change in fair value of derivatives designated as cash flow hedges	**(12.3)**	-
Amounts recognized in net income	**(15.7)**	(11.2)
Balance at end of year	**10.6**	43.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. REVENUE

For the year ended December 31 (millions of Canadian dollars)	2013	2012
Electricity sales	662.6	627.5
GWAC revenue	21.2	16.0
Oil sales	75.5	68.7
Royalties	(3.3)	(1.8)
Total energy sales	756.0	710.4
Lease revenue	16.6	5.2
Government funding	2.2	4.4
Preferred dividends	3.2	3.4
Other	6.8	2.7
Total other revenue	28.8	15.7

17. OPERATING COSTS

For the year ended December 31 (millions of Canadian dollars)	2013	2012
Salaries and benefits	116.2	109.9
Maintenance and materials	30.7	29.0
Transmission rental	20.5	19.7
Professional services	17.9	14.6
Oil and gas production and exploration costs	11.3	14.8
Insurance	4.9	4.5
Other operating costs	13.9	14.4
Total	215.4	206.9

18. CAPITAL MANAGEMENT

Nalcor's principal business requires ongoing access to capital in order to maintain assets and ensure the continued delivery of safe and reliable service to its customers. Nalcor also requires access to capital to fund its various development activities relating to Oil and Gas and the Lower Churchill Project. 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 consolidated capital structure is outlined below:

(millions of Canadian dollars)	2013		2012	
Debt				
Long-term debt	**6,047.9**		1,125.9	
Short-term borrowings	**41.0**		125.0	
Current portion of long-term debt	**82.2**		8.2	
Sinking funds	**(267.6)**		(263.3)	
	5,903.5	**71.7%**	995.8	38.9%
Equity				
Share capital	**122.5**		122.5	
Contributed capital	**1,141.8**		435.8	
Accumulated other comprehensive income	**10.6**		43.6	
Retained earnings	**1,058.6**		963.0	
	2,333.5	**28.3%**	1,564.9	61.1%
Total debt and equity	**8,237.0**	**100.0%**	2,560.7	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 70.0%. The covenants further stipulate that the debt service coverage ratio should at all times be greater than 1.5 on an unconsolidated basis. As at December 31, 2013, Nalcor was in compliance with these covenants.

18.1 HYDRO

Hydro's unsecured demand operating facility has covenants restricting the issuance of debt such that the debt to total capitalization ratio cannot exceed 70.0%. The covenants further stipulate that the debt service coverage ratio should at all times be greater than 1.5. As at December 31, 2013, 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 75.0% debt and 25.0% 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 $41.0 million outstanding as at December 31, 2013 (2012 – $52.0 million). 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18.2 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. Sources of funding for existing and future investments are evaluated on an annual basis.

18.3 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. Prior to January 2009, net earnings received were payable to the Province. From January 2009 to December 2012, earnings were retained by Bull Arm Fabrication and reported in retained earnings. In 2013, Bull Arm Fabrication implemented its approved dividend policy of paying dividends to Nalcor when cash balances exceed $1 million, an amount which would provide coverage for approximately 12 months of operating expenses assuming no cash inflows.

18.4 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.

18.5 MUSKRAT FALLS

Long-term capital includes long-term debt, share capital, contributed capital and retained earnings. Muskrat Falls' objectives when managing capital are to maintain its ability to continue as a going concern and to ensure timely payment of its contractual obligations as they relate to the construction of the Muskrat Falls hydroelectric plant. Muskrat Falls' future requirements for capital are expected to increase commensurate with progress on construction. During this time, proceeds from the construction facility and contributed capital will be sufficient to fund the development of the Muskrat Falls hydroelectric plant.

18.6 TRANSCO

Long-term capital includes long-term debt, share capital, contributed capital and retained earnings. Transco's objectives when managing capital are to maintain its ability to continue as a going concern and to ensure timely payment of its contractual obligations as they relate to the construction of the Labrador Transmission Assets. Transco's future requirements for capital are expected to increase commensurate with progress on the construction. During this time, proceeds from the construction facility and contributed capital will be sufficient to fund the development of the Labrador Transmission Assets.

18.7 LIL LP

The capital position of the LIL LP is comprised of partner capital (issued units, cash calls and retained earnings) and long-term debt. The capital structure is adjusted through distributions paid to Limited Partners.

The LIL LP's objective when managing capital is to maintain its ability to continue as a going concern and fund construction of the LIL. The LIL LP's requirements for capital in the future are expected to increase, coincident with the development of the LIL. The focus of the capital management policy is to provide flexibility to ensure cash continues to be available to satisfy capital requirements. Managing cash calls from the limited partners is a key aspect of ensuring the availability of funding to proceed with the development of the LIL.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

19.1 FAIR VALUE

The estimated fair values of financial instruments as at December 31, 2013, 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 Hydro 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.

<u>Establishing Fair Value</u>

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
(millions of Canadian dollars)		**December 31, 2013**		December 31, 2012	
Financial assets					
Cash and cash equivalents	1	**94.0**	**94.0**	12.1	12.1
Restricted cash	1	**525.5**	**525.5**	-	-
Short-term investments	1	**1.7**	**1.7**	11.5	11.5
Accounts receivable	1	**150.2**	**150.2**	125.0	125.0
Derivative assets	2	**0.2**	**0.2**	0.1	0.1
Sinking funds – investments in same Hydro issue	2	**93.9**	**105.1**	88.1	107.3
Sinking funds – other investments	2	**303.3**	**303.3**	302.8	302.8
Reserve fund	2	**50.5**	**50.5**	50.9	50.9
Long-term investments	2	**4,477.4**	**4,476.2**	-	-
Long-term receivable	2	**16.7**	**16.8**	0.8	0.8
Financial liabilities					
Accounts payable and accrued liabilities	1	**438.4**	**438.4**	198.1	198.1
Short-term borrowings	1	**41.0**	**41.0**	125.0	125.0
Derivative liabilities	2	**1.5**	**1.5**	-	-
Long-term debt including amount due within one year (before sinking funds)	2	**6,224.0**	**6,626.6**	1,222.2	1,668.6
Class B limited partnership units	3	**73.0**	**73.0**	-	-
Long-term payables	2	**78.3**	**83.2**	82.4	82.6

The fair value of cash and cash equivalents, restricted cash and short-term investments approximates their carrying values due to their short-term maturity.

19.2 RISK MANAGEMENT

Nalcor is exposed to certain credit, liquidity and market price risks through its operating, financing and investing 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 consolidated 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 Federal and Provincial governments, 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 sinking funds portfolio:

	Issuer Credit Rating	Fair Value of Portfolio %	Issuer Credit Rating	Fair Value of Portfolio %
		2013		2012
Provincial Governments	**AA- to AAA**	**3.29%**	AA- to AAA	4.71%
Provincial Governments	**A- to A+**	**38.31%**	A- to A+	52.75%
Provincially owned utilities	**AA- to AAA**	**16.47%**	AA- to AAA	-
Provincially owned utilities	**A- to A+**	**39.09%**	A- to A+	37.31%
Schedule 1 Canadian banks	**AA- to AAA**	**0.98%**	AA- to AAA	-
Schedule 1 Canadian banks	**A- to A+**	**1.86%**	A- to A+	1.64%
Provincially owned utilities	**BBB+**	**-**	BBB+	3.59%
		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 is also permitted, provided the bank is rated A or higher by Standard and Poor's. With the exception of the Government of Canada, holdings of any one issuer are limited to 10.0% 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 %
		2013		2012
Provincial Governments	**AA- to AAA**	**8.94%**	AA- to AAA	13.19%
Canadian Schedule 1 or 2 banks	**AA- to AAA**	**16.70%**	AA- to AAA	12.70%
Provincial Governments	**A- to A+**	**21.25%**	A- to A+	20.86%
Provincially owned utilities	**AA- to AAA**	**9.09%**	AA- to AAA	-
Provincially owned utilities	**A- to A+**	**6.06%**	A- to A+	13.39%
Canadian Schedule 1 banks	**A- to A+**	**37.96%**	A- to A+	39.86%
		100.00%		100.00%

Credit exposure on Nalcor's long-term investments is limited as the structured deposit notes are held by a Canadian Schedule 1 Chartered Bank with a rating of AA- (Standard and Poor's). The following credit risk table provides information on credit exposures according to issuer type and credit rating for the long-term investments:

	Issuer Credit Rating	Fair Value of Portfolio %	Issuer Credit Rating	Fair Value of Portfolio %
		2013		2012
Canadian Schedule 1 bank	**AA-**	**100.00%**	AA-	-
		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 pre-date the credit policies outlined in the Financial Risk Management Policy. These customers account for 72.6% (2012 – 74.9%) of total energy sales and 50.2% (2012 – 57.9%) of accounts receivable. These customers are all rate regulated entities and/or companies 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, 2013.

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 $250.0 million (2012 – $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 (2012 – $50.0 million) unsecured demand operating credit facility. Oil and Gas and Churchill Falls also maintain demand operating facilities of $5.0 million (2012 – $5.0 million) and $10.0 million (2012 – $10.0 million), respectively. Churchill Falls maintains a $16.0 million minimum cash balance.

Liquidity risk for Muskrat Falls and Transco is minimal, as both companies can access the funds drawn down from the Muskrat/LTA construction facility for the payment of construction costs as well as interest payments. The LIL LP has access to the funds drawn down from the LIL construction facility for the payment of construction costs as well as interest payments.

Long-term liquidity risk for Nalcor is managed by the issuance of a portfolio of debentures with maturity dates ranging from 2014 to 2033. Sinking funds have been established for these issues, 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, 2013:

(millions of Canadian dollars)	<1 Year	1-3 Years	3-5 Years	>5 Years	Total
Accounts payable and accrued liabilities	438.4	-	-	-	438.4
Short-term borrowings	41.0	-	-	-	41.0
Long-term debt	125.0	225.0	150.0	5,725.0	6,225.0
Interest	273.8	533.5	493.7	5,192.3	6,493.3
Long-term payables	7.2	16.1	22.0	92.4	137.7
	885.4	774.6	665.7	11,009.7	13,335.4

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 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, debt and short-term debt was negligible throughout 2013 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, reserve fund, long-term investments and short-term investments at the balance sheet date:

	Net Income		Other Comprehensive Income	
(millions of Canadian dollars)	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase
Interest on sinking funds	(0.1)	0.1	8.1	(22.9)
Interest on reserve fund	-	-	0.9	(0.9)
Interest on long-term investments	(0.2)	0.2	-	-
Interest on short-term investments	(0.1)	0.1	-	-
	(0.4)	0.4	9.0	(23.8)

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During 2013, total electricity sales denominated in USD were $54.7 million (2012 – $33.8 million). In 2013, Hydro mitigated foreign exchange risk on these sales through the use of foreign currency forward contracts. In January of 2013, Hydro entered into a series of 12 monthly foreign exchange forward contracts with a notional value of $23.0 million USD to hedge foreign exchange risk on a portion of Hydro's planned USD electricity sales for the year. These contracts had an average exchange rate of $1.01 CAD per USD. In April of 2013, Hydro entered into a series of 10 monthly foreign exchange forward contracts with a notional value of $14.4 million USD to hedge foreign exchange risk on a portion of Hydro's planned USD electricity sales for the year. These contracts had an average exchange rate of $1.03 CAD per USD. In 2013, Management elected not to implement commodity price hedges aimed at addressing electricity price risk due to low market pricing conditions. During 2013, $0.1 million in gains from these derivative contracts was included in other income and expense (2012 – $0.1 million in gains).

In December of 2013, Hydro entered into a series of 12 monthly foreign exchange forward contracts with a notional value of $38.5 million USD to hedge foreign exchange risk on a portion of Hydro's planned USD electricity sales to the end of 2014. These contracts have an average exchange rate of $1.08 CAD per USD. Hydro also entered into a series of 12 electricity price forward contracts with a notional value of $14.2 million USD. The average price of these contracts were USD $38.74 per MWh (on peak) and USD $28.42 per MWh (off peak). At December 31, 2013, a loss of $0.3 million from these derivative contracts was recognized in other income and expense.

These forward contracts impact other income and expense with totals of $0.2 million in losses for 2013 (2012 – $0.1 million gain).

During 2013, total oil sales denominated in USD were $73.0 million (2012 – $69.2 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 2013 were denominated in USD, which mitigated this exposure. In January 2013, Oil and Gas entered into a series of 11 commodity price swaps with a notional value of $25.3 million USD to mitigate price exposure on 36.0% of remaining budgeted production for the year. During 2013, $0.8 million in losses from these contracts were included in other income and expense (2012 – gain of $0.2 million).

In December 2013, Oil and Gas entered into a series of 12 commodity price swaps with a notional value of $31.9 million USD to mitigate commodity price exposure on energy sales. These contracts provide Oil and Gas with an average fixed price of $106.75 per barrel on approximately 36.0% of the estimated production for 2014.

During 2013, total rental revenues of $16.1 million (2012 – $4.9 million) for Bull Arm Fabrication were denominated in USD. In January 2013, Bull Arm Fabrication entered into a series of 22 monthly foreign exchange forward contracts with a notional value of $10.1 million USD to hedge foreign exchange risk on rental revenue. These contracts had an average exchange rate of $1.01 CAD per USD on 44.0% of the budgeted USD lease revenue for 2013, and 44.0% of the expected (as of January 2013) USD lease revenue in 2014. As of December 31, 2013, 12 of these hedge contracts remained outstanding.

19.3 HEDGE ACCOUNTING

In December 2013, Muskrat Falls entered into nine bond forward contracts totalling $2.0 billion to hedge the interest rate risk on its long-term debt issue. These contracts were designated as part of a cash flow hedging relationship and the resulting loss of $14.1 million was recorded $12.3 million in other comprehensive income with $1.8 million of ineffectiveness recognized immediately in other income and expense. The loss recorded in other comprehensive income will be recognized in profit or loss over the same period as the related debt instruments which mature between 2029 and 2048.

20. NET FINANCE EXPENSE

For the year ended December 31 (millions of Canadian dollars)	2013	2012
Finance income		
Interest on sinking funds	20.6	18.8
Interest on reserve fund	1.4	1.6
Other interest income	3.0	1.6
	25.0	22.0
Finance expense		
Interest on long-term debt	94.9	90.5
Interest on Class B limited partnership units	5.3	-
Accretion	4.4	2.7
Debt guarantee fee	3.7	3.7
Other	1.0	1.4
	109.3	98.3
Interest capitalized during construction	(11.8)	(2.7)
	97.5	95.6
Net finance expense	72.5	73.6

21. SUPPLEMENTARY CASH FLOW INFORMATION

For the year ended December 31 (millions of Canadian dollars)	2013	2012
Accounts receivable	(25.2)	38.6
Inventory	(13.1)	2.0
Prepaid expenses	(1.9)	(0.8)
Accounts payable and accrued liabilities	240.3	42.0
Changes to non-cash working capital balances	200.1	81.8
Income taxes paid	0.1	0.1
Interest received	3.4	3.3
Interest paid	91.6	92.0

22. 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 which sells electricity to Hydro-Québec, Hydro and industrial customers in Labrador. Oil and Gas activities include exploration, development, production, transportation and processing sectors of the oil and gas industry. Energy Marketing includes the sale of electricity to markets outside the province and other non-regulated electricity sales. Corporate and other activities encompass development activities including Phase 2 of the Lower Churchill Project and corporate activities. Phase 1 of the Lower Churchill Project includes investments in the Muskrat Falls hydroelectric plant, the Labrador-Island Link and the Labrador Transmission Assets. Bull Arm Fabrication consists of an industrial fabrication site which is leased for major construction of development projects. 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 of these consolidated financial statements.

(millions of Canadian dollars)	Hydro Regulated	Churchill Falls	Oil and Gas	Energy Marketing	Corporate and Other Activities	Phase 1 Lower Churchill Project	Bull Arm	Inter-Segment	Total
					2013				
Revenue									
Energy sales	**543.1**	**76.5**	**72.2**	**68.2**	**-**	**-**	**-**	**(4.0)**	**756.0**
Other revenue	**2.3**	**0.3**	**6.1**	**-**	**0.2**	**-**	**16.6**	**3.3**	**28.8**
	545.4	**76.8**	**78.3**	**68.2**	**0.2**	**-**	**16.6**	**(0.7)**	**784.8**
Expenses									
Fuels	**190.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**190.9**
Power purchased	**59.4**	**-**	**-**	**7.7**	**-**	**-**	**-**	**(3.9)**	**63.2**
Operations and administration	**114.7**	**42.3**	**19.2**	**26.8**	**11.3**	**0.2**	**0.9**	**-**	**215.4**
Net finance expense	**73.5**	**(1.5)**	**(0.5)**	**0.3**	**0.8**	**-**	**(0.1)**	**-**	**72.5**
Amortization	**51.7**	**14.2**	**21.3**	**-**	**0.4**	**-**	**0.1**	**-**	**87.7**
Other income and expense	**(0.9)**	**1.8**	**0.8**	**0.2**	**-**	**1.8**	**0.2**	**-**	**3.9**
Regulatory adjustments	**55.6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**55.6**
	544.9	**56.8**	**40.8**	**35.0**	**12.5**	**2.0**	**1.1**	**(3.9)**	**689.2**
Net income (loss) from operations	**0.5**	**20.0**	**37.5**	**33.2**	**(12.3)**	**(2.0)**	**15.5**	**3.2**	**95.6**
Preferred dividends	**-**	**3.2**	**-**	**-**	**-**	**-**	**-**	**(3.2)**	**-**
Net income (loss)	**0.5**	**23.2**	**37.5**	**33.2**	**(12.3)**	**(2.0)**	**15.5**	**-**	**95.6**
Capital expenditures	**80.6**	**32.3**	**195.3**	**-**	**6.4**	**694.9**	**-**	**-**	**1,009.5**
Total assets	**1,954.0**	**472.4**	**580.3**	**5.7**	**317.2**	**6,320.4**	**3.6**	**(116.4)**	**9,537.2**

(millions of Canadian dollars)	Hydro Regulated	Churchill Falls	Oil and Gas	Energy Marketing	Corporate and Other Activities	Phase 1 Lower Churchill Project	Bull Arm	Inter-Segment	Total
					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	247.3	-	-	449.4
Total assets	1,906.4	456.2	392.7	3.5	252.5	443.3	13.6	(21.3)	3,446.9

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

23. 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.

At the expiry of the sublease, certain assets of Twin Falls will revert to Churchill Falls. Management is currently evaluating the extent of its responsibility, if any, for any potential related environmental or decommissioning liabilities.

(b) The results of an Environmental Site Assessment conducted at the Twin Falls plant 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 was conducted in 2013, however, the consultant's report is not yet available.

(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-Québec TransEnergie which concludes in 2024.

The transmission rental payments for the next five years are as follows:

2014	$19.5 million
2015	$19.7 million
2016	$19.9 million
2017	$ 20.1 million
2018	$ 20.3 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 (2012 – $0.3 million).

One of Hydro's industrial customers commenced legal proceedings in 1997, claiming approximately $22.0 million (2012 – $21.9 million) related to outages and plant shutdowns. Hydro is defending this claim. While the ultimate outcome of this action cannot be ascertained at this time, in the opinion of Hydro's Management, following consultation with its legal counsel, no liability should be recognized.

(e) Outstanding commitments for capital projects total approximately $2,424.6 million as at December 31, 2013 (2012 – $531.8 million). In addition, Oil and Gas has committed to fund its share of all exploration and development projects.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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	390 kW	2010	Continual
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 Canadian dollars)	2014	2015	2016	2017	2018
Power purchases	24.5	24.3	24.5	24.8	25.1

(g) Nalcor has issued four irrevocable letters of credit. One was issued to 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 the hydroelectric assets on the Exploits River. The remaining letters of credit totalled $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 one letter of credit to DFO in the amount of $0.3 million as a performance guarantee in relation to the Fish Habitat Compensation Agreement.

Churchill Falls has issued three irrevocable letters of credit, totalling $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 has issued one irrevocable letter of credit in the amount of $0.3 million to secure its share of a joint obligation to complete a fish habitat compensation and monitoring program for the Hibernia South Extension, as required under the Fisheries Act.

(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 development project in the community of Ramea. This funding is repayable in annual instalments of $25,000 per commercial implementation of the resulting product. As at December 31, 2013, there have been no commercial implementations.

(i) On February 23, 2010, Churchill Falls filed a motion against Hydro-Québec in the Québec Superior Court. The Motion is seeking a modification to the pricing terms of the 1969 Power Contract as of November 30, 2009. The trial took place during the autumn of 2013. It is anticipated that the court will issue its decision on the matter in 2014.

(j) 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 1969 Power Contract. To date, $3.8 million (2012 – $1.8 million) has been received and $0.8 million (2012 - $0.2 million) has been accrued as due from the Trust.

(k) In July 2013, Hydro-Québec filed a Motion for Declaratory Judgment in Quebec Superior Court relating to the interpretation of the 1969 Power Contract between Churchill Falls and Hydro-Quebec. The Motion, and its possible outcomes are presently under consideration by Churchill Falls' legal advisors.

(l) The LIL LP is required to make mandatory distributions in accordance with the LIL LP Agreement. The amount of periodic distributions will be determined by the LIL GP and are expected to commence upon in-service of the LIL.

(m) As part of the Lower Churchill Project Funding Agreements, Nalcor and certain subsidiaries have pledged specific future and current assets as security to the collateral agent. Nalcor has also provided guarantees in accordance with financing agreements dated November 30, 2013.

(n) Under the terms of the Newfoundland and Labrador Development Agreement (NLDA), the LIL GP has certain responsibilities and provisions of duty to which it must comply in its role as the General Partner. Any failure of the LIL GP to comply with the NLDA will result in Nalcor indemnifying Emera NL for any losses sustained.

24. 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	100.0% 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
LIL LP	Partnership in which Nalcor holds 75 Class A Partnership Units
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 (2012 – $6.1 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 application costs. During 2013, Hydro incurred $0.6 million (2012 – $1.5 million) in costs related to the PUB of which $0.2 million (2012 – $0.6 million) was included in accounts payable and accrued liabilities.

(c) The debt guarantee fee payable to the Province for 2013 was $3.7 million. It was paid to the Province in April 2013 (2012 – $3.7 million).

(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 received under PEEP was $4.5 million over five years. There was no funding provided in 2013 or 2012 and $1.6 million (2012 – $1.8 million) is included in deferred revenue.

(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 received under OGDP was $14.3 million over four years. In 2013, funding of $1.5 million was received from the Province (2012 – $2.3 million). Currently, $2.6 million is recorded as deferred revenue (2012 – $3.0 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, 2013, $0.8 million (2012 – $0.8 million) of distribution payable to the Province are included in accounts payable and accrued liabilities.

(g) Nalcor, as the operator of the Exploits assets, has a net payable to the Province of $18.8 million (2012 – $17.4 million) which is included in accounts payable and accrued liabilities. Nalcor operates these assets on behalf of the Province on a cost recovery basis.

(h) 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, 2013, $5.6 million (2012 – $6.2 million) was payable.

(i) Hydro received contributions in aid of construction from the Province related to wind feasibility studies. As at December 31, 2013, $0.7 million (2012 – $1.9 million) has been recorded in deferred credits.

(j) In relation to Nalcor's financial obligations with respect to the UCRA, the Province provided funding in the amount of $35.7 million which is recorded as other long-term assets. This funding will be used to offset payments to the Innu Nation.

25. SUBSEQUENT EVENTS

(a) In January of 2014, Bull Arm Fabrication entered into a total of 11 forward contracts with a notional value of USD $11.7 million to mitigate USD/CAD currency exposure on a portion of its USD denominated lease revenues. These contracts provide Bull Arm with an average fixed price of $1.09 CAD per USD. Combined with the hedges in place as of December 31, 2013, 100.0% of the expected USD lease revenue for 2014 is hedged, at a weighted average price of $1.07 CAD per USD.

(b) Subsequent to year end, Nalcor entered into new commitments totalling $200.9 million related to the Muskrat Falls Project.

(c) In March 2014, Nalcor incorporated a wholly owned subsidiary, Nalcor Energy Marketing.

NEWFOUNDLAND AND LABRADOR
ARTS COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2014

Management's Report

Management's Responsibility for the Newfoundland and Labrador Arts Council 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.

Furthermore, management is responsible for making sure transactions comply with relevant policies and authorities and are properly recorded to produce 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 external audited financial statements yearly.

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

On behalf of the Newfoundland and Labrador Arts Council.

Reginald Winsor

Reginald Winsor
Executive Director

June 24, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Arts Council
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Arts Council which comprise the statement of financial position as at March 31, 2014, the statements of operations, 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 judgment of the auditor, 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 Newfoundland and Labrador Arts Council as at March 31, 2014, 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 24, 2014
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF FINANCIAL POSITION
As at March 31

	2014	2013
FINANCIAL ASSETS		
Cash (Note 10)	**$ 166,898**	$ 251,138
Accounts receivable (Note 3)	**55,857**	34,440
Portfolio investments (Notes 4 and 10)	**25,278**	122,835
	248,033	408,413
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	**60,472**	94,059
Deferred revenue (Note 6)	**26,379**	107,229
Obligation under capital lease (Note 7)	**5,465**	7,287
Employee future benefits (Note 8)	**75,789**	72,594
	168,105	281,169
Net financial assets	**79,928**	127,244
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	**5,465**	7,287
Prepaid expenses	**10,381**	2,923
Arts Fund (Notes 4 and 10)	**50,352**	50,352
	66,198	60,562
Accumulated surplus	**$ 146,126**	$ 187,806

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

Signed on behalf of the Council: ______________________ **Chairperson** ______________________ **Member**

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2014 Budget	2014 Actual	2013 Actual
	(Note 16)		
REVENUES			
Province of Newfoundland and Labrador			
Grants	$ 2,418,328	$ 2,406,949	$ 2,433,475
Projects (Note 11)	52,000	52,000	36,000
Income earned on portfolio investments	-	2,213	2,520
	2,470,328	2,461,162	2,471,995
EXPENSES (Note 12)			
Grants and awards			
Community Arts	75,000	75,000	73,000
Labrador Initiative	162,780	151,401	69,507
Professional Artists Travel Fund grants	30,000	27,500	30,665
Professional Festivals	125,000	125,000	125,000
Professional Project Grants Program	575,000	556,474	557,618
Sustaining Program for Professional Arts Organizations	575,000	575,000	575,000
	1,542,780	1,510,375	1,430,790
Projects (Note 13)	339,948	333,602	430,103
Operating expenses (Note 14)	633,219	658,865	597,909
	2,515,947	2,502,842	2,458,802
Annual surplus (deficit)	(45,619)	(41,680)	13,193
Accumulated surplus, beginning of year	187,806	187,806	174,613
Accumulated surplus, end of year	$ 142,187	$ 146,126	$ 187,806

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

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended March 31

	2014 Budget (Note 16)	2014 Actual	2013 Actual
Annual surplus (deficit)	$ -	$ (41,680)	$ 13,193
Tangible capital assets			
Acquisition of tangible capital asset	-	-	(9,109)
Amortization of tangible capital asset	-	1,822	2,429
	-	1,822	(6,680)
Prepaid Expenses			
Acquisition of prepaid expense	-	(10,381)	(2,923)
Use of prepaid expense	-	2,923	2,327
	-	(7,458)	(596)
Increase (decrease) in net financial assets	-	(47,316)	5,917
Net financial assets, beginning of year	-	127,244	121,327
Net financial assets, end of year	$ -	$ 79,928	$ 127,244

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

STATEMENT OF CASH FLOWS

For the Year Ended March 31	2014	2013
Operating transactions		
Annual surplus (deficit)	**$ (41,680)**	$ 13,193
Adjustment for non-cash items		
Amortization of tangible capital assets	**1,822**	2,429
	(39,858)	15,622
Change in non-cash operating items		
Accounts receivable	**(21,417)**	(491)
Accounts payable and accrued liabilities	**(33,587)**	(39,962)
Deferred revenue	**(80,850)**	(12,375)
Employee future benefits	**3,195**	8,651
Prepaid expenses	**(7,458)**	(596)
Cash applied to operating transactions	**(179,975)**	(29,151)
Capital transactions		
Acquisition of tangible capital asset	**-**	(9,109)
Cash applied to capital transactions	**-**	(9,109)
Financing transactions		
Acquisition of capital lease	**-**	9,109
Repayment of obligation under capital lease	**(1,822)**	(2,429)
Cash provided from (applied to) financing transactions	**(1,822)**	6,680
Investing transactions		
Purchase of portfolio investments	**(75,630)**	(173,187)
Redemption of portfolio investments	**173,187**	170,717
Cash provided from (applied to) investing transactions	**97,557**	(2,470)
Decrease in cash	**(84,240)**	(34,050)
Cash, beginning of year	**251,138**	285,188
Cash, end of year	**$ 166,898**	$ 251,138

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

1. Nature of operations

The Newfoundland and Labrador Arts Council (the Council) operates under the authority of the *Arts Council Act* of the Province of Newfoundland and Labrador. The Council has the responsibility of fostering and promoting the study and enjoyment of and the production of works in the arts. The Council consists of twelve members appointed by the Lieutenant-Governor in Council.

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

2. Summary of significant accounting policies

(a) Basis of accounting

The Council is classified as an Other Government Organization as defined by 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 (PSAB). The Council does not prepare a statement of remeasurement gains and losses as the Council does not enter into relevant transactions or circumstances that are being addressed by the statement. Outlined below are the significant accounting policies followed.

(b) Cash

Cash includes cash in bank.

(c) Financial instruments

The Council's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, portfolio investments, accounts payable and accrued liabilities, and obligation under capital lease. The Council 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 Council subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash, accounts receivable and portfolio investments. Financial liabilities measured at cost include accounts payable and accrued liabilities. Financial liabilities measured at amortized cost include obligation under capital lease.

The carrying value of cash, accounts receivable, portfolio investments, accounts payable and accrued liabilities, and obligation under capital lease approximate fair value due to their nature and/or the short term maturity associated with these instruments.

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

2. Summary of significant accounting policies (cont.)

(d) Employee future benefits

i. Severance pay for entitled employees is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service, and accordingly a liability has been recorded for these employees. No liability or provision has been recorded for employees with less than nine years of continuous service as the amount would be insignificant. The amount is payable when the employee ceases employment with the Council unless the employee transfers to another entity in the public service, in which case the liability is transferred with the employee to the other entity.

ii. The employees of the Council are subject to the *Public Service Pensions Act, 1991.* Employee contributions are matched by the Council and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire.

The contributions of the Council to the plan are recorded as an expense for the year.

(e) Tangible capital assets

All tangible capital assets are recorded at cost at the time of acquisition, which includes amounts that are directly related to the acquisition of the assets.

Obligation under capital lease is 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 interest rate implicit in the lease.

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

Assets under capital lease	5 years
Office equipment	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Council's ability to provide 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.

Minor tangible capital asset purchases are charged to operations in the year of acquisition.

(f) Prepaid expenses

Prepaid expenses are charged to the expense over the periods expected to benefit from it.

2. Summary of significant accounting policies (cont.)

(g) 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.

The Council recognizes government transfers as revenues when the transfer is authorized and any eligibility criteria are met, except when and 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. Government transfers consist of funding from the Province of Newfoundland and Labrador.

Income from portfolio investments is recorded as earned.

(h) 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, which include grants and awards, are recorded as expenses when eligibility criteria are met and the transfer is authorized.

(i) 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 tangible capital assets and estimated employee future benefits.

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. Accounts receivable

	2014	2013
Trade accounts receivable	$ 33,000	$ 8,188
Harmonized sales tax receivable	22,857	26,252
	$ 55,857	$ 34,440

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

4. Portfolio investments

		2014		2013
Portfolio investments, held as designated assets	$	**25,278**	$	122,835
Portfolio investments, held in the Arts Fund (Note 10)		**50,352**		50,352
	$	**75,630**	$	173,187

5. Accounts payable and accrued liabilities

		2014		2013
Trade accounts payable	$	**45,567**	$	80,001
Accrued employee benefits		**14,905**		14,058
	$	**60,472**	$	94,059

6. Deferred revenue

Deferred revenue as at March 31, 2014, consists of contributions received from the Province to be used for the Labrador Initiative and the Aboriginal Symposium. The purpose of the Labrador Initiative is to provide travel assistance grants to residents of Labrador to participate in arts and heritage activities on the Island portion of the Province. Another purpose of the Initiative is to provide travel assistance grants to arts and heritage organizations based in Labrador to enable them to have resource personnel from the Island portion of the Province travel to Labrador to attend seminars, workshops or similar events.

The purpose of the Aboriginal Symposium is to address the unique challenges facing Atlantic Canadian Aboriginal Artists in terms of the creation of work, the promotion of these works, equitable access to public funding programs, as well as the acceptance of these works in the larger context of the regional and national art world.

		2014		2013
Labrador Initiative	$	**11,379**	$	95,781
Visiting Artist Program		**-**		11,448
Aboriginal Symposium		**15,000**		-
	$	**26,379**	$	107,229

7. Obligation under capital lease

The Council has acquired equipment for office operations through capital leases.

		2014		2013
Obligation under capital lease	**$**	**5,465**	$	7,287

Future minimum lease payments under capital lease are:

2015	$	2,924
2016		2,924
2017		2,924
		8,772
Less: interest portion of payments		3,307
	$	5,465

8. Employee future benefits

(a) Severance pay

Employee future benefits consist of the liability for severance pay of $75,789 (2013 - $72,594).

(b) The Council and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991*. The Government of Newfoundland and Labrador administers the Public Service Pension Plan, including payment of pension benefits to employees to whom the *Act* applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

The plan provides a pension upon retirement based on the member's age at retirement, length of service and the average of their best five years of earnings. The maximum contribution rate for eligible employees was 8.6% (2013 - 8.6%). The Council's contributions equal the employee contributions to the plan. The Council is not required to make contributions in respect of any actuarial deficiencies of the plan. Total pension expense for the Council for the year ended March 31, 2014, was $29,011 (2013 - $23,318).

9. Tangible capital assets

	Assets under capital lease	Office equipment	Total
Cost			
Balance, March 31, 2013	$ 9,109	$ 27,153	$ 36,262
Balance, March 31, 2014	9,109	27,153	36,262
Accumulated amortization			
Balance, March 31, 2013	1,822	27,153	28,975
Amortization expense	1,822	-	1,822
Balance, March 31, 2014	3,644	27,153	30,797
Net book value, March 31, 2014	**$ 5,465**	**$ -**	**$ 5,465**
Net book value, March 31, 2013	**$ 7,287**	**$ -**	**$ 7,287**

10. Arts Fund

The Arts Fund was created pursuant to Section 9 of the *Arts Council Act.* The principal of the Fund is to be kept intact and is comprised of monies received from the Consolidated Revenue Fund of the Province of Newfoundland and Labrador and from gifts and bequests received without terms. The principal portion of the Fund is included in non-financial assets as these funds are restricted and are not available for use for operations or capital purchases. The interest earned on the invested principal may be disbursed, at the discretion of the Council, to foster and promote the study, enjoyment and production of works in the arts. The accumulated interest earned on the restricted funds is held as a designated asset until it is withdrawn. For the year ended March 31, 2014, $2,213 (2013 - $2,470) was earned through investment of the Fund and is included with income earned from portfolio investments.

10. Arts Fund (cont.)

	2014	2013
Restricted funds		
Province of Newfoundland and Labrador	$ 40,000	$ 40,000
Gifts and bequests as per Section 12 (2) of the *Arts Council Act*	10,352	10,352
	$ 50,352	$ 50,352

At March 31, 2014, the restricted funds consisted of portfolio investments of $50,352 (2013 - $50,352).

Accumulated interest on restricted funds

	2014	2013
Accumulated interest, beginning of year	$ 122,835	$ 120,365
Interest earned	2,213	2,470
Interest allocated for operations	(31,000)	-
	$ 94,048	$ 122,835

The accumulated interest on restricted assets is held as designated assets as follows:

	2014	2013
Cash	$ 68,770	$ -
Portfolio investments	25,278	122,835
	$ 94,048	$ 122,835

11. Revenues - Projects

	2014	2013
Winterset Award	$ 30,000	$ 25,000
Culture Days	-	10,000
Arts awards	21,000	-
Rhonda Payne Award	500	500
Larry Jackson Award	500	500
	$ 52,000	$ 36,000

12. Expenses by object

	2014	2013
Grants and awards	**$ 1,748,584**	$ 1,804,257
Salaries and employee benefits	**499,820**	461,558
Purchased services	**141,075**	89,701
Travel	**78,745**	70,313
Professional services	**26,686**	24,961
Telephone	**6,110**	5,583
Amortization	**1,822**	2,429
	$ 2,502,842	$ 2,458,802

As of March 31, 2014, the Council's actual expenses did not exceed its legislated expense limit.

13. Expenses - Projects

	2014	2013
APAF - Creative Residency	**$ 11,000**	$ -
APAF - Aboriginal Symposium	**20,000**	-
Arts awards	**68,252**	69,045
Arts smarts	**119,598**	155,211
Culture Days	**-**	10,199
Larry Jackson Award	**500**	500
Rhonda Payne Award	**500**	500
School Touring Program	**74,550**	111,669
Visiting Artists' Program	**13,061**	56,869
Winterset Award	**26,141**	26,110
	$ 333,602	$ 430,103

14. Operating expenses

	2014	2013
Amortization	**$ 1,822**	$ 2,429
Labrador Initiative	**100,526**	86,875
Miscellaneous	**22,580**	16,303
Office and postage	**13,191**	11,993
Professional services	**6,300**	10,600
Project evaluating fees	**20,386**	14,361
Salaries and employee benefits	**421,766**	390,812
Telephone	**6,110**	5,583
Travel and Council meetings	**66,184**	58,953
	$ 658,865	$ 597,909

15. Financial risk management

The Council recognizes the importance of managing significant risks and this includes oversight designed to reduce the risks identified to an appropriate threshold. The risks that the Council is exposed to through its financial instruments are credit risk, liquidity risk and market risk. There was no significant change in the Council's exposure to these risks or its processes for managing these risks from the prior year.

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 Council's main exposure to credit risk relates to cash, accounts receivable and portfolio investments. The Council is not exposed to significant credit risk with its cash or portfolio investments because these financial instruments are held with a Chartered Bank. The Council is not exposed to significant credit risk related to its accounts receivable as these amounts are primarily due from the Government of Canada. Accordingly, there is no allowance for doubtful accounts.

Liquidity risk

Liquidity risk is the risk that the Council will be unable to meet its financial liabilities. The Council's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities and its obligation under capital lease as described in Note 7. The Council manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities.

Market risk

Market risk is the risk that the fair value or 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 price risk. The Council is not exposed to significant foreign exchange or other price risk. The Council is not exposed to significant interest rate risk related to portfolio investments because these investments have fixed interest rates and fixed values at maturity. In addition, the Council is not exposed to significant interest rate risk on the obligation under capital lease as the interest rate is fixed to maturity.

16. Budgeted figures

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been derived from the estimates approved by the Council.

17. Related party transactions

The Council leases office space from the Province of Newfoundland and Labrador at an annual rate of $1.

18. Non-financial assets

The recognition and measurement of non-financial assets, other than the restricted assets of the Arts Fund, is based on their service potential. These assets will not provide resources to discharge liabilities of the Council. For these non-financial assets, the future economic benefit consists of their capacity to render service to further the Council's objectives. The restricted assets of the Arts Fund are not available to provide resources to discharge the liabilities of the Council as outlined in Note 10.

19. Comparative figures

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

Grant Thornton

Financial Statements

Newfoundland and Labrador Centre for Health Information

March 31, 2014

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

Grant Thornton LLP
Suite 300
15 International Place
St. John's, NL
A1A 0L4

T (709) 778-8800
F (709) 722-7892
www.GrantThornton.ca

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, 2014 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, 2014 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 18, 2014

Chartered Accountants

Newfoundland and Labrador Centre for Health Information

Statement of Financial Position

March 31	2014	2013
Financial assets		
Cash and cash equivalents	$ 15,029,517	$ 12,495,946
Receivables (Note 3)	1,389,906	4,646,001
	16,419,423	17,141,947
Liabilities		
Payables and accruals (Note 4)	7,926,944	6,237,415
Deferred revenue	15,596,744	16,081,992
Deferred capital contributions (Note 5)	14,662,111	11,867,534
Accrued severance pay	1,691,609	1,435,188
	39,877,408	35,622,129
Net debt	(23,457,985)	(18,480,182)
Non-financial assets		
Tangible capital assets (Page 14)	21,323,824	19,690,252
Prepaids	1,500,855	1,384,419
	22,824,679	21,074,671
Accumulated (deficit) surplus	$ (633,306)	$ 2,594,489

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 Deficit

Year Ended March 31	Actual 2014	(Note 7) Budget 2014	Actual 2013
Revenue			
Grants			
Canada Health Infoway	$ 1,293,156	$ 5,533,920	$ 2,190,687
Government of Newfoundland and Labrador	20,355,927	23,536,900	21,997,624
Amortization of deferred capital	1,757,851	2,191,372	1,731,541
Research	524,818	425,551	785,753
Interest	185,244	100,000	139,875
Other projects	933,311	1,993,671	2,535,955
	25,050,307	33,781,414	29,381,435
Expenses (Pages 15 & 16)			
Administration	7,493,548	8,226,531	7,604,489
Clinical Programs	4,018,912	4,688,074	4,325,253
Infrastructure, Information Protection and EHR Operations	11,534,036	13,202,092	11,173,542
Projects	3,186,451	6,244,618	4,091,928
Research and Evaluation	2,045,155	2,141,746	2,232,022
	28,278,102	34,503,061	29,427,234
Annual deficit	$ (3,227,795)	$ (721,647)	$ (45,799)
Accumulated surplus, beginning of year	$ 2,594,489	$ 2,594,489	$ 2,640,288
Annual deficit	(3,227,795)	(721,647)	(45,799)
Accumulated (deficit) surplus, end of year	$ (633,306)	$ 1,872,842	$ 2,594,489

See accompanying notes to the financial statements.

Newfoundland and Labrador Centre for Health Information

Statement of Net Debt

Year Ended March 31	Actual 2014	(Note 7) Budget 2014	Actual 2013
Annual deficit	$ (3,227,795)	$ (721,647)	$ (45,799)
Acquisition of tangible capital assets	(5,523,476)	(5,276,233)	(3,999,479)
Amortization of tangible capital assets	3,862,007	4,325,822	3,545,358
Loss on disposal of capital assets	27,897	-	-
(Increase) decrease in prepaids	(116,436)	-	77,417
Increase in net debt	(4,977,803)	(1,672,058)	(422,503)
Net debt, beginning of year	(18,480,182)	(18,480,182)	(18,057,679)
Net debt, end of year	$(23,457,985)	$(20,152,240)	$(18,480,182)

See accompanying notes to the financial statements.

Newfoundland and Labrador Centre for Health Information

Statement of Cash Flows

Year Ended March 31	2014	2013
Increase (decrease) in cash and cash equivalents		
Operating		
Annual deficit	$ (3,227,795)	$ (45,799)
Change in non-cash items		
Amortization of capital assets	3,862,007	3,545,358
Amortization of deferred capital contributions	(1,757,851)	(1,731,541)
Loss on disposal of capital assets	27,897	-
Increase in severance pay accrual	256,421	196,062
Change in non-cash operating working capital		
Receivables	3,256,095	874,375
Prepaid expenses	(116,436)	77,417
Payables and accruals	1,689,529	(1,019,055)
Deferred revenue	(485,248)	3,589,896
Cash provided by operating transactions	3,504,619	5,486,713
Capital		
Cash applied to capital transactions	(5,523,476)	(3,999,479)
Financing		
Capital contributions from Government and Infoway	4,552,428	473,565
Increase in cash and cash equivalents	2,533,571	1,960,799
Cash and cash equivalents, beginning of year	12,495,946	10,535,147
Cash and cash equivalents, end of year*	$ 15,029,517	$ 12,495,946

*Cash and cash equivalents consist of the following:

Cash in bank	$ 6,346,342	$ 2,902,420
Temporary investments	8,683,175	9,593,526
	$ 15,029,517	$ 12,495,946

See accompanying notes to the financial statements.

Newfoundland and Labrador Centre for Health Information

Notes to the Financial Statements

March 31, 2014

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.

Prepaid expenses

Prepaid expenses include software maintenance, software license fees, insurance, rent and other operating expenses that the Centre has paid but the services have not been provided as of year end.

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

	2014	2013
Government of Newfoundland and Labrador	$ 14,731	$ 2,469,889
Canada Health Infoway	638,626	1,270,233
Harmonized sales tax	301,288	405,576
Other	435,261	500,303
	$ 1,389,906	$ 4,646,001

4. Payables and accruals

	2014	2013
Trade	$ 6,423,142	$ 4,716,994
Vacation and compensatory pay	1,503,802	1,520,421
	$ 7,926,944	$ 6,237,415

5. Deferred capital contributions

	2014	2013
Opening balance	$ 11,867,534	$ 13,125,510
Capital contributions from Government	1,043,840	473,565
Capital contribution from Canada Health Infoway	3,508,588	-
Amortization of deferred capital contribution	(1,757,851)	(1,731,541)
	$ 14,662,111	$ 11,867,534

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 $854,531 (2013 - $895,345). 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:

2015	$ 13,885,951
2016	$ 8,409,924
2017	$ 7,104,334
2018	$ 1,997,705
2019	$ 1,975,795

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, 2014.

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 $7,926,944 (2013 - $6,237,415), 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 $1,389,906 (2013 - $4,646,001), of which $14,731 (2013 - $2,469,889) is receivable from the Government of Newfoundland and Labrador and $638,626 (2013 - $1,270,233) 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
CROP INSURANCE AGENCY

NEWFOUNDLAND AND LABRADOR
CROP INSURANCE FUND

FINANCIAL STATEMENTS

MARCH 31, 2014

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 11, 2014

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, 2014, the statement of operations 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, 2014, and its financial performance for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CA
Auditor General

June 11, 2014
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	2014	2013
FINANCIAL ASSETS		
Cash	**$ 108,790**	$ 278,537
Accounts receivable (Note 5)	**4,048**	3,835
	112,838	282,372
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	**2,000**	185,547
	2,000	185,547
Net financial assets	**110,838**	96,825
NON-FINANCIAL ASSETS	**-**	-
Accumulated surplus	**$ 110,838**	$ 96,825

The accompanying notes are an integral part of these financial statements

Signed on behalf of the Board: C. MacDonald — **Chairperson** Gerald Wiechs — **Member**

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

	2014 Budget	2014 Actual	2013 Actual
	(Note 9)		
REVENUES			
Government of Canada (Note 7)	$ 258,946	$ 240,213	$ 274,152
Province of Newfoundland and Labrador (Note 7)	172,631	160,142	182,768
Premiums from insured persons	79,570	49,348	68,073
Late payment fees	-	400	800
Appeal administration fee	-	400	-
	511,147	450,503	525,793
EXPENSES (Note 8)			
Production Insurance Program	150,000	110,158	205,812
Administration (Note 4)	312,222	326,332	354,810
	462,222	436,490	560,622
Annual surplus (deficit)	48,925	14,013	(34,829)
Accumulated surplus, beginning of year	96,825	96,825	131,654
Accumulated surplus, end of year	$ 145,750	$ 110,838	$ 96,825

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) Financial instruments

The Agency's financial instruments recognized in the statement of financial position consist of cash, accounts receivable, and accounts payable and accrued liabilities. The Agency 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 Agency subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash. Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at cost include accounts payable and accrued liabilities.

The carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate current fair value due to their nature and/or the short-term maturity associated with these instruments.

(c) Cash

Cash includes cash in bank.

2. Significant accounting policies (cont.)

(d) 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.

Government transfers (Province of Newfoundland and Labrador premium contributions and Government of Canada premium contributions) are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except when and 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 stipulations giving rise to the liabilities are settled.

(e) Expenses

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

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 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. The Agency is exposed to credit risk and liquidity risk through its financial instruments. The Agency is not exposed to market risk. There was no significant change in the Agency's exposure to these risks or its processes for managing these risks from the prior year.

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 Agency's main credit risk relates to cash and accounts receivable. The Agency's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Agency is not exposed to significant credit risk with its cash because these financial instruments are held with a Chartered Bank. The Agency 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 as disclosed in Note 5.

Liquidity risk

Liquidity risk is the risk that the Agency will be unable to meet its contractual obligations and financial liabilities as they come due. The liquidity risk related to accounts payable and accrued liabilities is considered to be low. The Agency manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its contractual obligations and financial liabilities.

4. Related party transactions

The Agency is administered by employees of the Department of Natural Resources. Salaries and other costs of $326,332 (2013 - $354,810) 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 $195,799 (2013 - $212,886) of these administration expenses from the Government of Canada under the Canada-Newfoundland and Labrador AgriInsurance Program funded under the Growing Forward 2 Framework Agreement.

5. Accounts receivable

	2014	2013
Province of Newfoundland and Labrador	$ 2,052	$ 1,839
Premiums from insured persons	4,136	4,136
	6,188	5,975
Less: provision for doubtful accounts	2,140	2,140
	$ 4,048	$ 3,835

6. Accounts payable and accrued liabilities

	2014	2013
Indemnity claims payable to insured persons	$ -	$ 183,747
Province of Newfoundland and Labrador	2,000	1,800
	$ 2,000	$ 185,547

7. Premium contributions and administrative expenses

	2014	2013
Government of Canada		
Premium contributions	$ 44,414	$ 61,266
Payments for administration	195,799	212,886
	$ 240,213	$ 274,152
Province of Newfoundland and Labrador		
Premium contributions	$ 29,609	$ 40,844
Payments for administration	130,533	141,924
	$ 160,142	$ 182,768

8. Expenses by object

The following is a summary of expenses by object:

	2014	2013
Bad debt expense	**$ -**	$ 457
Bank charges	**13**	10
Board expenses	**4,389**	-
Equipment supplies	**-**	717
Indemnity claims	**110,158**	205,355
Professional services	**4,864**	64,960
Purchased services	**8,712**	1,305
Salaries and employee benefits	**262,173**	250,692
Supplies	**22,035**	18,491
Transportation and Communication	**24,146**	18,635
	$ 436,490	$ 560,622

9. Budgeted figures

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been approved by the Board of Directors.

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Financial Statements

Year Ended March 31, 2014

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 Directors 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, 2014 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 Public Sector 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 Directors 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, 2014 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.

St. John's, Newfoundland and Labrador
June 3, 2014

Pinsent & Associates
CERTIFIED GENERAL ACCOUNTANTS

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Revenues and Expenditures

Year Ended March 31, 2014

	Budget 2014	**2014**	2013
REVENUE	$ 699,000	$ **699,000**	$ 699,000
EXPENDITURES			
Salaries and wages	409,750	**414,600**	405,582
Travel	84,550	**94,056**	99,550
Sponsorships	86,300	**78,848**	82,271
Office	74,900	**70,773**	72,320
Advertising and promotion	13,000	**16,213**	13,318
Professional development	13,000	**12,839**	14,743
Professional fees	10,000	**7,730**	10,150
Miscellaneous	3,500	**3,707**	3,372
Promotional materials and publications	4,000	**1,778**	6,960
Amortization	-	**1,284**	2,120
	699,000	**701,828**	710,386
DEFICIENCY OF REVENUE OVER EXPENDITURES FROM OPERATIONS	-	**(2,828)**	(11,386)
OTHER INCOME	-	**2,790**	5,250
DEFICIENCY OF REVENUE OVER EXPENDITURES	$ -	$ **(38)**	$ (6,136)

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION
Statement of Financial Position
March 31, 2014

		2014		2013
ASSETS				
CURRENT				
Cash	$	**139,613**	$	263,760
Receivables		**67,979**		30,656
Prepaid expenses		**9,791**		9,921
		217,383		304,337
PROPERTY, PLANT AND EQUIPMENT *(Note 3)*		**2,614**		3,898
	$	**219,997**	$	308,235
LIABILITIES AND NET ASSETS				
CURRENT				
Payables and accruals	$	**32,381**	$	65,492
Payables and accruals - Equity Investment Program		**193,266**		230,210
		225,647		295,702
NET ASSETS				
Share capital *(Note 4)*		**3**		3
Operations fund		**(6,164)**		(6,126)
Equity fund		**511**		18,656
		(5,650)		12,533
	$	**219,997**	$	308,235

ON BEHALF OF THE BOARD

______________________ *Director*

______________________ *Director*

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2014

	Operations Fund	Equity Fund	**2014**	2013
NET ASSETS - BEGINNING OF YEAR	$ (6,126)	$ 18,656	**$ 12,530**	$ 93
Deficiency of revenue over expenditures	(38)	-	**(38)**	(6,136)
Excess of receipts over commitments (commitments over receipts) - Equity Investment Program (EIP) (Schedule 1)	-	(18,145)	**(18,145)**	18,573
NET ASSETS - END OF YEAR	$ (6,164)	$ 511	**$ (5,653)**	$ 12,530

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION
Statement of Cash Flows
Year Ended March 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	$ (38)	$ (6,136)
Items not affecting cash:		
Amortization of property, plant and equipment	1,284	2,120
Excess of receipts over commitments (commitments over receipts) - (Equity Fund)	(18,143)	18,573
	(16,897)	14,557
Changes in non-cash working capital:		
Receivables	(37,323)	(27,770)
Payables and accruals	(33,113)	33,275
Prepaid expenses	130	(70)
Payables and accruals - Equity Investment Program	(36,944)	(416,776)
	(107,250)	(411,341)
DECREASE IN CASH FLOW	(124,147)	(396,784)
Cash - beginning of year	263,760	660,544
CASH - END OF YEAR	$ 139,613	$ 263,760

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 Canadian Public Sector Accounting Standards (PSA) for not for profit organizations 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 Public Sector accounting standards for 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	**2014 Net book value**	2013 Net book value
Computer equipment	$ 47,849	$ 46,741	**$ 1,108**	$ 2,015
Furniture and fixtures	19,176	17,670	**1,506**	1,883
	$ 67,025	$ 64,411	**$ 2,614**	$ 3,898

4. SHARE CAPITAL

Authorized:
600 Common voting shares of no par value

	2014	2013
Issued:		
600 Common shares	**$ 3**	$ 3

5. Office

Office expense consists of the following:

	2014	2013
Rent and maintenance	$ 35,345	$ 33,069
Communications	12,503	14,170
Office Equipment	7,190	7,746
Board meeting expense	4,892	4,318
Travel	3,535	3,448
Office Supplies	2,260	2,323
Meeting Supplies	2,088	2,141
Printing	1,005	1,811
Business tax	863	1,307
Banking fees Operating	762	890
Computer maintenance	149	593
Postage	100	420
Banking fees	82	84
	$ 70,774	$ 72,320

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.

	2014	2013
Equity Investment	$ 33,420,116	$ 28,847,572
Allowance against Equity Investment	(33,091,800)	(28,539,023)
Recoupment - Equity Investment	(328,316)	(308,549)
	$ -	$ -

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.

	2014	2013
Development Loans	**$ 3,650,178**	$ 3,305,413
Allowance against development loans	**(3,650,178)**	(3,305,413)
	$ -	$ -

8. COMMITMENTS

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, 2014, the Corporation was contractually committed to advance funds totaling $564,903 (2013 - 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.

	2014
Away Films Inc.- Picture Start - Cancergirl	**$ 16,830**
Beagle Media Corp. - George Street TV 5	**15,906**
Beagle Media Corp. - Spoiled Rotten	**15,411**
Best Boy Productions Limited - Ill of the Dead	**12,808**
Best Boy Productions Limited - Nexus	**14,728**
Best Boy Productons Limited - The Deadleys	**9,404**
Burlington Season 2 Inc. - Majumder Manor Season II	**200,000**
Genius Productions Inc. - Experience Genie	**19,800**
Kickham East Productions Inc. - Last Resort Phase 2	**11,319**
LGH Holdings Ltd. - Picture Start - Sadie	**18,227**
Morag Loves Company Ltd. - Armageddon	**25,000**
Morag Loves Company Ltd. - Ben and Jerry	**12,337**
Pope Productions Ltd. - NL Entertains Season 2	**16,000**
Rock Island Productions Ltd. - Puffin Patrol	**114,304**
Take the Shot Productions Inc. - Lanier Phillips Story Phase II	**19,000**
Take the Shot Productions Inc. - The Ship	**21,650**
Upskydown Films Inc. - Picture Start - Between Two Walls	**22,179**
	$ 564,903

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, 2014

	2014	2013
Receipts		
Province of Newfoundland and Labrador Funding - Republic of Doyle	$ 2,750,000	$ 3,000,000
Province of Newfoundland and Labrador Funding	2,000,000	2,000,000
Recoupment	19,767	37,026
Interest Earned	1,500	4,150
	$ 4,771,267	$ 5,041,176
Current year commitments		
Away Films Inc. - Cancergirl	$ 7,425	$ -
Away Films Inc. - United Northern Film	-	4,860
Away Films Inc. - Crawlspace	65,000	-
Lucky Productions Inc. - Talus and Scree	-	21,685
Burlington Season I Inc. - Majumder Manor Digital Media	30,000	-
Burlington Season II Inc. - Majumder Manor Season 2	143,500	-
Blue Pinion Films Inc. - Buy the Boards	6,270	-
Breathless Films Inc. - Of the Essence	-	2,500
Breathless Films Inc. - Can Con	3,965	-
Clew up Productions Ltd. - Sled Kings	-	10,362
Clew up Productions Ltd. - Redneck Riders phase 2	11,450	-
Elemental Pictures Inc. - Northern Pikes	21,994	-
The Energy Show Season Two Inc. - Energy Show Season Two	-	26,712
Fire Crown Productions Inc. - Bolt Out of the Plue Pilot	11,000	-
Gailin Productions Inc. - Outside In	30,000	-
Henge Productions and Consulting Limited - Regrets	7,915	-
Hold Fast productions Inc. - Hold Fast	-	268,594
Kickham East Productions Inc. - St. John's West Phase 4	8,600	-
Island Horse Productions Ltd. - Slattery Street Crockers	21,644	-
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
Media Connections Inc. - Vocation phase 3	6,400	-
MF Productions Ltd. - Mickey Series V	300,000	-
Mickey's Farm (Season 4) Ltd. - Mickey's Farm Series 4	52,000	328,000
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	175,000	400,000
Nine Island Production and Consulting Inc. - Return of the White Fleet	-	27,730
Odd Sock Films Inc. - Shoot Me	6,811	-
Odd Sock Films Inc. - Relative Happiness	85,300	-
Odd Sock Films Inc. - So it was	5,660	-
Pet ER (Season 2) Inc. - Pet ER season 2	98,000	522,000
Save My Pet Inc. - Pet ER Season III	453,829	-
Petty Harbour Productions Inc. - Boy on Bridge	-	55,830
Pope Productions Ltd. - Comedy Festival	-	32,800
Pope Productions Ltd. - NL Entertains	87,000	29,000
Pope Productions Ltd. - Oddly Flowers Part II	-	14,784
Pope Productions Ltd. - NL Entertains Season 2	100,000	-
Pope Productions Ltd. - I Hate Rich Kids	-	13,480
Pope Productions Ltd. - Pignut	-	6,500
Pope Productions Ltd. - Kings of the Earth	-	20,575

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Pope Productions Ltd. - Len Rollie and the Devil Rose	-	20,575
Rain Productions Inc. - Sabrina Whyatt - That's Me	-	25,000
Republic Season 3 Inc - Republic of Doyle III	-	1,500,000
Republic Season 4 Inc. - Republic of Doyle IV	**1,500,000**	1,500,000
Republic Season 5 Inc. - Republic of Doyle V	**1,250,000**	-
Rink Rat Productions Inc. - How to be deadly	**225,000**	11,900
Rink Rat Productions Inc. - When the boys came home	-	9,240
Rink Rat Productions Inc. - Half Hour Ahead	**10,164**	-
Shadowy Souls Inc. - Tentacles Claw 12 Min	-	16,715
Streely Maid Films Ltd. - Longshoreman	-	4,950
Streely Maid Films Ltd. - Picture start	-	17,480
Take the Shot - Overwatch	**20,000**	-
The Hunting Party Inc. - Winners - Picture Start	-	23,025
Take the Shot Productions Inc. - Badlands	**24,750**	-
Take the Shot Productions Inc. - Crosbie Show	**14,850**	-
Take the Shot Productions Inc. - Treading Water	**12,375**	-
Take the Shot Productions Inc. - Battle Harbour	**13,000**	-
The Figaro Brothers Family Circus Film Company Corp. - A Handyman's Guide to MS	**25,742**	-
Upskydown Films Inc. - One More Time	-	6,200
Wreckhouse Productions Inc. - Colony of Unrequited Dreams Phase 2	-	12,960
	$ 4,834,644	$ 5,022,603
Excess of receipts over commitments (commitments over receipts)	**$ (63,377)**	$ 18,573
Opening Balance	**18,656**	83
Expired from previous year - Pet ER	**45,232**	-
	$ 511	$ 18,656

See notes to financial statements

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

FINANCIAL STATEMENTS

MARCH 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Newfoundland and Labrador Government Sinking Fund
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Government Sinking Fund which comprise the balance sheet as at March 31, 2014, and the statements of statutory contributions, retained earnings, revenues and expenses, 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 the accounting policies described in Note 1 to meet the information needs of the Newfoundland and Labrador Government Sinking Fund and the Government of Newfoundland and Labrador under Section 39 of the *Financial Administration Act* and under the various debentures which require the establishment of sinking funds, 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 judgment of the auditor, 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 Government Sinking Fund as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in note 1 to these financial statements.

Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 of the financial statements which describes the basis of accounting. These financial statements are solely for the information of the Newfoundland and Labrador Government Sinking Fund and the Government of Newfoundland and Labrador to meet their information needs under Section 39 of the *Financial Administration Act* and under the various debentures which require the establishment of sinking funds. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

TERRY PADDON, CA
Auditor General

July 4, 2014
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
BALANCE SHEET
As at March 31

	2014	2013
	(000's)	(000's)
ASSETS		
Current		
Cash	$ 70,772	$ 57,907
Term deposits and short-term investments	-	18,593
Interest and other receivables		
Province of Newfoundland and Labrador - guaranteed	8,646	9,858
Other	4,859	4,145
	84,277	90,503
Investments, at amortized cost (Schedule)		
Cost	904,348	841,518
Accumulated amortization of discounts and premiums	96,497	85,997
	1,000,845	927,515
	$ 1,085,122	$ 1,018,018
LIABILITIES AND SINKING FUND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 13	$ 13
Due to Province of Newfoundland and Labrador	71	8
	84	21
Sinking fund equity		
Accumulated statutory contributions	611,358	580,909
Retained earnings	473,680	437,088
	1,085,038	1,017,997
	$ 1,085,122	$ 1,018,018

See accompanying notes

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

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
STATEMENT OF STATUTORY CONTRIBUTIONS
For the Year Ended March 31

	2014	2013
	(000's)	(000's)
Balance, beginning of year	$ 580,909	$ 529,502
Add: receipts for the year	47,702	48,688
Foreign currency translation adjustment (Note 2)	13,806	2,719
	642,417	580,909
Statutory contributions applicable to matured/redeemed debentures	(31,059)	-
Balance, end of year	$ 611,358	$ 580,909

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

STATEMENT OF RETAINED EARNINGS

For the Year Ended March 31	2014	2013
	(000's)	(000's)
Balance, beginning of year	**$ 437,088**	$ 383,393
Net income for the year	**56,224**	51,041
Foreign currency translation adjustment (Note 2)	**13,329**	2,654
	506,641	437,088
Retained earnings applicable to matured/redeemed debentures	**(32,961)**	-
Balance, end of year	**$ 473,680**	$ 437,088

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
STATEMENT OF REVENUES AND EXPENSES

For the Year Ended March 31	2014	2013
	(000's)	(000's)
REVENUES		
Interest income		
Debentures	$ 40,139	$ 39,310
Term deposits and short-term investments	7	27
Other	545	558
	40,691	39,895
Foreign currency translation gains (Note 2)	4,096	696
Amortization of discounts and premiums	11,705	10,720
	56,492	51,311
EXPENSES		
Salaries and benefits	152	156
General	116	114
	268	270
Net income	$ 56,224	$ 51,041

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2014	2013
	(000's)	(000's)
Cash flows from operating activities		
Net income	$ 56,224	$ 51,041
Adjustment for non-cash items		
Amortization of discounts and premiums	(11,705)	(10,720)
Foreign currency translation gains (Note 2)	(4,096)	(696)
	40,423	39,625
Change in non-cash working capital	561	(742)
	40,984	38,883
Cash flows from financing activities		
Statutory contributions	47,702	48,688
Cash flows used in investing activities		
Purchase of investments	(81,073)	(52,832)
Proceeds from redemption and sale of investments	47,258	16,000
Payments to Province upon maturing debentures	(64,020)	-
	(97,835)	(36,832)
Net increase (decrease) in cash and cash equivalents	(9,149)	50,739
Effect of foreign currency translation adjustment (Note 2)	3,421	581
Cash and cash equivalents, beginning of year	76,500	25,180
Cash and cash equivalents, end of year	$ 70,772	$ 76,500
Cash and cash equivalents include:		
Cash	$ 70,772	$ 57,907
Term deposits and short-term investments	-	18,593
	$ 70,772	$ 76,500

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
SCHEDULE OF INVESTMENTS

March 31	2014		2013	
	Face Value or Par (000's)	**Amortized Cost (000's)**	Face Value or Par (000's)	Amortized Cost (000's)
Canadian				
Province of Newfoundland and Labrador - guaranteed				
Province of Newfoundland and Labrador	**$ 109,307**	**$ 116,733**	$ 143,660	$ 151,751
Newfoundland and Labrador Municipal Financing Corporation	**2,146**	**2,149**	4,581	4,589
Newfoundland and Labrador Hydro	**30,248**	**34,781**	30,248	35,079
Health Care Corporation (Eastern Health)	**7,500**	**10,469**	7,500	10,583
Coupons and residuals	**258,871**	**166,297**	260,641	159,328
	408,072	**330,429**	446,630	361,330
Other coupons and residuals	**327,590**	**172,570**	277,001	142,641
Other securities	**107,276**	**115,870**	98,695	105,174
	842,938	**618,869**	822,326	609,145
U.S.				
Province of Newfoundland and Labrador - guaranteed				
Province of Newfoundland and Labrador	**146,985**	**161,011**	132,545	146,251
Other securities	**170,931**	**200,567**	127,508	154,288
Coupons	**23,735**	**17,670**	21,814	15,441
Residuals	**3,466**	**2,728**	3,185	2,390
	345,117	**381,976**	285,052	318,370
Total investments	**$ 1,188,055**	**$ 1,000,845**	$ 1,107,378	$ 927,515

See accompanying notes

Authority

The Province of Newfoundland and Labrador issues debentures, most of which have sinking fund requirements. For debentures which have sinking fund requirements, the Province makes the required sinking fund payments (statutory contributions) to the Board of Trustees of the Newfoundland and Labrador Government Sinking Fund. This is an unincorporated body formed under the *Financial Administration Act.* All members of the Board are full-time employees of the Province and are appointed by the Lieutenant-Governor in Council.

The Newfoundland and Labrador Sinking Fund is not subject to Provincial or Federal income taxes.

1. Basis of accounting

These financial statements have been prepared by the Newfoundland and Labrador Government Sinking Fund in accordance with the summary of significant accounting policies set out below to meet the information needs of the Newfoundland and Labrador Government Sinking Fund and the Government of Newfoundland and Labrador under Section 39 of the *Financial Administration Act* and under the various debentures which require the establishment of sinking funds.

The basis of accounting used in these financial statements may materially differ from Canadian generally accepted accounting principles because these statements do not represent general purpose financial statements.

Summary of significant accounting policies

These financial statements have been prepared on the accrual basis of accounting. Outlined below are the significant policies followed.

(a) Cash and cash equivalents

Cash and cash equivalents include balances with banks, and term deposits and short-term investments with original maturities of three months or less.

Short-term deposits are recorded at cost which approximates market value because of the short-term nature of the securities.

1. Basis of accounting (cont.)

Summary of significant accounting policies (cont.)

(b) Investment transactions

(i) Purchases: Investments are initially recorded at cost.

(ii) Amortization: Discounts and premiums are amortized on a straight-line basis from the date of purchase until maturity.

(iii) Sales: Sales of investments are at a negotiated selling price. Sales are recorded at the proceeds less the investment's average amortized cost, with any resulting gain or loss also recorded.

(iv) Redemptions: On occasion, investments held in the Fund will be called for redemption by the issuer. In such instances, a gain is recorded equal to the redemption proceeds less the investment's average amortized cost.

(c) Maturity of a Province of Newfoundland and Labrador debenture issue for which a sinking fund has been provided

(i) General

A sinking fund is created pursuant to the provisions of a debenture issue in order to provide funds to be used for redemption at debenture maturity. Statutory sinking fund contributions are invested in interest bearing securities and other investments. Both the contributions and the interest are used to pay debenture holders when debentures mature.

A record is maintained of statutory contributions received on account of each issue and of income allocated to each issue (retained earnings). The accumulated amount of an issue's statutory contributions and allocated income is called its Sinking Fund Value.

At the maturity of a debenture issue, accumulated statutory contributions are reduced by the total amount of statutory contributions received over the life of the debenture issue. Retained earnings are reduced by the excess of the Sinking Fund Value over statutory contributions received related to the debenture issue.

(ii) Cash flow

At maturity, cash is paid into a redemption bank account in an amount equal to the lesser of the total face value of the issue or the Sinking Fund Value of the issue, less the face value of the particular debenture issue being redeemed held in the Fund's investments. If the issue's Sinking Fund Value of the issue is less than the total face value, the difference is paid into the redemption bank account by the Province.

1. Basis of accounting (cont.)

Summary of significant accounting policies (cont.)

(d) Province of Newfoundland and Labrador debentures held by the Sinking Fund are cancelled upon the related sinking fund becoming fully funded. This occurs when the value of a sinking fund for a debenture issue equates to the outstanding principal amount of that issue. The Sinking Fund will return to the Province, for cancellation, any debentures of that issue held by the Sinking Fund. The cancellation of sinking fund assets results in a corresponding reduction in sinking fund equity.

(e) Interest income

Interest income is recorded on an accrual basis.

(f) Foreign currency translation

Assets, liabilities, revenues and expenses denominated in U.S. currency are translated as follows:

(i) assets and liabilities are translated at the rate of exchange in effect at the balance sheet date; and

(ii) revenues and expenses are translated at the rate of exchange in effect on the dates on which such items are recognized in income during the year, or an average of such.

Gains and losses resulting from foreign currency translation are amortized on a straight-line basis over the remaining life of each issue's sinking fund.

2. Effect of foreign currency translation

At March 31, 2014, the Fund held $1,000,845,000 (2013 - $927,515,000) in investments. These investments include $381,976,000 denominated in U.S. currency (2013 - $318,370,000).

The Fund assets, liabilities, statutory contributions and retained earnings denominated in U.S. currency are translated at the rate of exchange in effect at the balance sheet date. The Fund's revenues and expenses are translated at the rate of exchange in effect on the dates on which such items are recognized in income during the year, or an average of such.

2. Effect of foreign currency translation (cont.)

In 2014, the translation of assets denominated in U.S. currency at year end resulted in a net foreign exchange gain due to an increase in the value of the U.S. dollar. In 2013, the translation of assets denominated in U.S. currency at year end resulted in a net foreign exchange gain due to an increase in the value of the U.S. dollar. Any gains or losses resulting from foreign currency translations will not become realized until such time the assets denominated in U.S. currency should ever actually be converted to Canadian dollars. It is not the intention of the Fund that its U.S. assets will be converted into Canadian dollars.

	2014 (000's)	2013 (000's)
The effect of the translation is as follows:		
Statutory contributions have increased by	$ 13,806	$ 2,719
Retained earnings have increased by	13,329	2,654
Net income increased by	4,096	696
Total impact of foreign currency translation	31,231	6,069
The effect of this amount on the Fund assets is as follows:		
Investments have increased by	27,810	5,488
Cash and cash equivalents have increased by	$ 3,421	$ 581

The increase of $3,421,000 (2013 - increase of $581,000) is reflected in the Statement of Cash Flows because of its impact on the Fund's cash flow position. However, the other transactions did not have an impact on the Fund's cash flow position and are, therefore, not reflected in the Statement of Cash Flows.

3. Financial instruments

The Newfoundland and Labrador Government Sinking Fund's short-term financial instruments recognized on the balance sheet consist of cash, term deposits and short-term investments, interest and other receivables, accounts payable and accrued liabilities, and due to Province of Newfoundland and Labrador. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

The Fund holds long-term investments which have an amortized cost of $1,000,845,000 (2013 - $927,515,000). The face value of these investments is $1,188,055,000 (2013 - $1,107,378,000). The policy and intention of the Board is to hold these long-term investments to maturity. Therefore, their reported value is current fair value to the Fund and there is no rate risk associated with these investments.

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2013

Office of the Auditor General

Management's Report

Management's Responsibility for the Newfoundland and Labrador Housing Corporation 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 on a quarterly basis 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 Newfoundland and Labrador Housing Corporation.

On behalf of the Newfoundland and Labrador Housing Corporation.

Len Simms

Mr. Len Simms
Chairperson and Chief Executive Officer

Mr. Thomas F. Lawrence, CMA, FCMA
Chief Financial Officer

September 12, 2013

AUDITOR
GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Housing Corporation which comprise the statement of financial position as at March 31, 2013, the statements of operations and accumulated surplus, 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 Newfoundland and Labrador Housing Corporation 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

September 12, 2013
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
As at March 31

	2013	2012
	(000's)	(000's) Restated (Note 30)
FINANCIAL ASSETS		
Cash	$ 62,512	$ 61,424
Accounts receivable (Note 5)	1,836	1,577
Land held for sale (Note 6)	-	534
Due from government and other government organizations (Note 7)	5,185	4,951
Loans receivable (Note 8)	6,567	7,335
Receivables from municipalities - land transfers (Note 9)	1,044	1,150
	77,144	76,971
LIABILITIES		
Accounts payable and accrued liabilities (Note 10)	11,011	11,240
Employee future benefits (Note 11)	24,902	22,974
Due to government and other government organizations (Note 12)	651	837
Deferred revenue (Note 13)	10,168	13,564
Long-term debt (Note 14)	115,806	122,238
	162,538	170,853
Net debt	(85,394)	(93,882)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 15)	132,236	135,591
Inventories held for use	391	382
Prepaid expenses (Note 16)	4,244	3,739
	136,871	139,712
Accumulated surplus	$ 51,477	$ 45,830

Contingent liabilities (Note 17)
Contractual obligations (Note 18)
Trust under administration (Note 21)

Signed on behalf of the Corporation: Len Simms _______ **Chairperson** _______ **Member**

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended March 31

	2013 Budget (000's) (Note 27)	2013 Actual (000's)	2012 Actual (000's) Restated (Note 30)
REVENUES (Note 19)			
Province of Newfoundland and Labrador operating grant	$ 56,124	$ 56,551	$ 52,827
CMHC revenue	52,535	55,884	60,719
Other government sources	225	350	332
Rent	19,316	20,852	20,337
Interest	936	1,385	1,218
Land sales	-	15,078	205
Profit from land sales by municipalities	200	548	537
Gain on sale of tangible capital assets	-	-	2
Other	37	477	456
	129,373	151,125	136,633
EXPENSES (Note 19)			
Rental operations	60,659	62,038	68,042
Partner managed housing	10,235	11,208	13,159
Affordable housing investments	27,665	24,820	23,532
Rent supplement	8,355	8,683	7,391
Land development	-	1,019	1,403
Administration	23,446	24,310	25,772
	130,360	132,078	139,299
Annual (deficit) surplus before the transfer of funds to the Province of Newfoundland and Labrador	(987)	19,047	(2,666)
Transfer of funds to the Province of Newfoundland and Labrador (Note 22)	-	(13,400)	-
Annual (deficit) surplus	(987)	5,647	(2,666)
Accumulated surplus, beginning of year	45,830	45,830	48,496
Accumulated surplus, end of year	$ 44,843	$ 51,477	$ 45,830

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31

	2013 Budget (000's) (Note 27)	2013 Actual (000's)	2012 Actual (000's) Restated (Note 30)
Annual (deficit) surplus	$ (987)	$ 5,647	$ (2,666)
Changes in tangible capital assets (Note 15)			
Acquisition of tangible capital assets	(7,591)	(2,801)	(2,142)
Net book value of tangible capital asset disposals and write-downs	-	71	405
Amortization of tangible capital assets	-	6,085	6,353
	(7,591)	3,355	4,616
Changes in other non-financial assets			
Net acquisition of inventories held for use	-	(9)	(28)
Net acquisition of prepaid expenses	-	(505)	(9)
	-	(514)	(37)
(Increase) decrease in net debt	(8,578)	8,488	1,913
Net debt, beginning of year	(93,882)	(93,882)	(95,795)
Net debt, end of year	$ (102,460)	$ (85,394)	$ (93,882)

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2013	2012
	(000's)	(000's) Restated (Note 30)
Operating transactions		
Annual surplus (deficit)	$ 5,647	$ (2,666)
Adjustment for non-cash items and change in non-cash operating items:		
(Increase) decrease in provision for doubtful accounts, loans receivable	(115)	22
Amortization of tangible capital assets	6,085	6,353
Write-down of tangible capital assets	65	76
Losses (gains) on sale of tangible capital assets	9	(2)
Write-down of land for sale	-	1,322
Employee future benefits	1,928	1,592
Deferred revenue	(3,396)	(7,177)
Forgivable loans	4,953	7,924
Other (Note 23)	(1,422)	2,542
Cash provided by operating transactions	13,754	9,986
Capital transactions		
Proceeds, net of selling costs, on sale of tangible capital assets	(3)	331
Cash used to acquire tangible capital assets	(2,801)	(2,142)
Cash applied to capital transactions	(2,804)	(1,811)
Investing transactions		
Decrease in receivable from municipalities - land transfers	106	114
Decrease (increase) in land for sale	534	(534)
Repayment of loans and advances	2,561	3,227
Forgivable loans	(4,953)	(7,924)
Loans and advances	(1,678)	(2,006)
Cash applied to investing transactions	(3,430)	(7,123)
Financing transactions		
Debt retirement	(6,432)	(6,787)
Cash applied to financing transactions	(6,432)	(6,787)
Increase (decrease) in cash	1,088	(5,735)
Cash, beginning of year	61,424	67,159
Cash, end of year	$ 62,512	$ 61,424

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

1. Nature of operations

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

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 are prepared by management in accordance with CPSAS for provincial reporting entities as established by the Canadian Public Sector Accounting Board (PSAB). The Corporation does not prepare a statement of re-measurement gains and losses as the Corporation does not enter into relevant transactions or circumstances that are being addressed by that statement.

(b) Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, due from government and other government organizations, loans receivable, receivables from municipalities - land transfers, accounts payable and accrued liabilities, due to government and other government organizations 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. The Corporation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash, due from government and other government organizations, and receivables from municipalities - land transfers. Accounts receivable and loans receivable are measured at amortized cost as disclosed in Note 5 and Note 8, respectively. All financial assets are assessed annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations and accumulated surplus. Financial liabilities measured at cost include accounts payable and accrued liabilities and due to government and other government organizations. Long-term debt is measured at amortized cost as disclosed in Note 14.

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

(c) Cash

Cash includes cash in the bank.

2. Summary of significant accounting policies (cont.)

(d) Land held for sale

Land held for sale is recorded at the lower of cost and net realizable value.

(e) Loans receivable

Loans receivable are recorded at amortized cost. Valuation allowances are made when collection is in doubt and is estimated based on the value of accounts referred to a collection agency and the accounts with reported arrears balances.

(f) Employee future benefits

The cost of retirement life insurance and health care benefits, severance pay, and non-vesting sick leave benefits are actuarially determined using management's best estimate of the long-term inflation rate, compensation increases, discount rate and health care cost trends.

(g) 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.

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:

Rental properties	40 years
Office buildings	40 years
Furniture and office equipment	10 years
Maintenance tools and equipment	10 years
Computer hardware and software	4 years
Vehicles	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to meet its mandate, 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 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 capital assets from related parties are recorded at carrying value.

2. Summary of significant accounting policies (cont.)

(h) Inventories held for use

Inventories held for use include rental property, parts and supplies and are recorded at the lower of historical cost and replacement cost.

(i) Prepaid expenses

Prepaid expenses include property taxes, subsidies, insurance, licenses and rent and are recorded as an expense over the periods expected to benefit from it.

(j) 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.

Government transfers are recognized as revenues 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. Government transfers consist of funding from the Province of Newfoundland and Labrador and Canada Mortgage and Housing Corporation (CMHC).

Interest income is accounted for using the effective interest method for all loans, other than the impaired portion of loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired.

(k) 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.

Government transfers are recognized as expenses in the period in which the transfer is authorized and all eligibility criteria have been met. Government transfers include grants and subsidies under the Corporation's social programs, and also include transfer of funds to the Province of Newfoundland and Labrador.

2. Summary of significant accounting policies (cont.)

(l) 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 useful life of capital assets, recoverable value of land held for sale, estimated employee future benefits 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.

3. Changes in accounting policies

The Corporation has adopted the following new accounting policies:

In March 2011, the PSAB approved new Section PS 3450, *Financial Instruments*, Section PS 2601, *Foreign Currency Translation*, to replace current Section PS 2600, *Foreign Currency Translation* and Section PS 1201, *Financial Statement Presentation*, to replace current Section PS 1200, *Financial Statement Presentation*. In addition, in March 2012, the PSAB approved Section PS 3041, *Portfolio Investments*, to replace Section PS 3040, *Portfolio Investments*. Government organizations are required to adopt all four sections in the same year. The four sections are effective for fiscal years beginning on or after April 1, 2012, for government organizations but earlier adoption is permitted. As a result of adopting these sections during the current year, the Corporation provided additional disclosures related to financial instruments and financial risk management.

4. Accounting pronouncements

In June 2010, the PSAB approved Section PS 3260, *Liability for Contaminated Sites*. This section is effective for fiscal years beginning on or after April 1, 2014, for government organizations but earlier adoption is encouraged. The Section establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of government organizations. The Corporation is evaluating the impact of this new section.

5. Accounts receivable

	2013 **(000's)**	2012 (000's)
Harmonized sales tax receivable	**$ 1,415**	$ 1,056
Rents	**275**	216
Other	**303**	436
	1,993	1,708
Less: provision for doubtful accounts	**(157)**	(131)
	$ 1,836	$ 1,577

6. Land held for sale

	2013 **(000's)**	2012 (000's)
Land held for sale, beginning of year	**$ 534**	$ 1,322
Costs incurred during the year:		
Impairment recognized during year	**-**	(1,322)
Land development	**187**	534
	721	534
Less: cost of earned sales recognized during year	**(721)**	-
Land held for sale, end of year	**$ -**	$ 534

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

7. Due from government and other government organizations

	2013 (000's)	2012 (000's)
CMHC	$ 4,194	$ 4,089
Province of Newfoundland and Labrador	715	596
Municipalities	276	266
	$ 5,185	$ 4,951

8. Loans receivable

	2013 (000's)	2012 (000's)
Forgivable loans bearing no interest	$ 76,165	$ 71,212
Promissory notes bearing fixed interest rates ranging from 0% to 12.75%, repayable in blended monthly principal and interest payments with due dates ranging from April 2013 to April 2041. These notes are unsecured and can be retired prior to maturity.	6,487	6,933
Mortgages bearing fixed interest rates ranging from 0% to 11.25%, repayable in blended monthly principal and interest payments with due dates ranging from April 2013 to November 2022. These mortgages are secured and can be retired prior to maturity.	1,351	1,788
Less: provision for forgivable loans	(76,165)	(71,212)
Less: provision for doubtful accounts	(1,271)	(1,386)
	$ 6,567	$ 7,335

Forgivable loans bearing no interest are advanced to recipients subject to meeting certain eligibility criteria and are recorded through grants and subsidies expense when advanced. Forgiveness terms include an amortization period ranging between 1 and 25 years, during which time the unamortized portion of the loan is required to be repaid only upon sale of the property. As such, there is a low likelihood of required repayment.

9. Receivable from municipalities - land transfers

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

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

For the year ended March 31, 2013, 21 agreements were in place for the transfer of land to municipalities at a carrying value of $1,044,000 (2012 - $1,150,000).

10. Accounts payable and accrued liabilities

	2013 (000's)	2012 (000's)
Trade accounts payable	**$ 7,041**	$ 7,185
Salaries and benefits payable	**499**	605
Accrued leave	**1,960**	1,883
Accrued interest payable	**1,018**	1,069
Other	**493**	498
	$ 11,011	$ 11,240

11. Employee future benefits

Information about obligations for retirement benefits and other employee future benefits is as follows:

(a) Pension Plan

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991* (the *Act*). The Government of Newfoundland and Labrador administers the Public Service Pension Plan, including payment of pension benefits to employees to whom the *Act* applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

The plan provides a pension to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees was 8.6% (2012 - 8.6%). The Corporation contributes an amount equal to the employee contributions to the plan. The Corporation is not required to make contributions in respect of any actuarial deficiencies of the plan. The pension expense for the Corporation for the year ended March 31, 2013, was $1,364,544 (2012 - $1,393,199).

(b) Retirement and other employee future benefit liabilities

	2013				2012
	Retirement life insurance and health care benefits	**Severance pay**	**Non-vesting sick leave benefits**	**Total Employee Benefits**	Total Employee Benefits
	(000's)	**(000's)**	**(000's)**	**(000's)**	(000's)
Accrued employee future benefit obligations, end of year	**$ 22,707**	**$ 3,921**	**$ 1,159**	**$ 27,787**	$ 27,753
Unamortized actuarial (loss) gain, end of year	**(2,862)**	**31**	**(54)**	**(2,885)**	(4,779)
Employee future benefits liability, end of year	**$ 19,845**	**$ 3,952**	**$ 1,105**	**$ 24,902**	$ 22,974

11. Employee future benefits (cont.)

(c) Retirement and other employee future benefit expenses

	2013				2012
	Retirement life insurance and health care benefits (000's)	Severance pay (000's)	Non-vesting sick leave benefits (000's)	Total Employee Benefits (000's)	Total Employee Benefits (000's)
Employer contributions	$ 498	$ 109	$ 33	$ 640	$ 592
Benefit payments	(277)	(352)	(56)	(685)	(717)
Interest on accrued benefit obligation	1,138	193	56	1,387	1,376
Amortization of actuarial losses (gains)	584	(4)	6	586	341
Employee future benefit expenses	$ 1,943	$ (54)	$ 39	$ 1,928	$ 1,592

(d) Retirement and other employee future benefits

i. Retirement life insurance and health care benefits

All retired employees of the Corporation are eligible to participate in the group insurance plans. Under the plans, the Corporation pays 50% of the total premium charged towards the benefits of both active employees and retirees for life insurance and health care benefits. The Corporation pays 100% of retirees' life insurance premiums after age 65. There are no fund assets associated with these group insurance plans.

ii. Severance pay

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service. The amount is payable when employees cease employment with the Corporation unless an employee transfers to another entity in the public service, in which case the liability is transferred with that employee to the other entity. The Corporation's severance liability also includes a provision for employees with less than nine years of continuous service, based upon the Corporation's best estimate of the probability of having to pay severance to those employees.

11. Employee future benefits (cont.)

(d) Retirement and other employee future benefits (cont.)

iii. Non-vesting 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 are included in the financial statements.

iv. Actuarial valuation

The accrued employee future benefit obligations as at March 31, 2013, have been extrapolated based on valuations performed as at March 31, 2012.

Assumptions about future events used in the calculation of the accrued employee future benefit obligations are as follows:

	2013	2012
Long-term inflation rate	**2.0%**	2.0%
Compensation increase	**4.0%**	4.0%
Discount rate	**5.0%**	5.0%
Health care cost trend	**7.5%**	7.5%

Other assumptions used in the valuation include termination rates, plan participation rates, utilization rates and mortality rates.

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the Corporation's best estimate of expectations over the long-term.

v. Experience gains or losses

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

12. Due to government and other government organizations

	2013 (000's)	2012 (000's)
CMHC	**$ 93**	154
Provincial Government	**73**	78
Provincial government business enterprise	**16**	24
Municipalities	**469**	581
	$ 651	$ 837

13. Deferred revenue

	Balance, beginning of year (000's)	Billings/receipts during year (000's)	Transferred to revenue (000's)	Refundable to CMHC (000's)	Balance, end of year (000's)
CMHC Affordable Housing Program	$ 11,212	$ 2,732	$ (3,836)	-	**$ 10,108**
CMHC Economic Stimulus Program	2,124	-	(2,124)	-	**-**
CMHC Provincial Home Repair Program	228	4,078	(4,153)	(93)	**60**
	$ 13,564	$ 6,810	$ (10,113)	$ (93)	**$ 10,168**

Deferred revenue from CMHC relates to the unearned balance of funds from CMHC for programs as outlined under various federal-provincial agreements. The deferred revenue will be recognized as revenue when the related expenses are incurred. If the funds are not spent for the programs specified under the agreements, they will have to be repaid to CMHC. As of March 31, 2013, CMHC funding in the amount of $10,168,000 was received but not earned.

14. Long-term debt

Long-term debt reported on the statement of financial position is comprised of the following:

	2013 (000's)	2012 (000's)
Long-term debt obligations arising from the Canada-Newfoundland Social Housing Agreement of April 1997 payable to CMHC, bearing fixed interest rates ranging from 5.50% to 19.75%, repayable in blended quarterly principal and interest payments of $2,972,083 with due dates ranging from January 2020 to January 2038. This debt is not secured and cannot be retired prior to maturity. The principal and interest payments required are funded entirely through the annual CMHC grant pursuant to the Canada - Newfoundland Social Housing Agreement of April 1997.	**$ 81,500**	$ 83,034
Long-term debt obligations arising from the Canada-Newfoundland Social Housing Agreement of April 1997 payable to CMHC, bearing fixed interest rates ranging from 6.25% to 16.00%, repayable in blended monthly principal and interest payments of $344,391 with due dates ranging from April 2013 to June 2020. This debt is not secured and cannot be retired prior to maturity. The principal and interest payments required are funded entirely through the annual CMHC grant pursuant to the Canada - Newfoundland Social Housing Agreement of April 1997.	**11,556**	14,656
CMHC fixed rate term debentures, at variable interest rates of 1.67% to 2.75% repayable in blended monthly installments of $180,539, with final due dates ranging from December 2021 to January 2030. This debt is not secured and can be retired prior to maturity.	**22,546**	24,099
Long-term debt obligations arising from the Canada-Newfoundland Global Agreement on Social Housing of February 1986, Canada-Newfoundland Operating Agreement of June 1986, and the Canada-Newfoundland Agreement on the Provincial Home Repair Program of January 1999 payable to CMHC, bearing fixed interest rates ranging from 2.00% to 12.75%, with final due dates ranging from April 2013 to February 2020. This debt is not secured and can be retired prior to maturity.	**204**	449
	$ 115,806	$ 122,238

14. Long-term debt (cont.)

Anticipated annual principal repayments over the next five years and thereafter are as follows:

	(000's)
2014	$ 6,403
2015	6,506
2016	6,340
2017	5,492
2018	5,256
2019 - 2038	85,809
	$ 115,806

Interest expense for the year on outstanding debt totaled $12,311,000 (2012 - $13,630,000) and is included in interest and bank charges in the segmented information by object (Note 19).

15. Tangible capital assets

March 31, 2013

	Land (000's)	Rental properties (000's)	Office buildings (000's)	Furniture and office equipment (000's)	Maintenance tools and equipment (000's)	Computer hardware (000's)	Computer software (000's)	Vehicles (000's)	Total (000's)
Cost									
Opening balance	$ 54,714	$ 231,471	$ 9,058	$ 286	$ 86	$ 894	$ 2,361	$ 2,220	$ 301,090
Adjustments	866	(866)	-	-	-	-	-	-	-
Additions	32	2,333	-	-	-	232	106	98	2,801
Disposals	-	(42)	-	(58)	-	(86)	(145)	(102)	(433)
Write-downs	-	(238)	-	-	-	-	-	-	(238)
Closing balance	$ 55,612	$ 232,658	$ 9,058	$ 228	$ 86	$ 1,040	$ 2,322	$ 2,216	$ 303,220
Accumulated amortization									
Opening balance	-	157,672	3,608	118	22	653	2,025	1,401	165,499
Amortization	-	5,155	226	23	9	169	151	352	6,085
Disposals	-	(36)	-	(58)	-	(86)	(145)	(102)	(427)
Write-downs	-	(173)	-	-	-	-	-	-	(173)
Closing balance	$ -	$ 162,618	$ 3,834	$ 83	$ 31	$ 736	$ 2,031	$ 1,651	$ 170,984
Net book value	**$ 55,612**	**$ 70,040**	**$ 5,224**	**$ 145**	**$ 55**	**$ 304**	**$ 291**	**$ 565**	**$ 132,236**

15. Tangible capital assets (cont.)

March 31, 2012

	Land (000's)	Rental properties (000's)	Office buildings (000's)	Furniture and office equipment (000's)	Maintenance tools and equipment (000's)	Computer hardware (000's)	Computer software (000's)	Vehicles (000's)	Total (000's)
Cost									
Opening balance	$ 54,746	$ 230,721	$ 9,058	$ 317	$ 86	$ 1,403	$ 2,591	$ 2,089	$ 301,011
Additions	48	1,544	-	21	-	93	237	199	2,142
Disposals	(80)	(641)	-	(48)	-	(598)	(467)	(68)	(1,902)
Write-downs	-	(153)	-	(4)	-	(4)	-	-	(161)
Closing balance	$ 54,714	$ 231,471	$ 9,058	$ 286	$ 86	$ 894	$ 2,361	$ 2,220	$ 301,090
Accumulated amortization									
Opening balance	-	152,821	3,382	142	13	1,064	2,277	1,105	160,804
Amortization	-	5,324	226	25	9	190	215	364	6,353
Disposals	-	(392)	-	(48)	-	(598)	(467)	(68)	(1,573)
Write-downs	-	(81)	-	(1)	-	(3)	-	-	(85)
Closing balance	$ -	$ 157,672	$ 3,608	$ 118	$ 22	$ 653	$ 2,025	$ 1,401	$ 165,499
Net book value	**$ 54,714**	**$ 73,799**	**$ 5,450**	**$ 168**	**$ 64**	**$ 241**	**$ 336**	**$ 819**	**$ 135,591**

15. Tangible capital assets (cont.)

Cost of rental properties at March 31, 2013 includes work in progress of $2,844,000 (2012 - $1,039,000). There were no contributed tangible capital assets during the year (2012 - $nil).

In accordance with current accounting standards, intangible assets and items inherited by right of the Crown, such as Crown lands are not recognized as tangible capital assets.

16. Prepaid expenses

Prepaid expenses consist of:

	2013 (000's)	2012 (000's)
Property taxes and other municipal fees	**$ 2,990**	$ 2,741
Rent supplement subsidies	**617**	512
Insurance costs	**235**	227
Workers' compensation fees	**283**	214
Software licenses	**117**	35
Rent	**-**	3
Other	**2**	7
	$ 4,244	$ 3,739

17. Contingent liabilities

(a) Guaranteed debt

The Corporation has provided loan guarantees pursuant to the Canada-Newfoundland Social Housing Agreement in respect of certain CMHC debt of partner managed housing operators. For the year ended March 31, 2013, the amount of the principal outstanding under this guarantee, and limit of the guarantee, was $81,975,000. There was no provision for losses during the year on the loan guarantees.

(b) Legal liabilities

A number of small claims have been filed against the Corporation for alleged breach of contract, general damages and personal claims. These claims have not progressed far enough to enable the formation of a definite opinion as to their outcomes. Therefore, the likelihood and the amount of loss to the Corporation is not determinable at this time.

17. Contingent liabilities (cont.)

(c) Environmental issues

Possible environmental liabilities exist for the following:

i. In 1996, the Corporation learned that possible environmental liabilities exist with respect to potential large quantities of fuel left in abandoned fuel storage facilities in the Stephenville area. The Corporation has removed some of the underground tanks and fuel lines and has undertaken some further study. To date, expenditures related to this work have totaled $2,807,000. As well, based on the studies completed to date, further remediation is internally estimated to cost $30,000,000.

ii. In 1998, the Corporation learned that possible environmental liabilities exist with respect to environmental contaminants including hydrocarbons and various heavy metals in the soil and groundwater on 20 hectares of the total 102 hectares in the Paradise area. Title to this site had been transferred to the Town of Paradise during 1998-99 as part of the Corporation's land divestiture program; however, the Corporation will be liable for any costs that must be incurred to clean up the site. Based on studies completed to date, remediation is internally estimated to cost $20,000,000.

iii. In 1999, the Corporation learned of possible environmental liabilities relating to the 17 underground fuel tanks in its St. John's properties located at Buckmaster's Circle. To date, expenditures related to this work have totaled $325,000. All 17 tanks have been removed and remediation has been completed on eight of the 17 sites. The remaining cost to complete the remediation is internally estimated at $900,000.

iv. In 2005, the Corporation learned of possible environmental liabilities relating to underground fuel tanks in its St. John's properties located on Cashin Avenue, Froude Avenue, Empire Avenue and Hoyles Avenue. It is currently estimated that there are 21 underground fuel tanks at these properties. To date, expenditures related to this work have totaled approximately $324,000. Removal and remediation has been completed on nine of the estimated 21 sites. The remaining cost to complete the remediation is internally estimated at $1,100,000.

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

17. Contingent liabilities (cont.)

(c) Environmental issues (cont.)

vi. In 2009, the Corporation learned of possible environmental liabilities relating to electrical transformers containing polychlorinated biphenyls (PCBs) located around its St. John's properties at Chalker Place. To date, the expenditures related to this work have totaled approximately $33,000. Removal has been completed on two transformers. The remaining cost to complete the remediation is internally estimated at $200,000.

vii. In 2010, the Corporation learned of possible environmental liabilities relating to 43 fuel tanks at its St. John's properties in the Guy Street-Whiteway Street area. To date, expenditures related to this work have totaled approximately $110,000. The remaining cost to complete the remediation is internally estimated at $1,200,000.

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

18. Contractual obligations

	2013 (000's)	2012 (000's)
Uncompleted purchase and construction contracts	**$ 3,441**	$ 6,749
Commitments under lending programs	**20,671**	22,765
Commitments under grant programs	**2,754**	2,178
	$ 26,866	$ 31,692

Contractual obligations are those to outside organizations in respect of contracts entered into on or before March 31, 2013. These contractual obligations will become liabilities when the terms of the contracts are met.

19. Segmented information by object

The Corporation reports its revenue and expenses by program area as outlined in its approved budget.

19. Segmented information by object (cont.)

	Rental operations		Partner managed housing		Affordable housing investments		Rent supplement		Land development		Administration		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Revenues														
Province of Newfoundland and Labrador operating grant	$ 413	$ 355	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 56,138	$ 52,472	$ 56,551	$ 52,827
CMHC revenue	-	-	-	-	10,118	14,173	-	-	-	-	45,766	46,546	55,884	60,719
Other government sources	276	252	-	-	74	80	-	-	-	-	-	-	350	332
Rent	20,852	20,337	-	-	-	-	-	-	-	-	-	-	20,852	20,337
Interest	-	-	-	-	-	-	-	-	-	-	1,385	1,218	1,385	1,218
Land sales	-	-	-	-	-	-	-	-	15,078	205	-	-	15,078	205
Profit from land sales by municipalities	-	-	-	-	-	-	-	-	548	537	-	-	548	537
Gain on sale of tangible capital assets	-	2	-	-	-	-	-	-	-	-	-	-	-	2
Other	-	-	-	-	411	342	-	-	-	-	66	114	477	456
	21,541	20,946	-	-	10,603	14,595	-	-	15,626	742	103,355	100,350	151,125	136,633
Expenses														
Rental property operating costs	28,858	32,711	-	-	-	-	-	-	-	-	-	-	28,858	32,711
Amortization	5,076	5,267	428	416	-	-	-	-	-	-	581	670	6.085	6,353
Grants and subsidies	8,891	9,046	9,930	12,124	24,623	23,133	8,683	7,391	-	-	150	789	52,277	52,483
Land costs	-	-	-	-	-	-	-	-	721	-	-	-	721	-
Other administration	-	-	261	-	-	-	-	-	256	81	4,106	4,495	4,623	4,576
Salaries and benefits	7,308	7,838	-	-	-	-	-	-	-	-	18,128	18,391	25,436	26,229
Interest and bank charges	11,692	12,939	589	619	127	227	-	-	-	-	1,345	1,423	13,753	15,208
Loss on sale of tangible capital assets	9	-	-	-	-	-	-	-	-	-	-	-	9	-
Valuation allowances	204	241	-	-	70	172	-	-	42	1,322	-	4	316	1,739
	62,038	68,042	11,208	13,159	24,820	23,532	8,683	7,391	1,019	1,403	24,310	25,772	132,078	139,299
Annual (deficit) surplus before the transfer of funds to the Province of Newfoundland and Labrador	(40,497)	(47,096)	(11,208)	(13,159)	(14,217)	(8,937)	(8,683)	(7,391)	14,607	(661)	79,045	74,578	19,047	(2,666)
Transfer of funds to the Province of Newfoundland and Labrador (Note 22)	-	-	-	-	-	-	-	-	(13,400)	-	-	-	(13,400)	-
Annual (deficit) surplus	$ (40,497)	$ (47,096)	$ (11,208)	$ (13,159)	$ (14,217)	$ (8,937)	$ (8,683)	$ (7,391)	$ 1,207	$ (661)	$ 79,045	$ 74,578	$ 5,647	$ (2,666)

20. Related party transactions

(a) Transactions with related parties

	2013 (000's)	2012 (000's)
REVENUES		
Province of Newfoundland and Labrador operating grant		
Province of Newfoundland and Labrador - Consolidated Revenue Fund	**$ 56,551**	$ 52,827
Rent		
Consolidated Revenue Fund	**188**	100
Labrador-Grenfell Regional Health Authority	**59**	59
Western Regional Health Authority	**15**	15
Eastern Regional Health Authority	**9**	9
EXPENSES		
Rental operations		
Consolidated Revenue Fund	**142**	140
Nalcor Energy	**14**	43
Partner managed housing		
Eastern Regional Health Authority	**1,413**	967
Western Regional Health Authority	**422**	973
Central Regional Health Authority	**130**	404
Labrador-Grenfell Regional Health Authority	**69**	25
Affordable housing investments		
Consolidated Revenue Fund	**1**	-
Administration		
Consolidated Revenue Fund	**521**	1,195
Memorial University of Newfoundland	**45**	92
Eastern Regional Health Authority	**39**	39
College of the North Atlantic	**1**	1
Nalcor Energy	**21**	1
Western Regional Health Authority	**-**	1
Transfer of Funds to the Province of Newfoundland and Labrador	**13,400**	-

20. Related party transactions (cont.)

(b) Balances due from and to related parties

	2013 (000's)	2012 (000's)
Due from government and other government organizations		
Consolidated Revenue Fund	$ 715	$ 592
Central Regional Health Authority	-	4
Due to government and other government organizations		
Consolidated Revenue Fund	69	63
Nalcor Energy	16	24
Memorial University of Newfoundland	3	13
Eastern Regional Health Authority	1	2

21. Trust under administration

For the year ended March 31, 2013, the balance of funds held in trust was $3,565,000 (2012 - $3,565,000). The funds are held on behalf of various non-profit housing groups to provide for the future replacement or repair of capital items.

22. Transfer of Funds to the Province of Newfoundland and Labrador

During the year, the Corporation transferred $13,400,000 of proceeds from land assembly sales to the Province of Newfoundland and Labrador.

23. Statement of cash flows - other

	2013 (000's)	2012 (000's)
Accounts receivable	$ (259)	$ (76)
Due from government and other government organizations	(234)	3,006
Accounts payable and accrued liabilities	(229)	551
Due to government and other government organizations	(186)	(902)
Inventories held for use	(9)	(28)
Prepaid expenses	(505)	(9)
	$ (1,422)	$ 2,542

24. 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, market risk, and liquidity risk.

Credit risk

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. The Corporation is exposed to credit risk with respect to cash, accounts receivable, due from government and other government organizations, loans receivable, and receivables from municipalities – land transfers. 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 due from government and other government organizations and receivables from municipalities - land transfers because of their nature.

The Corporation has policies and procedures for the monitoring and collection of accounts receivable, due from government and other government organizations, loans receivables, and receivables from municipalities – land transfers so as to mitigate potential credit losses. Also, the Corporation has mitigated its exposure to credit risk on its mortgage loans receivable through claims on real estate properties should borrowers default on paying the loans. In the case of a foreclosure, the Corporation has the option of evicting the tenant and selling the real estate property, using the proceeds to clear the mortgage debt.

An estimated impairment of accounts receivable for $157,000 has been provided for through an allowance for decline in value, as disclosed in Note 5. An estimated impairment of loans receivable for $1,271,000 has been provided for through an allowance for decline in value, as disclosed in Note 8. The Corporation classifies its loans receivable as impaired in accordance with Note 2(e). The Corporation classifies its accounts receivable as impaired when collection is in doubt and is based on analysis of the balance.

At March 31, 2013, the aging of loans receivable that are past due but not impaired, are as follows:

	(000's)
30 days	$ 150
60 days	152
90 days	34
Over 90 days	47
	$ 383

Accounts receivable and loans receivable which are not impaired or past due are considered collectible by the Corporation. There are no provisions for doubtful accounts for the other financial instruments, as all amounts are considered collectible.

24. Financial Risk Management (cont.)

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 currency (foreign exchange) risk or other risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash, loans receivable and long-term debt. For the year ended March 31, 2013, the interest rate exposure on cash is such that a change of 25 basis points in interest rates would result in an increase/decrease in annual surplus of $150,000. The interest rate risk on loans receivable is considered to be low because the interest rates are fixed to maturity. The Corporation is subject to the risks associated with long-term debt financing, including the risk that debt will not be refinanced on terms as favorable as those of the existing debts. There is no interest rate risk on long-term debt obligations arising from the Canada-Newfoundland Social Housing Agreement as interest rates are fixed to maturity. For the year ended March 31, 2013, the increase/decrease in annual surplus for each one percent change in interest rates on the CMHC fixed rate term debentures amounts to $231,000.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial liabilities and contractual obligations as they fall due. The liquidity risk, relating mainly to accounts payable and accrued liabilities, due to government and other government organizations, long-term debt, and contractual obligations, is considered to be low. The anticipated annual principal repayments on the Corporation's long-term debt is disclosed in Note 14. The Corporation maintains adequate cash to ensure all its financial liabilities and contractual obligations can be met when they fall due. The Corporation has an authorized credit facility totaling $3,000,000, which is unused as at March 31, 2013.

25. Self-insurance

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

26. Comparative figures

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

27. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors and the Lieutenant-Governor in Council.

28. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.

29. Subsequent event

During the year, the Corporation entered into a Sale and Purchase agreement with a third party for the disposal of a parcel of land for cash consideration of $3,000,000. The sale was completed in April 2013.

30. Prior year trust under administration overstatement

During the year, it was determined that the trust under administration was previously reported in a manner that was inconsistent with the Corporation's trust under administration policies. As a result, as at April 1, 2011, trust under administration was overstated by $2,387,000, cash was understated by $2,387,000 and accumulated surplus was understated by $2,387,000, all of which have been revised to correct the misstatements.

Also, as at March 31, 2012, trust under administration was overstated by $1,136,000, cash was understated by $1,136,000 and accumulated surplus was understated by $1,136,000, all of which have been revised to correct the misstatement. Expenses for the year ended March 31, 2012, were also understated by $1,251,000, and have been revised to correct the understatement.

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2014

Management's Report

Management's Responsibility for the Newfoundland and Labrador Housing Corporation 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 on a quarterly basis 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 Newfoundland and Labrador Housing Corporation.

On behalf of the Newfoundland and Labrador Housing Corporation.

Mr. Len Simms Chairperson and Chief Executive Officer	Mr. Thomas F. Lawrence, CMA, FCMA Chief Financial Officer

June 30, 2014

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Housing Corporation which comprise the statement of financial position as at March 31, 2014, the statements of operations, 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 Newfoundland and Labrador Housing Corporation as at March 31, 2014, 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 30, 2014
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
As at March 31

	2014	2013
	(000's)	(000's)
FINANCIAL ASSETS		
Cash	$ 67,314	$ 62,512
Accounts receivable (Note 4)	1,353	1,836
Land held for sale (Note 5)	22	-
Due from government and other government organizations (Note 6)	2,250	5,185
Loans receivable (Note 7)	5,765	6,567
Receivables from municipalities - land transfers (Note 8)	984	1,044
	77,688	77,144
LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	9,480	9,993
Employee future benefits (Note 10)	26,186	24,902
Due to government and other government organizations (Note 11)	1,709	1,669
Deferred revenue (Note 12)	9,517	10,168
Long-term debt (Note 13)	109,830	115,806
	156,722	162,538
Net debt	(79,034)	(85,394)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 14)	129,657	132,236
Inventories held for use	377	391
Prepaid expenses (Note 15)	3,603	4,244
	133,637	136,871
Accumulated surplus	$ 54,603	$ 51,477

Contingent liabilities (Note 16)
Contractual obligations (Note 17)
Trust under administration (Note 20)

Signed on behalf of the Corporation: Len Simms _______ Chairperson; _______ Member

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2014 Budget	2014 Actual	2013 Actual
	(000's) (Note 26)	(000's)	(000's)
REVENUES (Note 18)			
Province of Newfoundland and Labrador operating grant	$ 46,793	$ 47,803	$ 56,551
CMHC revenue	51,931	52,703	55,884
Other government sources	225	317	350
Rent	20,716	21,172	20,852
Interest	919	1,145	1,385
Land sales	-	3,242	15,078
Profit from land sales by municipalities	200	248	548
Other	37	497	477
	120,821	127,127	151,125
EXPENSES (Note 18)			
Rental operations	58,027	58,962	62,038
Partner managed housing	9,635	9,705	11,208
Affordable housing investments	23,315	21,577	24,820
Rent supplement	8,355	9,966	8,683
Land development	-	89	1,019
Administration	21,890	23,702	24,310
	121,222	124,001	132,078
Annual (deficit) surplus before the transfer of funds to the Province of Newfoundland and Labrador	(401)	3,126	19,047
Transfer of funds to the Province of Newfoundland and Labrador (Note 21)	-	-	(13,400)
Annual (deficit) surplus	(401)	3,126	5,647
Accumulated surplus, beginning of year	51,477	51,477	45,830
Accumulated surplus, end of year	$ 51,076	$ 54,603	$ 51,477

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31

	2014 Budget	2014 Actual	2013 Actual
	(000's) (Note 26)	(000's)	(000's)
Annual (deficit) surplus	$ (401)	$ 3,126	$ 5,647
Changes in tangible capital assets (Note 14)			
Acquisition of tangible capital assets	(3,379)	(4,210)	(2,801)
Net book value of tangible capital asset disposals and write-downs	-	263	71
Amortization of tangible capital assets	-	6,526	6,085
	(3,379)	2,579	3,355
Changes in other non-financial assets			
Net use (acquisition) of inventories held for use	-	14	(9)
Net use (acquisition) of prepaid expenses	-	641	(505)
	-	655	(514)
(Increase) decrease in net debt	(3,780)	6,360	8,488
Net debt, beginning of year	(85,394)	(85,394)	(93,882)
Net debt, end of year	$ (89,174)	$ (79,034)	$ (85,394)

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2014	2013
	(000's)	(000's)
Operating transactions		
Annual surplus	$ 3,126	$ 5,647
Adjustment for non-cash items and change in non-cash operating items:		
Decrease in provision for doubtful accounts, loans receivable	(185)	(115)
Amortization of tangible capital assets	6,526	6,085
Write-down of tangible capital assets	216	65
Losses on sale of tangible capital assets	9	9
Employee future benefits	1,284	1,928
Deferred revenue	(651)	(3,396)
Forgivable loans	1,607	4,953
Other (Note 22)	3,600	(1,422)
Cash provided by operating transactions	15,532	13,754
Capital transactions		
Proceeds, net of selling costs, on sale of tangible capital assets	38	(3)
Cash used to acquire tangible capital assets	(4,210)	(2,801)
Cash applied to capital transactions	(4,172)	(2,804)
Investing transactions		
Decrease in receivable from municipalities - land transfers	60	106
(Increase) decrease in land for sale	(22)	534
Repayment of loans and advances	2,513	2,561
Forgivable loans	(1,607)	(4,953)
Loans and advances	(1,526)	(1,678)
Cash applied to investing transactions	(582)	(3,430)
Financing transactions		
Debt retirement	(5,976)	(6,432)
Cash applied to financing transactions	(5,976)	(6,432)
Increase in cash	4,802	1,088
Cash, beginning of year	62,512	61,424
Cash, end of year	$ 67,314	$ 62,512

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

1. Nature of operations

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

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 are prepared by management in accordance with CPSAS for provincial reporting entities as established by the Canadian Public Sector Accounting Board (PSAB). The Corporation does not prepare a statement of remeasurement gains and losses as the Corporation does not enter into relevant transactions or circumstances that are being addressed by that statement.

(b) Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, due from government and other government organizations, loans receivable, receivables from municipalities - land transfers, accounts payable and accrued liabilities, due to government and other government organizations 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. The Corporation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash, due from government and other government organizations, and receivables from municipalities - land transfers. Accounts receivable and loans receivable are measured at amortized cost as disclosed in Note 4 and Note 7, respectively. All financial assets are assessed annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. Financial liabilities measured at cost include accounts payable and accrued liabilities and due to government and other government organizations. Long-term debt is measured at amortized cost as disclosed in Note 13.

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

(c) Cash

Cash includes cash in the bank.

2. Summary of significant accounting policies (cont.)

(d) Land held for sale

Land held for sale is recorded at the lower of cost and net realizable value.

(e) Loans receivable

Loans receivable are recorded at amortized cost. Valuation allowances are made when collection is in doubt and is estimated based on the value of accounts referred to a collection agency and the accounts with reported arrears balances.

(f) Employee future benefits

The cost of retirement life insurance and health care benefits, severance pay, and non-vesting sick leave benefits are actuarially determined using management's best estimate of the long-term inflation rate, compensation increases, discount rate and health care cost trends.

(g) 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.

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:

Rental properties	40 years
Office buildings	40 years
Furniture and office equipment	10 years
Maintenance tools and equipment	10 years
Computer hardware and software	4 years
Vehicles	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to meet its mandate, 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.

Contributed 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 capital assets from related parties are recorded at carrying value.

2. Summary of significant accounting policies (cont.)

(h) Inventories held for use

Inventories held for use include rental property, parts and supplies and are recorded at the lower of historical cost and replacement cost.

(i) Prepaid expenses

Prepaid expenses include property taxes, insurance, licenses and rent and are recorded as an expense over the periods expected to benefit from it.

(j) 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.

Government transfers are recognized as revenues 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. 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. Government transfers consist of funding from the Province of Newfoundland and Labrador and Canada Mortgage and Housing Corporation (CMHC).

Interest income is accounted for using the effective interest method for all loans, other than the impaired portion of loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired.

(k) 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.

Government transfers are recognized as expenses in the period in which the transfer is authorized and all eligibility criteria have been met. Government transfers include grants and subsidies under the Corporation's social programs, and also include transfer of funds to the Province of Newfoundland and Labrador.

2. Summary of significant accounting policies (cont.)

(l) 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 useful life of capital assets, recoverable value of land held for sale, estimated employee future benefits 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.

3. Accounting pronouncements

In June 2010, the PSAB approved Section PS 3260, *Liability for Contaminated Sites*. This section is effective for fiscal years beginning on or after April 1, 2014, for government organizations but earlier adoption is encouraged. The Section establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of government organizations. The Corporation is evaluating the impact of this new section.

4. Accounts receivable

	2014 (000's)	2013 (000's)
Harmonized sales tax receivable	**$ 861**	$ 1,415
Rents	**375**	275
Other	**327**	303
	1,563	1,993
Less: provision for doubtful accounts	**(210)**	(157)
	$ 1,353	$ 1,836

5. Land held for sale

	2014 (000's)	2013 (000's)
Land held for sale, beginning of year	$ -	$ 534
Land development costs incurred during the year	110	187
	110	721
Less: cost of earned sales recognized during year	(88)	(721)
Land held for sale, end of year	$ 22	$ -

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

6. Due from government and other government organizations

	2014 (000's)	2013 (000's)
CMHC	$ 1,055	$ 4,194
Province of Newfoundland and Labrador	994	715
Municipalities	201	276
	$ 2,250	$ 5,185

7. Loans receivable

	2014 (000's)	2013 (000's)
Forgivable loans bearing no interest	**$ 77,772**	$ 76,165
Promissory notes bearing fixed interest rates ranging from 0% to 12.75%, repayable in blended monthly principal and interest payments with due dates ranging from April 2014 to April 2041. These notes are unsecured and can be retired prior to maturity.	**5,813**	6,487
Mortgages bearing fixed interest rates ranging from 0% to 10.00%, repayable in blended monthly principal and interest payments with due dates ranging from April 2014 to January 2021. These mortgages are secured and can be retired prior to maturity.	**1,038**	1,351
Less: provision for forgivable loans	**(77,772)**	(76,165)
Less: provision for doubtful accounts	**(1,086)**	(1,271)
	$ 5,765	$ 6,567

Forgivable loans bearing no interest are advanced to recipients subject to meeting certain eligibility criteria and are recorded through grants and subsidies expense when advanced. Forgiveness terms include an amortization period ranging between 1 and 25 years, during which time the unamortized portion of the loan is required to be repaid only upon sale of the property. As such, there is a low likelihood of required repayment.

8. Receivable from municipalities - land transfers

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

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

For the year ended March 31, 2014, 21 agreements were in place for the transfer of land to municipalities at a carrying value of $984,000 (2013 - $1,044,000).

9. Accounts payable and accrued liabilities

	2014 (000's)	2013 (000's)
Trade accounts payable	**$ 6,153**	$ 7,041
Salaries and benefits payable	**816**	499
Accrued leave	**1,933**	1,960
Other	**578**	493
	$ 9,480	$ 9,993

10. Employee future benefits

Information about obligations for retirement benefits and other employee future benefits is as follows:

(a) Pension Plan

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991* (the *Act*). The Government of Newfoundland and Labrador administers the Public Service Pension Plan, including payment of pension benefits to employees to whom the *Act* applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

The plan provides a pension to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees was 8.6% (2013 - 8.6%). The Corporation contributes an amount equal to the employee contributions to the plan. The Corporation is not required to make contributions in respect of any actuarial deficiencies of the plan. The pension expense for the Corporation for the year ended March 31, 2014, was $1,325,110 (2013 - $1,364,544).

10. Employee future benefits (cont.)

(b) Retirement and other employee future benefit liabilities

	2014				2013
	Retirement life insurance and health care benefits (000's)	Severance pay (000's)	Non-vesting sick leave benefits (000's)	Total Employee Benefits (000's)	Total Employee Benefits (000's)
Accrued employee future benefit obligations, end of year	**$ 23,704**	**$ 3,713**	**$ 1,188**	**$ 28,605**	$ 27,787
Unamortized actuarial (loss) gain, end of year	**(2,398)**	**27**	**(48)**	**(2,419)**	(2,885)
Employee future benefits liability, end of year	**$ 21,306**	**$ 3,740**	**$ 1,140**	**$ 26,186**	$ 24,902

(c) Retirement and other employee future benefit expenses

	2014				2013
	Retirement life insurance and health care benefits (000's)	Severance pay (000's)	Non-vesting sick leave benefits (000's)	Total Employee Benefits (000's)	Total Employee Benefits (000's)
Employer contributions	**$ 529**	**$ 113**	**$ 33**	**$ 675**	$ 640
Benefit payments	**(665)**	**(507)**	**(60)**	**(1,232)**	(685)
Interest on accrued benefit obligation	**1,132**	**186**	**57**	**1,375**	1,387
Amortization of actuarial losses (gains)	**465**	**(4)**	**5**	**466**	586
Employee future benefit expenses	**$ 1,461**	**$ (212)**	**$ 35**	**$ 1,284**	$ 1,928

10. Employee future benefits (cont.)

(d) Retirement and other employee future benefits

i. Retirement life insurance and health care benefits

All retired employees of the Corporation are eligible to participate in the group insurance plans. Under the plans, the Corporation pays 50% of the total premium charged towards the benefits of both active employees and retirees for life insurance and health care benefits. The Corporation pays 100% of retirees' life insurance premiums after age 65. There are no fund assets associated with these group insurance plans.

ii. Severance pay

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service. The amount is payable when employees cease employment with the Corporation unless an employee transfers to another entity in the public service, in which case the liability is transferred with that employee to the other entity. The Corporation's severance liability also includes a provision for employees with less than nine years of continuous service, based upon the Corporation's best estimate of the probability of having to pay severance to those employees.

Effective May 1, 2014, there will be no further accumulation of service for unionized employees for severance pay purposes. Unionized employees who qualify for severance pay may elect to receive all, or a portion, of severance pay accumulated as at April 30, 2014 in advance of resignation, retirement, or expiry of recall rights. There have been no changes for management and non-unionized employees.

iii. Non-vesting 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 are included in the financial statements.

10. Employee future benefits (cont.)

(d) Retirement and other employee future benefits (cont.)

iv. Actuarial valuation

The accrued employee future benefit obligations as at March 31, 2014, have been extrapolated based on valuations performed as at March 31, 2012.

Assumptions about future events used in the calculation of the accrued employee future benefit obligations are as follows:

	2014	2013
Long-term inflation rate	2.0%	2.0%
Compensation increase	4.0%	4.0%
Discount rate	5.0%	5.0%
Health care cost trend	7.5%	7.5%

Other assumptions used in the valuation include termination rates, plan participation rates, utilization rates and mortality rates.

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the Corporation's best estimate of expectations over the long-term.

v. Experience gains or losses

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

11. Due to government and other government organizations

	2014 (000's)	2013 (000's)
CMHC - accrued interest payable	$ 976	$ 1,018
CMHC - other	4	93
Provincial Government	137	73
Provincial government business enterprise	32	16
Municipalities	560	469
	$ 1,709	$ 1,669

12. Deferred revenue

	Balance, beginning of year (000's)	Billings/receipts during year (000's)	Transferred to revenue (000's)	Refundable to CMHC (000's)	Balance, end of year (000's)
CMHC Affordable Housing Program	$ 10,108	$ 3,338	$ (3,942)	$ -	$ 9,504
CMHC Provincial Home Repair Program	60	3,472	(3,519)	-	13
	$ 10,168	$ 6,810	$ (7,461)	$ -	$ 9,517

Deferred revenue from CMHC relates to the unearned balance of funds from CMHC for programs as outlined under various federal-provincial agreements. The deferred revenue will be recognized as revenue when the related expenses are incurred. If the funds are not spent for the programs specified under the agreements, they will have to be repaid to CMHC. As of March 31, 2014, CMHC funding in the amount of $9,517,000 was received but not earned.

13. Long-term debt

Long-term debt reported on the statement of financial position is comprised of the following:

	2014 (000's)	2013 (000's)
Long-term debt obligations arising from the Canada-Newfoundland Social Housing Agreement of April 1997 payable to CMHC, bearing fixed interest rates ranging from 5.50% to 19.75%, repayable in blended quarterly principal and interest payments of $2,972,083 with due dates ranging from January 2020 to January 2038. This debt is not secured and cannot be retired prior to maturity. The principal and interest payments required are funded entirely through the annual CMHC grant pursuant to the Canada - Newfoundland Social Housing Agreement of April 1997.	**$ 80,248**	$ 81,500
Long-term debt obligations arising from the Canada-Newfoundland Social Housing Agreement of April 1997 payable to CMHC, bearing fixed interest rates ranging from 6.25% to 16.00%, repayable in blended monthly principal and interest payments of $321,938 with due dates ranging from April 2014 to June 2020. This debt is not secured and cannot be retired prior to maturity. The principal and interest payments required are funded entirely through the annual CMHC grant pursuant to the Canada - Newfoundland Social Housing Agreement of April 1997.	**8,550**	11,556
CMHC fixed rate term debentures, at variable interest rates of 1.67% to 2.75% repayable in blended monthly installments of $180,539, with final due dates ranging from December 2021 to January 2030. This debt is not secured and can be retired prior to maturity.	**20,952**	22,546
Long-term debt obligations arising from the Canada-Newfoundland Global Agreement on Social Housing of February 1986, Canada-Newfoundland Operating Agreement of June 1986, and the Canada-Newfoundland Agreement on the Provincial Home Repair Program of January 1999 payable to CMHC, bearing fixed interest rates ranging from 2.00% to 12.75%, with final due dates ranging from April 2014 to February 2020. This debt is not secured and can be retired prior to maturity.	**80**	204
	$ 109,830	$ 115,806

13. Long-term debt (cont.)

Anticipated annual principal repayments over the next five years and thereafter are as follows:

	(000's)
2015	$ 6,460
2016	6,288
2017	5,435
2018	5,192
2019	5,057
2020 - 2038	81,398
	$ 109,830

Interest expense for the year on outstanding debt totaled $11,770,000 (2013 - $12,311,000) and is included in interest and bank charges in the segmented information by object (Note 18).

14. Tangible capital assets

March 31, 2014

	Land (000's)	Rental properties (000's)	Office buildings (000's)	Furniture and office equipment (000's)	Maintenance tools and equipment (000's)	Computer hardware (000's)	Computer software (000's)	Vehicles (000's)	Total (000's)
Cost									
Opening balance	$ 55,612	$ 232,658	$ 9,058	$ 228	$ 86	$ 1,040	$ 2,322	$ 2,216	$ 303,220
Additions	722	3,272	-	-	-	112	60	44	4,210
Disposals	(14)	(110)	-	-	-	-	-	(102)	(226)
Write-downs	(45)	(795)	-	-	-	-	-	-	(840)
Closing balance	$ 56,275	$ 235,025	$ 9,058	$ 228	$ 86	$ 1,152	$ 2,382	$ 2,158	$ 306,364
Accumulated amortization									
Opening balance	-	162,618	3,834	83	31	736	2,031	1,651	170,984
Amortization	-	5,739	226	23	9	136	135	258	6,526
Disposals	-	(77)	-	-	-	-	-	(102)	(179)
Write-downs	-	(624)	-	-	-	-	-	-	(624)
Closing balance	$ -	$ 167,656	$ 4,060	$ 106	$ 40	$ 872	$ 2,166	$ 1,807	$ 176,707
Net book value	**$ 56,275**	**$ 67,369**	**$ 4,998**	**$ 122**	**$ 46**	**$ 280**	**$ 216**	**$ 351**	**$ 129,657**

14. Tangible capital assets (cont.)

March 31, 2013

	Land	Rental properties	Office buildings	Furniture and office equipment	Maintenance tools and equipment	Computer hardware	Computer software	Vehicles	Total
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Cost									
Opening balance	$ 54,714	$ 231,471	$ 9,058	$ 286	$ 86	$ 894	$ 2,361	$ 2,220	$ 301,090
Adjustments	866	(866)	-	-	-	-	-	-	-
Additions	32	2,333	-	-	-	232	106	98	2,801
Disposals	-	(42)	-	(58)	-	(86)	(145)	(102)	(433)
Write-downs	-	(238)	-	-	-	-	-	-	(238)
Closing balance	$ 55,612	$ 232,658	$ 9,058	$ 228	$ 86	$ 1,040	$ 2,322	$ 2,216	$ 303,220
Accumulated amortization									
Opening balance	-	157,672	3,608	118	22	653	2,025	1,401	165,499
Amortization	-	5,155	226	23	9	169	151	352	6,085
Disposals	-	(36)	-	(58)	-	(86)	(145)	(102)	(427)
Write-downs	-	(173)	-	-	-	-	-	-	(173)
Closing balance	$ -	$ 162,618	$ 3,834	$ 83	$ 31	$ 736	$ 2,031	$ 1,651	$ 170,984
Net book value	**$ 55,612**	**$ 70,040**	**$ 5,224**	**$ 145**	**$ 55**	**$ 304**	**$ 291**	**$ 565**	**$ 132,236**

14. Tangible capital assets (cont.)

Cost of rental properties at March 31, 2014 includes work in progress of $2,327,185 (2013 - $2,844,000). There were no contributed tangible capital assets during the year (2013 - $nil).

In accordance with current accounting standards, intangible assets and items inherited by right of the Crown, such as Crown lands are not recognized as tangible capital assets.

15. Prepaid expenses

Prepaid expenses consist of:

	2014 (000's)	2013 (000's)
Property taxes and other municipal fees	$ 3,048	$ 2,990
Rent supplement subsidies	-	617
Insurance costs	172	235
Workers' compensation fees	288	283
Software licenses	89	117
Rent	5	-
Other	1	2
	$ 3,603	$ 4,244

16. Contingent liabilities

(a) Guaranteed debt

The Corporation has provided loan guarantees pursuant to the Canada-Newfoundland Social Housing Agreement in respect of certain CMHC debt of partner managed housing operators. For the year ended March 31, 2014, the amount of the principal outstanding under this guarantee, and limit of the guarantee, was $73,625,000. There was no provision for losses during the year on the loan guarantees.

(b) Legal liabilities

A number of small claims have been filed against the Corporation for alleged breach of contract, general damages and personal claims. These claims have not progressed far enough to enable the formation of a definite opinion as to their outcomes. Therefore, the likelihood and the amount of loss to the Corporation is not determinable at this time.

16. Contingent liabilities (cont.)

(c) Environmental issues

Possible environmental liabilities exist for the following:

i. In 1996, the Corporation learned that possible environmental liabilities exist with respect to potential large quantities of fuel left in abandoned fuel storage facilities in the Stephenville area. The Corporation has removed some of the underground tanks and fuel lines and has undertaken some further study. To date, expenditures related to this work have totaled $2,807,000. As well, based on the studies completed to date, further remediation is internally estimated to cost $30,000,000.

ii. In 1998, the Corporation learned that possible environmental liabilities exist with respect to environmental contaminants including hydrocarbons and various heavy metals in the soil and groundwater on 20 hectares of the total 102 hectares in the Paradise area. Title to this site had been transferred to the Town of Paradise during 1998-99 as part of the Corporation's land divestiture program; however, the Corporation will be liable for any costs that must be incurred to clean up the site. Based on studies completed to date, remediation is internally estimated to cost $20,000,000.

iii. In 1999, the Corporation learned of possible environmental liabilities relating to the 17 underground fuel tanks in its St. John's properties located at Buckmaster's Circle. To date, expenditures related to this work have totaled $325,000. All 17 tanks have been removed and remediation has been completed on eight of the 17 sites. The remaining cost to complete the remediation is internally estimated at $900,000.

iv. In 2005, the Corporation learned of possible environmental liabilities relating to underground fuel tanks in its St. John's properties located on Cashin Avenue, Froude Avenue, Empire Avenue and Hoyles Avenue. It is currently estimated that there are 21 underground fuel tanks at these properties. To date, expenditures related to this work have totaled approximately $324,000. Removal and remediation has been completed on nine of the estimated 21 sites. The remaining cost to complete the remediation is internally estimated at $1,100,000.

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

16. Contingent liabilities (cont.)

(c) Environmental issues (cont.)

vi. In 2009, the Corporation learned of possible environmental liabilities relating to electrical transformers containing polychlorinated biphenyls (PCBs) located around its St. John's properties at Chalker Place. To date, the expenditures related to this work have totaled approximately $33,000. Removal has been completed on two transformers. The remaining cost to complete the remediation is internally estimated at $200,000.

vii. In 2010, the Corporation learned of possible environmental liabilities relating to 43 fuel tanks at its St. John's properties in the Guy Street-Whiteway Street area. To date, expenditures related to this work have totaled approximately $110,000. The remaining cost to complete the remediation is internally estimated at $1,200,000.

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

17. Contractual obligations

	2014 (000's)	2013 (000's)
Uncompleted purchase and construction contracts	**$ 5,663**	$ 3,441
Commitments under lending programs	**17,230**	20,671
Commitments under grant programs	**777**	2,754
	$ 23,670	$ 26,866

Contractual obligations are those to outside organizations in respect of contracts entered into on or before March 31, 2014. These contractual obligations will become liabilities when the terms of the contracts are met.

18. Segmented information by object

The Corporation reports its revenue and expenses by program area as outlined in its approved budget.

18. Segmented information by object (cont.)

	Rental operations		Partner managed housing		Affordable housing investments		Rent supplement		Land development		Administration		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Revenues														
Province of Newfoundland and Labrador operating grant	**$ 369**	$ 413	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -	**$ 47,434**	$ 56,138	**$ 47,803**	$ 56,551
CMHC revenue	**-**	-	**-**	-	**7,562**	10,118	**-**	-	**-**	-	**45,141**	45,766	**52,703**	55,884
Other government sources	**201**	276	**-**	-	**116**	74	**-**	-	**-**	-	**-**	-	**317**	350
Rent	**21,172**	20,852	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**21,172**	20,852
Interest	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**1,145**	1,385	**1,145**	1,385
Land sales	**-**	-	**-**	-	**-**	-	**-**	-	**3,242**	15,078	**-**	-	**3,242**	15,078
Profit from land sales by municipalities	**-**	-	**-**	-	**-**	-	**-**	-	**248**	548	**-**	-	**248**	548
Other	**-**	-	**-**	-	**-**	411	**-**	-	**-**	-	**497**	66	**497**	477
	21,742	21,541	**-**	-	**7,678**	10,603	**-**	-	**3,490**	15,626	**94,217**	103,355	**127,127**	151,125
Expenses														
Rental property operating costs	**25,343**	28,858	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**25,343**	28,858
Amortization	**5,570**	5,076	**428**	428	**-**	-	**-**	-	**-**	-	**528**	581	**6,526**	6.085
Grants and subsidies	**9,077**	8,891	**8,578**	9,930	**21,412**	24,623	**9,966**	8,683	**-**	-	**150**	150	**49,183**	52,277
Land costs	**-**	-	**-**	-	**-**	-	**-**	-	**89**	721	**-**	-	**89**	721
Other administration	**-**	-	**290**	261	**-**	-	**-**	-	**-**	256	**3,768**	4,106	**4,058**	4,623
Salaries and benefits	**7,087**	7,308	**-**	-	**-**	-	**-**	-	**-**	-	**17,997**	18,128	**25,084**	25,436
Interest and bank charges	**11,443**	11,692	**409**	589	**73**	127	**-**	-	**-**	-	**1,259**	1,345	**13,184**	13,753
Loss on sale of tangible capital assets	**9**	9	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**9**	9
Valuation allowances	**433**	204	**-**	-	**92**	70	**-**	-	**-**	42	**-**	-	**525**	316
	58,962	62,038	**9,705**	11,208	**21,577**	24,820	**9,966**	8,683	**89**	1,019	**23,702**	24,310	**124,001**	132,078
Annual (deficit) surplus before the transfer of funds to the Province of Newfoundland and Labrador	**(37,220)**	(40,497)	**(9,705)**	(11,208)	**(13,899)**	(14,217)	**(9,966)**	(8,683)	**3,401**	14,607	**70,515**	79,045	**3,126**	19,047
Transfer of funds to the Province of Newfoundland and Labrador (Note 21)	**-**	-		-	**-**	-	**-**	-	**-**	(13,400)	**-**	-	**-**	(13,400)
Annual (deficit) surplus	**$ (37,220)**	$ (40,497)	**$ (9,705)**	$ (11,208)	**$ (13,899)**	$ (14,217)	**$ (9,966)**	$ (8,683)	**$ 3,401**	$ 1,207	**$ 70,515**	$ 79,045	**$ 3,126**	$ 5,647

19. Related party transactions

(a) Transactions with related parties

	2014 (000's)	2013 (000's)
REVENUES		
Province of Newfoundland and Labrador operating grant		
Province of Newfoundland and Labrador - Consolidated Revenue Fund	**$ 47,803**	$ 56,551
Rent		
Consolidated Revenue Fund	**202**	188
Western Regional Health Authority	**12**	15
Eastern Regional Health Authority	**9**	9
Labrador-Grenfell Regional Health Authority	**8**	59
EXPENSES		
Rental operations		
Consolidated Revenue Fund	**132**	142
Nalcor Energy	**37**	14
Partner managed housing		
Eastern Regional Health Authority	**1,040**	1,413
Western Regional Health Authority	**561**	422
Central Regional Health Authority	**303**	130
Labrador-Grenfell Regional Health Authority	**92**	69
Affordable housing investments		
Consolidated Revenue Fund	**-**	1
Administration		
Consolidated Revenue Fund	**432**	521
Eastern Regional Health Authority	**40**	39
Memorial University of Newfoundland	**19**	45
Nalcor Energy	**2**	21
Central Regional Health Authority	**1**	-
College of the North Atlantic	**-**	1
Transfer of Funds to the Province of Newfoundland and Labrador	**-**	13,400

19. Related party transactions (cont.)

(b) Balances due from and to related parties

	2014 (000's)	2013 (000's)
Due from government and other government organizations		
Consolidated Revenue Fund	**$ 994**	$ 715
Due to government and other government organizations		
Consolidated Revenue Fund	**104**	69
Nalcor Energy	**32**	16
Memorial University of Newfoundland	**3**	3
Eastern Regional Health Authority	**4**	1
Labrador-Grenfell Regional Health Authority	**24**	-
Western Regional Health Authority	**2**	-

20. Trust under administration

For the year ended March 31, 2014, the balance of funds held in trust was $3,565,000 (2013 - $3,565,000). The funds are held on behalf of various non-profit housing groups to provide for the future replacement or repair of capital items.

21. Transfer of Funds to the Province of Newfoundland and Labrador

During the year, the Corporation transferred $0 (2013- $13,400,000) of proceeds from land assembly sales to the Province of Newfoundland and Labrador.

22. Statement of cash flows - other

	2014 (000's)	2013 (000's)
Accounts receivable	**$ 483**	$ (259)
Due from government and other government organizations	**2,935**	(234)
Accounts payable and accrued liabilities	**(513)**	(178)
Due to government and other government organizations	**40**	(237)
Inventories held for use	**14**	(9)
Prepaid expenses	**641**	(505)
	$ 3,600	$ (1,422)

23. 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, market risk, and liquidity risk. There was no significant change in the Corporation's exposure to these risks or its processes for managing these risks from the prior year.

Credit risk

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. The Corporation is exposed to credit risk with respect to cash, accounts receivable, due from government and other government organizations, loans receivable, and receivables from municipalities – land transfers. 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 due from government and other government organizations and receivables from municipalities - land transfers because of their nature.

The Corporation has policies and procedures for the monitoring and collection of accounts receivable, due from government and other government organizations, loans receivables, and receivables from municipalities – land transfers so as to mitigate potential credit losses. Also, the Corporation has mitigated its exposure to credit risk on its mortgage loans receivable through claims on real estate properties should borrowers default on paying the loans. In the case of a foreclosure, the Corporation has the option of evicting the tenant and selling the real estate property, using the proceeds to clear the mortgage debt.

An estimated impairment of accounts receivable for $210,000 has been provided for through an allowance for decline in value, as disclosed in Note 4. An estimated impairment of loans receivable for $1,086,000 has been provided for through an allowance for decline in value, as disclosed in Note 7. The Corporation classifies its loans receivable as impaired in accordance with Note 2(e). The Corporation classifies its accounts receivable as impaired when collection is in doubt and is based on analysis of the balance.

At March 31, 2014, the aging of loans receivable that are past due but not impaired, are as follows:

	(000's)
30 days	$ 100
60 days	212
90 days	37
Over 90 days	58
	$ 407

Accounts receivable and loans receivable which are not impaired or past due are considered collectible by the Corporation. There are no provisions for doubtful accounts for the other financial instruments, as all amounts are considered collectible.

23. Financial Risk Management (cont.)

Market risk

Market risk is the risk that the fair value or 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 price risk. The Corporation is not exposed to significant currency (foreign exchange) risk or other price risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash, loans receivable and long-term debt. For the year ended March 31, 2014, the interest rate exposure on cash is such that a change of 25 basis points in interest rates would result in an increase/decrease in annual surplus of $162,000. The interest rate risk on loans receivable is considered to be low because the interest rates are fixed to maturity. The Corporation is subject to the risks associated with long-term debt financing, including the risk that debt will not be refinanced on terms as favorable as those of the existing debts. There is no interest rate risk on long-term debt obligations arising from the Canada-Newfoundland Social Housing Agreement as interest rates are fixed to maturity. For the year ended March 31, 2014, the increase/decrease in annual surplus for each one percent change in interest rates on the CMHC fixed rate term debentures amounts to $218,000.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial liabilities and contractual obligations as they fall due. The liquidity risk, relating mainly to accounts payable and accrued liabilities, due to government and other government organizations, long-term debt, and contractual obligations, is considered to be low. The anticipated annual principal repayments on the Corporation's long-term debt is disclosed in Note 13. The Corporation maintains adequate cash to ensure all its financial liabilities and contractual obligations can be met when they fall due. The Corporation has an authorized credit facility totaling $3,000,000, which is unused as at March 31, 2014.

24. Self-insurance

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

25. Comparative figures

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

26. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors and the Lieutenant-Governor in Council.

27. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2013

Office of the Auditor General

Management's Report

Management's Responsibility for the Newfoundland and Labrador Immigrant Investor Fund Limited 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 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 Newfoundland and Labrador Immigrant Investor Fund Limited.

On behalf of the Newfoundland and Labrador Immigrant Investor Fund Limited.

Rita Malone
Chairperson

Harman Khurana, CMA
Director, Business Analysis

September 6, 2013

AUDITOR GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Immigrant Investor Fund Limited which comprise the statements of financial position as at March 31, 2013, the statements of operations and accumulated surplus, 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 judgment of the auditor, 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 Newfoundland and Labrador Immigrant Investor Fund Limited 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

September 6, 2013
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF FINANCIAL POSITION
As at March 31

	2013	2012
FINANCIAL ASSETS		
Cash	**$ 145,679,086**	$ 167,975,754
Interest receivable	**139,092**	154,994
Portfolio investments (Note 4)	**93,523,116**	91,150,491
	239,341,294	259,281,239
LIABILITIES		
Accounts payable and accrued liabilities	**3,955**	3,390
Obligations to investors (Note 5)	**243,062,059**	265,291,075
	243,066,014	265,294,465
Net debt	**(3,724,720)**	(6,013,226)
NON-FINANCIAL ASSETS		
Deferred financing costs (Note 6)	**7,383,506**	9,039,725
Accumulated surplus	**$ 3,658,786**	$ 3,026,499

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

Signed on behalf of the Corporation: ______________________ ______________________

Chairperson **Member**

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended March 31

	2013 Budget (Note 9)	2013 Actual	2012 Actual
REVENUES			
Amortization of discounts on portfolio investments	$ 2,213,759	$ 2,372,625	$ 2,376,116
Interest	1,485,000	1,771,554	1,673,212
	3,698,759	4,144,179	4,049,328
EXPENSES			
Amortization of deferred financing costs	3,112,383	3,499,719	3,427,898
Audit fees	3,955	4,520	3,390
Bank charges	23	22	23
Miscellaneous	385	470	385
Safekeeping fees	7,161	7,161	7,161
	3,123,907	3,511,892	3,438,857
Annual surplus	574,852	632,287	610,471
Accumulated surplus, beginning of year	3,026,499	3,026,499	2,416,028
Accumulated surplus, end of year	$ 3,601,351	$ 3,658,786	$ 3,026,499

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

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31

	2013 Budget (Note 9)	2013 Actual	2012 Actual
Annual surplus	$ 574,852	$ 632,287	$ 610,471
Deferred financing costs			
Acquisition of deferred financing costs	(2,176,530)	(1,843,500)	(3,015,030)
Use of deferred financing costs	3,112,383	3,499,719	3,427,898
	935,853	1,656,219	412,868
Decrease in net debt	1,510,705	2,288,506	1,023,339
Net debt, beginning of year	(6,013,226)	(6,013,226)	(7,036,565)
Net debt, end of year	$ (4,502,521)	$ (3,724,720)	$ (6,013,226)

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

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2013	2012
Operating transactions		
Annual surplus	**$ 632,287**	$ 610,471
Adjustment for non-cash items		
Amortization of deferred financing costs	**3,499,719**	3,427,898
Amortization of discounts on portfolio investments	**(2,372,625)**	(2,376,116)
	1,759,381	1,662,253
Change in non-cash working capital		
Interest receivable	**15,902**	(22,721)
Accounts payable and accrued liabilities	**565**	-
Cash provided from operating transactions	**1,775,848**	1,639,532
Financing transactions		
Deferred financing charges	**(1,843,500)**	(3,015,030)
Amount received from investors	**29,753,559**	47,690,062
Refund to investors	**(35,268)**	(31,372)
Repayment of investor funds	**(51,947,307)**	(19,935,012)
Cash (applied to) provided from financing transactions	**(24,072,516)**	24,708,648
Increase (decrease) in cash	**(22,296,668)**	26,348,180
Cash, beginning of year	**167,975,754**	141,627,574
Cash, end of year	**$ 145,679,086**	$ 167,975,754

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

1. Nature of operations

Newfoundland and Labrador Immigrant Investor Fund Limited (the Corporation) is a Crown corporation of the Province of Newfoundland and Labrador (the Province) and was incorporated on April 28, 2005 under the *Corporations Act* of the Province. Its affairs are governed by a Board of Directors appointed by the Lieutenant Governor in Council.

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

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

The Minister of Innovation, Business and Rural Development holds 100% of the issued common shares of the Corporation on behalf of the Province of Newfoundland and Labrador. Currently, there are 100 authorized common shares of no par value with 3 shares issued.

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 are prepared by management in accordance with CPSAS for provincial reporting entities established by the Public Sector Accounting Board. The Corporation does not prepare a statement of remeasurement gains and losses as the Corporation does not enter into relevant transactions or circumstances that are being addressed by this statement. Outlined below are the significant accounting policies followed.

(b) Financial instruments

The Corporation's financial instruments recognized in the statement of financial position consist of cash, interest receivable, portfolio investments, accounts payable and accrued liabilities, and obligations to investors. 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.

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

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 interest receivable. Portfolio investments are measured at amortized cost as disclosed in note 4. Financial liabilities measured at cost include accounts payable and accrued liabilities, and obligations to investors.

The carrying values of cash, interest receivable, portfolio investments, accounts payable and accrued liabilities, and obligations to investors approximate current fair value due to their nature and/or the short-term maturity associated with these instruments.

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

(c) Cash

Cash includes cash in bank.

(d) Deferred financing costs

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

(e) Obligations to investors

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

(f) 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.

(g) 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. Summary of significant accounting policies (cont.)

(h) 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.

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. Accounting pronouncements

In March 2011, the PSAB approved new Section PS 3450, *Financial Instruments*, Section PS 2601, *Foreign Currency Translation* to replace current Section PS 2600, *Foreign Currency Translation* and Section PS 1201, *Financial Statement Presentation* to replace current Section PS 1200, *Financial Statement Presentation*. In addition, in March 2012, the PSAB approved Section PS 3041, *Portfolio Investments*, to replace Section PS 3040, *Portfolio Investments*. Government organizations are required to adopt all four sections in the same year. The four sections are effective for fiscal years beginning on or after April 1, 2012, for government organizations but earlier adoption is permitted. As a result of adopting these sections during the current year, the Corporation reclassified the presentation of its portfolio investments and provided additional disclosures related to financial instruments and financial risk management.

In December 2010, the PSAB amended Section PS 3410, *Government Transfers*. The main changes pertain to recognition criteria for government transfers, affecting how the Corporation accounts for such transfers. These amendments are effective for fiscal years beginning on or after April 1, 2012, but earlier adoption is encouraged. The adoption of this standard during the current year had no significant impact on the Corporation's financial statements.

4. Portfolio investments

The portfolio investments consist of 47 Canadian provincial government guaranteed strip bonds that were purchased between June 8, 2010 and January 20, 2011, and mature between June 2, 2013 and November 15, 2015. Settlement values of these bonds ranged from $47,065 to $7,318,525 with a total cost of $87,964,796 (2012 - $87,964,796), while maturity values range from $50,000 to $8,300,000 and have a total maturity value of $97,503,045. Interest rates range from 2.038636% to 3.4%.

Amortization of bond discounts is calculated on a straight-line basis from the date of purchase until maturity. Total accumulated amortization of bond discounts at March 31, 2013 was $5,558,320 (2012 - $3,185,695), giving the investments an amortized cost of $93,523,116 (2012 - $91,150,491).

5. Obligations to investors

One of the conditions for the issuance of a visa to immigrants under the Citizenship and Immigration Canada Business Immigration Program (the Program), is that they must invest $400,000 in Canada for a period of five years. The amount of the investment is allocated to the participating provinces on the first day of the second month following the month payment is received from the investor. $200,000 of the $400,000 is divided equally among the participating provinces while the remaining $200,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces.

During the Fall of 2011, a new agreement was signed which now requires immigrants under the Program to invest $800,000 in Canada for a period of five years. Of the $800,000, $400,000 is divided equally among the participating provinces and the remaining $400,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces.

As at March 31, 2013, Newfoundland and Labrador Immigrant Investor Fund Limited maintained an allocation of funds from 6,533 investors (2012 - 6,942 investors). Allocations were received from 794 investors in 2012-13 (1,270 investors in 2011-12), 1 investor was refunded in 2012-13 (1 investor in 2011-12) and 1,202 investors were repaid in 2012-13 (516 investors in 2011-12).

These obligations to investors are secured by a non-transferable zero interest promissory note issued by CIC, as agent for the Corporation, and the guarantee of the Province of Newfoundland and Labrador. The guarantee is to CIC, as agent for the Corporation, who will repay investors. The promissory notes are repayable without interest, in full, five years from the date the funds were allocated to the Province or within 90 days after the receipt of a written request by the investor for repayment of the funds provided that such a request for repayment has been received by the agent before a visa has been issued to the investor. As at March 31, 2013, 12 of the 6,533 investors had not received a permanent resident visa (2012 - 26 of 6,942 investors).

5. Obligations to investors (cont.)

Obligations to investors at March 31, 2013 totalled $243,062,059 (2012 - $265,291,075). Scheduled investment repayment dates are as follows:

April 30, 2013	3,978,895
May 31, 2013	3,821,314
June 30, 2013	4,294,055
July 31, 2013	3,252,776
August 31, 2013	7,194,396
September 30, 2013	7,542,528
October 31, 2013	6,312,768
November 30, 2013	4,632,096
December 31, 2013	4,420,624
January 31, 2014	1,876,680
February 28, 2014	2,710,760
March 31, 2014	1,546,512
April 30, 2014	2,960,984
May 31, 2014	2,038,584
June 30, 2014	3,022,729
July 31, 2014	6,756,048
August 31, 2014	8,048,872
September 30, 2014	6,186,048
October 31, 2014	6,528,604
November 30, 2014	4,837,664
December 31, 2014	3,968,384
January 31, 2015	2,799,128
February 28, 2015	3,472,336
March 31, 2015	3,988,373
April 30, 2015	4,783,320
May 31, 2015	3,826,656
June 30, 2015	5,704,552
July 31, 2015	8,649,880
August 31, 2015	8,891,272
September 30, 2015	6,277,704
October 31, 2015	5,995,560
November 30, 2015	3,502,464
December 31, 2015	2,290,156
January 31, 2016	2,760,736

5. Obligations to investors (cont.)

February 28, 2016	4,548,940
March 31, 2016	2,196,040
April 30, 2016	3,388,176
May 31, 2016	3,325,432
June 30, 2016	3,450,920
July 31, 2016	3,890,128
August 31, 2016	3,199,944
September 30, 2016	3,714,104
October 31, 2016	3,911,492
November 30, 2016	3,935,056
December 31, 2016	4,466,952
January 31, 2017	4,599,532
February 29, 2017	5,513,382
March 31, 2017	4,294,944
April 30, 2017	4,660,454
May 31, 2017	2,710,968
June 30, 2017	2,710,970
July 31, 2017	2,010,384
August 31, 2017	1,401,164
September 30, 2017	1,309,800
October 31, 2017	944,264
November 30, 2017	1,553,472
December 31, 2017	3,788,413
January 31, 2018	4,316,303
February 28, 2018	2,670,526
March 31, 2018	1,676,841
Total	$ 243,062,059

6. Deferred financing costs

Deferred financing costs of $7,383,506 (2012 - $9,039,725) consist of a five or seven percent commission paid to CIC approved financial institutions which market the program and assist investors in the administration of their investments. The five percent commission is applicable for applications received on or after December 1, 2010. The marketing and financing fee was paid in connection with 6,463 of the 6,533 immigrant investors at March 31, 2013 (6,882 of the 6,942 immigrant investors at March 31, 2012).

7. Financial instruments

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, interest receivable, and portfolio investments. 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 cash or interest receivable because these financial instruments are held with a Chartered Bank.

The Corporation is not exposed to significant credit risk from portfolio investments because these investments consist only of Canadian provincial government guaranteed strip bonds.

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 and accrued liabilities and its obligations to investors. The Corporation is not exposed to significant liquidity risk related to obligations to investors as this amount is fully guaranteed by the Province. The Corporation also manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities and contractual obligations.

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. In addition, the Corporation is not exposed to significant interest rate risk as its portfolio investments have fixed values at maturity and fixed interest rates. Also, the Corporation is not exposed to significant interest rate risk related to its obligations to investors as these obligations have fixed values at maturity and are non-interest bearing.

8. Related party transactions

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

The obligations to investors are guaranteed by the Province.

At March 31, 2013, the Corporation held a related party investment consisting of a bond in Newfoundland and Labrador Hydro. The bond was purchased on December 13, 2010 at a cost of $5,880,637 with an effective interest rate of 2.7% and a coupon rate of 10.5%. This bond matures June 15, 2014 and has a maturity value of $6,460,322.

9. Budgeted figures

Budgeted figures have been prepared by the Corporation and are provided for comparison purposes.

10. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.

11. Non-compliance with *Immigration and Refugee Protection Regulations*

During the year, Citizenship and Immigration Canada (CIC) formally advised the Corporation that as it has not made any investments as required under the Federal Immigration Investor Program (IIP), it was considered to be non-compliant with the *Immigration and Refugee Protection Regulations*. The Corporation faced possible suspension of future IIP allocations until such time that the circumstances that gave rise to the suspension cease to exist. The Corporation has provided CIC with information related to investments it is presently considering which could address the issue. CIC indicated to the Corporation that, based on its review of the information provided by the Corporation, the Corporation would be considered in compliance with the IIP should it proceed with the proposed investment.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2014

Office of the Auditor General

Management's Report

Management's Responsibility for the Newfoundland and Labrador Immigrant Investor Fund Limited 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 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 Newfoundland and Labrador Immigrant Investor Fund Limited.

On behalf of the Newfoundland and Labrador Immigrant Investor Fund Limited.

R. Malone

Rita Malone
Assistant Deputy Minister
Regional Development/Business Analysis

Liane Price

Liane Price
Manager of Enterprise Services

June 20, 2014

AUDITOR GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Immigrant Investor Fund Limited which comprise the statements of financial position as at March 31, 2014, the statements of operations, 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 judgment of the auditor, 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 Newfoundland and Labrador Immigrant Investor Fund Limited as at March 31, 2014, 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 20, 2014
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF FINANCIAL POSITION
As at March 31

		2014		2013
FINANCIAL ASSETS				
Cash	**$**	**169,385,540**	$	145,679,086
Interest receivable		**158,878**		139,092
Portfolio investments (Note 3)		**76,285,402**		93,523,116
		245,829,820		239,341,294
LIABILITIES				
Accounts payable and accrued liabilities		**3,955**		3,955
Obligations to investors (Note 4)		**248,926,745**		243,062,059
		248,930,700		243,066,014
Net debt		**(3,100,880)**		(3,724,720)
NON-FINANCIAL ASSETS				
Deferred financing costs (Note 5)		**7,438,984**		7,383,506
Accumulated surplus	**$**	**4,338,104**	$	3,658,786

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

Signed on behalf of the Corporation: ______ **Chairperson** ______ **Member**

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2014 Budget (Note 8)	2014 Actual	2013 Actual
REVENUES			
Amortization of discounts on portfolio investments	$ 2,213,759	$ 2,213,759	$ 2,372,625
Interest	1,601,549	1,726,261	1,771,554
	3,815,308	3,940,020	4,144,179
EXPENSES			
Amortization of deferred financing costs	3,253,058	3,249,366	3,499,719
Audit fees	4,000	3,955	4,520
Bank charges	-	40	22
Miscellaneous	-	600	470
Safekeeping fees	8,000	6,741	7,161
	3,265,058	3,260,702	3,511,892
Annual surplus	550,250	679,318	632,287
Accumulated surplus, beginning of year	3,658,786	3,658,786	3,026,499
Accumulated surplus, end of year	$ 4,209,036	$ 4,338,104	$ 3,658,786

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

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31

	2014 Budget (Note 8)	2014 Actual	2013 Actual
Annual surplus	**$ 550,250**	**$ 679,318**	$ 632,287
Deferred financing costs			
Acquisition of deferred financing costs	**(3,691,859)**	**(3,304,844)**	(1,843,500)
Use of deferred financing costs	**3,253,058**	**3,249,366**	3,499,719
	(438,801)	**(55,478)**	1,656,219
Decrease in net debt	**111,449**	**623,840**	2,288,506
Net debt, beginning of year	**(3,724,720)**	**(3,724,720)**	(6,013,226)
Net debt, end of year	**$ (3,613,271)**	**$ (3,100,880)**	$ (3,724,720)

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

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2014	2013
Operating transactions		
Annual surplus	**$ 679,318**	$ 632,287
Adjustment for non-cash items		
Amortization of deferred financing costs	**3,249,366**	3,499,719
Amortization of discounts on portfolio investments	**(2,213,759)**	(2,372,625)
	1,714,925	1,759,381
Change in non-cash working capital		
Interest receivable	**(19,786)**	15,902
Accounts payable and accrued liabilities	**-**	565
Cash provided from operating transactions	**1,695,139**	1,775,848
Financing transactions		
Deferred financing charges	**(3,304,844)**	(1,843,500)
Matured bonds	**19,451,473**	-
Amount received from investors	**57,516,114**	29,753,559
Refund to investors	**(68,023)**	(35,268)
Repayment of investor funds	**(51,583,405)**	(51,947,307)
Cash provided from (applied to) financing transactions	**22,011,315**	(24,072,516)
Increase (decrease) in cash	**23,706,454**	(22,296,668)
Cash, beginning of year	**145,679,086**	167,975,754
Cash, end of year	**$ 169,385,540**	$ 145,679,086

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

1. Nature of operations

Newfoundland and Labrador Immigrant Investor Fund Limited (the Corporation) is a Crown corporation of the Province of Newfoundland and Labrador (the Province) and was incorporated on April 28, 2005 under the *Corporations Act* of the Province. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

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

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

The Minister of Innovation, Business and Rural Development holds 100% of the issued common shares of the Corporation on behalf of the Province of Newfoundland and Labrador. Currently, there are 100 authorized common shares of no par value with 3 shares issued.

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 are prepared by management in accordance with CPSAS for provincial reporting entities established by the Public Sector Accounting Board. The Corporation does not prepare a statement of remeasurement gains and losses as the Corporation does not enter into relevant transactions or circumstances that are being addressed by this statement. Outlined below are the significant accounting policies followed.

(b) Financial instruments

The Corporation's financial instruments recognized in the statement of financial position consist of cash, interest receivable, portfolio investments, accounts payable and accrued liabilities, and obligations to investors. 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.

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

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 interest receivable. Portfolio investments are measured at amortized cost as disclosed in note 3. Financial liabilities measured at cost include accounts payable and accrued liabilities, and obligations to investors.

The carrying values of cash, interest receivable, portfolio investments, accounts payable and accrued liabilities, and obligations to investors approximate current fair value due to their nature and/or the short-term maturity associated with these instruments.

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

(c) Cash

Cash includes cash in bank.

(d) Deferred financing costs

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

(e) Obligations to investors

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

(f) 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.

(g) 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. Summary of significant accounting policies (cont.)

(h) 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 amortization of discounts on portfolio investments and the amortization of deferred financing costs.

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. Portfolio investments

The portfolio investments consist of 33 Canadian provincial government guaranteed strip bonds that were purchased between June 8, 2010 and January 20, 2011, and mature between April 27, 2014 and November 15, 2015. Settlement values of these bonds ranged from $66,972 to $7,318,525 with a total cost of $69,788,714 (2013 - $87,964,796), while maturity values range from $73,823 to $8,300,000 and have a total maturity value of $78,051,572. Interest rates range from 2.066588% to 3.34%.

Amortization of bond discounts is calculated on a straight-line basis from the date of purchase until maturity. Total accumulated amortization of bond discounts at March 31, 2014 was $6,496,688 (2013 - $5,558,320), giving the investments an amortized cost of $76,285,402 (2013 - $93,523,116).

4. Obligations to investors

One of the conditions for the issuance of a visa to immigrants under the Citizenship and Immigration Canada Business Immigration Program (the Program), is that they must invest $400,000 in Canada for a period of five years. The amount of the investment is allocated to the participating provinces on the first day of the second month following the month payment is received from the investor. $200,000 of the $400,000 is divided equally among the participating provinces while the remaining $200,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces.

During the Fall of 2011, a new agreement was signed which now requires immigrants under the Program to invest $800,000 in Canada for a period of five years. Of the $800,000, $400,000 is divided equally among the participating provinces and the remaining $400,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces.

4. Obligations to investors (cont.)

As at March 31, 2014, Newfoundland and Labrador Immigrant Investor Fund Limited maintained an allocation of funds from 6,886 investors (2013 - 6,533 investors). Allocations were received from 1,285 investors in 2013-14 (794 investors in 2012-13), 2 investors were refunded in 2013-14 (1 investor in 2012-13) and 1,447 investors were repaid in 2013-14 (1,202 investors in 2012-13).

These obligations to investors are secured by a non-transferable zero interest promissory note issued by CIC, as agent for the Corporation, and the guarantee of the Province of Newfoundland and Labrador. The guarantee is to CIC, as agent for the Corporation, who will repay investors. The promissory notes are repayable without interest, in full, five years from the date the funds were allocated to the Province or within 90 days after the receipt of a written request by the investor for repayment of the funds provided that such a request for repayment has been received by the agent before a visa has been issued to the investor. As at March 31, 2014, 23 of the 6,886 investors had not received a permanent resident visa (2013-12 of 6,533 investors).

Obligations to investors at March 31, 2014 totaled $248,926,745 (2013 - $243,062,059). Scheduled investment repayment dates are as follows:

April 17, 2014	28,879
April 26, 2014	59,002
April 30, 2014	2,960,984
May 31, 2014	2,038,584
June 30, 2014	3,022,729
July 31, 2014	6,756,048
August 31, 2014	8,048,872
September 30, 2014	6,186,048
October 31, 2014	6,528,604
November 30, 2014	4,837,664
December 31, 2014	3,968,384
January 31, 2015	2,799,128
February 28, 2015	3,472,336
March 31, 2015	3,988,373
April 30, 2015	4,783,320
May 31, 2015	3,826,656
June 30, 2015	5,704,552
July 31, 2015	8,649,880
August 31, 2015	8,891,272
September 30, 2015	6,277,704
October 31, 2015	5,995,560
November 30, 2015	3,502,464
December 31, 2015	2,290,156
January 31, 2016	2,760,736

4. Obligations to investors (cont.)

February 28, 2016	4,548,940
March 31, 2016	2,196,040
April 30, 2016	3,356,804
May 31, 2016	3,325,432
June 30, 2016	3,419,548
July 31, 2016	3,890,128
August 31, 2016	3,199,944
September 30, 2016	3,714,104
October 31, 2016	3,911,492
November 30, 2016	3,935,056
December 31, 2016	4,466,952
January 31, 2017	4,599,532
February 29, 2017	5,513,382
March 31, 2017	4,294,944
April 30, 2017	4,660,454
May 31, 2017	2,710,968
June 30, 2017	2,710,970
July 31, 2017	2,010,384
August 31, 2017	1,401,164
September 30, 2017	1,309,800
October 31, 2017	944,264
November 30, 2017	1,553,472
December 31, 2017	3,788,413
January 31, 2018	4,285,250
February 28, 2018	2,670,526
March 31, 2018	1,676,841
April 30, 2018	3,477,923
May 31, 2018	4,906,333
June 30, 2018	6,210,559
July 31, 2018	6,986,937
August 31, 2018	6,645,317
September 30, 2018	5,372,134
October 31, 2018	4,906,348
November 30, 2018	5,620,595
December 31, 2018	6,893,796
January 31, 2019	2,660,238
February 28, 2019	2,350,908
March 31, 2019	1,422,918
Total	$ 248,926,745

5. Deferred financing costs

Deferred financing costs of $7,438,984 (2013 - $7,383,506) consist of a five or seven percent commission paid to CIC approved financial institutions which market the program and assist investors in the administration of their investments. The five percent commission is applicable for applications received on or after December 1, 2010. The marketing and financing fee was paid in connection with 6,807 of the 6,886 immigrant investors at March 31, 2014 (6,463 of the 6,533 immigrant investors at March 31, 2013).

6. 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. There was no significant change in the Corporation's exposure to these risks or its processes for managing these risks from the prior year.

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, interest receivable, and portfolio investments. 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 cash or interest receivable because these financial instruments are held with a Chartered Bank.

The Corporation is not exposed to significant credit risk from portfolio investments because these investments consist only of Canadian provincial government guaranteed strip bonds.

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 and accrued liabilities and its obligations to investors. The Corporation is not exposed to significant liquidity risk related to obligations to investors as this amount is fully guaranteed by the Province. The Corporation also manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities and contractual obligations.

6. Financial risk management (cont.)

Market risk

Market risk is the risk that the fair value or 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 price risk. The Corporation is not exposed to significant foreign exchange or other price risk. In addition, the Corporation is not exposed to significant interest rate risk as its portfolio investments have fixed values at maturity and fixed interest rates. Also, the Corporation is not exposed to significant interest rate risk related to its obligations to investors as these obligations have fixed values at maturity and are non-interest bearing.

7. Related party transactions

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

The obligations to investors are guaranteed by the Province.

At March 31, 2014, the Corporation held a related party investment consisting of a bond in Newfoundland and Labrador Hydro. The bond was purchased on December 13, 2010 at a cost of $5,880,637 with an effective interest rate of 2.7% and a coupon rate of 10.5%. This bond matures June 15, 2014 and has a maturity value of $6,460,322.

8. Budgeted figures

Budgeted figures have been prepared by the Corporation and are provided for comparison purposes.

9. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.

10. Compliance with *Immigration and Refugee Protection Regulations*

In the prior year, Citizenship and Immigration Canada (CIC) formally advised the Corporation that as it had not made any investments as required under the Federal Immigration Investor Program (IIP), it was considered to be non-compliant with the *Immigration and Refugee Protection Regulations*. As such, the Corporation faced possible suspension of future IIP allocations until such time that the circumstances that gave rise to the suspension cease to exist. The Corporation provided CIC with information related to investments it was presently considering which has resulted in the continuation of the program advances. CIC indicated to the Corporation that, based on its review of the information provided by the Corporation, the Corporation is considered in compliance with the IIP should it proceed with the proposed investments. Program advances continue and as of June 20, 2014, the Corporation continues to work with CIC to meet all requirements of the *Regulations*.

11. Planned wind down of operations

In February 2014, the Federal Government announced the discontinuance of the Business Immigrant Program (the Program). While the Corporation will continue to receive funds from CIC through the Program for 2014, the Program will eventually be discontinued. The Corporation is awaiting further details on the discontinuance of the Program from CIC. CIC has advised that legislative amendments regarding termination must be introduced in Parliament. As a result, there is uncertainty surrounding the planned wind down of the Corporation.

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2013

Office of the Auditor General

Management's Report

Management's Responsibility for Newfoundland and Labrador Industrial Development Corporation 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 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 Newfoundland and Labrador Industrial Development Corporation.

On behalf of the Newfoundland and Labrador Industrial Development Corporation.

Donna Brewer, CA	Paul Myrden, CA
Chairperson	Director, Debt Management

September 12, 2013

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Industrial Development Corporation which comprise the statement of financial position as at March 31, 2013, the statements of operations and accumulated surplus, 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 qualified audit opinion.

Basis for Qualified Opinion

The Newfoundland and Labrador Industrial Development Corporation was unable to assess a portfolio investment in an equity instrument for any objective evidence of impairment as recommended by Section PS 3450, *Financial instruments*, of the Canadian public sector accounting standards. As a result, I was unable to obtain sufficient appropriate audit evidence as to the value of Newfoundland and Labrador Industrial Development Corporation's equity investment as at March 31, 2013. Consequently, I was unable to determine whether an adjustment to this amount was necessary.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Industrial Development Corporation 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

September 12, 2013
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

As at March 31	2013	2012
	(000's)	(000's) Restated (Note 3)
FINANCIAL ASSETS		
Cash	$ 52	$ 489
Accounts receivable (Note 4)	2	50
Portfolio investments (Note 5)	2,731	2,366
	2,785	2,905
LIABILITIES		
Accounts payable and accrued liabilities	4	2
	4	2
Net financial assets	2,781	2,903
NON-FINANCIAL ASSETS	-	-
Accumulated surplus	$ 2,781	$ 2,903

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

Signed on behalf of the Board:

Chairperson **Director**

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended March 31

	2013 Budget (000's) (Note 7)	2013 Actual (000's)	2012 Actual (000's) Restated (Note 3)
REVENUES			
Lease income (Note 5)	$ 50	$ 50	$ 50
Income on portfolio investment	-	3	-
Bank interest	7	2	4
	57	55	54
EXPENSES			
Professional services	2	2	2
Write down of portfolio investment (Note 5)	-	175	175
	2	177	177
Annual surplus (deficit)	55	(122)	(123)
Accumulated surplus, beginning of year	2,903	2,903	3,026
Accumulated surplus, end of year	$ 2,958	$ 2,781	$ 2,903

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

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended March 31	2013	2012
	(000's)	(000's) Restated (Note 3)
Operating transactions		
Annual deficit	$ (122)	$ (123)
Adjustment for non-cash items		
Write-down of portfolio investment	175	175
	53	52
Change in non-cash working capital		
Accounts receivable	48	-
Accounts payable and accrued liabilities	2	-
Cash provided from operating transactions	103	52
Investing transactions		
Purchase of Guaranteed Investment Certificate	(540)	-
Cash applied to investing transactions	(540)	-
Increase (decrease) in cash	(437)	52
Cash, beginning of year	489	437
Cash, end of year	$ 52	$ 489

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

1. Nature of operations

The Newfoundland and Labrador Industrial Development Corporation (NIDC) operates under the authority of the *Industrial Development Corporation Act*. The primary purpose of NIDC is to provide long-term financing to industrial and resource-based companies. Funding is secured through various means including borrowing from the Province of Newfoundland and Labrador (the Province). The affairs of NIDC are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

NIDC 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

(a) Basis of accounting

NIDC is classified as an Other Government Organization as defined by 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. NIDC does not prepare a statement of change in net financial assets as this information is readily apparent from the other statements. In addition, NIDC does not prepare a statement of remeasurement gains and losses as NIDC does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Financial instruments

NIDC's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, portfolio investments, and accounts payable and accrued liabilities. 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.

NIDC subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash and accounts receivable. Portfolio investments are measured at cost or amortized cost as disclosed in note 5. Financial liabilities measured at cost include accounts payable and accrued liabilities.

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

The carrying values of cash, accounts receivable, portfolio investments (Guaranteed Investment Certificate) and accounts payable and accrued liabilities approximate current fair value due to their nature and/or the short-term maturity associated with these instruments. The carrying value of portfolio investments (equity investment) is intended to approximate market value. Any decline in the value of portfolio investments (equity investment) that is considered to be other than temporary is recorded in the statement of operations and accumulated surplus. Any write-down of this equity investment to reflect a loss in value would not be reversed for a subsequent increase in value.

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

(c) Cash

Cash includes cash in bank.

(d) 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 earned on portfolio investments is accounted for using the effective interest method.

(e) 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.

(f) 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 valuation of portfolio investments.

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. Prior period adjustment

For the year ended March 31, 2013, NIDC reviewed the valuation of its investment in Icewater Seafoods Inc. and determined that the value of this portfolio investment should have been adjusted based on provisions included in Schedule A of the Subscription Agreement for the 35,000 Preference II shares (par value of $100 per share) purchased by NIDC during 2004-05 and 2005-06. The Subscription Agreement provided that the par value of each Perference II shares should have been reduced by $5 per share for every year in which a dividend is not payable. To date, no dividend has been payable and NIDC has determined that this reduction in par value per share should have commenced during the year ended March 31, 2006 in accordance with the Subscription Agreement.

As this was not done previously, the value of the portfolio investment was overstated by $958,863 as of March 31, 2011. This required an adjustment to the opening accumulated surplus of $958,863 for the year ended March 31, 2012. In addition, a write down of the portfolio investment of $175,000 was recognized for the year ended March 31, 2012 and as a result, the annual surplus (deficit) increased by $175,000. As of March 31, 2012 the value of portfolio investments, net financial assets and accumulated surplus, end of year were decreased by $1,133,863.

Comparative Restatement 2011-12

	2012	2012 Restated	Change
Statement of Financial Position:			
Portfolio investments	**$ 3,500,000**	**$ 2,366,137**	$ (1,133,863)
Net financial assets	**4,037,122**	**2,903,259**	(1,133,863)
Accumulated surplus, end of year	**4,037,122**	**2,903,259**	(1,133,863)
Statement of Operations:			
Write down of portfolio investment	**-**	**175,000**	175,000
Annual surplus (deficit)	**51,924**	**(123,076)**	(175,000)
Accumulated surplus, beginning of year	**3,985,198**	**3,026,335**	(958,863)
Accumulated surplus, end of year	**4,037,122**	**2,903,259**	(1,133,863)
Statement of Cash Flows:			
Annual surplus (deficit)	**51,924**	**(123,076)**	(175,000)
Write down of portfolio investment	**-**	**175,000**	175,000

4. Accounts receivable

	2013 (000's)	2012 (000's)
Icewater Seafoods Inc.	$ -	$ 50
Interest receivable	2	-
	$ 2	$ 50

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

5. Portfolio investments

	2013 (000's)	2012 (000's)
Icewater Seafoods Inc., 35,000 Preference II Shares, at amortized cost	$ 2,191	$ 2,366
Guaranteed Investment Certificate, at cost	540	-
	$ 2,731	$ 2,366

Icewater Seafoods Inc.

During 2004-05, NIDC was authorized by the Province to provide funding to Icewater Seafoods Inc. in the amount of $3,500,000 by way of a preference share investment in order to assist Icewater Seafoods Inc. in its acquisition of the Arnold's Cove seafood processing facility. These Preference II shares, having a par value of $100 per share, are non-voting and redeemable with annual, fixed, preferential and cumulative dividends. The Province advanced funding to NIDC for this investment, by way of two $1,750,000 grants. These grants were received in October 2004 and April 2005, with 17,500 preference shares purchased from each grant.

Pursuant to Section 7 of Schedule "A" to the Subscription Agreement, the par value of each Preference II share should be reduced by $5.00 per share for every year in which a dividend is not payable. To date, no dividend has been payable pursuant to the terms and conditions of the Subscription Agreement. As a result, NIDC's investment in Icewater Seafoods Inc. has been written down in accordance with the Subscription Agreement by $175,000 for the year ended March 31, 2013 (2012 - $175,000).

5. Portfolio investments (cont.)

By Agreement dated October 8, 2004, NIDC has acquired for nominal consideration from High Liner Foods Incorporated, the previous operator of the Arnold's Cove seafood processing facility, its Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, as defined by the Agreement. These are intangible assets, and in accordance with current CPSAS, are not valued on these financial statements.

By separate lease Agreement, also dated October 8, 2004, NIDC leased these Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, to Icewater Seafoods Inc. and a related company, Icewater Harvesting Inc. This lease is for a period of 20 years with an annual base lease fee of $50,000 along with a contingent variable surcharge amount that is triggered when the annual aggregate cash flow of Icewater Seafoods Inc. and Icewater Harvesting Inc. exceeds a defined minimum threshold. The minimum threshold has never been reached.

Guaranteed Investment Certificate

This investment consists of a Guaranteed Investment Certificate, with a maturity date of November 8, 2013 at an interest rate of 1.25%.

6. Financial risk management

NIDC 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 NIDC 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. NIDC's main credit risk relates to cash, accounts receivable, and portfolio investments. NIDC's maximum exposure to credit risk is the carrying amounts of these financial instruments. NIDC is not exposed to significant credit risk with its cash and portfolio investments (Guaranteed Investment Certificate) because these financial instruments are held with a Chartered Bank. NIDC is not exposed to significant credit risk with accounts receivable because of its nature.

NIDC is exposed to significant credit risk related to its portfolio investments (equity investment). NIDC management actively monitor the company in which the equity investment has been made in an effort to mitigate this risk.

6. Financial risk management (cont.)

Liquidity risk

Liquidity risk is the risk that NIDC will be unable to meet its financial liabilities. NIDC's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities.

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. NIDC is not exposed to significant foreign exchange or other risk. In addition, NIDC is not exposed to significant interest rate risk.

7. Budgeted figures

Budgeted figures have been prepared by NIDC management and are provided for comparison purposes.

8. Related party transactions

NIDC is administered by employees of the Department of Finance. The costs of administration are paid directly by the Department. These costs are not material and are not reflected in these financial statements.

9. Distribution of earnings

Pursuant to Section 30 of the *Industrial Development Corporation Act,* the balance that the Minister of Finance considers to be available out of the net profits of NIDC is to be paid to the Province at such intervals and in a manner that the Minister may direct by notice to the Chairperson of the Board.

10. Comparative figures

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

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2014

Office of the Auditor General

Management's Report

Management's Responsibility for Newfoundland and Labrador Industrial Development Corporation 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 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 Newfoundland and Labrador Industrial Development Corporation.

On behalf of the Newfoundland and Labrador Industrial Development Corporation.

Donna Brewer, CA
Deputy Minister of Finance and
Chairperson, Newfoundland and Labrador
Industrial Development Corporation

Paul Myrden, CA
Director, Debt Management

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Industrial Development Corporation which comprise the statement of financial position as at March 31, 2014, the statements of operations, 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 qualified audit opinion.

Basis for Qualified Opinion

The Newfoundland and Labrador Industrial Development Corporation was unable to assess a portfolio investment in an equity instrument for any objective evidence of impairment as recommended by Section PS 3450, *Financial instruments*, of the Canadian public sector accounting standards. As a result, I was unable to obtain sufficient appropriate audit evidence as to the value of Newfoundland and Labrador Industrial Development Corporation's equity investment as at March 31, 2014. Consequently, I was unable to determine whether an adjustment to this amount was necessary.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Industrial Development Corporation as at March 31, 2014, 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

August 11, 2014
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
As at March 31

	2014	2013
	(000's)	(000's)
FINANCIAL ASSETS		
Cash	$ 57	$ 52
Interest receivable	2	2
Portfolio investments (Note 3)	2,606	2,731
	2,665	2,785
LIABILITIES		
Accounts payable and accrued liabilities	6	4
	6	4
Net financial assets	2,659	2,781
NON-FINANCIAL ASSETS	-	-
Accumulated surplus	$ 2,659	$ 2,781

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

Signed on behalf of the Board:

Chairperson **Director**

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2014 Budget	2014 Actual	2013 Actual
	(000's) (Note 5)	(000's)	(000's)
REVENUES			
Lease income (Note 3)	$ 50	$ 50	$ 50
Income on portfolio investment	7	7	3
Bank interest	-	-	2
	57	57	55
EXPENSES			
Professional services	2	4	2
Write down of portfolio investment (Note 3)	175	175	175
	177	179	177
Annual deficit	(120)	(122)	(122)
Accumulated surplus, beginning of year	2,781	2,781	2,903
Accumulated surplus, end of year	$ 2,661	$ 2,659	$ 2,781

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

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2014 (000's)	2013 (000's)
Operating transactions		
Annual deficit	$ (122)	$ (122)
Adjustment for non-cash items		
Write-down of portfolio investment	175	175
	53	53
Change in non-cash working capital		
Interest receivable	-	48
Accounts payable and accrued liabilities	2	2
Cash provided from operating transactions	55	103
Investing transactions		
Purchase of Guaranteed Investment Certificate	(590)	(540)
Redemption of Guaranteed Investment Certificate	540	-
Cash applied to investing transactions	(50)	(540)
Increase (decrease) in cash	5	(437)
Cash, beginning of year	52	489
Cash, end of year	$ 57	$ 52

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

Office of the Auditor General

1. Nature of operations

The Newfoundland and Labrador Industrial Development Corporation (NIDC) operates under the authority of the *Industrial Development Corporation Act*. The primary purpose of NIDC is to provide long-term financing to industrial and resource-based companies. Funding is secured through various means including borrowing from the Province of Newfoundland and Labrador (the Province). The affairs of NIDC are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

NIDC 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

(a) Basis of accounting

NIDC is classified as an Other Government Organization as defined by 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. NIDC does not prepare a statement of change in net financial assets as this information is readily apparent from the other statements. In addition, NIDC does not prepare a statement of remeasurement gains and losses as NIDC does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Financial instruments

NIDC's financial instruments recognized on the statement of financial position consist of cash, interest receivable, portfolio investments, and accounts payable and accrued liabilities. 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.

NIDC subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash and interest receivable. Portfolio investments are measured at cost or amortized cost as disclosed in note 3. Financial liabilities measured at cost include accounts payable and accrued liabilities.

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

The carrying values of cash, interest receivable, portfolio investments (Guaranteed Investment Certificate) and accounts payable and accrued liabilities approximate current fair value due to their nature and/or the short-term maturity associated with these instruments. The carrying value of portfolio investments (equity investment) is intended to approximate market value. Any decline in the value of portfolio investments (equity investment) that is considered to be other than temporary is recorded in the statement of operations. Any write-down of this equity investment to reflect a loss in value would not be reversed for a subsequent increase in value.

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

(c) Cash

Cash includes cash in bank.

(d) 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 earned on portfolio investments is accounted for using the effective interest method.

(e) 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.

(f) 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 valuation of portfolio investments.

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. Portfolio investments

	2014 (000's)	2013 (000's)
Icewater Seafoods Inc., 35,000 Preference II Shares, at amortized cost	$ 2,016	$ 2,191
Guaranteed Investment Certificate, at cost	590	540
	$ 2,606	$ 2,731

Icewater Seafoods Inc.

During 2004-05, NIDC was authorized by the Province to provide funding to Icewater Seafoods Inc. in the amount of $3,500,000 by way of a preference share investment in order to assist Icewater Seafoods Inc. in its acquisition of the Arnold's Cove seafood processing facility. These Preference II shares, having a par value of $100 per share, are non-voting and redeemable with annual, fixed, preferential and cumulative dividends. The Province advanced funding to NIDC for this investment, by way of two $1,750,000 grants. These grants were received in October 2004 and April 2005, with 17,500 preference shares purchased from each grant.

Pursuant to Section 7 of Schedule "A" to the Subscription Agreement, the par value of each Preference II share should be reduced by $5.00 per share for every year in which a dividend is not payable. To date, no dividend has been payable pursuant to the terms and conditions of the Subscription Agreement. As a result, NIDC's investment in Icewater Seafoods Inc. has been written down in accordance with the Subscription Agreement by $175,000 for the year ended March 31, 2014 (2013 - $175,000).

By Agreement dated October 8, 2004, NIDC has acquired for nominal consideration from High Liner Foods Incorporated, the previous operator of the Arnold's Cove seafood processing facility, its Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, as defined by the Agreement. These are intangible assets, and in accordance with current CPSAS, are not valued on these financial statements.

By separate lease Agreement, also dated October 8, 2004, NIDC leased these Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, to Icewater Seafoods Inc. and a related company, Icewater Harvesting Inc. This lease is for a period of 20 years with an annual base lease fee of $50,000 along with a contingent variable surcharge amount that is triggered when the annual aggregate cash flow of Icewater Seafoods Inc. and Icewater Harvesting Inc. exceeds a defined minimum threshold. The minimum threshold has never been reached.

Guaranteed Investment Certificate

This investment consists of a Guaranteed Investment Certificate, with a maturity date of December 5, 2014 at an interest rate of 1.25%.

4. Financial risk management

NIDC 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 NIDC is exposed to through its financial instruments are credit risk, liquidity risk and market risk. There was no significant change in NIDC's exposure to these risks or its processes for managing these risks from the prior year.

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. NIDC's main credit risk relates to cash, interest receivable, and portfolio investments. NIDC's maximum exposure to credit risk is the carrying amounts of these financial instruments. NIDC is not exposed to significant credit risk with its cash, interest receivable and portfolio investments (Guaranteed Investment Certificate) because these financial instruments are held with a Chartered Bank.

NIDC is exposed to significant credit risk related to its portfolio investments (equity investment). NIDC management actively monitor the company in which the equity investment has been made in an effort to mitigate this risk.

Liquidity risk

Liquidity risk is the risk that NIDC will be unable to meet its financial liabilities. NIDC's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities.

Market risk

Market risk is the risk that the fair value or 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 price risk. NIDC is not exposed to significant foreign exchange or other price risk. In addition, NIDC is not exposed to significant interest rate risk.

5. Budgeted figures

Budgeted figures have been prepared by NIDC management and are provided for comparison purposes.

6. Related party transactions

NIDC is administered by employees of the Department of Finance. The costs of administration are paid directly by the Department. These costs are not material and are not reflected in these financial statements.

7. Distribution of earnings

Pursuant to Section 30 of the *Industrial Development Corporation Act,* the balance that the Minister of Finance considers to be available out of the net profits of NIDC is to be paid to the Province at such intervals and in a manner that the Minister may direct by notice to the Chairperson of the Board.

Financial Statements of

Newfoundland Labrador Liquor Corporation

April 5, 2014

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Building a better working world

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 5, 2014 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 5, 2014 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 19, 2014

Chartered Accountants

Newfoundland Labrador Liquor Corporation

STATEMENT OF FINANCIAL POSITION

As at April 5, 2014
[in thousands]

	April 5, 2014 $	April 6, 2013 $ *[restated – note 18]*
ASSETS		
Non-current		
Property, plant and equipment *[note 6]*	**27,177**	24,820
Intangible assets *[note 7]*	**6,570**	5,741
	33,747	30,561
Current		
Cash and cash equivalents	**29,840**	27,414
Accounts receivable *[note 8]*	**11,266**	11,950
Inventories *[note 9]*	**36,100**	36,340
Prepaid expenses	**2,759**	5,357
	79,965	81,061
TOTAL ASSETS	**113,712**	111,622
LIABILITIES AND NET ASSETS		
Non-current		
Obligations under finance lease	**312**	—
Employee benefits *[notes 10 and 18]*	**6,758**	6,611
	7,070	6,611
Current		
Accounts payable and accrued liabilities *[note 11]*	**26,638**	28,639
Accrued vacation pay	**2,934**	2,698
	29,572	31,337
	36,642	37,948
Net assets *[note 18]*	**77,070**	73,674
TOTAL LIABILITIES AND NET ASSETS	**113,712**	111,622

Commitments *[note 16]*

See accompanying notes

Stephen R. White
Director

Director

EY

Newfoundland Labrador Liquor Corporation

STATEMENT OF COMPREHENSIVE INCOME

Period ended
[in thousands]

	April 5, 2014 $	April 6, 2013 $
Sales *[note 12]*	**246,460**	234,675
Commission revenue on sale of beer	**59,955**	61,847
	306,415	296,522
Cost of sales	**109,011**	105,946
Gross profit	**197,404**	190,576
Administrative and operating expenses *[note 13]*	**46,326**	46,322
Earnings from operations	**151,078**	144,254
Other income		
Finance income	**351**	368
Miscellaneous income	**3,817**	3,364
	4,168	3,732
Net earnings for the period	**155,246**	147,986
Other comprehensive income		
Remeasurement of employee benefits *[note 10]*	**150**	—
Comprehensive income for the period	**155,396**	147,986

See accompanying notes

Newfoundland Labrador Liquor Corporation

STATEMENT OF CHANGES IN NET ASSETS

Period ended
[in thousands]

	April 5, 2014 $	April 6, 2013 $ *[restated – note 18]*
Balance, beginning of period, as previously reported	**73,988**	67,002
Restatement of prior year financial statements *[note 18]*	**(314)**	(314)
Balance, beginning of period, restated	73,674	66,688
Net earnings for the period	**155,246**	147,986
Other comprehensive income for the period	**150**	—
Comprehensive income for the period	**155,396**	147,986
	229,070	214,674
Distributions to the Province of Newfoundland and Labrador	**(152,000)**	(141,000)
Balance, end of year	77,070	73,674

See accompanying notes

Newfoundland Labrador Liquor Corporation

STATEMENT OF CASH FLOWS

Period ended
[in thousands]

	April 5, 2014 $	April 6, 2013 $
OPERATING ACTIVITIES		
Comprehensive income for the period	**155,396**	147,986
Adjustments for		
Depreciation and amortization	**4,291**	3,954
Loss (gain) on disposal of property, plant and equipment	**4**	(385)
Accrued vacation pay	**236**	289
Employee benefits	**147**	69
	160,074	151,913
Net change in non-cash working capital	**1,521**	(1,301)
Cash provided by operating activities	**161,595**	150,612
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	**—**	526
Purchase of property, plant and equipment	**(5,140)**	(12,820)
Purchase of intangible assets	**(2,341)**	(1,323)
Cash used in investing activities	**(7,481)**	(13,617)
FINANCING ACTIVITIES		
Obligations under finance lease	**312**	—
Distributions to the Province of Newfoundland and Labrador	**(152,000)**	(141,000)
Cash used in financing activities	**(151,688)**	(141,000)
Net increase (decrease) in cash during the period	**2,426**	(4,005)
Cash and cash equivalents, beginning of period	**27,414**	31,419
Cash and cash equivalents, end of period	**29,840**	27,414

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

April 5, 2014

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 periods ended April 5, 2014 and April 6, 2013 both contained 52 weeks.

2. BASIS OF PREPARATION

Statement of compliance

The financial statements of the Corporation for the 52 weeks ended April 5, 2014 were authorized for issue in accordance with a resolution of the directors on June 19, 2014.

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. The financial statements provide comparative information in respect of the previous period.

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 period ended April 5, 2014 was $5.1 million [April 6, 2013 – $5.0 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 of its retail store 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.

During the year the Corporation entered into a finance lease related to a voice over internet protocol ["VOIP"] telephone system.

Property under finance leases is recorded as an asset, and a liability. The corresponding obligation is recorded as a liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Assets are amortized over the shorter of the lease term or the life of the asset.

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 trademarks 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 trademarks 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.

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 interest bearing bank 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 obligation is actuarially determined using assumptions based on management's best estimates of the probability of employees meeting the eligibility requirements for severance, salary changes, mortality, and 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 financial position with a corresponding debit or credit to net assets through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

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, and 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 financial position with a corresponding debit or credit to net assets through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

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.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to by the Corporation.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Corporation determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 and all financial liabilities are recognized initially at fair value.

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

The carrying value of the Corporation's financial instruments approximate fair value due to their immediate or short-term maturity and normal credit terms.

Impairment of financial assets

The Corporation assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the Corporation first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss.

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.

4. CHANGES IN ACCOUNTING POLICIES

IAS 19 - Employee Benefits ["IAS 19"]

The Corporation applied IAS 19 retrospectively in the current period, in accordance with the transitional provisions set out in the revised standard. Based on the nature of the Corporation's employee benefits, the adoption of IAS 19 did not have an impact on the comparative figures and accordingly there was no restatement of the comparative figures stemming from the adoption of IAS 19. For the current year, the re-measurement gains and losses are recognized in other comprehensive income rather than directly in profit of loss. IAS 19 requires more extensive disclosures which have been provided in Note 10.

IFRS 13 – Fair Value Measurement ["IFRS 13"]

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurement and requires additional disclosures. The adoption of IFRS 13 has not materially affected the fair value measurements of the Corporation. Additional disclosures have been included in the notes to the financial statements.

5. 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:

IFRS 9, Financial Instruments ["IFRS 9"]

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The Company does not expect that IFRS 9 will have material financial impact in future financial statements.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to offset" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Company.

IFRIC Interpretation 21 Levies ["IFRIC 21"]

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

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

6. PROPERTY, PLANT AND EQUIPMENT

	April 5, 2014			April 6, 2013
	Cost $	Accumulated depreciation $	Net book value $	Net book value $
Land	3,194	—	3,194	704
Building components	15,414	2,215	13,199	3,523
Leasehold improvements	14,203	9,284	4,919	5,643
Office furniture and equipment	1,404	1,159	245	316
Computer hardware	4,735	2,986	1,749	1,472
Plant and warehouse equipment	5,151	2,704	2,447	1,503
Store equipment and fixtures	4,946	3,553	1,393	1,727
Motor vehicles	180	149	31	75
Assets under construction	—	—	—	9,857
Total	49,227	22,050	27,177	24,820

	April 5, 2014				
	Opening balance $	Transfer $	Additions $	Disposals $	Closing balance $
Cost					
Land	704	2,490	—	—	3,194
Building components	5,236	7,367	2,811	—	15,414
Leasehold improvements	14,243	—	100	(140)	14,203
Office furniture and equipment	1,496	—	28	(120)	1,404
Computer hardware	3,964	—	800	(29)	4,735
Plant and warehouse equipment	4,020	—	1,203	(72)	5,151
Store equipment and fixtures	4,779	—	198	(31)	4,946
Motor vehicles	180	—	—	—	180
Assets under construction	9,857	(9,857)	—	—	—
Total	44,479	—	5,140	(392)	49,227

	April 5, 2014			
	Opening balance $	Depreciation $	Disposals $	Closing balance $
Accumulated depreciation				
Building components	1,713	502	—	2,215
Leasehold improvements	8,600	824	(140)	9,284
Office furniture and equipment	1,180	98	(120)	1,159
Computer hardware	2,492	523	(29)	2,986
Plant and warehouse equipment	2,517	256	(68)	2,704
Store equipment and fixtures	3,052	532	(31)	3,553
Motor vehicles	105	44	—	149
Total	19,659	2,779	(388)	22,050
Net book value	24,820	2,361	(4)	27,177

During 2014, the Corporation completed the construction of its new warehouse facility; accordingly the assets previously classified as under construction were transferred to the appropriate asset categories.

7. INTANGIBLE ASSETS

	April 5, 2014			April 6, 2013
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Trademark	254	—	254	204
Computer software	13,386	7,070	6,316	5,537
	13,640	7,070	6,570	5,741

	April 5, 2014			
	Opening balance $	Additions/ amortization $	Disposals $	Closing balance $
Cost				
Trademark	204	50	—	254
Computer software	11,096	2,291	(1)	13,386
Total	11,300	2,341	(1)	13,640
Accumulated amortization				
Computer software	5,559	1,512	(1)	7,070
Net book value	5,741	829	—	6,570

8. ACCOUNTS RECEIVABLE

Accounts receivable include the following:

	April 5, 2014 $	April 6, 2013 $
Accounts receivable	**7,145**	6,076
Beer commissions receivable	**4,121**	5,874
	11,266	11,950

For the year ended April 5, 2014, approximately 99% [April 6, 2013 – 99%] of the accounts receivable balance is current.

9. INVENTORIES

	April 5, 2014 $	April 6, 2013 $
Distribution centres	**19,990**	19,832
Branch stores	**10,682**	10,018
Stock in transit	**3,613**	4,887
Raw materials	**1,815**	1,603
	36,100	36,340

The total value of inventory expensed to cost of sales for the period ended April 5, 2014 was $102.9 million [April 6, 2013 – $99.7 million]. The inventory value includes a reserve of $0.6 million [April 6, 2013 – $0.2 million].

10. EMPLOYEE BENEFITS

Employee benefits include the following:

	April 5, 2014 $	April 6, 2013 $ *[restated – see note 18]*
Accrued severance, beginning of period	**3,332**	3,365
Benefit expense	**667**	240
Benefits paid	**(238)**	(273)
Actuarial re-measurements recognized in other comprehensive income	**(150)**	—
Accrued severance, end of period	**3,611**	3,332
Accrued sick leave, beginning of period	**3,279**	3,177
Benefit expense	**225**	448
Benefits paid	**(357)**	(346)
Accrued sick leave, end of period	**3,147**	3,279
Total employee benefits	**6,758**	6,611

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

The last actuarial valuation was performed effective April 7, 2012; the next actuarial valuation will be performed as at April 4, 2015.

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

	April 5, 2014 %	April 6, 2013 %
Salary increases	**3.25**	3.25
Discount rate – severance liability	**4.10**	3.75
Discount rate – sick leave liability	**3.55**	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 5, 2014 is $1.7 million [April 6, 2013 – $1.7 million].

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 5, 2014 $	April 6, 2013 $
Trade payables	**4,872**	5,255
Accrued liabilities	**7,008**	7,133
Excise duties	**8,813**	11,014
HST payable	**2,321**	2,045
Other payables	**3,624**	3,192
	26,638	28,639

12. SALES

Sales include the following:

	April 5, 2014 $	April 6, 2013 $
Sales of beverage alcohol	**239,270**	226,664
Other	**7,190**	8,011
	246,460	234,675

13. ADMINISTRATIVE AND OPERATING EXPENSES

	April 5, 2014 $	April 6, 2013 $
Salaries and employee benefits	**27,777**	28,011
Depreciation and amortization	**4,293**	3,954
Marketing	**2,891**	3,206
Rent and municipal taxes	**2,635**	2,928
Interest and bank charges	**2,163**	1,983
Other	**6,567**	6,240
	46,326	46,322

14. 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.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation's principal financial liabilities comprise trade and other payables. The Corporation's principal financial assets include trade and other receivables and cash and cash equivalents that derive directly from its operations. The primary risk to the Corporation is credit risk.

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 5, 2014 [April 6, 2013 – 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.

16. COMMITMENTS

The Corporation has entered into rental leases covering most of its corporate stores along with its VOIP telephone system.

Annual lease obligations are as follows:

	April 5, 2014 $	April 6, 2013 $
Within one year	**2,503**	2,553
After one year but no more than five years	**7,680**	8,478
More than five years	**1,561**	2,818

The Corporation considers the VOIP agreement a finance lease and has included the remaining obligation above.

17. 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 5, 2014 was $0.9 million [April 6, 2013 – $0.9 million].

18. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

During 2014, the independent actuary engaged by the Corporation to value the sick leave and severance liabilities [the "Actuary"] identified an error in the Actuary's previously reported sick leave liability balance. Based on the results of the revised calculation, it was determined the sick leave accrual as at April 7, 2012 was higher than the amounts previously estimated by the Corporation by $0.3 million. The financial statements for the fiscal year ended April 6, 2013 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 6, 2013		
	As previously reported $	**Adjustment** $	**Restated** $
Statement of financial position:			
Employee benefits	6,297	314	6,611
Statement of changes in net assets:			
Net assets	73,988	(314)	73,674

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2013

Office of the Auditor General

Management's Report

Management's Responsibility for the Newfoundland and Labrador Municipal Financing Corporation 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 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 Newfoundland and Labrador Municipal Financing Corporation.

On behalf of the Newfoundland and Labrador Municipal Financing Corporation.

Donna Brewer, CA	Paul Myrden, CA
Chairperson	Director, Debt Management

August 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 Municipal
Financing Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Municipal Financing Corporation 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 Newfoundland and Labrador Municipal Financing Corporation 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

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

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF FINANCIAL POSITION
As at March 31

	2013	2012
	(000's)	(000's)
FINANCIAL ASSETS		
Portfolio investments (Note 4)	**$ 227**	$ 575
Accounts receivable	**3,287**	3,913
Accrued interest receivable	**222**	379
Loans receivable (Note 5)	**51,689**	68,279
	55,425	73,146
LIABILITIES		
Bank indebtedness	**1,453**	373
Accounts payable and accrued liabilities	**11**	47
Accrued interest payable	**126**	205
Debenture debt (Note 6)	**35,446**	55,262
Reserve fund (Note 7)	**4,253**	4,581
	41,289	60,468
Net financial assets	**14,136**	12,678
NON-FINANCIAL ASSETS		
Deferred charges (Note 8)	**59**	88
Accumulated surplus	**$ 14,195**	$ 12,766

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

Signed on behalf of the Board of Directors: ____________ **Chairperson** ____________ **Director**

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended March 31

	2013 Budget	2013 Actual	2012 Actual
	(000's) (Note 11)	(000's)	(000's)
REVENUES			
Interest on loans to municipal corporations	$ 4,406	$ 4,406	$ 5,705
Interest on portfolio investments	56	62	89
Prepayment penalties	-	-	6
	4,462	4,468	5,800
EXPENSES			
Administrative and miscellaneous	112	105	112
Amortization of deferred charges:			
Issue expenses on debenture debt	21	21	35
Premiums and discounts on debenture debt	8	8	13
Interest on long-term debt	2,905	2,905	4,045
	3,046	3,039	4,205
Annual surplus	1,416	1,429	1,595
Accumulated surplus, beginning of year	12,766	12,766	11,171
Accumulated surplus, end of year	$ 14,182	$ 14,195	$ 12,766

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

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended March 31

	2013 Budget	2013 Actual	2012 Actual
	(000's) (Note 11)	(000's)	(000's)
Annual surplus	$ 1,416	$ 1,429	$ 1,595
Use of deferred charges	29	29	48
Increase in net financial assets	1,445	1,458	1,643
Net financial assets, beginning of year	12,678	12,678	11,035
Net financial assets, end of year	$ 14,123	$ 14,136	$ 12,678

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

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2013	2012
	(000's)	(000's)
Operating transactions		
Annual surplus	$ 1,429	$ 1,595
Adjustment for non-cash items		
Accrued interest income on coupons	(9)	(24)
Amortization of issue expenses on debenture debt	21	35
Amortization of premiums and discounts on debenture debt	8	13
	1,449	1,619
Change in non-cash working capital	668	606
Cash provided from operating transactions	2,117	2,225
Investing transactions		
Investment - coupons redeemed	357	603
Loan payments received from municipal corporations	16,590	17,944
Cash provided from investing transactions	16,947	18,547
Financing transactions		
Retirement of debenture debt	$ (19,816)	$ (25,116)
Reserve fund allocations made	(328)	(146)
Cash applied to financing transactions	(20,144)	(25,262)
Decrease in cash/increase in bank indebtedness	(1,080)	(4,490)
Cash and cash equivalents (bank indebtedness), beginning of year	(373)	4,117
Bank indebtedness, end of year	$ (1,453)	$ (373)

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

1. Nature of operations

The Newfoundland and Labrador Municipal Financing Corporation (the Corporation) is established under the *Municipal Financing Corporation Act*. The purpose of the Corporation is to provide long-term financing for the capital requirements of municipal corporations by the issuance of its securities, and relending the funds to municipal corporations. The Corporation's affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province of Newfoundland and Labrador (the Province).

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

(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 are prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board (PSAB). The Corporation does not prepare a statement of remeasurement gains and losses as the Corporation does not enter into relevant transactions or circumstances that are being addressed by this statement. 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 portfolio investments, accounts receivable, accrued interest receivable, loans receivable, bank indebtedness, accounts payable and accrued liabilities, accrued interest payable and debenture 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 accounts receivable, accrued interest receivable, and loans receivable. Portfolio investments are measured at amortized cost as disclosed in note 4. Financial liabilities measured at cost include bank indebtedness, accounts payable and accrued liabilities and accrued interest payable. Debenture debt is measured at amortized cost as disclosed in note 6.

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

The carrying values of portfolio investments, accounts receivable, accrued interest receivable, bank indebtedness, accounts payable and accrued liabilities and accrued interest payable approximate current fair value due to their nature and/or the short-term maturity associated with these instruments. The carrying value of loans receivable and debenture debt is considered to approximate market value.

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

(c) Bank indebtedness

Bank indebtedness includes draw downs on the Corporation's operating credit facility, net of cash in bank.

(d) Premiums, discounts and issue expenses on debenture debt

Premiums, discounts and issue expenses are deferred and amortized on a straight-line basis over the life of the debenture issue to which they relate. In the case of the early retirement of debenture debt, a proportionate amount of the deferred balance is included with the gain or loss in the determination of net income for the period.

(e) Portfolio investments

Portfolio investments include Government of Canada coupons recorded at amortized cost.

(f) Loans receivable

The Corporation records loans receivable at amortized cost. Options exist for the recovery from the Province of any defaults by municipal corporations and as such no allowance for doubtful accounts has been provided. Interest is accrued on loans receivable to the extent it is deemed collectible.

(g) Accounts receivable

Accounts receivable consists of arrears (principal and interest) on loans receivable along with interest charged on the arrears. The Corporation ceased charging interest on arrears in November 2009.

2. Summary of significant accounting policies (cont.)

(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 using the effective interest method for interest on portfolio investments and interest on loans to municipal corporations receivable. Recognition of interest is in accordance with the terms of the original loan agreement.

(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.

The Corporation is administered by the Department of Finance. Expenses related to salaries are paid directly by the Department and reimbursed by the Corporation and reflected in these financial statements.

(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 collectability for the loans.

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. Accounting pronouncements

In March 2011, the PSAB approved new Section PS 3450, *Financial Instruments*, Section PS 2601, *Foreign Currency Translation* to replace current Section PS 2600, *Foreign Currency Translation* and Section PS 1201, *Financial Statement Presentation* to replace current Section PS 1200, *Financial Statement Presentation*. In addition, in March 2012, the PSAB approved Section PS 3041, *Portfolio Investments*, to replace Section PS 3040, *Portfolio Investments*. Government organizations are required to adopt all four sections in the same year. The four sections are effective for fiscal years beginning on or after April 1, 2012, for government organizations but earlier adoption is permitted. As a result of adopting these sections during the current year, the Corporation reclassified the presentation of its portfolio investments and provided additional disclosures related to financial instruments and financial risk management.

In December 2010, the PSAB amended Section PS 3410, *Government Transfers*. The main changes pertain to recognition criteria for government transfers, affecting how the Corporation accounts for such transfers. These amendments are effective for fiscal years beginning on or after April 1, 2012, but earlier adoption is encouraged. The adoption of this standard during the current year had no significant impact on the Corporation's financial statements.

4. Portfolio investments

Portfolio investments consist of 15 Government of Canada coupons that were purchased between August 18, 1998 and June 10, 2005, and mature between June 1, 2013 and December 1, 2016. Settlement values of these securities ranged from $889 to $12,902 with a total cost of $118,984 (2012 - $312,997), while maturity values range from $1,992 to $23,181 and have a total maturity value of $233,961. The portfolio investments are valued at amortized cost as follows:

	2013	2012
	(000's)	(000's)
Portfolio investments - coupons at cost	**$ 119**	$ 313
Amortization of discount on portfolio investments	**108**	262
	$ 227	$ 575

5. Loans receivable

As at March 31, 2013, loans receivable from municipal corporations were $51,688,972 (2012 - $68,279,518). Interest rates range from 6.375% to 12.000%.

Loans to municipal corporations are made on the security of their debentures. Options exist for the recovery from the Province of any defaults by municipal corporations. Therefore, no allowance for doubtful accounts has been provided.

5. Loans receivable (cont.)

Principal payments receivable are as follows:

Year	Amount (000's)
2014	$ 14,155
2015	11,630
2016	9,297
2017	6,980
2018	4,620
Thereafter	5,007
	$ 51,689

6. Debenture debt

The Corporation's debenture debt is unconditionally and fully guaranteed as to principal and interest by the Province. Details of debt outstanding are as follows:

Series	Remaining Term	Interest Rate %	**March 31 2013 (000's)**	March 31 2012 (000's)	
MFC-38	Jun 1, 2013	6.000	**$ 1,250**	$ 2,500	(a)
MFC-39	Dec 16, 2013	6.125	**1,000**	2,000	(b)
MFC-40	Dec 14, 2013-14	6.850	**2,000**	3,000	(c)
MFC-43	Sep 20, 2013-16	6.250 - 6.500	**8,000**	10,000	(d)
MFC-44	Mar 15, 2014-17	6.000 - 6.125	**4,000**	5,000	(e)
MFC-45			**-**	10,000	
MFC-47	Mar 17, 2014-19	4.900 - 5.200	**7,596**	8,862	(f)
MFC-48	Mar 29, 2014-20	4.850 - 5.200	**11,600**	13,900	(g)
Total			**$ 35,446**	$ 55,262	

(a) MFC-38: On June 1, 2013, the Corporation is to redeem $1,250,000.

(b) MFC-39: On December 16, 2013, the Corporation is to redeem $1,000,000.

(c) MFC-40: On December 14 of each year, the Corporation is to redeem $1,000,000 in the years 2013 to 2014 inclusive.

(d) MFC-43: On September 20 of each year, the Corporation is to redeem $2,000,000 in the years 2013 to 2016 inclusive.

6. Debenture debt (cont.)

(e) MFC-44: On March 15 of each year, the Corporation is to redeem $1,000,000 in the years 2014 to 2017 inclusive.

(f) MFC-47: On March 17 of each year, the Corporation is to redeem $1,266,000 in the years 2014 to 2019 inclusive.

(g) MFC-48: On March 29 of each year, the Corporation is to redeem $2,300,000 in the years 2014 to 2015 inclusive and $1,400,000 in the years 2016 to 2020 inclusive.

Estimated debenture maturities are as follows:

Year Ending March 31	Debenture Maturities (000's)
2014	$ 9,816
2015	7,566
2016	5,666
2017	5,666
2018	2,666
Thereafter	4,066
	$ 35,446

7. Reserve fund

The Province has historically funded a reserve fund established to mitigate arrears with respect to municipal loans. The reserve fund is allocated as the Department of Municipal Affairs concludes negotiations with various municipal corporations with respect to restructuring debt due to the Corporation.

The year end reserve fund balance is as follows:

	2013 (000's)	2012 (000's)
Reserve fund, beginning of year	**$ 4,581**	$ 4,727
Less: funds allocated during year	**(328)**	(146)
Reserve fund, end of year	**$ 4,253**	$ 4,581

8. Deferred charges

	2013 (000's)	2012 (000's)
Issues expenses on debenture debt	$ 41	$ 62
Premiums and discounts on debenture debt	18	26
	$ 59	$ 88

9. 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 accounts receivable, accrued interest receivable and 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 portfolio investments or accrued interest receivable because of their nature.

The Corporation is also not exposed to significant credit risk with accounts receivable (arrears on loans receivable) and loans receivable since options exist for the recovery from the Province of any defaults by municipal corporations.

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 bank indebtedness, accounts payable and accrued liabilities, accrued interest payable and debenture debt. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities. Also, the Corporation's debenture debt is long-term with fixed repayment terms. In addition, the Corporation has access to an operating credit facility which allows draw downs to a maximum of $5,000,000. As at March 31, 2013, the Corporation had drawn down $3,199,337 on its operating credit facility.

9. Financial risk management (cont.)

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. In addition, the Corporation is not exposed to significant interest rate risk as its loans and debenture debt are provided at fixed interest rates.

10. Related party transactions

The Corporation is administered by employees of the Department of Finance. The salary costs of $70,566 (2012 - $70,690) for these employees are paid by the Department of Finance, reimbursed by the Corporation, and are reflected in these financial statements.

11. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the House of Assembly of the Province of Newfoundland and Labrador.

12. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.

13. Planned wind down of operations

The Province of Newfoundland and Labrador has decided that it will no longer refinance its portion of completed municipal capital projects through the Corporation. As a result, the Corporation will be winding up its operations over the coming years as it collects its loans receivable and repays its debenture debt.

14. Comparative figures

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

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2014

Office of the Auditor General

Management's Report

Management's Responsibility for the Newfoundland and Labrador Municipal Financing Corporation 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 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 Newfoundland and Labrador Municipal Financing Corporation.

On behalf of the Newfoundland and Labrador Municipal Financing Corporation.

Donna Brewer, CA
Deputy Minister of Finance and
Chairperson, Newfoundland and Labrador
Municipal Financing Corporation

Paul Myrden, CA
Director, Debt Management

June 12, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Municipal
Financing Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Municipal Financing Corporation which comprise the statement of financial position as at March 31, 2014, the statements of operations, 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 Newfoundland and Labrador Municipal Financing Corporation as at March 31, 2014, 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 12, 2014
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF FINANCIAL POSITION
As at March 31

	2014	2013
	(000's)	(000's)
FINANCIAL ASSETS		
Cash	**$ 104**	$ -
Portfolio investments (Note 3)	**4,666**	227
Accounts receivable	**2,998**	3,287
Accrued interest receivable	**116**	222
Loans receivable (Note 4)	**37,533**	51,689
	45,417	55,425
LIABILITIES		
Bank indebtedness	**-**	1,453
Accounts payable and accrued liabilities	**36**	11
Accrued interest payable	**54**	126
Debenture debt (Note 5)	**25,630**	35,446
Reserve fund (Note 6)	**4,210**	4,253
	29,930	41,289
Net financial assets	**15,487**	14,136
NON-FINANCIAL ASSETS		
Deferred charges (Note 7)	**37**	59
Accumulated surplus	**$ 15,524**	$ 14,195

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

Signed on behalf of the Board of Directors:

Chairperson **Director**

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2014 Budget	2014 Actual	2013 Actual
	(000's) (Note 10)	(000's)	(000's)
REVENUES			
Interest on loans to municipal corporations	$ 3,270	$ 3,270	$ 4,406
Interest on portfolio investments	35	35	62
	3,305	3,305	4,468
EXPENSES			
Administrative and miscellaneous	114	134	105
Amortization of deferred charges:			
Issue expenses on debenture debt	15	15	21
Premiums and discounts on debenture debt	7	7	8
Interest on long-term debt	1,820	1,820	2,905
	1,956	1,976	3,039
Annual surplus	1,349	1,329	1,429
Accumulated surplus, beginning of year	14,195	14,195	12,766
Accumulated surplus, end of year	$ 15,544	$ 15,524	$ 14,195

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

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended March 31

	2014 Budget	2014 Actual	2013 Actual
	(000's) (Note 10)	(000's)	(000's)
Annual surplus	$ 1,349	$ 1,329	$ 1,429
Use of deferred charges	22	22	29
Increase in net financial assets	1,371	1,351	1,458
Net financial assets, beginning of year	14,136	14,136	12,678
Net financial assets, end of year	$ 15,507	$ 15,487	$ 14,136

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

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2014	2013
	(000's)	(000's)
Operating transactions		
Annual surplus	$ 1,329	$ 1,429
Adjustment for non-cash items		
Accrued interest income on coupons	(3)	(9)
Amortization of issue expenses on debenture debt	15	21
Amortization of premiums and discounts on debenture debt	7	8
	1,348	1,449
Change in non-cash working capital	348	668
Cash provided from operating transactions	1,696	2,117
Investing transactions		
Short-term investment	(4,600)	-
Investment - coupons redeemed	164	357
Loan payments received from municipal corporations	14,156	16,590
Cash provided from investing transactions	9,720	16,947
Financing transactions		
Retirement of debenture debt	$ (9,816)	$ (19,816)
Reserve fund allocations made	(43)	(328)
Cash applied to financing transactions	(9,859)	(20,144)
Increase in cash/decrease in bank indebtedness (decrease in cash/increase in bank indebtedness)	1,557	(1,080)
Bank indebtedness, beginning of year	(1,453)	(373)
Cash (bank indebtedness), end of year	$ 104	$ (1,453)

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

1. Nature of operations

The Newfoundland and Labrador Municipal Financing Corporation (the Corporation) is established under the *Municipal Financing Corporation Act*. The purpose of the Corporation is to provide long-term financing for the capital requirements of municipal corporations by the issuance of its securities, and relending the funds to municipal corporations. The Corporation's affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province of Newfoundland and Labrador (the Province).

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

(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 are prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board (PSAB). The Corporation does not prepare a statement of remeasurement gains and losses as the Corporation does not enter into relevant transactions or circumstances that are being addressed by this statement. 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, portfolio investments, accounts receivable, accrued interest receivable, loans receivable, accounts payable and accrued liabilities, accrued interest payable and debenture 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, accounts receivable, accrued interest receivable, and loans receivable. Portfolio investments are measured at cost or amortized cost as disclosed in note 3. Financial liabilities measured at cost include accounts payable and accrued liabilities and accrued interest payable. Debenture debt is measured at amortized cost as disclosed in note 5.

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

The carrying values of cash, portfolio investments, accounts receivable, accrued interest receivable, accounts payable and accrued liabilities and accrued interest payable approximate current fair value due to their nature and/or the short-term maturity associated with these instruments. The carrying value of loans receivable and debenture debt is considered to approximate market value.

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

(c) Cash

Cash includes cash in bank.

(d) Bank indebtedness

Bank indebtedness includes draw downs on the Corporation's operating credit facility, net of cash in bank.

(e) Premiums, discounts and issue expenses on debenture debt

Premiums, discounts and issue expenses are deferred and amortized on a straight-line basis over the life of the debenture issue to which they relate. In the case of the early retirement of debenture debt, a proportionate amount of the deferred balance is included with the gain or loss in the determination of net income for the period.

(f) Portfolio investments

Portfolio investments include Government of Canada coupons at amortized cost and a term deposit recorded at cost.

(g) Loans receivable

The Corporation records loans receivable at amortized cost. Options exist for the recovery from the Province of any defaults by municipal corporations and as such no allowance for doubtful accounts has been provided. Interest is accrued on loans receivable to the extent it is deemed collectible.

2. Summary of significant accounting policies (cont.)

(h) Accounts receivable

Accounts receivable consists of arrears (principal and interest) on loans receivable along with interest charged on the arrears. The Corporation ceased charging interest on arrears in November 2009.

(i) 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 using the effective interest method for interest on portfolio investments and interest on loans to municipal corporations receivable. Recognition of interest is in accordance with the terms of the original loan agreement.

(j) 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.

The Corporation is administered by the Department of Finance. Expenses related to salaries are paid directly by the Department and reimbursed by the Corporation and reflected in these financial statements.

(k) 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 collectability for the loans.

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. Portfolio investments

Portfolio investments consist of 5 Government of Canada coupons that were purchased between February 22, 2000 and November 15, 2002, and mature between June 1, 2014 and December 1, 2016. Settlement values of these securities ranged from $1,103 to $3,068 with a total cost of $32,083 (2013 - $118,984), while maturity values range from $2,164 to $6,272 and have a total maturity value of $68,014. In addition, a term deposit was purchased from the Bank of Nova Scotia on March 28, 2014 at a cost of $4,600,000 earning interest at 1.16% per annum and maturing on September 22, 2014. The portfolio investments are valued as follows:

	2014 (000's)	2013 (000's)
Portfolio investments - coupons at cost	**$ 32**	$ 119
Amortization of discount on portfolio investments	**34**	108
	66	227
Short-term investment - term deposit	**4,600**	-
	$ 4,666	$ 227

4. Loans receivable

As at March 31, 2014, loans receivable from municipal corporations were $37,533,434 (2013 - $51,688,972). Interest rates range from 6.375% to 12.000%.

Loans to municipal corporations are made on the security of their debentures. Options exist for the recovery from the Province of any defaults by municipal corporations. Therefore, no allowance for doubtful accounts has been provided.

Principal payments receivable are as follows:

Year	Amount (000's)
2015	11,630
2016	9,296
2017	6,980
2018	4,620
2019	3,115
Thereafter	1,892
	$ 37,533

5. Debenture debt

The Corporation's debenture debt is unconditionally and fully guaranteed as to principal and interest by the Province. Details of debt outstanding are as follows:

Series	Remaining Term	Interest Rate %	**March 31 2014 (000's)**	March 31 2013 (000's)	
MFC-38			**$ -**	$ 1,250	
MFC-39			**-**	1,000	
MFC-40	Dec 14, 2014	6.850	**1,000**	2,000	(a)
MFC-43	Sep 20, 2014-16	6.375 - 6.500	**6,000**	8,000	(b)
MFC-44	Mar 15, 2015-17	6.000 - 6.125	**3,000**	4,000	(c)
MFC-47	Mar 17, 2015-19	4.950 - 5.200	**6,330**	7,596	(d)
MFC-48	Mar 29, 2015-20	4.950 - 5.200	**9,300**	11,600	(e)
Total			**$ 25,630**	$ 35,446	

(a) MFC-40: On December 14, 2014, the Corporation is to redeem $1,000,000

(b) MFC-43: On September 20 of each year, the Corporation is to redeem $2,000,000 in the years 2014 to 2016 inclusive.

(c) MFC-44: On March 15 of each year, the Corporation is to redeem $1,000,000 in the years 2015 to 2017 inclusive.

(d) MFC-47: On March 17 of each year, the Corporation is to redeem $1,266,000 in the years 2015 to 2019 inclusive.

(e) MFC-48: On March 29 of each year, the Corporation is to redeem $2,300,000 in year 2015 and $1,400,000 in the years 2016 to 2020 inclusive.

Estimated debenture maturities are as follows:

Year Ending March 31	Debenture Maturities (000's)
2015	7,566
2016	5,666
2017	5,666
2018	2,666
2019	2,666
Thereafter	1,400
	$ 25,630

6. Reserve fund

The Province has historically funded a reserve fund established to mitigate arrears with respect to municipal loans. The reserve fund is allocated as the Department of Municipal and Intergovernmental Affairs concludes negotiations with various municipal corporations with respect to restructuring debt due to the Corporation.

The year end reserve fund balance is as follows:

	2014 (000's)	2013 (000's)
Reserve fund, beginning of year	$ 4,253	$ 4,581
Less: funds allocated during year	43	328
Reserve fund, end of year	$ 4,210	$ 4,253

7. Deferred charges

	2014 (000's)	2013 (000's)
Issues expenses on debenture debt	$ 26	$ 41
Premiums and discounts on debenture debt	11	18
	$ 37	$ 59

8. 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. There was no significant change in the Newfoundland and Labrador Municipal Financing Corporation's exposure to these risks or its processes for managing these risks from the prior year.

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, portfolio investments, accounts receivable, accrued interest receivable and 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 portfolio investments or accrued interest receivable because of their nature.

8. Financial risk management (cont.)

Credit risk (Cont.)

The Corporation is also not exposed to significant credit risk with accounts receivable (arrears on loans receivable) and loans receivable since options exist for the recovery from the Province of any defaults by municipal corporations. The Corporation is also not exposed to significant credit risk from accounts receivable, accrued interest receivable and loans receivable due to the Reserve Fund provided by the Department of Municipal and Intergovernmental Affairs.

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 and accrued liabilities, accrued interest payable and debenture debt. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities. Also, the Corporation's debenture debt is long-term with fixed repayment terms as outlined in note 5. In addition, the Corporation has access to an operating credit facility which allows draw downs to a maximum of $3,000,000. As at March 31, 2014, the Corporation had drawn down $0 on its operating credit facility.

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 (foreign exchange) risk, interest rate risk and other price risk. The Corporation is not exposed to significant foreign exchange or other price risk. In addition, the Corporation is not exposed to significant interest rate risk as its loans receivable and debenture debt are at fixed interest rates.

9. Related party transactions

The Corporation is administered by employees of the Department of Finance. The salary costs of $92,164 (2013 - $70,566) for these employees are paid by the Department of Finance, reimbursed by the Corporation, and are reflected in these financial statements.

10. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Director of Debt Management.

11. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.

12. Planned wind down of operations

The Province of Newfoundland and Labrador has decided that it will no longer refinance its portion of completed municipal capital projects through the Corporation. As a result, the Corporation will be winding up its operations over the coming years as it collects its loans receivable and repays its debenture debt.

NEWFOUNDLAND AND LABRADOR
SPORTS CENTRE INC.

FINANCIAL STATEMENTS

MARCH 31, 2014

NOSEWORTHY CHAPMAN
CHARTERED ACCOUNTANTS

Suite 201, 516 Topsail Rd • St. John's, NL • A1E 2C5
Tel: (709) 364-5600 • Fax: (709) 368-2146
www.noseworthychapman.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Newfoundland and Labrador Sports Centre Inc.

We have audited the accompanying financial statements of Newfoundland and Labrador Sports Centre Inc., which comprise the statements of financial position as at March 31, 2014, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the years 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 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Newfoundland and Labrador Sports Centre Inc. derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Newfoundland and Labrador Sports Centre Inc. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2014 and March 31, 2013, current assets and net assets as at March 31, 2014 and March 31, 2013

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Newfoundland and Labrador Sports Centre Inc. as at March 31, 2014 and March 31, 2013 and the results of its operations and its cash flows for the years then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Noseworthy Chapman

Chartered Accountants
St. John's, Newfoundland & Labrador
June 23, 2014

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Operations and Financial Position
Year Ended March 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash	$ **247,777**	$ 84,793
Temporary investments	**311,887**	307,618
Accounts receivable	**194,501**	26,139
	754,165	418,550
LIABILITIES		
Payables and accruals (Note 4)	$ **48,523**	$ 30,237
Government remittances payable	**15,799**	3,777
Deferred contributions (Note 5)	**466,799**	275,069
	531,121	309,083
Net financial assets	**223,044**	109,467
NON-FINANCIAL ASSETS		
Capital assets (Note 6)	$ **6,532,273**	$ 6,707,170
Prepaid expenses	**6,174**	6,527
	6,538,447	6,713,697
ACCUMULATED SURPLUS	$ **6,761,491**	$ 6,823,164
Accumulated surplus comprised of:		
Unrestricted net assets	$ **6,761,491**	$ 6,823,164

On Behalf of the Board:

Chairperson

25 June 2014 Director

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Operations and Accumulated Surplus
Year Ended March 31, 2014

	Budget 2014 (Unaudited)	2014	2013
REVENUES			
Government grants	$ 650,000	$ **423,500**	$ 459,000
Rental	160,000	**223,826**	162,023
Miscellaneous	2,010	**2,951**	2,012
Donation	6,500	**6,276**	23,273
Interest	1,000	**4,269**	4,730
	819,510	**660,822**	651,038
EXPENDITURES			
Advertising and promotion	$ 250	$ **1,175**	$ 245
Amortization	-	**190,668**	296,036
Insurance	4,800	**4,732**	4,675
Interest and bank charges	155	**189**	152
Memberships	200	**-**	141
Miscellaneous	15,000	**3,525**	3,465
Office	1,900	**4,316**	10,115
Online booking maintenance	1,620	**2,162**	1,613
Professional fees	4,000	**5,000**	4,390
Property taxes	2,545	**2,545**	2,529
Rental	1,000	**2,065**	2,637
Repairs and maintenance	281,900	**48,002**	112,629
Salaries and wages	317,500	**305,231**	312,019
Security	2,100	**1,094**	2,067
Supplies	32,500	**27,358**	30,380
Telephone	1,600	**1,879**	1,557
Training	2,000	**1,417**	929
Utilities	118,000	**119,701**	110,085
Vehicles	520	**1,436**	516
	787,590	**722,495**	896,180
ANNUAL SURPLUS (DEFICIT)	$ 31,920	$ **(61,673)**	$ (245,142)
Accumulated surplus, beginning of year		**6,823,164**	7,068,306
Accumulated surplus, end of year		**$ 6,761,491**	$ 6,823,164

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Changes in Net Financial Assets
Year Ended March 31, 2014

	Budget 2014 (Unaudited)	**2014**	2013
Annual surplus (deficit)	$ 31,920	$ **(61,673)**	$ (245,142)
Changes in tangible capital assets			
Acquisition of tangible capital assets	-	**(15,771)**	(21,775)
Amortization of tangible capital assets	-	**190,668**	296,036
	-	**174,897**	274,261
Change in other non-financial assets			
Net acquisition of prepaid expenses	-	**353**	1,031
	-	**353**	1,031
Increase in net assets	31,920	**113,577**	30,150
Net financial assets, beginning of year	109,467	**109,467**	79,317
Net financial assets, end of year	$ 141,387	$ **223,044**	$ 109,467

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Cash Flows
Year Ended March 31, 2014

	2014	2013
Operating transactions		
Cash receipts from government and customers	$ 672,122	$ 606,604
Cash paid to suppliers and employees	(500,977)	(596,210)
Donations received	6,276	23,273
Interest received	5,792	726
Interest and bank charges paid	(189)	(152)
Cash provided by operating transactions	183,024	34,241
Capital transactions		
Purchase of capital assets	(15,771)	(21,775)
Cash used in capital transactions	(15,771)	(21,775)
Increase in cash during year	167,253	12,466
Cash position, beginning of year	392,411	379,945
Cash position, end of year	$ 559,664	$ 392,411

Cash consists of:		
Cash	$ 247,777	$ 84,793
Term deposits	311,887	307,618
	$ 559,664	$ 392,411

1. NATURE OF OPERATIONS

   Newfoundland and Labrador Sports Centre Inc. (the "organization") was incorporated under the Corporations Act of Newfoundland and Labrador on April 3, 2008. The organization is a Provincial Crown Corporation that provides a training centre for all sports available to the youth of the Province of Newfoundland and Labrador.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

   Basis of accounting

   These financial statements are prepared by management in accordance with generally accepted accounting principles for provincial reporting entities established by the Canadian Public Sector Accounting Board.

   Cash and cash equivalents

   Cash and cash equivalents include cash on hand that is readily convertible to known amounts of cash and temporary investments that are subject to an insignificant risk of change in value. These temporary investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

   Capital assets

   Capital assets are recorded on the Statement of Financial Position at cost and are amortized as follows:

Building	40 years	straight-line method
Equipment	5 years	straight-line method

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

   Prepaid expenses

   Prepaid expenses include amounts paid in advance for services, insurance, and workers compensation and are charged to expense over the periods expected to benefit from it.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues

Government transfers with stipulations restricting their use are recognized as revenue when the transfer is authorized and the eligibility criteria are met by the organization, except when and to the extent the transfer gives rise to an obligation that constitutes a liability. When the transfer gives rise to an obligation that constitutes a liability, the transfer is recognized in revenue when the liability is settled.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rental revenue is recognized on the accrual basis in accordance with the terms of the corresponding lease agreements.

Interest revenue is recognized on the accrual basis as earned.

Donation revenue is recognized when received.

Expenses

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

Financial instruments

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 unrealized 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.

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 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. 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. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2013.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of customers which minimizes concentration of credit risk.

4. PAYABLES AND ACCRUALS

	2014	2013
Accounts payable	$ **19,129**	$ 4,513
Accrued liabilities	**22,580**	20,424
Accrued salary and benefits	**6,814**	5,300
	$ **48,523**	$ 30,237

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent government transfers received with associated stipulations relating to specific projects or programs, resulting in a liability. These transfers will be recognized as revenue in the period in which the resources are used for the purpose specified.

Notes to the Financial Statements
Year Ended March 31, 2014

6. CAPITAL ASSETS

				2014
	Land	Building	Equipment	Total
Cost				
Opening balance	$ 280,000	$ 7,452,549	$ 548,610	**$ 8,281,159**
Additions	-	15,771		**15,771**
Closing balance	280,000	7,468,320	548,610	**8,296,930**
Accumulated amortization				
Opening balance	-	1,042,799	531,190	**1,573,989**
Amortization	-	186,314	4,354	**190,668**
Closing balance	-	1,229,113	535,544	**1,764,657**
Net book value	$ 280,000	$ 6,239,207	$ 13,066	**$ 6,532,273**

				2013
	Land	Building	Equipment	Total
Cost				
Opening balance	$ 280,000	$ 7,452,549	$ 526,835	**$ 8,259,384**
Additions	-	-	21,775	**21,775**
Closing balance	280,000	7,452,549	548,610	**8,281,159**
Accumulated amortization				
Opening balance	-	856,485	421,468	**1,277,953**
Amortization	-	186,314	109,722	**296,036**
Closing balance	-	1,042,799	531,190	**1,573,989**
Net book value	$ 280,000	$ 6,409,750	$ 17,420	**$ 6,707,170**

7. BUDGET FIGURES

Budget figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors.

NEWFOUNDLAND HARDWOODS LIMITED

Auditor's Report

Financial Statements

Year ended March 31, 2013

AUDITOR'S REPORT

To the Shareholders of Newfoundland Hardwoods Limited:

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

Management is responsible for the preparation and fair representation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

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 whether the financial statements are free of 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.

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland Hardwoods Limited as at March 31, 2013 and it's financial performance and it's cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

CHARTERED ACCOUNTANT

Clarenville, Newfoundland
June 06, 2013

DERRICK R. DRODGE
CHARTERED ACCOUNTANT

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Financial Position

March 31, 2013

	2013	2012
Assets		
Financial assets:		
Cash and term deposits	$ 113,579	115,475
Liabilities and Shareholders' Equity		
Liabilities:		
Payables and accruals	$ 1,500	1,500
Contingent losses (Note 3)	--	--
Commitments (Note 4)	--	--
Shareholders' equity:		
Common shares of no par value:		
Authorized an unlimited number; issued and fully paid at stated value, 253 shares	25,300	25,300
Accumulated surplus, per accompanying statement	86,779	88,675
Total shareholders' equity	112,079	113,975
	$ 113,579	115,475

See Accompanying Notes

Approved: Sharlene Jones Director

K Malone Director

DERRICK R. DRODGE
CHARTERED ACCOUNTANT

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Operations and Accumulated Surplus

Year ended March 31, 2013

	2013	2012
Revenue	$ --	--
Administrative expenses:		
Bank charges	36	25
Professional and consulting fees	1,775	1,725
Licences and fees	85	75
	1,896	1,825
Net loss	(1,896)	(1,825)
Accumulated surplus, beginning of year	88,675	90,500
Accumulated surplus, end of year	$ 86,779	88,675

See Accompanying Notes

DERRICK R. DRODGE
CHARTERED ACCOUNTANT

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Cash Flows

Year ended March 31, 2013

	2013	2012
Cash provided by operating activities:		
Net loss	$ (1,896)	(1,825)
Decrease in cash	(1,896)	(1,825)
Cash, beginning of year	115,475	117,300
Cash, end of year	$ 113,579	115,475

See Accompanying Notes

DERRICK R. DRODGE
CHARTERED ACCOUNTANT

NEWFOUNDLAND HARDWOODS LIMITED

Notes to the Financial Statements

March 31, 2013

1. Nature of operations:

   Newfoundland Hardwoods Limited is a Crown Corporation established in 1950 under the Corporations Act. Initially the Corporation was established for the purpose of manufacturing liquid asphalt and the sale of chemically treated poles and timber. The Corporation sold its property, equipment and inventory in 1996 and ceased active operations at that date. Since 1996 the Corporation has been dealing with any and all matters that may arise subsequent to the sale.

   Newfoundland Hardwoods Limited is classified as a category three entity under the Transparency and Accounting Act.

   Newfoundland Hardwoods Limited is exempt from income taxes under the Income Tax Act.

2. Summary of Significant Accounting Policy:

   These financial statements are prepared by Management in accordance with Canadian Public Sector Accounting Standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

3. Contingent losses:

   Environmental concerns:

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

4. Commitments:

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

NEWFOUNDLAND HARDWOODS LIMITED

Auditor's Report

Financial Statements

Year ended March 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Newfoundland Hardwoods Limited:

I have audited the accompanying financial statements of Newfoundland Hardwoods Limited, which comprise the statement of financial position as at March 31, 2014 and the statement of operations and accumulated surplus and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair representation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

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 whether the financial statements are free of 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.

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland Hardwoods Limited as at March 31, 2014 and it's financial performance and it's cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

CHARTERED ACCOUNTANT

Clarenville, Newfoundland
May 20, 2014

DERRICK R. DRODGE
CHARTERED ACCOUNTANT

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Financial Position

March 31, 2014

	2014	2013
Assets		
Financial assets:		
Cash and term deposits	$ 111,606	113,475
Liabilities and Shareholders' Equity		
Liabilities:		
Payables and accruals	$ 1,500	1,500
Contingent losses (Note 3)	--	--
Commitments (Note 4)	--	--
Shareholders' equity:		
Common shares of no par value:		
Authorized an unlimited number; issued and fully paid at stated value, 253 shares	25,300	25,300
Accumulated surplus, per accompanying statement	84,806	86,779
Total shareholders' equity	110,106	112,079
	$ 111,606	113,579

See Accompanying Notes

Approved: __________________ Director

__________________ Director

DERRICK R. DRODGE
CHARTERED ACCOUNTANT

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Operations and Accumulated Surplus

Year ended March 31, 2014

	2014	2013
Revenue	$ --	--
Administrative expenses:		
Bank charges	38	36
Professional and consulting fees	1,850	1,775
Licences and fees	85	85
	1,973	1,896
Net loss	(1,973)	(1,896)
Accumulated surplus, beginning of year	86,779	88,675
Accumulated surplus, end of year	$ 84,806	86,779

See Accompanying Notes

DERRICK R. DRODGE
CHARTERED ACCOUNTANT

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Cash Flows

Year ended March 31, 2014

	2014	2013
Cash provided by operating activities:		
Net loss	$ (1,973)	(1,896)
Decrease in cash	(1,973)	(1,896)
Cash, beginning of year	113,579	115,475
Cash, end of year	$ 111,606	113,579

See Accompanying Notes

DERRICK R. DRODGE
CHARTERED ACCOUNTANT

NEWFOUNDLAND HARDWOODS LIMITED

Notes to the Financial Statements

March 31, 2014

1. Nature of operations:

   Newfoundland Hardwoods Limited is a Crown Corporation established in 1950 under the Corporations Act. Initially the Corporation was established for the purpose of manufacturing liquid asphalt and the sale of chemically treated poles and timber. The Corporation sold its property, equipment and inventory in 1996 and ceased active operations at that date. Since 1996 the Corporation has been dealing with any and all matters that may arise subsequent to the sale.

   Newfoundland Hardwoods Limited is classified as a category three entity under the Transparency and Accounting Act.

   Newfoundland Hardwoods Limited is exempt from income taxes under the Income Tax Act.

2. Summary of Significant Accounting Policy:

   These financial statements are prepared by Management in accordance with Canadian Public Sector Accounting Standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

3. Contingent losses:

   Environmental concerns:

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

4. Commitments:

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

Grant Thornton

Consolidated Financial Statements

Newfoundland Ocean Enterprises Limited

March 31, 2013

Statement of responsibility

The accompanying consolidated financial statements are the responsibility of the management of the Newfoundland Ocean Enterprises Limited (the "Corporation") 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.

Management has met with 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 finalized Consolidated Financial Statements.

Grant Thornton LLP as the Corporation's appointed external auditors, have audited the consolidated financial statements. The auditor's report is addressed to the Directors of the Corporation 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 Corporation in accordance with Canadian public sector accounting standards.

R Malone Director Sharlene Jones Director

Grant Thornton

Independent auditors' report

Grant Thornton LLP
Suite 300
15 International Place
St. John's, NL
A1A 0L4

T + 1 709 778 8800
F + 1 709 722 7892
www.GrantThornton.ca

To the Directors of

Newfoundland Ocean Enterprises Limited

We have audited the accompanying financial statements of Newfoundland Ocean Enterprises Limited, which comprise the statement of financial position as at March 31, 2013 and the statements of operations and changes in accumulated surplus, statement of net financial assets and changes in cash flows for the years 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 Corporation'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 Corporation'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

Basis for qualified opinion

The Corporation has not prepared an annual budget as required in accordance with public sector accounting standards.

Qualified opinion

In our opinion, except for the matter described in the Basis of Qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Newfoundland Ocean Enterprises Limited as at March 31, 2013 and its financial performance, net financial assets and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

St. John's, Canada

June 6, 2013

Chartered Accountants

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Financial Position

March 31	2013	2012
Financial assets		
Cash and cash equivalents	**$ 37,437**	$ 41,975
Liabilities		
Payables and accruals	**15,189**	15,104
Net financial assets	**22,248**	26,871
Accumulated surplus	**$ 22,248**	$ 26,871

On behalf of the Board

_______________ Director _______________ Director

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Operations

Year Ended March 31	**Actual 2013**	Budget 2013	Actual 2012
Revenue			
Interest income	**$ 222**	$ -	$ 254
Expenses			
Bank charges	**128**	-	200
Professional fees	**4,717**	-	4,441
	4,845	-	4,641
Annual deficit	**$ (4,623)**	$ -	$ (4,387)

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Changes in Accumulated Surplus

Year Ended March 31		Actual 2013		Budget 2013		Actual 2012
Accumulated surplus, beginning of year	$	**26,871**	$	-	$	31,258
Annual deficit		**(4,623)**		-		(4,387)
Accumulated surplus, end of year	$	**22,248**	$	-	$	26,871

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Net Financial Assets

Year Ended March 31	**Actual 2013**	Budget 2013	Actual 2012
Annual deficit	**$ (4,623)**	$ -	$ (4,387)
Decrease in net financial assets	**(4,623)**	-	(4,387)
Net financial assets, beginning of year	**26,871**	-	31,258
Net financial assets, end of year	**$ 22,248**	$ -	$ 26,871

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Cash Flows

Year Ended March 31		2013		2012
Increase (decrease) in cash and cash equivalents				
Operating				
Annual deficit	**$**	**(4,623)**	$	(4,387)
Change in non-cash items				
Payables and accruals		**85**		2,961
Cash used for operating transactions		**(4,538)**		(1,426)
Decrease in cash and cash equivalents		**(4,538)**		(1,426)
Cash and cash equivalents, beginning of year		**41,975**		43,401
Cash and cash equivalents, end of year	**$**	**37,437**	$	41,975

See accompanying notes to the consolidated financial statements.

1. Operations

Newfoundland Ocean Enterprises Limited ceased active operations on January 1, 1998.

2. Summary of significant accounting policies

Basis of presentation

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.

Principles of consolidation

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

Use of estimates

In preparing the Corporation's consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the period.

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. Actual results could differ from these estimates.

Cash and cash equivalents

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

Financial instruments

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

- cash and cash equivalents; and
- payables and accruals.

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

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

The Corporation 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 Corporation subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in annual surplus.

Financial assets measured at fair value include cash and cash equivalents.

Financial liabilities measured at cost include payables and accruals.

The Corporation 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. **Financial instruments**

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

Risks and concentrations

The Corporation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Corporation'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 Corporation is exposed to this risk mainly in respect of its payables and accruals. The Corporation 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 Corporation is low and not material.

Grant Thornton

Consolidated Financial Statements

Newfoundland Ocean Enterprises Limited

March 31, 2014

Statement of responsibility

The accompanying consolidated financial statements are the responsibility of the management of the Newfoundland Ocean Enterprises Limited (the "Corporation") 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.

Management has met with 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 finalized Consolidated Financial Statements.

Grant Thornton LLP as the Corporation's appointed external auditors, have audited the consolidated financial statements. The auditor's report is addressed to the Directors of the Corporation 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 Corporation in accordance with Canadian public sector accounting standards.

_______________ Director _______________ Director

Grant Thornton

Independent auditors' report

Grant Thornton LLP
Suite 300
15 International Place
St. John's, NL
A1A 0L4

T + 1 709 778 8800
F + 1 709 722 7892
www.GrantThornton.ca

To the Directors of

Newfoundland Ocean Enterprises Limited

We have audited the accompanying financial statements of Newfoundland Ocean Enterprises Limited, which comprise the statement of financial position as at March 31, 2014 and the statements of operations and changes in accumulated surplus, statement of net financial assets and changes in cash flows for the years 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 Corporation'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 Corporation'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

Basis for qualified opinion
The Corporation has not prepared an annual budget as required in accordance with public sector accounting standards.

Qualified opinion
In our opinion, except for the matter described in the Basis of Qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Newfoundland Ocean Enterprises Limited as at March 31, 2014 and its financial performance, net financial assets and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

St. John's, Canada

June 19, 2014

Chartered Accountants

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Financial Position

March 31	2014	2013
Financial assets		
Cash and cash equivalents	**$ 28,534**	$ 37,437
Liabilities		
Payables and accruals	**14,037**	15,189
Net financial assets	**14,497**	22,248
Accumulated surplus	**$ 14,497**	$ 22,248

On behalf of the Board

Liane Price Director

Director

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Operations

Year Ended March 31	**Actual 2014**	Budget 2014	Actual 2013
Revenue			
Interest income	**$ 210**	$ -	$ 222
Expenses			
Bank charges	**319**	-	128
Professional fees	**7,642**	-	4,717
	7,961	-	4,845
Annual deficit	**$ (7,751)**	$ -	$ (4,623)

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Changes in Accumulated Surplus

Year Ended March 31	Actual 2014	Budget 2014	Actual 2013
Accumulated surplus, beginning of year	$ 22,248	$ -	$ 26,871
Annual deficit	(7,751)	-	(4,623)
Accumulated surplus, end of year	$ 14,497	$ -	$ 22,248

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Net Financial Assets

Year Ended March 31	**Actual 2014**	Budget 2014	Actual 2013
Annual deficit	**$ (7,751)**	$ -	$ (4,623)
Decrease in net financial assets	**(7,751)**	-	(4,623)
Net financial assets, beginning of year	**22,248**	-	26,871
Net financial assets, end of year	**$ 14,497**	$ -	$ 22,248

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Cash Flows

Year Ended March 31		2014		2013
Increase (decrease) in cash and cash equivalents				
Operating				
Annual deficit	$	**(7,751)**	$	(4,623)
Change in non-cash items				
Payables and accruals		**(1,152)**		85
Cash used for operating transactions		**(8,903)**		(4,538)
Decrease in cash and cash equivalents		**(8,903)**		(4,538)
Cash and cash equivalents, beginning of year		**37,437**		41,975
Cash and cash equivalents, end of year	**$**	**28,534**	$	37,437

See accompanying notes to the consolidated financial statements.

1. Operations

Newfoundland Ocean Enterprises Limited ceased active operations on January 1, 1998.

2. Summary of significant accounting policies

Basis of presentation

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 Professional Accountants and reflect the following significant accounting policies.

Principles of consolidation

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

Use of estimates

In preparing the Corporation's consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the period.

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. Actual results could differ from these estimates.

Cash and cash equivalents

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

Financial instruments

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

- cash and cash equivalents; and
- payables and accruals.

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

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

The Corporation 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 Corporation subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in annual surplus.

Financial assets measured at amortized cost include cash and cash equivalents.

Financial liabilities measured at cost include payables and accruals.

The Corporation 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. Financial instruments

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

Risks and concentrations

The Corporation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Corporation's risk exposure and concentrations at March 31, 2014.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its payables and accruals. The Corporation 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 Corporation is low and not material.

Grant Thornton

Financial Statements

Newvest Realty Corporation

December 31, 2013

Independent Auditor's Report

Grant Thornton LLP
19th Floor, Royal Bank Plaza South Tower
200 Bay Street, Box 55
Toronto, ON
M5J 2P9

T (416) 366-0100
F (416) 360-4949
www.GrantThornton.ca

To the Shareholders of
Newvest Realty Corporation

We have audited the accompanying financial statements of **Newvest Realty Corporation** which comprise the statement of financial position as at December 31, 2013, and the statements of income and comprehensive income, statement of changes in shareholders' equity and statement of 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.

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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Newvest Realty Corporation** as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The financial statements of Newvest Realty Corporation for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on July 4, 2013.

Grant Thornton LLP

Toronto, Ontario
May 21, 2014

Chartered Accountants
Licensed Public Accountants

Newvest Realty Corporation
Statement of Financial Position

December 31,		2013 (000's)		2012 (000's)
Assets				
Non-current				
Investment properties (Note 6)	$	**349,164**	$	312,306
Non-current assets related to discontinued operations (Note 7)		**-**		16,190
		349,164		328,496
Current				
Accounts receivable		**507**		525
Prepaid expenses		**314**		3,081
Cash and cash equivalents		**5,208**		4,694
Current assets related to discontinued operations (Note 7)		**24**		15
		6,053		8,315
Total assets	$	**355,217**	$	336,811
Liabilities				
Non-current				
Mortgages payable (Notes 8 and 16)	$	**109,676**	$	97,036
Non-current liabilities related to discontinued operations (Note 7)		**-**		3,675
		109,676		100,711
Current				
Mortgages payable (Notes 8 and 16)		**3,474**		2,963
Payables and accruals		**6,033**		5,754
Current liabilities related to discontinued operations (Note 7)		**53**		249
		9,560		8,966
Total liabilities		**119,236**		109,677
Equity		**235,981**		227,134
Total liabilities and equity	$	**355,217**	$	336,811

On behalf of the Board

_______________ Director _______________ Director

Newvest Realty Corporation
Statements of Income and Comprehensive Income

Year Ended December 31		2013 (000's)		2012 (000's)
Revenue				
Rental income (Note 11)	$	20,476	$	18,896
Expense recoveries from tenants		11,107		10,264
Interest income		56		71
		31,639		29,231
Expenses				
Property operating costs (Note 12)		12,314		11,276
Mortgage interest		5,445		4,753
Asset management fees (Note 13)		876		811
Administrative costs		174		129
Participation fees (Note 13)		1,720		2,736
		20,529		19,705
Income from continuing operations		11,110		9,526
(Loss) gain on market value from sale of investment properties		(1)		3,760
Increase in fair value of investment properties (Note 6)		5,991		16,578
Income and comprehensive income from continuing operations		17,100		29,864
Income and comprehensive income from discontinued operations (Note 7)		1,469		1,640
Net income and comprehensive income	$	18,569	$	31,504

Newvest Realty Corporation
Statement of Changes in Shareholders' Equity

		Share Capital (Note 10) (000's)		Retained Earnings (000's)		Total (000's)
Equity, January 1, 2012	$	132,851	$	58,689	$	191,540
Changes during the year						
Net income and comprehensive income		-		31,504		31,504
Dividends paid (Note 9)		-		(27,410)		(27,410)
Issuance of common shares		53,110		-		53,110
Cancellation of common shares		(21,610)		-		(21,610)
Equity, December 31, 2012		164,351		62,783		227,134
Changes during the year						
Net income and comprehensive income		-		18,569		18,569
Dividends paid (Note 9)		-		(14,810)		(14,810)
Issuance of common shares		9,478		-		9,478
Cancellation of common shares		(4,390)		-		(4,390)
Equity, December 31, 2013	$	169,439	$	66,542	$	235,981

Newvest Realty Corporation
Statement of Cash Flows

Year Ended December 31	2013 (000's)	2012 (000's)
Increase (decrease) in cash and cash equivalents		
Operating activities		
Income and comprehensive income from continuing operations	$ 17,100	$ 29,864
Adjustments to reconcile income to net cash flows		
Amortization of tenant inducements	229	216
Mortgage interest	5,445	4,753
Loss (gain) on sale of investment properties	1	(3,760)
Increase in fair value of investment properties	(5,991)	(16,578)
Amortization of straight-line rent	(84)	(426)
Net changes in non-cash operating items		
Accounts receivable	18	(9)
Prepaid expenses	2,767	(1,301)
Payables and accruals	224	911
Cash and cash equivalents provided by operating activities	19,709	13,670
Financing activities		
Issuance of common shares	9,478	53,110
Dividends paid	(5,600)	(28,410)
Issuance of mortgage payable	15,190	25,063
Repayment of mortgage payable	(3,253)	(9,857)
Interest paid	(5,654)	(4,688)
Deferred financing costs	(20)	(75)
Cancellation of common shares	-	(21,610)
Cash and cash equivalents provided by financing activities	10,141	13,533
Investing activity		
Acquisition of investment properties	(27,358)	(75,346)
Additions to investment properties	(2,157)	(1,292)
Proceeds from disposition of investment properties	-	48,265
Cash and cash equivalents used in investing activities	(29,515)	(28,373)
Net increase (decrease) in cash and cash equivalents from continuing operations	335	(1,170)
Net increase in cash and cash equivalents from discontinued operations	179	1
Cash and cash equivalents, beginning of year	4,694	5,863
Cash and cash equivalents, end of year	$ 5,208	$ 4,694

1. Nature of operations

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

Shareholders are required to be in compliance with Section 149(1) of the Income Tax Act (Canada) for the Corporation to qualify as a tax exempt corporation. Accordingly, no provision for income taxes has been made in these financial statements.

The Corporation has an Investment Services Agreement with Bentall Kennedy (Canada) Limited Partnership ("Bentall Kennedy") dated 30 June 2001 and an Amended And Restated Investment Services Agreement dated November 25, 2013 under which Bentall Kennedy is responsible for the acquisition, disposal, leasing and management of real estate properties and performance of all administrative functions on behalf of the Corporation.

2. General information and statement of compliance with IFRS

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").

The financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

These financial statements for the year ended December 31, 2013 (including comparatives) were approved and authorized for issue by a designate of the Directors on May 21, 2014.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Investment properties

Investment properties include retail and commercial properties held to earn rental income and for capital appreciation.

Investment properties acquired as an asset acquisition are recorded initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

3. Summary of significant accounting policies (continued)

Investment properties (continued)

Subsequent to initial recognition, investment properties are recorded at fair value. The changes in fair value for each reporting period are recognized in the statements of income and comprehensive income. In order to avoid double accounting, the carrying value of investment properties includes straight-line rent receivable, tenant incentives, long term replacement items and direct leasing costs, since these amounts are incorporated in the appraised values of the real estate properties. Fair value is based upon valuations performed by an appraiser accredited through the Appraisal Institute of Canada, using recognized valuation techniques including the direct capitalization income and discounted cash flow methods. Recent real estate transactions with similar characteristics and location to the Corporation's assets are also considered. The direct capitalization income method applies a capitalization rate of the property's stabilized net operating income which incorporates allowances for vacancy, management fees and structural reserves for capital expenditures for the property. The resulting capitalized value is further adjusted, where appropriate, for extraordinary costs to stabilize the income and non recoverable capital expenditures.

Subsequent expenditures are capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Corporation and the cost of the item can be measured reliably. Such costs include site preparation costs, which are incurred to improve the condition of a space to enhance its leaseability, and capital expenditures. All other repairs and maintenance costs are expensed when incurred.

Investment properties are derecognized when they have been disposed.

Leasing costs

Leasing costs are costs incurred by the Corporation to induce a tenant to enter into a lease for space in the properties. Leasing costs consist of five categories of costs, with accounting treatments as follows:

(i) Leasing commissions
Leasing commissions are incurred by the lessor in the negotiation and execution of leasing transactions. These costs are capitalized to investment properties and are considered in the fair value adjustment of the investment properties.

(ii) Tenant improvements
Tenant improvements are costs incurred to make leasehold improvements to the tenants' space. The costs are capitalized to investment properties and are considered in the determination of the fair value of the property.

(iii) Tenant incentives
Tenant incentives include cash payments, the buy-out of previous lease obligations, and payment of moving expenses. Tenant incentives are recognized as a receivable and amortized as a reduction of rental revenue over the initial term of the related leases.

3. Summary of significant accounting policies (continued)

Leasing costs (continued)

(iv) Rent free or lower than market rate rents
Incentives in the form of free rent or lower than market rate rent form part of the straight-line rent adjustments. The accounting of straight-line rents is described in the revenue recognition policy.

(v) Marketing costs
Marketing costs include advertising, space plans, credit checks and promotion costs. These costs are expensed as incurred in 'property operating costs'.

Revenue recognition

The Corporation has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue from properties includes rents from tenants under leases, percentage participation rents, property tax and operating cost recoveries, lease cancellation fees, leasing concessions, parking income and incidental income.

Revenue from investment properties recorded in the statement of income and comprehensive income during free rent periods represents future cash receipts and is reflected on the statement of financial position in the carrying value of investment properties and recognized in the statement of income on a straight-line basis over the initial term of the lease. The Corporation also accounts for stepped rents on a straight-line basis. Rents recorded in advance of cash received are included in investment properties.

Percentage participation rents are accrued based on sales estimates submitted by tenants if the tenant anticipates attaining the minimum sales level stipulated in the tenant lease.

Recoveries of operating expenses are recognized as revenues in the period in which the corresponding costs are incurred and collectability is reasonably assured. Other rental income is recognized as revenue in the period earned and collectability is reasonably assured.

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. Provisions are re-measured at each statement of financial position date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

3. Summary of significant accounting policies (continued)

Property operating costs

Property and operating expenses are recognized in the statement of income upon utilization of the service or at the date of their origin.

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, net of bank overdrafts.

Participation fee

Under the terms of the Investment Services Agreement, the property manager Bentall Kennedy is entitled to a fee. The participation fee calculation is based on the Corporation's performance as it relates to a preset hurdle formula and changes in market value of investment properties.

Financing costs

Deferred finance costs are being amortized over the term of the respective credit facility and are netted against the related financial liability.

Assets held for sale and discontinued operations

Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Amounts related to the disposal of non-current assets are classified as "Assets held for sale" or "assets related to discontinued operations, and the results of operations and cash flows associated with the assets disposed are reported separately as assets held for sale or discontinued operation. A non-current asset is classified as an "Asset held for sale" at the point in time when it is available for immediate sale, management has committed to a plan to sell the asset and is actively seeking a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and is expected to be completed with a one-year period.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

(a) represents a separate major line of business or geographical area of operations
(b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

The component will have been a cash-generating unit ("CGU") or group of CGUs while being held for use. Profits and gains or losses generated from the disposal of discontinued operations are measured based on fair value less cost to sell, except for investment property which is valued at fair value and are presented in the financial statements in accordance with IRFS 5. Comparative figures are restated to reflect retrospective application of discontinued operations.

3. Summary of significant accounting policies (continued)

Financial instruments and fair values

(i) Financial assets
The Corporation's financial assets that are categorized as fair value through profit or loss consist of cash and cash equivalents. The Corporation's financial assets that are categorized as loans and receivables consist of accounts receivable.

When financial assets are initially recognized they are measured at fair value. After initial recognition, the Corporation's financial assets that are classified as loans and receivables are measured at amortized cost. Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Corporation transfers substantially all risks and rewards of ownership.

The Corporation assesses at each statement of financial position date whether there is objective evidence that a financial asset is impaired. If there is objective evidence, such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy, the asset is tested for impairment. The amount of the loss is measured as the difference between the assets carrying amount and the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the statement of income and comprehensive income.

In relation to accounts receivable, a provision for impairment is made when there is objective evidence, such as the probability of insolvency or significant financial difficulties of the debtor, that the Corporation will not be able to collect all of the amounts due. Impaired debts are derecognized when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the statement of income and comprehensive income.

(ii) Financial liabilities
Financial liabilities are classified as fair value through profit or loss, or as other financial liabilities.

Other financial liabilities consist of payables and accruals and mortgages payable and are recognized initially at fair value and subsequently at amortized cost.

All loans and long term debt are classified as other financial liabilities within the scope of IAS 39. Initial recognition is at fair value. After initial recognition, interest-bearing loans and long term debt are measured at amortized cost using the effective interest method.

Direct transaction costs that are attributable to the issuance of financial liabilities are presented as a reduction from the carrying amount of the related debt and are amortized using the effective interest method over the term of the related debt. These costs include fees and commissions paid to agents, brokers and advisors that are incurred in connection with the arrangement of borrowings.

3. Summary of significant accounting policies (continued)

Financial instruments and fair values (continued)

(ii) Financial liabilities (continued)
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

(iii) Fair value
Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values. Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The fair value hierarchy for measurement of assets and liabilities is as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for the asset or liability that are not based on observable market data.

The carrying value of accounts receivable, payables and accruals are assumed to approximate their fair values because of the short period of time until the receipt or payment of cash.

Cash and cash equivalents is classified as level 1.

Mortgages payable is classified as level 2.

Investment properties are classified as level 3.

Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In determining estimates of fair market value and net realizable values for its investment properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts.

3. Summary of significant accounting policies (continued)

Critical accounting estimates and assumptions (continued)

The market values for investment properties reflected as at December 31, 2013 and December 31, 2012 agree to the valuations as reported by independent professional appraisers. For valuations performed more than 3 months before year end, an internal appraisal is performed as at year end and the market value is updated if appropriate. This judgement is based on management's review of changes in various metrics from the last external appraisal to December 31st including:

(i) Property tenancies
(ii) Market rents
(iii) Market terminal capitalization rates
(iv) Discount rates
(v) Direct capitalization rates
(vi) Economic environment and market conditions
(vii) Market activity

The critical estimates and assumptions underlying the valuation of the investment properties are outlined in note 6.

Critical judgments in applying accounting policies

The following are the critical judgments that have been made in applying the Corporation's accounting policies and that have the most significant effect on the amounts in the financial statements.

The Corporation makes judgements in determining whether certain leases, in particular those leases with long contractual terms where the lessee is the sole tenant in a property, are operating or finance leases. The Corporation has determined that all of its leases are operating leases.

In addition, the Corporation makes judgements in determining whether improvements provided to tenants as part of the tenant's lease agreement represent a capital expenditure or an incentive.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting periods.

In determining estimates of fair market value and net realizable values for its investment properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts.

3. Summary of significant accounting policies (continued)

Critical judgments in applying accounting policies (continued)

In addition, the computation of cost reimbursements from tenants for realty taxes, insurance and common area maintenance charges is complex and involves a number of estimates, including the interpretation of terms and other tenant lease provisions. Tenant leases are not consistent in dealing with such cost reimbursements, and variations in computations can exist.

Adjustments are made throughout the year to these cost recovery revenues based upon the Company's best estimate of the final amounts to be billed and collected.

4. Adoption of accounting standards in the current year

The following new and mandatory IFRS standards were adopted by the Corporation effective January 1, 2013:

IFRS 11, "Joint Arrangements"

Significantly all of the Corporation's operations are conducted jointly with others through a joint operation. The Corporation accounts for its share of the results of the joint operation by recognizing its proportionate interest in assets, liabilities, revenues and expenses of the joint operation.

IFRS 12, "Disclosure of interests in other entities"

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The standard requires the Corporation to disclose information that enables users of the financial statements to evaluate: (1) the nature of, and risks associated with, the Corporation's interests in other entities; and (2) the effects of those interests on the Corporation's financial position, financial performance and cash flows. The required disclosures are included in note 15.

IFRS 13, 'Fair value measurement'

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard became effective for annual periods beginning on or after January 1, 2013. Adoption of this standard did not materially affect the financial statements.

5. Future accounting policy changes

The following new and mandatory IFRS standard has been issued and will be effective for accounting periods beginning on or after January 1, 2015 and is expected to be relevant to the Corporation:

5. Future accounting policy changes (continued)

IFRS 9, 'Financial instruments: Classification and measurement'

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The standard also results in one impairment method replacing the numerous impairment methods in IAS 39 that arise from the different classification categories. The International Accounting Standards Board intends to expand IFRS 9 to add new requirements for impairment of financial assets measured at amortized cost. The Corporation is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on January 1, 2015.

Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities

In December 2011, the IASB issued certain amendments to IAS 32, which establishes disclosure requirements that are intended to help clarify for financial statement users the effect or potential effect of offsetting arrangements on a Corporation's financial position. These amendments are effective for the Corporation's annual period beginning on January 1, 2014. The Corporation has determined that the adoption of these amendments will not have a material impact on it financial statements.

International Financial Reporting Standards Interpretations Committee Interpretation 21 – Levies (IFRIC 21)

In May 2013, IFRIC 21 was issued. IFRIC 21 addresses various accounting issues relating to levies imposed by a government. This interpretation is effective for annual periods beginning on or after January 1, 2014. The Corporation is yet to assess the impact the adoption of this interpretation may have on the Corporation's financial statements.

There are no other new and mandatory IFRS standards, amendments or interpretations that have been issued and will be effective for accounting periods on or after January 1, 2014 that are expected to be relevant to the Corporation.

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Notes to the Financial Statements
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6. Investment properties

	2013 (000's)	2012 (000's)
Balance, beginning of year	$ 312,306	$ 263,385
Additions:		
Acquisition	28,858	75,346
Capital expenditure/capitalized costs	814	710
Tenant incentives and commissions	1,111	598
Stepped rent	84	426
Disposals	-	(44,737)
Fair value gains	5,991	16,578
Balance, end of year	$ 349,164	$ 312,306

For financial reporting periods December 31, 2013 and December 31, 2012, the Corporation has the investment properties appraised in accordance with their appraisal policy which requires that properties be appraised at least once every year by professionally qualified independent appraisers. The external appraisals are completed at the end of a six month period on approximately one half of the Corporation's portfolio. The properties that are not externally appraised during each six month period are appraised by Bentall Kennedy.

	2013 Market Value (000's)	2012 Market Value (000's)
a) Park and Tilford Shopping Centre, North Vancouver, British Columbia	$ 65,000	$ 65,000
b) TD Creekside Corporate Centre (50% interest), Mississauga, Ontario	40,250	38,450
c) Centre 5735, Calgary, Alberta	8,200	7,800
d) 4500 Cousens Road, St. Laurent, Quebec	5,700	6,000
e) 4500 Chemin Bois Franc, St. Laurent, Quebec	4,900	5,300
f) Faubourg Bois Franc, St. Laurent, Quebec	15,900	16,100
g) Vintage Park, Calgary, Alberta	19,000	17,900
h) 10201 Jasper Avenue (20% interest), Edmonton, Alberta	11,480	11,200
i) 10303 Jasper Avenue, (20% interest), Edmonton, Alberta	32,400	30,400

6. Investment properties (continued)

j) 10 Dundas Street East, (15% interest), Toronto, Ontario	**38,310**	38,685
k) Kaplan Industrial Portfolio, Montreal, Quebec	**25,165**	24,967
l) 550 Burrard Street, (12.5% interest), Vancouver, British Columbia	**54,000**	50,504
m) Argentia Industrial Portfolio, Mississauga, Ontario	**28,859**	-
	$ 349,164	$ 312,306

The Corporation determined the fair value of each investment property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable statement of financial position dates, less future cash outflow pertaining to the respective leases. The properties are appraised using a number of approaches that typically include a discounted cash flow analysis, a direct capitalization income method and a direct comparison approach. The discounted cash flow analysis is primarily based on discounting the expected future cash flows, generally over a term of 10 years including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows.

The significant assumptions made relating to valuations of investment properties using discounted cash flow analysis and direct capitalization income method were:

	2013	2012
Maximum capitalization rate	**7.25%**	7.25%
Minimum capitalization rate	**4.75%**	4.25%
Weighted average capitalization rate	**5.77%**	5.82%

Included in investment properties is $2,129,016 (2012 - $2,044,460) of net straight-line rent arising from the recognition of rental revenue.

7. Discontinued operations

On December 19, 2013, the Corporation completed the sale of Bayview Chateau and White Rock Gardens which represented their residential portfolio for gross proceeds of $18 million and related selling costs of $608,565.

7. Discontinued operations (continued)

Statement of financial position

	2013 (000's)	2012 (000's)
Assets		
Non-current		
Investment properties	$ -	$ 16,190
Current		
Accounts receivable	15	5
Prepaid expenses	9	10
	24	15
Total assets	$ 24	$ 16,205
Liabilities		
Non-current		
Mortgages payable	$ -	$ 3,675
Current		
Mortgages payable	-	136
Accounts payable	53	113
	53	249
Total liabilities	$ 53	$ 3,924

Statements of income and comprehensive income

	2013 (000's)	2012 (000's)
Rental income	$ 1,054	$ 1,137
Property operating costs	(568)	(590)
Net operating income	486	547
Mortgage interest	(135)	(179)
Net property income	351	368
Increase in fair value of investment properties	-	1,272
Gain on sale of investment properties	1,118	-
Net income and comprehensive income from discontinued operations	$ 1,469	$ 1,640

7. Discontinued operations (continued)

Statement of cash flow

		2013 (000's)		2012 (000's)
Operating activities				
Income and comprehensive income from discontinued operations	$	1,469	$	1,640
Adjustments to reconcile income to net cash flows				
Mortgage interest		135		179
Gain on sale of investment properties		(1,118)		-
Increase in fair value of investment properties		-		(1,272)
Net changes in non-cash operating items				
Accounts receivable		(10)		(3)
Prepaid expenses		1		(2)
Payables and accruals		(49)		38
Cash and cash equivalents provided by operating activities		428		580
Financing activities				
Dividends paid		(9,210)		-
Repayment of mortgage payable		(3,821)		(116)
Interest paid		(145)		(184)
Deferred financing costs		-		(11)
Cancellation of common shares		(4,390)		-
Cash and cash equivalents used in financing activities		(17,566)		(311)
Investing activities				
Additions to investment properties		(74)		(268)
Proceeds from disposition of investment properties		17,391		-
Cash and cash equivalents provided by (used in) investing activities		17,317		(268)
Net increase in cash and cash equivalents from discontinued operations	$	179	$	1

8. Mortgages payable

		2013 (000's)		2012 (000's)
(a) Park and Tilford Shopping Centre, North Vancouver, British Columbia. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $131,657, including interest calculated at a rate of 5.215% per annum, maturing 1 September 2020, secured by a first mortgage on freehold land and improvements, a first-ranking general assignment of leases and/or rents, first ranking specific assignments, and a security agreement.	**$**	**16,292**	$	17,011
(b) TD Creekside Corporate Centre, Mississauga, Ontario. Mortgage (50% interest), held by Metropolitan Life Insurance Company, repayable in monthly Installments of $115,194, including interest calculated at a rate of 5.71% per annum, maturing 1 July 2014, secured by a freehold first mortgage and charge on the property, a general security agreement, a first general assignment of rents, a first specific assignment of a tenant lease.		**14,308**		14,866
(c) Centre 5735, Calgary, Alberta. Mortgage, held by Equitable Life, repayable in monthly installments of $26,630, including interest at a rate of 5.28% per annum, maturing 1 December 2016, secured by a mortgage and charge on the property, and a general security agreement.		**3,724**		3,845
(d) Faubourg Bois Franc, St. Laurent, Québec. Mortgage, held by CIBC Mortgages Inc., repayable in monthly installments of $57,238, including interest calculated at a rate of 5.00% per annum, maturing 1 September 2017, secured by a first hypothec for registration against title to the properties in the amount of $10,725,000, a general immovable hypothec of rents being a first priority interest in rents payable and the insurance indemnities on such rents, a movable hypothec of the lease(s), and a movable hypothec in the amount of $10,725,000 being a first priority interest in all present and future personal or movable property corporeal or incorporeal of the Borrower.		**9,584**		9,791
(e) 10201 Jasper Avenue, Edmonton, Alberta. Mortgage (20% interest), held by the Standard Life Assurance Company of Canada, repayable in monthly installments of $33,491, including interest calculated at a rate of 6.50% per annum, maturing 1 July 2019, secured by a first mortgage, the general assignment of rents and leases, a specific assignment of leases and a general security agreement.		**4,587**		4,691

8. Mortgages payable (continued)

	2013 (000's)	2012 (000's)
(f) 10303 Jasper Avenue, Edmonton, Alberta. Mortgage (20% interest), held by The Great-West Life Assurance Company, two mortgages: the first repayable in monthly installments of $29,835, including interest calculated at a rate of 4.159% per annum, maturing 31 December 2017; the second, an interest payment only mortgage, with monthly interest payments of $25,919 calculated at a rate of 5.639% per annum, maturing 31 December 2017. The first mortgage is secured by a pari-passue first mortgage on freehold land and improvements, first ranking general assignment of leases and/or rents of the lands, assignments of leases including specific assignment of major tenant leases.	**10,752**	10,894
(g) 10 Dundas Street East, Toronto, Ontario. Mortgage (15% interest), held by CDPQ Mortgage Investment Corporation, repayable in monthly installments of $96,226, including interest calculated at a rate of 5.344% per annum, maturing 1 April 2021; secured by a first mortgage, the general assignment of rents and leases, a specific assignment of leases and a general security agreement.	**13,966**	14,371
(h) 550 Burrard Street, Vancouver, British Columbia. Mortgage (12.5% interest), held by Royal Bank of Canada, repayable in monthly installments of $132,432, including interest calculated at a rate of 4.044% per annum, maturing 1 June 2022; secured by a first mortgage, the general assignment of rents and leases, a specific assignment of leases and a general security agreement.	**24,161**	24,768
(i) 2875, 2885, 2895, 2905 and 2915 Argentia Road, Mississauga, Ontario. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $104,987, including interest calculated at a rate of 5.623% per annum, maturing 1 January 2018; secured by a first mortgage, the general assignment of rents and a general security agreement.	**14,800**	-
	112,174	100,237
Add: fair value adjustments (a)	**1,200**	-
Less: deferred financing costs	**(224)**	(238)
Mortgage payables	**113,150**	99,999
Less: current portion	**(3,474)**	(2,963)
Long-term portion	**$ 109,676**	$ 97,036

(a) Mortgage assumed on the acquisition of the Argentia Industrial Portfolio has been adjusted to fair value by discounting the future cash flows of the debt using the market rate of interest in effect at the time of acquisition. The Corporation is of the opinion that the rate used corresponds to that which they would have been able to obtain for loan with similar maturity date and term. This fair value debt adjustment is amortized to mortgage interest expense over the remaining life of the debt.

8. Mortgages payable (continued)

The mortgages payable are secured by certain real property, bear interest at rates ranging from 4.044% to 6.50% and are payable as follows:

		(000's)
2014	$	3,208
2015		16,982
2016		3,168
2017		25,268
2018		15,188
Thereafter		48,360
	$	112,174

9. Dividends payable

Dividends are payable on a resolution of the Board to the holder of common shares on a quarterly basis based on the net income for the quarter, less reasonable reserves as determined by Bentall Kennedy.

10. Share capital

Authorized:

Unlimited number of common shares without par value.

	2013			2012		
	Number		**Amount (000's)**	Number		Amount (000's)
Opening balance	**16,435,100**	**$**	**164,351**	13,285,100	$	132,851
Purchase of shares for cancellation	**(439,000)**		**(4,390)**	(2,161,000)		(21,610)
Issuance of new shares	**947,800**		**9,478**	5,311,000		53,110
	16,943,900	**$**	**169,439**	16,435,100	$	164,351

The common shares have a dividend equal to the annual net cash flow of the Corporation derived from real property and all other investments as defined. On January 15, 2013, the Corporation issued 947,800 common shares for $10 per share to fund the acquisition of the Argentia Industrial Portfolio. On December 20, 2013, the Corporation redeemed for cancellation 439,000 common shares as a result of the sale of Bayview Chateau and White Rock Gardens.

11. Rental income

	2013 (000's)	2012 (000's)
Rents charged:		
Base rent	$ 19,146	$ 17,272
Lease cancellation fees	101	-
Fees and other income	1,374	1,414
	20,621	18,686
Adjustments to rental revenue:		
Amortization of tenant inducements	(229)	(216)
Straight-line rent adjustments	84	426
	$ 20,476	$ 18,896

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2013 (000's)	2012 (000's)
Not later than 1 year	$ 18,744	$ 16,664
Later than 1 year and not longer than 5 years	59,207	50,017
Later than 5 years	22,645	26,039
Total	$ 100,596	$ 92,720

The Corporation leases out its investment properties under operating leases with terms ranging from five years to fifteen years.

12. Property operating costs

Property operating costs consist of:

	2013 (000's)	2012 (000's)
Elevator, HVAC and plumbing	$ 384	$ 483
Exterior grounds	719	625
General administrative	622	590
Insurance	199	169
Janitorial	536	571
Management fees	885	802
Miscellaneous	129	94
Non-recoverable property expenses	501	466
Parking lot	399	308
Property taxes	5,835	5,163
Repairs and maintenance	460	346
Security	422	416
Utilities	1,223	1,243
	$ 12,314	$ 11,276

13. Related party transactions

During the year, charges of $3,954,701 (2012 - $4,964,697) were incurred for services from Bentall Kennedy, a related party, in accordance with the management contract. These amounts are incurred in the normal course of business and are measured at the amount of consideration established and agreed to by the related parties.

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

14. Management of capital

The Corporation defines capital that it manages as the aggregate of its shareholders' equity and debt less cash and cash equivalents. The Corporation's objective when managing capital is to ensure that the Corporation will continue as a going concern so that it can sustain daily operations and provide adequate returns to its shareholders.

The Corporation is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced or may not be refinanced on a favourable terms or with interest rates as favourable as those of the existing debt. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The total managed capital for the Corporation as at December 31, 2013 and December 31, 2012, is summarized below:

	2013 (000's)	2012 (000's)
Mortgages payable	$ 112,174	$ 100,237
Cash and cash equivalents	(5,208)	(4,694)
Net debt	106,966	95,543
Equity	235,981	227,134
Total managed capital	$ 342,947	$ 322,677

15. Investments in joint operations

The Corporation's interests in the following properties are subject to joint control and, accordingly, the Corporation has recorded its share of the assets, liabilities, revenue and expenses of the properties in these financial statements:

			Proportion of ownership interest and voting rights held by the Corporation	
Name of property	Principal activity	Principal place of business	**2013**	2012
Enbridge Tower	Income producing property	Edmonton	**20.0%**	20.0%
Canadian Western Bank Place	Income producing property	Edmonton	**20.0%**	20.0%
TD Creekside	Income producing property	Mississauga	**50.0%**	50.0%
10 Dundas Street East	Income producing property	Toronto	**15.0%**	15.0%
550 Burrard Street	Income producing property	Vancouver	**12.5%**	12.5%

16. Financial instruments and risk management

The Corporation's financial assets and liabilities are comprised of accounts receivable, cash and cash equivalents, mortgages payable, payables and accruals, dividends payable and security deposits and prepaid rent. Fair values of financial assets and liabilities and discussion of risks associated with financial assets and liabilities are presented as follows:

Fair value of financial assets and liabilities

The fair values of accounts receivable, cash and cash equivalents, qne payables and accruals, approximate their carrying value due to the short-term maturity of those instruments. The fair values of mortgages payable are based on the current market conditions for financing loans with similar terms and risks.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using December 31, 2013 market rates for debts of similar terms (Category Level 2). Based on these assumptions, the fair value of the mortgages payable is estimated at:

16. Financial instruments and risk management (continued)

Fair value of financial assets and liabilities (continued)

	2013 Market Value (000's)	2012 Market Value (000's)
(a) Park and Tilford Shopping Centre, North Vancouver, British Columbia.	$ **17,228**	$ 18,488
(b) TD Creekside Corporate Centre, Mississauga, Ontario (50% interest).	**14,308**	15,472
(c) Centre 5735, Calgary, Alberta.	**3,960**	4,132
(d) Faubourg Bois Franc, St. Laurent, Québec.	**10,107**	10,523
(e) 10201 Jasper Avenue, Edmonton, Alberta (20% interest).	**5,132**	5,452
(f) 10303 Jasper Avenue, Edmonton, Alberta (20% interest).	**10,897**	11,114
(g) 10 Dundas Street East, Toronto, Ontario (15% interest).	**14,790**	15,811
(h) 550 Burrard Street, Vancouver, British Columbia (12.5% interest).	**23,565**	24,768
(i) 2875, 2885, 2895, 2905 and 2915 Argentia Road, Mississauga, Ontario.	$ **16,299**	$ -
Fair value of mortgage payables	$ **116,286**	$ 105,760

16. Financial instruments and risk management (continued)

Risks associated with financial assets and liabilities

The Corporation is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk relating to interest rates, credit risk and liquidity risk. The Corporation's overall risk management program focuses on establishing policies to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities. The Corporation aims to develop a disciplined control environment in which all employees understand their roles and obligations.

(a) Market risk

Market risk, the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices comprises the following:

Interest rate risk

The Corporation is subject to the risks associated with debt financing; including the risk that credit facilities will not be refinanced on terms as favourable as those of the existing indebtedness. For the year ended December 31, 2013, the increase / decrease in annual net income for each one percent change in interest rates on the Corporation fixed rate debt amounts to $1,134,509 / $1,146,034 (2012 - $869,220 / $876,925).

The Corporation's objective of managing interest rate risk is to minimize the volatility of the Corporation's income. As at December 31, 2013, interest rate risk has been minimized, as the mortgage payables are financed at fixed interest rates.

(b) Credit risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in the Corporation incurring a financial loss. A substantial portion of the Corporation's amounts receivable is with retail tenants and individuals and is subject to normal industry credit risks.

The objective of managing credit risk is to mitigate exposure through the use of approved credit policies governing the Corporation's credit practices that limit transactions according to counterparties' credit quality.

The carrying amount of amounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of income within property operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of income.

16. Financial instruments and risk management (continued)

Risks associated with financial assets and liabilities (continued)

(c) Liquidity risk

Liquidity risk is the risk the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation will be subject to the risks associated with debt financing, including the risk that credit facilities will not be able to be refinanced. The Corporation's objectives in minimizing liquidity risk are to maintain appropriate levels of leverage on its real estate assets. At December 31, 2013, the Corporation was holding cash and cash equivalents of $5,208,268 (December 31, 2012 - $4,694,336) and had $Nil undrawn lines of credit available to it.

(d) Environmental risk

The Corporation is subject to various Canadian laws relating to the environment. The Corporation has formal policies and procedures dealing with limiting environmental exposures which are administered by the Manager. Costs related to environmental risk are mitigated by carrying environmental insurance. There is an exposure to financial risks arising from environmental factors which could cause a variation in earnings to the extent that costs may exceed such coverage.

17. Comparative figures

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

NOVA CENTRAL SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS – JUNE 30, 2013

FARRELL PARSONS RIDEOUT
PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR' REPORT

To the Board of Trustees of the **Newfoundland and Labrador English School District**

Report on the Financial Statements

We have audited the accompanying financial statements of the former **Nova Central School District** which comprise the statement of financial position as at June 30, 2013, and the statements of operations, statement of changes in net financial assets (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 Board 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 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 qualified opinion.

Basis for Qualified Opinion

In accordance with the Schools Act, all salaries and other compensation for teachers are the responsibility of the Department of Education. In accordance with Canadian Public Sector Accounting Board Standards liabilities for future employee benefits for teachers severance and sick benefits have been recorded in these financial statements, however, an offsetting receivable from the Department of Education related to these liabilities has not been recorded. If the accounts receivable were recorded in accordance with Canadian Public Sector Accounting Board Standards, changes to the amounts reported for accounts receivable, revenue and reported surplus (deficit) would be necessary.

(Continued...)

30 ROE AVENUE, P.O. BOX 348, GANDER, NL A1V 1W7
TELEPHONE (709) 651-4100 FAX (709) 256-2957

FARRELL PARSONS RIDEOUT
PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR' REPORT

Qualified Opinion

In our opinion, except for the effects of the adjustment for failure to record the accounts receivable from the Department of Education as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the former **Nova Central School District** as at June 30, 2013 and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Board Standards.

Farrell, Parsons, Rideout P.C.
Chartered Accountants

Gander, Newfoundland

February 28, 2014

30 ROE AVENUE, P.O. BOX 348, GANDER, NL A1V 1W7
TELEPHONE (709) 651-4100 FAX (709) 256-2957

NOVA CENTRAL SCHOOL DISTRICT

Statement of Operations

Year ended June 30, 2013

	2013 Budget	2013 Actual	2012 Actual
Revenue (Schedule 1)			
Provincial Government Grants	$ 136,291,183	153,560,549	158,690,769
Ancillary Services	-	800	36,000
Miscellaneous	407,400	773,172	1,783,628
	136,698,583	154,334,521	160,510,397
Expenditure			
Administration (Schedule 2)	4,206,688	4,048,641	4,435,951
Instruction (Schedule 3)	105,952,942	115,127,809	114,709,739
Operations and Maintenance (Schedule 4)	14,417,602	18,754,107	19,062,612
Pupil Transportation (Schedule 5)	12,119,773	11,127,583	10,976,460
Ancillary Services - other	-	622	2,226
Interest Expense	2,000	206	3,680
Loss (gain) on disposal of tangible capital assets	-	(5,705)	(8,459)
Depreciation expense	-	3,887,747	4,998,788
Change in sick benefits	-	(106,579)	(108,314)
Change in severance benefits	-	1,520,676	1,135,817
	136,699,005	154,355,107	155,208,500
Surplus (Deficit)	$(422)	(20,586)	5,301,897
Accumulated surplus, beginning		26,088,584	20,786,687
Accumulated surplus, ending		$ 26,067,998	26,088,584

See accompanying notes

Subject to the accompanying Independent Auditors' Report

NOVA CENTRAL SCHOOL DISTRICT

Statement of Financial Position

June 30, 2013

Financial Assets	June 30, 2013	June 30 2012	July 1 2011
Cash - unrestricted	$ 9,369,313	8,380,238	8,243,948
Restricted Cash - Scholarship contributions	712,930	723,947	721,709
Accounts Receivable (Note 3)	1,616,334	3,331,014	1,039,574
Teachers summer pay receivable (Note 4)	13,227,096	12,717,948	12,139,719
	24,925,673	25,153,147	22,144,950
Liabilities			
Payables and accruals (Note 7)	1,772,428	2,109,887	1,709,055
Scholarship funds	712,930	723,947	721,709
Long Term Debt (Schedule 8)	6,439,442	6,879,231	7,069,068
Deferred grants (Note 6)	2,080,938	3,193,824	2,532,375
Employee future benefits (Note 11):			
Accrued severance - teachers and student assistants	20,453,129	19,111,311	18,187,594
- other	3,057,233	2,878,375	2,666,275
Accrued sick benefits - teachers and student assistants	15,664,726	15,727,971	15,795,257
- other	1,459,101	1,502,435	1,543,463
Accrued vacation/summer pay - teachers and student assistants (Note 4)	13,227,096	12,717,948	12,139,719
- other	1,210,572	1,193,952	1,237,705
	66,077,595	66,038,881	63,602,220
NET FINANCIAL ASSETS (DEBT)	(41,151,922)	(40,885,734)	(41,457,270)
NON-FINANCIAL ASSETS			
Prepaid expenses (Note 5)	602,877	641,761	607,814
Tangible capital assets (Note 10)	66,617,043	66,332,557	61,636,143
	67,219,920	66,974,318	62,243,957
ACCUMULATED SURPLUS (Note 2)	$ 26,067,998	26,088,584	20,786,687

Contingent liabilities (Note 13)
Commitments (Note 14)

Approved:

_______________ Director

_______________ Director

See accompanying notes

Subject to the accompanying Independent Auditors' Report

NOVA CENTRAL SCHOOL DISTRICT

Statement of Changes in Net Financial Assets (Debt)

Year ended June 30, 2013

	2013	2012
Net Debt- beginning of period	**$(40,885,734)**	(41,457,270)
Surplus (Deficit) (Note 2)	**(20,586)**	5,301,897
Changes in Tangible Capital Assets:		
Acquisition of tangible capital assets	**(4,172,233)**	(9,711,960)
Amortization of tangible capital assets	**3,887,747**	4,998,788
Net book value of tangible capital assets disposed	**-**	16,758
Decrease (increase) in net book value of tangible capital assets	**(284,486)**	(4,696,414)
Changes in other non-financial assets:		
Decrease (increase) in prepaid expenses	**38,884**	(33,947)
Decrease (increase) in other non-financial assets	**38,884**	(33,947)
Decrease (increase) in debt	**(266,188)**	571,536
Net Debt - end of period	**$(41,151,922)**	(40,885,734)

See accompanying notes

Subject to the accompanying Independent Auditors' Report

NOVA CENTRAL SCHOOL DISTRICT

Statement of Changes in Cash Flows

Year ended June 30, 2013

	2013	2012
Operations:		
Surplus (Deficit)	**$(20,586)**	5,301,897
Amortization	**3,887,747**	4,998,788
Loss (gain) on disposal of tangible capital assets	**(5,705)**	(8,459)
	3,861,456	10,292,226
Changes in:		
Receivables	**1,714,680**	(2,291,440)
Teachers' summer pay receivable	**(509,148)**	(578,229)
Prepaids	**38,884**	(33,947)
Payables and accruals	**(337,459)**	400,832
Accrued vacation pay	**525,768**	534,476
Accrued severance benefits	**1,520,676**	1,135,817
Accrued sick benefits	**(106,579)**	(108,314)
Deferred grants	**(1,112,886)**	661,449
Net cash provided from operations	**5,595,392**	10,012,870
Investing:		
Additions to tangible capital assets	**(4,172,233)**	(9,711,960)
Proceeds on disposal of tangible capital assets	**5,705**	25,217
Increase (decrease) in scholarship funds	**(11,017)**	2,238
Net cash applied to investing	**(4,177,545)**	(9,684,505)
Financing:		
Repayment of long-term debt	**(1,330,817)**	(1,323,477)
New long-term debt proceeds	**891,028**	1,133,640
Net cash applied to financing	**(439,789)**	(189,837)
Net increase in cash	**978,058**	138,528
Cash:		
Beginning	**9,104,185**	8,965,657
Ending	**$ 10,082,243**	9,104,185
Comprised of:		
Cash - unrestricted	**$ 9,369,313**	8,380,238
Restricted cash - scholarships	**712,930**	723,947
	$ 10,082,243	9,104,185

See accompanying notes

Subject to the accompanying Independent Auditors' Report

Nature of operations:

The former Nova Central School District was responsible for the operation and maintenance of all schools in the central portion of the province of Newfoundland and Labrador.

The former Nova Central School District was a not-for-profit organization and was exempt from income taxes and was constituted under the provincial Schools Act.

1. Summary of significant accounting policies:

These financial statements have been prepared in accordance with Canadian public sector accounting board standards. Outlined below are those policies considered particularly significant by the former District.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting board 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include accrued severance, accrued sick leave and useful life of tangible capital 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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of any overdrafts. Bank overdrafts are considered a component of cash and cash equivalents and are secured by approved authority to borrow authorized by the Province's Minister of Education. Cash restricted for scholarship contributions is a separate component of unrestricted cash.

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.

Transfers are recognized as revenues when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

Expenses

Expenses are reported on an accrual basis. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay.

1. **Summary of significant accounting policies (continued):**

Deferred revenue

Certain amounts are received pursuant to legislation, regu lation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services in transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met.

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 excess of revenues over expenses, provides the change in net financial assets for the year.

Severance and sick pay liability

An accrued liability for severance is recorded in the accounts for all employees who have a vested right to receive such payments. Severance pay vests after nine years of continuous service. An estimate for the provision of employees with less than nine years of service has been determined by actuarial analysis.

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.

Actuarial gains or losses are being amortized to the liability and the related expense straight-line over the expected average remaining service life of the employee group.

Tangible capital assets

Capital assets are recorded at cost, although the title to certain of these assets is held by the Government of Newfoundland and Labrador (the "Government") as well as some former school authorities. Contributed capital assets are recorded at their estimated fair value at the date of contribution. Minor equipment purchases less than $15,000 are charged to operations in the year of acquisition.

Amortization is calculated on a straight-line basis at the rates set out below.

It is expected that these rates will charge operations with the total cost of the assets less estimated salvage value over the useful lives of the assets.

(Continued...)

1. **Summary of significant accounting policies (continued):**

Tangible capital assets (continued)

Buildings and improvements	40 years
Equipment	5 years
Service vehicles	5 years
School buses	12 years

Gains and losses on disposal of individual assets are recognized in operations in the period of disposal.

Construction in progress is not amortized until the project is substantially complete at which time the project costs are transferred to the appropriate asset class and amortized accordingly.

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.

Pension costs

Employees of the former Nova Central School District are covered by the Public Service Pension Plan and the Government Money Pension Plan administered by the Province of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Nova Central School District. The annual contributions for pensions are recognized in the accounts on a current basis.

(Continued...)

1. Summary of significant accounting policies (continued):

Financial instruments

The District recognizes a financial asset or a financial liability on its statement of financial position when the District becomes a party to the contractual provision of the financial instrument. The District initially measures its financial assets and liabilities at fair value, except for certain non-arms length transactions. The District subsequently measures all its financial assets and liabilities at amortized cost except for investments restricted for scholarship purposes which are subsequently measured at fair value.

Financial assets measured at amortized cost include cash and cash equivalents, receivables, scholarship funds. Financial assets measured at fair value are investments restricted for scholarship purposes.

Financial liabilities measured at amortized cost include payables and accruals, employee future benefits, deferred grants, long-term debt, and scholarship funds payable.

Unless otherwise noted, it is management's opinion that the District is not exposed to significant interest, currency or credit risks.

2. Impact of the change in the basis of accounting:

These financial statements are the first financial statements for which the former Nova Central School District has applied Canadian public sector accounting board standards ("PSAB"). The financial statements for the year ended June 30, 2013 were prepared in accordance with PSAB. Comparative period information presented for the year ended June 30, 2012 was prepared in accordance with PSAB and the provisions set out in Section *PS 2125 First-time adoption by government organizations*. The former Nova Central School District has elected to take the first-time adoption exemption under *PS 2125* relating to actuarial gains and losses resulting from the initial actuarial valuations of severance and sick benefits liabilities and recognize all cumulative actuarial gains and losses at the date of transition in the accumulated deficit.

The date of transition to PSAB is July 1, 2011, the adoption of the standards has resulted in a restatement of the Statement of Operations for the year ended June 30, 2012 as well as the carrying value of tangible capital assets, deferred revenue, accrued sick benefits, severance liability, accumulated surplus and previously reported investment in capital asset as of July 1, 2011 and June 30, 2012.

(Continued...)

2. Impact of the change in the basis of accounting (continued):

As of July 1, 2011, the statement of financial position included two components of equity being investment in capital assets and general surplus/deficit. Under Public Sector Standards these are combined into one surplus/deficit account. Tangible Capital Assets were previously stated at cost, under PSAB Tangible Capital Assets have been restated at cost less accumulated amortization. Also, there were operating deferred contributions without specific restrictions or stipulations that are not permitted to be deferred under PSAB. As well, the District performed an actuarial assessment of accrued sick benefits and severance liabilities that resulted in restatement of these liabilities as required under PSAB. Therefore, as a result of the above adjustments required under the transition to PSAB the following restatement has occurred.

Adjustment to consolidated statement of financial position as at July 1, 2011:

	As previously Reported	Adjustment Required	As restated
Assets:			
Tangible Capital Assets	$ 213,200,147	(151,564,004)	61,636,143
Liabilities:			
Deferred grants	2,581,814	49,439	2,532,375
Accrued sick benefits	-	(17,338,720)	17,338,720
Accrued severance	23,123,962	2,270,093	20,853,869
Accumulated surplus (deficit)	(18,761,201)	39,547,888	20,786,687
Investment in Capital Assets	206,131,080	(206,131,080)	-

Adjustments to accumulated surplus (deficit) as at July 1, 2011:

Accumulated consolidated surplus (deficit), as originally reported:	
Investment in capital assets as originally reported	$ 206,131,080
Board deficiency	(18,761,201)
Total opening surplus/deficit, as originally reported	187,369,879
Adjustments to tangible capital assets	(151,564,004)
Adjustment to deferred grants	49,439
Adjustment to sick benefits	(17,338,720)
Adjustment to accrued severance benefits	2,270,093
Opening surplus at July 1, 2011 as restated under PSAB	$ 20,786,687

(Continued...)

2. Impact of the change in the basis of accounting (continued):

Reconciliation of previously reported annual surplus for June 30, 2012 with the annual surplus for June 30, 2012 shown in the financial statements:

Annual surplus (deficit), as previously reported, June 30, 2012	**$ 494,845**
Adjustment related to amortization of capital assets	**(4,998,788)**
Adjustment related to capital grants received	**8,443,924**
Adjustment related to other deferred revenue	**40,783**
Adjustment related to sick benefits expense	**108,314**
Adjustment related to severance expense	**(228,288)**
Adjustment to heat and light expense principal payments	**185,431**
Adjustment to transportation expense - debt repayment principal	**1,102,498**
Tangible capital asset additions previously expensed in the capital fund	**118,766**
Adjustment to gain/loss on disposal of tangible capital assets and proceeds on disposal	**34,411**
Adjusted annual surplus, as restated, June 30, 2012	**$ 5,301,896**

3. Accounts Receivable:

	2013	2012
Government of Newfoundland and Labrador	**$ 1,067,192**	2,652,979
HST receivable	**356,282**	390,778
Trade	**127,177**	181,727
Schools	**52,663**	96,075
Other	**13,020**	9,455
	$ 1,616,334	3,331,014

4. Teachers' summer pay receivable/liability:

Pursuant to a directive issued by the Department of Education the former District recorded the vacation pay liability for teachers in the former District. The liability relates to teachers' salaries earned during the school year but not fully paid to teachers until subsequent to June 30. Accordingly, the former District has recorded teachers' vacation pay receivable of $13,227,096 at June 30, 2013 (2012 - $12,717,948).

Subject to the accompanying Independent Auditors' Report

5. Prepaid expenses:

	2013	2012
Municipal taxes	$ 211,958	182,242
Workers compensation	285,645	257,343
Other	105,274	202,176
	$ 602,877	641,761

6. Deferred grants:

	2013	2012
Deferred operating grants	$ 632,187	948,319
Deferred capital grants and major maintenance	1,448,751	2,245,505
	$ 2,080,938	3,193,824

7. Payables and accruals:

	2013	2012
Trade payables and accruals	$ 1,554,903	1,895,584
Accrued wages	18,170	43,116
Payroll deductions	199,355	171,187
	$ 1,772,428	2,109,887

9. Bank indebtedness:

The former District had an authorized operating demand loan of $2,000,000 authorized, bearing interest at TD bank prime minus 1%. This credit facility was unused at June 30, 2013 and June 30, 2012. In accordance with the Schools Act, the operating demand loan was supported by a letter of approval to borrow provided by the Minister of Education.

10. Tangible capital assets:

	2013			2012	July 1 2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Net Book Value
Land and sites	$ 2,839,675	-	2,839,675	2,839,675	2,839,675
Buildings	147,070,657	90,341,042	56,729,615	56,046,434	51,132,892
Vehicles -- busses	14,647,235	7,999,982	6,647,253	6,846,345	6,816,523
- other	623,650	492,649	131,001	190,816	200,613
Furniture and equipment	22,682,594	22,413,095	269,499	409,287	646,440
	$ 187,863,811	121,246,768	66,617,043	66,332,557	61,636,143

11. Employee future benefits:

Future employee benefits related to accrued severance and accrued sick obligations have been calculated based on an actuarial valuation completed on January 30, 2014. The assumptions are based on future events. The economic assumptions used in the valuation are the former Nova Central School District's best estimates of expected rates as follows:

	2013	2012	2011
Wages and salary escalation - teaching staff in first 10 years of service	**7.25%**	7.25%	7.25%
Wages and salary escalation - all other staff	**4.00%**	4.00%	4.00%
Interest	**3.91%**	3.40%	4.30%

(Continued...)

11. Employee future benefits (continued):

Based on actuarial valuation of the liability, at June 30, 2013 the results for sick leave are:

	2013	2012	2011
Initial valuation	$ -	-	17,338,720
Accrued sick pay obligation, beginning of year	**18,121,653**	17,338,720	-
Current period benefit cost	**1,341,399**	1,218,593	-
Benefit payments	**(2,121,272)**	(2,054,500)	-
Interest on the accrued benefit obligations	**602,879**	727,593	-
Actuarial (gains) losses	**(494,698)**	891,247	-
Accrued sick pay obligations at June 30	**$ 17,449,961**	18,121,653	17,338,720

Based on actuarial valuation of the liability, at June 30, 2013 the results for severance are:

	2013	2012	2011
Initial valuation	$ -	-	20,853,869
Accrued benefit obligation, beginning of year	**23,703,227**	20,853,869	-
Current period benefit cost	**1,948,541**	1,683,900	-
Benefit payments	**(1,379,492)**	(1,449,832)	-
Interest on the accrued benefit obligation	**815,584**	901,749	-
Actuarial (gains) losses	**(1,038,591)**	1,713,541	-
Accrued severance obligation at June 30	**$ 24,049,269**	23,703,227	20,853,869

A reconciliation of the accrued benefit liability and the accrued benefit obligation is as follows:
Sick benefits:

	2013	2012	2011
Initial valuation June 30	$ -	-	17,338,720
Accrued benefit liability June 30	**17,123,827**	17,230,406	-
Unamortized actuarial losses	**326,134**	891,247	-
Accrued benefit obligation June 30	**$ 17,449,961**	18,121,653	17,338,720

Severance benefits:

	2013	2012	2011
Initial valuation June 30	$ -	-	20,853,869
Accrued benefit liability June 30	**23,510,362**	21,989,686	-
Unamortized actuarial losses	**538,907**	1,713,541	-
Accrued benefit obligation June 30	**$ 24,049,269**	23,703,227	20,853,869

Subject to the accompanying Independent Auditors' Report

12. Insurance subsidy:

The cost of insuring school properties is incurred by the Provincial Government and no amount has been recorded in these accounts to reflect this cost.

13. Contingent liabilities:

Site restoration and remediation costs associated with school properties under the former District are charged to operations as incurred. Estimated future site restoration and remediation costs have not been accrued in these financial statements since the obligation, if any, is presently not determinable. Such costs are normally funded by the Province of Newfoundland and Labrador.

A number of claims have been filed against the former District. An estimate of loss, if any, relative to these matters is not determinable at this time and no provision has been recorded in the accounts for these matters.

14. Commitments:

The former District was committed under the terms of various operating leases to make payments in the upcoming five years as follows:

2014	$ 135,477
2015	124,162
2016	87,350
2017	87,350
2018	15,251

NOVA CENTRAL SCHOOL DISTRICT

Schedule 1

Current Revenues

June 30, 2013

Provincial Government Grants

	2013 Budget	2013 Actual	2012 Actual
Operations:			
Regular operating grants	$ 22,668,700	23,602,442	23,571,917
Special grants	1,833,614	1,043,847	920,915
Capital grants	-	3,281,204	8,443,924
Major repairs and maintenance grants		4,010,440	4,677,174
Payroll tax	-	1,848,630	1,839,474
Salaries and benefits:			
Directors and assistant directors/SEO	1,167,466	1,235,214	1,476,540
Regular teachers	92,685,730	99,129,631	98,743,981
Student assistants	2,461,900	2,801,480	2,804,796
Substitute teachers	3,671,400	4,619,172	4,442,401
Pupil transportation:			
Board owned	10,045,300	10,160,317	10,034,034
Contracted	1,246,433	1,215,053	1,257,112
Special needs	510,640	613,119	478,501
	136,291,183	153,560,549	158,690,769
Ancillary services:			
Revenue from rental of residences	-	-	-
Interest on schools	-	-	-
Revenues from rental of schools and facilities - net	-	800	-
Internally generated funds - snow clearing and other incentives	-	-	36,000
Cafeterias	-	-	-
Other	-	-	-
	-	800	36,000

(Continued...)

Subject to the accompanying Independent Auditors' Report

Current Revenues

June 30, 2013

	2013 Budget	2013 Actual	2012 Actual
Miscellaneous:			
Interest on investments	$ 90,000	133,682	112,808
Bus charters	317,400	262,929	319,801
Recoveries of expenditures	-	178,082	1,037,647
Insurance proceeds	-	34,236	101,856
Miscellaneous federal grant	-	41,838	66,689
Sundry	-	122,405	144,827
	407,400	773,172	1,783,628
Total revenues	$ 136,698,583	154,334,521	160,510,397

Subject to the accompanying Independent Auditors' Report

NOVA CENTRAL SCHOOL DISTRICT

Schedule 2

Administration Expenditures

June 30, 2013

	2013 Budget	2013 Actual	2012 Actual
Salaries and Benefits - Director and Assistant Directors/SEO	$ 1,167,466	1,272,251	1,413,919
Salaries and Benefits - Board Office Personnel	2,105,267	1,749,707	1,880,376
Office Supplies	60,000	51,327	64,748
Replacement Furniture and Equipment	45,000	42,993	34,963
Postage	30,000	44,155	36,292
Telephone	92,000	64,307	99,698
Office Equipment Rentals and Repairs	17,369	16,786	19,235
Bank Charges	-	364	427
Electricity	135,000	168,689	161,423
Insurance	4,500	4,372	4,262
Repairs and Maintenance (Office Building)	26,000	34,317	29,188
Travel	104,170	71,961	100,826
Board Meeting Expenses	68,400	56,191	71,701
Professional Fees	52,500	203,898	146,833
Advertising	50,000	42,710	49,296
Membership Dues	71,154	83,899	73,366
Municipal Taxes	60,062	40,146	44,684
Miscellaneous	85,800	73,219	175,546
Payroll Tax	32,000	27,349	29,168
Total Administration Expenditures	$ 4,206,688	4,048,641	4,435,951

Subject to the accompanying Independent Auditors' Report

NOVA CENTRAL SCHOOL DISTRICT

Schedule 3

Instructional Salaries

June 30, 2013

	2013 Budget	2013 Actual	2012 Actual
Instructional Salaries:			
Teachers' Salaries - Regular	$ 92,685,730	83,896,772	83,454,378
- Substitute	3,671,400	4,619,171	4,441,402
- Board Paid	-	8,305	1,078
- Student Assistants	2,461,900	2,800,619	2,697,423
Employee Benefits	-	15,232,859	15,295,109
School Secretaries - Salaries and benefits	2,642,218	2,550,879	2,515,558
Payroll Tax	1,887,747	1,889,722	1,882,413
IMC Salary	45,111	37,034	38,908
	103,394,106	111,035,361	110,326,269
Instructional Materials:			
General Supplies	451,606	725,228	813,894
Library Resources	451,606	112,302	123,795
Teaching Aids	451,606	491,785	538,722
Curriculum initiatives	77,000	-	-
	1,431,818	1,329,315	1,476,411
Instructional Furniture and Equipment:			
Replacement	451,606	1,099,393	1,031,360
Rentals and Repairs	171,812	159,258	187,057
	623,418	1,258,651	1,218,417
Instructional Staff Travel:			
Program Co-ordinnators	65,000	59,971	78,866
Teachers' Travel	230,600	284,559	262,325
Inservice and Conferences	208,000	165,119	140,090
	503,600	509,649	481,281
Other Instructional Costs:			
Miscellaneous	-	994,833	1,207,361
	-	994,833	1,207,361
	$ 105,952,942	115,127,809	114,709,739

Subject to the accompanying Independent Auditors' Report

NOVA CENTRAL SCHOOL DISTRICT

Schedule 4

Operations and Maintenance Expenditures - Schools

June 30, 2013

	2013		2012
	Budget	**Actual**	Actual
Salaries and Benefits - Janitorial	**$ 4,264,640**	**4,066,988**	4,025,746
- Maintenance	**2,582,205**	**2,249,476**	2,346,381
Payroll Tax	**108,865**	**111,826**	106,454
Electricity	**3,212,088**	**3,289,784**	3,152,321
Fuel	**662,129**	**780,998**	863,084
Municipal Service Fees	**358,049**	**688,179**	405,121
Telephone	**345,225**	**560,437**	566,490
Vehicle Operating and Travel	**140,000**	**130,761**	158,106
Janitorial Supplies	**315,300**	**253,632**	264,393
Janitorial Equipment	**59,800**	**42,576**	72,468
Repairs and Maintenance - Building	**1,314,560**	**1,179,304**	1,226,269
- Equipment	**15,000**	**5,440**	7,812
Contracted Services - Janitorial	**309,390**	**267,392**	264,984
Snowclearing	**651,211**	**657,614**	675,869
Other	**79,140**	**4,469,700**	4,927,114
	$ 14,417,602	**18,754,107**	19,062,612

Subject to the accompanying Independent Auditors' Report

FARRELL PARSONS RIDEOUT
PROFESSIONAL CORPORATION

NOVA CENTRAL SCHOOL DISTRICT

Schedule 5

Pupil Transportation Expenditures

June 30, 2013

	2013 Budget	2013 Actual	2012 Actual
Operating and Maintenance of Board Owned Fleet:			
Salaries and Benefits - Administration	$ 195,400	215,841	226,899
- Drivers and Mechanics	6,237,900	6,251,109	6,226,794
Payroll Tax	105,500	98,285	103,198
Debt Repayment - Interest	134,900	129,349	136,212
- Principal	1,148,400	-	-
Gas & Oil	1,317,700	1,335,553	1,359,963
Licenses	88,600	86,724	88,578
Insurance	105,900	106,798	108,038
Repairs and Maintenance - Fleet	571,200	590,158	550,264
- Building	55,500	56,671	52,419
Tires and Tubes	97,200	68,062	76,505
Heat and Light	70,000	102,497	95,288
Municipal Services	8,900	12,101	9,510
Snowclearing	38,000	40,272	41,860
Office Supplies	25,000	16,178	18,254
Travel	18,000	11,351	29,388
Professional Fees	7,500	16,521	7,371
Miscellaneous	91,100	115,347	64,287
Telephone	46,000	46,594	46,019
	10,362,700	9,299,411	9,240,847
Contracted Services:			
Regular Transportation	1,246,433	1,215,053	1,257,112
Special Needs	510,640	613,119	478,501
	1,757,073	1,828,172	1,735,613
Total Pupil Transportation Expenditures	$ 12,119,773	11,127,583	10,976,460

Subject to the accompanying Independent Auditors' Report

OFFICE OF THE HIGH SHERIFF
OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

MARCH 31, 2013

AUDITOR GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the High Sheriff of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Office of the High Sheriff of Newfoundland and Labrador which comprise the balance sheet as at March 31, 2013, and the statement of revenues and expenses 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 Section 10 of the *Sheriff's Act, 1991*, 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 judgment of the auditor, 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 Office of the High Sheriff of Newfoundland and Labrador as at March 31, 2013, and its revenues and expenses for the year then ended in accordance with the accounting policies described in note 1 to these financial statements.

Basis of Accounting

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Office of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador under Section 10 of the *Sheriff's Act, 1991*. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

TERRY PADDON, CA
Auditor General

February 28, 2014
St. John's, Newfoundland and Labrador

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR
BALANCE SHEET

March 31	Trust Fund (Note 2)	Revenue Fund (Note 3)	Trial and Jury Fund (Note 4)	2013	2012
ASSETS					
Cash	$ 165,174	$ 7,152	$ 19,032	$ 191,358	$ 219,970
Accounts receivable	4,174	95,256	1,167	100,597	132,167
Inventory held in trust (Note 1)	1	-	-	1	-
	$ 169,349	$ 102,408	$ 20,199	$ 291,956	$ 352,137
LIABILITIES					
Trust account, court orders	$ 166,891	$ -	$ -	$ 166,891	205,179
Due to Consolidated Revenue Fund	2,458	102,408	199	105,065	126,958
Trial and jury account	-	-	20,000	20,000	20,000
	$ 169,349	$ 102,408	$ 20,199	$ 291,956	$ 352,137

Contingent liability (Note 5)

See accompanying notes

Signed on behalf of the Office: ______________ H.S.
High Sheriff

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES AND EXPENSES
For the Year Ended March 31

	Trust Fund (Note 2)	Revenue Fund (Note 3)	Trial and Jury Fund (Note 4)	2013	2012
REVENUES					
Court orders	$ 4,193,929	$ -	$ -	$ 4,193,929	$ 2,940,951
Service fees	-	1,802,264	-	1,802,264	1,907,559
Registration fees, court orders	-	141,256	-	141,256	163,942
Replenishment of trial and jury bank account	-	-	24,442	24,442	28,807
Interest	4,341	-	199	4,540	3,367
	$ 4,198,270	$ 1,943,520	$ 24,641	$ 6,166,431	$ 5,044,626
EXPENSES					
Court orders	$ 4,193,929	$ -	$ -	$ 4,193,929	$ 2,940,951
Consolidated Revenue Fund	2,458	1,943,520	199	1,946,177	2,073,253
Trial and jury expenses	-	-	24,442	24,442	28,807
Bank fees	1,883	-	-	1,883	1,615
	$ 4,198,270	$ 1,943,520	$ 24,641	$ 6,166,431	$ 5,044,626

See accompanying notes

Authority

The Office of the High Sheriff of Newfoundland and Labrador operates under the authority of the *Judgment Enforcement Act* and *Regulations*, implemented June 1, 1997 and the *Sheriff's Act, 1991*. The Office is the enforcement arm of the Supreme Court of Newfoundland and Labrador and the Provincial Courts (the Courts), and has the responsibility of enforcing all monetary judgments issued by these Courts. This includes the attachment and seizure of real and personal property. The Office is also responsible for the service of court documents, the administration of the jury system and court security.

1. Basis of accounting

These financial statements have been prepared by the Office of the High Sheriff of Newfoundland and Labrador in accordance with the summary of significant accounting policies set out below to meet the information needs of the Office of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador under Section 10 of the *Sheriff's Act, 1991*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because revenues related to Court orders are being recognized on a cash basis and not all expenditures related to the operations of the Office are reflected in these statements.

Summary of significant accounting policies

These financial statements have been prepared on the accrual basis of accounting except for Court order revenues which are recorded on a cash basis. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the High Sheriff of Newfoundland and Labrador, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for those expenditures.

(b) Inventory held in trust

Inventory held in trust consists of real or personal property seized by the Office of the High Sheriff of Newfoundland and Labrador as the result of a Court order. When inventory is on hand at year end, it is recorded in these financial statements at a nominal value of $1 as valuation of these assets is not readily determinable. These assets are recorded in the records of the Office of the High Sheriff of Newfoundland and Labrador at an estimated value for administrative purposes.

2. Trust Fund

A trust bank account has been established to accommodate the receipt of funds collected from defendants and the payment of these funds to plaintiffs.

3. Revenue Fund

Revenues collected for various services provided by the Office of the High Sheriff of Newfoundland and Labrador are deposited directly to the Province's Consolidated Revenue Fund.

4. Trial and Jury Fund

The Office of the High Sheriff of Newfoundland and Labrador is responsible for jury administration in the Province and maintains a recurring accountable advance of $20,000 to pay expenses associated with this duty. This advance is replenished as required throughout the year by claims submitted to the Department of Justice.

5. Contingent liability

A claim has been made against the Office of the High Sheriff of Newfoundland and Labrador and the Canada Customs and Revenue Agency, in the Supreme Court Trial Division, for damages arising from a Judgment Enforcement matter. In 2013, a trial was heard in this matter. At trial, the Plaintiffs' claim was dismissed and no liability was afforded to the High Sheriff. The Plaintiffs have now appealed this matter to the Court of Appeal. An amount cannot be estimated at this time as the portion of the claim for which the Office of the High Sheriff may be responsible has not been determined.

6. Related party transactions

Service fees, search fees and registration fees collected, and interest earned, net of bank fees, are paid into the Province's Consolidated Revenue Fund.

7. Income taxes

The Office of the High Sheriff of Newfoundland and Labrador is a division of the Department of Justice and as such is not subject to Provincial or Federal income taxes.

OFFICE OF THE HIGH SHERIFF
OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

MARCH 31, 2014

AUDITOR GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the High Sheriff of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Office of the High Sheriff of Newfoundland and Labrador which comprise the balance sheet as at March 31, 2014, and the statement of revenues and expenses 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 Section 10 of the *Sheriff's Act, 1991*, 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 judgment of the auditor, 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 Office of the High Sheriff of Newfoundland and Labrador as at March 31, 2014, and its revenues and expenses for the year then ended in accordance with the accounting policies described in note 1 to these financial statements.

Basis of Accounting

Without modifying my opinion, I draw attention to note 1 to the financial statements which describes the basis of accounting. These financial statements are prepared solely for the information of the Office of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador under Section 10 of the *Sheriff's Act, 1991*. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

TERRY PADDON, CA
Auditor General

July 4, 2014
St. John's, Newfoundland and Labrador

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR
BALANCE SHEET

March 31	Trust Fund (Note 2)	Revenue Fund (Note 3)	Trial and Jury Fund (Note 4)	2014 Total	2013 Total
ASSETS					
Cash	$ 134,158	$ 3,780	$ 20,092	$ 158,030	$ 191,358
Accounts receivable	5,865	83,653	98	89,616	100,597
Inventory held in trust (Note 1)	-	-	-	-	1
	$ 140,023	$ 87,433	$ 20,190	$ 247,646	$ 291,956
LIABILITIES					
Trust account, court orders	$ 138,113	$ -	$ -	$ 138,113	$ 166,891
Due to Consolidated Revenue Fund	1,910	87,433	190	89,533	105,065
Trial and jury account	-	-	20,000	20,000	20,000
	$ 140,023	$ 87,433	$ 20,190	$ 247,646	$ 291,956

Contingent liabilities (Note 5)

See accompanying notes

Signed on behalf of the Office: Janet Rowe
High Sheriff

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES AND EXPENSES
For the Year Ended March 31

	2014				2013
	Trust Fund (Note 2)	**Revenue Fund (Note 3)**	**Trial and Jury Fund (Note 4)**	**Total**	**Total**
REVENUES					
Court orders	**$ 3,642,687**	**$ -**	**$ -**	**$ 3,642,687**	$ 4,193,929
Service fees	**-**	**1,724,319**	**-**	**1,724,319**	1,802,264
Registration fees, court orders	**-**	**153,376**	**-**	**153,376**	141,256
Replenishment of trial and jury bank account	**-**	**-**	**23,798**	**23,798**	24,442
Interest	**3,775**	**-**	**190**	**3,965**	4,540
	$ 3,646,462	**$ 1,877,695**	**$ 23,988**	**$ 5,548,145**	$ 6,166,431
EXPENSES					
Court orders	**$ 3,642,687**	**$ -**	**$ -**	**$ 3,642,687**	$ 4,193,929
Consolidated Revenue Fund	**1,910**	**1,877,695**	**190**	**1,879,795**	1,946,177
Trial and jury expenses	**-**	**-**	**23,798**	**23,798**	24,442
Bank fees	**1,865**	**-**	**-**	**1,865**	1,883
	$ 3,646,462	**$ 1,877,695**	**$ 23,988**	**$ 5,548,145**	$ 6,166,431

See accompanying notes

Authority

The Office of the High Sheriff of Newfoundland and Labrador operates under the authority of the *Judgment Enforcement Act* and *Regulations*, implemented June 1, 1997 and the *Sheriff's Act, 1991*. The Office is the enforcement arm of the Supreme Court of Newfoundland and Labrador and the Provincial Courts (the Courts), and has the responsibility of enforcing all monetary judgments issued by these Courts. This includes the attachment and seizure of real and personal property. The Office is also responsible for the service of court documents, the administration of the jury system and court security.

1. Basis of accounting

These financial statements have been prepared by the Office of the High Sheriff of Newfoundland and Labrador in accordance with the summary of significant accounting policies set out below to meet the information needs of the Office of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador under Section 10 of the *Sheriff's Act, 1991*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because revenues related to Court orders are being recognized on a cash basis and not all expenditures related to the operations of the Office are reflected in these statements.

Summary of significant accounting policies

These financial statements have been prepared on the accrual basis of accounting except for Court order revenues which are recorded on a cash basis. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the High Sheriff of Newfoundland and Labrador, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for those expenditures.

(b) Inventory held in trust

Inventory held in trust consists of real or personal property seized by the Office of the High Sheriff of Newfoundland and Labrador as the result of a Court order. When inventory is on hand at year end, it is recorded in these financial statements at a nominal value of $1 as valuation of these assets is not readily determinable. These assets are recorded in the records of the Office of the High Sheriff of Newfoundland and Labrador at an estimated value for administrative purposes.

2. Trust Fund

A trust bank account has been established to accommodate the receipt of funds collected from defendants and the payment of these funds to plaintiffs.

3. Revenue Fund

Revenues collected for various services provided by the Office of the High Sheriff of Newfoundland and Labrador are deposited directly to the Province's Consolidated Revenue Fund.

4. Trial and Jury Fund

The Office of the High Sheriff of Newfoundland and Labrador is responsible for jury administration in the Province and maintains a recurring accountable advance of $20,000 to pay expenses associated with this duty. This advance is replenished as required throughout the year by claims submitted to the Department of Justice.

5. Contingent liabilities

The following possible legal claims have been identified:

(i) A claim has been made against the Office of the High Sheriff of Newfoundland and Labrador and the Canada Customs and Revenue Agency, in the Supreme Court Trial Division, for damages arising from a Judgment Enforcement matter. In 2013, a trial was heard in this matter. At trial, the Plaintiffs' claim was dismissed and no liability was afforded to the High Sheriff. The Plaintiffs have now appealed this matter to the Court of Appeal. The likelihood of a loss is unknown and an amount cannot be estimated at this time as the portion of the claim for which the Office of the High Sheriff may be responsible has not been determined.

(ii) A claim has been made against the Office of the High Sheriff of Newfoundland and Labrador for alleged personal injury. The likelihood of a loss is unknown and an amount cannot be estimated at this time as the claim amount has not been determined.

6. Related party transactions

Service fees, search fees and registration fees collected, and interest earned, net of bank fees, are paid into the Province's Consolidated Revenue Fund.

7. Income taxes

The Office of the High Sheriff of Newfoundland and Labrador is a division of the Department of Justice and as such is not subject to Provincial or Federal income taxes.

OFFICE OF THE PUBLIC TRUSTEE

FINANCIAL STATEMENTS

MARCH 31, 2014

AUDITOR
GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Public Trustee
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Office of the Public Trustee, which comprise the statement of fund balances as at March 31, 2014 and the statements of changes in fund balance for the Estate/Trust Fund, and Administration Fund 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 accounting policies described in note 1 to meet the information needs of the Office of the Public Trustee, and the Government of Newfoundland and Labrador under Section 21 of the *Public Trustee Act, 2009*, 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 Office of the Public Trustee as at March 31, 2014, and the results of its operations for the year then ended in accordance with the accounting policies described in note 1 to these financial statements.

Basis of Accounting

Without modifying my opinion, I draw attention to note 1 to the financial statements which describes the basis of accounting. These financial statements are prepared solely for the information of the Office of the Public Trustee and the Government of Newfoundland and Labrador to meet their information needs under section 21 of the *Public Trustee Act, 2009*. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

TERRY PADDON, CA
Auditor General

June 24, 2014
St. John's, Newfoundland and Labrador

OFFICE OF THE PUBLIC TRUSTEE
STATEMENT OF FUND BALANCES
As at March 31

	Estate/Trust Fund (Note 2)	Administration Fund (Note 3)	2014 Total	2013 Total
ASSETS				
Cash	$ 21,767,301	$ 333,044	$ 22,100,345	$ 19,232,932
Investments (Note 4)	15,815,721	-	15,815,721	13,671,583
Real estate and other assets (Note 1c)	1	-	1	1
Total assets	$ 37,583,023	$ 333,044	$ 37,916,067	$ 32,904,516
Total Fund balances	$ 37,583,023	$ 333,044	$ 37,916,067	$ 32,904,516

See accompanying notes

Signed: ____________________
Public Trustee

OFFICE OF THE PUBLIC TRUSTEE
STATEMENT OF CHANGES IN FUND BALANCE
ESTATE/TRUST FUND

For the Year Ended March 31	2014	2013
INCREASES		
Estate/trust assets received	$ 10,969,949	$ 7,664,176
Pension, compensation and assistance	2,792,898	2,633,252
Sale of real estate	2,730,171	2,187,545
Investment income	354,533	405,859
Revaluation of investments	214,669	103,141
Sale of other assets	40,005	22,545
	17,102,225	13,016,518
DECREASES		
Commissions charged and paid to Administration Fund	232,935	350,157
Estates/trusts completed	4,757,950	3,250,875
Estate/trust disbursements	6,777,233	6,025,179
Excess interest paid to Administration Fund	5,258	15,428
Harmonized sales tax paid to Administration Fund	30,445	45,484
Unclaimed estates paid to Administration Fund	272,817	189,521
	12,076,638	9,876,644
Net increase	5,025,587	3,139,874
Fund balance, beginning of year	32,557,436	29,417,562
Fund balance, end of year	$ 37,583,023	$ 32,557,436

See accompanying notes

OFFICE OF THE PUBLIC TRUSTEE
STATEMENT OF CHANGES IN FUND BALANCE
ADMINISTRATION FUND
For the Year Ended March 31

	2014	2013
INCREASES		
Unclaimed estates received from Estate/Trust Fund	$ 272,817	$ 189,521
Commissions received from Estate/Trust Fund	232,935	350,157
Harmonized sales tax received from Estate/Trust Fund	30,445	45,484
Refunds to Special Reserve Fund	18,106	30,677
Investment income	8,775	19,832
	563,078	635,671
DECREASES		
Commissions paid to Consolidated Revenue Fund	224,148	350,482
Harmonized sales tax remitted to Federal Government	29,520	45,404
Office administration expenses paid from Special Reserve Fund	22,871	11,763
Professional fees	-	6,761
Unclaimed estates paid to Consolidated Revenue Fund	300,575	161,763
	577,114	576,173
Net increase (decrease)	(14,036)	59,498
Fund balance, beginning of year	347,080	287,582
Fund balance, end of year	$ 333,044	$ 347,080

See accompanying notes

Authority

The Office of the Public Trustee operates under the authority of the *Public Trustee Act, 2009*.

The Public Trustee administers estates of deceased persons when appointed personal representative by the Supreme Court of Newfoundland and Labrador and administers trusts of minors and mentally disabled persons when appointed guardian by the Court or by virtue of Section 20 of the *Mentally Disabled Persons' Estates Act*.

The Public Trustee also has custody of monies paid to the Supreme Court under various statutes.

1. Basis of accounting

These financial statements have been prepared by the Office of the Public Trustee in accordance with the significant accounting policies set out below to meet the information needs of the Office of the Public Trustee for Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 21 of the *Public Trustee Act, 2009*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because all receipts and disbursements are being recognized on a cash basis and not all expenditures related to the operations of the Office of the Public Trustee are reflected in these statements.

Summary of significant accounting policies

These financial statements are prepared on the cash basis of accounting. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the Public Trustee, for administrative purposes, operates as a Crown corporation under the jurisdiction of the Department of Justice. Expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for the cost of these items. However, office administration expenditures paid from the Office of the Public Trustee's Special Reserve Fund under Section 22(2) of the *Public Trustee Act, 2009* are recorded in these financial statements in the amount of $22,871 for the year ended March 31, 2014 ($11,763 for the year ended March 31, 2013).

1. Basis of accounting (cont.)

Summary of significant accounting policies (cont.)

(b) Investments

Investments consist of Bank and Trust Company Guaranteed Investment Certificates, Canada Savings Bonds, mortgages, pre-arranged funerals, Registered Retirement Savings Plans/Income Funds, Registered Education Savings Plans and shares owned by estates at the dates of appointment of the Public Trustee. Such investments are recorded at face or market value, except for mortgages which are recorded at face value net of principal payments received.

(c) Real estate and other assets

Real estate and other assets are recorded in these financial statements at an aggregate nominal value of $1 as valuation of these assets is not readily determinable. These assets are recorded in the client accounts at estimated market value for administrative purposes.

2. Estate/Trust Fund

The Office of the Public Trustee, in certain cases, is appointed by the Court as personal representative of the estates of deceased persons or as guardian of the trusts of minors and mentally disabled persons. The trust accounts of the Office of the Public Trustee include monies and other assets held on behalf of such estates/trusts. In addition, there are other monies held in trust as a result of various court actions.

The funds under the control of the Office of the Public Trustee are received under the following Acts, and Rules and Regulations thereunder:

(a) *Public Trustee Act, 2009*
(b) *Enduring Powers of Attorney Act*
(c) *Judicature Act*
(d) *Life Insurance Act*
(e) *Mentally Disabled Persons Estates Act*
(f) *Trustee Act*

3. Administration Fund

The Administration Fund was established to record monies collected pursuant to Section 11 of the *Public Trustee Act, 2009*. It is comprised primarily of a Special Reserve Fund consisting of interest earned in the Estate/Trust Fund in excess of that allocated to clients in accordance with Section 10 of the *Public Trustee Act, 2009*. The balance of the Special Reserve Fund was $321,221 as at March 31, 2014 (2013 - $315,301). Other monies flowing through the Administration Fund include commissions and unclaimed assets to be paid over to the Consolidated Revenue Fund, and Harmonized sales tax collected on commissions to be paid over to the Federal Government.

4. Investments

	2014	2013
Total investments held for all Funds is comprised of the following:		
Guaranteed Investment Certificates and Canada Savings Bonds	**$ 8,144,880**	$ 8,777,023
Mortgages	**123,860**	123,860
Pre-arranged funerals	**366,982**	340,439
Cash surrender value - life insurance	**81,685**	81,684
Registered Retirement Savings Plans/Income Funds and Registered Education Savings Plans	**4,999,339**	4,194,378
Shares	**2,098,975**	154,199
	$ 15,815,721	$ 13,671,583

5. Related party transactions

Commissions earned and service fees collected are paid into the Consolidated Revenue Fund of the Province of Newfoundland and Labrador.

6. Income taxes

The Office of the Public Trustee is an entity of the Crown and as such is not subject to Provincial or Federal income taxes.

PRIVATE TRAINING CORPORATION

Financial Statements

Year Ended December 31, 2013

NOSEWORTHY CHAPMAN
CHARTERED ACCOUNTANTS

Suite 201, 516 Topsail Rd • St. John's, NL • A1E 2C5
Tel: (709) 364-5600 • Fax: (709) 368-2146
www.noseworthychapman.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of Private Training Corporation

We have audited the accompanying financial statements of Private Training Corporation, which comprise the statement of financial position as at December 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Private Training Corporation as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

The financial statements for the year ended December 31, 2012 were audited by another Chartered Accountant and are presented for comparative purposes only.

Noseworthy Chapman
Chartered Accountants
St. John's, NL
April 7, 2014

PRIVATE TRAINING CORPORATION
Statement of Financial Position
December 31, 2013

	2013	2012
ASSETS		
CURRENT		
Cash	$ 22,568	$ 88,521
Short term investments *(Note 4)*	1,445,598	2,983,287
Accounts receivable from private training institutions	73,379	70,986
	1,541,545	3,142,794
LONG TERM INVESTMENTS *(Note 4)*	2,416,051	455,542
	$ 3,957,596	$ 3,598,336
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 6,685	$ 9,695
NET ASSETS		
Train Out Fund	3,950,911	3,588,641
LIABILITIES AND NET ASSETS	$ 3,957,596	$ 3,598,336

ON BEHALF OF THE BOARD

_________________________ *Director*

_________________________ *Director*

See notes to financial statements

PRIVATE TRAINING CORPORATION

Statement of Revenues and Expenditures

Year Ended December 31, 2013

		2013		2012
INCOME				
Contributions from private training institutions	$	**310,471**	$	283,261
Interest income		**62,821**		57,641
		373,292		340,902
EXPENDITURES				
Office		**1,231**		1,060
Professional fees		**9,791**		6,360
		11,022		7,420
EXCESS OF INCOME OVER EXPENDITURES	$	**362,270**	$	333,482

See notes to financial statements

PRIVATE TRAINING CORPORATION
Statement of Changes in Net Assets
Year Ended December 31, 2013

	2013	2012
NET ASSETS - BEGINNING OF YEAR	**$ 3,588,641**	$ 3,255,159
Excess of income over expenditures	**362,270**	333,482
NET ASSETS - END OF YEAR	**$ 3,950,911**	$ 3,588,641

See notes to financial statements

PRIVATE TRAINING CORPORATION
Statement of Cash Flows
Year Ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Cash receipts from private training institutions	$ 308,078	$ 269,706
Cash paid to suppliers	(14,031)	(1,017)
Cash flow from operating activities	294,047	268,689
INVESTING ACTIVITY		
Short and long term investments	(360,000)	(215,000)
INCREASE (DECREASE) IN CASH	(65,953)	53,689
Cash - beginning of year	88,521	34,832
CASH - END OF YEAR	$ 22,568	$ 88,521

See notes to financial statements

1. PURPOSE OF THE ORGANIZATION

Private Training Corporation (the "organization") is incorporated without share capital under the Private Training Institutions Act of Newfoundland and Labrador. The purpose of the Organization is to operate a Train Out Fund to provide compensation to students to complete their training where a private training institution fails to fulfill its training to students due to closure and to monitor the financial operations of all private training institutions. Private training institutions make contributions to the Fund based on a percentage of student tuition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Revenue recognition

The organization follows the deferral method of accounting for contributions.

Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized on the accrual basis as earned.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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.

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 unrealized 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.

3. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2013.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its interest bearing investments.

4. INVESTMENTS

Investments consist of guaranteed investment certificates and are measured at fair value based upon the market value at year end. Maturity dates range from February 15, 2014 to June 4, 2015 with interest rates from 1.42% to 1.90%.

5. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of public accountants. Some of the comparative figures have been reclassified to conform to the current year's presentation.

PROVINCE OF NEWFOUNDLAND AND LABRADOR
POOLED PENSION FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2013

AUDITOR
GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Province of Newfoundland and Labrador Pooled Pension Fund, which comprise the statement of financial position as at December 31, 2013, and the statements of changes in net assets available for benefits, and changes in pension obligations 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 pension plans, 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, these financial statements present fairly, in all material respects, the financial position of the Province of Newfoundland and Labrador Pooled Pension Fund as at December 31, 2013 and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

TERRY PADDON, CA
Auditor General

St. John's, Newfoundland and Labrador
May 26, 2014

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
STATEMENT OF FINANCIAL POSITION

As at December 31	2013	2012
	(000's)	(000's)
ASSETS		
Investments (Note 2)		
Short-term notes and deposits	$ 143,530	$ 145,423
Bonds and debentures	1,457,530	1,176,108
Equities - Canadian	2,692,641	2,182,564
- Foreign	3,283,689	2,741,278
Real estate	234,922	223,064
	7,812,312	6,468,437
Receivables		
Employee contributions	6,146	6,161
Employer contributions	5,351	5,155
Accrued investment income	18,800	17,689
Accounts receivable	822	722
	31,119	29,727
Cash	20,883	17,170
	7,864,314	6,515,334
LIABILITIES		
Accounts payable and accrued liabilities	6,195	5,604
Refunds payable	3,404	6,241
Due to Province of Newfoundland and Labrador	1,755	1,246
	11,354	13,091
NET ASSETS AVAILABLE FOR BENEFITS	$ 7,852,960	$ 6,502,243
ACCRUED BENEFITS OBLIGATION AND DEFICIT		
Accrued benefits obligation	$ 12,902,743	$ 11,824,371
Deficit	(5,049,783)	(5,322,128)
ACCRUED BENEFITS OBLIGATION AND DEFICIT	$ 7,852,960	$ 6,502,243

See accompanying notes

Signed on behalf of the Fund:

Charlene Johnson
Minister of Finance and President of Treasury Board Trustee

Chairperson Pension Investment Committee

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

	Public Service Pension Plan (000's)	Teachers' Pension Plan (000's)	Uniformed Services Pension Plan (000's)	Members of the House of Assembly Pension Plan (000's)	Provincial Court Judges' Pension Plan (000's)	2013 Total (000's)	2012 Total (000's)
Increase (decrease) in net assets from:							
Investments (Note 3)							
Investment income	$ 122,194	$ 71,932	$ 4,512	$ 469	$ 155	$ 199,262	$ 192,681
Gain (loss) on sale of investments	230,956	135,956	8,528	886	292	376,618	(165,458)
Current period change in market value of investments	536,808	316,000	19,821	2,061	679	875,369	623,009
	889,958	523,888	32,861	3,416	1,126	1,451,249	650,232
Contributions							
Employee	133,418	48,192	4,752	648	301	187,311	197,645
Employer (Note 9)	115,523	44,245	4,313	417	224	164,722	169,153
Special payments (Note 9)	121,559	75,795	6,946	-	-	204,300	90,000
	1,260,458	692,120	48,872	4,481	1,651	2,007,582	1,107,030
Other changes in net assets							
Pension payments	(306,987)	(259,444)	(22,139)	(964)	(190)	(589,724)	(549,644)
Refund of contributions with interest	(39,608)	(4,577)	(404)	(16)	-	(44,605)	(39,652)
Administrative costs (Note 6)	(13,851)	(8,074)	(523)	(63)	(25)	(22,536)	(19,423)
	(360,446)	(272,095)	(23,066)	(1,043)	(215)	(656,865)	(608,719)
Total increase in net assets	900,012	420,025	25,806	3,438	1,436	1,350,717	498,311
Net assets available for benefits, beginning of period	3,924,900	2,408,298	149,996	14,407	4,642	6,502,243	6,003,932
Net assets available for benefits, end of period	$ 4,824,912	$ 2,828,323	$ 175,802	$ 17,845	$ 6,078	$ 7,852,960	$ 6,502,243

See accompanying notes

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
STATEMENT OF CHANGES IN PENSION OBLIGATIONS
For the Year Ended December 31

	Public Service Pension Plan (000's)	Teachers' Pension Plan (000's)	Uniformed Services Pension Plan (000's)	Members of the House of Assembly Pension Plan (000's)	Provincial Court Judges' Pension Plan (000's)	2013 Total (000's)	2012 Total (000's)
Accrued benefits obligation at beginning of period	$ 7,147,587	$ 4,254,195	$ 398,234	$ 19,314	$ 5,041	$ 11,824,371	$ 10,605,818
Increase (decrease) in accrued benefits obligation							
Interest on accrued benefits	475,599	287,582	26,445	1,305	338	791,269	760,374
Benefits accrued	255,547	84,662	9,639	1,029	516	351,393	338,608
Impact of changes in actuarial assumptions	365,357	150,178	13,291	975	428	530,229	701,137
Impact of experience gains and losses	(56,147)	95,957	-	-	-	39,810	7,729
Benefits paid	(346,595)	(264,021)	(22,543)	(980)	(190)	(634,329)	(589,295)
Total increase in accrued benefits obligation	693,761	354,358	26,832	2,329	1,092	1,078,372	1,218,553
Accrued benefits obligation at end of period	$ 7,841,348	$ 4,608,553	$ 425,066	$ 21,643	$ 6,133	$ 12,902,743	$ 11,824,371

See accompanying notes

Authority and description

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

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

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

(a) Public Service Pension Plan

(i) General

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

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

(ii) Employee contributions

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

Authority and description (cont.)

(a) Public Service Pension Plan (cont.)

(iii) Accrued service pensions

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

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

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

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

Vested employees who have reached age 55 may retire with an actuarial reduced pension.

(iv) Disability pensions

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

(v) Survivor pensions

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

Authority and description (cont.)

(a) Public Service Pension Plan (cont.)

(vi) Pre-retirement death benefits

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

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

(vii) Termination benefits

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

(viii) Indexing

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

(b) Teachers' Pension Plan

(i) General

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

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

Authority and description (cont.)

(b) Teachers' Pension Plan (cont.)

(ii) Employee contributions

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

(iii) Accrued service pensions

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

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

(iv) Disability pensions

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

(v) Survivor pensions

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

Authority and description (cont.)

(b) Teachers' Pension Plan (cont.)

(vi) Pre-retirement death benefits

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

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

(vii) Termination benefits

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

(viii) Indexing

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

(c) Uniformed Services Pension Plan

(i) General

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

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

Authority and description (cont.)

(c) Uniformed Services Pension Plan (cont.)

(ii) Employee contributions

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

(iii) Accrued service pensions

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

Employees may retire with an unreduced pension with 25 years of pensionable service.

Vested employees who have reached age 55 may retire with an actuarial reduced pension.

(iv) Disability pensions

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

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service. For grandfathered members, who died before January 1, 1997, the survivor pension is 55% of the member's accrued service pension.

(vi) Pre-retirement death benefits

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

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

Authority and description (cont.)

(c) Uniformed Services Pension Plan (cont.)

(vii) Termination benefits

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

(d) Members of the House of Assembly Pension Plan

(i) General

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

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

(ii) Member contributions

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

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

Authority and description (cont.)

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

(iii) Calculation of allowances on retirement

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

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

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

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

These allowances are paid as follows:

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

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

Authority and description (cont.)

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

(iv) Disability allowance

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

(v) Survivor benefits

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

(vi) Pre-retirement death benefits

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

(vii) Termination benefits

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

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

Authority and description (cont.)

(e) Provincial Court Judges' Pension Plan

(i) General

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

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

(ii) Judges' contributions

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

(iii) Calculation of allowances on retirement

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

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

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

(iv) Survivor benefits

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

Authority and description (cont.)

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

(v) Pre-retirement death benefits

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

(vi) Termination benefits

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

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

(vii) Indexing

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

1. Summary of significant accounting policies

The Fund's management prepares financial statements in accordance with the requirements of the Chartered Professional Accountants Canada (CPA Canada) Handbook Section 4600 - Pension Plans. This standard is the basis for Canadian accounting standards for pension plans. The recognition and measurement of the Fund's assets and liabilities are consistent with the requirement of CPA Canada Section 4600.

CPA Canada Section 4600 requires that in selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, a pension plan shall comply on a consistent basis with either International Financial Reporting Standards in Part I of the CPA Canada Handbook, or Accounting Standards for Private Enterprises in Part II of the CPA Canada Handbook, to the extent that those standards do not conflict with the requirements of Section 4600. The Fund has chosen to comply, on a consistent basis, with the Accounting Standards for Private Enterprises in Part II of the CPA Canada Handbook, hereafter referred to as "ASPEs".

1. Summary of significant accounting policies (cont.)

Outlined below are the significant accounting policies followed.

(a) Investments

The Fund's investments consist of the following major assets classes: public equities, interest bearing investments such as treasury bills, bonds, mortgages and real estate.

Investments are classified as held-for-trading. All investment transactions are recorded at the point upon which the risks and rewards of ownership are transferred. Purchases and sales of publicly traded investments are recorded as of the trade date and are stated at fair value as at year-end. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

Publicly traded equities are valued at the last board lot trade for a given stock. In instances where the quoted stock has not been traded on the valuation date, the price of the last board lot traded price is quoted.

Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represent the Fund's proportionate share of underlying net assets at fair values determined using closing market prices.

The Fund invests in real estate through its 100% owned subsidiary, Newvest Realty Corporation. The fair value of this investment is shown as a real estate equity investment.

1. **Summary of significant accounting policies (cont.)**

(b) Investment income

Investment income is allocated proportionately to the pension plans under the Fund based on the asset value held in the pension plan account.

Investment income (loss) is reflected in investment activities and includes the following:

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

(ii) Bank interest and interest on bonds and debentures, short-term notes and deposits.

(iii) Real estate income which includes dividends received and unrealized gains and losses.

(iv) Foreign exchange gains and losses.

(v) Gains and losses that have been realized on disposal of investments.

(vi) Unrealized gains and losses which reflect the change in fair value of investments held at the end of the year.

(c) Accrued pension benefits and accrued benefits obligation

The value of accrued pension benefits is based on a projected accrued benefits method actuarial valuation prepared triennially by an independent firm of actuaries. This accrued benefits obligation is measured in accordance with accepted actuarial methods, using actuarial assumptions and methods adopted by the Province for the purpose of establishing the long-term funding requirements. The actuarial valuation included in the financial statements is consistent with the valuation for funding purposes. In between valuations, the value of accrued benefits is extrapolated annually from these valuations.

(d) Surplus/deficit

For financial statement reporting, the surplus/deficit of the Plans are based on the difference between the fair value of the Plans' net assets available for benefits and the Plans' accrued benefits obligation. For funding purposes, the Plans' surplus/deficit is based on the difference between the Plans' value of net assets and the actuarial value of the Plans' accrued benefits obligation.

1. Summary of significant accounting policies (cont.)

(e) Contributions

Contributions from employers and members due to the Plans at the end of the year are recorded on an accrual basis. Service purchases that include, but are not limited to leaves of absence, periods of reduced accrual and transfer from other pension plans are recorded and service is credited when the signed contract to purchase is received.

(f) Benefits

Benefit payments to retired members are recorded as they are due and paid, twice monthly. Commuted value payments and transfers to other pension plans are recorded when paid. Accrued benefits from members are recorded as part of the accrued pension obligation.

(g) Administrative Expenses

Administrative expenses are incurred for direct pension administration and external investment management and are recorded on an accrual basis. Direct pension administration expenses represent expenses to provide direct services to plan members and employers and include actuarial consulting, disability pension adjudication and audit fees. External investment management expenses represent payments to the investment managers. These are allocated between the Plans on a pro rata basis, based on the balance of the assets in the individual plans as a percentage of the total value of the combined plans.

(h) Cash

Cash includes cash on hand and balances with banks.

2. Investments

(a) Investment portfolio

The fair value of investments relative to the cost is summarized in the following table:

	As at December 31, 2013			As at December 31, 2012		
	Assets (000's)	**%**	**Cost** (000's)	Assets (000's)	%	Cost (000's)
Money Market	**$ 143,530**	**1.8**	**$ 143,528**	$ 145,423	2.3	$ 145,423
Fixed Income						
Canadian	**1,452,266**	**18.6**	**1,457,573**	1,176,107	18.2	1,126,507
US	**5,264**	**0.1**	**5,325**	1	0.0	128
Equities						
Canadian	**2,692,641**	**34.5**	**2,143,031**	2,182,564	33.7	1,995,833
US	**1,829,876**	**23.4**	**1,385,510**	1,539,864	23.8	1,437,204
Global	**1,453,813**	**18.6**	**1,181,211**	1,201,414	18.6	1,147,664
Real estate	**234,922**	**3.0**	**169,438**	223,064	3.4	164,350
Total	**$ 7,812,312**	**100**	**$ 6,485,616**	$ 6,468,437	100	$ 6,017,109

(b) Fair value measurement

Financial instruments are classified according to the following fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1: Fair value is based on inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 primarily includes publicly listed investments.

- Level 2: Fair value is based on valuation methods that make use of inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 primarily includes fixed income securities not actively traded on a public exchange, public equities not traded in an active market and investments in pooled funds.

2. Investments (cont.)

(b) Fair value measurement (cont.)

- Level 3: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. Level 3 primarily includes private market investments such as real estate, valued based on discounted future cash flow models which reflect assumptions that a market participant would use when valuing such an asset or liability.

Investments based on the valuation level within the fair value hierarchy are as follows:

As at December 31, 2013	Level 1	Level 2	Level 3	Total
	(000's)	(000's)	(000's)	(000's)
Money Market				
Canadian	$ -	$ 143,396	$ -	**$ 143,396**
US	-	134	-	**134**
Fixed Income				
Canadian	-	1,452,266	-	**1,452,266**
US	-	5,264	-	**5,264**
Equities				
Canadian	2,623,990	68,651	-	**2,692,641**
US	1,829,876	-	-	**1,829,876**
Global	1,453,813	-	-	**1,453,813**
Real estate	-	-	234,922	**234,922**
Total	**$ 5,907,679**	**$ 1,669,711**	**$ 234,922**	**$ 7,812,312**

2. Investments (cont.)

(b) Fair value measurement (cont.)

As at December 31, 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
	(000's)	(000's)	(000's)	(000's)
Money Market	$ -	$ 145,423	$ -	**$ 145,423**
Fixed Income				
Canadian	-	1,176,107	-	**1,176,107**
US	-	1	-	**1**
Equities				
Canadian	2,126,157	56,407	-	**2,182,564**
US	1,539,864	-	-	**1,539,864**
Global	1,201,414	-	-	**1,201,414**
Real estate	-	-	223,064	**223,064**
Total	**$ 4,867,435**	**$ 1,377,938**	**$ 223,064**	**$ 6,468,437**

During the year, there have been no transfers between Level 1, Level 2, and Level 3.

The following table shows the changes in the fair value measurement in Level 3 of the fair value hierarchy:

	(000's)
Fair value, December 31, 2012	**$ 223,064**
Acquisitions	327,290
Dispositions	(322,202)
Net change in unrealized gain/loss	6,770
Fair value, December 31, 2013	**$ 234,922**

(c) Securities lending

The Fund participates in a securities lending program whereby it lends securities in order to enhance portfolio returns. The securities lending program requires collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending programs. In the absence of an event of default, the same securities or equivalent securities must be returned to the counterparty at the end of the contract.

2. Investments (cont.)

(c) Securities lending (cont.)

The fair values of the allocated securities and collateral associated with the securities lending program as at December 31 are as follows:

	2013 (000's)	2012 (000's)
Securities lent	**$ 1,539,181**	$ 1,240,140
Securities contractually receivable	**1,642,086**	1,311,826

3. Investment income

(a) Investment income for the year ended December 31 is as follows.

	2013 (000's)	2012 (000's)
Interest income	**$ 46,088**	$ 44,931
Dividend income	**150,068**	144,892
Security lending income	**2,829**	2,548
Commission recapture income	**277**	310
	199,262	192,681
Net realized gains (losses)	**376,618**	(165,458)
Net unrealized gains	**875,369**	623,009
Investment income	**$ 1,451,249**	$ 650,232

3. Investment income (cont.)

(b) Investment income by asset mix, for the year ended December 31 is as follows:

	Investment income	Gain (loss) on sale of investments	Current period change in market value of investments	2013 Total	2012 Total
	(000's)	(000's)	(000's)	(000's)	(000's)
Canadian equities	$ 60,030	$ 79,001	$ 362,413	**$ 501,444**	$ (113,871)
Foreign equities	75,227	300,377	561,025	**936,629**	684,930
Bonds and debentures	45,186	(2,758)	(54,841)	**(12,413)**	46,675
Short term notes & deposits	4,009	(2)	2	**4,009**	395
Real estate	14,810	-	6,770	**21,580**	32,103
Total	**$ 199,262**	**$ 376,618**	**$ 875,369**	**$ 1,451,249**	$ 650,232

(c) Investment returns

The Fund's investment returns gross of fees as at December 31 are shown by asset class in the table below.

	2013	2012
	(%)	(%)
Canadian equity	**22.67**	9.28
Global equity	**33.94**	14.92
Fixed income	**(0.80)**	4.06
Real estate	**9.36**	15.63
Total portfolio return	**22.36**	10.81

The Fund's net return after all investment management costs for the year ended December 31, 2013 was 22.13% (2012 - 10.58%).

4. Investment risk management

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The use of financial instruments exposes the Fund to credit and liquidity risks, interest rate volatility, and market risks including foreign exchange and market price fluctuations and volatility. The Fund has policies and operating procedures that establish an asset mix among equity, fixed income and real estate investment, require diversification of investments within categories, and set limits on the size of exposure to individual investment and counterparties. Trustee oversight, procedures and compliance functions are incorporated into Fund processes to achieve consistent controls and mitigate operational risk.

(a) Interest rate risk

Interest rate risk refers to the fact that the Fund's financial position will change with market interest rate changes, as fixed income securities are sensitive to changes in nominal interest rates. Interest rate risk is inherent in the management of a pension plan due to prolonged timing differences between cash flows related to the Fund's assets and cash flows related to the Fund's liabilities.

The fair value of the Fund is affected by short term changes in nominal interest rates. Pension liabilities are exposed to the long term expectation of rate of return on the investments, as well as expectations of inflation and salary escalation.

The term to maturity classifications of interest bearing investments, based upon the contractual maturity of these securities, as at December 31 are as follows:

	2013	2012
	(%)	(%)
Within 1 year	**13.6**	19.7
Short (1 - 5 years)	**34.3**	26.5
Medium (5 - 10 years)	**23.9**	21.9
Long (10+ years)	**28.2**	31.9
Total	**100.0**	100.0

(b) Market price risk

Market price risk is the risk of fluctuation in market values of investments from influences specific to a particular investment or from influences on the market as a whole. All changes in market conditions will directly result in an increase (decrease) in net assets available for benefits. Market price risk is managed by the Fund through the construction of a diversified portfolio of instruments traded on various markets and across various industries.

4. Investment risk management (cont.)

(c) Credit risk

Credit risk is the risk that the issuer of a debt security or counterparty to a contract is unable to fulfill its financial obligation and causes the other party to incur a loss.

Fixed income portfolio

Credit risk in the fixed income portfolio is monitored by evaluating the Fund's exposure in two ways: by sector (government versus corporate) and by credit quality.

The Fund is exposed to credit risk from the following interest earning investments, classified by sector as at December 31:

	2013	2012
	(%)	(%)
Federal government	**21.4**	22.1
Provincial government	**20.3**	20.3
Municipal government	**1.4**	1.2
Corporate	**52.3**	50.2
Other	**4.6**	6.2
Total	**100.0**	100.0

The Fund's concentration risk by credit rating as at December 31 is as follows:

	2013	2012
	(%)	(%)
AAA to A-	**67.1**	76.6
BBB to BBB-	**13.6**	13.8
BB+ and below	**0.8**	0.2
Not rated	**18.5**	9.4
Total	**100.0**	100.0

4. Investment risk management (cont.)

(c) Credit risk (cont.)

Real estate

Real estate investment managers manage risk through monthly monitoring of tenant performance and arrears. Tenant exposure is managed by limiting concentration to a specific economic sector and geographic area. Transactions that involve assuming a new tenant exposure are vetted by an appropriate due diligence and approval process.

Securities lending

The Fund lends securities for a fee to approved borrowers. High quality collateral is provided by borrowers to alleviate the credit risk. Regular reporting of the securities lending program ensure that its various components are continuously being monitored.

(d) Foreign currency risk

Foreign currency exposure arises through holdings of securities and units in pooled funds in non-Canadian assets. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. The Fund does not take an active approach such as currency hedging to managing this risk, but rather the currency risk is managed through the diversified nature of the overall portfolio. In addition, the investment managers of the Fund are given flexibility through their mandate to periodically hedge currency for opportunistic or defensive purposes.

The Fund's unhedged currency exposure from net investment assets as at December 31 is summarized in the following table:

	2013	2012
	(%)	(%)
Canadian dollar	**57.8**	57.4
US dollar	**23.6**	23.9
Euro	**4.2**	4.1
British pound	**3.9**	3.3
Other Asia/Pacific currencies	**3.7**	4.0
Other European currencies	**3.2**	3.5
Japanese yen	**2.7**	2.5
Other currencies *	**0.9**	1.3
Total	**100.0**	100.0

* Other currencies include Africa, Middle East and Latin America

4. Investment risk management (cont.)

(e) Liquidity risk

Liquidity risk corresponds to the Fund's ability to meet its financial obligations as they come due with sufficient and readily available cash resources. Cash obligations are fulfilled from contributions to the Fund, cash income of the Fund and planned dispositions of Fund assets as required. Cash requirements of the Fund are reviewed on an ongoing basis to provide for the orderly availability of resources to meet the financial obligations. In general, the Fund's investments in cash and cash equivalents, debt and public equities are expected to be highly liquid and are invested in securities that are actively traded.

5. Capital management

The Fund was established as a vehicle to invest employee and employer pension plan contributions in the capital markets with a long-term goal to achieve investment returns. The main objective of the Fund is to secure promised pension obligations as they come due, and the secondary objective is to minimize employer long-term contributions and manage the variability of employer contributions.

The Fund is sponsored by the Government of Newfoundland and Labrador, represented by the Minister of Finance who is Trustee of the Fund. The Trustee has appointed the Pension Investment Committee (PIC) to review, monitor, administer and supervise all investment activities of the Fund.

Portfolio Management

The Fund utilizes external investment management firms to invest the assets of the Fund. Each investment manager is selected through a disciplined process to ensure a good fit with the investment structure and objectives of the Fund. As at December 31, 2013, the external investment fund management group was comprised of the following firms:

Aurion Capital Management
Baillie Gifford Overseas Limited
Bentall Kennedy
Beutel, Goodman & Company Ltd.
Connor, Clark & Lunn Investment Management Ltd.
Global Thematic Partners, LLP
Phillips, Hager & North Investment Management Ltd.
Sprucegrove Investment Management Ltd.
T. Rowe Price
Fiera Capital Corporation
Wellington Management Company, LLP

Subsequent to year end, in January 2014, investment management agreements were signed with three new investment management firms - Blackrock Asset Management Canada Limited, Fidelity Investments Canada ULC, and QV Investors Inc. Also, at that time, the agreement with Aurion Capital Management was terminated.

5. Capital management (cont.)

In addition, CIBC Mellon Global Securities Services provides all custodial and administrative services for the Fund, and Russell Investments provides investment counseling services to the Fund.

The long-term asset mix policy of the Fund is as follows:

Canadian equity	35%
Global equities	40%
Fixed income	20%
Real estate	5%

The asset mix policy was adopted after evaluating the potential impact of alternative policies on benefit security and employer contributions. Factors evaluated included the Plans' going-concern and solvency funded ratios, demographics, cash flow requirements, actuarial assumptions, benefit levels, and liquidity requirements. The expected real return of the Fund's investment policy is 4.25% annualized over the long term.

6. Administrative costs

Administrative costs are direct costs of the Pension Administration Division and are allocated to the various pension plans based on the previous month's equity balance related to the total Fund. Any direct costs related to a specific plan are charged accordingly. Administrative costs for the year ended December 31 were comprised as follows:

	2013 (000's)	2012 (000's)
Investment management fees	$ 17,928	$ 14,855
Custodian fees	1,017	1,389
Investment consulting fees	199	199
Actuarial consulting fees	167	232
	19,311	16,675
Salaries and benefits	2,592	2,151
Computer charges	154	220
Other expenses	276	203
Medical and professional fees	173	147
Audit fee	30	27
	$ 22,536	$ 19,423

7. Accrued benefits obligation

Actuarial assumptions

The actuarial assumptions used in determining the value of the accrued benefits obligation of $12.9 billion reflect management's best estimate of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, salary escalation and the inflation rate. The discount rate is based on the target asset mix and expected real returns for each asset class. The inflation rate is derived from the Bank of Canada's long term investment range. The salary escalation rate incorporates the inflation rate assumption and long term expectation of growth in real wages. A summary of the primary economic assumptions as at December 31 is as follows:

	PSPP		TPP		USPP		MHAPP		PCJPP	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Discount Rate	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.50%	6.50%
Salary escalation rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	3.25%	3.25%	3.50%	3.50%
Inflation rate	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

8. Actuarial valuations

Triennial actuarial valuations are performed by the actuarial consulting firm of Morneau Shepell. Relevant reporting dates for the various plans are summarized below.

Pension Plan	Effective date of valuation used to determine pension obligation	Date of next required valuation
Public Service	December 31, 2012	December 31, 2015
Teachers'	August 31, 2012	August 31, 2015
Uniformed Services	December 31, 2011	December 31, 2014
Members of the House of Assembly	December 31, 2009	December 31, 2012
Provincial Court Judges'	December 31, 2010	December 31, 2013

9. Funding policy

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

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

9. Funding policy (cont.)

In June 2012, the Province approved a series of special monthly payments to the Fund for 2012-13 totaling $294 million to improve the funded status of the Public Service Pension Plan, Teachers' Pension Plan, and Uniformed Services Pension Plan. The amount of the special payments was equal to one third of the surplus for the 2011-12 fiscal year for the Province and would be allocated to the three plans based on the ratio of the accrued pension obligations by plan to the total pension obligations of the three plans as estimated at December 31, 2011. In 2012, the special monthly payments received totaled $90 million. In 2013, the balance of $204 million was paid to the Fund.

10. Teachers' Indexing Fund

The total fund balance relating to the Teachers' Pension Plan is comprised of the regular fund balance and the fund balance of the Teachers' Indexing Fund. In accordance with the most recent Teachers' Collective Agreement, contributions required to fund the indexing benefit introduced as of September 1, 2002 shall be deposited to a separate account. As at December 31, 2013 the increase and decrease in the net assets of the Fund related to the Teachers' Indexing Fund and the closing balance, along with the closing balance of the Fund related to the Teachers' Regular Fund, are comprised as follows:

	2013 (000's)	2012 (000's)
Teachers' Indexing Fund:		
Increases in net assets		
Contributions	**$ 7,814**	$ 7,882
Investment income	**20,209**	8,259
	28,023	16,141
Decreases in net assets		
Pensions	**(176)**	(112)
Administrative costs	**(312)**	(247)
	(488)	(359)
Increase in net assets	**27,535**	15,782
Teachers' Indexing Fund balance, beginning of year	**88,340**	72,558
Teachers' Indexing Fund balance, end of year	**115,875**	88,340
Teachers' Regular Fund balance	**2,712,448**	2,319,958
Teachers' Pension Plan combined balance	**$ 2,828,323**	$ 2,408,298

11. Related party transactions

The following related party investments were held by the Fund as at December 31, 2013:

Description	Cost (000's)	Market Value (000's)
Province of Newfoundland and Labrador Debentures		
- Series maturing October 17, 2033	$ 7,662	$ 8,659
Newfoundland and Labrador Hydro Debentures		
- Maturing July 14, 2017	240	204
	$ 7,902	**$ 8,863**

Also, as indicated in Note 1, the Fund manages its real estate investments through Newvest Realty Corporation, a wholly-owned subsidiary incorporated under the provisions of the *Canada Corporations Act*. It is also registered under the *Corporations Act* of the Province of Newfoundland and Labrador. All shares of the Corporation are held by the Fund.

12. Pensioner and refund payroll

All plans, with the exception of the Provincial Court Judges' Pension Plan, provide for disability pensions payable in the event the plan member is certified to be totally and permanently disabled. As well, should an employee die in service, there is provision for the payment of the employee's entitlement to the estate. The following tables summarize disability pension payments and the payments to employees' estates upon pre-retirement death.

Disability Pensions ($000's)

Plan	Public Service	Teachers	Uniformed Services	Members of the House of Assembly	Provincial Court Judges
2013	21,975	9,726	873	-	-
2012	20,810	9,425	831	-	-

Payments on Pre-Retirement Death ($000's)

Plan	Public Service	Teachers	Uniformed Services	Members of the House of Assembly	Provincial Court Judges
2013	6,707	1,614	-	-	-
2012	4,473	1,163	*	-	*

* Figure not shown to protect confidentiality

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

FINANCIAL STATEMENTS

MARCH 31, 2014

Office of the Auditor General

Management's Report

Management's Responsibility for the Provincial Advisory Council on the Status of Women – Newfoundland and Labrador 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 Council members are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through participation in Council meetings. The Council members review internal financial information on a quarterly basis and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Council, 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 Advisory Council on the Status of Women - Newfoundland and Labrador.

On behalf of the Provincial Advisory Council on the Status of Women - Newfoundland and Labrador.

Linda Ross

Linda Ross
President/CEO

June 26, 2014

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Provincial Advisory Council on the Status of Women - Newfoundland and Labrador which comprise the statement of financial position as at March 31, 2014, the statements of operations, 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 Provincial Advisory Council on the Status of Women - Newfoundland and Labrador as at March 31, 2014, 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 26, 2014
St. John's, Newfoundland and Labrador

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

STATEMENT OF FINANCIAL POSITION

For the Year Ended March 31	2014	2013
FINANCIAL ASSETS		
Cash (Note 3)	**$ 167,370**	$ 191,962
Accounts receivable (Note 4)	**17,866**	61,764
	185,236	253,726
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	**35,198**	100,042
	35,198	100,042
Net financial assets	**150,038**	153,684
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 6)	**4,682**	7,391
Prepaid expenses (Note 7)	**11,687**	10,829
	16,369	18,220
Accumulated surplus	**$ 166,407**	$ 171,904

Contractual obligations (Note 8)

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

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

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

STATEMENT OF OPERATIONS

For the Year Ended March 31

	2014 Budget (Note 12)	2014 Actual	2013 Actual
REVENUES			
Province of Newfoundland and Labrador operating grant	$ 424,100	$ 424,100	$ 446,600
Interest	-	3,083	2,530
Ovations – ticket revenues (Note 10)	-	792	37,835
Ovations – sponsorship revenue (Note 10)	-	-	247,500
	424,100	427,975	734,465
EXPENSES (Note 11)			
Administration	388,090	388,833	405,541
Advisement of Government	28,000	23,526	36,898
Ovations (Note 10)	-	5,059	240,033
Public Awareness and Engagement	8,010	16,054	18,592
	424,100	433,472	701,064
Annual (deficit) surplus	-	(5,497)	33,401
Accumulated surplus, beginning of year	171,904	171,904	138,503
Accumulated surplus, end of year	$ 171,904	$ 166,407	$ 171,904

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

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

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the Year Ended March 31

	2014 Budget	2014 Actual	2013 Actual
	(Note 12)		
Annual (deficit) surplus	$ -	$ (5,497)	$ 33,401
Tangible capital assets			
Acquisition of tangible capital assets	-	(1,465)	(6,923)
Amortization of tangible capital assets	-	4,174	7,980
	-	2,709	1,057
Prepaid expenses			
Acquisition of prepaid expense	-	(11,687)	(10,829)
Use of prepaid expense	-	10,829	8,900
	-	(858)	(1,929)
(Decrease) increase in net financial assets	-	(3,646)	32,529
Net financial assets, beginning of year	153,684	153,684	121,155
Net financial assets, end of year	$ 153,684	$ 150,038	$ 153,684

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

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

STATEMENT OF CASH FLOWS

For the Year Ended March 31	2014	2013
Operating transactions		
Annual (deficit) surplus	$ (5,497)	$ 33,401
Adjustment for non-cash items		
Amortization of tangible capital assets	4,174	7,980
	(1,323)	41,381
Change in non-cash working capital		
Accounts receivable	43,898	(54,972)
Accounts payable and accrued liabilities	(64,844)	88,077
Prepaid expenses	(858)	(1,929)
Cash (applied to) provided from operating transactions	(23,127)	72,557
Capital transactions		
Cash used to acquire tangible capital assets	(1,465)	(6,923)
Cash applied to capital transactions	(1,465)	(6,923)
(Decrease) increase in cash	(24,592)	65,634
Cash, beginning of year	191,962	126,328
Cash, end of year	$ 167,370	$ 191,962

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

1. Nature of operations

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

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

2. Summary of significant accounting policies

(a) Basis of accounting

The Council is classified as an Other Government Organization as defined by 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 Council does not prepare a statement of remeasurement gains and losses as the Council does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Financial instruments

The Council's financial instruments recognized in the statement of financial position consist of cash, accounts receivable and accounts payable and accrued liabilities. The Council 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 Council subsequently measures all of its financial assets and financial liabilities at cost. Financial assets measured at cost include cash and accounts receivable. Financial liabilities measured at cost include accounts payable and accrued liabilities.

(c) Cash

Cash includes cash in the bank.

2. Summary of significant accounting policies (cont.)

(d) 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:

Furniture and equipment	5 years
Computer hardware and software	3 years
Leasehold improvements	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Council's ability to provide 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.

(e) Prepaid expenses

Prepaid expenses are charged to the expense over the periods expected to benefit from it.

(f) Employee future benefits

The employees of the Council are subject to the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Council and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. 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 contribution of the Council to the plan is recorded as an expense for the year.

(g) 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.

The Council 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 Council. Government transfers consist of funding from the Province of Newfoundland and Labrador. Income attributable to financial instruments is reported in the statement of operations.

2. Summary of significant accounting policies (cont.)

(h) Expenses

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

Transfers, which include grants and subsidies, 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.

(i) 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 useful life of capital 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.

3. Cash

	2014	2013
Cash	**$ 138,100**	$ 130,220
Designated cash - *Ovations* (Note 10)	**29,270**	61,742
	$ 167,370	$ 191,962

4. Accounts receivable

	2014	2013
Harmonized sales tax receivable - *Ovations* (Note 10)	**$ 10,941**	$ 10,653
Harmonized sales tax receivable	**6,085**	7,721
Receivables - *Ovations* (Note 10)	**840**	43,390
	$ 17,866	$ 61,764

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

5. Accounts payable and accrued liabilities

	2014	2013
Trade accounts payables and accruals	$ 24,031	$ 18,870
Accrued leave	11,167	10,689
Payables - *Ovations* (Note 10)	-	70,483
	$ 35,198	$ 100,042

6. Tangible capital assets

	Furniture and equipment	Computer equipment and software	Leasehold improvements	Total
Cost				
Balance, March 31, 2013	$ 35,262	$ 30,857	$ 2,574	$ 68,693
Additions	-	767	698	1,465
Disposals	-	-	-	-
Balance, March 31, 2014	35,262	31,624	3,272	70,158
Accumulated amortization				
Balance, March 31, 2013	32,486	26,242	2,574	61,302
Amortization expense	1,473	2,563	138	4,174
Disposals	-	-	-	-
Balance, March 31, 2014	33,959	28,805	2,712	65,476
Net book value, March 31, 2014	**$ 1,303**	**$ 2,819**	**$ 560**	**$ 4,682**
Net book value, March 31, 2013	$ 2,776	$ 4,615	$ -	$ 7,391

7. Prepaid expenses

	2014	2013
Rent	$ 3,807	$ 3,807
Workplace, Health, Safety and Compensation Commission	3,620	2,592
Professional fees	2,823	3,102
Insurance	896	862
Other	541	466
	$ 11,687	$ 10,829

8. Contractual obligations

In January 2013, the Council entered into a five year agreement for the lease of office space. Annual lease payments over the next four years are as follows:

2015	$ 48,477
2016	48,477
2017	48,477
2018	16,159
	$ 161,590

9. Financial risk management

The Council 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 risks that the Council is exposed to through its financial instruments are credit risk, liquidity risk and market risk. There was no significant change in the Council's exposure to these risks or its processes for managing these risks from the prior year.

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 Council's main credit risk relates to cash and accounts receivable. The Council's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Council is not exposed to significant credit risk with its cash because this financial instrument is held with a Chartered Bank. The Council is not exposed to significant credit risk related to its accounts receivable. In addition, the Council has policies and procedures for the monitoring and collection of its accounts receivable so as to mitigate potential credit losses. There is no allowance for doubtful accounts since all amounts are considered collectible.

Liquidity risk

Liquidity risk is the risk that the Council will be unable to meet its contractual obligations and financial liabilities. The Council manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities. The Council's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities and contractual obligations. The future minimum payments required from the Council in relation to its contractual obligations are outlined in Note 8.

Market risk

Market risk is the risk that the fair value or 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 risk rate and other price risk. The Council is not exposed to significant foreign exchange, interest rate or other price risk.

10. *Ovations*

During the year ended March 31, 2014, the Council, as a member of an external steering committee, held follow-up *Ovations* events around women's leadership. The steering committee consisted of representatives from the Council, the Women's Policy Office, located in the Executive Council of the Government of Newfoundland and Labrador, businesses, the community and industry. The events were funded through cash that was remaining in the *Ovations* fund from the prior year, as well as through a fee charged to attendees of the events. Cash that will be remaining in the fund upon settlement of accounts receivable and accounts payable and accrued liabilities outstanding as at March 31, 2014, has been designated to be used for follow-up *Ovations* events around women's leadership.

The following are details of revenues and expenses pertaining to the *Ovations* events which are included in the statement of operations of the Council:

	2014 Budget (Note 12)	**2014 Actual**	2013 Actual
REVENUES			
Ovations - ticket revenues	$ -	$ 792	$ 37,835
Ovations - sponsorship revenues	-	-	247,500
Interest	-	16	-
	-	808	285,335
EXPENSES (Note 11)			
Ovations events	-	5,059	240,033
	-	5,059	240,033
Annual (deficit) surplus	-	(4,251)	45,302
Accumulated surplus, beginning of year	45,302	45,302	-
Accumulated surplus, end of year	$ 45,302	$ 41,051	$ 45,302

11. Expenses by object

The following is a summary of expenses by object:

	2014 Budget (Note 12)	2014 Actual	2013 Actual
Amortization of tangible capital assets	$ -	$ 4,174	$ 7,980
Grants and subsidies	500	2,450	2,050
Other	450	373	3,269
Professional fees	18,600	19,418	49,925
Rent	48,525	45,690	40,480
Salaries and benefits	313,005	311,052	321,081
Supplies and services	21,710	32,229	200,694
Travel related expenses	21,310	18,086	75,585
	$ 424,100	$ 433,472	$ 701,064

Included in the expenses by object are expenses pertaining to the *Ovations* events as noted below:

	2014 Budget (Note 12)	2014 Actual	2013 Actual
Other	$ -	$ -	$ 76
Professional fees	-	1,597	33,291
Subsidies	-	-	2,050
Supplies and services	-	3,061	163,487
Travel related expenses	-	401	41,129
	$ -	$ 5,059	$ 240,033

12. Budgeted figures

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been derived from the estimates approved by the Council members.

13. Employee future benefits

The Council and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991*. The Government of Newfoundland and Labrador administers the plan, including payment of pension benefits to employees to whom the *Act* applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

The plan provides a pension to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees was 8.6% (2013 - 8.6%). The Council's contributions equal the employee contributions to the plan. The Council is not required to make contributions in respect of any actuarial deficiencies of the plan. Total pension expense for the Council for the year ended March 31, 2014, was $19,902 (2013 - $20,645).

14. Related party transactions

The Council receives operating grants from the Province of Newfoundland and Labrador. Operating grants received during the year totaled $424,100 (2013 - $446,600).

15. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Council. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Council's objectives.

16. Comparative figures

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

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

FINANCIAL STATEMENTS

MARCH 31, 2014

Office of the Auditor General

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 Provincial Information and Library Resources 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	Mr. Andrew Hunt, CGA
Executive Director	Director of Financial Operations

June 26, 2014

AUDITOR GENERAL
of 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, 2014, 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, 2014, 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 26, 2014
St. John's, Newfoundland and Labrador

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF FINANCIAL POSITION

March 31	2014	2013
FINANCIAL ASSETS		
Cash	$ 3,123,863	$ 3,288,848
Accounts receivable (Note 3)	65,670	87,764
Due from the Province	236,700	174,612
Portfolio investments (Note 4)	64,234	46,514
	3,490,467	3,597,738
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	859,188	929,131
Employee future benefits (Note 6)	2,171,755	2,222,498
Deferred revenue (Note 7)	1,810,897	2,161,771
Obligation under capital lease (Note 9)	31,942	36,020
	4,873,782	5,349,420
Net debt	(1,383,315)	(1,751,682)
NON-FINANCIAL ASSETS		
Inventories held for use	87,279	76,047
Prepaid expenses	158,769	176,389
Tangible capital assets (Note 10)	2,220,835	2,429,482
	2,466,883	2,681,918
Accumulated surplus	$ 1,083,568	$ 930,236
Accumulated surplus is comprised of:		
Accumulated operating surplus	$ 1,042,826	$ 907,214
Accumulated remeasurement gains	40,742	23,022
	$ 1,083,568	$ 930,236

Contractual obligations (Note 8)
Trusts under administration (Note 11)

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

Signed on behalf of the Board: Colin Taylor — **Chairperson** Shawn Tuford — **Member**

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

	2014 Budget (Note 13)	2014 Actual	2013 Actual
REVENUE			
Province of Newfoundland and Labrador			
Operating grant	$ 10,370,600	$ 10,372,229	$ 10,811,800
Early Literacy Program	-	545,317	82,637
Capital grant	120,000	159,372	250,000
Kinderstart Literacy Program	-	2,585	-
Computerization projects	-	-	200,000
Miscellaneous	60,000	71,825	69,506
Fines and lost library materials	-	58,408	57,303
Interest	40,000	45,465	40,281
Dividend revenue	-	2,416	2,416
	10,590,600	11,257,617	11,513,943
EXPENSES (Note 15)			
Administration	2,295,521	2,325,621	2,683,501
Early Literacy	-	452,644	80,448
Kinderstart	-	2,585	-
Library Operations	6,241,737	6,065,822	6,296,194
Library Collection	1,633,468	1,472,559	1,779,071
Public Computer Access	524,406	343,764	510,722
Amortization	-	459,010	545,600
	10,695,132	11,122,005	11,895,536
Annual operating surplus (deficit)	(104,532)	135,612	(381,593)
Accumulated operating surplus, beginning of year	907,214	907,214	1,288,807
Accumulated operating surplus, end of year	$ 802,682	$ 1,042,826	$ 907,214

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	2014	2013
Accumulated remeasurement gains, beginning of year	**$ 23,022**	$ 16,226
Unrealized gains attributable to:		
Portfolio investments	**17,720**	6,796
Accumulated remeasurement gains, end of year	**$ 40,742**	$ 23,022

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

	2014 Budget (Note 13)	2014 Actual	2013 Actual
Annual operating surplus (deficit)	$ (104,532)	$ 135,612	$ (381,593)
Changes in other non-financial assets			
Use of prepaid expenses	-	176,389	156,270
Acquisition of prepaid expenses	-	(158,769)	(176,389)
Net acquisition of inventories held for use	-	(11,232)	(5,344)
	-	6,388	(25,463)
Changes in tangible capital assets			
Acquisition of tangible capital assets	-	(252,677)	(168,884)
Loss on disposal of tangible capital assets	-	2,314	-
Amortization of tangible capital assets	-	459,010	545,600
	-	208,647	376,716
Accumulated remeasurement gains	-	17,720	6,796
(Increase) decrease in net debt	(104,532)	368,367	(23,544)
Net debt, beginning of year	(1,751,682)	(1,751,682)	(1,728,138)
Net debt, end of year	$ (1,856,214)	$ (1,383,315)	$ (1,751,682)

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	2014	2013
Operating transactions		
Annual operating surplus (deficit)	$ 135,612	$ (381,593)
Adjustment for non-cash items		
Amortization	459,010	545,600
Loss on disposal of capital assets	2,314	-
	596,936	164,007
Change in non-cash operating items		
Accounts receivable	22,094	43,162
Due from the Province	(62,088)	(59,323)
Accounts payable and accrued liabilities	(69,943)	(7,586)
Employee future benefits	(50,743)	(97,469)
Deferred revenue	(350,874)	823,963
Inventories held for use	(11,232)	(5,344)
Prepaid expenses	17,620	(20,119)
Cash provided from operating transactions	91,770	841,291
Capital transactions		
Additions to capital assets	(252,677)	(168,884)
Cash applied to capital transactions	(252,677)	(168,884)
Financing transactions		
Repayments of obligations under capital lease	(4,078)	(4,078)
Cash applied to financing transactions	(4,078)	(4,078)
Increase (decrease) in cash	(164,985)	668,329
Cash, beginning of year	3,288,848	2,620,519
Cash, end of year	$ 3,123,863	$ 3,288,848

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

Eastern Division

	2014	2013
Arnold's Cove	$ 7,127	$ 2,676
Bay Roberts	74,176	74,396
Bell Island	1,072	1,036
Bonavista	3,947	3,565
Brigus	9,351	7,133
Burin	965	531
Carbonear	40,709	39,332
Catalina	1,215	3,926
Clarenville	16,264	27,238
Conception Bay South	10,747	11,574
Fortune	386	392
Fox Harbour	5,229	5,301
Garnish	426	509
Grand Bank	10,469	9,000
Harbour Grace	9,901	9,526
Holyrood	5,868	6,881
Marystown	7,167	6,090
Mount Pearl	11,478	12,416
Old Perlican	3,651	1,706
Placentia	27,276	31,372
Pouch Cove	2,007	2,233
St. Brides	7,344	7,333
St. Lawrence	5,015	469
Southern Harbour	2,422	1,294
Torbay	1,192	1,123
Trepassey	8,093	7,751
Victoria	771	868
Whitbourne	4,106	4,749
Winterton	759	672
	279,133	281,092

For the Year Ended March 31	2014	2013
Central Division		
Baie Verte	5,304	4,706
Bishop's Falls	886	962
Botwood	7,038	7,177
Buchans	584	648
Carmanville	1,015	793
Centerville	647	715
Change Islands	387	422
Fogo	662	4,642
Gambo	8,272	35,521
Gander	30,133	31,954
Gaultois	2,402	2,549
Glenwood	1,244	1,481
Glovertown	523	729
Grand Falls-Windsor	4,022	4,942
Greenspond	3,868	4,430
Harbour Breton	769	1,074
Hare Bay	759	1,044
Harry's Harbour	5,426	5,341
Hermitage	644	624
King's Point	3,652	3,965
LaScie	4,370	3,880
Lewisporte	4,312	4,421
Lumsden	524	438
Musgrave Harbour	731	1,913
Norris Arm	1,873	1,837
Point Leamington	948	763
Robert's Arm	3,900	4,225
St. Albans	1,047	4,529
Seal Cove	501	1,012
Springdale	958	1,979
Summerford	1,588	2,728
Twillingate	1,029	823
Wesleyville	448	440
	100,466	142,707

SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES (Cont.)

For the Year Ended March 31	2014	2013
Western Newfoundland - Labrador Division		
Bay St. George South	**1,281**	1,388
Burgeo	**617**	596
Cape St. George	**754**	720
Cartwright	**512**	504
Churchill Falls	**272**	407
Codroy Valley	**619**	557
Cormack	**1,311**	1,800
Corner Brook	**207,940**	209,695
Cow Head	**7,311**	5,724
Daniel's Harbour	**1,204**	1,202
Deer Lake	**15,353**	14,939
Happy Valley	**1,542**	911
Labrador City	**14,344**	18,100
L'Anse au Loup	**2,559**	745
Lark Harbour	**454**	533
Lourdes	**690**	1,290
Norris Point	**2,854**	2,960
Pasadena	**946**	1,904
Port au Port	**733**	1,713
Port aux Basques	**16,183**	13,378
Port Saunders	**5,310**	8,016
Ramea	**512**	1,726
Rocky Harbour	**463**	394
St. Anthony	**1,271**	1,359
St. George's	**1,529**	1,239
St. Lunaire-Griquet	**296**	467
Sops Arm	**835**	940
Stephenville	**33,124**	26,580
Stephenville Crossing	**1,478**	1,124
Wabush	**1,620**	2,234
Woody Point	**3,511**	3,743
	327,428	326,888
	$ 707,027	$ 750,687

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 9 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.

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-vesting 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-vesting 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 grants) 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. Accounts receivable

	2014	2013
Federal Government		
Harmonized Sales Tax	$ 44,010	$ 44,247
Other	21,660	43,517
	$ 65,670	$ 87,764

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

4. 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	
	2014	2013	2014	2013
Investments held directly				
Sun Life Financial Services				
of Canada - 1,678 shares	$ 64,234	$ 46,514	$ 23,492	$ 23,492

5. Accounts payable and accrued liabilities

	2014	2013
Accounts payable	$ 178,402	$ 212,663
Accrued salaries and benefits	680,786	716,468
	$ 859,188	$ 929,131

6. Employee future benefits

Employee future benefits consists of:

	2014	2013
Severance pay (a)	$ 1,417,894	$ 1,471,449
Accumulating non-vesting sick leave benefit liability (b)	753,861	751,049
	$ 2,171,755	$ 2,222,498

(a) Severance pay

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

	2014	2013
Employees with 9 or more years of service	$ 1,250,573	$ 1,317,171
Employees with less than 9 years of service	167,321	154,278
	$ 1,417,894	$ 1,471,449

(b) Accumulating non-vesting sick leave benefit liability

	2014	2013
Accrued accumulating non-vesting sick leave benefit obligation, end of year	$ 760,665	$ 811,015
Unamortized actuarial (loss), end of year	(6,804)	(59,966)
Accumulating non-vesting sick leave benefit liability, end of year	$ 753,861	$ 751,049

(c) Accumulating non-vesting sick leave benefit expenses

	2014	2013
Current year benefit cost	$ 83,885	$ 80,885
Employer contributions and benefit payments	(115,238)	(111,612)
Interest on accrued benefit obligation	28,632	30,228
Recognized actuarial losses	5,533	4,615
Accumulating non-vesting sick leave benefit expenses	$ 2,812	$ 4,116

6. 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-vesting 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, 2014, a sick leave liability was calculated for 219 employees.

The accrued benefit obligation for accumulating non-vesting sick leave benefits for the year ended March 31, 2014, are based on an actuarial extrapolation for accounting purposes to March 31, 2014 (valuation date as of March 31, 2012).

The actuarial extrapolation is based on assumptions about future events. The economic assumptions used in this extrapolation are the Board's best estimates of compensation increases ranging from 2.75% to 4.0% per annum and discount rate of 3.9%. Other assumptions used in the extrapolation 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.

6. 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% (2013 - 8.6%). The Board's share of pension contributions and the total expense for 2014 was $398,643 (2013 - $430,046). The Board is not required to make contributions in respect of any actuarial deficiencies of the Plan.

7. Deferred revenue

Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement. As at March 31, 2014, the Board reported the following:

	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
Provincial source revenue	$2,158,549	$ 235,000	$ 587,274	**$ 1,806,275**
Other source revenue	3,222	4,622	3,222	**4,622**
	$2,161,771	$ 239,622	$ 590,496	**$ 1,810,897**

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.

8. 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:

2015	$ 677,476
2016	677,476
2017	676,454
2018	589,598
2019	540,535
Thereafter	3,241,344
	$ 6,402,883

9. 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.

	2014	2013
Obligation under capital lease	**$ 31,942**	$ 36,020

Payments under this obligation for the next 8 years are as follows:

2015	$ 4,078
2016	4,078
2017	4,078
2018	4,078
2019	4,078
2020 - 2022	11,552
Total minimum lease payments	$ 31,942

10. Tangible capital assets

Original Cost

	Balance March 31, 2013	Additions	Disposals	Balance March 31, 2014
Land	$ 285,907	$ -	$ -	$ 285,907
Buildings	1,758,867	-	-	1,758,867
Building improvements	1,688,649	15,830	-	1,704,479
Furniture and equipment	1,712,846	140,136	24,506	1,828,476
Motor vehicles	206,809	-	-	206,809
Computer equipment	1,363,040	96,711	170,419	1,289,332
Software	168,688	-	-	168,688
Assets under capital lease	40,777	-	-	40,777
	$ 7,225,583	$ 252,677	$ 194,925	$ 7,283,335

Accumulated Amortization

	Balance March 31, 2013	Amortization	Disposals	Balance March 31, 2014	Net book value March 31, 2014	Net book value March 31, 2013
Land	$ -	$ -	$ -	$ -	**$ 285,907**	$ 285,907
Buildings	1,248,867	35,789	-	1,284,656	**474,211**	510,000
Building improvements	798,729	164,028	-	962,757	**741,722**	889,920
Furniture and equipment	1,151,521	101,297	23,249	1,229,569	**598,907**	561,325
Motor vehicles	164,358	23,125	-	187,483	**19,326**	42,451
Computer equipment	1,255,782	130,693	169,362	1,217,113	**72,219**	107,258
Software	168,688	-		168,688	**-**	-
Assets under capital lease	8,156	4,078	-	12,234	**28,543**	32,621
	$ 4,796,101	$ 459,010	$ 192,611	$ 5,062,500	**$ 2,220,835**	$ 2,429,482

11. 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:

	2014	2013
Local libraries - deposits	$ 101,381	$ 96,984
Provincial Territorial Public Library Council	53,232	69,204
	$ 154,613	$ 166,188

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, 2014 consists of cash of $23,412 (2013 - $20,001), and 4,119 shares (2013 - 4,084 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 $77,969 (2013 - $76,983), 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, 2014 was $103,138 (2013 - $86,329).

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.

12. Related party transactions

Province of Newfoundland and Labrador

(a) The Board receives grant funding from the Province of Newfoundland and Labrador. During the year, the Board received grants totaling $10,490,529 (2013 - $11,999,188). The Board recognized $11,079,503 (2013 - $11,344,437) in revenue from the Province of Newfoundland and Labrador.

(b) As at March 31 2014, the Board was owed $236,700 (2013 - $174,612) from the Province of Newfoundland and Labrador.

13. Budget

The Board's budget is prepared on a cash basis. The 2014 budget expenditure exceeded the Province's current year provision for operating grants to 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 Board is exposed to credit risk, liquidity risk and market risk through its financial instruments. There were no significant change in the Board's exposure to these risks or its processes for managing these risks from the prior year.

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 accrued liabilities, obligation under capital lease and contractual obligations. The future minimum payments required from the Board in relation to its contractual obligations and obligation under capital lease are outlined in Notes 8 and 9 respectively.

Market risk

Market risk is the risk that the fair value or 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 price 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 price 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, 2014. 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. Expenses by Object

The following is a summary of expenses by object:

	2014	2013
Amortization	$ 459,010	$ 545,600
Books and periodicals	903,760	1,099,893
Computerization of libraries	226,312	291,309
Conferences and workshops	12,873	14,712
Early Literacy Program	452,644	80,448
Freight and postage	35,661	40,758
Grants – local libraries (Schedule)	707,027	750,687
Insurance	76,505	80,308
Kinderstart Literacy Program	2,585	-
Loss on disposal of capital assets	2,314	-
Miscellaneous	1,439	1,350
Office and library supplies	102,654	148,351
Professional fees	21,495	16,585
Rental of premises	415,091	414,370
Repairs and maintenance	17,982	43,210
Salaries and benefits	7,546,408	8,178,387
Telephone	57,808	68,332
Travel	80,437	121,236
	$ 11,122,005	$ 11,895,536

16. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Board. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Board's objectives.

17. Comparative figures

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

REGISTRAR OF THE SUPREME COURT
SUPREME COURT FUND

FINANCIAL STATEMENTS

MARCH 31, 2013

AUDITOR GENERAL
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Chief Administrative Officer
Supreme Court of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Registrar of the Supreme Court - Supreme Court Fund, which comprise the statement of fund balance as at March 31, 2013 and the statement of changes in fund balance for the Supreme Court Fund for the year ended March 31, 2013, 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 accounting policies described in Note 1 to meet the information needs of the Chief Administrative Officer of the Supreme Court of Newfoundland and Labrador, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*, 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 Registrar of the Supreme Court - Supreme Court Fund as at March 31, 2013, and the results of its operations for the year ended March 31, 2013 in accordance with the accounting policies described in note 1 to these financial statements.

Basis of Accounting

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Chief Administrative Officer of the Supreme Court of Newfoundland and Labrador, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under section 67 of the *Judicature Act*. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

TERRY PADDON, CA
Auditor General

April 11, 2014
St. John's, Newfoundland and Labrador

REGISTRAR OF THE SUPREME COURT
SUPREME COURT FUND
STATEMENT OF FUND BALANCE
As at March 31

	2013	2012
ASSETS		
Cash	$ 6,087,797	$ 5,644,985
Irrevocable letters of credit and securities	1,094,562	2,165,457
Total assets	$ 7,182,359	7,810,442
Total Fund balance	$ 7,182,359	$ 7,810,442

See accompanying notes

Signed: Pamela Rydberg
Chief Administrative Officer

REGISTRAR OF THE SUPREME COURT
SUPREME COURT FUND
STATEMENT OF CHANGES IN FUND BALANCE
For the Year Ended March 31

	2013	2012
		(Note 5)
INCREASES		
Transfers from the Registrar of the Supreme Court	$ -	$ 4,754,530
Court actions (Payments into Court)	2,193,250	4,389,161
Divorce fees	8,540	7,355
Fees	1,434,646	1,135,841
Fines and bail	3,270	51,105
Investment income	61,306	37,487
Law Society fees	13,125	10,461
	3,714,137	10,385,940
DECREASES		
Court actions (Payments out of Court)	2,895,545	1,170,600
Divorce fees	8,540	9,030
Fees paid to Consolidated Revenue Fund	1,425,010	1,382,725
Law Society fees	13,125	13,143
	4,342,220	2,575,498
Net (decrease) increase	(628,083)	7,810,442
Fund balance, beginning of period	7,810,442	-
Fund balance, end of period	$ 7,182,359	$ 7,810,442

See accompanying notes

Authority

The Registrar of the Supreme Court - Supreme Court Fund operates under the authority of the *Judicature Act*.

The Registrar of the Supreme Court - Supreme Court Fund has custody of monies paid to the Court in pending actions, as well as monies paid to the Court under various statutes.

1. Basis of accounting

These financial statements have been prepared by the Chief Administrative Officer of the Supreme Court of Newfoundland and Labrador in accordance with the significant accounting policies set out below to meet the information needs of the Chief Administrative Officer of the Supreme Court of Newfoundland and Labrador, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because all receipts and disbursements are being recognized on a cash basis and not all expenditures related to the operations of the Registrar of the Supreme Court - Supreme Court Fund are reflected in these statements.

Significant accounting policies

These financial statements are prepared on the cash basis of accounting. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Registrar of the Supreme Court - Supreme Court Fund, for administrative purposes, is part of the operation of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for the cost of these items.

(b) Irrevocable letters of credit and securities

The Registrar of the Supreme Court - Supreme Court Fund accepts irrevocable letters of credit and securities as payment into court in lieu of cash, as directed by a court order. These letters of credit are recorded at face value and can only be removed as directed by court order.

2. **Supreme Court Fund**

Supreme Court Fund consists mainly of monies received by the Registrar of the Supreme Court under, inter alia, the following Acts, and Rules and Regulations thereunder:

(a) *Automobile Insurance Act*
(b) *Consumer Protection and Business Practices Act*
(c) *Elections Act, 1991*
(d) *Expropriation Act*
(e) *Judicature Act*
(f) *Leaseholds in St. John's Act*
(g) *Life Insurance Act*
(h) *Municipalities Act, 1999*
(i) *Public Utilities Acquisition of Lands Act*
(j) *Real Estate Trading Act*
(k) *Residential Tenancies Act, 2000*
(l) *Unified Family Court Act*

3. **Related party transactions**

Commissions earned and service fees are paid into the Province's Consolidated Revenue Fund.

4. **Income taxes**

The Registrar of the Supreme Court - Supreme Court Fund is an entity of the Crown and as such is not subject to Provincial or Federal income taxes.

5. **Comparative figures**

The comparative figures presented in these financial statements represent the Registrar of the Supreme Court - Supreme Court Fund's transactions from the date assets were transferred from the Estates Office to the Supreme Court of Newfoundland and Labrador, June 10, 2011 to March 31, 2012.

RESEARCH & DEVELOPMENT CORPORATION

OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

March 31, 2014

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

Joe McKenna, CA
Chief Financial Officer

St. John's, Newfoundland and Labrador
June 10, 2014

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, 2014, the statements of operations, 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, 2014, 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, 2014

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF FINANCIAL POSITION
As at

	March 31, 2014 $	March 31, 2013 $
FINANCIAL ASSETS		
Cash and cash equivalents (Note 5)	**8,022,872**	27,949,929
Portfolio investments	**26,000,000**	-
Receivables	**286,211**	210,142
	34,309,083	28,160,071
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	**1,694,779**	1,415,277
Net Financial Assets	**32,614,304**	26,744,794
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 7)	**1,113,636**	1,154,551
Prepaid expenses	**50,563**	40,411
	1,164,199	1,194,962
Accumulated surplus	**33,778,503**	27,939,756

Contractual obligations (Note 8)

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

For the year ended

	March 31, 2014 $	March 31, 2014 $	March 31, 2013 $
	Budget	**Actual**	Actual
	(Note 13)		
REVENUE			
Government grants	**25,321,100**	**22,040,812**	23,829,533
Investment income	**428,189**	**602,585**	504,071
	25,749,289	**22,643,397**	24,333,604
EXPENSES (Note 9)			
Program expenses – Academic	**9,737,805**	**8,553,710**	17,638,919
Program expenses – Business	**10,470,323**	**4,558,223**	3,288,358
RDC research facilities	**3,000,000**	**482,267**	-
Operating expenses	**5,000,481**	**3,210,450**	3,827,983
	28,208,609	**16,804,650**	24,755,260
Annual surplus (deficit)	**(2,459,320)**	**5,838,747**	(421,656)
Accumulated surplus, beginning of year	**27,939,756**	**27,939,756**	28,361,412
Accumulated surplus, end of year	**25,480,436**	**33,778,503**	27,939,756

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, 2014 $	March 31, 2014 $	March 31, 2013 $
	Budget	**Actual**	Actual
	(Note 13)		
Annual surplus (deficit)	**(2,459,320)**	**5,838,747**	(421,656)
Acquisition of tangible capital assets	**-**	**(243,231)**	(685,992)
Amortization of tangible capital assets	**259,116**	**284,146**	250,205
	259,116	**40,915**	(435,787)
Acquisition of prepaid expenses	**-**	**(135,182)**	(69,494)
Use of prepaid expenses	**-**	**125,030**	44,193
	-	**(10,152)**	(25,301)
Increase (decrease) in net financial assets	**(2,200,204)**	**5,869,510**	(882,744)
Net financial assets, beginning of year	**26,744,794**	**26,744,794**	27,627,538
Net financial assets, end of year	**24,544,590**	**32,614,304**	26,744,794

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, 2014 $	March 31, 2013 $
OPERATING TRANSACTIONS		
Annual surplus (deficit)	**5,838,747**	(421,656)
Non-cash item		
Amortization of tangible capital assets	**284,146**	250,205
Increase in receivables	**(76,069)**	(77,699)
Increase in prepaid expenses	**(10,152)**	(25,301)
Increase (decrease) in accounts payable and accrued liabilities	**279,502**	(1,962,946)
Cash provided by (applied to) operating transactions	**6,316,174**	(2,237,397)
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets (Note 7)	**(243,231)**	(685,992)
Cash applied to capital transactions	**(243,231)**	(685,992)
INVESTING TRANSACTIONS		
Acquisition of portfolio investments	**(26,000,000)**	-
Cash applied to investing transactions	**(26,000,000)**	-
Net decrease in cash and cash equivalents	**(19,927,057)**	(2,923,389)
Cash and cash equivalents, beginning of year	**27,949,929**	30,873,318
Cash and cash equivalents, end of year (Note 5)	**8,022,872**	27,949,929

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

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 (the Board) 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 have maturities of three months or less at acquisition.

Portfolio investments

Portfolio investments include highly liquid term deposits and guaranteed investment certificates that have maturities between three and twelve months at acquisition.

2. Summary of significant accounting policies (cont.)

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.

Expenses

The Corporation recognizes expenses on an accrual basis. The cost of all goods consumed and services received during the period is expensed. Program grants are accounted for as government transfers and 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

RDC research facilities will be amortized on a systematic basis over terms that will be dependent on the specific asset once these assets become available for use. 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 (the Plan) administered by the Province or a self-directed RRSP. Contributions to each plan are required from the employees and are matched by the Corporation. The contributions for pensions are recognized during the period in which the services are rendered and represent the Corporation’s total pension benefit obligation. The 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% (2013 – 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, 2014 was $210,658 (year ended March 31, 2013 - $222,084).

3. 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 is provided with timely and relevant reports on the management of significant risks. Significant risks currently managed by the Corporation include liquidity risk and interest rate risk:

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its contractual obligations and financial liabilities as they come due. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities. The Corporation has access to a credit facility as outlined in Note 12. The following table sets out the undiscounted contractual maturities of financial liabilities:

	Within 6 months	**6 months to 1 year**
Accounts payable and accrued liabilities	1,378,658	316,121
	1,378,658	316,121

The future minimum payments required from the Corporation in relation to its contractual obligations are outlined in Note 8.

There have been no significant changes from the previous year in the exposure to liquidity risk or policies, procedures and methods used to manage this risk.

Interest rate risk

Interest rate risk is the risk of financial loss to the Corporation caused by fluctuations in future cash flows of financial instruments because of changes in market interest rates. The estimated impact of a 1% change in market interest rates on the Corporation's surplus for the year ended March 31, 2014 is $415,000.

There have been no significant changes from the previous year in the exposure to interest rate risk or policies, procedures and methods used to manage this risk.

4. Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash and cash equivalents, portfolio investments, receivables, and accounts payable and accrued liabilities. The Corporation’s financial instruments are measured at cost. The carrying value of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

5. Cash and cash equivalents

	March 31, 2014 $	March 31, 2013 $
Cash in bank	**3,022,872**	2,949,929
Cash equivalent investments	**5,000,000**	25,000,000
	8,022,872	27,949,929

6. Accounts payable and accrued liabilities

	March 31, 2014 $	March 31, 2013 $
Programs grants payable	**1,012,711**	685,954
Trade accounts payable & accruals	**205,580**	243,232
Payroll related accruals	**476,488**	486,091
	1,694,779	1,415,277

7. Tangible capital assets

	Leasehold Improve-ments $	Furniture & Equipment $	Computer Hardware & Software $	Network Infrastructure $	Enterprise Resource Package Software $	RDC Research Facilities $	Total $
COST							
Balance, March 31, 2013	835,413	532,132	124,381	47,077	259,085	-	1,798,088
Additions	-	4,138	214,718	-	-	24,375	243,231
Balance, March 31, 2014	835,413	536,270	339,099	47,077	259,085	24,375	2,041,319
ACCUMULATED AMORTIZATION							
Balance, March 31, 2013	62,656	195,678	94,965	47,077	243,161	-	643,537
Amortization expense	83,541	106,840	77,841	-	15,924	-	284,146
Balance, March 31, 2014	146,197	302,518	172,806	47,077	259,085	-	927,683
Net book value, March 31, 2014	**689,216**	**233,752**	**166,293**	**-**	**-**	**24,375**	**1,113,636**
Net book value, March 31, 2013	772,757	336,454	29,416	-	15,924	-	1,154,551

8. 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 $37,538,565. The Corporation has also entered into a lease agreement for the rental of office space and various operating contracts totaling $4,140,477. Approximate payment of these obligations in future years is as follows:

	Programs $	Operating $
2015	18,534,975	931,047
2016	9,104,900	442,680
2017	7,152,959	442,680
2018	2,172,103	442,680
2019	492,952	442,680
Thereafter	80,676	1,438,710
	37,538,565	4,140,477

9. Expenses

The statement of operations presents the expenses of the Corporation by function, the following table presents them by nature:

	March 31, 2014 $	**March 31, 2014 $**	March 31, 2013 $
	Budget (Note 13)	**Actual**	Actual
Program grants	**20,566,806**	**11,258,181**	18,919,235
Salaries and benefits	**4,570,718**	**3,371,478**	3,939,400
Purchased services	**1,979,015**	**1,090,577**	1,336,836
Professional services	**832,954**	**800,268**	309,584
Amortization of tangible capital assets	**259,116**	**284,146**	250,205
Total expenses	**28,208,609**	**16,804,650**	24,755,260

10. 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 $8,286,042 (year ended March 31, 2013 - $16,736,910).

- Purchased supplies and services from related parties for $489,206 (year ended March 31, 2013 - $491,972).

11. Economic dependence

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

12. 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, 2014, 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, 2014, the credit facility, letter of credit, and the VISA business card(s) are inactive.

13. Budgeted figures

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

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

MARCH 31, 2014

Office of the Auditor General

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
Director of Portfolio Management

July 2, 2014

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, 2014, the statements of operations, 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, 2014, 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 2, 2014
St. John's, Newfoundland and Labrador

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF FINANCIAL POSITION

As at March 31	2014	2013
FINANCIAL ASSETS		
Cash	**$ 6,375,837**	$ 5,404,347
Due from government (Note 3)	**309,301**	476,680
Student loans receivable (Note 4)	**92,171,139**	105,197,372
	98,856,277	111,078,399
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	**282,696**	383,180
Employee future benefits (Note 6)	**331,526**	366,744
Due to government (Note 7)	**61,956**	45,073
Long-term debt (Note 8)	**45,744,000**	73,000,000
	46,420,178	73,794,997
Net financial assets	**52,436,099**	37,283,402
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	**37,256**	55,303
	37,256	55,303
Accumulated surplus	**$ 52,473,355**	$ 37,338,705

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

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

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

	2014 Budget	2014 Actual	2013 Actual
	(Note 13)		
REVENUES			
Provincial grant (Note 11)	$ 29,997,500	$ 29,583,538	$ 28,150,810
Federal grant	-	-	5,662
Recovery in value of student loan receivable	2,780,000	1,937,611	2,371,552
Interest	100,000	118,103	138,954
Student loan interest	-	199,818	128,838
Other	10,000	272,408	135,523
	32,887,500	32,111,478	30,931,339
EXPENSES			
Administrative fees	1,030,300	575,918	746,827
Amortization	20,000	18,047	18,896
Bank charges	-	9,211	8,624
Grant - Federal	-	-	5,151
Grant - Provincial	14,500,000	14,096,593	12,632,485
Interest on long-term debt	790,000	759,265	1,146,208
Interest relief - repayment assistance	400,000	440,753	359,889
Operating	220,000	88,852	141,731
Salaries	1,194,300	988,189	1,599,681
	18,154,600	16,976,828	16,659,492
Annual surplus	14,732,900	15,134,650	14,271,847
Accumulated surplus, beginning of year	37,338,705	37,338,705	23,066,858
Accumulated surplus, end of year	$ 52,071,605	$ 52,473,355	$ 37,338,705

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

	2014 Budget (Note 13)	2014 Actual	2013 Actual
Annual surplus	$ 14,732,900	$ 15,134,650	$ 14,271,847
Amortization of tangible capital assets	20,000	18,047	18,896
Increase in net financial assets	14,752,900	15,152,697	14,290,743
Net financial assets, beginning of year	37,283,402	37,283,402	22,992,659
Net financial assets, end of year	$ 52,036,302	$ 52,436,099	$ 37,283,402

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	2014	2013
Operating transactions		
Annual surplus	$ 15,134,650	$ 14,271,847
Adjustments for non-cash items		
Amortization	18,047	18,896
Recovery in value of student loan receivable	(1,937,611)	(2,371,552)
	13,215,086	11,919,191
Changes in non-cash operating items		
Due from government	167,379	54,833
Accounts payable and accrued liabilities	(100,484)	5,404
Due to government	16,883	(15,533)
Employee future benefits	(35,218)	69,208
Cash provided from operating transactions	13,263,646	12,033,103
Financing transactions		
Repayment of long-term debt	(27,256,000)	(29,000,000)
Cash applied to financing transactions	(27,256,000)	(29,000,000)
Investing transactions		
Net decrease in student loans receivable (Note 4)	16,679,226	16,810,272
Student loans written off to allowance	(1,715,382)	(1,207,275)
Cash provided from investing transactions	14,963,844	15,602,997
Increase (decrease) in cash	971,490	(1,363,900)
Cash, beginning of year	5,404,347	6,768,247
Cash, end of year	$ 6,375,837	$ 5,404,347

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.

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	3 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.

(g) 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.

(h) 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, 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.

2. Significant accounting policies (cont.)

(i) 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

	2014	2013
Federal government	$ 168,279	$ 271,037
Provincial government	141,022	205,643
	$ 309,301	$ 476,680

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.

As at March 31, 2014 approximately 16,511 loans totaling $51,793,971 (2013 - 18,473 loans totaling $62,264,948) were being repaid as non-interest bearing for the period April 1, 2013 to March 31, 2014 (Class B loans) while 7,187 loans totaling $26,581,507 (2013 - 7,625 loans totaling $28,573,240) 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.

4. Student loans receivable (cont.)

As at March 31, 2014 approximately 9,093 loans totaling $45,369,874 (2013 - 9,175 loans totaling $48,590,280) 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, 2013 to March 31, 2014.

Student loans receivable consist of the following:

	2014	2013
Loans receivable		
Class A principal	**$ 26,581,507**	$ 28,573,240
Class B principal	**51,793,971**	62,264,948
Loans defaulted	**45,369,874**	48,590,280
Interest receivable	**1,631,032**	2,627,142
	125,376,384	142,055,610
Less: allowance for doubtful accounts	**(33,205,245)**	(36,858,238)
	$ 92,171,139	$ 105,197,372

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:

	2014	2013
Student loan interest	**$ 199,818**	$ 128,838
Interest relief - repayment assistance	**(440,753)**	(359,889)
Student loan grants	**(3,617,831)**	(2,449,400)
Student loans disbursed	**10,901,192**	11,060,139
Student loan payments	**(22,006,270)**	(23,982,685)
Student loans written off to allowance	**(1,715,382)**	(1,207,275)
	$ (16,679,226)	$ (16,810,272)

5. Accounts payable and accrued liabilities

	2014	2013
Trade payables and accrued liabilities	$ 212,999	$ 242,377
Salaries and benefits payable	8,122	13,730
Accrued vacation pay	61,575	127,073
	$ 282,696	$ 383,180

6. Employee future benefits

	2014	2013
Vested severance benefits	$ 143,715	$ 118,115
Provision for non-vested, severance benefits	74,124	79,609
Provision for accumulating, non-vested, sick leave	113,687	169,020
	$ 331,526	$ 366,744

(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% (2013 - 8.6%). The Corporation's share of pension contributions and the total expense for 2014 was $71,598 (2013 - $88,621). The Corporation is not required to make contributions in respect of any actuarial deficiencies of the Plan.

7. Due to government

	2014	2013
Federal government	$ 23,232	$ -
Provincial government	38,724	45,073
	$ 61,956	$ 45,073

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:

	2014	2013
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	$ 45,744,000	$ 73,000,000

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, 2013	$ 60,694	$ 145,359	$ 22,404	$ 228,457
Additions	-	-	-	-
Balance, March 31, 2014	60,694	145,359	22,404	228,457
Accumulated amortization				
Balance, March 31, 2013	34,632	116,118	22,404	173,154
Amortization expense	3,896	14,151	-	18,047
Balance, March 31, 2014	38,528	130,269	22,404	191,201
Net book value, March 31, 2014	**$ 22,166**	**$ 15,090**	**$ -**	**$ 37,256**
Net book value, March 31, 2013	$ 26,062	$ 29,241	$ -	$ 55,303

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. There was no significant change in the Corporation's exposure to these risks or its processes for managing these risks from the prior year.

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, 2014 Class B loans in repayment amounted to $51,793,971. A total balance of $6,641,590 of these loans was overdue as follows:

Days Overdue					
1 - 30	31 - 60	61 - 90	91 - 270	>270	Total
$ 85,953	$ 1,917,550	$ 380,941	$ 1,534,007	$ 2,723,139	$ 6,641,590

As well, as at March 31, 2014, the balance of defaulted loans subject to collection procedures was $45,369,874.

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 and accrued liabilities, 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 or 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 price risk. The Corporation is not exposed to significant foreign exchange or other price 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 $457,440 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

	2014	2013
Grants from the Province	**$ 29,583,538**	$ 28,150,810
	$ 29,583,538	$ 28,150,810

In addition to the above transactions, the Province holds the long-term debt of the Corporation totaling $45,744,000.

12. Future changes to the Provincial Student Loan Program

In its 2014 Budget, the Province announced that $50.6 million will be allocated over the next 5 years to eliminate the Provincial portion of student loans, replacing them with non-repayable, upfront grants. The elimination of the Provincial portion of student loans may have a significant impact on the Corporation's future operations.

13. Budgeted figures

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

14. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

MARCH 31, 2013

Office of the Auditor General

Management's Report

Management's Responsibility for the The Rooms Corporation of Newfoundland and Labrador 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 The Rooms Corporation of Newfoundland and Labrador.

On behalf of The Rooms Corporation of Newfoundland and Labrador.

Mr. Fred Evans
Director of Finance

Mr. Dean Brinton
Chief Executive Officer

September 23, 2013

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Members
The Rooms 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 The Rooms Corporation of Newfoundland and Labrador which comprise the statement of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, the statements of operations, change in net debt, and cash flows for the years 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 Rooms Corporation of Newfoundland and Labrador as at March 31, 2013, March 31, 2012 and April 1, 2011, and its financial performance and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

TERRY PADDON, CA
Auditor General

September 23, 2013
St. John's, Newfoundland and Labrador

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF FINANCIAL POSITION

As at	March 31 2013	March 31 2012	April 1 2011
		Restated (Note 2)	Restated (Note 2)
FINANCIAL ASSETS			
Cash	**$ 2,275,860**	$ 1,827,358	$ 1,865,621
Accounts receivable (Note 4)	**817,442**	205,700	292,668
Inventory held for resale	**116,608**	120,888	99,313
Restricted cash (Note 5)	**1,459,158**	2,540,501	2,165,757
	4,669,068	4,694,447	4,423,359
LIABILITIES			
Accounts payable and accrued liabilities (Note 6)	**1,878,666**	1,017,843	1,160,144
Employee future benefits (Note 8)	**880,218**	847,252	826,970
Deferred revenue (Note 7)	**1,459,158**	2,540,501	2,118,847
	4,218,042	4,405,596	4,105,961
Net financial assets	**451,026**	288,851	317,398
NON-FINANCIAL ASSETS			
Tangible capital assets (Note 9)	**5,190,961**	4,038,399	3,455,098
	5,190,961	4,038,399	3,455,098
Accumulated surplus	**$ 5,641,987**	$ 4,327,250	$ 3,772,496

Contractual obligations (Note 14)
Trusts (Note 13)

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

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

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2013 Budget	2013 Actual	2012 Actual
	(Note 17)		Restated (Note 2)
REVENUES			
Province of Newfoundland and Labrador			
Operating grants	$ 7,119,906	$ 7,160,430	$ 7,441,564
Contributions to employee benefits (Note 12)	-	636,440	630,741
Donations	166,666	1,364,858	95,216
Commercial operations (Note 11)	777,867	940,660	831,974
Government of Canada	95,000	257,561	216,941
Corporate sponsorship	117,300	137,300	687,604
External funding	-	14,571	21,572
	8,276,739	10,511,820	9,925,612
EXPENSES (Schedule 1)			
Corporate services and building operations	4,374,187	4,870,770	5,479,385
Provincial archives	940,871	1,030,465	986,637
Provincial art gallery	1,023,956	1,102,080	949,210
Provincial museums	1,368,191	1,595,193	1,394,480
Education and public programs	572,502	598,575	561,146
	8,279,707	9,197,083	9,370,858
Annual operating surplus (deficit)	(2,968)	1,314,737	554,754
Accumulated surplus, beginning of year	4,327,250	4,327,250	3,772,496
Accumulated surplus, end of year	$ 4,324,282	$ 5,641,987	$ 4,327,250

See accompanying notes

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended March 31

	2013 Budget	2013 Actual	2012 Actual
	(Note 17)		Restated (Note 2)
Annual operating surplus (deficit)	$ (2,968)	$ 1,314,737	$ 554,754
Acquisition of tangible capital assets	-	(1,434,287)	(913,040)
Amortization of tangible capital assets	250,000	281,725	329,739
	250,000	(1,152,562)	(583,301)
Increase (decrease) in net financial assets	247,032	162,175	(28,547)
Net financial assets, beginning of year	288,851	288,851	317,398
Net financial assets, end of year	$ 535,883	$ 451,026	$ 288,851

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

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2013	2012
		Restated (Note 2)
Operating transactions		
Annual operating surplus	**$ 1,314,737**	$ 554,754
Adjustment for non-cash items		
Amortization	**281,725**	329,739
Allowance for doubtful accounts	**-**	8,675
	1,596,462	893,168
Change in non-cash operating items		
Accounts receivable	**(611,742)**	78,293
Restricted cash	**1,081,343**	(374,744)
Inventory held for resale	**4,280**	(21,575)
Accounts payable and accrued liabilities	**860,823**	(142,301)
Employee future benefits	**32,966**	20,282
Deferred revenue	**(1,081,343)**	421,654
Cash provided from operating transactions	**1,882,789**	874,777
Capital transactions		
Additions to capital assets	**(1,434,287)**	(913,040)
Cash applied to capital transactions	**(1,434,287)**	(913,040)
Increase (decrease) in cash	**448,502**	(38,263)
Cash, beginning of year	**1,827,358**	1,865,621
Cash, end of year	**$ 2,275,860**	$ 1,827,358

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

1. Nature of operations

The Rooms Corporation of Newfoundland and Labrador (the Corporation) was established as a corporation under the *Rooms Act* on May 19, 2005. In accordance with the *Rooms Act*, the Corporation assumed title to and has been vested with all of the rights, liabilities, assets and property of The Rooms Corporation of Newfoundland and Labrador Inc. established as a corporation under the *Corporations Act* on November 18, 2002. The Corporation was established to: collect, preserve, present and make available for research, historic artifacts, natural history specimens and archival records that represent and illustrate the significant history, culture and natural heritage of the Province; conduct research with respect to the history, natural history, culture and heritage of the Province; collect and present provincial, national and international contemporary and historic art; advance and promote the works of contemporary visual artists of the Province; support the development of cultural industries in the Province; strengthen the culture of the Province; and provide and enhance client services and partnerships to promote the cultural collections of the Province and to show other national and international collections. The Corporation is an agent of the Crown. The affairs of the Corporation are governed by a Board of Directors appointed by the Lieutenant-Governor in Council. The Rooms is located in St. John's, with regional facilities located in Grand Falls-Windsor (Mary March Provincial Museum and Loggers' Life Provincial Museum), Grand Bank (Provincial Seamen's Museum), and North West River (Labrador Interpretation Centre).

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 under Section 149 (1) (d) of the *Income Tax Act*.

2. Conversion to Canadian Public Sector Accounting Standards

In accordance with recent recommendations of the Public Sector Accounting Board (PSAB), the Corporation has determined that it is an Other Government Organization within the Government Reporting Entity. Accordingly, commencing with the 2013 fiscal year, the Corporation has adopted Canadian public sector accounting standards (CPSAS). These financial statements are the first financial statements for which the Corporation has applied CPSAS. The Corporation had previously been preparing its financial statements using Canadian generally accepted accounting principles (CGAAP). The changeover became effective on April 1, 2012, with retroactive application to April 1, 2011.

In accordance with Section PS 2125 of CPSAS, *First-time Adoption by Government Organizations*, the Corporation has prepared reconciliations to enable readers to understand the effects of the changeover on its financial position and comparative results.

2. Conversion to Canadian Public Sector Accounting Standards (cont.)

Statement of financial position reconciliation

The following tables present the reconciliation of the statement of financial position from the previous reporting framework to the current method of presentation as at March 31, 2012 and at the transition date of April 1, 2011. Certain amounts have been reclassified to conform to the presentation adopted at March 31, 2013.

Statement of financial position	Notes	CGAAP March 31, 2012	Adjustments	CPSAS March 31, 2012
FINANCIAL ASSETS				
Cash		$ 1,827,358	$ -	$ 1,827,358
Accounts receivable		205,700	-	205,700
Inventory held for resale		120,888	-	120,888
Restricted cash	(a)	7,448,396	(4,907,895)	2,540,501
		9,602,342	(4,907,895)	4,694,447
LIABILITIES				
Accounts payable and accrued liabilities		1,017,843	-	1,017,843
Employee future benefits	(e)	552,585	294,667	847,252
Deferred revenue	(a)	7,448,396	(4,907,895)	2,540,501
Deferred capital contributions	(b)	3,703,873	(3,703,873)	-
		12,722,697	(8,317,101)	4,405,596
Net (debt) financial assets		$ (3,120,355)	$ 3,409,206	$ 288,851
NON-FINANCIAL ASSETS				
Tangible capital assets		4,038,399	-	4,038,399
Accumulated surplus		$ 918,044	$ 3,409,206	$ 4,327,250

2. Conversion to Canadian Public Sector Accounting Standards (cont.)

Statement of financial position reconciliation (cont.)

Statement of financial position	Notes	CGAAP April 1, 2011	Adjustments	CPSAS April 1, 2011
FINANCIAL ASSETS				
Cash		$ 1,865,621	$ -	$ 1,865,621
Accounts receivable		292,668	-	292,668
Inventory held for resale		99,313	-	99,313
Restricted cash	(a)	5,054,413	(2,888,656)	2,165,757
		7,312,015	(2,888,656)	4,423,359
LIABILITIES				
Accounts payable and accrued liabilities		1,160,144	-	1,160,144
Employee future benefits	(e)	580,740	246,230	826,970
Deferred revenue	(a)	5,007,503	(2,888,656)	2,118,847
Deferred capital contributions	(b)	3,117,343	(3,117,343)	-
		9,865,730	(5,759,769)	4,105,961
Net (debt) financial assets		$ (2,553,715)	$ 2,871,113	$ 317,398
NON-FINANCIAL ASSETS				
Tangible capital assets		3,455,098	-	3,455,098
Accumulated surplus		$ 901,383	$ 2,871,113	$ 3,772,496

2. Conversion to Canadian Public Sector Accounting Standards (cont.)

Statement of operations reconciliation

The following table presents the reconciliation of the statement of operations from the previous reporting framework to the current method of presentation for the year ended March 31, 2012. Certain amounts have been reclassified to conform to the presentation adopted at March 31, 2013.

Statement of operations	Notes	CGAAP March 31, 2012	Adjustments	CPSAS March 31, 2012
REVENUE				
Province of Newfoundland and Labrador				
Operating grants		$ 7,441,564	$ -	$ 7,441,564
Contributions to employee benefits		630,741	-	630,741
Donated acquisitions	(d)	1,157,305	(1,157,305)	-
Colonial Building Political History Interpretation Project	(a)	758,662	(758,662)	-
Commercial operations		831,974	-	831,974
Amortization of deferred capital contributions	(b)	113,104	(113,104)	-
Government of Canada	(b)	110,301	106,640	216,941
Donations		95,216	-	95,216
Corporate sponsorship	(b)	94,610	592,994	687,604
External funding		21,572	-	21,572
		11,255,049	(1,329,437)	9,925,612
EXPENSES				
Advertising	(c)	292,668	(292,668)	-
Amortization	(c)	329,739	(329,739)	-
Appraisals and acquisitions	(c)	155,852	(155,852)	-
Allowance for doubtful accounts	(c)	8,675	(8,675)	-
Building	(c)	1,923,801	(1,923,801)	-
Colonial Building Political History Interpretation Project	(a)	758,662	(758,662)	-
Conference and registration fees	(c)	20,861	(20,861)	-
Core programming	(c)	570,602	(570,602)	-
Cost of gift shop sales	(c)	188,503	(188,503)	-
Donated acquisitions	(d)	1,157,305	(1,157,305)	-
Meetings	(c)	33,101	(33,101)	-
Office equipment and supplies	(c)	104,854	(104,854)	-
Professional services	(c)	241,467	(241,467)	-
Salaries and benefits	(c)	5,193,741	(5,193,741)	-

2. Conversion to Canadian Public Sector Accounting Standards (cont.)

Statement of operations reconciliation (cont.)

Statement of operations	Notes	CGAAP March 31, 2012	Adjustments	CPSAS March 31, 2012
Telecommunications and courier	(c)	85,084	(85,084)	-
Travel	(c)	173,473	(173,473)	-
Corporate services and building operations	(c)(e)	-	5,479,385	5,479,385
Provincial archives	(c)(e)	-	986,637	986,637
Provincial art gallery	(c)(e)	-	949,210	949,210
Provincial museums	(c)(e)	-	1,394,480	1,394,480
Education and public programs	(c)(e)	-	561,146	561,146
		11,238,388	(1,867,530)	9,370,858
Annual operating surplus		$ 16,661	$ 538,093	$ 554,754

(a) Under CPSAS, amounts held in trust on behalf of external parties are not considered available for use or benefit of the Corporation. In accordance with CPSAS, amounts held in trust are not included in the Corporation's statement of financial position. As a result, the balance of deferred revenue was reviewed as at the date of transition and it was determined that the funds held in trust and any transactions related to the funds would be removed from the financial statements on a retroactive basis. CPSAS require the Corporation to disclose funds held in trust. See Note 13 for disclosure of these funds.

(b) Under CGAAP standards, contributions from governments and private donors that were designated for the acquisition or recapitalization of tangible capital assets were recorded as deferred capital contributions and amortized to revenue at the same rates which the related capital assets were amortized. Under CPSAS, the contributions must be recognized as revenue when the related tangible capital assets are acquired or constructed. As a result, the balance of deferred capital contributions at the date of transition was reviewed and it was determined that the entire balance should be recognized as revenue. Accordingly, an adjustment was made to retroactively apply the standard because the contributions had been used for their designated purpose.

(c) Under CPSAS, the Corporation is required to report its expenses by function or major program on the statement of operations. Therefore, certain expenses were reclassified on a retroactive basis.

(d) Under CPSAS, there is no requirement to record donated goods and services as revenues and expenses. The Corporation has disclosed this information in Note 16 of these financial statements.

2. Conversion to Canadian Public Sector Accounting Standards (cont.)

e) CPSAS requires that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Corporation in return for the benefits. Previous to the year ended March 31, 2013, the Corporation did not record a liability or an expense related to severance pay for employees with less than 9 years of continuous service or accumulating non-vesting sick leave benefits. Accordingly, an adjustment was made to retroactively apply the standard.

3. Summary of significant accounting policies

(a) Basis of accounting

These financial statements have been prepared by the Corporation'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 Corporation's financial instruments recognized in the statement of financial position consist of cash, restricted cash, accounts receivable, and accounts payable and accrued liabilities. 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 restricted cash. Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at cost include accounts payable and accrued liabilities.

The carrying values of cash, restricted cash, accounts receivable and accounts payable and accrued liabilities approximate current fair value due to their nature and/or the short-term maturity associated with these instruments.

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

(c) Cash

Cash includes cash in bank.

3. Summary of significant accounting policies (cont.)

(d) Inventory held for resale

Inventory held for resale includes items purchased for resale in the gift shop and are recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(e) Collections

The collections of art work, archival documents and historical and cultural artifacts form the largest part of the assets of the Corporation. These collections are not presented in the statement of financial position due to the practical difficulties of determining a meaningful value for these assets. The acquisition of purchased works of art and artifacts is recorded as an expense.

(f) Tangible capital assets

Tangible capital assets to which the Corporation has title are recorded at cost at the time of acquisition.

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:

Furniture	7 years
Equipment	3 years
Motor vehicles	5 years
Building improvements	7 to 20 years

Work in progress is considered to be a tangible capital asset, however, it is not amortized as it is not yet available for use. Upon completion, these assets will be recorded in the appropriate category.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the ability of the Corporation 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.

3. Summary of significant accounting policies (cont.)

(g) Employee future benefits

Employee future benefits include severance pay and accumulating non-vesting 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-vesting sick leave benefits is calculated based upon management's best estimates of its employees' sick leave utilization rates, sick leave balances, annual sick leave entitlements and current salary levels.

Under the *Rooms Act*, Corporation employees shall be considered to be employed in the public service for the purposes of the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Corporation and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire.

(h) Revenues

Revenues are recognized in the period in which the transaction 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 the estimation is impracticable.

Government transfers (Province of Newfoundland and Labrador operating grants and Government of Canada grants) are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except when and 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 stipulations giving rise to the liabilities are settled.

(i) Donations

Donations are comprised of contributions received from individuals, foundations and corporations.

Unrestricted contributions are recognized as revenue in the statement of operations when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions externally restricted for specific projects or expenses are deferred in the statement of financial position and recognized in the statement of operations in the fiscal year in which the related expenses are incurred.

3. Summary of significant accounting policies (cont.)

(j) Expenses

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

(k) Volunteers

During the year, volunteers contributed significant hours in support of the Corporation. Their activities include guided gallery and museum tours and a variety of programs that enrich the visitor's experience at the Corporation's facilities and its profile in the community. Due to the complexities involved in valuing these services, they have not been reflected in the financial statements.

(l) 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 useful life of tangible capital assets, the probability of having to pay future severance benefits to employees with less than 9 years of service and the probability of future sick leave benefits being 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.

4. Accounts receivable

	2013	2012
Province of Newfoundland and Labrador	**$ 234,027**	$ 29,312
Harmonized Sales Tax	**547,004**	124,928
Other	**45,086**	60,135
	826,117	214,375
Less: Allowance for doubtful accounts	**(8,675)**	(8,675)
	$ 817,442	$ 205,700

5. Restricted cash

The following funds, which have external conditions on their use, have been received and deposited with the Corporation's general funds and are reported in these financial statements as restricted cash.

	2013	2012
Private Donor - Site Development	$ 207,164	$ 87,955
Corporate Donor - Programming	-	83,334
Private Donor - Social History Exhibit	-	1,000,000
Corporate Donor - 4th Floor	1,234,769	1,351,987
Permanent Collections Donations	15,625	15,625
Private Donor - B-17 Bomber Exhibit	1,600	1,600
	$ 1,459,158	$ 2,540,501

6. Accounts payable and accrued liabilities

	2013	2012
Trade accounts payable	$ 1,495,299	$ 670,302
Accrued salaries	62,697	62,614
Accrued overtime and leave	320,670	282,661
Other	-	2,266
	$ 1,878,666	$ 1,017,843

7. Deferred revenue

Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement. The following funds have been received by the Corporation. Since the conditions relating to their use have not been met, recognition of the revenues has been deferred and the funds are recorded as restricted cash as disclosed in Note 5. As at March 31, 2013, the Corporation reported the following:

	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
Donations	$ 2,540,501	$ 283,333	$ 1,364,676	$ 1,459,158
Government of Canada	-	105,000	105,000	-
Other	-	20,000	20,000	-
	$ 2,540,501	$ 408,333	$ 1,489,676	$ 1,459,158

8. Employee future benefits

Employee future benefits consists of:

	2013	2012
Severance pay (a)	$ 652,553	$ 613,539
Accumulating non-vesting sick leave benefit liability (b)	227,665	233,713
	$ 880,218	$ 847,252

(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	$ 572,777	$ 552,585
Employees with less than 9 years of service	79,776	60,954
	$ 652,553	$ 613,539

(b) Accumulating non-vesting sick leave benefit liability

	2013	2012
Accumulating non-vesting sick leave benefit liability	$ 227,665	$ 233,713

(c) Employee future benefits expense

	2013	2012
Severance pay expense	$ 39,014	$ 5,670
Accumulating non-vesting sick leave benefit expense	(6,048)	14,612
	$ 32,966	$ 20,282

8. 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 Corporation for these employees. For employees with less than nine years of continuous 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. 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 continuous service.

ii. Accumulating non-vesting 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 70 employees.

iii. Pension contributions

Under the *Rooms Act*, the Corporation's staff is subject to the *Public Service Pensions Act*. The Province of Newfoundland and Labrador administers the payroll processing for the majority of the Corporation's staff. Employee contributions are matched by the Province, on behalf of the Corporation, 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 multi-employer, defined benefit plan, providing a pension on retirement based on the age of its members at retirement, length of service and the average of their best five years of earnings. The maximum contribution rate for eligible employees was 8.6% (2012 - 8.6%). The Corporation is not required to make contributions in respect of any actuarial deficiencies of the plan. The Corporation's share of pension contributions for 2013 was $306,371 (2012 - $306,475). These contributions are included in employee future benefits expense and as revenue from the Province of Newfoundland and Labrador.

8. Employee future benefits (cont.)

(d) Employee future benefits (cont.)

iii. Pension contributions (cont.)

Certain employees who transferred to the Corporation from Memorial University of Newfoundland (MUN) continue to have their payroll administered by MUN, including pension benefits. MUN invoices the Corporation for the employer share of pension contributions which are then remitted to the Memorial University of Newfoundland Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions related to these employees for 2013 was $9,425 (2012 - $9,779).

9. Tangible capital assets

Original Cost

	Balance March 31, 2012	Additions	Disposals	Balance March 31, 2013
Furniture	$ 669,062	$ 1,947	$ -	$ 671,009
Equipment	592,713	32,665	-	625,378
Motor vehicles	82,473	-	19,759	62,714
Building improvements	2,368,583	-	-	2,368,583
Capital assets transferred (Note 10)	1	-	-	1
Work in progress	1,566,937	1,399,675	-	2,966,612
	$ 5,279,769	$ 1,434,287	$ 19,759	$ 6,694,297

9. Tangible capital assets (cont.)

Accumulated Amortization

	Balance March 31, 2012	Amortization	Disposals	Balance March 31, 2013	Net book value March 31, 2013	Net book value March 31, 2012
Furniture	$ 460,050	$ 89,821	$ -	$ 549,871	$ 121,138	$ 209,012
Equipment	519,893	66,623	-	586,516	38,862	72,820
Motor vehicles	82,473	-	19,759	62,714	-	-
Building improvements	178,953	125,281		304,234	2,064,349	2,189,630
Capital assets transferred (Note 10)	1	-	-	1	-	-
Work in progress	-	-	-	-	2,966,612	1,566,937
	$ 1,241,370	$ 281,725	$ 19,759	$ 1,503,336	$ 5,190,961	$ 4,038,399

These financial statements do not include the value of "The Rooms" building out of which the Provincial Archives, Art Gallery and Museum Divisions of the Corporation operate. Ownership of the building, which cost $49.3 million to construct, is held by the Minister of Transportation and Works on behalf of the Province. Ownership of buildings located throughout the Province which house regional museums are also held by the Minister of Transportation and Works on behalf of the Province.

10. Capital assets transferred to the Corporation

During 2003-04, The Rooms Corporation of Newfoundland and Labrador Inc. assumed title to the capital assets of the Provincial Archives, the Provincial Museum and the Art Gallery of Newfoundland and Labrador. These assets have been transferred to the Corporation. The costs and accumulated amortization of these assets are unknown and a reasonable estimate of the amounts involved could not be determined. Therefore, the cost has been recorded as $1 and the accumulated amortization has been recorded at $1.

11. Commercial operations

Commercial operations revenue is comprised as follows:

	2013	2012
Admission revenue	**$ 445,712**	$ 438,380
Gift shop sales	**264,625**	233,130
Other revenue	**127,988**	82,045
Interest income	**102,335**	78,419
	$ 940,660	$ 831,974

12. Related party transactions

(a) Province of Newfoundland and Labrador

The Corporation is a Crown Corporation of the Province of Newfoundland and Labrador reporting through the Minister of the Department of Tourism, Culture and Recreation. Expenses incurred by the Province, related to salaries and benefits totaling $5,120,339 (2012 - $5,221,896), are reflected in these financial statements as expenses of the Corporation and as revenue from the Province. Included in this total is $636,440 (2012 - $630,741), related to the employer's share of employee benefits, paid by the Department of Finance on behalf of the Corporation.

The Office of the Chief Information Officer (OCIO), an entity within the Executive Council of the Province, is developing a collections database for the Corporation's Art Gallery and Museum. Professional services costs of $41,920 have been financed by the OCIO and are reflected in these financial statements.

The Province provides the Corporation with buildings and space, and related building services, for use as regional museums, storage and workshops in various locations throughout the Province at no cost to the Corporation. Information technology services and legal services are also provided to the Corporation by the Province at no cost to the Corporation. The value of these spaces and the services provided is not readily determinable and therefore are not reflected in these financial statements.

(b) Memorial University of Newfoundland

Certain employees who transferred to the Corporation from Memorial University of Newfoundland (MUN) continue to have their payroll administered by MUN. MUN invoices the Corporation for actual costs incurred. Expenses related to salaries and benefits totaling $141,761 (2012 - $141,948) were invoiced by MUN during the year.

12. Related party transactions (cont.)

(c) The Rooms Foundation of Newfoundland and Labrador

The Rooms Foundation of Newfoundland and Labrador was incorporated on March 11, 2009 under the *Corporations Act*. It was incorporated in accordance with Section 8(7) of the *Rooms Act*. There were no transactions or other activity between March 11, 2009 and March 31, 2013.

13. Colonial Building Political History Interpretation Project

Under a Memorandum of Understanding between the Corporation and the Province signed on March 31, 2009, the Corporation, as Project sponsor, became responsible for financial administration of a Project to renovate the Colonial Building into a heritage interpretation centre. The original Memorandum of Understanding was replaced by a new Memorandum of Understanding that was signed on December 14, 2011. Under the new Memorandum of Understanding, the Corporation continued as Project sponsor until the Project's expected completion in Spring 2014.

On December 1, 2008, an Agreement (the Agreement) respecting a Project called "Colonial Building Political History Interpretation" was signed between the Corporation and the Government of Canada. The Agreement provided funding for the renovation of the Colonial Building in the maximum amount of $748,335. On March 8, 2010, the Agreement was amended to reduce the maximum contribution from the Government of Canada to $695,512.

As title to and use of the Colonial Building remains with the Province, the Corporation does not capitalize the renovations to the Colonial Building. Additionally, expenses of the project are not reported on the Corporation's statement of operations, and the unexpended funds held in trust are not reported on the Corporation's statement of financial position. The Corporation is provided with an annual administration fee that is recorded as revenue. In addition, interest earned on the funds held in trust is recorded as revenue by the Corporation.

Since the start of the agreement to March 31, 2013, the Corporation has received funds totaling $12,888,861 (2012 - $7,873,861) and incurred expenses totaling $5,366,215 (2012 - $2,965,966) related to the Project. During the year ended March 31, 2013, expenses of $2,400,249 (2012 - $828,662) were incurred related to the Project. The balance of funds held in trust by the Corporation as at March 31, 2013 was $7,522,646 (2012- $4,907,895).

14. Contractual obligations

(a) Facility Management Contract

The Corporation has entered into an annual facility management contract representing commitments of approximately $175,000 per month. The contract automatically renews every September 30 unless the Corporation provides notice of its intent to terminate the contract no less than sixty days prior to September 30.

(b) Level 4 Development Contract

The Corporation has entered into an agreement for the interpretive planning, design, fabrication and installation for two exhibitions on Level 4 of "The Rooms" building. The total contract value is $2,388,960 and the work is to be substantially completed by June 2013. Of this total amount, $1,247,213 has been expended to March 31, 2013.

(c) Equipment Leases

The Corporation has entered into lease agreements for the rental of office equipment. Approximate payment of these obligations in future years is as follows:

2014	**$ 6,670**
2015	**6,670**
2016	**3,644**
2017	**1,820**
2018	**645**
	$ 19,449

15. Donor commitments

The Corporation has received pledges from private donors for development of the Corporation's Site Development, Level 4 Development and for development of a First World War exhibit totaling $1,750,000. During the year, installments of $283,333 from two of the donors were received and were recognized in the financial statements. The remaining funds will be recognized as and when they are received over the next three years.

16. Donated acquisitions

Donated acquisitions, or non-cash gifts, are gifts of art work, archival documents and historical and cultural artifacts that the Corporation has received, and for which a tax receipt has been issued to the donor based on an appraised value, and are included in the Corporation's permanent collections. Donated acquisitions are not reflected in the Corporation's financial statements. During the year, the Corporation issued receipts for non-cash donations of $735,102 (2012 - $1,157,305).

17. Budget

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been derived from the estimates approved by the Corporation's Board.

18. 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, restricted cash and accounts 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 and restricted cash because these financial instruments are held with a Chartered Bank. The Corporation 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 as disclosed in Note 4.

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 and accrued liabilities, and its contractual obligations. 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. The future minimum payments required from the Corporation in relation to its contractual obligations are outlined in Note 14.

19. Financial risk management (cont.)

Market risk

Market risk is the risk that the fair value or 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 price risk. The Corporation is not exposed to significant foreign exchange risk or other price risk. The Corporation is not exposed to significant interest rate risk related to cash or restricted cash because of its nature.

20. Comparative figures

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

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

SCHEDULE 1

REVENUE AND EXPENSE BY SECTOR

For the Year Ended March 31, 2013

	Corporate Services and Building Operations	Provincial Archives	Provincial Art Gallery	Provincial Museums	Education and Public Programs	2013 Total	2012 Total (Restated)
REVENUES							
Province of Newfoundland & Labrador							
Operating grants	$ 7,035,430	$ -	$ 125,000	$ -	$ -	$ 7,160,430	$ 7,441,564
Contribution to employee benefits (Note 12)	203,829	115,710	63,390	194,467	59,044	636,440	630,741
Donations	1,364,858	-	-	-	-	1,364,858	95,216
Commercial operations (Note 11)	797,923	68,213	51,285	12,104	11,135	940,660	831,974
Government of Canada	35,000	83,561	95,000	44,000	-	257,561	216,941
Corporate sponsorship	-	-	50,000	-	87,300	137,300	687,604
External funding	-	7,071	7,500	-	-	14,571	21,572
	$ 9,437,040	$ 274,555	$ 392,175	$ 250,571	$ 157,479	$10,511,820	$ 9,925,612
EXPENSES							
Advertising and promotion	$ 293,902	$ 919	$ 112	$ 8,589	$ -	$ 303,522	$ 292,668
Allowance for doubtful accounts	-	-	-	-	-	-	8,675
Amortization	281,725	-	-	-	-	281,725	329,739
Appraisals and acquisitions	-	12,053	123,059	2,529	-	137,641	155,852
Building expenses	1,965,311	-	-	-	-	1,965,311	1,923,801
Conference and registration fees	1,912	1,771	2,574	6,307	1,921	14,485	20,861
Core programming	161,310	29,255	258,060	91,880	110,447	650,952	570,602
Cost of gift shop sales	206,815	-	-	-	-	206,815	188,503
Employee future benefits	237,352	112,738	68,387	217,049	33,880	669,406	651,023
Meeting expenses	16,628	640	1,908	2,196	284	21,656	33,101
Office equipment and supplies	28,349	18,097	5,294	11,007	620	63,367	104,854
Professional services	71,543	17,652	40,503	55,066	8,192	192,956	241,467
Salaries	1,483,966	827,044	572,635	1,162,991	437,263	4,483,899	4,591,155
Telecommunications and courier	67,314	2,424	3,175	5,908	2,156	80,977	85,084
Travel	54,643	7,872	26,373	31,671	3,812	124,371	173,473
	$ 4,870,770	$1,030,465	$1,102,080	$ 1,595,193	$ 598,575	$ 9,197,083	$ 9,370,858
Annual operating surplus (deficit)	$ 4,566,270	$ (755,910)	$ (709,905)	$(1,344,622)	$(441,096)	$ 1,314,737	$ 554,754

Consolidated Financial Statements

Western Regional Health Authority

March 31, 2014

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

Independent auditors' report

Grant Thornton LLP
Suite 201
4 Herald Avenue
Corner Brook, NL
A2H 4B4

T (709) 634-4382
F (709) 634-9158
www.GrantThornton.ca

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, 2014 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 19, 2014 — Chartered Accountants

Western Regional Health Authority
Consolidated statement of financial position

March 31
(in thousands of dollars)

	2014	2013
Financial assets		
Cash and cash equivalents	$ -	$ 546
Receivables (Note 3)	26,430	25,073
Trust funds on deposit (Note 4)	638	580
Replacement reserve fund	133	150
Restricted cash – NLHBA funds on deposit (Note 5)	5,503	-
Restricted cash and investments	150	141
	$ 32,854	$ 26,490
Liabilities		
Bank indebtedness (Note 6)	$ 1,455	$ 8,510
Payables and accruals	31,294	27,345
Vacation pay accrual	8,659	9,237
Severance pay accrual (Note 7)	29,818	30,474
Sick leave accrual (Note 7)	16,967	17,806
Deferred contributions – operating	3,093	2,751
Deferred contributions – capital	13,694	11,789
Long term debt (Note 9)	6,781	7,475
NLHBA program liabilities (Note 5)	5,503	-
Trust funds payable	638	580
	$ 117,902	$ 115,967
Net debt	$ (85,048)	$ (89,477)
Non-financial assets		
Tangible capital assets (Note 10)	$ 72,853	$ 75,863
Inventory (Note 11)	5,061	6,156
Prepaid expenses	6,969	7,479
	84,883	89,498
Accumulated (deficit) surplus	$ (165)	$ 21

Contingencies and commitments (Note 12)

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 2014 (Note 13)	Actual 2014	Actual 2013
Revenue			
Provincial plan – operating grant	$ 287,879	$ 287,879	$ 292,661
Capital grant – provincial	5,021	5,021	5,259
Capital grant – other	562	562	1,037
National Child Benefit	744	831	757
Early Childhood Development	359	394	359
MCP physician revenue	19,215	19,084	16,961
Inpatient	1,615	1,583	1,725
Outpatient	1,651	1,678	1,759
Resident revenue – long term care	7,763	8,199	7,538
Mortgage interest subsidy	40	23	23
Food service	1,700	1,775	1,877
Other recoveries	9,551	10,203	9,468
Other	3,119	3,126	4,976
	339,219	340,358	344,400
Expenditures			
Administration	26,091	25,311	29,950
Support services	56,831	58,689	57,241
Nursing inpatient services	80,580	81,612	80,672
Medical services	23,437	23,010	21,891
Ambulatory care services	25,159	26,905	25,206
Diagnostic and therapeutic services	32,321	32,180	32,062
Community and social services	80,923	78,972	77,809
Educational services	6,049	5,890	5,446
Undistributed	2,245	2,015	2,061
	333,636	334,584	332,338
Surplus	$ 5,583	$ 5,774	$ 12,062

Western Regional Health Authority

Consolidated statement of operations (cont'd)

Year ended March 31 (in thousands of dollars)	**Budget 2014 (Note 13)**	**Actual 2014**	Actual 2013
Adjustments for undernoted items – net expenses			
Amortization expense	**$ 7,956**	**$ 7,956**	$ 8,274
Accrued vacation expense- (decrease)	**(578)**	**(578)**	(150)
Accrued severance expense- (decrease) increase	**(656)**	**(656)**	2,089
Accrued sick expense – (decrease) increase	**(839)**	**(839)**	475
Cottages - deficit	**64**	**77**	27
Total adjustments for above noted items	**5,947**	**5,960**	10,715
(Deficit) Surplus	**(364)**	**(186)**	1,347
Accumulated surplus (deficit), beginning of year	**21**	**21**	(1,326)
Accumulated (deficit), surplus end of year	**$ (343)**	**$ (165)**	$ 21

Western Regional Health Authority

Consolidated statement of changes in net debt

Year ended March 31 (in thousands of dollars)	**Budget 2014 (Note 13)**	**Actual 2014**	Actual 2013
Net debt, beginning of year	**$ (89,477)**	$ **(89,477)**	$ (92,755)
Surplus (deficit) for the year	**(364)**	**(186)**	1,347
Changes in tangible capital assets			
Acquisition of tangible capital assets	**(5,449)**	**(5,449)**	(6,468)
Disposal of tangible capital assets	**-**	**-**	534
Amortization of tangible capital assets	**7,956**	**7,956**	8,274
Amortization of tangible capital assets-Cottages	**-**	**503**	488
Decrease in net book value of tangible capital assets	**2,507**	**3,010**	2,828
Changes in other non-financial assets			
Acquisition of prepaid expense (net of usage)	**-**	**510**	(581)
Acquisition of inventories of supplies (net of usage)	**-**	**1,095**	(316)
Increase (decrease) in other non-financial assets	**-**	**1,605**	(897)
(Increase) decrease in net debt	**2,143**	**4,429**	3,278
Net debt, end of year	**$ (87,334)**	$ **(85,048)**	$ (89,477)

Western Regional Health Authority

Consolidated statement of cash flows

Year ended March 31
(in thousands of dollars)

		2014		2013
Operating				
Annual surplus (deficit)	$	**(186)**	$	1,347
Add (deduct) non-cash items:				
Amortization of capital assets		**7,956**		8,274
Amortization of capital assets - cottages		**503**		488
Accrued vacation expense – decrease		**(578)**		(150)
Accrued severance expense – (decrease) increase		**(656)**		2,089
Accrued sick expense – (decrease) increase		**(839)**		475
Changes in:				
Receivables		**(1,357)**		(11,511)
Inventory		**1,095**		(316)
Prepaid expenses		**510**		(581)
Deferred contributions - operating		**342**		(75)
Payables and accruals		**3,949**		(3,603)
Net cash (applied to) provided by operating transactions		**10,739**		(3,563)
Capital				
Acquisitions of tangible capital assets		**(5,449)**		(6,468)
Disposal of tangible capital assets		**-**		534
Net cash applied to capital transactions		**(5,449)**		(5,934)
Financing				
Short term debt assumed		**-**		8,510
Short term debt repaid		**(7,055)**		-
Repayment of long term debt		**(694)**		(668)
Increase capital contributions		**1,905**		440
Net cash (applied to) provided by financing transactions		**(5,844)**		8,282
Investing				
Restricted cash and investments		**(9)**		(6)
Replacement reserve fund		**17**		(11)
Net cash provided by (applied to) investing transactions		**8**		(17)
Net cash provided (applied)		**(546)**		(1,232)
Cash and cash equivalents - beginning of year		**546**		1,778
Cash and cash equivalents - end of year	**$**	**-**	$	546

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 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
- NLHBA program liabilities

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 trust funds payable and NLHBA program liabilities.

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

		2014		2013
Province of Newfoundland and Labrador				
Capital contributions	$	-	$	1,534
Provincial plan		**12,995**		9,538
MCP		**3,840**		2,918
Patient services		**1,166**		2,229
Foundations		**732**		876
Employees' pay and travel advances		**327**		351
Harmonized sales tax rebate		**516**		321
Department of veteran affairs		**564**		2,554
Child Youth and Family Services		**2,775**		2,359
Other		**3,501**		2,390
NLHC		**14**		3
	$	**26,430**	$	25,073

4. Trust funds

Funds belonging to patients of Western Health are being held in trust for the benefit of the patients.

5. NLHBA funds on deposit

Beginning April 1, 2013 the Newfoundland and Labrador Health Boards Association ceased operations. Western Health was tasked with custody of the association's assets in order to decrease the liabilities remaining. Funds from this restricted cash balance can only be distributed based upon direction from Government.

6. Bank indebtedness

Western Health has access to a line of credit with the Bank of Montreal in the amount of $ 17,500 (2013 - $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, 2014 is $NIL (2013 - $NIL). Interest is being charged at prime less 1.15% on any overdraft March 31, 2014 – 1.15 % (March 31, 2013 - 1.85%).

(in thousands of dollars)

7. Employee future benefits

The actuarial valuation was completed on May 22, 2014. 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:

	2014	2013
Wages and salary escalation	4%	4%
Interest	3.9 %	3.6%

The sick leave accrual as at March 31 is as follows:

		2014		2013
Accrued sick pay obligation beginning of year	**$**	**17,806**	$	17,331
Current period benefit cost		**1,794**		1,715
Benefit payments		**(2,222)**		(2,152)
Interest on the accrued benefit sick leave obligations		**633**		658
Actuarial (gains)/losses		**(1,044)**		254
Accrued sick pay obligations, end of year	**$**	**16,967**	$	17,806

The severance pay accrual as at March 31 is as follows:

		2014		2013
Accrued severance obligation beginning of year	**$**	**30,474**	$	28,385
Current period benefit cost		**2,105**		2,090
Benefit payments		**(1,767)**		(1,767)
Interest on the accrued severance obligation		**1,102**		1,098
Actuarial (gains)/losses		**(2,096)**		668
Accrued severance obligation, end of year	**$**	**29,818**	$	30,474

(in thousands of dollars)

8. **Long term debt**		**2014**		2013
1.8% mortgage on the Bay St. George Seniors Home, maturing in 2021, repayable in blended monthly payments of $12,113	**$**	**977**	$	1,104
8% mortgage on the Bay St. George Seniors Home, maturing in 2026, repayable in blended monthly payments of $9,523		**912**		953
4.56% mortgage on the Woody Point Clinic, maturing in 2020, repayable in blended monthly payments of $2,304		**146**		169
1.71 % CMHC loan maturing in 2017, repayable in monthly blended instalments of $9,952, amortized to 2017		**378**		481
2.11% CMHC loan due in 2018, repayable in monthly blended instalments of $5,962 until December 1, 2018		**323**		386
10% CMHC loan due in 2028, repayable in monthly blended instalments of $8,028		**732**		756
2.65% CMHC mortgage due 2019, amortized over 25 years, repayable in monthly blended instalments of $7, 370		**471**		546
2.40% CMHC mortgage due 2020, amortized over 25 years, repayable in monthly blended instalments of $7,473		**501**		577
1.67% NLHC loan due in 2017, repayable in monthly blended instalments of $6,351 until March 2017		**702**		766

(in thousands of dollars)

8. **Long term debt (cont'd)**	**2014**	2013
2.14% NLHC loan amortized to 2017, repayable in monthly blended instalments of $3,953 until March 2014	**626**	660
1.67% NLHC mortgage due in 2017, repayable in monthly blended instalments of $2,276 until March 2017	**328**	350
1.67% NLHC mortgage due in 2017 repayable in monthly blended instalments of $4,529 until March 2017	**685**	727
	$ 6,781	$ 7,475

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 $6,781 $(2013 - $ 7,475)

See Note 9 for five year principal repayment schedule.

9. 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	$ 681
2015	714
2016	748
2017	712
2018	713
	$ 3,568

(in thousands of dollars)

10. Tangible capital assets

	Land	Land Improvements	Buildings	Parking Lot	Equipment	Motor Vehicles	Leasehold Improvements	Total
March 31, 2014								
Cost								
Opening balance	$ 1,102	$ 435	$ 66,347	$ 1,142	$ 125,751	$ 1,549	$ 232	$ 196,558
Additions	-	-	430	-	4,998	21	-	5,449
Disposals	-	-	-	-	-	-	-	-
Closing balance	1,102	435	66,777	1,142	130,749	1,570	232	202,007
Accumulated amortization								
Opening balance	-	253	33,720	697	84,838	969	218	120,695
Additions	-	4	2,100	28	6,207	118	2	8,459
Disposals	-	-	-	-	-	-	-	-
Closing balance	-	257	35,820	725	91,045	1,087	220	129,154
Net book value	**$ 1,102**	**$ 178**	**$ 30,957**	**$ 417**	**$ 39,704**	**$ 483**	**$ 12**	**$ 72,853**

(in thousands of dollars)

10. Tangible capital assets (cont'd)

	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**

Book value of capitalized items that have not been amortized is $ 5,590 (2013 - $4,389)

(in thousands of dollars)

11. Inventory		2014		2013
Dietary	$	**103**	$	135
Pharmacy		**1,711**		1,985
Supplies		**3,247**		3,667
Consignment				369
	$	**5,061**	$	6,156

12. Contingencies and commitments

Claims

As of March 31, 2014, 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

2015	$	4,447
2016		2,848
2017		2,313
2018		1,519
2019		469
	$	11,596

(in thousands of dollars)

13. 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 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 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, 2014:

Original budgeted provincial plan revenue	$	273,803
Add: Net provincial plan budget adjustments		14,076
Ending budgeted provincial plan revenue		287,879
Original budgeted other revenue		45,199
Add: Net budget increases - other		558
Ending budgeted revenue	$	333,636
Original budgeted salary expenditure	$	206,705
Add: Net salary budget adjustments		1,949
Ending budgeted salary expenditure		208,654
Original budgeted supply expenditure		122,223
Add: Net supply budget adjustments		2,759
Ending budgeted expenditures	$	333,636

14. 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.

15. 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)	2014	2013
Administration		
General administration	$ 8,055	$ 10,356
Finance	2,853	3,340
Personnel services	4,142	5,257
System support	4,337	5,049
Other administrative	5,924	5,948
	25,311	29,950
Support services		
Housekeeping	10,688	10,547
Laundry and linen	2,489	2,655
Plant services	19,360	18,835
Patient food services	12,067	11,502
Other support services	14,085	13,702
	58,689	57,241
Nursing inpatient services		
Nursing inpatient services – acute	55,184	55,237
Medical services	23,010	21,891
Nursing inpatient services – long term care	26,428	25,435
	104,622	102,563
Ambulatory care services	26,905	25,206
Diagnostic and therapeutic services		
Clinical laboratory	10,728	10,808
Diagnostic imaging	8,834	8,725
Other diagnostic and therapeutic	12,618	12,529
	32,180	32,062

Western Regional Health Authority
Consolidated expenditures – operating/shareable
Schedule I (cont'd)

Year ended March 31 (in thousands of dollars)	**2014**	2013
Community and social services		
Mental health and addictions	**7,542**	7,485
Community support programs	**61,899**	59,051
Family support programs	**3,055**	2,936
Health promotion and protection program	**6,476**	8,337
	78,972	77,809
Education	**5,890**	5,446
Undistributed	**2,015**	2,061
Shareable amortization	**191**	180
Total expenditures	**$ 334,775**	$ 332,518

Western Regional Health Authority

Consolidated revenue and expenditures for government reporting

Schedule II

Year ended March 31
(in thousands of dollars)

		2014		2013
Revenue				
Provincial plan – operating grant	$	**287,879**	$	292,661
Capital grant – provincial		**5,021**		5,259
Capital grant – other		**562**		1,037
MCP physician revenue		**19,084**		16,961
National Child Benefit		**831**		757
Early Childhood Development		**394**		359
Inpatient		**1,583**		1,725
Outpatient		**1,678**		1,759
Resident Revenue – long term care		**8,199**		7,538
Mortgage interest subsidy		**23**		23
Food service		**1,775**		1,877
Other recoveries		**10,203**		9,468
Other		**3,126**		4,976
Total revenue		**340,358**		344,400
Expenditures				
Worked and benefit salaries and contributions		**178,062**		174,728
Benefit contributions		**31,336**		30,553
		209,398		205,281
Supplies – plant operations and maintenance		**7,245**		6,640
Supplies – drugs		**8,830**		8,818
Supplies – medical and surgical		**12,152**		11,926
Supplies – other		**13,381**		12,780
		41,608		40,164
Direct client costs – mental health and addictions		**358**		357
Direct client costs – community support		**46,198**		44,156
Direct client costs – family support		**1,313**		1,304
		47,869		45,817
Other shareable expenses		**35,612**		40,969

Western Regional Health Authority
Consolidated revenue and expenditures for government reporting
Schedule II (cont'd)

Year ended March 31
(in thousands of dollars)

	2014	2013
Expenditures (cont'd)		
Long term debt – interest	**97**	107
Long term debt – principal	**191**	180
	288	287
Total expenditures	**334,775**	332,518
Less: Capital grant – provincial	**5,021**	5,259
Less: Capital grant – other	**562**	1,037
Surplus for government reporting	**-**	5,586
Long term debt - principal	**191**	180
Surplus inclusive of other operations	**191**	5,766
Shareable amortization	**191**	180
Surplus before non-shareable items	**-**	5,586
Non-shareable items		
Amortization expense	**7,765**	8,094
Accrued vacation expense (decrease) increase	**(578)**	(150)
Accrued severance expense - increase	**(656)**	2,089
Accrued sick expense – increase	**(839)**	475
Cottages	**77**	27
Capital grant – Provincial	**(5,021)**	(5,259)
Capital grant - Other	**(562)**	(1,037)
	186	4,239
Surplus (deficit) as per Statement of Operations	**$ (186)**	$ 1,347

Western Regional Integrated Health Authority
Consolidated funding and expenditures for government reporting
Capital transactions
Schedule III

Year ended March 31 (in thousands of dollars)		2014		2013
Sources of funds				
Provincial capital equipment grant for current year	$	**3,957**	$	5,313
Provincial facility capital grant in current year		**2,757**		1,575
Add: Deferred capital grant from prior year		**11,789**		11,349
Add: Proceeds from sale of Interfaith Home		**1,278**		-
Add: Transfer from operating fund		**-**		500
Less: Capital facility grant reallocated for operating fund purchases		**(1,066)**		(1,689)
Less: Deferred capital grant from current year		**(13,694)**		(11,789)
		5,021		5,259
Other contributions				
Foundations, auxiliaries and other		**562**		1,037
Total funding		**5,583**		6,296
Capital expenditures				
Asset, building and land		**430**		1,231
Asset, equipment		**5,019**		5,237
		5,449		6,468
Total expenditures		**5,449**		6,468
(Deficit) surplus on capital purchases	$	**134**	$	(172)

Western Regional Health Authority
Accumulated operating deficit for government reporting - excluding cottages
Schedule IVA

Year ended March 31 (in thousands of dollars)	2014	2013
Accumulated operating deficit		
Current assets		
Cash and cash equivalents	$ -	$ 103
Accounts receivable	**25,637**	24,177
Due from associated funds	**1,922**	2,125
Inventory	**5,061**	6,156
Prepaid expenses	**6,852**	7,362
Other	**(16)**	(14)
Total assets	**39,456**	39,909
Current liabilities		
Bank indebtedness	**1,743**	8,510
Accounts payable and accrued liabilities	**31,169**	27,225
Deferred contributions – operating	**3,090**	2,748
Deferred contributions - capital	**13,694**	11,789
Total current liabilities	**49,696**	(50,272)
Accumulated operating deficit	**$ (10,240)**	$ (10,363)
Reconciliation of operating deficit – operating fund only		
Accumulated operating deficit – beginning of year	**$ (10,363)**	$ (16,304)
Add: IFH mortgage settlement	**-**	535
Add: Net operating income per schedule II	**-**	5,586
Add: Net deficit on capital purchases per schedule III	**134**	(172)
Less: Restricted interest income	**(11)**	(8)
Accumulated operating deficit –end of year	**(10,240)**	(10,363)
Less: Net surplus on capital purchases-prior years	**998**	1,170
Less: Net surplus (deficit) on capital purchases -2013	**-**	(172)
Less: Net surplus (deficit) on capital purchases -2014	**134**	-
Accumulated operating deficit – per Department of Health and Community Services	**$ (11,372)**	$ (11,361)

Western Regional Health Authority
Reconciliation of consolidated accumulated operating deficit for government reporting
Schedule IVB

Year ended March 31
(in thousands of dollars)

	2014	2013
Accumulated operating deficit – end of year per Schedule IVA	**$ (10,240)**	$ (10,363)
Adjustments:		
Intercompany – cottages elimination	**(1,190)**	(1,249)
Cottages – current assets	**752**	580
Cottages – current liabilities	**(414)**	(123)
Other assets	**16**	14
Restricted cash and investments	**150**	141
Replacement reserve	**133**	150
Vacation pay accrual	**(8,659)**	(9,237)
Severance pay accrual	**(29,818)**	(30,474)
Sick pay accrual	**(16,967)**	(17,806)
Long term debt	**(6,781)**	(7,475)
Tangible capital assets	**72,853**	75,863
	10,075	10,384
Accumulated deficit per Statement of Financial Position	**$ (165)**	$ 21

WESTERN SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2013

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the Newfoundland and Labrador English School District

Report on the Financial Statements

We have audited the accompanying financial statements of the former Western School District which comprise the statement of financial position as at June 30, 2013, and the statements of operations, statement of changes in net financial assets (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 Board Standards, and for such internal control as management determines is necessary to enable the preparation of financial statement 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 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error 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 qualified opinion.

Basis for Qualified Opinion

In accordance with the Schools Act, all salaries and other compensation for teachers are the responsibility of the Department of Education. In accordance with Canadian Public Sector Accounting Board Standards liabilities for future employee benefits for teacher's severance and sick benefits have been recorded in these financial statements, however, an offsetting receivable from the Department of Education related to these liabilities has not been recorded. If the accounts receivable were recorded in

INDEPENDENT AUDITOR'S REPORT

accordance with Canadian Public Sector Accounting Board Standards, changes to the amounts reported for accounts receivable, revenue and reported surplus (deficit) would be necessary.

Qualified Opinion

In our opinion, except for the effects of the adjustment for failure to record the accounts receivable from the Department of Education as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the former Western School District as at June 30, 2013 and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Board Standards.

Stephenville, NL

March 26, 2014

King + Roberts

Chartered Accountants

Western School District
Statement of Financial Position
Year Ended June 30, 2013

	30-Jun-13	30-Jun-12	01-Jul-11
Financial Assets			
Cash -Unrestricted	$ 5,344,970	$ 2,842,166	$ 2,863,144
Restricted cash-scholarships	45,132	104,733	94,879
Short Term Investments	1,976,049	1,951,478	42,876
Accounts receivable (Note 4)	1,506,047	3,533,514	1,902,271
Teachers Vacation Pay Receivable (Note 5)	12,809,831	13,117,223	12,706,076
Total Financial Assets	21,682,029	21,549,114	17,609,246
Liabilities			
Accounts payable and Accrued Lialibity (Note 7)	4,310,543	3,678,807	1,678,273
Teacher Vacation Pay Accrued (Note 5)	12,809,831	13,117,223	13,992,292
Long Term Debt (Sched 8 & 8A)	2,261,496	1,810,285	1,741,041
Deferred Revenue	2,611,822	3,245,540	2,280,878
Employee Future Benefits (Note 8)			
Accured Severance-teachers and student assistants	21,279,722	20,348,209	19,263,092
-board employees	2,156,779	2,082,573	2,060,368
Accured Sick Benefits-teachers and student assistants	15,908,050	16,053,064	16,191,671
- board employees	1,167,310	1,169,523	1,173,240
Total Liabilities	62,505,553	61,505,224	$ 58,380,855
Net Financial Assets (Net Debt)	40,823,524	39,956,110	$ 40,771,609
Non-Financial Assets			
Prepaid Expense (Note 6)	207,517	256,116	$ 221,473
Capital Assets (Schedule 7,7a,7b)	107,166,354	92,792,669	$ 99,149,600
Total Non-Financial Assets	107,373,871	93,048,785	$ 99,371,073
Accumulated Surplus (Deficit)	$ 66,550,347	$ 53,092,675	$ 58,599,464

Continient Liabilities (Note 9)
On Behalf of the District

Chairperson:______________

Treasurer:______________

The accompanying notes are an integral part of these financial statements

Western School District
Statement of Operations
Year Ended June 30, 2013

	Budget	2013	2012
Revenue			
Provincial Government Grants (Schedule 1)	$ 161,700,800	$ 177,695,582	$ 162,971,763
Ancillary Services (Schedule 1)	44,000	40,936	41,242
Miscellaneous (Schedule 1)	97,500	136,590	395,361
Total revenue	161,842,300	177,873,108	163,408,366
Expenditures			
Administration (Schedule 2)	5,032,200	9,602,964	8,762,436
Instructional (Schedule 3)	130,628,700	130,032,453	130,869,391
Operations and Maintenance (Schedule 4)	17,245,600	16,284,054	16,949,285
Pupil Transportation (Schedule 5)	8,763,900	8,346,556	8,385,275
Auxillary Services(Schedule 6)	44,500	38,439	35,621
Miscellaneous(Schedule 6)	124,900	44,984	74,246
Interest (Schedule 8C)	2,500	-	686
Total Expenditures	$ 161,842,300	164,349,450	165,076,940
Excess of Revenue over Expenses before loss on asset disposals	-	13,523,658	(1,668,574)
Loss on asset disposals	-	(65,986)	(3,838,215)
Excess of Revenue over expenses	-	13,457,672	(5,506,789)
Accumulated Surplus , Beginning of Year	-	53,092,675	58,599,464
Accumulated Surplus , End of Year	$ -	$ 66,550,347	$ 53,092,675

The accompanying notes are an integral part of these financial statements

Western School District
Statement of Cash Flows
Year Ended June 30, 2013

		2013		2012
Operating Transactions				
Annual Surplus (Deficit)	$	13,457,672	$	(5,506,789)
Adjustments for:				
Loss on Asset Disposal		65,986		3,838,215
Amortization of Capital assets		5,302,287		4,858,721
Increase(Decrease) in Accounts Receivable		2,027,467		(1,631,243)
Increase(Decrease) in Teacher's Vacation Pay		307,392		(411,147)
Increase(Decrease) in Prepaid Expenses		48,599		(34,643)
Increase (Decrease) Short Term Investments		(24,571)		(1,908,602)
Increase (Decrease) in Accounts Payable and Accured		631,736		2,000,534
Increase (Decrease) in Teacher's Vacation Payable		(307,392)		(875,069)
Increase (Decrease) in Accured Severance benefits		1,005,719		1,107,322
Increase(Decrease) in Accured Sick Benefits		(147,227)		(142,324)
Increase (Decrease) in Deferred Revenue		(633,718)		964,662
Change in Non-Cash Assets and Liabilities	$	21,733,950	$	2,259,637
Capital Transactions				
Construction and Purchase of Tangible Capital Assets		(19,965,835)		(4,200,083)
Proceeds on sale of Capital Assets		223,877		1,860,078
Cash Provided by Capital Transactions		(19,741,958)		(2,340,005)
Financing Transactions				
Proceeds from Long Term Borrowings		794,966		461,000
Repayment of Long term Debt		(343,755)		(391,756)
Cash Provided (Used in) Financing Transactions		451,211		69,244
Net Increase(Decrease) in Cash		2,443,203		(11,124)
Cash Beginning of Year		2,946,899		2,958,023
Cash End of Year	$	5,390,102	$	2,946,899
Consist of:				
Cash and Bank-unrestricted	$	5,344,970	$	2,842,166
Restricted cash-scholarships		45,132		104,733
	$	5,390,102	$	2,946,899

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

Western Schoold District
Statement of Changes in Net Financial assets (Debt)
For the year ended June 30, 2013

	2013	2012
Net Debt-beginning of year	$ (39,956,110)	$ (40,771,609)
Excess of Revenue over Expenses	13,457,672	(5,506,789)
Changes in Tangible Capital Assets:		
Construction and purchase of tangible capital assets	(19,965,835)	(4,200,083)
Amortization of tangible capital assets	5,302,287	4,858,721
Net book value of assets disposal	289,863	5,698,293
Decrease(increase) in net book value of tangible capital assets	(14,373,685)	6,356,931
Changes in other non-financial assets:		
Decrease (increase) in prepaid expenses	48,599	(34,643)
Decrease (increase)in other non-financial assets	48,599	(34,643)
Decrease (increase) in debt	(867,414)	815,499
Net Debt-end of year	$ (40,823,524)	$ (39,956,110)

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

WESTERN SCHOOL DISTRICT

Notes to the Financial Statements

For The Two Months Ended August 31 , 2013

Nature of operating:

The Western School District was responsible for the operation and maintenance of all schools in the western portion of the province of Newfoundland and Labrador.

The former Western School District was a not-for-profit organization and was exempt from income taxes and was constituted under the Provincial Schools Act.

1. **Summary of significant accounting policies:**

These financial statements have been prepared in accordance with Canadian public sector accounting board standards. Outlined below are those policies considered particularly significant by the former District.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting board 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include accrued severance, accrued sick leave and useful life of tangible capital 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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of any overdrafts. Bank overdrafts are considered a component of cash and cash equivalents and are secured by approved authority to borrow authorized by the Province's Minister of Education. Cash restricted for scholarship contributions is a separate component of unrestricted cash.

WESTERN SCHOOL DISTRICT

Notes to the Financial Statements

For The Two Months Ended August 31 , 2013

1. **Summary of significant accounting policies (continued):**

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.

Transfers are recognized as revenues when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

Expenses

Expenses are reported on an accrual basis. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay.

Deferred revenue

Certain amounts are received pursuant to legislation, regulation of agreement and may only be used in the conduct of certain programs or in the delivery of specific services in transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met.

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 excess of revenues over expenses, provides the change in net financial assets for the year.

WESTERN SCHOOL DISTRICT

Notes to the Financial Statements

For The Two Months Ended August 31 , 2013

1. Summary of significant accounting policies (continued):

Severance and sick pay liability

An accrued liability for severance is recorded in the accounts for all employees who have vested right to receive such payments. Severance pay vests after nine years of continuous service. An estimate for the provision of employees with less than nine years of service has been determined by actuarial analysis.

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.

Actuarial gains or losses are being amortized to the liability and the related expense straight-line over the expected average remaining service life of the employee group.

Tangible capital assets

Capital assets are recorded at cost, although the title to certain of these assets is held by the Government of Newfoundland and Labrador (the "Government") as well as some former school authorities. Contributed capital assets are recorded at their estimated fair value at the date of contribution. Minor equipment purchases less than $15,000 are charged to operations in the year of acquisition.

Amortization is calculated on a straight-line basis at the rates set out below.

It is expected that these rates will charge operations with the total cost of the assets over the useful lives of the assets.

1. Summary of significant accounting policies (continued):

Tangible capital assets (continued)

Buildings and improvements	40 years
Equipment	5 years
Service vehicles	5 years
School buses	12 years

Gains and losses on disposal of individual assets are recognized in operations in the period of disposal.

Construction in progress is not amortized until the project is substantially complete at which time The project costs are transferred to the appropriate asset class and amortized accordingly.

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 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.

Pension costs

Employees of the former Western School District are covered by the Public Service Pension Plan and the Government Money Pension Plan administered by the Province of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Western School District. The annual contributions for pensions are recognized in the accounts on a current basis.

(Continued)

1. Summary of significant accounting policies (continued):

Financial Instruments

The District recognizes a financial asset or a financial liability on its statement of financial position when the District becomes a party to the contractual provision of the financial instrument. The District initially measures its financial assets and liabilities at fair value, except for certain non-arms length transactions. The District subsequently measures all its financial assets and liabilities at amortized cost except for investments restricted for scholarship purposes which are subsequently measured at fair value.

Financial assets measured at amortized cost include cash and cash equivalents, receivables, scholarship funds. Financial assets measured at fair value are investments restricted for scholarship purposes.

Financial liabilities measured at amortized cost include payables and accruals, employee future benefits, deferred grants, long-term debt, and scholarship funds payable.

Unless otherwise noted, it is management's opinion that the District is not exposed to significant interest, currency or credit risks.

2. Impact of the change in the basis of accounting:

These financial statements are the first financial statements for which the former Western School District has applied Canadian public sector accounting board standards ("PSAB"). The financial statements for the ended June 30, 2013 were prepared in accordance with PSAB. Comparative period information presented for the year ended June 30, 2012 was prepared in accordance with PSAB and the provisions set out in Section PS 2125 First-time adoption by government organizations. The former Western School District has elected to take the first-time adoption exemption under PS 2125 relating to actuarial gains and losses resulting from the initial actuarial valuations of severance and sick benefits liabilities and recognize all cumulative actuarial gains and losses at the date of transition in the accumulated deficit.

The date of transition to PSAB is July 1, 2011, the adoption of the standards has resulted in a restatement of the Statement of Operations for the ended June 30, 2012 as well as the carrying value of tangible capital assets, deferred revenue, accrued sick benefits, severance liability, accumulated surplus and previously reported investment in capital asset as of July1, 2011 and June 30, 2012.

(Continued)

Western School District

Notes to the financial Statements

June 30, 2013

2. Impact of the change in the basis of accounting (continued):

As of July 1, 2011, the statement of financial position included two component of equity being investment in capital assets and general surplus/deficit. Under Public Sector Standards these are combined into one surplus/deficit account. The District performed an actuarial assessment of accrued sick benefits and severance liabilities that resulted in restatement of these liabilities as required under PSAB. Therefore, as a result of the above adjustments required under the transition to PSAB the following restatement has occurred.

Adjustment to consolidated statement of financial position as at July 1, 2011:

	As previously Reported	Adjustment Required	As restated
Liabilities:			
Accrued sick benefits	-	(17,364,911)	17,364,911
Accrued severance	23,835,139	2,511,679	21,323,460
Accumulated surplus (deficit)	(24,209,324)	82,808,788	58,599,464
Investment in Capital Assets	97,461,033	(97,461,033)	-
Reserve Account	200,987	200,987	-

Adjustments to accumulated surplus (deficit), as at July 1, 2011:

Accumulated consolidated surplus (deficit), as originally reported:	
Investment in capital assets as originally reported	$97,461,033
Board deficiency	24,209,324
Reserve account	200,987
Total opening surplus/deficit, as originally reported	73,452,696
Adjustment to sick benefits	(17,364,911)
Adjustment to accrued severance benefits	2,511,679
Opening surplus at July 1, 2011 as restated under PSAB	$58,599,469

(Continued...)

Western School District

Notes to the Financial Statements

June 30, 2013

2. Impact of the change in the basis of accounting (continued);

Reconciliation of previously reported annual surplus for June 30, 2012 with the annual surplus for June 30, 2012 shown in the financial statements:

Annual surplus (deficit), as previously reported, June 30, 2012	$(5,899,841)
Adjustment related to capital grants received	3,632,140
Adjustment related to sick benefits expense	419,363
Adjustment related to severance expense	(211,922)
Adjustment to transportation expense-debt repayment principal	391,756
Adjustment to gain/loss on disposal of tangible capital assets and Proceeds on disposal	(3,838,215)
Adjusted annual surplus, as restated, June 30, 2012	$ (5,506,789)

3. Cash

	2013	2012
Cash on Hand	$ 500	$ 500
Bank-current	5,143,333	2,653,192
Bank-Teachers' Payroll	201,137	188,474
	5,344,970	2,842,166

4. Accounts Receivable

	2013	2012
Provincial Government	$ 812,226	$ 2,239,275
Transportation	54,307	838,252
HST Rebate	198,515	182,414
Schools	50,469	16,730
Travel advances and Miscellaneous	91,884	53,934
Provincial Government-Construction	298,646	202,909
	$ 1,506,047	$3,533,514

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

Western School District

Notes to the Financial Statements

For the Year Ended June 30, 2013

5. Teachers' Vacation Pay

Pursuant to directive issued by the Department during the fiscal year 2013, the District recorded the vacation pay liability of $ 12,809,031 for teachers in the District. The liability relates to teachers' salaries earned during the school year but not fully paid to teachers until subsequent to June 30, 2013. Accordingly, the District has recorded teachers' vacation pay receivable $ 12,809,831 at June 30, 2013.

6. Prepaid Expenses	2013	2012
Supplies	$ -	$ 26,569
WHSCC	207,517	229,547
	$ 207,517	$ 256,116

7. Accounts Payable and Accrued Liabilities

Accounts Payable-Trade	2,142,520	1,387,140
Accrued Liabilities	303,653	458,285
Accrued Interest Payable	3,875	2,526
Accrued Wages Payable-Support Staff	283,673	239,812
Payroll Deductions Payable	47,838	82,134
Scholarships Payable	45,132	104,733
Vacation Pay-Support Staff	713,420	719,786
Vacation Pay-Executive Staff	770,432	684,391
	$4,130,543	$3,678,807

8. Employee future benefits:

Future employee benefits related to accrued severance and accrued sick obligations have been calculated based on an actuarial valuation completed on March 10, 2014. The assumptions are based on future events. The economic assumptions used in the valuation are the former Western School District's best estimates of expected rates as follows:

	2013	2012	2011
Wages and salary escalation-teaching staff in first 10 years of service	7.25%	7.25%	7.25%
Wages and salary escalation-all other staff	4.00%	4.00%	4.00%
Interest	3.91%	3.40%	4.30%

Western School District

Notes to the Financial Statements

June 30, 2013

8. Employee future benefits (continued):

Based on actuarial valuation of the liability, at June 30, 2013 the results for sick leave are:

	2013	2012	2011
Initial valuation	$ -	$ -	$17,364,911
Accrued sick pay obligation beginning of year	18,089,202	17,364,911	-
Current period benefit cost	1,344,305	1,222,550	-
Benefit payments	(2,160,872)	(2,092,854)	-
Interest on the accrued benefit obligations	601,151	727,980	-
Actuarial (gains) losses	(479,225)	866,615	-
Accrued sick pay obligations at June 30	$17,394,561	$18,089,202	$17,364,911

Based on actuarial valuation of the liability, at June 30, 2013 the results for severance are:

	2013	2012	2011
Initial valuation	$ -	$ -	$21,323,460
Accrued benefit obligation, beginning of year	24,109,744	21,323,460	-
Current period benefit cost	1,899,378	1,647,657	-
Benefit payments	(1,846,826)	(1,461,251)	-
Interest on the accrued benefit obligation	820,625	920,916	-
Actuarial (gains) losses	(1,010,802)	1,678,962	-
Accrued severance obligation at June 30	$23,972,119	$24,109,744	$21,323,460

A reconciliation of the accrued benefit liability and the accrued benefit obligation is as follows:
Sick benefit:

	2013	2012	2011
Initial valuation June 30	$ -	$ -	$17,364,911
Accrued benefit liability June 30	17,075,360	17,222,587	-
Unamortized actuarial losses	319,201	866,615	-
Accrued benefit obligation June 30	$17,394,561	$18,089,202	$17,364,911

Severance benefits:

	2013	2012	2011
Initial valuation June 30	$ -	$ -	$21,323,460
Accrued benefit liability June 30	23,436,501	22,430,782	-
Unamortized actuarial losses	535,618	1,678,962	-
Accrued benefit obligation June 30	$ 23,972,119	$ 24,109,744	$ 21,323,460

9. 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 $28,876 plus HST and interest. 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 has 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.

School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

Schedule 1

	Budget	2013	2012
Revenues			
Provincial Government Grants			
Regular Operating Grants	$ 25,826,900	$ 25,264,269	$ 24,425,605
Special Grants (Details on bottom of Schedule 1)	2,707,300	2,123,166	2,347,569
Salaries and Benefits			
Superintendent and Assistant Superintendent	2,330,300	1,380,230	1,463,366
Teachers' Gross Salaries	116,000,000	114,428,563	115,589,444
Substitute Teachers' Gross Salaries	3,523,200	4,249,066	4,236,271
Pupil Transportation-District Owned	3,678,900	3,423,066	3,577,700
Pupil Transportation-Contracted	4,250,000	4,376,222	4,298,389
Pupil Transportation-Handicapped	750,000	856,838	728,650
Student Assistants	2,404,200	2,649,101	2,672,629
Capital Grants		18,945,061	3,632,140
Sale of properties	230,000		
	161,700,800	177,695,582	162,971,763
Ancillary Services			
Revenues from Rental of Residences	12,000	8,450	11,350
Cafeterias	32,000	32,486	29,892
	44,000	40,936	41,242
Miscellaneous			
Interest on Investments	50,000	85,744	72,460
Bus Charters	35,000	47,564	29,160
Recoveries of Expenditures	10,000	1,049	289,746
Sundry	2,500	2,233	3,995
	97,500	136,590	395,361
Total Current Revenues	$ 161,842,300	$ 177,873,108	$ 163,408,366
Special Grants			
French Monitor	$ 65,000	$ 92,702	$ 55,697
French Immersion	54,000	16,425	30,930
Other-Special Incentives	472,100	472,100	523,900
Fuel Adjustment	50,000	49,895	46,833
IGA Projects	23,000	20,038	51,508
Other Projects	1,466,500	890,939	526,167
HRDC Grants	484,600	427,741	392,852
Miscellaneous Grants	92,100	153,266	719,682
	$ 2,707,300	$ 2,123,106	$ 2,347,569

Western School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

Schedule 2

Administration	Budget	2013	2012
Salaries and Benefits (Gross) Superintendents and Assistant	2,330,300	1,466,270	1,517,844
Salaries and Benefits-District Office Personnel	1,584,900	1,697,454	1,295,499
Office Supplies	75,000	49,857	65,000
Replacement Furniture and Equipment	20,000	16,811	34,916
Postage	70,000	62,861	71,342
Telephone	180,000	195,095	188,243
Office Equipment Rentals and Repairs	50,000	52,820	44,541
Bank Charges	3,000	2,636	2,470
Electricity	16,000	16,779	16,828
Fuel	35,000	39,350	38,941
Insurance	17,000	18,332	16,646
Repairs and Maintenance (Office Building)	17,000	17,861	20,957
Travel	245,000	196,529	199,918
District Meeting Expenses	40,000	39,317	14,942
Professional Fees	125,000	234,522	158,057
Advertising	130,000	85,778	123,398
Membership Dues	60,000	57,515	59,713
Municipal Service Fees	15,000	16,281	13,749
Miscellaneous	5,000	11,510	6,984
Janitor Salaries/Supplies	14,000	23,099	13,727
Amortization	-	5,302,287	4,858,721
Total Administration Expenditures	$ 5,032,200	$ 9,602,964	$ 8,762,436

School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

Schedule 3

School District
Instruction Expenditures

	Budget	2013	2012
Instructional Salaries (Gross)			
Teachers' Salaries-Regular	$ 116,000,000	$ 115,157,557	$ 116,488,821
Teachers' Salaries-Substitute	3,523,200	4,228,862	4,182,632
Teachers' Salaries-District Paid	144,000	117,049	113,486
Student Assistants	2,404,200	2,772,790	2,723,356
School Secretaries-Salaries & Benefits	2,996,400	2,919,318	2,865,424
	125,067,800	125,195,576	126,373,719
Instructional Materials			
General Supplies	1,490,200	1,412,429	1,468,505
Teaching Aids	222,400	255,294	167,461
	1,712,600	1,667,723	1,635,966
Instructional Furniture and Equipment			
Replacement	180,000	114,457	362,902
Rentals and Repairs	8,000	5,813	4,952
Copier Costs	170,000	127,038	122,004
Replacement-Computer Equipment	646,700	686,914	345,933
Computer Repair	55,000	53,873	51,291
	1,059,700	988,095	887,082
Instructional Staff Travel			
Program Co-ordinators	459,600	473,852	650,743
Teachers'Travel	299,900	272,045	306,281
Student Travel	40,000	32,539	23,888
	799,500	778,436	980,912
Other Instructional Costs			
Postage and Stationery			
Miscellaneous	15,000	20,171	9,649
Other District Projects	1,466,500	939,070	534,862
IGA Projects	23,000	20,039	51,508
HRDC Projects	484,600	423,343	395,693
	1,989,100	1,402,623	991,712
Total Instruction Expenditures	$ 130,628,700	$ 130,032,453	$ 130,869,391

School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

Schedule 4

Operations and Maintenance Expenditures

	Budget	2013	2012
Salaries and Benefits-Janitorial	$ 5,358,200	$ 5,035,688	$ 5,308,136
Salaries and Benefits-Maintenance	$ 1,872,600	$ 1,637,400	$ 1,747,307
Salaries and Benefits-IT Support	$ 889,800	$ 910,909	$ 919,290
Electricity	$ 3,500,000	$ 3,556,486	$ 3,475,545
Fuel	$ 1,400,000	$ 1,179,174	$ 1,381,820
Municipal Service Fee	$ 675,000	$ 696,484	$ 671,845
Telephone	$ 580,000	$ 492,450	$ 564,501
Vehicle Operating and Travel	$ 300,000	$ 299,062	$ 294,879
Janitoral Supplies	$ 325,000	$ 314,189	$ 312,433
Janitorial Equipment	$ 50,000	$ 42,308	$ 27,359
Repairs and Maintenance-Buildings	$ 1,300,000	$ 1,336,998	$ 1,252,375
Repairs and Maintenance-Equipment	$ 15,000	$ 19,688	$ 24,671
Protective Clothing	$ 30,000	$ 16,260	$ 14,328
Snow Clearing	$ 950,000	$ 746,958	$ 954,796
Total Operations Maintenance	$ 17,245,600	$ 16,284,054	$ 16,949,285

School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

Schedule 5

Pupil Transportation Expenditure

	Budget	2013	2012
Operation and Maintenance of Owned Fleet			
Salaries and Benefits-Administration	$ 221,100	$ 171,509	$ 175,188
Salaries and Benefits-Drivers and Mechanics	1,996,800	1,934,844	2,079,546
Debt Repayment-Interest	72,500	60,580	58,781
Debt Repayment-Principal	382,400	--	--
Gas and Oil	406,400	399,847	432,606
Licenses	31,500	34,764	33,572
Insurance	40,000	41,919	40,185
Repairs and Maintenance-Fleet	227,500	215,844	235,015
Repairs and Maintenance-Building	115,000	15,492	63,265
Tires and Tubes	36,000	25,027	28,462
Heat and Light	36,100	36,966	36,041
Municipal Service	10,000	4,531	3,887
Snow Clearing	10,000	10,245	9,552
Office Supplies	10,000	3,349	6,473
Rent	-	136	-
Travel	6,000	1,961	7,673
Professional Fees	3,000		1,096
Miscellaneous	75,600	58,841	55,661
Telephone	34,000	34,817	36,613
	3,713,900	3,050,672	3,303,616
Contracted Services			
Regular Transportation	4,250,000	4,389,151	4,306,176
Handicapped	750,000	856,838	728,650
Fuel Adjustment Program	50,000	49,895	46,833
	5,050,000	5,295,884	5,081,659
Pupil Transportation Expenditures	$ 8,763,900	$ 8,346,556	$ 8,385,275

School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

Schedule 6

Ancillary Services

The District owns and operates the following ancillary services:

	Budget	2013	2012
Ancillary Services			
Operation of Teachers Residences	$ 12,500	$ 6,176	$ 4,729
Cafeterias	32,000	32,263	30,892
Other (Specify)			
	$ 44,500	$ 38,439	$ 35,621

	Budget	2013	2012
Miscellaneous Expenses (Specify)			
Human Resoures Expenses	$ 119,900	$ 44,984	$ 69,333
Other	5,000		4,913
	$ 124,900	$ 44,984	$ 74,246

School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

Schedule 7

	Cost 30-Jun-13	Accumulated Amortization 2013	NBV 30-Jun-13	NBV 30-Jun-12
Land and Sites				
Land and Sites	$ 2,191,100		$ 2,191,100	$ 1,977,719
Buildings				
Schools	175,036,898	72,930,545	102,106,353	88,281,279
Administration	1,902,163	1,730,099	172,064	191,436
Residential	168,021	163,821	4,200	6,301
	177,107,082	74,824,465	102,282,617	88,479,016
Furniture and Equipment				
Schools	11,582,568	11,544,592	37,976	43,402
Administration	970,429	970,429		
Residential	1,534	1,534		
Recreation	87,005	87,005		
Other(Specify)	5,450	5,450		
	12,646,986	12,609,010	37,976	43,402
Vehicles				
Service Vehicles	441,000	341,619	99,381	153,623
Pupil Transportation				
Vehicles-Buses	471,053	2,915,773	2,555,280	2,138,909
	5,471,053	2,915,773	2,555,280	2,138,909
Total Capital Assets	$ 197,857,221	$ 90,690,867	$ 107,166,354	$ 92,792,669

School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

Schedule 7A

School District
Details of Capital Assets-Additions and Disposals

Schedule 7A

	Balance June 30, 2012	Additions	Disposals	Balance June 30, 2013
Land and Sites				
Land and Sites	$ 1,977,719	$ 225,696	$ (12,315)	$ 2,191,100
Buildings				
Schools	160,156,796	18,945,061	(4,064,959)	175,036,898
Administration	1,902,163			1,902,163
Residential	168,021			168,021
Recreational				
	162,226,980	18,945,061	(4,064,959)	177,107,082
10.12. 230 Furniture and Equipment				
Schools	11,582,568			11,582,568
Administration	970,429			970,429
Residential	1,534			1,534
Recreation	87,005			87,005
Other(Specify)	5,450			5,450
	12,646,986			12,646,986
Vehicles				
Service Vehicles	479,638	112	(38,750)	441,000
Pupil Transporation				
Vehicles-Buses	5,663,082	794,966	(986,995)	5,471,053
Total Capital Assets	$ 182,994,405	$ 19,965,835	$ (5,103,019)	$ 197,857,221

Western School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

Schedule 7B

Schedule 7B

Details of Capital Assets-Amortization

	Accumulated Amortization 2012	Amortization 2013	Amortization on Disposals 2013	Change in Amortization 2013	Accumulated Amortization 2013
Buildings					
Schools	$ 71,875,517	$ 4,842,440	$ (3,787,412)	$ 1,055,028	$ 72,930,545
Adminstration	1,710,727	19,372		19,372	1,730,099
Residential	161,720	2,101		2,101	163,821
	73,747,964	4,863,913	(3,787,412)	1,076,501	74,824,465
Furniture and Equipment					
Schools	11,539,166	5,426		5,426	11,544,592
Adminstration	970,429				970,429
Residential	1,534				1,534
Recreation	87,005				87,005
Other(Specify)	5,450				5,450
	12,603,584	5,426		5,426	12,609,010
Vehicles					
Service Vehicles	326,015	54,354	(38,750)	15,604	341,619
Pupil Transportation					
Vehicles-Buses	3,524,173	378,594	(986,994)	(608,400)	2,915,773
Misc. Capital Assets					
Other (Specify)					
Total Capital Assets	$ 90,201,736	$ 5,302,287	$ (4,813,156)	$ 489,131	$ 90,690,867

School District
Notes to the Financial Statements
For the Year Ended June, 30, 2013

Schedule 8

Bank loans, mortgage and debentures, approved by the District and the Government of Newfoundland and Labrador

					2013	2012
Loans-Pupil Transportation						
Vehicle Bank Loans						
Repayable	$	542	monthly, maturing	2017	$ 20,596	$ 27,100
Repayable	$	548	monthly, maturing	2014	6,570	13,141
Repayable	$	1,095	monthly, maturing	2015	14,237	27,379
Repayable	$	1,117	monthly, maturing	2016	31,281	44,688
Repayable	$	1,675	monthly, maturing	2016	46,886	66,981
Repayable	$	542	monthly, maturing	2017	21,138	27,641
Repayable	$	4,530	monthly, maturing	2018	235,559	289,919
Repayable	$	5,930	monthly, maturing	2019	385,472	456,635
Repayable	$	3,025	monthly, maturing	2022	341,825	378,125
Repayable	$	3,201	monthly, maturing	2023	390,569	428,986
Repayable	$	5,521	monthly, maturing	2025	767,363	--
Repayable	$	523	monthly, maturing	2012	--	5,751
Repayable	$	3,662	monthly, maturing	2013	--	43,939
					$ 2,261,496	$ 1,810,285

Western School District
Notes to the Financial Statements
For the Year Ended June 30,2013

Schedule 8A

Schedule 8A

Summary of Long Term Debt

Description	Ref. 8	Rate	Balance Beginning of Year	Loans Obtained During Year	Principal Repayı for Year	Balance End of Year
A) School Construction						
B) Equipment						
C) Service Vehicles						
D) Other						
E) Pupil Transportation			$ 1,810,285	$ 794,966	$ (343,755)	$ 2,261,496
Total Loans			$ 1,810,285	$ 794,966	$ (343,755)	$ 2,261,496

Western School District
Notes to the Financial Statements
For the Year Ended June 30,2013

Schedule 8B

Schedule 8B

Schedule of Current Maturities

Description	Year 1	Year 2	Year 3	Year 4	Year 5
A) School Construction					
B) Equipment					
C) Service Vehicles					
D) Other					
E) Pupil Transportation	$ 332,706	$ 314,093	$ 290,651	$ 269,194	$ 230,243
Total	$ 332,706	$ 314,093	$ 290,651	$ 269,194	$ 230,243

Western School District
Notes to the Financial Statements
For the Year Ended June 30, 2013

Schedule 8C

Schedule 8C

Schedule of Interest Expense

	Budget	2013	2012
Description			
Capital			
School Construction			
Equipment			
Service Vehicles			
Other (Specify)			
Total Capital			
Current-Operating Loans			
Current-Supplier Interest Charges	$ 2,500	$ -	$ 686
Total Current	2,500	-	686
Total Interest Expense	$ 2,500	$ -	$ 686

Financial Statements

Workplace Health, Safety and Compensation Commission

December 31, 2013

Management responsibility for financial reporting

The financial statements of the Workplace Health, Safety and Compensation Commission are prepared by management, who are responsible for the integrity and fairness of the data presented, including significant accounting judgments, estimates and actuarial assumptions. This responsibility includes selecting appropriate accounting principles and actuarial assumptions 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 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 which recommends approval of the financial statements. 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 Board of Directors has approved the financial statements included in this Annual Performance Report.

Morneau Shepell Inc. has been appointed as independent consulting actuary to the Commission. Their role is to complete an independent actuarial valuation of the benefit liabilities of the Commission annually and to report thereon in accordance with accepted actuarial principles.

Ernst & Young, LLP, the independent auditors of the Commission, have performed an audit of the 2013 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 their opinion on the financial statements.

Leslie Galway	Paul Kavanagh
Chief Executive Officer	Chief Financial & Information Officer

ACTUARIAL STATEMENT OF OPINION

We 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, 2013 (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 our opinion:

1. The data on which the valuation is based are sufficient and reliable for the purpose of the valuation. Data for the valuation were supplied by the Commission in accordance with specifications provided by us and we applied such checks of reasonableness of the data as we considered appropriate.
2. The assumptions are appropriate for the purpose of the valuation. 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 15 to the financial statements.
3. The methods employed in the valuation are appropriate for the purpose of the valuation.
4. 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.
5. The estimate of the actuarial liabilities for assessed employers as at the valuation date is $983,299,803. This includes provisions for benefits and administration expenses expected to be paid after the valuation date for accidents 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.
6. 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.
7. This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

Mark Simpson

Mark Simpson, F.C.I.A.

Morneau Shepell Ltd.
April 3, 2014

This report has been peer reviewed by Thane MacKay, F.C.I.A.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Workplace Health, Safety, and Compensation Commission

We have audited the accompanying financial statements of the Workplace Health, Safety and Compensation Commission, which comprise the statement of financial position as at December 31, 2013 and the statements of operations and comprehensive income (loss), changes in funded position, 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 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 the Workplace Health, Safety, and Compensation Commission as at December 31, 2013 and the results of its operations 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, 2014

Chartered Accountants

Statement of FINANCIAL POSITION
as at December 31

(thousands of dollars)	**2013**	2012
Assets		
Cash and cash equivalents	**$ 38,209**	$ 33,919
Accounts receivable [note 6]	**9,632**	8,452
Investments [note 7]	**1,008,875**	842,889
Property, plant and equipment [note 10]	**8,620**	8,583
Intangible assets [note 11]	**16,153**	16,201
	$ 1,081,489	$ 910,044
Liabilities		
Accounts payable and accrued liabilities [note 13]	**25,219**	17,128
Employee future benefits [note 16]	**5,827**	5,905
Benefit liabilities [note 15]	**983,300**	968,804
	1,014,346	991,837
Fund balance	**67,143**	(81,793)
	$ 1,081,489	$ 910,044

Commitments [note 24]

Authorized for issue on April 4, 2014 on behalf of the Board of Directors

Ralph Tucker
Chairperson

Darren Roberts
Director

See accompanying notes.

Statements of **OPERATIONS and COMPREHENSIVE INCOME (LOSS)**
Year ended December 31

(thousands of dollars)	**2013**	2012
		[restated - see Note 4]
Revenue		
Assessments revenue [note 14]	**$ 201,148**	$ 197,488
Investment income [note 8]	**140,131**	82,634
Third-party recoveries	**1,123**	838
	342,402	280,960
Expenses		
Claims costs incurred [note 15]		
Short-term disability	**29,282**	30,311
Long-term disability	**68,103**	68,081
Survivor benefits	**5,470**	4,933
Health care	**47,163**	44,598
Rehabilitation	**1,249**	1,296
Occupational disease	**-**	63,380
Actuarial adjustments	**(10,476)**	26,015
Future administration costs	**4,686**	4,001
	145,477	242,615
Administration [note 17]	**33,640**	33,621
Legislated obligations [note 18]	**7,814**	7,624
Fees and interest [note 12]	**3,880**	3,749
Amortization [notes 10 and 11]	**2,931**	2,664
Other expenses [note 19]	**185**	592
	193,927	290,865
Operating surplus (loss)	**148,475**	(9,905)
Other comprehensive income (loss)		
Remeasurement of employee benefit liability [note 16]	**461**	(248)
Total comprehensive income (loss)	**$ 148,936**	$ (10,153)

See accompanying notes.

***Statement of* CHANGES IN FUNDED POSITION**
Year ended December 31

(thousands of dollars)	**2013**	2012
		[restated – see Note 4]
Accumulated operating surplus (deficit)		
Balance, beginning of year	**$ (81,422)**	$ (71,517)
Operating surplus (loss)	**148,475**	(9,905)
	67,053	(81,422)
Accumulated other comprehensive income (loss)		
Balance, beginning of year	**(921)**	(673)
Other comprehensive income (loss)	**461**	(248)
	(460)	(921)
Reserves		
Occupational Health and Safety Research [note 20]	**550**	550
Fund balance, end of year	**$ 67,143**	$ (81,793)

See accompanying notes.

Statement of **CASH FLOWS**
Year ended December 31

(thousands of dollars)	2013	2012
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	**$ 199,968**	$ 200,787
Third parties	**1,123**	838
	201,091	201,625
Cash paid to:		
Claimants or third parties on their behalf	**(130,981)**	(132,452)
Suppliers and employees, for administrative and other goods and services	**(34,086)**	(38,986)
Investment manager, interest & other fees	**(3,880)**	(2,881)
Third party, from reserve fund	**-**	(10)
	(168,947)	(174,329)
Net cash provided by operating activities	**32,144**	27,296
Cash flows from investing activities		
Cash received from:		
Interest	**11,143**	10,580
Dividends	**17,559**	12,823
Sale of investments	**395,720**	351,997
	424,422	375,400
Cash paid for:		
Purchase of investments	**(449,353)**	(380,705)
Purchase of capital assets	**(2,923)**	(3,744)
	(452,276)	(384,449)
Net cash used for investing activities	**(27,854)**	(9,049)
Net change in cash and cash equivalents	**4,290**	18,247
Cash and cash equivalents		
Beginning of year	**33,919**	15,672
End of year	**$ 38,209**	$ 33,919

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 and Labrador 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 to achieve and maintain a funded ratio between 100% and 120%.

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% (2012 - 1.25% - 1.27%).

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 and experience 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of publicly traded investments is based on quoted prices from security exchanges, while that of domestic real estate investments and pooled fund units are valued at their year-end net asset values. Real estate net asset values are based on independent appraisals. There are pooled unit funds in both the fixed term and equity investments [Note 7].

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. Losses arising from impairment of accounts receivable are recognized in the statement of operations in fees and interest expense.

The following is a summary of the accounting model the Commission has elected to apply to each of its significant categories of financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

Changes in the fair value of the Commission's derivative positions are included in investment income.

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. The Commission determines whether transfers have occurred between levels in the hierarchy for reassessing categorization at the end of each reporting period.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is not obligated for any unfunded liability, nor is the Commission entitled to any surplus that may arise in this plan.

The Commission provides a severance payment upon resignation, retirement or termination. The expected costs of providing these employee future benefits are accounted for on an accrual basis and have 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 other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

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.

4. CHANGES IN ACCOUNTING POLICIES

IAS 19 Employee Benefits

The Commission applied IAS 19 retrospectively in the current period, in accordance with the transitional provisions set out in the revised standards, and the comparative figures have been restated accordingly. The impact of this revised standard is that re-measurement gains and losses are recognized in other comprehensive income rather than directly in surplus and loss, and IAS 19 requires more extensive disclosures which have been provided in Note 16.

The Commission recognized an opening balance of accumulated comprehensive loss of $673,000 upon restatement at January 1, 2012, with an equivalent reduction in the accumulated opening operating deficit. The actuarial loss on the employee benefit liability of $248,000 recognized in 2012 was reclassified to other comprehensive loss, with an equivalent reduction in administration costs (salaries and employee benefits) and operating surplus. There was no impact on the statement of financial position or cashflows.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurement and requires additional disclosures. The adoption of IFRS 13 has not materially affected the fair value measurements of the Commission. Additional disclosures and the fair value hierarchy are provided in Notes 3 and 9.

5. 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, 2013, is adequate, recognizing that actuarial assumptions as disclosed in note 15 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 16. Changes in these assumptions could have a material impact on the accrued benefit obligations.

6. ACCOUNTS RECEIVABLE

(thousands of dollars)	2013	2012
Assessments	**$ 7,952**	$ 9,134
Less: Allowance for doubtful accounts	**(4,581)**	(4,632)
	3,371	4,502
Accrued assessments	**3,199**	1,379
Other	**3,062**	2,571
	$ 9,632	$ 8,452

7. INVESTMENTS

(thousands of dollars)	2013		2012	
	Fair value	Cost	Fair value	Cost
Fixed term	**$ 275,850**	**$ 284,833**	$ 265,061	$ 262,118
Equities	**669,203**	**498,508**	538,546	471,902
Real Estate	**63,822**	**53,678**	39,282	35,000
	$ 1,008,875	**$ 837,019**	$ 842,889	$ 769,020

Derivatives
At December 31, 2013, the fair value of the Commission's derivative portfolio was $260,560 [notional value of $20,011,742]. Derivative instruments held at December 31, 2012 had a fair value of $165,216 [notional value of $26,744,973].

8. INVESTMENT INCOME

Investment income is comprised of the following:

(thousands of dollars)	2013	2012
Interest and dividends	**$ 28,034**	$ 22,871
Realized gain on sale of investments	**13,443**	14,708
Interest on short-term investments	**668**	532
Unrealized gain on change in fair market value of investments	**97,986**	44,523
Investment income	**$ 140,131**	$ 82,634

9. 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)	**2013**	2012
Level 1		
Cash and cash equivalents	**$ 17,260**	$ 15,270
Domestic equities	**337,840**	305,906
Foreign equities	**320,442**	227,907
	675,542	549,083
Level 2		
Fixed term investments	**269,511**	254,524
Real Estate	**63,822**	39,282
	333,333	293,806
	$ 1,008,875	$ 842,889

There have been no transfers between levels during 2013.

The following sections describe the key financial risk exposures and management strategies to mitigate these risks.

<u>Credit risk management</u>
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, 2013, 80.6% [2012 – 85.0%] 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.

9. RISK MANAGEMENT (continued)

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 reporting 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, 2013, the Commission's holdings in foreign equities and pooled equity funds had a market value of $320.4 million [2012 - $227.9 million] representing 31.8% [2012 – 27.0%] of the market value of the total investment portfolio.

The table below presents the impact on comprehensive income 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)	**2013**		2012	
10% appreciation in the Canadian dollar	**CAD/USD**	**CAD/EURO**	CAD/USD	CAD/EURO
Impact on comprehensive income	**$ (18,339)**	**$ (3,040)**	$ (13,422)	$ (2,488)

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.

The table below presents the impact on comprehensive income of a 50 basis point (bps) and 100 bps changes in interest rates on the fixed income portfolio:

(thousands of dollars)	**2013**		2012	
Change in nominal interest rates	+50bps	+100bps	+50bps	+100bps
Impact on comprehensive income	**$ (8,606)**	**$ (16,958)**	$ (8,261)	$ (16,259)

9. RISK MANAGEMENT (continued)

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
2013 Fair Value	**$ 32,712**	**$ 73,975**	**$ 169,163**	**$ 275,850**
2012 Fair Value	$ 42,981	$ 44,002	$ 178,078	$ 265,061

<u>Liquidity risk</u>
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.

<u>Equity price risk</u>
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.

The table below presents the impact on comprehensive income of a material change in the key risk variable measured as 1 or 2 standard deviations (std dev) of the sector benchmark, for each of the equity mandates in the Commission's equity portfolio.

(thousands of dollars)	**2013**		2012	
Equities	**1 std dev**	**2 std dev**	1 std dev	2 std dev
% Change in market benchmark	**(12.7%)**	**(25.3%)**	17.0%	(33.9%)
Canadian equity	**$ (39,185)**	**$ (70,455)**	$ (45,092)	$ (78,768)
% Change in market benchmark	**(11.2%)**	**(22.4%)**	(13.2%)	(26.5%)
Non-Canadian equity	**$ (32,256)**	**$ (58,611)**	$ (26,629)	$ (47,686)

10. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)	2013			
	Opening Balance	Additions/ Depreciation	Disposals	Closing Balance
Cost				
Land	$ 3,000	$ -	$ -	$ 3,000
Buildings	10,727	130	-	10,857
Furniture & equipment	2,765	152	(24)	2,893
Computer equipment	4,301	295	(241)	4,355
Total	20,793	577	(265)	21,105
Accumulated Depreciation				
Land	-	-	-	-
Buildings	6,141	197	-	6,338
Furniture & equipment	2,499	72	(23)	2,548
Computer equipment	3,570	266	(237)	3,599
Total	12,210	535	(260)	12,485
Net Book Value	$ 8,583	$ 42	$ (5)	$ 8,620

(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

11. INTANGIBLE ASSETS

(thousands of dollars)	Cost	Accumulated Amortization	Net Book Value
Balance at January 1, 2012	$ 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**
Additions	**2,346**	**-**	**2,346**
Disposals	**(469)**	**471**	**2**
Amortization	**-**	**(2,396)**	**(2,396)**
Closing balance, December 31, 2013	**$ 28,382**	**$ (12,229)**	**$ 16,153**

Intangible assets include systems development costs for 2013 in the amount of $2,220,000 [2012 - $2,751,000] related to internally generated systems which are still under development.

12. FEES AND INTEREST

Fees and interest are comprised of the following:

(thousands of dollars)	**2013**	2012
Fund managers' investment fees	**$ 3,509**	$ 2,767
Banking fees	**94**	96
Bad debt expense	**245**	868
Interest paid to claimants	**32**	18
Fees and interest	**$ 3,880**	$ 3,749

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 not utilized during 2013. No amount was outstanding at December 31, 2013 and 2012.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(thousands of dollars)	**2013**	2012
Accounts payable	**$ 20,569**	$ 13,336
Amounts due to employees	**700**	675
Credit balances due to employers	**3,950**	3,117
	$ 25,219	$ 17,128

Accounts payable includes a provision in the amount of $12,405,000 [2012 - $5,355,000] for amounts owing to employers under the Commission's PRIME program.

14. 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)	**2013**	2012
Gross assessed employers	**$ 202,315**	$ 190,558
Assessment reporting penalties & interest	**1,387**	1,506
PRIME refunds	**(12,405)**	(5,355)
Net assessment revenue	**191,297**	186,709
Self-insured employers [note 23]	**9,851**	10,779
Total	**$ 201,148**	$ 197,488

15. BENEFIT LIABILITIES AND CLAIMS COSTS

(thousands of dollars)	2013							2012
	Short-term disability	Long-term disability	Survivor benefits	Health care	Rehabilit-Ation	Future Admin. Cost	Total	Total
Balance, beginning of year	$ 53,179	$ 534,407	$ 55,644	$ 251,351	$ 3,291	$ 70,932	$ 968,804	$ 858,641
Add:								
Claims costs incurred:								
Current–year injuries	25,633	30,583	1,557	29,399	1,042	-	88,214	88,368
Prior years' injuries	728	3,870	459	2,106	16		7,179	7,421
Interest expense	2,921	33,650	3,454	15,658	191	4,686	60,560	57,431
	29,282	68,103	5,470	47,163	1,249	4,686	155,953	153,220
Deduct:								
Claims payments:								
Current–year injuries	9,419	459	117	8,253	4	-	18,252	18,535
Prior years' injuries	18,933	54,546	7,278	31,141	831	-	112,729	113,917
	28,352	55,005	7,395	39,394	835	-	130,981	132,452
Actuarial adjustments:								
Occupational Disease	-	-	-	-	-	-	-	63,380
Changes in valuation methods and assumptions	-	6,500	-	-	-	-	6,500	27,400
Claims experience different than expected	(1,600)	(9,400)	300	7,600	(400)	-	(3,500)	-
Inflation lower than expected	-	(7,400)	(1,000)	100	-	-	(8,300)	(9,500)
Other gains/losses	(530)	(1,408)	465	(137)	59	(3,625)	(5,176)	8,115
Sub-total	(2,130)	(11,708)	(235)	7,563	(341)	(3,625)	(10,476)	89,395
Balance, end of year	$ 51,979	$ 535,797	$ 53,484	$ 266,683	$ 3,364	$ 71,993	$ 983,300	$ 968,804

15. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

Claims Development

The table that follows presents the development of the estimated ultimate cost of claims and claim payments for accident years 2007-2013. The top part of the table illustrates how the estimate of total claims benefits for each accident year has changed with more experience over succeeding year-ends. It shows the estimated cost of claims for an accident year in the year of accident, one year after the year of accident, two years after the year of accident, and so on and compares the total estimated cost to the actual cumulative payments over the development period. Due to the extremely long duration of many Commission benefits, significant amounts may be paid out in the distant future beyond the valuation date. The bottom part of the table reconciles the total outstanding benefits amount to the discounted amount reported in the statement of financial position.

(thousands of dollars)

Accident Year	2007	2008	2009	2010	2011	2012	2013	Total
Estimate of cumulative claims:								
At end of year of accident	$ 139,692	$ 149,568	$ 186,721	$ 147,535	$ 154,019	143,899	144,529	
One year later	127,032	139,326	166,238	142,380	133,805	125,030		
Two years later	126,663	132,818	167,506	141,828	136,914			
Three years later	132,011	134,934	170,448	144,373				
Four years later	136,413	137,089	173,636					
Five years later	135,434	136,806						
Six years later	133,898							
Estimate of cumulative claims	133,898	136,806	173,636	144,373	136,914	125,030	144,529	995,186
Cumulative payments	(59,979)	(57,473)	(56,989)	(51,076)	(43,441)	(33,425)	(16,738)	(319,121)
Estimate of future Payments	73,919	79,333	116,647	93,297	93,473	91,605	127,791	676,065
2006 and prior years								924,045
Effect of discounting								(753,131)
Claims Administration								71,993
Latent occupational disease								64,328
Benefit Liabilities at December 31, 2013								**983,300**

15. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

The table below lists the principal economic assumptions used in the valuation of the benefits liabilities.

	2013		2012	
	CPI-Indexed awards	**Other payments**	CPI-Indexed awards	Other payments
Gross rate of return	**6.61%**	**6.61%**	6.61%	6.61%
Inflation year 1	**1.00%**	**3.00%**	2.40%	3.00%
Inflation later years	**3.00%**	**3.00%**	3.00%	3.00%
Net rate of return year 1	**5.55%**	**3.50%**	4.11%	3.50%
Net rate of return later years	**3.50%**	**3.50%**	3.50%	3.50%

The benefit liabilities include a provision for the cost of future claims administration. At December 31, 2013, this was estimated at 8.5% of the benefit liability (2012 – 8.5%). The benefit liabilities also include a provision for latent occupational disease which is estimated at 7% of the benefit liabilities (2012 – 7%). In 2012, initial recognition of the latent occupational disease was shown separately, but in the 2013 benefit liabilities it is included in each respective category.

In determining the Commission's claim benefit liabilities, a primary risk is that the actual benefit payments may exceed the amount estimated in determining the liabilities. This may occur due to changes in claim reporting patterns, frequency and/or size of claim payments or duration of claims. Compensable injuries and benefits payable may also change due to legislation or policy changes. With potentially long claims run-off periods, inflation is also a factor because future costs could escalate at a faster rate than expected.

The table below shows 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	**$ 83.5**	**$ 6.4**
Increase inflation rate	Increase	**$ 50.8**	**$ 4.6**
Increase health care inflation	Increase	**$ 30.0**	**$ 1.6**

16. EMPLOYEE FUTURE BENEFITS

Public Service Pension Plan

The Commission's contributions to the Public Service Pension Plan of $1,679,600 [2012 - $1,790,800] 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. The weighted average time to expected benefit payment is 10.8 years. In 2013, cash payments to retirees for its unfunded employee future benefits amounted to $252,000 [2012 - $153,000].

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)	**2013**	2012
Accrued benefit obligation, beginning of year	**$ 5,905**	$ 5,177
Current service cost	**403**	391
Interest cost	**232**	242
Actuarial (gain) loss	**(461)**	248
	6,079	6,058
Benefits paid	**(252)**	(153)
Accrued benefit obligation, end of year	**$ 5,827**	$ 5,905

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

	2013	**2012**
Discount rate – benefit cost	**3.75%**	4.50%
Discount rate – accrued benefit obligation	**4.50%**	3.75%
Rate of compensation increase	**3.00%**	3.00%

16. EMPLOYEE FUTURE BENEFITS (continued)

The table below shows the sensitivities of the benefit obligation to a 0.25% change in the key assumptions:

(thousands of dollars)	**Increase**	**Decrease**
Discount Rate	**$ (147)**	**$ 153**
Rate of compensation increase	**$ 155**	**$ (150)**

17. ADMINISTRATION

(thousands of dollars)	**2013**	2012
		[restated - see Note 4]
Salaries and employee benefits	**$ 27,758**	$ 28,216
Office and communications	**2,831**	2,602
Professional fees	**1,573**	1,325
Building operations	**932**	891
Travel and vehicle operating	**546**	587
	$ 33,640	$ 33,621

18. 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:

18. LEGISLATED OBLIGATIONS (continued)

(thousands of dollars)	**2013**	2012
Service NL, Advanced Education and Skills and Labour Relations Agency	**$ 5,019**	$ 5,634
Workplace Health, Safety and Compensation Review Division	**1,138**	1,053
Employer and Worker Advisors	**900**	740
Statutory Review on WHSCC	**757**	197
	$ 7,814	$ 7,624

19. OTHER EXPENSES

(thousands of dollars)	**2013**	2012
Sectoral advisors and grants	**$ 100**	$ 263
Business improvement projects	**85**	329
	$ 185	$ 592

20. 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 2013, no amount was charged to the reserve [2012 - $10,000].

21. 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 measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

21. RELATED PARTY TRANSACTIONS (continued)

The amounts included in Note 23 and on the statement of operations for the Province of Newfoundland and Labrador are as follows:

(thousands of dollars)	**2013**	2012
Claims costs	**$ 3,600**	$ 3,565
Administration	**498**	509
Revenue	**$ 4,098**	$ 4,074

The Commission has identified the Board of Directors and Senior Management team as related parties. The Senior Management team includes the CEO, CFIO, Executive Directors and four other Senior Staff members. Salary and benefits related to these parties is shown below:

(thousands of dollars)		**2013**		2012
	Number	**Total**	Number	Total
Board of Directors	**9**	**$ 105**	9	$ 131
Senior Management	**9**	**$ 1,293**	9	$ 1,318

22. 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 $1,533,000 [2012 - $1,153,000] and are not included in the statement of operations.

23. 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:

23. SELF-INSURED EMPLOYERS (continued)

(thousands of dollars)	**2013**	2012
Claims costs incurred:		
Short-term disability	**$ 1,026**	$ 1,286
Long-term disability	**3,870**	3,730
Survivor benefits	**464**	472
Health Care	**2,691**	2,889
Administration charges	**1,800**	2,402
Revenue from self-insured employers	**$ 9,851**	$ 10,779

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.

24. COMMITMENTS

The Commission has committed to operating lease payments for office premises and equipment for the years 2014 to 2018 in the amount of $241,000 annually.

25. 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, 2013 the funded ratio was 106.6% (2012 – 91.7%). The Fund balance consists of accumulated net operating surplus, accumulated other comprehensive income and the occupational health, safety and research reserve.

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 2012 and 2013 included an upward adjustment of $0.25 per $100 of payroll. This adjustment will be retained until the 110% funding target is reached.

25. CAPITAL MANAGEMENT (continued)

Funded Position

(thousands of dollars)	**2013**	2012
Total assets	**$1,081,489**	$ 910,044
Less: Total liabilities	**1,014,346**	991,837
Funded position	**$ 67,143**	$ (81,793)
Reserves	**$ 550**	$ 550
Funded ratio	**106.6%**	91.7%

26. COMPARATIVE FIGURES

The comparative figures have been reclassified to conform to the 2013 financial statement presentation including office and communications and professional fees.

FIVE YEAR HISTORY DECEMBER 31, 2013

2013 ANNUAL PERFORMANCE REPORT

Statement of Operations and Fund Balance
for the Years Ending December 31

(thousands of dollars)	2013	2012	2011	2010	2009 *
		[restated]			
Revenue					
Assessments	**$ 201,148**	$ 197,488	$ 188,367	$ 166,220	$ 160,582
Investment income (loss)	**140,131**	82,634	(11,602)	65,217	18,205
Third-party recoveries	**1,123**	838	1,049	1,080	4,372
	342,402	280,960	177,814	232,517	183,159
Expenses					
Claims costs incurred	**155,953**	216,600	154,089	148,999	156,333
Administration	**33,640**	33,621	32,543	30,170	27,340
Legislated obligations	**7,814**	7,624	6,952	6,649	6,588
Amortization	**2,931**	2,664	2,491	2,179	2,555
Fee and interest	**3,880**	3,749	3,245	2,627	3,431
Actuarial adjustments	**(10,476)**	26,015	(1,245)	(12,458)	(6,725)
Other	**185**	592	1,520	1,258	1,787
	193,927	290,865	199,595	179,424	191,309
Surplus (Deficit) for the year	**148,475**	(9,905)	(21,781)	53,093	(8,150)
Fund deficiency, beginning of year	**(82,343)**	(72,190)	(50,409)	(103,502)	(188,756)
Reserve balance, beginning of year	**550**	560	640	815	839
Total fund deficiency, beginning of year	**(81,793)**	(71,630)	(49,769)	(102,687)	(187,917)
Surplus (Deficit) for the year	**148,475**	(9,905)	(21,781)	53,093	(8,150)
Appropriation of reserve fund	**-**	(10)	(80)	(175)	(24)
Other comprehensive income (loss)	**461**	(248)	-	-	90,212
Total fund balance, end of year	**$ 67,143**	$ (81,793)	$ (71,630)	$ (49,769)	$ (105,879)

* 2009 presented under Canadian GAAP, 2010 – 2013 presented under IFRS