VOLUME 4 - SECTION 4

Section 4:

CROWN ORGANIZATIONS (CONTINUED):

GOVERNMENT ENTERPRISES:

Management Report

The accompanying financial statements are the responsibility of the management of the Special Operating Agencies Financing Authority and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to July 16, 2008.

Management maintains internal controls to properly safeguard the Financing Authority's assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the Auditor General is to express an independent opinion on whether the financial statements of the Financing Authority are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Lynn Cowley
Chairperson
Special Operating Agencies Financing Authority

July 16, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Member of the Special Operating Agencies Financing Authority

We have audited the combined balance sheet of the Special Operating Agencies Financing Authority at March 31, 2008, and the combined statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2008, and results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 16, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Balance Sheet
(In Thousands)

March 31	2008	2007 (Restated)
Assets		
Current:		
Cash and Term deposits with the Minister of Finance	$ 38,009	$ 32,116
Customer deposits	1,407	1,352
Accounts receivable (Note 3)	14,117	12,468
Inventories	4,563	4,881
Other deposits	554	-
Prepaid expenses	2,958	3,154
Receivable from the Province of Manitoba (Note 6)	5,469	-
	67,077	53,971
Trust assets	13	12
Restricted short-term deposits (Note 4)	750	750
Deposit in joint venture	-	200
Capital assets (Note 5)	71,244	70,376
Receivable from the Province of Manitoba (Note 6)	-	5,469
	$ 139,084	$ 130,778
Liabilities		
Current:		
Working capital advances (Note 7)	$ 7,055	$ 8,502
Accounts payable and accruals	18,659	12,381
Unearned revenue	5,491	4,481
Current portion - long-term debt (Note 9)	7,131	6,992
	38,336	32,356
Trust liabilities	13	12
Unearned revenue	626	1,184
Deferred Capital Contributions (Note 8)	10,422	9,256
Long-term debt - Province of Manitoba (Note 9)	16,609	19,511
Severance liability (Note 11)	5,379	5,286
	71,385	67,605
Equity		
Contributed equity (Note 12)	17,837	17,837
Reserve funds (Note 13)	1,483	1,475
Retained earnings (Note 12)	48,379	43,861
	67,699	63,173
	$ 139,084	$ 130,778

Commitments (Note 14)

See accompanying notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Income, Comprehensive Income and Retained Earnings
(In Thousands)

Year Ended March 31	2008	2007 (Restated)
Revenue		
Annual levy	$ 13	$ 14
Treasury Board Secretariat/Finance contribution	94	101
	107	115
Expenses		
Salaries and benefits	77	84
Other operating	27	29
	104	113
Financing Authority operations	3	2
Special Operating Agency operations – Net Income (Loss) and Comprehensive Income		
Civil Legal Services	5	16
Companies Office	2,443	2,185
Crown Lands and Property Agency	(774)	(388)
Fleet Vehicles Agency	3,168	3,070
Food Development Centre	207	317
Green Manitoba Eco Solutions	105	(155)
Industrial Technology Centre	(6)	(136)
MERLIN	293	314
Manitoba Securities Commission	8,851	8,440
Manitoba Text Book Bureau	(6)	18
Materials Distribution Agency	83	(174)
Office of the Fire Commissioner	489	663
Organization and Staff Development	48	269
Pineland Forest Nursery	(97)	(164)
The Property Registry	10,610	9,909
The Public Trustee	(110)	(70)
Vital Statistics Agency	609	546
Net Income and Comprehensive Income for the year	25,921	24,662
Retained earnings, beginning of year (originally reported)	43,933	39,369
Prior period adjustment (Note 15)	(72)	-
Retained earnings, beginning of year (restated)	43,861	39,369
Transfer from (to) Reserve Funds (Note 13)	(8)	(25)
Transfer of surplus funds to the Province of Manitoba		
Civil Legal Services	(200)	(200)
Companies Office	(2,000)	(1,615)
Fleet Vehicles Agency	(1,500)	(1,500)
Manitoba Securities Commission	(7,300)	(7,250)
Materials Distribution Agency	(400)	(400)
The Property Registry	(9,715)	(9,000)
Vital Statistics Agency	(280)	(180)
	(21,395)	(20,145)
Retained earnings, end of year	$48,379	$43,861

See accompanying notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Cash Flows
(In Thousands)

Year Ended March 31	2008	2007 (Restated)
Cash derived from (applied to):		
Operating		
Net income	$ 25,921	$ 24,662
Amortization	13,808	13,487
Amortization of deferred capital contributions	(668)	(590)
Gain on disposal of capital assets	(599)	(546)
	38,462	37,013
Change in:		
Customer deposit accounts	(55)	(81)
Accounts receivable	(1,649)	(809)
Inventories	318	(267)
Prepaid expenses	196	(480)
Accounts payable and accruals	6,278	968
Severance liability	93	306
Unearned revenue	452	419
Cash derived from operating activities	44,095	37,069
Investing		
Proceeds from disposal of capital assets	2,306	2,125
Acquisition of capital assets	(16,383)	(17,220)
Deposits in joint ventures	200	-
Other deposits	(554)	-
Cash applied to investing activities	(14,431)	(15,095)
Financing		
Change in Receivable from the Province of Manitoba	-	(346)
Proceeds from long-term debt	4,340	7,060
Long-term debt repayments	(7,103)	(6,566)
Capital lease obligations	-	(7)
Transfer of surplus funds	(21,395)	(20,145)
Change in deferred capital contributions	1,834	571
Change in contributed equity	-	9
Cash applied to financing activities	(22,324)	(19,424)
Increase in cash and cash equivalents	7,340	2,550
Cash and cash equivalents:		
Beginning of year	23,614	21,064
End of year	$ 30,954	$ 23,614
Represented by:		
Cash and Term deposits with the Minister of Finance	$ 38,009	$ 32,116
Working capital advances	(7,055)	(8,502)
	$ 30,954	$ 23,614

See accompanying notes to the financial statements.

1. Nature of organization

The Special Operating Agencies Financing Authority (the "Financing Authority") is a body corporate established effective April 1, 1992 under ***The Special Operating Agencies Financing Authority Act.*** Under the direction of the Minister of Finance, the Financing Authority consists of the Chairperson as its sole member and receives staff support from the Department of Finance.

The Financing Authority provides a mechanism for funding Special Operating Agencies (SOAs) that operate outside the Consolidated Fund. It functions as a non-operating holding company, with the mandate to hold and acquire assets required for and resulting from SOA operations. It finances SOAs through contributed equity, repayable loans, and working capital advances. This financial framework enables SOAs to operate in a business-like manner within government policy expectations.

SOAs are designated by regulation under the Act and operate under a charter approved by the Lieutenant Governor in Council. A management agreement between the Financing Authority and the Minister responsible for each SOA assigns responsibility to the agency to manage and account for SOA-related assets and operations on behalf of the Financing Authority. SOAs remain accountable to their Minister for the results they achieve with the authority and resources granted.

The Financing Authority is economically dependent on the Province of Manitoba. Currently, the Financing Authority derives most of its revenue and all of its capital financing requirements from the Province.

SOAs in operation during the fiscal year ended March 31, 2008 were as follows:

Civil Legal Services, Department of Justice
Companies Office, Department of Finance
Crown Lands and Property Agency, Department of Infrastructure and Transportation
Fleet Vehicles Agency, Department of Infrastructure and Transportation
Food Development Centre, Department of Agriculture, Food and Rural Initiatives
Green Manitoba Eco Solutions, Department of Science, Technology, Energy and Mines
Industrial Technology Centre, Department of Science, Technology, Energy and Mines
Manitoba Education, Research and Learning Information Networks (MERLIN), Department of Science, Technology, Energy and Mines
Manitoba Securities Commission, Department of Finance
Manitoba Text Book Bureau, Department of Education, Citizenship and Youth
Materials Distribution Agency, Department of Infrastructure and Transportation
Office of the Fire Commissioner, Department of Labour and Immigration
Organization and Staff Development, Civil Service Commission
Pineland Forest Nursery, Department of Conservation
The Property Registry, Department of Finance
The Public Trustee, Department of Justice
Vital Statistics Agency, Department of Finance.

2. Significant Accounting Policies

a. General

The financial statements of the Financing Authority are presented in accordance with Canadian generally accepted accounting principles.

b. Basis of reporting

The financial statements of the Financing Authority reflect the financial position and operating results of SOAs currently governed by management agreements with the Financing Authority. These statements are presented on a combined basis. Therefore, inter-agency balances and transactions have not been eliminated.

The following policies apply to the Financing Authority, as well as to all agencies combined herein.

c. New Accounting Policies

Effective April 1, 2007 the Financing Authority adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, *Accounting Changes*
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the entities financial statements for the year ended March 31, 2008.

Section 1530, *Comprehensive Income*
Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Financing Authority has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Financing Authority has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, *Financial Instruments – Recognition and Measurement*
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

Section 3855, *Financial Instruments – Recognition and Measurement* (continued)

The Financing Authority is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recoded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Financing Authority has designated its financial instruments as follows:

Cash and funds on deposit are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable and receivable from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable, accrued liabilities and long term debt are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Financing Authority's financial statements for the year ended March 31, 2008.

d. Financial Instruments

The Financing Authority's financial instruments consist of cash, funds on deposit, accounts receivable, and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the Financing Authority is not exposed to significant interest, currency or credit risk arising from these financial instruments.

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

The fair value of the long-term debt from the Province of Manitoba is determined using the present value of future cash flows under current financing agreements, based on the Financing Authority's current estimated borrowing rate for loans with similar terms and conditions. The fair value of this long-term debt is $23,931 as at March 31, 2008 (2007 - $26,418).

e. Inventories

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

(In Thousands)

f. Amortization of capital assets

Vehicles, fire engines	30%, declining balance
Vehicles (signed lease agreement)	straight line over term of lease
Equipment and furniture	6 2/3% - 20%, straight line 20% - 30%, declining balance
Computer equipment and software	20%, straight line 20%, declining balance
Rental equipment (Materials Distribution Agency)	2, 3, or 5 years, straight line
Buildings	15 - 40 years, straight line 10%, declining balance
Practical training site (Office of the Fire Commissioner)	20 years, straight line
Leasehold improvements	5 - 10 years, straight line
Other assets	5 - 10 years, straight line

g. Administrative expenses paid by the Province of Manitoba

The Treasury Board Secretariat / Finance contribution covers salaries and benefits and certain operating expenses, paid by the Province of Manitoba on behalf of the Financing Authority.

h. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

i. Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures,* which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted affective April 1, 2008, will only require additional disclosures in the financial statements.

Section 3031 Inventories
In June 2007, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Financing Authority will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. (For example, it requires that fixed and variable production overheads be systematically allocated to the carrying amount of inventory.) The Financing Authority does not expect that the adoption of this new Section will have a material impact on its financial statements.

(In Thousands)

3. Accounts receivable

	2008	2007
Trade	$13,476	$10,987
Insurance agency rebate	455	466
Other	186	1,015
	$14,117	$12,468

The trade receivables are mostly due from the Province of Manitoba.

The insurance agency rebate is for discounts receivable by the Fleet Vehicles Agency from the Manitoba Public Insurance Corporation based on favourable claims experience for the Province's vehicle fleet in the previous insurance year.

4. Restricted short-term deposits

The Manitoba Securities Commission maintains separate short-term deposits with the Province of Manitoba to fund expenses which may arise with respect to the Reserve Fund (Note 13b).

5. Capital assets

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Vehicles, fire engines	$ 92,171	$44,101	$48,070	$49,276
Equipment and furniture	16,835	9,518	7,317	5,879
Rental equipment	5,116	3,816	1,300	1,101
Computer equipment and software	6,128	4,229	1,899	1,486
Buildings	15,419	5,521	9,898	9,855
Practical training site	2,302	1,058	1,244	1,323
Leasehold improvements	2,434	1,770	664	824
Other assets	2,131	1,279	852	632
	$142,536	$71,292	$71,244	$70,376

(In Thousands)

6. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of certain agencies prior to their designation as SOAs. It also includes severance pay benefits earned by SOA employees to March 31, 1998; the benefits accumulated by the employees of the Manitoba Securities Commission prior to March 31, 1999; and the benefits earned by certain employees of the Crown Lands and Property Agency prior to March 31, 2006.

The balance is comprised of:

	2008	2007
Vacation entitlements	$ 1,841	$ 1,841
Severance pay benefits	3,628	3,628
	5,469	5,469
Less: long-term portion	-	5,469
Amount due within one year	$ 5,469	$ -

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severance pay and vacation pay liabilities. These payments will be placed in an interest bearing trust account on March 31, 2009 to be held on behalf of the Financing Authority until the cash is required to discharge the related liabilities. Accordingly, these receivables are classified as current.

7. Working capital advances

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Orders in Council 747/1992, 242/1994, 152/1995, 151/1996, 136/1997, 168/1998, 129/2000, 185/2005, and 134/2006, has arranged for working capital advances to be available to the Financing Authority. The aggregate of the outstanding advances is not to exceed $25,070 (2007 - $25,070) at any one time. As at March 31, 2008, $ 18,015 (2007 - $16,568) of these advances was unused and available.

8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received by the Food Development Centre from the Federal Government and the Province of Manitoba for the purchase of equipment and construction of a building. These amounts will be taken into income to match the amortization of the equipment and building.

(In Thousands)

9. Long-term debt - Province of Manitoba

		2008	2007
4.250%	repayable in semi-annual instalments of $176 principal and interest, maturing in 2008	-	176
4.750%	repayable in semi-annual instalments of $397 principal and interest, maturing in 2008	-	767
6.425%	repayable in semi-annual instalments of $146 principal and interest, maturing in 2009	278	540
3.625%	repayable in semi-annual instalments of $149 principal and interest, maturing in 2009	291	571
3.500%	repayable in semi-annual instalments of $259 principal and interest, maturing in 2009	504	991
5.250%	repayable in semi-annual instalments of $159 principal and interest, maturing in 2010	454	738
5.625%	repayable in semi-annual instalments of $134 principal and interest, maturing in 2010	381	618
4.125%	repayable in semi-annual instalments of $56 principal and interest, maturing in 2010	161	263
4.000%	repayable in semi-annual instalments of $ 167 principal and interest, maturing in 2010	636	935
4.375%	repayable in semi-annual instalments of $438 principal and interest, maturing in 2010	1,662	2,440
5.125%	repayable in semi-annual instalments of $123 principal and interest, maturing in 2011	568	776
4.750%	repayable in semi-annual instalments of $ 227 principal and interest, maturing in 2011	1,256	1,637
4.750%	repayable in semi-annual instalments of $ 451 principal and interest, maturing in 2011	2,494	3,250
4.875%	repayable in semi-annual instalments of $ 137 principal and interest, maturing in 2012	870	1,093
4.750%	repayable in semi-annual instalments of $ 102 principal and interest, maturing in 2012	652	819

(In Thousands)

9. Long-term debt - Province of Manitoba (continued)

4.625%	repayable in semi-annual instalments of $ 475 principal and interest, maturing in 2012	3,435	4,200
4.750%	repayable in semi-annual instalments of $ 137 principal and interest, maturing in 2013	1,095	1,308
5.000%	repayable in semi-annual instalments of $ 142 principal and interest, maturing in 2013	1,129	-
4.000%	repayable in semi-annual instalments of $ 345 principal and interest, maturing in 2013	3,100	-
4.050%	repayable in semi-annual instalments of $ 140 principal and interest, maturing in 2014	1,370	1,589
4.875%	repayable in semi-annual instalments of $ 148 principal and interest, maturing in 2015	1,732	1,935
4.125%	repayable in semi-annual instalments of $ 117 principal and interest, maturing in 2016	1,495	1,662
5.800%	repayable in annual instalments of $ 18 principal and interest, maturing in 2017	177	195
		23,740	26,503
	Amount due within one year	7,131	6,992
		$ 16,609	$ 19,511

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

2009	$7,131
2010	5,990
2011	4,562
2012	3,037
2013	1,690

Unused loan authority of $1,240 was available for Fleet Vehicles Agency as of March 31, 2007. An additional $11,050 of loan authority availability was approved for the three agencies (listed in the following table) during October 2007 in The Loan Act, 2007.

	The Loan Act, 2007
Fleet Vehicles Agency	$ 8,000
Companies Office	2,050
The Property Registry	1,000
Total incremental loan authority	$ 11,050

9. Long-term debt - Province of Manitoba (continued)

Of the $12,290 in available loan authority, $4,340 was drawn down at various times during the 2007/08 year, leaving $7,950 of loan authority availability unutilized as of March 31, 2008.

10. Pension benefits

Employees of SOAs are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the special operating agencies, through the Civil Service Superannuation Fund.

Prior to April 1, 2001, only the Industrial Technology Centre and the Food Development Centre matched their employee's current contributions to the CSSB and had no additional liability under the CSSA.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the remaining SOAs transferred to the Province the pension liability for their employees. Commencing April 1, 2001, these SOAs were required to pay to the Province an amount equal to their employees' current pension contributions. The amount paid for 2008 was $2,001 (2007 - $1,986). Under this agreement, these SOAs have no further pension liability.

11. Severance liability

Effective April 1, 1998 or the date of their creation, whichever is later; SOAs began recording accumulated severance pay benefits for their employees. The amount of their severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The special operating agencies' actuarially determined net liability for accounting purposes as at March 31, 2008 was $5,379 (2007 - $5,286). Commencing in the 2006 fiscal year the actuarial loss of $367 is being amortized over the 15 year expected average remaining service life of the employee group.

(In Thousands)

12. Equity

Contributed equity	2008	2007
Fleet Vehicles Agency	$ 4,284	$ 4,284
Green Manitoba Eco Solutions	9	9
Industrial Technology Centre	62	62
Manitoba Text Book Bureau	550	550
Materials Distribution Agency	1,297	1,297
Office of the Fire Commissioner	11,279	11,279
Pineland Forest Nursery	356	356
	$17,837	$17,837

Retained earnings

Civil Legal Services	$ 534	$ 729
Companies Office	3,218	2,775
Crown Lands and Property Agency	(1,172)	(398)
Fleet Vehicles Agency	17,697	16,029
Food Development Centre	513	306
Green Manitoba Eco Solutions	(50)	(155)
Industrial Technology Centre	422	428
MERLIN	292	(1)
Manitoba Securities Commission	6,098	4,547
Manitoba Text Book Bureau	191	197
Materials Distribution Agency	2,671	2,988
Office of the Fire Commissioner	1,335	854
Organization and Staff Development	778	730
Pineland Forest Nursery	(199)	(102)
The Property Registry	12,761	11,866
The Public Trustee	1,516	1,626
Vital Statistics Agency	1,763	1,434
Financing Authority	11	8
	$48,379	$43,861

13. Reserve funds

a) The Public Trustee

The Public Trustee has allocated a reserve out of retained earnings to provide for short-term fluctuations in revenue due to changes in revenue patterns or extraordinary expenses. The balance of the reserve at March 31, 2008 is $500 (2007 - $500).

b) Manitoba Securities Commission

The Manitoba Securities Commission has allocated a reserve out of retained earnings to provide for extraordinary regulatory expenses and changes in market activity affecting revenue. The balance of the reserve at March 31, 2008 is $750 (2007 - $750).

(In Thousands)

13. Reserve funds (continued)

c) Office of the Fire Commissioner

The Office of the Fire Commissioner received approval from Treasury Board in Fiscal 2004/05 to establish a special reserve fund for water bomber fire suppression activities. This fund is capped at an amount of $200 and will be utilized to cover the costs associated with water bomber deployment for non-forest fire incidents occurring on Rural Municipality property. As at March 31, 2008, the agency has allocated a total of $200 (2007 - $200) to this fund from its retained earnings account.

The agency has also established a special reserve fund for replacing and training a rescue dog. As at March 31, 2008, the balance of this reserve fund is $33 (2007 - $25).

14. Commitments

Commitments for SOAs with building lease agreements at March 31, 2008 total $12,950 (2007 - $13,858).

Other commitments entered into by SOAs are as follows:

Crown Lands And Property Agency	Equipment lease agreements	$ 33
Food Development Centre	Equipment purchase agreements	212
Green Manitoba Eco Solutions	Office equipment leases	4
Materials Distribution Agency	Printing equipment leases	90
Office of the Fire Commissioner	Vehicle leases	540
The Property Registry	Equipment lease agreements	445
		$ 1,324

Estimated minimum lease payments for each of the next five years are as follows:

2009	$2,758
2010	2,297
2011	2,292
2012	2,256
2013	2,262

15. Prior Period Adjustment

During the year, Food Development Centre discovered that, as a result of an error, a portion of its receivable for Great Plains Aseptic Processors Ltd (GPAP) was not written off. The receivable for GPAP was written off in the prior year. This amount was missed and should have been written off during the last fiscal year. This resulted in a decrease of receivables and retained earnings of $72.

16. Estates and trusts under administration

The Public Trustee has statutory responsibility for administering clients' estates and trusts. The client assets under administration at March 31, 2008 total approximately $192,000 (2007 - $185,000). The trust activities of The Public Trustee are reported in separate audited financial statements for Estates and Trusts under Administration.

17. Public sector compensation

No employee of the Financing Authority received compensation of $50.0 or more during the year ended March 31, 2008.

Compensation information for each SOA is disclosed in the notes to their audited financial statements.

18. Contingency

The Manitoba Securities Commission has been named as defendant in four statements of claim. At the time of preparation of these financial statements, the outcome of these claims was undeterminable. The cost of a future settlement, if any, will be reflected as an expense in the year paid.

19. Comparative figures

Comparative figures for the year ended March 31, 2007 have been restated, where appropriate, to conform to the presentation adopted for March 31, 2008.

MAGNUS & BUFFIE

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Civil Legal Services, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008 and the statements of earnings and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

May 14, 2008 CHARTERED ACCOUNTANTS

1810 - 444 St. Mary Avenue · Winnipeg, Manitoba · R3C 3T1 · Phone (204) 942-4441 · Fax (204) 944-0400

BALANCE SHEET
(in thousands)
MARCH 31, 2008

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and short term deposits	$ 571	$ 676
Accounts receivable	652	670
	1,223	1,346
RECEIVABLE FROM PROVINCE OF MANITOBA (Note 4)	379	379
CAPITAL ASSETS (Note 5)	66	47
TRUST ASSET	9	8
	$ 1,677	$ 1,780
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 32	$ 112
Revenue sharing - Province of Manitoba payable	50	-
Vacation payable	469	408
	551	520
SEVERANCE LIABILITY (Note 6)	583	523
TRUST LIABILITY	9	8
	1,143	1,051
EQUITY		
RETAINED EARNINGS	534	729
	$ 1,677	$ 1,780

STATEMENT OF EARNINGS AND RETAINED EARNINGS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
REVENUE		
Recoveries	$ 5,254	$ 5,199
Interest and other	20	19
	5,274	5,218
EXPENSES		
Advertising and promotion	1	2
Amortization	21	27
Communications	38	36
Computer	56	65
Desktop management initiative	155	151
Equipment rental	4	4
Government records centre	25	23
Law Society fees	47	49
Miscellaneous	5	6
Occupancy	231	232
Office	50	52
Postage and deliveries	13	10
Professional fees and services	40	47
Publications	31	28
Travel	23	24
Wages and benefits	4,529	4,446
	5,269	5,202
NET EARNINGS FOR THE YEAR	5	16
RETAINED EARNINGS, beginning of year	729	913
	734	929
REVENUE SHARING - PROVINCE OF MANITOBA	200	200
RETAINED EARNINGS, end of year	$ 534	$ 729

STATEMENT OF CASH FLOW
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net earnings for the year	$ 5	$ 16
Adjustment for		
Amortization	21	27
	26	43
Changes in the following		
Accounts receivable	18	(462)
Accounts payable and accrued liabilities	(80)	104
Revenue sharing - Province of Manitoba payable	50	-
Vacation payable	61	65
Severance liability	60	55
	135	(195)
FINANCING ACTIVITY		
Revenue sharing - Province of Manitoba	(200)	(200)
INVESTING ACTIVITY		
Capital asset additions	(40)	(16)
CHANGE IN CASH AND SHORT TERM DEPOSITS	(105)	(411)
CASH AND SHORT TERM DEPOSITS, beginning of year	676	1,087
CASH AND SHORT TERM DEPOSITS, end of year	$ 571	$ 676

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

1. NATURE OF ORGANIZATION

The role of Civil Legal Services (the "Agency") flows from the constitutional and statutory responsibilities of the Minister of Justice as the Chief Legal Advisor to government and the guardian of the public interest. Acting pursuant to government policy, the Agency is responsible for providing a full range of high quality legal services, on a cost recovery basis, to its clients, namely the Province of Manitoba, the province's agencies, boards and commissions and some Crown organizations.

Effective April 1, 1995, the Agency was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigorous planning and reporting requirements afforded by Special Operating status, assists the Agency to sustain the provision of high quality legal services to its clients.

A Management Agreement between the Financing Authority and the Minister of Justice assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

The Agency continues to be part of Manitoba Justice under the general direction of the Deputy Minister and Minister.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba because it derives most of its revenue from the Province and all of its financing requirements through the Financing Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting: The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

Capital Assets: Capital assets are recorded at cost and are amortized over their estimated useful lives as follows:

Computer Equipment and Software	20% straight line (10% in year of acquisition)
Furniture and Fixtures	20% straight line (10% in year of acquisition)
Leasehold Improvements	20% straight line (10% in year of acquisition)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The percentage of completion method of accounting is used, whereby revenue is recognized proportionately with the degree of completion of the legal services provided.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. Actual results could differ from those estimates.

New Accounting Policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

(i) Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

(ii) Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gain and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the entity has no items related to other comprehensive income, comprehensive income is equivalent to net income.

(iii) Section 3855, Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Policies (continued)

The Agency has designated its financial instruments as follows:

Cash and short term deposits are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable and receivable from Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities, revenue sharing - Province of Manitoba payable and vacation payable are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Financial Instruments

The Agency's financial instruments consist of cash and short term deposits, accounts receivable, receivable from Province of Manitoba, accounts payable and accrued liabilities, revenue sharing - Province of Manitoba payable and vacation payable.

Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of cash and short term deposits, accounts receivable, accounts payable and accrued liabilities, revenue sharing - Province of Manitoba payable and vacation payable approximates their carrying values due to their short-term maturity.

The fair value of the receivable from Province of Manitoba is not practical to determine due to their underlying terms and conditions.

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation, which enhance the abilities of users of the financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will require additional disclosures in the financial statements.

3. FINANCING ARRANGEMENTS

The Special Operating Agencies Financing Authority has provided the Agency with an authorized line of working capital of $500 of which $nil was used at March 31, 2008.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

4. RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to creation of the Special Operating Agency and severance pay benefits prior to April 1, 1998. The balance is comprised of:

	2008	2007
Vacation Entitlements	$ 140	$ 140
Severance Pay Benefits	239	239
	$ 379	$ 379

The timing of the collection of these receivables will vary. The receivable, or portion thereof, will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Agency.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2008	Net Book Value 2007
Computer Equipment and Software	$ 132	$ 102	$ 30	$ 42
Furniture and Fixtures	239	203	36	5
Leasehold Improvements	53	53	-	-
	$ 424	$ 358	$ 66	$ 47

6. SEVERANCE LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2008 was $583 (2007 - $523). Commencing in the 2006 fiscal year the actuarial loss of $87 is being amortized over the 15 year expected average remaining service life of the employee group.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

7. PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $205 (2007 - $205). Under this agreement the Agency has no further pension liability.

8. LEASE COMMITMENTS

The Agency has not entered into a lease agreement with the Province of Manitoba for rental facilities at 405 Broadway. Occupancy charges for the year ending March 31, 2009 are estimated to be $233.

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, no remuneration or other benefits were paid to the Advisory Board members. The following employees or officers received compensation of $50 or more.

EMPLOYEE	TITLE	COMPENSATION 2008	2007
I. Allen	Legal Counsel	$ 119	$ 108
E. Andres	Legal Counsel	117	107
J. Barak	Legal Counsel	110	88
A. Berg	Legal Counsel	125	115
T. Bjornson	Legal Counsel	108	95
S. Boyd	Legal Counsel	84	62
T. Brothers	Legal Counsel	104	85
M. Ducharme	Financial Officer	56	55
J. Frederickson	Legal Counsel	113	94
I. Frost	Legal Counsel	116	105
D. Gisser	Legal Counsel	121	110
D. Guenette	Legal Counsel	115	101
G. Hannon	Legal Counsel	127	115
D. Hill	Legal Counsel	-	72
S. Hoeppner	Legal Counsel	-	105
B. Jones	Legal Counsel	104	86
J. Kapac	Legal Counsel	118	105
A. Ladyka	Legal Counsel	99	83
D. Lofendale	Legal Counsel	116	110
W. McFetridge	Legal Counsel	126	115
M. McGunigal	Legal Counsel	86	91
G. Mildren	Legal Counsel	126	112
S. Pierce	Legal Counsel	121	110
K. Ranson	Legal Counsel	-	85
C. Romeo	Senior Legal Officer	126	121
L. Ross	Legal Counsel	109	96
V. Smith	Legal Counsel	84	71
T. Sterling	Legal Counsel	59	-
A. Stevens	Legal Counsel	-	84
M. Stonyk	Legal Counsel	63	52
N. Trenholm	Legal Counsel	121	110
M. Webb	Legal Counsel	121	110
I. Wiebe	Legal Counsel	99	86
R. Winters	Legal Counsel	121	110
K. Wright	Legal Counsel	64	52

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the Companies Office, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008 and the statements of earnings and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

May 8, 2008 CHARTERED ACCOUNTANTS

1810 - 444 St. Mary Avenue · Winnipeg, Manitoba · R3C 3T1 · Phone (204) 942-4441 · Fax (204) 944-0400

BALANCE SHEET
(in thousands)
MARCH 31, 2008

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and Short Term Deposits	$ 3,341	$ 2,689
Accounts Receivable (Note 4)	199	364
Prepaid Expenses	23	25
	3,563	3,078
RECEIVABLE FROM PROVINCE OF MANITOBA (Note 5)	218	218
CAPITAL ASSETS (Note 6)	53	69
	$ 3,834	$ 3,365
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued	$ 214	$ 211
Accrued Vacation Entitlements	184	171
	398	382
SEVERANCE PAY LIABILITY (Note 7)	218	208
	616	590
EQUITY		
RETAINED EARNINGS	3,218	2,775
	$ 3,834	$ 3,365

STATEMENT OF EARNINGS AND RETAINED EARNINGS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
REVENUE		
Fees and Services	$ 6,468	$ 6,176
Interest	110	89
	6,578	6,265
EXPENSES		
Salaries and Employee Benefits	1,574	1,523
Operating Expenses (Schedule)	2,544	2,534
Amortization - Capital Assets	17	23
	4,135	4,080
NET EARNINGS FOR THE YEAR	2,443	2,185
RETAINED EARNINGS, Beginning of Year	2,775	2,205
	5,218	4,390
REVENUE SHARE TO PROVINCE OF MANITOBA	2,000	1,615
RETAINED EARNINGS, End of Year	$ 3,218	$ 2,775

STATEMENT OF CASH FLOW
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net Earnings for the Year	$ 2,443	$ 2,185
Adjustment for		
Amortization - Capital Assets	27	32
	2,470	2,217
Changes in the following		
Accounts Receivable	165	(210)
Prepaid Expenses	2	(3)
Accounts Payable and Accrued	3	128
Accrued Vacation Entitlements	13	-
Change in Severance Pay Liability	10	(16)
	2,663	2,116
FINANCING ACTIVITY		
Revenue Share to Province of Manitoba	(2,000)	(1,615)
INVESTING ACTIVITY		
Capital Asset Additions	(11)	(23)
CHANGE IN CASH AND SHORT TERM DEPOSITS	652	478
CASH AND SHORT TERM DEPOSITS, Beginning of Year	2,689	2,211
CASH AND SHORT TERM DEPOSITS, End of Year	$ 3,341	$ 2,689

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

1. NATURE OF ORGANIZATION

Effective April 1, 1996, the Lieutenant Governor in Council designated the Companies Office (the "Agency") as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. cS185) by Order in Council. Another Order also gave approval to the Special Operating Agencies Financing Authority (SOAFA) and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Agency (at that time), to enter into a management agreement with respect to the Agency. The management agreement assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA. SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

The Agency is part of Manitoba Consumer and Corporate Affairs Division in the Department of Finance under the general direction of the Minister of Finance, the Deputy Minister, Senior Assistant Deputy Minister and Assistant Deputy Minister who is also Chairperson of the Companies Office Advisory Board.

The Agency remains bound by relevant legislation and regulation. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting: The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

New Accounting Policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

(i) Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Agency has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

(ii) Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the entity has no items related to other comprehensive income, comprehensive income is equivalent to net income.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Section 3855, Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and short term deposits are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable and receivable from Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate and method.

Accounts payable and accrued and accrued vacation entitlements are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Financial Instruments

The Agency's financial instruments consist of cash and short term deposits, accounts receivable, receivable from Province of Manitoba, accounts payable and accrued and accrued vacation entitlements.

Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of cash and short term deposits, accounts receivable, accounts payable and accrued and accrued vacation entitlements approximates their carrying values due to their short-term maturity.

The fair value of the receivable from Province of Manitoba is not practical to determine due to their underlying terms and conditions.

(in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets: Capital assets are recorded at cost and amortized over their estimated useful lives as follows:

Computer Equipment and Software	20% straight line (10% in year of acquisition)
Office Equipment	20% straight line (10% in year of acquisition)
Furniture and Fixtures	20% straight line (10% in year of acquisition)
Leasehold Improvements	20% straight line (10% in year of acquisition)

Revenue Recognition: Revenue is recognized when the service is substantially complete.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. Actual results could differ from these estimates.

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation, which enhance the abilities of users of the financial statements to evaluate the significance of financial instruments to an Agency, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the Agency's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will require additional disclosures in the financial statements.

3. FINANCING ARRANGEMENTS

Working capital advances and long-term financing for significant capital purchases are provided to the Agency through the Special Operating Agencies Financing Authority. The Financing Authority has approved a $100 limit in working capital advances. The Agency did not access working capital advances during the year.

**NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008**

4. ACCOUNTS RECEIVABLE

	2008	2007
Trade	$ 76	$ 30
Accrued Revenue	123	334
	$ 199	$ 364

5. RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to creation of the Special Operating Agency and severance pay benefits prior to April 1, 1998. The balance is comprised of:

	2008	2007
Vacation Entitlements	$ 92	$ 92
Severance Pay Benefits	126	126
	$ 218	$ 218

The timing of the collection of these receivables will vary. The receivable, or portion thereof, will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Agency.

6. CAPITAL ASSETS

		Accumulated	Net Book Value	
	Cost	Amortization	2008	2007
Computer Equipment and Software	$ 79	$ 58	$ 21	$ 20
Office Equipment	16	16	-	1
Furniture and Fixtures	118	101	17	25
Leasehold Improvements	39	24	15	23
	$ 252	$ 199	$ 53	$ 69

Amortization charges for the year amounted to $27 (2007 - $32) of which $6 (2007 - $6) was expensed in Manitoba Business Links and $4 (2007 - $4) was expensed in Notaries on the schedule of operating expenses.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

7. SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2008 was $218 (2007 - $208). Commencing in the 2006 fiscal year the actuarial loss of $42 is being amortized over the 15 year expected average remaining service life of the employee group.

8. PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees’ current pension contributions.

The amount paid for 2008 was $76 (2007 - $71). Under this agreement, the Agency has no further pension liability.

9. LEASE COMMITMENTS

The Agency has not entered into a lease agreement with the Province of Manitoba for rental facilities at 405 Broadway. Occupancy charges for the year ending March 31, 2009 are estimated to be $139.

SCHEDULE OF OPERATING EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
Accounting	$ 13	$ 14
Audit	6	6
Bad Debts	3	3
Bank Charges	34	23
BSI Cost Allocation	1,218	1,265
Communications	27	29
Computer	106	100
Department Services	32	31
Desktop	73	77
Disaster Recovery	39	37
Equipment Maintenance and Rentals	8	7
Insurance	14	16
Legal Services	6	10
Manitoba Business Links	319	273
Miscellaneous	24	23
Notaries	126	125
NUANS	153	145
Office Rent	125	126
Payroll Processing	20	20
Postal and Courier	43	47
Programmers	85	74
Stationery	61	58
System Enhancements	1	20
Transportation	8	5
	$ 2,544	$ 2,534

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, no remuneration or other benefits were paid to board members.

The Public Sector Compensation Disclosure Act also requires all publicly funded bodies to disclose compensation to any employee or officer when such compensation exceeds $50 per annum. This information follows:

EMPLOYEE	TITLE	COMPENSATION 2008	COMPENSATION 2007
Myron Pawlowsky	Chief Operating Officer	$ 90	$ 88
Joan Alty	Manager, Manitoba Business Links	75	73
Shane Lasker	Acting Deputy Director - Legal	71	69
Dave Rudy	Controller	68	66
Linda Kalinski	Deputy Director - Operations	64	61
Doris Van Damme	Clerk	59	-
Yun Shih	Examiner	-	58
Isabelle Aubin	Manager	57	55
Cari Bowley	Systems Analyst	53	-

THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Crown Lands and Property Agency, An Agency of the Special Operating Agencies Financing Authority Province of Manitoba, as at March 31, 2008 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
June 2, 2008

100-123 Bannatyne Ave., Winnipeg, MB R3B 0R3
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CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Balance Sheet

(In Thousands)

March 31, 2008

		2008		2007
ASSETS				
CURRENT				
Cash	$	1,289	$	-
Accounts receivable *(Note 3)*		938		775
Work in progress *(Note 2)*		345		412
Prepaid expenses		61		57
		2,633		1,244
CAPITAL ASSETS *(Notes 2, 4)*		205		220
DUE FROM PROVINCE OF MANITOBA *(Note 5)*		670		670
ASSETS HELD IN TRUST		4		4
	$	3,512	$	2,138
LIABILITIES				
CURRENT				
Working capital advance *(Note 6)*	$	-	$	1,517
Accounts payable *(Note 7)*		300		420
Client held funds		4,089		238
		4,389		2,175
SEVERANCE PAY LIABILITY *(Note 8)*		291		357
TRUST FUND LIABILITY		4		4
		4,684		2,536
DEFICIT		(1,172)		(398)
	$	3,512	$	2,138

LEASE COMMITMENTS *(Note 11)*

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Loss and Deficit

(In Thousands)

Year Ended March 31, 2008

	2008	2007
REVENUE	$ 3,014	$ 3,012
EXPENSES		
Advertising	14	15
Amortization	57	44
Bad debts	56	-
Consulting fees	11	-
Desktop operating lease	133	138
Insurance	2	2
Interest on working capital advance	77	65
Meals and accommodations	11	9
Office	165	148
Computer maintenance costs	148	123
Contributed services	262	66
Professional fees	139	118
Rental	231	234
Salaries and wages	2,354	2,365
Training	17	21
Travel	36	52
Relocation expense	75	-
	3,788	3,400
NET LOSS	(774)	(388)
DEFICIT - BEGINNING OF YEAR *(Note 9)*	(398)	(10)
DEFICIT - END OF YEAR	$ (1,172)	$ (398)

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Cash receipts from customers	$ 2,795	$ 1,153
Cash paid to suppliers and employees	(3,655)	(2,332)
Interest paid	(77)	(65)
Cash flow used by operating activities	(937)	(1,244)
INVESTING ACTIVITIES		
Purchase of equipment	(42)	(263)
Increase in client funds held	3,851	-
Cash flow from (used by) investing activities	3,809	(263)
FINANCING ACTIVITIES		
Net deficit on transfer	-	(10)
Severance pay liability payments	(66)	-
Cash flow used by financing activities	(66)	(10)
INCREASE (DECREASE) IN CASH FLOWS	2,806	(1,517)
DEFICIENCY - BEGINNING OF YEAR	(1,517)	-
CASH (DEFICIENCY) - END OF YEAR	$ 1,289	$ (1,517)

1. NATURE OF ORGANIZATION

Effective April 1, 2006, Crown Lands and Property Agency (the "Agency") was designated as a Special Operating Agency by regulation under The Special Operating Agencies Financing Authority Act made by the Lieutenant Governor in Council.

The Agency will have full authority for all Crown land sales, leases and permits, as well as land appraisal, acquisition, expropriation and other services for the provincial government. The Agency's mission is to provide quality Crown land information and services to the public and government departments that are open, fair and transparent.

The newly designated Agency consolidates the services previously done by the Lands Acquisition Branch, Lands Branch, Agricultural Crown Land Management and Parks Districts Records departments.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. The financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Transportation and Government Services assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

The Agency forms part of the Supply and Services Division of Manitoba Infrastructure and Transportation under the general direction of the Chief Operating Officer and the Assistant Deputy Minister of the Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister.

The Agency remains bound by relevant legislation and regulations.

The Agency is economically dependent upon the Province of Manitoba, as it derives a significant portion of its revenue from the Province. The transactions with the Province of Manitoba are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements of the Agency have been prepared in accordance with Canadian generally accepted accounting principles.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New accounting policies

(continues)

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

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Agency has not yet applied a new primary source of Canadian generally accepted accounting principles that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Agency has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and funds on deposit, net of working capital payable, are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Receivables are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities and long term debt are classified as other financial liabilities.

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

year ended March 31, 2008.

Future accounting policy changes

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These changes in accounting policies, which will be adopted effective April 1, 2008, will require additional disclosures in the financial statements.

Section 1535, Capital Disclosures

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted effective April 1, 2008, will require additional disclosure in the financial statements.

Section 3031, Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Agency will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The Agency does not expect that the adoption of this new Section will have a material impact on its financial statements.

Financial instruments

The Agency's financial instruments consist of cash, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of accounts receivable and accounts payable approximate their carrying values due to their short term maturity.

Work in progress

Land Acquisition Branch- all costs incurred for a project are initially charged to work in progress and matched to billings using the percentage of completion method.

(continues)

(In Thousands)

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

Capital assets

Equipment transferred to the Agency on April 1, 2006 assumed a cost equal to its net book value at March 31, 2006.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Equipment	5 years	straight-line method
Computer equipment	5 years	straight-line method
Computer software	5 years	straight-line method
Furniture and fixtures	5 years	straight-line method

Revenue Recognition

Land Acquisition Branch: the percentage of completion method of accounting is used, whereby revenue is recognized proportionately with the degree of contracted work completed.

Other branch areas: appropriation funding in MAFRI and Manitoba Conservation is continuing in order to pay the Agency the costs it incurs for providing services to the public (on behalf of MAFRI and Manitoba Conservation). The short-term chargeback model provides for the Agency to bill for its costs but not in excess of the approved budgets for MAFRI and Manitoba Conservation. As the Agency costs are expected to exceed MAFRI and Manitoba Conservation's appropriations for the Agency's services, the Agency may not fully recover its costs of delivering the services on behalf of MAFRI and Manitoba Conservation.

3. ACCOUNTS RECEIVABLE

The balance is comprised of the following amounts:

	2008	2007
Trade accounts receivable	$ 994	$ 564
Expense recoveries from other departments	-	23
Revenue share payments	-	188
Allowance for doubtful accounts	(56)	-
	$ 938	$ 775

(In Thousands)

4. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Equipment	$ 52	$ 14	$ 46	$ 5
Computer equipment	148	54	132	26
Computer software	93	27	73	10
Furniture and fixtures	12	5	12	2
	$ 305	$ 100	$ 263	$ 43
Net book value	$ 205		$ 220	

5. DUE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for severance pay, vacation pay and banked time benefits earned by the employees of the four departments referred to in note 1 to March 31, 2006. The receivable, or portion thereof, will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Agency.

6. WORKING CAPITAL ADVANCE

The Agency has an authorized line of working capital from the Province of Manitoba of $4,000 of which $nil was used as at March 31, 2008 (2007 - $1,517 was used).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
The balance is comprised of the following amounts:		
Trade accounts payable	$ 40	$ 148
Accrued vacation pay and banked time	255	267
Goods and services tax	5	5
	$ 300	$ 420

(In Thousands)

8. SEVERANCE PAY LIABILITY

The Agency records accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service by the weekly salary, at date of retirement provided that the employee reaches nine years of service and retires from the Agency. Severance pay for service greater than 15 years to a maximum of 35 years is increased by two weeks for every five years of service. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the employees of Lands Branch, Agricultural Crown Land Management and Parks Districts Records departments, transferred to the Agency March 31, 2006, to March 31, 2006. Additionally, the Province has accepted responsibility for the severance benefits accumulated by the employees of Lands Acquisition Branch to March 31, 1998. Accordingly, the related severance pay liability in the amount of $405 is offset in the receivable from the Province of Manitoba.

9. DEFICIT

The Special Operating Agencies Financing Authority and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer, from the Provincial Government to the Financing Authority, of the net assets required for the continuing operations of the Agency. As at April 1, 2006, the date of transfer, the liabilities assumed exceeded the value of the assets in the amount of $10. This amount was recorded as the deficit at April 1, 2006.

10. PUBLIC SECTOR COMPENSATION DISCLOSURE

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba. The following employees received compensation in excess of $50:

		2008	2007
Bernat, Leonard	Property Appraiser	$ **56**	$ 53
Chadney, Faren	Information Technologist	-	56
Csversko, Raeburn	Senior Manager	-	74
Dureault, Diane	Administration Officer	-	61
Kent, Rodney	Administration Officer	**54**	53
Krakowka, Larry	Resource Officer	**60**	57
Kubasiewicz, Michal	Senior Manager	**93**	-
Le Neal, Normand	Financial Officer	**62**	60
Lucky, Rob	Property Appraiser	**59**	58
McLeod, Jerry	Property Appraiser	**65**	55
Millar, Scott	Property Appraiser	**74**	72
Pantel, Aurel	Property Appraiser	-	51
Penner, Mary Ann	Property Appraiser	**56**	55
Pishak, Calvin	Information Technologist	**64**	61
Sheridan, Bryan	Administration Officer	**59**	52
Sonley, Judy	Property Appraiser	**56**	54
Turner, Cynthia	Accounting Clerk	**57**	-
Wright, Kurt	Property Appraiser	-	72

(In Thousands)

11. LEASE COMMITMENTS

The Agency's approved 2008/09 Business Plan calls for $244, to be paid in quarterly instalments during 2008/09, for the rental of the facilities located at 25 Tupper Street North, Portage La Prairie, Manitoba. There is no premise lease agreement in place. Occupancy charges for each fiscal year are established annually by the Province of Manitoba.

The Agency has entered into various leases for vehicles and office equipment. The expected payments are as follows:

2009	$	14
2010		13
2011		3
2012		3

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THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority of Fleet Vehicles Agency

We have audited the balance sheet of Fleet Vehicles Agency, An Agency of the Special Operating Agencies Financing Authority Province of Manitoba, as at March 31, 2008 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 7, 2008

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Management's Responsibility for Financial Reporting

The Fleet Vehicles Agency's (the Agency) management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations and its cash flows in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available through May 7, 2008.

Management maintains internal controls to properly safeguard the Agency's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Agency's financial statements have been audited by The Exchange chartered accountants LLP, independent external auditors. The auditors' responsibility is to express an independent opinion on whether the financial statements of the Agency are presented fairly, in all material respects, in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of the Agency's management,

Al Franchuk
Chief Operating Officer

Albert Ogonoski
Manager, Finance

Winnipeg, Manitoba
May 7, 2008

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Balance Sheet

(In Thousands)

March 31, 2008

		2008		2007
ASSETS				
CURRENT				
Receivables *(Note 3)*	**$**	**3,464**	$	2,726
Inventory *(Note 2)*		**206**		195
Prepaids		**2,111**		2,158
		5,781		5,079
CAPITAL ASSETS *(Notes 2, 4)*		**48,233**		49,425
SEVERANCE PAY BENEFITS RECEIVABLE *(Note 5)*		**270**		270
	$	**54,284**	$	54,774
LIABILITIES AND EQUITY				
CURRENT				
Working capital payable, net of cash *(Note 6)*	**$**	**3,571**	$	3,507
Accounts payable and accrued liabilities		**3,252**		2,509
Unearned revenue		**1,455**		1,698
Current portion of long term debt *(Note 7)*		**7,113**		6,974
		15,391		14,688
LONG TERM DEBT *(Note 7)*		**16,450**		19,334
SEVERANCE PAY LIABILITY *(Note 5)*		**462**		439
		32,303		34,461
EQUITY				
Contributed equity *(Note 8)*		**4,284**		4,284
Retained earnings		**17,697**		16,029
		21,981		20,313
	$	**54,284**	$	54,774

COMMITMENTS *(Note 9)*

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Earnings and Retained Earnings

(In Thousands)

Year Ended March 31, 2008

	2008	2007
REVENUE		
Vehicle and equipment leases	$ **34,368**	$ 32,240
Gain on disposal of vehicles and equipment, net	**599**	541
Interest income	**61**	39
Other revenue *(Page 15)*	**4,950**	4,325
	39,978	37,145
EXPENSES		
Salaries and wages	**2,978**	2,809
Vehicle and equipment operating expenses *(Page 15)*	**30,919**	28,346
Administrative expenses *(Page 15)*	**1,697**	1,698
Community service	**42**	45
Interest expense	**1,174**	1,177
	36,810	34,075
NET EARNINGS	**3,168**	3,070
RETAINED EARNINGS - BEGINNING OF YEAR	**16,029**	14,459
	19,197	17,529
REVENUE SHARING TO THE CONSOLIDATED FUND	**(1,500)**	(1,500)
RETAINED EARNINGS - END OF YEAR	$ **17,697**	$ 16,029

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Net earnings	**$ 3,168**	$ 3,070
Items not affecting cash:		
Amortization	**10,237**	10,135
Gain on disposal of vehicles and equipment, net	**(599)**	(541)
Increase in severance pay liability	**42**	42
Payment of severance pay benefits	**(19)**	(54)
	12,829	12,652
Changes in non-cash working capital:		
Receivables	**(738)**	583
Inventory	**(11)**	10
Prepaids	**47**	(158)
Accounts payable and accrued liabilities	**743**	(130)
Unearned revenue	**(243)**	222
Revenue sharing to the Consolidated Fund	**-**	(375)
	(202)	152
Cash flow from operating activities	**12,627**	12,804
INVESTING ACTIVITIES		
Proceeds on disposal of vehicles and equipment	**2,303**	2,115
Acquisition of vehicles and equipment for lease	**(10,591)**	(13,689)
Acquisition of equipment for operations	**(158)**	(94)
Acquisition of leasehold improvements	**-**	(4)
Cash flow used by investing activities	**(8,446)**	(11,672)
FINANCING ACTIVITIES		
Proceeds from Loan Act Authority drawdowns	**4,340**	7,060
Repayment of long term debt	**(7,085)**	(6,548)
Revenue sharing to the Consolidated Fund	**(1,500)**	(1,500)
Cash flow used by financing activities	**(4,245)**	(988)
INCREASE (DECREASE) IN CASH FLOW	**(64)**	144
WORKING CAPITAL PAYABLE, NET OF CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**(3,507)**	(3,651)
WORKING CAPITAL PAYABLE, NET OF CASH AND CASH EQUIVALENTS - END OF YEAR	**$ (3,571)**	$ (3,507)

1. DESCRIPTION OF OPERATIONS

In 1934, Fleet Vehicles was created as a branch of the Manitoba Provincial Government to provide a centralized fleet management program. It was established to achieve economies of scale and to lower overall fleet costs to government.

Effective April 1, 1992, the Fleet Vehicles branch was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 2003, the Radio Services Program within the Desktop, Telecommunications and Network Services Branch of the then Department of Transportation and Government Services was transferred to the Agency.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A 1992 Management Agreement between SOAFA and the then Minister of Government Services assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

Fleet Vehicles Agency continues to be part of the Department of Infrastructure and Transportation under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Associate Deputy Minister, the Deputy Minister, and the Minister, of Infrastructure and Transportation.

Fleet Vehicles Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

Fleet Vehicles Agency is economically dependent on The Government of Manitoba, as it derives most of its revenue and all of its capital financing requirements from the Province.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements of the Agency have been prepared in accordance with Canadian generally accepted accounting principles.

(continues)

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

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New accounting policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Agency has not yet applied a new primary source of Canadian generally accepted accounting principles that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008 and did not identify any components of comprehensive income on adoption of this standard.

(continues)

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

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and funds on deposit, net of working capital payable, are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Receivables are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities and long term debt are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

(continues)

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

Future accounting policy changes

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These changes in accounting policies, which will be adopted effective April 1, 2008, will require additional disclosures in the financial statements.

Section 1535, Capital Disclosures

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted effective April 1, 2008, will require additional disclosure in the financial statements.

Section 3031, Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Agency will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The Agency does not expect that the adoption of this new Section will have a material impact on its financial statements.

Financial instruments

The Agency's financial instruments consist of working capital payable (net of cash), receivables, accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of receivables, accounts payable and accrued liabilities approximates their carrying values due to their short term maturity.

The fair value of the long term debt from the Province of Manitoba is not practical to determine due to the debt's underlying terms and conditions.

Cash and equivalents

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

(continues)

(In Thousands)

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

Inventory

Inventories are valued at the lower of cost and market value. Cost is determined on a weighted average basis.

Capital assets

Rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Vehicles	30%	declining balance method
Vehicles and equipment (signed lease agreement)		straight-line over term of lease
Office and shop equipment	20%	declining balance method
Computer software and equipment	20%	straight-line method
Leasehold improvements	10%	straight-line method

Pension benefits

Employees of Fleet Vehicles Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the provincial government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred the pension liability for its employees to the Province. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for the year ended March 31, 2008, was $115 (2007: $126). Under this agreement, the Agency has no further pension liability.

Revenue recognition

Fixed rate lease revenue is recognized on a straight-line basis over the term of the lease. Variable rate lease revenue is recognized monthly based on equipment usage. Service revenue is recognized when the services have been performed.

3. RECEIVABLES

	2008	2007
Trade	**$ 1,842**	$ 1,099
Accrued trade	**1,167**	1,161
Insurance rebate receivable	**455**	466
	$ 3,464	$ 2,726

(In Thousands)

4. CAPITAL ASSETS

	2008		2007	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Vehicles and equipment for lease	**$ 90,631**	**$ 42,897**	$ 90,417	$ 41,479
Office and shop equipment	**1,414**	**1,095**	1,341	1,082
Leasehold improvements	**707**	**527**	707	479
	$ 92,752	**$ 44,519**	$ 92,465	$ 43,040
Net book value	**$ 48,233**		$ 49,425	

5. SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of 15 years, by the weekly salary at date of retirement, provided the employee has reached nine years of service and retires from the Agency. Effective April 2000, there is also additional severance pay for employees with 20 or more years of accumulated service. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency’s employees through specific dates. That responsibility is currently reflected by a $194 receivable from the Province for the employees at the Agency as of March 31, 1998, together with a $76 receivable from the Province for the employees at Radio Services as of March 31, 2003, who are also now with the Agency.

The receivable from the Province will only be collected, in whole or in part, in the event there is a cash shortfall in the Agency. It is probable, therefore, that collection will only occur on the dissolution of the Agency.

An actuarial valuation report was completed for the severance pay liability as of December 31, 2004. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency’s liability is recalculated annually, with payments to retiring employees no longer with the Agency or the Province charged against the liability. The Agency’s actuarially determined net liability for accounting purposes as of March 31, 2008, was $462 (2007: $439).

(In Thousands)

6. WORKING CAPITAL PAYABLE

The Agency has an authorized line of working capital advances of $4,000, $3,683 of which was used as of March 31, 2008 (2007: $3,550).

7. LONG TERM DEBT

By virtue of the Management Agreement, the Agency is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed in this Note on behalf of Fleet Vehicles Agency.

Loan Act Authority long term debt is repayable in semi-annual instalments of principal and interest, as follows:

Interest Rate	Instalment Amount	Maturity date	**2008**	2007
4.25%	179	September 30, 2007	$ -	$ 176
4.75%	397	March 31, 2008	-	767
6.425%	146	March 31, 2009	278	540
3.625%	149	March 31, 2009	291	571
3.5%	259	March 31, 2009	504	991
5.25%	159	September 30, 2009	454	738
5.625%	134	September 30, 2009	381	618
4.125%	56	September 30, 2009	161	263
4%	167	March 31, 2010	636	935
4.375%	438	March 31, 2010	1,662	2,440
5.125%	123	September 30, 2010	568	776
4.75%	227	March 31, 2011	1,256	1,637
4.75%	451	March 31, 2011	2,494	3,250
4.875%	137	September 30, 2011	870	1,093
4.75%	102	September 30, 2011	652	819
4.625%	475	March 31, 2012	3,435	4,200
4.75%	137	September 30, 2012	1,095	1,308
5%	142	September 30, 2012	1,129	-
4%	345	March 31, 2013	3,100	-
4.05%	140	September 30, 2013	1,370	1,589
4.875%	148	March 31, 2015	1,732	1,935
4.125%	117	September 30, 2015	1,495	1,662
Total principal owing as of March 31			**23,563**	26,308
Amount due within one year			**(7,113)**	(6,974)
			$ 16,450	$ 19,334

(continues)

(In Thousands)

7. LONG TERM DEBT *(continued)*

Unused loan authority of $1,240 was available as of March 31, 2007. An additional $8,000 of loan authority availability was approved during October 2007 in The Loan Act, 2007. Of the $9,240 in available loan authority, $4,340 was drawn down at various times during the 2007/08 year, leaving $4,900 of loan authority availability as of March 31, 2008.

As of March 31, 2008, principal repayments in each of the next five years are as follows:

2009	$	7,113
2010		5,972
2011		4,544
2012		3,019
2013		1,672

8. CONTRIBUTED EQUITY

The Special Operating Agencies Financing Authority (SOAFA) and The Government of Manitoba entered into a Transfer Agreement in connection with the transfer from the Government to SOAFA of assets valued at $12,353 required for the continuing operations of Fleet Vehicles Agency as of March 31, 1992. The Agency has repaid the debt portion in the amount of $8,235 (2/3 of the value of the assets) and has recorded the balance of $4,118 (1/3 of the value of the assets) as the Government’s equity in SOAFA relating to the Agency’s operations.

The Agency's contributed equity was increased by $166 as of April 1, 2003, with the transfer of the net assets of Radio Services to the Agency.

9. COMMITMENTS

(a) Pursuant to a Memorandum of Understanding dated May 31, 1996, the Agency entered into a lease agreement with The Government of Manitoba through Manitoba Government Services for the rental of the facilities at 626 Henry Avenue, Winnipeg, Manitoba. Occupancy charges for each fiscal year including 2008/09 are established annually based on the approved budget for the Department of Infrastructure and Transportation. Occupancy charges for 2008/09 are estimated at $440 for the year, to be paid in quarterly instalments during 2008/09.

(b) The Agency’s approved 2008/09 Business Plan calls for $1,500 in revenue sharing to be paid in quarterly instalments to the Consolidated Fund during 2008/09.

(In Thousands)

10. REQUIREMENTS OF THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

Pursuant to Section 2(1) of the Act, the following employees of Fleet Vehicles Agency received compensation, directly or indirectly, of $50 or more in the fiscal year ended March 31:

		2008	2007
Reginald Batenchuk	Automotive Equipment Mechanic	**$ 52**	$ -
Kathryn Bernhardt	Manager, Support Services	**60**	58
Neil Bogen	Automotive Equipment Mechanic	**52**	-
Derek Boutang	Systems Analyst	**-**	88
Andy Chartrand	Environment and Program Analyst	**58**	53
Donald Chesney	Manager, Fleet	**72**	70
Dennis Ducharme	Chief Operating Officer	**-**	125
Al Franchuk	Chief Operating Officer	**81**	-
Janessa Friedrich	Programmer Analyst	**51**	-
Grant Fraser	Mechanical Shop Supervisor	**62**	55
Barbara Funk	Payables Supervisor	**-**	68
Richard Heck	Systems Analyst	**64**	61
Jordan Janisse	Systems Supervisor	**-**	78
Kevin Kilbrei	Manager, Marketing	**68**	60
David Kroeker	Systems Supervisor	**77**	65
Vladimair Lachowsky	Radio Services Technician	**54**	55
Keith Leganchuk	Radio Services Technician	**60**	55
Robert Nolin	Body Shop Supervisor	**56**	52
Albert Ogonoski	Manager, Finance	**69**	67
Grant Recknell	Radio Services Supervisor	**58**	59
William Reynolds	Manager, Strategic Planning	**68**	66
Sean Savage	Automotive Equipment Mechanic	**52**	-
Guy Sinclair	Manager, Operations	**85**	82

11. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of chartered accountants.

12. SUBSEQUENT EVENT

On May 12, 2008, it was announced that it is the intention to amalgamate the Agency and the Mechanical Equipment Services Branch of the Department of Infrastructure and Transportation into a new Special Operating Agency as of April 1, 2009.

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Schedule of Other Revenue and Expenses

(In Thousands)

Year Ended March 31, 2008

		2008		2007
Other revenue				
Autopac service	**$**	**631**	$	518
Garage regular service		**538**		607
Insurance premium rebates		**993**		959
Other, including fuel billings for managed vehicles that are not owned		**1,069**		798
Radio Services		**1,719**		1,443
	$	**4,950**	$	4,325
Vehicle and equipment operating expenses				
Amortization	**$**	**10,102**	$	9,962
Fuel		**11,189**		9,608
Insurance premiums		**3,955**		3,792
Licenses		**132**		132
Repairs and maintenance		**5,541**		4,852
	$	**30,919**	$	28,346
Administrative expenses				
Amortization	**$**	**135**	$	173
Fleet management information system		**181**		174
Human resource overhead		**604**		588
Occupancy costs		**480**		492
Other costs		**160**		148
Professional fees		**16**		22
SOAFA charges		**4**		3
Supplies and materials		**70**		50
Telephone and communication		**47**		48
	$	**1,697**	$	1,698

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chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Food Development Centre, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008 and the statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 7, 2008

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FOOD DEVELOPMENT CENTRE

Balance Sheet

(In Thousands)

March 31, 2008

	2008	2007 *(Restated)*
ASSETS		
CURRENT		
Cash and short-term deposits	**$ 1,619**	$ 337
Accounts receivable *(Note 3)*	**398**	599
Due from Province of Manitoba	**-**	269
Due from Agricultural Research and Development Initiative	**-**	525
Prepaid expenses and deposits	**60**	59
Due from Food Safety Initiative	**19**	34
Deposit on equipment	**554**	-
	2,650	1,823
PROPERTY AND EQUIPMENT *(Notes 2, 4)*	**9,531**	8,626
DEPOSIT IN JOINT VENTURE *(Note 5)*	**-**	200
SEVERANCE RECEIVABLE FROM PROVINCE OF MANITOBA *(Notes 6, 11)*	**41**	41
	$ 12,222	$ 10,690
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities *(Note 8)*	**$ 798**	$ 666
Accrued vacation pay *(Note 9)*	**87**	101
Unearned revenue	**102**	75
Due to Functional Food Cluster	**24**	3
Current portion of long term debt *(Note 10)*	**18**	18
	1,029	863
LONG TERM DEBT *(Note 10)*	**159**	177
SEVERANCE LIABILITY *(Note 11)*	**99**	88
DEFERRED CONTRIBUTIONS *(Note 12)*	**10,422**	9,256
	11,709	10,384
RETAINED EARNINGS	**513**	306
	$ 12,222	$ 10,690

COMMITMENT *(Note 17)*

FOOD DEVELOPMENT CENTRE

Statement of Income

(In Thousands)

Year Ended March 31, 2008

	2008	2007 *(Restated)*
REVENUE		
Grants - Province of Manitoba	**$ 2,234**	$ 2,311
Fee for service	**878**	615
Lease income	**70**	309
Interest and other income	**125**	80
Amortization of deferred capital contributions *(Note 12)*	**668**	590
	3,975	3,905
DIRECT OPERATING EXPENSES		
Salaries and benefits	**1,409**	1,301
Lab supplies	**134**	98
Purchases services	**264**	221
Travel	**51**	47
Postage, courier and telephone	**36**	51
Printing and stationery	**16**	14
Marketing	**24**	27
Library	**23**	20
Satellite office	**-**	4
	1,957	1,783
GROSS PROFIT	**2,018**	2,122
ADMINISTRATIVE EXPENSES *(Schedule 1)*	**1,811**	1,805
NET INCOME	**$ 207**	$ 317

FOOD DEVELOPMENT CENTRE

Statement of Retained Earnings

Year Ended March 31, 2008

		2008		2007 *(Restated)*
RETAINED EARNINGS (DEFICIT) - BEGINNING OF YEAR				
As previously reported	**$**	**378**	$	(11)
Error in write off of GPAP bad debt *(Note 18)*		**(72)**		-
As restated		**306**		(11)
NET INCOME FOR THE YEAR		**207**		317
RETAINED EARNINGS - END OF YEAR	**$**	**513**	$	306

FOOD DEVELOPMENT CENTRE

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2008

	2008	2007 *(Restated)*
OPERATING ACTIVITIES		
Cash receipts from customers	**$ 1,525**	$ 1,144
Cash receipts from grants	**2,234**	2,311
Cash received from Agricultural Research and Development Initiative	**525**	(525)
Cash paid to suppliers and employees	**(2,840)**	(2,253)
Interest paid	**(109)**	(121)
Interest received	**45**	11
Cash flow from operating activities	**1,380**	567
INVESTING ACTIVITIES		
Purchase of equipment	**(1,596)**	(698)
Deposit on equipment	**(554)**	-
Deposit in joint venture	**200**	-
Cash flow used by investing activities	**(1,950)**	(698)
FINANCING ACTIVITIES		
Due from Food Safety Initiative	**15**	(34)
Due to Functional Food Cluster	**21**	3
Deferred capital contributions	**1,834**	571
Repayment of long term debt	**(18)**	(18)
Cash flow from financing activities	**1,852**	522
INCREASE IN CASH FLOWS	**1,282**	391
CASH (DEFICIENCY) - BEGINNING OF YEAR	**337**	(54)
CASH - END OF YEAR	**$ 1,619**	$ 337

1. NATURE OF ORGANIZATION

Established in 1977, as part of the Manitoba Research Council, the Food Development Centre (the "Centre") serves the agri-food industry by providing a wide range of services in the food, feed and beverage industries. The Centre offers food product development research, testing services and assistance with technology transfer to enable industry to efficiently and economically produce high quality foods.

Effective April 1, 1996, the Centre was designated as a Special Operating Agency by regulation under The Special Operating Agencies Financing Authority Act made by the Lieutenant Governor in Council.

The Centre is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Centre operations. It finances the Centre through repayable loans and working capital advances. The financial framework enables the Centre to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Rural Development, being the Minister responsible for the Agency at that time, assigns responsibility to the Centre to manage and account for the Centre related assets and operations on behalf of the Financing Authority.

The Centre is a part of the Department of Agriculture, Food and Rural Initiatives under the general direction of a General Manager and a Chief Executive Officer, and ultimately the policy direction of the Deputy Minister and Minister.

The Centre remains bound by relevant legislation and regulations.

The Centre is economically dependent upon the Province of Manitoba, as it derives a significant portion of its revenue from the Province. The transactions with the Province of Manitoba are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported 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 include providing for amortization of property and equipment and goodwill. Actual results could differ from these estimates.

(continues)

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

New Accounting Policies

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Centre has not yet applied a new primary source of Canadian generally accepted accounting principles that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Centre's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Centre has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008 and did not identify any components of comprehensive income on adoption of this standard.

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Centre is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Centre has designated its financial instruments as follows:

Cash and short-term deposits are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable, due from Province of Manitoba, due from Agricultural Research and Development Initiative and due from Food Safety Initiative are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

(continues)

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

New Accounting Policies, continued

Accounts payable and accrued liabilities, accrued vacation payable, due to Functional Food Cluster and long term debt are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Centre's financial statements for the year ended March 31, 2008.

Future accounting policy changes

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These changes in accounting policies, which will be adopted affective April 1, 2008, will only require additional disclosures in the financial statements.

Section 1535, Capital Disclosures

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Centre’s objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted affective April 1, 2008, will only require additional disclosures in the financial statements.

Section 3031 Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Centre will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The Centre does not expect that the adoption of this new Section will have a material impact on its financial statements.

Revenue Recognition

Fee for service revenue is recognized on the percentage of completion basis and when collection is reasonably assured.

Lease income is recognized as revenue according to the terms of the lease.

All grants received have been recognized as income in the current year.

Funds received from the Province of Manitoba and the Government of Canada for the construction of the new building and purchase of equipment have been treated as deferred capital contributions and will be taken into income to match the amortization of the building and equipment.

(continues)

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

Property and equipment

Equipment assumed as part of the conversion to a Special Operating Agency, April 1, 1996 is stated at its estimated fair value as determined by the Province of Manitoba. Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Building improvements	15 years	straight-line method
Equipment - commercial and product development	15 years	straight-line method
Equipment - office	20%	declining balance method
Computer hardware and software	5 years	straight-line method

The Centre regularly reviews its property and equipment to eliminate obsolete items. Government grants are treated as deferred capital contribution and are amortized based on method used for the related asset.

Other Assets

Research and development costs are expended as incurred.

Unearned revenue

Unearned revenue represents cash received for projects that were started but not completed by year end.

Financial instruments

The Centre's financial instruments consist of cash and short term deposits, accounts receivable, due from Province of Manitoba, due from Agricultural Research and Development Initiative, due from Food Safety Initiative, accounts payable and accrued liabilities, accrued vacation payable, due to Functional Food Cluster, and long-term debt.

The fair value of cash and short term deposits, accounts receivable, due from Province of Manitoba, due from Agricultural Research and Development Initiative, due from Food Safety Initiative, accounts payable and accrued liabilities, accrued vacation payable and due to Functional Food Cluster approximate their carrying values due to their short-term maturity.

The fair value of the long-term debt from the Province of Manitoba is not practical to determine due to the underlying terms and conditions.

Unless otherwise noted, it is management's opinion that the Centre is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

3. ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following amounts:

	2008	2007
Trade accounts receivable	**$ 498**	$ 1,903
Allowance for doubtful accounts	**(100)**	(1,304)
	$ 398	$ 599

4. PROPERTY AND EQUIPMENT

	2008		2007	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Equipment - commercial and product development	**$ 5,045**	**$ 837**	$ 3,414	$ 604
Computer hardware and software	**96**	**84**	89	75
Equipment - office	**369**	**317**	369	304
Building improvements	**6,547**	**1,288**	6,591	854
	$ 12,057	**$ 2,526**	$ 10,463	$ 1,837
Net book value	**$ 9,531**		$ 8,626	

The Centre has received $72 from the insurance company for replacing the hot water lines that had failed in October 2005. The proceeds has been applied against the building improvements.

5. DEPOSIT IN JOINT VENTURE

The Centre contributed $200 towards the purchase of a piece of equipment for Great Plains Aseptic Processors Ltd (GPAP).

GPAP has committed to obtaining the release of any secured interests and transferring ownership of the piece of equipment, mentioned above, to the Centre. During the year, the bank released the secured interest of the equipment. At March 31, 2007, the accounts receivable for GPAP had been reduced to $323 to reflect the book value of the equipment that has yet to be transferred. During the year, the $200 deposit and the $323 in accounts receivable has been transferred to plant and equipment to represent the change in ownership of the equipment.

6. SEVERANCE RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for severance pay benefits earned by the employees of the Centre to March 31, 1998. The receivable, or portion thereof, will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Centre.

7. WORKING CAPITAL PAYABLE

The Centre has an authorized line of working capital from the Province of Manitoba of $1,000 of which $NIL was used as at March 31, 2008 (2007 - $NIL was used).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
Trade	**$ 649**	$ 514
Interest	**128**	139
Sales tax	**21**	13
	$ 798	$ 666

9. ACCRUED VACATION PAY

The employees of the Centre are entitled to vacation pay in the current year, based on the prior year's employment. A provision for this liability has been recorded in the financial statements.

10. LONG TERM DEBT

	2008	2007
Province of Manitoba loan bearing interest at 5.80% per annum, with annual principal payments of $18 plus interest. The loan matures on April 30, 2017.	**$ 177**	$ 195
Amounts payable within one year	**(18)**	(18)
	$ 159	$ 177

Principal repayment terms are approximately:

2009	$ 18
2010	18
2011	18
2012	18
2013	18

11. SEVERANCE LIABILITY

Effective April 1, 1998, the Centre commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of twenty three years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Centre. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Centre's employees to March 31, 1998. That responsibility is reflected by a $41 receivable from the Province of Manitoba.

An actuarial report was completed for the severance pay liability as of December 31, 2004. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's liability is recalculated annually, with payments to retiring employees no longer with the Agency or the Province charged against the liability. The Centre's actuarially determined net liability for accounting purposes as at March 31, 2008 was $99 (2007 - $88). Commencing in the 2006 fiscal year the actuarial gain of $14 is being amortized over the 15 year expected average remaining service life of the employee group.

12. DEFERRED CAPITAL CONTRIBUTIONS

	2008	2007
Balance, beginning of year	**$ 9,256**	$ 9,275
Add: Contributions received		
Province of Manitoba	**-**	71
Government of Canada	**1,834**	500
Less: Amount amortized as revenue	**(668)**	(590)
Balance, end of year	**$ 10,422**	$ 9,256

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of equipment and improvements of a building. The amortization of contributions is recorded as revenue in the statement of income.

In 2004, the Centre received a loan from the Province of Manitoba for $2,625 bearing interest at 5.63% per annum, with annual payments of $175 plus interest. The loan matures on May 18, 2019. The loan is to be repaid through future appropriations from the Province of Manitoba and therefore has been treated as a grant and included in deferred capital contributions to be consistent with the accounting presentation adopted by the Province of Manitoba.

As the future principal and interest payments will be funded by the Province of Manitoba, the annual principal repayment will be netted against the grant revenue received and the interest payment will be reflected as interest expense.

The deferred capital contributions will be brought into income at the same rate as the corresponding equipment and building improvements are being amortized.

13. DEFICIENCY IN ASSETS

The Special Operating Agencies Financing Authority and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer, from the Provincial Government to the Financing Authority, of the net assets required for the continuing operations of the Centre. As at April 1, 1996, the date of transfer, the liabilities assumed exceeded the value of the assets in the amount of $35. This amount was recorded as the deficit at April 1, 1996.

14. PENSION BENEFIT

In accordance with the provisions of The Civil Service Superannuation Act, employees of the Centre are eligible for pension benefits under the Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires the Centre to contribute an amount equal to the employee's contribution to the Fund for current services. The amount contributed and expensed by the Centre in the current year was $85 (2007 - $70).

The Centre has no further liability associated with the annual cost of pension benefits earned by the Centre's employees.

15. PUBLIC SECTOR COMPENSATION DISCLOSURE

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba. The following employees received compensation in excess of $50:

Utioh, Alphonsus	Process and Product Development Manager	**$**	**90**
Appah, Paulyn	Process Development Consultant		**58**
Lalla, Mike	Manager, Support Services		**84**
Qi, Jiacheng	Process Development Engineer		**52**
Gherasim, Gord	Supervisor, Pilot Plant		**53**
Nivet, Meeling	Product Development Group Leader		**68**
Schultz, Nona	HACCP/Regulatory Affairs Coordinator		**58**
Henuset, Alana	Information Officer		**53**
Wang, Haihong	Product Development Consultant		**54**
Planinich, Javier	Manager, Pilot Plant and Commercial Activities		**77**

16. RELATED PARTY TRANSACTIONS

The following is a summary of the Centre's related party transactions:

	2008	2007
Province of Manitoba		
(Special Operating Agency of the Province of Manitoba)		
Receivable from the Province of Manitoba	**$ -**	$ 269
Grants received	**2,234**	2,311
Capital contribution received	**-**	71
Property taxes paid	**149**	147
Occupancy costs paid	**656**	556

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17. COMMITMENT

The Centre is obligated to make payments to the Workers Compensation Board for an employee currently on disability. The total financial impact on the Centre is not determinable since the length of time the payments will be required is unknown.

The Centre has committed to purchase pieces of equipment for a total of $212.

18. PRIOR PERIOD ADJUSTMENT

During the year, it was discovered that, as a result of an error, a portion of the receivable for Great Plains Aseptic Processors Ltd (GPAP) was not written off. The receivable for GPAP was written off in the prior year. This amount was missed and should have been written off during the last fiscal year. This resulted in a decrease of receivables and retained earnings of $72.

19. COMPARATIVE FIGURES

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

FOOD DEVELOPMENT CENTRE

Administrative expenses *(Schedule 1)*

Year Ended March 31, 2008

	2008	2007 *(Restated)*
Accreditation and licensing fees	**$ 10**	$ 6
Amortization	**690**	641
Bad debts	**-**	339
Computer expenses	**86**	64
Equipment rentals	**120**	76
Insurance	**80**	52
Interest on long term debt	**111**	122
Memberships	**6**	6
Occupancy expenses	**656**	556
Professional fees	**33**	53
Property taxes	**149**	147
Repairs and maintenance	**58**	65
Research and development	**8**	3
Staff relocation	**8**	34
Training	**22**	10
Expense recoveries	**(226)**	(369)
	$ 1,811	$ 1,805

THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agency Financing Authority

We have audited the balance sheet of Green Manitoba Eco Solutions, An Agency of the Special Operating Agencies Financing Authority Province of Manitoba, as at March 31, 2008 and the statements of income (loss) and deficit and cash flows for the year then ended. These financial statements are the responsibility of Green Manitoba's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of Green Manitoba as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 28, 2008

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GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Management's Responsibility for Financial Reporting

Green Manitoba Eco Solutions (Green Manitoba) management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of Green Manitoba's financial position and results of operations and its cash flows in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available through May 28, 2008.

Management maintains internal controls to properly safeguard Green Manitoba's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures [redacted]

Green Manitoba's financial statements have been audited [redacted] external auditors. The auditors' responsibility is to [redacted] statements of Green Manitoba are presented fairly, in all material respects, in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of Green Manitoba's management,

[redacted]

Doug Smith
Director

Winnipeg, Manitoba
June 5, 2008

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Balance Sheet

(In Thousands)

March 31, 2008

		2008		2007
ASSETS				
CURRENT				
Cash	$	109	$	-
Accounts receivable *(Note 4)*		195		17
Prepaid expenses		1		1
		305		18
CAPITAL ASSETS *(Notes 2, 3)*		9		7
	$	314	$	25
LIABILITIES				
CURRENT				
Working capital payable *(Note 5)*	$	-	$	55
Accounts payable and accrued liabilities		101		16
Deferred revenue *(Note 2)*		252		99
		353		170
SEVERANCE LIABILITY *(Note 6)*		2		1
		355		171
EQUITY				
Contributed surplus *(Note 7)*		9		9
Deficit		(50)		(155)
		(41)		(146)
	$	314	$	25

COMMITMENTS *(Note 8)*

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Income (Loss) and Deficit

(In Thousands)

Year Ended March 31, 2008

	2008	2007
REVENUE		
Science, Technology, Energy and Mines Grant (STEM)	$ 1,881	$ 1,160
Other government revenue	532	261
Non-government revenue	103	147
	2,516	1,568
EXPENSES		
Advertising and promotion	19	4
Amortization	3	2
Computer expenses	27	28
Contracted services	153	86
Office	31	41
Other expenses	-	34
Professional fees	6	8
Program supplies and services	1,364	880
Rent	114	117
Salaries and wages	652	515
Severance expense	2	1
Training	7	-
Travel	33	7
	2,411	1,723
NET INCOME (LOSS)	105	(155)
DEFICIT - BEGINNING OF YEAR	(155)	-
DEFICIT - END OF YEAR	$ (50)	$ (155)

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Net income (loss)	$ 105	$ (155)
Item not affecting cash:		
Amortization of capital assets	3	2
	108	(153)
Changes in non-cash working capital:		
Accounts receivable	(178)	(17)
Accounts payable and accrued liabilities	84	15
Deferred revenue	153	99
Severance liability	1	1
	60	98
Cash flow from (used by) operating activities	168	(55)
INVESTING ACTIVITY		
Purchase of equipment	(4)	-
Cash flow used by investing activity	(4)	-
INCREASE (DECREASE) IN CASH FLOWS	164	(55)
WORKING CAPITAL PAYABLE - BEGINNING OF YEAR	(55)	-
CASH (WORKING CAPITAL PAYABLE) - END OF YEAR	$ 109	$ (55)

1. NATURE OF ORGANIZATION

Effective April 1, 2006, Green Manitoba Eco Solutions ("Green Manitoba") was designated as a Special Operating Agency pursuant to the Special Operating Agencies Financing Authority act (C.C.S.M. c.S185). Green Manitoba operates under a charter approved by the Lieutenant Governor in Council.

Green Manitoba is committed to connecting environmental quality and economic vitality through efficient resource utilization. Green Manitoba promotes the implementation of community practices that conserve water, reduce demand for energy, and effectively manage and minimize waste.

Green Manitoba is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Green Manitoba's operations. It finances Green Manitoba through repayable loans and working capital advances. The financial framework enables Green Manitoba to operate in a business-like manner according to public policy expectations. A management agreement between the Financing authority and the Minister of Science, Technology, Energy and Mines assigns responsibility to Green Manitoba to manage and account for agency-related assets and operations on behalf of the Financing Authority.

Green Manitoba is part of the Department of Science, Technology, Energy and Mines and operates under policy direction of the Deputy Minister. Green Manitoba remains bound by relevant legislation and regulations, as well as by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

Green Manitoba is economically dependent on the Province of Manitoba, as it derives a significant portion of its revenue from the province. The transactions with the province of Manitoba are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements of Green Manitoba have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(continues)

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

New accounting policies

Effective April 1, 2007 Green Manitoba adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when an entity has not yet applied a new primary source of Canadian generally accepted accounting principles that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on Green Manitoba's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income
Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. Green Manitoba has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the entity has no items related to other comprehensive income, comprehensive income is equivalent to net income.

(continues)

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

Section 3855, Financial Instruments – Recognition and Measurement
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

Green Manitoba is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

Green Manitoba has designated its financial instruments as follows:

Cash is classified as financial assets held for trading and is measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of this financial asset, the carrying values approximate its fair values.

Accounts receivable is classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on Green Manitoba's financial statements for the year ended March 31, 2008.

(continues)

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

Future accounting policy changes

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation
The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. These changes in accounting policies, which will be adopted effective April 1, 2008, will require additional disclosures in the financial statements.

Section 1535, Capital Disclosures
The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate Green Manitoba's objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted effective April 1, 2008, will require additional disclosure in the financial statements.

Section 3031, Inventories
In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, Green Manitoba will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. Green Manitoba does not expect that the adoption of this new Section will have a material impact on its financial statements.

Financial instruments

Green Manitoba's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that Green Manitoba is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short term maturity.

Cash and equivalents

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

(continues)

(In Thousands)

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

Capital Assets

Capital assets transferred to Green Manitoba on April 1, 2006 assumed a cost equal to their net book value at March 31, 2006.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized straight-line over a period of 5 years. Green Manitoba regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital asset cost.

Deferred revenue

Deferred revenue represents cash received for projects that were started but not completed by year end.

Revenue recognition

Grants are recognized as income in the year in which they are received. Special program funding is taken into income to match the program expenditures. Any remaining program funding is deferred.

3. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	$ 4	$ 1	$ -	$ -
Furniture and fixtures	9	3	9	2
	$ 13	$ 4	$ 9	$ 2
Net book value	$ 9		$ 7	

4. ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following amounts:

	2008	2007
School waste program	$ -	$ 5
Green building program	-	12
Education - Gimli water project	8	-
Eco-trust funds	112	-
UDI - West Broadway Low Income	75	-
	$ 195	$ 17

(In Thousands)

5. WORKING CAPITAL PAYABLE

Green Manitoba has an authorized line of working capital from the Province of Manitoba of $500 of which $Nil was used at March 31, 2008 (2007 - $55).

6. SEVERANCE LIABILITY

Effective April 1, 2006, Green Manitoba commenced recording accumulated severance pay benefits for its employees.

The amount of severance pay obligations is normally based on actuarial calculations. Green Manitoba has not had an actuary report completed as they are a new Special Operating Agency, therefore an extrapolation of other SOA's was used for Green Manitoba. The periodic valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

The estimated severance pay liability as of March 31, 2008 is $2 (2007 - $1).

7. CONTRIBUTED SURPLUS

Green Manitoba and the Department of Energy, Science and Technology entered into a Transfer Agreement to transfer existing assets used in Green Manitoba Eco Solutions program of the Department of Energy, Science and Technology. They consist primarily of equipment, furniture and other items having an estimated value of $9. Green Manitoba has capitalized these assets with a corresponding increase in contributed surplus.

8. COMMITMENTS

Green Manitoba entered into a three year lease with Toshiba of Canada for printing and copying equipment. The lease is being paid monthly until June 30, 2009. Green Manitoba entered into a second lease with Toshiba of Canada for a fax machine. This lease is being paid monthly until January 31, 2009.

Future lease payments are approximately as follows:

2009	$ 3
2010	1
	$ 4

9. PENSION BENEFIT

In accordance with the provisions of The Civil Service Superannuation Act, employees of Green Manitoba are eligible for pension benefits under the Civil Service Superannuation Fund. The pension plan is a defined benefit plan, which requires Green Manitoba to contribute an amount equal to the employee's contribution to the fund for current services. The amount accrued by Green Manitoba in the current year is $25 (2007 - $8).

Green Manitoba has no further liability associated with the annual cost of pension benefits earned by Green Manitoba's employees.

(In Thousands)

10. PUBLIC SECTOR COMPENSATION DISCLOSURE

		2008	2007
Eckstein, Brett	Program lead	$ 65	$ -
Ferguson, Jim	Program lead	68	-
Jonasson, John	Program lead	77	-
McKenzie, Shane	Program analyst	52	-
Shymko, Randall	Program lead	55	-

It is a requirement of the Public Sector Compensation Disclosure Act that annual disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba. The above employees received compensation in excess of $50.

In 2007 Green Manitoba was not the employer of record for any employees receiving compensation in excess of $50. Where compensation in excess of $50 was paid, employee names and the amounts paid have been disclosed in the records of affected departments.

11. COMPARATIVE FIGURES

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

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Auditors' Report

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the **INDUSTRIAL TECHNOLOGY CENTRE** as at March 31, 2008 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 30, 2008

INDUSTRIAL TECHNOLOGY CENTRE

An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba

Balance Sheet

As at March 31, 2008

(in thousands)	2008	2007
Assets		
Current		
Cash and funds on deposit with Minister of Finance net of working capital advance (Note 3)	$ 176	$ 41
Accounts receivable	458	327
Due from Province of Manitoba (Note 4)	103	-
Prepaid expenses	16	20
	753	388
Due from Province of Manitoba (Note 4)	-	103
Capital assets (Notes 2 and 5)	633	660
	$ 1,386	$ 1,151
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 637	$ 443
Deferred revenue	36	5
	673	448
Severance liability (Note 6)	229	213
	902	661
Equity		
Contributed Equity (Note 7)	62	62
Retained Earnings	422	428
	484	490
	$ 1,386	$ 1,151

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

INDUSTRIAL TECHNOLOGY CENTRE
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Earnings and Retained Earnings
For the year ended March 31, 2008

(in thousands)	2008	2007
Revenue		
Province of Manitoba	$ 750	$ 750
Fee for service	1,656	1,469
Other	134	141
	2,540	2,360
Operating expenses		
Advertising and promotion	68	65
Amortization	131	170
Audit and legal	8	7
Bad debts	-	1
Building maintenance	48	39
Computer	44	44
Equipment	59	69
Fees and memberships	24	30
Insurance	40	42
Library operations	12	32
Office	48	49
Professional development	20	39
Project supplies and subcontract	125	56
Purchased services	4	4
Rent and property tax	310	296
Salaries and benefits	1,516	1,473
Travel	36	29
Utilities	53	51
	2,546	2,496
Net earnings (loss)	(6)	(136)
Retained earnings at beginning of period	428	564
Retained earnings at end of period	$ 422	$ 428

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

INDUSTRIAL TECHNOLOGY CENTRE
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flow

For the year ended March 31, 2008

(in thousands)	2008	2007
Cash derived from (applied to):		
Operating activities		
Net earnings (loss)	($ 6)	($ 136)
Items not involving cash		
Amortization	131	170
	125	34
Changes in non-cash working capital balances		
Accounts receivable	(131)	(129)
Prepaid expenses	4	21
Accounts payable and accrued liabilities	194	192
Deferred revenue	31	1
Severance liability	16	15
	239	134
Investing activities		
Acquisition of capital assets	(104)	(93)
Net increase (decrease) in cash and cash equivalents	135	41
Cash and cash equivalents at beginning of period	41	-
Cash and cash equivalents at end of period	$ 176	$ 41
Represented by:		
Cash and bank	$ 21	$ 23
Funds on deposit with the Minister of Finance	155	18
	$ 176	$ 41
Interest revenue included in cash flow from operating activities	$ 7	$ 5

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

1. Nature of Organization

The Industrial Technology Centre (ITC) was established in 1979 under "Enterprise Manitoba", a joint Federal/Provincial cost-shared funding agreement. ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors.

Effective April 1, 1996, ITC was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of Manitoba Science, Technology, Energy and Mines under the general direction of the Deputy Minister.

ITC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances ITC through working capital advances. The financial framework allows the Agency to operate in a business-like manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister of Science, Technology, Energy and Mines assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

An Economic Development Contribution Agreement between ITC and Manitoba Science, Technology, Energy and Mines defines expected public policy benefits generated from ITC's operations.

ITC has full delegated authority for all administrative, financial and operational matters. This delegation is subject to any limitations, restrictions, conditions and requirements imposed by legislation or by the Minister.

2. Significant Accounting Policies

Basis of Reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

New Accounting Policies

Effective April 1, 2007 the Industrial Technology Centre adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, *Accounting Changes*
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Industrial Technology Centre's financial statements for the year ended March 31, 2008.

Section 1530, *Comprehensive Income*
Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Industrial Technology Centre has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Industrial Technology Centre has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, *Financial Instruments – Recognition and Measurement*
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recoded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Industrial Technology Centre has designated its financial instruments as follows:

Cash and funds on deposit are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable, accrued liabilities and long term debt are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Industrial Technology Centre's financial statements for the year ended March 31, 2008.

Capital Assets

Capital assets are recorded at cost. Amortization, intended to write off the assets over their estimated useful lives, is recorded at the following annual rates and methods:

Furniture and fixtures	20%, declining balance
Office and laboratory equipment	20%, declining balance
Computer equipment and software	20%, straight-line
Leasehold improvements	10%, straight-line

Government Assistance

Non-repayable government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets.

Financial Instruments

The Industrial Technology Centre's financial instruments consist of cash, funds on deposit, accounts receivable, and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

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

Revenue Recognition

Province of Manitoba funding is recognized over the term for which it applies. Fees for service are recognized as the service is performed.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures,* which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted affective April 1, 2008, will only require additional disclosures in the financial statements.

3. Working Capital Advance

The Agency has an authorized line of working capital advances up to a maximum of $300. As at March 31, 2008 working capital advances were nil (2007 – nil). The line bears interest at prime less 1% and is not secured by specific assets.

4. Due from Province of Manitoba

The Province has accepted responsibility for the severance benefits accumulated by ITC's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $103 was completely offset by a receivable from the Province. The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balance related to prior years' funding for the severance pay liability. This payment will be placed in an interest bearing trust account on March 31, 2009 to be held on the Agency's behalf until the cash is required to discharge the related liability. Accordingly, this receivable is classified as current.

(In Thousands)

5. Capital Assets

	2008		2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and fixtures	$ 10	$ 6	$ 10	$ 4
Office and laboratory equipment	1,043	713	955	651
Computer equipment and software	664	521	657	473
Leasehold improvements	200	44	191	25
	$ 1,917	**$ 1,284**	**$ 1,813**	**$ 1,153**
Net book value	**$ 633**		**$ 660**	

The Agency has entered into an agreement with the Vehicle Technology Centre (VTC) whereby the purchase of capital assets with a value of $291 would be paid for by VTC, with no specified repayment terms. The assistance to be received is currently in Accounts Receivable and offset against the asset value.

6. Severance Pay Benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Industrial Technology Centre’s actuarially determined net liability for accounting purposes as at March 31, 2008 was $229 (2007 - $213). Commencing in the 2006 fiscal year the actuarial gain of $76 is being amortized over the 15 year expected average remaining service life of the employee group.

7. Contributed Equity

A Transfer Agreement between the Special Operating Agencies Financing Authority (SOAFA) and Manitoba effected a transfer of capital assets, current assets and current liabilities from Manitoba to SOAFA as at March 31, 1996. Net assets in the amount of $124 were transferred to continue the operations of ITC. ITC has repaid SOAFA the debt portion of $62 (50% of the value of the net assets) and recorded the remaining $62 (50% of the value of the net assets) as Manitoba's equity in SOAFA as related to the Agency's operations.

(In Thousands)

8. Commitment

The Agency has entered into a lease agreement for the rental of a building at Smartpark, with space of 24,118 square feet. Of this space, ITC occupies 19,032 square feet, with 5,086 square feet being sublet to the Composites Innovation Centre (CIC). Occupancy costs pertaining to the CIC will be recoverable from them. This ten-year lease requires lease payments as follows:

	ITC	CIC	Total
FY 2008/09	$184	$49	$233
FY 2009/10 - FY 2014/15 (per year)	189	51	240
FY 2015/16 (7 months)	110	30	140

9. Pension Benefits

In accordance with the provisions of the Civil Service Superannuation Act, employees of the Centre are eligible for pension benefits under the Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires the Centre to contribute an amount equal to the employee's contribution to the Fund for current services. The amount contributed and expense by the Centre for 2008 is $75 (2007 - $71).

The Centre has no further liability associated with the annual cost of pension benefits earned by the Centre's employees.

10. Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

11. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

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Auditors' Report

To the Special Operating Agencies Financing Authority:

We have audited the balance sheet of **MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS**, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008 and the statements of income, comprehensive income and retained earnings (deficit), and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 28, 2008

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Balance Sheet
(In Thousands)

March 31		2008		2007
Assets				
Current Assets				
Cash and funds on deposit	**$**	**604**	$	636
Accounts receivable		**217**		220
Receivable from the Province of Manitoba (Note 2)		**47**		-
Prepaid expense		**274**		372
		1,142		1,228
Receivable from the Province of Manitoba (Note 2)		**-**		47
Capital assets (Note 3)		**467**		204
	$	**1,609**	$	1,479
Liabilities and Equity				
Current Liabilities				
Accounts payable and accrued expenses	**$**	**214**	$	261
Unearned revenue		**1,028**		463
		1,242		724
Cyberschools (Note 6)		**-**		665
Severance pay liability (Note 7)		**75**		91
		1,317		1,480
Commitments (Note 9)				
Retained earnings (deficit) (Page 4)		**292**		(1)
	$	**1,609**	$	1,479

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Income, Comprehensive Income and Retained Earnings (Deficit)
(In Thousands)

For the year ended March 31	2008	2007
Revenue		
Province of Manitoba - Science, Technology, Energy and Mines Funding	$ 446	$ 446
Fee for goods and services	2,873	2,527
Other	27	45
Cyberschools	133	121
	3,479	3,139
Expenses		
Advertising and promotion	27	24
Amortization	93	63
Audit and legal fees	10	8
Communication	189	238
Conferences	13	25
Cost of purchases for resale	1,445	1,232
Cyberschools		
Salaries and benefits	61	59
Other expenses	72	62
Equipment repair and maintenance	113	94
Occupancy	61	54
Office and miscellaneous	36	28
Professional development	44	13
Purchased services	8	-
Salaries and benefits	969	895
Travel	45	30
	3,186	2,825
Net income and comprehensive income for the year	293	314
Deficit, beginning of year	(1)	(315)
Retained earnings (deficit), end of year (Page 3)	$ 292	$ (1)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flows
(In Thousands)

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Net income for the year	$ 293	$ 314
Adjustment for		
Amortization	93	63
	386	377
Changes in non-cash working capital		
Accounts receivable	3	(101)
Prepaid expenses	98	(308)
Accounts payable	(47)	10
Unearned revenue	33	383
	87	(16)
Severance liability	(16)	9
	457	370
Cash Flows from Investing Activities		
Capital assets	(356)	(186)
Cash Flows from Financing Activities		
Cyberschools	(133)	(121)
Net increase (decrease) in cash and cash equivalents	(32)	63
Cash and cash equivalents, beginning of year	636	573
Cash and cash equivalents, end of year	$ 604	$ 636

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Basis of Reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and are amortized annually on a straight-line basis as follows:

Computer hardware	20%
Computer software	20%
Equipment and furniture	20%
Leaseholds	20%

In the year of acquisition, amortization is calculated at one-half the rate indicated.

Revenue Recognition

Provincial funding is recognized over the term for which it applies.

Fees for service are recognized as the service is performed or ownership of goods has been transferred. Internet charges are recognized once service has been provided, and billed at the end of each quarter. Special projects are billed based on the terms of the contract.

Revenues for the Cyberschools project have been received in advance and are taken into income as expenditures are incurred.

New Accounting Policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Agency has no items related to other comprehensive income, comprehensive income is equal to net income.

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

New Accounting Policies (continued)

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and funds on deposit are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable and receivable from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued expenses are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the entities financial statements for the year ended March 31, 2008.

Financial Instruments

The Agency's financial instruments consist of cash and funds on deposit, accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued expenses.

Unless otherwise noted, it is management's opinion that the agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued expenses approximate their carrying values due to their short-term maturity.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

(in Thousands)

1. Nature of Organization

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks (MERLIN) was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective September 25, 2002, the Agency operates as part of Science, Technology, Energy and Mines under the general direction of the Deputy Minister.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Science, Technology, Energy and Mines assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

2. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is made up of vacation entitlement earned by the employees of the Agency prior to creation of the Special Operating Agency on April 1, 1995 and for severance pay benefits earned prior to April 1, 1998. The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severance pay and vacation pay liabilities. These payments will be placed in an interest bearing trust account on March 31, 2009 to be held on the Agency's behalf until the cash is required to discharge the related liabilities. Accordingly, these receivables are classified as current. The balance consists of:

	2008	2007
Vacation entitlements	**$ 19**	$ 19
Severance pay benefits	**28**	28
	$ 47	$ 47

(in Thousands)

3. Capital Assets

	2008 Cost	2008 Accumulated Amortization	2007 Cost	2007 Accumulated Amortization
Computer hardware	**$ 564**	**$ 201**	$ 361	$ 212
Computer software	**81**	**14**	34	3
Equipment and furniture	**47**	**18**	93	79
Leaseholds	**11**	**3**	11	1
	$ 703	**$ 236**	$ 499	$ 295
Cost less accumulated amortization		**$ 467**		$ 204

4. Working Capital Advances

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency has an authorized line of working capital advances of $2.0 million of which $NIL was used at March 31, 2008 (2007 - $NIL).

During the year, the Agency incurred interest charges of $NIL (2007 - $NIL).

5. Accrued Vacation Entitlements

The Agency follows the policy of the Department of Finance to recognize accumulated vacation entitlement liability. The liability is offset by a receivable from the Province of $19, which was the balance as at March 31, 1998. Any subsequent changes to the entitlement are reflected as a current year expense to the Agency. At March 31, 2008, the accrued vacation entitlement was $98 (2007 - $108).

(in Thousands)

6. Cyberschools

The Agency has entered into an agreement with Community Connections to develop, implement and operate a province-wide communication gateway/portal to support K-S4 education and Community Connections lifelong learners. The service will include access to secure email, calendars, and file storage.

Receipts and disbursements are as follows:

	2008	2007
Deferred balance, beginning of year	**$ 665**	$ 786
Receipts	**-**	(121)
Disbursements	**(133)**	-
Transfer to shared services (unearned revenue - current liabilities)	**(532)**	-
Deferred balance, end of year	**$ -**	$ 665

7. Severance Pay Liability

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2008 was $75 (2007 - $91). Commencing in the 2006 fiscal year the actuarial loss of $2 is being amortized over the 15 year expected average remaining service life of the employee group.

8. Revenue - Manitoba Education, Citizenship and Youth

The Agency is responsible for the delivery of distance education and technology programs formerly provided through Manitoba Education, Citizenship and Youth. The Agency receives a fee from the Department, established annually and paid quarterly, in exchange for delivery of these services.

(in Thousands)

9. Commitments

The Agency leases office space under a long-term lease which expires March 31, 2013. The future minimum payments required under this lease are:

2009	$	39
2010		39
2011		39
2012		39
2013		39

10. Pension Benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Manitoba Education, Research & Learning Information Network, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $41 (2007 - $40). Under this agreement, the Agency has no further pension liability.

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Auditors' Report

To The Special Operating Agencies Financing Authority:

We have audited the balance sheet of **THE MANITOBA SECURITIES COMMISSION**, An Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008 and the statements of income and comprehensive income, retained earnings, reserve fund and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 22, 2008

THE MANITOBA SECURITIES COMMISSION
Balance Sheet
(in thousands)

March 31		2008		2007
Assets				
Current Assets				
Cash and short-term deposits (Note 2)	$	6,127	$	4,594
Accounts receivable (Note 3)		30		44
Receivable from the Province of Manitoba (Note 5)		269		-
Prepaid expenses		29		36
		6,455		4,674
Restricted short-term deposits (Note 4)		750		750
Receivable from the Province of Manitoba (Note 5)		-		269
Capital assets (Note 6)		178		163
	$	7,383	$	5,856
Liabilities and Equity				
Current Liabilities				
Accounts payable and accrued liabilities	$	75	$	144
Accrued vacation entitlements (Note 7)		239		210
Accrued salaries and benefits		10		-
		324		354
Severance pay liability (Note 8)		211		205
		535		559
Commitments and contingency (Notes 9 and 12)				
Reserve Fund (Note 10) (Page 5)		750		750
Retained earnings (Page 5)		6,098		4,547
		6,848		5,297
	$	7,383	$	5,856

The accompanying summary of signficant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA SECURITIES COMMISSION
Statement of Income and Comprehensive Income
(in thousands)

For the year ended March 31		**2008**		2007
Revenue				
Fees	**$**	**12,386**	$	11,717
Interest		**216**		150
Miscellaneous		**1**		46
		12,603		11,913
Expenses				
Salaries and benefits		**2,607**		2,414
Staff development and professional dues		**29**		23
Premises		**244**		243
Contract services		**243**		223
Professional services		**129**		120
CSA initiatives*		**80**		76
Travel		**77**		69
Telecommunications		**57**		47
Office materials and supplies		**119**		94
Education/Information initiatives		**53**		56
Amortization - capital assets		**62**		58
Research resources		**28**		26
Miscellaneous		**24**		24
		3,752		3,473
Net income and comprehensive income for the year (Page 5)	**$**	**8,851**	$	8,440

* Canadian Securities Administrators

The accompanying summary of signficant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA SECURITIES COMMISSION
Statement of Retained Earnings
(in thousands)

For the year ended March 31		2008		2007
Retained earnings, beginning of year	**$**	**4,547**	$	3,357
Net income and comprehensive income for the year (Page 4)		**8,851**		8,440
Disposition of surplus operating funds (Note 11)		**(7,300)**		(7,250)
Retained earnings, end of year (Page 3)	**$**	**6,098**	$	4,547

Statement of Reserve Fund
(in thousands)

For the year ended March 31		2008		2007
Balance, beginning of year	**$**	**750**	$	750
Allocation to Retained Earnings		**-**		-
Balance, end of year (Page 3)	**$**	**750**	$	750

The accompanying summary of signficant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA SECURITIES COMMISSION
Statement of Cash Flows
(in thousands)

For the year ended March 31	**2008**	2007
Cash Flows from Operating Activities		
Net income for the year	**$ 8,851**	$ 8,440
Adjustment for		
Amortization - capital assets	**62**	58
	8,913	8,498
Changes in non-cash working capital		
Accounts receivable	**14**	(28)
Prepaid expenses	**7**	(15)
Accounts payable and accrued liabilities	**(69)**	116
Accrued vacation entitlements	**29**	24
Accrued salaries and benefits	**10**	-
	(9)	97
Severance pay liability	**6**	24
	8,910	8,619
Cash Flows from Investing Activities		
Acquisition of capital assets	**(77)**	(19)
Cash Flows from Financing Activities		
Disposition of surplus operating funds	**(7,300)**	(7,250)
Net increase in cash and cash equivalents	**1,533**	1,350
Cash and cash equivalents, beginning of year	**4,594**	3,244
Cash and cash equivalents, end of year	**$ 6,127**	$ 4,594
Supplementary information:		
Interest received	**$ 212**	$ 140

The accompanying summary of signficant accounting policies and notes are an integral part of these financial statements.

March 31, 2008

Basis of Reporting

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

Capital Assets

Capital assets are recorded at cost and amortized over their estimated lives as follows:

Office equipment	20% straight-line
Furniture and fixtures	20% straight-line
Leasehold improvements	10% straight-line
Computer hardware	20% straight-line
Computer software	20% straight-line

The half-year rule is used in the year of acquisition.

Revenue Recognition

Fees and cost recoveries are recognized when received. Investment income is recorded in accordance with terms of the related investment.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New Accounting Policies

Effective April 1, 2007 the Commission adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Commission has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the entities financial statements for the year ended March 31, 2008.

New Accounting Policies (continued)

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Commission has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the entity has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Commission is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Commission has designated its financial instruments as follows:

Cash and short-term deposits and restricted short-term deposits are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

New Accounting Policies (continued)

Accounts receivable and receivable from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Commission's financial statements for the year ended March 31, 2008.

Financial Instruments

The Commission's financial instruments consist of cash and short-term deposits, accounts receivable, restricted short-term deposits, receivable from the Province of Manitoba, accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the Commission is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

Future Accounting Policy Changes

The CICA has also issued two new standards, CICA 3862: Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an Commission, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Commission's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted affective April 1, 2008, will only require additional disclosures in the financial statements.

(in thousands)

March 31, 2008

1. Nature of Organization

Effective April 1, 1999 the Lieutenant Governor in Council designated the The Manitoba Securities Commission as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. c.S185) by Order in Council No. 144/1999. The Order also gave approval to the Special Operating Agencies Financing Authority and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Commission, at that time, to enter into a management agreement with respect to the Commission.

The Management Agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to The Manitoba Securities Commission in delivering regulated services to clients.

2. Cash and Short-term Deposits

The Commission invests all surplus cash in short-term deposits with the Province of Manitoba, which are made up of thirty, sixty and ninety day callable term deposits.

3. Accounts Receivable

	2008	2007
Accrued interest	**$ 30**	$ 26
Trade	**-**	18
	$ 30	$ 44

4. Restricted Short-term Deposits

The Commission maintains separate short-term deposits with the Province of Manitoba to fund expenses which may arise with respect to the Reserve Fund (Note 10).

(in thousands)

5. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is made up of vacation and severance pay entitlement earned by employees of the Commission prior to creation of the SOA as at April 1, 1999. The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severance pay and vacation pay liabilities. These payments will be placed in an interest bearing trust account on March 31, 2009 to be held on the Commission's behalf until the cash is required to discharge the related liabilities. Accordingly, these receivables are classified as current. The balance consists of:

	2008	2007
Vacation entitlements	**$ 117**	$ 117
Severance pay benefits	**152**	152
	$ 269	$ 269

6. Capital Assets

	2008		2007	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Office equipment	**$ 40**	**$ 28**	$ 29	$ 26
Furniture and fixtures	**149**	**132**	139	128
Leasehold improvements	**41**	**3**	5	1
Computer hardware	**137**	**123**	125	120
Computer software	**863**	**766**	855	715
	$ 1,230	**$ 1,052**	$ 1,153	$ 990
Cost less accumulated amortization		**$ 178**		$ 163

7. Accrued Vacation Entitlements

The Commission follows the policy of the Department of Finance to recognize the vacation entitlement liability accumulated to March 31, 1999. The liability at this date is offset by a receivable from the Province and was $117 as at March 31, 1999. Any subsequent changes to the entitlement are reflected as a current year expense to the Commission. As at March 31, 2008 there was an increase to the entitlement in the amount of $29. The accrued vacation entitlement was $239 as of March 31, 2008 (2007 - $210).

8. Severance Pay Liability

Effective April 1, 1999, the Commission began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when the actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Commission's actuarially determined net liability for accounting purposes as at March 31, 2008 was $211 (2007 - $205). Commencing in the 2006 fiscal year, the actuarial loss of $7 is being amortized over the 15 year expected average remaining service life of the employee group.

9. Lease Commitment

The Commission has entered into a lease agreement commencing October 1, 2005 for rental of facilities at 400 St. Mary Avenue, which expires September 30, 2020. Occupancy charges for the year ended March 31, 2008 were $244. Minimum annual lease payments total $236 per year for each of the next five years.

10. Reserve Fund

The Commission has established a Reserve Fund to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature and for changes in market activity that has a negative effect on revenues. The amount of the Reserve Fund has remained unchanged in the current year.

11. Disposition of Surplus Operating Funds

The disposition of surplus operating funds consists of payments made to the Consolidated Revenue Fund of the Province of Manitoba according to Treasury Board Directives.

12. Contingency

The Commission has been named as defendant in two statements of claim. At the time of preparation of these financial statements, the outcome of these claims were undeterminable. The cost of a future settlement, if any, will be reflected as an expense in the year paid.

13. Pension Benefits

Employees of The Manitoba Securities Commission are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Manitoba Securities Commission, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, The Manitoba Securities Commission transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, The Manitoba Securities Commission was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $92 (2007 - $86). Under this Agreement, the Manitoba Securities Commission has no further pension liability.

14. Working Capital Advances

These advances are provided to the Commission through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Commission has an authorized line of working capital advances of $1.0 million which were unutilize at March 31, 2008 (2007 - $Nil).

The Commission incurred no interest charges during the year (2007 - $Nil).

THE MANITOBA SECURITIES COMMISSION
Schedule of Public Sector Compensation Disclosure
(in thousands)

For the year ended March 31, 2008

Employee	Title	Compensation
Don Murray	Chairman and CEO	$ **128**
Doug Brown	Director and Secretary to the Commission	**121**
Bob Bouchard	Director and CAO	**98**
Chris Besko	Assistant Legal Counsel	**112**
Kim Laycock	Assistant Legal Counsel	**112**
Steven Gingera	Assistant Legal Counsel	**121**
William Baluk	Registrar	**82**
Wayne Bridgeman	Senior Analyst	**75**
Jan Banasiak	Senior Investigator	**55**
Marlene Nemes	Controller	**83**
Ainsley Cunningham	Information Officer	**68**
Paula White	Compliance Officer	**70**
Jason Roy	Investigator	**63**
Chris Kowalski	Deputy Registrar - Real Estate	**59**
Isilda Tavares	Registration Officer	**59**
Terry Kirkham	Investigator - Real Estate	**54**
Liz Klippenstein	Programmer Analyst	**51**
Patrick Weeks	Analyst	**53**

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50 per annum.

MANITOBA TEXT BOOK BUREAU
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A Special Operating Agency of Manitoba Education, Citizenship and Youth

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding necessary estimates and all other data available.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of the Bureau are properly safeguarded. Staff at the Auditor General's Office review internal controls and report their findings to management.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

Brenda McKinny
Chief Operating Officer

Denis Labossiere, C.G.A.
Controller

Souris, Manitoba
May 16, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Manitoba Text Book Bureau
To the Special Operating Agencies Financing Authority

We have audited the balance sheet of The Manitoba Text Book Bureau, an agency of the Special Operating Agencies Financing Authority as at March 31, 2008, and the statements of income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Bureau's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Bureau as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 16, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Balance Sheet

(in thousands)

March 31	2008	2007
Assets		
Current		
Cash	**$ 5**	$ 15
Accounts receivable	**567**	503
Inventory	**1,893**	2,116
Prepaid expenses	**6**	15
Receivable from Province of Manitoba (Note 3)	**64**	
	2535	2,649
Receivable from Province of Manitoba (Note 3)		64
Capital assets (Note 4)	**73**	71
	$ 2,608	$ 2,784
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 427**	$ 368
Interest payable – Province of Manitoba	**4**	4
Customer deposit accounts	**117**	157
Working capital advance (Note 5)	**1,272**	1,464
	1,820	1,993
Accrued severance liability (Note 6)	**47**	44
	1,867	2,037
Equity		
Contributed equity (Note 7)	**550**	550
Retained earnings	**191**	197
	741	747
	$ 2,608	$ 2,784

See accompanying notes to the financial statements.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Income, Comprehensive Income and Retained Earnings

(in thousands)

Year Ended March 31	2008	2007
Sales	**$ 7,473**	$ 8,138
Cost of goods sold		
Inventory, beginning of year	**2,116**	2,284
Purchases	**6,175**	6,872
Transportation in	**26**	27
Transportation out	**95**	102
	8,412	9,285
Inventory, end of year	**1,893**	2,116
Cost of goods sold	**6,519**	7,169
Gross profit	**954**	969
General and administrative expenses		
Amortization	**28**	29
Computer expense	**54**	54
Employee benefits	**64**	59
Interest	**56**	60
Marketing	**11**	12
Office	**22**	28
Office occupancy	**36**	37
Postage	**3**	3
Professional Services	**12**	13
Salaries	**366**	342
Telephone	**8**	10
Training	**3**	4
Travel	**7**	10
Warehouse occupancy	**89**	89
Warehouse service	**201**	201
	960	951
Net (loss) income and comprehensive (loss) income	**$ (6)**	$ 18
Retained earnings, beginning of year	**$ 197**	$ 179
Net (loss) income	**(6)**	18
Retained earnings, end of year	**$ 191**	$ 197

See accompanying notes to the financial statements.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flows

(in thousands)

Year Ended March 31	2008	2007
Increase (decrease) in cash		
Operating		
Net (loss) income and comprehensive (loss) income	**$ (6)**	$ 18
Amortization	**28**	29
	22	47
Changes in		
Accounts receivable	**(64)**	31
Inventory	**223**	168
Prepaid expenses	**9**	7
Accounts payable and accrued liabilities	**59**	(129)
Interest payable – Province of Manitoba		(90)
Customer deposit accounts	**(40)**	79
Accrued severance liability	**3**	3
	212	98
Investing		
Acquisition of capital assets	**(30)**	(29)
Financing		
Payment of working capital advance	**(192)**	(62)
Net (decrease) increase in cash	**(10)**	7
Cash, beginning of year	**15**	8
Cash, end of year	**$ 5**	$ 15

See accompanying notes to the financial statements.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Notes to the Financial Statements

(in thousands)
For the year ended March 31, 2008

1. Nature of operations

In 1931, the Manitoba Text Book Bureau (MTBB) was created as a branch of the Department of Education. It was established to achieve economies of scale and reduce the cost of learning resources for schools in Manitoba.

Effective April 1, 1996, the MTBB was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Chapter S 185, C.C.S.M. and operates under a charter approved by the Lieutenant-Governor in Council.

The MTBB is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the MTBB through working capital advances. This financial framework enables the MTBB to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Special Operating Agencies Financing Authority and the Minister of Education and Training, being the Minister responsible for the Agency at that time, assigns responsibility to the MTBB to manage and account for the MTBB related assets and operations on behalf of SOAFA.

The MTBB continues to be part of the Department of Education, Citizenship and Youth under the general direction of the Assistant Deputy Minister, School Programs Division, and ultimately the policy direction of the Deputy Minister and Minister.

The MTBB remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

2. Significant accounting policies

a) General

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

b) New Accounting Policies

Effective April 1, 2007 the entity adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, *Accounting Changes*
Section 1506 requires that voluntary changes in accounting policies be made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the entities financial statements for the year ended March 31, 2008.

Section 3251, *Equity*
This Section, which replaces ***Surplus*,** Section 3250, establishes standards for the presentation of equity and changes in equity during the reporting period. The main feature of this Section is a requirement for an enterprise to present separately each of the changes in equity during the period, including comprehensive income, as well as components of equity at the end of the period.

Section 1530, *Comprehensive Income*
Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses, net of hedging, arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. Other comprehensive income comprises revenues, expenses, gains and losses that , in accordance with primary sources of GAAP, are recognized in comprehensive income, but are excluded from net income The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008 and did not identify any components of comprehensive income on adoption of this standard. Because the Agency has no items related to other comprehensive income, comprehensive income is equivalent to net income. Since the Agency does not have any accumulated other comprehensive income, a statement of accumulated comprehensive income has not been presented.

Section 3855, *Financial Instruments – Recognition and Measurement*
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The entity is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recoded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Entity has designated its financial instruments as follows:

Cash is classified as a financial asset held for trading and is measured at fair value with gains and losses recognized in net earnings.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the entity's financial statements for the year ended March 31, 2008.

c) Financial Instruments

The MTBB's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, interest payable, and a working capital advance. Unless otherwise noted, it is management's opinion that MTBB is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

d) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

e) Cash

Cash includes cash on hand and bank balance.

f) Inventories

Inventories are valued using the average unit cost method.

g) Capital assets

Capital assets are recorded at cost in the year of acquisition. Rates and basis of amortization applied to write off the cost of capital assets over their estimated useful lives are as follows:

Office equipment, furniture and video recording equipment	20% declining balance
Computer software and equipment	20% straight line

One-half year's amortization is applied in the year of acquisition.

h) Revenue recognition

Revenue is recognized upon transfer of title to the customer.

i) Future Accounting Policy Changes

Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*
The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation.* These standards enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These changes in accounting policies, which will be adopted effective April 1, 2009, will require additional disclosures in the financial statements.

Section 1535, *Capital Disclosures*
The CICA has also issued a new standard, CICA 1535: *Capital Disclosures,* which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted effective April 1, 2009, will require additional disclosures in the financial statements.

Section 3031, *Inventories*

In June 2007, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Agency will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. (For example, it requires that fixed and variable production overheads be systematically allocated to the carrying amount of inventory.) The Agency does not expect that the adoption of this new Section will have a material impact on its financial statements.

3. Receivable from Province of Manitoba

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability as at April 1, 1998 calculated at $63 was completely offset by a receivable from the Province. The receivable from the Province was restated to $64 as a result of the actuarial valuation completed as at March 31, 2000.

The receivable from the Province will be settled on March 31, 2009. On that date, the Province will deposit into a trust account in the name of MTBB an amount equal to the outstanding balance of this receivable.

(in thousands)

4. Capital assets

	2008		2007	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Computer software & equipment	**$ 283**	**$ 237**	$ 254	$ 216
Office equipment & furniture	**47**	**25**	46	19
Video recording equipment	**51**	**46**	63	57
	$ 381	**$ 308**	$ 363	$ 292
Cost less accumulated amortization		**$ 73**		$ 71

5. Working capital

The MTBB has an authorized line of working capital advances of $4,000, of which $1,272 was used as of March 31, 2008 (2007 - $1,464).

6. Severance liability

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The MTBB's actuarially determined net liability for accounting purposes as at March 31, 2008 was $47 (2007 - $44). Commencing in the 2006 fiscal year the actuarial gain of $16 is being amortized over the 15 year expected average remaining service life of the employee group.

7. Contributed equity

SOAFA and the Government of Manitoba entered into a Transfer Agreement in connection with the transfer from Manitoba to SOAFA of assets valued at $5,240 and liabilities of $4,690 required for the continuing operations of the MTBB as at March 31, 1996. The MTBB recorded the balance of $550 (being the value of the net assets) as Manitoba's Contributed Equity in SOAFA as related to the MTBB's operations.

(in thousands)

8. Related party transactions

The MTBB is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The MTBB enters into transactions with these entities in the normal course of business.

9. Pension benefits

Employees of the MTBB are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the MTBB, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the MTBB transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the MTBB was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $12 (2007 - $11). Under this agreement, the MTBB has no further pension liability.

10. Public sector compensation

Pursuant to the disclosure required by The Public Sector Compensation Disclosure Act, no remuneration was paid to Advisory Board members. During the fiscal year ended March 31, 2007, the following employees received compensation in excess of $50.

Name	Position	**2008**	2007
Denis Labossiere	Controller	$63	$61
Brenda McKinny	Chief Operating Officer	$63	$58

THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agency's Financial Authority of Materials Distribution Agency

We have audited the balance sheet of Materials Distribution Agency as at March 31, 2008 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
April 30, 2008

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Management's Responsibility for Financial Reporting

The Materials Distribution Agency's (the Agency) management is responsible for preparing the financial statements. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations and its cash flows in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available through April 30, 2008.

the financial statements of the Agency are presented fairly, in all material respects, in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of the Agency's management,

David Bishop
Chief Operating Officer

Joel Hershfield
Manager of Finance and Technology

Winnipeg, Manitoba
April 30, 2008

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Balance Sheet

(In Thousands)

March 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash and short term investments *(Note 7)*	$ 732	$ 723
Accounts receivable	2,989	2,868
Receivable - Province of Manitoba *(Note 3)*	412	-
Inventories *(Notes 2, 4)*	1,485	1,521
Prepaid expenses	171	216
	5,789	5,328
RECEIVABLE - PROVINCE OF MANITOBA *(Note 3)*	-	412
EQUIPMENT *(Notes 2, 5)*	1,641	1,637
OTHER ASSETS *(Notes 2, 6)*	238	348
	$ 7,668	$ 7,725
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 3,321	$ 3,056
SEVERANCE LIABILITY *(Note 8)*	379	384
	3,700	3,440
EQUITY		
Contributed equity	1,297	1,297
Retained earnings	2,671	2,988
	3,968	4,285
	$ 7,668	$ 7,725

COMMITMENTS *(Note 10)*

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Earnings and Retained Earnings

(In Thousands)

Year Ended March 31, 2008

	2008	2007
NET WAREHOUSE SALES *(Schedule 1)*	$ 12,517	$ 11,999
COST OF SALES	(9,961)	(9,677)
GROSS PROFIT	2,556	2,322
SERVICE REVENUE *(Schedule 1)(Note 2)*	10,389	9,970
NET REVENUE	12,945	12,292
EXPENSES		
Salaries and benefits	4,186	3,940
Occupancy costs	724	785
Schedule of Administrative Expenses *(Schedule 2)*	7,952	7,741
	12,862	12,466
NET INCOME (LOSS)	83	(174)
RETAINED EARNINGS - BEGINNING OF YEAR	2,988	3,562
	3,071	3,388
REVENUE SHARING - PROVINCE OF MANITOBA	(400)	(400)
RETAINED EARNINGS - END OF YEAR	$ 2,671	$ 2,988

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Cash receipts from customers	$ 12,266	$ 12,221
Cash received from service and software sales	10,389	9,970
Cash paid for inventories	(9,960)	(9,677)
Cash paid for salaries and benefits	(4,191)	(3,894)
Cash paid for occupancy	(724)	(785)
Cash paid for supplies, administration and other	(6,535)	(7,637)
Cash flow from operating activities	1,245	198
INVESTING ACTIVITIES		
Acquisition of rental equipment	(805)	(233)
Acquisition of equipment	(31)	125
Cash flow used by investing activities	(836)	(108)
FINANCING ACTIVITIES		
Revenue sharing - Province of Manitoba	(400)	(400)
Lease obligations	-	(7)
Cash flow used by financing activities	(400)	(407)
INCREASE (DECREASE) IN CASH FLOWS	9	(317)
CASH AND SHORT-TERM INVESTMENTS - BEGINNING OF YEAR	723	1,040
CASH AND SHORT-TERM INVESTMENTS- END OF YEAR	$ 732	$ 723

1. NATURE OF ORGANIZATION

The Government of Manitoba established a central warehouse operation in 1974. Its mandate was to effectively meet the cost needs of departments and certain boards, commissions and agencies of the Crown, for a variety of commonly used items.

Effective April 1, 1993, Materials Distribution Agency (the "Agency") was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

In 1956 Mail Management (Postal Service) was created as a branch of the Manitoba Provincial Government to provide centralized postal management. Effective April 1, 1996 the Postage Service was renamed Mail Management Agency and designated as a Special Operating Agency (SOA) pursuant to The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 2005 the operations of the Materials Distribution Agency and the Mail Management Agency were amalgamated. The amalgamated operations have been operating as the Materials Distribution Agency.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Agency's operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Transportation and Government Services assigns responsibility to the Agency to manage and account for Agency-related assets and operations on behalf of the Financing Authority.

The Agency continues to be part of Manitoba Transportation and Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba and the Manitoba Regional Health Authorities deriving most of its revenue and all of its capital financing requirements from the Province. These transactions are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Agency have been prepared in accordance with Canadian generally accepted accounting principles.

(continues)

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

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New accounting policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Agency has not yet applied a new primary source of Canadian generally accepted accounting principles that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Agency has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

(continues)

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

Cash and short-term investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. These financial assets are recorded at values that approximate their fair values.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Future accounting policy changes

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an Agency, related exposures and the management of these risks.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

Section 1535, Capital Disclosures

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Agency's objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

Section 3031 Inventories

In June 2007, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Agency will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The Agency does not expect that the adoption of this new Section will have a material impact on its financial statements.

(continues)

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

Financial instruments

The Agency's financial instruments consist of cash and short-term investments, accounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of cash and short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values, unless otherwise noted.

Cash and short term investments

Cash and short term investments include cash on hand and balances with banks, net of bank overdrafts and short term investments with original maturities of six months or less. Bank borrowings are considered to be financing activities.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Equipment

Equipment is stated at cost less accumulated amortization. Equipment is amortized over their estimated useful lives at the following rates and methods:

Computer equipment	20%	straight-line method
Fixtures	20%	straight-line method
Leasehold improvements	5 years	straight-line method
Office equipment	20%	straight-line method
Production equipment	20%	diminishing balance method
Rental equipment	2 - 5 years	straight-line method
Warehouse equipment	20%	diminishing balance method

Non-consumable equipment relating to the Home Care Equipment and Supplies Program are amortized at varying rates in order to reflect the varying periods of useable "life".

Rental equipment	2, 3 or 5 years	straight-line method

Other assets

Other assets are recorded at cost and are amortized at the following rates on the following basis:

Computer conversion	5 years	straight-line method
Relocation expenses	10 years	straight-line method

Revenue recognition

Warehouse sales are normally recognized when the products are shipped, service revenues are recognized on the provision of services.

(In Thousands)

3. RECEIVABLE - PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlement earned by the employees of the Agency prior to its designation as a Special Operating Agency. It also includes severance pay benefits earned by the employees to March 31, 1998.

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severance pay and vacation pay liabilities. These payments will be placed in an interest bearing trust account on March 31, 2009 to be held on (the entities) behalf until the cash is required to discharge the related liabilities. Accordingly, these receivables are classified as current.

	2008	2007
Vacation	$ 116	$ 116
Severance	296	296
	$ 412	$ 412

4. INVENTORIES

	2008	2007
Medical Supplies	$ 583	$ 685
Equipment	82	69
Stationery	520	530
Janitorial	230	204
New furniture	70	33
	$ 1,485	$ 1,521

5. EQUIPMENT

	2008		2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	$ 195	$ 192	$ 187	$ 179
Fixtures	109	109	109	109
Leasehold improvements	709	684	697	543
Office equipment	64	64	64	64
Production equipment	284	240	279	230
Rental equipment	5,116	3,816	4,311	3,210
Warehouse equipment	738	469	732	407
	$ 7,215	$ 5,574	$ 6,379	$ 4,742
Net book value	$ 1,641		$ 1,637	

(In Thousands)

6. OTHER ASSETS

	Cost	Accumulated amortization	**2008 Net book value**	2007 Net book value
Computer Conversion	$ 337	$ 252	**$ 85**	$ 165
Relocation	287	134	**153**	183
	$ 624	$ 386	**$ 238**	$ 348

7. WORKING CAPITAL PAYABLE

The Agency has an authorized line of working capital advances of $2,300 of which none (2007 – none) was used at March 31,2008. Cash and short term investments are net of the working capital payable.

8. SEVERANCE LIABILITY

Effective April 1, 1998 the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of December 31, 2004. The report provides a formula to update the liability on a annual basis. The Materials Distribution Agency's actuarially determined net liability for accounting purposes as at March 31, 2008 was $379 (2007 - $384). Commencing in the 2006 fiscal year the actuarial loss of $40 is being amortized over the 15 year expected average remaining service life of the employee group.

9. CONTRIBUTED EQUITY

Loan Authority – April 1, 1993

The SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of inventories and capital assets valued at $1,464 required for the continuing operations of the Agency as at March 31, 1993. The Agency repaid the debt portion of $732 (being ½ of the value of the assets) and recorded the balance, $732, as Manitoba's contributed equity in the Financing Authority as related to the Agency operations.

Loan Authority – April 1, 1996 MMA

SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of equipment valued at $102 required for continuing operations of the Mail Management Agency as at March 31, 1996. The Mail Management Agency (now Materials Distribution Agency) repaid the debt portion in the amount of $51 (being one-half of the value of the assets) and recorded the balance of $51 as Manitoba's contributed equity in the Financing Authority as related to the Agency's operations.

Loan Authority – April 1, 1997

SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority for the net assets of the Home Care Equipment and Supply Program valued at $1,027 as at April 1, 1997. The Agency repaid the debt portion of $513 (being ½ of the value of the assets) and recorded the balance, $514, as Manitoba's contributed equity in the Financing Authority as related to the Agency operations.

(In Thousands)

10. COMMITMENTS

Leased Premises

On March 24, 2003, the Agency took partial possession of a rental property consisting of 76,067 square feet at 1715 St. James Street, Winnipeg, Manitoba. The lease is for a term of 10 years with an additional 5 year option commencing May 1, 2003.

The payments over the next five years are as follows:

2009	$	521
2010		521
2011		521
2012		521
2013		521

Equipment Lease

The Agency has entered into a 5 year lease with Xerox for printing equipment. The lease is being paid yearly with payments of $30 annually.

Rental Agreement

The Agency has not entered into lease agreements with the Province of Manitoba for the five locations that it operates (405 Broadway, Winnipeg; 450 Broadway, Winnipeg; 340 - 9th Street, Brandon; and 25 Tupper Street, Portage la Prairie). Occupancy charges for the year ended March 31, 2008 were $93 (2007 - $93).

11. PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provision of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Materials Distribution Agency, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, the Agency is required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $410 (2007 - $430).

12. INTEREST RECEIVED

The Agency received interest during the year of $17 (2007 - $24).

(In Thousands)

13. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation in an amount exceeding $50 annually to any officer or employee of the Agency. For the year ended March 31, 2008, the following employees received compensation in excess of $50:

Ailyn Almendral	IT - Systems Administrator	$	**68**
David Bishop	Chief Operating Officer		**64**
Greg Bowers	Marketing and Communications		**58**
Rhonda Boyd	Client Services Manager		**54**
Glenn Dela Cruz	Programmer/Analyst		**58**
Wes Dropko	Programmer/Analyst		**62**
Joel Hershfield	Manager of Finance & Technology, Wellness Co-ordinator		**71**
Michael Langenfeld	Contracts and Purchasing Manager		**54**
Robert Nicholls	Logistics Manager		**53**

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Schedule of Warehouse Sales and Service Revenue *(Schedule 1)*

(In Thousands)

Year Ended March 31, 2008

		2008		2007
WAREHOUSE SALES				
Medical supplies	$	4,530	$	4,450
Stationery		3,624		3,461
Furniture		2,085		2,277
Janitorial		1,453		1,277
Health Equipment		518		390
Special projects		307		144
	$	12,517	$	11,999
SERVICE REVENUE				
Disposal	$	4	$	15
Manitoba Textbook Bureau		292		292
Freight		584		452
Moving		617		472
Storage		80		80
Office equipment - maintenance program		45		61
Office equipment - copy centres		475		534
Mail Processing		4,555		4,824
Inter Departmental Mail		735		490
Mail Finishing		389		385
Printing		140		184
Contract Management		40		39
Home Care equipment rentals		2,325		2,050
Other income		108		92
	$	10,389	$	9,970

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Schedule of Administrative Expenses *(Schedule 2)*

(In Thousands)

Year Ended March 31, 2008

	2008	2007
EXPENSES		
Amortization	$ 940	$ 827
Bad debts	131	-
Computer	194	213
Copy Centre	300	358
Equipment rentals	88	111
Freight	1,045	997
Mail Services	4,396	4,473
Miscellaneous	9	26
Moving	337	268
Office	161	164
Professional fees	14	11
Promotion and marketing	45	39
SOAFA fees	2	2
Telephone	54	59
Training	14	20
Vehicle	93	62
Warehouse supplies	129	111
	$ 7,952	$ 7,741

BDO Dunwoody LLP/s.r.l.
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Auditors' Report

To the Special Operating Agencies Financing Authority:

We have audited the balance sheet of the **Office of the Fire Commissioner**, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008 and the statements of operations and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 16, 2008

OFFICE OF THE FIRE COMMISSIONER
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Balance Sheet
(In Thousands)

March 31		2008		2007
Assets				
Current Assets				
Cash	$	**4,437**	$	5,263
Short-term investments (Note 2)		**3,000**		2,400
Accounts receivable (Note 3)		**1,463**		471
Accrued interest		**1**		6
Due from Province of Manitoba - Severance (Note 4)		**311**		-
Due from Province of Manitoba - Vacation Pay (Note 5)		**248**		-
Prepaid expense		**50**		57
		9,510		8,197
Non-Current Assets				
Due from Province of Manitoba - Severance (Note 4)		-		311
Due from Province of Manitoba - Vacation Pay (Note 5)		-		248
Capital assets (Note 6)		**6,129**		5,464
		6,129		6,023
	$	**15,639**	$	14,220
Liabilities and Equity				
Current Liabilities				
Accounts payable	$	**798**	$	193
Accrued liabilities		**693**		490
Deferred revenue		**282**		272
		1,773		955
Non-Current Liabilities				
Severance liability (Note 7)		**393**		388
Deferred contributions (Note 10)		**626**		519
		1,019		907
Equity				
Contributed capital (Note 8)		**11,279**		11,279
Water Bomber Reserve Fund (Note 11)		**200**		200
Canine Training Reserve Fund (Note 12)		**33**		25
Retained earnings		**1,335**		854
		12,847		12,358
	$	**15,639**	$	14,220

Approved on behalf of the Special Operating Agency Advisory Board:

Chairperson

Fire Commissioner

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

OFFICE OF THE FIRE COMMISSIONER
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Retained Earnings
(In Thousands)

For the year ended March 31		2008		2007
Opening balance	**$**	**854**	$	216
Net income and comprehensive income for the year		**489**		663
Canine Training Reserve Fund Allocation (Note 12)		**(8)**		(25)
Closing balance	**$**	**1,335**	$	854

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

OFFICE OF THE FIRE COMMISSIONER
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Operations
(In Thousands)

For the year ended March 31	2008 Actual	2007 Actual	Variance	Budget (Unaudited)	Budget Variance
Revenue					
Levy	$ 5,362	$ 5,119	$ 243	$ 4,926	$ 436
Codes and standards	1,970	2,141	(171)	1,350	620
Tuition and contract revenue	1,134	913	221	1,400	(266)
JEPP initiative grant (Note 10)	404	81	323	140	264
Interest	199	138	61	102	97
JEPP capital grant (Note 10)	129	108	21	225	(96)
Grant - Health	110	90	20	-	110
Emergency services conference	98	108	(10)	100	(2)
Other revenue	76	72	4	50	26
Grant - Mutual Aid	70	-	70	-	70
Fire inspections, investigations and reports	14	21	(7)	25	(11)
Rent	5	4	1	-	5
Gain on asset disposition	-	5	(5)	-	-
New SAR Initiative (NIF) Grant (Note 9)	-	30	(30)	50	(50)
	9,571	8,830	741	8,368	1,203
Expenses					
Salaries and benefits	4,795	4,281	514	4,580	215
Supplies	767	334	433	220	547
Amortization	761	721	40	717	44
Travel	603	435	168	340	263
Vehicle lease	421	389	32	450	(29)
Repairs and maintenance	302	327	(25)	300	2
Rent	244	221	23	212	32
Desktop management	172	192	(20)	200	(28)
Communications	170	170	-	185	(15)
Professional services	157	226	(69)	94	63
Mutual Aid	154	141	13	125	29
Property taxes	134	135	(1)	126	8
Insurance	101	106	(5)	110	(9)
Labour services	95	95	-	96	(1)
Utilities	84	82	2	75	9
Fuel - Owned vehicles	66	61	5	50	16
Postal and courier	50	39	11	40	10
Public education material	46	50	(4)	30	16
Publications	30	35	(5)	25	5
Clothing	27	20	7	30	(3)
Other	22	22	-	50	(28)
Marketing	22	20	2	16	6
Minor capital	20	-	20	-	20
Professional development	14	30	(16)	31	(17)
Memberships and subscriptions	5	6	(1)	3	2
Seminar and conference registration	4	-	4	8	(4)
Information systems	3	-	3	75	(72)
Photofinishing	2	2	-	2	-
Bad debt	2	-	2	-	2
S.O.A. Board	1	2	(1)	2	(1)
Buildings standards board	1	-	1	3	(2)
New SAR Initiative (NIF) expenditures (Note 9)	-	-	-	30	(30)
Emergency response	-	25	(25)	100	(100)
Medical computer lab	-	-	-	5	(5)
Cost Recovery	(193)	-	(193)	-	(193)
	9,082	8,167	915	8,330	752
Net income and comprehensive income for the year	$ 489	$ 663	$ (174)	$ 38	$ 451

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

OFFICE OF THE FIRE COMMISSIONER
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flows
(In Thousands)

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Net income for the year	$ 489	$ 663
Items not involving cash		
Amortization of capital assets	761	721
	1,250	1,384
Net change in non-cash working capital balances	(50)	(145)
	1,200	1,239
Cash Flows from Investing Activities		
Proceeds on disposition of assets	3	16
Purchase of capital assets	(1,429)	(487)
	(1,426)	(471)
Net increase (decrease) in cash and cash equivalents	(226)	768
Cash and cash equivalents, beginning of year	7,663	6,895
Cash and cash equivalents, end of year	$ 7,437	$ 7,663
Represented by:		
Cash and bank	$ 4,437	$ 5,263
Short-term investments	3,000	2,400
	$ 7,437	$ 7,663

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Basis of Accounting

The financial statements are presented in accordance with Canadian generally accepted accounting principles (GAAP).

New Accounting Policies

Effective April 1, 2007 the Office of the Fire Commissioner adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, *Accounting Changes*

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Office of the Fire Commissioner's financial statements for the year ended March 31, 2008.

Section 1530, *Comprehensive Income*

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Office of the Fire Commissioner has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Office of the Fire Commissioner has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, *Financial Instruments - Recognition and Measurement*

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

New Accounting Policies
(continued)

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Office of the Fire Commissioner has designated its financial instruments as follows:

Cash and short-term investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. These financial assets are recorded at values that approximate their fair values.

Accounts receivable, accrued interest and amounts due from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable, accrued liabilities and severance liability are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Office of the Fire Commissioner's financial statements for the year ended March 31, 2008.

Capital Assets

Buildings, fire engines, other vehicles and air compressors transferred to the SOAFA from the Government of Manitoba on April 1, 1996 were valued at the lower of their amortized cost or estimated market value. All other assets transferred from the Government of Manitoba on April 1, 1996 were valued at their market value.

The Office provides for amortization of its capital assets on the following basis:

Buildings	5% declining balance
Practical training site	10% declining balance
Equipment	20% declining balance
Fire engines	30% declining balance
Other vehicles	30% declining balance
Air compressors	20% declining balance
Furniture	20% declining balance
Computer equipment and software	30% declining balance

Inventory

Inventory is valued at cost.

Revenue Recognition

The Fires Prevention Act imposes a special assessment on licensed insurers equal to a set percentage of total property insurance premiums.

The Office of the Fire Commissioner collects this levy based on the value of premiums and assessments in respect to property insurance in a calendar year. Levy revenue with respect to the 2007 calendar year will be recognized as revenue in the fiscal year ending March 31, 2008. The levy rate is set at 1.25%.

Codes and standards, conference, and tuition and contract revenue is recognized when earned. Operating grant revenue is recognized as revenue when receivable. Grant revenue received for the purchase of capital assets is deferred and recognized as revenue in the same fiscal year and at the same rate as the amortization expense of the related capital assets.

Financial Instruments

The Agency's financial instruments consist of cash, short-term investments, accounts receivable, accrued interest, amounts due from the Province of Manitoba, accounts payable, and accrued liabilities. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Use of Estimates

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

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*, which enhance the abilities of users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosure in the financial statements.

1. Nature of the Office of the Fire Commissioner

Effective April 1, 1996, the Office of the Fire Commissioner was designated as a Special Operating Agency (SOA) under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 1996, a Transfer Agreement executed between the Government of Manitoba (Labour) and the Financing Authority, a corporation under The Special Operating Agencies Financing Authority (SOAFA) Act, transferred all assets in the Fires Prevention Fund valued at $11,809 to the Financing Authority.

A Management Agreement executed between the Financing Authority and the Government of Manitoba (Labour) assigned responsibility to the Office of the Fire Commissioner to manage and account for the related assets and operations on behalf of the Financing Authority. The Office itself does not hold title to any assets. Effective April 1, 1996, the Financing Authority established a fund account referred to as the Fires Prevention Fund to hold these assets.

The Office of the Fire Commissioner will continue to be part of the Department of Labour and Immigration and ultimately under the policy direction of the Minister of Labour and Immigration.

The Office of the Fire Commissioner will remain bound by relevant legislation and regulations. It will also remain bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Office of the Fire Commissioner is economically dependent on the Province of Manitoba, as it derives most of its revenues from the Fires Prevention Levy.

2. Investments

The Investment Balance represents funds on deposit with the Department of Finance of the Province of Manitoba with maturities of less than one (1) year.

(in Thousands)

3. Accounts Receivable

The accounts receivable balance is made up of the following:

		2008		2007
Insurance Branch of Department of Consumer & Corporate Affairs	$	**288**	$	67
Office of Critical Infrastructure Protection and Emergency Preparedness		**912**		342
National Resources Canada		**71**		-
Manitoba STEM		**30**		-
Manitoba Health		**110**		-
Other		**54**		62
		1,465		471
Less: Allowance for doubtful accounts		**(2)**		-
	$	**1,463**	$	471

4. Long-Term Severance Receivable and Liability

The Province has accepted responsibility for the severance benefits accumulated by the Office of the Fire Commissioner's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $282 was completely offset by a receivable from the Province. An actuarial valuation report of the Agency's severance liability as at March 31, 2000 was completed and as a result the receivable from the Province was restated to $311.

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balance related to prior years' funding for severance pay. This payment will be placed in an interest bearing trust account on March 31, 2009 to be held on the Office of the Fire Commissioner's behalf until the cash is required to discharge the related liability. Accordingly, this receivable is classified as current.

5. Vacation Pay Receivable

Effective March 31, 1996, the Office of the Fire Commissioner commenced recording the estimated liability for vacation pay for its employees. The amount of the estimated liability is determined on March 31 of each year based on eligible vacation entitlements.

The Province of Manitoba has accepted responsibility for the vacation pay benefits accumulated to March 31, 1996 by the Office of the Fire Commissioner's employees. Accordingly, the Office of the Fire Commissioner recorded, effective March 31, 1996, a receivable of $248 from the Province of Manitoba, which is an amount that is equal to the estimated liability for vacation pay benefits at March 31, 1996.

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balance related to prior years' funding for vacation pay. This payment will be placed in an interest bearing trust account on March 31, 2009 to be held on the Office of the Fire Commissioner's behalf until the cash is required to discharge the related liability. Accordingly, this receivable is classified as current.

(in Thousands)

6. Capital Assets

	Opening Balance	Additions	Disposals	Closing Balance
Buildings	$ 4,086	$ 741	$ -	$ **4,827**
Buildings - JEPP	-	95	-	**95**
Training site	2,041	58	-	**2,099**
Training site - JEPP	203	-	-	**203**
Equipment	1,604	251	-	**1,855**
Equipment - JEPP	764	82	-	**846**
Fire engines	989	-	-	**989**
Other vehicles	375	85	8	**452**
Other vehicles - JEPP	40	59	-	**99**
Air compressors	385	52	-	**437**
Furniture	70	-	-	**70**
Computers	355	6	-	**361**
Computers - JEPP	13	-	1	**12**
Total cost	$ 10,925	$ 1,429	$ 9	$ **12,345**

	Opening Accumulated Amortization	Disposition	Current Year's Amortization	Accumulated Amortization
Buildings	$ 1,333	$ -	$ 174	$ **1,507**
Buildings - JEPP	-	-	5	**5**
Training site	894	-	119	**1,013**
Training site - JEPP	28	-	17	**45**
Equipment	1,146	-	142	**1,288**
Equipment - JEPP	433	-	82	**515**
Fire engines	781	-	63	**844**
Other vehicles	254	6	59	**307**
Other vehicles - JEPP	30	-	23	**53**
Air compressors	253	-	37	**290**
Furniture	63	-	2	**65**
Computers	237	-	37	**274**
Computers - JEPP	9	-	1	**10**
Total Amortization	$ 5,461	$ 6	$ 761	$ **6,216**
Net Capital Assets	$ 5,464			$ **6,129**

7. Severance Liability

Effective April 1, 1998, the Office of the Fire Commissioner began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining life of the related employee group.

An actuarial report was completed for the severance pay liability as at March 31, 2005. The report provides a formula to update the liability on an annual basis. The Office of the Fire Commissioner's actuarially determined net liability for accounting purposes as at March 31, 2008 is $393 (2007 - $388).

8. Contributed Capital

In consideration of the transfer of said assets effective April 1, 1996, the SOAFA shall:

a) not incur or repay to the Government of Manitoba any debt relative to the assets as described in the balance sheet prepared as of March 31, 1996 and verified by the Department of Finance; and

b) record the balance of $11,038 (being the balance of the net assets as described in the balance sheet prepared as of March 31, 1996 and verified by the Department of Finance) as Manitoba's equity in the Financing Authority as related to the Agency's operations.

Due to a change in accounting policy, buildings were being amortized over 40 years as opposed to 30 years. This has resulted in a revaluation of buildings as at April 1, 1996. The value of buildings and contributed equity has increased $241 as at April 1, 1996 to $11,279.

9. New Search and Rescue (SAR) Initiative (NIF)

On a quarterly basis, the Office of the Fire Commissioner applies for a grant from the National Search and Rescue Secretariat of the Department of National Defence. The purpose of this grant is to enhance Manitoba search and rescue capabilities by developing the volunteer search and rescue system aimed at northern and remote areas of Manitoba.

The New SAR Initiative (NIF) Grant line item reflects the grant received for the year ended March 31, 2008 of $- ($30 in 2007).

10. Joint Emergency Preparedness Program (JEPP) Grant

The Office of the Fire Commissioner applies for grants from the Office of Critical Infrastructure Protection and Emergency Preparedness. The two purposes of these grants are to enhance the Province of Manitoba's ability to respond to hazardous material and heavy urban search and rescue emergency responses through the provision of equipment and training.

JEPP operating grant revenue for the year ended March 31, 2008 is $404 ($81 in 2007). An amount of $129 was taken into revenue from the deferred revenue account for the amortization of the JEPP assets for the year ended March 31, 2008 ($108 in 2007).

JEPP capital assets in the amount of $236 have been purchased in the year ended March 31, 2008 ($81 in 2007). JEPP deferred revenue is equal to the net book value of assets purchased with JEPP capital grants. JEPP deferred revenue as at March 31, 2008 is $626 ($519 in 2007).

11. Water Bomber Reserve Fund

The Agency received approval from Treasury Board in Fiscal 2005 to establish a special reserve fund for water bomber fire suppression activities. This fund is capped at an amount of $200 and will be utilized to cover the costs associated with water bomber deployment for non-forest fire incidents occurring on Rural Municipality property. As at March 31, 2008, the agency has allocated a total of $200 to this fund from its Retained Earnings account.

12. Canine Training Reserve Fund

The Agency established a special reserve fund for replacing and training a rescue dog. The total cost to train a dog is estimated at $40 and the average time a dog spends in service is six years. In March 2007, the Agency allocated $25 to this fund from its retained earnings. An allocation of $7.5 has been made to the fund this year and a final allocation of $7.5 will be made next year to cap the fund at $40. In the year after the fund is capped, an annual allowance will be included in the Agency's operating budget. Once this fund has been used it will be discontinued.

(In Thousands)

13. Commitments and Contingencies

The Office of the Fire Commissioner as tenant has entered into a Lease Agreement with the City of Brandon as Landlord for the land upon which the practical training facility has been constructed. The term of the lease expires May 31, 2012. Minimum annual rent is $11 due in equal monthly instalments, plus all operating costs with respect to the subject land.

Office equipment leases exist for four copy machines. The longest lease expires November 30, 2008.

The Office of the Fire Commissioner has entered into leases on a fleet of 34 vehicles.

These three categories of leases give rise to commitments as follows:

2009	$	185
2010		131
2011		107
2012		70
2013		47

14. Pension Benefits

Employees of the Office of the Fire Commissioner are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act, administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Office of the Fire Commissioner, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba the Office of the Fire Commissioner transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Office of the Fire Commissioner was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $191 ($174 in 2007). Under this agreement, the Office of the Fire Commissioner has no further pension liability.

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of Organization and Staff Development and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available to May 21, 2008.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The responsibility of the Auditor General is to express an independent opinion on whether the financial statements of Organization and Staff Development are fairly represented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Organization and Staff Development

Anna Beauchamp, Director
May 21, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To Organization and Staff Development
To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Organization and Staff Development, an Agency of The Special Operating Agencies Financing Authority as at March 31, 2008, and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008, and results of its operations and changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 21, 2008

ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY

Balance Sheet

March 31	2008	2007
	(000's)	
Assets		
Current Assets		
Cash and bank (Note 3)	$ 39	$ 12
Short-term investments - Province of Manitoba	640	526
Accounts receivable	181	244
Receivable from Province of Manitoba (Note 4)	39	-
Inventories	14	16
	913	798
Receivable from Province of Manitoba (Note 4)	-	39
Capital assets (Note 5)	36	39
	$ 949	$ 876
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 119	$ 99
Severance liability (Note 6)	52	47
	171	146
Equity		
Retained earnings	778	730
	$ 949	$ 876

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

ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
Statement of Operations and Retained Earnings

For the year ended March 31

(000's)

	2008 Actual	2007 Actual	Variance	Budget	Variance
Revenue					
Training and consulting	$ 1,564	$ 1,877	$ (313)	$ 1,400	$ 164
Interest	23	19	4	8	15
	1,587	1,896	(309)	1,408	179
Expenses					
Professional fees	659	659	-	559	100
Salaries and benefits	559	500	59	568	(9)
Books and course materials	64	139	(75)	64	-
Food and beverages	56	84	(28)	55	1
Accommodations	52	81	(29)	50	2
Occupancy costs	29	26	3	29	-
Office supplies	24	20	4	15	9
Desk top management	22	19	3	19	3
Travel	19	32	(13)	30	(11)
Marketing	15	4	11	5	10
Communications	14	24	(10)	20	(6)
Rentals	8	20	(12)	15	(7)
Professional development	7	9	(2)	10	(3)
Amortization	7	5	2	4	3
Other	4	5	(1)	5	(1)
Great Plains Support	-	-	-	1	(1)
	1,539	1,627	(88)	1,449	90
Net income and comprehensive income for the year	48	269	$ (221)	$ (41)	$ 89
Retained earnings, beginning of year	730	461			
Retained earnings, end of year	$ 778	$ 730			

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

ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY

Statement of Cash Flows

For the year ended March 31	2008	2007
	(000's)	
Cash Flows from Operating Activities		
Net income for the year	$ 48	$ 269
Adjustment for		
Amortization of capital assets	7	5
	55	274
Changes in non-cash working capital balances		
Accounts receivable	63	(175)
Inventories	2	(11)
Accounts payable and accrued liabilities	20	(120)
Severance liability	5	(28)
	90	(334)
	145	(60)
Cash Flows from Investing Activities		
Purchase of capital assets	(4)	(35)
Increase (decrease) in cash and cash equivalents	141	(95)
Cash and cash equivalents, beginning of year	538	633
Cash and cash equivalents, end of year	$ 679	$ 538
Represented by		
Cash and bank	$ 39	$ 12
Short-term investments	640	526
	$ 679	$ 538

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

ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
Notes to Financial Statements

March 31, 2008

(000's)

1. Nature of Organization

Effective April 1, 1994, Organization and Staff Development of the Civil Service Commission was designated by regulation as a Special Operating Agency under The Special Operating Agencies Financing Authority Act and operates under a charter approved by the Lieutenant Governor in Council. Its mandate is to provide consulting and training services to support the implementation of the government's human resource policies and priorities.

The Agency is financed through the Special Operating Agencies Financing Authority. The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister responsible for the Civil Service Commission assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

Organization and Staff Development continues to be part of the Civil Service Commission under the general direction of the Commissioner and ultimately the policy direction of the Minister responsible for The Civil Service Act.

Organization and Staff Development remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

Organization and Staff Development is economically dependant on the Province of Manitoba. Currently, the Agency derives most of its revenue from the Province of Manitoba and all of its capital financing requirements through the Financing Authority.

2. Significant Accounting Policies

Basis of Reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

New Accounting Policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506 Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Agency has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530 Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Agency has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855 Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity, loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

(000's)

2. Significant Accounting Policies (continued)

The Agency has designated its financial instruments as follows:

Cash and bank and short-term investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable and the receivable from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Account payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Financial Instruments

The Agency's financial instruments consist of cash and bank, short-term investments, accounts receivable, receivable from the Province of Manitoba, and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

Revenue Recognition

Training and consulting revenue is recorded on an accrual basis by specific project.

Use of Estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(000's)

2. Significant Accounting Policies (continued)

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related to the exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Agency's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

In June 2007, the CICA also issued a new standard, CICA 3031: *Inventories*, which replaces Section 3030: Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Agency will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. (For example, it requires that fixed and variable production overheads be systematically allocated to the carrying amount of inventory). The Agency does not expect that the adoption of this new Section will have a material impact on its financial statements.

Inventories

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

Capital Assets

Rates of amortization applied to write off the cost of capital assets over their estimated life are as follows:

Office equipment	20% declining balance
Furniture and fixtures	20% declining balance
Computer equipment	20% straight-line

In the year of acquisition, amortization is calculated at one half of the rate indicated above.

3. Working Capital

The Agency has an authorized line of working capital advances of $120 which was unused and available at March 31, 2008.

(000's)

4. Receivable from Province of Manitoba

The Province of Manitoba has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $33 was completely offset by a receivable from the Province. The receivable from the Province was restated to $39 as a result of the actuarial valuation completed as at March 31, 2000.

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balance related to prior years' funding for severance pay. This payment will be placed in an interest bearing trust account on March 31, 2009 to be held on the Agency's behalf until the cash is required to discharge the related liability. Accordingly, this receivable is classified as current.

5. Capital Assets

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 6	$ 3	$ 3	$ 6	$ 3	$ 3
Furniture and fixtures	50	19	31	46	13	33
Computer equipment	14	12	2	14	11	3
	$ 70	$ 34	$ 36	$ 66	$ 27	$ 39

6. Severance Liability

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2007. The report provides a formula to update the liability on an annual basis. The Organization and Staff Development's actuarially determined net liability for accounting purposes as at March 31, 2008 was $52 ($47 as at March 31, 2007).

7. Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Agency enters into transactions with these entities in the normal course of business.

8. Contingencies

A potential claim has been filed against the Agency for breach of an agreement. In the opinion of management and legal counsel, the amount of the potential loss can not be estimated, and the outcome of the claim is not determinable. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.

9. Pension Benefits

Employees of Organization and Staff Development are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act ("CSSA"), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including Organization and Staff Development, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $16 ($18 in 2007). Under this agreement, the Agency has no further pension liability.

To the Special Operating Agencies Financial Authority:

We have audited the balance sheet of Pineland Forest Nursery, an Agency of the Special Operating Agencies Financial Authority as at March 31, 2008 and the statements of loss and comprehensive income, deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Nursery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Nursery as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Chartered Accountants

Winnipeg, Manitoba

May 23, 2008

500 - 1661 Portage Avenue, Winnipeg, Manitoba, R3J 3T7, Phone: (204) 775-4531, 1-877-500-0795

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Balance Sheet
As at March 31, 2008

	2008 (In thousands)	2007 (In thousands)
Assets		
Current		
Accounts receivable *(Note 3)*	**955**	183
Unbilled revenue	**408**	484
Inventory	**116**	92
Prepaid expenses	**34**	42
Receivable from the Province of Manitoba *(Note 4)*	**187**	-
	1,700	801
Receivable from the Province of Manitoba *(Note 4)*	**-**	187
Property, plant and equipment *(Note 5)*	**1,508**	1,669
	3,208	2,657
Liabilities and Equity		
Current		
Working capital advances *(Note 6)*	**2,212**	1,959
Accounts payable and accruals	**265**	237
Unearned revenue	**342**	-
	2,819	2,196
Severance pay liability *(Note 7)*	**232**	207
	3,051	2,403
Deficit	**(199)**	(102)
Contributed surplus *(Note 9)*	**356**	356
	157	254
	3,208	2,657

Approved on behalf of the Special Operating Agencies Financing Authority

____________________ **Director** ____________________ **Director**

The accompanying notes are an integral part of these financial statements

MNP

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Statement of Loss and Comprehensive Income
For the year ended March 31, 2008

	2008 (In thousands)	2007 (In thousands)
Revenue - Private sector		
Overwinter	914	916
Current	449	336
Seed services	84	110
Tree improvement	7	2
Other	25	10
	1,479	1,374
Revenue - Province of Manitoba		
Overwinter	1,221	1,080
Current	85	112
Seed services	41	26
Tree improvement	-	2
Other	46	-
	1,393	1,220
	2,872	2,594
Operating expenses *(Schedule 1)*	1,116	1,006
General Administrative expenses		
Salaries, wages and benefits	1,535	1,408
Amortization	217	245
Interest - operating loan	101	99
	2,969	2,758
Net loss and Comprehensive Income	(97)	(164)

The accompanying notes are an integral part of these financial statements

Statement of Deficit

For the year ended March 31, 2008

	2008 (In thousands)	2007 (In thousands)
Retained earnings (deficit), beginning of year	(102)	62
Net loss	(97)	(164)
Deficit, end of year	(199)	(102)

The accompanying notes are an integral part of these financial statements

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Statement of Cash Flows
For the year ended March 31, 2008

	2008 *(In thousands)*	2007 *(In thousands)*
Cash provided by (used for) the following activities		
Operating activities		
Net loss	(97)	(164)
Amortization	217	245
	120	81
Changes in working capital accounts		
Accounts receivable	(772)	156
Unbilled revenue	76	(196)
Inventory	(24)	16
Prepaid expenses	8	6
Accounts payable and accruals	27	100
Severance pay liability	25	23
Unearned revenue	342	-
	(198)	186
Investing activities		
Purchases of property, plant and equipment	(55)	(38)
Increase (decrease) in cash resources	(253)	148
Cash deficiency, beginning of year	(1,959)	(2,107)
Cash deficiency, end of year	(2,212)	(1,959)
Supplementary cash flow information		
Interest paid	101	99

The accompanying notes are an integral part of these financial statements

1. Nature of the organization

In 1953, Pineland Provincial Forestry Nursery was established to meet all the nursery stock requirements of the Province at one location. Prior to 1953 there were several small nurseries located throughout the Province. Effective April 1, 1995, Pineland Forest Nursery was designated as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. c.S185) and operates under a charter approved by the Lieutenant Governor in Council.

A management agreement between the Financing Authority and the Minister of Conservation assigns responsibility to the Nursery to manage and account for the agency related assets and operations on behalf of the Financing Authority. Pineland Forest Nursery continues to be part of Manitoba Conservation under the general direction of the Assistant Deputy Minister of Conservation Programs and ultimately the policy direction of the Deputy Minister and the Minister. Pineland Forest Nursery remains bound by relevant legislation and regulations. It is also bound by administrative policy, except where specific exemptions have been provided for in its charter in order to meet business objectives.

2. Significant accounting policies

The financial statements of the Nursery have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

Inventory

Supplies inventory is valued at the lower of cost and replacement cost.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Greenhouses, coldframes, freezers, holding area, minor service buildings, major pump-house, major service buildings, propane conversion	10%
Equipment	20-30%

Amortization on current year additions is pro-rated based on the length of time in use in the current year.

Revenue recognition

Revenue is recognized on a percentage of completion basis. Any excess of revenue recorded on a percentage of completion basis over amounts billed is recorded as unbilled revenue. Any excess of amounts billed over revenue recorded on a percentage of completion basis is recorded as unearned revenue.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

2. Significant accounting policies *(Continued from previous page)*

Accrued vacation entitlement

The Nursery follows the policy of the Department of Finance to recognize the vacation entitlement liability accumulated to March 31, 1995. The liability at this date is offset by a receivable from the Province and was $99,000 as at March 31, 1995. Any subsequent changes to the entitlement are reflected as a current year expense to the Nursery. The accrued vacation entitlement was $128,000 as of March 31, 2008 (2007 - $110,000) and is included in accounts payable and accruals.

Financial instruments

The Nursery's financial instruments consist of accounts receivable, working capital advances and accounts payable and accruals.

Unless otherwise noted, it is managment's opinion that the entity is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, accounts payable and accruals approximates their carrying values due to their short-term maturity.

2. **Significant accounting policies** *(Continued from previous page)*

New Accounting Policies

Effective April 1, 2007 the Nursery adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the entities financial statemnts for the year ended March 31, 2008.

Section 1530, Comprehensive Income
Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The entity has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008 and did not identify any components of comprehensive income on adoption of this standard.

Section 3855, Financial Instruments - Recognition and Measurement
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Nursery is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other ocmprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Nursery has designated its financial instruments as follows:

Working capital advances are classified as a financial liability held for trading and is measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of this financial liability, the carrying value approximates its fair value.

Accounts receivable is classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accruals are classified as other financial liabilities. These financial liabilites are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on Pineland's financial statements for the year ended March 31, 2008.

Donated materials and services

Donated materials and services are recorded in the accounts at their fair value. Fair value is based on the amounts that would be paid if these materials and services were purchased in the normal course of business. No amount has been included in cases when fair value could not be reasonably estimated.

3. Accounts receivable

	2008 (In thousands)	2007 (In thousands)
Trade receivables		
Province of Manitoba	384	56
Other	614	170
	998	226
Allowance for doubtful accounts	(43)	(43)
	955	183

4. Receivable from the Province of Manitoba

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severence pay and vacation pay liabilities. These payments will be placed in an interest bearing trust account on March 31, 2009 to be beld on the Nursery's behalf until the cash is required to discharge the related liabilities. Accordingly, these receivables are classified as current for fiscal 2008 (non-current for fiscal 2007).

5. Property, plant and equipment

			2008 (In thousands)	2007 (In thousands)
	Cost	Accumulated amortization	Net book value	Net book value
Buildings	3,950	2,721	1,229	1,366
Equipment	1,724	1,445	279	303
	5,674	4,166	1,508	1,669

6. Working capital advances

The Financing Authority has provided the Nursery with an authorized line of working capital of $3,000,000 of which $2,212,000 was advanced at March 31, 2008 (2007 - $1,959,000).

7. Severance pay liability

Effective April 1, 1998, the Nursery began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because changes in actuarial assumptions used. The resulting actual gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an accrual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2006 was $185,000. The expected liability on an accrual basis is $232,000 at March 31, 2008. Commencing in the 2006 fiscal year the actuarial loss of $58,000 is being amortized over the 15 year expected average remaining service life of the employee group.

8. Pension benefits

Employees of the Nursery are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act (CSSA), administered by the Civil Service Supperannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Nursery transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $59,000 (2007 - $55,000). Under this agreement, the Nursery has no further pension liability.

9. Contributed surplus

The Special Operating Agencies Financing Authority and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from the Province to the Financing Authority of inventory and capital assets values at $712,000 required for the continuing operations of Pineland Forest Nursery as at March 31, 1995. The Nursery was responsible to repay the Special Operating Agencies Financing Authority the debt portion, in the amount of $356,000 (being half of the value of the assets) and to record the remainder as the Province's equity in the Financing Authority as related to the Nursery's operations. The debt portion was fully repaid during the 2005 fiscal year.

10. Economic dependence

The Nursery is economically dependent on the Province of Manitoba, because it derives a significant portion of its revenue from the Province and all of its financing requirements through the Financing Authority.

11. Financial instruments

The Nursery as part of its operations carries a number of financial instruments. It is management's opinion that the Nursery is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject the Nursery to concentrations of credit risk consist primarily of trade accounts receivable. Nursery revenue are concentrated in the forestry sector; however, credit exposure is limited due to the Nursery's large customer base.

	2008 (In thousands)	2007 (In thousands)
Operating Expenses		
Supplies	**280**	260
Natural gas and hydro	**346**	329
Repairs and maintenance	**187**	119
Property taxes and insurance	**90**	97
Office	**62**	65
Departmental services and professional fees	**59**	55
Freight	**50**	43
Marketing	**17**	14
Travel	**25**	24
	1,116	1,006

Pursuant to the disclosure required by The Public Sector Compensation Disclosure Act, no remuneration was paid to the Advisory Board members. During the fiscal year ended March 31, 2008, the following employees received compensation of $50,000 or more:

Employee	Title	Compensation
Trevor Stanley	General Manager	$ 86,000
David Flight	Manager	54,000
Richard Lepage	Manager	52,000
David Turchyn	Manager	55,000
Jacob Teichroeb	Manager	51,000

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Auditors' Report

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of **THE PROPERTY REGISTRY**, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008 and the statements of income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 8, 2008

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Balance Sheet
(in thousands)

March 31		2008		2007
Assets				
Current Assets				
Cash and short-term investments	$	**12,469**	$	11,541
Customer deposits		**1,404**		1,343
Accounts receivable (Note 4)		**509**		313
Prepaid expense		**76**		76
Receivable from the Province of Manitoba (Note 3)		**1,602**		-
		16,060		13,273
Receivable from the Province of Manitoba (Note 3)		**-**		1,602
Capital assets (Note 5)		**844**		1,020
	$	**16,904**	$	15,895
Liabilities and Equity				
Current Liabilities				
Accounts payable and accrued expenses	$	**1,127**	$	1,211
Deferred revenue		**1,404**		1,346
Land titles assurance fund (Note 7)		**93**		24
		2,624		2,581
Severance pay liability (Note 8)		**1,519**		1,448
		4,143		4,029
Commitments (Note 10)				
Retained earnings		**12,761**		11,866
	$	**16,904**	$	15,895

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Income, Comprehensive Income and Retained Earnings
(in thousands)

For the year ended March 31	2008	2007
Revenue		
Land transfer tax (Note 9)	$ **44,754**	$ 38,199
Fee revenue - Land Titles	**16,197**	16,178
- Personal Property Registry	**6,195**	5,992
Cost recoveries and fee waiver (Note 2)	**553**	551
Interest income	**385**	399
	68,084	61,319
Less: Tax revenues transferred to Province	**(44,754)**	(38,199)
	23,330	23,120
Expenses		
Salaries and employee benefits	**8,450**	8,383
Operating expenses (per schedule)	**3,732**	3,930
Amortization	**287**	281
Contributed services	**251**	228
Relocation costs	**-**	389
	12,720	13,211
Net income (loss) and comprehensive income for the year	$ **10,610**	$ 9,909
Retained earnings, beginning of year	$ **11,866**	$ 10,957
Net income (loss) and comprehensive income for the year	**10,610**	9,909
Net income (loss) paid to the Province of Manitoba	**(9,715)**	(9,000)
Retained earnings, end of year	$ **12,761**	$ 11,866

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flows
(in thousands)

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Net income for the year	$ **10,610**	$ 9,909
Adjustment for amortization	**287**	281
	10,897	10,190
Changes in non-cash working capital		
Customer deposits	**(61)**	(81)
Accounts receivable	**(196)**	180
Prepaid expenses	**-**	5
Accounts payable	**(84)**	286
Deferred revenue	**58**	76
Land titles assurance fund deposits	**69**	-
Severance payable	**71**	50
	(143)	516
	10,754	10,706
Cash Flows from Investing Activities		
Capital assets	**(111)**	(669)
Cash Flows from Financing Activities		
Net earnings paid to the Province of Manitoba	**(9,715)**	(9,000)
Net increase in cash and cash equivalents	**928**	1,037
Cash and cash equivalents, beginning of year	**11,541**	10,504
Cash and cash equivalents, end of year	$ **12,469**	$ 11,541

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

1. Nature of Organization

Effective April 1, 1997, the Lieutenant Governor in Council designated The Property Registry as a Special Operating Agency under The Special Operating Agencies Financing Authority Act. The order also directed the Special Operating Agencies Financing Authority (SOAFA) and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Agency at that time, to enter into a management agreement with respect to The Property Registry. The Property Registry was established to operate the Land Titles and Personal Property Registry offices on a self-sustaining financial basis while providing a standard of service that will meet the needs of its clients.

The Property Registry is part of the Department of Finance under the general direction of the Assistant Deputy Minister for Consumer and Corporate Affairs, who is also Chairperson of The Property Registry's Advisory Board. The Property Registry remains bound by relevant legislation, regulation and administrative policy as specified in its operating charter.

The Property Registry's financial contribution to the Province of Manitoba is included in the Manitoba Estimates of Revenue and Expenditure – Special Operating Agencies.

2. Significant Accounting Policies

Basis of Reporting

The financial statements of the Agency have been prepared in accordance with Canadian generally accepted accounting principles.

Cash and Cash Equivalents

Cash and cash equivalents included cash on hand, balances with banks and short term deposits with original maturities of three months or less.

2. Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at cost and amortization is computed using the straight-line method based on remaining estimated useful lives, after allowance for salvage value, where applicable as follows:

Computer system	20% (10% in year of acquisition)
Office equipment	20%
Leasehold improvements	10%
Equipment under capital lease	20%

In the year of acquisition, amortization is calculated at one-half the rate indicated.

Revenue Recognition

Revenue is recognized when the services have been performed. Investment income is recognized in the year it is received or receivable.

Cost Recoveries and Fee Wavier

Included in revenues are recoveries of costs or fees for services provided to other provincial government offices where no statutory provision precludes cost recovery.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates as additional information becomes available in the future.

2. Significant Accounting Policies (continued)

New Accounting Policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Agency has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Agency is required to designate its financial instruments into one the following five categories: held for trading; available for sale; held to maturity; loans and receivable; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

2. Significant Accounting Policies (continued)

The Agency has designated its financial instruments as follows:

Cash and short-term investments and customer deposits are classified as financial assets held for trading and are measured at fair value and gains and losses recognized in net earnings. These financial assets are recorded at values that approximate their fair values.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest method.

The adoption of this revised standard had no material impact on the entity's financial statements for the year ended March 31, 2008.

Financial Instruments

The Agency's financial instruments consist of cash and short-term investments, customer deposits, accounts receivable, accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the entity is not exposed to significant interest, currency or credit risk arising from these financial instruments.

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

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*, which enhances the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks:

The CICA has also issued a new standard, *CICA 1535: Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

(in thousands)

3. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to creation of the Special Operating Agency on April 1, 1997. It also includes severance pay benefits earned by the Agency employees to March 31, 1998. The balance is comprised of:

	2008	2007
Vacation entitlements	$ **526**	$ 526
Severance pay benefits	**1,076**	1,076
	$ **1,602**	$ 1,602

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severance pay and vacation pay liabilities. These payments will be placed in an interest bearing trust account on March 31, 2009 to be held on The Property Registry's behalf until the cash is required to discharge the related liabilities. Accordingly, these receivables are classified as current.

4. Accounts Receivable

The following items are included in accounts receivable:

	2008	2007
Trade receivables	$ **415**	$ 227
Receivable from government and departments	**94**	86
	$ **509**	$ 313

(In thousands)

5. Capital Assets

	2008 Cost	2008 Accumulated Amortization	2007 Cost	2007 Accumulated Amortization
Computer system	$ 664	$ 437	$ 641	$ 350
Office equipment	1,242	843	1,193	680
Leasehold improvements	554	336	514	298
Equipment under capital lease	70	70	70	70
	$ 2,530	$ 1,686	$ 2,418	$ 1,398
Cost less accumulated amortization		$ 844		$ 1,020

6. Working Capital Advances

The Property Registry has an authorized line of working capital advance of $1,000 that was not utilized as of March 31, 2008 (Nil in 2007).

7. Land Titles Assurance Fund

Claims for loss as provided for in *The Real Property Act* are paid from this fund. The Agency's Land Titles Branch is responsible for the collection of deposits and the defence against claims on this fund. Claims in excess of the fund balance are paid out of the Consolidated Revenue Fund of the Province of Manitoba.

8. Severance Pay Liability

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2006. The report provides a formula to update the liability on an annual basis. The Property Registry's actuarially determined net liability for accounting purposes as at March 31, 2008 was $1,519 ($1,448 in 2007). Commencing in the 2007 fiscal year, the actuarial loss of $40 is being amortized over the 15 year expected average remaining service life of the employee group.

9. Land Transfer Tax

Land transfer tax is administered and collected by The Property Registry. Tax collected less refunds issued is remitted to the Consolidated Revenue Fund of the Province of Manitoba. Adjustments and refunds of land transfer tax are paid out of the Department of Finance under the advice of the Registrar General.

(in thousands)

10. Commitments

The Agency has entered into a Memorandum of Understanding with Manitoba Infrastructure and Transportation (MIT) to lease it premises. The accommodation charges are established annually by MIT, and are based on its approved budget.

The Agency has also entered into agreements to lease equipment. These agreements carry various terms and conditions.

The estimated minimum lease payments for the premises and equipment in aggregate for each of the next five years are as follows:

	Premises	Equipment	Total
2009	$ 968	$ 89	$ 1,057
2010	997	89	1,086
2011	1,027	89	1,116
2012	1,058	89	1,147
2013	1,090	89	1,179
Total minimum lease payments	$ 5,140	$ 445	$ 5,585

11. Pension Benefits

Employees of The Property Registry are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including The Property Registry, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, The Property Registry transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, The Property Registry was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $326 ($331 in 2007). Under this agreement, the Agency has no further pension liability.

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Schedule of Operating Expenses
(in thousands)

March 31		2008		2007
Better Systems Initiative	$	**1,176**	$	1,223
Computer processing		**341**		365
Department services		**68**		68
Desktop services		**406**		428
Equipment lease		**85**		84
Interest and bank charges		**32**		30
Occupancy cost		**839**		763
Office supplies		**162**		155
Postage and delivery		**109**		114
Professional fees		**46**		79
Publications and subscriptions		**22**		21
Records preservation project		**64**		185
Repairs and maintenance		**48**		68
Software licensing		**26**		4
Special surveys		**24**		19
Sundry		**12**		30
Survey remonumentation program		**118**		150
Telephone		**79**		75
Training and staff development		**63**		57
Travel		**12**		12
	$	**3,732**	$	3,930

Public Trustee of Manitoba

155 Carlton St, Suite 500
Winnipeg, MB R3C 5R9
CANADA

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 23, 2008. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of The Public Trustee are properly safeguarded.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Public Trustee has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

Joanna K. Knowlton
Public Trustee

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba,
To the Public Trustee of Manitoba, and
To the Special Operating Agencies Financing Authority

We have audited the balance sheet of The Public Trustee of Manitoba, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008, and the statements of income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Public Trustee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 23, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
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PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2008

ASSETS

	2008	2007
Current		
Cash	$ 91	$ 139
Accounts receivable (Note 3)	751	856
Prepaid expenses	4	3
Short-term investments with Minister of Finance	1,420	1,360
Receivable from Province of Manitoba (Note 4)	515	
	2,781	2,358
Receivable from Province of Manitoba (Note 4)		515
Capital Assets (Note 5)	139	144
	$ 2,920	$ 3,017

LIABILITIES

	2008	2007
Current		
Accounts payable and accrued liabilities (Note 6)	$ 480	$ 423
Severance pay benefits (Note 15)	424	468
	904	891

EQUITY

	2008	2007
Revenue stabilization reserve (Note 14)	500	500
Retained earnings	1,516	1,626
	2,016	2,126
	$ 2,920	$ 3,017

PUBLIC TRUSTEE OF MANITOBA

(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS
(In Thousands)
YEAR ENDED MARCH 31, 2008

	2008	2007
Revenue		
Fees (Note 8)	$ 5,174	$ 5,186
Interest	68	71
Other	87	101
	5,329	5,358
Expenses		
Amortization of capital assets	37	35
Accommodation costs (Note 10)	356	356
Other administration expenses (Note 9)	884	876
Salaries and benefits	4,023	4,019
Pension benefits (Note 16)	139	142
	5,439	5,428
Net Income (Loss) and comprehensive Income (Loss)	(110)	(70)
Retained earnings, beginning of year	1,626	1,696
Retained earnings, end of year	$ 1,516	$ 1,626

PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2008

	2008	2007
Cash derived from (applied to)		
Operating		
Net income and comprehensive income	$ (110)	$ (70)
Items not involving cash		
Amortization of capital assets	37	35
	(73)	(35)
Change in		
Accounts receivable	105	(57)
Prepaid expenses	(1)	2
Accounts payable and accrued liabilities	57	11
	88	(79)
Investing		
Acquisition of capital assets	(32)	(47)
Financing		
Severance pay benefits	(44)	(6)
Net increase in cash and cash equivalents	12	(132)
Cash and cash equivalents		
Beginning of year	1,499	1,631
End of year	$ 1,511	$ 1,499
Cash and cash equivalents consist of:		
Cash	$ 91	$ 139
Short-term investments with Minister of Finance	1,420	1,360
	$ 1,511	$ 1,499

PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2008

1. Nature of organization

The Public Trustee protects the interests of Manitobans by providing trust, legal, financial and personal services on a last resort basis to people who are mentally incompetent, under the age of majority, or whose estates would otherwise be unadministered upon their death.

Effective April 1, 1996, The Public Trustee was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Public Trustee is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Public Trustee operations. It finances The Public Trustee through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigorous planning and reporting requirements afforded by Special Operating Agency status, assists The Public Trustee to sustain the provision of high quality service to her clients.

A Management Agreement between SOAFA and the Minister of Justice assigns responsibility to The Public Trustee to manage and account for Public Trustee related assets and operations on behalf of SOAFA.

The Public Trustee continues to be part of Manitoba Justice. The Public Trustee is a corporation sole with perpetual succession. As a corporate entity, The Public Trustee functions separately from government and is capable of suing or being sued on behalf of the clients, trusts and estates which are administered by her.

The Public Trustee remains bound by relevant legislation and regulations. The Public Trustee is also bound by administrative policy except where specific exemptions have been provided for in her charter in order to meet business objectives.

2. Significant accounting policies

a) Basis of reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

b) New Accounting Policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Agency has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Agency has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2008

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair valued with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and short term investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable and receivable from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

c) Revenue recognition

i. Administration fees are charged to client accounts quarterly based on the anniversary date of the account in accordance with provisions of *The Public Trustee Act*. The fees revenue recognized in a year consists of all fees charged, accruals and adjustments made to accounts.

ii. Other fees are recognized as revenue when charged to an account and could be subject to adjustment on closing.

iii. Statutory fees are recognized as revenue when received.

d) Capital assets

Capital assets are recorded at cost and are amortized annually at the following rates and methods:

Furnishings and equipment	-	20%, declining balance
Computer equipment and software	-	20%, straight-line, 10% in year of acquisition, software purchases less than $1 are expensed in year of acquisition
Leasehold improvements	-	20%, straight-line

e) Financial instruments

The Agency's financial instruments consist of cash, accounts receivable, investments, and accounts payable. It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

f) Use of estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

g) Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535; *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2008

3. Accounts receivable

	2008	2007
Fees receivable	$ 767	$ 827
Allowance for doubtful accounts	(33)	(35)
	734	792
Interest receivable	5	8
Miscellaneous receivable	3	41
Advances to client accounts	3	9
Cost recoveries	6	6
	$ 751	$ 856

4. Receivable from Province of Manitoba

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severance pay and vacation pay liabilities. These payments will be placed in an interest bearing trust account on March 31, 2009 to be held on the Public Trustee of Manitoba's behalf until the cash is required to discharge the related liabilities. Accordingly, these receivables are classified as current.

5. Capital Assets

	2008		2007	
	Cost	**Accumulated Amortization**	**Cost**	**Accumulated Amortization**
Furnishings & equipment	$ 308	$ 220	$ 293	$ 199
Computer equipment & software	116	87	109	79
Leasehold Improvements	34	12	25	5
	$ 458	$ 319	$ 427	$ 283
Cost less accumulated amortization		$139		$ 144

PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2008

6. Accounts payable and accrued liabilities

	2008	2007
Operating expenses payable	$ 108	$ 43
Salaries and benefits payable	18	10
Vacation entitlements earned	332	338
GST payable to Canada Revenue Agency	22	32
	$ 480	$ 423

7. Working capital

The Agency has an authorized line of working capital of $1,000 through SOAFA, which was unused and available at March 31, 2008.

8. Fees revenue

	2008	2007
Administration	$ 4,533	$ 4,458
Legal	275	283
Income tax	200	273
Inspection	166	172
	$ 5,174	$ 5,186

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2008

9. Other Administration expenses

	2008	2007
Computer expenses	$ 449	$ 462
Courier charges	5	5
Insurance, loss, damage	40	33
Office supplies	46	55
Other	3	11
Personnel	27	27
Photocopy	10	10
Postage	50	51
Professional fees	75	40
Publications	5	4
Public communications	13	23
Records Centre Charges	19	16
Rentals, equipment	4	3
Repairs and maintenance	9	4
SAP costs	6	7
Support services - Department of Justice	21	21
Telephone	49	50
Travel	53	54
	$ 884	$ 876

10. Commitments

The Public Trustee has an arrangement with the Province of Manitoba, through the Department of Infrastructure and Transportation, for rental of its facilities at 155 Carlton Street in Winnipeg and its facility in the Provincial Building in Brandon. Accommodation costs are estimated to be $363 for the year ended 2008/2009.

11. Related party transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

12. Escheats to the Crown

Escheats to the Crown, received by The Public Trustee during the year and remitted to the Minister of Finance, amounted to $75 (2007 - $41). These amounts are not reflected in these financial statements.

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2008

13. Estates and trusts under administration

The client assets under administration at March 31, 2008 total approximately $192,000 (2007 - $185,000). The trust activities of The Public Trustee are reported in separate Estates and Trusts under Administration financial statements.

14. Revenue stabilization reserve

The Public Trustee has allocated a reserve out of retained earnings to provide for short-term fluctuations in revenue due to changes in revenue patterns or extraordinary expenses.

15. Severance pay benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Public Trustee's actuarially determined net liability for accounting purposes as at March 31, 2008 was $424 (2007 - $468). Commencing in the 2006 fiscal year the actuarial loss of $113 is being amortized over the 15 year expected average remaining service life of the employee group.

16. Pension benefits

Employees of The Public Trustee are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including The Public Trustee, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, The Public Trustee transferred to the Province the pension liability for her employees. Commencing April 1, 2001, The Public Trustee was required to pay to the Province an amount equal to her employees' current pension contributions. The amount paid for 2008 was $139 (2007 - $142). Under this agreement, The Public Trustee has no further pension liability.

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2008

17. Contingent Liabilities

The Public Trustee has identified an issue which may result in liability on the part of the SOA. Certain payments have been made by way of an advance on the anticipated settlement or award. The claim amount can not be reasonably estimated at the year end.

18. Public Sector Compensation Disclosure Act

It is a requirement of *The Public Sector Compensation Disclosure Act* that annual public disclosure be made of individual compensation in an amount exceeding $50 annually to any officer or employee of the Agency. For the year ended March 31, 2008, the following employees received compensation in excess of $50:

Employee	Position	Amount
Bolton, M. Anne Q.C.	Senior Legal Officer	$ 103
Carroll, Jori	Investment Officer	52
Clark, Dwane	Estates Officer 3	53
Darrach, Bruce	Information Technologist 3	71
Fergusson, John	Legal Counsel 3	123
Fredborg, Darren	Estates Officer 3	50
Henderson, Karen	Estates Officer 3	51
Hyman, Brian	Legal Counsel 1	72
Kihn, Shirley	Estates Officer 3	54
Knowlton, Joanna	Senior Legal Officer	126
Kozusko, Norman	Information Technologist 4	78
Lacroix, Paul	Estates Officer 3	54
Leonard, Joan	Clerk 4	56
Matyi, Angele	Estates Officer 3	53
Mosley, James	Estates Officer 3	54
Regier, Barbara	Estates Officer 3	54
Samagalski, Michelle	Estates Officer 4	57
Saper, Michelle	Estates Officer 3	51
Shapiro, Laurie	Estates Officer 4	56
Sohor, Richard	Finance Officer 6	71
Taylor, Jana	Legal Counsel 2	83
Tessier, Rachelle	Estates Officer 4	59
Winning, Marla	Estates Officer 4	59

BULAT & POUSTIE
CHARTERED ACCOUNTANTS

1700 Ness Avenue
Winnipeg, Manitoba R3J 3Y1
Telephone: (204) 831-1700
Fax: (204) 831-7812

AUDITORS' REPORT

TO THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY

We have audited the balance sheet of **Vital Statistics Agency**, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at **March 31, 2008** and the statements of earnings and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion. these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BULAT & POUSTIE

Bulat & Poustie

Winnipeg, Manitoba
May 16, 2008

CHARTERED ACCOUNTANTS

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)
AS AT MARCH 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash and short term deposits, notes 5 and 13	$ 1,326	$ 1,152
Accounts receivable, note 6	134	463
Receivable from Province of Manitoba, note 7	94	-
Inventory, note 2	96	45
Prepaid expenses	42	17
	1,692	1,677
RECEIVABLE FROM PROVINCE OF MANITOBA, note 7	-	94
CAPITAL ASSETS, notes 2 and 8	1,261	563
	$ 2,953	$ 2,334
LIABILITIES		
CURRENT		
Accounts payable and accrued	$ 297	$ 65
Deferred revenue, notes 2 and 9	590	523
Accrued unused vacation entitlements	140	136
	1,027	724
SEVERANCE PAY LIABILITY, note 11	163	176
	1,190	900
COMMITMENTS, note 12		
EQUITY		
RETAINED EARNINGS	1,763	1,434
	$ 2,953	$ 2,334

The accompanying notes are an integral part of the financial statements

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME
(in thousands)

FOR THE YEAR ENDED MARCH 31, 2008		2008		2007
REVENUE				
Net sales	$	3,441	$	3,203
Proceeds from government departments		197		129
Interest		56		26
		3,694		3,358
EXPENSES				
Salaries and employee benefits		1,866		1,708
Operating expenses, Schedule 1		1,009		933
Amortization		210		171
		3,085		2,812
NET EARNINGS AND COMPREHENSIVE INCOME FOR THE YEAR	$	609	$	546

The accompanying notes are an integral part of the financial statements

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF RETAINED EARNINGS
(in thousands)

FOR THE YEAR ENDED MARCH 31, 2008	2008	2007
RETAINED EARNINGS, BEGINNING OF YEAR	**$ 1,434**	$ 1,068
Net earnings and comprehensive income for the year	**609**	546
	2,043	1,614
Revenue sharing payment to Province of Manitoba	**280**	180
RETAINED EARNINGS, END OF YEAR	**$ 1,763**	$ 1,434

The accompanying notes are an integral part of the financial statements

STATEMENT OF CASH FLOWS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings and comprehensive income for the year	$ 609	$ 546
Adjustments for		
Amortization	210	171
Severance pay expenses	36	25
	855	742
Changes in the following:		
Accounts receivable	329	(398)
Inventory	(51)	6
Prepaid expenses	(25)	-
Accounts payable	232	(52)
Deferred revenue	67	416
Accrued unused vacation entitlements	4	(13)
	1,411	701
CASH FLOWS FROM FINANCING ACTIVITIES		
Revenue sharing payment to Province of Manitoba	(280)	(180)
Severance pay payments	(49)	(58)
	(329)	(238)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(908)	(60)
INCREASE IN CASH AND SHORT TERM DEPOSITS	174	403
CASH AND SHORT TERM DEPOSITS, BEGINNING OF YEAR	1,152	749
CASH AND SHORT TERM DEPOSITS, END OF YEAR	$ 1,326	$ 1,152
Supplementary information:		
Interest received	$ 55	$ 23

The accompanying notes are an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

1. ENTITY DEFINITION

Effective April 1, 1994, the Lieutenant Governor in Council designated the Vital Statistics Agency (the "Agency") as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. cS185) by Order in Council 232/1994. The Order also gave approval to the Special Operating Agencies Financing Authority (SOAFA) and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Agency at that time, to enter into a Management Agreement with respect to the Agency.

A Management Agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to the Agency in delivering regulated services to clients through administration of three major Acts; The Vital Statistics Act, The Change of Name Act, and The Marriage Act. The Agency also handles disinterment's under the Public Health Act. The ownership of the vital events records is excluded from this agreement, as their ownership is considered Crown property and should not be alienated from Government protection in the the public interest.

The Agency is part of Manitoba Consumer and Corporate Affairs Division in the Department of Finance under the general direction of the Minister of Finance, the Deputy Minister and Assistant Deputy Minister who is also Chairperson of Vital Statistics Advisory Board.

The Agency remains bound by relevant legislation and regulation. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are in accordance with Canadian generally accepted accounting principles and reflect the following policies:

Inventory

Inventory of certificates and pre-printed forms are valued at cost. Cost is generally determined on a first-in, first-out method.

Capital Assets

Capital assets are recorded at cost. Amortization is provided for as follows:

	Rate	Method
Data conversion	20 %	Declining balance
Furniture and fixtures	20 %	Straight line
Information system	20 %	Declining balance
Leasehold improvements	20 %	Straight line
National Routing System - computer equipment and software	20 %	Declining balance
Office equipment	20 %	Straight line
Security equipment	20 %	Straight line

Deferred Revenue and Revenue Recognition

The Agency receives cash payments at the time various certificates are ordered and the cash payments are reflected as deferred revenue. Revenue is recognized at the time the service is completed and the certificate is issued.

Significant Accounting Policies - continued

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising from translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedge instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the entity has no items related to other comprehensive income, comprehensive income is equivalent to net earnings for the year.

Section 3855, Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and term deposits are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. These financial assets are recorded at values that approximate their fair values.

Accounts receivable and receivable from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Significant Accounting Policies - continued

Financial Instruments

Fair market value

Financial instruments of the Agency consist mainly of cash and short term deposits, accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to their short-term maturity.

Interest, currency and credit risk

Interest risk is the risk to the Agency's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Agency does not use derivative instruments to reduce its exposure to interest risk. The Agency is exposed, in its normal course of business, to credit risk from its customers. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Measurement Uncertainty

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. Actual amounts could differ from these estimates.

3. FUTURE ACCOUNTING POLICY CHANGES

Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation

The CICA has issued two new standards, CICA 3862, Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

Section 1535, Capital Disclosures

The CICA has also issued a new standard, CICA 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

Future Accounting Policy Changes - continued

Section 3031, Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030: Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Agency will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. (For example, it requires that fixed and variable production overheads be systematically allocated to the carrying amount of inventory.) The Agency does not expect that the adoption of this new Section will have a material impact on its financial statements.

4. WAIVER OF FEES

The Agency charges no fee for services in exchange for services from the following organizations:

(a) The Manitoba Development Centre, health care facilities, the Chief Medical Examiner's Office (Manitoba Justice), the Manitoba Funeral Association and the Department of Anatomy of the University of Manitoba as they provide services in accordance with The Vital Statistics Act.
(b) Child and Family Services Regional Operations of Manitoba Family Services to act as issuers of Marriage Licences and handling related administrative duties.
(c) Vital Statistics Offices in other jurisdictions through agreements to exchange information between jurisdictions as it relates to one another's residency or birthplace.
(d) Statistics Canada for national tabulation and statistical information. Statistics Canada provides payment for the microdata and microfilm records from the Vital Statistics Agency and provides half of the cost of printing registration forms.
(e) Health and Welfare Canada (Indian and Northern Affairs).

Services provided under the above agreements are valued at $5 for the year ended March 31, 2008 (2007 - $5).

The Agency provides services without compensation to victims of crimes as follows:

In March of 1998, the Ministers of Justice, Consumer and Corporate Affairs, and Highways and Transportation agreed that the fees for replacement documents should be waived. Representatives of Vital Statistics and the Division of Driver and Vehicle Licensing met to coordinate the process so the public would receive the same program from both agencies.

Effective January 1, 1999, members of the public who have had their birth certificate stolen during a criminal act can request replacement certificates and have the fee waived. This does not apply to members of the public who have lost their identification or individuals who are non-residents of Manitoba. Clients are asked to indicate that they are requesting a waiver of fees as a result of a criminal act and to provide police incident number.

Service provided under the above arrangement are valued at $13 for the year ended March 31, 2008 (2007 - $16).

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

5. CASH AND TERM DEPOSITS	2008	2007
Cash on hand and balances in bank	$ 38	$ 115
Term deposits	1,288	1,037
	$ 1,326	$ 1,152

Term deposits interest rates range from 2.35% to 4.05% and maturity dates range from April 1, 2008 to June 26, 2008.

6. ACCOUNTS RECEIVABLE	2008	2007
Trade	$ 80	$ 93
Interest	6	5
Federal government - Statistics Canada	53	371
	139	469
Allowance for doubtful accounts	5	6
	$ 134	$ 463

Federal government - Statistics Canada

The Agency agreed on March 7, 2007 with Statistics Canada to join the National Routing System (NRS) where the Agency is responsible for the procurement, development testing and implementation of the messaging solution to enable secure and timely notification of vital events data between provinces and federal organizations. Funds advanced to the Agency are to be used for the specific purpose of the agreement (Note 9).

7. RECEIVABLE FROM PROVINCE OF MANITOBA

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balance related to prior years' funding for severance pay benefits. These payments will be placed in an interest bearing trust account on March 31, 2009 to be held on the Agency's behalf until the cash is required to discharge the related liability. Accordingly, this receivable is classified as current.

(In thousands)

8. CAPITAL ASSETS

	2008 Cost	2008 Accumulated Amortization	2007 Cost	2007 Accumulated Amortization
Data conversion	$ 1,509	$ 894	$ 1,078	$ 794
Furniture and fixtures	118	111	118	108
Information system	1,220	989	1,177	937
Leasehold improvements	86	84	86	83
National Routing System - Computer equipment and software	402	41	-	-
Office equipment	179	163	179	153
Security equipment	74	45	42	42
	3,588	2,327	2,680	2,117
Net Book Value	$ 1,261		$ 563	

9. DEFERRED REVENUE

	2008	2007
Trade	$ 207	$ 152
Federal government	383	371
	$ 590	$ 523

The deferred revenue from the federal government is a result of funds advanced from Statistics Canada for the NRS project (Note 6). The Agency is matching the amortization of the capital expenditures purchased with these restricted funds. The amount deferred represents the total funds advanced of $424 (2007 - $371) less $41 (2007 - $nil) amortized into income. Total income recognized for the year was $41 (2007 - $nil) and is included in proceeds from government departments on the statement of earnings.

10. PENSION BENEFITS

Employees of the Vital Statistics Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA) administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Vital Statistics Agency, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Vital Statistics Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $60 (2007 - $61). Under this agreement, the Agency has no further pension liability.

11. SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Vital Statistics Agency's actuarially determined net liability for accounting purposes as at March 31, 2008 was $163 (2007 - $176). Commencing in the 2006 fiscal year, the actuarial loss of $37 is being amortized over the 15 year expected average remaining service life of the employee group.

12. COMMITMENTS

The Agency has not entered into a lease agreement with the Province of Manitoba for rental of facilities at 254 Portage Avenue. Occupancy charges for the year ending March 31, 2009 are estimated to be $200 (2008 - $205).

The Agency has entered into an agreement with an unrelated party who is to convert all birth registration forms to a useable electronic format to be imported into its electronic records management system. The Agency has agreed to total payments, inclusive of all fees, costs and expenses and exclusive of applicable taxes to not exceed $696. The Agency has recorded and capitalized $431 which includes $28 of taxes as data conversion costs to March 31, 2008.

The Agency also plans to convert its other registration forms but has not entered into any agreements at the report date.

13. FINANCING ARRANGEMENTS

Working capital advances and long term financing for significant capital purchases are provided to the Agency through the Special Operating Agencies Financing Authority. The Financing Authority has approved a $250 limit for working capital advances for the Agency. The Agency has accessed $42 (2007 - $nil) working capital advances at March 31, 2008 and has netted this amount with cash.

Schedule 1

SCHEDULE OF OPERATING EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
Accommodation	$ 205	$ 193
Advertising	24	35
Bad debts	-	5
Central government charges	68	67
Computer information system	193	194
Office equipment support	24	24
Office supplies	24	18
Other operating expenses	45	46
Printed material supplies	103	73
Professional fees	61	43
Supplies for mechanized systems	18	10
Telecommunications	39	33
Training	6	3
Transportation and freight	199	189
	$ 1,009	$ 933

Schedule 2

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50 per annum. This information follows:

EMPLOYEE	TITLE	COMPENSATION 2008	COMPENSATION 2007
Caroline Kaus	Chief Operating Officer	**$ 108**	$ 88
Susan Boulter	Chief Operating Officer	**90**	-
Edwin Norrington	Manager of Finance, Administration and Marketing	**62**	56
Janet Usher	Assistant Director	**60**	61
Lucy Lutrzykowski	Supervisor Application Processing	**53**	-
Doreen Payette	Processing Clerk	**50**	-
Rudy Gerling	Manager of Finance, Administration and Marketing	**-**	68
Lorraine Turzak	Supervisor Application Processing	**-**	53
Frances Beer	Supervisor Registration Systems	**-**	51
Patricia Dumontet	Registration Clerk	**-**	50
Evelyn Austin	Registration Clerk	**-**	50

KPMG

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AUDITORS' REPORT

To the Board of Directors of Sport Manitoba Inc.

We have audited the statement of financial position of Sport Manitoba Inc. as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 22, 2008

SPORT MANITOBA INC.

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	$ 1,097,772	$ 821,562
Marketable securities [note 2(e)]	104,040	100,000
Accounts receivable	653,161	502,514
Inventories	26,180	27,485
Prepaid expenses and deposits	80,991	110,341
	1,962,144	1,561,902
Capital assets (note 4):		
Furniture, equipment and leasehold improvements	1,053,595	1,021,553
Accumulated amortization	926,973	842,154
	126,622	179,399
	$ 2,088,766	$ 1,741,301
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,042,603	$ 1,015,912
Deferred contributions for expenses of future periods (note 6)	491,092	157,101
	1,533,695	1,173,013
Net assets:		
Unrestricted [note 7(a)]	195,577	190,932
Internally restricted [note 2(d)]:		
Initiatives program	97,957	97,957
Coaching	30,875	–
Princess Royal Pan Am Scholarship endowment [note 2(e)]	104,040	100,000
Invested in capital assets	126,622	179,399
	555,071	568,288
Facility Development Fund trust assets (note 5)		
Commitments (note 7)		
Subsequent event (note 8)		
	$ 2,088,766	$ 1,741,301

See accompanying notes to financial statements.

On behalf of the Board:

_______________________ Director

_______________________ Director

SPORT MANITOBA INC.

Statement of Operations

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Province of Manitoba:		
Program support	$ 10,998,000	$ 10,815,000
Bingo allocation	160,700	138,907
Other grants	100,000	–
Government of Canada support	115,000	–
Other income	308,503	297,225
Bilateral funding:		
Province of Manitoba	230,023	209,831
Federal Government	230,023	209,831
	12,142,249	11,670,794
Expenses:		
Grants:		
Sport groups for sport development	7,443,077	7,109,730
Manitoba Sports Hall of Fame and Museum Incorporated (note 8)	65,000	65,000
Bilateral sport development programs	496,617	503,761
Administration and services provided to sport groups:		
Occupancy	1,729,663	1,689,802
Operating	473,267	603,153
Administration	1,407,361	1,257,863
Member services	1,376,375	1,222,475
Costs recovered from sport groups	(885,798)	(960,463)
Amortization	84,819	86,440
	12,190,381	11,577,761
Excess (deficiency) of revenue over expenses	$ (48,132)	$ 93,033

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Changes in Net Assets

Year ended March 31, 2008, with comparative figures for 2007

	Unrestricted	Internally restricted initiatives program	Internally restricted coaching fund	Princess Royal Pan Am Scholarship endowment	Invested in capital assets	2008 Total	2007 Total
Net assets, beginning of year	$ 190,932	$ 97,957	$ –	$ 100,000	$ 179,399	$ 568,288	$ 475,255
Excess (deficiency) of revenue over expenses	36,687	–	–	–	(84,819)	(48,132)	93,033
Capital assets acquired	(32,042)	–	–	–	32,042	–	–
Change in unrealized gain on endowment investments	–	–	–	4,040	–	4,040	–
Internally imposed restriction	–	–	30,875	–	–	30,875	–
	$ 195,577	$ 97,957	$ 30,875	$ 104,040	$ 126,622	$ 555,071	$ 568,288

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (48,132)	$ 93,033
Items not involving cash:		
Amortization	84,819	86,440
Change in non-cash operating working capital	271,565	(394,027)
	308,252	(214,554)
Financing and investing activities:		
Additions to capital assets	(32,042)	(102,475)
Increase (decrease) in cash	276,210	(317,029)
Cash, beginning of year	821,562	1,138,591
Cash, end of year	$ 1,097,772	$ 821,562

See accompanying notes to financial statements.

1. General:

Sport Manitoba Inc. (the organization) is a not-for-profit organization which has been empowered by the Province of Manitoba to play the lead role in the implementation of the Province's sport policy. The organization's purpose is to lead and support participation and achievement in sport by all Manitobans. The organization is exempt from income taxes and is funded through an agreement with the Province of Manitoba which expires March 31, 2010.

2. Significant accounting policies:

(a) Revenue recognition:

The organization follows the deferral method of accounting for contributions, which include government grants.

Unrestricted contributions and operating grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated.

Externally restricted contributions and grants are recognized as revenue in the year in which the related expenses are recognized.

Endowment contributions are recognized as an increase in net assets when received.

(b) Inventories:

Inventories are valued at the lower of cost and estimated realizable value with cost being determined on the first-in, first-out basis.

(c) Capital assets:

Capital assets are stated at cost. Amortization is recorded on a straight-line basis using the following terms:

Asset	Term
Computers	3 years
Furniture and equipment	5 years
Print shop equipment	15 years

Leasehold improvements are recorded at cost and are amortized on a straight-line basis over the remaining term of the lease.

2. Significant accounting policies (continued):

Any gain or loss on disposal of these assets is charged to operations in the year of disposal.

(d) Internally restricted funds:

The initiatives program represents net assets restricted by the Board of Directors. These net assets are to be used to meet exceptional or one time initiatives and to support Sport Manitoba's pro-active participation in collaborative projects with partners in sport. All expenditures greater than $5,000 must be approved by the Board.

During the year, the organization entered into an agreement with Coaching Manitoba Inc. whereby all assets of Coaching Manitoba Inc. were transferred and all obligations and liabilities were assumed by the organization. In connection with the transfer, $30,875 of net assets were internally restricted by the Board of Directors for coaching initiatives.

(e) Princess Royal Pan Am Scholarship endowment:

The organization received $100,000 to establish the Princess Royal Pan Am Scholarship endowment. The principal cannot be used to fund programs. The investment income earned is used to provide annual scholarships to one male and one female athlete, up to $3,000 each, who are competing in sport at a national or international level and who are enrolled in a post-secondary education program at a Manitoba post-secondary institution. The endowment is recorded at fair value.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(g) Future accounting changes:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures* and Handbook Section 3863 - *Financial Instruments - Presentation.* These new standards apply to the organization effective April 1, 2008.

2. Significant accounting policies (continued):

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The organization is currently assessing the impact that these new standards will have on its financial statements for the year ending March 31, 2009.

3. Change in accounting policy:

The organization adopted the new CICA Handbook Section 3855 - *Financial Instruments - Recognition and Measurement* on April 1, 2007. This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in excess of revenues over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Upon adoption of this new standard, the organization designated cash and marketable securities as held-for-trading; accounts receivable as loans and receivables; and accounts payable and accrued liabilities as other liabilities. The organization has neither available-for-sale nor held-to-maturity instruments.

3. Change in accounting policy (continued):

Except for held-for trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

The adoption of the standard on April 1, 2007 had no material impact on net assets. The impact of Section 3855 for the year ended March 31, 2008 was an increase to marketable securities and the Princess Royal Pan Am Scholarship endowment of $4,040.

4. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Computers	$ 170,562	$ 138,885	$ 31,677	$ 37,411
Furniture and equipment	333,391	323,367	10,024	10,730
Print shop equipment	403,604	318,683	84,921	125,800
Leasehold improvements	146,038	146,038	–	5,458
	$ 1,053,595	$ 926,973	$ 126,622	$ 179,399

5. Facility Development Fund trust assets:

In accordance with the previous funding agreement with the Province of Manitoba, the organization is holding at March 31, 2008 $11,849 (2007 - $11,313) of cash in trust for the Facility Development Fund. The Facility Development Fund is administered by advisory representatives from Sport Manitoba Inc. and the Provincial Government. These assets together with the related obligation, interest income and administrative expenses have not been recorded in these financial statements for financial reporting purposes.

5. Facility Development Fund trust assets (continued):

Facility Development Fund trust assets are comprised of the following:

Initial contribution	$ 4,137,303
Interest earned to date	1,892,360
Administrative expenses paid to date	(292,236)
Projects funded	(5,725,578)
	$ 11,849

The previous Advisory Board approved 102 rural sport facility capital projects under Phase I, II, III and IV of the rural sport facility program which have been fully funded in the amount of $5,725,578.

6. Deferred contributions:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses.

	2008	2007
Balance, beginning of year	$ 157,101	$ 243,325
Contributions received	411,335	485,459
Contributions repaid	(57,925)	(148,350)
Amounts amortized to revenue	(19,419)	(423,333)
Balance, end of year	$ 491,092	$ 157,101

Deferred contributions for expenses of future periods are comprised of the following:

	2008	2007
Sport Legacy Trust (note 10)	$ 41,155	$ –
Western Canada Summer Games, future bids, and costs for storage of equipment	104,837	157,101
2010 Olympics	325,000	–
Manitoba Games	20,100	–
	$ 491,092	$ 157,101

Deferred contributions related to the 2010 Olympics represents funding received from the Province of Manitoba to attract Olympic and Paralympic related sport and training events to Manitoba leading up to the Vancouver 2010 Winter Olympic and Paralympic Games.

7. Commitments:

(a) The organization rents its premises under an operating lease which expires in 2008. The minimum base rental payments in the next fiscal year are $522,786.

On May 15, 2006, the organization received notice from their landlord that its premises lease would not be renewed upon expiry in December 2008. As a result, the organization has commenced a feasibility study to investigate options available for relocation of their Administration Centre. The organization plans to fund the costs of the feasibility study and relocation expenses from unrestricted net assets.

(b) The organization has made a commitment to fund a best ever project for the National Men and Women Volleyball Centre in the amount of $75,000 for the year ending March 31, 2009, subject to the present levels of funding from the Province of Manitoba being maintained.

(c) The organization has an agreement with Canadian Sport Centre Manitoba Inc. to provide funding for the implementation of programs and services in support of the pursuit of excellence by high performance athletes and coaches in Manitoba. The terms of this agreement have committed the organization to provide funding of $190,000 for the year ending March 31, 2009, subject to the present levels of funding from the Province of Manitoba being maintained.

(d) The organization has an agreement with the Manitoba Games Council to provide funding in support of The Manitoba Games summer and winter programs. The terms of the agreement have committed the organization to provide funding of $345,000 to the games annually, subject to present levels of funding from the Province of Manitoba being maintained and the annual approval by the Board of Directors. The term of the agreement will expire March 31, 2010.

8. Manitoba Sports Hall of Fame and Museum Incorporated:

The organization is the sole voting member of the Manitoba Sports Hall of Fame and Museum Incorporated (Hall of Fame), which is a registered charity organized to honour Manitoba athletes. The financial statements of the Hall of Fame have not been consolidated with those of the organization. During the year the organization provided the Hall of Fame with an operating grant of $65,000 (2007 - $65,000).

Subsequent to year end, on April 1, 2008, the Hall of Fame entered into an occupancy and support agreement with the organization where certain services are provided by the organization to the Hall of Fame.

8. Manitoba Sports Hall of Fame and Museum Incorporated (continued):

The following represents the financial position and the results of operations of the Hall of Fame as at March 31:

	2008	2007
Assets	$ 77,918	$ 87,054
Liabilities	$ 78,586	$ 98,151
Net assets	(668)	(11,097)
	$ 77,918	$ 87,054
Revenues	$ 252,240	$ 186,153
Expenses	241,811	191,692
Excess (deficiency) of revenues over expenses	$ 10,429	$ (5,539)

9. Manitoba Foundation for Sports Inc.:

The organization is the sole voting member of the Manitoba Foundation for Sports Inc. (Foundation), which is a registered charity organized for the purpose of furthering the development of amateur athletics in the Province of Manitoba. The financial statements of the Foundation have not been consolidated with those of the organization.

The following represents the financial position and results of operations of the Foundation as at March 31:

	2008	2007
Assets	$ 1,345,662	$ 1,319,966
Liabilities	$ 65,110	$ 83,292
Deferred contributions	394,907	401,391
Unrestricted net assets	80,645	30,283
Pan Am Games Legacy endowment	805,000	805,000
	$ 1,345,662	$ 1,319,966
Revenue	$ 64,753	$ 55,186
Expenses	18,780	17,669
Excess of revenue over expenses	$ 45,973	$ 37,517

9. Manitoba Foundation for Sports Inc. (continued):

The deferred contributions have been restricted by the donors and are not available for distribution for a minimum of ten years from the date of receipt.

During the year, the Foundation provided $15,980 (2007 - $15,000) of scholarship grants to Manitoba athletes.

10. The Sports Legacy Trust:

In accordance with the discretion of the trustees of The Sports Legacy Trust to dissolve the trust, and by resolution unanimously adopted by the trustees, all residual capital of the trust was distributed to the organization. The residual capital of $41,155 has been distributed to the organization as a capital beneficiary under the terms of the trust agreement and is to be used to preserve and/or display Manitoba's sport heritage. The capital has been recorded as a deferred contribution in the financial statements of the organization restricted for future sport heritage expenses.

11. Pension plan:

The organization has a defined contribution pension plan. Pension expense for the year ended March 31, 2008 was $89,101 (2007 - $84,029).

12. Financial instruments:

Fair values:

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short term to maturity.

Credit risk:

The organization is subject to credit risk related to accounts receivable. This risk is alleviated based on the relationship the organization has with the organizations with which the accounts receivable exist.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS
Kenneth B. Eisner, CGA *
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AUDITORS' REPORT

To the Board of Directors of the
Tire Stewardship Board

We have audited the balance sheet of the Tire Stewardship Board as at March 31, 2008 and the statements of net operations, surplus (deficit), and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2008 and the results of its operations and the changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

CERTIFIED GENERAL ACCOUNTANTS

Winnipeg, Manitoba
July 16, 2008

TIRE STEWARDSHIP BOARD

BALANCE SHEET

	March 31 2008	March 31 2007
ASSETS		
CURRENT		
Petty cash	$ 100	$ 100
Cash	99,105	11,758
Accounts receivable	299,338	271,943
Grants receivable	-	122,999
Prepaid expenses	5,874	74,111
	404,417	480,911
EQUIPMENT		
Furniture and equipment (note 3)	1,435	1,962
	$ 405,852	$ 482,873
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 16,459	$ 185,509
Wages payable	-	1,207
	16,459	186,716
EQUITY		
SURPLUS	389,393	296,157
	$ 405,852	$ 482,873

APPROVED ON BEHALF OF THE BOARD:

_______________________________ Director

_______________________________ Director

This is the Balance Sheet referred to in the Auditors' report dated July 16, 2008.
The accompanying notes are an integral part of these financial statements.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

TIRE STEWARDSHIP BOARD

STATEMENT OF NET OPERATIONS

	Year Ended March 31 2008	2007
REVENUE		
Tire levy	$ 2,508,640	$ 2,358,076
Interest	6,768	3,235
Grants	-	544,995
Write-off of loan	-	300,000
	2,515,408	3,206,306
DIRECT EXPENSE		
Collection services	30,000	30,000
Levy commissions	2,426	2,351
Payments to processors	2,158,427	2,474,196
Payments to municipalities	3,616	11,250
	2,194,469	2,517,797
GROSS MARGIN	320,939	688,509
ADMINISTRATIVE EXPENSES		
Amortization	527	573
Automotive	-	5,557
Audit, legal and tax consulting	36,196	12,130
Board	6,902	17,573
Communications/conferences	-	705
Contracted services	42,250	186,030
Equipment leasing	964	944
Goods and services tax	-	12,192
Insurance	10,121	10,338
Interest	60	(6,267)
Office	8,721	13,962
Projects	-	5,961
Rent	11,832	11,146
Salaries and benefits (note 4)	95,022	47,927
Telephone	3,562	3,403
Travel	11,546	11,607
	227,703	333,781
NET OPERATIONS	$ 93,236	$ 354,728

This is the Statement of Net Operations (Deficit) referred to in the Auditors' Report dated July 16, 2008.
The accompanying notes are an integral part of these financial statements.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

TIRE STEWARDSHIP BOARD

STATEMENT OF SURPLUS (DEFICIT)

	Year ended March 31 2008	2007
SURPLUS (DEFICIT) – Beginning of year	$ 296,157	$ (58,571)
NET OPERATIONS	93,236	354,728
SURPLUS – End of year	$ 389,393	$ 296,157

This is the Statement of Surplus referred to in the Auditors' report dated July 16, 2008.
The accompanying notes are an integral part of these financial statements.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

TIRE STEWARDSHIP BOARD

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended March 31 2008	2007
CASH PROVIDED (USED) BY:		
OPERATING ACTIVITIES		
Operations		
Net operations	$ 93,236	$ 354,728
Item not involving cash		
Amortization	527	573
	93,763	355,301
Changes in non-cash working capital balances	(6,416)	(390,071)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	87,347	(34,770)
CASH AND EQUIVALENTS – Beginning of year	11,858	46,628
CASH AND EQUIVALENTS – End of year	$ 99,205	$ 11,858

This is the Statement of Changes in Financial Position referred
to in the Auditors' report dated July 16, 2008.
The accompanying notes are an integral part of these financial statements.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

TIRE STEWARDSHIP BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE 1 – AUTHORITY AND PURPOSE

The Tire Stewardship Board operates under the authority of the Waste Reduction and Prevention Act Chapter W40, Statutes of Manitoba, 1990, pursuant to the Tire Stewardship Regulation, Manitoba Regulation 33/95.

The Board is a not-for-profit association and, accordingly, no provision for corporate taxes is provided for pursuant to Section 149(1)(l) of The Income Tax Act, Canada.

The purpose of the Tire Stewardship Board is to recycle scrap tires, diverting them from the waste stream into reusable products or material for resale.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Revenue from advance disposal surcharges on new tires supplied in Manitoba is recognized by the Tire Stewardship Board at the time the tires are supplied to the end consumer. Revenue from government grants is recognized by The Board **when approved by the Province of Manitoba**. The Board bases its accounting policies on generally accepted accounting principles in Canada, specifically those comprising the accounting recommendations for not-for-profit organizations included in the Accounting Recommendations of the Canadian Institute of Chartered Accountants Handbook.

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on the declining balance basis over the estimated useful lives of the assets at the following annual rates.

Furniture and fixtures	20%
Computer equipment and software	30%

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Board's financial instruments consist of cash, receivables, accounts and wages payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

TIRE STEWARDSHIP BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE 3 - EQUIPMENT

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Computer equipment	$ 17,309	$ 16,366	$ 943	$ 1,347
Furniture and fixtures	7,915	7,423	492	615
	$ 25,224	$ 23,789	$ 1,435	$ 1,962

NOTE 4 - SEVERANCE

Severance was paid to the assistant manager resulting in total salary paid exceeding $50,000 for the year.

NOTE 5 - FUTURE DIRECTION OF THE TIRE STEWARDSHIP BOARD

The Province of Manitoba has approved in principle a long-term strategy whereby an industry-led Tire Stewardship Board would establish levies and set credit payments to recyclers under an extended producer responsibility, industry-led model. This proposed program has no direct financial implications for The Province of Manitoba and takes effect subsequent to the finalization of the Tire Stewardship Board completing its final responsibilities. The entity is incorporated and operates under the name Tire Stewardship Manitoba effective April 1, 2008.

The Tire Stewardship Board has still to complete, in conjunction with Tire Stewardship Manitoba, the OTR clean-up of off road tires as outlined in the agreements entered into, subsequent to March 31, 2008, with two recyclers. This program will basically utilize all remaining funds and result in the wind-up of the Tire Stewardship Program under the auspices of The Province of Manitoba.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

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Auditors' Report

To the Members of
TRAVEL MANITOBA

We have audited the statement of financial position of **TRAVEL MANITOBA** as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 9, 2008

TRAVEL MANITOBA
Statement of Financial Position

As at March 31		2008		2007
Assets				
Current Assets				
Cash (Note 3)	$	**1,197,632**	$	1,075,215
Short-term deposits (Note 3)		**213,686**		205,381
Trade accounts receivable		**960,073**		326,767
Prepaid expenses		**34,595**		44,865
		2,405,986		1,652,228
Due from the Province of Manitoba (Note 4)		**278,473**		299,967
Capital assets (Note 5)		**119,765**		56,034
	$	**2,804,224**	$	2,008,229
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	$	**1,390,595**	$	1,165,631
Deferred revenue		**30,447**		107,080
		1,421,042		1,272,711
Severance pay benefits (Note 4)		**373,884**		310,819
		1,794,926		1,583,530
Commitments (Note 7)				
Net Assets (Page 5)				
Unrestricted		**814,533**		293,665
Restricted for purchase of capital assets		**75,000**		75,000
Invested in capital assets		**119,765**		56,034
		1,009,298		424,699
	$	**2,804,224**	$	2,008,229

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TRAVEL MANITOBA
Statement of Operations

For the year ended March 31		2008		2007
Revenue				
Province of Manitoba	**$**	**7,544,300**	$	7,476,600
Partnership and leveraged marketing		**477,066**		650,181
Western Diversification Program		**644,553**		-
Other		**99,341**		46,792
		8,765,260		8,173,573
Expenditures				
Marketing and product development		**5,741,453**		6,028,643
Visitor services		**1,392,116**		1,210,896
Corporate services		**782,051**		709,529
Contribution to Homecoming Inc.		**250,000**		-
Amortization		**15,041**		7,190
		8,180,661		7,956,258
Excess of revenue over expenditures for the year (Page 5)	**$**	**584,599**	$	217,315

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TRAVEL MANITOBA
Statement of Changes in Net Assets

For the year ended March 31				2008	2007
	Unrestricted	Restricted for Purchase of Capital Assets	Invested in Capital Assets	Total	Total
Net assets, beginning of year	$ 293,665	$ 75,000	$ 56,034	$ 424,699	$ 207,384
Excess (deficiency) of revenue over expenditures for the year (Page 4)	599,640	-	(15,041)	584,599	217,315
Acquisition of capital assets	(78,772)	-	78,772	-	-
Net assets, end of year (Page 3)	$ 814,533	$ 75,000	$ 119,765	$ 1,009,298	$ 424,699

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TRAVEL MANITOBA
Statement of Cash Flows

For the year ended March 31	**2008**	2007
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	**$ 584,599**	$ 217,315
Adjustment for non cash items		
Amortization	**15,041**	7,190
	599,640	224,505
Changes in non-cash working capital		
Due from the Province of Manitoba - Operating grant	**-**	624,700
Trade accounts receivable	**(633,306)**	(4,289)
Prepaid expenses	**10,270**	(25,386)
Accounts payable and accrued liabilities	**224,964**	253,025
Deferred revenue	**(76,633)**	(57,685)
	(474,705)	790,365
Due from Province of Manitoba	**21,494**	68,970
Severance pay liability	**63,065**	23,256
	209,494	1,107,096
Cash Flows from Investing Activities		
Acquisition of capital assets	**(78,772)**	(29,655)
Net change in short-term deposits	**(8,305)**	(9,479)
	(87,077)	(39,134)
Net increase in cash and cash equivalents	**122,417**	1,067,962
Cash and cash equivalents, beginning of year	**1,075,215**	7,253
Cash and cash equivalents, end of year	**$ 1,197,632**	$ 1,075,215

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Basis of Reporting

The financial statements of the Organization have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and amortized on a declining balance basis at the following rates:

Computer hardware	30% straight-line
Computer software	30% straight-line
Furniture and equipment	5% straight-line
Leasehold improvements	5% straight-line

Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Grant revenue is recognized in the period earned. Partnership and marketing revenue are recognized when services are rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Instruments

The Organization utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Organization's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of short-term deposits. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations. Transaction costs related to financial instruments classified as held-for-trading are expensed as incurred.

Financial Instruments (continued)

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets comprised of trade accounts receivable. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable and accrued liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

Restricted Fund for Acquisition of Capital Assets

A fund has been established by the Board of Directors in order to finance the future acquisition of capital items which are not funded by the Province of Manitoba through the provision of operating grants. Charges to the fund will occur at the discretion of the President and Chief Executive Officer. Any future redesignation of the fund balance would be subject to approval by the Board of Directors.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Organization, are as follows:

Financial Instruments - Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Organization is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

1. Nature of Organization

Travel Manitoba was created as a Crown Corporation on April 1, 2005 under The Travel Manitoba Act as the culmination of extensive consultation and leadership from both the tourism industry and the provincial government. Travel Manitoba's mission is to be the leader in stimulating innovative, sustainable tourism growth in Manitoba. Travel Manitoba collaborates closely and in partnership with the tourism industry and governments to attract visitors to Manitoba, sustaining and creating jobs and businesses in the tourism sector in the province.

Travel Manitoba receives core funding from the Province of Manitoba to facilitate operations and to mobilize public and private resources to further foster the growth and professionalism of the tourism industry in Manitoba. Travel Manitoba is economically dependent on the Province of Manitoba, because it derives a significant portion of its revenue from the Province of Manitoba.

2. Change in Accounting Policy

On April 1, 2007, the Organization retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the Organization's statement of operations.

3. Cash and Short-term Deposits

The Organization invests all surplus cash into short-term deposits with the Province's Treasury Division. These deposits are made up of 30, 60 and 90 day callable term deposits.

4. Severance Pay Benefits

Upon inception on April 1, 2005, the Organization recorded accumulated severance pay benefits receivable and payable of $368,937 transferred from the Province of Manitoba for its employees. This receivable, or portion thereof, for the Organization, will be collected by the organization as severance benefits are paid to employees on record as at April 1, 2005. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are recorded in the period of the change.

An actuarial report was completed for the severance pay liability as of March 31, 2008. The report provides a formula to update the liability on an annual basis. The Organization's actuarially determined net liability for accounting purposes as at March 31, 2008 was $373,884.

During the year, the Organization reduced the receivable from the government in the amount of $21,494 related to employees no longer employed by the Organization.

5. Capital Assets

	2008		2007	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Computer hardware	**$ 73,664**	**$ 9,721**	$ 3,240	$ 2,065
Computer software	**29,503**	**16,631**	24,403	11,394
Furniture and equipment	**8,715**	**1,056**	7,277	710
Leasehold improvements	**38,153**	**2,862**	36,343	1,060
	$ 150,035	**$ 30,270**	$ 71,263	$ 15,229
Cost less accumulated amortization		**$ 119,765**		$ 56,034

6. Employee Pension Benefits

Employees of Travel Manitoba are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act ("CSSA"), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including Travel Manitoba, through the Civil Service Superannuation Fund.

The Organization is required to pay the Province of Manitoba an amount equal to its employees current pension contributions. The amount paid for 2008 was $102,071 (2007 - $91,159). Under this agreement, the Organization has no further pension liability.

7. Lease Commitment

The Organization has entered into a lease agreement expiring March 2010 for rental of facilities at various locations with total annual payments of $594,034.

AUDITORS' REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Governing Council of the University College of the North

We have audited the statement of financial position of the University College of the North as at June 30, 2007 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University College as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
September 14, 2007

STATEMENT 1

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF FINANCIAL POSITION

	Unrestricted Fund	Trust Fund	Endowment Fund	Total (JUNE 30) 2007	2006
ASSETS					
CURRENT					
Cash and short-term investments	$ 7,880,338	$ 186,439	$ 44,600	$ 8,111,377	$ 5,135,429
Accounts receivable (Note 3)	2,387,500			2,387,500	1,909,212
Due from other funds	76,653			76,653	317,496
Inventory	168,084			168,084	258,642
Prepaid expenses	49,992			49,992	210,633
	10,562,567	186,439	44,600	10,793,606	7,831,412
CAPITAL ASSETS (Note 4)	1,780,737			1,780,737	1,673,449
DUE FROM PROVINCE OF MANITOBA (Note 5)	1,546,089			1,546,089	1,546,089
TOTAL ASSETS	$ 13,889,393	$ 186,439	$ 44,600	$ 14,120,432	$ 11,050,950
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities (Note 6)	$ 1,776,453			$ 1,776,453	1,549,841
Due to other funds	76,653			76,653	317,496
Deferred revenue	536,027			536,027	104,752
Deferred contributions (Note 7)	3,050,154			3,050,154	1,592,488
Accrued vacation benefits	1,709,031			1,709,031	1,539,840
	7,148,318			7,148,318	5,104,417
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 8)	1,034,479			1,034,479	904,069
ACCRUED SEVERANCE BENEFITS (Note 9)	1,349,872			1,349,872	1,269,890
	9,532,669			9,532,669	7,278,376
FUND BALANCES					
FUND SURPLUS (DEFICIT)					
CONTRIBUTED SURPLUS	218,701			218,701	218,701
NET ASSETS INVESTED IN CAPITAL ASSETS	760,560			760,560	780,495
NET ASSETS RESTRICTED FOR TRUST & ENDOWMENT PURPOSES		186,439	44,600	231,039	187,478
NET ASSETS INTERNALLY RESTRICTED (Note 12)	1,757,681			1,757,681	977,617
UNRESTRICTED NET ASSETS	1,619,782			1,619,782	1,608,283
	4,356,724	186,439	44,600	4,587,763	3,772,574
TOTAL LIABILITIES & FUND BALANCES	$ 13,889,393	$ 186,439	$ 44,600	$ 14,120,432	$ 11,050,950

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30

	Unrestricted Fund	Trust Fund	Endowment Fund	Total 2007	Total 2006
REVENUES					
Grants					
Council on Post-Secondary Education	$ 18,785,821			$ 18,785,821	$ 17,740,455
COPSE MARS					59,427
Other Province of Manitoba	597,504			597,504	713,175
Government of Canada	93,844			93,844	313,949
Amortization of deferred contributions related to capital assets	181,647			181,647	159,067
Ancillary sales and services	1,572,255			1,572,255	1,603,091
Donations		138,739	2,300	141,039	121,750
Investment income	284,098	4,086		288,184	160,424
Market Driven Training	1,701,186			1,701,186	1,237,125
Tuition and student fees	2,386,851			2,386,851	2,364,715
Other revenue	1,228,089			1,228,089	775,954
	26,831,295	142,825	2,300	26,976,420	25,249,152
EXPENSES					
Advertising	205,107			205,107	247,950
Amortization of capital assets	201,582			201,582	182,978
Bad debts	318,898			318,898	38,250
Cost of Goods Sold	1,007,662			1,007,662	1,030,948
Employee benefits	1,615,530			1,615,530	1,534,509
Insurance	99,261			99,261	159,315
Library acquistions	129,505			129,505	69,392
Facility costs	828,847			828,847	765,141
Furniture and minor equipment	589,165			589,165	517,375
Loss on disposal of capital assets	3,189			3,189	7,504
Loss to inventory write down	19,841			19,841	
Maintenance and repairs	85,459			85,459	191,587
MARS expenses					59,427
Operational supplies and services	2,810,764			2,810,764	2,191,414
Property taxes	485,643			485,643	487,890
Rentals and leases	377,456			377,456	356,094
Salaries	15,667,288			15,667,288	14,854,530
Scholarships and bursaries		101,564		101,564	88,300
Telephone and communication	483,256			483,256	483,057
Travel and hospitality	1,009,728			1,009,728	727,233
Utilities	121,486			121,486	123,696
	26,059,667	101,564	-	26,161,231	24,116,590
EXCESS REVENUES (EXPENSES)	$ 771,628	$ 41,261	$ 2,300	$ 815,189	$ 1,132,562

STATEMENT 3

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30

	Unrestricted	Internally Restricted	Trust Fund	Endowment Fund	Net Assets Invested in Capital Assets	Contributed Surplus	Total 2007	Total 2006
FUND SURPLUS, *beginning of year*	$ 1,608,283	$ 977,617	$ 132,049	$ 55,429	$ 780,495	$ 218,701	$ 3,772,574	$ 2,640,012
EXCESS REVENUES (EXPENSES)	771,628		41,261	2,300			815,189	1,132,562
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS								
Amortization of capital assets	201,582				(201,582)			
Amortization of deferred contributions related to capital assets	(181,647)				181,647			
Purchase of capital assets	312,056				(312,056)			
Deferred contributions related to capital assets	(312,056)				312,056			
INTER-FUND TRANSFERS (Note 12)	(780,064)	780,064	13,129	(13,129)				
FUND SURPLUS, *end of year*	$ 1,619,782	$ 1,757,681	$ 186,439	$ 44,600	$ 760,560	$ 218,701	$ 4,587,763	$ 3,772,574

UNIVERSITY COLLEGE OF THE NORTH **STATEMENT 4**

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess Revenues (Expenses)		
University College of the North Fund	$ 387,546	$ 539,566
Inter-Universities Services Fund	372,583	420,307
Northern Forest Diversification Centre Fund	11,499	136,439
Trust Fund	41,261	33,742
Endowment Fund	2,300	2,508
	815,189	1,132,562
Add (deduct) items not involving cash		
Loss on disposal of capital assets	3,189	7,504
Amortization of capital assets	201,582	182,978
Amortization of deferred contributions related to capital assets	(181,647)	(159,087)
	838,313	1,163,957
Add (deduct) changes in non-cash working capital components related to operating activities		
Accounts receivable	(246,643)	238,255
Inventory	90,558	(43,933)
Prepaid expenses	160,640	(107,501)
Accounts payable and accrued liabilities	(5,034)	551,540
Deferred revenue	431,275	(17,162)
Deferred contributions	1,457,666	249,196
Accrued vacation benefits	169,191	49,780
Accrued severance benefits	79,982	(11,542)
	2,975,948	2,072,590
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred contributions related to capital assets	312,057	225,136
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(312,057)	(225,136)
Proceeds on disposal of capital assets		3,610
	(312,057)	(221,526)
NET INCREASE (DECREASE) IN CASH FLOWS DURING THE YEAR	2,975,948	2,076,200
CASH AND SHORT-TERM INVESTMENTS, *beginning of year*	5,135,429	3,059,229
CASH AND SHORT-TERM INVESTMENTS, *end of year*	$ 8,111,377	$ 5,135,429

1. NATURE OF OPERATIONS

The University College of the North operates under the authority of *The University College of the North Act* Chapter U55 of the *Continuing Consolidation of the Statutes of Manitoba*, which came into force July 1, 2004. This Act provides for the continuation of Keewatin Community College, as established under *The Colleges Act* as a board-governed institution on April 1, 1993.

The purpose of the University College of the North is to provide post-secondary education in northern Manitoba. It should be learner and community-centred, be characterized by a culture of openness, inclusiveness and tolerance, and be respectful of Aboriginal and northern values and beliefs.

The educational purposes of UCN are to serve the educational needs of Aboriginal and northern Manitobans and to enhance the economic and social well-being of northern Manitoba.

The university college has tax-exempt status as a registered charity under *The Income Tax Act.*

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University College of the North (UCN) have been prepared in accordance with Canadian generally accepted accounting principles. University College of the North follows the restricted fund method of accounting for contributions.

a) General

The transactions of UCN have been segregated into the following funds in accordance with specified activities or objectives:

UCN Fund - transactions related to educational and ancillary activities of UCN.

Inter-Universities Services Fund - transactions related to the educational programs of the Inter-Universities Services Program which is administered by UCN.

Northern Forest Diversification Centre Fund - transactions related to the educational and ancillary activities of the Northern Forest Diversification Centre.

Trust Fund - transactions related to donations for student scholarships and bursaries.

Endowment Fund - transactions related to endowments for student scholarships and bursaries.

Internally Restricted Fund - transactions related to appropriations made from (to) the Unrestricted Fund.

b) Revenue Recognition

Tuition and fees are recognized as revenue in the semester or term earned.

Revenue from Market Driven Training contracts is recognized during the year at a rate approximating the delivery of the contracted programs and services.

Investment income is recognized as revenue when earned.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions:

Unrestricted contributions and grants are recognized as revenue when received or receivable.

Restricted contributions for which a corresponding restricted fund is not presented are recognized as revenue in the year in which the related expenditures are incurred.

Donations are reported as revenue when received. Donations restricted to disbursement as scholarships and bursaries are restricted to that purpose.

Endowment contributions (and/or investment income thereon) that are held in perpetuity according to restrictions placed by the donors are recognized as revenue in the Endowment Fund.

Contributions (or portions permitted thereof) which are designated for the purchase of capital assets are deferred and amortized to revenue at the same rate as the related capital assets are amortized to expenditures.

c) Short-term investments

Investments are recorded at the lower of cost or net realizable value.

d) Inventory

UCN Fund - inventory is recorded at the lower of cost or net realizable value.

Northern Forest Diversification Centre Fund - inventory is recorded at lower of average cost or net realizable value.

e) Capital Assets

Individual capital assets with a value greater than $5,000 are capitalized and recorded at cost in the year of acquisition. Individual capital assets with a value less than $5,000 are expensed in the year of acquisition. Amortization of capitalized assets is recorded on a straight line basis commencing the year after acquisition over the following periods:

Automotive equipment	5 years
Buildings	40 years
Building improvements	10 years
Computer equipment	5 years
Other equipment	10 years

Library holdings are valued using the "base stock" method and accordingly are recorded at the value transferred upon governance at April 1, 1993. No amortization is taken on library holdings, and subsequent library acquisitions are expensed in the year of acquisitic

Certain capital assets purchased for specific Market Driven Training contracts are expensed in the year of purchase.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial Instruments

The financial instruments at UCN consist of cash & short-term investments, accounts receivable, accounts payable, and accrued liabilities. Unless otherwise noted, it is management's opinion that UCN is not exposed to significant interest, currency, market or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values.

g) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. ACCOUNTS RECEIVABLE

	2007	2006
UCN Fund		
Students	$ 576,956	$ 417,612
Market Driven Training	997,676	591,234
Due from COPSE	446,840	463,897
Other	646,664	558,398
	2,668,136	2,031,141
Less: Allowance for doubtful accounts	(703,052)	(380,307)
	$ 1,965,084	$ 1,650,834
Inter-Universities Services Fund		
Students	$ 179,603	$ 28,564
Other	116,505	91,524
	296,108	120,088
Less: Allowance for doubtful accounts	(1,115)	(4,072)
	$ 294,993	$ 116,016
Northern Forest Diversification Centre Fund		
Trade accounts receivable	$ 37,899	$ 20,393
Province of Manitoba	44,762	62,289
Government of Canada	44,762	62,289
Less: Allowance for doubtful accounts		(2,609)
	$ 127,423	$ 142,362
	$ 2,387,500	$ 1,909,212

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2007	Net Book Value 2006
UCN Fund				
Automotive equipment	$ 452,148	$ 347,831	$ 104,317	$ 105,942
Computer equipment	520,775	406,669	114,106	158,574
Other equipment	1,174,817	709,119	465,698	442,679
Buildings/improvements	406,783	113,042	293,741	168,245
Library holdings	714,161		714,161	714,161
	$ 3,268,684	$ 1,576,661	$ 1,692,023	$ 1,589,601

4. CAPITAL ASSETS (continued)

	Cost	Accumulated Amortization	Net Book Value 2007	Net Book Value 2006
Inter-Universities Services Fund				
Automotive equipment	$ 82,430	$ 34,888	$ 47,542	$ 64,028
Computer equipment	60,174	34,204	25,970	2,317
Other equipment	28,448	13,246	15,202	17,503
	$ 171,052	$ 82,338	$ 88,714	$ 83,848
	$ 3,439,736	$ 1,658,999	$ 1,780,737	$ 1,673,449

5. DUE FROM PROVINCE OF MANITOBA

The Province of Manitoba has recognized its liability to the University College for the opening balances of accrued employee severence benefits and vacation benefits as at April 1, 1998, when Keewatin Community College (precurser to UCN) assumed responsibility for these expenditures. Amounts due, or portion thereof, for UCN, will be collected in the event there is a cash shortfall. However, this is only likely to happen on the dissolution of UCN.

	2007	2006
Accrued severance benefits, April 1, 1998	$ 793,500	$ 793,500
Accrued vacation benefits, April 1, 1998	752,589	752,589
	$ 1,546,089	$ 1,546,089

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007	2006
UCN Fund		
Accrued liabilities	$ 300,662	$ 372,308
Wages and benefits payable	758,395	534,172
Trade accounts payable	649,202	578,091
Due to Student Associations	8,430	5,108
	$ 1,716,689	$ 1,489,679
Inter-Universities Services Fund		
Trade accounts payable	$ 56,393	$ 14,548
Other accrued liabilities		40,044
	$ 56,393	$ 54,592
Northern Forest Diversification Centre Fund		
Trade accounts payable	$ 3,371	$ 5,570
	$ 1,776,453	$ 1,549,841

7. DEFERRED CONTRIBUTIONS

Deferred contributions reported in each fund relate to designated contributions received in the current year that are related to expenditures of a subsequent year. Changes in deferred contributions during the year are as follows:

	Beginning of Year	Increases	Decreases	End of Year
UCN Fund	$ 1,592,488	$ 1,969,841	$ (512,175)	$ 3,050,154

8. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	Beginning of Year	Increases	Decreases	End of Year
UCN Fund	$ 820,221	$ 287,245	$ 161,701	$ 945,765
Inter-Universities Services Fund	83,848	24,812	19,946	88,714
	$ 904,069	$ 312,057	$ 181,647	$ 1,034,479

9. ACCRUED SEVERANCE BENEFITS

UCN Fund	2007	2006
Balance, beginning of year	$ 1,229,187	$ 1,242,960
Experience gain (loss)		
Benefits accrued	96,133	88,641
Interest on accrued benefits	86,044	80,793
Severance paid	(108,552)	(183,207)
Balance, end of year	$ 1,302,812	$ 1,229,187
Inter-Universities Services Fund		
Balance, beginning of year	$ 40,703	$ 34,881
Experience gain (loss)	3,711	
Benefits accrued	2,646	3,555
Interest on accrued benefits		2,267
Severance paid		
Balance, end of year	$ 47,060	$ 40,703
Northern Forest Diversification Centre Fund		
Balance, beginning of year	$	$ 3,591
Experience gain (loss)		(3,591)
Benefits accrued		
Interest on accrued benefits		
Severance paid		
Balance, end of year	$ -	$ -
	$ 1,349,872	$ 1,269,890

An actuarial valuation of the severance obligations as at March 31, 2005 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 7% (2000 - 6.75%), 2.5% inflation (2000 - 2.75%), salary rate increases of 3.25% (2000 - 3.5%). The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to June 30, 2007 using the projection formula provided by the actuary.

10. PENSION COSTS AND OBLIGATIONS

The University College's employees are contributing members of the provincially operated Civil Service Superannuation Plan or the Teacher's Retirement Annuity Fund defined benefit pension plans. The accumulated superannuation liabilities continue to be funded directly by the Province of Manitoba, rather than the University College itself for all employees hired prior to October 1, 2002.

The benefit to the University College of having its share of pension benefits paid directly by the Province of Manitoba has not been quantified by an actuarial valuation. The total contributions during the fiscal year by employees hired prior to October 1, 2002 were $771,630 (2006 - $573,915).

Total contributions during the fiscal year by employees hired after October 1, 2002 (and matched by the University College) were $262,007 (2006 - $188,943). These contributions represent the total pension obligations of the University College. The University College is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

11. CONTRACTUAL OBLIGATIONS

The University College has entered into various contracts to rent office equipment, lease facility space, and for services provided by third parties for security, food services, and snow removal. Contractual obligations over the next four years are as follows:

2007/08	383,753
2008/09	243,692
2009/10	28,997
2010/11	4,298

12. INTERNALLY RESTRICTED NET ASSETS

Appropriations from the Unrestricted Fund are made to provide for future funding for campus development, innovations funds, fiscal stabilization, conference and the establishment of a science lab.

	Opening Balance	Increases	Decreases	Ending Balance
UCN Fund				
Campus Development Fund	$ 179,538	$ -	$ 18,885	$ 160,653
Innovations Fund	22,878			22,878
Fiscal Stabilization	354,894	426,366		781,260
Total	$ 557,310	$ 426,366	$ 18,885	$ 964,791
Inter-Universities Services Fund				
Innovations Fund	$ 270,307	$ 373,890	$ 1,307	$ 642,890
Conferences	50,000			50,000
Science Lab	100,000			100,000
Total	$ 420,307	$ 373,890	$ 1,307	$ 792,890
	$ 977,617	$ 800,256	$ 20,192	$ 1,757,681

The net increase to the Internally Restricted Net Assets in the UCN Fund is $407,481 and the IUS Fund is $372,583. The overall increase to the Internally Restricted Net Assets is $780,064.

13. RELATED PARTY TRANSACTIONS

The University College is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown Corporations. The University College enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

14. COMPARATIVE FIGURES

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

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF FINANCIAL POSITION - UNRESTRICTED

	UCN Fund	IUS Fund	NFDC Fund	JUNE 30 2007	2006
ASSETS					
CURRENT					
Cash and short-term investments	$ 7,204,043	$ 628,483	$ 47,812	$ 7,880,338	$ 4,947,951
Accounts receivable (Note 3)	1,965,084	294,993	127,423	2,387,500	1,909,212
Due from other funds	54,225	22,428		76,653	317,496
Inventory	121,986		46,098	168,084	258,642
Prepaid expenses	49,992			49,992	210,633
	9,395,330	945,904	221,333	10,562,567	7,643,934
CAPITAL ASSETS (Note 4)	1,692,023	88,714		1,780,737	1,673,449
DUE FROM PROVINCE OF MANITOBA (Note 5)	1,541,079	5,010		1,546,089	1,546,089
TOTAL ASSETS	$ 12,628,432	$ 1,039,628	$ 221,333	$ 13,889,393	$ 10,863,472
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities (Note 6)	$ 1,716,689	$ 56,393	$ 3,371	$ 1,776,453	$ 1,549,841
Due to other funds			76,653	76,653	317,496
Deferred revenue	515,701		20,326	536,027	104,752
Deferred contributions (Note 7)	3,050,154	-		3,050,154	1,592,488
Accrued vacation benefits	1,653,259	54,571	1,201	1,709,031	1,539,840
	6,935,803	110,964	101,551	7,148,318	5,104,417
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 8)	945,765	88,714		1,034,479	904,069
ACCRUED SEVERANCE BENEFITS (Note 9)	1,302,812	47,060		1,349,872	1,269,890
	9,184,380	246,738	101,551	9,532,669	7,278,376
FUND BALANCES					
FUND SURPLUS (DEFICIT)					
CONTRIBUTED SURPLUS	218,701			218,701	218,701
NET ASSETS INVESTED IN CAPITAL ASSETS	760,560			760,560	780,495
NET ASSETS RESTRICTED FOR TRUST & ENDOWMENT PURPOSES					
NET ASSETS INTERNALLY RESTRICTED (Note 12)	964,791	792,890		1,757,681	977,617
UNRESTRICTED NET ASSETS	1,500,000		119,782	1,619,782	1,608,283
	3,444,052	792,890	119,782	4,356,724	3,585,096
TOTAL LIABILITIES & FUND BALANCES	$ 12,628,432	$ 1,039,628	$ 221,333	$ 13,889,393	$ 10,863,472

STATEMENT 2A

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF OPERATIONS - UNRESTRICTED

YEAR ENDED JUNE 30

	UCN Fund	IUS Fund	NFDC Fund	Total 2007	Total 2006
REVENUES					
Grants					
Council on Post-Secondary Education	$ 17,863,032	$ 922,789	$	$ 18,785,821	$ 17,740,455
COPSE MARS					59,427
Other Province of Manitoba	511,586		85,918	597,504	713,175
Government of Canada	12,600		81,244	93,844	313,949
Amortization of deferred contributions related to capital assets	161,701	19,946		181,647	159,087
Ancillary sales and services	1,420,182		152,073	1,572,255	1,603,091
Donations					750
Investment income	277,782	6,316		284,098	156,874
Market Driven Training	1,688,606		12,580	1,701,186	1,237,125
Tuition and student fees	2,059,664	327,187		2,386,851	2,364,715
Other revenue	930,926	282,865	14,298	1,228,089	775,954
	24,926,079	1,559,103	346,113	26,831,295	25,124,602
EXPENSES					
Advertising	200,237	2,668	2,202	205,107	247,950
Amortization of capital assets	181,636	19,946		201,582	182,978
Bad debts (Recovery)	310,969	(2,957)	10,886	318,898	38,250
Cost of Goods Sold	877,193		130,469	1,007,662	1,030,948
Employee benefits	1,529,917	71,771	13,842	1,615,530	1,534,509
Insurance	94,200	5,061		99,261	159,315
Library acquistions	129,505			129,505	69,392
Facility costs	828,847			828,847	765,141
Furniture and minor equipment	558,317	30,792	56	589,165	517,375
Loss on disposal of capital assets	3,189			3,189	7,504
Loss to inventory write down			19,841	19,841	
Maintenance and repairs	80,077	4,948	434	85,459	191,587
MARS expenses					59,427
Operational supplies and services	2,660,521	109,280	40,963	2,810,764	2,191,414
Property taxes	485,643			485,643	487,890
Rentals and leases	363,110	14,346		377,456	356,094
Salaries	14,802,434	758,972	105,882	15,667,288	14,854,530
Telephone and communication	467,595	9,752	5,909	483,256	483,057
Travel and hospitality	844,903	161,941	2,884	1,009,728	727,233
Utilities	120,240		1,246	121,486	123,696
	24,538,533	1,186,520	334,614	26,059,667	24,028,290
EXCESS REVENUES (EXPENSES)	$ 387,546	$ 372,583	$ 11,499	$ 771,628	$ 1,096,312

STATEMENT 3A

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF CHANGES IN FUND BALANCES - UNRESTRICTED

YEAR ENDED JUNE 30

	UCN Fund	IUS Fund	NFDC Fund	Total 2007	Total 2006
FUND SURPLUS (DEFICIT), *beginning of year*	$ 1,500,000	$ -	$ 108,283	$ 1,608,283	$ 1,263,281
EXCESS REVENUES (EXPENSES)	387,546	372,583	11,499	771,628	1,096,312
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS					
Amortization of capital assets	181,636	19,946		201,582	182,978
Amortization of deferred contributions related to capital assets	(161,701)	(19,946)		(181,647)	(159,087)
Purchase of capital assets	287,245	24,811		312,056	225,136
Deferred contributions related to capital assets	(287,245)	(24,811)		(312,056)	(225,136)
INTER-FUND TRANSFERS (Note 12)	(407,481)	(372,583)		(780,064)	(775,201)
FUND SURPLUS (DEFICIT), *end of year*	$ 1,500,000	$ -	$ 119,782	$ 1,619,782	$ 1,608,283

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 1

SCHEDULE OF OTHER GRANT REVENUE (unaudited)

YEAR ENDED JUNE 30

	2007	2006
Province of Manitoba		
Adult Learning Centre	$ 375,000	$ 297,000
Computer Based Learning System	99,179	138,695
Protection Services	37,407	-
	$ 511,586	$ 435,695

SCHEDULE 2

SCHEDULE OF ANCILLARY SALES AND SERVICES (unaudited)

YEAR ENDED JUNE 30

	2007	2006
Bookstore	$ 1,021,610	$ 1,072,686
Cafeteria	177,375	167,307
Residence	221,197	230,509
	$ 1,420,182	$ 1,470,502

SCHEDULE 3

SCHEDULE OF TUITION AND STUDENT FEES (unaudited)

YEAR ENDED JUNE 30

	2007	2006
Apprenticeship	$ 873,120	$ 749,637
Core-funded programs	1,082,141	1,205,614
Continuing Educ		
Credit courses	78,527	86,779
Non-credit	25,876	33,991
	$ 2,059,664	$ 2,076,021

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 4

SCHEDULE OF UCN EXPENDITURES BY FUNCTION (unaudited)

YEAR ENDED JUNE 30

	Salaries & Benefits	Other	TOTAL 2007	TOTAL 2006
Academic	$ 8,829,146	$ 1,257,369	**$ 10,086,515**	$ 9,350,343
Administration	2,312,788	2,182,273	**4,495,061**	3,454,000
Ancillary Sales & Service	465,455	993,923	**1,459,378**	1,487,667
Continuing Education	57,717	13,184	**70,901**	140,915
Library	275,599	193,541	**469,140**	350,692
Market Driven Training	1,035,225	474,711	**1,509,936**	1,460,032
Mould & Asbestos Remediation (MARS)				155,094
Thompson Break-In		28,432	**28,432**	
MIS	646,392	582,507	**1,228,899**	1,279,237
Plant	509,244	1,914,717	**2,423,961**	2,304,415
Program Support	2,200,785	565,525	**2,766,310**	2,412,172
	$ 16,332,351	$ 8,206,182	**$ 24,538,533**	$ 22,394,567

UNIVERSITY OF MANITOBA

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The University is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with generally accepted accounting principles as set out by the Canadian Institute of Chartered Accountants (CICA). The University believes the consolidated financial statements present fairly the University's consolidated financial position as at March 31, 2008 and the results of its operations for the year then ended.

The University's Board of Governors is responsible for overseeing the business affairs of the University and also has the responsibility to approve the consolidated financial statements. The Board has delegated certain responsibilities to its Audit Committee including the responsibility for reviewing the annual consolidated financial statements and meeting with management and the Auditor General of Manitoba on matters relating to the financial reporting. The Auditor General has full access to the Audit Committee with or without the presence of management. The Board has approved the consolidated financial statements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from loss and that accounting records are a reliable basis for the preparation of consolidated financial statements. The integrity of internal controls is reviewed on an ongoing basis by Audit Services and the Auditor General.

The consolidated financial statements for the year ended March 31, 2008 have been reported on by the Auditor General of Manitoba, the auditor appointed under the University of Manitoba Act. The Auditor's Report outlines the scope of her examination and provides her opinion on the fairness of presentation of the consolidated financial statements.

Deborah J. McCallum,
Vice-President (Administration).

May 23, 2008
Winnipeg, Manitoba

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Board of Governors of the University of Manitoba

We have audited the consolidated statement of financial position of the University of Manitoba as at March 31, 2008 and the consolidated statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
May 23, 2008

Carol Bellringer, FCA, MBA
Auditor General

CONSOLIDATED FINANCIAL STATEMENTS

University of Manitoba
Consolidated Statement of Financial Position
as at March 31
(in thousands of dollars)

Assets	*2008*	*2007*
Current Assets		
Cash	$ 17,605	$ 25,583
Marketable Investments	138,470	172,250
Accounts Receivable (Note 4)	78,828	61,154
Inventories	3,053	3,291
Prepaid Expenses	1,212	1,398
	239,168	263,676
Long Term Assets		
Investments (Note 5)	388,436	312,089
Capital Assets, Net of Accumulated Amortization (Note 7)	669,204	600,895
	1,057,640	912,984
	$ 1,296,808	$ 1,176,660
Liabilities		
Current Liabilities		
Accounts Payable	$ 44,547	$ 39,438
Unearned Revenue	3,755	4,082
Staff Vacation Entitlements	9,021	8,863
Bank Loans	3,061	3,424
Current Portion of Capital Lease Obligations (Note 8)	420	263
Current Portion of Long Term Debt (Note 9)	5,293	4,842
	66,097	60,912
Long Term Liabilities		
Other Long Term Liabilities (Note 10)	4,546	346
Capital Lease Obligations (Note 8)	762	393
Long Term Debt (Note 9)	164,118	169,411
Employee Future Benefits (Note 11)	58,478	54,602
	227,904	224,752
Fund Balances	1,002,807	890,996
	$ 1,296,808	$ 1,176,660

Commitments and Contingencies (Note 16)

Terry Sargeant - Chair

Shirley Van Schie - Vice-Chair

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances
for the years ended March 31
(in thousands of dollars)

	General Funds (Note 2e)	*Restricted Funds (Note 2f)*	*Endowment Fund (Note 2g)*	*2008 Total Funds*	*2007 Total Funds*
Revenue:					
Tuition and Related Fees	$ 99,670	$	$	$ 99,670	$ 99,092
Contributions, Donations, Non-Government Grants	1,497	72,285	16,385	90,167	80,601
Investment Income	6,983	(11,045)		(4,062)	19,189
Miscellaneous Income	1,703	2,211		3,914	4,684
Government Grants:					
Council on Post-Secondary Education	245,972	8,572		254,544	237,756
Other Province of Manitoba	9,830	26,688		36,518	36,597
Government of Canada	9,129	71,891		81,020	71,329
City of Winnipeg		3,173		3,173	
Sales of Goods and Services	26,403			26,403	25,996
Ancillary Services	30,546			30,546	29,191
	431,733	173,775	16,385	621,893	604,435
Expense:					
Academic	231,681	114,113		345,794	330,649
Libraries	15,534	136		15,670	15,183
Student Affairs	18,741	174		18,915	18,212
Administration	26,295	3,092		29,387	27,239
Plant Maintenance	37,550	153		37,703	37,356
Other Academic Support	18,134	217		18,351	18,775
General	4,102	4,924		9,026	7,480
Property Taxes	396			396	345
Scholarships, Bursaries, Prizes and Awards	4,381	14,786		19,167	16,276
Interest on Bank Loans, Long Term Debt, Capital Advances and Capital Lease Obligations		9,976		9,976	9,839
Amortization of Capital Assets		41,079		41,079	37,919
Ancillary Services	26,045			26,045	25,157
Staff Benefits Contra	1,461			1,461	(2,852)
	384,320	188,650		572,970	541,578
Net Revenue (Expense)	47,413	(14,875)	16,385	48,923	62,857
Inter-Fund Transfers (Note 13)	(26,993)	42,370	(15,377)		
Net (Decrease) Increase to Fund Balances	20,420	27,495	1,008	48,923	62,857
Fund Balances Beginning of the Year	4,018	746,841	140,137	890,996	828,139
Adjustment for Financial Instruments (Note 3)		21,282	41,606	62,888	
Fund Balances End of the Year	$ 24,438	$ 795,618	$ 182,751	$1,002,807	$ 890,996
Unrestricted Funds	$ (45,834)	$	$	$ (45,834)	$ (45,369)
Internally Restricted Funds	70,272	52,908		123,180	97,278
Externally Restricted Funds		198,301	182,751	381,052	323,907
Invested in Capital Assets		544,409		544,409	515,180
	$ 24,438	$ 795,618	$ 182,751	$1,002,807	$ 890,996

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the General Funds
for the years ended March 31
(in thousands of dollars)

	General Operating Fund (Note 2e)	*Specific Provisions Fund (Note 2e)*	*Expenses Funded From Future Revenues (Note 2e)*	*2008 Total General Funds*	*2007 Total General Funds*
Revenue:					
Tuition and Related Fees	$ 99,670	$	$	$ 99,670	$ 99,092
Contributions, Donations, Non-Government Grants	1,497			1,497	1,237
Investment Income	6,983			6,983	5,394
Miscellaneous Income	1,703			1,703	2,712
Government Grants:					
Council on Post-Secondary Education	245,972			245,972	229,104
Other Province of Manitoba	9,830			9,830	4,573
Government of Canada	9,129			9,129	8,930
Sales of Goods and Services	26,403			26,403	25,996
Ancillary Services	30,546			30,546	29,191
	431,733			431,733	406,229
Expense:					
Academic	231,681			231,681	222,567
Libraries	15,534			15,534	15,053
Student Affairs	18,741			18,741	17,558
Administration	26,295			26,295	25,083
Plant Maintenance	37,550			37,550	37,355
Other Academic Support	18,134			18,134	18,430
General	4,102			4,102	3,497
Property Taxes	396			396	345
Scholarships, Bursaries, Prizes and Awards	4,381			4,381	3,921
Ancillary Services	26,045			26,045	25,157
Staff Benefits Contra	1,461			1,461	(2,852)
	384,320			384,320	366,114
Net Revenue	47,413			47,413	40,115
Inter-Fund Transfers (Note 13)	(47,376)	20,885	(502)	(26,993)	(32,922)
Net Increase (Decrease) to Fund Balances	37	20,885	(502)	20,420	7,193
Fund Balances Beginning of the Year	2,193	49,387	(47,562)	4,018	(3,175)
Fund Balances End of the Year	$ 2,230	$ 70,272	$ (48,064)	$ 24,438	$ 4,018
Unrestricted Funds	$ 2,230	$	$ (48,064)	$ (45,834)	$ (45,369)
Internally Restricted Funds		70,272		70,272	49,387
	$ 2,230	$ 70,272	$ (48,064)	$ 24,438	$ 4,018

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the Restricted Funds
for the years ended March 31
(in thousands of dollars)

	Capital Asset Fund (Note 2f)	*Research and Special Fund (Note 2f)*	*Staff Benefits Fund (Note 2f)*	*Trust Fund (Note 2f)*	*2008 Total Restricted Funds*	*2007 Total Restricted Funds*
Revenue:						
Contributions, Donations, Non-Government Grants	$ 9,496	$ 53,323	$ 1,421	$ 8,045	$ 72,285	$ 68,958
Investment Income	2,023		243	(13,311)	(11,045)	13,795
Miscellaneous Income	1,960		251		2,211	1,972
Government Grants:						
Council on Post-Secondary Education	8,572				8,572	8,652
Other Province of Manitoba	3,754	22,934			26,688	32,024
Government of Canada	3,594	68,297			71,891	62,399
City of Winnipeg	3,173				3,173	
	32,572	144,554	1,915	(5,266)	173,775	187,800
Expense:						
Academic		114,113			114,113	108,082
Libraries		136			136	130
Student Affairs		174			174	654
Administration		3,092			3,092	2,156
Plant Maintenance		153			153	1
Other Academic Support		217			217	345
General		28	3,116	1,780	4,924	3,983
Scholarships, Bursaries, Prizes and Awards		4,912		9,874	14,786	12,355
Interest on Bank Loans, Long Term Debt, Capital Advances and Capital Lease Obligations	9,976				9,976	9,839
Amortization of Capital Assets	41,079				41,079	37,919
	51,055	122,825	3,116	11,654	188,650	175,464
Net Revenue	(18,483)	21,729	(1,201)	(16,920)	(14,875)	12,336
Inter-Fund Transfers (Note 13)	49,167	(11,281)	(4,665)	9,149	42,370	30,519
Net Increase (Decrease) to Fund Balances	30,684	10,448	(5,866)	(7,771)	27,495	42,855
Fund Balances Beginning of the Year	515,180	84,004	13,537	134,120	746,841	703,986
Adjustment for Financial Instruments (Note 3)	(1,455)		5,241	17,496	21,282	
Fund Balances End of the Year	$ 544,409	$ 94,452	$ 12,912	$ 143,845	$ 795,618	$ 746,841
Internally Restricted Funds	$	$	$ 7,865	$ 45,043	$ 52,908	$ 47,891
Externally Restricted Funds		94,452	5,047	98,802	198,301	183,770
Invested in Capital Assets	544,409				544,409	515,180
	$ 544,409	$ 94,452	$ 12,912	$ 143,845	$ 795,618	$ 746,841

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Cash Flows
for the years ended March 31
(in thousands of dollars)

	General Funds	*Restricted Funds*	*Endowment Fund*	*2008 Total Funds*	*2007 Total Funds*
Cash from Operating Activities:					
Net Revenue (Expense)	$ 47,413	$ (14,875)	$ 16,385	$ 48,923	$ 62,857
Amortization of Capital Assets		41,079		41,079	37,919
	47,413	26,204	16,385	90,002	100,776
Net Change in Non-Cash Working Capital Items	(6,542)	(7,223)		(13,765)	(5,461)
Net Change in Other Long Term Liabilities		4,200		4,200	
Net Change in Employee Future Benefits	445	3,431		3,876	(509)
Net Cash Generated through Operating Activities	41,316	26,612	16,385	84,313	94,806
Investing Activities:					
Increase in Long Term Investments	(10,386)	(610)	(1,008)	(12,004)	(16,609)
Purchase of Capital Assets		(109,388)		(109,388)	(80,793)
Net Cash Used in Investing Activities	(10,386)	(109,998)	(1,008)	(121,392)	(97,402)
Financing Activities:					
Proceeds from Capital Lease Obligations		1,046		1,046	308
Proceeds from Long Term Debt					75,000
Principal Repayment on Capital Lease Obligations		(520)		(520)	(362)
Principal Repayment on Bank Loans		(363)		(363)	(8,540)
Principal Repayment on Long Term Debt		(4,842)		(4,842)	(5,068)
Net Cash Generated in Financing Activities		(4,679)		(4,679)	61,338
Net Increase (Decrease) in Cash	30,930	(88,065)	15,377	(41,758)	58,742
Inter-Fund Adjustments	(26,993)	42,370	(15,377)		
Cash Beginning of Year	89,432	108,401		197,833	139,091
Cash End of Year	$ 93,369	$ 62,706	$	$ 156,075	$ 197,833
Cash is defined as:					
Cash	$ 13,232	$ 4,373	$	$ 17,605	$ 25,583
Marketable Investments	80,137	58,333		138,470	172,250
	$ 93,369	$ 62,706	$	$ 156,075	$ 197,833

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31

(in thousands of dollars)

1. AUTHORITY AND PURPOSE

The University of Manitoba was established in 1877. It is governed by a Board of Governors acting under the authority of The University of Manitoba Act, R.S.M. 1987, c. U60. The University of Manitoba is a registered charity and is exempt from income taxes under Section 149 of the Income Tax Act.

The University of Manitoba, as the largest and most comprehensive institution of higher learning in Manitoba, plays a distinctive role within the Province. In addition to offering an undergraduate liberal education in arts, science and education, the University of Manitoba provides programs in a broad range of professional studies, applied sciences and the fine and performing arts and is responsible for the vast majority of graduate education and research in Manitoba. The University of Manitoba reaches out to a variety of constituencies in order to enhance the health, cultural, social and economic life of Manitobans and to provide lifelong learning opportunities for them. Through community service the University makes its expertise available to all Manitobans.

2. SIGNIFICANT ACCOUNTING POLICIES

a. General

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles as recommended by the Canadian Institute of Chartered Accountants (“CICA”) for not-for-profit organizations. The University has adopted the restricted fund method of accounting for contributions.

b. Basis of Consolidation

The consolidated financial statements include the accounts of Smartpark Development Corporation, a wholly owned subsidiary of the University of Manitoba. The company has a March 31 year end and its purpose is to develop and operate a research park at the University of Manitoba.

c. Fund Accounting

The University classifies resources used for various purposes into separate Funds which correspond to its major activities and objectives. The Consolidated Statement of Financial Position combines the assets and liabilities of all Funds.

The University maintains its Funds under three fund categories, General, Restricted and Endowment Funds. The General Funds include the Funds for General Operating, Specific Provisions and Expenses Funded from Future Revenues. The Restricted Funds include the Capital Asset, Research and Special, Staff Benefits and Trust Funds. The Endowment Fund includes endowment funds of the University.

d. Accounting Estimates

Accounting estimates are included in financial statements to approximate the effect of past revenue or expense transactions or events, or to approximate the present status of an asset or liability. Examples include accruals for salaries and benefits, the estimated useful life of an asset and certain actuarial assumptions used in determining employee future benefits. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

e. General Funds

General Operating Fund:

The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, investment and miscellaneous income, sales of goods and services to external parties and ancillary income. As such, this Fund reports unrestricted resources and restricted resources earmarked for general operating purposes.

All funds received or accrued by the University for general operating purposes and for equipment and renovation expenses not meeting the University’s capitalization criteria are included in the General Operating Fund. The net cost of operating units is determined by including internal cost allocations for certain centrally administered services such as the telephone system in the units’ expenses and by deducting these expenses as internal cost recoveries from the total expenses incurred by the unit administering these services.

The University Book Store, Parking, Student Residences and Pharmacy/Post Office are classified as Ancillary Services and are budgeted on a break-even basis. Any surpluses or deficits are transferred to/from the Specific Provisions Fund. Overhead costs have been allocated to all ancillary operations. Amortization of ancillary capital assets and interest expense is recorded in the Capital Asset Fund.

(in thousands of dollars)

Specific Provisions Fund:
The Specific Provisions Fund records appropriations made from (to) the General Operating, Capital Asset and Research and Special Funds.

These appropriations are made to provide future funding for the replacement, improvement or emergency maintenance of capital assets, unit carryover, a fiscal stabilization provision to offset potential spending in excess of future budgets and other matters. Such appropriations are shown as inter-fund transfers on the Consolidated Statement of Operations and Changes in Fund Balances.

Expenses Funded From Future Revenues:
Expenses Funded from Future Revenues records the amount of unpaid vacation pay for staff which will be funded from future revenues. It also records the actuarially determined expense for employee future benefits.

f. Restricted Funds
Capital Asset Fund:
The Capital Asset Fund consists of restricted contributions resulting from capital asset co-funding arrangements with external parties, contributed capital assets, sinking fund investment income and government grants, restricted for the purpose of acquiring capital assets and retiring capital advances. Expenses include interest on debt relating to the acquisition or construction of capital assets, amortization and gains or losses on disposal of capital assets, including write-downs resulting from obsolescence.

Research and Special Fund:
The Research and Special Fund consists of contributions specifically restricted for research or other special activities. Contributions are provided from both federal and provincial granting agencies and other public and private sources. These funds are spent in accordance with the conditions stipulated in the governing contracts and agreements.

Staff Benefits Fund:
The Staff Benefits Fund is divided into Fund Accounts for Pension Reserve, Self-Insured Plans and Benefit Reserve, the revenues of which are restricted for the purposes noted.

(i) Pension Reserve:
This Fund Account is restricted for special payments towards any unfunded liability of The University of Manitoba Pension Plan (1970) and the University of Manitoba Pension Plan (1993) and other pension obligations.

(ii) Self-Insured Plans:
This Fund Account records the assets and liabilities for two self-insured benefit plans, the Long Term Disability Income Plan and the Dental Plan. The Long Term Disability Income Plan is used for long term disability payments arising on and after June 1, 1981 for eligible staff. The Plan contains two funds, one for the payment of Basic Benefits and another for the payment of Cost-of-Living Benefits. The Dental Plan is administered by a contracted third party. Surplus funds are held for the purpose of covering deficits which may occur in this self-insured plan.

(iii) Benefit Reserve:
This Fund Account is used for the support of current and future staff benefit programs. Experience refunds related to the group insurance plans are credited to this Fund Account. Employment Insurance premium savings resulting from the extended sick leave coverage provided by the University are also credited to this Fund Account.

Trust Fund:
The Trust Fund records gifts and bequests received which may be used in their entirety along with net investment income earned on these funds, according to donor restrictions. The majority of these funds are used for scholarships, bursaries, awards, loans, and other scholarly activities.

g. Endowment Fund
The Endowment Fund records gifts and bequests received with the stipulation that these funds be invested in perpetuity and the income earned be utilized for designated purposes. The Fund also consists of the change in fair value of the endowments each year which is recorded by way of a fund transfer from the Trust fund.

h. Revenue Recognition
Restricted contributions are recognized as revenue of the appropriate Fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

(in thousands of dollars)

Unrestricted contributions, including sales of goods and services and ancillary revenues, are recognized as revenue of the General Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment purposes are recognized as revenue in the Endowment Fund in the year received. Investment income earned on endowments is recorded in the appropriate Fund depending on the restrictions imposed by the original donor.

Investment income earned on temporary surplus funds is recorded in the appropriate Fund depending on the restrictions imposed. Investment income on unrestricted surplus funds is recorded as unrestricted income in the General Operating Fund.

i. Contributed Materials and Services

Gifts-in-kind are recorded in the consolidated financial statements to the extent that they are eligible for an official donation receipt, since this results in the capture of the information in the University's financial records.

Because of the difficulty involved in tracking and recording contributed services, however, the market value of these services are not recognized in the consolidated financial statements. Contributed services include activities such as membership on the University's Board of Governors and its various committees, lecturing services and volunteer services at fund raising or sporting events all of which are performed by staff, students and the community at no charge to the University. These services, although not recognized in the consolidated financial statements, are critical to the successful functioning of the University.

j. Investments

Effective April 1, 2007, investments are classified as held-for-trading and are carried at fair value (Note 3). Changes in fair value of investments are reflected in investment income in the consolidated statement of operations. Fair value of investments is determined based on year end quoted market prices.

For periods prior to April 1, 2007, all investments were recorded at cost, and investment income was recorded on an accrual basis. Realized gains or losses on sales of investments were recognized in the year of disposal or when there was a loss in value of the investment that was deemed to be other than temporary.

k. Pledges Receivable

The University does not record pledges receivable in its consolidated financial statements. Revenue from gifts, bequests and donations is recognized on a cash basis because of the uncertainty surrounding collection and in some instances because of the difficulty in determining the valuation of pledges receivable. The University recognizes gifts and donations to be received through the University of Manitoba Foundation U.S.A. Inc. only when the Board of Directors of the Foundation have formalized the transfer with a resolution, collectibility is reasonably assured and the valuation of these gifts and donations can be reasonably determined.

l. Inventories

Inventories have been valued at the lower of cost and net realizable value.

m. Capital Assets

Purchased capital assets are recorded at cost. Capital assets which are constructed by the University are recorded as Construction in Progress until the capital asset is put into use. Contributed capital assets are recorded at market value at the date of contribution. Intangibles such as patents and copyrights are recorded at a nominal amount of one dollar in the year the patent or copyright is obtained.

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

Buildings and Major Renovations	15-50 years
Computer Hardware, Software and Electronics	5-10 years
Furniture and Equipment	10 years
Library Books	10 years
Parking Lots	20 years
Vehicles	5 years

Equipment acquired under a capital lease is amortized over the term of the lease. Works of art, treasures, rare books and manuscripts are not amortized.

(in thousands of dollars)

n. Collections

The University holds a number of collections which have been donated to its libraries, faculties and schools over the years. The library, faculty or school receiving the donation assumes responsibility for safeguarding and preserving the collection. The University seldom, if ever, disposes of its collections or of individual pieces in its collections and therefore does not have a formal policy with respect to the use of proceeds of disposal. However, the University abides by all restrictions placed by donors at the time a donation is received, which may include restrictions imposed relating to the sale of a collection or items contained therein.

The University's policy with regard to its collections is to fund maintenance expenses from the General Operating Fund, if monies are not available for such purposes in a Restricted Fund. The cost of maintenance is not tracked and is therefore not determinable.

o. Pension Costs

The cost of pension benefits earned by employees who are members of the University of Manitoba Pension Plan (1970) or the University of Manitoba Pension Plan (1993) is determined actuarially using the projected unit credit actuarial cost method and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. Pension costs for The University of Manitoba GFT Pension Plan (1986) are based on the contributions required of the University by that Plan.

p. Financial Instruments

The financial instruments at the University consist of cash, marketable investments, accounts receivable, long term investments, accounts payable, other long term liabilities, staff vacation entitlements, capital lease obligations and long term debt.

The primary risk exposures for investments are foreign currency, interest rate volatility, and market and credit risk. The University, through the work of its investment committees, has formal policies and procedures in place governing asset mix among equity, fixed income and alternative investments, requiring diversification within categories, and setting limits on the size of exposure to individual investments.

The University is also exposed to interest rate risk on its long term debt. The University has entered into interest rate swap agreements for a portion of its long term debt obligations.

A significant portion of the University's accounts receivable are related to Research and Special Funds as disclosed in Note 4 and are from the federal and provincial governments, not for profit organizations, corporations, the US government and other universities. The University also has accounts receivable from students and staff. The credit risk on these is minimal. The remaining accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

q. Employee Future Benefits

The University accrues its obligations for employee future benefit plans relating to health, dental, long term disability and group life insurance. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimates for the discount rate for liabilities, the expected rate of return on assets, retirement ages and expected future cost trends.

The University also accrues its obligations relating to post-retirement adjustments to pensions for specifically entitled employees who retired prior to 1993. The cost of such post-retirement pension adjustments is actuarially determined using the projected benefit method and management's best estimate for the discount rate for liabilities and the expected rate of return on assets. Any increase in such adjustments is recognized in the year that it occurs.

Actuarial gains or losses are recognized in the year the gain or loss arises.

r. Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rate. Revenues and expenses are translated at exchange rates on the transaction dates. Gains or losses arising from these translations are included in earnings.

(in thousands of dollars)

s. Derivative Financial Instruments

From time to time, the University uses derivative financial instruments, including interest rate swap agreements, in its management of exposures to fluctuations in interest rates. An interest rate swap is a derivative financial contract between two parties who agree to exchange fixed rate interest payments for floating rate payments on a predetermined notional amount and term. Hedge accounting is used when there is a high degree of correlation between price movements in the derivative instrument and the item designated as being hedged. Any derivative financial instruments that do not qualify for hedge accounting are adjusted to fair value at each year end with any resulting gains or losses recorded in net revenue (Note 3).

For periods prior to April 1, 2007, the University utilized hedge accounting to account for its interest rate swap agreements. Payments and receipts under the interest rate swap agreements, which were designated as effective hedges, were recognized as adjustments to interest expense on the long term debt in the same period that the underlying hedged transactions were recognized.

t. Future Accounting Policy Changes

Disclosure and Presentation of Financial Instruments

The CICA has issued two new standards, CICA 3862 “Financial Instruments – Disclosures” and CICA 3863 “Financial Instruments – Presentation” which are intended to enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. These new standards, which will be adopted effective April 1, 2008, will only require additional disclosure in the financial statements.

Capital Disclosures

The CICA has issued a new accounting standard, CICA 1535 “Capital Disclosures”, which requires the disclosure of qualitative and quantitative information that enables users of financials statements to evaluate the entity’s objectives, policies, and processes for managing capital. This new standard, which will be adopted effective April 1, 2008, will only require additional disclosure in the financial statements.

Inventories

The Canadian Accounting Standards Board has approved a new standard with respect to inventories which requires that inventories be measured at lower of cost or net realizable value; disallows the use of last-in first out inventory costing methodology; and requires that when circumstances which previously caused inventories to be written down below cost not longer exist, the amount of the write-down is to be reversed. This new standard, which will be adopted effective April 1, 2008, is not expected to have a material impact on the University.

3. CHANGE IN ACCOUNTING POLICIES

The University adopted the new standards, Handbook Section 3855, *Financial Instruments - Recognition and Measurement and Section 3865, Hedges*, on April 1, 2007.

Financial Instruments – Recognition and Measurement

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the balance sheet. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net earnings. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Upon adoption of this new standard, the University designated cash, marketable investments and investments as held-for-trading; accounts receivable as loans and receivables; and accounts payable, staff vacation entitlements, bank loans, other long term liabilities, and long term debt as other liabilities. The University has neither available-for-sale nor held-to-maturity instruments.

(in thousands of dollars)

Except for held-for-trading financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial instruments, transaction costs are recorded in the statement of operations as incurred.

The implementation of the standard on April 1, 2007 resulted in an increase to investments and fund balances of $64,345 for net unrealized capital gains.

The impact of this standard on the year ended March 31, 2008 resulted in a decrease in investment income and investments of $32,931.

All derivatives, including embedded derivatives that must be separately accounted for, are recorded at fair value in the consolidated statement of financial position.

Hedges
Section 3865 establishes standards for when and how hedge accounting can be applied as well as disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from the derivative financial instrument in the same period as for those related to the hedged item. The University may use interest rate swap agreements to manage exposure to risk. The University's policy is not to utilize derivative financial instruments for trading or speculative purposes.

Prior to the adoption of the new accounting standards on April 1, 2007, the University's interest rate swap agreements were accounted for using hedge accounting and payments and receipts under the agreements were recognized as adjustments to interest expense in the same period that the underlying hedged transaction was recognized. Effective April 1, 2007, the University ceased applying hedge accounting to its interest rate swap agreements.

In accordance with the new standards, the fair value of the interest rate swaps of $1,455 at April 1, 2007 was recorded in accounts payable and capital asset fund balance. Changes in the fair value of the interest rate swaps, commencing April 1, 2007, are recognized in interest expense with a corresponding adjustment to the swap carrying value included in accounts payable.

The impact of this standard on the year ended March 31, 2008 resulted in an increase in accounts payable and interest expense of $436.

4. ACCOUNTS RECEIVABLE

	2008	2007
Council on Post-Secondary Education	$ 136	$ 57
General	39,928	33,450
Research and Special	38,764	27,647
	$ 78,828	$ 61,154

5. INVESTMENTS

The carrying values of investments as at March 31 are:

	2008 Carrying Value	2007 Carrying Value
Research and Special Funds		
Guaranteed Investment Certificate	$ 346	$ 346
Operating		
Government of Canada Bond	10,386	
Trust & Endowment		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	29,333	25,753
Bonds and Other Fixed Income Securities:		
Government of Canada	46,060	27,142
Province of Manitoba	2,727	1,591
Other Provincial	9,821	11,197
Municipal	1,813	4,656
Corporate	3,769	29,936
Other	139	4,116
	64,329	78,638

(in thousands of dollars)

	2008 Carrying Value	2007 Carrying Value
Equities:		
Canadian Equities	108,013	69,921
US Equities	61,775	56,802
International Equities	46,310	42,595
	216,098	169,318
Pooled Real Estate Fund	32,331	4,992
	342,091	278,701
Capital*		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	1,620	2,011
Province of Manitoba Bonds	202	196
	1,822	2,207
Staff Benefits		
Money Market Funds and Cash	493	504
Bonds	11,507	11,846
Equities:		
Canadian Equities	8,459	5,643
US Equities	4,963	5,325
International Equities	5,071	4,031
	18,493	14,999
Mortgage Fund	3,298	3,486
	33,791	30,835
Total Investments	$ 388,436	$ 312,089

**Represents Sinking Fund Assets on Deposit with the Province of Manitoba, which are held to retire the Capital Advances as described in Note 9.*

In 2008 investments are carried at fair value and in 2007 carrying value represented book value (Note 3). The fair value of investments held at March 31, 2007 was $376,434.

As at March 31, the average yields and the terms to maturity are as follows:

- Bankers Acceptances, Guaranteed Investment Certificates and Money Market Funds: 3.58% (2007, 4.35%); term to maturity: less than one year
- Government and Corporate bond funds: 3.88% (2007, 4.39%): terms to maturity: range from less than one year to more than 12 years.

During the year ended March 31, 2008, the University recognized net unrealized losses of $32,931 on investments classified as held-for-trading, which is recorded in investment income in the consolidated statement of operations.

6. ECONOMIC INTEREST IN RELATED ENTITIES

The University of Manitoba Foundation U.S.A. Inc.

The University has an economic interest in the University of Manitoba Foundation U.S.A. Inc. (“the Foundation”) which is an Illinois Not-For-Profit Corporation incorporated in December 1989. The Foundation’s purpose is exclusively charitable, literary, scientific and educational and its activities include the promotion, encouragement, aid and advancement of higher education, research and training in the Province of Manitoba, in Canada and elsewhere. The Foundation is exempt from U.S.A. Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code.

The Board of Directors of the Foundation is an independent board whose members direct and guide the Foundation’s actions. Members of the Board include, among others, certain senior staff of the University of Manitoba. The University of Manitoba, however, is one of many universities eligible to receive aid from the Foundation. The University must make application to the Foundation’s Board of Directors to request funds, which may or may not be granted. The University’s economic interest therefore is beneficial, as gifts and donations which are solicited by the Foundation may be transferred to the University of Manitoba from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31

(in thousands of dollars)

7. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Assets Under Capital Lease	$ 3,266	$ 2,027	$ 2,548	$ 1,966
Buildings and Major Renovations	572,596	142,045	545,021	130,116
Computer Hardware, Software and Electronics	96,437	66,989	92,981	62,499
Construction in Progress	55,839		20,264	
Furniture and Equipment	171,441	97,642	155,981	87,055
Land	22,147		11,753	
Library Books	144,091	101,583	135,451	94,726
Parking Lots	6,827	1,063	6,603	728
Rare Books and Manuscripts	4,530		4,333	
Vehicles	6,996	5,565	6,647	5,361
Works of Art	1,948		1,764	
	1,086,118	416,914	983,346	382,451
Less Accumulated Amortization	416,914		382,451	
Net Book Value	$ 669,204		$ 600,895	

8. CAPITAL LEASE OBLIGATIONS

Minimum lease payments which include principal and interest under the capital lease obligations are as follows:

2009	$ 473
2010	390
2011	276
2012	163
Total Minimum Lease Payments	1,302
Less: Interest at 5.47%	(120)
	1,182
Less: Current Portion	(420)
	$ 762

9. LONG TERM DEBT

	2008	2007
Province of Manitoba:		
Promissory Note, 5.23% due March 1, 2035	$ 71,642	$ 72,820
Promissory Note, 5.55% due April 1, 2036	73,032	74,085
	144,674	146,905
Capital Advances:		
5 7/8% due May 20, 2007		482
7 1/8% due July 27, 2008	706	706
6 7/8% due December 15, 2009	257	257
6 7/8% due March 31, 2011	555	555
	1,518	2,000
Term Loans:		
*Smartpark Multi Tenant Facility, 6.05% due October 31, 2012	1,336	1,371
*Smartpark Multi Tenant Facility, 5.95% due January 22, 2014	3,350	3,350
	4,686	4,721
Bankers Acceptances with Interest Rate Swaps:		
Energy Performance Program, 4.31% due November 10, 2009	3,045	4,767
Arthur V. Mauro Student Residence, 5.92% due September 5, 2028	15,488	15,860
	18,533	20,627
	169,411	174,253

(in thousands of dollars)

	2008	2007
Less Current Portion:		
Promissory Notes	(2,355)	(2,231)
Capital Advances	(706)	(482)
Term Loans	(37)	(35)
Bankers Acceptances	(2,195)	(2,094)
	(5,293)	(4,842)
	$ 164,118	$ 169,411

**Represents debt of Smartpark Development Corporation.*

Interest on long term debt was $9,819 (2007, $9,672).

The fair value of the Province of Manitoba promissory notes and capital advances are not practical to determine due to their underlying terms and conditions. The fair value of the term loans and bankers acceptances is approximately $24,674 compared to their carrying value of $23,219. Fair value of these long term debt instruments has been determined using future payments of principal and interest of the actual outstanding long term debt discounted at current interest rates available to the University.

The University entered into an interest rate swap agreement whereby the University has fixed a swap rate of 5.92% on a 25 year loan for the Arthur V. Mauro Student Residence. The stamping fee is committed until September 1, 2013. Under the terms of the agreement, the University is required to make monthly principal and interest repayments similar to a conventional amortizing loan. The notional principal underlying this swap agreement amounted to $15,488 as at March 31, 2008 (2007, $15,860).

The University entered into an interest rate swap agreement whereby the University has fixed a swap rate of 4.31% on the Energy Performance Program loan. Under the terms of this agreement, the University is also required to make monthly principal and interest payments. The notional principal underlying this agreement amounted to $3,045 as at March 31, 2008 (2007, $4,767). The stamping fee is committed until November 10, 2008.

The fair value of the swap agreements at March 31, 2008 was $1,891 (2007, $1,455) and has been recorded in accounts payable.

Principal repayments on long term debt payable over the next five years are as follows:

	Promissory Notes	Capital Advances	Term Loans	Bankers Acceptances	Total
2009	$ 2,355	$ 706	$ 37	$ 2,195	$ 5,293
2010	2,484	257	39	1,665	4,445
2011	2,621	555	42	445	3,663
2012	2,766		44	474	3,284
2013	2,918		1,336	503	4,757
Thereafter	131,530		3,188	13,251	147,969
	$144,674	$ 1,518	$ 4,686	$ 18,533	$ 169,411

10. OTHER LONG TERM LIABILITIES

Amounts included in other long term liabilities are non interest bearing and due as follows:

	2008	2007
2010	$ 2,500	$
2011	1,700	
2012	346	346
	$ 4,546	$ 346

The $346 represents a refundable deposit held by Smartpark Development Corporation which is fully refundable to a tenant, provided the tenant renews their lease beyond 2012.

(in thousands of dollars)

11. EMPLOYEE FUTURE BENEFITS

The University of Manitoba provides certain health, dental and group life benefits for its retired employees and long term disability benefits for current employees. Post-retirement pension benefits are also provided for specifically entitled retirees.

Health, dental and group life benefits are provided to employees who retired prior to July 1, 2004 on a non-contributory basis. The group life benefits are indexed post-retirement. For eligible employees retiring on or after July 1, 2004, no group life benefit is available, and employees share in the cost of the health and dental benefits.

The long term disability income benefit is provided on a contributory basis.

Post-retirement pension benefits are provided to specifically entitled employees who retired prior to 1993. The adjustments for a year are determined as the lesser of the amounts that can be provided by a weighted average percentage salary increase at the University, or the excess interest approach provided under the University of Manitoba Pension Plan (1993). One hundred percent of the adjustments are paid by the University (50% from the General Operating Fund and 50% from the Staff Benefits Fund).

The University measures the fair value of assets and the accrued benefit obligations for the non-pension and post-retirement pension adjustments as of March 31. The most recent actuarial valuations were as of March 31, 2007 with the next valuations due as of March 31, 2010.

The Accrued Benefit Obligation for the non-pension benefit plans and the post-retirement adjustments are reported in the University's consolidated statement of financial position under long term liabilities.

Information about the University's defined benefit plans as at March 31 is as follows:

	Non-Pension Benefit Plans		Post-Retirement Adjustments		Total	
	2008	2007	2008	2007	2008	2007
Benefit Cost	$ 4,714	$ 1,443	$ 99	$ 577	$ 4,813	$ 2,020
Accrued Benefit Obligation	52,913	48,606	5,565	5,996	58,478	54,602
Plan Assets	21,051	18,193	1,188	1,327	22,239	19,520
Employer Contribution	3,265	2,561	391	415	3,656	2,976
Employees' Contributions	1,362	1,431			1,362	1,431
Benefits Paid	4,627	3,992	782	829	5,409	4,821

Plan assets consist of:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2008	2007	2008	2007
Equities	52%	45%	3%	3%
Fixed Income	32%	36%	2%	3%
Other	11%	12%	0%	1%
Total	95%	93%	5%	7%

(in thousands of dollars)

Key Assumptions are:	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2008	2007	2008	2007
Accrued benefit obligation at March 31:				
Discount rate	5.50%	4.90%	5.25%	4.90%
Benefit Cost for year ended March 31:				
Discount rate	4.90%	5.00%	4.90%	5.00%
Expected rate of return on assets	6.00%	5.00%	4.90%	5.00%
Health Care Cost Trend Rates at March 31:				
Initial rate	11.00%	10.00%		
Ultimate rate	6.00%	5.00%		
Year ultimate rate reached	2017	2017		
Dental Care Cost Trend Rates at March 31:				
Discount rate	4.00%	4.00%		

12. INTER-FUND ADVANCES AND LOANS

Inter-Fund advances and loans at March 31 are as follows:

	2008	2007
General Operating Fund:		
Due to Capital Asset	$ (28,721)	$ (31,106)
Due to Staff Benefits		(150)
Due to Trust	(1,957)	(201)
	$ (30,678)	$ (31,457)
Capital Asset Fund:		
Due from Operating	$ 28,721	$ 31,106
Staff Benefits Fund:		
Due from Operating	$	$ 150
Trust Fund:		
Due from Operating	$ 1,957	$ 201

13. INTER-FUND TRANSFERS

Inter-Fund transfers at March 31 are as follows:

	General Operating	Specific Provisions	Expenses Funded From Future Revenues	Capital Asset	Research and Special	Staff Benefits	Trust Fund	Endowment Fund
Employee Future Benefits	$ 3,876	$	$ (445)	$	$	$ (3,431)	$	$
Net Change in Vacation Pay Liability	57		(57)					
Benefit Premiums Net of Employer Contributions for Staff Benefits	1,234					(1,234)		
Appropriations for Specific Provisions:								
Capital Asset Replacements & Improvements	(2,966)	2,966						
Unit Carryovers, Special Projects & Initiatives	(21,269)	21,418		(149)				
Funding of Capital Asset Additions	(24,078)	(218)		37,287	(8,616)		(4,375)	
Long Term Debt Repayments	(5,682)			5,690	(8)			
Student Contributions to University Development Funds	(861)			114				747
Student Contributions for Technology	(3,282)			3,282				
Scholarships, Bursaries & Prizes	(3,465)	(100)		64	(103)		3,604	
Change in Market Value of Endowments							18,268	(18,268)
Other Net Transfers	404			222	(571)		(2,199)	2,144
Overhead Recoveries	3,328				(3,328)			
Funding of General Operating Expenses	9,175	(3,181)		(1,142)	(45)		(4,807)	
Unit Capital Development Assessment	(3,799)			3,799				
Funding of Research Projects	(48)				1,390		(1,342)	
March 31, 2008	$ (47,376)	$ 20,885	$ (502)	$ 49,167	$ (11,281)	$ (4,665)	$ 9,149	$ (15,377)
March 31, 2007	$ (40,071)	$ 3,636	$ 3,513	$ 54,447	$ (6,679)	$ (4,736)	$ (12,513)	$ 2,403

(in thousands of dollars)

14. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment, library books and artwork of $1,184 (2007, $1,201).

15. PENSION PLANS

The University of Manitoba administers the University of Manitoba Pension Plan (1970), The University of Manitoba GFT Pension Plan (1986) and The University of Manitoba Pension Plan (1993). These are trusteed pension plans. The Trustees are responsible for the custody of the Plans' assets and issuance of annual financial statements, which do not form part of the University's financial statements.

The University of Manitoba Pension Plan (1970) and University of Manitoba Pension Plan (1993) are both money purchase plans with a defined benefit minimum. The funding for the plans requires a matching contribution from the University and the employees. The surplus from the Plans is adequate to fund the Plan and the current level of funding satisfies the requirements of the Manitoba Pensions Benefit Act.

The actuarial present value of accrued pension benefits has been determined using the projected unit credit actuarial cost method, and assumptions developed by reference to expected long term market conditions. An actuarial valuation effective December 31, 2006 was completed in 2007 by Eckler Partners Ltd., a firm of consulting actuaries. The results of this valuation have been extrapolated by Eckler Partners Ltd. to December 31, 2007. As at December 31, 2007, the University of Manitoba Pension Plan (1970) and The University of Manitoba Pension Plan (1993) were in an actuarial surplus of $1,174 (2006, $1,079) and $15,535 (2006, $23,716), respectively. The University cannot access this surplus and as a result, no asset has been recorded.

The actuarial present value of benefits as at December 31 and the principal components of changes in actuarial present values during the year, were as follows:

	2007		2006	
	1993 Plan	1970 Plan	1993 Plan	1970 Plan
Actuarial present value of accrued pension benefits at beginning of year	$ 870,172	$ 20,805	$ 839,732	$ 17,364
Interest accrued on benefits	88,144	1,882	55,348	1,343
Benefits accrued	31,941	1,884	30,012	1,673
Benefits paid	(69,023)	(780)	(56,447)	(781)
Actuarial gain/loss			(2,275)	(189)
Change in asset valuation method				1,395
Change in assumptions			3,802	
Actuarial present value of accrued pension benefits at end of year	$ 921,234	$ 23,791	$ 870,172	$ 20,805

The significant long term assumptions used in the valuation of the accrued pension benefits were a rate of return on assets of 6.0% per annum, a general rate of salary increase of 4.0% and an interest assumption of 5.0% (1970 Plan) and 5.5% (1993 Plan) as the basis for converting member accumulations into annuities. However, in preparing the extrapolation the investment return used for 2007 was 8.81% (1970 Plan) and 9.44% (1993 Plan) being the rate of return for that year based on the actuarial asset values.

The actuarial value of net assets available for benefits, has been determined using a five year moving average fair value method. Under this method, the fair value is the underlying basis, but capital gains and losses are amortized over a five year period.

The fair and actuarial values of net assets available for benefits as at December 31 were as follows:

	2007		2006	
	1993 Plan	1970 Plan	1993 Plan	1970 Plan
Fair value of net assets available for benefits	$ 957,821	$ 25,321	$ 974,371	$ 23,674
Fair value changes not reflected in the actuarial value of net assets	(21,052)	(356)	(80,483)	(1,790)
Actuarial value of net assets available for benefits	$ 936,769	$ 24,965	$ 893,888	$ 21,884

(in thousands of dollars)

The University recognized expenses equal to its contributions of $15,494 (2007, $14,950) for the 1970 Plan and for the 1993 Plan for the year ended March 31, 2007. Employee contributions matched the employer contributions.

The next full actuarial valuation of the Plans will be effective December 31, 2009 and will be completed in 2010.

The University of Manitoba GFT Pension Plan (1986) is a defined contribution pension plan, therefore, there is no requirement for an actuarial valuation of this Plan. The University's contributions to this Plan were $1,604 in 2008 (2007, $1,533).

16. COMMITMENTS AND CONTINGENCIES

The University of Manitoba is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE). CURIE pools the property damage and public liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment in the event members' premiums and reserves are insufficient to cover losses and expenses. No additional assessment was necessary for the current year.

Contractual commitments relating to Construction in Progress amount to $24,990 (2007, $34,971).

The University of Manitoba is named as a defendant in litigations where action has commenced or is anticipated. While the ultimate outcome of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that the outcome will not have a material effect on the financial position of the University. No provision has been made in the financial statements in respect of these claims as of March 31, 2008.

17. COMPARATIVE FIGURES

Comparative figures for the year ended March 31, 2007 have been restated, where appropriate, to conform with the presentation adopted for the year ended March 31, 2008.

THE UNIVERSITY OF WINNIPEG

UNIVERSITY OF WINNIPEG

MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. These accounting principles have been applied on a basis consistent with the prior year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to ensure the assets of the University are properly safeguarded.

The Board of Regents has reviewed and approved these consolidated financial statements.

On Behalf of Management

(Original signed by Bill Balan)

Bill Balan
Acting Vice-President (Finance & Administration)

(Original signed by Michael Emslie)

Michael Emslie, CA
Acting Executive Director, Financial Services

Winnipeg, Manitoba
June 16, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Regents of the University of Winnipeg

We have audited the consolidated statement of financial position of the University of Winnipeg as at March 31, 2008, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
June 6, 2008

Carol Bellringer, FCA, MBA
Auditor General

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE UNIVERSITY OF WINNIPEG **Statement I**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at March 31, 2008
(with comparative figures for 2007)

ASSETS

	2008 $000	2007 $000
Current Assets:		
Cash and Cash Equivalents (Note 4)	$12,791	$18,777
Accounts Receivable	6,638	3,531
Due from Related Parties (Note 20)	135	1,223
Prepaid Expenses	959	748
Inventory	1,057	1,193
	21,580	25,472
Long Term Investments (Note 5)	1,566	1,566
Capital Assets (Note 6)	76,410	56,400
	$99,556	$83,438

LIABILITIES AND NET ASSETS

	2008 $000	2007 $000
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$8,470	$5,808
Deferred Revenue	2,297	2,634
Deferred Contributions (Note 7)	5,350	5,702
Staff Benefits (Note 8)	1,496	1,382
Current Portion of Long Term Debt (Note 10, 11)	1,271	916
Due to Related Party (Note 20)	301	179
	19,185	16,621
Obligations under Capital Leases (Note 10)	386	423
Long Term Liabilities (Note 11)	4,643	1,414
Deferred Capital Contributions (Note 12)	60,048	48,221
Net Assets:		
Unrestricted Net Assets	332	2,101
Internally Restricted Net Assets (Note 13)	751	1,395
Endowments (Note 14)	2,684	2,684
Investment in Capital Assets	11,527	10,579
	15,294	16,759
	$99,556	$83,438

Special Purpose and Trust Assets (Notes 4, 14)
Commitments (Notes 16, 17, 18, 23)
Contingencies (Note 19)

Approved by the Board of Regents

(Original signed by Terry Hidichuk)
Chair, Board of Regents

(Original signed by Lloyd Axworthy)
President & Vice Chancellor

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG **Statement II**
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2008
(with comparative figures for 2007)

	2008 $000	2007 $000
REVENUE		
Government Grants:		
Council on Post Secondary Education	$42,706	$40,448
Other Province of Manitoba	1,906	1,662
Government of Canada	2,775	2,708
Student Academic Fees	28,184	28,335
Gifts, Grants and Bequests	1,898	1,257
Investment Income	1,611	1,684
Sales of Services and Products	4,641	4,626
Other Revenues	5,811	5,178
Amortization of Deferred Capital Contributions (Note 12)	1,695	1,668
	91,227	87,566
EXPENSES		
Salaries	53,739	50,095
Staff Benefits	7,315	6,908
Supplies, Services and Other Expenses	13,696	13,881
Cost of Sales	3,057	3,049
Building, Utility and Related Expenses	7,127	6,376
Provincial and Municipal Taxes	1,151	1,099
Scholarships and Awards	2,670	2,601
Gifts to Related Parties (Note 20)	1,004	818
Amortization of Capital Assets	2,933	2,822
	92,692	87,649
DEFICIENCY OF REVENUE OVER EXPENSES	($1,465)	($83)

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG **Statement III**
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31, 2008
(with comparative figures for 2007)

	2008					2007
	UNRESTRICTED NET ASSETS $000	**INTERNALLY RESTRICTED NET ASSETS (Note 13) $000**	**ENDOWMENTS (Note 14) $000**	**INVESTMENT IN CAPITAL ASSETS $000**	**TOTAL $000**	**TOTAL $000**
BALANCE, BEGINNING OF YEAR	$2,101	$1,395	$2,684	$10,579	$16,759	$16,620
Deficiency of Revenue Over Expenses	(1,465)				(1,465)	(83)
Direct Increases (Decreases):						
Endowment Contributions					0	222
Transfers:						
Internally Funded:						
Capital Asset Additions	(1,930)			1,930	0	0
Amortization of Capital Assets	1,107			(1,107)	0	0
Loss on Disposal of Capital Assets	4			(4)	0	0
Repayment of Long Term Debt	(129)			129	0	0
Internally Restricted Net Assets	181	(181)			0	0
Strategic Provisions – Reductions (Note 13)	463	(463)			0	0
NET CHANGE FOR THE YEAR	(1,769)	(644)	0	948	(1,465)	139
BALANCE, END OF YEAR	$ 332	$ 751	$2,684	$11,527	$15,294	$16,759

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG **Statement IV**
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2008
(with comparative figures for 2007)

	2008 $000	2007 $000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Government Grants	$44,987	$45,352
Student Academic Fees	28,024	27,823
Gifts, Grants and Bequests	1,080	2,109
Investment Income	1,745	1,676
Sales of Services and Products	4,705	4,575
Other Revenues	5,878	5,594
Cash Paid for:		
Salaries and Benefits	(59,776)	(56,934)
Supplies, Services and Other Expenses	(14,010)	(13,803)
Cost of Sales	(3,025)	(2,938)
Building, Utility and Related Expenses	(6,442)	(6,610)
Provincial and Municipal Taxes	(1,151)	(1,099)
Scholarships and Awards	(2,658)	(2,610)
Gifts to Related Parties	(833)	(995)
	(1,476)	2,140
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Purchase of Capital Assets	(22,624)	(4,581)
	(22,624)	(4,581)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash Contributions Received for Endowment	0	222
Long Term Debt Repayments on Mortgages	(843)	(234)
Long Term Debt – Building Purchase	4,400	0
Cash Received for Deferred Capital Contributions	14,557	8,125
	18,114	8,113
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,986)	5,672
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,777	13,105
CASH AND CASH EQUIVALENTS, END OF YEAR	$12,791	$18,777
Cash and Cash Equivalents Consists of:		
Cash in Bank	6,160	2,721
Short Term Investments	6,631	16,056
	$12,791	$18,777

Excluded from Investing and Financing Activities are assets acquired under Capital Leases and the related obligations under Capital Leases totalling $114 (2007 - $605).

See accompanying notes to the consolidated financial statements.

1. Authority and Purpose

The University of Winnipeg (the University) operates under the authority of the University of Winnipeg Act of the Province of Manitoba. The primary role of the University is to provide post secondary education and research in Arts, Sciences and Education. The University also operates the Collegiate, an independent high school and a number of other education related activities. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies

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

A) Contributions

The University has chosen to use the deferral method of accounting for contributions. Under the deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Restricted contributions are stipulations imposed that specify how resources must be used. External restrictions are imposed from outside the organization, usually by the contributor of the resources. Restrictions on contributions may only be externally imposed.

B) Revenue Recognition

Operating grants are recognized as revenue in the period received or receivable. Revenues received for tuition fees and sales of goods and services are recognized in the period in which the goods are received or the services rendered or substantially rendered.

Deferred contributions are externally restricted non-capital and non-endowment contributions which are deferred and are recognized as revenue in the period in which the related expenses are incurred.

Debt owing to the Province of Manitoba is reflected as deferred capital contributions in the statement of financial position. The related revenue earned from the Council on Post Secondary Education to offset the interest expense and the interest expense are both excluded from the statement of operations and changes in fund balances.

Externally restricted contributions for the acquisitions of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received. Amortization of deferred capital contributions is recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Endowment contributions are recorded as direct increases in net assets in the period in which they are received.

C) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary money market instruments convertible to cash within three months or less. Bank borrowings are considered to be financing activities.

D) Investments

Investments are recorded at fair value with the exception of a donated equity investment in certain properties, which is recorded at estimated fair value on the date received and designated as available for sale.

E) Inventories

Bookstore and Printing inventories are valued at the lower of cost or net realizable value.

F) Capital Assets

Capital assets and collections purchased by the University are recorded at cost. Collections include Art Work and Rare Books recorded at fair value derived by independent appraisal at the time of acquisition or donation. Donated assets are recorded at estimated fair market value on the date received. Land, collections of rare books and works of art are not amortized. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings, Additions and Improvements	60 years
Leasehold Improvements	Term of Lease
Library Acquisitions	10 years
Furnishings and Equipment	10 years
Major System Computer Software	10 years
Computer Equipment and Software	5 years
Vehicles	5 years
Equipment under Capital Lease	Term of Lease

G) Use of Estimates

In preparing the University's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

H) Principles of Consolidation

The consolidated financial statements of the University include the accounts of the University of Winnipeg Education Housing Corporation (UWEHC), a wholly owned entity. UWEHC secures and provides affordable residential accommodation for the benefit of persons enrolled at the University. The University of Winnipeg Foundation (the Foundation) (Note 17) and the University of Winnipeg Community Renewal Corporation (UWCRC) (Note 18), both controlled entities, are not consolidated in these financial statements.

I) Future Accounting Changes

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 – *Capital Disclosures*, Handbook Section 3862 – *Financial Instruments – Disclosures* and Handbook Section 3863 – *Financial Instruments – Presentation.* These new standards apply to the University effective April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861 – *Financial Instruments – Disclosure and Presentation,* revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

In addition, the CICA issued a new accounting standard, Handbook Section 3031 – *Inventories,* that replaces Handbook Section 3030. This new section provides guidance as to costs that can be included in inventories and requires that inventories be measured at the lower of cost and net realizable value.

The University is currently assessing the impact that these new standards will have on its financial statements for the year ending March 31, 2009.

3. Change in Accounting Policy:

The organization adopted the new CICA Handbook Section 3855 – *Financial Instruments – Recognition and Measurement* on April 1, 2007. This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables: (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in the Statement of Operations. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Upon adoption of this new standard, cash and cash equivalents were designated as held-for-trading; accounts receivable and due from related parties as loans and receivables; accounts payable and accrued liabilities, accrued vacation pay, due to related party and long term liabilities as other liabilities.

Long term investments are designated as available for sale as they are comprised of investments that are not held for the purpose of earning short term income and investments that relate to an equity investment for which fair value information is not readily available.

The University does not have any held-to-maturity instruments.

Except for held-for trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

The adoption of the standard on April 1, 2007 had no material impact on net assets.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	2008 $000	2007 $000
Operating Funds	$5,295	$10,229
Sponsored Research and Designated Funds	2,675	2,561
	7,970	12,790
Special Purpose and Trust Funds	4,821	5,987
	$12,791	$18,777

Trust funds are restricted funds held for deferred contributions - $2,148 (2007 - $2,870) and endowments - $1,118 (2007 - $1,118). Special purpose funds are comprised of internally restricted net assets - $479 (2007 - $661), due to operating - $673 (2007 - $1,252) and due to related party - $403 (2007 - $86).

5. Long Term Investments

Long term investments are comprised of endowment funds (Note 14):

	2008 $000	2007 $000
Fixed Term Instruments	$600	$600
Investment Shares	50	50
Equity investment in properties	916	916
	$1,566	$1,566

Long term investments are recorded at fair value with the exception of the equity investment in properties of which market information is not readily available.

6. Capital Assets

	2008			2007
	Cost $000	Accumulated Amortization $000	Net Book Value $000	Net Book Value $000
Land	$8,060	$0	$8,060	$2,211
Buildings, Additions and Improvements	66,318	19,649	46,669	42,407
Library Acquisitions	12,879	10,853	2,026	1,905
Furnishings and Equipment	27,698	21,240	6,458	5,964
Collections	1,239	0	1,239	1,221
Buildings Under Construction	11,443	0	11,443	2,159
Equipment Under Capital Lease	719	204	515	533
	$128,356	$51,946	$76,410	$56,400

Furnishings and Equipment include Vehicles, Major System Computer Software and Computer Equipment and Software.

7. Deferred Contributions

Deferred contributions represent contributions received for special purposes such as Sponsored Research and Designated Funds and Special Purpose Trust consisting of scholarships and bursaries, library acquisitions and lecture funds.

	2008 $000	2007 $000
Balance, Beginning of Year	$5,702	$5,033
Contributions Received	7,078	7,555
Contributions Expended	(5,507)	(6,119)
Transferred to Foundation	(1,923)	(767)
Balance, End of Year	$5,350	$5,702
Balance Consists of:		
Sponsored Research and Designated Funds	$3,052	$2,832
Special Purpose Trust	2,148	2,870
Operating Funds	150	0
	$5,350	$5,702

8. Staff Benefits

The balance of staff benefits is comprised of accrued vacation pay of $1,496 (2007 - $1,382).

9. Bank Indebtedness

The University has an operating line of credit with a bank authorized in the amount of $1,250. The line of credit is unsecured and bears interest at prime. It was not utilized at March 31, 2008 or March 31, 2007.

10. Obligations under Capital Leases

The following is a schedule of future minimum lease payments under capital leases expiring between June 1, 2011 and March 1, 2013 together with the balances of the obligations under capital leases:

	$000
2008/09	$160
2009/10	160
2010/11	160
2011/12	80
2012/13	14
Total minimum lease payments	574
Less amount representing interest at approximately 3.5%	(46)
Balance of obligations	528
Less: Current Portion	(142)
Obligations under Capital Leases	$386

Interest expense for the current year on the lease obligations amounted to $23 (2007 - $13).

11. Long Term Liabilities

	2008 $000	2007 $000
Promissory Notes	$4,488	$792
Mortgage Payable	174	204
UWEHC Mortgages Payable	564	589
Supplementary Pensions Payable	546	630
	5,772	2,215
Less: Current Portion	(1,129)	(801)
	$4,643	$1,414

The promissory notes represent unsecured loans from the Province of Manitoba. The loans were used to finance the properties listed below:

	2008 $000	2007 $000
509 Ellice and 433 Young Street Interest rate 4.45%, due April 15, 2015	$694	$792
CanWest Centre for Theatre and Film Interest rate 4.00%, due March 31, 2011	1,800	0
Duckworth Athletic Complex Expansion Interest rate 5.55%, due October 31, 2047	1,994	0
	$4,488	$ 792

Annual principal payments on the notes during the next five years are: 2009 - $712; 2010 - $713; 2011 - $715; 2012 - $115; 2013 - $116.

The mortgage payable, secured by Graham Hall, is payable to Canada Mortgage and Housing at 5 3/8% due October 1, 2012. The Council on Post-Secondary Education annual operating grant provides for the $40 annual mortgage payment. Principal payments on this mortgage during the next five years are: 2009 - $31; 2010 - $33; 2011 - $35; 2012 - $37; 2013 - $38.

UWEHC mortgages are secured by Balmoral Street and Spence Street properties and are payable to the Assiniboine Credit Union. The mortgage payable on the Balmoral Street properties is a variable term mortgage and has a floating interest rate at prime. The four individual mortgages payable on the Spence Street properties are due April 1, 2012 and have an interest rate of 6.55%. Principal payments on these mortgages during the next five years are: 2009 - $302; 2010 - $13; 2011 - $14; 2012 - $15 2013 - $220.

Supplementary pensions payable represents payments to past Presidents for services performed and are based on an actuarial calculation. The amount due in 2009 is $84.

Interest paid during the year on long term liabilities totalled $126 (2007 - $89).

12. Deferred Capital Contributions

Deferred capital contributions represent unamortized external contributions related to the purchase of capital assets in the amount of $59,739 (2007 - $43,713) and funds held for future capital project expenditures in the amount of $309 (2007 - $4,508). The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	2008 $000	2007 $000
Balance, Beginning of Year	$48,221	$40,936
Contributions Received	9,386	1,228
Contributions from University of Winnipeg Foundation Specified Fund	4,106	7,696
Mortgage Principal Contributions	30	29
Amortization of Deferred Capital Contributions	(1,695)	(1,668)
Balance, End of Year	$60,048	$48,221

13. Internally Restricted Net Assets

Internally restricted net assets balance at March 31, 2008 is $751 (2007 - $1,395). It consists of cumulative net unrestricted trust income of $479 (2007 - $660) and strategic provisions of $272 (2007 - $735).

The cumulative net unrestricted trust income of $479 is available to fund Board of Regents scholarships.

The strategic provisions additions represent an appropriation from unrestricted net assets to internally restricted assets. This transfer is made to provide for future funding support of initiatives within the Strategic Plan and the Academic Plan. Actual expenditures related to strategic provisions are charged to operations with a corresponding transfer of funds from internally restricted (see Statement III).

The strategic provisions provide for:

	March 31, 2007 $000	Reductions $000	March 31, 2008 $000
Infrastructure			
Student Information System	384	(384)	0
Academic Equipment	100	0	100
Building Renovations	53	(2)	51
Strategic Development			
Internal Research Grants	69	(10)	59
Project Development	129	(67)	62
	$ 735	($ 463)	$ 272

14. Net Assets Restricted for Endowment Purposes

Endowments consist of externally restricted contributions where the principal donation is required to be maintained in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors.

Endowments are comprised of long-term investments of $1,566 – Note 5 (2007 - $1,566) and short-term investments of $1,118 (2007 – $1,118).

Endowments of $2,034 are held in trust in accordance with the terms of a certain bequest. In 2008, the University has a 10% share in the income distribution from this trust (2007 – 10% share).

15. University of Winnipeg Pension Plan (the Plan)

The Plan was established as a contributory defined benefit pension plan at September 1, 1972. The Plan is registered under the Income Tax Act and the Manitoba Pension Benefits Act (Registration #309914). A Trust Company holds the assets under a Trust Agreement and provides daily administration of the Plan. Professional investment managers administer the portfolio. A Pension Committee of the Board of Regents of the University was responsible for overseeing the administration of the Plan, monitoring investments and making policy recommendations to the Board until March 25, 2008, when the University and the Stakeholders signed a series of agreements including a Transition Agreement and a Trust Agreement, to transfer the administration of the Plan from the University to an independent Board of Trustees, which will become fully effective July 7, 2008, unless objections are raised by the Canada Revenue Agency or the Manitoba Pension Commission in the intervening period of time. Until then, the University continues as the administrator of the Plan, although the new Board of Trustees, for all intents and purposes, has assumed that responsibility.

The Plan covers all eligible employees of the University, except those who are members of the United Church of Canada Pension Plan. Permanent academic employees join the Plan on their date of employment. Permanent non-academic employees may elect to join on their date of employment but must join on their first anniversary date of employment. The defined benefit side of the Plan is now closed, and all new employees must now participate in the defined contribution side of the Plan.

At December 31, 2007 the fair value of the Plan's net assets was $135,044 (2006 - $139,797). Under the Plan, contributions are made by Plan members, which are matched by the University for the defined contribution members; for defined benefit members, an additional 1% is paid by the University. A member who receives benefits from the long-term disability plan of the University is not required to contribute to the Plan. The annual pension payable to a defined benefit member on retirement is based on the member's final average earnings and years of credited service.

In accordance with the Canadian Institute of Chartered Accountants (CICA) accounting standard for Employee Future Benefits, Section 3461 of the CICA Handbook – Accounting, the University uses a three-month accelerated measurement date for financial reporting purposes. As a result, with respect to the defined benefit segment of the Plan, the reported value of the plan assets and plan obligations as at December 31, 2007 are $116,485 and $124,184 respectively. The corresponding values for the plan assets and plan obligations projected to the fiscal year-end, March 31, 2008 are $113,989 and $124,625 respectively.

The University, by resolution of the Board of Regents on December 4, 2000, approved in principle Plan amendment #2001/1 that provided for an initial distribution of a surplus then existing equally to Plan members and the University, a further sharing of the remaining surplus to Plan members and the University, and the establishment of a Board of Trustees to operate the Plan at arm’s length from the University. Subsequently, investment market conditions led to circumstances where the final distribution to Plan members and the University was not able to proceed.

Defined Contribution Obligation

The obligation for pension benefits under the defined contribution segment of the Plan will always be equal to the net assets in each member's account. Therefore, no surplus or deficiency arises from fluctuations in the investment market.

The defined contribution segment of the Plan consists of:

	December 31 2007 $000	December 31 2006 $000
Balance, Beginning of Year	$16,561	$13,681
Contributions	2,110	1,870
Refunds and transfers *	(486)	(846)
Net Investment Return *	375	1,856
Balance, End of Year	$18,560	$16,561

* The amounts at December 31, 2006, have been reclassified to reflect the investment return net of all expenses. The amounts shown for Refunds and transfers no longer include Plan expenses.

Defined Benefit Obligation

In accordance with the Pension Benefits Act, an actuarial valuation of the defined benefit segment of the Plan is required at least every 3 years. An actuarial valuation of the Plan was prepared effective December 31, 2007 by Eckler Ltd., a firm of consulting actuaries.

The benefit obligation has been calculated pursuant to CICA Handbook 3461, using a prescribed market-related discount rate. This approach differs from the calculation of the benefit obligation in the Pension Plan financial statements which uses a discount rate based on the expected long-term rate of return consistent with the investment policy of the fund and determined in accordance with accepted actuarial practice.

The financial information is based on the financial position of the Defined Benefit Pension Plan as of December 31, 2007, the "measurement date" and for the purpose of financial statements, the in-year pension expense (and the calculation of the valuation allowance in particular) reflects the employer contributions to the Plan during the three-month period ending March 31, 2008.

Change in Defined Benefit Obligation	December 31 2007 $000	December 31 2006 $000
Benefit Obligation, January 1	$125,951	$123,114
Current Service Cost	2,816	2,922
Interest Cost	6,138	6,056
Benefits and Refunds Paid	(9,199)	(6,930)
Actuarial Loss (Gain)	(1,522)	789
Benefit Obligation, December 31	$124,184	$125,951

(AMOUNTS IN THOUSANDS)

Change in Plan Assets

	December 31 2007 $000	December 31 2006 $000
Fair Value of Plan Assets, January 1	$123,236	$113,374
Actual Return on Plan Assets, Net of Expenses	(235)	14,072
Employer Contributions	1,748	1,750
Employee Contributions	935	970
Benefits and Refunds Paid	(9,199)	(6,930)
Fair Value of Plan Assets, December 31	$116,485	$123,236

Reconciliation of Accrued Benefit Asset

	March 31 2008 $000	March 31 2007 $000
Accrued Benefit Asset (Obligation)	($7,699)	($2,715)
Employer Contributions After December 31	423	288
Unamortized Transitional Asset	(3,188)	(3,644)
Unamortized Net Actuarial Loss	11,160	6,448
Accrued Benefit Asset, Before Valuation Allowance	696	377
Valuation Allowance	(696)	(377)
Accrued Benefit Asset, Net of Valuation Allowance	$ 0	$ 0

Components of Pension Expense

	December 31 2007 $000	December 31 2006 $000
Employer Share of Current Service Cost	$1,881	$1,952
Interest Cost	6,138	6,056
Expected Return on Plan Assets	(5,999)	(5,563)
Amortization of Transitional Asset	(456)	(456)
Amortization of Actuarial Loss	0	186
Increase (Decrease) in Valuation Allowance	319	(434)
Net Pension Expense	$1,883	$1,741

(AMOUNTS IN THOUSANDS)

Significant actuarial assumptions used in the determination of the 2007 pension expense were:

Discount Rate	- pre and post-retirement	5.00%
Rate of salary increase	- 2007	4.00%
	- thereafter	4.00%

Significant actuarial assumptions used in the determination of the defined benefit obligation at December 31, 2007 were:

Discount Rate	- pre and post-retirement	5.35%
Rate of salary increase	- 2008 and 2009	2.50%
	- thereafter	4.00%

In accordance with CICA Handbook Section 3461, as the amortization of the pension expense is less than 10% of the benefit obligation it is not recorded in the financial statements.

Funding Obligation

In the event that the actuarial valuation of the Plan determines that the Plan is not fully funded, the University is responsible for providing adequate funding levels in accordance with the *Pension Benefits Act of Manitoba*.

The actuarial valuation at December 31, 2007 reported that the defined benefit segment of the Plan has a solvency deficiency of $20,665.

The University would normally be required under the *Pension Benefits Act* to make additional contributions to amortize the solvency deficiency over a five year period. However, the Provincial Government has provided universities in Manitoba with an opportunity to be permanently exempted from the usual solvency funding requirements, while the Plan continues on a going-concern basis. The University Pension Plan's exemption regulation (regulation 141/2007) was registered October 15, 2007. The University has complied with all requirements to be entitled to the permanent exemption.

As part of the discussions with government in the period leading up to the exemption regulation, it was contemplated that the annual funding requirement for the going-concern deficiency revealed in the 2004 valuation be continued until that deficiency is eliminated. The going-concern deficiency at December 31, 2004 was $3,746 and the annual funding payments were $386. While the remaining going-concern deficiency has declined to $2,384 at December 31, 2007, the University will continue to make annual contributions of $386 until the deficiency is eliminated.

In addition, because of the going-concern deficiency at December 31, 2007, the University is required to make additional contributions of $304 in 2008, $295 in 2009, $291 in 2010 to cover the current service shortfall.

During 2005, amendments were made to the *Pension Benefits Act* which will affect the benefits payable from the Plan. These amendments have yet to be proclaimed and the corresponding regulations have yet to be published but, based on a preliminary interpretation, the Plan's Actuary has estimated that these changes will add approximately $1,100 to the actuarial present value of accrued benefits at December 31, 2004 and would have increased the annual special funding payments by approximately $110 per year at that time. The 2005 amendments have not yet come into effect. The longer the effective date is delayed; the financial impact will tend to decline as active members retire.

16. Commitments

The University has operating lease obligations that cover equipment and building space integral to the University's operations. The lease obligations expire at various dates up to and including December 31, 2017. In addition, the University has entered into a number of contracts to complete capital additions and renovations on campus properties during the upcoming year. The above contracts require annual payments over the next 5 years and thereafter as follows:

	$000
2008/09	$6,927
2009/10	1,423
2010/11	1,059
2011/12	926
2012/13	951
Thereafter	4,141
	$15,427

17. The University of Winnipeg Foundation

The University's Board of Regents approved the establishment of the University of Winnipeg Foundation in March 2003. The Foundation's vision is to strengthen, deepen and advance the University's mission through the creation of a long-term income stream.

The establishment of the Foundation is based upon mutually binding agreements between the University and the Foundation that provide for the administration of the specified fund, the basis of operation and the relationship between the University and the Foundation, the transfer of endowment funds and the provision of support services by the University to the Foundation.

The agreements with The University of Winnipeg Foundation are as follows:

(a) Coordination, Cooperation and Funding Agreement

The University and the Foundation have jointly agreed that all future fund raising activities directed to the general public shall generally be conducted by the Foundation. However, certain fund raising activities, such as the Wesmen Booster Club and direct gifts to libraries, will continue on an agency basis through the University.

During 2006-2007 budget discussions and as approved by the University's Board of Regents and the Foundation's Board of Directors, the University agreed to increase the annual operating grant to the Foundation to $575 per year. This increase in the operating grant compensates for the declining Specified Fund interest income previously available to the Foundation to assist in funding its operations. However, no formal agreement has been signed to reflect this change.

(b) Occupancy and Support Agreement

This Agreement documents the basis upon which the Foundation occupied space in Wesley Hall and elsewhere on Campus and the Foundation's use of certain existing systems, programs and personnel of the University. The Foundation has agreed to pay the University a fee of $45 per annum for occupancy and support services. The Agreement is effective for an initial term ending March 31, 2004 with an option for automatic renewal for a subsequent 5 year term thereafter.

Based on discussions in June 2006, and the approval of the University's Board of Regents, the University has agreed to waive the occupancy and support costs of $45 per year, relating to modern, occupancy space on the 7^{th} floor of 491 Portage Avenue, for the remaining two years of the agreement commencing April 1, 2007.

(c) Specified Fund Agreement

This Agreement provides for the transfer of the $14,000 Government of Manitoba capital contribution from the University to the Foundation. The Agreement contemplates the disbursement of $14,000 to the University on a scheduled basis, which coincides with proposed capital projects under the Campus Development Plan, including Wesley Hall. The Foundation is entitled to retain any interest/appreciation in capital achieved during the time the Foundation holds the funds.

(d) Endowment Fund Agreement

The University and the Foundation entered into an Agreement that provided for the transfer of existing endowment funds from the University to the Foundation, with an effective date of April 1, 2004.

This Agreement states that the Foundation will assume responsibility for the Endowment Fund effective April 1, 2004. In accordance with the Endowment Agreement, the Foundation has a commitment to provide the University with an amount equal to the agreed percentage multiplied by the current year's beginning balance of the contributed capital. The agreed percentage is established by the Foundation and the University between September and December of each year.

The University and the Foundation have agreed that the amount will be determined by applying the agreed percentage (4.05% for 2007-2008) to the prior year beginning balance of the contributed capital plus a pro-rated percentage of the agreed percentage for those gifts received in each quarter of the previous year. (ie. ¾ of 4.05% for those gifts received in the first quarter, ½ of 4.05% in the second quarter and ¼ of 4.05% for those gifts received in the third quarter). Based on this formula, the Foundation provided the University with $1,000 in 2007-2008.

The Foundation is entitled to an annual administration fee equal to ½ of 1% of the Endowment Fund capital of the previous year (or such other higher percentage as the University may agree to from time to time). On November 29, 2004, the University agreed to increase this fee to 2% retroactive to April 1, 2004 for a four-year period, ending March 31, 2008. On April 24, 2008, the University confirmed its continued support of the Foundation by providing that the Foundation may continue to retain an annual administration fee of 2% each year for the duration of the Capital Campaign.

The financial information of the Foundation is not consolidated in the University's financial statements and is provided within this note and note 20 on Related Party Transactions and Balances. The Foundation is a controlled entity of the University based upon the following factors:

i) The University has representation on the Foundation's Board of Directors and has the authority to approve members at its discretion.

ii) The University has a significant economic interest in the Foundation which conducts its activities for the exclusive benefit of the University.

iii) The Foundation requires the University's consent to amend its by-laws.

iv) The objectives of the Foundation and the University have the common purpose to strengthen, deepen and advance the University's mission.

Financial Position:

The Foundation follows the restricted fund method of accounting for contributions. The Foundation maintains separate funds within its assets and follows the principles of fund accounting to record the day to day transactions.

The financial position of the Foundation at March 31 is summarized as follows:

	2008 $000	2007 $000
Statement of Financial Position:		
Assets	$39,200	$41,994
Liabilities	726	1,813
Fund Balances:		
Operating Fund	109	585
Unrestricted Fund	10	14
Investment in Capital Assets	48	52
Building and Program Fund	5,171	4,303
Funds Held Pending Terms of Reference	57	60
Specified Fund	59	2,465
Unrestricted Bequests	254	0
Endowment Fund	32,766	32,702
	38,474	40,181
	$39,200	$41,994
Statement of Operations		
Sources of Funds:		
Transfer from University of Winnipeg	$927	$5,090
Investment Income	2,867	2,418
Unrealized (Loss) Gain on Investments	(3,247)	880
University of Winnipeg Support Funding	575	575
Endowment Administration Fee	584	549
Annual Donations	5,334	7,169
	7,040	16,681
Uses of Funds:		
Capital Programs	2,406	7,609
Endowment - Gifts to the University	1,000	953
Endowment - Administration Fee	584	549
Endowment - Administration Expenses	99	92
Operations	1,564	1,107
Donations Gifted to the University of Winnipeg	3,095	1,550
	8,748	11,860
Increase (Decrease) in Funds Prior to Change in Accounting Policy and Restatement of Prior Period	(1,708)	4,821
Change in Accounting Policy	0	1,028
Restatement of Prior Period	0	955
Increase (Decrease) in Funds	($1,708)	$6,804

The financial information of the Foundation, shown above, reflects the adoption of two new CICA Handbook sections on financial instruments (section 3855 and section 3861). As of March 31, 2007, these sections were applied retroactively without restatement of comparative financial information. As a result of the adoption, the Foundation recorded a non-cash credit of $1,028 in the endowment fund.

Restrictions are placed upon expenditures within Funds including:

i) The Operating Fund reflects the administrative and overhead costs of undertaking the Foundation's activities.

ii) The Unrestricted Fund records the receipt of donations received in the year that are identified by the donor to go to the area of greatest need.

iii) The Building and Program Fund is specifically intended to record the receipt of all donations intended for University programs and capital projects.

iv) The Specified Fund consists of the initial funding of $14,000 transferred to the Foundation from the University, pursuant to the "Specified Fund Agreement".

v) The Funds held pending Terms of Reference includes donations received for capital gifts, endowment gifts, and other restricted purposes not yet allocated pending donor wishes.

vi) The Endowment Fund reports the receipt of funds established from gifts by donors, which are designated to remain under the Foundation's management in perpetuity for endowment purposes.

In the Coordination Cooperation and Funding Agreement, the University has agreed to provide the Foundation with a $300 per annum operating grant, reducing by $30 per annum commencing in 2010-2011. This funding commitment will end in 2013-2014.

The University is required to make annual payments over the next 5 years and thereafter as follows:

	$000
2008/09	575
2009/10	300
2010/11	270
2011/12	240
2012/13	210
Thereafter	180
	$1,775

During the budget process in 2007-2008, the University agreed to increase the operating grant from $300 to $575 per annum on a year-to-year basis, subject to the approval of the Board of Regents. However, no formal agreement has been signed to reflect this change.

18. University of Winnipeg Community Renewal Corporation

The University of Winnipeg Community Renewal Corporation ("UWCRC") was incorporated by Articles of Incorporation, without share capital, on April 6, 2005, as a controlled entity of the University. UWCRC's mandate is to support the University by developing a sustainable university community that promotes the attractiveness of the University to its faculty, staff, students, and the greater community. As part of its mandate, UWCRC will manage projects on behalf of the University, including but not limited to, the development of a comprehensive Campus and Community Development Plan, the assessment of particular development projects and the development of partnerships with community, private and public sector organizations.

During the year, UWCRC provided consulting services (in accordance to agreements entered into) to the University in connection with the following:

a) To assist the University with the design and development of the Science Building Complex on the basis of a per diem fee of $1.

b) To undertake the design and development of the Duckworth Building Complex on behalf of the University based on a performance based fixed price contract. The amount of the consulting fee for services rendered is $212.

c) To manage the University's Student Housing assets and all aspects of the Student Housing Program for a fixed annual fee of $250. In return, the UWCRC contracted back to the University for delivery of the Student Life aspects of the Student Housing Program, which continues to be managed by the University's Student Life Services Department, for a fixed annual fee of $175.

UWCRC holds a 25% investment in the land and building situated at 491 Portage Avenue ("Property") in Winnipeg, Manitoba. It does so by owning all of the shares of 4332181 Manitoba Ltd., which owns 25% of the property and shares of 4306946 Manitoba Ltd. The latter entity holds title to the Property as bare trustee for its shareholders. The Property is a commercial complex comprising an office building, retail stores, a bus depot and a parkade adjacent to the University's main Campus. The University is leasing office space in the Property.

UWCRC records its 25% investment in the Property on an equity basis as a result of significant influence.

As one of the conditions to obtaining financing for the Property, the financing company required that the University take responsibility for assuring that the debt service coverage ratio on the Property did not go below 1.0:1.0; (that is, that the Property would always generate $1.00 in revenue from its tenants for each $1.00 the owners of the Property are required to pay to its lender). If for any reason the Property fell below that ratio, the University would be required to lease space in the property at normal commercial rents, or assure that another tenant is obtained, such that the additional revenue would bring the debt service coverage ratio back to 1.0:1.0.

The financial position of UWCRC at March 31 is summarized as follows:

	2008 $000	2007 $000
Statement of Financial Position:		
Assets:		
Cash	$198	$105
Investment, at Equity	900	762
Other	89	7
	$1,187	$ 874
Liabilities and Net Assets:		
Accounts Payable and Accrued Liabilities	$41	$25
Due to University of Winnipeg (Note 20)	78	102
Net Assets	1,068	747
	$1,187	$ 874

	2008 $000	2007 $000
Statement of Operations and Changes in Net Assets:		
Revenue		
Operating Grants	$25	$100
Share of Equity Income	221	0
Consulting	450	311
Net Property Income	69	25
Other	68	58
	833	494
Expenses	512	431
Excess of Revenue over Expenses	321	63
Net Assets – Beginning of Year	747	624
	1,068	687
Net Assets on Acquisition	0	60
Net Assets – End of Year	$1,068	$ 747

19. Contingencies

a) The University is named as a defendant in litigations where legal action has commenced or is anticipated. While the ultimate outcomes of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that, either the outcomes will not have a material effect on the financial position of the University, or the outcomes are not determinable. No provision has been made in the financial statements in respect of these claims, as of March 31, 2008.

b) On December 8, 2006, the Superintendent of Pensions of Manitoba issued an Order requiring the University to develop and implement a written governance framework, and pay a lump sum amount of $6,454, plus interest net of adjustments of approximately $1,644, into the Plan, for the benefit of defined benefit members, in relation to the undistributed portion of their proportionate share of the Plan's surplus, as determined by the Plan Actuary in 1999, which surplus later ceased to exist, as a result of the market downturn in the Fall/Winter of 2001/02.

   The University appealed the Superintendent's decision to the Manitoba Pension Commission, and the Commission's decision was made on April 23, 2008. The decision upheld the Superintendent's order, and the University intends to further appeal to the Manitoba Court of Appeal. The appeal is likely to be heard during the Winter of 2009, and the decision of the Court of Appeal will, in all likelihood, be final. No payment, pursuant to the Order has been made, and no provision has been made for such future payment in the financial statements of the University as the outcome of the appeal is undeterminable.

20. Related Party Transactions and Balances

The University of Winnipeg Foundation (Foundation) and the University of Winnipeg Community Renewal Corporation (UWCRC) are controlled entities of the University. The University of Winnipeg Pension Plan is also a related party.

The University charges benefit administration costs to the Pension Plan. The charge for 2007-2008 was $56 (2006-2007 - $55). In addition, the University incurred a pension expense of $2,827 (2007 - $2,713) that is paid to the Pension Plan. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ending March 31, the University incurred transactions as follows:

		2008 $000	2007 $000
From the University to the Foundation:			
i)	Operating grant	$575	$575
ii)	Gifts for endowment	$1,004	$818
iii)	Transfer of Science Complex funding	$0	$5,000
iv)	Transfer of income allocation	$920	$0
From the Foundation to the University:			
i)	Transfer of specified funds	$2,417	$2,724
ii)	Transfer of annual donations	$3,095	$1,425
iii)	Income allocation	$1,000	$953
iv)	Transfer of Science Complex funding	$0	$5,000
From the University to UWCRC			
i)	Consulting fees	$475	$309
From UWCRC to the University			
i)	Management fees	$176	$102

These transactions are recorded at the exchange amount which is the amount established and agreed to by the related parties.

As a result of a difference in the interpretation of the Endowment Fund Agreement, specifically regarding the calculation of the income allocation, the amount transferred was $920 plus interest of $76. The effect of this refund on the University's financial statements is a reduction in deferred contributions.

At the end of the year, the amounts due to and from related parties are as follows:

	2008 $000	2007 $000
Due from Related Parties		
Specified Fund – Foundation	$52	$1,084
Operating – UWCRC	83	139
	135	1,223
Due to Related Party		
Operating – Foundation	301	179
	$ 301	$ 179

21. Financial Instruments

a) Fair value

The carrying amounts of short term financial assets and liabilities approximate their fair values due to the short term maturity of these instruments. Short term financial assets are comprised of cash and cash equivalents and accounts receivable. Short term financial liabilities are comprised of accounts payable and accrued liabilities. The fair value of obligations under capital leases and long term liabilities also approximate their carrying value as the rates are consistent with market rates. The fixed term instruments included in long term investments are recorded at fair value based on period end quoted market prices. The fair value of the properties included in long term investments is not determinable as it is not readily available. The fair value of the investment shares shown in long term investments are not determinable as these shares are not publicly traded and no market price is readily available.

b) Credit Risk

The University is subject to credit risk through receivables. Receivables are with numerous organizations and individuals which reduces the concentration of credit risk. Reviews are made of the credit worthiness of accounts and reserves established as required.

c) Interest Rate and Foreign Exchange Risk

Interest rates, maturities and security affect the interest rate risk of certain of the University's financial assets and liabilities.

The University is subject to foreign exchange risk because a portion of its financial instruments are denominated in foreign currencies.

The financial risk is the risk to the University's earnings that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The University does not use derivative instruments to reduce its exposure to interest rate and foreign exchange risk.

22. Reclassification of Comparative Figures

Certain 2007 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2008.

23. Richardson College for the Environment & Science Complex

The University has commenced the development and design of the Richardson College for the Environment and Science Complex to be completed in September 2010. The University signed a Definitive Agreement with Laureate Developments Inc. (the Developer) to assemble and transfer lands to the University that will become the site for the University's Science Complex, develop and build the Science Building Complex for the University on a turnkey basis and assist the University in attracting partners to the project for the purposes of fund-raising.

The University has received a commitment from the Provincial Government to provide funding of $25,000 to contribute to the funding of the Science Building Complex. The University has received payments of $5,000 and $5,311 from the Provincial Government. The advances have been recorded as deferred capital contributions. The advances are secured by promissory notes payable to the Province of Manitoba in the amount of $5,000 and $5,311 bearing interest at 5.15% and 5.80% respectively. The notes are repayable over a term of 40 years with funding from the Province of Manitoba.

The first $10,311 has been unconditionally advanced to the University. The remaining $14,689 will be advanced to the University on the basis of $1.00 advance for every $2.00 raised on the University of Winnipeg Foundation's Capital Campaign.

To the Shareholders of Venture Manitoba Tours Ltd.:

We have audited the balance sheet of Venture Manitoba Tours Ltd. as at March 31, 2008 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The prior year financial statements were audited by another firm of Chartered Accountants.

Meyers Norris Penny LLP

Winnipeg, Manitoba

May 12, 2008

Chartered Accountants

500 - 1661 Portage Avenue, Winnipeg, Manitoba, R3J 3T7, Phone: (204) 775-4531, 1-877-500-0795

Venture Manitoba Tours Ltd.
Balance Sheet
As at March 31, 2008

	2008	*2007*
Assets		
Current		
Cash	**129,923**	83,030
Accounts receivable	**5,460**	2,403
Inventory	**46,131**	36,710
Prepaid expenses and deposits	**32,559**	5,950
	214,073	128,093
Property and equipment *(Note 4)*	**640,746**	636,486
	854,819	764,579
Liabilities		
Current		
Accounts payable and accruals	**165,238**	927,443
Customer deposits	**22,337**	21,058
Advances from the Province of Manitoba *(Note 5)*	**250,000**	250,000
	437,575	1,198,501
Shareholders' Equity (Deficit)		
Share capital *(Note 6)*	**3,643,500**	3,643,500
Deficit	**(3,484,166)**	(4,335,332)
Contributed surplus	**257,910**	257,910
	417,244	(433,922)
	854,819	764,579

Approved on behalf of the Board

____________________ **Director** ____________________ **Director**

Venture Manitoba Tours Ltd.
Statement of Operations and Deficit
For the year ended March 31, 2008

	2008	2007
Sales	**1,274,212**	1,352,091
Cost of sales	**931,569**	942,751
Gross margin	**342,643**	409,340
Operating expenses *(Schedule 1)*	**159,264**	198,614
Earnings from operations	**183,379**	210,726
Other income (expense)		
Amortization	**(127,303)**	(114,209)
Gain on disposal of assets	**24,486**	24,978
Forgiveness of debt *(Note 7)*	**770,774**	-
Interest	**(170)**	(655)
	667,787	(89,886)
Net earnings	**851,166**	120,840
Deficit, beginning of year	**(4,335,332)**	(4,456,172)
Deficit, end of year	**(3,484,166)**	(4,335,332)

The accompanying notes are an integral part of these financial statements

Venture Manitoba Tours Ltd.
Statement of Cash Flows
For the year ended March 31, 2008

	2008	*2007*
Cash provided by (used for) the following activities		
Operating activities		
Cash received from customers	**1,263,919**	1,360,965
Cash paid to suppliers and employees	**(1,118,296)**	(1,168,005)
Interest received (paid)	**8,348**	(655)
	153,971	192,305
Financing activities		
Repayment of long-term debt	**-**	(8,662)
Investing activities		
Purchases of property and equipment	**(131,564)**	(81,394)
Proceeds on disposal of property and equipment	**24,486**	24,500
	(107,078)	(56,894)
Increase in cash resources	**46,893**	126,749
Cash resources (deficiency), beginning of year	**83,030**	(43,719)
Cash resources, end of year	**129,923**	83,030

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

Venture Manitoba Tours Ltd. (the "Company") was incorporated under the Manitoba Corporations Act. The issued shares are owned by the Province of Manitoba.

The Province of Manitoba owns the Falcon Lake Golf Course and Games Area. The Company operates this facility under a lease agreement with the Province of Manitoba. The Company is responsible for the operating costs of the golf course and games area, and, in return, is authorized to realize the revenue generated by their operations. These facilities are situated in the Whiteshell Provincial Park and are not subject to realty taxes.

The Company is not subject to income tax.

2. Significant accounting policies

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

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

Property and equipment

Property and equipment are recorded at cost less applied grant funds. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Staff quarters	straight-line	10 to 25 years
Automotive	straight-line	3 years
Golf course improvements	straight-line	10 to 40 years

These financial statements do not include the property and equipment of the Falcon Lake Golf Course and Games Area which are owned by the Province of Manitoba.

Revenue recognition

The Company recognizes revenue when the goods are received by the customer and the services are provided.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of property and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Long-lived assets

Long-lived assets consist of property and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Company performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year.

Financial instruments

Held for trading:

The Company has classified cash as held for trading. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in income.

Loans and receivables:

The Company has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments and any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Other financial liabilities:

The Company has classified accounts payable and accruals and advances from the Province of Manitoba as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Comprehensive income (loss)

The Company does not have any items giving rise to other comprehensive income (loss), nor is there any accumulated balance of other comprehensive income (loss). All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the period.

3. Change in accounting policies

In April 2005, the Accounting Standards Board issued two new Handbook sections on financial instruments that affect the Company, Section 3855 and Section 3861. Section 3855 Financial Instruments - Recognition and Measurement addresses when financial instruments should be recognized and how they should be measured. Section 3861 Financial Instruments - Disclosure and Presentation provides standards for how financial instruments should be classified on financial statements and the disclosure requirements.

The Company has adopted both of the sections for the fiscal year ended March 31, 2008. These standards were applied retroactively without restatement of comparative financial statements.

4. Property and equipment

	Cost	*Accumulated amortization*	*2008 Net book value*	*2007 Net book value*
Staff quarters	**102,395**	**45,034**	**57,361**	61,457
Automotive	**855,662**	**737,851**	**117,811**	128,368
Computer equipment	**59,225**	**59,225**	**-**	-
Golf course improvements	**590,926**	**125,352**	**465,574**	446,661
	1,608,208	**967,462**	**640,746**	636,486

5. Advances from the Province of Manitoba

The Advances from the Province of Manitoba are unsecured, non-interest bearing and due on demand.

6. Share capital

	2008	*2007*
Authorized		
Unlimited Common shares		
Issued		
Common shares		
3,643,500 Common shares	**3,643,500**	3,643,500

7. Forgiveness of debt

During the year, the Province of Manitoba forgave $770,774 of outstanding lease and interest payments.

8. Commitments

The Company operates the Falcon Lake Golf Course and Games Area under lease agreements with the Province of Manitoba for an amount of $109,413.

The Company rents space and equipment under various operating leases which expire through 2009 for $91,100.

9. Government reporting entity - related parties

The following information is presented in accordance with a request by the Minister of Finance of The Government of the Province of Manitoba.

As at March 31, 2008, the Company had the following balances with entities in the Government Reporting Entity:

	2008	*2007*
Payable to:		
Manitoba Hydro	**988**	1,808
Department of Conservation	**109,413**	870,272
	110,401	872,080

10. Financial instruments

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Venture Manitoba Tours Ltd.
Schedule 1 - Schedule of Operating Expenses
For the year ended March 31, 2008

	2008	*2007*
Automotive	**3,012**	7,143
Directors' fees	**10,135**	16,257
Membership fees	**4,040**	4,040
Equipment rentals	**5,332**	6,741
Insurance and leases	**7,843**	9,853
Miscellaneous	**2,246**	1,856
Printing and stationary	**933**	847
Professional fees	**11,527**	36,041
Sales office rent	**5,062**	5,068
Repairs and maintenance	**3,588**	10,422
Salaries, wages and benefits	**66,864**	62,225
Telephone and postage	**4,101**	3,742
Training and education	**6,465**	10,097
Utilities	**5,278**	5,514
Transportation	**7,216**	4,248
Credit card discount	**15,622**	14,520
	159,264	198,614

GOVERNMENT ENTERPRISES

LEAF RAPIDS TOWN PROPERTIES LTD. AUDITED FINANCIAL STATEMENTS FOR MARCH 31, 2008 WERE NOT AVAILABLE AT THE TIME OF PRINTING THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS VOLUME IV.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

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Winnipeg Manitoba Canada R3C 4L5
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Auditors' Report

To the Members of
MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

We have audited the balance sheet of **MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION** as at March 31, 2008 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
July 8, 2008

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Balance Sheet

March 31		2008		2007
Assets				
Current Assets				
Cash and bank	$	**26,599**	$	62,140
Accounts receivable		**67**		-
Rent receivable (Note 3)		**654,486**		463,746
		681,152		525,886
Long-term investment - Miller Environmental Corporation		**1,000,000**		1,000,000
Capital assets - land, at cost		**170,305**		170,305
	$	**1,851,457**	$	1,696,191
Liabilities and Equity				
Current Liabilities				
Accounts payable and accrued liabilities	$	**10,024**	$	10,024
Equity				
Share capital (Note 2)		**7,500,000**		7,500,000
Deficit		**(5,658,567)**		(5,813,833)
		1,841,433		1,686,167
	$	**1,851,457**	$	1,696,191

On behalf of the Board:

______________________ Director

______________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Operations and Deficit

For the year ended March 31	2008	2007
Revenue		
Gross profit rent (Note 3)	**$ 190,740**	$ 180,780
Expenses		
General and administrative expenses	**35,474**	32,307
Net income and comprehensive income for the year	**155,266**	148,473
Deficit, beginning of year	**(5,813,833)**	(5,962,306)
Deficit, end of year	**$ (5,658,567)**	$ (5,813,833)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Net income and comprehensive income for the year	**$ 155,266**	$ 148,473
Changes in non-cash working capital balances		
Rent receivable	**(190,740)**	(180,780)
Accounts receivable	**(67)**	-
Accounts payable and accrued liabilities	**-**	(403)
Decrease in cash and cash equivalents for the year	**(35,541)**	(32,710)
Cash and cash equivalents, beginning of year	**62,140**	94,850
Cash and cash equivalents, end of year	**$ 26,599**	$ 62,140

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Long-term Investments

The investment in Miller Environmental Corporation is recorded at cost of $3,000,000 less $2,000,000 writedown in 2003 to represent the estimated value of the investment after taking into consideration an impairment in value.

Rental Income

According to the terms of the site lease with Miller, rental income is based on a percentage of Miller's gross profits.

Revenue Recognition

Gross profit rent revenue is based on the gross profit of Miller Environmental Corporation (MEC). MEC has a year-end date of February 28 and the gross profit rent revenue is calculated using the year-end audited financial statements of MEC. Therefore, gross profit rent revenue is recognized for the MEC year ending February 28th by Manitoba Hazardous Waste Management Corporation each year.

Financial Instruments

The organization's financial instruments consist of cash and bank, rent receivable, long-term investment, and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of cash and bank, accounts receivable, rent receivable and accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity. The fair value of the long-term investment can not be reasonably estimated.

New Accounting Policies

Effective April 1, 2007 the organization adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

Section 1506, Accounting Changes - Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the organization's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income - Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The organization has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the organization has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments - Recognition and Measurement - Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The organization is required to designate its financial instruments into one the following five categories: held for trading; available for sale; held to maturity; loans and receivable; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

New Accounting Policies
(continued)

The organization has designated its financial instruments as follows:

Cash and bank are classified as financial assets held for trading and are measured at fair value and gains and losses recognized in net earnings. These financial assets are recorded at values that approximate their fair values.

Accounts receivable and rent receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

The long-term investment is classified as available-for-sale. Since the investment does not have a quoted market price in an active market, it is carried at cost. Where a decline in the fair value is determined to be other than temporary, the amount of the loss is removed from other comprehensive income and recognized in the statement of operations. Transaction costs related to available-for-sale investments are expensed as incurred.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest method.

The adoption of this revised standard had no material impact on the entity's financial statements for the year ended March 31, 2008.

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*, which enhances the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks:

The CICA has also issued a new standard, *CICA 1535: Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

1. Nature of Business

The Manitoba Hazardous Waste Management Corporation was established under the Manitoba Hazardous Waste Management Corporation Act. The organization, as an agent of the Government of the Province of Manitoba, is responsible to establish, operate, and maintain in accordance with all applicable laws in the province, a hazardous waste management system in Manitoba. This system must be operated and maintained in a manner that will protect the health and safety of the public and preserve the environment. Effective January 1, 1996, the organization entered into various agreements with Miller Waste Systems, a division of Miller Paving Limited and Miller Environmental Corporation (Miller) for the continued operation of the hazardous waste management system in Manitoba.

These agreements provide for the transfer of certain assets and liabilities to Miller in exchange for 50% of the common shares and all the Class A special preferred shares of Miller. Under the agreements, the organization retains title to its land holdings which are being leased to Miller for an indefinite term, contingent on Miller's continued existence and operation of the hazardous waste management system.

2. Share Capital

The authorized capital of the organization is 350,000 shares for a maximum consideration of $35,000,000.

The issued capital is as follows:

	2008	2007
75,000 common shares	**$ 7,500,000**	$ 7,500,000

3. Gross Profit Rent

On January 1, 1996, Miller Environmental Corporation (MEC) entered into a site lease agreement with the Manitoba Hazardous Waste Management Corporation (MHWMC). Under the terms of the agreement, MEC is committed to annual rent payments of 20% of gross profit to a maximum of $500,000 for each calendar year.

The estimated rental profit receivable based on the audited financial statements of MEC for the fiscal years ending February 28 is as follows:

February 28, 2008	$ **190,740**
February 28, 2007	**180,780**
February 28, 2006	**77,419**
February 28, 2005	**94,817**
February 28, 2004	**21,115**
February 28, 2003	**16,998**
February 28, 2002	**57,323**
February 28, 2001	**15,294**
	$ **654,486**

4. Contingencies

Under the terms of the agreements with Miller Environmental Corporation, MHWMC would be responsible for any claims prior to January 1, 1996 not disclosed during the due diligence process. Any future removal and site restoration costs would be the responsibility of Miller and the Province of Manitoba. An estimate of these costs cannot be determined and therefore no provision has been made in the financial statements for any such costs.

5. Economic Dependence

The organization is economically dependent on Miller Environmental Corporation. The organization's main future sources of revenue are site lease rental revenue and dividend income from its affiliate.

6. Public Sector Compensation

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the remuneration paid to Board members during the year, in aggregate, totalled $7,781. No employee's compensation exceeded $50,000 per year.

7. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

MANAGEMENT REPORT
For the year ended March 31

The accompanying consolidated financial statements and all additional information contained in the Annual Report are the responsibility of management and have been approved by the Manitoba Hydro-Electric Board. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 5, 2008. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management maintains internal controls to provide reasonable assurance that the assets of the Corporation are properly safeguarded and that the financial information is reliable, timely, and accurate. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its finding to management and to the Audit Committee of the Board.

The responsibility of the external auditors, Ernst & Young LLP, is to express an independent, professional opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Audit Committee of the Board is comprised of five members, the majority of whom are members of the Manitoba Hydro-Electric Board. The Audit Committee of the Board meets with the external auditors, representatives of the Auditor General's Office, the internal auditors and management 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. The internal and external auditors have full and unrestricted access to the Audit Committee, with or without the presence of management. The Board reviews the Annual Report in advance of its release and approves its content and authorizes its publication.

On behalf of management:

R. B. Brennan, FCA
President and Chief Executive Officer

V. A. Warden, CMA, FCMA
Vice-President,
Finance and Administration and Chief Financial Officer

Winnipeg, Canada
June 5, 2008

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF
MANITOBA HYDRO-ELECTRIC BOARD

We have audited the consolidated balance sheet of Manitoba Hydro-Electric Board as at March 31, 2008 and the consolidated statements of income, comprehensive income, accumulated other comprehensive income, retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada
May 30, 2008

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31

		Notes	2008	2007
			millions of dollars	
Revenues				
Electric	Manitoba		1 098	1 040
	Extraprovincial	3	625	592
Gas	Commodity		386	379
	Distribution		141	129
			2 250	2 140
Cost of gas sold			386	379
			1 864	1 761
Expenses				
Operating and administrative			391	386
Finance expense		4	440	506
Depreciation and amortization			349	332
Water rentals and assessments		5	124	112
Fuel and power purchased			134	226
Capital and other taxes			80	77
			1 518	1 639
Net Income			346	122

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	Notes	2008	2007
		millions of dollars	
Retained earnings, beginning of year		1 407	1 285
Adjustments for the adoption of new accounting policies	2	69	-
Net income		346	122
Retained Earnings, end of year		1 822	1 407

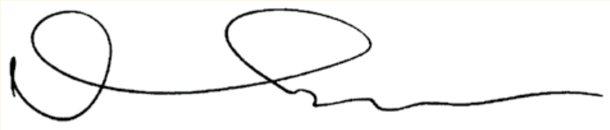
The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at March 31

	Notes	2008	2007
		millions of dollars	
Assets			
Property, Plant and Equipment			
In service	6	11 861	11 424
Less accumulated depreciation	6	4 187	3 924
		7 674	7 500
Construction in progress	6	1 238	878
		8 912	8 378
Current Assets			
Cash and cash equivalents		133	1
Accounts receivable and accrued revenue		465	426
Interest receivable		10	10
Materials and supplies, at average cost		101	117
		709	554
Other Assets			
Sinking fund investments	7	700	630
Pension assets	8	781	800
Deferred charges	9	557	452
Goodwill		108	108
		2 146	1 990
		11 767	10 922

Approved on behalf of the Board:



Victor H. Schroeder, QC
Chair of the Board

William Fraser, FCA
Chair of the Audit Committee

	Notes	2008	2007
		millions of dollars	
Liabilities and Equity			
Long-Term Debt			
Long-term debt net of sinking fund investments		6 517	6 192
Sinking fund investments shown as assets	7	700	630
	10	7 217	6 822
Current Liabilities			
Accounts payable and accrued liabilities	11	337	305
Notes payable	12	-	148
Accrued interest		106	138
Current portion of long-term debt	10	353	405
		796	996
Other Liabilities			
Deferred liabilities and credits	13	388	508
Pension obligation	8	714	663
Asset purchase obligation	14	225	228
		1 327	1 399
Contributions in Aid of Construction		300	298
Equity			
Retained earnings		1 822	1 407
Accumulated other comprehensive income		305	-
		2 127	1 407
		11 767	10 922

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

	Notes	2008	2007
		millions of dollars	
Operating Activities			
Cash receipts from customers		2 208	2 069
Cash paid to suppliers and employees		(1 051)	(1 095)
Interest paid		(560)	(563)
Interest received		33	32
		630	443
Financing Activities			
Proceeds from long-term debt		981	172
Retirement of long-term debt		(311)	(79)
Notes payable		(148)	148
Other		(35)	(14)
		487	227
Investing Activities			
Property, plant and equipment, net of contributions		(827)	(645)
Sinking fund payment		(96)	(100)
Other		(62)	(43)
		(985)	(788)
Net increase (decrease) in cash		132	(118)
Cash at beginning of year		1	119
Cash at end of year		133	1

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

	2008	2007
	millions of dollars	
Net Income	346	122
Other Comprehensive Income		
Unrealized foreign exchange gains on debt in cash flow hedges	229	-
Realized foreign exchange gains on debt in cash flow hedges recognized in net income in the current year	(52)	-
Unrealized fair value gains on available-for-sale U.S. sinking fund investments	20	-
	197	-
Comprehensive Income	543	122

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME

For the year ended March 31

	Notes	2008	2007
		millions of dollars	
Balance, beginning of year		-	-
Adjustments for the adoption of new accounting policies	2	108	-
Other comprehensive income		197	-
Balance, end of year		305	-

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Consolidation - The consolidated financial statements include the financial statements of the Corporation and its subsidiaries. For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

Rate Regulated Accounting - The prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba (PUB). The rate-setting process is designed such that rates charged to electricity and natural gas customers recover costs incurred by Manitoba Hydro in providing electricity and gas service. Accordingly, Manitoba Hydro applies various accounting policies that differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise be included in the determination of net income in the year that the cost or credit is incurred. Manitoba Hydro refers to such deferred costs or credits as regulated assets or liabilities which are generally comprised of the following:

- Deferred taxes - Taxes paid by Centra Gas (July 1999) as a result of its change to non-taxable status on acquisition by Manitoba Hydro, have been deferred and are being amortized on a straight-line basis over a period of 30 years.
- Acquisition costs - Costs associated with the acquisition of Centra Gas (July 1999) and Winnipeg Hydro (September 2002) have been deferred and are being amortized on a straight-line basis over a period of 30 years.
- Site restoration costs - Site restoration costs incurred are recorded as a deferred expense and are amortized on a straight-line basis over 15 years.
- Purchased gas variance accounts (PGVA) - Accounts are maintained to recover/ refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. The difference between the recorded cost of natural gas and the actual cost of natural gas is carried as an account receivable/ payable, and recovered or refunded in future rates.
- Gas Power Smart programs - The costs of the Corporation's energy conservation programs for its natural gas operations are deferred and amortized on a straight-line basis over a period of 5 years.

Manitoba Hydro's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Finance expense is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, finance expense allocated to construction ceases, and depreciation and finance expense charged to operations commences.

b) **Depreciation**

Depreciation is provided on a straight-line remaining life basis. The major components of generating stations are depreciated over the lesser of the remaining life of the major component or the remaining life of the associated generating station.

The range of estimated service lives of each major asset category is as follows:

Generation	- Hydraulic	45 - 100 years
	- Thermal	25 - 65 years
Transmission	- Lines	40 - 85 years
	- Stations	20 - 57 years
Distribution		15 - 65 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by the Corporation.

c) **Asset Retirement Obligations**

Asset retirement obligations are measured initially at fair value in the period in which the obligations are incurred, provided that a reasonable estimate of the fair value can be made. The present value of the retirement cost is added to the carrying amount of the related asset. In subsequent periods, the retirement cost is amortized over the useful life of the asset and the carrying value of the liability is increased to recognize increases in the liability's present value with the passage of time.

d) **Contributions in Aid of Construction**

Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

e) **Planning Studies**

The costs of planning studies related to uncommitted major generation or transmission facilities are deferred and amortized on a straight-line basis over 15 years. If there is reasonable assurance that a project will proceed to construction, any unamortized balance related to that project is transferred to construction in progress.

f) **Electric Power Smart programs**

The costs of the Corporation's electric energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 15 years.

g) **Revenues**

Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

h) **Cost of Gas Sold**

Cost of natural gas sold is recorded at the same rates charged to customers.

i) Employee Future Benefits

Manitoba Hydro provides employee future benefits, including pension and other post-retirement benefits, to both existing and retired employees. Pension plans include the Civil Service Superannuation Board (CSSB) plan, three Centra Gas curtailed pension plans, and The Winnipeg Civic Employees' Benefits Board Program (EBBP).

The costs and obligations of pension and other post-retirement benefits are calculated by an independent actuary using the accrued benefit actuarial cost method and reflect management's best estimate of future compensation increases, service lives and inflation rates. Pension expense is comprised of the cost of pension benefits provided during the year, the amortization of past service benefits, experience gains and losses, and expected returns on fund assets net of interest on the obligation. Expected returns on fund assets are calculated using market related values based on a five year moving average. The unamortized present value of past service benefits and actuarially determined experience gains or losses are recognized in the financial statements as deferred assets or credits.

The Corporation utilizes the "corridor method" of amortizing actuarial gains and losses. The amortization of experience gains and losses is recognized only to the extent that the cumulative unamortized net actuarial gain or loss exceeds 10% of the greater of the accrued benefit obligation and the fair market value of plan assets at the beginning of the year. When required, the excess of the cumulative gain or loss balance is amortized over the expected average remaining service life of the employees covered by the plan.

Pension and long-term disability expenses pertaining to the former Winnipeg Hydro employees are recognized at the time contributions are made to the EBBP which maintains the funds and obligations relating to these employees in its financial records.

Other employee benefits earned by employees include vacation, vested sick leave, severance and a retirement health spending plan. Where applicable, the future costs of these benefits are based on management's best estimates.

j) Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (OCI). OCI includes unrealized gains and losses arising from changes in the fair value of available-for-sale assets and changes in the foreign exchange rate for U.S. denominated long-term debt in effective cash flow hedging relationships. Such amounts are recorded in accumulated OCI (AOCI) until the criteria for recognition in net income are met.

k) Financial Instruments

All financial instruments are measured at fair value on initial recognition as of the trade date. Transaction costs are included in the initial carrying amount of financial instruments. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities.

Financial instruments classified as loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with revaluation gains and losses recorded in OCI until the instrument is derecognized or impaired. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise.

The Corporation has classified its financial instruments as follows:

Held-for-Trading	Loans and Receivables	Available-for-Sale	Other Financial Liabilities
Cash and cash equivalents	Accounts receivable and accrued revenue	Sinking fund investments	Long-term debt (including current portion)
U.S. forward exchange contracts	Interest receivable		Accounts payable and accrued liabilities
			Notes payable
			Accrued interest
			Asset purchase obligation

l) Foreign Currency Translation

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollar equivalents at exchange rates in effect at the transaction dates.

Long-term monetary assets and liabilities denominated in U.S. currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Translation gains and losses are credited or charged to finance expense in the current period except for long-term debt obligations in hedging relationships with future export revenues. Translation gains and losses for long-term debt obligations in hedging relationships with future export revenues are recorded in OCI until such time that the hedged export revenues are realized, at which time the corresponding exchange gains and losses are credited or charged to finance expense.

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Any exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

m) Derivatives

The Corporation does not engage in derivative trading or speculative activities. All derivative instruments are carried at fair value on the consolidated balance sheet with the exception of those that were entered into for the purpose of physical receipt or delivery in accordance with the Corporation's expected normal purchases and sales. Changes in the fair value of derivatives that are not designated in a hedging relationship and do not qualify for the normal purchase and sale exemption are recorded in net income.

n) Hedges

The Corporation has designated cash flow and fair value hedges linking financial instruments to specific assets and forecasted transactions. The Corporation documents the relationship between the hedging instrument and the hedged item and assesses at inception, and on an ongoing basis, the effectiveness of the hedging relationship.

o) Debt Discounts and Premiums

Debt discount and premiums are amortized to finance expense using the effective interest method.

p) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

q) Goodwill

Goodwill represents the amount of the Corporation's investments in Centra Gas and Winnipeg Hydro over and above the fair market value of the net assets acquired. The goodwill balance is evaluated annually to determine whether any impairment has occurred. An impairment would be recognized if it was determined that the carrying value of the Corporation's investments in Centra Gas or Winnipeg Hydro exceeded the present value of the future cash flows from these investments. Should impairment occur, it would be recorded as a charge against operations in the year of impairment.

r) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 2 ACCOUNTING CHANGES

Accounting Changes

Effective April 1, 2007, Manitoba Hydro adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Section 1506, *Accounting Changes*. This section establishes standards and new disclosure requirements for the reporting of changes in accounting policies and estimates and the reporting of error corrections. The adoption of this standard had no impact on the financial statements of Manitoba Hydro.

Financial Instruments

Effective April 1, 2007, Manitoba Hydro adopted the recommendations of the CICA Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3861, *Financial Instruments - Disclosure and Presentation*; and Section 3865, *Hedges*. In accordance with the transitional provisions of these new sections, Manitoba Hydro adopted the standards retroactively with an adjustment to opening retained earnings and AOCI. Comparative amounts for prior periods have not been restated.

Comprehensive Income

Section 1530, *Comprehensive Income*, consists of net income and OCI. Manitoba Hydro now presents separately consolidated statements of comprehensive income and AOCI.

Financial Instruments – Recognition and Measurement

Section 3855, *Financial Instruments*, establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. Initially, all financial instruments are measured at fair value. Measurement in subsequent periods depends on the classification of the instrument.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. With the adoption of Section 3855, Manitoba Hydro reclassified transaction costs to the carrying value of the long-term debt issues to which they pertain. The change to the effective interest method of amortization was retroactively applied to opening retained earnings for transaction costs as well as debt and investment discounts and premiums. Previously, these costs were recognized separately and amortized on a straight-line basis over the life of the respective debt or investment.

U.S. sinking fund investments are classified as available-for-sale financial instruments. Changes in the fair value of U.S. sinking fund investments due to changes in market interest rates are recorded in OCI until such time that the U.S. sinking fund investment matures or is derecognized; at which time the corresponding balances in AOCI are recognized in net income. Previously, fair value changes for fluctuations in market interest rates were note disclosed only.

Hedges

Section 3865, *Hedges*, specifies the accounting for and criteria that must be satisfied for hedge accounting to be applied to fair value and cash flow hedges.

The Corporation has cash flow hedging relationships between U.S. long-term debt balances and future U.S. export revenues. Accordingly, foreign exchange translation gains and losses on U.S. long-term debt balances in effective cash flow hedge relationships are recognized in OCI until future hedged U.S. export revenues are realized, at which time the respective AOCI balances are also recognized in net income. An opening balance sheet adjustment was made to transfer previously unrealized deferred U.S. foreign exchange gains on long-term debt in an effective cash flow hedge with future U.S. export revenues to AOCI.

Manitoba Hydro has fair value hedging relationships between U.S. long-term debt balances and U.S. sinking fund investments. Offsetting foreign exchange translation gains and losses on these items are recognized in net income.

Impact Upon Adoption

The adoption of the new standards resulted in a $69 million increase to the April 1, 2007 retained earnings and a $108 million adjustment to AOCI due to the following:

	Opening Retained Earnings	Opening AOCI
	millions of dollars	
Opening foreign exchange gains on financial instruments in effective hedging relationships	61	-
Change from the straight line method to the effective interest method for amortization of transaction costs and discounts and premiums	8	-
Opening unrealized foreign exchange gains on U.S. long-term debt issues in effective hedging relationships with future U.S. export revenues	-	92
Unrealized fair value gains on available-for-sale U.S. sinking fund investments	-	16
Transition Adjustments	69	108

The adoption of the new standards has increased net income in 2007-08 by $32 million primarily as a result of a reduction in finance charges pertaining to the recognition of foreign exchange gains on U.S. denominated long-term debt.

Future Accounting Changes

Financial Instruments - Disclosure and Presentation

Effective April 1, 2008, the Corporation will adopt CICA Sections 3862, *Financial Instruments – Disclosures* and 3863, *Financial Instruments – Presentation*. These sections replace CICA Section 3861, *Financial Instruments – Disclosure and Presentation* and require disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Corporation is exposed.

Capital Disclosures

Effective April 1, 2008, the Corporation will adopt CICA Section 1535, *Capital Disclosures*. The section establishes standards for disclosing information that enables users of financial statements to evaluate how an entity manages its capital structure (i.e., debt, equity) and its objectives, policy and processes for managing capital.

Inventories

Effective April 1, 2008, the Corporation will adopt CICA Section 3031, *Inventories*. This section converges Canadian standards with International Financial Reporting Standards (IFRS). It requires inventories to be measured at the lower of cost or net realizable value; disallows the use of a last-in first-out inventory costing methodology; and, under certain circumstances, allows previous write-downs to be reversed.

Goodwill and Intangible Assets

Effective April 1, 2009, the Corporation will adopt the new CICA Section 3064 - *Goodwill and Intangible Assets* which converges Canadian GAAP for goodwill and intangible assets with IFRS. The new standard provides more comprehensive guidance on intangible assets, particularly for internally developed intangible assets.

The impact of these new standards on Manitoba Hydro's financial statements is currently being assessed.

International Financial Reporting Standards

The CICA's Accounting Standards Board (AcSB) announced that Canadian publicly accountable enterprises will adopt IFRS as issued by the International Accounting Standards Board (IASB) effective January 1, 2011. The transition date for Manitoba Hydro of April 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for its year ended March 31, 2011. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are differences in accounting standards and Manitoba Hydro is currently assessing the impact of those differences.

NOTE 3 EXTRAPROVINCIAL REVENUES

	2008	2007
	millions of dollars	
United States	515	507
Canada	110	85
	625	592

U.S. extraprovincial revenues were translated at exchange rates in effect at the date of the transaction. The average effective exchange rate for the year was $1.00 U.S. = $1.03 Canadian (2007 - $1.00 U.S. = $1.13 Canadian).

NOTE 4 FINANCE EXPENSE

	2008	2007
	millions of dollars	
Interest on debt	517	575
Interest allocated to construction	(44)	(37)
Investment income	(33)	(32)
	440	506

Included in interest on debt is $73 million (2007 - $71 million) related to the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province (2007 – 1.0%).

Investment income includes interest earned on sinking fund investments.

NOTE 5 WATER RENTALS AND ASSESSMENTS

	2008	2007
	millions of dollars	
Water rentals	117	105
Assessments	7	7
	124	112

Water rentals are paid to the Province for the use of water resources in the operation of the Corporation's hydroelectric generating stations. Water rental rates during the year were $3.34 per MWh (2007 - $3.34 per MWh).

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	2008			2007		
	millions of dollars					
	In service	Accumulated depreciation	Construction in progress	In service	Accumulated depreciation	Construction in progress
Generation						
- Hydraulic	4 523	1 413	793	4 391	1 346	560
- Thermal	509	242	6	504	226	5
Transmission						
- Lines	799	251	88	781	237	52
- Stations	2 268	969	68	2 174	900	82
Distribution	2 680	932	42	2 534	850	34
Other	1 082	380	241	1 040	365	145
	11 861	4 187	1 238	11 424	3 924	878

NOTE 7 SINKING FUND INVESTMENTS

Manitoba Hydro is legislated under the Manitoba Hydro Act to make annual sinking fund contributions to the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31, and 4% of the balance in the sinking fund at such date. Contributions to the sinking fund during the year were $96 million (2007 - $100 million).

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2008	2007
	millions of dollars	
U.S. investments	700	630
	700	630

U.S. investments have a weighted average term to maturity of 2.1 years (2007 - 3.8 years) and an effective yield to maturity of 4.9% (2007 – 4.3%). U.S. investments are translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.03 Canadian (2007 - $1.00 U.S. = $1.15 Canadian). The carrying value includes $36 million (2007 - nil) of unrealized fair value gains.

NOTE 8 PENSION ASSETS AND OBLIGATION

Manitoba Hydro employees are eligible for pensions under the Civil Service Superannuation Board (CSSB) defined benefit plan that provides pension benefits based on years of service and on the average earnings of the 5 best years. The CSSB plan requires the Corporation to contribute approximately 50% of the pension disbursements made to retired employees. In addition, the former employees of Centra Gas are entitled to pension benefits earned under the Centra Gas curtailed pension plans. The former Winnipeg Hydro employees continue to earn benefits under the City of Winnipeg Civic Employees' Benefit Board Program (the EBBP) in which, upon the acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. The EBBP is also a defined benefit plan that provides pension benefits based on years of service and on the average earnings of the 5 best years.

The Corporation fully funds its pension obligation to employees. The CSSB manages the Corporation's pension fund (MH Pension Fund) on behalf of the Corporation. The assets related to the Centra Gas curtailed pension plans are held in trust by State Street Trust Co. of Canada and are not reflected on Manitoba Hydro's balance sheet.

The following tables present information concerning the MH Pension Fund and the Centra Gas curtailed pension plans:

	MH Pension Fund		Centra Gas curtailed pension plans	
	2008	2007	2008	2007
	millions of dollars			
Plan Assets at Fair Value				
Balance at beginning of year	800	719	75	68
Return (loss) on plan assets	(5)	81	(1)	7
Employer contributions	-	-	3	4
Benefit payments and refunds	(14)	-	(5)	(4)
	781	800	72	75
Accrued Benefit Obligation				
Balance at beginning of year	663	606	78	73
Interest on obligation	43	41	5	5
Current service cost	19	19	-	-
Benefit payments and refunds	(30)	(27)	(5)	(4)
Actuarial losses	19	24	3	4
	714	663	81	78
Surplus (deficit) at end of year	67	137	(9)	(3)

Pension assets are valued at market rates and are invested as follows:

	MH Pension Fund Fair Value		Centra Gas curtailed pension plans Fair Value	
	2008	2007	2008	2007
	millions of dollars			
Equities	436	470	44	47
Bonds and debentures	247	243	24	25
Real estate	84	74	3	2
Short-term investments	14	13	1	1
	781	800	72	75

The return on pension fund assets for the MH Pension Fund was negative 0.6% (2007 – positive 11.4%). The return for the Centra Gas curtailed plan fund assets was negative 1.7% (2007 – positive 10.8%).

The weighted average term to maturity on fixed income investments is 8.2 years (2007 – 8.5 years).

The most recent actuarial valuations for the Corporation's obligations under the CSSB and Centra Gas curtailed pension plans were performed with respect to the liabilities outstanding as at December 31, 2007. These valuations incorporated management's best estimate assumptions and took into consideration the long-term nature of the pension plans. The next actuarial valuations for all plans will occur in December 2008.

The Centra Gas curtailed pension plans are also subject to a solvency valuation for funding purposes with the latest valuation taking place as at December 31, 2007.

The significant actuarial assumptions adopted in measuring the Corporation's pension and other employee benefit obligations are as follows:

	2008	2007
Discount rate	6.50%	6.50%
Expected long-term rate of return on plan assets	7.5%	7.5%
Rate of compensation increase, including merit and promotions	1.5 - 2.0%	1.5 - 2.0%
Expected average remaining service life of employees	14 years	14 years
Long-term inflation rate	2.5%	2.0%

The Corporation's pension expense related to each of the pension benefit plans is as follows:

	CSSB plan		Centra Gas curtailed pension plans	
	2008	2007	2008	2007
	millions of dollars			
Current service cost	19	19	-	-
Administrative fees	2	2	-	-
Canada Pension Plan	12	11	-	-
Interest on obligation	43	41	5	5
Expected return on plan assets	(50)	(49)	(5)	(5)
Amortization of net experience loss	3	3	1	1
Amortization of transitional gain	(1)	(1)	-	-
	28	26	1	1

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the EBBP in addition to employer remittances to the Canada Pension Plan. Total contributions to the EBBP during the year amounted to $0.2 million (2007 - $0.4 million) and reflect an employer contribution rate approximating 1.4% of pensionable earnings to July 1, 2007 and 0.6% of pensionable earnings thereafter.

NOTE 9 DEFERRED CHARGES

	2008	2007
	millions of dollars	
Power Smart programs - electric	149	123
Employee future benefits	103	31
Contract receivables	69	60
Affordable Energy Fund (Note 18)	34	34
Advances to TPC (Note 19)	25	14
Planning studies	25	28
Premium on purchase of sinking fund investments	18	34
Regulated assets:		
Site restoration costs	42	38
Deferred taxes	38	40
Acquisition costs	24	26
Power Smart programs - gas	19	11
Other	11	13
	557	452

If the Corporation were not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and net income for 2008 would have been reduced by $8 million (2007 - $13 million).

In total, deferred charges of $37 million (2007 - $37 million) were amortized to operations during the period.

NOTE 10 LONG-TERM DEBT

During the current year, the Corporation arranged long-term financing in the amount of $981 million (2007 - $173 million) of which Provincial advances were arranged for $548 million with fixed coupon rates between 4.6% and 4.7%, and $252 million with floating rates. Manitoba HydroBonds were issued for $134 million with a weighted average yield of 4.7%. Manitoba Hydro-Electric Board Bonds were issued for $47 million with a fixed coupon rate of 5.75%.

	2008	2007
	millions of dollars	
Advances from the Province of Manitoba represented by debenture debt of the Province	7 114	6 640
Manitoba HydroBonds	212	386
Manitoba Hydro-Electric Board Bonds	244	201
	7 570	7 227
Less: Current portion of long-term debt	353	405
	7 217	6 822

Included in the current portion of long-term debt are $284 million (2007 - $333 million) of debt maturities and $69 million (2007 - $72 million) of floating-rate Manitoba HydroBonds with a maturity date in 2011 and 2012. Floating rate Manitoba HydroBonds are redeemable at the option of the holder.

Long-term debt is guaranteed by the Province of Manitoba, with the exception of Manitoba Hydro-Electric Board Bonds issued for mitigation projects in the amount of $104 million (2007 - $57 million).

Debt principal amounts (excluding transaction costs) and related yields are summarized by fiscal years of maturity in the following table:

					2008	2007
			millions of Canadian dollars			
Years of Maturity	Canadian	Cdn Yields	U.S.	U.S. Yields	Total	Total
2009	100	4.3%	253	5.9%	353	284
2010	187	5.5%	254	5.8%	441	472
2011	90	4.9%	206	4.5%	296	4
2012	16	4.7%	-	-	16	15
2013	78	5.4%	-	-	78	62
	472	5.1%	713	5.1%	1 185	837
2014-2018	1 472	6.2%	348	7.1%	1 820	1 922
2019-2023	569	6.7%	1 644	7.6%	2 213	2 263
2024-2028	300	7.7%	-	-	300	610
2029-2033	949	9.1%	-	-	949	608
2034-2038	1 025	4.9%	-	-	1 025	475
2039-2057	107	4.9%	-	-	107	107
	4 894	6.5%	2 705	7.4%	7 599	6 822

U.S. debt is translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.03 Canadian (2007 - $1.00 U.S. = $1.15 Canadian).

NOTE 11 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
	millions of dollars	
Accounts payable	336	296
Regulated liabilities:		
Purchased gas variance accounts	1	9
	337	305

The Corporation passes all costs related to the purchase and transportation of natural gas onto its customers without markup. If the Corporation were not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. If actual gas costs were expensed and sales rates were not adjusted accordingly, net income would have decreased by $8 million (2007 - decreased by $32 million).

NOTE 12 NOTES PAYABLE

	2008	2007
	millions of dollars	
Canadian notes	-	148
	-	148

The Corporation has bank credit facilities that provide for overdrafts and notes payable up to an amount of $500 million. At March 31, 2008, there were no overdrafts or notes payable (2007 - $148 million).

NOTE 13 DEFERRED LIABILITIES AND CREDITS

	2008	2007
	millions of dollars	
Employee future benefits, excluding pensions	136	126
Mitigation liability (Note 17)	127	132
Refundable advances from customers	38	35
Affordable Energy Fund (Note 18)	34	34
Asset retirement obligations	24	30
Non-controlling interest (Note 19)	24	15
Interest income and other credits	4	3
Debt premiums (discounts)	1	(16)
Deferred foreign exchange	-	149
	388	508

Asset retirement obligations have been recognized for the future decommissioning of the Corporation's two thermal generating stations, and for the removal and disposal of polychlorinated biphenyl contaminated fluid in HVDC converter station capacitors. The Corporation estimates that the undiscounted cash flows required to settle the asset retirement obligations are approximately $57 million, $8 million of which will be incurred between March 31, 2008 and March 31, 2011 for polychlorinated biphenyl contaminated oil removal and disposal. The balance of $49 million is expected to be incurred in 2024 as part of the decommissioning of Manitoba Hydro's two thermal generating stations. No funds are being set aside to settle the asset retirement obligations.

NOTE 14 ASSET PURCHASE OBLIGATION

Effective September 3, 2002, the Corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The Asset Purchase Obligation represents the net present value of payments to the City of Winnipeg of $20 million per annum in fiscal years 2008 to 2010, and $16 million per annum in fiscal year 2011 and each year thereafter in perpetuity.

NOTE 15 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Manitoba Hydro's operations expose the Corporation to foreign exchange, commodity price, interest rate, and credit risk. Manitoba Hydro's Risk Management Policy is to manage business and operational risks through a systematic, proactive and integrated process which is designed to balance the objectives of identifying threats that affect the achievement of the Corporation's mission and mandate, mitigating the consequences of negative occurrences, and taking advantage of opportunities to provide benefits to all stakeholders. All major risks are closely monitored and effectively managed by the Corporation through a systematic and coordinated process. Risk management activities include risk identification and assessment, risk monitoring, the establishment of risk tolerances, and risk mitigation. The risks of each of the Corporation's subsidiaries are also monitored and managed within the corporate risk management framework. All identified risks are assessed for potential impact using financial, safety, reliability, environment, or customer value criteria. Risk management policies, strategies and limits are designed to ensure Manitoba Hydro's risks and exposures are in line with the Corporation's business objectives and risk tolerances. The Audit Committee of the Board approves the Integrated Risk Management plan developed and maintained by the Corporation.

Foreign Exchange Risk

Manitoba Hydro has exposure to U.S. dollar foreign exchange rate fluctuations primarily through the sale and purchase of electricity and fuel in the U.S. This exposure is managed through a long-term natural hedge between U.S. dollar cash inflows from export revenues and U.S. dollar cash outflows for long-term debt coupon and principal payments and thermal fuel purchases. As a means to bridge temporary timing differences between inflows and outflows to future years' U.S. dollar requirements, the Corporation utilizes derivative foreign exchange forward contracts.

As at March 31, 2008, Manitoba Hydro has outstanding foreign exchange contract purchases of $107 million U.S. (2007 - $90 million U.S.) at a weighted average exchange rate of $0.98 (2007 - $1.10) and £0.2 million U.K. (2007 - £1 million U.K.) at a weighted average exchange rate of $2.29 (2007 – $2.28) and foreign exchange contract sales of nil (2007 – $6 million U.S. at a weighted average exchange rate of $1.15). As of March 31, 2008 outstanding forward exchange contracts had a weighted average term of 73 days (2007 – 64 days). The contracts are recorded at their fair value with changes in fair value recognized in net income of the current period. Fair value gains recorded for these contracts in the current year were $1 million. The fair value of these contracts as at March 31 is as follows:

	2008	2007
	millions of dollars	
Foreign exchange forward contracts	5	4

Foreign exchange forward contracts are valued at year-end market prices as provided by the financial institutions with which these contracts are held.

In addition to natural hedging relationships and forward U.S. exchange contracts, cross currency swap arrangements transacted by the Province of Manitoba (the Province) on the Corporation's behalf are utilized to manage exchange rate exposures and as a means to capitalize on favorable financing terms in either U.S. or Canadian capital markets. Cross currency agreements represent an exchange of principal and/or interest flows denominated in one currency for principal and/or interest flows denominated in another. Such transactions effectively amend the terms of the original debt obligation with the Province with the swapped debt arrangement.

Commodity Price Risk

The Corporation mitigates natural gas price volatility to customers through the use of derivative products restricted to price swaps, call options and cashless collars. The Corporation hedges up to 100% of its primary gas baseload volumes for up to twelve (12) months into the future. A stringent control environment is maintained to manage any risks related to the application of derivatives. These contracts are settled in the month the natural gas is delivered.

Centra has entered into cashless collar contracts until January 2009 to purchase 24 500 000 gigajoules (gj) of natural gas at a weighted average upper strike price of $8.37/gj. The weighted average forward price per the Alberta Energy Company Exchange (AECO) at March 31, 2008 was $9.19/gj. Unrealized fair value gains (losses) for these contracts as at March 31 are as follows:

	2008	2007
	millions of dollars	
Cashless collar contracts gains (losses)	22	(1)

Fair value is obtained by using the monthly forward AECO price as reported by the Natural Gas Exchange (NGX) at March 31, 2008.

Interest Rate Risk

Manitoba Hydro is exposed to interest rate risk associated with notes payable net of temporary investments, the current portion of long-term debt net of the current portion of sinking fund investments, and floating rate long-term debt which totaled $1 356 million at March 31, 2008 (2007 - $1 558 million). For information purposes, an increase of 1% in the interest rate would reduce net income by $14 million for the year ended March 31, 2008 (2007 - $15 million).

Interest rate swap agreements transacted by the Province on the Corporation’s behalf are utilized to manage the fixed and floating interest rate mix of the total debt portfolio, interest rate exposure, and related overall cost of borrowing. Interest rate swap agreements represent an agreement between two parties to periodically exchange payments of interest without the exchange of the principal amount upon which the payments are based. The Province may also enter into forward start interest rate swap arrangements where the agreement to exchange interest payments commences at some future date. In either swap arrangement, the terms of the debt advanced by the Province to the Corporation are amended by the swap.

Credit Risk

Credit risk on sinking fund investments, pension assets, and short-term investments is minimized as the Corporation invests exclusively in government-guaranteed bonds, highly rated investments or well diversified investment portfolios. The majority of the Corporation’s accounts receivable are owing from domestic consumers who are in diversified industries and from sales to other utilities. Credit risk in the export market is minimized through the application of established credit requirements.

Credit risk associated with counterparties is minimized by establishing minimum credit rating requirements, setting potential exposure limits and monitoring exposure against these limits, and when necessary, obtaining financial assurances from counterparties.

Fair Value

The estimated fair values of the Corporation's long-term debt and sinking fund investments are based on market yields at close of business on the balance sheet date for similar instruments available in capital markets. The carrying values of all other financial assets and liabilities approximate fair value.

The carrying amounts and fair values of the Corporation's financial instruments at March 31 are as follows:

	2008		2007	
Financial instrument	Carrying amount	Fair value	Carrying amount	Fair value
	millions of dollars			
Financial assets				
Cash and cash equivalents	133	133	1	1
Accounts receivable and accrued revenue	465	465	426	426
Interest receivable	10	10	10	10
Sinking fund investments	700	700	630	659
Financial liabilities				
Long-term debt (including current portion)	7 570	9 189	7 227	8 807
Accounts payable and accrued liabilities	337	337	305	305
Notes payable	-	-	148	148
Accrued interest	106	106	138	138
Asset purchase obligation	225	291	228	300

NOTE 16 COMMITMENTS AND CONTINGENCIES

Manitoba Hydro has energy purchase commitments of $985 million (2007 - $1 301 million) that relate to future purchases of natural gas (including transportation and storage contracts) and coal. Commitments are primarily for natural gas purchases, the majority of which expire in 2010. In addition, other outstanding commitments, principally for construction, are approximately $204 million (2007 - $213 million).

The Corporation will incur future costs associated with the assessment and remediation of contaminated lands and facilities, and for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment. Although these costs cannot be reasonably determined at this time (except for items already recognized as Asset Retirement Obligations), a contingent liability exists.

Due to the size, complexity, and nature of Manitoba Hydro's operations, various legal and operational matters are pending. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have a material effect on Manitoba Hydro's consolidated financial position or results of operations.

NOTE 17 MITIGATION

The Corporation is party to an agreement dated December 16, 1977, with Canada, the Province of Manitoba and the Northern Flood Committee Inc., representing the five First Nations in the communities of Cross Lake, Nelson House, Norway House, Split Lake and York Landing. This agreement, in part, provides for compensation and remedial measures necessary to ameliorate the impacts of the Churchill River Diversion and Lake Winnipeg Regulation projects. Comprehensive settlements have been reached with all communities except Cross Lake.

Expenditures incurred or settlements reached to mitigate the impacts of all projects amounted to $37 million (2007 - $17 million) during the year. In recognition of future anticipated mitigation payments, the Corporation has recorded a liability of $127 million (2007 - $132 million).

The Corporation has also entered into agreements with the Province of Manitoba whereby the Corporation has assumed obligations of the Province with respect to certain northern development projects. The Corporation has assumed obligations totaling $143 million for which water power rental charges were fixed until March 31, 2001. The obligations outstanding at March 31, 2008 amounted to $11 million (2007 - $13 million).

To March 31, 2008, $653 million (2007 - $616 million) has been recorded to mitigate and compensate for all project-related impacts. There are other mitigation issues, the outcomes of which are not determinable at this time. In total, such other mitigation issues are not considered to be significant.

NOTE 18 AFFORDABLE ENERGY FUND

In accordance with the provisions of the Winter Heating Cost Control Act (the Act), Manitoba Hydro established an Affordable Energy Fund (the Fund) in the initial amount of $35 million for the purpose of providing support for programs and services that:

(a) encourage energy efficiency and conservation;
(b) encourage the use of alternative energy sources, including earth energy; and
(c) facilitate research and development of alternative energy services and innovative energy technologies.

For accounting purposes, the Fund was established as a Deferred Charge (Note 9) with an offsetting Deferred Credit (Note 13). Expenditures of $1 million (2007 - $1 million) during the year were charged to operations with the deferred accounts reduced accordingly.

NOTE 19 ADVANCES TO TASKINIGAHP POWER CORPORATION

Taskinigahp Power Corporation (TPC) has a non-controlling interest in the Wuskwatim Generating Station which is currently under construction and projected to be placed in-service in 2012.

TPC is owned beneficially by Nisichawayasihk Cree Nation (NCN). Both Manitoba Hydro and NCN are parties to the Wuskwatim Power Limited Partnership (WPLP) which was formed to carry on the business of developing, owning and operating the generating station.

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to TPC. At March 31, 2008 Manitoba Hydro has provided advances to TPC of $23 million (2007 - $14 million). The advances are repayable by TPC, with interest, subsequent to the in-service date of the Wuskwatim Generating Station. TPC's non-controlling interest is $24 million (2007 - $15 million).

NOTE 20 SEGMENTED INFORMATION

The Corporation operates primarily in two business segments: electricity and natural gas. Each segment has its own particular economic characteristics and differs in nature, production processes, and technology. The electricity segment encompasses the generation, transmission, and distribution of electricity. The gas segment represents natural gas supply and distribution activities through the operations of Centra Gas. The Corporate segment represents the costs to acquire Centra Gas and to integrate its operations into those of Manitoba Hydro. These costs are allocated to gas and electricity segments in accordance with the synergies and benefits derived by each of these segments as a result of the acquisition.

The following table contains information related to the operating results, assets, liabilities, and retained earnings by segment:

	Electricity		Gas		Corporate		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
				millions of dollars				
Revenues (net of cost of gas sold)	1 722	1 632	142	129	-	-	1 864	1 761
Expenses								
Operating and administrative	335	332	56	54	-	-	391	386
Finance expense	401	467	22	22	17	17	440	506
Depreciation and amortization	324	312	23	18	2	2	349	332
Water rentals and assessments	124	112	-	-	-	-	124	112
Fuel and power purchased	134	226	-	-	-	-	134	226
Capital and other taxes	57	55	23	22	-	-	80	77
Corporate allocation	7	7	12	12	(19)	(19)	-	-
	1 382	1 511	136	128	-	-	1 518	1 639
Net income	340	121	6	1	-	-	346	122
Total assets	11 165	10 325	602	597	-	-	11 767	10 922
Total liabilities	9 065	8 939	575	576	-	-	9 640	9 515
Total retained earnings	1 795	1 386	27	21	-	-	1 822	1 407

NOTE 21 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2007 have been reclassified in order to conform to the presentation adopted in 2008.

MANAGEMENT REPORT
MARCH 31, 2008

The accompanying financial statements are the responsibility of Management and have been prepared in accordance with the accounting policies disclosed in note 2. In Management's opinion, the financial statements have been properly prepared and of necessity, include some amounts based upon Management's best estimates and judgments.

As Management is responsible for the integrity of the financial statements, Management has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss.

D.V. Lussier
President & Chief Executive Officer

Ingrid Loewen
Chief Financial Officer

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AUDITORS' REPORT

To the Board of Commissioners of
The Liquor Control Commission

We have audited the balance sheet of **The Liquor Control Commission** [an Agency of the Government of the Province of Manitoba] as at March 31, 2008 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of The Liquor Control Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Liquor Control Commission as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada
May 9, 2008

STATEMENT OF INCOME [IN THOUSANDS OF DOLLARS]

YEAR ENDED MARCH 31

	2008 $	2007 $
Sales *[schedule]*	**554,769**	521,380
Cost of sales *[schedule]*	**279,543**	261,558
Gross profit *[schedule]*	**275,226**	259,822
Other income *[note 5]*	**4,978**	4,639
	280,204	264,461
General and administrative expenses *[note 6]*	**58,328**	53,934
Depreciation *[note 2]*	**2,666**	2,583
Net profit paid or payable to the Province of Manitoba	**219,210**	207,944

See accompanying notes

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BALANCE SHEET [IN THOUSANDS OF DOLLARS]

AS AT MARCH 31

	2008 $	2007 $
ASSETS		
Current		
Cash and cash equivalents	**10,024**	7,143
Accounts receivable	**21,669**	19,722
Inventory *[note 4]*	**34,052**	26,953
Prepaid expenses	**972**	999
Total current assets	**66,717**	54,817
Cash [restricted] *[notes 8 and 9]*	**45,271**	—
Property and equipment, net *[note 7]*	**23,117**	14,643
Long-term loan receivable from the Province of Manitoba *[notes 8 and 9]*	**—**	45,271
	135,105	114,731
LIABILITIES		
Current		
Accounts payable - trade and other	**36,596**	32,900
Goods and Services Tax payable	**1,029**	2,179
Manitoba Retail Sales Tax payable	**1,398**	1,304
Net profit payable to the Province of Manitoba	**41,141**	24,644
Environmental Protection Tax payable	**135**	133
Deferred licence fees	**351**	352
Total current liabilities	**80,650**	61,512
Provision for employee pension benefits *[note 8]*	**51,124**	48,844
Provision for retirement allowances *[note 9]*	**3,331**	4,375
	135,105	114,731

See accompanying notes

On behalf of the Commission:

Chair of the Board

Chair of the Audit Committee

President and Chief Executive Officer

Chief Financial Officer

STATEMENT OF CASH FLOWS [IN THOUSANDS OF DOLLARS]

YEAR ENDED MARCH 31

	2008 $	2007 $
OPERATING ACTIVITIES		
Cash receipts		
Sales - spirits, wine, coolers/ciders and beer	**554,026**	520,561
Annual and supplementary licence fees and other	**3,798**	4,194
Goods and Services Tax	**32,641**	33,044
Manitoba Retail Sales Tax	**18,505**	17,063
Manitoba Waste Reduction and Prevention Levy	**485**	467
Environmental Protection Tax	**1,943**	1,868
	611,398	577,197
Cash disbursements		
Purchases - merchandise, federal duty, excise and sales taxes, etc.	**283,973**	264,706
General and administrative expenses	**55,997**	50,754
Goods and Services Tax	**33,791**	32,173
Manitoba Retail Sales Tax	**18,411**	16,950
Manitoba Waste Reduction and Prevention Levy	**485**	467
Environmental Protection Tax	**1,941**	1,864
	394,598	366,914
Net cash available from operating activities	**216,800**	210,283
INVESTING ACTIVITIES		
Acquisition of property and equipment	**(11,206)**	(4,579)
Net cash available for transfer	**205,594**	205,704
TRANSFERS TO PROVINCE OF MANITOBA		
Current year's net profit	**178,069**	183,300
Prior year's net profit	**24,644**	22,438
	202,713	205,738
Excess (deficiency) of cash receipts over disbursements and transfers	**2,881**	(34)
Cash and cash equivalents, beginning of year	**7,143**	7,177
Cash and cash equivalents, end of year	**10,024**	7,143

See accompanying notes

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SCHEDULE OF SALES, COSTS OF SALES AND GROSS PROFIT [IN THOUSANDS OF DOLLARS]

YEAR ENDED MARCH 31

	Spirits $	Wine $	Coolers/ Ciders $	Beer $	Total $
SALES					
Stores	**135,774**	**78,673**	**11,468**	**37,786**	**263,701**
Liquor vendors	**33,967**	**8,960**	**3,536**	**5,589**	**52,052**
Licensees	**20,030**	**4,998**	**2,037**	**198,696**	**225,761**
Specialty wine stores	**161**	**13,025**	**69**	**—**	**13,255**
Total sales for 2008	**189,932**	**105,656**	**17,110**	**242,071**	**554,769**
Total sales for 2007	178,929	96,671	16,112	229,668	521,380
COST OF SALES					
Total cost of sales for 2008	**75,018**	**48,135**	**8,006**	**148,384**	**279,543**
Total cost of sales for 2007	70,157	43,540	7,529	140,332	261,558
Gross Profit for 2008	**114,914**	**57,521**	**9,104**	**93,687**	**275,226**
Gross Profit for 2007	108,772	53,131	8,583	89,336	259,822

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

[IN THOUSANDS OF DOLLARS]

MARCH 31, 2008

1. NATURE OF ORGANIZATION

The Liquor Control Commission [the "MLCC"] was formed in 1923 as an agency of the Government of Manitoba under *The Liquor Control Act.* The MLCC's mandate is to purchase, sell and regulate beverage alcohol; to determine locations for retail liquor outlets; to licence and regulate facilities used by the consuming public; to provide revenue to the Province from the activities of the MLCC; and to do all such things necessary to effect the provisions of *The Liquor Control Act.*

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Cash and cash equivalents include cash on hand, balances with banks and outstanding electronic fund transactions forwarded to banks.

[b] Restricted cash consists of cash balances held in a trust account, which has been advanced by the Province of Manitoba to fund the employee pension and retiring allowances benefits.

[c] Accounts receivable includes electronic fund transactions to be forwarded to banks after March 31.

[d] Inventories of goods for resale are valued at average cost.

[e] Revenue is recognized at the time the product is shipped, title passes, the sales price is fixed and determinable, and collectibility is reasonably assured.

[f] The property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided on the declining balance basis at the following annual rates:

Automobiles	30%
Equipment and furnishings	20%
Paving	8%
Systems development	30%

Leasehold improvements are depreciated on a straight-line basis over the remaining term of the lease or a minimum of five years.

Buildings are depreciated on a straight-line basis over 40 years.

[g] Substantially all of the employees of the MLCC are eligible for pension benefits based on length of service and average annualized earnings calculated on the best five years prior to retirement, termination, or death that provides the highest earnings. Pension costs, included in salaries, benefits and pension costs, consist of the employer's share of pension benefits paid to retired employees, as well as the increase in unfunded pension liabilities during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by formula provided by the actuary as detailed in note 8. Actuarial gains and losses are recognized in income immediately as detailed in note 8.

[h] In preparing the MLCC's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

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3. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2007, the MLCC adopted the Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3855, "Financial Instruments – Recognition and Measurement", Section 3861, "Financial Instruments – Disclosure and Presentation" and Section 1530, "Comprehensive Income". The principal changes in the accounting for financial instruments due to the adoption of these accounting standards are described below.

Section 3855 sets out the standards for the recognition and measurement of financial assets and financial liabilities. The new standard prescribes when to recognize a financial instrument in the balance sheet and at what amount. Depending on the balance sheet classification, fair value or cost-based measures are used. Under the new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, available-for-sale financial assets, loans and receivables, and other financial liabilities. This standard also prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses are recognized in net income or other comprehensive income.

Section 1530 introduces new standards for the reporting and disclosure of comprehensive income. Comprehensive income is the change in equity of the entity during the reporting period from transactions and other events and circumstances from non-owner sources such as changes in the fair value of financial instruments designated as cash flows hedges.

Because the MLCC has no items related to other comprehensive income under Section 1530, comprehensive income for the year is equivalent to net income.

The MLCC's financial assets and financial liabilities are measured as follows:

Cash and cash equivalents are classified as held-for-trading and measured at fair value. The gains or losses arising on the revaluation at the end of the year are included in net income.

Accounts receivable are classified as loans and receivables and recorded at cost; which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Accounts payable, net profit payable to the Province of Manitoba, and other taxes payable are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

It is management's opinion that the MLCC is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of the MLCC's financial instruments approximates their carrying value unless otherwise stated.

The adoption of these standards was done retroactively without restatement of the financial statements for prior years.

4. INVENTORY

Inventory consists of the following:

	2008	2007
	$	$
Warehouse inventory	**23,377**	17,919
Stores inventory	**10,675**	9,034
	34,052	26,953

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $3,858 at March 31, 2008 [2007 – $3,385].

5. OTHER INCOME

Other income consists of the following:

	2008	2007
	$	$
Supplementary licence fees	**816**	788
Advertising revenue – other	**780**	733
AIR MILES® revenue	**766**	663
Miscellaneous	**717**	569
Annual licence fees and licence application fees	**590**	599
Occasional permit additional fees	**581**	581
Administration charges	**305**	222
Occasional permit fees	**237**	240
Border point fees	**159**	221
Specialty wine store fees	**27**	23
	4,978	4,639

6. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of the following:

	2008	2007
	$	$
Salaries, benefits and pension costs *[note 8]*	**35,253**	33,824
Leased premises – rentals *[note 10]*	**5,854**	5,415
Maintenance and repairs	**2,558**	2,106
Delivery charges	**1,651**	1,504
Bank charges	**1,502**	1,356
Community support	**1,450**	480
Utilities	**1,355**	1,291
AIR MILES® program	**1,096**	991
Equipment rentals *[note 10]*	**1,076**	1,113
Professional fees	**879**	608
Printing, postage and supplies	**789**	789
Alcohol education	**720**	563
Protective services	**607**	500
Health and Post Secondary Education Tax Levy	**606**	551
Grants in lieu of taxes	**581**	603
Miscellaneous	**500**	507
Staff training	**461**	457
Advertising and promotions	**432**	463
Travel	**339**	325
Communications	**239**	122
Vehicle expenses	**212**	205
Product analysis	**90**	77
Crown Corporations Council Levy	**78**	84
	58,328	53,934

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2008		
	Cost $	**Accumulated depreciation $**	**Net book value $**
Land	**123**	**—**	**123**
Buildings	**14,819**	**3,777**	**11,042**
Leasehold improvements	**9,187**	**4,018**	**5,169**
Systems development	**10,931**	**8,026**	**2,905**
Equipment and furnishings	**8,214**	**4,778**	**3,436**
Automobiles	**617**	**368**	**249**
Paving	**326**	**133**	**193**
	44,217	**21,100**	**23,117**

	2007		
	Cost $	Accumulated depreciation $	Net book value $
Leasehold improvements	12,203	3,720	8,483
Systems development	9,706	7,043	2,663
Equipment and furnishings	7,108	4,128	2,980
Automobiles	635	338	297
Paving	338	118	220
	29,990	15,347	14,643

Land and buildings for the head office and nine other buildings previously leased from the Government of Manitoba were transferred to the MLCC on April 1, 2007 at net book value of $302. Improvements to these buildings previously classified as leasehold improvements have been transferred to buildings and accumulated depreciation buildings on April 1, 2007 at net book value of $10,904.

8. PROVISION FOR EMPLOYEE PENSION BENEFITS

The MLCC maintains a defined benefit pension plan in accordance with the provision of *The Civil Service Superannuation Act* administered by the Civil Service Superannuation Board. An actuarial valuation of the provision for employee pension benefits was conducted by Ellement & Ellement Ltd. Consulting Actuaries as at December 31, 2004. The service to date projected benefit method was used and the liabilities have been extrapolated to March 31, 2008 using a formula provided by the actuary.

	2008	2007
	$	$
Accrued benefit liability, beginning of year	**48,844**	47,025
Benefits accrued	**1,506**	1,434
Interest accrued on benefits	**3,416**	3,289
Benefits paid	**(2,423)**	(2,765)
Manitoba Finance matching pension contributions	**(219)**	(139)
Accrued benefit liability, end of year	**51,124**	48,844
Pension expense	**4,922**	4,723
Employee contributions	**1,393**	1,326
Employer contributions	**2,642**	2,904

The pension expense consists of benefits accrued of $1,506 [2007 – $1,434] and interest accrued on benefits of $3,416 [2007 - $3,289].

The key actuarial assumptions used in determining the MLCC's provision for employee pension benefits were at the following weighted average rates:

	As at March 31	
	2008	2007
	%	%
Expected long-term rate of return	**6.50**	6.50
Inflation	**2.50**	2.50
Rate of future compensation increases	**4.25**	4.25

In addition, post retirement indexing is at two-thirds of the inflation rate.

The amount of the long-term provision for employee pension benefits of $40,731 as at March 31, 2003, has been funded by the cash advanced by the Province of Manitoba. The funds are held in a trust account and are recorded as restricted cash *[note 2[b]]*. The funds are to be used to fund the employee pension.

9. PROVISION FOR RETIREMENT ALLOWANCES

Effective April 1, 1998, the MLCC commenced recording accumulated retirement allowances for its employees. Eligible employees are entitled to receive a retirement allowance equal to one week's pay to a maximum of 25 weeks for each year of continuous employment, based on the current salary at date of retirement. The provision recorded is calculated based on a formula provided by the Province of Manitoba.

The amount of the opening provision for retirement allowances of $3,165, as at April 1, 1998, has been funded by the cash advanced by the Province of Manitoba. The funds are held in a trust account and are recorded as restricted cash *[note 2[b]].* The funds are to be used to fund the employee retirement allowances.

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10. FUTURE COMMITMENTS

[a] The MLCC leases 42 buildings. Leases have expiry dates ranging from 2009 to 2024.

The future minimum lease payments for each of the next five years and thereafter are as follows:

Year ending March 31	$
2009	4,217
2010	3,972
2011	3,411
2012	3,054
2013	2,900
Thereafter	15,666
	33,220

[b] The MLCC leases computer equipment. Leases on this computer equipment have expiry dates ranging from 2009 to 2013.

The future minimum lease payments for each of the years to the expiry of the lease contracts are as follows:

Year ending March 31	$
2009	943
2010	527
2011	318
2012	51
2013	51
	1,890

[c] The MLCC entered into a contract for software and implementation services associated with the installation of a new point-of-sale system. The balance of the contractual obligation to be paid in 2009 is $806.

11. FUTURE ACCOUNTING PRONOUNCEMENTS

Section 1535, “Capital Disclosures”, establishes standards for disclosing information about an entity’s capital and how it is managed and is effective for fiscal years beginning on or after October 1, 2007. The MLCC does not expect this section to have an impact on the financial statements.

Section 3031, “Inventories”, replaces the existing Section 3030, “Inventories”, and is required to be implemented for fiscal years beginning on or after January 1, 2008. The MLCC does not expect Section 3031 to have an impact on the financial statements.

Section 3862, “Financial Instruments – Disclosure” and Section 3863, “Financial Instruments – Presentation”, replaces the existing Section 3861, “Financial Instruments – Disclosure and Presentation” and are required to be implemented for fiscal years beginning on or after October 1, 2007. The new standards enhance and expand disclosure standards to complement the changes in accounting policies adopted in accordance with Section 3855. These new standards are related to disclosure only and will not impact the financial results of the MLCC.

12. COMPARATIVE FIGURES

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year’s financial statements.

Management Report

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the consolidated financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management is responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Corporation. Management designed such internal controls, or caused them to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Corporation are properly safeguarded. As part of the financial statement audit performed by Ernst & Young LLP, they reviewed the Corporation's internal controls to the extent that they considered necessary and reported their findings to management and the Board of Directors.

The responsibility of Ernst & Young LLP is to express an independent opinion on whether the consolidated financial statements are fairly stated in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Audit Committee of the Board meets with management and Ernst & Young LLP to satisfy itself that each group has properly discharged its respective responsibilities and to review the consolidated financial statements before approving them. The Board has reviewed and approved the consolidated financial statements for the fiscal year ended March 31, 2008.

(originally signed by)
Winston Hodgins
President & CEO

(originally signed by)
Cheryl Eason
Executive Vice-President & CFO

Auditor's Report

To the Board of Directors
Manitoba Lotteries Corporation

We have audited the consolidated balance sheet of **Manitoba Lotteries Corporation** as at March 31, 2008 and the consolidated statements of net income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

(originally signed by)
Ernst & Young LLP
Chartered Accountants
Winnipeg, Canada
May 16, 2008

Consolidated Balance Sheet

MARCH 31, 2008 (IN THOUSANDS)

	Notes	2008	2007
Assets			
Current Assets			
Cash		**$ 27,777**	$ 30,094
Accounts receivable	3	**17,035**	18,104
Inventories	4	**2,451**	2,127
Prepaid expenses	5	**2,758**	3,670
		50,021	53,995
Property and Equipment	6	**173,266**	183,938
Other Assets	7	**5,286**	5,532
		$ 228,573	$ 243,465
Liabilities and Retained Earnings			
Current Liabilities			
Accounts payable and accruals	8	**$ 40,564**	$ 29,570
Payable to the Province of Manitoba		**1,782**	10,720
Current portion of long-term debt	9	**12,846**	17,003
		55,192	57,293
Long-Term Debt	9	**168,002**	180,848
Provision for Employee Pension Benefits	10	**379**	324
Total Liabilities		**223,573**	238,465
Commitments and contingencies	14		
Retained Earnings		**5,000**	5,000
		$ 228,573	$ 243,465

(see accompanying notes to the consolidated financial statements)

On behalf of the Board,

(originally signed by)
Tim Valgardson
Director & Chair of the Board

(originally signed by)
Gerald Rosenby
Director & Chair of the Audit Committee

Consolidated Statement of Net Income, Comprehensive Income & Retained Earnings

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

	Notes	2008	2007
Revenue			
Revenue		**$ 749,882**	$ 699,545
Cost of sales		**260,329**	241,288
		489,553	458,257
Expenses			
Operating expenditures		**122,207**	113,225
Amortization		**37,152**	29,236
Interest expense - long-term		**11,778**	13,013
Goods and services tax		**5,520**	4,622
		176,657	160,096
Income before Allocations and Payments		**312,896**	298,161
Allocations and Payments	12		
Provinces of Alberta and Saskatchewan		**2,948**	2,816
Government of Canada		**2,327**	2,292
Gaming Commission fees & Crown levy		**2,209**	2,366
Responsible gaming funding		**2,894**	2,781
Charitable and community organizations		**5,736**	5,186
		16,114	15,441
Net Income and Comprehensive Income		**296,782**	282,720
Retained Earnings, beginning of the year		**5,000**	5,000
Allocation to the Province of Manitoba		**(296,782)**	(282,720)
Retained Earnings, end of the year		**$ 5,000**	$ 5,000

(see accompanying notes to the consolidated financial statements)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

	Notes	2008	2007
Operating activities			
Net income and Comprehensive Income		**$ 296,782**	$ 282,720
Add (deduct) items not involving cash:			
Amortization related to property and equipment		**36,906**	28,990
Amortization on assets related to First Nations Casinos		**1,827**	1,568
Amortization related to other assets		**246**	246
Gain on disposal of property and equipment		-	(55)
Provision for employee pension benefits		**55**	46
		335,816	313,515
Net change in non-cash working capital items	16	**12,651**	(567)
Cash provided by operating activities		**348,467**	312,948
Investing activities			
Purchase of property and equipment		**(28,061)**	(18,267)
Proceeds from disposal of property and equipment		**-**	144
Proceeds from recovery of goods and services tax		**-**	22,112
Cash provided by (used in) investing activities		**(28,061)**	3,989
Financing activities			
Cash distributions to the Province of Manitoba:			
Current year		**(295,000)**	(272,000)
Prior year		**(10,720)**	(6,060)
Repayment of long-term debt		**(17,003)**	(39,719)
Cash used in financing activities		**(322,723)**	(317,779)
Net decrease in cash during the year		**(2,317)**	(842)
Cash, beginning of year		**30,094**	30,936
Cash, end of year		**$ 27,777**	$ 30,094
Supplemental cash flow information			
Interest paid		**$ 12,079**	$ 13,550

(see accompanying notes to the consolidated financial statements)

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

1. Background

The Manitoba Lotteries Foundation was established by the Manitoba Lotteries Foundation Act. On July 27, 1993, the Act was amended and continued under the Manitoba Lotteries Corporation Act. By consent of the Legislative Assembly of Manitoba, the organization continues its operations as a Crown corporation under the name of the Manitoba Lotteries Corporation ("MLC") or the "Corporation."

2. Significant Accounting Policies

(a) Basis of consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and combine the accounts of Manitoba Lotteries Corporation and MLC Holdings Inc. This controlled entity was established to purchase capital assets, which are leased to MLC at cost. All intercompany transactions and accounts have been eliminated on consolidation.

(b) Western Canada Lottery Corporation

The Western Canada Lottery Corporation ("WCLC") was incorporated without share capital under Part II of the Canada Corporations Act on May 13, 1974. The Provincial Governments of Manitoba, Saskatchewan and Alberta are members in the Corporation, and the Yukon Territory, the Northwest Territories and Nunavut participate with the provinces as associate members in the sale of gaming products. Each province and territory has appointed a lottery organization to assist the WCLC with the distribution of gaming products in its jurisdiction (MLC for the province of Manitoba). The proportionate share of WCLC's sales and cost of sales is included in the financial statements based on relative sales levels by jurisdiction.

(c) Revenue and expense recognition

Revenue and expenses are recorded on an accrual basis except for lottery revenue. Lottery revenue is recorded as of the date of the draw with the exception of instant game revenue which is recorded at the time the ticket is activated by the retailer via the on-line accounting system for sale to customers. Video lottery and other gaming revenue is recorded net of prizes paid. Administration fees related to First Nations are taken into income as earned.

(d) Property, equipment and amortization

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and amortized on a straight-line basis according to their estimated useful lives. A half-year amortization is taken in the year of acquisition on assets under $1 million. For assets over $1 million amortization is taken at date of implementation.

Furniture and equipment	4-5 years
Gaming equipment	5 years
Casino stages	10 years
Buildings and parking lots	30 years
Leasehold improvements	Over term of lease
Capital lease – building	25 years
Assets related to First Nations Casinos	7 years
Other Assets – (see note 7)	26 years

Capital assets related to First Nations Casinos under the Conduct and Management Agreement consist primarily of the cost of the gaming equipment and related hardware and software. The cost of the assets and related financing costs are amortized and recovered over the seven-year term of the Conduct and Management Agreement.

During the year, the useful life for video lottery terminal (VLT) equipment was changed from a 7-year life to a 5-year life to be consistent with the planned VLT equipment replacement strategy. This change was adopted prospectively for the fiscal year ended March 31, 2008. The impact of this change for the current year was an $8,622 decrease in net income.

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

The net increases (decreases) in net income in future years as a result of this change are as follows:

2009	$ (8,694)
2010	1,807
2011	9,555
2012	5,090
2013	344
Subsequent years	520
	$ 8,622

(e) Goods and Services Tax

In lieu of Goods and Services Tax (GST) on lottery and gaming revenue, the Corporation foregoes claiming input tax credits and pays an additional 5% GST on gaming expenditures, including retailer commissions. This additional 5% is reported as GST expense.

An input tax credit is claimed for GST paid on non-gaming expenditures.

(f) Inventories

Inventories are valued at the lower of cost and replacement value for replacement parts and the lower of cost and net realizable value for all other inventory.

(g) Pension plans

In accordance with the provisions of the Civil Service Superannuation Act (Act), employees of the Corporation are eligible for pension benefits. Plan members are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Corporation is required to match contributions contributed to the Fund by the employees at prescribed rates, which is recorded as an operating expense. Under this Act, the Corporation has no further pension liability.

For employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund, a pension liability is established. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary. Actuarial gains and losses are recognized in income immediately.

The Corporation also makes contributions for employees and officers to a money purchase pension plan at prescribed rates.

(h) Foreign currency translation

Monetary assets and liabilities are translated at the year-end exchange rate while non-monetary assets and liabilities and revenues and expenses are translated at the exchange rate prevailing on the transaction date. All exchange gains and losses are reflected in earnings during the period they occurred.

(i) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(j) Promotional allowances

The retail value of food, beverages and other items provided on a complimentary basis to customers has been included in gross revenue and a corresponding amount has been deducted as promotional allowances. Costs of providing these promotional allowances have been included in operating expenses.

(k) Loyalty points program

During the year, the Corporation commenced a program whereby patrons can earn points based upon their level of play on certain casino games. Points can be redeemed for certain goods and services provided by the casinos. The retail value of these complimentary items is included in gross revenues and then deducted as a promotional allowance to arrive at net revenues.

The future redemption liability is included in accounts payable and accruals and is based on an assessment of anticipated point redemptions and point value. The Corporation will adjust the estimated liability based on redemption experience and additional points earned and any adjustments will be recorded in the results of operations.

(l) Changes in accounting policies

Effective April 1, 2007, the Corporation adopted the CICA Handbook Sections 1530 Comprehensive Income, 3855 Financial Instruments – Recognition and Measurement and 3861 Financial Instruments – Disclosure and Presentation. The principal changes in the accounting for financial instruments due to the adoption of these accounting standards are described below.

Section 1530 Comprehensive Income sets out the standards for the reporting and disclosure of comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. The Corporation has no items related to other comprehensive income under Section 1530, therefore, comprehensive income for the year is equivalent to net income.

Section 3855 Financial Instruments – Recognition and Measurement and Section 3861 Financial Instruments – Disclosure and Presentation set out the standards for the recognition and measurement of financial assets and financial liabilities. Under these standards, all financial instruments are classified into one of the following five categories: held for trading, held to maturity investments, available for sale financial assets, loans and receivables and other financial liabilities. All financial instruments are included on the consolidated balance sheet and are measured at fair market value with the exception of loans and receivables, held to maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held for trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available for sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset or liability is removed from the consolidated balance sheet.

The Corporation has made the following classifications:

- Cash is classified as held for trading and measured at fair value.
- Accounts receivable are classified as loans and receivables and recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accruals, payable to the Province of Manitoba and long term debt are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

The adoption of these standards is done retroactively without restatement of the consolidated financial statements of prior periods. The adoption of these new standards did not have an impact on opening retained earnings or on the measurement of the Corporation's assets and liabilities as at April 1, 2007.

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

(m) Recent accounting pronouncements

Section 1535 Capital disclosures establishes standards for disclosing information about an entity's capital and how it is managed and is effective for fiscal years beginning on or after October 1, 2007. The Corporation does not expect this section to have an impact on the financial statements.

Section 3031 Inventories replaces the existing section 3030 Inventories, and is required to be implemented for fiscal years beginning on or after January 1, 2008. The Corporation does not expect this section to have an impact on the financial statements.

Section 3862 Financial Instruments – Disclosure and Section 3863 Financial Instruments – Presentation replace the existing Section 3861 Financial Instruments – Disclosure and Presentation and are required to be implemented for fiscal years beginning on or after October 1, 2007. The new standards enhance and expand disclosure standards to complement the changes in accounting policy adopted in accordance with Section 3855 Financial Instruments – Recognition and Measurement. These new standards relate to disclosure only and will not impact the financial results of the Corporation.

3. Accounts Receivable

	2008	2007
Western Canada Lottery Corporation	**$ 6,444**	$ 9,011
Trade	**8,277**	6,371
First Nations	**1,422**	2,001
Goods and services tax	**576**	412
Employee computer program	**212**	204
Lottery retailers	**104**	105
	$ 17,035	$ 18,104

4. Inventories

	2008	2007
Replacement parts	**$ 1,573**	$ 1,414
Bingo paper	**415**	306
Breakopen tickets	**270**	208
Restaurant	**123**	107
Store merchandise	**70**	92
	$ 2,451	$ 2,127

5. Prepaid Expenses

	2008	2007
Manitoba Gaming Control Commission fees	**$ 1,152**	$ 1,617
Maintenance contracts	**844**	1,119
Insurance	**429**	428
Entertainer & sponsorship deposits	**122**	338
Rent	**77**	86
Other	**134**	82
	$ 2,758	$ 3,670

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

6. Property and Equipment

	2008 Cost	2008 Accumulated Amortization	2008 Net Book Value
Land	**$ 5,798**	**$ -**	**$ 5,798**
Furniture and equipment	**93,392**	**70,625**	**22,767**
Gaming equipment	**136,136**	**92,554**	**43,582**
Casino stages	**5,972**	**5,972**	**-**
Buildings and parking lots	**153,486**	**61,892**	**91,594**
Leasehold improvements	**5,643**	**5,268**	**375**
Capital lease – building	**688**	**250**	**438**
Assets related to First Nations Casinos [see note 13]	**15,173**	**6,461**	**8,712**
	$ 416,288	**$ 243,022**	**$ 173,266**

	2007 Cost	2007 Accumulated Amortization	2007 Net Book Value
Land	$ 5,798	$ -	$ 5,798
Furniture and equipment	86,069	61,808	24,261
Gaming equipment	121,187	68,660	52,527
Casino stages	5,972	5,972	-
Buildings and parking lots	151,210	56,514	94,696
Leasehold improvements	5,643	5,229	414
Capital lease – building	688	223	465
Assets related to First Nations Casinos [see note 13]	10,869	5,092	5,777
	$ 387,436	$ 203,498	$ 183,938

7. Other Assets

The Corporation has entered into an agreement for the right to use 22.28 acres of land for 200 years. The land is being used for parking facilities at the McPhillips Street Station Casino. The facilities became available for use during the 2004 fiscal year, at which time the Corporation began amortizing the asset over the life of the adjacent Casino. The asset is presented net of accumulated amortization of $1,095 (2007 - $849) [see note 2 (d)].

8. Accounts Payable and Accruals

	2008	2007
Trade	**$ 31,795**	$ 21,935
Vacation	**6,481**	5,391
Interest	**881**	939
Jackpot provision	**911**	680
Province of Manitoba taxes	**496**	625
	$ 40,564	$ 29,570

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

9. Long-Term Debt

	2008	2007
Province of Manitoba, bearing interest at 6.95%, interest only payable semi-annually, with all principal due at maturity on August 30, 2010.	**$ 135,000**	$ 135,000
Province of Manitoba, bearing interest at the prevailing Bankers Acceptance rate plus ¼ of 1%, repayable in quarterly principal installments of $1,500 plus interest until October 17, 2007.	**-**	4,159
Province of Manitoba, bearing interest at 5.25%, repayable in quarterly principal installments of $1,071 plus interest until June 30, 2011.	**13,929**	18,214
Province of Manitoba, bearing interest at 4.625%, repayable in quarterly principal installments of $1,071 plus interest until September 30, 2011.	**15,000**	19,286
Province of Manitoba, bearing interest at the prevailing Bankers Acceptance rate plus ¼ of 1%, repayable in quarterly principal payments of $679 plus interest, until May 10, 2012. The interest rate on the debt at March 31, 2008 was 3.80%.	**11,536**	14,250
Province of Manitoba, bearing interest at 4.875%, repayable in monthly principal installments of $43 plus interest until March 31, 2009.	**514**	1,029
Province of Manitoba, bearing interest at 4.050%, repayable in monthly principal installments of $84 plus interest until August 31, 2012.	**4,467**	5,478
Capital lease obligation to the Province of Manitoba, with a 7.63% implicit interest rate and annual minimum lease payments of $64 until July 13, 2017.	**402**	435
	$ 180,848	$ 197,851
Less current portion of long term debt and capital lease obligation	**12,846**	17,003
	$ 168,002	$ 180,848

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

Annual payments in future years are as follows:

	Loans	Capital Lease Principal	Interest
2009	$ 12,811	$ 35	$ 29
2010	12,297	37	27
2011	147,297	40	24
2012	6,940	43	21
2013	1,101	46	18
Subsequent years	-	201	34
	$ 180,446	$ 402	$ 153

The fair market value of long-term debt at March 31, 2008 is $192,225.

10. Provision for Employee Pension Benefits

The pension expense related to the Corporation's contributions to the Civil Service Superannuation Fund is $2,707 (2007 - $2,426).

A pension liability of $379 (2007 - $324) has been established for employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund plan. A loss of $22 was experienced in the current year based on the triennial actuarial report of pension obligations as at December 31, 2004, and is included in the above pension expense.

The pension expense related to the Corporation's contributions to the money purchase plan is $252 (2007 - $353).

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

11. Segmented Information

The Corporation's management has designated the areas of Video Lotto, Casinos and Lottery as its operating segments. All indirect costs have been allocated to the operating segments. A summary of these operating segments is as follows:

2008	Video Lotto	Casinos	Lottery	Total
Revenue				
Revenue	$ 345,908	$ 194,388	$ 209,586	$ 749,882
Cost of sales	107,357	12,455	140,517	260,329
	238,551	181,933	69,069	489,553
Expenses				
Operating expenses	10,299	106,744	5,164	122,207
Amortization	23,741	13,411	-	37,152
Interest expense - long-term	4,306	7,231	241	11,778
Goods and services tax	4,864	584	72	5,520
	43,210	127,970	5,477	176,657
Income before Allocations and Payments	195,341	53,963	63,592	312,896
Allocations and Payments	4,749	5,813	5,552	16,114
Net Income and Comprehensive Income	$ 190,592	$ 48,150	$ 58,040	$ 296,782

2007	Video Lotto	Casinos	Lottery	Total
Revenue				
Revenue	$ 324,675	$ 172,178	$ 202,692	$ 699,545
Cost of sales	97,662	10,650	132,976	241,288
	227,013	161,528	69,716	458,257
Expenses				
Operating expenses	9,840	98,884	4,501	113,225
Amortization	12,767	16,469	-	29,236
Interest expense - long-term	4,816	7,956	241	13,013
Goods and services tax	4,062	452	108	4,622
	31,485	123,761	4,850	160,096
Income before Allocations and Payments	195,528	37,767	64,866	298,161
Allocations and Payments	4,265	5,800	5,376	15,441
Net Income and Comprehensive Income	$ 191,263	$ 31,967	$ 59,490	$ 282,720

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

12. Allocations and Payments

(a) Provinces of Alberta and Saskatchewan

The Province of Manitoba is a member of the Western Canada Lottery Corporation (WCLC). An agreement is in place with the other members to provide economic benefit equalization. The cost to the Corporation for this allocation for the 2008 fiscal year is $2,948 (2007 - $2,816).

(b) Payment to Government of Canada

Effective January 1, 1980 the Government of Canada terminated its involvement in lotteries. In return, the ten provinces are to contribute an annual sum of $24,000, adjusted for inflation, to the Federal Government. The Province of Manitoba's share for the 2008 fiscal year is $2,327 (2007 - $2,292).

(c) Gaming Commissions Fees & Crown Levy

The Corporation provides funding to the Manitoba Gaming Control Commission (MGCC) through payment of annual registration fees for electronic gaming machines and employees. The Corporation also provides funding to the Crown Corporations Council through the payment of an annual levy. Funding provided to MGCC and Crown Corporations Council in the 2008 fiscal year is $2,209 (2007 - $2,366).

(d) Responsible Gaming Funding

Funding to the Addictions Foundation of Manitoba (AFM) and other organizations for their responsible gaming research and programming for the 2008 fiscal year is $2,894 (2007 - $2,781).

(e) Charitable and Community Organizations

The Corporation provides over four hundred charitable and community organizations the opportunity to raise funds for their organizations by assisting the Corporation in the bingo events held at its casinos and providing funding to various community groups throughout Manitoba. Payments made to these organizations for the 2008 fiscal year amount to $5,736 (2007 - $5,186).

13. First Nations Casinos

The Government of Manitoba has overall control over gaming in Manitoba in accordance with the requirements of the Criminal Code of Canada, and has appointed MLC to act as its agent in the Conduct and Management of the gaming regime. Through a selection process, the Government has provided certain First Nations the opportunity to operate casinos, with MLC maintaining the Conduct and Management authority over these casinos. Effective December 1, 2005, the Corporation received approval from MLC's Board of Directors to discontinue the recovery of general administrative and compliance costs from First Nations Casinos and to provide these services only upon request on a fee for service basis. The Corporation will continue to recover all direct and/or gaming related expenses.

14. Future Commitments and Contingencies

(a) Lease Obligations

The future minimum rental payments relating to operating leases are as follows:

2009	$	1,247
2010		807
2011		392
2012		335
2013		268
Subsequent years		1,457
	$	**4,506**

(b) Incident to the nature of its business, the Corporation is defending various legal actions and claims that are pending. While the outcome of these claims cannot be determined, management is of the opinion that the appropriate provisions have been made in the accounts, and the ultimate outcome will not have a material adverse effect on the Corporation's financial position.

(c) The Corporation entered into a VLT revenue sharing agreement with the Manitoba Jockey Club Inc., in the amount of $14,750 that covered the period of January 1, 2004 to December 31, 2006. This agreement was amended in April 2005 to extend MLC's commitment by another two years to December 31,

FOR THE YEAR ENDED MARCH 31, 2208 (IN THOUSANDS)

2008. Manitoba Jockey Club Inc. will receive $5,000 annually plus an additional 20% commission on net VLT revenues over $5,000.

(d) During the year the Corporation maintains its commitment to spend 2% of its net income over five years for responsible gaming research and programming. It is anticipated that the continuation of expenditures will occur in the 2009 fiscal year.

(e) The Corporation has committed to replacing the aging Video King gaming system at the Casinos of Winnipeg. The estimated cost of this replacement is $19,700.

15. Financial instruments

The Corporation's financial instruments consist of cash, accounts receivable, accounts payable and accruals, payable to the Province of Manitoba, and long term debt. It is management's opinion that the Corporation is not exposed to significant interest, credit or currency risks.

Fair value

Unless otherwise stated, the fair value of the Corporation's financial instruments approximates their carrying values.

Interest rate risk

Interest rate risk is the risk to the Corporation's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to interest, though risks associated with interest rate fluctuations are mitigated through the use of fixed-rate long term debt.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation mitigates this risk through its credit management and collection practices.

Currency risk

Currency risk is the risk to the Corporation's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Corporation mitigates this risk through its contract and purchasing practices.

16. Supplementary Cash Flow Information

	2008	2007
Net decrease (increase) in current assets		
Accounts receivable	**$ 1,069**	$ (5,284)
Inventories	**(324)**	794
Prepaid expenses	**912**	(583)
	1,657	(5,073)
Net increase (decrease) in current liabilities		
Accounts payable and accruals	**10,994**	4,506
Net change in non-cash working capital items	**$ 12,651**	$ (567)

17. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

Consolidated Schedule of Net Income & Comprehensive Income

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

	2008	2007
Revenue		
Revenue	**$ 749,882**	$ 699,545
Cost of sales	**260,329**	241,288
	489,553	458,257
Expenses		
Operating expenditures		
Salaries and benefits	**80,274**	75,687
Maintenance equipment	**13,837**	11,507
Tourism marketing	**8,428**	6,603
Property taxes	**4,042**	3,982
Utilities	**2,476**	2,314
Postage, printing and supplies	**4,392**	4,053
Consulting and legal fees	**2,149**	1,740
Telecommunications	**1,586**	1,786
Transportation and vehicles	**1,572**	1,575
Community support	**1,257**	1,388
Sundry	**2,194**	2,590
	122,207	113,225
Amortization	**37,152**	29,236
Interest expense - long-term	**11,778**	13,013
Goods and services tax	**5,520**	4,622
	176,657	160,096
Income before Allocations and Payments	**312,896**	298,161
Allocations and Payments	**16,114**	15,441
Net Income and Comprehensive Income	**$ 296,782**	$ 282,720

(see accompanying notes to the consolidated financial statements)

AUDITORS' REPORT

To the Board of Directors of
Manitoba Product Stewardship Corporation

We have audited the balance sheet of **Manitoba Product Stewardship Corporation** as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
May 29, 2008.

Manitoba Product Stewardship Corporation

Incorporated under the laws of Manitoba

BALANCE SHEET

As at March 31

	2008	2007
	$	$
ASSETS		
Current		
Cash and cash equivalents *[note 4]*	**2,022,758**	2,820,897
Interest receivable	**10,960**	13,080
Levies receivable	**849,897**	844,986
Prepaid expenses and deposits	**12,468**	12,379
Total current assets	**2,896,083**	3,691,342
Cash and cash equivalents [restricted] *[note 2[d]]*	**300,000**	—
Capital assets, net *[note 5]*	**17,694**	22,485
	3,213,777	3,713,827
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**118,528**	72,070
Recycling support payments payable	**1,554,466**	1,489,156
Total current liabilities	**1,672,994**	1,561,226
Net assets		
Invested in capital assets	**17,694**	22,485
Internally restricted	**300,000**	—
Unrestricted	**1,223,089**	2,130,116
	1,540,783	2,152,601
	3,213,777	3,713,827

See accompanying notes

On behalf of the Board:

Director Director

Manitoba Product Stewardship Corporation

STATEMENT OF OPERATIONS

Year ended March 31

	2008	2007
	$	$
REVENUE		
Beverage levy	**8,895,689**	8,749,251
Levy rebates	**(257,848)**	(283,522)
Interest	**116,982**	131,519
	8,754,823	8,597,248
EXPENSES		
Programs		
Municipal		
Recycling support payments to municipalities	**8,737,354**	7,842,306
Municipal support	**74,915**	38,637
	8,812,269	7,880,943
Steward		
Compliance of WRAP Act	**39,159**	61,259
Corporation promotion/partnerships		
Advertising and promotion	**7,023**	3,568
Partnerships/sponsorships	**5,000**	5,000
	12,023	8,568
	8,863,451	7,950,770
Administrative expenses *[schedule]*	**503,190**	592,669
	9,366,641	8,543,439
Net income (loss) for the year	**(611,818)**	53,809

See accompanying notes

Manitoba Product Stewardship Corporation

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	2008			
	Invested in capital assets	Internally restricted	Unrestricted	Total
	$	$	$	$
Balance, beginning of year	**22,485**	**—**	**2,130,116**	**2,152,601**
Net loss for the year	**(6,857)**	**—**	**(604,961)**	**(611,818)**
Purchase of capital assets	**2,066**	**—**	**(2,066)**	**—**
Allocation of amounts to cover write-down *[note 2[a]]*	**—**	**300,000**	**(300,000)**	**—**
Balance, end of year	**17,694**	**300,000**	**1,223,089**	**1,540,783**

	2007			
	Invested in capital assets	Internally restricted	Unrestricted	Total
	$	$	$	$
Balance, beginning of year	16,874	—	2,081,918	2,098,792
Net income (loss) for the year	(6,931)	—	60,740	53,809
Purchase of capital assets	12,542	—	(12,542)	—
Balance, end of year	22,485	—	2,130,116	2,152,601

See accompanying notes

Manitoba Product Stewardship Corporation

STATEMENT OF CASH FLOWS

Year ended March 31

	2008	2007
	$	$
OPERATING ACTIVITIES		
Net income (loss) for the year	**(611,818)**	53,809
Add item not involving cash		
Amortization	**6,857**	6,931
	(604,961)	60,740
Changes in non-cash working capital balances related to operations		
Interest receivable	**2,120**	(2,499)
Grant receivable	—	58,331
Levies receivable	**(4,911)**	(99,658)
Prepaid expenses and deposits	**(89)**	470
Accounts payable and accrued liabilities	**46,458**	(11,990)
Recycling support payments payable	**65,310**	(89,996)
Cash used in operating activities	**(496,073)**	(84,602)
INVESTING ACTIVITIES		
Purchase of capital assets	**(2,066)**	(12,542)
Cash used in investing activities	**(2,066)**	(12,542)
Net decrease in cash and cash equivalents during the year	**(498,139)**	(97,144)
Cash and cash equivalents, beginning of year	**2,820,897**	2,918,041
Cash and cash equivalents, end of year	**2,322,758**	2,820,897
Cash and cash equivalents consists of		
Unrestricted	**2,022,758**	2,820,897
Restricted	**300,000**	—
	2,322,758	2,820,897

See accompanying notes

SCHEDULE OF ADMINISTRATIVE EXPENSES

Year ended March 31

	2008	2007
	$	$
Amortization	**6,857**	6,931
Board members' expenses	**3,269**	1,209
Communication	**9,053**	11,283
Contract financial management	**55,462**	53,927
Equipment, leasing, repairs and maintenance	**4,448**	7,239
Insurance	**15,894**	15,196
Office	**20,247**	32,902
Professional fees	**18,673**	20,040
Promotion	**1,196**	2,606
Rent	**49,907**	50,274
Salaries, wages and benefits	**310,732**	383,527
Subscriptions	**6,597**	6,365
Travel and automotive	**855**	1,170
	503,190	592,669

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

1. NATURE OF ORGANIZATION

Manitoba Product Stewardship Corporation ["MPSC"] was established under the Waste Reduction and Prevention Act ["WRAP"] – Multi-Material Stewardship (Interim Measures) Regulations [the "Regulations"] with the following objectives:

[a] To establish and administer a waste reduction and prevention program for designated materials for Manitoba;
[b] To provide for the effective, efficient and economical management of waste designated materials; and
[c] To administer the Multi-Material WRAP Fund.

The Multi-Material WRAP Fund is an industry-operated fund which provides for, among other initiatives, recycling support payments to municipal and local governments for eligible materials recovered from residential waste and delivered to an approved recycling facility. The Fund is currently funded by the collection of levies on beverage containers supplied by a steward of beverage containers to be consumed in Manitoba.

MPSC is exempt from income tax under Section 149 of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Going concern considerations

A Special Operating Agency has been established by the Government of the Province of Manitoba, called Green Manitoba. The Province of Manitoba and its Special Operating Agency, Green Manitoba, have announced their intention of transitioning the government's approach to multi-material handling to an Industry Funding Organization ["IFO"], Multi Material Stewardship Manitoba. There have been no transactions between MPSC and this entity. Three of the ten Directors of MPSC are also Directors of Multi Material Stewardship Manitoba. The wind-up of MPSC is subject to legislative approval, but it is uncertain when this will occur. The potential impact of the wind-up of the operations of MPSC is currently estimated as outlined in note 2[d] and the board and management have internally restricted net assets and designated cash to cover this amount which is recorded as restricted cash and cash equivalents. As the legislation has not yet been passed, these wind-up costs have not been accrued in these financial statements.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presumes MPSC will realize its assets and discharges its liabilities in the normal course of operations. The financial statements do not give effect to any adjustments to the classification and carrying values of assets and liabilities that might be necessary should MPSC be unable to continue its operations as a going concern.

[b] Levy revenue and recycling support payments to municipalities

Levy revenue is charged on all non-deposit [excluding dairy] beverage containers supplied for consumption in Manitoba, subject to certain exemptions, by a Product Steward. Pursuant to the Regulations, a Product Steward is defined as the first person or business in Manitoba who, in the course of business, supplies beverages in containers to another person or business. Beverage levy revenue is recognized based on revenue as reported by the Product Stewards to MPSC, and when the amount is received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Product Stewards are eligible for credits if the beverage containers on which levies have been previously paid were supplied to consumers outside of Manitoba or if the levies are inadvertently paid by two Product Stewards on the same beverage containers. Levies are collected and credits are paid based on self assessments as reported by Product Stewards.

Recycling support payments to municipalities are paid to registered Manitoba municipalities based on the tonnage of eligible materials delivered to an approved recycling facility as reported by the municipalities to MPSC.

[c] Cash and cash equivalents

Cash and cash equivalents are recorded at fair value and includes cash and short-term investments with maturities at the date of purchase of up to three months.

[d] Cash and cash equivalents [restricted]

Cash and cash equivalents [restricted] consist of funds held for approximate costs expected to be incurred upon wind-up of MPSC. The timing of the wind-up is subject to legislative approval.

Cash and cash equivalents [restricted] are recorded at fair value and includes cash and short-term investments with maturities at the date of purchase of up to three months.

[e] Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided for by the following annual rates and methods:

Furniture and fixtures	20% declining balance
Computer hardware	30% declining balance
Computer software	100% straight-line

[f] Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported 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. Actual results could differ from these estimates.

[g] Financial risk management

It is management's opinion that MPSC is not exposed to significant interest, currency or credit risks arising from its financial instruments. Due to their short-term maturity, the fair value of MPSC's financial instruments approximates their carrying value unless otherwise stated.

3. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2007, MPSC adopted the Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3855, "Financial Instruments – Recognition and Measurement", Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" and Handbook Section 1506, "Accounting Changes".

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian generally accepted accounting principles that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on MPSC's financial statements for the year ended March 31, 2008.

The principal changes in the accounting for financial instruments due to the adoption of these sections relate to the recognition, measurement, disclosure and presentation of financial assets and financial liabilities. The new standard prescribes when to recognize a financial instrument in the balance sheet and at what amount. Depending on the balance sheet classification, fair value or cost-based measures are used. Under the new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, available-for-sale financial assets, loans and receivables, and other financial liabilities. This standard also prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses are recognized in net income (loss).

MPSC's financial assets and financial liabilities are measured as follows:

- Cash and cash equivalents are classified as held-for-trading and measured at fair value. The gains or losses arising on the revaluation at the end of the year are included in net income (loss);
- Interest receivable and levies receivable are classified as loans and receivables and recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method; and
- Accounts payable, accrued liabilities, and recycling support payments payable are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

The adoption of these standards was done retroactively without restatement of the financial statements for prior years and had no impact on the financial statements.

4. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are term deposits, held in trust by the Department of Finance of the Province of Manitoba of $1,083,006 [2007 - $1,040,476]. The term deposits bear interest at 3.50% [2007 – 4.10%] per annum and mature on April 28, 2008.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2008		
	Cost $	Accumulated amortization $	Net book value $
Furniture and fixtures	**26,405**	**22,131**	**4,274**
Computer hardware	**94,734**	**81,794**	**12,940**
Computer software	**150,447**	**149,967**	**480**
	271,586	**253,892**	**17,694**

	2007		
	Cost $	Accumulated amortization $	Net book value $
Furniture and fixtures	26,405	21,063	5,342
Computer hardware	93,628	76,485	17,143
Computer software	149,487	149,487	—
	269,520	247,035	22,485

6. LEASE COMMITMENTS

MPSC rents office space and equipment under various leases with commitments totalling $53,873 for fiscal 2009.

7. FUTURE ACCOUNTING PRONOUNCEMENTS

Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed and is effective for fiscal years beginning on or after October 1, 2007. MPSC does not expect this section to have an impact on the financial statements.

Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation", replace the existing Section 3861, "Financial Instruments – Disclosure and Presentation", and are required to be implemented for fiscal years beginning on or after October 1, 2007. The new standards enhance and expand disclosure standards to complement the changes in accounting policies adopted in accordance with Sections 3855 and 3861. These new standards relate to disclosure only and will not impact the financial results of MPSC.

Responsibility for Financial Statements

The financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report is consistent with that in the financial statements. The financial statements necessarily include amounts that are based on management's best estimate and judgments which have been reached based on careful assessment of data available through the corporation's information systems. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the corporation.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by the Internal Audit Department.

The financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit Committee (the "Committee"), which consists primarily of Directors not involved in the daily operations of the corporation.

The general responsibilities of the Committee are categorized into the following: review of financial reporting, review of internal controls and processes, review of actuarial functions, monitoring of corporate integrity, compliance with authorities and review of performance reporting. The Committee's role is that of oversight in these areas in order to ensure management processes are in place and functioning so as to identify and minimize risks to the business operations.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the corporation's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

The Committee is responsible for the review of the actuarial function. As well, the Committee recommends, for approval, the appointment of the external actuary and his fee arrangements to the Board of Directors. The actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy and claims liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. In addition, the actuary provides an opinion regarding the valuation of policy and claims liabilities at the balance sheet date to meet all policyholder obligations of the corporation. Examination of supporting data for accuracy and completeness of assets and their ability to meet the policy and claims liabilities are important elements in forming the actuary's opinion.

KPMG LLP, the corporation's appointed external auditors, have audited the financial statements. Their Auditors' Report is included herein. 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 in order to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position of the corporation in accordance with Canadian generally accepted accounting principles.

M. J. McLaren
President and Chief Executive Officer

D. D. Palmer
Vice-President,
Finance and Chief Financial Officer

April 24, 2008

Auditors' Report

To the Board of Directors of Manitoba Public Insurance Corporation:

We have audited the balance sheet of Manitoba Public Insurance Corporation as at February 29, 2008 and the statements of operations, retained earnings, comprehensive income (loss), accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at February 29, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Winnipeg, Canada
April 24, 2008

Actuary's Report

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities of Manitoba Public Insurance Corporation for its balance sheet at February 29, 2008 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly present the results of the valuation.

James K. Christie
Fellow, Canadian Institute of Actuaries
Winnipeg, Manitoba
April 24, 2008

FINANCIAL STATEMENTS

Statement of Operations

Years ended February 29/28		2008		2007
Revenue		(in thousands of dollars)		
Premiums written	**$**	**842,053**	$	812,378
Premiums earned (Note 9)	**$**	**828,121**	$	798,811
Service fees		**20,558**		18,387
Driver licensing operations recovery (Note 17)		**21,000**		20,475
Total earned revenues		**869,679**		837,673
Claims Costs				
Claims incurred (Note 9)				
Current year		**680,859**		688,952
Prior years (Note 8)		**(62,460)**		(60,582)
		618,399		628,370
Claims expense		**84,505**		79,850
Loss prevention/Road safety		**25,771**		23,469
		728,675		731,689
Expenses				
Commissions		**59,040**		55,148
Operating		**83,864**		79,849
Premium taxes		**23,466**		20,803
Regulatory/Appeal		**2,738**		2,221
		169,108		158,021
Total claims and expenses		**897,783**		889,710
Underwriting income (loss)		**(28,104)**		(52,037)
Investment income (Note 11)		**125,544**		120,425
Net income (loss) from annual operations (Note 13)		**97,440**		68,388
Surplus distribution (Note 14)		**(62,565)**		(59,652)
Net income (loss) after surplus distribution	**$**	**34,875**	$	8,736

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

Balance Sheet

February 29/28		2008		2007
Assets		(in thousands of dollars)		
Cash and investments (Note 5)	**$**	**2,187,313**	$	2,015,010
Due from other insurance companies		**3,877**		10
Accounts receivable		**256,583**		247,140
Deferred policy acquisition costs		**11,510**		17,002
Reinsurers' share of unearned premiums		**11,129**		10,027
Reinsurers' share of unpaid claims (Note 8)		**51,345**		27,844
Property and equipment (Note 6)		**32,611**		29,871
Deferred development costs		**16,571**		10,827
	$	**2,570,939**	$	2,357,731
Liabilities				
Due to other insurance companies	**$**	**23,073**	$	8,993
Accounts payable and accrued liabilities		**105,283**		92,562
Unearned premiums		**419,990**		403,929
Provision for employee current benefits		**14,045**		13,779
Provision for employee future benefits (Note 7)		**188,580**		166,472
Provision for unpaid claims (Notes 8 and 12)		**1,512,625**		1,399,748
		2,263,596		2,085,483
Retained Earnings				
Basic Insurance Retained Earnings				
Rate Stabilization Reserve		**127,122**		128,122
Immobilizer Incentive Fund		**17,925**		33,143
		145,047		161,265
Competitive Lines Retained Earnings				
Retained Earnings		**103,739**		110,983
Extension Development Fund		**35,389**		–
		139,128		110,983
		284,175		272,248
Accumulated Other Comprehensive Income (Note 3)		**23,168**		–
	$	**2,570,939**	$	2,357,731

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

Approved by the Board:

Shari Decter Hirst
Chairperson

Kerry Bittner
Director

Statement of Retained Earnings

Years ended February 29/28		2008		2007
Basic Insurance		(in thousands of dollars)		
Rate Stabilization Reserve				
Balance beginning of year	**$**	**128,122**	$	136,071
Transition adjustment (Note 4)		**(22,693)**		–
Net income (loss) from annual operations after surplus distribution (Notes 13 and 14)		**6,475**		(11,869)
Transfer from Immobilizer Incentive Fund		**15,218**		3,920
Balance end of year		**127,122**		128,122
Immobilizer Incentive Fund				
Balance beginning of year		**33,143**		37,063
Transfer to Rate Stabilization Reserve		**(15,218)**		(3,920)
Balance end of year (Note 18)		**17,925**		33,143
Balance Basic Insurance Retained Earnings end of year		**145,047**		161,265
Competitive Lines				
Retained Earnings				
Balance beginning of year		**110,983**		90,378
Transition adjustment (Note 4)		**(255)**		–
Net income (loss) from annual operations (Note 13)		**28,400**		20,605
Transfer to Extension Development Fund		**(35,389)**		–
Balance end of year		**103,739**		110,983
Extension Development Fund				
Balance beginning of year		**–**		–
Transfer from Retained Earnings		**35,389**		–
Balance end of year (Note 19)		**35,389**		–
Balance Competitive Lines Retained Earnings end of year		**139,128**		110,983
Balance Retained Earnings end of year	**$**	**284,175**	$	272,248

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

Statement of Comprehensive Income (Loss)

Years ended February 29/28		2008		2007
		(in thousands of dollars)		
Net income (loss) after surplus distribution	**$**	**34,875**	$	8,736
Other Comprehensive Income (Loss)				
Unrealized gains (losses) on available for sale assets		**(26,775)**		
Reclassification to income from available for sale assets		**(30,332)**		
Other Comprehensive Income (Loss) for the year		**(57,107)**		
Total Comprehensive Income (Loss)	**$**	**(22,232)**		

Statement of Accumulated Other Comprehensive Income

Year ended February 29		2008
		(in thousands of dollars)
Balance beginning of year	**$**	**–**
Transition adjustment (Note 4)		**80,275**
Other Comprehensive Income (Loss) for the year		**(57,107)**
Balance end of year	**$**	**23,168**

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

Statement of Cash Flows

Years ended February 29/28		2008		2007
Cash Flows from (to) Operating Activities:		(in thousands of dollars)		
Net income (loss) after surplus distribution	**$**	**34,875**	$	8,736
Non-cash items:				
Amortization of property and equipment and deferred development costs		**6,770**		5,948
Amortization of bond discount and premium		**(244)**		5,611
Gain on sale of investments		**(39,342)**		(49,839)
Write-down of investments		**9,010**		1,058
		11,069		(28,486)
Net change in non-cash balances:				
Due from other insurance companies		**(3,867)**		(3)
Accounts receivable		**(9,443)**		(14,238)
Deferred policy acquisition costs		**5,492**		11,674
Reinsurers' share of unearned premiums and unpaid claims		**(24,603)**		(3,767)
Due to other insurance companies		**14,080**		169
Accounts payable and accrued liabilities		**12,720**		(1,344)
Unearned premiums		**16,061**		18,102
Provision for employee current benefits		**266**		1,084
Provision for employee future benefits		**22,108**		14,728
Provision for unpaid claims		**89,929**		97,361
		122,743		123,766
		133,812		95,280
Cash Flows from (to) Investing Activities:				
Acquisition of property and equipment net of proceeds from disposals		**(7,683)**		(3,612)
Purchase of investments		**(1,140,658)**		(1,008,986)
Proceeds from sale of investments		**1,095,777**		891,834
Deferred development costs incurred		**(7,571)**		(7,750)
		(60,135)		(128,514)
Increase (Decrease) in Cash and Short-Term Investments		**73,677**		(33,234)
Cash and short-term investments beginning of year		**57,100**		90,334
Cash and Short-Term Investments end of year **(Note 5)**	**$**	**130,777**	$	57,100

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

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

1. Status of the Corporation

The Manitoba Public Insurance Corporation (the "corporation") was incorporated as a Crown corporation under The Automobile Insurance Act in 1970. In 1974, The Automobile Insurance Act was revised and became The Manitoba Public Insurance Corporation Act (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba.

Under the provisions of its Act and regulations, the corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for basic universal compulsory automobile insurance, extension and special risk coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies. For financial reporting purposes, due to the immateriality of the financial results of the discontinued general insurance operations, (Note 12), the operations are reported as part of the Special Risk Extension line of business. The basic universal compulsory automobile insurance line of business is subject to regulation by the Public Utilities Board (PUB) of Manitoba with respect to insurance rates and service fees (Note 20).

Operations pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services, were transferred to the corporation, from the Province of Manitoba, effective October 4, 2004.

2. Basis of Reporting

The financial statements of the corporation are in such form as prescribed by Section 43(1) of The Manitoba Public Insurance Corporation Act and are presented in accordance with Canadian generally accepted accounting principles.

The external actuary is appointed by the Board of Directors of the corporation. With respect to preparation of these financial statements, the external actuary is required to carry out a valuation of the policy liabilities and to report thereon to the corporation's Board of Directors.

The external actuary also uses the work of the external auditors in his verification of the information prepared by the corporation used in the valuation of the policy liabilities.

The external auditors are appointed by the Lieutenant Governor in Council to conduct an independent and objective audit of the financial statements of the corporation in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors also make use of the work of the external actuary and his report on the corporation's policy liabilities. The external auditors' report outlines the scope of their audit and their opinion.

3. Summary of Significant Accounting Policies

This summary outlines those accounting policies followed by the corporation that have a significant effect on the financial statements.

Investments

Funds available for investments are managed by the Department of Finance, on behalf of the corporation, in accordance with Section 12(1) of The Manitoba Public Insurance Corporation Act.

Under the provision of CICA 3855 Financial Instruments – Recognition and Measurement, the financial assets of Manitoba Public Insurance's investment portfolio are designated as Available for Sale (AFS) or Held to Maturity (HTM) (see Note 4).

Corporate investments that experience a decline in fair value, which is determined to have been other than temporary, are deemed to be impaired and written down to their expected recoverable amount.

The fair value of financial instruments are obtained from external pricing services and are based on bid prices for financial assets. Short-term investments comprise investments due to mature within 12 months from the date of purchase and are carried at fair value.

The corporation accounts for the purchase and sale of securities using settlement date accounting.

i) AFS Financial Assets

AFS financial assets are carried at fair value on the Balance Sheet starting on the settlement date and the changes in fair value are recorded in Other Comprehensive Income (OCI) until the asset is disposed of, or has become other than temporarily (OTT) impaired. As long as an AFS asset is held and not OTT impaired, the gains and losses are not recognized in the Statement of Operations. When the asset is disposed of, or has become OTT impaired, the gain or loss is recognized in the Statement of Operations and the amount is deducted from OCI.

The fair value of AFS bonds including federal, provincial, certain municipal, certain hospitals, other provinces and corporations is estimated based on bid prices of these or similar investments.

Transaction costs related to AFS financial assets are capitalized on initial recognition and, where applicable, are amortized to interest income using the effective interest method.

ii) HTM Financial Assets

HTM financial assets are carried at amortized cost on the Balance Sheet starting on the settlement date.

The fair value of HTM bonds, including schools, certain municipal and certain hospitals, is based on their carrying value, which approximates market value.

Transaction costs related to financial assets and liabilities classified as HTM are capitalized on initial recognition, when applicable.

Loans and receivables

Certain financial assets are designated as loans and receivables and continue to be carried at amortized cost.

Deferred Policy Acquisition Costs

Commissions and premium taxes are deferred and charged to expense over the term of the insurance contract to which such costs relate.

Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis which will amortize the cost of each asset over its estimated useful life:

Computer equipment . . . . 3 years

Vehicles . . . . 5 years

Furniture and equipment. . . . . 10 years

Land improvements . . . . 25 years

Buildings . . . . 40 years

Leasehold improvements are amortized over the term of the lease plus the first renewal period.

Deferred Development Costs

The costs of developing major information systems that are expected to be of continuing benefit to the corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and are amortized on a straight-line basis over five years.

Unearned Premiums

The liability for unearned premiums is the portion of premiums that relate to the unexpired term of each insurance contract.

Provision for Employee Benefits

PROVISION FOR EMPLOYEE CURRENT BENEFITS

The provision for employee current benefits includes an accrual for vacation pay determined in accordance with the Collective Agreement.

PROVISION FOR EMPLOYEE FUTURE BENEFITS

Included in the provision for employee future benefits are the pension benefit plan and other benefit plans.

i) Pension Benefit Plan

The employees of the corporation are members of a defined benefit pension plan administered under The Civil Service Superannuation Act. Included in the accounts is a provision for the employer's future pension liability calculated on an indexed basis. The provision for pension is actuarially determined on an annual basis using the projected benefit method prorated on services. The actuarial present value of the accrued pension benefits is measured using the corporation's best estimates based on assumptions relating to market interest rates at the measurement date based on high quality debt instruments, salary changes, withdrawals and mortality rates. Changes in experience gains and losses are recognized in the current period.

ii) Other Benefit Plans

Other benefit plans consist of post-retirement extended health and severance pay benefits.

The provision for post-retirement extended health benefits is actuarially determined on an annual basis using the projected benefit method prorated on services, which includes the corporation's best estimates based on assumptions relating to retirement ages of employees and expected health costs.

Employees of the corporation are entitled to severance pay in accordance with the Collective Agreement and corporation policy. The provision for severance pay is actuarially determined on an annual basis using the projected benefit method prorated on services, without salary projection, which includes the corporation's best estimates based on assumptions relating to the proportion of employees that will ultimately retire.

Provision for Unpaid Claims

The provision for unpaid claims represents an estimate for the full amount of all costs, including adjustment expenses, and the projected final settlements of claims incurred to the balance sheet date. These provisions take into account the time value of money. These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. To recognize the uncertainty in establishing these estimates and to allow for possible deterioration in experience, actuaries include explicit margins for adverse deviation in their assumptions. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded as incurred claims in the current period except as noted in Note 4 (iii).

Salvage and Subrogation

Recoveries from salvage and subrogation are recorded as an offset to claims costs. Expected future subrogation recoveries are included in the provision for unpaid claims.

Premium Deficiencies

A premium deficiency exists when future claims and related expenses exceed unearned premiums.

Premium deficiencies are recognized first by writing down the deferred policy acquisition costs with any remainder recognized as a liability.

Allocation of Revenue, Claims Incurred and Expenses

Premiums written, premiums earned and claims incurred are allocated directly to the division writing the insurance risk.

Investment income is allocated to the automobile insurance division lines of business and the discontinued general insurance division based on a monthly averaging of the funds available within each division.

Expenses, including claims expense, are allocated to the automobile insurance division lines of business on the following basis:

i) Identifiable direct expenses are charged to each line of business.

ii) Where direct allocation is not possible, expenses are prorated to each line of business based mainly on factors such as space, number of employees and time usage. The formulas developed for the allocation of expenses are approved by the Board of Directors.

Reinsurance Ceded

Premiums, claims and expenses are reported net of amounts due to and recoverable from reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable to policyholders.

The reinsurers' share of unearned commissions is recognized as a liability in a manner which is consistent with the method used in determining deferred policy acquisition costs.

The reinsurers' share of unearned premiums is recognized as an asset in a manner which is consistent with the method used in determining the unearned premium liability.

Foreign Currency

Monetary items denominated in foreign currencies are adjusted to reflect the exchange rate in effect at the year-end. Revenue and expense items in foreign currencies are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

The corporation uses currency swaps and forward exchange contracts to manage the currency risk on specific foreign exchange denominated assets. Any gains or losses are recorded in the Statement of Operations under the heading "Investment income," on a fair value basis.

Changes in unrealized foreign exchange currency translation amounts for AFS equity investments are recorded in the Statement of Comprehensive Income, and included in accumulated other comprehensive income until recognized in the Statement of Operations.

Basic Insurance Rate Stabilization Reserve

The Basic Insurance Rate Stabilization Reserve relates to basic universal compulsory automobile insurance and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors.

Immobilizer Incentive Fund

The Immobilizer Incentive Fund is an appropriation from the Basic Insurance Rate Stabilization Reserve. The fund is used to provide financial resources for vehicle owners to install electronic immobilizers and cover the administrative costs of the program.

Extension Development Fund

The Extension Development Fund is an appropriation from the Competitive Lines Retained Earnings. The fund is used to defray the annual driver licensing project costs that flow through the Extension line of business Statement of Operations.

Retained Earnings

Retained earnings are comprised of the accumulation of net income or losses for the Basic, Extension and Special Risk Extension lines of business.

Comprehensive Income

Comprehensive income consists of net income after surplus distribution and other comprehensive income. Changes in unrealized gains and losses on financial assets classified as available for sale, and changes in unrealized foreign exchange currency translation amounts are recorded in the Statement of Comprehensive Income, and included in accumulated other comprehensive income until recognized in the Statement of Operations. Accumulated other comprehensive income is included on the Balance Sheet as a separate component.

Future Changes in Accounting Policy and Disclosure

In December 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures and Handbook Section 3863, Financial Instruments – Presentation. The following summarizes the future accounting changes that will be relevant to the corporation's financial statements commencing March 1, 2008:

Handbook Section 1535 requires the following disclosures: (i) qualitative information about an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity manages as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, but not changing the existing presentation requirements for financial instruments. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Handbook Section 3862 requires qualitative and quantitative disclosure of: (i) exposures to risks arising from financial instruments, how they arose and the potential impact on the amount, timing and certainty of future cash flows; (ii) information about the risk management function and the reporting and measurement systems used; (iii) the entity's policies for hedging or mitigating risk and avoiding concentrations of risk; and (iv) the sensitivity to individual market risk factors together with the methodology for performing the analysis. Handbook Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts 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 reporting period. Actual results could differ from these estimates.

4. Changes in Accounting Policies

Accounting for Financial Instruments

Effective March 1, 2007 the corporation adopted the recommendations of the CICA Handbook Section 1530, Comprehensive Income ("Section 1530"); Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; and Section 3251, Equity. These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities, and non-financial derivatives. Section 1530 provides standards for the reporting and presentation of Comprehensive Income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other Comprehensive Income refers to items recognized in Comprehensive Income that are excluded from Net Income calculated in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

These changes were applied on March 1, 2007, without prior period restatement, in accordance with the new standards and include the following transition adjustments:

i) Classification of the corporation's financial assets and liabilities into one of these four categories:

- available for sale (AFS) financial assets
- held to maturity (HTM) financial assets
- loans and receivables
- other liabilities

ii) The effect of this classification increased the carrying value of AFS financial assets by $80,275,000 from $1,532,739,000 to $1,613,014,000 at March 1, 2007 to reflect their fair value and established $80,275,000 as Accumulated Other Comprehensive Income. Accumulated Other Comprehensive Income is adjusted each period by unrealized gains (losses) on AFS financial assets and by the reclassification of realized gains (losses) on AFS assets to net income.

No changes resulted from the classification of the HTM financial assets or loans and receivables that are still being carried at amortized cost.

iii) As a consequential effect of applying these new standards, the claims liabilities were recalculated using a market rate at March 1, 2007 resulting in an increase to the claims liabilities of $22,948,000. Changes resulting from the recalculation have been recorded as transition adjustments in opening Basic Rate Stabilization Reserve and opening Competitive Lines retained earnings.

The transition adjustments recorded at March 1, 2007 are summarized in the following table.

(in thousands of dollars)	February 28, 2007	Transition Adjustments	March 1, 2007
Assets			
AFS Financial Assets:			
Canadian Equities	$ 336,748	$ 40,258	$ 377,006
U.S. Equities	96,736	7,755	104,491
Bonds	1,099,255	32,262	1,131,517
		$ 80,275	
Liabilities			
Provision for Unpaid Claims	$ 1,399,748	$ 22,948	$ 1,422,696
Retained Earnings			
Basic Rate Stabilization Reserve	128,122	(22,693)	105,429
Extension Retained Earnings	46,373	(58)	46,315
SRE Retained Earnings	64,610	(197)	64,413
		(22,948)	
Accumulated Other Comprehensive Income	–	80,275	80,275
		$ 80,275	

Other Changes in Accounting Policies

Effective March 1, 2007, the corporation applied the revised provisions of the CICA Handbook Section 1506, Accounting Changes. Accordingly, voluntary changes in accounting policies are made only if they result in reliable and more relevant information. No voluntary changes were made in 2007.

5. Cash and Investments

(in thousands of dollars)	2008				2007	
	Classified as Available for Sale	**Classified as Held to Maturity**	**Total Carrying Value**	**Total Fair Value**	Total Carrying Value	Total Fair Value
Cash and short-term investments	**$ 130,777**	**$ –**	**$ 130,777**	**$ 130,777**	$ 57,100	$ 57,100
Bonds						
Federal	**423,863**	**–**	**423,863**	**423,863**	316,144	323,899
Manitoba:						
Provincial	**312,078**	**–**	**312,078**	**312,078**	267,507	275,412
Municipal	**65,097**	**28,640**	**93,737**	**93,737**	96,858	98,174
Hospitals	**13,056**	**13,998**	**27,054**	**27,054**	27,130	27,108
Schools	**–**	**387,122**	**387,122**	**387,122**	358,637	358,637
Other provinces	**299,812**	**–**	**299,812**	**299,812**	332,991	346,595
Corporations	**88,690**	**–**	**88,690**	**88,690**	97,068	98,161
Equity-linked note	**–**	**–**	**–**	**–**	20,000	20,000
	1,202,596	**429,760**	**1,632,356**	**1,632,356**	1,516,335	1,547,986
Other	**7,110**	**–**	**7,110**	**7,110**	8,091	8,710
Equity investments	**417,070**	**–**	**417,070**	**417,070**	433,484	481,497
	424,180	**–**	**424,180**	**424,180**	441,575	490,207
	$ 1,757,553	**$ 429,760**	**$ 2,187,313**	**$ 2,187,313**	$ 2,015,010	$ 2,095,293

Investment Risk

Investments carry certain financial risks including interest rate, cash flow and credit risk. The corporation manages these risks through the Investment Committee of the Board, which meets at least quarterly to discuss strategy and review performance and, if required, take remedial action. The investment objectives and goals of the corporation are embodied in an Investment Policy document, which sets target asset allocation and portfolio concentration limits as well as defining the credit quality of the counterparties and the percentage of highly liquid investments required to meet cash flow needs.

Significant terms and conditions, exposure to interest rate and credit risks on investments are:

i) Cash and short-term investments

Cash consists of cash net of cheques issued in excess of amounts on deposit. Included in cash and short-term investments are funds held in trust on behalf of other insurance companies in the amount of $976,000 (2007 – $1,168,000).

Short-term investments have a total principal amount of $125,302,000 (2007 – $54,910,000) comprised of provincial short-term deposits with an effective interest rate of 3.30 to 4.80 per cent (2007 – 4.05 per cent), with interest receivable at varying dates.

The corporation has an unsecured operating line of credit with its principal banker in the amount of $5.0 million. There were no drawdowns against this line of credit at February 29, 2008.

ii) Bonds – interest rate risk

		2008		2007	
	Interest Receivable Basis	**Effective Rate**	**Coupon Rate**	Effective Rate	Coupon Rate
		% Range		% Range	
Federal	semi-annual	**1.88 to 4.94**	**3.70 to 5.75**	1.79 to 4.71	3.55 to 5.75
Provincial	semi-annual	**1.03 to 5.76**	**1.75 to 8.50**	1.95 to 5.76	1.75 to 8.50
Municipal	semi-annual	**3.43 to 12.15**	**4.20 to 12.63**	4.15 to 12.17	4.20 to 12.63
Hospitals	semi-annual	**4.26 to 10.91**	**8.69 to 11.13**	4.76 to 11.07	8.69 to 11.13
Schools	semi-annual	**4.81 to 11.77**	**4.88 to 12.25**	4.81 to 11.81	4.88 to 12.25
Corporations	semi-annual	**3.52 to 5.79**	**3.49 to 11.00**	3.95 to 5.20	3.49 to 11.00

iii) Bonds – maturity profile

(in thousands of dollars)	2008			
	Within One Year	One Year to Five Years	After Five Years	Total Carrying Value
Federal	$ 96,376	$ 72,076	$ 255,411	$ 423,863
Manitoba:				
Provincial	22,944	77,256	211,878	312,078
Municipal	3,860	29,395	60,482	93,737
Hospitals	13,998	–	13,056	27,054
Schools	3,255	43,095	340,772	387,122
Other provinces	26,510	72,314	200,988	299,812
Corporations	9,109	25,221	54,360	88,690
	176,052	319,357	1,136,947	1,632,356
Equity-linked note	–	–	–	–
	$ 176,052	$ 319,357	$ 1,136,947	$ 1,632,356

(in thousands of dollars)	2007			
	Within One Year	One Year to Five Years	After Five Years	Total Carrying Value
Federal	$ 16,415	$ 54,481	$ 245,248	$ 316,144
Manitoba:				
Provincial	9,094	71,283	187,130	267,507
Municipal	312	15,010	81,536	96,858
Hospitals	–	14,192	12,938	27,130
Schools	1,057	45,168	312,412	358,637
Other provinces	4,999	75,729	252,263	332,991
Corporations	–	46,412	50,656	97,068
	31,877	322,275	1,142,183	1,496,335
Equity-linked note	20,000	–	–	20,000
	$ 51,877	$ 322,275	$ 1,142,183	$ 1,516,335

Currency Risk

i) Currency swap

The corporation has entered into a currency swap relating to a Province of Quebec provincial bond denominated in U.S. dollars for $10,000,000. The currency swap provides a fixed 5.76 per cent return in Canadian dollars. The agreement also provides that at predetermined future dates, the corporation pays a fixed 7.5 per cent rate based on the U.S. $10,000,000 par value of the bond and receives 5.76 per cent return based on a Canadian dollar notional value of $13,350,000. The maturity date of the currency swap and the bond is July 15, 2023.

ii) Foreign exchange contracts

The corporation has entered into monthly foreign exchange forward contracts, which provide that the corporation sells a specified amount of U.S. dollars at a predetermined forward exchange rate and purchases the same amount of U.S. dollars at the prevailing spot rate on the settlement date. At February 29, 2008, the corporation has contracted to sell U.S. $80,800,000 at a forward rate of 0.976 and purchase the same amount of U.S. dollars at the spot rate on March 31, 2008, which resulted in a loss of $4,357,000.

6. Property and Equipment

(in thousands of dollars)	2008			2007
	Cost	Accumulated Amortization	Carrying Value	Carrying Value
Land	$ 3,115	$ –	$ 3,115	$ 2,757
Land improvements	5,468	2,167	3,301	2,644
Buildings	28,565	12,631	15,934	16,216
Computer equipment	38,275	33,123	5,152	3,177
Vehicles	5,430	3,668	1,762	1,666
Furniture and equipment	14,819	11,630	3,189	3,237
	95,672	63,219	32,453	29,697
Leasehold improvements	1,760	1,602	158	174
	$ 97,432	$ 64,821	$ 32,611	$ 29,871

7. Provision for Employee Future Benefits

The corporation has a defined benefit pension plan, severance benefit plan and a post-retirement extended health benefit plan available to eligible employees. The defined benefit pension plan is based on years of service and final average salary whereas the severance benefit plan is based on years of service and final salary.

The corporation uses an actuarial valuation, on an annual basis, to measure the accrued provision for its benefit plans. The most recent actuarial valuation was conducted by an external actuary as at December 31, 2007, with the next scheduled actuarial valuation being December 31, 2008.

The actuarial valuation is based on the corporation's best estimate of various economic assumptions. With respect to the demographic assumptions, the corporation relies on and uses the assumptions adopted by the Civil Service Superannuation Board. Results from the most recent actuarial valuations, projected to February 29/28 and the corresponding economic assumptions are as follows:

	Pension Benefit Plan		Other Benefit Plans	
	2008	2007	**2008**	2007
Economic assumptions:				
Discount rate	**5.40%**	5.65%	**5.40%**	5.65%
Inflation rate	**2.00%**	2.25%	**–**	–
Expected salary increase	**2.75%**	2.75%	**–**	–
Expected health care cost increase	**–**	–	**7.00%**	7.00%

(in thousands of dollars)	Pension Benefit Plan		Other Benefit Plans	
	2008	2007	**2008**	2007
Balance, beginning of year	**$ 136,620**	$ 124,368	**$ 29,852**	$ 27,376
Current service cost	**6,630**	6,320	**3,251**	3,072
Interest cost	**8,039**	7,198	**583**	448
Benefits paid	**(4,282)**	(3,496)	**(2,109)**	(1,626)
Actuarial valuation deficiency	**8,718**	2,230	**1,278**	582
Provision for employee future benefits	**$ 155,725**	$ 136,620	**$ 32,855**	$ 29,852
Employee contribution for the year	**$ 5,343**	$ 5,108	**$ –**	$ –

Plan Assets

The corporation has not segregated investment assets to fund the benefit plans. Funding occurs as benefits are paid. The corporation has established a provision against general assets, which is being increased to match the increase in its benefit plan liabilities. The interest cost associated with the various benefit plans is based on market interest rates at the most recent valuation date.

(in thousands of dollars)	Pension Benefit Plan		Other Benefit Plans	
	2008	2007	**2008**	2007
Plan expenses for the year:				
Current service cost	**$ 6,630**	$ 6,320	**$ 3,251**	$ 3,072
Interest cost (Note 11)	**8,039**	7,198	**583**	448
Actuarial valuation deficiency				
Pertaining to interest (Note 11)	**5,492**	1,404	**–**	–
Pertaining to expense	**3,226**	826	**1,278**	582
	$ 23,387	$ 15,748	**$ 5,112**	$ 4,102

8. Provision for Unpaid Claims

The provision for unpaid claims, including adjustment expenses, represents an estimate for the full amount of all costs and the projected final settlement of claims incurred.

The provision for unpaid claims, including adjustment expenses, is subject to variability. This variability is related to future events that arise from the date the loss was reported to the ultimate settlement of the claims. Accordingly, short-tail claims such as physical damage claims tend to be more reasonably predictable than long-tail claims such as public liability claims. Factors such as the receipt of additional claims information during the claims settlement process, changes in severity and frequencies of claims from historical trends, and effects of inflationary trends contribute to this variability.

The determination of the provision for unpaid claims, including adjustment expenses, relies on judgment, analysis of historical claim trends, investment rates of return and expectation on the future development of claims. The process of establishing this provision necessarily involves risks which could cause the actual results to deviate, perhaps substantially, from the best determinable estimate.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

(in thousands of dollars)	**2008**		2007	
	Gross	**Reinsurers' Share**	Gross	Reinsurers' Share
Automobile Insurance Division				
Liability	**$ 1,341,723**	**$ 29,975**	$ 1,258,744	$ 27,812
Physical Damage	**166,112**	**21,370**	135,664	32
	1,507,835	**51,345**	1,394,408	27,844
Discontinued Operations				
Personal/Commercial	**4,790**	**–**	5,340	–
	$ 1,512,625	**$ 51,345**	$ 1,399,748	$ 27,844

The provision for unpaid claims, including adjustment expenses, is discounted using the following discount rates:

	2008	2007
Benefits	Interest Rate Assumptions	
Pre-PIPP Weekly Indemnity	**2.6% per year**	3.0% per year
PIPP other than death and impairment	**2.6% per year**	3.0% per year
All other coverages	**4.6% per year**	5.0% per year

PIPP – Personal Injury Protection Plan

According to accepted actuarial practice, the discounted reserve includes a provision for adverse deviation of $271.3 million (2007 – $238.2 million) comprised of a claims development component of $158.2 million (2007 – $151.1 million), an interest rate component of $111.3 million (2007 – $87.1 million) and a reinsurance component of $1.8 million (2007 – $ nil).

Net claims incurred and adjustment expenses included losses from catastrophes of $10.0 million (2007 – $ nil). Catastrophes are an inherent risk to the corporation and may contribute materially to the year-to-year fluctuations in the corporation's results of operations and financial condition when they occur.

Unpaid claims liabilities are carried at values that reflect their remaining estimated ultimate costs for all accident years.

Changes in the estimate of net unpaid claims, recognized during the fiscal year ended February 29, 2008 for prior years, are as follows:

(in thousands of dollars)	Accident Years				
	2007	2006	2005	2004 and Prior	Total
Net unpaid claims (valuation estimate as at February 28, 2007)	$ 324,500	$ 165,087	$ 126,156	$ 756,159	
Net payments for the year	129,725	22,980	8,254	28,077	
	194,775	142,107	117,902	728,082	
Net unpaid claims (revised valuation estimate as at February 29, 2008)	196,148	146,189	113,298	664,771	
(Redundancy) Deficiency	$ 1,373	$ 4,082	$ (4,604)	$ (63,311)	$ (62,460)
Prior years (redundancy) deficiency		$ (23,408)	$ 4,089	$ (41,263)	$ (60,582)

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 29, 2008 are a decrease of $0.4 million (2007 – decrease of $0.1 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

The claims settlement processes may involve the use of structured settlements, which are purchased through various financial institutions. As of the balance sheet date, the present value of expected payments totals $142.2 million (2007 – $134.8 million) based on various dates of purchase. The corporation assumes a financial guarantee to make payments to claimants in the event that financial institutions default on payments under the terms of the structured settlement.

9. Reinsurance

The corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 29, 2008, these reinsurance agreements limit the corporation's exposure to a maximum amount of $5.0 million (2007 – $5.0 million) on any one occurrence.

The reinsurance arrangements also limit the corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $11.7 million (2007 – $10.0 million). These arrangements protect the corporation against losses up to $266.7 million (2007 – $183.3 million).

Certain lines of insurance carry maximum limits lower than these amounts. While these arrangements are made to protect against large losses, the primary liability to the policyholders remains with the corporation.

The corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency. The corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of $11.9 million (2007 – $0.4 million).

The figures shown in the Statement of Operations are net of the following amounts relating to reinsurance ceded to other companies:

(in thousands of dollars)		**2008**		2007
Premiums earned	**$**	**16,641**	$	12,291
Claims incurred	**$**	**45,330**	$	4,754

10. Operating Lease Commitments

The corporation is committed to make minimum annual operating lease payments for buildings and equipment. The minimum annual lease payments required are approximately as follows:

(in thousands of dollars)		
Fiscal Year	Minimum Lease Payments	
2009	$	3,281
2010	$	3,078
2011	$	3,311
2012	$	3,489
2013	$	3,474
thereafter	$	11,756

11. Investment Income

(in thousands of dollars)		2008		2007
Total investment income	**$**	**139,075**	$	129,027
Less allocation to provision for pension benefit plan (Note 7)		**13,531**		8,602
Investment income	**$**	**125,544**	$	120,425

Included in total investment income are foreign exchange gains of $6.2 million (2007 – loss of $6.8 million). Investment income is net of management fees paid to the Department of Finance in the amount of $3.3 million (2007 – $3.1 million). This includes $2.2 million (2007 – $1.9 million) of fees the Province paid to outside managers on Manitoba Public Insurance's behalf.

12. Discontinued General Insurance Operations

The corporation discontinued writing reinsurance assumed business effective November 18, 1987 and personal and commercial insurance policies effective October 1, 1990.

As of February 28, 2001 the corporation accepted a third-party offer to purchase the reinsurance assumed business from the corporation. Under the terms of the agreement, the corporation transferred and assigned to the third party the title, interest and all of the obligations resulting from the uncommuted reinsurance assumed treaties written by the corporation for the period July 1, 1975 to November 18, 1987 including retrocessional treaties. The obligations include all known or unknown liabilities. The primary liability to the treaty holders remains with the corporation in the event of the third party's insolvency.

Claims costs and expenses on personal and commercial policies will be incurred until all claims on existing policies are settled.

Discontinued operations resulted in net income of $0.8 million (2007 – $0.5 million) which is reported as part of the Special Risk Extension line of business (Note 13). Included in the provision for unpaid claims is $4.8 million (2007 – $5.3 million) relating to discontinued operations.

13. Net Income From Annual Operations

The lines of business reported net income from annual operations as follows:

(in thousands of dollars)		2008		2007
Basic insurance	**$**	**69,040**	$	47,783
Extension insurance		**12,351**		3,235
Special Risk Extension		**16,049**		17,370
		28,400		20,605
Net income from annual operations	**$**	**97,440**	$	68,388

14. Surplus Distribution

On November 26, 2007 the Public Utilities Board of Manitoba released its ruling on the corporation's 2008/2009 Basic Insurance rate application and ordered a surplus distribution of 10 per cent of the basic motor vehicle premiums written based on 2006/2007 rates. The surplus distribution, estimated to be $62.7 million, is recognized in 2007/2008 and will be paid to policyholders during the 2008/2009 fiscal year.

Last year's estimated surplus distribution of $60.0 million was actualized in the current fiscal year to $59.9 million, which was distributed to Basic policyholders.

15. Fair Value Disclosure

The fair value of financial assets and liabilities, other than those designated as Available for Sale, approximates their carrying value due to their short-term nature.

16. External Auditor and External Actuary Costs

The Basis of Reporting note (Note 2) provides information on the appointment of the external auditor and external actuary. In the normal course of business, and in addition to the annual attest audit of the corporation's financial statements and valuation of policy liabilities, the external auditor and external actuary provided advisory services to the corporation.

Costs incurred for services rendered are:

(in thousands of dollars)		**2008**		2007
KPMG LLP				
Audit fees	**$**	**171**	$	190
Advisory fees		**2**		2
Total	**$**	**173**	$	192
Ernst & Young LLP				
Valuation of policy liabilities fees	**$**	**107**	$	118
Actuarial advisory fees		**89**		78
Management advisory fees		**6**		35
Total	**$**	**202**	$	231

17. Driver Licensing Operations Recovery

Effective October 4, 2004 the Province of Manitoba transferred the management and administration of driver licensing to the corporation, which includes all aspects pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services.

The Province of Manitoba has agreed to provide funding to the corporation in the amount of $21.0 million annually, into perpetuity, payable in equal monthly instalments of $1.75 million to defray the cost borne by the corporation as a result of the transfer.

The prior year's $21.0 million funding was reduced by $0.5 million on a one-time basis to defray the costs to the Province of Manitoba of aligning the renewal of driver licences with motor vehicle registrations.

The corporation, on behalf of the Province of Manitoba, collects and transfers motor vehicle registration fees and driver licensing fees to the Province of Manitoba.

Fees collected on behalf of and transferred to the Province of Manitoba include:

(in thousands of dollars)	**2008**	2007
Vehicle registration fees	**$ 102,702**	$ 99,705
Driver licensing fees	**21,880**	16,992
Total	**$ 124,582**	$ 116,697

18. Immobilizer Incentive Fund

Activity in the Immobilizer Incentive Fund includes:

(in thousands of dollars)	**2008**	2007
Balance beginning of year	**$ 33,143**	$ 37,063
Transfer from Basic Insurance Rate Stabilization Reserve	**–**	10,000
Less: Funds transferred to Basic Insurance Rate Stabilization Reserve to offset program costs	**(15,218)**	(13,920)
Balance end of year	**$ 17,925**	$ 33,143

The Immobilizer Incentive Fund was established during the 2005/2006 fiscal year to fund the Immobilizer Incentive Program. An additional $10.0 million was transferred to the Immobilizer Incentive Fund during 2006/2007 to expand the No Cost Immobilizer Program to all Manitobans owning most-at-risk vehicles.

Program costs incurred are included in the "net income from annual operations after surplus distribution" for the Basic Insurance line of business, which is reported in the Statement of Retained Earnings under the heading "Rate Stabilization Reserve."

Funds are transferred from the Immobilizer Incentive Fund to the Basic Insurance Rate Stabilization Reserve to offset the program costs incurred.

19. Extension Development Fund

Effective March 1, 2007 the Board of Directors approved retained earnings targets for Extension and Special Risk Extension lines of business (Competitive Lines) based on 200 per cent of the most recent year's Minimum Capital Test (MCT). The MCT is a risk-based methodology developed by the Office of the Superintendent of Financial Institutions to assess a property and casualty insurance company's financial risk and determines the capital adequacy of reserves held in retained earnings.

Further, the Board of Directors approved that the Competitive Lines retained earnings in excess of the most recent year's target of 200 per cent of MCT will be appropriated, effective March 1, 2007 on a one-time basis, into the Extension Development Fund (EDF). As such, the EDF was established using $39 million of Competitive Lines retained earnings. The EDF is being used to defray the annual driver licensing project costs that flow through the Extension line of business Statement of Operations.

Activity in the EDF includes:

(in thousands of dollars)		**2008**		2007
Balance beginning of year	**$**	**–**	$	–
Transfer from Competitive Lines Retained Earnings		**38,983**		–
Transfer to Competitive Lines Retained Earnings		**(3,594)**		–
Balance end of year	**$**	**35,389**	$	–

20. Rate Regulation

The corporation's basic universal compulsory automobile insurance line of business (Basic Insurance) is subject to regulation by the Public Utilities Board (PUB) of Manitoba. Under the provisions of The Crown Corporations Public Review and Accountability Act, the PUB has the authority to review and approve Basic Insurance rates, premiums and service fees charged with respect to compulsory driver and vehicle insurance provided by the corporation. No new rates or fees for services can be introduced without the approval of the PUB. The PUB is required to ensure that the rates are just, reasonable and not unduly discriminatory or preferential.

Annually the corporation prepares its Basic Insurance general rate application and files it with the PUB in the month of June for implementation the following fiscal year commencing on March 1. The general rate application includes the prospective rate requirements based on historical and forecasted financial and other information as well as the application of actuarial, accounting and statistical principles and practices.

The corporation is required to pay a portion of the PUB's operating costs relating to the corporation's share of the overall PUB budget. In addition, the PUB can also order the corporation to reimburse other proceeding participants for specified costs such as their time, legal and expert witness fees.

21. Comparative Figures

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

Management's Responsibility for Financial Information

The consolidated financial statements of the Workers Compensation Board of Manitoba (WCB) were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in this annual report conforms to these financial statements.

Management believes the system of internal controls, review procedures and established policies provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. Management also believes that the WCB's operations are conducted in conformity with the law and with a high standard of business conduct. The internal auditor performs periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and approved the financial statements and other financial information included in this annual report on March 14, 2008.

The Audit Committee assists the Board of Directors in its responsibilities. This Committee reviews and recommends approval of the consolidated financial statements and annual report. Internal and external auditors as well as the consulting actuary have unlimited access to the Audit Committee. The Audit Committee reviews the financial statements and the other contents of the annual report with management and the external auditors and reports to the Board of Directors prior to their approval for publication.

The firm of Eckler Ltd. has been appointed as the independent consulting actuary to the WCB. Their role is to complete an independent actuarial valuation of the benefit liabilities included in the financial statements of the WCB and to report thereon in accordance with accepted actuarial practices. Eckler Ltd.'s opinion on the valuation of the benefit liabilities is provided on page 26.

Grant Thornton LLP, independent auditors appointed as a sub-agent to the Provincial Auditor General, has performed an independent audit of the consolidated financial statements of the WCB in accordance with Canadian generally accepted auditing standards. Their Auditors' Report, on page 27, outlines the scope of this independent audit and includes their opinion expressed on the 2007 consolidated financial statements.

Doug Sexsmith
President and CEO

Harold B. Dueck, CA
Chief Financial Officer

March 14, 2008

Auditors' Report

To the Workers Compensation Board of Manitoba

We have audited the consolidated balance sheet of the Workers Compensation Board of Manitoba as at December 31, 2007 and the consolidated statements of operations and accident fund reserve, comprehensive income, changes in accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Winnipeg, Manitoba
March 7, 2008

Grant Thornton LLP
Chartered Accountants

Grant Thornton

CONSOLIDATED BALANCE SHEET

December 31, 2007
(in thousands of dollars)

	2007	2006
Assets		
Cash	$ 2,881	$ 3,112
Receivables and other (Note 4)	35,190	33,658
Investment portfolio (Note 5)	1,019,142	969,035
Deferred assessments (Note 6)	47,598	43,718
Capital assets (Note 7)	11,993	11,571
	$ 1,116,804	$ 1,061,094
Liabilities and Funded Position		
Payables and accrued liabilities (Note 8)	$ 27,223	$ 25,366
Benefit liabilities (Note 10)	831,681	789,032
Total liabilities	858,904	814,398
Accident fund reserve	150,254	99,675
Accumulated other comprehensive income	107,646	147,021
Funded position	257,900	246,696
	$ 1,116,804	$ 1,061,094

Signed on behalf of the Board of Directors

Tom J. Farrell
Chairperson, Board of Directors

Ron Hambley
Audit Committee of the Board of Directors

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

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCIDENT FUND RESERVE

Year Ended December 31, 2007
(in thousands of dollars)

	2007	2006
Revenue		
Premium revenue (Note 12)	$ 223,973	$ 219,720
Investment income (Note 5)	98,078	59,571
Total revenue	322,051	279,291
Expenses		
Claim costs incurred (Note 10)	215,491	219,917
Operating expenses (Note 13)	55,981	53,220
Total expenses	271,472	273,137
Operating surplus	**50,579**	**6,154**
Accident fund reserve at beginning of year	99,675	93,521
Accident fund reserve at end of year	$ 150,254	$ 99,675

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31, 2007
(in thousands of dollars)

	2007	2006
Operating surplus	$ 50,579	$ 6,154
Other comprehensive income		
Unrealized gains on available-for-sale financial assets	5,934	80,574
Reclassification of realized gains to the Consolidated Statement of Operations and Accident Fund Reserve (Note 5)	(45,309)	(24,597)
Other comprehensive (loss) income	(39,375)	55,977
Total comprehensive income	$ 11,204	$ 62,131

CONSOLIDATED STATEMENT OF CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME

Year Ended December 31, 2007
(in thousands of dollars)

	2007	2006
Accumulated Other Comprehensive Income		
Balance at beginning of year	$ 147,021	$ 91,044
Other comprehensive (loss) income	(39,375)	55,977
Balance at end of year	$ 107,646	$ 147,021

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2007
(in thousands of dollars)

	2007	2006
Operating cash flows		
Premiums from employers	$ 218,560	$ 200,766
Investment income	50,647	30,414
Claim payments (Note 10)	(172,842)	(161,978)
Purchases of administration goods and services	(56,556)	(51,415)
Net cash provided by operating activities	39,809	17,787
Investing cash flows		
Purchases of investments, net of sales (Note 5)	(37,553)	(14,471)
Capital asset acquisitions, net of disposals	(2,487)	(2,040)
Net cash used by investing activities	(40,040)	(16,511)
Net (decrease) increase in cash	(231)	1,276
Cash at beginning of year	3,112	1,836
Cash at end of year	$ 2,881	$ 3,112

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

Notes To Consolidated Financial Statements

Year Ended December 31, 2007

($ amounts in thousands of dollars unless otherwise noted)

1. NATURE OF OPERATIONS

The Workers Compensation Board of Manitoba (the WCB) was created in 1917 under the authority of *The Workers Compensation Act* of Manitoba. In accordance with the provisions of the Act, the WCB is responsible for:

- prevention of workplace injuries and occupational diseases in conjunction with the Manitoba government's Workplace Safety and Health Division,
- administering payments to injured workers and suppliers of services to injured workers,
- levying and collecting premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims, and
- investing funds set aside for the future costs of claims as well as surplus funds.

An independent Workers Compensation Appeal Commission operates under the Act to make final rulings on any appeals pertaining to the WCB's assessment or benefits decisions.

The WCB's vision statement is *SAFE Work – A Way of Life*. The organization's mission is to promote safe and healthy workplaces, promote recovery and return to work, provide compassionate and supportive compensation services for workers and employers, and ensure responsible financial stewardship. The WCB compensates for lost wages, provides support and arranges for rehabilitative help and has a responsibility to injured workers, their families and their employers to help injured workers return to health and productive work in a timely and safe manner.

The workers compensation system is funded through premiums collected from employers. The Workers Compensation Board of Manitoba does not receive government funding or assistance. Available funds are invested and are used to protect the WCB and its ratepayers from general business risks and catastrophic events in areas such as investment returns or extraordinary claims costs. To that end, an accident fund reserve attributable to the Class E employers exists. A second reserve, accumulated other comprehensive income, shows the cumulative unrealized gains and losses arising from the investment portfolio.

In 2007, the WCB's Funding Policy was amended and the target balance formula was changed to include both reserves. The target balance for the reserves is based on a formula modified from the Minimum Contributing Capital and Surplus Requirements rules set out by the Office of the Superintendent of Financial Institutions, Canada. The calculation moves in tandem with changes in the size of the WCB's assets and liabilities thereby calculating a reserve target that reduces risk to the organization. The target balance also includes a provision for the potential of new occupational diseases in the future and the expected impact of adopting International Financial Reporting Standards in 2011. The target balance for the reserves was $254 million at the end of 2007 ($247 million in 2006 on a restated basis).

The WCB's Funding Policy is intended to ensure that fiduciary responsibilities are carried out in accordance with the Act and that annual influences do not unduly distort the funding process. The WCB is committed to operating on a fully funded basis to a level funding standard. Full funding requires that current employers pay for the current and future cost of existing compensable injuries and their administration, rather than future generations of employers paying for those injuries. Under level funding, the cost of claims with lengthy latency periods is funded in a level fashion over the workers' periods of exposure to the elements that led to the injuries or diseases.

2. SIGNIFICANT ACCOUNTING POLICIES

The WCB's significant accounting policies are as follows:

Measurement Uncertainty

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, which requires the WCB to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Basis of Consolidation

These consolidated financial statements include the accounts of the WCB and its wholly owned real estate investment subsidiaries. Intercompany balances and transactions are eliminated on consolidation.

Cash

Cash includes cash on hand and balances with banks, net of any outstanding cheques. Cash and short term investments held by investment managers and custodians for investment purposes are included in the investment portfolio.

Investments

Under the provisions of Canadian Institute of Chartered Accountants (CICA) 3855 Financial Instruments – Recognition and Measurement, the financial assets of the WCB's investment portfolio are designated as available for sale, and carried at fair value. Other than the real estate portfolio assets in WCB Realty Limited, a wholly owned subsidiary, gains and losses arising from the change in fair value that have occurred during the year are recorded in other comprehensive income until the investment is derecognized (sold). At that time, the cumulative gain or loss previously recognized in other comprehensive income is designated a realized gain or loss and reclassified to investment income in the Consolidated Statement of Operations and Accident Fund Reserve. Income from interest and dividends is recognized in the period earned. Investment income is presented net of investment expenses.

The WCB consolidates the real estate portfolio of WCB Realty Limited at fair value, in accordance with CICA Accounting Guideline 18 – Investment Companies. Changes in fair value that occurred during the year are recorded in investment income in the Consolidated Statement of Operations and Accident Fund Reserve.

Fair Value of Investments

Investments are stated at fair value, which is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Publicly traded investments are stated at year end market prices as listed on the appropriate stock exchange, or as provided by the custodian from independent sources.

Pooled fund investments are valued at the most recent unit values supplied by the pooled fund administrator at year end.

The fair value of real estate investments is determined annually by management based on a combination of the most recent independent appraisals of the rental properties and market data available at year end, net of any liabilities against the properties.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight line basis over their estimated useful lives, as follows:

Computer equipment	3 - 5 years
Systems development	3 - 10 years
Furniture, fixtures and equipment	5 years
Building renovations and leasehold improvements	2 - 10 years
Building	40 years

Employee Future Benefits

The actuarial determination of the accrued benefit obligation for pensions and other retirement benefits uses the projected benefit method prorated on service. This method incorporates management's best estimates of salary escalation, investment rate of return, retirement ages of employees and other actuarial factors. Actual results could differ from these estimates as the assumptions are of a long term nature, consistent with the nature of employee future benefits.

Actuarial gains (losses) arise from the difference between the actual experience of the pension plan's assets and liabilities for a period and the assumed outcome for that period, or from changes in actuarial assumptions used to determine the accrued benefit obligation. If the cumulative net actuarial gain (loss) exceeds 10 per cent of the greater of plan assets or liabilities, the excess is amortized over the expected average remaining service life of active employees. Past service costs are amortized on a straight line basis over the remaining service life of active employees expected to receive benefits under the plan.

On January 1, 2000, the WCB adopted the new accounting standard on employee future benefits using the prospective application method. The WCB is amortizing the transitional asset (pension) and transitional liability (other) on a straight line basis over 15 years, which was the average remaining service life of active employees expected to receive benefits under the benefit plans as at January 1, 2000.

Benefit Liabilities

The WCB's independent consulting actuary prepares a valuation of the benefit liabilities of the WCB at each year end. The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims or injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims, plus provisions for the future expenses of administering the existing claims.

The benefit liabilities also include the estimated liability for long latent occupational diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefit liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision.

Fair Value of Other Financial Assets and Liabilities

Other financial assets and liabilities consist of cash and cash equivalents, accounts receivable and accounts payable. The carrying value of these items approximates their fair value, consistent with the short term nature of these items.

Accumulated Other Comprehensive Income

The designation of the WCB's investment portfolio as available for sale requires the WCB to use accumulated other comprehensive income. Accumulated other comprehensive income is comprised of the cumulative unrealized gains and losses arising from the investment portfolio that, in accordance with primary sources of generally accepted accounting principles, are recognized in other comprehensive income but excluded from the operating surplus.

Premium Revenue

The operations of the WCB are categorized, in accordance with the Act, into Class E (general employers pool) and several classes of self-insured employers.

Employers registered within Class E are subject to collective liability, and premium revenue is estimated by applying applicable industry assessment rates to the employers' reported assessable payrolls for the current year. Any difference between the estimated premium revenue and the actual premium revenue is credited or charged to income in the year the determination is made.

Self-insured employers, principally government bodies and railways and their subsidiaries, are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of self-insured employers. As such, premium revenue from self-insured employers is recognized as these costs are incurred.

Foreign Currency Translation

Transactions in foreign currency are converted to Canadian dollars at the exchange rate in effect at the time of the transaction. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Unrealized foreign currency exchange gains and losses arising from the investment portfolio are recorded in other comprehensive income until the investment is derecognized (sold). At that time, the cumulative foreign currency exchange gain or loss previously recognized in other comprehensive income is designated a realized foreign currency exchange gain or loss and reclassified to investment income.

3. LINES OF CREDIT

The WCB has established an operating line of credit with its principal banker in the amount of $3.0 million. Advances on the line of credit bear interest at the bank's prime interest rate. The WCB has also established a revolving credit facility with the Province of Manitoba in the amount of $40.0 million. Advances on the revolving credit facility bear interest at the Province's preferred lending rate. Both credit facilities are unsecured. Borrowings during the year amounted to $5.3 million ($20.8 million in 2006), comprised of $2.3 million on the operating line of credit and $3.0 million on the revolving credit facility ($7.8 million and $13.0 million, respectively, in 2006), and were repaid in full during the year.

4. RECEIVABLES AND OTHER

	2007	2006
Premiums – Class E employers	$ 26,142	$ 24,806
Allowance for doubtful accounts	(1,226)	(1,158)
	24,916	23,648
Current assessments – Self-insured employers	4,058	3,007
Sundry	1,481	1,626
Accrued pension benefit asset (Note 9)	4,735	5,377
	$ 35,190	$ 33,658

5. INVESTMENT PORTFOLIO

Fair Value of the Investment Portfolio

	2007	2006
Equities		
Canadian	$ 214,976	$ 196,167
Private placements	33,061	37,667
U.S.	131,857	135,581
Europe, Australia & Far East	95,019	96,980
Emerging markets	38,863	34,489
	513,776	500,884
Cash and short term investments	47,394	36,762
Fixed income	319,497	313,643
Real estate (see table below)	138,475	117,746
Total	$ 1,019,142	$ 969,035

Real Estate Portfolio

The real estate portfolio can be further broken down as follows:

	2007	2006
Rental properties and other net assets	$ 185,114	$ 171,841
Mortgages payable	(46,639)	(54,095)
Real estate investments	$ 138,475	$ 117,746

Mortgages payable on rental properties bear interest at rates ranging from 5.0 per cent to 7.4 per cent per annum, with maturity dates ranging from 2008 to 2017. Scheduled principal and interest payments for 2008 on these mortgages total $7.0 million. The scheduled amounts of principal repayments, including mortgage maturities, in each of the next five years are as follows:

2008	$ 4,995
2009	14,455
2010	788
2011	8,530
2012	556
	29,324
Thereafter	17,315
Total	$ 46,639

Investment Income

Investment income was derived from the following sources:

	2007	2006
Canadian equities	$ 5,530	$ 5,320
Foreign equities	5,211	3,736
Cash and short term investments	1,932	1,699
Fixed income	16,202	14,829
Real estate (see table below)	28,389	13,511
Realized gains reclassified from other comprehensive income	45,309	24,597
Loan interest expense	(9)	(34)
Management expenses	(4,486)	(4,087)
Investment income	$ 98,078	$ 59,571

Real Estate Income

The real estate income can be further broken down as follows:

	2007	2006
Rental income	$ 12,119	$ 11,267
Rental expenses	(5,800)	(4,413)
	6,319	6,854
Appraisal gains	13,757	6,657
Realized gains from property sales	8,313	-
	$ 28,389	$ 13,511

Purchases of Investments, Net of Sales

Purchases of investments, net of sales can be further broken down as follows:

	2007	2006
Purchases of investments	$ 1,321,583	$ 1,145,367
Proceeds on disposal of investments	(1,284,030)	(1,130,896)
Net purchases of investments	$ 37,553	$ 14,471

Purchases and sales activities occur primarily within the fixed income portfolio and short term investments.

Commitments

The WCB has contractual agreements to contribute further funding to a maximum of $18.4 million ($16.1 million in 2006) to specific investment projects to be financed from the existing portfolio or from available cash.

Market Risk

The WCB invests in publicly and privately traded equities and fixed income instruments available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The WCB does not use derivative financial instruments to alter the effects of these market changes and fluctuations.

Credit Risk Management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. Of the fixed income assets in the investment portfolio, 98 per cent (97 per cent in 2006) have at least an A credit rating. The WCB does not anticipate that any borrowers will fail to meet their obligations.

Securities Lending

The WCB may lend, for fee income, any of its securities to third parties, provided the loans are secured by cash or readily marketable securities having a market value of at least 105 per cent of the market amount of the asset borrowed. As at December 31, 2007, these loans amounted to $114.9 million ($99.2 million in 2006).

Foreign Exchange Risk Management

The WCB has certain investments denominated in foreign currencies. During 2007, the WCB did not undertake hedging strategies for the currency risk of foreign investments. While currency fluctuations influenced short term returns, these fluctuations are not expected to affect the long term position of the investment portfolio.

Interest Rate Risk Management

Fluctuations in interest rates are managed by actively controlling the duration of the fixed income portfolio. As at December 31, 2007, the duration of the WCB's bond portfolio was 6.8 years (6.7 years in 2006).

6. DEFERRED ASSESSMENTS

Deferred assessments represent the WCB's estimate of the present value of premiums which will be received in the future from self-insured employers to fund the future costs of existing claims that have arisen from their employees. As such, the fair value for deferred assessments is not readily determinable. The deferred assessments may be secured by irrevocable letters of credit or other suitable forms of guarantee. The changes in deferred assessments were as follows:

	2007	2006
Balance at beginning of year	$ 43,718	$ 25,862
Increase in future cost liability	5,003	17,295
Increase in pension related transactions	445	1,666
Interest allocation	(1,568)	(1,105)
Net change in deferred assessments	3,880	17,856
Balance at end of year	$ 47,598	$ 43,718

7. CAPITAL ASSETS

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	$ 11,268	$ 9,705	$ 10,932	$ 9,406
Systems development projects	12,016	8,110	11,037	7,370
Furniture, fixtures and equipment	2,080	1,932	1,941	1,908
Building renovations and leasehold improvements	3,625	2,795	3,410	2,479
Building and land	6,031	485	5,837	423
	$ 35,020	$ 23,027	$ 33,157	$ 21,586
Net book value	$11,993		$11,571	

As a result of asset dispositions, costs of $624 ($1,000 in 2006) for computer equipment and furniture, fixtures and equipment, and the offsetting accumulated depreciation were removed from the accounting records. A gain of $2 ($23 in 2006) was recognized on the sale of these fully depreciated capital assets.

8. PAYABLES AND ACCRUED LIABILITIES

	2007	2006
Accounts payable and accrued liabilities	$ 3,751	$ 4,496
Client annuity program	12,531	10,536
Community Initiatives and Research Program grants	2,186	2,089
Deposits from self-insured employers	1,591	1,441
Employee vacation entitlements	2,817	2,686
Unearned revenue	545	909
Other payables	1,305	1,289
Sick leave plan (Note 9)	2,497	1,920
	$ 27,223	$ 25,366

9. EMPLOYEE FUTURE BENEFITS

The WCB has two employee benefit plans which provide pension and other future employment benefits to its employees. The cost of these employee benefit plans is recorded as an expense in the period in which employees' services are rendered.

The pension plan, which is funded by employee and employer contributions, is made up of the WCB Retirement Plan and the Supplementary Employee Retirement Plan. The WCB Retirement Plan is a defined benefit pension plan that provides indexed pensions (two-thirds of the Consumer Price Index for Canada) based on years of service and the best five consecutive years average earnings in the last 12 years of employment. The Supplementary Employee Retirement Plan provides that the employees of the WCB whose pension benefits exceed the maximum pension benefit permitted under the federal *Income Tax Act* will receive pension benefits based on their total pensionable earnings.

The WCB also has a defined benefit plan that provides for a payment of sick leave credits to employees that meet established criteria upon termination or retirement. Employees are not required to contribute to this plan.

Total cash payments for employee future benefits for 2007, consisting of cash contributed by the WCB to the funded pension plan and cash payments directly to beneficiaries for the unfunded sick leave plan, were $2.5 million ($2.6 million in 2006).

The WCB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the Retirement Plan for funding purposes which was filed with the pension regulators was as at December 31, 2005. The next required valuation for this purpose will be as at December 31, 2008.

Information about the WCB's employee benefit plans for the year is as follows:

	Pension Plan 2007	Pension Plan 2006	Sick Leave Plan 2007	Sick Leave Plan 2006
Benefits paid by the plan	$ 1,499	$ 1,721	$ 44	$ 147
Employer contributions	2,417	2,420	44	147
Employee contributions	1,744	1,514	-	-
Employee future benefit expense	3,059	2,851	621	460
Actual return on plan assets	(1.3%)	13.4%	-	-

Reconciliation of the benefit plans to amounts included in the financial statements:

	Pension Plan 2007	Pension Plan 2006	Sick Leave Plan 2007	Sick Leave Plan 2006
Fair value of plan assets	$ 84,426	$82,893	-	-
Accrued benefit obligation	97,587	91,827	$ 4,406	$ 3,950
Plan deficit for accounting purposes	(13,161)	(8,934)	(4,406)	(3,950)
Balance of unamortized losses	17,896	14,311	1,909	2,030
Accrued benefit asset (liability)	$ 4,735	$ 5,377	$ (2,497)	$ (1,920)

The accrued benefit asset for the pension plan is included in receivables and other. The accrued benefit liability for the sick leave plan is included in payables and accrued liabilities.

The key actuarial assumptions used to value the employee future benefit liabilities for accounting purposes as at December 31 are as follows:

	Pension Plan 2007	Pension Plan 2006	Sick Leave Plan 2007	Sick Leave Plan 2006
Discount rate	5.50%	5.25%	5.50%	5.25%
Expected long term rate of return on plan assets	6.75%	6.75%	-	-
Rate of compensation increase	3.75%	3.75%	2.25%	2.25%
Expected average remaining service life (in years)	14	16	14	16

The asset allocation for the pension plan as at December 31 is:

	2007	2006
Equity	61%	63%
Fixed income (including short term)	39%	37%

10. BENEFIT LIABILITIES

Benefit liabilities are determined in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefit payments reflects management's long term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of the future payments. The fair value for benefit liabilities is not readily determinable.

The key actuarial assumptions used to value the benefit liabilities as at December 31 are as follows:

	2007	2006
Discount rate for non-indexed benefits	6.0%	6.0%
Discount rate for CPI-indexed benefits	3.0%	3.0%
Discount rate for wage-indexed benefits	2.0%	2.0%
Discount rate for healthcare benefits	2.0%	2.0%

An analysis of the components of and changes in benefit liabilities is as follows:

	2007						2006
	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 114,301	$ 362,618	$ 153,458	$ 137,760	$ 20,895	$ 789,032	$ 731,093
Add: Claim costs incurred							
Current year	104,754	4,916	8,560	44,642	9,099	171,971	154,114
Prior years	(26,394)	52,987	8,564	11,961	(3,598)	43,520	65,803
	78,360	57,903	17,124	56,603	5,501	215,491	219,917
Less: Claim payments made							
Current year	29,466	463	1,063	17,504	10	48,506	46,663
Prior years	33,179	44,387	13,971	30,325	2,474	124,336	115,315
	62,645	44,850	15,034	47,829	2,484	172,842	161,978
Balance at end of year	$ 130,016	$ 375,671	$ 155,548	$ 146,534	$ 23,912	$ 831,681	$ 789,032

The liability for short term disability claims is an estimate of future wage loss payments for claims that have yet to medically plateau or stabilize. The long term disability liability includes estimated future wage loss payments for those claims that have medically plateaued and stabilized, estimated future pension payments, and estimated future cost of claims relating to certain long latent occupational diseases. The liability for survivor benefits is composed of estimated future pension payments and other services provided to survivors of those who have lost their lives as a result of workplace injuries or illnesses. Healthcare liabilities are the estimated future medical costs for existing claims. The liability for rehabilitation services is composed of the estimated cost of future rehabilitation services which are externally supplied to the WCB.

Included in the benefit liabilities balance is $38.0 million ($37.0 million in 2006) for the long latent occupational disease liability and $53.4 million ($49.1 million in 2006) for the future cost of administering existing claims.

11. BENEFIT LIABILITIES FOR SELF-INSURED EMPLOYERS

Note 10 contains a complete description of the components of the benefit liabilities for all employers. An analysis of the portion relating to self-insured employers is as follows:

	2007						2006
	Short Term Disability	**Long Term Disability**	**Survivor Benefits**	**Healthcare Benefits**	**Rehabilitation Services**	**Total**	**Total**
Balance at beginning of year	$ 13,415	$ 41,431	$ 26,366	$ 16,868	$ 1,603	$ 99,683	$ 81,591
Add: Claim costs incurred							
Current year	10,734	345	1,144	6,778	863	19,864	29,166
Prior years	(1,989)	6,056	3,687	2,884	(235)	10,403	10,346
	8,745	6,401	4,831	9,662	628	30,267	39,512
Less: Claim payments made							
Current year	3,538	149	133	2,088	3	5,911	6,148
Prior years	4,909	3,464	3,186	5,941	152	17,652	15,272
	8,447	3,613	3,319	8,029	155	23,563	21,420
Balance at end of year	$ 13,713	$ 44,219	$ 27,878	$ 18,501	$ 2,076	$ 106,387	$ 99,683

Included in premiums and claim costs for self-insured employers are payments in the amount of $4.1 million ($3.8 million in 2006) made by self-insured employers directly to injured workers on the WCB's behalf. These amounts are reported to the WCB for inclusion in these financial statements.

Included in the benefit liabilities balance is $11.1 million ($10.8 million in 2006) for self-insured employers' share of the long latent occupational disease liability and $6.2 million ($5.8 million in 2006) for the future cost of administering existing claims.

12. PREMIUM REVENUE

	2007	2006
Premiums – Class E employers	$ 194,059	$ 179,495
Assessments – Self-insured employers	26,034	22,369
Increase in deferred assessments (Note 6)	3,880	17,856
Total premium revenue	$ 223,973	$ 219,720

13. OPERATING EXPENSES

	2007	2006
Salaries, employee benefits and training	$ 37,263	$ 35,076
Information technology service fees	1,898	1,899
Occupancy costs	1,834	1,758
Office supplies, services and projects	471	647
Communications	1,029	973
Professional fees	895	1,009
Donations	80	84
Amortization of capital assets	2,065	2,090
Appeal Commission	1,228	1,174
Community Initiatives and Research Program grants	1,000	1,000
Recoveries from the Government of Canada	(861)	(821)
Prevention and other (Note 14)	9,079	8,331
Total operating expenses	$ 55,981	$ 53,220

Of the total operating expenses, $4.2 million ($3.6 million in 2006) was allocated to self-insured employers based on the current year's transaction volumes.

The WCB administers the *Government Employees Compensation Act* program for the Government of Canada. The operation of this program is reflected only to the extent of the recoveries of operating expenses.

14. RELATED PARTY TRANSACTIONS

Pursuant to *The Workplace Safety and Health Act* of Manitoba, the Province may pay the expenses incurred in the administration of that Act out of the consolidated fund and may, subsequently, recover such portion as it may determine from the WCB under *The Workers Compensation Act* of Manitoba. For 2007, the amount charged to operations under this provision was $6.9 million ($6.2 million in 2006).

Also, under Section 84.(1) of *The Workers Compensation Act* of Manitoba, the Province may pay the costs incurred in respect of worker advisors and may recover them from the WCB. For 2007, the amount charged to operations under this provision was $0.9 million ($0.9 million in 2006).

In addition to the legislated obligations referred to above, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various provincial government controlled ministries, agencies and Crown corporations with which the WCB may be considered related. This includes the provision of assistance, in the form of medical opinions and appeal services, for the Province of Manitoba relating to criminal injury claims. The provincial government is also a self-insured employer under *The Workers Compensation Act* of Manitoba. Account balances resulting from these transactions are included in these financial statements and are settled on normal trade terms.

Included in the WCB's investment portfolio as at December 31, 2007, are guaranteed debentures issued by the Province of Manitoba in the amount of $1.0 million ($2.4 million in 2006).

15. COMMITMENTS

The WCB has signed operating leases for office premises expiring at various times until December 31, 2012. The minimum lease obligations over the next five years are:

2008	2009	2010	2011	2012	Total
$569	$416	$307	$62	$10	$1,364

16. CONTINGENCIES

The WCB is a defendant in class proceedings commenced in 2007 by surviving spouses of deceased workers whose dependants' benefits were terminated on their remarriages prior to April 17, 1985. It is difficult to predict the outcome of these proceedings with certainty. However, based on information presently known, these proceedings are not expected to have a material adverse effect on the consolidated financial position of the WCB.

17. AUDITOR INDEPENDENCE

In 2007, Grant Thornton LLP provided $9 ($0 in 2006) of non-audit services to the WCB.

18. COMPARATIVE FIGURES

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