VOLUME 4 - SECTION 4

TABLE OF CONTENTS		PAGE

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 17, 2009.

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 17, 2009

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, 2009, and the combined statements of income, comprehensive 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, 2009, 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 17, 2009

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	2009	2008
Assets		
Current:		
Cash and term deposits with the Minister of Finance	$ 39,016	$ 38,009
Customer deposits	1,452	1,407
Accounts receivable (Note 5)	14,154	14,117
Inventories	4,558	4,563
Other deposits	-	554
Prepaid expenses	3,244	2,958
Receivable from the Province of Manitoba	-	5,469
	62,424	67,077
Trust assets	12	13
Long-term investments (Note 6)	5,469	-
Restricted short-term deposits (Note 7)	750	750
Capital assets (Note 8)	85,319	71,244
Intangible assets (Note 9)	59	-
	$ 154,033	$ 139,084
Liabilities		
Current:		
Working capital advances (Note 10)	$ 8,516	$ 7,055
Accounts payable and accruals	18,330	18,659
Unearned revenue	6,221	5,491
Current portion - capital lease obligations (Note 11)	28	-
Current portion - long-term debt (Note 12)	7,231	7,131
	40,326	38,336
Trust liabilities	12	13
Unearned revenue	648	626
Deferred capital contributions (Note 13)	10,069	10,422
Capital lease obligations (Note 11)	171	-
Long-term debt - Province of Manitoba (Note 12)	25,257	16,609
Severance liability (Note 14)	5,693	5,379
	82,176	71,385
Equity		
Contributed equity (Note 15)	17,837	17,837
Reserve funds (Note 16)	1,490	1,483
Retained earnings (Note 15)	52,530	48,379
	71,857	67,699
	$ 154,033	$ 139,084

Commitments (Note 17)
Contingencies (Note 18)

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	2009	2008
Revenue		
Annual levy	$ 13	$ 13
Contributed Services Treasury Board Secretariat/Finance	101	94
	114	107
Expenses		
Salaries and benefits	83	77
Other operating	24	27
	107	104
Financing Authority operations	7	3
Special Operating Agency operations – Net Income (Loss) and Comprehensive Income		
Civil Legal Services	398	5
Companies Office	2,515	2,443
Crown Lands and Property Agency	(820)	(774)
Fleet Vehicles Agency	4,059	3,168
Food Development Centre	(134)	207
Green Manitoba Eco Solutions	105	105
Industrial Technology Centre	86	(6)
MERLIN	131	293
Manitoba Securities Commission	8,918	8,851
Manitoba Text Book Bureau	3	(6)
Materials Distribution Agency	168	83
Office of the Fire Commissioner	160	489
Organization and Staff Development	(172)	48
Pineland Forest Nursery	6	(97)
The Property Registry	9,621	10,610
The Public Trustee	58	(110)
Vital Statistics Agency	45	609
Net Income and Comprehensive Income for the year	25,154	25,921
Retained earnings, beginning of year	48,379	43,861
Transfer to Reserve Funds (Note 16)	(8)	(8)
Transfer of surplus funds to the Province of Manitoba		
Civil Legal Services	(200)	(200)
Companies Office	(2,000)	(2,000)
Fleet Vehicles Agency	(1,500)	(1,500)
Manitoba Securities Commission	(7,300)	(7,300)
Materials Distribution Agency	-	(400)
The Property Registry	(9,715)	(9,715)
Vital Statistics Agency	(280)	(280)
	(20,995)	(21,395)
Retained earnings, end of year	$52,530	$48,379

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	2009	2008
Cash derived from (applied to):		
Operating		
Net income	$ 25,154	$ 25,921
Amortization	15,006	13,808
Amortization of deferred capital contributions	(353)	(668)
Gain on disposal of capital assets	(273)	(599)
	39,534	38,462
Change in:		
Customer deposit accounts	(45)	(55)
Accounts receivable	(37)	(1,649)
Inventories	5	318
Prepaid expenses	(286)	196
Accounts payable and accruals	(329)	6,278
Severance liability	314	93
Unearned revenue	752	452
Cash derived from operating activities	39,908	44,095
Investing		
Proceeds from disposal of capital assets	1,473	2,306
Acquisition of capital assets	(30,282)	(16,383)
Deferred development cots	(59)	-
Deposits in joint ventures	-	200
Other deposits	554	(554)
Change in receivable from the Province of Manitoba	5,469	-
Long-term investments	(5469)	-
Cash applied to investing activities	(28,314)	(14,431)
Financing		
Proceeds from long-term debt	16,286	4,340
Long-term debt repayments	(7,538)	(7,103)
Capital lease obligations	199	-
Transfer of surplus funds	(20,995)	(21,395)
Change in deferred capital contributions	-	1,834
Cash applied to financing activities	(12,048)	(22,324)
Increase (decrease) in cash and cash equivalents	(454)	7,340
Cash and cash equivalents:		
Beginning of year	30,954	23,614
End of year	$ 30,500	$ 30,954
Represented by:		
Cash and Term deposits with the Minister of Finance	$ 39,016	$ 38,009
Working capital advances	(8,516)	(7,055)
	$ 30,500	$ 30,954

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, 2009 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.

Effective April 1, 2009, Fleet Vehicles Agency and the Mechanical Equipment Services Branch of the Department of Infrastructure and Transportation were amalgamated into a new Special Operating Agency named Vehicle and Equipment Management Agency. Accordingly, Fleet Vehicles Agency effectively ceased operations at the close of business on March 31, 2009, and has since been dissolved.

2. Change in Accounting Policies

Effective April 1, 2008, the Financing Authority adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments – Disclosure and Presentation*. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, *Financial Instruments – Disclosure and Presentation*, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Financing Authority's yearend financial statements.

Section 3031 Inventories

Section 3031 *Inventories* replaces Section 3030 *Inventories*. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Financing Authority's yearend financial statements.

3. 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.

(In Thousands)

3. Significant Accounting Policies (continued)

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

c. 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.

d. Inventories

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

e. 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	10% - 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

f. Intangible assets

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

System development costs	15 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. Capital disclosures

The Financing Authority's capital consists of contributed equity, retained earnings provided from operations and special purpose reserve funds allocated from retained earnings.

3. Significant Accounting Policies (continued)

The Financing Authority's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Financing Authority's approach to capital management during the period.

The Financing Authority is not subject to externally imposed capital requirements.

4. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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 financial assets and liabilities of the Financing Authority are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash, term deposits, and customer deposits	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long-term investments	Held for trading	Fair value
Working capital advances	Held for trading	Fair value
Accounts payable	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the combined statement of income, comprehensive income and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the combined statement of income, comprehensive income and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the combined statement of income, comprehensive income and retained earnings.

(In Thousands)

4. Financial Instruments and Financial Risk Management (continued)

Fair value of financial instruments

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

The fair value of the long-term debt 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 $33,035 as at March 31, 2009 (2008 - $23,931).

Financial risk management - overview

The Financing Authority has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Financing Authority to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Financing Authority to credit risk at March 31, 2009 is:

Cash and term deposits	$ 39,016
Customer deposits	1,452
Accounts receivable	14,154
Long-term investments	5,469
	$ 60,091

Cash and term deposits, and long-term investments: The Financing Authority is not exposed to significant credit risk as these deposits are primarily held by the Minister of Finance.

Customer deposits: The Financing Authority is not exposed to significant credit risk as the cash is held by a Chartered Bank.

Accounts receivable: The Financing Authority is not exposed to significant credit risk as the majority of its accounts receivable are with related entities with the balance due from a large client base, and payment in full is typically collected when it is due. The Financing Authority establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

4. Financial Instruments and Financial Risk Management (continued)

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	$ 280
Provision for receivable impairment	96
Amounts written off	(85)
Balance, end of the year	$ 291

Liquidity risk

Liquidity risk is the risk that the Financing Authority will not be able to meet its financial obligations as they come due.

The Financing Authority manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Financing Authority's income or the fair values of its financial instruments. The significant market risks the Financing Authority is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit and long term debt.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

The Financing Authority manages its interest rate risk on long-term debt through the exclusive use of fixed rate terms for its long-term debt. A change of 100 basis points in the interest rates would have increased or decreased its fair value by $1,212 (2008 - $796).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Financing Authority is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

(In Thousands)

5. Accounts receivable

	2009	2008
Trade	$13,174	$13,476
Insurance agency rebate	495	455
Other	485	186
	$14,154	$14,117

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.

6. Long-term investments

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Special Operating Agency's prior to their designation as SOA's and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency's recorded a receivable of $5,469 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $5,469 into an interest bearing trust accounts to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

7. 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 16b).

(In Thousands)

8. Capital assets

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Vehicles, fire engines	$108,577	$48,455	$60,122	$48,070
Equipment and furniture	18,618	10,623	7,995	7,317
Rental equipment	7,220	5,774	1,446	1,300
Computer equipment and software	6,513	4,698	1,815	1,899
Buildings	17,252	6,278	10,974	9,898
Practical training site	2,346	1,187	1,159	1,244
Leasehold improvements	2,506	1,924	582	664
Other assets	2,778	1,552	1,226	852
	$165,810	$80,491	$85,319	$71,244

9. Intangible assets

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
System development costs	$59	$ -	$59	$ -

10. 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 (2008 - $25,070) at any one time. As at March 31, 2009, $16,554 (2008 - $18,015) of these advances was unused and available.

(In Thousands)

11. Capital lease obligations

	2009	2008
Polaris Leasing Ltd., capital lease due November 1, 2013, interest at 7.318% per year with annual principal and interest payments of $43 for the first 4 years and a final payment of $79 in 2014	$ 199	$ -
Current portion of capital lease obligations	28	-
	$ 171	$ -

Capital lease obligations are secured by equipment under lease.

The future minimum lease payments for the next five years are as follows:

2010	$ 28
2011	30
2012	32
2013	35
2014	74

12. Long-term debt - Province of Manitoba

		2009	2008
6.425%	repayable in semi-annual instalments of $146 principal and interest, maturing in 2009	-	278
3.625%	repayable in semi-annual instalments of $149 principal and interest, maturing in 2009	-	291
3.500%	repayable in semi-annual instalments of $259 principal and interest, maturing in 2009	-	504
5.250%	repayable in semi-annual instalments of $159 principal and interest, maturing in 2010	155	454
5.625%	repayable in semi-annual instalments of $134 principal and interest, maturing in 2010	131	381
4.125%	repayable in semi-annual instalments of $56 principal and interest, maturing in 2010	55	161

(In Thousands)

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

4.000%	repayable in semi-annual instalments of $ 167 principal and interest, maturing in 2010	324	636
4.375%	repayable in semi-annual instalments of $438 principal and interest, maturing in 2010	849	1,662
5.125%	repayable in semi-annual instalments of $123 principal and interest, maturing in 2011	350	568
4.750%	repayable in semi-annual instalments of $ 227 principal and interest, maturing in 2011	857	1,256
4.750%	repayable in semi-annual instalments of $ 451 principal and interest, maturing in 2011	1,701	2,494
4.875%	repayable in semi-annual instalments of $ 137 principal and interest, maturing in 2012	636	870
4.750%	repayable in semi-annual instalments of $ 102 principal and interest, maturing in 2012	476	652
4.625%	repayable in semi-annual instalments of $ 475 principal and interest, maturing in 2012	2,634	3,435
4.750%	repayable in semi-annual instalments of $ 137 principal and interest, maturing in 2013	871	1,095
5.000%	repayable in semi-annual instalments of $ 142 principal and interest, maturing in 2013	900	1,129
4.000%	repayable in semi-annual instalments of $ 345 principal and interest, maturing in 2013	2,528	3,100
4.050%	repayable in semi-annual instalments of $ 140 principal and interest, maturing in 2014	1,143	1,370
3.875%	repayable in semi-annual instalments of $ 355 principal and interest, maturing in 2014	2,907	-
4.875%	repayable in semi-annual instalments of $ 148 principal and interest, maturing in 2015	1,519	1,732
4.125%	repayable in semi-annual instalments of $ 117 principal and interest, maturing in 2016	1,321	1,495

(In Thousands)

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

4.875%	repayable in semi-annual instalments of $ 237 principal and interest, maturing in 2024	4,885	-
5.000%	repayable in semi-annual instalments of $ 334 principal and interest, maturing in 2024	7,000	-
5.800%	repayable in annual instalments of $ 18 principal and interest, maturing in 2017	160	177
5.000%	repayable in monthly instalments of $ 6 principal and interest, maturing in 2024	1,086	-
		32,488	23,740
	Amount due within one year	7,231	7,131
		$ 25,257	$ 16,609

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

2010	$7,231
2011	5,854
2012	4,383
2013	3,093
2014	1,747

Unused loan authority of $4,900 was available for Fleet Vehicles Agency as of March 31, 2008. An additional $23,350 of loan authority availability was approved for the three agencies (listed in the following table) during June 2008 in The Loan Act, 2008.

	The Loan Act, 2008
Fleet Vehicles Agency	$ 18,900
The Property Registry	4,000
Companies Office	450
Total incremental loan authority	$ 23,350

Of the $28,250 in available loan authority, $15,200 was drawn down at various times during the 2008/09 year, leaving $13,050 of loan authority availability unutilized as of March 31, 2009.

13. 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)

14. 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, 2009 was $5,693 (2008 - $5,379). 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.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

15. Equity

Contributed equity	2009	2008
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

(In Thousands)

15. Equity (continued)

Retained earnings

Civil Legal Services	$ 732	$ 534
Companies Office	3,733	3,218
Crown Lands and Property Agency	(1,992)	(1,172)
Fleet Vehicles Agency	20,256	17,697
Food Development Centre	379	513
Green Manitoba Eco Solutions	55	(50)
Industrial Technology Centre	508	422
MERLIN	423	292
Manitoba Securities Commission	7,716	6,098
Manitoba Text Book Bureau	194	191
Materials Distribution Agency	2,839	2,671
Office of the Fire Commissioner	1,487	1,335
Organization and Staff Development	606	778
Pineland Forest Nursery	(193)	(199)
The Property Registry	12,667	12,761
The Public Trustee	1,574	1,516
Vital Statistics Agency	1,528	1,763
Financing Authority	18	11
	$52,530	$48,379

16. 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, 2009 is $500 (2008 - $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, 2009 is $750 (2008 - $750).

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, 2009, the agency has allocated a total of $200 (2008 - $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, 2009, the balance of this reserve fund is $40 (2008 - $33).

(In Thousands)

17. Commitments

Commitments for SOAs with building lease agreements at March 31, 2009 total $11,646 (2008 - $12,950).

Other commitments entered into by SOAs are as follows:

Crown Lands And Property Agency	Vehicle and equipment leases	$ 19
Office of the Fire Commissioner	Vehicle leases	642
Pineland Forest Nursery	Vehicle leases	16
The Property Registry	Equipment lease agreements	445
Vital Statistics Agency	Electronic records system	723
		$ 1,845

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

2010	$2,352
2011	2,341
2012	2,333
2013	2,313
2014	1,751

18. Contingencies

The Manitoba Securities Commission has been named as defendant in one statement of claim, and The Property Registry has been named in five lawsuits. In addition, a potential claim has been filed against Organization and Staff Development for breach of an agreement. At the time of preparation of these financial statements, the outcomes of these claims were undeterminable. The cost of a future settlement, if any, will be reflected as an expense in the year of resolution.

19. 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 2009 was $2,039 (2008 - $2,001). Under this agreement, these SOAs have no further pension liability.

20. 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, 2009 total approximately $203,000 (2008 - $192,000). The trust activities of The Public Trustee are reported in separate audited financial statements for Estates and Trusts under Administration.

21. Public sector compensation

No employee of the Financing Authority received compensation of $50.0 or more during the year ended March 31, 2009.

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

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, 2009 and the statements of income, comprehensive income 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, 2009 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 12, 2009

CHARTERED ACCOUNTANTS

430 Five Donald Street · Winnipeg, Manitoba · R3T 2T4 · Phone (204) 942-4441 · Fax (204) 944-0400

BALANCE SHEET
(in thousands)
MARCH 31, 2009

		2009		2008
ASSETS				
CURRENT ASSETS				
Cash and short term deposits	$	827	$	571
Accounts receivable		656		652
		1,483		1,223
LONG TERM INVESTMENTS (Note 5)		379		-
RECEIVABLE FROM PROVINCE OF MANITOBA (Note 6)		-		379
CAPITAL ASSETS (Note 7)		78		66
TRUST ASSET		9		9
	$	1,949	$	1,677
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	63	$	32
Revenue sharing - Province of Manitoba payable		-		50
Vacation payable		496		469
		559		551
SEVERANCE LIABILITY (Note 8)		649		583
TRUST LIABILITY		9		9
		1,217		1,143
EQUITY				
RETAINED EARNINGS		732		534
	$	1,949	$	1,677

STATEMENT OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
REVENUE		
Recoveries	$ 6,321	$ 5,254
Interest and other	4	20
	6,325	5,274
EXPENSES		
Advertising and promotion	1	1
Amortization	28	21
Communications	40	38
Computer	57	56
Desktop management initiative	159	155
Equipment rental	4	4
Government records centre	27	25
Law Society fees	52	47
Miscellaneous	6	5
Occupancy	233	231
Office	56	50
Postage and deliveries	12	13
Professional fees and services	45	40
Publications	33	31
Travel	28	23
Wages and benefits	5,146	4,529
	5,927	5,269
NET INCOME AND COMPREHENSIVE INCOME FOR THE YEAR	398	5
RETAINED EARNINGS, beginning of year	534	729
	932	734
REVENUE SHARING - PROVINCE OF MANITOBA	200	200
RETAINED EARNINGS, end of year	$ 732	$ 534

STATEMENT OF CASH FLOW
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net income and comprehensive income for the year	$ 398	$ 5
Adjustment for		
Amortization	28	21
	426	26
Changes in the following		
Accounts receivable	(4)	18
Accounts payable and accrued liabilities	30	(80)
Revenue sharing - Province of Manitoba payable	(50)	50
Vacation payable	27	61
Severance liability	66	60
	495	135
FINANCING ACTIVITY		
Revenue sharing - Province of Manitoba	(200)	(200)
INVESTING ACTIVITIES		
Capital asset additions	(39)	(40)
Change in long term investments	(379)	-
Change in receivable from Province of Manitoba	379	-
	(39)	(40)
CHANGE IN CASH AND SHORT TERM DEPOSITS	256	(105)
CASH AND SHORT TERM DEPOSITS, beginning of year	571	676
CASH AND SHORT TERM DEPOSITS, end of year	$ 827	$ 571

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

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. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. (See disclosure in Note 3)

Section 3862 Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed. (See disclosure in Note 11)

2. CHANGE IN ACCOUNTING POLICIES (continued)

Section 3863 Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's year end financial statements.

3. 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)

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.

Capital disclosures

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period. The Agency's capital consists of retained earnings.

The Agency is not subject to externally imposed capital requirements.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - recognition and measurement

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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 and long 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 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 vacation payable are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

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

4. 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, 2009.

5. LONG TERM INVESTMENTS

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $379 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $379 into a trust account bearing interest at 0.75% and maturing on March 30, 2010 to be held on the Agency's behalf until the cash is required to discharge the related liabilities. However, this is only likely to happen on the dissolution of the Agency. As such, this amount has been classified as a long term asset.

**NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009**

6. 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:

	2009	2008
Vacation Entitlements	$ -	$ 140
Severance Pay Benefits	-	239
	$ -	$ 379

The balance was paid by the Province of Manitoba on March 31, 2009. (See Note 5)

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
Computer Equipment and Software	$ 140	$ 114	$ 26	$ 30
Furniture and Fixtures	259	217	42	36
Leasehold Improvements	64	54	10	-
	$ 463	$ 385	$ 78	$ 66

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 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, 2009 was $649 (2008 - $583). 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.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation compontent	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

9 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 2009 was $224 (2008 - $205). Under this agreement the Agency has no further pension liability.

10 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, 2010 are estimated to be $240.

11. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

In the normal course of operations the Agency is exposed to various financial risks. The financial risk management objectives and policies are as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and short term deposits, accounts receivable and long term investments.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and short term deposits	$	827
Accounts receivable		656
Long term investments		379
	$	1,862

Cash and short term deposits and long term investments: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the nature of the accounts receivable is with related entities and consists of a large client base and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. The balance in the allowance for doubtful accounts at March 31, 2009 was $nil (2008 - $nil)

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

11. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risk the Agency is exposed to is interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short term deposits.

The interest rate risk on short term deposits is considered to be low because of their short-term nature.

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

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 2009	COMPENSATION 2008
I. Allen	Legal Counsel	$ 121	$ 119
E. Andres	Legal Counsel	126	117
S. Bahir	Legal Counsel	51	-
J. Barak	Legal Counsel	123	110
A. Berg	Legal Counsel	127	125
T. Bjornson	Legal Counsel	118	108
S. Boyd	Legal Counsel	89	84
T. Brothers	Legal Counsel	107	104
M. Ducharme	Financial Officer	64	56
J. Frederickson	Legal Counsel	111	113
I. Frost	Legal Counsel	123	116
D. Gisser	Legal Counsel	123	121
D. Guenette	Legal Counsel	122	115
S. Haner	Legal Counsel	107	-
G. Hannon	Legal Counsel	129	127
B. Jones	Legal Counsel	108	104
J. Kapac	Legal Counsel	121	118
A. Ladyka	Legal Counsel	105	99
D. Lofendale	Legal Counsel	121	116
W. McFetridge	Legal Counsel	129	126
M. McGunigal	Legal Counsel	117	86
G. Mildren	Legal Counsel	129	126
S. Pierce	Legal Counsel	129	121
C. Romeo	Senior Legal Officer	131	126
L. Ross	Legal Counsel	117	109
V. Smith	Legal Counsel	91	84
T. Sterling	Legal Counsel	64	59
A. Stevens	Legal Counsel	85	-
M. Stonyk	Legal Counsel	69	63
N. Trenholm	Legal Counsel	123	121
L. Turner	Legal Counsel	85	-
M. Webb	Legal Counsel	123	121
I. Wiebe	Legal Counsel	108	99
R. Winters	Legal Counsel	123	121
K. Wright	Legal Counsel	58	64

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, 2009 and the statements of income, comprehensive income 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, 2009 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 7, 2009

CHARTERED ACCOUNTANTS

COMPANIES OFFICE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)
MARCH 31, 2009

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and Short Term Deposits	$ 3,880	$ 3,341
Accounts Receivable (Note 5)	175	199
Prepaid Expenses	25	23
	4,080	3,563
LONG TERM INVESTMENT (Note 6)	218	-
RECEIVABLE FROM PROVINCE OF MANITOBA (Note 7)	-	218
CAPITAL ASSETS (Note 8)	68	53
INTANGIBLE ASSETS (Note 9)	59	-
	$ 4,425	$ 3,834
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued	$ 232	$ 214
Accrued Vacation Entitlements	216	184
	448	398
SEVERANCE PAY LIABILITY (Note 10)	244	218
	692	616
EQUITY		
RETAINED EARNINGS	3,733	3,218
	$ 4,425	$ 3,834

STATEMENT OF INCOME , COMPREHENSIVE INCOME AND RETAINED EARNINGS (in thousands)

FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
REVENUE		
Fees and Services	$ 6,539	$ 6,468
Interest	72	110
	6,611	6,578
EXPENSES		
Salaries and Employee Benefits	1,598	1,574
Operating Expenses (Schedule)	2,483	2,544
Amortization - Capital Assets	15	17
	4,096	4,135
NET INCOME AND COMPREHENSIVE INCOME FOR THE YEAR	2,515	2,443
RETAINED EARNINGS, Beginning of Year	3,218	2,775
	5,733	5,218
REVENUE SHARE TO PROVINCE OF MANITOBA	2,000	2,000
RETAINED EARNINGS, End of Year	$ 3,733	$ 3,218

COMPANIES OFFICE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOW
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net Income and Comprehensive Income for the Year	$ 2,515	$ 2,443
Adjustment for		
Amortization - Capital Assets	24	27
	2,539	2,470
Changes in the following		
Accounts Receivable	24	165
Prepaid Expenses	(2)	2
Accounts Payable and Accrued	18	3
Accrued Vacation Entitlements	32	13
Change in Severance Pay Liability	26	10
	2,637	2,663
FINANCING ACTIVITY		
Revenue Share to Province of Manitoba	(2,000)	(2,000)
INVESTING ACTIVITY		
Capital Asset Additions	(39)	(11)
Change in long term investment	(218)	-
Change in receivable from Province of Manitoba	218	-
Additions to deferred development costs	(59)	-
	(98)	(11)
CHANGE IN CASH AND SHORT TERM DEPOSITS	539	652
CASH AND SHORT TERM DEPOSITS, Beginning of Year	3,341	2,689
CASH AND SHORT TERM DEPOSITS, End of Year	$ 3,880	$ 3,341

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

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. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it compiled with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. (See disclosure in Note 3)

Section 3862 Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed. (See disclosure in Note 13)

Section 3863 Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's year end financial statements.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting:

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

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)

Intangible Assets

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

System Development	15 year straight line

Revenue Recognition

Revenue is recognized when the service is substantially complete.

Deferred Development Costs

Deferred development costs relate to direct labour and direct external costs incurred on the development of a new systems software. In the event management determines that the project is no longer viable or economically feasible, all deferred costs relating to the project will be expensed. If management determines that expected future net cash flows from the project do not exceed the unamortized deferred costs relating to the project, the excess amount will be expensed. Management assesses the feasibility and expected cash flows relating to deferred development costs on an annual basis.

Amortization of deferred development costs will commence in the period when the new systems software commences commercial use.

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 the 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital disclosures

The Agency's capital consists of retained earnings. The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

Financial Instruments - Recognition and Measurement

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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 and long term investment 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 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.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they are recorded in the statement of earnings and retained earnings.

Fair Value of Financial Instruments

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

(in thousands)

4. 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.

5. ACCOUNTS RECEIVABLE

	2009	2008
Trade	$ 28	$ 76
Accrued Revenue	147	123
	$ 175	$ 199

6. LONG TERM INVESTMENT

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $218 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $218 into a trust account bearing interest at 0.75% and maturing on March 30, 2010 to be held on the Agency's behalf until the cash is required to discharge the related liabilities. However, this is only likely to happen on the dissolution of the Agency. As such, this amount has been classified as a long term asset.

7. 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:

	2009	2008
Vacation Entitlements	$ -	$ 92
Severance Pay Benefits	-	126
	$ -	$ 218

The receivable was paid by the Province of Manitoba on March 31, 2009.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

8. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
Computer Equipment and Software	$ 103	$ 67	$ 36	$ 21
Office Equipment	16	16	-	-
Furniture and Fixtures	132	108	24	17
Leasehold Improvements	40	32	8	15
	$ 291	$ 223	$ 68	$ 53

Amortization charges for the year amounted to $24 (2008 - $27) of which $5 (2008 - $6) was expensed in Manitoba Business Links and $4 (2008 - $4) was expensed in Notaries on the schedule of operating expenses.

9. DEFERRED DEVELOPMENT COSTS

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
New system development	$ 59	-	$ 59	-

During the year, development costs were capitalized in the amount of $59 (2009 - $nil).

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

10. 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, 2009 was $244 (2008 - $218). 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.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

11. 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 2009 was $78 (2008 - $76). Under this agreement, the Agency has no further pension liability.

12. 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, 2010 are estimated to be $144 (2009 - $140).

(in thousands)

13. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

In the normal course of operations the Agency is exposed to various financial risks. The financial risk management objectives and policies are as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and short term deposits, accounts receivable and long term investment.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and short term deposits	$ 3,880
Accounts receivable	175
Long term investment	218
	$ 4,273

Cash and short term deposits and long term investment: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the nature of the accounts receivable is with related entities and consists of a large client base and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. The balance in the allowance for doubtful accounts at March 31, 2009 was $nil (2008 - $nil)

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on short term deposits are considered to be low because of their short-term nature.

SCHEDULE OF OPERATING EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
Accounting	$ 13	$ 13
Audit	6	6
Bad Debts	2	3
Bank Charges	41	34
Communications	26	27
Computer	102	106
Department Services	27	32
Desktop	79	73
Disaster Recovery	44	39
Equipment Maintenance and Rentals	10	8
Insurance	14	14
Legal Services	8	6
Manitoba Business Links	313	319
Miscellaneous	26	24
Name Search Application	156	153
New System Cost Allocation	1,122	1,218
Notaries	129	126
Office Rent	126	125
Payroll Processing	20	20
Postal and Courier	52	43
Programmers	96	85
Stationery	65	61
System Enhancements	-	1
Transportation	6	8
	$ 2,483	$ 2,544

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

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**	
		2009	**2008**
Myron Pawlowsky	Chief Operating Officer	$ 92	$ 90
Joan Alty	Manager, Manitoba Business Links	-	75
Shane Lasker	Deputy Director - Legal	73	71
Dave Rudy	Controller	70	68
Linda Kalinski	Deputy Director - Operations	64	64
Doris Van Damme	Clerk	-	59
Yun Shih	Examiner	-	58
Isabelle Aubin	Manager	-	57
Cari Bowley	Systems Analyst	55	53
Pak-Yan Chan	Management 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, 2009 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 27, 2009

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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, 2009

	2009	2008
ASSETS		
CURRENT		
Cash	**$ -**	$ 1,289
Accounts receivable *(Note 5)*	**666**	938
Work in progress *(Note 3)*	**307**	345
Prepaid expenses	**56**	61
	1,029	2,633
CAPITAL ASSETS *(Notes 3, 6)*	**196**	205
DUE FROM PROVINCE OF MANITOBA *(Note 9)*	**-**	670
LONG TERM INVESTMENT - PROVINCE OF MANITOBA *(Note 9)*	**670**	-
ASSETS HELD IN TRUST	**3**	4
	$ 1,898	$ 3,512
LIABILITIES		
CURRENT		
Working capital advance, net of cash *(Note 7)*	**$ 2,576**	$ -
Accounts payable and accrued liabilities *(Note 8)*	**467**	300
Client held funds	**511**	4,089
	3,554	4,389
SEVERANCE PAY LIABILITY *(Note 9)*	**333**	291
TRUST FUND LIABILITY	**3**	4
	3,890	4,684
DEFICIT	**(1,992)**	(1,172)
	$ 1,898	$ 3,512

LEASE COMMITMENTS *(Note 12)*

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, 2009

	2009	2008
REVENUE	**$ 3,098**	$ 3,014
EXPENSES		
Advertising	**8**	14
Amortization	**67**	57
Bad debts	**2**	56
Consulting fees	**98**	11
Desktop operating lease	**131**	133
Insurance	**2**	2
Interest on working capital advance	**60**	77
Meals and accommodations	**4**	11
Meetings and conventions	**2**	-
Office	**174**	165
Computer maintenance costs	**128**	148
Contributed services	**20**	262
Professional fees	**126**	139
Rental	**247**	231
Salaries and wages	**2,763**	2,354
Training	**50**	17
Travel	**35**	36
Relocation expense	**1**	75
	3,918	3,788
NET LOSS	**(820)**	(774)
DEFICIT - BEGINNING OF YEAR *(Note 10)*	**(1,172)**	(398)
DEFICIT - END OF YEAR	**$ (1,992)**	$ (1,172)

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, 2009

	2009	2008
OPERATING ACTIVITIES		
Cash receipts from customers	**$ 3,368**	$ 2,795
Cash paid to suppliers and employees	**(3,580)**	(3,655)
Interest paid	**(61)**	(77)
Increase (decrease) in client funds held	**(3,578)**	3,851
Increase (decrease) in severance pay liability	**42**	(66)
Cash flow from (used by) operating activities	**(3,809)**	2,848
INVESTING ACTIVITIES		
Purchase of equipment	**(56)**	(42)
Decrease in due from Province of Manitoba	**670**	-
Increase in long term investment	**(670)**	-
Cash flow used by investing activities	**(56)**	(42)
INCREASE (DECREASE) IN CASH FLOWS	**(3,865)**	2,806
CASH (WORKING CAPITAL ADVANCE, NET OF CASH) - BEGINNING OF YEAR	**1,289**	(1,517)
CASH (WORKING CAPITAL ADVANCE, NET OF CASH) - END OF YEAR	**$ (2,576)**	$ 1,289

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 has 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 provided 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 Associate 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. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's year end financial statements.

3. 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.

(continues)

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

Capital disclosure

The Agency's capital consists of working capital advances from the Province of Manitoba and deficit.

The Agency's capital management policy is to manage its capital to meet its objectives, to meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

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.

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 Manitoba Agriculture, Food and Rural Affairs (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.

4. FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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 financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash, net of working capital advance	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long term investment - Province of Manitoba	Loans and receivables	Amortized cost
Assets held in trust	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Client held funds	Other financial liabilities	Amortized cost
Severance pay liability	Other financial liabilities	Amortized cost
Trust fund liability	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair values of accounts receivable, accounts payable and accrued liabilities, assets held in trust, client held funds and trust fund liability approximate their carrying values due to their short-term maturity.

The fair value of the long term investment - Province of Manitoba and its related severance pay liability is determined using the effective interest rate method.

(continues)

4. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management - overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Accounts receivable	$ 666
Long term investment - Province of Manitoba	670
	$ 1,336

Cash and funds on deposits: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the customers are mostly government entities and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Long term investment - Province of Manitoba: The Agency is not exposed to significant credit risk as the trust account is being held on the Agency's behalf by the Province of Manitoba.

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	$ 56
Provision for receivable impairment	2
Balance, end of the year	$ 58

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

(continues)

(In Thousands)

4. FINANCIAL INSTRUMENTS *(continued)*

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit and long term debt.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature. The Agency has no long term debt.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. ACCOUNTS RECEIVABLE

The balance is comprised of the following amounts:

	2009	2008
Trade accounts receivable	**$ 724**	$ 994
Allowance for doubtful accounts	**(58)**	(56)
	$ 666	$ 938

6. CAPITAL ASSETS

	2009		2008	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Equipment	**$ 52**	**$ 25**	$ 52	$ 14
Computer equipment	**192**	**88**	148	54
Computer software	**107**	**47**	93	27
Furniture and fixtures	**12**	**7**	12	5
	$ 363	**$ 167**	$ 305	$ 100
Net book value	**$ 196**		$ 205	

(In Thousands)

7. WORKING CAPITAL ADVANCE

The Agency has an authorized line of working capital from the Province of Manitoba of $4,000 of which $2,600 was used as at March 31, 2009 (2008 - $nil was used).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2009		2008
The balance is composed of the following amounts:				
Trade accounts payable	**$**	**147**	$	39
Accrued wages, vacation pay and banked time		**317**		256
Goods and services tax		**3**		5
	$	**467**	$	300

9. 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. That responsibility is now reflected by the payment to the Agency by the Province of $670 on March 31, 2009, with the funds held on the Agency's behalf in an interest bearing trust account until it is required to discharge the related liability.

10. 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.

(In Thousands)

11. 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:

		2009	2008
Bernat, Leonard	Appraisal and Acquisition Officer	**$ 57**	$ 56
Charles, Jack	Administration Officer	**59**	-
Calder, Dean	Property Appraiser	**55**	-
Dzogan Ken	Manager, Land Acquisition Services	**60**	-
Kent, Rodney	Manager, Property Sales	**58**	54
Krakowka, Larry	Land Administrator	**59**	60
Kubasiewicz, Michal	Senior Manager	**97**	93
Le Neal, Normand	Financial Officer	**63**	62
Lucky, Rob	Property Appraiser	**57**	59
McLeod, Jerry	Property Appraiser	**-**	65
Millar, Scott	Property Appraiser	**76**	74
Wallcraft, Brian	Information Technologist	**53**	-
Penner, Mary Ann	Appraisal and Acquisition Officer	**57**	56
Pishak, Calvin	Information Technologist	**67**	64
Sheridan, Bryan	Administration Officer	**61**	59
Sonley, Judy	Appraisal and Acquisition Officer	**57**	56
Turner, Cynthia	Accounting Clerk	**-**	57
Dyck, Garry	Acquisition Officer	**53**	-
Kopytko, Wanda	Administration Officer	**50**	-

12. LEASE COMMITMENTS

The Agency's approved 2009/10 Business Plan calls for $282, to be paid in quarterly instalments during 2009/10, 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:

2010	$ 13
2011	3
2012	3

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, 2009 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 19, 2009

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 19, 2009.

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	Albert Ogonoski
Chief Operating Officer	Manager, Finance

Winnipeg, Manitoba
May 19, 2009

FLEET VEHICLES AGENCY

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

Balance Sheet

(In Thousands)

March 31, 2009

		2009		2008
ASSETS				
CURRENT				
Receivables *(Note 5)*	**$**	**3,658**	$	3,464
Inventory *(Note 3)*		**237**		206
Prepaids		**2,273**		2,111
		6,168		5,781
CAPITAL ASSETS *(Notes 3, 6)*		**60,045**		48,233
SEVERANCE PAY BENEFITS CASH IN TRUST *(receivable in 2008) (Note 7)*		**270**		270
	$	**66,483**	$	54,284
LIABILITIES				
CURRENT				
Working capital payable, net of cash *(Note 8)*	**$**	**2,141**	$	3,571
Accounts payable and accrued liabilities		**6,317**		3,252
Unearned revenue		**1,749**		1,455
Current portion of long term debt *(Note 9)*		**7,137**		7,113
		17,344		15,391
LONG TERM DEBT *(Note 9)*		**24,105**		16,450
SEVERANCE PAY LIABILITY *(Note 7)*		**494**		462
		41,943		32,303
EQUITY				
Contributed equity *(Note 10)*		**4,284**		4,284
Retained earnings		**20,256**		17,697
		24,540		21,981
	$	**66,483**	$	54,284

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, 2009

	2009	2008
REVENUE		
Vehicle and equipment leases	**$ 40,322**	$ 34,368
Gain on disposal of vehicles and equipment, net	**273**	599
Interest income	**10**	61
Other revenue *(Page 17)*	**5,163**	4,950
	45,768	39,978
EXPENSES		
Salaries and wages	**3,151**	2,978
Vehicle and equipment operating expenses *(Page 17)*	**35,602**	30,919
Administrative expenses *(Page 17)*	**1,711**	1,697
Community service	**43**	42
Interest expense	**1,202**	1,174
	41,709	36,810
NET EARNINGS	**4,059**	3,168
RETAINED EARNINGS - BEGINNING OF YEAR	**17,697**	16,029
	21,756	19,197
REVENUE SHARING TO THE CONSOLIDATED FUND	**(1,500)**	(1,500)
RETAINED EARNINGS - END OF YEAR	**$ 20,256**	$ 17,697

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, 2009

	2009	2008
OPERATING ACTIVITIES		
Net earnings	**$ 4,059**	$ 3,168
Items not affecting cash:		
Amortization	**11,084**	10,237
Gain on disposal of vehicles and equipment, net	**(273)**	(599)
Increase in severance pay liability	**43**	42
Payment of severance pay benefits	**(11)**	(19)
	14,902	12,829
Changes in non-cash working capital:		
Receivables	**(194)**	(738)
Inventory	**(31)**	(11)
Prepaids	**(162)**	47
Accounts payable and accrued liabilities	**3,065**	743
Unearned revenue	**294**	(243)
	2,972	(202)
Cash flow from operating activities	**17,874**	12,627
INVESTING ACTIVITIES		
Proceeds on disposal of vehicles and equipment	**1,473**	2,303
Acquisition of vehicles and equipment for lease	**(24,019)**	(10,591)
Acquisition of equipment for operations	**(77)**	(158)
Cash flow used by investing activities	**(22,623)**	(8,446)
FINANCING ACTIVITIES		
Proceeds from Loan Act Authority drawdowns	**15,200**	4,340
Repayment of long term debt	**(7,521)**	(7,085)
Revenue sharing to the Consolidated Fund	**(1,500)**	(1,500)
Cash flow from (used by) financing activities	**6,179**	(4,245)
INCREASE (DECREASE) IN CASH FLOW	**1,430**	(64)
WORKING CAPITAL PAYABLE, NET OF CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**(3,571)**	(3,507)
WORKING CAPITAL PAYABLE, NET OF CASH AND CASH EQUIVALENTS - END OF YEAR	**$ (2,141)**	$ (3,571)

1. NATURE OF ORGANIZATION

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.

Effective April 1, 2009, Fleet Vehicles Agency and the Mechanical Equipment Services Branch of the Department of Infrastructure and Transportation were amalgamated into a new Special Operating Agency named Vehicle and Equipment Management Agency (VEMA). The asset and liability balances of Fleet Vehicles Agency as of March 31, 2009, have been transferred at their carrying values to the books and records of VEMA at the start of business on April 1, 2009, with the difference between total assets and total liabilities credited to contributed equity. Accordingly, Fleet Vehicles Agency effectively ceased operations at the close of business on March 31, 2009, and has since been dissolved.

2. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535, Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital, and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862, Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments - Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863, Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments - Disclosure and Presentation, unchanged.

The three standards listed above have no impact on the recognition, measurement or presentation of financial instruments in the Agency's financial statements for the year ended March 31, 2009.

Section 3031, Inventories

Section 3031 replaces Section 3030, Inventories. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Agency's financial statements for the year ended March 31, 2009.

3. 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)

(In Thousands)

3. 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.

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.

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, 2009, was $108 (2008: $115). Under this agreement, the Agency has no further pension liability.

(continues)

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

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.

Capital disclosures

The Agency's capital consists of retained earnings provided by operations and contributed equity.

The Agency's capital management policy is to maintain sufficient capital in retained earnings to meet its objectives, while transferring surplus funds to the Province of Manitoba; meet short term capital needs through working capital advances from the Province of Manitoba; and meet long term capital needs through long term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the 2008/09 year.

The Agency is not subject to externally imposed capital requirements.

4. FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on a financial instrument's classification.

Financial instruments are classified 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 financial assets and liabilities of the Agency are classified and measured as follows:

Financial asset / liability	Category	Subsequent measurement
Cash and cash equivalents, net of working capital payable	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Severance pay benefits cash in trust	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost
Severance pay liability	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they would be recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

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

The fair value of severance pay benefits cash in trust and its related severance pay liability is determined using the effective interest rate method.

(continues)

(In Thousands)

4. FINANCIAL INSTRUMENTS *(continued)*

The fair value of the long term debt is determined using the present value of future cash flows under current financing agreements, based on the Agency's current estimated borrowing rate for loans with similar terms and conditions. The fair value of this long term debt is $31,769 as of March 31, 2009 (2008: $23,791).

Financial risk management

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash, cash equivalents and receivables.

The maximum exposure of the Agency to credit risk as of March 31, 2009, is:

Receivables	$	3,658
Severance pay benefits cash in trust		270
	$	3,928

Receivables: The Agency is not exposed to significant credit risk since the receivables are with departments, agencies and crown corporations within the Manitoba provincial government, or are with organizations within the broader public sector that are funded in part by the provincial or federal governments. An allowance for doubtful accounts was not recorded as of March 31, 2009.

Severance pay benefits cash in trust: The Agency is not exposed to significant credit risk as the cash is held in trust with the Province of Manitoba.

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by balancing its cash flow requirements through its available working capital payable limit and its long term debt draw downs from Loan Act Authority. Regular determinations of the Agency's working capital payable limit and long term debt requirements are reviewed by the Province of Manitoba to ensure that adequate funding is available as required to enable the Agency to meet its obligations as they come due.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's net earnings or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

(continues)

(In Thousands)

4. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash, cash equivalents and long term debt.

The interest rate risk on cash and cash equivalents is considered to be low because of their short term nature.

The Agency manages its interest rate risk on long term debt through the exclusive use of fixed rate terms for its long term debt. A change of 100 basis points in the interest rates would have increased or decreased its fair value by $1,134 as of March 31, 2009 (2008: $787).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. RECEIVABLES

	2009	2008
Trade	**$ 1,889**	$ 1,842
Accrued trade	**1,274**	1,167
Insurance rebate receivable	**495**	455
	$ 3,658	$ 3,464

6. CAPITAL ASSETS

	2009		2008	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Vehicles and equipment for lease	**$ 106,609**	**$ 47,021**	$ 90,631	$ 42,897
Office and shop equipment	**1,491**	**1,171**	1,414	1,095
Leasehold improvements	**707**	**570**	707	527
	$ 108,807	**$ 48,762**	$ 92,752	$ 44,519
Net book value	**$ 60,045**		$ 48,233	

7. 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 was previously 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. That responsibility is now reflected by the payment to the Agency by the Province of $270 on March 31, 2009, with the funds held on the Agency's behalf in an interest bearing trust account until it is required to discharge the related liability.

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, 2009, was $494 (2008: $462).

8. WORKING CAPITAL PAYABLE

The Agency has an authorized line of working capital advances of $4,000, $2,278 of which was used as of March 31, 2009 (2008: $3,683).

(In Thousands)

9. 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	**2009**	2008
6.425%	146	March 31, 2009	**$ -**	$ 278
3.625%	149	March 31, 2009	**-**	291
3.5%	259	March 31, 2009	**-**	504
5.25%	159	September 30, 2009	**155**	454
5.625%	134	September 30, 2009	**131**	381
4.125%	56	September 30, 2009	**55**	161
4%	167	March 31, 2010	**324**	636
4.375%	438	March 31, 2010	**849**	1,662
5.125%	123	September 30, 2010	**350**	568
4.75%	227	March 31, 2011	**857**	1,256
4.75%	451	March 31, 2011	**1,701**	2,494
4.875%	137	September 30, 2011	**636**	870
4.75%	102	September 30, 2011	**476**	652
4.625%	475	March 31, 2012	**2,634**	3,435
4.75%	137	September 30, 2012	**871**	1,095
5%	142	September 30, 2012	**900**	1,129
4%	345	March 31, 2013	**2,528**	3,100
4.05%	140	September 30, 2013	**1,143**	1,370
3.875%	355	September 30, 2013	**2,907**	-
4.875%	148	March 31, 2015	**1,519**	1,732
4.125%	117	September 30, 2015	**1,321**	1,495
4.875%	237	September 30, 2023	**4,885**	-
5%	334	March 31, 2024	**7,000**	-
			31,242	23,563
Amounts payable within one year			**(7,137)**	(7,113)
			$ 24,105	$ 16,450

(continues)

(In Thousands)

9. LONG TERM DEBT *(continued)*

Unused loan authority of $4,900 was available as of March 31, 2008. An additional $18,900 of loan authority availability was approved during June 2008 in The Loan Act, 2008. Of the $23,800 in available loan authority, $15,200 was drawn down at various times during the 2008/09 year, leaving $8,600 of loan authority availability as of March 31, 2009.

As of March 31, 2009, principal repayments in each of the next five years are as follows:

2010	$	7,137
2011		5,760
2012		4,289
2013		2,999
2014		1,653

10. 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.

(In Thousands)

11. 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:

		2009	2008
Reginald Batenchuk	Automotive Equipment Mechanic	**$ 52**	$ 52
Kathryn Bernhardt	Manager, Support Services	**64**	60
Raymond Bobbie	Body Shop Technician	**50**	-
Neil Bogen	Automotive Equipment Mechanic	**52**	52
Andy Chartrand	Environment and Program Analyst	**62**	58
Donald Chesney	Manager, Fleet	**75**	72
Azeez Ciba	Programmer	**54**	-
Al Franchuk	Chief Operating Officer	**86**	81
Janessa Friedrich	Programmer Analyst	**55**	51
Grant Fraser	Mechanical Shop Supervisor	**62**	62
Ted Fudali	Radio Services Technician	**51**	-
Brian Gould	Body Shop Technician	**51**	-
Richard Heck	Systems Analyst	**67**	64
Kerry Kalupar	Automotive Equipment Mechanic	**51**	-
Kevin Kilbrei	Manager, Marketing	**-**	68
David Kroeker	Systems Supervisor	**80**	77
Vladimair Lachowsky	Radio Services Technician	**60**	54
Keith Leganchuk	Radio Services Technician	**56**	60
Robert Nolin	Body Shop Supervisor	**-**	56
Gregory O'Connor	Body Shop Technician	**51**	-
Albert Ogonoski	Manager, Finance	**71**	69
Grant Recknell	Radio Services Supervisor	**58**	58
William Reynolds	Manager, Strategic Planning	**70**	68
Sean Savage	Automotive Equipment Mechanic	**52**	52
Guy Sinclair	Manager, Operations	**87**	85
Karl Strieby	Systems Support Specialist	**51**	-
Hung Tran	Systems Analyst	**68**	-

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, 2009

		2009		2008
Other revenue				
Autopac service	$	599	$	631
Garage regular service		522		538
Insurance premium rebates		1,046		993
Other, including fuel billings for managed vehicles that are not owned		1,121		1,069
Radio Services		1,875		1,719
	$	5,163	$	4,950
Vehicle and equipment operating expenses				
Amortization	$	10,957	$	10,102
Fuel		14,078		11,189
Insurance premiums		4,110		3,955
Licenses		164		132
Repairs and maintenance		6,293		5,541
	$	35,602	$	30,919
Administrative expenses				
Amortization	$	127	$	135
Fleet management information system		195		181
Human resource overhead		641		604
Occupancy costs		458		480
Other costs		150		160
Professional fees		17		16
SOAFA charges		4		4
Supplies and materials		75		70
Telephone and communication		44		47
	$	1,711	$	1,697

THE EXCHANGE
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, 2009 and the statements of loss 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 6, 2009

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

Balance Sheet

(In Thousands)

March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash and short-term deposits	**$ 895**	$ 1,619
Accounts receivable *(Note 5)*	**172**	398
Prepaid expenses and deposits	**78**	60
Due from Food Safety Initiative	**306**	19
Deposit on equipment	**-**	554
	1,451	2,650
PROPERTY AND EQUIPMENT *(Notes 3, 6)*	**9,781**	9,531
SEVERANCE PAY BENEFITS CASH IN TRUST (receivable in 2008) *(Notes 7, 12)*	**41**	41
	$ 11,273	$ 12,222
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities *(Note 9)*	**$ 364**	$ 798
Accrued vacation pay *(Note 10)*	**98**	87
Unearned revenue	**62**	102
Due to Functional Food Cluster	**29**	24
Current portion of long term debt *(Note 11)*	**18**	18
	571	1,029
LONG TERM DEBT *(Note 11)*	**142**	159
SEVERANCE LIABILITY *(Note 12)*	**112**	99
DEFERRED CONTRIBUTIONS *(Note 13)*	**10,069**	10,422
	10,894	11,709
RETAINED EARNINGS	**379**	513
	$ 11,273	$ 12,222

FOOD DEVELOPMENT CENTRE

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

Statement of Loss and Retained Earnings

(In Thousands)

Year Ended March 31, 2009

	2009	2008
REVENUE		
Grants - Province of Manitoba	$ 2,338	$ 2,234
Fee for service	524	878
Lease income	124	70
Interest and other income	178	125
Amortization of deferred capital contributions *(Note 13)*	709	668
	3,873	3,975
DIRECT OPERATING EXPENSES		
Salaries and benefits	1,726	1,409
Lab supplies	138	134
Purchases services	141	264
Travel	46	51
Postage, courier and telephone	47	36
Printing and stationery	13	16
Marketing	36	24
Library	16	23
	2,163	1,957
GROSS PROFIT	1,710	2,018
ADMINISTRATIVE EXPENSES *(Schedule 1)*	1,844	1,811
NET INCOME (LOSS)	(134)	207
RETAINED EARNINGS - BEGINNING OF YEAR	513	306
RETAINED EARNINGS - END OF YEAR	$ 379	$ 513

FOOD DEVELOPMENT CENTRE

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

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Cash receipts from customers	**$ 914**	$ 1,525
Cash receipts from grants	**2,338**	2,234
Cash received from Agricultural Research and Development Initiative	**-**	525
Cash paid to suppliers and employees	**(3,553)**	(2,840)
Interest paid	**(102)**	(109)
Interest received	**38**	45
Cash flow from (used by) operating activities	**(365)**	1,380
INVESTING ACTIVITIES		
Purchase of equipment	**(969)**	(1,596)
Deposit on equipment	**554**	(554)
Deposit in joint venture	**-**	200
Cash flow used by investing activities	**(415)**	(1,950)
FINANCING ACTIVITIES		
Due from Food Safety Initiative	**(287)**	15
Due to Functional Food Cluster	**5**	21
Deferred capital contributions	**355**	1,834
Repayment of long term debt	**(17)**	(18)
Cash flow from financing activities	**56**	1,852
INCREASE (DECREASE) IN CASH FLOWS	**(724)**	1,282
CASH - BEGINNING OF YEAR	**1,619**	337
CASH - END OF YEAR	**$ 895**	$ 1,619

1. NATURE OF ORGANIZATION

Established in 1978, 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 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 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 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. 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 Rural Development, being the Minister responsible for the Agency at that time, assigned responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

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

The Centre remains bound by relevant legislation and regulations.

An advisory board with representation from the food industry, client's of the Centre, academia and government provides direction on policy and operating activities.

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. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, the Centre adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Centre's year end financial statements.

3. 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)

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

Capital disclosure

The Centre's capital consists of retained earnings provided from operations.

The Centre's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Centre's approach to capital management during the period.

The Centre is not subject to externally imposed capital requirements.

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.

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.

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

(continues)

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

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.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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 financial assets and liabilities of the Centre are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and short-term deposits	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from Food Safety Initiative	Loans and receivables	Amortized cost
Severance pay benefits cash in trust	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost
Due to Functional Food Cluster	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost
Severance liability	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair values of accounts receivable, due from Food Safety Initiative, accounts payable and accrued liabilities and due to Functional Food Cluster approximate their carrying values due to their short-term maturity.

(continues)

(In Thousands)

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

The fair value of severance pay benefits cash in trust and its related severance pay liability is determined using the effective interest rate method.

The fair value of the long-term debt is determined using the present value of future cash flows under current financing agreements, based on the Centre's current estimated borrowing rate for loans with similar terms and conditions. The fair value of this long-term debt is $171 as at March 31, 2009 (2008 - $188).

Financial risk management - overview

The Centre has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Centre to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Centre to credit risk at March 31, 2009 is:

Cash and short-term deposits	$ 895
Accounts receivable	172
Due from Food Safety Initiative	306
	$ 1,373

Cash and short-term deposits: The Centre is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Centre is not exposed to significant credit risk as the customers are mostly government entities and payment in full is typically collected when it is due. The Centre establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Due from Food Safety Initiative: The Centre is not exposed to significant credit risk as the receivable is from a program that is within the Province of Manitoba and funded by the Government of Canada.

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	$ 100
Provision for receivable impairment	60
Amounts written off	(79)
Balance, end of the year	$ 81

(continues)

(In Thousands)

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk

Liquidity risk is the risk that the Centre will not be able to meet its financial obligations as they come due.

The Centre manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Centre's income or the fair values of its financial instruments. The significant market risks the Centre is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit and long term debt.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

The Centre manages its interest rate risk on long-term debt through the exclusive use of fixed rate terms for its long-term debt. A change of 100 basis points in the interest rates would have increased or decreased its fair value by $7 (2008 - $8).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Centre is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following amounts:

	2009	2008
Trade accounts receivable	**$ 193**	$ 498
Allowance for doubtful accounts	**(81)**	(100)
Note receivable from tenant	**60**	-
	$ 172	$ 398

Included in the allowance for doubtful accounts is the allowance for the note receivable from tenant, which had central government authorization for the allowance to be recorded.

(In Thousands)

6. PROPERTY AND EQUIPMENT

	2009 Cost	2009 Accumulated amortization	2008 Cost	2008 Accumulated amortization
Equipment - commercial and product development	**$ 5,858**	**$ 1,086**	$ 5,045	$ 837
Computer hardware and software	**96**	**89**	96	84
Equipment - office	**369**	**345**	369	317
Building improvements	**6,608**	**1,726**	6,547	1,288
Commercial and training expansion	**96**	**-**	-	-
	$ 13,027	**$ 3,246**	$ 12,057	$ 2,526
Net book value	**$ 9,781**		$ 9,531	

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.

7. SEVERANCE RECEIVABLE FROM PROVINCE OF MANITOBA

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Centre prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain Centre's employees. Accordingly, the Centre recorded a receivable of $41 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009, the Province of Manitoba had agreed to pay the receivable balances related to the funding for these liabilities and has placed the amount of $41 into an interest bearing trust account to be held on the Centre's behalf until the cash is required to discharge the related liabilities.

8. 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, 2009 (2008 - $NIL was used).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Trade	**$ 221**	$ 649
Interest	**118**	128
Sales tax	**25**	21
	$ 364	$ 798

(In Thousands)

10. 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.

11. LONG TERM DEBT

	2009	2008
Province of Manitoba loan bearing interest at 5.80% per annum, with annual principal payments of $18 plus interest. The loan matures on April 30, 2017.	**$ 160**	$ 177
Amounts payable within one year	**(18)**	(18)
	$ 142	$ 159

Principal repayment terms are approximately:

2010	$ 18
2011	18
2012	18
2013	18
2014	18

(In Thousands)

12. 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 was reflected by a $41 receivable from the Province of Manitoba, which has been paid back during the fiscal year.

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 Centre's actuarially determined net liability for accounting purposes as at March 31, 2009 was $112 (2008 - $99). 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.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

(In Thousands)

13. DEFERRED CAPITAL CONTRIBUTIONS

	2009	2008
Balance, beginning of year	**$ 10,422**	$ 9,256
Add: Contributions received		
Government of Canada	**356**	1,834
Less: Amount amortized as revenue	**(709)**	(668)
Balance, end of year	**$ 10,069**	$ 10,422

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.

14. 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.

15. 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 $89 (2008 - $85).

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

(In Thousands)

16. 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	**$**	**95**
Appah, Paulyn	Senior Process Development Consultant		**64**
Lalla, Mike	Manager, Support Services		**89**
Gherasim, Gord	Supervisor, Pilot Plant		**56**
Nivet, Meeling	Product Development Group Leader		**75**
Schultz, Nona	HACCP/Regulatory Affairs Coordinator		**61**
Henuset, Alana	Information Officer		**61**
Templeton, Karen	Group Leader - Administration		**55**
Planinich, Javier	Manager, Pilot Plant and Commercial Activities		**85**
Dean, Sabrina	HACCP/Regulatory Affairs Coordinator		**66**
Ghosh, Prabal	Senior Scientist		**61**
Irvine, Roberta	Business Development Officer		**72**
Kuharski, Shawn	Product Development Consultant		**50**
Lowry, Lynda	Chief Operating Officer/General Manager		**86**
Meseyton, Janice	Senior Product Development Consultant		**61**
Miller, Shauna	Product Development Consultant		**50**
Nelson, Corwin	Power Engineer		**50**
Sawyer, Laura	Senior Scientist		**72**
Spencer, Jeremy	Product Development Consultant		**57**

17. RELATED PARTY TRANSACTIONS

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

	2009	2008
Province of Manitoba		
(Special Operating Agency of the Province of Manitoba)		
Grants received	**$ 2,338**	$ 2,234
Property taxes paid	**150**	149
Occupancy costs paid	**639**	656

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.

FOOD DEVELOPMENT CENTRE

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

Administrative expenses *(Schedule 1)*

Year Ended March 31, 2009

	2009	2008
Accreditation and licensing fees	**$ 9**	$ 10
Advisory committee fees	**3**	-
Amortization	**719**	690
Bad debts	**60**	-
Computer expenses	**74**	86
Equipment rentals	**62**	120
Insurance	**71**	80
Interest on long term debt	**100**	111
Memberships	**10**	6
Occupancy expenses	**639**	656
Professional fees	**22**	33
Property taxes	**150**	149
Repairs and maintenance	**120**	58
Research and development	**6**	8
Staff relocation	**9**	8
Training	**12**	22
Expense recoveries	**(222)**	(226)
	$ 1,844	$ 1,811

EXG

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, 2009 and the statements of income and retained earnings 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 11, 2009

100-123 Bannatyne Ave., Winnipeg, MB R3B 0R3
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Toll Free: 1-866-EXG-0303
E-mail: info@exg.ca Website: www.exg.ca

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 11, 2009.

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 are followed.

Green Manitoba'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 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,

Doug Smith
Director

Winnipeg, Manitoba
May 11, 2009

GREEN MANITOBA ECO SOLUTIONS

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

Balance Sheet

March 31, 2009

		2009		2008
ASSETS				
CURRENT				
Cash	**$**	**890**	$	109
Accounts receivable *(Note 5)*		**579**		195
Prepaid expenses		**-**		1
		1,469		305
CAPITAL ASSETS *(Notes 3, 6)*		**6**		9
	$	**1,475**	$	314
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	**$**	**779**	$	101
Deferred revenue *(Note 3)*		**632**		252
		1,411		353
SEVERANCE LIABILITY *(Note 8)*		**-**		2
		1,411		355
EQUITY				
Contributed surplus *(Note 9)*		**9**		9
Retained earnings (deficit)		**55**		(50)
		64		(41)
	$	**1,475**	$	314

GREEN MANITOBA ECO SOLUTIONS

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

Statement of Income and Retained Earnings

Year Ended March 31, 2009

	2009	2008
REVENUE		
Science, Technology, Energy and Mines Grant (STEM)	**$ 1,881**	$ 1,881
Other government revenue	**3,011**	532
Non government revenue	**230**	103
	5,122	2,516
EXPENSES		
Advertising and promotion	**22**	19
Amortization	**3**	3
Computer expenses	**29**	27
Contracted services	**76**	153
Moving	**9**	-
Office	**43**	31
Professional fees	**7**	6
Program supplies and services	**4,051**	1,364
Rent	**115**	114
Salaries and wages	**637**	652
Severance expense	**-**	2
Training	**4**	7
Travel	**21**	33
	5,017	2,411
NET INCOME	**105**	105
DEFICIT - BEGINNING OF YEAR	**(50)**	(155)
RETAINED EARNINGS (DEFICIT) - END OF YEAR	**$ 55**	$ (50)

GREEN MANITOBA ECO SOLUTIONS

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

Statement of Cash Flows

Year Ended March 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Net income	**$ 105**	$ 105
Item not affecting cash:		
Amortization of capital assets	**3**	3
	108	108
Changes in non-cash working capital:		
Accounts receivable	**(384)**	(178)
Accounts payable and accrued liabilities	**676**	85
Deferred revenue	**380**	153
Prepaid expenses	**1**	-
	673	60
Cash flow from operating activities	**781**	168
INVESTING ACTIVITY		
Purchase of equipment	**-**	(4)
INCREASE IN CASH FLOW	**781**	164
CASH (WORKING CAPITAL PAYABLE) - BEGINNING OF YEAR	**109**	(55)
CASH - END OF YEAR	**$ 890**	$ 109

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. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, Green Manitoba adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in Green Manitoba's year end financial statements.

3. 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)

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

Capital disclosure

Green Manitoba's capital consists of retained earnings (deficit) and contributed surplus provided from operations.

Green Manitoba's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

Green Manitoba is not subject to externally imposed capital requirements.

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.

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.

4. FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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 financial assets and liabilities of Green Manitoba are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash (working capital payable)	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

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

Financial risk management - overview

Green Manitoba has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject Green Manitoba to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of Green Manitoba to credit risk at March 31, 2009 is:

Cash	$ 890
Accounts receivable	579
	$ 1,469

(continues)

4. FINANCIAL INSTRUMENTS *(continued)*

Cash: Green Manitoba is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: Green Manitoba is not exposed to significant credit risk as the customers are mostly government entities and payment in full is typically collected when it is due. Green Manitoba establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Liquidity risk

Liquidity risk is the risk that Green Manitoba will not be able to meet its financial obligations as they come due.

Green Manitoba manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect Green Manitoba's income or the fair values of its financial instruments. The significant market risks Green Manitoba is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Green Manitoba is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following amounts:

	2009	2008
Severance	**$ 42**	$ -
Education - Gimli water project	**-**	8
E-waste recycling	**5**	112
UDI - West Broadway Low Income	**-**	75
Eco-Calendar	**1**	-
Low Income Residential Efficiency Program	**531**	-
	$ 579	$ 195

6. CAPITAL ASSETS

	2009		2008	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Computer equipment	**$ 4**	**$ 2**	$ 4	$ 1
Furniture and fixtures	**9**	**5**	9	3
	$ 13	**$ 7**	$ 13	$ 4
Net book value	**$ 6**		$ 9	

7. 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, 2009 (2008 - $Nil).

8. SEVERANCE LIABILITY

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

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 Green Manitoba's actuarially determined net liability for accounting purposes as at March 31, 2009 was $NIL (2008 - $2).

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

9. 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.

10. 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 expensed by Green Manitoba in the current year is $29 (2008 - $25).

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

11. PUBLIC SECTOR COMPENSATION DISCLOSURE

		2009	2008
Eckstein, Brett	Planning program analyst 1	**$ -**	$ 65
Ferguson, Jim	Planning program analyst 3	**70**	68
Jonasson, John	Planning consultant	**86**	77
McKenzie, Shane	Planning program analyst 2	**55**	52
Shymko, Randall	Planning program analyst 3	**59**	55
Storey, C. Marie	Planning program analyst 1	**51**	-

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.

During the year, Green Manitoba was not the employer of record for any other 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.

Industrial Technology Centre

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www.itc.mb.ca

May 29, 2009

For the year ended March 31, 2009

The accompanying financial statements of the Industrial Technology Centre are the responsibility of management and have been prepared by ITC 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 May 29, 2009.

Management maintains internal controls designed to indicate responsibility, provide reasonable assurance of the reliability and accuracy of the financial statements, and properly safeguard ITC's assets.

The responsibility of the external audit is to express an independent, professional opinion lending assurance and objectivity as to whether the financial statements of ITC 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,

Trevor Cornell	David Olafson
Chief Operating Officer	Manager, Corporate Services

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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, 2009 and the statements of earnings, comprehensive income (loss) 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, 2009 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 29, 2009

INDUSTRIAL TECHNOLOGY CENTRE
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Balance Sheet
As at March 31, 2009

(in thousands)	2009	2008
Assets		
Current		
Cash and funds on deposit with Minister of Finance		
net of working capital advance (note 6)	$ 373	$ 176
Accounts receivable	242	458
Due from Province of Manitoba	-	103
Prepaid expenses	58	16
	673	753
Long term investment (note 5)	103	-
Capital assets (notes 3 and 7)	665	633
	768	633
	$ 1,441	$ 1,386
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 406	$ 637
Deferred revenue	218	36
	624	673
Severance liability (note 8)	247	229
	871	902
Equity		
Contributed Equity (note 9)	62	62
Retained Earnings	508	422
	570	484
	$ 1,441	$ 1,386

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, Comprehensive Income (Loss) and Retained Earnings

For the year ended March 31, 2009

(in thousands)	2009	2008
Revenue		
Province of Manitoba	$ 750	$ 750
Fee for service	1,953	1,656
Other	133	134
	2,836	2,540
Operating expenses		
Advertising and promotion	89	68
Amortization	139	131
Audit and legal	9	8
Bad debts	1	-
Building maintenance	55	48
Computer	47	44
Equipment	85	59
Fees and memberships	33	24
Insurance	41	40
Library	10	12
Office	68	48
Professional development	13	20
Project supplies and subcontract	95	125
Purchased services	8	4
Rent and property tax	321	310
Salaries and benefits	1,647	1,516
Travel	38	36
Utilities	51	53
	2,750	2,546
Net earnings (loss) and comprehensive income (loss)	86	(6)
Retained earnings at beginning of period	422	428
Retained earnings at end of period	$ 508	$ 422

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, 2009

(in thousands)	2009	2008
Cash derived from (applied to):		
Operating activities		
Net earnings (loss) and comprehensive income (loss)	$ 86	($ 6)
Items not involving cash		
Amortization	139	131
	225	125
Changes in non-cash working capital balances		
Accounts receivable	216	(131)
Due from Province of Manitoba	103	-
Prepaid expenses	(42)	4
Accounts payable and accrued liabilities	(231)	194
Deferred revenue	182	31
Severance liability	18	16
	471	239
Investing activities		
Long term investment	(103)	-
Acquisition of capital assets	(171)	(104)
	(274)	(104)
Net increase in cash and cash equivalents	197	135
Cash and cash equivalents at beginning of period	176	41
Cash and cash equivalents at end of period	$ 373	$ 176
Represented by:		
Cash and bank	$ 47	$ 21
Funds on deposit with the Minister of Finance	326	155
	$ 373	$ 176
Interest revenue included in cash flow from operating activities	$ 6	$ 7

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.

(In Thousands)

2. Change in Accounting Policies

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures
Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures
Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation
Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's yearend financial statements.

3. Significant Accounting Policies

Basis of Reporting

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

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

3. Significant Accounting Policies (continued)

Capital Disclosures

The Agency's capital consists of contributed equity and retained earnings provided from operations.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

Government Assistance

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

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.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Agency, are as follows:

Financial Statement Concepts
CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

3. Significant Accounting Policies (continued)

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Agency is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

International Financial Reporting Standards
The AcSB plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Agency's financial statements has yet to be determined.

4. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument’s classification. Financial instruments are classified 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 financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and funds on deposit	Held for trading	Fair value
Long term investment	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair Value of Financial Instruments

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

4. Financial Instruments and Financial Risk Management (continued)

Financial Risk Management - Overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk
Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and funds on deposit	$ 373
Accounts receivable	242
Long term investment	103
	$718

Cash, funds on deposits and long term investment: The Agency is not exposed to significant credit risk as the cash, term deposits and long term investment are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management’s estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

There was no change in the allowance for doubtful accounts during the year and the balance at March 31, 2009 was $20.

Liquidity Risk
Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

4. Financial Instruments and Financial Risk Management (continued)

Market Risk
Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in foreign currency.

5. Long Term Investment

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $103 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $103 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

6. Working Capital Advance

The Agency has an authorized line of working capital advances up to a maximum of $300. As at March 31, 2009 working capital advances were nil (2008 – nil). The line bears interest at prime less 1% and is not secured by specific assets.

(In Thousands)

7. Capital Assets

	2009		2008	
	Cost	**Accumulated amortization**	**Cost**	**Accumulated amortization**
Furniture and fixtures	$ 16	$ 7	$ 10	$ 6
Office and laboratory equipment	1,192	780	1,043	713
Computer equipment and software	680	572	664	521
Leasehold improvements	200	64	200	44
	$ 2,088	**$ 1,423**	**$ 1,917**	**$ 1,284**
Net book value	**$ 665**		**$ 633**	

8. 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 Agency's actuarially determined net liability for accounting purposes as at March 31, 2009 was $247 (2008 - $229). 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.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Annual salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

(In Thousands)

9. 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.

10. 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 2009/10 - FY 2014/15 (per year)	$189	$51	$240
FY 2015/16 (7 mos)	110	30	140

11. 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 2009 is $78 (2008 - $75).

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

12. 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.

The accompanying financial statements are the responsibility of the Management of Manitoba Education, Research and Learning Information Networks (MERLIN) 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 May 27, 2009.

Management maintains internal controls to properly safeguard MERLIN'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 Auditors' responsibility is to express an independent opinion on whether the financial statements of MERLIN are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' report outlines the scope of the audit examination and provides an audit opinion.

On behalf of Management,

Greg Baylis
Chief Operating Officer

David Olafson
Controller

Manitoba Education, Research and Learning Information Networks (MERLIN)

May 27, 2009

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An Agency of the Province of Manitoba

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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, 2009 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, 2009 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 27, 2009

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		2009		2008
Assets				
Current Assets				
Cash and funds on deposit	$	371	$	604
Accounts receivable		622		217
Receivable from the Province of Manitoba		-		47
Prepaid expense		289		274
		1,282		1,142
Long term investment (Note 4)		47		-
Capital assets (Note 5)		622		467
	$	1,951	$	1,609
Liabilities and Equity				
Current Liabilities				
Accounts payable and accrued expenses	$	484	$	214
Unearned revenue		960		1,028
		1,444		1,242
Severance pay liability (Note 8)		84		75
		1,528		1,317
Commitments (Note 10)				
Retained earnings (Page 4)		423		292
	$	1,951	$	1,609

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
(In Thousands)

For the year ended March 31	**2009**	2008
Revenue		
Province of Manitoba - Science, Technology, Energy and Mines Funding	**$ 446**	$ 446
Fee for goods and services	**3,207**	2,873
Other	**14**	27
Cyberschools	**-**	133
Community Connections	**783**	-
	4,450	3,479
Expenses		
Advertising and promotion	**47**	27
Amortization	**147**	93
Audit and legal fees	**9**	10
Communication	**197**	189
Community Connections	**759**	-
Conferences	**-**	13
Cost of purchases for resale	**1,653**	1,445
Cyberschools		
Salaries and benefits	**-**	61
Other expenses	**-**	72
Equipment repair and maintenance	**160**	113
Occupancy	**60**	61
Office and miscellaneous	**33**	36
Professional development	**58**	44
Purchased services	**45**	8
Salaries and benefits	**1,105**	969
Travel	**46**	45
	4,319	3,186
Net income and comprehensive income for the year	**131**	293
Retained earnings (deficit), beginning of year	**292**	(1)
Retained earnings, end of year (Page 3)	**$ 423**	$ 292

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	2009	2008
Cash Flows from Operating Activities		
Net income for the year	$ 131	$ 293
Adjustment for		
Amortization	147	93
	278	386
Changes in non-cash working capital		
Accounts receivable	(405)	3
Prepaid expenses	(15)	98
Receivable from the Province of Manitoba	47	-
Accounts payable	270	(47)
Unearned revenue	(68)	33
	(171)	87
Severance liability	9	(16)
	116	457
Cash Flows from Investing Activities		
Capital assets	(302)	(356)
Purchase of long term investment	(47)	-
	(349)	(356)
Cash Flows from Financing Activities		
Cyberschools	-	(133)
Net decrease in cash and cash equivalents	(233)	(32)
Cash and cash equivalents, beginning of year	604	636
Cash and cash equivalents, end of year	$ 371	$ 604

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.

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 Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Agency, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Agency is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

International Financial Reporting Standards

The AcSB plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Agency's financial statements has yet to be determined.

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. Change in Accounting Policies

Effective April 1, 2008 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535, Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862, Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

2. Change in Accounting Policies (continued)

Section 3863, Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's yearend financial statements

3. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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 financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and funds on deposit and long term investment	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued expenses	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

3. Financial Instruments and Financial Risk Management (continued)

Fair value of financial instruments

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

Financial risk management - overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and funds on deposit, trust account and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and funds on deposit	$ 371
Accounts receivable	622
Long term investment	47
Maximum exposure to credit risk	$ 1,040

Cash and funds on deposits and long term investment: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of year	$ 24
Amounts written off in the year	(3)
Balance, end of year	$ 21

3. Financial Instruments and Financial Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

4. Long Term Investment

The Province accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as a Special Operating Agency, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $47 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $47 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

(in Thousands)

5. Capital Assets

	2009 Cost	2009 Accumulated Amortization	2008 Cost	2008 Accumulated Amortization
Computer hardware	**$ 773**	**$ 249**	$ 564	$ 201
Computer software	**92**	**31**	81	14
Equipment and furniture	**39**	**16**	47	18
Leaseholds	**20**	**6**	11	3
	$ 924	**$ 302**	$ 703	$ 236
Cost less accumulated amortization		**$ 622**		$ 467

6. 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, 2009 (2008 - $NIL).

During the year, the Agency incurred interest charges of $NIL (2008 - $NIL).

7. 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, 2009, the accrued vacation entitlement was $113 (2008 - $98).

(in Thousands)

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.

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, 2009 was $84 (2008 - $75). 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.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Annual salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

9. 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)

10. 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:

2010	$	39
2011		39
2012		39
2013		39

11. 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 2009 was $48 (2008 - $41). Under this agreement, the Agency has no further pension liability.

12 Capital Disclosures

The Agency's capital consists of retained earnings provided from operations.

The Agency’s capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency’s approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

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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, 2009 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, 2009 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 20, 2009

THE MANITOBA SECURITIES COMMISSION
Balance Sheet
(in thousands)

March 31		**2009**		2008
Assets				
Current Assets				
Cash and short-term deposits (Note 4)	**$**	**7,813**	$	6,127
Accounts receivable (Note 5)		**19**		30
Receivable from the Province of Manitoba (Note 7)		**-**		269
Prepaid expenses		**44**		29
		7,876		6,455
Restricted short-term deposits (Note 6)		**750**		750
Long-term investments (Note 6)		**269**		-
Capital assets (Note 8)		**113**		178
	$	**9,008**	$	7,383
Liabilities and Equity				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**67**	$	75
Accrued vacation entitlements (Note 9)		**239**		239
Accrued salaries and benefits		**21**		10
		327		324
Severance pay liability (Note 10)		**215**		211
		542		535
Commitments and contingency (Notes 11 and 14)				
Reserve Fund (Note 12) (Page 5)		**750**		750
Retained earnings (Page 5)		**7,716**		6,098
		8,466		6,848
	$	**9,008**	$	7,383

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	**2009**	2008
Revenue		
Fees	**$ 12,751**	$ 12,386
Interest	**146**	216
Miscellaneous	**1**	1
	12,898	12,603
Expenses		
Salaries and benefits	**2,759**	2,607
Staff development and professional dues	**39**	29
Premises	**244**	244
Contract services	**262**	243
Professional services	**122**	129
CSA initiatives*	**82**	80
Travel	**75**	77
Telecommunications	**57**	57
Office materials and supplies	**143**	119
Education/Information initiatives	**81**	53
Amortization - capital assets	**68**	62
Research resources	**29**	28
Miscellaneous	**19**	24
	3,980	3,752
Net income and comprehensive income for the year (Page 5)	**$ 8,918**	$ 8,851

* 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		2009		2008
Retained earnings, beginning of year	**$**	**6,098**	$	4,547
Net income and comprehensive income for the year (Page 4)		**8,918**		8,851
Disposition of surplus operating funds (Note 13)		**(7,300)**		(7,300)
Retained earnings, end of year (Page 3)	**$**	**7,716**	$	6,098

Statement of Reserve Fund
(in thousands)

For the year ended March 31		2009		2008
Balance, beginning of year	**$**	**750**	$	750
Allocation from (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		2009		2008
Cash Flows from Operating Activities				
Net income for the year	**$**	**8,918**	$	8,851
Adjustment for				
Amortization - capital assets		**68**		62
		8,986		8,913
Changes in non-cash working capital				
Accounts receivable		**11**		14
Receivable from the Province of Manitoba		**269**		-
Prepaid expenses		**(15)**		7
Accounts payable and accrued liabilities		**(8)**		(69)
Accrued vacation entitlements		**1**		29
Accrued salaries and benefits		**12**		10
		270		(9)
Severance pay liability		**4**		6
		9,260		8,910
Cash Flows from Investing Activities				
Acquisition of capital assets		**(5)**		(77)
Purchase of long-term investments		**(269)**		-
		(274)		(77)
Cash Flows from Financing Activities				
Disposition of surplus operating funds		**(7,300)**		(7,300)
Net increase in cash and cash equivalents		**1,686**		1,533
Cash and cash equivalents, beginning of year		**6,127**		4,594
Cash and cash equivalents, end of year	**$**	**7,813**	$	6,127
Supplementary information:				
Interest received	**$**	**168**	$	212

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

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 Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Commission, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Commission is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

New Accounting Pronouncements (continued)

International Financial Reporting Standards

The AcSB plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Commission's financial statements has yet to be determined.

March 31, 2009

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. Change in Accounting Policies

Effective April 1, 2008, the Commission adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Commission's year end financial statements.

3. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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. Amortized cost is determined using the effective interest rate method.

Class of Financial Instruments	Held for Trading	Loans and Receivables	Other Financial Liabilities
Cash and short-term deposits	$ 7,813	$ -	$ -
Long-term investments	269	-	-
Restricted short-term deposits	750	-	-
Accounts receivable	-	19	-
Accounts payable and accrued liabilities	-	-	67

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

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

Financial risk management - overview

The Commission has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Commission to credit risk consist principally of cash and short-term deposits and accounts receivable.

3. Financial Instruments and Financial Risk Management (continued)

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash, short-term deposits and long-term investments	$	8,832
Accounts receivable		19
	$	8,851

Cash, short-term deposits and long-term investments: The Commission is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Commission is not exposed to significant credit risk as receivables consist of accrued interest owing from the Province of Manitoba and trade amounts owed primarily from other entities within the Government of the Province of Manitoba and payment in full is typically collected when it is due. The Commission establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	$	Nil
Provision for receivable impairment		-
Amounts written off		-
Balance, end of the year	$	Nil

Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they come due.

The Commission manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Commission's income or the fair values of its financial instruments. The significant market risks the Commission is exposed to are interest rate risk and foreign currency risk.

3. Financial Instruments and Financial Risk Management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Commission is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

4. 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.

5. Accounts Receivable

	2009	2008
Accrued interest	$ 8	$ 30
Trade	11	-
	$ 19	$ 30

6. Restricted Short-term Deposits and Long-term Investments

The Commission maintains separate short-term deposits and long-term investments with the Province of Manitoba to fund expenses which may arise with respect to the Reserve Fund (Note 12), as well as funds received related to the Province's funding of vacation and severance pay entitlements prior to April 1, 1999 (Note 7).

(in thousands)

7. 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 paid in full the March 31, 2008 receivable balances related to prior years' funding for severance pay and vacation pay liabilities. These payments were placed in an interest bearing trust account on March 30, 2009 to be held on the Commission's behalf until the cash is required to discharge the related liabilities.

8. Capital Assets

	2009		2008	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Office equipment	**$ 40**	**$ 31**	$ 40	$ 28
Furniture and fixtures	**151**	**138**	149	132
Leasehold improvements	**41**	**7**	41	3
Computer hardware	**139**	**127**	137	123
Computer software	**863**	**818**	863	766
	$ 1,234	**$ 1,121**	$ 1,230	$ 1,052
Cost less accumulated amortization		**$ 113**		$ 178

9. 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 was 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. The accrued vacation entitlement was $239 as of March 31, 2009 (2008 - $239).

(in thousands)

10. 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, 2009 was $215 (2008 - $211). 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.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
Inflation component	2.50 %
Real rate of return	4.00 %
	6.50 %
Assumed salary increase rate	
Annual productivity increase	0.75 %
Annual general salary increase	3.25 %
	4.00 %

11. 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, 2009 were $244. Minimum annual lease payments total $236 per year for each of the next five years.

12. 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.

13. 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.

14. Contingency

The Commission has been named as defendant in one statement 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.

15. 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 2009 was $95 (2008 - $92). Under this Agreement, the Manitoba Securities Commission has no further pension liability.

16. 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, 2009 (2008 - $Nil).

The Commission incurred no interest charges during the year (2008 - $Nil).

17. Capital Disclosures

The Commission's capital consists of its reserve fund and retained earnings.

The Commission's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Commission's approach to capital management during the period.

The Commission is not subject to externally imposed capital requirements.

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

For the year ended March 31, 2009

Employee	Title	Compensation
Don Murray	Chairman and CEO	$ **133**
Doug Brown	Director and Secretary to the Commission	**127**
Steven Gingera	Assistant Legal Counsel	**122**
Chris Besko	Assistant Legal Counsel	**118**
Kim Laycock	Assistant Legal Counsel	**118**
Bob Bouchard	Director and CAO	**100**
William Baluk	Registrar	**87**
Marlene Nemes	Controller	**86**
Chris Kowalski	Deputy Registrar - Real Estate	**80**
Wayne Bridgeman	Senior Analyst	**76**
Paula White	Compliance Officer	**74**
Jason Roy	Senior Investigator	**71**
Ainsley Cunningham	Information Officer	**68**
Isilda Tavares	Registration Officer	**60**
Patrick Weeks	Analyst	**59**
Terry Kirkham	Investigator - Real Estate	**58**
Leonard Terlinski	Investigator	**57**
Liz Klippenstein	Programmer Analyst	**54**

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 the management of the Manitoba Text Book Bureau 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 May 22, 2009.

Management maintains internal controls to properly safeguard the Bureau'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 Bureau 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,

Brenda McKinny
Chief Operating Officer

Denis Labossiere, C.G.A.
Controller

Souris, Manitoba
May 22, 2009

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, 2009, 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, 2009, 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 22, 2009

Manitoba Text Book Bureau

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

Balance Sheet

(in thousands) March 31		**2009**		2008
Assets				
Current				
Cash	**$**	**5**	$	5
Accounts receivable		**669**		567
Inventory		**1,952**		1,893
Prepaid expenses		**11**		6
Receivable from Province of Manitoba (Note 5)				64
		2,637		2,535
Capital assets (Note 6)		**51**		73
Long-term investments (Note 5)		**64**		
	$	**2,752**	$	2,608
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**478**	$	427
Interest payable – Province of Manitoba		**4**		4
Customer deposit accounts		**100**		117
Working capital advance (Note 7)		**1,375**		1,272
		1,957		1,820
Accrued severance liability (Note 8)		**51**		47
		2,008		1,867
Equity				
Contributed equity (Note 9)		**550**		550
Retained earnings		**194**		191
		744		741
	$	**2,752**	$	2,608

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	**2009**	2008
Sales	**$ 7,347**	$ 7,473
Cost of goods sold		
Inventory, beginning of year	**1,893**	2,116
Purchases	**6,336**	6,175
Transportation in	**30**	26
Transportation out	**95**	95
	8,354	8,412
Inventory, end of year	**1,952**	1,893
Cost of goods sold	**6,402**	6,519
Gross profit	**945**	954
General and administrative expenses		
Amortization	**24**	28
Bad debts	**31**	
Computer expense	**53**	54
Employee benefits	**57**	64
Interest	**35**	56
Marketing	**7**	11
Office	**22**	22
Office occupancy	**37**	36
Postage	**3**	3
Professional Services	**12**	12
Salaries	**350**	366
Telephone	**8**	8
Training	**2**	3
Travel	**11**	7
Warehouse occupancy	**89**	89
Warehouse service	**201**	201
	942	960
Net income (loss) and comprehensive income (loss)	**$ 3**	$ (6)
Retained earnings, beginning of year	**$ 191**	$ 197
Net income (loss)	**3**	(6)
Retained earnings, end of year	**$ 194**	$ 191

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	2009	2008
Increase (decrease) in cash		
Operating		
Net income (loss) and comprehensive income (loss)	$ 3	$ (6)
Amortization	24	28
	27	22
Changes in		
Accounts receivable	(102)	(64)
Inventory	(59)	223
Receivable from Province of Manitoba	64	-
Prepaid expenses	(5)	9
Long-term investments	(64)	-
Accounts payable and accrued liabilities	51	59
Customer deposit accounts	(17)	(40)
Accrued severance liability	4	3
	(101)	212
Investing		
Acquisition of capital assets	(2)	(30)
Financing		
Receipt (payment) of working capital advance	103	(192)
Net (decrease) in cash	-	(10)
Cash, beginning of year	5	15
Cash, end of year	$ 5	$ 5

See accompanying notes to the financial statements.

Notes to the Financial Statements

(in thousands)
For the year ended March 31, 2009

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.

Notes to the Financial Statements *(continued)*

(in thousands)
For the year ended March 31, 2009

2. Change in Accounting Policies

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535, *Capital Disclosures*

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies, and processes for managing capital, a summary of quantitative data about what it manages as capital, and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862, *Financial Instruments – Disclosures*

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments – Disclosure and Presentation*. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863, *Financial Instruments – Presentation*

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above-noted new standards have no impact on the recognition, measurement, or presentation of financial instruments in the Agency's year-end financial statements.

Section 3031, *Inventories*

Section 3031 Inventories replaces Section 3030 Inventories. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement, or presentation of inventory in the Agency's year-end financial statements.

3. Significant accounting policies

a) General

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

b) 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.

c) Cash and funds on deposit

Cash and funds on deposit include cash on hand and bank balance.

d) Inventories

Inventories are valued using the average unit cost method.

e) 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.

f) Revenue recognition

Revenue is recognized upon transfer of title to the customer.

g) Capital disclosures

The Agency's capital consists of contributed equity and retained earnings provided from operations.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

Notes to the Financial Statements *(continued)*

(in thousands)
For the year ended March 31, 2009

4. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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 financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and funds on deposit	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long-term investments	Held for trading	Fair value
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost
Working capital advance	Other financial liabilities	Amortized cost
Interest payable – Province of Manitoba	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Notes to the Financial Statements *(continued)*

(in thousands)
For the year ended March 31, 2009

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they are recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair values of cash, accounts receivable, long-term investments, accounts payable and accrued liabilities, interest payable, and work capital advance approximate their carrying values due to their short-term maturity.

Financial risk management – overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

Notes to the Financial Statements *(continued)*

(in thousands)
For the year ended March 31, 2009

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and funds on deposit	$ 5
Long-term investment	64
Accounts receivable	669
	$ 738

Cash and funds on deposits: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Long-term investments: The Agency is not exposed to significant credit risk as the long-term investments are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the receivables are primarily with provincially funded school divisions and independent schools, Province of Manitoba departments, and Aboriginal Educational Authorities and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	$ —
Provision for receivable impairment	31
Amounts written off	—
Balance, end of the year	$ 31

Notes to the Financial Statements *(continued)*

(in thousands)
For the year ended March 31, 2009

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit and working capital advances.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

Notes to the Financial Statements *(continued)*

(in thousands)
For the year ended March 31, 2009

5. Long-term Investment

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $64 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $64 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

6. Capital assets

	2009 Cost	2009 Accumulated Amortization	2008 Cost	2008 Accumulated Amortization
Computer software & equipment	**$ 285**	**$ 256**	$ 283	$ 237
Office equipment & furniture	**47**	**29**	47	25
Video recording equipment	**51**	**47**	51	46
	$ 383	**$ 332**	$ 381	$ 308
Cost less accumulated amortization		**$ 51**		$ 73

7. Working capital

The MTBB has an authorized line of working capital advances of $4,000, of which $1,375 was used as of March 31, 2009 ($1,272 – 2008).

(in thousands)

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 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, 2009, was $51 ($47 – 2008). 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.

Significant long-term actuarial assumptions used in the March 31, 2005, valuation, and in the determination of the March 31, 2009, liability, the present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

Notes to the Financial Statements *(continued)*

(in thousands)
For the year ended March 31, 2009

9. 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.

10. 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.

11. 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 2009 was $11 ($12 – 2008). Under this agreement, the MTBB has no further pension liability.

Notes to the Financial Statements *(continued)*

(in thousands)
For the year ended March 31, 2009

12. 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, 2009, the following employees received compensation in excess of $50.

Name	Position	**2009**	2008
Denis Labossiere	Controller	**$ 76**	$ 63
Brenda McKinny	Chief Operating Officer	**$ 68**	$ 63

MAGNUS & BUFFIE
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the Materials Distribution Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2009 and the statements of income, comprehensive income 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, 2009 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2008 and for the year then ended were audited by other auditors, who expressed an opinion without reservation on those financial statements in their report dated April 30, 2008.

Magnus & Buffie

May 6, 2009 CHARTERED ACCOUNTANTS

430 Five Donald Street · Winnipeg, Manitoba · R3L 2T4 · Phone (204) 942-4441 · Fax (204) 944-0400

BALANCE SHEET
(in thousands)
MARCH 31, 2009

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and short term deposits	$ 910	$ 732
Accounts receivable	2,424	2,989
Receivable - Province of Manitoba (Note 5)	-	412
Inventories (Note 6)	1,284	1,485
Prepaid expenses	179	171
	4,797	5,789
LONG TERM INVESTMENTS (Note 7)	412	-
CAPITAL ASSETS (Note 8)	1,764	1,641
OTHER ASSETS (Note 9)	153	238
	$ 7,126	$ 7,668
LIABILITIES		
CURRENT LIABILITY		
Accounts payable and accrued liabilities	$ 2,565	$ 3,321
SEVERANCE LIABILITY (Note 10)	425	379
	2,990	3,700
EQUITY		
CONTRIBUTED EQUITY (Note 12)	1,297	1,297
RETAINED EARNINGS	2,839	2,671
	4,136	3,968
Commitments (Note 13)		
	$ 7,126	$ 7,668

STATEMENT OF INCOME AND COMPREHENSIVE INCOME AND RETAINED EARNINGS (in thousands)

FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
WAREHOUSE SALES (Schedule 1)	$ 14,327	$ 12,517
COST OF SALES	11,408	9,961
GROSS PROFIT	2,919	2,556
SERVICE REVENUE (Schedule 1)	10,897	10,389
NET INCOME BEFORE THE FOLLOWING	13,816	12,945
EXPENSES		
Salaries and benefits	4,112	4,186
Occupancy costs	835	724
Administrative expenses (Schedule 2)	8,701	7,952
	13,648	12,862
NET INCOME AND COMPREHENSIVE INCOME FOR THE YEAR	168	83
RETAINED EARNINGS, beginning of year	2,671	2,988
	2,839	3,071
REVENUE SHARE - PROVINCE OF MANITOBA	-	(400)
RETAINED EARNINGS, end of year	$ 2,839	$ 2,671

STATEMENT OF CASH FLOW
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net income and comprehensive income for the year	$ 168	$ 83
Adjustment for		
Amortization	979	940
	1,147	1,023
Changes in the following		
Accounts receivable	564	(120)
Inventories	202	36
Prepaid expenses	(9)	46
Accounts payable and accrued liabilities	(757)	264
Severance liability	46	(4)
	1,193	1,245
FINANCING ACTIVITY		
Revenue sharing - Province of Manitoba	-	(400)
INVESTING ACTIVITIES		
Capital asset additions	(1,015)	(836)
Change in receivable - Province of Manitoba	412	-
Change in long term investments	(412)	-
	(1,015)	(836)
CHANGE IN CASH AND SHORT TERM DEPOSITS	178	9
CASH AND SHORT TERM DEPOSITS, beginning of year	732	723
CASH AND SHORT TERM DEPOSITS, end of year	$ 910	$ 732

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

1. NATURE OF ORGANIZATION

The Government of Manitoba established a central warehouse operation in 1974. Its mandate is 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. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. (See disclosure in Note 3)

(in thousands)

2. CHANGE IN ACCOUNTING POLICIES (continued)

Section 3862 Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed. (See disclosure in Note 15)

Section 3863 Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's year end financial statements.

Section 3031 Inventories

Section 3031 Inventories replaces Section 3030 Inventories. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Agency's year end financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting

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

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.

Included in cost of sales is $11,386 (2008 - $9,889) of inventory recognized as an expense during the year.

Capital Assets

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

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

Other Assets

Other assets are recorded at cost and amortized as follows:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Warehouse sales are recognized when the products are shipped. Service revenues are recognized based on the provision of services provided.

Capital disclosures

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period. The Agency's capital consists of contributed equity and retained earnings.

The Agency is not subject to externally imposed capital requirements.

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.

Financial Instruments - recognition and measurement

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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 and long 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 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.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they are recorded in the statement of earnings and retained earnings.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments

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

4. FINANCING ARRANGEMENTS

The Special Operating Agencies Financing Authority has provided the Agency with an authorized line of working capital of $2,300 of which $nil was used at March 31, 2009.

5. RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba was 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:

	2009	2008
Vacation entitlements	$ -	$ 116
Severance pay benefits	-	296
	$ -	$ 412

The balance was paid by the Province of Manitoba on March 31, 2009. (See Note 7)

6. INVENTORIES

	2009	2008
Medical supplies	$ 607	$ 583
Equipment	30	82
Stationary	439	520
Janitorial	194	230
New furniture	14	70
	$ 1,284	$ 1,485

7. LONG TERM INVESTMENTS

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $412 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $412 into a trust account bearing interest at 0.75% and maturing on March 30, 2010 to be held on the Agency's behalf until the cash is required to discharge the related liabilities. However, this is only likely to happen on the dissolution of the Agency. As such, this amount has been classified as a long term asset.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

8. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
Computer equipment	$ 226	$ 207	$ 19	$ 3
Fixtures	112	109	3	-
Leasehold improvements	727	710	17	25
Office equipment	64	64	-	-
Production equipment	284	284	-	44
Rental equipment	7,220	5,774	1,446	1,300
Warehouse equipment	804	525	279	269
	$ 9,437	$ 7,673	$ 1,764	$ 1,641

9. OTHER ASSETS

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
Computer conversion	$ 337	$ 307	$ 30	$ 85
Relocation	287	164	123	153
	$ 624	$ 471	$ 153	$ 238

10. 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, 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, 2009 was $425 (2008 - $379). 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.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation compontent	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

11. 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 2009 was $433 (2008 - $410). Under this agreement, the Agency has no further pension liability.

12. 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 operation of the Agency as at March 31, 1993. The Agency repaid the debt portion of $732 (being one-half 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 one-half of the value of the assets) and recorded the balance of $514 as Manitoba's contributed equity in the Financing Authority as related to the Agency's operations.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

13. 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 ten years with an additional five year option commencing May 1, 2003. The payments over the next five years are $521 per year.

Rental Agreement

The Agency has not entered into lease agreements with the Province of Manitoba for the four locations that it operates (405 Broadway, Winnipeg; 450 Broadway, Winnipeg; 340 - 9th Street, Brandon; and 25 Tupper Street, Portage La Prairie). As at March 31, 2009 the Agency no longer operates at 405 Broadway, Winnipeg. Occupancy charges for the year ended March 31, 2009 were $16 (2008 - $21)

14. INTEREST RECEIVED

The Agency received interest during the year of $10 (2008 - $17).

15. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

In the normal course of operations the Agency is exposed to various financial risks. The financial risk management objectives and policies are as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and short term deposits, accounts receivable and long term investments.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and short term deposits	$	910
Accounts receivable		2,424
Long term investments		412
	$	3,746

Cash and short term deposits and long term investments: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the nature of the accounts receivable is with related entities and consists of a large client base and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. The balance in the allowance for doubtful accounts at March 31, 2009 was $96 (2008 - $21)

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

15. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risk the Agency is exposed to is interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short term deposits.

The interest rate risk on short term deposits is considered to be low because of their short-term nature.

16. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the classifications used in the current year.

SCHEDULE OF WAREHOUSE SALES AND SERVICE REVENUE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
WAREHOUSE SALES		
Medical supplies	$ 4,835	$ 4,535
Stationery	4,079	3,629
Furniture	3,235	2,088
Janitorial	1,612	1,455
Health equipment	423	518
Special projects	143	292
	$ 14,327	$ 12,517
SERVICE REVENUE		
Disposal	$ 5	$ 4
Manitoba Textbook Bureau	291	292
Freight	693	584
Moving	594	617
Storage	78	80
Office equipment - maintenance program	27	45
Office equipment - copy centres	419	475
Mail services	6,108	5,859
Home care equipment rentals	2,484	2,325
Other income	198	108
	$ 10,897	$ 10,389

SCHEDULE OF ADMINISTRATIVE EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
Amortization	$ 979	$ 940
Bad debts	158	131
Computer	201	194
Copy centre	316	300
Equipment rentals	131	88
Freight	1,232	1,045
Mail services	4,672	4,396
Miscellaneous	18	9
Moving	410	337
Office	187	161
Professional fees	16	14
Promotion and marketing	45	45
SOAFA fees	2	2
Telephone	78	54
Training	26	14
Vehicle	99	93
Warehouse supplies	131	129
	$ 8,701	$ 7,952

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

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 2009	COMPENSATION 2008
Ailyn Almendral	IT - Systems Administrator	$ 73	$ 68
David Bishop	Chief Operating Officer	76	64
Greg Bowers	Marketing and Communications	-	58
Rhonda Boyd	Client Services Manager	55	54
Glenn Dela Cruz	Programmer/Analyst	62	58
Wes Dropko	Programmer/	-	62
Todd Eisner	Storekeeper	73	-
Becky Fleury	Marketing Manager	50	-
Joel Hershfield	Manager of Finance & Technology, Wellness Co-ordinator	71	71
Michael Langenfeld	Contracts and Purchasing Manager	56	54
Arnold McTavish	Sr. Medical Equipment Technician	50	-
Robert Nicholls	Logistics Manager	55	53
Lee Pomfret	Transportation Coordinator	51	-

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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, 2009 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, 2009 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 14, 2009

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

March 31		2009		2008
Assets				
Current Assets				
Cash	$	**3,888**	$	4,437
Short-term investments (Note 4)		**3,500**		3,000
Accounts receivable (Note 5)		**1,803**		1,463
Accrued interest		**-**		1
Due from Province of Manitoba - Severance (Note 6)		**-**		311
Due from Province of Manitoba - Vacation Pay (Note 6)		**-**		248
Prepaid expense		**60**		50
		9,251		9,510
Non-Current Assets				
Long term investment (Note 6)		**559**		-
Capital assets (Note 7)		**6,566**		6,129
		7,125		6,129
	$	**16,376**	$	15,639
Liabilities and Equity				
Current Liabilities				
Accounts payable	$	**279**	$	798
Accrued liabilities		**1,465**		693
Deferred revenue		**352**		282
Current portion of obligation under capital lease (Note 16)		**28**		-
		2,124		1,773
Non-Current Liabilities				
Obligation under capital lease (Note 16)		**171**		-
Severance liability (Note 8)		**427**		393
Deferred contributions (Note 11)		**648**		626
		1,246		1,019
Equity				
Contributed capital (Note 9)		**11,279**		11,279
Water Bomber Reserve Fund (Note 12)		**200**		200
Canine Training Reserve Fund (Note 13)		**40**		33
Retained earnings		**1,487**		1,335
		13,006		12,847
	$	**16,376**	$	15,639

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	**2009**	2008
Opening balance	**$ 1,335**	$ 854
Net income and comprehensive income for the year	**160**	489
Canine Training Reserve Fund Allocation (Note 13)	**(8)**	(8)
Closing balance	**$ 1,487**	$ 1,335

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	2009 Actual	2008 Actual	Actual Variance	Budget (Unaudited)	Budget Variance
Revenue					
Levy	**$ 5,719**	$ 5,362	$ 357	$ 5,025	$ 694
Codes and standards	**1,404**	1,970	(566)	1,900	(496)
Tuition and contract revenue	**1,230**	1,134	96	1,400	(170)
JEPP initiative grant (Note 11)	**668**	404	264	225	443
Grant - Budgeting for Outcomes	**400**	-	400	-	400
JEPP capital grant (Note 11)	**142**	129	13	186	(44)
Other revenue	**136**	76	60	50	86
Emergency services conference	**133**	98	35	100	33
Grant - Mutual Aid	**130**	70	60	130	-
Interest	**84**	199	(115)	100	(16)
Fire inspections, investigations and reports	**39**	14	25	12	27
New SAR Initiative (NIF) - Grant (Note 10)	**34**	-	34	-	34
Rent	**4**	5	(1)	-	4
Grant - Health	**-**	110	(110)	-	-
	10,123	9,571	552	9,128	995
Expenses					
Salaries and benefits	**5,070**	4,795	275	5,200	(130)
Amortization	**853**	761	92	951	(98)
JEPP and HUSAR initiative	**668**	-	668	30	638
Travel	**465**	603	(138)	350	115
Vehicle lease	**459**	421	38	450	9
Supplies	**421**	767	(346)	180	241
Repairs and maintenance	**318**	302	16	270	48
Mutual Aid	**222**	154	68	255	(33)
Rent	**208**	244	(36)	185	23
Desktop management	**207**	172	35	165	42
Communications	**170**	170	-	165	5
Property taxes	**139**	134	5	135	4
Insurance	**127**	101	26	110	17
Minor capital	**101**	20	81	-	101
Labour services	**95**	95	-	96	(1)
Utilities	**87**	84	3	77	10
Fuel - Owned vehicles	**71**	66	5	60	11
Professional services	**70**	157	(87)	96	(26)
Clothing	**42**	27	15	30	12
Postal and courier	**34**	50	(16)	40	(6)
Professional development	**32**	14	18	31	1
Public education material	**30**	46	(16)	29	1
Marketing	**27**	22	5	20	7
Other	**23**	22	1	25	(2)
Publications	**21**	30	(9)	25	(4)
Memberships and subscriptions	**11**	5	6	3	8
Buildings standards board	**6**	1	5	3	3
Seminar and conference registration	**4**	4	-	8	(4)
S.O.A. Board	**3**	1	2	4	(1)
Photofinishing	**1**	2	(1)	2	(1)
Information systems	**(22)**	3	(25)	-	(22)
Bad debt	**-**	2	(2)	-	-
Emergency response	**-**	-	-	80	(80)
Loss on asset disposition	**-**	-	-	15	(15)
Cost Recovery	**-**	(193)	193	-	-
	9,963	9,082	881	9,090	873
Net income and comprehensive income for the year	**$ 160**	$ 489	$ (329)	$ 38	$ 122

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	2009	2008
Cash Flows from Operating Activities		
Net income for the year	$ 160	$ 489
Items not involving cash		
Amortization of capital assets	853	761
	1,013	1,250
Net change in non-cash working capital balances	787	(50)
	1,800	1,200
Cash Flows from Investing Activities		
Proceeds on disposition of assets	-	3
Purchase of capital assets	(1,290)	(1,429)
	(1,290)	(1,426)
Net increase (decrease) in cash and cash equivalents	510	(226)
Cash and cash equivalents, beginning of year	7,437	7,663
Cash and cash equivalents, end of year	$ 7,947	$ 7,437
Represented by:		
Cash and bank	$ 3,888	$ 4,437
Short-term investments	3,500	3,000
Long term investment	559	-
	$ 7,947	$ 7,437

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).

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 Agency 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 2008 calendar year will be recognized as revenue in the fiscal year ending March 31, 2009. 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.

Capital Disclosures

The Agency's capital consists of contributed capital, Water Bomber Reserve Fund, Canine Training Reserve Fund and retained earnings.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

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

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Agency, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Agency is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

International Financial Reporting Standards

The AcSB plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Agency's financial statements has yet to be determined.

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. Change in Accounting Policies

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

2. Change in Accounting Policies (continued)

Section 3862 Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments - Disclosure and Presentation*. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, *Financial Instruments - Disclosure and Presentation*, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's year end financial statements.

3. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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 financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accrued interest	Loans and receivables	Amortized cost
Due from Province of Manitoba	Loans and receivables	Amortized cost
Long term investment	Held for trading	Fair value
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

3. Financial Instruments and Financial Risk Management (continued)

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operations and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operations and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of operations and retained earnings.

Fair Value of Financial Instruments

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

Financial Risk Management - Overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and short-term investments	$ 7,388
Accounts receivable	1,803
Long term investment	559
	$ 9,750

Cash, short-term investments and long term investment: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the majority of the receivables are due from other reliable organizations and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

3. Financial Instruments and Financial Risk Management (continued)

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	$	2
Amounts written off		(2)
Balance, end of the year	$	-

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short-term investments.

The interest rate risk on short-term investments is considered to be low because of their short-term nature.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

(in Thousands)

4. Short Term Investments

The short term investment balance represents funds on deposit with the Department of Finance of the Province of Manitoba with maturities of less than one (1) year.

5. Accounts Receivable

The accounts receivable balance is made up of the following:

		2009		2008
Insurance Branch of Department of Consumer & Corporate Affairs	$	**182**	$	288
Office of Critical Infrastructure Protection and Emergency Preparedness		**1,090**		912
National Resources Canada		**176**		71
Manitoba Mutual Aid Grant		**130**		-
Manitoba STEM		**3**		30
Manitoba Health		**110**		110
Other		**112**		54
		1,803		1,465
Less: Allowance for doubtful accounts		**-**		(2)
	$	**1,803**	$	1,463

6. Long Term Investment

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $559 ($311 for severance pay benefits and $248 for vacation entitlements) from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $559 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

(in Thousands)

7. Capital Assets

	Opening Balance	Additions	Disposals	Closing Balance
Buildings	$ 4,827	$ 522	$ -	$ 5,349
Buildings - JEPP	95	-	-	95
Training site	2,099	35	-	2,134
Training site - JEPP	203	9	-	212
Equipment	1,855	88	-	1,943
Equipment - JEPP	846	62	-	908
Fire engines	989	-	-	989
Other vehicles	452	54	-	506
Other vehicles - capital lease	-	280	-	280
Other vehicles - JEPP	99	94	-	193
Air compressors	437	124	-	561
Furniture	70	-	-	70
Computers	361	22	-	383
Computers - JEPP	12	-	-	12
Total cost	$ 12,345	$ 1,290	$ -	$ 13,635

	Opening Accumulated Amortization	Disposition	Current Year's Amortization	Accumulated Amortization
Buildings	$ 1,507	$ -	$ 192	$ 1,699
Buildings - JEPP	5	-	5	10
Training site	1,013	-	112	1,125
Training site - JEPP	45	-	17	62
Equipment	1,288	-	131	1,419
Equipment - JEPP	515	-	77	592
Fire engines	844	-	44	888
Other vehicles	307	-	60	367
Other vehicles - capital lease	-	-	84	84
Other vehicles - JEPP	53	-	42	95
Air compressors	290	-	54	344
Furniture	65	-	1	66
Computers	274	-	33	307
Computers - JEPP	10	-	1	11
Total amortization	$ 6,216	$ -	$ 853	$ 7,069
Net capital assets	$ 6,129			$ 6,566

(in Thousands)

8. 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.

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, 2009 was $427 (2008 - $393). Commencing in the 2006 fiscal year the actuarial loss of $81 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Annual salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

9. 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.

10. 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, 2009 of $34 (nil in 2008).

11. 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, 2009 is $668 ($404 in 2008). An amount of $142 was taken into revenue from the deferred revenue account for the amortization of the JEPP assets for the year ended March 31, 2009 ($129 in 2008).

JEPP capital assets in the amount of $165 have been purchased in the year ended March 31, 2009 ($236 in 2008). JEPP deferred revenue is equal to the net book value of assets purchased with JEPP capital grants. JEPP deferred revenue as at March 31, 2009 is $648 ($626 in 2008).

12. 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, 2009, the Agency has allocated a total of $200 to this fund from its retained earnings account.

13. 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 2008, the Agency allocated $7.5 to this fund from its retained earnings. A final allocation of $7.5 was made this 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)

14. 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 three copy machines. The longest lease expires December 31, 2010.

The Office of the Fire Commissioner has entered into leases on a fleet of 38 vehicles.

These three categories of leases give rise to commitments as follows:

2010	$	193
2011		163
2012		133
2013		115
2014		38

15. 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 March 31, 2009 was $206 ($191 in 2008). Under this agreement, the Office of the Fire Commissioner has no further pension liability.

(in Thousands)

16. Obligation under Capital Lease

		2009		2008
Polaris Leasing Ltd., capital lease due November 1, 2013, interest at 7.318% per year with annual principal and interest payments of $43 for the first 4 years and a final payment of $79 in 2014.	**$**	**199**	$	-
Current portion of obligation under capital lease		**28**		-
	$	**171**	$	-

Obligations under capital lease are secured by the equipment under lease.

The future minimum lease payments for the next five years are as follows:

2010	$	28
2011		30
2012		32
2013		35
2014		74
	$	199

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, 2009.

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 Schmidt, Director
May 21, 2009

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, 2009, 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, 2009, 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, 2009

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

ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
Balance Sheet

March 31		**2009**		2008
		(000's)		
Assets				
Current Assets				
Cash and bank (Note 5)	**$**	**203**	$	39
Short-term investments - Province of Manitoba		**460**		640
Accounts receivable		**222**		181
Receivable from Province of Manitoba		**-**		39
Inventories		**24**		14
		909		913
Long term investment (Note 6)		**39**		-
Capital assets (Note 7)		**36**		36
		75		36
	$	**984**	$	949

Liabilities and Equity				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**320**	$	119
Severance liability (Note 8)		**58**		52
		378		171
Equity				
Retained earnings		**606**		778
	$	**984**	$	949

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)

	2009 Actual	2008 Actual	Variance	Budget	Variance
Revenue					
Training and consulting	**$ 2,223**	$ 1,564	$ 659	$ 1,714	$ 509
Interest	**13**	23	(10)	8	5
	2,236	1,587	649	1,722	514
Expenses					
Professional fees	**1,087**	659	428	803	284
Salaries and benefits	**746**	559	187	738	8
Food and beverages	**137**	56	81	77	60
Accommodations	**137**	52	85	55	82
Books and course materials	**83**	64	19	60	23
Travel	**45**	19	26	15	30
Rentals	**37**	8	29	9	28
Occupancy costs	**29**	29	-	30	(1)
Desk top management	**29**	22	7	19	10
Communications	**20**	14	6	14	6
Office supplies	**17**	24	(7)	20	(3)
Professional development	**15**	7	8	5	10
Other	**10**	4	6	5	5
Marketing	**9**	15	(6)	5	4
Amortization	**7**	7	-	7	-
	2,408	1,539	869	1,862	546
Net income (loss) and comprehensive income (loss) for the year	**(172)**	48	$ (220)	$ (140)	$ (32)
Retained earnings, beginning of year	**778**	730			
Retained earnings, end of year	**$ 606**	$ 778			

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	2009	2008
	(000's)	
Cash Flows from Operating Activities		
Net income (loss) and comprehensive income (loss) for the year	$ (172)	$ 48
Adjustment for		
Amortization of capital assets	7	7
	(165)	55
Changes in non-cash working capital balances		
Accounts receivable	(2)	63
Inventories	(10)	2
Accounts payable and accrued liabilities	201	20
Severance liability	6	5
	195	90
	30	145
Cash Flows from Investing Activities		
Purchase of capital assets	(7)	(4)
Increase in cash and cash equivalents	23	141
Cash and cash equivalents, beginning of year	679	538
Cash and cash equivalents, end of year	$ 702	$ 679
Represented by		
Cash and bank	$ 203	$ 39
Short-term investments	460	640
Long term investment	39	-
	$ 702	$ 679

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

(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. New Accounting Policies

Effective April 1, 2008 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosure information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

2. New Accounting Policies (continued)

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above-noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's yearend financial statements.

Section 3031 Inventories

Section 3031 Inventories replaces Section 3030 Inventories. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Agency's yearend financial statements.

3. Significant Accounting Policies

Basis of Reporting

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

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.

Inventories

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

3. Significant Accounting Policies (continued)

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.

Capital Disclosures

The Agency's capital consists of retained earnings provided from operations. The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Agency, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Agency is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

International Financial Reporting Standards

The AcSB plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Agency's financial statements has yet to be determined.

4. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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 financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and bank	Held for trading	Fair value
Short term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long term investment	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair Value of Financial Instruments

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

Financial Risk Management - Overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

4. Financial Instruments and Financial Risk Management (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and bank	$	203
Short-term investments - Province of Manitoba		460
Accounts receivable		222
Long term investment		39
	$	924

Cash and bank, short-term investments and long term investment: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the majority of the receivables are due from other reliable organizations and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Management has determined that no allowance for doubtful accounts is required as at March 31, 2009.

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

(000's)

4. Financial Instruments and Financial Risk Management (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short-term investments.

The interest rate risk on short-term investments is considered to be low because of their short-term nature.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Working Capital

The Agency has an authorized line of working capital advances of $120 which was unused and available at March 31, 2009.

6. Long Term Investment

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as a Special Operating Agency, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $39 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $39 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

7. Capital Assets

	2009			2008		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Office equipment	**$ 6**	**$ 3**	**$ 3**	$ 6	$ 3	$ 3
Furniture and fixtures	**50**	**24**	**26**	50	19	31
Computer equipment	**20**	**13**	**7**	14	12	2
	$ 76	**$ 40**	**$ 36**	$ 70	$ 34	$ 36

(000's)

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.

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, 2009 was $58 (2008 - $52). Commencing in the 2006 fiscal year the actuarial gain of $15 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Annual salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

9. 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.

10. 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.

11. 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 of Manitoba the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province of Manitoba an amount equal to its employees' current pension contributions. The amount paid for 2009 was $25 ($16 in 2008). Under this agreement, the Agency has no further pension liability.

Auditors' Report

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, 2009 and the statements of earnings (loss) and comprehensive income and 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, 2009 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

Winnipeg, Manitoba

May 21, 2009

Chartered Accountants

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Balance Sheet
As at March 31, 2009

	2009 (In thousands)	2008 (In thousands)
Assets		
Current		
Accounts receivable *(Note 5)*	**582**	955
Unbilled revenue	**445**	408
Inventory	**154**	116
Prepaid expenses	**37**	34
	1,218	1,513
Receivable from the Province of Manitoba	**-**	187
Property, plant and equipment *(Note 6)*	**2,733**	1,508
Long-term investments *(Note 7)*	**187**	-
	4,138	3,208
Liabilities and Equity		
Current		
Working capital advances *(Note 8)*	**2,263**	2,212
Accounts payable and accruals	**362**	265
Unearned revenue	**18**	342
Current portion of long-term debt	**76**	-
	2,719	2,819
Long-term debt *(Note 9)*	**1,010**	-
Severance pay liability *(Note 10)*	**246**	232
	3,975	3,051
Deficit	**(193)**	(199)
Contributed surplus *(Note 12)*	**356**	356
	163	157
	4,138	3,208

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 Earnings (Loss) and Comprehensive Income and Deficit
For the year ended March 31, 2009

	2009 *(In thousands)*	*2008* *(In thousands)*
Revenues - Private sector		
Overwinter	**1,263**	914
Current	**464**	449
Seed services	**94**	84
Tree improvement	**4**	7
Other	**26**	25
	1,851	1,479
Revenues - Province of Manitoba		
Overwinter	**1,016**	1,221
Current	**69**	85
Seed services	**36**	41
Trees for tomorrow	**192**	-
Other	**18**	46
	1,331	1,393
Total revenues	**3,182**	2,872
Operating expenses *(Schedule 1)*	**1,248**	1,116
General administrative expenses		
Amortization	**209**	217
Interest - operating and capital loan	**100**	101
Salaries, wages and benefits	**1,619**	1,535
	1,928	1,853
Total expenses	**3,176**	2,969
Net earnings (loss) and comprehensive income	**6**	(97)
Deficit, beginning of year	**(199)**	(102)
Deficit, end of year	**(193)**	(199)

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 Cash Flows
For the year ended March 31, 2009

	2009 (In thousands)	2008 (In thousands)
Cash provided by (used for) the following activities		
Operating activities		
Net earnings (loss) and comprehensive income	6	(97)
Amortization	209	217
	215	120
Changes in working capital accounts		
Accounts receivable	373	(772)
Unbilled revenue	(37)	76
Inventory	(38)	(24)
Prepaid expenses	(3)	8
Accounts payable and accruals	96	27
Unearned revenue	(324)	342
Severance pay liability	14	25
	296	(198)
Financing activities		
Advances of long-term debt	1,137	-
Repayments of long-term debt	(51)	-
	1,086	-
Investing activities		
Purchases of property, plant and equipment	(1,433)	(55)
Purchase of investments	(187)	-
Repayment from Province of Manitoba	187	-
	(1,433)	(55)
(Decrease) in cash resources	(51)	(253)
Cash deficiency, beginning of year	(2,212)	(1,959)
Cash deficiency, end of year	(2,263)	(2,212)
Supplementary cash flow information		
Interest paid	100	101

The accompanying notes are an integral part of these financial statements

1. Nature of the organization

In 1953, Pineland Provincial Forestry Nursery (the "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. Change in accounting policies

Effective April 1, 2008, the Nursery adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Nursery's year-end financial statements.

Section 3031 Inventories

Section 3031 Inventories replaces Section 3030 Inventories. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Nursery's year-end financial statements.

3. 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.

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3. **Significant accounting policies** *(Continued from previous page)*

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 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 collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Inventory is evaluated and is stated at the lower of the cost and the net realizable value. Amortization is based on the estimated useful lives of of property, plant 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.

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 $123,912 as of March 31, 2009 (2008 - $128,000) and is included in accounts payable and accruals.

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.

Capital disclosures

The Nursery's capital consists of contributed surplus and retained earnings (deficit) provided from operations.

The Nursery's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Nursery's approach to capital management during the period.

The Nursery is not subject to externally imposed capital requirements.

4. Financial instruments and financial risk management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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 financial assets and liabilities of the Nursery are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Accounts receivable	Loans and receivables	Amortized cost
Long-term investments	Held for trading	Fair value
Working capital advances	Held for trading	Fair value
Accounts payable and accruals	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost
Severance pay liability	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair values of accounts receivable and accounts payable and accruals approximate their carrying values due to their short-term maturity. The fair value of the fixed rate long-term debt is also approximated by its carrying value, as there have been no significant changes in lending rates or other conditions.

Financial risk management - overview

The Nursery has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Nursery to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Nursery to credit risk at March 31, 2009 (in thousands) is:

Accounts receivable	582
Long-term investment	187
Maximum exposure to credit risk	769

Accounts Receivable: The Nursery is not exposed to significant credit risk due to the large customer base and payment in full is typically collected when it is due. The Nursery establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Long-Term Investment: The Nursery is not exposed to significant credit risk as the investment is held with the Minister of Finance.

4. Financial instruments and financial risk management *(Continued from previous page)*

Credit risk *(Continued from previous page)*

The change in the allowance for doubtful accounts during the year (in thousands) was as follows:

Balance, beginning of the year	43
Provision for receivable impairment	-
Amounts written off	-
Balance, end of the year	43

Liquidity risk

Liquidity risk is the risk that the Nursery will not be able to meet its financial obligations as they come due.

The Nursery manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Nursery's income or the fair values of its financial instruments. The significant market risks the Nursery is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to long term debt.

The Nursery manages its interest rate risk on long-term debt through the exclusive use of fixed rate terms for its long-term debt.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Nursery is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Accounts receivable

	2009 (In thousands)	*2008 (In thousands)*
Trade receivables		
Province of Manitoba	**144**	384
Other	**481**	614
	625	998
Allowance for doubtful accounts	**(43)**	(43)
	582	955

6. Property, plant and equipment

	Cost	Accumulated amortization	2009 (In thousands) Net book value	2008 (In thousands) Net book value
Buildings	**5,200**	**2,843**	**2,357**	1,229
Equipment	**1,908**	**1,532**	**376**	279
	7,108	**4,375**	**2,733**	1,508

7. Long-term investments

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Nursery prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain Nursery employees. Accordingly, the Nursery recorded as a receivable of $186,872 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba had agreed to pay the receivable balances related to the funding for these liabilities and has placed the amount of $186,872 into an interest bearing trust account to be held on the Nursery's behalf until the cash is required to discharge the related liabilities.

8. Working capital advances

The Financing Authority has provided the Nursery with an authorized line of working capital of $3,000,000 of which $2,263,000 was advanced at March 31, 2009 (2008 - $2,212,000).

9. Long-term debt

	2009 (In thousands)	2008 (In thousands)
Capital purchase loan payable in monthly instalments of $6,317, plus interest at 5.125%, due July 2024.	**1,086**	-
	1,086	-
Less: current portion	**76**	-
	1,010	-

Principal repayments on long-term debt in each of the next five years (in thousands) are estimated as follows:

2010	76
2011	76
2012	76
2013	76
2014	76

10. 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 annual basis. The Nursery's actuarially determined net liability for accounting purposes as at March 31, 2009 was $246,000 (2008 - $232,000). 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.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return:	
Inflation component	2.50%
Real rate of return	4.00%
	6.50%
Assumed salary increase rates	
Annual productivity increase	0.75%
Annual general salary increase	3.25%
	4.00%

11. 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 Nursery was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2009 was $60,000 (2008 - $59,000). Under this agreement, the Nursery has no further pension liability.

12. 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.

13. 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.

14. Commitments

The Nursery has entered into a vehicle lease agreement with estimated minimum annual payments (in thousands) as follows:

2010	8
2011	8
	16

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Schedule 1 - Schedule of Operating expenses
For the year ended March 31, 2009

	2009 (In thousands)	2008 (In thousands)
Operating expenses		
Departmental services and professional fees	**31**	59
Freight	**53**	50
Marketing	**12**	17
Natural gas and hydro	**392**	346
Office	**67**	62
Property taxes and insurance	**80**	90
Repairs and maintenance	**131**	187
Supplies	**461**	280
Travel	**21**	25
	1,248	1,116

Schedule 2 - Schedule of Public Sector Compensation Disclosure

For the year ended March 31, 2009

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, 2009, the following employees received compensation of $50,000 or more:

Employee	Title	Compensation
Trevor Stanley	General Manager	$ 91,422
David Flight	Manager	55,244
Richard Lepage	Manager	55,244
David Turchyn	Manager	58,222

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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, 2009 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, 2009 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 6, 2009

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Balance Sheet
(in thousands)

March 31		2009		2008
Assets				
Current Assets				
Cash and short-term investments	**$**	**12,507**	$	12,469
Customer deposits		**1,447**		1,404
Accounts receivable (Note 6)		**477**		509
Prepaid expense		**77**		76
Receivable from the Province of Manitoba (Note 5)		**-**		1,602
		14,508		16,060
Long Term Investment (Note 5)		**1,602**		-
Capital assets (Note 7)		**699**		844
	$	**16,809**	$	16,904
Liabilities and Equity				
Current Liabilities				
Accounts payable and accrued expenses	**$**	**1,165**	$	1,127
Deferred revenue		**1,447**		1,404
Land titles assurance fund (Note 9)		**61**		93
		2,673		2,624
Severance pay liability (Note 10)		**1,469**		1,519
		4,142		4,143
Commitments (Note 12)				
Retained earnings		**12,667**		12,761
	$	**16,809**	$	16,904

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		**2009**		2008
Revenue				
Land transfer tax (Note 11)	**$**	**49,555**	$	44,754
Fee revenue - Land Titles		**16,076**		16,197
- Personal Property Registry		**5,658**		6,195
Cost recoveries and fee waiver (Note 3)		**523**		553
Interest income		**230**		385
		72,042		68,084
Less: Tax revenues transferred to Province		**(49,555)**		(44,754)
		22,487		23,330
Expenses				
Salaries and employee benefits		**8,516**		8,450
Operating expenses (per schedule)		**3,803**		3,732
Amortization		**293**		287
Contributed services		**254**		251
		12,866		12,720
Net income and comprehensive income for the year	**$**	**9,621**	$	10,610
Retained earnings, beginning of year	**$**	**12,761**	$	11,866
Net income and comprehensive income for the year		**9,621**		10,610
Net earnings paid to the Province of Manitoba		**(9,715)**		(9,715)
Retained earnings, end of year	**$**	**12,667**	$	12,761

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	**2009**	2008
Cash Flows from Operating Activities		
Net income and comprehensive income for the year	**$ 9,621**	$ 10,610
Adjustment for amortization	**293**	287
	9,914	10,897
Changes in non-cash working capital		
Customer deposits	**(43)**	(61)
Accounts receivable	**32**	(196)
Prepaid expenses	**1**	-
Receivable from the Province of Manitoba	**1,602**	-
Accounts payable	**38**	(84)
Deferred revenue	**43**	58
Land titles assurance fund deposits	**(32)**	69
Severance payable	**(50)**	71
	1,591	(143)
	11,505	10,754
Cash Flows from Investing Activities		
Capital assets	**(150)**	(111)
Cash Flows from Financing Activities		
Net earnings paid to the Province of Manitoba	**(9,715)**	(9,715)
Net increase in cash and cash equivalents	**1,640**	928
Cash and cash equivalents, beginning of year	**12,469**	11,541
Cash and cash equivalents, end of year	**$ 14,109**	$ 12,469
Represented by		
Cash and short-term investments	**$ 12,507**	$ 12,469
Long term investment	**1,602**	-
	$ 14,109	$ 12,469

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 7 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. Change in Accounting Policies

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures - Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures - Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation - Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's yearend financial statements.

3. 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.

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.

3. Significant Accounting Policies (continued)

Capital Disclosures

The Agency's capital consists of retained earnings provided from operations.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Agency, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Agency is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

International Financial Reporting Standards

The AcSB plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Agency's financial statements has yet to be determined.

4. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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 financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash, short-term investments, customer deposits and long-term investment	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued expenses	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair Value of Financial Instruments

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

Financial Risk Management - Overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

4. Financial Instruments and Financial Risk Management (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and short-term investments	**$ 12,507**
Customer deposits	**1,447**
Accounts receivable	**477**
Long-term investment	**1,602**
	$ 16,033

Cash and short-term investments, customer deposits and long-term investment: The Agency is not exposed to significant credit risk as the cash and short-term investments, customer deposits and the long-term investment are primarily held by the Minister of Finance.

Customer deposits: The Agency is not exposed to significant credit risk as the cash is held by a Chartered Bank.

Accounts receivable: The Agency is not exposed to significant credit risk as the majority of accounts receivable are due from customers which the Agency has experience with and payments from these customers are typically made in full and collected when the are due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Management has determined that no allowance for doubtful accounts is required as at March 31, 2009.

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

4. Financial Instruments and Financial Risk Management (continued)

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Long-term Investment

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as a Special Operating Agency, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $1,602 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $1,602 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

6. Accounts Receivable

		2009		2008
Trade receivables	**$**	**382**	$	415
Receivable from government and departments		**95**		94
	$	**477**	$	509

7. Capital Assets

		2009				2008		
		Cost		**Accumulated Amortization**		Cost		Accumulated Amortization
Computer system	**$**	**621**	**$**	**452**	$	664	$	437
Office equipment		**1,331**		**1,006**		1,242		843
Leasehold improvements		**581**		**376**		554		336
Equipment under capital lease		**70**		**70**		70		70
	$	**2,603**	**$**	**1,904**	$	2,530	$	1,686
Cost less accumulated amortization			**$**	**699**			$	844

8. 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, 2009 (nil in 2008).

9. 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.

10. 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.

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, 2009 was $1,469 ($1,519 in 2008). 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.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
Inflation component	2.50%
Real rate of return	4.00%
	6.50%
Annual salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

11. 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.

12. 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
2010	$ 983	$ 89	$ 1,072
2011	1,012	89	1,101
2012	1,042	89	1,131
2013	1,073	89	1,162
2014	1,105	89	1,194
Total minimum lease payments	$ 5,215	$ 445	$ 5,660

13. 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 2009 was $308 ($326 in 2008). Under this agreement, the Agency has no further pension liability.

14. Contingencies

The Property Registry has been named in five lawsuits. The likelihood of damages being awarded and the amount to be awarded is not reasonably estimable for any of the claims. Should any loss result from the resolution of these claims, such loss will be charged to the Assurance Fund of Manitoba in the year of resolution.

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Schedule of Operating Expenses
(in thousands)

March 31	2009	2008
Better Systems Initiative	**$ 1,086**	$ 1,176
Computer processing	**397**	341
Department services	**68**	68
Desktop services	**414**	406
Equipment lease	**83**	85
Interest and bank charges	**39**	32
Occupancy cost	**846**	839
Office supplies	**174**	162
Postage and delivery	**119**	109
Professional fees	**23**	46
Publications and subscriptions	**23**	22
Records preservation project	**65**	64
Repairs and maintenance	**41**	48
Software licensing	**25**	26
Special surveys	**33**	24
Sundry	**17**	12
Survey remonumentation program	**186**	118
Telephone	**80**	79
Training and staff development	**53**	63
Travel	**31**	12
	$ 3,803	$ 3,732

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 25, 2009. 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, 2009, 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, 2009, 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 25, 2009

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

PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2009

ASSETS

	2009	2008
Current		
Cash	$ 254	$ 91
Accounts receivable (Note 5)	807	751
Prepaid expenses	4	4
Short-term investments with Minister of Finance	1,370	1,420
Receivable from Province of Manitoba (Note 6)		515
	2,435	2,781
Long Term Investment (Note 6)	515	
Capital Assets (Note 7)	107	139
	$ 3,057	$ 2,920

LIABILITIES

	2009	2008
Current		
Accounts payable and accrued liabilities (Note 8)	$ 530	$ 480
Severance pay benefits (Note 17)	453	424
	983	904

EQUITY

	2009	2008
Revenue stabilization reserve (Note 16)	500	500
Retained earnings	1,574	1,516
	2,074	2,016
	$ 3,057	$ 2,920

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, 2009

	2009	2008
Revenue		
Fees (Note 10)	$ 5,560	$ 5,174
Interest	41	68
Other	98	87
	5,699	5,329
Expenses		
Amortization of capital assets	34	37
Accommodation costs (Note 12)	362	356
Other administration expenses (Note 11)	964	884
Salaries and benefits	4,148	4,023
Pension benefits (Note 18)	133	139
	5,641	5,439
Net Income (Loss) and comprehensive Income (Loss)	58	(110)
Retained earnings, beginning of year	1,516	1,626
Retained earnings, end of year	$ 1,574	$ 1,516

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, 2009

	2009	2008
Cash derived from (applied to)		
Operating		
Net income and comprehensive income	$ 58	$ (110)
Items not involving cash		
Amortization of capital assets	34	37
	92	(73)
Change in		
Accounts receivable	(56)	105
Prepaid expenses	0	(1)
Accounts payable and accrued liabilities	50	57
Severance pay benefits	29	(44)
	115	44
Investing		
Acquisition of capital assets	(2)	(32)
Net increase in cash and cash equivalents	113	12
Cash and cash equivalents		
Beginning of year	1,511	1,499
End of year	$ 1,624	$ 1,511
Cash and cash equivalents consist of:		
Cash	$ 254	$ 91
Short-term investments with Minister of Finance	1,370	1,420
	$ 1,624	$ 1,511

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2009

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. Change in Accounting Policies.

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosure
Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. (See Note 3e)

Section 3862 Financial Instruments – Disclosure
Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosures and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation
Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's yearend financial statements.

3. Significant accounting policies

a) Basis of reporting

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

b) 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

c) 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

d) 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.

e) Capital disclosures

The Agency's capital consists of retained earnings provided from operations and revenue stabilization reserve funds allocated from retained earnings.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings and revenue stabilization reserve. The Agency has developed appropriate risk management strategies, as described in Note 4, to preserve the retained earnings and revenue stabilization reserve of the Agency. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

4. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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 financial assets and liabilities of Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and Short Term Investments	Held for trading	Fair value
Long Term Investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized Cost
Accounts payable	Other financial liabilities	Amortized Cost
Accrued liabilities	Other financial liabilities	Amortized Cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of income, comprehensive income and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of income, comprehensive income and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in a statement of changes in net assets or other comprehensive income until realized, at which time they recorded in the statement of income, comprehensive income and retained earnings

Fair value of financial instruments

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

Financial risk management - overview

The Agency has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk
- market risk
- Interest risk; and
- Foreign currency risk

The Agency manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance. The Agency's management has overall responsibility for the establishment and oversight of the Agency's objectives, policies and procedures for measuring, monitoring and managing these risks.

(In Thousands)

The Agency has exposure to the following risks associated with its financial instruments. Analysis of sensitivity to specified risks is provided where there may be an effect on the results of operations or financial position. Sensitivity analysis is performed by relating the reasonably possible changes in risk variables as at March 31, 2009 to the financial instruments outstanding on that date.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and funds on deposit	$1,624
Accounts receivable	807
Long Term Investment	515
	$ 2,946

Cash and funds on deposits: Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the receivable is composed of fees due from clients and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is calculated at 5% of accrued fees.

The aging of accounts receivable and allowance for doubtful accounts as at March 31, 2009 was:

	Gross	Allowance
Current	$842	$ 35
30-60 days past billing date	-	-
61-90 days past the billing date	-	-
Greater than 90 days past the billing date	-	-
	$842	$ 35

Long Term Investment: Agency is not exposed to significant credit risk as the trust account is held by the Minister of Finance.

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances. The Agency prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. The Agency continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect The Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are: interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Accounts receivable

	2009	2008
Fees receivable	$ 829	$ 767
Allowance for doubtful accounts	(35)	(33)
	794	734

(In Thousands)

Interest receivable	2	5
Miscellaneous receivable	0	3
Advances to client accounts	5	3
Cost recoveries	6	6
	$ 807	$ 751

6. Long Term Investment: Receivable from Province of Manitoba

The Province of Manitoba accepted responsibility for the severance pay benefits accumulated to March 31, 1998 for certain of its employees. Accordingly, the Agency recorded a receivable of $515 from the Province of Manitoba, which is an amount equal to the estimated liability for accumulated severance pay benefits at March 31, 1998.

Effective March 31, 2009 the Province of Manitoba has paid the receivable balances related to the funding for these severance pay liabilities and has placed the amount of $515 into an interest bearing trust account to be held on the Commission's behalf until the cash is required to discharge the related liabilities.

7. Capital Assets

	2009		2008	
	Cost	**Accumulated Amortization**	**Cost**	**Accumulated Amortization**
Furnishings & equipment	$ 308	$ 238	$ 308	$ 220
Computer equipment & software	118	96	116	87
Leasehold Improvements	34	19	34	12
	$ 460	$ 353	$ 458	$ 319
Cost less accumulated amortization		$ 107		$ 139

8. Accounts payable and accrued liabilities

	2009	2008
Operating expenses payable	$ 126	$ 108
Salaries and benefits payable	32	18
Vacation entitlements earned	346	332
GST payable to Canada Revenue Agency	26	22
	$ 530	$ 480

PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2009

9. Working capital

The Agency has an authorized line of working capital of $1,000 through SOAFA, which was unused and available at March 31, 2009.

10. Fees revenue

	2009	2008
Administration	$ 4,741	$ 4,533
Legal	333	275
Income tax	304	200
Inspection	182	166
	$ 5,560	$ 5,174

PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2009

11. Other Administration expenses

	2009	2008
Computer expenses	$ 508	$ 449
Courier charges	6	5
Insurance, loss, damage	85	40
Office supplies	60	46
Other	11	3
Personnel	21	27
Photocopy	10	10
Postage	56	50
Professional fees	37	75
Publications	7	5
Public communications	7	13
Records Centre Charges	26	19
Rentals, equipment	3	4
Repairs and maintenance	5	9
SAP costs	8	6
Support services - Department of Justice	21	21
Telephone	49	49
Travel	44	53
	$ 964	$ 884

12. 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 $366 for the year ended 2009/2010.

13. 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.

14. 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 $221 (2008 - $75). These amounts are not reflected in these financial statements.

(In Thousands)

15. Estates and trusts under administration

The client assets under administration at March 31, 2009 total approximately $203,000 (2008 - $192,000). The trust activities of The Public Trustee are reported in separate Estates and Trusts under Administration financial statements.

16. 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.

17. 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 Agency's' actuarially determined net liability for accounting purposes as at March 31, 2009 was $453 (2008 - $424). 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.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

18. 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 at March 31, 2009 was $133 (2008 - $139). Under this agreement, The Public Trustee has no further pension liability.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2009

19. 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.

20. 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, 2009, the following employees received compensation in excess of $50:

Employee	Position	Amount
Carroll, Jori	Investment Officer	55
Clark, Dwane	Estates Officer 3	54
Darrach, Bruce	Information Technologist 3	73
Derwin, George	Legal Counsel 3	52
Fergusson, John	Legal Counsel 3	126
Fredborg, Darren	Estates Officer 3	55
Henderson, Karen	Estates Officer 3	58
Hyman, Brian	Legal Counsel 1	84
Inouye, Donna	Finance Officer 2	51
Lelond, Lorie	Estates Officer 3	51
Kihn, Shirley	Estates Officer 3	55
Knowlton, Joanna	Public Trustee	130
Kozusko, Norman	Information Technologist 4	80
Lacroix, Paul	Estates Officer 3	55
Matyszewski, Cindy	Audit Accountant 3	59
Mosley, James	Estates Officer 3	55
Ranson, Kerri	Legal Counsel 3	87
Regier, Barbara	Estates Officer 3	54
Samagalski, Michelle	Estates Officer 4	60
Sohor, Richard	Finance Officer 6	74
Taylor, Jana	Legal Counsel 1	89
Tessier, Rachelle	Estates Officer 4	61
Winning, Marla	Estates Officer 4	61

BULAT & POUSTIE
CHARTERED ACCOUNTANTS

1700 Ness Avenue
Winnipeg, Manitoba R3J 3Y1

Telephone: (204) 831-1700
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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, 2009** 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, 2009 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 7, 2009

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, 2009

		2009		2008
ASSETS				
CURRENT				
Cash and short term deposits, notes 6 and 14	**$**	**688**	$	1,326
Accounts receivable, note 7		**80**		134
Receivable from Province of Manitoba		**-**		94
Inventory, note 3		**155**		96
Prepaid expenses		**53**		42
		976		1,692
LONG TERM INVESTMENTS, note 8		**94**		-
CAPITAL ASSETS, notes 3 and 9		**1,636**		1,261
	$	**2,706**	$	2,953
LIABILITIES				
CURRENT				
Accounts payable and accrued	**$**	**42**	$	297
Deferred revenue, notes 3 and 10		**783**		590
Accrued unused vacation entitlements		**167**		140
		992		1,027
SEVERANCE PAY LIABILITY, note 12		**186**		163
		1,178		1,190
COMMITMENTS, note 13				
EQUITY				
RETAINED EARNINGS		**1,528**		1,763
	$	**2,706**	$	2,953

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, 2009		**2009**		2008
REVENUE				
Net sales	**$**	**3,268**	$	3,441
Proceeds from government departments		**291**		197
Interest		**19**		56
		3,578		3,694
EXPENSES				
Salaries and employee benefits		**2,112**		1,866
Operating expenses, Schedule 1		**1,094**		1,009
Amortization		**327**		210
		3,533		3,085
NET EARNINGS AND COMPREHENSIVE INCOME FOR THE YEAR	**$**	**45**	$	609

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, 2009

	2009	2008
RETAINED EARNINGS, BEGINNING OF YEAR	**$ 1,763**	$ 1,434
Net earnings and comprehensive income for the year	**45**	609
	1,808	2,043
Revenue sharing payment to Province of Manitoba	**280**	280
RETAINED EARNINGS, END OF YEAR	**$ 1,528**	$ 1,763

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 CASH FLOWS
(in thousands)

FOR THE YEAR ENDED MARCH 31, 2009		**2009**		2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings and comprehensive income for the year	**$**	**45**	$	609
Adjustments for				
Amortization		**327**		210
Severance pay expenses		**24**		36
		396		855
Changes in the following:				
Accounts receivable		**148**		329
Inventory		**(59)**		(51)
Prepaid expenses		**(11)**		(25)
Accounts payable		**(255)**		232
Deferred revenue		**193**		67
Accrued unused vacation entitlements		**27**		4
		439		1,411
CASH FLOWS FROM FINANCING ACTIVITIES				
Revenue sharing payment to Province of Manitoba		**(280)**		(280)
Severance pay payments		**-**		(49)
		(280)		(329)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of capital assets		**(703)**		(908)
Long term investments		**(94)**		-
		(797)		(908)
INCREASE (DECREASE) IN CASH AND SHORT TERM DEPOSITS		**(638)**		174
CASH AND SHORT TERM DEPOSITS, BEGINNING OF YEAR		**1,326**		1,152
CASH AND SHORT TERM DEPOSITS, END OF YEAR	**$**	**688**	$	1,326
Supplementary information:				
Interest received	**$**	**24**	$	55

The accompanying notes are an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

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. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's year end financial statements.

(in thousands)

Change in Accounting Policies - continued

Section 3031 Inventories

Section 3031 Inventories replaces Section 3030 Inventories. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Agency's year end financial statements.

3. 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	20 %	Declining balance
Office equipment	20 %	Straight line
NRS - software	10 %	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.

Capital Disclosures

The Agency's capital consists of retained earnings provided from operations and special purpose reserve funds allocated from retained earnings.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

Significant Accounting Policies - continued

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.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified 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 financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and short term deposits	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Receivable from the Province of Manitoba	Loans and receivables	Amortized cost
Long term investments	Held for trading	Fair value
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

(in thousands)

Financial Instruments and Financial Risk Management - continued

Fair Value of Financial Instruments

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

Financial Risk Management - overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and short term deposits, accounts receivable and long term investments.

The maximum exposure of the Agency to credit risk at year end is:

	2009	2008
Cash and short term deposits	**$ 688**	$ 1,326
Accounts receivable	**80**	134
Receivable from the Province of Manitoba	**-**	94
Long term investments	**94**	-
	$ 862	$ 1,554

Cash and short term deposits: The Agency is not exposed to significant credit risk as the cash and short term deposits are primarily held by the Minister of Finance.

Receivable from the Province of Manitoba: The Agency is not exposed to significant credit risk as the receivable is from the Province of Manitoba.

Accounts receivable: The Agency is not exposed to significant credit risk as no one party accounts for a significant balance and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Long term investments: The Agency is not exposed to significant credit risk as the long term investments are primarily held by the Minister of Finance.

The change in the allowance for doubtful accounts during the year was as follows:

	2009	2008
Balance, beginning of the year	**$ 5**	$ 6
Provision for receivable impairment	**1**	1
Amounts written off	**(1)**	(2)
Balance, end of the year	**$ 5**	$ 5

Financial Instruments and Financial Risk Management - continued

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short term deposits and long term investments.

The interest rate risk on short term deposits and long term investments is considered to be low because of their short term nature.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. 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, 2009 (2008 - $5).

(in thousands)

Waiver of Fees - continued

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 $10 for the year ended March 31, 2009 (2008 - $13).

6. CASH AND SHORT TERM DEPOSITS

	2009	2008
Cash on hand and balances in bank	**$ 80**	$ 38
Short term deposits	**608**	1,288
	$ 688	$ 1,326

Short term deposits interest rates range from 0.25% to 0.75% and maturity dates range from April 13, 2009 to June 29, 2009.

7. ACCOUNTS RECEIVABLE

	2009	2008
Trade	**$ 85**	$ 80
Interest	**-**	6
Federal government - Statistics Canada	**-**	53
	85	139
Allowance for doubtful accounts	**5**	5
	$ 80	$ 134

8. LONG TERM INVESTMENTS

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency’s employees. Accordingly, the Agency recorded a receivable of $94 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $94 into an interest bearing trust account to be held on the Agency’s behalf until the cash is required to discharge the related liabilities.

The long term investments earns interest at 0.55%, matures on March 30, 2010, at that time the original deposit will be re-invested. The interest income earned on this deposit is available to be withdrawn and used for operating purposes.

(in thousands)

9. CAPITAL ASSETS

	2009		2008	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Data conversion	**$ 2,154**	**$ 1,081**	$ 1,509	$ 894
Furniture and fixtures	**118**	**114**	118	111
Information system	**1,249**	**1,038**	1,220	989
Leasehold improvements	**92**	**86**	86	84
National Routing System - Computer equipment and software	**410**	**114**	402	41
Office equipment	**192**	**170**	179	163
Security equipment	**75**	**51**	74	45
	4,290	**2,654**	3,588	2,327
Net Book Value	**$ 1,636**		$ 1,261	

10. DEFERRED REVENUE

	2009	2008
Trade	**$ 139**	$ 207
Federal government	**310**	383
Manitoba Public Insurance Corporation	**334**	-
	$ 783	$ 590

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. 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 (2008 - $424) less $114 (2008 - $41) amortized into income. Total income recognized for the year was $73 (2008 - $41) and is included in proceeds from government departments on the statement of earnings.

Manitoba Public Insurance Corporation

The Agency entered into an information sharing agreement with Manitoba Public Insurance Corporation (MPIC) starting on January 2, 2009 which enabled MPIC to access certain data related to applicants for enhanced identification cards. The amount deferred represents the total funds advanced of $400 (2008 - $nil) less $66 (2008 - $nil) amortized into income. Revenue is being recognized on a straight-line basis over 18 months, which is the length of the agreement. Total income recognized for the year was $66 (2008 - $nil) and is included in proceeds from government departments on the statement of earnings.

(in thousands)

11. 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 2009 was $55 (2008 - $60). Under this agreement, the Agency has no further pension liability.

12. 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, 2009 was $186 (2008 - $163). 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.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return		
Inflation component	2.50	%
Real rate of return	4.00	%
	6.50	%
Assumed salary increase rates		
Annual productivity increase	0.75	%
Annual general salary increase	3.25	%
	4.00	%

13. 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, 2010 are estimated to be $204 (2009 - $200).

The Agency has entered into an agreement with an unrelated party who is to convert all marriage and death registration forms to a useable electronic format to be imported into its electronic records management system. The Agency has agreed to total payments of an amount not to not exceed $723. The Agency has not recorded or capitalized any of these data conversion costs related to marriage and death registrations to March 31, 2009.

14. 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 not accessed working capital advances at March 31, 2009 (2008 - $42).

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

Schedule 1

SCHEDULE OF OPERATING EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
Accommodation	**$ 200**	$ 205
Advertising	**27**	24
Central government charges	**56**	68
Computer information system	**246**	193
Office equipment support	**24**	24
Office supplies	**30**	24
Other operating expenses	**41**	45
Printed material supplies	**142**	103
Professional fees	**60**	61
Supplies for mechanized systems	**24**	18
Telecommunications	**47**	39
Training	**14**	6
Transportation and freight	**183**	199
	$ 1,094	$ 1,009

Schedule 2

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

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 2009	COMPENSATION 2008
Caroline Kaus	Chief Operating Officer	**$ -**	$ 108
Susan Boulter	Chief Operating Officer	**92**	90
Edwin Norrington	Manager of Finance, Administration and Marketing	**67**	62
Janet Usher	Assistant Director	**61**	60
Lucy Lutrzykowski	Supervisor Application Processing	**53**	53
Doreen Payette	Processing Clerk	**-**	50

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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, 2009 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, 2009 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 29, 2009

SPORT MANITOBA INC.

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Current assets:		
Cash	$ 2,421,106	$ 1,097,772
Accounts receivable	824,280	653,161
Inventories	22,468	26,180
Prepaid expenses and deposits	104,572	80,991
	3,372,426	1,858,104
Marketable securities [note 2(e)]	105,660	104,040
Capital assets (note 3)	4,520,630	126,622
	$ 7,998,716	$ 2,088,766
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,590,393	$ 1,042,603
Current portion of loan payable (note 7)	166,667	–
	1,757,060	1,042,603
Loan payable (note 7)	4,819,434	–
Deferred contributions for expenses of future periods (note 8)	862,421	491,092
Net assets:		
Unrestricted	144,495	195,577
Internally restricted [note 2(d)]:		
Initiatives program	94,707	97,957
Coaching	30,875	30,875
Princess Royal Pan Am Scholarship endowment [note 2(e)]	105,660	104,040
Invested in capital assets (note 12)	184,064	126,622
	559,801	555,071
Facility Development Fund trust assets (note 4)		
KidSport Canada trust assets (note 5)		
Commitments (note 9)		
Subsequent event (note 15)		
	$ 7,998,716	$ 2,088,766

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

SPORT MANITOBA INC.

Statement of Operations

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Province of Manitoba:		
Program support	$ 10,998,000	$ 10,998,000
Bingo allocation	170,600	160,700
Other grants	255,811	100,000
Government of Canada support	150,000	115,000
Other income	326,839	308,503
Bilateral funding:		
Province of Manitoba	200,000	230,023
Federal Government	200,000	230,023
	12,301,250	12,142,249
Expenses:		
Grants:		
Sport groups for sport development	7,516,190	7,443,077
Manitoba Sports Hall of Fame and Museum Incorporated (note 10)	–	65,000
Bilateral sport development programs	398,934	496,617
Administration and services provided to sport groups:		
Occupancy	1,698,764	1,729,663
Operating	425,881	473,267
Administration	1,508,618	1,407,361
Member services	1,524,126	1,376,375
Costs recovered from sport groups	(860,818)	(885,798)
Amortization	86,445	84,819
	12,298,140	12,190,381
Excess (deficiency) of revenue over expenses	$ 3,110	$ (48,132)

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Changes in Net Assets

Year ended March 31, 2009, with comparative figures for 2008

	Unrestricted	Internally restricted initiatives program	Internally restricted coaching fund	Princess Royal Pan Am Scholarship endowment	Invested in capital assets	2009 Total	2008 Total
Net assets, beginning of year	$ 195,577	$ 97,957	$ 30,875	$ 104,040	$ 126,622	$ 555,071	$ 568,288
Excess (deficiency) of revenue over expenses	92,805	(3,250)	–	–	(86,445)	3,110	(48,132)
Capital assets acquired	(4,480,453)	–	–	–	4,480,453	–	–
Proceeds from loan used for land and building additions	4,350,465	–	–	–	(4,350,465)	–	–
Principal payment on loan payable	(13,899)	–	–	–	13,899	–	–
Change in unrealized gain on endowment investments	–	–	–	1,620	–	1,620	4,040
Internally imposed restriction	–	–	–	–	–	–	30,875
Net assets, end of year	$ 144,495	$ 94,707	$ 30,875	$ 105,660	$ 184,064	$ 559,801	$ 555,071

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 3,110	$ (48,132)
Items not involving cash:		
Amortization	86,445	84,819
Change in non-cash operating working capital	728,131	271,565
	817,686	308,252
Investing activities:		
Additions to capital assets	(4,480,453)	(32,042)
Financing activities:		
Proceeds from loan payable	5,000,000	–
Principal repayments of loan payable	(13,899)	–
	4,986,101	–
Increase in cash	1,323,334	276,210
Cash, beginning of year	1,097,772	821,562
Cash, end of year	$ 2,421,106	$ 1,097,772

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
Building	40 years
Computers	3 years
Furniture and equipment	5 years
Print shop equipment	15 years

2. Significant accounting policies (continued):

Leasehold improvements are recorded at cost and are amortized on a straight-line basis over the remaining term of the lease.

Interest is capitalized on payments for major capital asset additions made prior to them being ready for use and is included in the cost of the asset.

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.

The Board of Directors has also internally restricted certain net assets to be used 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.

2. Significant accounting policies (continued):

(g) Financial instruments:

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.

The organization has designated cash and marketable securities as held-for-trading; accounts receivable as loans and receivables; and accounts payable and accrued liabilities and loan payable as other liabilities. The organization has neither available-for-sale nor held-to-maturity financial 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.

(h) Future accounting changes:

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the organization's next fiscal year. The organization is in the process of determining the impact that these standards will have on its financial reporting.

CICA Section 3862, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentation* were to replace the existing Section 3861, *Financial Instruments - Disclosure and Presentation*, effective April 1, 2009 for the organization. These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing 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. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. Not-for-profit entities are permitted to continue to apply Section 3861 in place of Section 3862 and 3863. An entity that does so must disclose the fact.

2. Significant accounting policies (continued):

In September 2008, a number of standards applicable to not-for-profit organizations were amended and new Section 4470, *Disclosures of Allocated Expenses by Not-for-Profit Organizations*, was issued. The new Section 4470 requires entities that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. In addition, the amendments to the not-for-profit organization standards include clarification of when revenues and expenses are to be reported on a gross basis; clarification of the treatment of internal and external restriction on net assets; and improved guidance related to application of GAAP hierarchy, capital asset standards and statement of cash flows. The organization will adopt these standards on April 1, 2009.

3. Capital assets:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 1,200,000	$ –	$ 1,200,000	$ –
Building	3,150,465	–	3,150,465	–
Computers	207,870	173,555	34,315	31,677
Furniture and equipment	426,071	328,010	98,061	10,024
Print shop equipment	291,749	253,960	37,789	84,921
Leasehold improvements	146,038	146,038	–	–
	$ 5,422,193	$ 901,563	$ 4,520,630	$ 126,622

During the year, interest of $28,288 was capitalized as part of the cost of the building.

4. Facility Development Fund trust assets:

In accordance with the previous funding agreement with the Province of Manitoba, the organization is holding at March 31, 2009 $12,044 (2008 - $11,849) 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 trust assets together with the related obligation, interest income and administrative expenses have not been recorded in these financial statements for financial reporting purposes.

4. 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	1,892,555
Administrative expenses paid to date	(292,236)
Projects funded	(5,725,578)
	$ 12,044

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.

5. KidSport Canada trust assets:

In accordance with a Delegation of Authority agreement with KidSport Canada signed March 19, 2008, the organization is holding $559,488 of assets in trust for KidSport Canada as at March 31, 2009 (2008 - $646,679). The agreement delegates authority to the organization to issue tax receipts for qualifying donations on behalf of KidSport Canada. These trust assets together with the related obligation, donation income and grant expenses have not been recorded in these financial statements for financial reporting purposes.

6. Sport For Life Centre:

In February 2009, the organization purchased land and building at 145 Pacific for $3,700,000 which will become home to the new Sport For Life Centre. The Phase 1 renovations have started with an anticipated occupancy date in the 2010 fiscal year. Phase 2 which will include the activity space is anticipated to be developed within the next two years.

7. Loan payable:

Province of Manitoba:	
Loan payable bearing interest at 5.90%, unsecured, repayable in monthly principal instalments of $13,889 plus interest maturing February 24, 2039	$ 4,986,101
Current portion	166,667
	$ 4,819,434

Principal repayments over the next five years are as follows:

2010	$ 166,667
2011	166,667
2012	166,667
2013	166,667
2014	166,667

8. Deferred contributions:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses.

	2009	2008
Balance, beginning of year	$ 491,092	157,101
Contributions in the current year	453,500	411,335
Contributions repaid	–	(57,925)
Amounts amortized to revenue	(82,171)	(19,419)
Balance, end of year	$ 862,421	$ 491,092

8. Deferred contributions (continued):

Deferred contributions for expenses of future periods are comprised of the following:

	2009	2008
Sport heritage	$ 41,155	$ 41,155
Western Canada Summer Games, future bids, and costs for storage of equipment	113,477	104,837
2010 Olympics	538,189	325,000
Manitoba Games	99,600	20,100
KidSport Canada	70,000	–
	$ 862,421	$ 491,092

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.

9. Commitments:

(a) The organization rents its premises under an operating lease which expired in 2008. The lease was extended to December 31, 2009 for certain parts of the premises for minimum base rental payments of $816,909. During the year, the organization entered into an operating lease agreement to rent additional space until December 31, 2009. The minimum lease rental payment committed is $72,869.

(b) The organization has made a commitment to fund a best ever project for the National Women Volleyball Centre in the amount of $50,000 for the year ending March 31, 2010, 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, 2010 subject to the present levels of funding from the Province of Manitoba being maintained.

9. Commitments (continued):

(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.

(e) As at March 31, 2009, the organization has committed to capital expenditures of $1,917,875 relating to the redevelopment of 145 Pacific (notes 6 and 15).

10. 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 and builders. 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 nil (2008 - $65,000).

On April 1, 2008, the Hall of Fame entered into an occupancy and support agreement with the organization whereby certain services are provided by the organization to the Hall of Fame for a fee equal to the cost of providing such services, minus the sum of $65,000. In 2009, the organization provided services to the Hall of Fame in the amount of $61,645 under this agreement and, accordingly, a liability of $3,355 has been recorded in these financial statements.

10. 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:

	2009	2008
Assets	$ 75,300	$ 77,918
Liabilities	$ 93,778	$ 78,586
Net assets	(18,478)	(668)
	$ 75,300	$ 77,918
Revenues	$ 154,097	$ 252,240
Expenses	157,507	241,811
Excess (deficiency) of revenues over expenses	$ (3,410)	$ 10,429

11. 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:

	2009	2008
Assets	$ 1,283,998	$ 1,345,662
Liabilities	$ 4,000	$ 65,110
Deferred contributions	399,313	394,907
Unrestricted net assets	75,685	80,645
Pan Am Games Legacy endowment	805,000	805,000
	$ 1,283,998	$ 1,345,662
Revenue	$ 60,954	$ 64,753
Expenses	65,914	18,780
Excess (deficiency) of revenue over expenses	$ (4,960)	$ 45,973

11. 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 $22,000 (2008 - $15,980) of scholarship grants to Manitoba athletes.

12. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2009	2008
Unspent cash proceeds from loan	$ 649,535	$ –
Capital assets	4,520,630	126,622
Loan payable	(4,986,101)	–
	$ 184,064	$ 126,622

13. Pension plan:

The organization has a defined contribution pension plan. Pension expense for the year ended March 31, 2009 was $91,906 (2008 - $89,101).

14. 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. The fair value of the loan payable is not practicable to determine due to the underlying terms and conditions.

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.

15. Subsequent event:

On April 1, 2009, the organization signed an agreement to obtain additional financing in the amount of $11,000,000 from the Province of Manitoba with respect to the redevelopment of 145 Pacific (note 6). The loan is unsecured, repayable in equal monthly instalments of $30,556 plus interest, commencing December 31, 2009. The loan bears interest at bank prime less 0.75 percent until December 31, 2009, after which the interest rate becomes 5.95 percent.

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AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of Sport Manitoba Inc.

We have audited and reported separately herein on the financial statements of Sport Manitoba Inc. as at and for the year ended March 31, 2009 in accordance with Canadian generally accepted auditing standards.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the organization taken as a whole. The supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 29, 2009

SPORT MANITOBA INC.

Schedule - Administration and Services Provided to Sport Groups

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Occupancy expenses:		
Janitorial services	$ 5,075	$ 5,549
Rent and occupancy costs:		
Administration	150,719	167,717
Member services	1,474,213	1,455,503
Repairs and maintenance	3,892	4,197
Future Administration Centre relocation review	64,865	96,697
	$ 1,698,764	$ 1,729,663
Operating expenses:		
Event sponsorship	$ 162,171	$ 176,215
Courier	14,510	11,353
Postage	82,826	99,365
Repairs and maintenance	80,491	78,228
Service bureau fees	10,157	9,587
Stationery	27,883	36,683
Supplies	15,818	27,337
Telephone	31,172	29,816
Coaches training programs	853	4,683
	$ 425,881	$ 473,267
Administration expenses:		
Advertising, marketing and media programs	$ 165,947	$ 151,480
Coaching development	99,406	–
Community and regional development programs	113,993	162,717
Delivery and freight	1,226	1,413
Hall of Fame administration	11,210	–
Insurance	8,854	9,327
KidSport programs	31,211	36,786
Respect in Sport/Long-term athlete development	104,360	151,165
Meetings	21,340	17,874
Membership dues and subscriptions	3,450	3,600
Office supplies and stationery	7,805	9,662
Photocopying	6,384	5,821
Postage	3,819	5,358
Printing	14,113	8,288
Professional development	13,883	14,684
Professional fees	22,452	34,910
Salaries and employee benefits	818,933	741,125
Service bureau fees	3,850	2,924
Telephone	28,053	24,475
Travel	24,359	16,052
Volunteer and staff recognition	3,970	9,700
	$ 1,508,618	$ 1,407,361

SPORT MANITOBA INC.

Schedule - Administration and Services Provided to Sport Groups (continued)

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Member services expenses:		
Salaries and benefits	$ 1,520,876	$ 1,376,375
Initiative program	3,250	–
	$ 1,524,126	$ 1,376,375
Amortization:		
Amortization of leasehold improvements	$ –	$ 5,458
Amortization of other capital assets	86,445	79,361
	$ 86,455	$ 84,819

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, 2009 and the statements of net operations, surplus, 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, 2009 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
June 15, 2009

TIRE STEWARDSHIP BOARD

STATEMENT OF FINANCIAL POSITION

	March 31 2009	March 31 2008
ASSETS		
CURRENT		
Petty cash	$ -	$ 100
Cash	-	99,105
Accounts receivable	-	299,338
Prepaid expenses (note 3)	-	5,874
	-	404,417
CAPITAL ASSETS		
Furniture and equipment (note 4)	-	1,435
	$ -	$ 405,852
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ -	$ 16,459
EQUITY		
SURPLUS	-	389,393
	$ -	$ 405,852

APPROVED ON BEHALF OF THE BOARD:

________________________ Director

________________________ Director

This is the Balance Sheet referred to in the Auditors' report dated June 15, 2009.
The accompanying notes are an integral part of these financial statements.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

TIRE STEWARDSHIP BOARD

STATEMENT OF OPERATIONS

	Year Ended March 31 2009	2008
REVENUE		
Tire levy	$ 154,425	$ 2,508,640
Interest	5,949	6,768
Grants	99,721	-
	260,095	2,515,408
DIRECT EXPENSE		
Collection services	2,500	30,000
Levy commissions	8	2,426
Payments to processors	1,422	2,158,427
Payments to municipalities	-	3,616
OTR Clean-up (note 3)	625,357	-
	629,287	2,194,469
GROSS MARGIN	(369,192)	320,939
ADMINISTRATIVE EXPENSES		
Amortization	495	527
Audit, legal and tax consulting	6,553	36,196
Board	682	6,902
Contracted services	4,385	42,250
Equipment leasing	80	964
Insurance	5,588	10,121
Interest	25	60
Office	974	8,721
Write-off of equipment	940	-
Rent	-	11,832
Salaries and benefits	-	95,022
Telephone	-	3,562
Travel	479	11,546
	20,201	227,703
EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)	$ (389,393)	$ 93,236

This is the Statement of Net Operations (Deficit) referred to in the Auditors' Report dated June 15, 2009.
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 2009	2008
SURPLUS – Beginning of year	$ 389,393	$ 296,157
EXCESS OF REVENUES OVER EXPENDITURES	(389,393)	93,236
SURPLUS – End of year	$ -	$ 389,393

This is the Statement of Surplus referred to in the Auditors' report dated June 15, 2009.
The accompanying notes are an integral part of these financial statements.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

TIRE STEWARDSHIP BOARD

STATEMENT OF CASH FLOW

	Year Ended March 31 2009	2008
CASH PROVIDED (USED) BY:		
OPERATING ACTIVITIES		
Operations		
Excess of revenues over expenditures (expenditures over revenues)	$ (389,393)	$ 93,236
Item not involving cash		
Amortization	495	527
Write-off of equipment	940	-
	(387,958)	93,763
Changes in non-cash working capital balances	288,753	(6,416)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(99,205)	87,347
CASH AND EQUIVALENTS – Beginning of year	99,205	11,858
CASH AND EQUIVALENTS – End of year	$ -	$ 99,205

This is the Statement of Changes in Financial Position referred
to in the Auditors' report dated June 15, 2009.
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, 2009

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, 2009

NOTE 3 – GRANT FUNDING – MANITOBA CONSERVATION

A $125,000 sustainable development fund grant was awarded to Tire Stewardship Board to undertake an off-the-road (OTR) Tire Program and complete the transition to the new industry lead program under Tire Stewardship Manitoba. Funding was as follows:

Grant awarded		$ 125,000
Final payment of grant not required or requested	$ 12,500	
Funds remaining on wind-up and forwarded to Manitoba Conservation	12,779	25,279
Manitoba Conservation funding utilized by Tire Stewardship Board		$ 99,271

The cost in the amount of $98,437 related to the final OTR Clean-up was paid out prior to year-end without having the final clean-up related work being done. Normally, this would be reflected as prepaid expense with offsetting balance to surplus. However, the Province of Manitoba has transferred its responsibility to follow-up completion of the program to Tire Stewardship Manitoba Inc. which is the successor entity to the Tire Stewardship Board.

Because of the seasonal nature of road repair construction, work could not be completed until spring of 2009. The material was purchased prior to December 31, 2008 but not delivered for project work until the second quarter into mid 2009.

Tire Stewardship Manitoba Inc. will follow-up on the program completion as it occurs sometime around mid 2009.

It is also noted that Tire Stewardship Board has either not used or returned $25,279 as per the above to Manitoba Conservation.

NOTE 4 – EQUIPMENT

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Computer equipment	$ -	$ -	$ -	$ 943
Furniture and fixtures	-	-	-	492
	$ -	$ -	$ -	$ 1,435

This equipment was old, had no market value, and was sent to recycling.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

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 funding organization would manage a scrap tire recycling program under an extended producer responsibility 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 Inc. effective April 1, 2008.

The Tire Stewardship Board has completed, in conjunction with Tire Stewardship Manitoba Inc., the OTR clean-up of off road tires as outlined in the agreements entered into, subsequent to March 31, 2009, with two recyclers. This program utilized all remaining funds except for $12,500 final installment not requested and $12,779 which was sent to The Province of Manitoba and reflected as a reduction to the grant received as reflected in note 3. This resulted 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, 2009 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, 2009, 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 14, 2009

STATEMENT OF FINANCIAL POSITION

As at March 31	2009	2008
ASSETS		
Current Assets		
Cash (Note 3)	**$ 1,263,319**	$ 1,197,632
Short-term deposits (Note 3)	**219,216**	213,686
Trade accounts receivable	**401,599**	960,073
Prepaid expenses	**67,245**	34,595
	1,951,379	2,405,986
Due from the Province of Manitoba (Note 4)	**269,550**	278,473
Capital assets (Note 5)	**163,131**	119,765
	$ 2,384,060	$ 2,804,224
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 1,201,165**	$ 1,390,595
Deferred revenue	-	30,447
	1,201,165	1,421,042
Severance pay benefits (Note 4)	**355,870**	373,884
	1,557,035	1,794,926
Commitments (Note 7)		
Net Assets (Page 25)		
Unrestricted	**588,894**	814,533
Restricted for purchase of capital assets	**75,000**	75,000
Invested in capital assets	**163,131**	119,765
	827,025	1,009,298
	$ 2,384,060	$ 2,804,224

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.

STATEMENT OF OPERATIONS

For the year ended March 31	2009	2008
Revenue		
Province of Manitoba		
Operating	**$ 7,544,300**	$ 7,544,300
Other initiatives	**650,000**	6,500
Partnership and leveraged marketing	**831,897**	470,566
Western Diversification Program	**105,447**	644,553
Other	**46,206**	99,341
	9,177,850	8,765,260
Expenditures		
Marketing and product development	**6,964,700**	5,741,453
Visitor services	**1,389,564**	1,392,116
Corporate services	**729,393**	782,051
Contribution to Homecoming Inc.	**250,000**	250,000
Amortization	**26,466**	15,041
	9,360,123	8,180,661
Excess (deficiency) of revenue over expenditures for the year (Page 25)	**$ (182,273)**	$ 584,599

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

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31				2009	2008
	UNRESTRICTED	RESTRICTED FOR PURCHASE OF CAPITAL ASSETS	INVESTED IN CAPITAL ASSETS	TOTAL	TOTAL
Net assets, beginning of year	**$ 814,533**	**$ 75,000**	**$ 119,765**	**$ 1,009,298**	$ 424,699
Excess (deficiency) of revenue over expenditures for the year (Page 24)	**(155,807)**	-	**(26,466)**	**(182,273)**	584,599
Acquisition of capital assets	**(69,832)**	-	**69,832**	-	-
Net assets, end of year (Page 23)	**$ 588,894**	**$ 75,000**	**$ 163,131**	**$ 827,025**	$ 1,009,298

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

STATEMENT OF CASH FLOWS

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	**$ (182,273)**	$ 584,599
Adjustment for non cash items		
Amortization	**26,466**	15,041
	(155,807)	599,640
Changes in non-cash working capital		
Trade accounts receivable	**558,474**	(633,306)
Prepaid expenses	**(32,650)**	10,270
Accounts payable and accrued liabilities	**(189,430)**	224,964
Deferred revenue	**(30,447)**	(76,633)
	305,947	(474,705)
Due from Province of Manitoba	**8,923**	21,494
Severance pay liability	**(18,014)**	63,065
	141,049	209,494
Cash Flows from Investing Activities		
Acquisition of capital assets	**(69,832)**	(78,772)
Net change in short-term deposits	**(5,530)**	(8,305)
	(75,362)	(87,077)
Net increase in cash and cash equivalents	**65,687**	122,417
Cash and cash equivalents, beginning of year	**1,197,632**	1,075,215
Cash and cash equivalents, end of year	**$ 1,263,319**	$ 1,197,632

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As at March 31, 2009

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.

The Organization recognizes revenue arising from non-monetary transactions in the period when services have been 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 as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	**Category**	**Measurement**
Cash	Held for trading	Fair value
Short-term deposits	Held for trading	Fair value
Trade accounts receivable	Loans and receivables	Amortized cost
Due from Province of Manitoba	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As at March 31, 2009

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 Statement Concepts
CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and deemphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Organization is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Financial Instruments - Disclosure and Presentation
On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit organizations to implement new standards dealing with certain financial instrument, disclosures and presentation. The Organization has elected to defer application of these standards.

Financial Statements by Not-for-Profit Organizations
In September 2008, a number of standards applicable to not-for-profit organizations were amended and issued. The changes are intended to improve financial reporting by not-for-profit organizations and make not-for-profit standards consistent with those of profit-oriented enterprises when they address the same issues. These amendments which are effective for fiscal years beginning on or after January 1, 2009 will not have a significant impact on the results of operations or financial position.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As at March 31, 2009

NEW ACCOUNTING PRONOUNCEMENTS (continued)

In December 2008, the AcSB and the Public Sector Accounting Board issued a joint Invitation to Comment, "Financial Reporting by Not-for-Profit Organizations," to invite feedback on the future of financial reporting by not-for- profit organizations. The financial reporting options under consideration by the AcSB include IFRSs, private enterprise standards and public sector standards. Until the strategy has been determined and implemented, not-for-profit organizations will continue to apply current accounting standards.

The Organization continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2009

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

Capital Disclosures

On April 1, 2008 the Organization adopted a requirement of the CICA to provide disclosure about how it manages its unrestricted net assets (See Note 9).

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, 2009. 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, 2009 was $355,870.

During the year, the Organization reduced the receivable from the government in the amount of $8,923 related to employees no longer employed by the Organization.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2009

5. CAPITAL ASSETS

	2009		2008	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Computer hardware	**$ 80,631**	**$ 29,668**	$ 73,664	$ 9,721
Computer software	**29,503**	**20,947**	29,503	16,631
Furniture and equipment	**12,053**	**1,494**	8,715	1,056
Leasehold improvements	**97,679**	**4,626**	38,153	2,862
	$ 219,866	**$ 56,735**	$ 150,035	$ 30,270
Cost less accumulated amortization		**$ 163,131**		$ 119,765

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 2009 was $111,754 (2008 - $102,071). Under this agreement, the Organization has no further pension liability.

7. LEASE COMMITMENTS

The Organization has entered into lease agreements expiring March 2010 for rental of facilities at various locations with total annual payments of $618,595.

8. NON-MONETARY TRANSACTIONS

The Organization in the current year has entered into contracts with exchanges of non-monetary services for other non-monetary services with little or no monetary consideration involved. These transactions are within normal business activities and were done in order to carry out the mandate of the Organization.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2009

8. NON-MONETARY TRANSACTIONS (continued)

The Organization has used the fair value of the services that have been given up in order to measure the amount of the transaction as this is the more reliable and accurate measure of the revenue and expenses that have been incurred through these transactions. The aggregate amount of all non-monetary transactions in the current year total $89,600 (2008 - nil).

The Organization has not incurred any gains or losses in the current year with respect to these non-monetary transactions.

9. CAPITAL MANAGEMENT

The Organization considers its capital to comprise its unrestricted net assets, reserve capital for purchase of capital assets and capital invested in capital assets. There have been no changes to what the organization considers to be its capital since the previous period.

As a not-for-profit entity, the Organization's operations are reliant on revenues generated annually. The Organization has accumulated unrestricted net assets over its history. A portion of these accumulated funds is retained as working capital (current assets less current liabilities) which may be required from time to time due to timing delays in receiving its primary funding.

The remaining funds are available for the use of the Organization at the Board's discretion.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

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, 2008, 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, 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
September 12, 2008

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

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF FINANCIAL POSITION

JUNE 30

	General Fund	Capital Campaign Fund	Student Award Fund	Endowment Fund	Total 2008	Total 2007
ASSETS						
CURRENT						
Cash and short-term investments	$ 9,421,825	$ 5,599	$ 189,400	$ 52,600	$ 9,669,424	$ 8,111,377
Accounts receivable (Note 3)	2,973,820	1		492	2,974,313	2,387,500
Due from Province of Manitoba (Note 5)	752,589				752,589	752,589
Inventory	127,315				127,315	168,084
Prepaid expenses	151,918				151,918	49,992
	13,427,467	5,600	189,400	53,092	13,675,559	11,469,542
LONG TERM						
Capital assets (Note 4)	2,706,175				2,706,175	1,780,737
Due from Province of Manitoba (Note 5)	793,500				793,500	793,500
	3,499,675				3,499,675	2,574,237
TOTAL ASSETS	$ 16,927,142	$ 5,600	$ 189,400	$ 53,092	$ 17,175,234	$ 14,043,779
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities (Note 6)	$ 2,820,315	$	$ 500	$	$ 2,820,815	$ 1,776,453
Deferred revenue	222,712				222,712	536,027
Deferred contributions (Note 7)	3,387,588				3,387,588	3,050,154
Accrued vacation benefits	1,925,083				1,925,083	1,709,031
	8,355,698		500		8,356,198	7,071,665
LONG TERM						
Deferred contributions related to capital assets (Note 8)	1,686,737				1,686,737	1,034,479
Accrued severance benefits (Note 9)	1,383,051				1,383,051	1,349,872
	3,069,788				3,069,788	2,384,351
FUND BALANCES						
FUND SURPLUS (DEFICIT)						
CONTRIBUTED SURPLUS	218,701				218,701	218,701
NET ASSETS INVESTED IN CAPITAL ASSETS	1,019,437				1,019,437	760,560
NET ASSETS RESTRICTED FOR FUND PURPOSES		5,600	188,900	53,092	247,592	231,039
NET ASSETS INTERNALLY RESTRICTED (Note 12)	4,092,195				4,092,195	1,757,681
UNRESTRICTED NET ASSETS	171,323				171,323	1,619,782
	5,501,656	5,600	188,900	53,092	5,749,248	4,587,763
TOTAL LIABILITIES & FUND BALANCES	$ 16,927,142	$ 5,600	$ 189,400	$ 53,092	$ 17,175,234	$ 14,043,779

APPROVED BY THE GOVERNING COUNCIL

45

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30

	General Fund	Capital Campaign Fund	Student Award Fund	Endowment Fund	Total 2008	Total 2007
REVENUES						
Grants						
Council on Post-Secondary Education	$ 23,540,296	$	$	$	$ 23,540,296	$ 18,785,821
Other Province of Manitoba	612,443				612,443	597,504
Government of Canada	16,830				16,830	93,844
Amortization of deferred contributions related to capital assets	203,279				203,279	181,647
Ancillary sales and services	1,640,844				1,640,844	1,572,255
Donations		5,633	128,107	8,000	141,740	141,039
Investment income	392,153		11,794		403,947	288,184
Market Driven Training	2,911,782				2,911,782	1,701,186
Tuition and student fees	2,504,425				2,504,425	2,386,851
Other revenue	1,038,143				1,038,143	1,228,089
	32,860,195	5,633	139,901	8,000	33,013,729	26,976,420
EXPENSES						
Advertising	249,916				249,916	205,107
Amortization of capital assets	220,418				220,418	201,582
Bad debts	38,237				38,237	318,898
Cost of Goods Sold	973,546				973,546	1,007,662
Employee benefits	1,917,066				1,917,066	1,615,530
Insurance	82,476				82,476	99,261
Library acquisitions	272,627				272,627	129,505
Facility costs	817,388				817,388	828,847
Furniture and minor equipment	1,769,626				1,769,626	589,165
Loss on disposal of capital assets	4,509				4,509	3,189
Loss to inventory write down	38,848				38,848	19,841
Maintenance and repairs	107,998				107,998	85,459
Operational supplies and services	3,538,333	33	227		3,538,593	2,810,764
Property taxes	497,329				497,329	485,643
Rentals and leases	400,757				400,757	377,456
Salaries	18,732,862				18,732,862	15,667,288
Scholarships and bursaries			136,721		136,721	101,564
Telephone and communication	531,550				531,550	483,256
Travel and hospitality	1,393,758				1,393,758	1,009,728
Utilities	128,019				128,019	121,486
	31,715,263	33	136,948		31,852,244	26,161,231
EXCESS REVENUES (EXPENSES)	$ 1,144,932	$ 5,600	$ 2,953	$ 8,000	$ 1,161,485	$ 815,189

STATEMENT 3

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30

	General Fund	Capital Campaign Fund	Student Award Fund	Endowment Fund	Total 2008	Total 2007
FUND SURPLUS, *beginning of year*	$ 4,356,724	$	$ 186,439	$ 44,600	$ 4,587,763	$ 3,772,574
EXCESS REVENUES (EXPENSES)	1,144,932	5,600	2,953	8,000	1,161,485	815,189
INTER-FUND TRANSFERS			(492)	492		
FUND SURPLUS, *end of year*	$ 5,501,656	$ 5,600	$ 188,900	$ 53,092	$ 5,749,248	$ 4,587,763

47

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 4

STATEMENT OF CASH FLOWS

	YEAR ENDED JUNE 30	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess Revenues (Expenses)		
University College of the North Fund	$ 1,191,796	$ 387,546
Inter-Universities Services Fund	12,094	372,583
Northern Forest Diversification Centre Fund	(58,958)	11,499
Student Award Fund	2,953	41,261
Capital Campaign Fund	5,600	
Endowment Fund	8,000	2,300
	1,161,485	815,189
Add (deduct) items not involving cash		
Loss on disposal of capital assets	4,509	3,189
Amortization of capital assets	220,418	201,582
Amortization of deferred contributions related to capital assets	(203,279)	(181,647)
	1,183,133	838,313
Add (deduct) changes in non-cash working capital components related to operating activities		
Accounts receivable	(586,812)	(246,643)
Inventory	40,769	90,558
Prepaid expenses	(101,926)	160,640
Accounts payable and accrued liabilities	1,044,361	(5,034)
Deferred revenue	(313,315)	431,275
Deferred contributions	337,434	1,457,666
Accrued vacation benefits	216,052	169,191
Accrued severance benefits	33,179	79,982
	1,852,875	2,975,948
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred contributions related to capital assets	855,537	312,057
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(1,169,765)	(312,057)
Proceeds on disposal of capital assets	19,400	
	(1,150,365)	(312,057)
NET INCREASE (DECREASE) IN CASH FLOWS DURING THE YEAR	1,558,047	2,975,948
CASH AND SHORT-TERM INVESTMENTS, *beginning of year*	8,111,377	5,135,429
CASH AND SHORT-TERM INVESTMENTS, *end of year*	$ 9,669,424	$ 8,111,377

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.

Student Award Fund - transactions related to donations for student scholarships and bursaries.

Endowment Fund - transactions related to endowments for student scholarships and bursaries.

Capital Campaign Fund - transactions related to donations received towards the development and capital needs of University College of the North.

Internally Restricted Fund - transactions related to appropriations made from (to) the Unrestricted Fund.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) New Accounting Policies

Effective July 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 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 June 30, 2008.

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 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 recorded in net earnings or directly to unrestricted net assets, respectively. All other financial instruments are subsequently measured at amortized cost.

The Entity 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.

Accounts receivable 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 accrued vacation benefits 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 June 30, 2008.

c) Financial Instruments

The financial instruments at UCN consist of cash and short-term investments, accounts receivable, due from Province of Manitoba – vacation and severance benefits, accounts payable and accrued liabilities, and accrued vacation benefits.

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

The carrying value of the due from Province of Manitoba – severance benefits approximates its fair value, as the annual interest accretion is funded.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) 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 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 July 1, 2008, will only require additional disclosures in the financial statements.

The CICA has also 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, UCN will adopt the new standards for its fiscal year beginning July 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.) UCN does not expect that the adoption of this new Section will have a material impact on its financial statements.

e) 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.

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.

f) Short-term investments

Investments are recorded at fair market value.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) 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.

h) 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 acquisition.

Certain capital assets purchased for specific Market Driven Training contracts are expensed in the year of purchase.

i) 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

	2008	2007
UCN Fund		
Students	$ 597,180	$ 576,956
Market Driven Training	1,198,945	997,676
Due from COPSE	464,707	446,840
Other	1,199,282	646,664
	3,460,114	2,668,136
Less: Allowance for doubtful accounts	(748,456)	(703,052)
	$ 2,711,658	$ 1,965,084
Inter-Universities Services Fund		
Students	$ 114,072	$ 179,603
Other	150,645	116,505
	264,717	296,108
Less: Allowance for doubtful accounts	(2,555)	(1,115)
	$ 262,162	$ 294,993

3. ACCOUNTS RECEIVABLE *(continued)*

	2008	2007
Northern Forest Diversification Centre Fund		
Trade accounts receivable	$ 38,237	$ 37,899
Province of Manitoba		44,762
Government of Canada		44,762
Less: Allowance for doubtful accounts	(38,237)	
	$	$ 127,423
Capital Campaign Fund		
Other	$ 1	$
Endowment Fund		
Other	$ 492	$
	$ 2,974,313	$ 2,387,500

4. CAPITAL ASSETS

UCN Fund	Cost	Accumulated Amortization	Net Book Value 2008	Net Book Value 2007
Automotive equipment	$ 688,604	$ 386,836	$ 301,768	$ 104,317
Computer equipment	772,571	432,854	339,717	114,106
Other equipment	1,674,230	751,336	922,894	465,698
Buildings/improvements	512,531	148,702	363,829	293,741
Library holdings	714,161		714,161	714,161
	$ 4,362,097	$ 1,719,728	$ 2,642,369	$ 1,692,023

Inter-Universities Services Fund	Cost	Accumulated Amortization	Net Book Value 2008	Net Book Value 2007
Automotive equipment	$ 82,430	$ 51,374	$ 31,056	$ 47,542
Computer equipment	60,174	40,326	19,848	25,970
Other equipment	28,448	15,546	12,902	15,202
	$ 171,052	$ 107,246	$ 63,806	$ 88,714
	$ 4,533,149	$ 1,826,974	$ 2,706,175	$ 1,780,737

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 severance benefits and vacation benefits as at April 1, 1998, when Keewatin Community College (precursor to UCN) assumed responsibility for these expenditures.

The amount recorded as due from Province of Manitoba – vacation benefits was initially based on the estimated value of the corresponding liability as at April 1, 1998. Subsequent to April 1, 1998, the Province has included in its ongoing annual funding to UCN, an amount equal to the current year's expense for vacation pay entitlements.

The amount recorded as due from Province of Manitoba – severance benefits is the value of the corresponding actuarial liability for severance benefits as at April 1, 1998. There has been no change to the value subsequent to April 1, 1998 because the Province has provided, in its ongoing annual funding to UCN, an amount equivalent to the change in the post employment liability including annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related severance benefits.

5. DUE FROM PROVINCE OF MANITOBA *(continued)*

	2008	2007
Accrued severance benefits	$ 793,500	$ 793,500
Accrued vacation benefits	752,589	752,589
	$ 1,546,089	$ 1,546,089

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
UCN Fund		
Accrued liabilities	$ 302,800	$ 300,662
Wages and benefits payable	765,796	758,395
Trade accounts payable	1,677,735	649,202
Due to Student Associations	11,282	8,430
	$ 2,757,613	$ 1,716,689
Inter-Universities Services Fund		
Trade accounts payable	$ 62,702	$ 56,393
Northern Forest Diversification Centre Fund		
Trade accounts payable	$	$ 3,371
Student Award Fund		
Other	$ 500	$
	$ 2,820,815	$ 1,776,453

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	$ 3,050,154	$ 1,236,354	$ (898,920)	$ 3,387,588

8. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	Beginning of Year	Increases	Decreases	End of Year
UCN Fund	$ 945,765	$ 855,537	$ 178,371	$ 1,622,931
Inter-Universities Services Fund	88,714		24,908	63,806
	$ 1,034,479	$ 855,537	$ 203,279	$ 1,686,737

9. ACCRUED SEVERANCE BENEFITS

UCN Fund	2008	2007
Balance, beginning of year	$ 1,302,812	$ 1,229,187
Experience gain (loss)		
Benefits accrued	105,538	96,133
Interest on accrued benefits	91,196	86,044
Severance paid	(170,871)	(108,552)
Balance, end of year	$ 1,328,675	$ 1,302,812

9. ACCRUED SEVERANCE BENEFITS *(continued)*

Inter-Universities Services Fund

Balance, beginning of year	$	47,060	$	40,703
Experience gain (loss)				
Benefits accrued		4,022		3,711
Interest on accrued benefits		3,294		2,646
Severance paid				
Balance, end of year	$	54,376	$	47,060
	$	1,383,051	$	1,349,872

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 - 7.5%), 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, 2008 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 $505,323 (2007 - $509,623).

Total contributions during the fiscal year by employees hired after October 1, 2002 (and matched by the University College) were $388,019 (2007 - $262,007). 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:

2008/09	398,574
2009/10	156,419
2010/11	28,071
2011/12	8,499

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.

UCN Fund

	Opening Balance	Increases	Decreases	Ending Balance
Campus Development Fund	$ 160,653	$	$	$ 160,653
Innovations Fund	22,878			22,878
Fiscal Stabilization	781,260	62,220		843,480
Programming Initiatives		2,260,200		2,260,200
Total	$ 964,791	$ 2,322,420	$	$ 3,287,211

Inter-Universities Services Fund

	Opening Balance	Increases	Decreases	Ending Balance
Innovations Fund	$ 642,890	$ 12,094	$	$ 654,984
Conferences	50,000			50,000
Science Lab	100,000			100,000
Total	$ 792,890	$ 12,094	$	$ 804,984
	$ 1,757,681	$ 2,334,514	$	$ 4,092,195

The net increase to the Internally Restricted Net Assets in the UCN Fund is $2,322,420 and the IUS Fund is $12,094. The overall increase to the Internally Restricted Net Assets is $2,334,514.

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. The $817,388 in facility costs was paid to Manitoba Infrastructure and Transportation for the rental of buildings. Funds available for short-term investments are invested with the Province of Manitoba. At June 30, 2008 $8.2 million (2007 - $7.1 million) was invested with the Province of Manitoba.

14. COMPARATIVE FIGURES

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

15 DISCONTINUED OPERATIONS - NFDC

On December 31, 2007, the operations of NFDC ceased to continue. In the 2008/09 fiscal year management will seek approval to close the bank account and use the dollars to continue the training portion of NFDC under regular educational operations through UCN.

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 1A

STATEMENT OF FINANCIAL POSITION - GENERAL

JUNE 30

	UCN Fund	IUS Fund	NFDC Fund	2008	2007
ASSETS					
CURRENT					
Cash and short-term investments	$ 8,399,375	$ 964,842	$ 57,608	$ 9,421,825	$ 7,880,338
Accounts receivable (Note 3)	2,711,658	262,162		2,973,820	2,387,500
Due to/from other funds	220,347	(223,563)	3,216		
Due from Province of Manitoba (Note 5)	752,589			752,589	752,589
Inventory	127,315			127,315	168,084
Prepaid expenses	151,918			151,918	49,992
	12,363,202	1,003,441	60,824	13,427,467	11,238,503
LONG TERM					
Capital assets (Note 4)	2,642,369	63,806		2,706,175	1,780,737
Due from Province of Manitoba (Note 5)	788,490	5,010		793,500	793,500
	3,430,859	68,816		3,499,675	2,574,237
TOTAL ASSETS	$ 15,794,061	$ 1,072,257	$ 60,824	$ 16,927,142	$ 13,812,740
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities (Note 6)	$ 2,757,613	$ 62,702	$	$ 2,820,315	$ 1,776,453
Deferred revenue	222,712			222,712	536,027
Deferred contributions (Note 7)	3,387,588			3,387,588	3,050,154
Accrued vacation benefits	1,838,694	86,389		1,925,083	1,709,031
	8,206,607	149,091		8,355,698	7,071,665
LONG TERM					
Deferred contributions related to capital assets (Note 8)	1,622,931	63,806		1,686,737	1,034,479
Accrued severance benefits (Note 9)	1,328,675	54,376		1,383,051	1,349,872
	2,951,606	118,182		3,069,788	2,384,351
FUND BALANCES					
FUND SURPLUS (DEFICIT)					
CONTRIBUTED SURPLUS	218,701			218,701	218,701
NET ASSETS INVESTED IN CAPITAL ASSETS	1,019,437			1,019,437	760,560
NET ASSETS INTERNALLY RESTRICTED (Note 12)	3,287,211	804,984		4,092,195	1,757,681
UNRESTRICTED NET ASSETS	110,499		60,824	171,323	1,619,782
	4,635,848	804,984	60,824	5,501,656	4,356,724
TOTAL LIABILITIES & FUND BALANCES	$ 15,794,061	$ 1,072,257	$ 60,824	$ 16,927,142	$ 13,812,740

STATEMENT 2A

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF OPERATIONS - GENERAL

YEAR ENDED JUNE 30

	UCN Fund	IUS Fund	NFDC Fund	Total 2008	Total 2007
REVENUES					
Grants					
Council on Post-Secondary Education	$ 22,535,796	$ 1,004,500	$	$ 23,540,296	$ 18,785,821
Other Province of Manitoba	575,877		36,566	612,443	597,504
Government of Canada	5,400		11,430	16,830	93,844
Amortization of deferred contributions related to capital assets	178,371	24,908		203,279	181,647
Ancillary sales and services	1,632,516		8,328	1,640,844	1,572,255
Investment income	383,500	8,653		392,153	284,098
Market Driven Training	2,911,782			2,911,782	1,701,186
Tuition and student fees	2,217,015	287,410		2,504,425	2,386,851
Other revenue	1,020,780	17,363		1,038,143	1,228,089
	31,461,037	1,342,834	56,324	32,860,195	26,831,295
EXPENSES					
Advertising	228,765	21,151		249,916	205,107
Amortization of capital assets	195,510	24,908		220,418	201,582
Bad debts (Recovery)			38,237	38,237	318,898
Cost of Goods Sold	969,163		4,383	973,546	1,007,662
Employee benefits	1,831,475	82,064	3,527	1,917,066	1,615,530
Insurance	77,456	5,020		82,476	99,261
Library acquisitions	272,627			272,627	129,505
Facility costs	817,388			817,388	828,847
Furniture and minor equipment	1,761,303	8,323		1,769,626	589,165
Loss on disposal of capital assets	4,509			4,509	3,189
Loss on inventory write down			38,848	38,848	19,841
Maintenance and repairs	100,735	7,263		107,998	85,459
Operational supplies and services	3,403,382	134,297	654	3,538,333	2,810,764
Property taxes	497,329			497,329	485,643
Rentals and leases	386,361	14,396		400,757	377,456
Salaries	17,832,983	872,594	27,285	18,732,862	15,667,288
Telephone and communication	518,499	10,703	2,348	531,550	483,256
Travel and hospitality	1,243,737	150,021		1,393,758	1,009,728
Utilities	128,019			128,019	121,486
	30,269,241	1,330,740	115,282	31,715,263	26,059,667
EXCESS REVENUES (EXPENSES)	$ 1,191,796	$ 12,094	$ (58,958)	$ 1,144,932	$ 771,628

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 3A

STATEMENT OF CHANGES IN FUND BALANCES - GENERAL

YEAR ENDED JUNE 30

	Unrestricted				Internally Restricted					Total	
	UCN Fund	IUS Fund	NFDC Fund	Unrestricted Total	UCN Fund	IUS Fund	Internally Restricted Total	Net Assets Invested in Capital Assets	Contributed Surplus	2008	2007
FUND SURPLUS (DEFICIT), *beginning of year*	$ 1,500,000	$	$ 119,782	$ 1,619,782	$ 964,791	$ 792,890	$ 1,757,681	$ 760,560	$ 218,701	$ 4,356,724	$ 3,585,096
EXCESS REVENUES (EXPENSES)	1,191,796	12,094	(58,958)	1,144,932						1,144,932	771,628
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS											
Amortization of capital assets	195,510	24,908		220,418				(220,418)			
Amortization of deferred contributions related to capital assets	(178,371)	(24,908)		(203,279)				203,279			
Purchase of capital assets	(314,229)			(314,229)				314,229			
Disposal of capital assets	23,911			23,911				(23,911)			
INTER-FUND TRANSFERS	(2,308,118)	(12,094)		(2,320,212)	2,322,420	12,094	2,334,514	(14,302)			
FUND SURPLUS (DEFICIT), *end of year*	$ 110,499	$	$ 60,824	$ 171,323	$ 3,287,211	$ 804,984	$ 4,092,195	$ 1,019,437	$ 218,701	$ 5,501,656	$ 4,356,724

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE OF OTHER GRANT REVENUE (unaudited)

SCHEDULE 1

	YEAR ENDED JUNE 30	
	2008	2007
Province of Manitoba		
Adult Learning Centre	$ 387,511	$ 375,000
Computer Based Learning System	114,429	99,179
Essential Skills Assessment/Enhancement	25,000	
Protection Services	48,937	37,407
	$ 575,877	$ 511,586

SCHEDULE OF ANCILLARY SALES AND SERVICES (unaudited)

SCHEDULE 2

	YEAR ENDED JUNE 30	
	2008	2007
Bookstore	$ 1,109,679	$ 1,021,610
Cafeteria	234,715	177,375
Residence	288,122	221,197
	$ 1,632,516	$ 1,420,182

SCHEDULE OF TUITION AND STUDENT FEES (unaudited)

SCHEDULE 3

	YEAR ENDED JUNE 30	
	2008	2007
Apprenticeship	$ 833,467	$ 873,120
Core-funded programs	1,265,566	1,082,141
Continuing Educ		
Credit courses	89,055	78,527
Non-credit	28,927	25,876
	$ 2,217,015	$ 2,059,664

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 4

SCHEDULE OF UCN EXPENDITURES BY FUNCTION (unaudited)

YEAR ENDED JUNE 30

	Salaries & Benefits	Other	TOTAL 2008	TOTAL 2007
Academic	$ 9,905,712	$ 1,863,205	$11,768,917	$10,086,515
Administration	2,535,402	2,089,425	4,624,827	4,495,061
Ancillary Sales & Service	559,927	1,087,712	1,647,639	1,459,378
Continuing Education	157,399	18,582	175,981	70,901
Library	371,791	396,014	767,805	469,140
Market Driven Training	2,241,271	460,465	2,701,736	1,509,936
Thompson Break-In		15,140	15,140	28432
MIS	721,685	1,552,732	2,274,417	1,228,899
Plant	535,310	2,141,190	2,676,500	2,423,961
Program Support	2,619,356	996,923	3,616,279	2,766,310
	$19,647,853	$10,621,388	$30,269,241	$24,538,533

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, 2009 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, 2009 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.

Original signed by:

Deborah J. McCallum,
Vice-President (Administration).

May 25, 2009
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, 2009, 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, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by:

Winnipeg, Manitoba
May 25, 2009

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	*2009*	*2008*
Current Assets		
Cash	$ 90,419	$ 17,605
Marketable Investments	30,715	138,470
Accounts Receivable (Note 4)	60,914	78,828
Inventories	3,513	3,053
Prepaid Expenses	796	1,212
	186,357	239,168
Long Term Assets		
Investments (Note 5)	389,864	388,436
Capital Assets, Net of Accumulated Amortization (Note 7)	710,997	669,204
	1,100,861	1,057,640
	$ 1,287,218	$ 1,296,808
Liabilities		
Current Liabilities		
Accounts Payable	$ 49,739	$ 44,547
Unearned Revenue	6,152	3,755
Staff Vacation Entitlements	9,910	9,021
Bank Loans		3,061
Current Portion of Capital Lease Obligations (Note 8)	420	420
Current Portion of Long Term Debt (Note 9)	4,188	5,293
	70,409	66,097
Long Term Liabilities		
Other Long Term Liabilities (Note 10)	2,046	4,546
Capital Lease Obligations (Note 8)	533	762
Long Term Debt (Note 9)	166,748	164,118
Employee Future Benefits (Note 11)	58,888	58,478
Pension Obligation (Note 15)	4,043	
	232,258	227,904
Fund Balances	984,551	1,002,807
	$ 1,287,218	$ 1,296,808

Original signed by:

Contractual Obligations and Contingencies (Note 18)

Original signed by:

Terry Sargeant - Chair

Original signed by:

Janice Lederman - 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)	2009 Total Funds	2008 Total Funds
Revenue:					
Tuition and Related Fees	$ 98,465	$	$	$ 98,465	$ 99,670
Contributions, Donations, Non-Government Grants	2,122	80,664	21,483	104,269	90,167
Net Investment Income (Note 16)	5,649	(21,825)	(45,947)	(62,123)	(4,062)
Miscellaneous Income	2,131	4,419		6,550	3,914
Government Grants:					
Council on Post-Secondary Education	266,845	4,939		271,784	254,544
Other Province of Manitoba	12,407	29,855		42,262	36,518
Government of Canada	9,213	65,225		74,438	81,020
City of Winnipeg		2,827		2,827	3,173
Sales of Goods and Services	29,500			29,500	26,403
Ancillary Services	32,062			32,062	30,546
	458,394	166,104	(24,464)	600,034	621,893
Expense:					
Academic	250,464	119,893		370,357	345,794
Libraries	16,506	126		16,632	15,670
Student Affairs	20,399	152		20,551	18,915
Administration	29,443	2,902		32,345	29,387
Plant Maintenance	38,892	10		38,902	37,703
Other Academic Support	20,273	261		20,534	18,351
General	3,853	5,255		9,108	9,026
Property Taxes	410			410	396
Scholarships, Bursaries, Prizes and Awards	6,935	17,182		24,117	19,167
Interest on Bank Loans, Long Term Debt, Capital Advances and Capital Lease Obligations		11,988		11,988	9,976
Amortization of Capital Assets		43,675		43,675	41,079
Ancillary Services	27,797			27,797	26,045
Actuarially Determined Employee Future Benefits	410			410	3,876
Actuarially Determined Pension Expense	4,043			4,043	
Staff Benefits Contra	(2,579)			(2,579)	(2,415)
	416,846	201,444		618,290	572,970
Net Revenue (Expense)	41,548	(35,340)	(24,464)	(18,256)	48,923
Inter-Fund Transfers (Note 13)	(36,084)	31,663	4,421		
Net (Decrease) Increase to Fund Balances	5,464	(3,677)	(20,043)	(18,256)	48,923
Fund Balances Beginning of the Year	24,438	795,618	182,751	1,002,807	890,996
Adjustment for Financial Instruments					62,888
Fund Balances End of the Year	$ 29,902	$ 791,941	$ 162,708	$ 984,551	$ 1,002,807
Unrestricted Funds	$ (49,068)	$	$	$ (49,068)	$ (45,834)
Internally Restricted Funds	78,970	42,170		121,140	123,180
Externally Restricted Funds		171,394	162,708	334,102	381,052
Invested in Capital Assets		578,377		578,377	544,409
	$ 29,902	$ 791,941	$ 162,708	$ 984,551	$ 1,002,807

(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)*	*2009 Total General Funds*	*2008 Total General Funds*
Revenue:					
Tuition and Related Fees	$ 98,465	$	$	$ 98,465	$ 99,670
Contributions, Donations, Non-Government Grants	2,122			2,122	1,497
Net Investment Income (Note 16)	5,649			5,649	6,983
Miscellaneous Income	2,131			2,131	1,703
Government Grants:					
Council on Post-Secondary Education	266,845			266,845	245,972
Other Province of Manitoba	12,407			12,407	9,830
Government of Canada	9,213			9,213	9,129
Sales of Goods and Services	29,500			29,500	26,403
Ancillary Services	32,062			32,062	30,546
	458,394			458,394	431,733
Expense:					
Academic	250,464			250,464	231,681
Libraries	16,506			16,506	15,534
Student Affairs	20,399			20,399	18,741
Administration	29,443			29,443	26,295
Plant Maintenance	38,892			38,892	37,550
Other Academic Support	20,273			20,273	18,134
General	3,853			3,853	4,102
Property Taxes	410			410	396
Scholarships, Bursaries, Prizes and Awards	6,935			6,935	4,381
Ancillary Services	27,797			27,797	26,045
Actuarially Determined Employee Future Benefits	410			410	3,876
Actuarially Determined Pension Expense	4,043			4,043	
Staff Benefits Contra	(2,579)			(2,579)	(2,415)
	416,846			416,846	384,320
Net Revenue	41,548			41,548	47,413
Inter-Fund Transfers (Note 13)	(41,532)	8,698	(3,250)	(36,084)	(26,993)
Net Increase (Decrease) to Fund Balances	16	8,698	(3,250)	5,464	20,420
Fund Balances Beginning of the Year	2,230	70,272	(48,064)	24,438	4,018
Fund Balances End of the Year	$ 2,246	$ 78,970	$ (51,314)	$ 29,902	$ 24,438
Unrestricted Funds	$ 2,246	$	$ (51,314)	$ (49,068)	$ (45,834)
Internally Restricted Funds		78,970		78,970	70,272
	$ 2,246	$ 78,970	$ (51,314)	$ 29,902	$ 24,438

(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)*	*2009 Total Restricted Funds*	*2008 Total Restricted Funds*
Revenue:						
Contributions, Donations, Non-Government Grants	$ 6,782	$ 65,655	$ 1,480	$ 6,747	$ 80,664	$ 72,285
Net Investment Income (Note 16)	789		(6,085)	(16,529)	(21,825)	7,223
Miscellaneous Income	4,243		176		4,419	2,211
Government Grants:						
Council on Post-Secondary Education	4,939				4,939	8,572
Other Province of Manitoba	12,228	17,627			29,855	26,688
Government of Canada	3,183	62,042			65,225	71,891
City of Winnipeg	2,827				2,827	3,173
	34,991	145,324	(4,429)	(9,782)	166,104	192,043
Expense:						
Academic		119,893			119,893	114,113
Libraries		126			126	136
Student Affairs		152			152	174
Administration		2,902			2,902	3,092
Plant Maintenance		10			10	153
Other Academic Support		261			261	217
General			3,727	1,528	5,255	4,924
Scholarships, Bursaries, Prizes and Awards		5,117		12,065	17,182	14,786
Interest on Bank Loans, Long Term Debt, Capital Advances and Capital Lease Obligations	11,988				11,988	9,976
Amortization of Capital Assets	43,675				43,675	41,079
	55,663	128,461	3,727	13,593	201,444	188,650
Net Revenue	(20,672)	16,863	(8,156)	(23,375)	(35,340)	3,393
Inter-Fund Transfers (Note 13)	54,640	(10,942)	(1,960)	(10,075)	31,663	24,102
Net Increase (Decrease) to Fund Balances	33,968	5,921	(10,116)	(33,450)	(3,677)	27,495
Fund Balances Beginning of the Year	544,409	94,452	12,912	143,845	795,618	746,841
Adjustment for Financial Instruments						21,282
Fund Balances End of the Year	$ 578,377	$ 100,373	$ 2,796	$ 110,395	$ 791,941	$ 795,618
Internally Restricted Funds	$	$	$ 5,903	$ 36,267	$ 42,170	$ 52,908
Externally Restricted Funds		100,373	(3,107)	74,128	171,394	198,301
Invested in Capital Assets	578,377				578,377	544,409
	$ 578,377	$ 100,373	$ 2,796	$ 110,395	$ 791,941	$ 795,618

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Cash Flows
as at March 31
(in thousands of dollars)

	General Funds	Restricted Funds	Endowment Fund	2009 Total Funds	2008 Total Funds
Cash from Operating Activities:					
Net Revenue (Expense)	$ 41,548	$ (35,340)	$ (24,464)	$ (18,256)	$ 48,923
Amortization of Capital Assets		43,675		43,675	41,079
	41,548	8,335	(24,464)	25,419	90,002
Net Change in Non-Cash Working Capital Items	10,702	15,646		26,348	(13,765)
Net Change in Other Long Term Liabilities		(2,500)		(2,500)	4,200
Net Change in Pension Obligation	4,043			4,043	
Net Change in Employee Future Benefits	(1,581)	1,991		410	3,876
Net Cash Generated through (used in) Operating Activities	54,712	23,472	(24,464)	53,720	84,313
Investing Activities:					
Decrease (Increase) in Long Term Investments	(69,969)	48,498	20,043	(1,428)	(12,004)
Purchase of Capital Assets		(85,468)		(85,468)	(109,388)
Net Cash Generated through (used in) Investing Activities	(69,969)	(36,970)	20,043	(86,896)	(121,392)
Financing Activities:					
Proceeds from Capital Lease Obligations		269		269	1,046
Proceeds from Long Term Debt		7,075		7,075	
Principal Repayment on Capital Lease Obligations		(498)		(498)	(520)
Principal Repayment on Bank Loans		(3,061)		(3,061)	(363)
Principal Repayment on Long Term Debt		(5,550)		(5,550)	(4,842)
Net Cash Used in Financing Activities		(1,765)		(1,765)	(4,679)
Net Increase (Decrease) in Cash	(15,257)	(15,263)	(4,421)	(34,941)	(41,758)
Inter-Fund Adjustments	(36,084)	31,663	4,421		
Cash Beginning of Year	93,369	62,706		156,075	197,833
Cash End of Year	$ 42,028	$ 79,106	$	$ 121,134	$ 156,075
Cash is defined as:					
Cash	$ 41,553	$ 48,866	$	$ 90,419	$ 17,605
Marketable Investments	475	30,240		30,715	138,470
	$ 42,028	$ 79,106	$	$ 121,134	$ 156,075

(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 (GAAP) 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, net investment income 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 BookStore, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31
(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 and change in pension obligations.

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. Funding agreements, using promissory notes as a vehicle, entered into with the Provincial Government, for the construction or acquisition of capital assets, which will be repaid from future funding provided by the Provincial Government through the Council on Post Secondary Education (COPSE) are recorded as capital grants. These capital grants, under the restricted fund method of accounting, are reflected as revenue in the Consolidated Statement of Operations and Changes in Fund Balances. The related future funding from COPSE over the terms of the promissory notes, to offset the interest expense and principal payments are both excluded from the Consolidated Statement of Operations and Changes in Fund Balances. 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 net realized investment income earned be utilized for designated purposes. The Fund balance also reflects the change in fair value of Endowment Fund investments, which is recorded as a component of net investment income.

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.

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. Net realized investment income earned on endowments is recorded in the appropriate Fund depending on the restrictions imposed by the original donor. The change in fair value (unrealized investment income) of Endowment Fund investments is recorded as a component of net investment income in the Endowment Fund.

Net 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, 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
Investments are classified as held-for-trading and are carried at fair value. The change in fair value of investments is reflected as a component of net investment income in the consolidated statement of operations. Fair value of investments is determined based on year end quoted market prices.

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 useful life of the asset. Works of art, treasures, rare books and manuscripts are not amortized.

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 University sponsors three pension plans for its employees and retirees:

The University of Manitoba Pension Plan (1970), The University of Manitoba Pension Plan (1993) and The University of Manitoba GFT Pension Plan (1986). The 1970 Plan and 1986 Plan are defined contribution plans and as a result the pension costs are based on contributions required by those plans.

The Pension Costs for the 1993 Plan are determined actuarially using the projected unit credit actuarial cost method and best estimate expectations of investment performance, salary escalation, retirement ages of employees and member mortality. Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life of the active employees.

The funded position of the 1993 plan is disclosed in Note 15.

p. Financial Instruments

The financial instruments at the University consist of cash, marketable investments, accounts receivable, investments, accounts payable, unearned revenue, staff vacation entitlements, other long term liabilities, 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.

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.

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.

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 were effective April 1, 2008, would require additional disclosure in the financial statements. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. These entities are permitted to continue to apply CICA 3861 "Financial Instruments - Disclosure and Presentation" in place of CICA 3862 and CICA 3863. An entity that does so must disclose this fact.

Not-For-Profit Organizations
The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs) and issued new standard, CICA 4470 "Disclosures of Allocated Expenses by Not-for-Profit Organizations."

CICA 4400 "Financial Statement Presentation by Not-For-Profit Organizations" was amended to:
- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a NFPO to present such an amount as a category of internally restricted net assets when it chooses to do so;
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
- make CICA 1540 "Cash Flow Statements" applicable to NFPOs; and
- make CICA 1751 "Interim Financial Statements" applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

CICA 4430 "Capital Assets Held by Not-For-Profit Organizations" was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

CICA 4460 "Disclosure of Related Party Transactions by Not-For-Profit Organizations" was amended to make the language in the standard consistent with CICA 3840 "Related Party Transactions."

New standard CICA 4470 "Disclosure of Allocated Expenses by Not-For-Profit Organizations" establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new standard are:

- A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and
- A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective April 1, 2009 and will only require additional disclosure in the financial statements.

Business Combinations and Non-controlling Interests
The CICA has issued three new standards, CICA 1582 "Business Combinations," CICA 1601 "Consolidated Financial Statements" and CICA 1602 "Non-controlling Interests."

CICA 1582 will be converged with International Financial Reporting Standard (IFRS) 3 "Business Combinations". CICA 1602 will be converged with the requirements of International Accounting Standard (IAS) 27 Consolidated and Separate Financial Statements for non-controlling interests. CICA 1601 carries forward the requirements of CICA 1600 "Consolidated Financial Statements" other than those relating to non-controlling interests.

CICA 1582 applies to a transaction in which the acquirer obtains control of one or more businesses. The term "business" is more broadly defined than in the existing standard. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need

(in thousands of dollars)

	2009 Fair Value	2008 Fair Value
Equities:		
Canadian Equities	74,137	108,013
US Equities	46,882	61,775
International Equities	32,717	46,310
	153,736	216,098
Pooled Real Estate Fund	43,532	32,331
	282,311	342,091
Capital*		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	112	1,620
Corporate Bonds	832	202
	944	1,822
Staff Benefits		
Money Market Funds and Cash	460	493
Bonds	8,587	11,507
Equities		
Canadian Equities	6,680	8,459
US Equities	3,826	4,963
International Equities	3,914	5,071
	14,420	18,493
Mortgage Fund	2,441	3,298
	25,908	33,791
Total Investments	$ 389,864	$ 388,436

Represents Sinking Fund Assets on Deposit with the Province of Manitoba, which are held to retire the Capital Advances as described in Note 9.

As at March 31, the average yields and the terms to maturity are as follows:

- Bankers Acceptances, Guaranteed Investment Certificates and Money Market Funds: 0.71% (2008, 3.58%); term to maturity: less than one year
- Government and Corporate bond funds: 3.94% (2008, 3.88%): terms to maturity: range from less than one year to more than 12 years.

The University's investment in real estate consists of units of a pooled real estate investment in the Great West Life Assurance Company – Canadian Real Estate Investment Fund No. 1. Effective December 15, 2008, the Great West Life Assurance Company placed a suspension on redemptions and transfers of units of the Fund. As at May 25, 2009 the suspension of redemptions and transfers of units was still in effect and The Great West Life Assurance Company had not publicly disclosed when the suspension will be lifted.

During the year ended March 31, 2009, the University recognized net unrealized losses of $79,568 on investments classified as held-for-trading, which is recorded in net investment income in the consolidated statement of operations.

6. CREDIT RISK EXPOSURE AND MANAGEMENT

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at March 31 was:

	2009	2008
Financial Assets Held-For-Trading:		
Cash	$ 90,419	$ 17,605
Marketable Investments	30,715	138,470
Investments	389,864	388,436
Loans and Receivables:		
Accounts receivable	60,914	78,828
Totals	$ 571,912	$ 623,339

(in thousands of dollars)

The University manages the credit risk related to these items as follows:

Cash and marketable investments are held in high quality Canadian money market instruments in Canadian Chartered banks or equivalent. Exposure to risk is managed by considering the rates of return in conjunction with liquidity needs and making investments in a variety of short term instruments with several financial institutions.

Credit risk related to investments is managed by maintaining a diverse portfolio of investments, investing with counterparties considered to be of high quality, and limiting the amount that can be invested in any one holding.

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 receivables is minimal. The remaining accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

7. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Assets Under Capital Lease	$ 3,285	$ 2,275	$ 3,266	$ 2,027
Buildings and Major Renovations	659,161	155,232	572,596	142,045
Computer Hardware, Software and Electronics	97,186	72,419	96,437	66,989
Construction in Progress	24,581		55,839	
Furniture and Equipment	186,029	109,996	171,441	97,642
Land	22,184		22,147	
Library Books	152,613	108,475	144,091	101,583
Parking Lots	7,074	1,411	6,827	1,063
Rare Books and Manuscripts	4,833		4,530	
Vehicles	7,307	5,533	6,996	5,565
Works of Art	2,085		1,948	
	1,166,338	455,341	1,086,118	416,914
Less Accumulated Amortization	455,341		416,914	
Net Book Value	$ 710,997		$ 669,204	

On Saturday, March 28, 2009 the Duff Roblin Building suffered significant damage due to an electrical fire. Work is underway to restore the building and either recover the contents or replace what was lost. The original cost of the Duff Roblin Building is estimated to be $8.1 million with an approximate net book value of $3.0 million. The University maintains insurance coverage however the amount of damages/restoration and the related insurance proceeds cannot be determined at this time. The University is unable to estimate the damages in terms of original costs and by various asset categories or items that may have been a period expense. As a result, no write down in asset values or insurance proceeds have been recorded in these financial statements. Any write down in asset values will be recorded in future years as the amounts can be identified along with the insurance proceeds.

8. CAPITAL LEASE OBLIGATIONS

Minimum lease payments which include principal and interest under the capital lease obligations are as follows:

2010	$ 467
2011	323
2012	211
2013	49
Total Minimum Lease Payments	1,050
Less: Interest at 5.55%	(97)
	953
Less: Current Portion	(420)
	$ 533

(in thousands of dollars)

for guidance on step acquisitions. A bargain purchase will result in recognition of a gain. Acquisition costs must be expensed.

Any non-controlling interest will be recognized as a separate component of equity [net assets]. Net income is calculated without deduction for the non-controlling interest. Rather, net income is allocated between the controlling and non-controlling interests.

The new standards are effective for fiscal years beginning on or after January 1, 2011. Early adoption is encouraged. These standards will affect the accounting treatment used for any future business acquisitions.

3. CHANGES IN ACCOUNTING POLICIES

The University adopted the new standards, CICA 3031 "Inventories" and CICA 1535 "Capital Disclosures".

Inventories
Effective April 1, 2008, the organization adopted CICA 3031 "Inventories". This standard provides guidance on the measurement and disclosure requirements for inventories. The adoption of the standard had no impact on the organization's financial statements.

Capital Disclosures
Effective April 1, 2008, the University adopted CICA 1535 "Capital Disclosures", which requires the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the organization's objectives, policies and processes for managing capital. The adoption of this standard only required additional disclosures, which are provided in Note 17.

4. ACCOUNTS RECEIVABLE

	2009	2008
Council on Post-Secondary Education	$ 513	$ 136
General	30,597	39,928
Research and Special	29,804	38,764
	$ 60,914	$ 78,828

5. INVESTMENTS

	2009 Fair Value	2008 Fair Value
Research and Special Funds		
Guaranteed Investment Certificate	$ 346	$ 346
Operating		
Government of Canada Bonds		10,386
Province of Manitoba	45,238	
Other Provincial	15,213	
Corporate	19,904	
	80,355	10,386
Trust & Endowment		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	27,595	29,333
Bonds and Other Fixed Income Securities:		
Government of Canada	41,212	46,060
Province of Manitoba	1,425	2,727
Other Provincial	9,666	9,821
Municipal		1,813
Corporate	5,011	3,769
Other	134	139
	57,448	64,329

(in thousands of dollars)

9. LONG TERM DEBT

	2009	2008
Province of Manitoba:		
Promissory Note, 5.23% due March 1, 2035	$ 70,400	$ 71,642
Promissory Note, 5.55% due April 1, 2036	71,918	73,032
	142,318	144,674
Capital Advances:		
7 1/8% due July 27, 2008		706
6 7/8% due December 15, 2009		257
6 7/8% due March 31, 2011	555	555
	555	1,518
Term Loans:		
*Smartpark Multi Tenant Facility, 5.975% due October 31, 2012	1,300	1,336
*Smartpark Multi Tenant Facility, 5.95% due January 22, 2014	3,350	3,350
	4,650	4,686
Bankers Acceptances with Interest Rate Swaps:		
*Smartpark Multi Tenant Facility, 3.85% due February 11, 2019	7,075	
Energy Performance Program, 4.31% due November 10, 2009	1,245	3,045
Arthur V. Mauro Student Residence, 5.92% due September 5, 2028	15,093	15,488
	23,413	18,533
	170,936	169,411
Less Current Portion:		
Promissory Notes	(2,484)	(2,355)
Capital Advances		(706)
Term Loans	(39)	(37)
Bankers Acceptances	(1,665)	(2,195)
	(4,188)	(5,293)
	$ 166,748	$ 164,118

**Represents debt of Smartpark Development Corporation.*

Interest expense on long term debt was $11,872 (2008, $9,819).

The determination of the fair value of the Province of Manitoba promissory notes and capital advances is not practicable due to their underlying terms and conditions. The fair value of the term loans and bankers acceptances is approximately $32,761 compared to their carrying value of $28,063. 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 $15,093 as at March 31, 2009 (2008, $15,488).

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 $1,245 as at March 31, 2009 (2008, $3,045). The stamping fee is committed until November 10, 2009.

Smartpark Development Corporation, (the Corporation), entered into an interest rate swap agreement to finance the development of 150 Innovation Drive, whereby the Corporation has fixed a swap rate of 3.85% that is committed until February 11, 2029. A stamping fee of .50% on the balance outstanding is committed for a 10 year term. Under the terms of the agreement, the Corporation is required to make monthly principal and interest repayments based on a total amortization period of 25 years, similar to a conventional amortizing loan after February 11, 2016. The notional principal underlying this swap agreement was $7,075 as at March 31, 2009.

The fair value of the swap agreements at March 31, 2009 was $4,608 (2008, $1,891) and has been recorded in accounts payable.

(in thousands of dollars)

Principal repayments on long term debt payable over the next five years are as follows:

	Promissory Notes	Capital Advances	Term Loans	Bankers Acceptances	Total
2010	$ 2,484	$	$ 39	$ 1,665	$ 4,188
2011	2,621	555	42	445	3,663
2012	2,766		44	474	3,284
2013	2,918		1,175	503	4,596
2014	3,080		3,350	533	6,963
Thereafter	128,449			19,793	148,242
	$ 142,318	$ 555	$ 4,650	$ 23,413	$ 170,936

10. OTHER LONG TERM LIABILITIES

Amounts included in other long term liabilities are non interest bearing and due as follows:

	2009	2008
2010	$	$ 2,500
2011	1,700	1,700
2012	346	346
	$ 2,046	$ 4,546

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.

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.

(in thousands of dollars)

Information about the University's defined benefit plans as at March 31 is as follows:

	Non-Pension Benefit Plans		Post-Retirement Adjustments		Total	
	2009	2008	2009	2008	2009	2008
Benefit Cost	$ 9,014	$ 4,714	$ 492	$ 99	$ 9,506	$ 4,813
Accrued Benefit Obligation	54,067	52,913	4,821	5,565	58,888	58,478
Plan Assets	16,739	21,051	1,797	1,188	18,536	22,239
Employer Contribution	3,454	3,265	1,475	391	4,929	3,656
Employees' Contributions	1,595	1,362			1,595	1,362
Benefits Paid	5,050	4,627	740	782	5,790	5,409

Plan assets consist of:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2009	2008	2009	2008
Equities	56%	56%	56%	55%
Fixed Income	33%	33%	34%	35%
Other	11%	11%	10%	10%
Total	100%	100%	100%	100%

Key Assumptions are:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2009	2008	2009	2008
Accrued benefit obligation at March 31:				
Discount rate	6.00%	5.50%	6.00%	5.25%
Benefit Cost for year ended March 31:				
Discount rate	5.50%	4.90%	5.25%	4.90%
Expected rate of return on assets	6.00%	6.00%	5.25%	4.90%
Health Care Cost Trend Rates at March 31:				
Initial rate	10.50%	11.00%		
Ultimate rate	6.00%	6.00%		
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

	2009	2008
General Operating Fund:		
Due to Capital Asset	$ (29,326)	$ (28,721)
Due to Trust	(2,674)	(1,957)
	$ (32,000)	$ (30,678)
Capital Asset Fund:		
Due from Operating	$ 29,326	$ 28,721
Trust Fund:		
Due from Operating	$ 2,674	$ 1,957

(in thousands of dollars)

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	$ 410	$	$ 1,581	$	$	$(1,991)	$	$
Repayment of Staff Benefits	(1,475)					1,475		
Net Change in Vacation Pay & Pension Liability	4,831		(4,831)					
Benefit Premiums Net of Employer Contributions for Staff Benefits	1,444					(1,444)		
Appropriations for Specific Provisions								
Capital Asset Replacements & Improvements	(3,786)	3,786						
Unit Carryovers, Special Projects & Initiatives	(11,932)	13,198		(1,266)				
Funding of Capital Asset Additions	(26,926)	(5,988)		45,094	(7,470)		(4,710)	
Long Term Debt Repayments	(4,041)			4,081	(40)			
Student Contributions to University Development Funds	(1,047)			59				988
Student Contributions for Technology	(3,242)			3,242				
Scholarships, Bursaries & Prizes	(4,436)	(100)		181	(123)		4,478	
Other Net Transfers	(13)			27	21		(3,468)	3,433
Overhead Recoveries	3,389				(3,389)			
Funding of General Operating Expenses	9,386	(2,198)		(801)	(950)		(5,437)	
Unit Capital Development Assessment	(4,023)			4,023				
Funding of Research Projects	(71)				1,009		(938)	
March 31, 2009	$ (41,532)	$ 8,698	$ (3,250)	$54,640	$ (10,942)	$(1,960)	$(10,075)	$ 4,421
March 31, 2008	$ (47,376)	$ 20,885	$ (502)	$49,167	$ (11,281)	$(4,665)	$ (9,119)	$ 2,891

14. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment, library books and artwork of $1,159 (2008, $1,184).

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.

1993 Plan

The University of Manitoba Pension Plan (1993) is a money purchase plan with a defined benefit minimum. In prior years, the surplus from the Plan was adequate to fund any amounts required in excess of matching contributions of active members and the University

The actuarial present value of accrued pension benefits for the 1993 Plan 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, 2007 was completed in 2008 by a firm of consulting actuaries. The results of this valuation were extrapolated by the actuary to December 31, 2008.

The University uses a December 31 measurement date for reporting plan assets and obligations.

The actuarial present value of benefits and plan assets as of December 31, were as follows:

Accrued Benefit Obligation	2008	2007
Actuarial present value of accrued pension benefits at beginning of year	$ 939,667	$ 870,172
Interest accrued on defined benefits	19,442	34,533
Interest accrued (decreased) on Member Accounts	(93,809)	53,611
Benefits accrued	35,894	31,941
Benefits paid	(70,613)	(69,023)
Actuarial loss	42,517	
Valuation method adjustment		18,433
Change in assumptions	13,918	
Actuarial present value of accrued pension benefits at end of year	$ 887,016	$ 939,667

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31
(in thousands of dollars)

The actuarial present value of accrued pension benefits for 2007 have been restated to reflect the effect of using the fair value of assets at the 2007 year end.

	2008	2007
Plan Assets		
Fair value at beginning of year	$ 957,821	$ 974,371
Actual return on plan assets	(147,023)	23,018
Employer contributions calendar year	15,051	14,411
Employee contributions	15,050	14,410
Transfer from other plans	376	634
Benefits paid	(70,613)	(69,023)
Fair value at end of year	$ 770,662	$ 957,821

	2008	2007
Pension Liability		
Accrued benefit obligation	$ (887,016)	$ (939,667)
Plan assets	770,662	957,821
Plan (deficit) surplus	(116,354)	18,154
Contributions during fiscal year in excess of calendar year	447	
Adjusted plan (deficit) surplus	(115,907)	18,154
Unamortized net actuarial losses (gain)	111,864	(18,154)
Pension liability	$ (4,043)	$

	2008	2007
Pension Liability		
Beginning of Year	$	$
Employer Contributions, Fiscal Year	(15,498)	(14,411)
Net benefit plan expense	19,541	14,411
Pension (Liability) end of year	$ (4,043)	$

	2008	2007
Net Benefit Plan Expense		
Current service cost, net of employee contributions	$ 20,468	$ 16,897
Interest costs at discount rate	55,338	88,144
Expected return on plan assets	(56,265)	(57,275)
Amortization of Actuarial loss		52,690
(Decrease) in valuation allowance		(86,045)
Net benefit plan expense (revenue)	$ 19,541	$ 14,411

	2008	2007
Significant Long-term Actuarial Assumptions		
Discount rate	6.0%	6.0%
Expected rate of return on assets	6.0%	6.0%
Rate of general salary increase	4.0%	4.0%
Interest assumption for converting member accumulations to annuities	5.5%	5.5%
Mortality based on an adjustment to the Uninsured Pensioner 1994 Mortality table Projected to 2015.	the adjustment varies by age (average 67%)	90% of the Projected Table

During the year, the Manitoba Pension Commission advised that the University is required to begin to make additional payments with respect to current service costs. The total estimated payment for calendar 2009 is $2.7 million.

The following events had a material impact on the funded position of the 1993 Plan at December 31, 2008, as compared to December 31, 2007 and the impact is reflected in the above reported amounts.

1. In 2008, the actuary for the pension plan completed a study of the mortality of the pensioners of the 1993 Plan. As a result of that study, it was determined that the assumption of the mortality rates should be adjusted to reflect improved mortality rates in the future. This resulted in an increase in the accrued benefit obligation for the plan of approximately $14 million.
2. In calendar year 2008, reflecting the impact of the turmoil in the capital markets, the return from the pension fund assets was -15.7% compared to the 6% rate assumed by the plan's actuary. This resulted in an actuarial loss on the plan assets of approximately $75 million.
3. In addition to the loss described in 2. above, the impact of the -15.7% return on plan assets was to reduce the value of the members' accounts by approximately $94 million, which produced an increase in the

(in thousands of dollars)

obligation for supplemental pensions for active members. This resulted in an actuarial loss of approximately $43 million.

4. The unamortized net actuarial losses shown above, which were determined on the basis of this valuation for accounting purposes, is to be amortized over a period of 9 years (expected average remaining service life) starting in fiscal 2009-10. In prior years, actuarial gains/losses were recognized immediately. This change in accounting policy is applied prospectively as it is not practicable to determine the cumulative effect on the prior periods. However, cash funding for the pension plan is based on the going-concern funding valuation as described below.

The going concern deficit that results from these and other sources of loss, as they apply to the valuation for funding purposes filed with the pension regulators, will have to be funded under the Pension Benefits Act over a maximum of 15 years following the next funding valuation date, scheduled for December 31, 2009 to be completed in 2010. It is expected that this will lead to a significant increase in the required funding contribution of the University following the next actuarial funding valuation. In addition to matching contributions and additional contributions for current service costs, the University would also have to make payments to fund the deficit over 15 years.

In 2009, the University applied to the Province of Manitoba for an exemption to solvency funding requirements under the Pension Benefits Act as permitted under the University Pension Plans Exemption Regulation. If approved, the effect will be to exempt the 1993 Plan from the solvency funding requirements of the Pension Benefits Act. The Plan will continue to be subject to the going-concern funding provisions of the Act and any funding deficits will have to be paid by the University over a maximum of 15 years as indicated above.

1986 Plan

For the 1986 Plans, which is a money purchase plan for active members, the University recorded contributions of $1,669 (2008, $1,604) and this is included in the consolidated statement of operations as an expense.

1970 Plan

There were no university employees earning pension entitlements in 2008 in the1970 Plan. As a result, the University made no contributions to the Plan during the year.

16. NET INVESTMENT INCOME (LOSS)

2009	General Operating Fund	Staff Benefits Fund	Trust Fund	Capital Fund	Endowment Fund	Total Funds
Net Realized Investment Income:						
Interest	$ 5,023	$	$ 3,004	$ 789	$	$ 8,816
Dividends		729	4,360			5,089
Gains on sale of investments		147	2,767			2,914
	5,023	876	10,131	789		16,819
Change in fair value of investments	626	(6,961)	(26,660)		(45,947)	(78,942)
Total	$ 5,649	$ (6,085)	$ (16,529)	$ 789	$ (45,947)	$ (62,123)

2008	General Operating Fund	Staff Benefits Fund	Trust Fund	Capital Fund	Endowment Fund	Total Funds
Net Realized Investment Income:						
Interest	$ 6,597	$ 817	$ 4,399	$ 2,023	$	$ 13,836
Dividends			4,209			4,209
Gains on sale of investments		1,246	9,193			10,439
	6,597	2,063	17,801	2,023		28,484
Change in fair value of investments	386	(1,820)	(12,844)		(18,268)	(32,546)
Total	$ 6,983	$ 243	$ 4,957	$ 2,023	$ (18,268)	$ (4,062)

17. CAPITAL DISCLOSURES

a. Capital Management

General Funds (note 2e)

The University's objective in managing its operating capital is to maintain sufficient resources to allow it to satisfy its financial obligations even if adverse financial events were to occur.

The University manages its operating capital through an operating budget which is approved by the Board of Governors. The University has been successful at achieving a balanced budget at the end of each fiscal year and this success is credited to a strong commitment to fiscal responsibility and financial stability as well as a strong commitment by faculties, schools, libraries and support units who share in that responsibility. This is achieved in a decentralized system of budgetary control whereby academic and support units are allocated resources on an annual basis to meet their strategic priorities and those of the University. These operating units are provided with procedures to administer their budgets responsibly and to ensure that there is accountability for the resources that are transferred to them. In the event of a shortfall in revenues, the University could invoke a spending freeze, reduce budgets, or access its Provisions Funds including the Fiscal Stabilization Fund.

Restricted Funds and Endowment Fund (notes 2f and 2g)
The University also maintains externally and internally restricted funds (note 2f) and an endowment fund (note 2g).

The restricted funds are managed with the objectives to spend the funds in accordance with the various terms and not spend beyond the resources that have been provided. Individual funds are established and carefully monitored both within the departments and within central administration. In the event of an over expenditure or ineligible expenditure, the department would be responsible for funding the costs from other resources. In the case of the Capital Asset Fund, at the approval of the Province of Manitoba, the University is permitted to enter into long term debt to assist with the financing of capital assets.

The endowment fund is managed with the long term objective of preserving the capital of the individual endowment accounts to ensure inter-generational equity, whereby current students are neither advantaged nor disadvantaged compared to future students. The goal is to earn investment returns, adjusted for inflation, which will support the ongoing expenditures and commitments of the fund. The Trust Investment Committee ("the Committee") is responsible for the investment of endowment assets. Assets are invested in accordance with an Investment Policy Statement. The Committee determines an asset mix that meets the return objectives of the fund while assuming an appropriate level of risk. Each individual asset (within the mandate of the approved asset mix) is invested by professional external managers, and the portfolio is rebalanced to the target asset mix according to the Investment Policy Statement. The asset mix is reviewed annually to assess whether the risk and return objectives of the fund are met.

The approved spending rate of the net investment income earned on the endowment fund, plus inflation, must be supported by the long term investment. The spending rate is set by the Vice-President (Administration) based on the recommendation of the Committee and reviewed annually to determine the viability of maintaining the rate in light of long term investment performance. The performance of the fund is subject to volatility. The endowment fund is monitored through full market cycles to assess the effectiveness of the asset mix and spending rates which are then adjusted accordingly.

b. Quantitative data
The University's capital comprises its fund balances, which include unrestricted funds, internally restricted funds, externally restricted funds, and funds invested in capital assets. Capital in the restricted funds also includes long term debt. The University's Consolidated Statement of Operations and Changes in Fund Balances sets out fund balances at the beginning and end of the year.

As at March 31, 2009, The University has met its objectives with respect to its capital requirements.

18. CONTRACTUAL OBLIGATIONS 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 obligations relating to Construction in Progress amount to $13,502 (2008, $24,990).

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, 2009.

The University entered into an agreement with a third party for the sale of a building for total proceeds of $7.15 million. The closing date of the transaction is expected to be in fiscal 2009-10.

19. 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.

20. COMPARATIVE FIGURES

Comparative figures for the year ended March 31, 2008 have been reclassified, where appropriate, to conform with the presentation adopted for the year ended March 31, 2009.

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
Vice-President (Finance & Administration)

(Original signed by Michael Emslie)

Michael Emslie, CA
Controller and Executive Director, Financial Services

Winnipeg, Manitoba
May 29, 2009

AUDITOR'S REPORT

To the Lieutenant Governor in Council
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, 2009, 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, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original document signed by:
Carol Bellringer

Carol Bellringer, FCA, MBA
Auditor General

Winnipeg, Manitoba
May 29, 2009

THE UNIVERSITY OF WINNIPEG **Statement I**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at March 31, 2009
(with comparative figures for 2008)

ASSETS

	2009 $000	2008 $000
Current Assets:		
Cash and Cash Equivalents (Note 4)	$16,638	$12,791
Accounts Receivable	9,291	6,638
Due from Related Parties (Note 24)	101	135
Prepaid Expenses	802	959
Inventories (Note 5)	1,395	1,057
	28,227	21,580
Long Term Investments (Note 6)	1,324	1,566
Capital Assets (Note 7)	94,575	76,410
	$124,126	$99,556

LIABILITIES AND NET ASSETS

	2009 $000	2008 $000
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$10,408	$8,470
Deferred Revenue	4,402	2,297
Deferred Contributions (Note 8)	6,697	5,350
Staff Benefits Payable (Note 9)	1,522	1,496
Current Portion of Long Term Debt (Note 11, 12)	2,538	1,271
Due to Related Party (Note 24)	25	301
Settlement Payable for Pension Superintendent's Decision (Note 23)	7,000	0
	32,592	19,185
Obligations under Capital Leases (Note 11)	425	386
Long Term Liabilities (Note 12)	12,666	4,643
Deferred Capital Contributions (Note 13)	69,377	60,048
Net Assets:		
Unrestricted Net Assets (Deficiency)	(7,286)	332
Internally Restricted Net Assets (Note 14)	1,418	751
Endowments (Note 15)	2,628	2,684
Investment in Capital Assets	12,306	11,527
	9,066	15,294
	$124,126	$99,556

Special Purpose and Trust Assets (Notes 4, 15)
Contractual Obligations (Notes 19, 20, 21)
Contingencies (Note 23)

Approved by the Board of Regents

(Original signed by Debra Radi) — Chair, Board of Regents

(Original signed by Lloyd Axworthy) — President & Vice Chancellor

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2009
(with comparative figures for 2008)

Statement II

	2009 $000	2008 $000
REVENUE		
Government Grants:		
Council on Post Secondary Education	$47,448	$42,706
Other Province of Manitoba	4,163	1,906
Government of Canada	2,954	2,775
Student Academic Fees	28,827	28,184
Gifts, Grants and Bequests	2,396	1,898
Investment Income	1,628	1,611
Sales of Services and Products	4,606	4,641
Other Revenues	5,987	5,811
Amortization of Deferred Capital Contributions (Note 13)	1,871	1,695
	99,880	91,227
EXPENSES		
Salaries	57,295	53,739
Staff Benefits	7,690	7,315
Supplies, Services and Other Expenses	15,569	13,696
Cost of Sales	3,166	3,057
Building, Utility and Related Expenses	7,655	7,127
Provincial and Municipal Taxes	1,210	1,151
Scholarships and Awards	3,238	2,670
Gifts to Related Party (Note 24)	624	1,004
Amortization of Capital Assets	3,208	2,933
	99,655	92,692
Excess (Deficiency) of Revenue over Expenses from Operations	225	(1,465)
Gain on Sale of Capital Assets (Note 22)	603	0
Settlement Related to Pension Superintendent's Decision (Note 23)	(7,000)	0
Deficiency of Revenue over Expenses	($6,172)	($1,465)

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31, 2009
(with comparative figures for 2008)

Statement III

	2009					2008
	UNRESTRICTED NET ASSETS (DEFICIENCY) $000	INTERNALLY RESTRICTED NET ASSETS (Note 14) $000	ENDOWMENTS (Note 15) $000	INVESTMENT IN CAPITAL ASSETS $000	TOTAL $000	TOTAL $000
BALANCE, BEGINNING OF YEAR	$332	$751	$2,684	$11,527	$15,294	$16,759
Deficiency of Revenue Over Expenses	(6,172)				(6,172)	(1,465)
Direct Increases (Decreases):						
Endowed Investment Net Realized Losses			(56)		(56)	0
Transfers:						
Internally Funded:						
Capital Asset Additions	(2,091)			2,091	0	0
Amortization of Capital Assets	1,168			(1,168)	0	0
Disposal of Capital Assets	269			(269)	0	0
Repayment of Long Term Debt	(125)			125	0	0
Internally Restricted Net Assets	49	(49)			0	0
Strategic Provisions – Reductions (Note 14)	161	(161)			0	
Strategic Provisions – Additions (Note 14)	(877)	877			0	0
NET CHANGE FOR THE YEAR	(7,618)	667	(56)	779	(6,228)	(1,465)
BALANCE, END OF YEAR	($7,286)	$1,418	$2,628	$12,306	$9,066	$15,294

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2009
(with comparative figures for 2008)

Statement IV

	2009 $000	2008 $000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Government Grants	$54,238	$44,987
Student Academic Fees	29,163	28,024
Gifts, Grants and Bequests	2,960	1,080
Investment Income	1,695	1,745
Sales of Services and Products	4,551	4,705
Other Revenues	5,864	5,878
Cash Paid for:		
Salaries and Benefits	(64,842)	(59,776)
Supplies, Services and Other Expenses	(14,921)	(14,010)
Cost of Sales	(3,459)	(3,025)
Building, Utility and Related Expenses	(7,770)	(6,442)
Provincial and Municipal Taxes	(1,208)	(1,151)
Scholarships and Awards	(3,242)	(2,658)
Gifts to Related Party	(634)	(833)
	2,395	(1,476)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Purchase of Capital Assets	(20,100)	(22,624)
Cash from Sale of Capital Assets	1,000	0
Proceeds on Sale of Long Term Investments	186	0
	(18,914)	(22,624)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long Term Debt Repayments on Mortgages	(845)	(843)
Long Term Debt Proceeds – Building Purchase and Construction	10,150	4,400
Cash Received for Deferred Capital Contributions	11,061	14,557
	20,366	18,114
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,847	(5,986)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,791	18,777
CASH AND CASH EQUIVALENTS, END OF YEAR	$16,638	$12,791
Cash and Cash Equivalents Consists of:		
Cash in Bank	13,007	6,160
Short Term Investments	3,631	6,631
	$16,638	$12,791

Excluded from Investing and Financing Activities are assets acquired under Capital Leases and the related obligations under Capital Leases totalling $260 (2008 - $114).

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.

Promissory notes entered into with the Provincial Government, for the construction or purchase of capital assets, which will be repaid from future funding provided by the Provincial Government through the Council on Post Secondary Education (COPSE) are, in substance, capital grants. These capital grants, under the deferral method of accounting, are reflected as deferred capital contributions in the statement of financial position, if the asset acquired has a limited useful life. The related funding from COPSE to offset the interest expense over the terms of the promissory notes as well as 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

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) Financial Instruments

All financial instruments are recorded at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Financial instruments are classified as one of the following: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Financial instruments 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 using the effective interest rate method. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Cash and cash equivalents are designated as held-for-trading; accounts receivable and due from related parties as loans and receivables; accounts payable and accrued liabilities, staff benefits, 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.

H) 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.

I) 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 20) and the University of Winnipeg Community Renewal Corporation (UWCRC) (Note 21), both controlled entities, are not consolidated in these financial statements.

J) Pension Plan

The University contributes to the University of Winnipeg Pension Plan which is a trustee-administered pension plan for University employees. The pension expense for the defined benefit component of the pension plan is determined actuarially using the projected unit credit actuarial cost method and management's best estimates of investment performance, salary escalation, retirement ages of employees and member mortality. With respect to the amortization of actuarial gains or losses, the University has adopted a policy consistent with the minimum requirements of CICA Handbook section 3461 which is to amortize the excess of the unamortized net gains or losses over 10% of the greater of the defined benefit obligation or defined benefit plan assets as at the beginning of the year, over the expected average remaining service life of active employees. The pension expense for the defined contribution component of the pension plan equals the contributions made during the year.

The accounts of the University of Winnipeg Pension Plan do not form part of the financial statements of the University.

K) Future Accounting Policy Changes

Not-For-Profit Organizations

The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs) and issued new standard, CICA 4470 "Disclosures of Allocated Expenses by Not-for-Profit Organizations."

CICA 4400 "Financial Statement Presentation by Not-For-Profit Organizations" was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a NFPO to present such an amount as a category of internally restricted net assets when it chooses to do so;
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
- make Cash Flow Statements, Section 1540 applicable to NFPOs; and
- make Interim Financial Statements, Section 1751, applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

CICA 4430 "Capital Assets Held by Not-For-Profit Organizations" was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

CICA 4460 "Disclosure of Related Party Transactions by Not-For-Profit Organizations" was amended to make the language in Section 4460 consistent with Related Party Transactions, Section 3840.

New standard CICA 4470 "Disclosure of Allocated Expenses by Not-For-Profit Organizations" establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new Section are:

- A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and
- A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective April 1, 2009 and will only require additional disclosure in the financial statements.

Business Combinations and Non-controlling Interests

The CICA has issued these new standards, Business Combinations Section 1582, Consolidations Section 1601 and Non-controlling Interests Section 1602.

Section 1582 will be converged with IFRS 3 Business Combinations. Section 1602 will be converged with the requirements of IAS 27 Consolidated and Separate Financial Statements for non-controlling interests. Section 1601 carries forward the requirements of Consolidated Financial Statements Section 1600 other than those relating to non-controlling interests.

Section 1582 applies to a transaction in which the acquirer obtains control of one or more businesses. The term "business" is more broadly defined than in the existing standard. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. A bargain purchase will result in recognition of a gain. Acquisition costs must be expensed.

Any non-controlling interest will be recognized as a separate component of equity [net assets]. Net income is calculated without deduction for the non-controlling interest. Rather, net income is allocated between the controlling and non-controlling interests.

The new standards are effective for fiscal years beginning on or after January 1, 2011. Early adoption is encouraged. This standard will affect the accounting treatment used for any future business acquisitions.

3. <u>Change in Accounting Policies</u>

Effective April 1, 2008, the University adopted the following new CICA accounting standards:

Inventories

Section 3031, establishes standards for determining the cost of inventories. The standard requires that inventories be measured at the lower of cost and net realizable value, and provides guidance on the types of costs that are to be assigned to inventories. There was no material effect on the University's consolidated financial statements as a result of implementing the new standard (Note 5).

Financial Instruments – Disclosures and Presentation

Sections 3862 and 3863 establish standards for the disclosure and presentation of financial instruments. The new standards require additional disclosure regarding financial instruments to assist in evaluating their significance on an entity's financial position, performance and cash flows, the nature and extent of risks to which the entity is exposed during the period and at the balance sheet date and how the risks are managed. Adoption of these new standards has resulted in additional note disclosure (Note 16).

Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital to enable an evaluation of the entity's objectives, policies and processes for managing capital. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. Adoption of this new standard has resulted in additional note disclosure (Note 17).

4. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	2009 $000	2008 $000
Operating Funds	$7,822	$5,295
Sponsored Research and Designated Funds	3,343	2,675
	11,165	7,970
Special Purpose and Trust Funds	5,473	4,821
	$16,638	$12,791

Trust funds are restricted funds held for deferred contributions - $2,810 (2008 - $2,148) and endowments - $1,304 (2008 - $1,118). Special purpose funds are comprised of internally restricted net assets - $431 (2008 - $479), due to operating - $734 (2008 - $673) and due to related party - $194 (2008 - $403).

5. Inventories

Inventory consists of finished goods, comprised primarily of books purchased for resale. During the year ended March 31, 2009, inventories totalling $ 2,672 were expensed (2008 - $2,665) to Cost of Sales.

6. Long Term Investments

Long term investments are comprised of endowment funds (Note 15):

	2009 $000	2008 $000
Fixed Income Instruments	$600	$600
Investment Shares	0	50
Equity investment in properties	724	916
	$1,324	$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.

7. Capital Assets

	2009			2008
	Cost $000	Accumulated Amortization $000	Net Book Value $000	Net Book Value $000
Land	$8,168	$0	$8,168	$8,278
Buildings, Additions and Improvements	72,107	20,822	51,285	46,451
Library Acquisitions	13,285	11,245	2,040	2,026
Furnishings and Equipment	29,263	22,421	6,842	6,458
Collections	1,304	0	1,304	1,239
Buildings Under Construction	24,330	0	24,330	11,443
Equipment Under Capital Leases	979	373	606	515
	$149,436	$54,861	$94,575	$76,410

Furnishings and Equipment include Vehicles, Major System Computer Software and Computer Equipment and Software.

8. 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.

	2009 $000	2008 $000
Balance, Beginning of Year	$5,350	$5,702
Contributions Received	10,284	7,078
Contributions Expended	(8,333)	(5,507)
Transferred to Foundation	(604)	(1,923)
Balance, End of Year	$6,697	$5,350
Balance Consists of:		
Sponsored Research and Designated Funds	$3,704	$3,052
Special Purpose Trust	2,810	2,148
Operating Funds	183	150
	$6,697	$5,350

9. Staff Benefits Payable

The balance of staff benefits is comprised of accrued vacation pay of $1,522 (2008 - $1,496).

10. 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, 2009 or March 31, 2008.

11. 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, 2014 together with the balances of the obligations under capital leases:

	$000
2009/10	$220
2010/11	220
2011/12	140
2012/13	74
2013/14	31
Total minimum lease payments	685
Less amount representing interest at approximately 3.5%	(62)
Balance of Obligations under Capital Leases	623
Less: Current Portion	(198)
Obligations under Capital Leases	$ 425

Interest expense for the current year on the lease obligations amounted to $23 (2008 - $23).

12. Long Term Liabilities

	2009 $000	2008 $000
Promissory Notes	$13,926	$4,488
Mortgage Payable	142	174
UWEHC Mortgages Payable	466	564
Supplementary Pensions Payable	472	546
	15,006	5,772
Less: Current Portion	(2,340)	(1,129)
	$12,666	$4,643

The promissory notes are loans from the Province of Manitoba. The loans were used to finance and are secured by the properties listed below:

	2009 $000	2008 $000
509 Ellice and 433 Young Street Interest rate 4.45%, due April 15, 2015	$596	$694
CanWest Centre for Theatre and Film Interest rate 4.00%, due March 31, 2011	1,200	1,800
Duckworth Athletic Complex Expansion Interest rate 5.55%, due October 31, 2047	1,980	1,994
Wesley Hall – HVAC Interest rate 3.875%, due June 30, 2010	1,700	0
Student Housing Bridge Financing Interest rate 4.10%, due September 30, 2013	1,500	0
Student Housing Interest rate 5.25%, due October 31, 2049	6,950	0
	$13,926	$4,488

Annual principal payments on the notes during the next five years and thereafter are: 2010 - $1,977; 2011 - $2,138; 2012 - $689; 2013 - $690; 2014 - $691; thereafter - $7,741.

The mortgage payable, secured by Graham Hall, is payable to Canada Mortgage and Housing with interest 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 four years are: 2010 - $33; 2011 - $35; 2012 - $36; 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 three 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 four years are: 2010 - $279; 2011 - $11; 2012 - $11; 2013 - $165.

Supplementary pensions payable represents payments to past Presidents of the University for services performed and is based on an actuarial calculation. The amount due in 2010 is $51.

The determination of the fair value of the Province of Manitoba promissory notes and the other long term debt is not practicable due to their underlying terms and conditions.

Interest expense during the year on long term liabilities totalled $347 (2008 - $126).

13. Deferred Capital Contributions

Deferred capital contributions represent unamortized external contributions related to the purchase of capital assets in the amount of $67,812 (2008 - $59,739) and funds held for future capital project expenditures in the amount of $1,565 (2008 - $309). The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	2009 $000	2008 $000
Balance, Beginning of Year	$60,048	$48,221
Contributions Received	8,182	9,386
Contributions from University of Winnipeg Foundation	2,972	4,106
Mortgage Principal Contributions	46	30
Amortization of Deferred Capital Contributions	(1,871)	(1,695)
Balance, End of Year	$69,377	$60,048

14. Internally Restricted Net Assets

Internally restricted net assets balance at March 31, 2009 is $1,418 (2008 - $751). It consists of cumulative net unrestricted trust income of $430 (2008 - $479) and strategic provisions of $988 (2008 - $272).

The cumulative net unrestricted trust income of $430 is available to fund Board of Regents scholarships.

The strategic provisions additions represent an appropriation from unrestricted net assets to internally restricted assets. These appropriations are made to provide for future funding support of initiatives within the Strategic Plan and the Academic Plan. The 2009 addition represents the net proceeds on the sale of two properties which have been used to create a capital reserve. Actual expenses 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, 2008 $000	Reductions $000	Additions $000	March 31, 2009 $000
Infrastructure				
Capital Reserve	0	0	877	877
Academic Equipment	100	(100)	0	0
Building Renovations	51	0	0	51
Strategic Development				
Internal Research Grants	59	(57)	0	2
Project Development	62	(4)	0	58
	$ 272	($ 161)	$ 877	$ 988

15. 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 $1,324 – Note 6 (2008 - $1,566) and short term investments of $1,304 (2008 – $1,118).

Endowments of $1,978 (2008 - $2,034) are held in trust in accordance with the terms of a certain bequest. In 2009, the University has a 10% share in the income distribution from this trust (2008 – 10% share).

16. Financial Instruments

The University's financial instrument assets consist of cash and cash equivalents, which is designated as held for trading and measured at fair value; accounts receivable and due from related parties, which are designated as loans and receivables and are measured at amortized cost; long term investments, which are designated as available for sale and are measured at fair value. Financial instrument liabilities are accounts payable and accrued liabilities, staff benefits, current portion of long term debt, due to related party, obligations under capital leases and long term debt which are designated as other liabilities and measured at amortized cost. The University is exposed to credit, interest rate and liquidity risk. Based on the University's small amount of foreign currency denominated assets and liabilities, a change in exchange rates would not have a material effect on its Consolidated Statement of Operations.

Credit risk

Credit risk is the risk of potential loss to the University if a counterparty to a financial instrument fails to discharge an obligation. The University's credit risk is primarily attributable to its cash and cash equivalents, accounts receivable and long term investments. The credit risk on cash and cash equivalents is considered low as the counterparties are high credit quality institutions. The credit risk on receivables is considered low as the counterparts are primarily various levels of government and student fee related. The carrying amount of accounts receivable has been reduced through the use of allowance for doubtful accounts. The credit risk on long term investments is considered low as the counterparts are highly rated financial institutions and quality commercial property.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at March 31 was:

	Carrying Amount	
	2009 $000	**2008 $000**
Financial Assets Held-For-Trading:		
Cash and Cash Equivalents	$16,638	$12,791
Financial Assets Available for Sale:		
Long Term Investments – Fixed Income Instruments	1,324	1,566
Loans and Receivables:		
Accounts Receivable	9,291	6,638
Due from Related Parties	101	135
	$27,354	$21,130

The University manages the credit risk related to these items by maintaining its cash and cash equivalents and its long term investments with highly rated financial institutions. Accounts receivable are due, for the most part, from various levels of government and student fee accounts where collection is considered very likely.

The ageing of accounts receivable at March 31, 2009 is as follows:

	2009 $000
Accounts Receivable, gross	
Current	$7,928
Past Due	1,727
	9,655
Less: Allowance for Doubtful Accounts	(364)
Accounts Receivable	$9,291

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The University's exposure to interest rate risk is concentrated in its cash equivalents. Generally, the value of cash equivalents increases if interest rates fall and decrease if interest rates rise. Due to the short term nature of the cash equivalents, the University has minimal exposure to risk associated with changes in interest rates.

Liquidity risk

Liquidity risk is the risk that an investment could not be readily converted into cash when needed. The risk is managed by holding the majority of our investments in cash and cash equivalents. As cash equivalents are held in a premium money market fund in which at least 90% of the assets must be comprised of liquid investments, the exposure to liquidity risk is not considered material.

17. Capital Disclosures

The university's objectives in managing capital are:

- minimizing the cost of capital
- preserving the ability to continue as a going concern
- maintaining flexibility to ensure the ongoing ability to execute the Strategic Plan

Management considers the current and long term portions of debt, unrestricted net assets and internally restricted net assets as capital. The University has various policies in place to manage capital, including a policy requiring Board approval on major capital expenditures, securing debt and capital budget approval. The University also uses its unrestricted net assets in a strategic fashion to support the Strategic Plan, special initiatives and campus expansion and redevelopment. During the fiscal year ended March 31, 2009 the University has received Province of Manitoba funding to provide financing to support major capital projects. The University also maintains deferred contribution accounts and endowments for externally restricted funding. These funds are managed with the objectives of spending the funds in accordance with the various terms stipulated in the funding arrangements. For the year ended March 31, 2009, the University has met its externally imposed capital requirements.

18. 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 became fully effective July 7, 2008. Until then, the University continued to administer the Plan, although the new Board of Trustees, for all intents and purposes, had 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, 2008 the fair value of the Plan's net assets was $111,474 (2007 - $135,044). 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, 2008 are $95,016 and $120,328 respectively. The corresponding values for the plan assets and plan obligations projected to the fiscal year-end, March 31, 2009 are $92,614 and $121,045 respectively.

The University's financial statements reflect a liability regarding the settlement of the Pension Superintendent's Decision. Note 23 provides additional details regarding this decision.

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. Contributions of $1,291 (2008 - $1,085) were recorded as an expense in the statement of operations.

The defined contribution segment of the Plan consists of:

	December 31 2008 $000	December 31 2007 $000
Balance, Beginning of Year	$18,560	$16,561
Contributions	2,499	2,110
Refunds and transfers	(860)	(486)
Net Investment Return (Loss)	(3,741)	375
Balance, End of Year	$16,458	$18,560

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 results were extrapolated by them to December 31, 2008.

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.

Excluding the obligation with respect to the Revised Order of the Superintendent of Pensions, made June 6, 2008, the financial information is based on the financial position of the Defined Benefit Pension Plan as of December 31, 2008, 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, 2009.

Change in Defined Benefit Obligation

	December 31 2008 $000	December 31 2007 $000
Benefit Obligation, January 1	$124,184	$125,951
Current Service Cost	2,640	2,816
Interest Cost	6,511	6,138
Benefits and Refunds Paid	(7,610)	(9,199)
Actuarial Gain	(5,397)	(1,522)
Benefit Obligation, December 31	$120,328	$124,184

(AMOUNTS IN THOUSANDS)

Change in Plan Assets

	December 31 2008 $000	December 31 2007 $000
Fair Value of Plan Assets, January 1	$116,485	$123,236
Actual Return on Plan Assets, Net of Expenses	(16,630)	(235)
Employer Contributions	1,847	1,748
Employee Contributions	924	935
Benefits and Refunds Paid	(7,610)	(9,199)
Fair Value of Plan Assets, December 31	$95,016	$116,485

Reconciliation of Accrued Benefit Asset

	March 31 2009 $000	March 31 2008 $000
Accrued Benefit Obligation	($25,312)	($7,699)
Employer Contributions After December 31	422	423
Unamortized Transitional Asset	(2,732)	(3,188)
Unamortized Net Actuarial Losses	28,496	11,160
Accrued Benefit Asset, Before Valuation Allowance	874	696
Less: Valuation Allowance	(874)	(696)
Accrued Benefit Asset, Net of Valuation Allowance	$ 0	$ 0

Components of Pension Expense

	December 31 2008 $000	December 31 2007 $000
Employer Share of Current Service Cost	$1,716	$1,881
Interest Cost	6,511	6,138
Expected Return on Plan Assets	(6,103)	(5,999)
Amortization of Transitional Asset	(456)	(456)
Increase in Valuation Allowance	178	319
Net Pension Expense	$1,846	$1,883

(AMOUNTS IN THOUSANDS)

Significant actuarial assumptions used in the determination of the 2008-09 pension expense were:

Discount Rate	- pre and post-retirement	5.35%
Rate of salary increase	- 2008 and 2009	2.50%
	- thereafter	4.00%

Significant actuarial assumptions used in the determination of the defined benefit obligation at December 31, 2008 were:

Discount Rate	- pre and post-retirement	6.00%
Rate of salary increase	- 2008 and 2009	2.50%
	- thereafter	4.00%

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 actuary projects this amount to be $43,936 at December 31, 2008.

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.

The going-concern deficiency at December 31, 2007 was $2,384 and the annual deficiency funding payments are $386, which the University will continue to make 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 $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 been proclaimed but the corresponding regulations have yet to be published. 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.

19. Contractual Obligations

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 March 31, 2022. 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 obligations require annual payments over the next five years and thereafter as follows:

	$000
2009/10	$11,784
2010/11	1,776
2011/12	1,148
2012/13	1,033
2013/14	929
Thereafter	2,768
	$19,438

20. The University of Winnipeg Foundation Inc.

The University's Board of Regents approved the establishment of the University of Winnipeg Foundation Inc. (the 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 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 the 2008-2009 budget discussions and as approved by the University's Board of Regents and the Foundation's Board of Directors, the University agreed to provide an operating grant to the Foundation of $575 for the year. In addition, the University provided $50 from the interest earned on Science Complex funding. The operating grant is subject to annual approval of the Board of Regents.

(b) Occupancy and Support Agreement

This Agreement, which expired March 31, 2009, documents the basis upon which the Foundation occupied space on campus and the Foundation's use of certain existing systems, programs and personnel of the University. Through this agreement, the Foundation has agreed to pay the University a fee of $45 per annum for occupancy and support services. The University has agreed to waive the occupancy and support costs of $45 per year until March 31, 2009. The University and the Foundation have negotiated a renewed Occupancy and Support Agreement which takes effect April 1, 2009 and expires March 31, 2014. This agreement largely continues the terms of the current agreement unchanged.

(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. As at March 31, 2009, the entire $14,000 has been transferred to the University to fund capital projects under the Campus Development Plan.

(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 (4.25% for 2008-2009) 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 4.25% for those gifts received in the first quarter, ½ of 4.25% in the second quarter and ¼ of 4.25% for those gifts received in the third quarter). Based on this formula, the Foundation provided the University with $1,119 in 2008-2009.

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 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.

(e) Endowment Supplemental Agreement

This agreement, signed on July 22, 2008, formalizes practices in place between the Foundation and the University with respect to the handling of residuals, immature funds and the calculation of the award based on the agreed percentage.

The financial information of the Foundation is not consolidated in the University's financial statements and is provided within this note and note 24 on Related Party Transactions and Balances. The Foundation is a controlled entity of the University based upon the following factors:

i) The University has a significant economic interest in the Foundation which conducts its activities for the exclusive benefit of the University.

ii) The Foundation requires the University's consent to amend its by-laws.

iii) 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:

	2009 $000	2008 $000
Statement of Financial Position:		
Assets	$35,479	$39,200
Liabilities	1,034	726
Fund Balances:		
Operating Fund	310	109
Unrestricted Fund	1	10
Investment in Capital Assets	42	48
Building and Program Fund	4,612	5,171
Funds Held Pending Terms of Reference	84	57
Specified Fund	0	59
Unrestricted Bequests	299	254
Endowment Fund	29,097	32,766
	34,445	38,474
	$35,479	$39,200
Statement of Operations		
Sources of Funds:		
Transfer from University of Winnipeg	$119	$927
Investment Income	715	2,867
Unrealized Loss on Investments	(5,455)	(3,247)
University of Winnipeg Support Funding	625	575
Endowment Administration Fee	668	584
Annual Donations	7,442	5,334
	4,114	7,040
Uses of Funds:		
Capital Programs	59	2,406
Endowment - Gifts to the University	1,119	1,000
Endowment - Administration Fee	668	584
Endowment - Administration Expenses	98	99
Operations	1,320	1,564
Donations Gifted to the University of Winnipeg	4,879	3,095
	8,143	8,748
Decrease in Funds	(4,029)	(1,708)

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
2009/10	275
2010/11	270
2011/12	240
2012/13	210
2013/14	180
	$1,175

For 2009-2010, the University and the Foundation have agreed that the operating grant will be $275. However, no formal agreement has been signed to reflect this change.

21. 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 for a total of $122 for the year.

b) To assist in the early development of a variety of capital projects on behalf of the University based on a fee for performance contract. The amount of the consulting fee for services rendered in the year is $75.

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.

d) In addition, the University paid $56 for management services related to student housing and food services.

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 debt service coverage ratio did not go below 1.0:1.0 during the 2008-09 fiscal year.

The financial position of UWCRC at March 31 is summarized as follows:

	2009 $000	2008 $000
Statement of Financial Position:		
Assets:		
Cash	$224	$198
Investment, at Equity	925	900
Other	276	89
	$1,425	$1,187
Liabilities and Net Assets:		
Accounts Payable and Accrued Liabilities	$58	$41
Due to University of Winnipeg (Note 23)	102	78
Future Income Taxes	101	0
Net Assets	1,164	1,068
	$1,425	$1,187

	2009 $000	2008 $000
Statement of Operations and Changes in Net Assets:		
Revenue		
Operating Grants	$0	$25
Share of Equity Income	146	221
Consulting	541	450
Net Property Income	10	69
Other	33	68
	730	833
Expenses	634	512
Excess of Revenue over Expenses	96	321
Net Assets – Beginning of Year	1,068	747
Net Assets – End of Year	$1,164	$1,068

22. Gain on Sale of Capital Assets

During the year, the University disposed of two properties previously recorded as land and buildings within capital assets. These properties were not considered integral to the ongoing operations of the University.

As the disposal of land and buildings is not a regular occurrence for the University, the gain on sale of these properties ($603) is disclosed separately on the Statement of Operations (Statement II) after the Excess of Revenue over Expenses from Operations.

The net proceeds (net of transaction costs and debt repayment) of $877 are reported on the Statement of Changes in Net Assets (Statement III) as an addition to Internally Restricted Net Assets. This addition was used to establish a capital reserve (see Note 14).

23. 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, 2009.

b) On December 8, 2006, the Superintendent of Pensions issued an Order requiring the University to develop and implement a written governance framework, and pay a lump sum amount estimated to be $6,454, plus interest net of adjustments of approximately $1.6 million, into the Plan, for the benefit of defined benefit members, in relation to the undistributed portion of their proportionate share of the Plan surplus, as determined by the Plan Actuary in 1999.

   The University appealed the Superintendent's decision to the Pension Commission, and the Commission's Final Decision was made on April 23, 2008. The Final Decision upheld the Superintendent's Order. The University further appealed the decision of the Commission to the Manitoba Court of Appeal; and the Court denied the appeal in January 2009.

   There are a number of issues affecting the value of the payment to be made, and the Plan's Board of Trustees has written the Superintendent requesting clarification of several of these issues. Once the Superintendent has provided this clarification and an amount is calculated, the payment will be made. The University has been granted an extension until August 31, 2009 to make the payment. The exact amount of the payment with interest is unknown at the date of the Financial Statements, but is expected to be within the range of $7 to $12 million. In accordance with CICA Handbook sections 3290 Contingencies, and 3461 Employee Future Benefits, the University has accrued in its accounts for the year ended March 31, 2009 the minimum likely amount of the range of estimated liabilities. As the University deems there is no future economic benefit associated with this payment, the entire amount has been recognized as an expense in the current year. Any difference between the actual payout amount and the accrued amount will be recognized as an expense in the period the amount is determined.

The University is currently discussing arrangements with the Province of Manitoba to borrow the monies required to make the payment as soon as the amount is known. The exact amount and interest rate of the loan will not be known until such time as the loan is executed which is expected on or before August 31, 2009. The University expects the loan to be for a term of 30 to 40 years.

24. Related Party Transactions and Balances

The Foundation and UWCRC are controlled entities of the University. The Trusteed Plan is also a related party.

The University charges benefit administration costs to the Pension Plan. The charge for 2008-2009 was $50 (2007-2008 - $56). 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:

	2009 $000	2008 $000
From the University to the Foundation:		
i) Operating grant	$625	$575
ii) Gifts for endowment	$624	$1,004
iii) Transfer of income allocation	$0	$920
From the Foundation to the University:		
i) Transfer of specified funds	$59	$2,417
ii) Transfer of annual donations	$4,879	$3,095
iii) Income allocation	$1,119	$1,000
From the University to UWCRC		
i) Consulting fees	$469	$475
From UWCRC to the University		
i) Management fees	$167	$176

These transactions are recorded at the exchange amount which is the amount established and agreed to by the related parties.

At the end of the year, the amounts due to and from related parties are as follows:

	2009 $000	2008 $000
Due from Related Parties		
Specified Fund – Foundation	$0	$52
Operating – UWCRC	101	83
	101	135
Due to Related Party		
Operating – Foundation	25	301
	$ 25	$ 301

25. 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 March 2011. 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 $12,643 from the Provincial Government. This capital funding has been recorded as deferred capital contributions. The funding is financed by promissory notes payable to the Province of Manitoba in the amount of $5,000, $5,311 and $2,332 bearing interest at 5.15%, 5.80% and 5.65% respectively. The notes are notionally repayable over a term of 40 years with funding from the Province of Manitoba.

The remaining $12,357 will be provided to the University on the basis of $1.00 of funding for every $2.00 raised on the Foundation's Capital Campaign.

26. Reclassification of Comparative Figures

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2009.

Auditors' Report

To the Shareholder of Venture Manitoba Tours Ltd.:

We have audited the balance sheet of Venture Manitoba Tours Ltd. as at March 31, 2009 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, 2009 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

Winnipeg, Manitoba
May 19, 2009

Chartered Accountants

2500 - 201 Portage Ave., Winnipeg, Manitoba, R3B 3K6, Phone: (204) 775-4531, 1 (877) 500-0795

Venture Manitoba Tours Ltd.
Balance Sheet
As at March 31, 2009

	2009	*2008*
Assets		
Current		
Cash	**30,372**	129,923
Accounts receivable	**7,946**	13,790
Inventory	**68,796**	46,131
Prepaid expenses and deposits	**38,015**	32,559
	145,129	222,403
Property and equipment *(Note 4)*	**652,510**	640,746
	797,639	863,149
Liabilities		
Current		
Accounts payable and accruals	**81,796**	173,571
Customer deposits	**23,093**	22,337
Advances from the Province of Manitoba *(Note 5)*	**250,000**	250,000
	354,889	445,908
Shareholders' Equity		
Share capital *(Note 6)*	**3,643,500**	3,643,500
Deficit	**(3,458,660)**	(3,484,169)
Contributed surplus	**257,910**	257,910
	442,750	417,241
	797,639	863,149

Approved on behalf of the Board

____________________ **Director** ____________________ **Director**

The accompanying notes are an integral part of these financial statements

Venture Manitoba Tours Ltd.
Statement of Operations and Deficit
For the year ended March 31, 2009

	2009	*2008*
Sales	**1,301,970**	1,274,212
Cost of sales	**990,374**	931,569
Gross margin	**311,596**	342,643
Operating expenses *(Schedule 1)*	**155,594**	159,264
Earnings from operations	**156,002**	183,379
Other income (expense)		
Amortization	**(134,793)**	(127,303)
Gain on disposal of assets	**4,300**	24,486
Forgiveness of debt	**-**	770,774
Interest	**-**	(170)
	(130,493)	667,787
Net earnings	**25,509**	851,166
Deficit, beginning of year	**(3,484,169)**	(4,335,335)
Deficit, end of year	**(3,458,660)**	(3,484,169)

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, 2009

	2009	*2008*
Cash provided by (used for) the following activities		
Operating activities		
Cash received from customers	**1,305,985**	1,263,919
Cash paid to suppliers and employees	**(1,265,553)**	(1,118,296)
Interest received	**2,589**	8,348
Interest paid	**(314)**	-
	42,707	153,971
Investing activities		
Purchases of property and equipment	**(146,558)**	(131,564)
Proceeds on disposal of property and equipment	**4,300**	24,486
	(142,258)	(107,078)
Increase (decrease) in cash resources	**(99,551)**	46,893
Cash resources, beginning of year	**129,923**	83,030
Cash resources, end of year	**30,372**	129,923

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. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

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.

	Rate
Staff quarters	10 to 25 years
Automotive	3 years
Golf course improvements	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.

3. Significant accounting policies *(Continued from previous page)*

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

The Company does not have any items giving rise to other comprehensive income (loss), nor is there any accumulated balance of other comprehensive income. 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

Inventory

Effective April 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants' new recommendation for inventory under CICA 3031 *Inventories*. The new Section provides guidance on the measurement and disclosure of inventories. The new recommendation establishes that inventories should be measured at the lower of cost and net realizable value and provides guidance on the determination of cost. There was no material impact on the financial statements from the retrospective application of the new accounting recommendations.

4. Property and equipment

	Cost	***Accumulated amortization***	***2009 Net book value***	*2008 Net book value*
Staff quarters	**102,395**	**49,130**	**53,265**	57,361
Automotive	**960,857**	**843,430**	**117,427**	117,811
Computer equipment	**68,174**	**61,910**	**6,264**	-
Golf course improvements	**618,039**	**142,485**	**475,554**	465,574
	1,749,465	**1,096,955**	**652,510**	640,746

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

	2009	*2008*
Authorized		
Unlimited Common shares		
Issued		
Common shares		
3,643,500 Common shares	**3,643,500**	3,643,500

7. Commitments

The Company operates the Falcon Lake Golf Course and Games Area under lease agreements with the Province of Manitoba for an annual amount of $109,413. This amount is included in cost of sales for the year.

The Company rents space and equipment under various operating leases which expire through 2009 for an annual amount of $61,100.

8. 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, 2009, the Company had the following balances with entities in the Government Reporting Entity:

	2009	*2008*
Payable to:		
Manitoba Hydro	**903**	988
Department of Conservation	**-**	109,413
	903	110,401

9. 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.

10. Capital management

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide services to it's customers.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may decrease expenses.

The Company manages the following as capital:

	2009	*2008*
Share capital	**3,643,500**	3,643,500
Contributed surplus	**257,910**	257,910
Retained earnings	**(3,458,660)**	(3,484,169)
	442,750	417,241

The Company monitors capital on a monthly basis, as well as annually, including the Board's input as to the capital management approach to take, and through advice from the Company's shareholders. During the year, the Company's strategy was to protect the capital through minimizing operating expenses.

11. Comparative figures

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

Venture Manitoba Tours Ltd.
Schedule 1 - Schedule of Operating Expenses
For the year ended March 31, 2009

	2009	*2008*
Automotive	**-**	3,012
Computer software	**1,640**	-
Credit card discount	**16,877**	15,622
Directors' fees	**9,297**	10,135
Equipment rentals	**-**	5,332
Insurance and leases	**8,799**	7,843
Interest and bank charges	**314**	-
Membership fees	**2,040**	4,040
Miscellaneous	**2,563**	2,246
Office	**1,979**	-
Printing and stationary	**835**	933
Professional fees	**7,396**	11,527
Repairs and maintenance	**3,574**	3,588
Salaries, wages and benefits	**71,840**	66,864
Sales office rent	**4,906**	5,062
Tee reservations	**2,571**	-
Telephone and postage	**3,956**	4,101
Training and education	**6,518**	6,465
Transportation	**5,900**	7,216
Utilities	**4,589**	5,278
	155,594	159,264

GOVERNMENT ENTERPRISES

MANAGEMENT REPORT

For the year ended March 31, 2009

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 9, 2009. 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
Senior Vice-President,
Finance & Administration and Chief Financial Officer

Winnipeg, Canada
June 9, 2009

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, 2009 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, 2009 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

Winnipeg, Canada
May 29, 2009

Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31

		Notes	2009	2008
			millions of dollars	
Revenues				
Electric	Manitoba		1 161	1 098
	Extraprovincial	3	623	625
Gas	Commodity		431	386
	Distribution		149	141
			2 364	2 250
Cost of gas sold			431	386
			1 933	1 864
Expenses				
Operating and administrative			436	391
Finance expense		4	439	440
Depreciation and amortization			374	349
Water rentals and assessments		5	123	124
Fuel and power purchased			176	134
Capital and other taxes			87	80
			1 635	1 518
Net Income			298	346

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	2009	2008
	millions of dollars	
Retained earnings, beginning of year	1 822	1 476
Net income	298	346
Retained earnings, end of year	2 120	1 822

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET
As at March 31

	Notes	2009	2008
		millions of dollars	
Assets			
Property, Plant and Equipment			
In service	6	12 514	11 884
Less accumulated depreciation	6	4 443	4 187
		8 071	7 697
Construction in progress	6	1 449	1 238
		9 520	8 935
Current Assets			
Cash and cash equivalents		170	133
Accounts receivable and accrued revenue		434	464
Interest receivable		6	10
Materials and supplies, at average cost	7	82	78
		692	685
Other Assets			
Sinking fund investments	8	666	718
Pension assets	9	623	781
Deferred charges	10	732	539
Goodwill		108	108
		2 129	2 146
		12 341	11 766

Approved on behalf of the Board:

Victor H. Schroeder, QC
Chair of the Board

William Fraser, FCA
Chair of the Audit Committee

	Notes	2009	2008
		millions of dollars	
Liabilities and Equity			
Long-Term Debt			
Long-term debt net of sinking fund investments		6 995	6 500
Sinking fund investments shown as assets	8	666	718
	11	7 661	7 218
Current Liabilities			
Accounts payable and accrued liabilities	12	341	339
Notes payable	13	100	-
Accrued interest		99	106
Current portion of long-term debt	11	519	353
		1 059	798
Other Liabilities			
Deferred liabilities and credits	14	426	387
Pension obligation	9	730	714
Asset purchase obligation	15	218	222
		1 374	1 323
Contributions in Aid of Construction		296	300
Equity			
Retained earnings		2 120	1 822
Accumulated other comprehensive income (loss)		(169)	305
		1 951	2 127
		12 341	11 766

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 have been 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 regulated 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, other than those for which an Asset Retirement Obligation (ARO) has been established, 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 estimated retirement cost is added to the carrying amount of the related asset. In subsequent periods, the estimated 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) Materials and Supplies
Materials and supplies are valued at the lower of average cost or net realizable value.

e) 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.

f) 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.

g) 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 10 years.

h) 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.

i) Cost of Gas Sold
Cost of natural gas sold is recorded at the same rates charged to customers.

j) 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 Employee Benefits Program (WCEBP).

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 WCEBP 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.

k) 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, changes in the fair value of derivatives designated in a hedging relationship, 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.

l) 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. Translation gains and losses on available-for-sale financial assets in a hedging relationship with financial liabilities are credited or charged to finance expense. 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.

m) 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 accumulated 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.

n) 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.

o) 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.

p) Debt Discounts and Premiums
Debt discounts and premiums are amortized to finance expense using the effective interest method.

q) 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.

r) 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 identified 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.

s) 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

Financial Instruments - Disclosure and Presentation
Effective April 1, 2008, the Corporation adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. These sections replace 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. These additional disclosures are provided in Note 16.

Capital Disclosures
Effective April 1, 2008, the Corporation adopted 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 and equity), its objectives, policy and processes for managing capital. These disclosures are provided in Note 17.

Materials and Supplies (Inventories)
Effective April 1, 2008, the Corporation adopted CICA Section 3031, Inventories. The new standard requires that inventory items which are used primarily for property, plant and equipment (PP&E) be recognized as PP&E rather than as inventory. In addition, the new standard stipulates which costs can be included in the cost of inventory in particular as it applies to storage and carrying charges. Adopting this standard resulted in $26 million of assets being reclassified from materials and supplies to PP&E (2008 – $23 million).

Future Accounting Changes

Goodwill and Intangible Assets
Effective April 1, 2009, the Corporation will be adopting the new CICA Section 3064, Goodwill and Intangible Assets which provides more comprehensive guidance on intangible assets, particularly for the costing of internally developed intangible assets. The impact of this new standard on Manitoba Hydro's financial statements is currently being assessed.

Regulated Activities
For year ends beginning on or after January 1, 2009, the temporary exemption provided in CICA Section 1100, Generally Accepted Accounting Principles (GAAP), which allows the recognition and measurement of regulatory assets and liabilities, was withdrawn. Pursuant to a practice allowed by Canadian GAAP, the Corporation will, however, rely on Statement of Financial Accounting Standard No. 71, Accounting for the Effects of Certain Types of Regulation, issued by the U.S. Financial Accounting Standards Board, to maintain the current accounting treatment for regulatory assets and liabilities. Consequently, the withdrawal of the exemption should not have any impact on the consolidated financial statements.

International Financial Reporting Standards (IFRS)
The CICA's Accounting Standards Board announced that Canadian publicly accountable enterprises will adopt IFRS as issued by the International Accounting Standards Board effective for fiscal years beginning on or after January 1, 2011. The transition date for Manitoba Hydro of April 1, 2011 will require the restatement, for comparative purposes, of the April 1, 2010 balance sheet and of the amounts reported by the Corporation for its year ended March 31, 2011. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting standards are expected. Manitoba Hydro is currently assessing the impact of those differences.

NOTE 3 EXTRAPROVINCIAL REVENUES

	2009	2008
	millions of dollars	
United States	491	515
Canada	132	110
	623	625

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. = $1.10 Canadian (2008 - $1.00 U.S. = $1.03 Canadian).

NOTE 4 FINANCE EXPENSE

	2009	2008
	millions of dollars	
Interest on debt	544	587
Interest capitalized	(56)	(51)
Amortization of premiums and discounts	(11)	(11)
Investment income	(27)	(33)
Realized foreign exchange gains on debt in cash flow hedges	(11)	(52)
	439	440

Included in interest on debt is $74 million (2008 - $73 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 of Manitoba (2008 – 1.0%).

NOTE 5 WATER RENTALS AND ASSESSMENTS

	2009	2008
	millions of dollars	
Water rentals	115	117
Assessments	8	7
	123	124

Water rentals are paid to the Province of Manitoba 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 (2008 - $3.34 per MWh).

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	2009			2008		
	millions of dollars					
	In Service	Accumulated Depreciation	Construction in Progress	In Service	Accumulated Depreciation	Construction in Progress
Generation						
Hydraulic	4 626	1 484	1 084	4 523	1 413	793
Thermal	519	262	4	511	242	6
Transmission Lines	805	265	145	799	251	88
Substations	2 308	1 023	121	2 268	969	68
Distribution	2 870	1 006	44	2 701	932	42
Other	1 386	403	51	1 082	380	241
	12 514	4 443	1 449	11 884	4 187	1 238

NOTE 7 MATERIALS AND SUPPLIES

	2009	2008
	millions of dollars	
Materials and supplies	67	62
Natural gas inventory	15	16
	82	78

NOTE 8 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 $124 million (2008 - $96 million). Income earned on sinking fund investments is included with investment income for the year.

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2009	2008
	millions of dollars	
U.S. investments	643	700
Premium on purchase of sinking fund investments	23	18
	666	718

U.S. investments have a weighted average term to maturity of 3.1 years (2008 - 2.1 years) and an effective yield to maturity of 3.8% (2008 – 4.9%). U.S. investments are translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.26 Canadian (2008 - $1.00 U.S. = $1.03 Canadian). The March 31 balance includes $12 million (2008 - $36 million) of unrealized fair value gains.

NOTE 9 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 Winnipeg Civic Employee Benefits Program (WCEBP) in which, upon the acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. The WCEBP 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 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. Similarly, the assets and liabilities of the WCEBP 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	
	2009	2008	2009	2008
		millions of dollars		
Plan Assets at Fair Value				
Balance at beginning of year	781	800	72	75
Actual return (loss) on plan assets	(126)	(5)	(13)	(1)
Employer contributions	-	-	4	3
Benefit payments and refunds	(32)	(14)	(6)	(5)
	623	781	57	72
Accrued Benefit Obligation				
Balance at beginning of year	714	663	81	78
Interest on obligation	46	43	6	5
Current service cost	22	19	-	-
Benefit payments and refunds	(32)	(30)	(6)	(5)
Actuarial losses (gains)	(20)	19	-	3
	730	714	81	81
Surplus (deficit) at end of year	(107)	67	(24)	(9)

Pension assets are valued at market rates and are invested as follows:

	MH Pension Fund Fair Value		Centra Gas curtailed pension plans Fair Value	
	2009	2008	2009	2008
		millions of dollars		
Equities	308	436	31	44
Bonds and debentures	226	247	22	24
Real estate	85	84	2	3
Short-term investments	4	14	2	1
	623	781	57	72

The return on pension fund assets for the MH Pension Fund was negative 16.3% (2008 - negative 0.6%). The return for the Centra Gas curtailed plan fund assets was negative 18.1% (2008 - negative 1.7%).

The weighted average term to maturity on fixed income investments is 8.0 years (2008 – 8.2 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, 2008. 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 2009.

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, 2008.

The significant actuarial assumptions adopted in measuring the Corporation's pension and other employee benefit obligations are as follows:

	2009	2008
Discount rate	6.5%	6.5%
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- MH Pensions	14 years	14 years
Expected average remaining service life of employees- Centra Pensions	10 years	14 years
Long-term inflation rate	2.5%	2.5%

The Corporation's pension expense related to each of the pension benefit plans is as follows:

	CSSB Plan		Centra Gas curtailed pension plans	
	2009	2008	2009	2008
	millions of dollars			
Current service cost	22	19	-	-
Administrative fees	2	2	-	-
Canada Pension Plan	13	12	-	-
Interest on obligation	46	43	5	5
Expected return on plan assets	(54)	(50)	(5)	(5)
Amortization of net experience loss	2	3	1	1
Amortization of transitional gain	(1)	(1)	-	-
	30	28	1	1

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the WCEBP in addition to employer remittances to the Canada Pension Plan. Total contributions to the WCEBP during the year amounted to $0.2 million (2008 - $0.2 million) and reflect an employer contribution rate approximating 0.6% of pensionable earnings to January 7, 2009 and 1.3% of pensionable earnings thereafter.

NOTE 10 DEFERRED CHARGES

	2009	2008
	millions of dollars	
Employee future benefits	261	103
Power Smart programs - electric	164	149
Contract receivables	78	69
Advances to TPC (Note 21)	35	25
Affordable Energy Fund (Note 20)	33	34
Planning studies	25	25
Regulated assets		
Site restoration costs	40	42
Deferred taxes	36	38
Power Smart programs - gas	27	19
Acquisition costs	24	24
Other	9	11
	732	539

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 2009 would have been reduced by $3 million (2008 - $8 million).

In total, deferred charges of $44 million (2008 - $33 million) were amortized to operations during the period.

NOTE 11 LONG-TERM DEBT

During the year, the Corporation arranged long-term financing of $423 million (2008 - $981 million). The current year financing was in the form of Provincial advances with floating interest rates.

	2009	2008
	millions of dollars	
Advances from the Province of Manitoba represented by debenture debt of the Province	7 836	7 142
Manitoba HydroBonds	165	213
Manitoba Hydro-Electric Board Bonds	216	244
	8 217	7 599
Less: Current portion of long-term debt	519	353
	7 698	7 246
Debt discounts and premiums	(11)	1
Transaction costs	(26)	(29)
	7 661	7 218

Included in the current portion of long-term debt are $498 million (2008 - $284 million) of debt maturities, and $21 million (2008 - $69 million) of floating-rate Manitoba HydroBonds with maturity dates 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 in the amount of $77 million (2008 - $104 million) issued for mitigation projects.

Debt principal amounts (excluding transaction costs, debt discounts and premiums) and related yields are summarized by fiscal years of maturity in the following table:

					2009	2008
			millions of Canadian dollars			
Years of Maturity	Canadian	Cdn Yields	U.S.	U.S. Yields	Total	Total
2010	208	5.2%	311	5.6%	519	441
2011	90	4.9%	252	3.3%	342	297
2012	16	4.7%	-	-	16	16
2013	78	5.3%	-	-	78	78
2014	475	5.0%	427	7.1%	902	823
	867	5.0%	990	6.3%	1 857	1 655
2015-2019	1 409	6.8%	504	9.7%	1 913	1 823
2020-2024	154	4.6%	1 512	6.9%	1 666	1 387
2025-2029	360	7.3%	-	-	360	360
2030-2034	889	9.3%	-	-	889	889
2035-2039	1 425	4.8%	-	-	1 425	1 025
2040-2057	107	4.9%	-	-	107	107
	5 211	6.3%	3 006	7.4%	8 217	7 246

U.S. debt is translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.26 Canadian (2008 - $1.00 U.S. = $1.03 Canadian).

NOTE 12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
	millions of dollars	
Accounts payable	330	338
Regulated liabilities		
Purchased gas variance accounts	11	1
	341	339

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 increased by $10 million (2008 - decreased by $8 million).

NOTE 13 NOTES PAYABLE

	2009	2008
	millions of dollars	
Canadian notes	100	-
	100	-

Notes payable at March 31, 2009 had a weighted average term to maturity of 12 days at a weighted average rate of 0.33%. The Corporation has bank credit facilities that provide for overdrafts and notes payable up to an amount of $500 million denominated in Canadian and/or U.S. currency.

NOTE 14 DEFERRED LIABILITIES AND CREDITS

	2009	2008
	millions of dollars	
Employee future benefits, excluding pensions	144	136
Mitigation liability (Note 19)	120	127
Refundable advances from customers	49	38
Non-controlling interest (Note 21)	39	24
Asset retirement obligations	37	24
Affordable Energy Fund (Note 20)	33	34
Interest income and other credits	4	4
	426	387

Asset retirement obligations have been recognized for the future decommissioning of the Corporation's two thermal generating stations, a hydraulic generating station, and for the removal and disposal of polychlorinated biphenyl contaminated fluid in HVDC converter station capacitors. The Corporation estimates the undiscounted cash flows required to settle the asset retirement obligations are approximately $76 million, $8 million of which will be incurred between March 31, 2009 and March 31, 2011 for polychlorinated biphenyl contaminated oil removal and disposal; $19 million is expected to be incurred by March 2018 as part of decommissioning the hydro electric generating station; and 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 15 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 2009 to 2011, and $16 million per annum in fiscal year 2012 and each year thereafter in perpetuity.

NOTE 16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying amount and fair values of the Corporation's non-derivative financial instruments at March 31 are as follows:

	2009		2008	
Financial instruments	Carrying Value	Fair Value	Carrying Value	Fair Value
		millions of dollars		
Held-for-Trading				
Cash and cash equivalents	170	170	133	133
Loans and Receivables				
Accounts receivable and accrued revenue	434	434	464	464
Interest receivable	6	6	10	10
Available for Sale				
Sinking fund investments	666	666	718	718
Other Financial Liabilities				
Long-term debt (including current portion)	8 180	9 513	7 571	9 189
Accounts payable and accrued liabilities	341	341	339	339
Notes payable	100	100	-	-
Accrued interest	99	99	106	106
Asset purchase obligation	218	272	222	288

The estimated fair values of the Corporation's long-term debt, sinking fund investments and asset purchase obligation 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.

Financial Risks

During the normal course of business, Manitoba Hydro is exposed to a number of financial risks including credit and liquidity risks, and market risks resulting from fluctuations in foreign currency, interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by the Corporation and its subsidiaries, to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed, and reviewed by the Audit Committee of the Board, to ensure the adequacy of the risk management framework in relation to the risks faced by the Corporation. The nature of the financial risks and Manitoba Hydro's strategy for managing these risks has not changed significantly from the prior year.

a) Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Manitoba Hydro is exposed to credit risk related to sinking fund investments, short-term investments, and pension fund investments. The Corporation limits its exposure to credit risk by only investing in government-guaranteed bonds, highly rated investments and well diversified investment portfolios.

The Corporation is also exposed to credit risk related to accounts receivable arising from domestic and export energy sales. Credit risk related to domestic sales is mitigated by the large and diversified electric and gas customer base. Credit risk in the export market is mitigated by establishing minimum credit rating requirements, conducting standard credit reviews of all counterparties, and setting and monitoring exposure limits for each of these counterparties. Letters of credit and netting provisions are also in place to provide further credit risk control. The maximum exposure to credit risk related to non-derivative financial assets is its carrying value.

The value of the Corporation's aged accounts receivable for domestic and export customers, and related bad debt provisions are presented in the following table:

	Domestic	Extraprovincial	2009 Total
		millions of dollars	
Under 30 days	275	29	304
30 to 60 days	37	4	41
61 to 90 days	38	-	38
Over 90 days	16	-	16
	366	33	399
Provision at end of period	(8)	-	(8)
Total accounts receivable	358	33	391

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged domestic and export receivables that are considered uncollectible. The provision of $8 million for bad and doubtful accounts did not increase significantly from the previous year.

To mitigate credit risk related to the use of derivative instruments, the Corporation adheres to well established credit exposure limits with institutions that possess a minimum credit rating of 'A' from recognized bond rating agencies or provide a parental guarantee from an 'A' rated parent company. The Corporation's maximum exposure to credit risk related to its derivative counterparties is equal to the positive fair value of its financial derivatives.

b) Liquidity Risk

Liquidity risk refers to the risk that Manitoba Hydro will not be able to meet its financial obligations as they come due. To meet the Corporation's forecasted cash requirements, the Corporation uses cash generated from operations, a short-term borrowing program, long-term borrowings advanced from the Province of Manitoba, and sinking funds for debt retirements.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative liabilities as at the balance sheet date:

	Carrying Value	2010	2011	2012	2013	2014	2015 and thereafter
				millions of dollars			
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	341	341	-	-	-	-	-
Notes payable	100	100	-	-	-	-	-
Asset purchase obligation	218	20	20	16	16	16	16*
Long-term debt**	8 279	1 117	925	587	647	1 449	11 957
		1 578	945	603	663	1 465	11 973
Derivative financial liabilities							
Foreign exchange forward obligations	(12)	61	-	-	-	-	-
Commodity derivatives							
Natural gas collar obligations	-	64	-	-	-	-	-
		125	-	-	-	-	-
		1 703	945	603	663	1 465	11 973

* per year in perpetuity
** including current portion and interest payments

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Manitoba Hydro is exposed to three types of market risk: currency risk, interest rate risk, and commodity price risks associated with the price of electricity and natural gas. Manitoba Hydro continually monitors it's exposure to these risks and may use hedges or derivative contracts to manage these risks.

i. Foreign Exchange Risk

Manitoba Hydro has exposure to U.S. dollar foreign exchange rate fluctuations primarily through the sale and purchase of electricity 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 coupon and principal payments.

To mitigate annual net income impacts due to foreign exchange rate fluctuations, a long-term cash flow hedge has been established between the U.S. long-term debt balances and future U.S. export revenues. Accordingly, translation gains and losses for U.S. long-term debt obligations in effective hedging relationships with future export revenues, are recognized in other comprehensive income until future hedged U.S. export revenues are realized, at which time the associated gains or losses in accumulated other comprehensive income are recognized in net income. For the year ended March 31, 2009, foreign exchange translation losses of $446 million were recognized in other comprehensive income and net gains of $11 million were reclassified from other comprehensive income into net income.

Manitoba Hydro also has a fair value hedging relationship 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.

As a means to bridge temporary timing differences between inflows and outflows of U.S. dollar requirements, the Corporation utilizes derivative foreign exchange forward contracts as hedging instruments in a cash flow hedge. As at March 31, 2009, Manitoba Hydro has outstanding foreign exchange contract purchases of $58 million U.S. (2008 - $107 million U.S.) at a weighted average exchange rate of $1.06 (2008 - $0.98). As of March 31, 2009 outstanding forward exchange contracts had a weighted average term of 43 days (2008 - 73 days). For the year ended March 31, 2009 foreign exchange gains of $7 million were recorded in other comprehensive income and gains of $5 million were recognized in net income. The fair value of these contracts as at March 31 is as follows:

	2009	2008
	millions of dollars	
Foreign exchange forward contracts	12	5

Foreign exchange forward contracts are valued monthly at market prices.

In addition to natural hedging relationships and forward U.S. exchange contracts, cross currency swap arrangements transacted by the Province of Manitoba on the Corporation's behalf are utilized to manage exchange rate exposures and as a means to capitalize favourable 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 of Manitoba with the swapped debt arrangement.

As of March 31, 2009, a change in the Canadian dollar of plus (minus) $0.10 relative to the U.S. dollar, would decrease (increase) net income by $2 million, while other comprehensive income would increase (decrease) by $184 million.

ii. Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Manitoba Hydro is exposed to interest rate risk associated with notes payable net of temporary investments and floating rate long-term debt. At March 31, 2009, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $15 million, with no impact to other comprehensive income.

Interest rate swap agreements transacted by the Province of Manitoba 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 payments are based. The Province of Manitoba 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 of Manitoba to the Corporation are amended by the swap.

iii. Commodity Price Risk

The Corporation is exposed to natural gas price risk through its purchase of gas for delivery to customers throughout Manitoba. The Corporation mitigates natural gas price volatility through its use of derivative instruments restricted to price swaps, call options and cashless collars. Manitoba Hydro does not use derivative contracts for trading or speculative purposes.

The Corporation has entered into cashless collar contracts until January 2010 to purchase 24 390 000 gigajoules (GJ) of natural gas at a weighted average upper strike price of $9.31/ GJ and a weighted average lower strike price of $7.32/ GJ. The weighted average forward price of the cashless collars per the Alberta Energy Company Exchange (AECO) at March 31, 2009 is $4.69/ GJ. Settlement values are recorded in the purchased gas variance account in the month the natural gas is delivered.

The Corporation has also entered into natural gas price swaps until April 2014 to purchase 96 540 gigajoules of natural gas at a weighted average fixed price of $7.44/ GJ. The weighted average forward price of the swaps per AECO at March 31, 2009 was $6.64/ GJ. These contracts are reported as derivatives and carried at fair value on the balance sheet. At March 31, 2009 the fair value was immaterial.

The unrealized fair value of these natural gas derivative contracts as at March 31 is as follows:

	2009	2008
	millions of dollars	
Cashless collar contract gains (losses)	(64)	22

Fair value is calculated by using the monthly forward AECO price as reported by the Natural Gas Exchange (NGX) as at March 31, 2009.

A change in fair value of cashless collars due to a 10% increase or decrease in the price of natural gas would decrease or increase the purchase gas variance account by $11 million.

NOTE 17 CAPITAL MANAGEMENT

Manitoba Hydro manages its capital structure to ensure sufficient equity to enable the Corporation to absorb the financial effects of adverse circumstances and to ensure continued access to stable low-cost funding for the Corporation's capital projects and its ongoing operational requirements.

The Corporation monitors its capital structure on the basis of its equity ratio. Manitoba Hydro's current target is to maintain a minimum equity ratio of 25%.

The Corporation's equity ratio as at March 31 was as follows:

	2009	2008
	millions of dollars	
Long-term debt, net of sinking funds	6 995	6 500
Current portion, long-term debt	519	353
Notes payable	100	-
Less: Cash & cash equivalents	(170)	(133)
Net debt	7 444	6 720
Retained earnings	2 120	1 822
Contributions in aid of construction	296	300
Total equity	2 416	2 122
Equity ratio	25%	24%

Manitoba Hydro issues debt for its capital requirements under the authority of the Manitoba Hydro Act and the Loan Act. The Manitoba Hydro Act grants the Corporation the power to issue up to $500 million of short-term promissory notes. Manitoba Hydro submits annual requests under the Loan Act for the necessary borrowing authority for new capital requirements and the refinancing of any maturing long-term debt. The majority of Manitoba Hydro's long-term debt is obtained through advances by the Province of Manitoba.

NOTE 18 COMMITMENTS AND CONTINGENCIES

Manitoba Hydro has energy purchase commitments of $648 million (2008 - $1 105 million) that relate to future purchases of wind, natural gas (including transportation and storage contracts), coal, and electricity. Commitments are primarily for wind, which expire in 2027 and natural gas purchases, which expire in 2013. In addition, other outstanding commitments, principally for construction, are approximately $893 million (2008 - $413 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.

Manitoba Hydro has provided guarantees to counterparties at March 31, 2009 totalling $331 million. These guarantees have no specific maturity dates. Letters of credit in the amount of $2 million have been issued for energy related transactions with maturities between 2009 and 2012.

NOTE 19 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 $22 million during the period (2008 - $37 million). In recognition of future anticipated mitigation payments, the Corporation has recorded a liability of $120 million (2008 - $127 million).

The Corporation has also entered into agreements with the Province of Manitoba whereby the Corporation has assumed obligations of the Province of Manitoba with respect to certain northern development projects. The Corporation has assumed obligations totalling $144 million for which water power rental charges were fixed until March 31, 2001. The obligations outstanding at March 31, 2009 amounted to $11 million (2008 - $11 million).

To March 31, 2009, $675 million (2008 - $653 million) has been recorded to mitigate and compensate for all project-related impacts. These expenditures are included in the costs of the related projects and amortized over the respective remaining lives. There are other mitigation issues, the outcomes of which are not determinable at this time. However, in total, such other mitigation issues are not considered to be significant.

NOTE 20 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 10) with an offsetting deferred credit (Note 14). Expenditures of $1 million (2008 - $1 million) during the year were charged to operations with the deferred accounts reduced accordingly.

NOTE 21 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 2011.

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, 2009 Manitoba Hydro has provided advances to TPC of $32 million (2008 - $23 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 $39 million (2008 - $24 million).

NOTE 22 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, contributions in aid of construction, and retained earnings by segment:

	Electricity		Gas		Corporate		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	millions of dollars							
Revenues (net of cost of gas sold)	1 784	1 722	149	142	-	-	1 933	1 864
Expenses								
Operating and administrative	377	335	59	56	-	-	436	391
Finance expense	402	401	20	22	17	17	439	440
Depreciation and amortization	347	324	25	23	2	2	374	349
Water rentals and assessments	123	124	-	-	-	-	123	124
Fuel and power purchased	176	134	-	-	-	-	176	134
Capital and other taxes	63	57	24	23	-	-	87	80
Corporate allocation	7	7	12	12	(19)	(19)	-	-
	1 495	1 382	140	136	-	-	1 635	1 518
Net income	289	340	9	6	-	-	298	346
Total assets	11 731	11 168	610	598	-	-	12 341	11 766
Total liabilities	9 550	8 799	544	540	-	-	10 094	9 339
Contributions in aid of construction	266	269	30	31	-	-	296	300
Total retained earnings	2 084	1 795	36	27	-	-	2 120	1 822

NOTE 23 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2008 have been reclassified in order to conform to the presentation adopted in 2009.

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, 2009 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, 2009 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

Winnipeg, Canada,
May 8, 2009.

Chartered Accountants

The Liquor Control Commission
Incorporated under the laws of Manitoba

BALANCE SHEET

[in thousands of dollars]

As at March 31

	2009 $	2008 $
ASSETS		
Current		
Cash and cash equivalents	**9,273**	10,024
Accounts receivable	**22,066**	21,669
Inventory *[note 6]*	**35,779**	34,052
Prepaid expenses	**944**	972
Total current assets	**68,062**	66,717
Cash [restricted] *[notes 10 and 11]*	**46,284**	45,271
Property and equipment, net *[note 9]*	**27,151**	23,117
	141,497	135,105
LIABILITIES		
Current		
Accounts payable - trade and other	**41,394**	36,596
Current portion of obligation under capital lease	**61**	—
Goods and Services Tax payable	**994**	1,029
Manitoba Retail Sales Tax payable	**1,381**	1,398
Net profit payable to the Province of Manitoba	**42,563**	41,141
Environmental Protection Tax payable	**133**	135
Deferred licence fees	**292**	351
Total current liabilities	**86,818**	80,650
Obligation under capital lease	**146**	—
Provision for employee pension benefits *[note 10]*	**51,213**	51,124
Provision for retirement allowances *[note 11]*	**3,320**	3,331
	141,497	135,105

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

The Liquor Control Commission

STATEMENT OF INCOME

[in thousands of dollars]

Year ended March 31

	2009 $	2008 $
Sales *[schedule]*	**583,763**	554,769
Cost of sales *[schedule]*	**295,522**	279,543
Gross profit *[schedule]*	**288,241**	275,226
Other income *[note 7]*	**4,591**	4,978
	292,832	280,204
General and administrative expenses *[note 8]*	**60,355**	58,328
Depreciation	**3,313**	2,666
Net profit paid or payable to the Province of Manitoba	**229,164**	219,210

See accompanying notes

The Liquor Control Commission

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2009 $	2008 $
OPERATING ACTIVITIES		
Cash receipts		
Sales - spirits, wine, coolers/ciders and beer	**582,252**	554,026
Annual and supplementary licence fees and other	**6,130**	3,798
Goods and Services Tax	**29,653**	32,641
Manitoba Retail Sales Tax	**19,619**	18,505
Manitoba Waste Reduction and Prevention Levy	**490**	485
Environmental Protection Tax	**1,983**	1,943
	640,127	611,398
Cash disbursements		
Purchases - merchandise, federal duty, excise and sales taxes, etc.	**292,639**	283,973
General and administrative expenses	**61,440**	55,997
Goods and Services Tax	**29,687**	33,791
Manitoba Retail Sales Tax	**19,636**	18,411
Manitoba Waste Reduction and Prevention Levy	**491**	485
Environmental Protection Tax	**1,985**	1,941
	405,878	394,598
Net cash available from operating activities	**234,249**	216,800
INVESTING ACTIVITIES		
Acquisition of property and equipment	**(7,258)**	(11,206)
Net cash available for transfer	**226,991**	205,594
TRANSFERS TO PROVINCE OF MANITOBA		
Current year's net profit	**186,601**	178,069
Prior year's net profit	**41,141**	24,644
	227,742	202,713
Net increase (decrease) in cash and cash equivalents during the year	**(751)**	2,881
Cash and cash equivalents, beginning of year	**10,024**	7,143
Cash and cash equivalents, end of year	**9,273**	10,024

See accompanying notes

SCHEDULE OF SALES, COST OF SALES AND GROSS PROFIT

[in thousands of dollars]

Year ended March 31

	Spirits $	Wine $	Coolers/ ciders $	Beer $	Total $
Sales					
Stores	**141,734**	**84,375**	**13,009**	**40,462**	**279,580**
Liquor vendors	**35,813**	**9,415**	**3,758**	**5,906**	**54,892**
Licensees	**20,436**	**5,177**	**1,949**	**208,369**	**235,931**
Speciality wine stores	**33**	**13,257**	**70**	**—**	**13,360**
Total sales for 2009	**198,016**	**112,224**	**18,786**	**254,737**	**583,763**
Total sales for 2008	189,932	105,656	17,110	242,071	554,769
Cost of sales					
Total cost of sales for 2009	**78,550**	**51,568**	**8,832**	**156,572**	**295,522**
Total cost of sales for 2008	75,018	48,135	8,006	148,384	279,543
Gross profit for 2009	**119,466**	**60,656**	**9,954**	**98,165**	**288,241**
Gross profit for 2008	114,914	57,521	9,104	93,687	275,226

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2009

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 alcoholic beverages; to determine locations for retail liquor outlets; to licence and regulate facilities used by the consuming public; to provide revenue to the Province of Manitoba 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] Cash and cash equivalents [restricted] consist of cash balances held in a trust account which has been advanced by the Province of Manitoba to fund employee pension and retiring allowances benefits.

[c] Accounts receivable include electronic fund transactions to be forwarded to banks after March 31.

[d] Inventories of goods for resale are valued at the lower of average cost and net realizable value.

[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] 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.

Equipment under capital lease is depreciated on a straight-line basis over the term of the lease.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2009

[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 10. Actuarial gains and losses are recognized in income immediately as detailed in note 10.

[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 period. Actual results could differ from these estimates.

[i] 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 to fair value at the end of the period are included in net income.

Accounts receivable are classified as loans and receivables and recorded at cost, which upon initial recognition is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

Accounts payable, obligation under capital lease, 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 rate, currency, liquidity, or credit risks arising from these financial instruments. The fair values of the MLCC's financial instruments approximate their carrying value unless otherwise stated due to the short period between initial recognition and subsequent settlement.

3. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2008, the MLCC prospectively adopted the Canadian Institute of Chartered Accountants ["CICA"] Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosures", Section 3863, "Financial Instruments – Presentation", and Section 3031, "Inventories".

The adoption of Section 1535 resulted in additional disclosure requirements in presenting management's policies and processes, both qualitatively and quantitatively, for defining and managing its capital. These disclosures are included in note 5.

Section 3862 and Section 3863 enhance the existing disclosures for financial instruments. In particular, Section 3862 focuses on the identification of risk exposures and the MLCC's approach to management of these risks, as further discussed in note 4.

Section 3031 replaces the previous inventories standard and provides guidance on the determination of cost, including any write-down to net realizable value. The adoption of this section did not impact the MLCC's financial statements.

Effective April 1, 2008, the MLCC prospectively adopted the amended CICA Section 1400, "General Standards of Financial Statement Presentation". This section requires that management assess the entity's ability to continue as a going concern and to disclose material uncertainties related to the going concern basis of presentation. The application of this section did not impact the MLCC's financial statements.

4. FINANCIAL INSTRUMENTS

Interest on restricted cash of $1,013 is restricted for payment of future pension liabilities and retirement allowances and is recorded as a recovery of pension costs in general and administrative expenses. Interest on obligation under capital lease is included in general and administrative expenses.

Credit risk

Accounts receivable are all current at year end and were fully collected subsequent to year end. Therefore no allowance for uncollectible accounts was accrued by management. Accounts receivable are written-off when management determines that they cannot be collected or they have been outstanding for greater than 120 days.

[in thousands of dollars]

Liquidity risk

Liquidity risk is mitigated by collection terms on accounts receivable being set at less than or equal to the payment terms of accounts payable. All accounts payable are due within 30 days of year end. See note 12 for details of other contractual obligations and their maturities.

Foreign currency risk

The MLCC is exposed to currency risk through inventory purchase transactions that require settlement in foreign currencies. Exposure to fluctuations in exchange rates is mitigated by the policy of adjusting purchase or selling prices to maintain the profit margin approved by the Board of Commissioners.

5. CAPITAL DISCLOSURES

In managing capital, the MLCC focuses on cash and cash equivalents available for operations. The MLCC's objectives are to have sufficient liquid resources available for operations, to provide flexibility to take advantage of opportunities that will advance its purposes and to meet its obligation to transfer its net income to the Province of Manitoba annually. The need for liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. As at March 31, 2009, the MLCC has met its objective of having sufficient liquid resources to meet its current obligations.

6. INVENTORY

Inventory consists of the following:

	2009 $	2008 $
Warehouse	**23,743**	23,377
Stores	**12,036**	10,675
	35,779	34,052

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $3,550 at March 31, 2009 [2008 - $3,858].

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2009

7. OTHER INCOME

Other income consists of the following:

	2009 $	2008 $
Annual licence fees and licence application fees	**1,105**	590
AIR MILES® revenue	**927**	766
Advertising revenue – other	**782**	780
Occasional permit additional fees	**559**	581
Miscellaneous	**451**	717
Administration charges	**317**	305
Occasional permit fees	**229**	237
Border point fees	**154**	159
Supplementary licence fees	**41**	816
Specialty wine store fees	**26**	27
	4,591	4,978

[in thousands of dollars]

8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of the following:

	2009 $	2008 $
Salaries, benefits and pension costs *[note 10]*	**36,677**	35,253
Leased premises – rentals *[note 12]*	**6,374**	5,854
Maintenance and repairs	**2,692**	2,558
Bank charges	**1,930**	1,502
Delivery charges	**1,806**	1,651
Utilities	**1,453**	1,355
AIR MILES® program	**1,182**	1,096
Equipment rentals *[note 12]*	**969**	1,076
Alcohol education	**792**	720
Printing, postage and supplies	**723**	789
Miscellaneous	**701**	500
Protective services	**682**	607
Grants in lieu of taxes	**665**	581
Health and Post Secondary Education Tax levy	**651**	606
Professional fees	**600**	879
Staff training	**552**	461
Advertising and promotions	**452**	432
Community support	**442**	1,450
Travel	**369**	339
Communications	**242**	239
Vehicle expenses	**212**	212
Crown Corporations Council levy	**97**	78
Product analysis	**72**	90
Interest – long-term	**20**	—
	60,355	58,328

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2009

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2009		
	Cost $	Accumulated depreciation $	Net book value $
Land	123	—	123
Automobiles	655	388	267
Equipment and furnishings	10,303	5,480	4,823
Paving	419	152	267
Systems development	12,203	9,135	3,068
Leasehold improvements	10,337	4,795	5,542
Buildings	16,972	4,113	12,859
Equipment under capital leases	252	50	202
	51,264	24,113	27,151

	2008		
	Cost $	Accumulated depreciation $	Net book value $
Land	123	—	123
Automobiles	617	368	249
Equipment and furnishings	8,214	4,778	3,436
Paving	326	133	193
Systems development	10,931	8,026	2,905
Leasehold improvements	9,187	4,018	5,169
Buildings	14,819	3,777	11,042
	44,217	21,100	23,117

[in thousands of dollars]

10. 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, 2007. The service to date projected benefit method was used and the liabilities have been extrapolated to March 31, 2009 using a formula provided by the actuary.

	2009 $	2008 $
Accrued benefit liability, beginning of year	**51,124**	48,844
Gain based on 2007 actuarial report	**(1,956)**	—
Benefits accrued	**1,572**	1,506
Interest accrued on benefits	**3,453**	3,416
Benefits paid	**(2,658)**	(2,423)
Manitoba Finance matching pension contributions	**(322)**	(219)
Accrued benefit liability, end of year	**51,213**	51,124
Pension expense	**5,025**	4,922
Employee contributions	**1,509**	1,393
Employer contributions	**2,980**	2,642

The pension expense consists of benefits accrued of $1,572 [2008 - $1,506] and interest accrued on benefits of $3,453 [2008 - $3,416].

The key actuarial assumptions used in determining the MLCC's provision for employee pension benefits were at the following weighted average rates:

	2009 %	2008 %
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 1.67%.

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]]*.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2009

11. 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 as at April 1, 1998 of $3,165 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]]*.

12. COMMITMENTS

[a] The MLCC leases 44 buildings. Leases have expiry dates ranging from 2009 to 2028.

The future minimum annual lease payments for each of the next five years and thereafter are as follows:

Year ending March 31

	$
2010	4,322
2011	3,757
2012	3,402
2013	3,247
2014	3,088
Thereafter	17,483
	35,299

[in thousands of dollars]

[b] The MLCC leases computer equipment. Leases on this computer equipment have expiry dates ranging from 2009 to 2011.

The future minimum lease payments for each of the next two years to the expiry of the lease contracts are as follows:

Year ending March 31	$
2010	597
2011	294
	891

[c] The MLCC entered into a contract for software, hardware and implementation services associated with the installation of a new point of sale system. The balance of the contractual obligation to be paid in 2010 is $1,545.

13. 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, 2009.

(originally signed by)

Winston Hodgins
PRESIDENT & CEO

(originally signed by)

Myra Cherewyk
ACTING EXECUTIVE VICE-PRESIDENT & CFO

AUDITORS' REPORT

To the Board of Directors of

MANITOBA LOTTERIES CORPORATION

We have audited the consolidated balance sheet of Manitoba Lotteries Corporation as at March 31, 2009 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, 2009 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 19, 2009

Consolidated Balance Sheet

MARCH 31, 2009 (IN THOUSANDS)

Assets	Notes	2009	2008
CURRENT ASSETS			
Cash		$ 24,629	$ 27,777
Accounts receivable	3	15,506	17,035
Inventories	4	2,907	2,451
Prepaid expenses	5	2,411	2,758
		45,453	50,021
PROPERTY AND EQUIPMENT	6	162,759	173,266
OTHER ASSETS	7	5,040	5,286
		$ 213,252	$ 228,573

Liabilities and Retained Earnings	Notes	2009	2008
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	8	$ 31,153	$ 40,564
Payable to the Province of Manitoba		3,580	1,782
Current portion of long-term debt	9	13,482	12,846
		48,215	55,192
LONG-TERM DEBT	9	159,494	168,002
PROVISION FOR EMPLOYEE PENSION BENEFITS	10	543	379
TOTAL LIABILITIES		208,252	223,573
Commitments and contingencies	15		
RETAINED EARNINGS		5,000	5,000
		$ 213,252	$ 228,573

(see accompanying notes to the consolidated financial statements)

On behalf of the Board,

(originally signed by)

Tim Valgardson
DIRECTOR AND CHAIR OF THE BOARD

(originally signed by)

Gerald Rosenby
DIRECTOR AND CHAIR OF THE AUDIT COMMITTEE

Consolidated Statement of Net Income, Comprehensive Income & Retained Earnings

FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

	Notes	2009	2008
REVENUE			
Revenue		$ 775,620	$ 749,882
Cost of sales		264,054	260,329
		511,566	489,553
EXPENSES			
Operating expenditures		133,619	122,207
Amortization		39,030	37,152
Interest expense - long-term		10,998	11,778
Goods and services tax		7,158	5,520
		190,805	176,657
INCOME BEFORE ALLOCATIONS AND PAYMENTS		320,761	312,896
ALLOCATIONS AND PAYMENTS	13		
Provinces of Alberta and Saskatchewan		3,024	2,948
Government of Canada		2,345	2,327
Gaming Commission fees & Crown levy		3,094	2,209
Responsible gaming funding		3,387	2,894
Charitable and community organizations		4,131	5,736
		15,981	16,114
NET INCOME AND COMPREHENSIVE INCOME		304,780	296,782
RETAINED EARNINGS, BEGINNING OF THE YEAR		5,000	5,000
Allocation to the Province of Manitoba		(304,780)	(296,782)
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, 2009 (IN THOUSANDS)

	Notes	2009	2008
OPERATING ACTIVITIES			
Net income and comprehensive income		$ 304,780	$ 296,782
Add (deduct) items not involving cash:			
Amortization related to property and equipment		38,784	36,906
Amortization on assets related to First Nations Casinos		2,894	1,827
Amortization related to other assets		246	246
Gain on disposal of property and equipment		(7)	-
Provision for employee pension benefits		164	55
		346,861	335,816
Net change in non-cash working capital items	17	(7,991)	12,651
CASH PROVIDED BY OPERATING ACTIVITIES		338,870	348,467
INVESTING ACTIVITIES			
Purchase of property and equipment		(31,174)	(28,061)
Proceeds from disposal of property and equipment		10	-
CASH USED IN INVESTING ACTIVITIES		(31,164)	(28,061)
FINANCING ACTIVITIES			
Cash distributions to the Province of Manitoba:			
Current year		(301,200)	(295,000)
Prior year		(1,782)	(10,720)
Proceeds from long-term debt		5,739	-
Repayment of long-term debt		(13,611)	(17,003)
CASH USED IN FINANCING ACTIVITIES		(310,854)	(322,723)
NET DECREASE IN CASH DURING THE YEAR		(3,148)	(2,317)
CASH, BEGINNING OF THE YEAR		27,777	30,094
CASH, END OF THE YEAR		$ 24,629	$ 27,777
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid		$ 11,374	$ 12,079

(see accompanying notes to the consolidated financial statements)

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2009 (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 and combine the accounts of MLC 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 consolidated financial statements based on relative sales levels by jurisdiction.

(c) Revenue and expenses 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 recorded in 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	5-7 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.

(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 revenue and expenses are translated at the exchange rate prevailing on the transaction date. All exchange gains and losses are reflected in income during the period they occur.

(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 consolidated financial statements, and the reported amounts of revenue 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

The Corporation operates 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 revenue and then deducted as a promotional allowance to arrive at net revenue.

The future redemption liability is included in accounts payable and accrued liabilities 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) Financial instruments

In accordance with Section 3855 Financial Instruments – Recognition and Measurement, the Corporation has classified all financial instruments 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 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 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.

(m) Changes in accounting policies

On April 1, 2008 the Corporation adopted the following Canadian Institute of Chartered Accountants (CICA) Handbook Sections:

Section 3031 Inventories replaces the previous inventories standard and provides guidance on the determination of cost, including any write-down to net realizable value. The adoption of this standard has had no impact on the Corporation's consolidated financial statements.

Notes to Consolidated Financial Statements FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation replace Section 3861 Financial Instruments – Disclosure and Presentation. The new standards enhance and expand disclosure standards to complement the accounting policy adopted in accordance with Section 3855 Financial Instruments – Recognition and Measurement and place increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed. The Corporation discloses information surrounding the risks associated with financial instruments in note 16.

Section 1535 Capital Disclosures establishes standards for disclosing information about an entity's capital and how it is managed. This standard requires disclosure of information about an entity's objectives, policies and processes for managing capital. The Corporation discloses information surrounding its capital structure in note 11.

Section 1400 General Standards of Financial Statement Presentation was amended to include requirements to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. The adoption of this standard has had no impact on the Corporation's consolidated financial statements.

(n) Recent accounting pronouncements

Section 1601 Consolidated Financial Statements and Section 1602 Non-Controlling Interests establish standards for the accounting and reporting of ownership interests in subsidiaries held by parties other than the parent and are effective for fiscal years beginning on or after January 1, 2011. The Corporation does not expect these sections to have an impact on the consolidated financial statements.

3. ACCOUNTS RECEIVABLE

	2009	2008
Western Canada Lottery Corporation	$ 5,903	$ 6,444
Trade	7,441	8,277
First Nations	1,588	1,422
Goods and services tax	330	576
Employee computer program	200	212
Lottery retailers	44	104
	$ 15,506	$ 17,035

4. INVENTORIES

	2009	2008
Replacement parts	$ 1,867	$ 1,573
Bingo paper	375	415
Breakopen tickets	385	270
Restaurant	130	123
Store merchandise	150	70
	$ 2,907	$ 2,451

5. PREPAID EXPENSES

	2009	2008
Manitoba Gaming Control Commission fees	$ -	$ 1,152
Maintenance contracts	1,424	844
Insurance	402	429
Entertainer & sponsorship deposits	186	122
Rent	77	77
Other	322	134
	$ 2,411	$ 2,758

Notes to Consolidated Financial Statements FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

6. PROPERTY AND EQUIPMENT - 2009

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Land	$ 5,798	$ -	$ 5,798
Furniture and equipment	100,395	79,340	21,055
Gaming equipment	156,951	118,074	38,877
Casino stages	5,972	5,972	-
Buildings and parking lots	153,287	66,326	86,961
Leasehold improvements	5,643	5,308	335
Capital lease – building	688	276	412
Assets related to First Nations Casinos [see note 14]	18,246	8,925	9,321
	$ 446,980	$ 284,221	$ 162,759

Property and Equipment - 2008

	COST	ACCUMULATED AMORTIZATION	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 14]	15,173	6,461	8,712
	$ 416,288	$ 243,022	$ 173,266

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 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 $1,341 (2008 - $1,095) [see note 2(d)].

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Trade	$ 21,213	$ 31,795
Vacation	7,168	6,481
Interest	830	881
Jackpot provision	1,449	911
Province of Manitoba taxes	493	496
	$ 31,153	$ 40,564

Notes to Consolidated Financial Statements FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

9. LONG-TERM DEBT

	2009	2008
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 5.25%, repayable in quarterly principal installments of $1,071 plus interest until June 30, 2011.	9,643	13,929
Province of Manitoba, bearing interest at 4.625%, repayable in quarterly principal installments of $1,071 plus interest until September 30, 2011.	10,714	15,000
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, 2009 was 0.893%.	8,822	11,536
Province of Manitoba, bearing interest at 4.875%, repayable in monthly principal installments of $43 plus interest until March 31, 2009.	-	514
Province of Manitoba, bearing interest at 4.050%, repayable in monthly principal installments of $84 plus interest until August 31, 2012.	3,455	4,467
Province of Manitoba, bearing interest at 4.150%, repayable in monthly principal installments of $96 plus interest until July 31, 2013.	4,974	-
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.	368	402
	172,976	180,848
Less current portion of long-term debt and capital lease obligation	13,482	12,846
	$ 159,494	$ 168,002

Notes to Consolidated Financial Statements FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

Annual payments in future years are as follows:

		CAPITAL LEASE	
	Loans	Principal	Interest
2010	$ 13,445	$ 37	$ 27
2011	148,445	40	24
2012	8,088	43	21
2013	2,247	46	18
2014	383	50	14
Subsequent years	-	152	20
	$ 172,608	$ 368	$ 124

The fair market value of long-term debt at March 31, 2009 is $184,152.

10. PROVISION FOR EMPLOYEE PENSION BENEFITS

The pension expense related to the Corporation's contributions to the Civil Service Superannuation Fund is $3,103 (2008 - $2,707) and is recorded in operating expenditures.

A pension liability of $543 (2008 - $379) has been established for employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund plan. A loss of $126 was experienced in the current year based on the most recently available triennial actuarial report of pension obligations as at December 31, 2007, and is included in the above pension expense.

The pension expense related to the Corporation's contributions to the money purchase plan is $228 (2008 - $252) and is recorded in operating expenditures.

11. CAPITAL STRUCTURE

The Corporation's capital is comprised of retained earnings and long-term debt. The Corporation's objectives when managing its capital structure are to continue its ability to meet its financial obligations and to finance growth and capital expenditures. These objectives have remained unchanged over the fiscal years presented.

The Corporation is subject to capital growth restrictions as the result of the requirement to allocate 100% of annual consolidated net income to the Province of Manitoba.

Notes to Consolidated Financial Statements FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

12. 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:

2009	Video Lotto	Casinos	Lottery	Total
REVENUE				
Revenue	$ 354,235	$ 210,798	$ 210,587	$ 775,620
Cost of sales	110,737	13,690	139,627	264,054
	243,498	197,108	70,960	511,566
EXPENSES				
Operating expenses	11,187	117,149	5,283	133,619
Amortization	23,856	15,174	-	39,030
Interest expense - long-term	3,584	7,173	241	10,998
Goods and services tax	6,321	777	60	7,158
	44,948	140,273	5,584	190,805
Income before Allocations and Payments	198,550	56,835	65,376	320,761
Allocations and Payments	4,090	6,200	5,691	15,981
Net Income and Comprehensive Income	$ 194,460	$ 50,635	$ 59,685	$ 304,780

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	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

Notes to Consolidated Financial Statements FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

13. ALLOCATIONS AND PAYMENTS

(a) Provinces of Alberta and Saskatchewan

The Province of Manitoba is a member in the Western Canada Lottery Corporation. An agreement is in place with the other members to provide economic benefit equalization. The cost to the Corporation for this allocation for the 2009 fiscal year is $3,024 (2008 - $2,948).

(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 2009 fiscal year is $2,345 (2008 - $2,327).

(c) Gaming Commission 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 2009 fiscal year is $3,094 (2008 - $2,209).

(d) Responsible Gaming Funding

Funding to the Addictions Foundation of Manitoba (AFM) and other organizations for their responsible gaming research and programming for the 2009 fiscal year is $3,387 (2008 - $2,894).

(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 2009 fiscal year amounted to $4,131 (2008 - $5,736).

14. 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 its 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.

15. FUTURE COMMITMENTS AND CONTINGENCIES

(a) Lease Obligations

The future minimum rental payments relating to operating leases are as follows:

2010	$	1,402
2011		533
2012		447
2013		346
2014		301
Subsequent years		1,225
	$	4,254

(b) Incidental 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

Subsequent to year end, the Corporation has been named as a party to a lawsuit related to Scratch 'N Win lottery tickets. The matter is in its preliminary stages and any liability related to this claim is not determinable at this time.

Notes to Consolidated Financial Statements FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

(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 from 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, 2008 during which time the Manitoba Jockey Club Inc. received $5,000 annually plus an additional 20% commission on net VLT revenues over $5,000. The Corporation's relationship with the Manitoba Jockey Club Inc. continues and the terms of the agreement are currently under review with no fixed commitment yet established.

(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 2010 fiscal year.

16. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, payable to the Province of Manitoba, and long-term debt. The Corporation is exposed to interest rate, liquidity, foreign exchange and credit risks arising from financial assets and liabilities. The Corporation's objectives in managing these risks are to protect the organization from volatility and to minimize exposure from fluctuations in market rates.

Interest rate risk

Interest rate risk is the risk to the Corporation's income 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 rate risk, though risks associated with interest rate fluctuations are mitigated through the use of fixed-rate long term debt.

Liquidity risk

Liquidity risk is the risk the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation mitigates this risk through cash and long-term debt management. Trade payables are due within one year and long-term debt is repayable in either quarterly or monthly installments with the exception of one long-term debt with a principal payment of $135,000 due August 31, 2010.

Foreign exchange risk

Foreign exchange risk is the risk to the Corporation's income 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.

Credit risk

Credit risk is the risk to the Corporation that a counterparty will fail to perform its obligations or pay amounts due causing a financial loss. The Corporation mitigates this risk through its credit management and collection practices. The Corporation establishes a reasonable allowance for non-collectible amounts which is netted against accounts receivable. The maximum credit risk exposure associated with accounts receivable is the total carrying value and it is management's opinion that the Corporation does not have significant concentration risk.

The status of accounts receivable in relation to when they are due and payable is as follows:

Neither impaired nor past due	$ 15,431
Not impaired and past due as follows:	
Within 30 days	42
31 to 60 days	34
61 to 90 days	7
Over 90 days	1
Allowance for doubtful accounts	(9)
	$ 15,506

Notes to Consolidated Financial Statements FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

Fair value

The fair value of the Corporation's financial instruments on initial recognition is the transaction price, which is the value of the consideration given or received.

The Corporation has made the following classifications of its financial instruments:

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 accrued liabilities, 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.

Unless otherwise stated, the fair value of the Corporation's financial instruments approximates their carrying value.

17. SUPPLEMENTAL CASH FLOW INFORMATION

	2009	2008
NET DECREASE (INCREASE) IN CURRENT ASSETS		
Accounts receivable	$ 1,529	$ 1,069
Inventories	(456)	(324)
Prepaid expenses	347	912
	1,420	1,657
NET INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	(9,411)	10,994
NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS	$ (7,991)	$ 12,651

Consolidated Schedule of Net Income, & Comprehensive Income

FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

	2009	2008
REVENUE		
Revenue	$ 775,620	$ 749,882
Cost of sales	264,054	260,329
	511,566	489,553
EXPENSES		
Operating expenditures		
Salaries and benefits	86,259	80,274
Maintenance equipment	12,622	13,837
Tourism marketing	9,948	8,428
Property taxes	4,020	4,042
Utilities	2,706	2,476
Supplies and equipment	4,444	4,392
Consultant fees	6,071	2,149
Telecommunications	1,597	1,586
Transportation and vehicles	1,644	1,572
Community support	1,749	1,257
Sundry	2,559	2,194
	133,619	122,207
Amortization	39,030	37,152
Interest expense - long-term	10,998	11,778
Goods and services tax	7,158	5,520
	190,805	176,657
INCOME BEFORE ALLOCATIONS AND PAYMENTS	320,761	312,896
ALLOCATIONS AND PAYMENTS	15,981	16,114
NET INCOME AND COMPREHENSIVE INCOME	$ 304,780	$ 296,782

(see accompanying notes to the consolidated financial statements)

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

May 1, 2009

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 28, 2009 and the statements of operations, retained earnings, comprehensive income (loss), accumulated other comprehensive income (loss) 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 28, 2009 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 1, 2009

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 28, 2009 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
May 1, 2009

Financial Statements

Statement of Operations

Years ended February 28/29		2009		2008
Revenue		(in thousands of dollars)		
Premiums written	**$**	**885,682**	$	842,053
Premiums earned (Note 11)	**$**	**865,056**	$	828,121
Service fees		**20,411**		20,558
Driver licensing operations recovery (Note 20)		**20,995**		21,000
Total earned revenues		**906,462**		869,679
Claims Costs				
Claims incurred (Note 11)				
Current year		**641,049**		680,859
Prior years (Note 10)		**(35,406)**		(62,460)
		605,643		618,399
Claims expense		**90,443**		84,505
Loss prevention/Road safety		**27,344**		25,771
		723,430		728,675
Expenses				
Commissions		**64,736**		59,040
Operating		**88,647**		83,864
Premium taxes		**26,348**		23,466
Regulatory/Appeal		**2,883**		2,738
		182,614		169,108
Total claims and expenses		**906,044**		897,783
Underwriting income (loss)		**418**		(28,104)
Investment income (Note 13)		**4,632**		125,544
Net income (loss) from annual operations (Note 16)		**5,050**		97,440
Surplus distribution (Note 17)		**54**		(62,565)
Net income (loss) after surplus distribution	**$**	**5,104**	$	34,875

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

Balance Sheet

February 28/29		2009		2008
Assets		(in thousands of dollars)		
Cash and investments (Note 5)	**$**	**2,021,677**	$	2,187,313
Due from other insurance companies		**4,726**		3,877
Accounts receivable		**276,530**		255,789
Prepaid expenses		**2,432**		794
Deferred policy acquisition costs		**21,320**		11,510
Reinsurers' share of unearned premiums		**11,269**		11,129
Reinsurers' share of unpaid claims (Note 10)		**37,534**		51,345
Property and equipment (Note 8)		**42,888**		32,611
Deferred development costs		**33,607**		16,571
	$	**2,451,983**	$	2,570,939
Liabilities				
Due to other insurance companies	**$**	**15,817**	$	23,073
Accounts payable and accrued liabilities		**40,164**		105,283
Unearned premiums		**441,588**		419,990
Provision for employee current benefits		**14,515**		14,045
Provision for employee future benefits (Note 9)		**207,143**		188,580
Provision for unpaid claims (Notes 10 and 15)		**1,561,436**		1,512,625
		2,280,663		2,263,596
Retained Earnings				
Basic Insurance Retained Earnings				
Rate Stabilization Reserve		**134,915**		127,122
Immobilizer incentive Fund		**2,021**		17,925
		136,936		145,047
Competitive Lines Retained Earnings				
Retained Earnings		**92,918**		103,739
Extension Development Fund		**59,425**		35,389
		152,343		139,128
		289,279		284,175
Accumulated Other Comprehensive Income (Loss) (Notes 3 and 14)		**(117,959)**		23,168
	$	**2,451,983**	$	2,570,939

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

Approved by the Board of Directors:

Shari Decter Hirst
Chairperson

Kerry Bittner
Director

Statement of Retained Earnings

Years ended February 28/29	2009	2008
Basic Insurance	(in thousands of dollars)	
Rate Stabilization Reserve		
Balance beginning of year	**$ 127,122**	$ 128,122
Transition adjustment (Note 3)	**–**	(22,693)
Net income (loss) from annual operations after surplus distribution (Notes 16 and 17)	**(8,111)**	6,475
Transfer from Immobilizer Incentive Fund	**15,904**	15,218
Balance end of year	**134,915**	127,122
Immobilizer Incentive Fund		
Balance beginning of year	**17,925**	33,143
Transfer to Rate Stabilization Reserve	**(15,904)**	(15,218)
Balance end of year (Note 21)	**2,021**	17,925
Balance Basic Insurance Retained Earnings end of year	**136,936**	145,047
Competitive Lines		
Retained Earnings		
Balance beginning of year	**103,739**	110,983
Transition adjustment (Note 3)	**–**	(255)
Net income (loss) from annual operations (Note 16)	**13,215**	28,400
Net transfer to Extension Development Fund	**(24,036)**	(35,389)
Balance end of year	**92,918**	103,739
Extension Development Fund		
Balance beginning of year	**35,389**	–
Net transfer from Retained Earnings	**24,036**	35,389
Balance end of year (Note 22)	**59,425**	35,389
Balance Competitive Lines Retained Earnings end of year	**152,343**	139,128
Balance Retained Earnings end of year	**$ 289,279**	$ 284,175

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

Statement of Comprehensive Income (Loss)

Years ended February 28/29		2009		2008
		(in thousands of dollars)		
Net income (loss) after surplus distribution	**$**	**5,104**	$	34,875
Other Comprehensive Income (Loss)				
Unrealized gains (losses) on Available for Sale assets		(192,556)		(26,775)
Reclassification to income from Available for Sale assets		51,429		(30,332)
Other Comprehensive Income (Loss) for the year		(141,127)		(57,107)
Total Comprehensive Income (Loss)	**$**	**(136,023)**	$	(22,232)

Statement of Accumulated Other Comprehensive Income (Loss)

Years ended February 28/29		2009		2008
		(in thousands of dollars)		
Balance beginning of year	**$**	**23,168**	$	–
Transition adjustment (Note 3)		**–**		80,275
Other Comprehensive Income (Loss) for the year		**(141,127)**		(57,107)
Balance end of year (Note 14)	**$**	**(117,959)**	$	23,168

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

Statement of Cash Flows

Years ended February 28/29		2009		2008
Cash Flows from (to) Operating Activities:		(in thousands of dollars)		
Net income (loss) after surplus distribution	**$**	**5,104**	$	34,875
Non-cash items:				
Amortization of property and equipment and deferred development costs		**7,548**		6,770
Amortization of bond discount and premium		**3,731**		(244)
(Gain) Loss on sale of investments		**20,277**		(39,342)
Unrealized loss on Held for Trading bonds		**5,533**		–
Write-down of investments		**24,619**		9,010
		66,812		11,069
Net change in non-cash balances:				
Due from other insurance companies		**(849)**		(3,867)
Accounts receivable and prepaid expenses		**(22,379)**		(9,443)
Deferred policy acquisition costs		**(9,810)**		5,492
Reinsurers' share of unearned premiums and unpaid claims		**13,672**		(24,603)
Due to other insurance companies		**(7,256)**		14,080
Accounts payable and accrued liabilities		**(65,119)**		12,720
Unearned premiums		**21,598**		16,061
Provision for employee current benefits		**470**		266
Provision for employee future benefits		**18,563**		22,108
Provision for unpaid claims		**48,811**		89,929
		(2,299)		122,743
		64,513		133,812
Cash Flows from (to) Investing Activities:				
Acquisition of property and equipment net of proceeds from disposals		**(16,120)**		(7,683)
Purchase of investments		**(987,024)**		(1,140,658)
Proceeds from sale of investments		**1,097,418**		1,095,777
Deferred development costs incurred		**(18,742)**		(7,571)
		75,532		(60,135)
Increase in Cash and Short-Term Investments		**140,045**		73,677
Cash and short-term investments beginning of year		**130,777**		57,100
Cash and Short-Term Investments end of year (Note 5)	**$**	**270,822**	$	130,777

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

Notes To Financial Statements

February 28, 2009

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 15), 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 23).

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), Held to Maturity (HTM), or Held for Trading (HFT).

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.

iii) HFT Financial Assets

HFT 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 the Statement of Operations.

Transaction costs related to HFT financial assets are recognized in the Statement of Operations on initial recognition.

Transition Adjustment

As a result of the corporation adopting the recommendations of the CICA Handbook Section 1530, Comprehensive Income; Section 3855, Financial Instruments – Recognition and Measurement; Section 3861 – Financial Instruments – Disclosure and Presentation; and Section 3251, Equity, the following transition adjustments were recorded at March 1, 2007.

(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	

Loans and receivables

All financial assets designated as loans and receivables are carried at amortized cost using the effective interest method. These receivables include financing plans for customers using interest rates set at the prime rate of the corporation's principal banker plus 2 per cent and updated at each fiscal quarter. The interest rate for a customer remains unchanged throughout the term of the policy.

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.

Amortization of construction in progress will begin, in accordance with the above policy, when construction has been completed.

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. Accumulated amortization of deferred development costs at February 28, 2009 is $36.2 million (2008 – $34.5 million).

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.

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 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 February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) for interim and annual reporting in fiscal years beginning on or after January 1, 2011. The corporation will be adopting IFRS reporting requirements for the fiscal year beginning March 1, 2011. This requirement also extends to any comparative financial information included within the reports.

The corporation has taken the following steps in managing the transition from Canadian GAAP to IFRS:

- Engaged an external consultant to prepare an IFRS high level diagnostic which was presented to the senior management, the Board of Directors and Public Utilities Board;
- Established a project team, including a team of external consultants, to oversee the transition to and manage the implementation of IFRS;
- Commenced analysis to identify key differences between current accounting policies and IFRS requirements that may have a significant impact on the reported results; and
- Purchased software that will enable the corporation to record transactions in accordance with IFRS for comparative reporting purposes.

As this undertaking is in the early stages, the corporation is unable to determine the impact of the change to IFRS on the financial results.

Commencing with the 2009/10 fiscal year, the corporation will apply the new accounting standards contained in CICA Handbook Section 3064, Goodwill and Intangible Assets and updates to Section 1000, Financial Statement Concepts. These standards update the measurement and disclosure requirements of intangible assets. The corporation does not expect material impacts due to the new CICA standards.

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

Effective March 1, 2008 the corporation adopted the recommendations of the CICA Handbook Section 1535, Capital Disclosures ("Section 1535"); Section 3862, Financial Instruments – Disclosure ("Section 3862"); and Section 3863, Financial Instruments – Presentation ("Section 3863").

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. (Note 7)

Section 3862 and Section 3863 replace 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. 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. 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. (Note 6)

5. Cash and 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 $1,269,000 (2008 – $976,000).

Short-term investments have a total principal amount of $272,039,000 (2008 – $125,302,000) comprised of provincial short-term deposits with effective interest rates of 0.50 to 0.65 per cent (2008 – 3.30 to 4.80 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 28, 2009.

Cash and Investments

(in thousands of dollars)	2009			
	Classified as Available for Sale	**Classified as Held to Maturity**	**Classified as Held for Trading**	**Total Carrying Value**
Cash and short-term investments	**$ 270,822**	**$ –**	**$ –**	**$ 270,822**
Bonds				
Federal	**140,643**	**–**	**76,201**	**216,844**
Manitoba:				
Provincial	**324,958**	**–**	**39,928**	**364,886**
Municipal	**49,899**	**25,186**	**9,291**	**84,376**
Hospitals	**12,347**	**–**	**–**	**12,347**
Schools	**–**	**392,560**	**–**	**392,560**
Other provinces:				
Provincial	**220,476**	**–**	**63,546**	**284,022**
Municipal	**10,328**	**–**	**4,821**	**15,149**
Corporations	**76,378**	**–**	**25,831**	**102,209**
	835,029	**417,746**	**219,618**	**1,472,393**
Other	**7,327**	**–**	**–**	**7,327**
Equity investments	**271,135**	**–**	**–**	**271,135**
	278,462	**–**	**–**	**278,462**
	$ 1,384,313	**$ 417,746**	**$ 219,618**	**$ 2,021,677**

(in thousands of dollars)	2008			
	Classified as Available for Sale	Classified as Held to Maturity	Classified as Held for Trading	Total Carrying Value
Cash and short-term investments	$ 130,777	$ –	$ –	$ 130,777
Bonds				
Federal	423,863	–	–	423,863
Manitoba:				
Provincial	312,078	–	–	312,078
Municipal	51,671	28,640	–	80,311
Hospitals	13,056	13,998	–	27,054
Schools	–	387,122	–	387,122
Other provinces:				
Provincial	299,812	–	–	299,812
Municipal	13,426	–	–	13,426
Corporations	88,690	–	–	88,690
	1,202,596	429,760	–	1,632,356
Other	7,110	–	–	7,110
Equity investments	417,070	–	–	417,070
	424,180	–	–	424,180
	$ 1,757,553	$ 429,760	$ –	$ 2,187,313

6. Financial Risk Management

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.

Market Risk

Market risk is the risk that changes in foreign exchange rates, market interest rates and other changes in market prices will result in fluctuation of the fair value or future cash flows of a financial instrument.

CURRENCY RISK

Currency risk is the risk that changes in foreign exchange rates will result in fluctuation of the fair value or future cash flows of a financial instrument. The corporation mitigates its currency risk by entering into contracts which offset against changes in foreign exchange rates. Any changes in foreign exchange rates are offset by the opposite change in the value of the foreign denominated financial instrument. The currency contracts include:

i) 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 28, 2009, the corporation has contracted to sell U.S. $45,300,000 at a forward rate of 1.2689 and purchase the same amount of U.S. dollars at the spot rate on March 31, 2009.

ii) 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.

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will result in fluctuation of the fair value or future cash flows of a financial instrument.

The market valuation of the corporation's fixed income portfolio is directly impacted by fluctuations in interest rates and will have a larger impact on instruments with a long duration.

Bonds	Average Effective Rate – %	
	2009	2008
Federal	**2.49**	2.73
Provincial	**3.62**	3.73
Municipal	**4.91**	5.03
Hospitals	**4.82**	7.32
Schools	**6.15**	6.38
Corporations	**4.79**	4.83

As at February 28, 2009, a 100 basis point change in interest rates would result in a change in the fair value of the corporation's fixed income portfolio of approximately $82.4 million comprised of a change of $65.2 million in other comprehensive income and $17.2 million in net income.

Fluctuation in the interest rate will also have an impact on the corporation's unpaid claims. The corporation's duration of its fixed income portfolio approximates the duration of unpaid claims liability and therefore any change in interest rates related to these investments would have an offsetting impact on the unpaid claims liability.

EQUITY PRICE RISK

The fair value of equity securities held by the corporation can be affected by changes in market prices, other than currency and interest rate risks, which may be caused by factors specific to the individual financial instrument or factors affecting all similar financial instruments. General economic conditions, political conditions and other factors affect the equity market. As at February 28, 2009, a 10 per cent change in the fair value of the corporation's equity portfolio would result in a $27.1 million change in other comprehensive income.

As all equities are classified as AFS, all changes in prices are recorded as other comprehensive income and do not directly impact the Statement of Operations until such time as an investment is sold or has become other than temporarily impaired. The corporation has policies in place to limit and monitor its exposure to individual issuers and classes of issuers of equity securities.

Credit Risk

Credit risk is the potential for the corporation to incur a financial loss due to the failure of the other party to discharge an obligation. Financial instruments that give rise to potential credit risk for the corporation include fixed income securities, accounts receivable, reinsurance receivables and structured settlements.

FIXED INCOME SECURITIES RISK

The corporation mitigates its exposure to credit risk by placing fixed income securities with high-quality institutions with investment grade ratings. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. The following table highlights the fixed income securities by credit quality according to Moody's Investors Service at February 28/29.

	2009		2008	
	Carrying Value (in thousands of dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of dollars)	Percentage of Portfolio
Aaa	**$ 238,314**	**16.2%**	$ 440,217	27.0%
Aa	**1,176,834**	**79.9%**	989,701	60.6%
A	**22,762**	**1.5%**	173,088	10.6%
Baa	**5,798**	**0.4%**	14,323	0.9%
Not rated	**28,685**	**2.0%**	15,027	0.9%
Total	**$ 1,472,393**	**100.0%**	$ 1,632,356	100.0%

ACCOUNTS RECEIVABLE RISK

The corporation's accounts receivable are comprised of customers with varying financial conditions as the corporation is required to provide basic insurance to all vehicle owners and drivers in the province of Manitoba. All significant past due receivables including subrogation receivables are fully provided for due to the uncertainty of collection. The credit risk pertaining to premiums receivable is mitigated as a customer's policy may be cancelled for default of payment.

The following table highlights the corporation's accounts receivable by major category.

(in thousands of dollars)	**2009**	2008
Policy and time payments	**$ 250,412**	$ 225,191
Accrued interest	**26,308**	30,866
Subrogation and other receivables	**12,502**	13,390
Allowance for Doubtful Accounts	**(12,692)**	(13,658)
Total	**$ 276,530**	$ 255,789

REINSURANCE RECEIVABLES RISK

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 $5.2 million (2008 – $11.9 million). Furthermore, a corporate guideline requiring reinsurers to have a minimum credit rating of A- from A.M. Best and BBB+ credit rating from Standard & Poors is in place. For the 2009 calendar year, nine reinsurers share the corporation's casualty reinsurance coverage, ranging from 2.5% to 32.5%. The reinsurer exposed to 32.5% of the losses is licensed in Canada by the Office of the Superintendant of Financial Institutions and, therefore, subject to minimum capital requirements. For the 2009 calendar year, 16 reinsurers share the corporation's catastrophe reinsurance coverage, none holding more than 15% of the reinsurance exposure. The 2009 catastrophe reinsurance program is placed on a rolling one-third, three-year term to further mitigate the corporation's exposure to reinsurer insolvency. No amount due from reinsurers was considered uncollectible during 2008/09 and no allowance for doubtful accounts has been established as at February 28, 2009.

STRUCTURED SETTLEMENTS

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 $142.6 million (2008 – $142.2 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.

Liquidity Risk

A significant risk of the insurance industry is the ability to match the cash inflows of the investment portfolio with the cash requirements of the policy liabilities and operating expenses. The corporation has taken the overall historical liability settlement pattern as a basis to define diversification and duration characteristics of the investment portfolio. To meet the cash requirements for claims and operating expenses, the corporation has policies to ensure that assets and liabilities are broadly matched in terms of their duration.

Cash and cash equivalents are essential components of the corporation's financial liquidity management. Cash flows are monitored to ensure sufficient resources are available to meet our current operating requirements. Excess funds not needed to meet current operating requirements are invested in long-term instruments to generate additional revenue for future obligations.

Bonds – maturity profile

(in thousands of dollars)	2009			
	Within One Year	**One Year to Five Years**	**After Five Years**	**Total Carrying Value**
Federal	**$ –**	**$ 26,672**	**$ 190,172**	**$ 216,844**
Manitoba:				
Provincial	**36,058**	**77,211**	**251,617**	**364,886**
Municipal	**387**	**39,200**	**44,789**	**84,376**
Hospitals	**–**	**–**	**12,347**	**12,347**
Schools	**3,998**	**35,218**	**353,344**	**392,560**
Other provinces:				
Provincial	**6,848**	**121,561**	**155,613**	**284,022**
Municipal	**–**	**5,202**	**9,947**	**15,149**
Corporations	**4,049**	**37,967**	**60,193**	**102,209**
	$ 51,340	**$ 343,031**	**$ 1,078,022**	**$ 1,472,393**

(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	769	24,298	55,244	80,311
Hospitals	13,998	–	13,056	27,054
Schools	3,255	43,095	340,772	387,122
Other provinces:				
Provincial	26,510	72,314	200,988	299,812
Municipal	3,091	5,097	5,238	13,426
Corporations	9,109	25,221	54,360	88,690
	$ 176,052	$ 319,357	$ 1,136,947	$ 1,632,356

7. Capital Management

The corporation's Board of Directors has approved risk-based capital adequacy target levels by line of business to maintain financial stability. In addition, specific levels of retained earnings have been appropriated to support two major corporate initiatives:

- The Immobilizer Incentive Strategy – a program designed to protect at-risk vehicles from theft; and
- The Extension Development Fund (EDF) which was established to defray the costs of projects undertaken to maximize the opportunities presented by the 2004 merger of Manitoba Public Insurance and the Division of Driver and Vehicle Licensing.

The corporation supports the use of the Minimum Capital Test (MCT) as a risk-based method developed by the Office of the Superintendent of Financial Institutions (OSFI) to assess the corporation's financial risk and determine the capital adequacy of reserves held in retained earnings. This methodology assigns risk factors to the company's assets and policy liabilities. It is used to determine whether federally regulated property and casualty insurance companies are maintaining adequate capital to absorb unexpected losses. OSFI expects these regulated companies to establish a target capital level, and maintain ongoing capital, no less than the supervisory target of 150 per cent of the capital required by the MCT.

The corporation's external actuary annually calculates the MCT by line of business to assist the Board of Directors in reviewing and establishing appropriate target levels.

Basic's retained earnings are comprised of the Rate Stabilization Reserve (RSR) and the Immobilizer Incentive Fund (IIF). The corporation's Board of Directors' current target level range is 50 per cent to 100 per cent of MCT or $107 million to $214 million. The Public Utilities Board of Manitoba by its Order 157/08 has established the Basic RSR target for rate-setting purposes to be $76 million to $115 million and includes the IIF for purposes of assessing RSR adequacy.

The corporation's external actuary, based on his report for the 2008 Basic Insurance Dynamic Capital Adequacy Test (DCAT), identifies three plausible scenarios where Basic retained earnings become negative and has concluded that the future financial condition of this line of business is not satisfactory.

The corporation's Board of Directors' current target level for Extension retained earnings is 200 per cent of MCT which equates to $35.0 million. Based on this target the corporation's external actuary has concluded, in the 2008 Extension DCAT report, that the future financial condition of this line of business is satisfactory.

The corporation's Board of Directors' current target level of $37.0 million for SRE retained earnings is 200 per cent of MCT. Based on this target the corporation's external actuary has concluded, in the 2008 SRE DCAT report, that the future financial condition of this line of business is satisfactory.

The corporation's Board of Directors approved the retained earnings in excess of the 200 per cent of MCT for the Extension and SRE lines of business to be appropriated into the Extension Development Fund to defray annual costs associated with the drivers licensing projects (Note 22).

8. Property and Equipment

(in thousands of dollars)		**2009**		2008
	Cost	**Accumulated Amortization**	**Carrying Value**	Carrying Value
Land	**$ 2,730**	**$ –**	**$ 2,730**	$ 2,730
Land improvements	**6,459**	**2,374**	**4,085**	1,711
Buildings	**27,760**	**13,353**	**14,407**	15,129
Computer equipment	**41,951**	**36,381**	**5,570**	5,152
Vehicles	**6,218**	**4,027**	**2,191**	1,762
Furniture and equipment	**16,738**	**12,301**	**4,437**	3,189
Leasehold improvements	**4,223**	**1,703**	**2,520**	158
Construction in progress	**6,948**	**–**	**6,948**	2,780
	$ 113,027	**$ 70,139**	**$ 42,888**	$ 32,611

9. 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, 2008, with the next scheduled actuarial valuation being December 31, 2009.

The actuarial valuation is based on the corporation's best estimate of various economic and demographic assumptions. Results from the most recent actuarial valuations, projected to February 28/29 and the corresponding economic assumptions are as follows:

	Pension Benefit Plan		Other Benefit Plans	
	2009	2008	**2009**	2008
Economic assumptions:				
Discount rate	**5.25%**	5.40%	**5.25%**	5.40%
Inflation rate	**2.00%**	2.00%	**–**	–
Expected salary increase	**2.90%**	2.75%	**–**	–
Expected health care cost increase	**–**	–	**7.00%**	7.00%

(in thousands of dollars)	Pension Benefit Plan		Other Benefit Plans	
	2009	2008	**2009**	2008
Balance, beginning of year	**$ 155,725**	$ 136,620	**$ 32,855**	$ 29,852
Current service cost	**7,346**	6,630	**3,911**	3,251
Interest cost	**8,464**	8,039	**661**	583
Benefits paid	**(5,436)**	(4,282)	**(2,079)**	(2,109)
Actuarial valuation deficiency	**5,303**	8,718	**393**	1,278
Provision for employee future benefits	**$ 171,402**	$ 155,725	**$ 35,741**	$ 32,855
Employee contribution for the year	**$ 5,848**	$ 5,343	**$ –**	$ –

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	
	2009	2008	**2009**	2008
Plan expenses for the year:				
Current service cost	**$ 7,346**	$ 6,630	**$ 3,911**	$ 3,251
Interest cost	**8,464**	8,039	**661**	583
Actuarial valuation deficiency				
Pertaining to interest	**3,341**	5,492	**–**	–
Pertaining to expense	**1,962**	3,226	**393**	1,278
	$ 21,113	$ 23,387	**$ 4,965**	$ 5,112

10. 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)	**2009**		2008	
	Gross	**Reinsurers' Share**	Gross	Reinsurers' Share
Automobile Insurance Division				
Liability	**$ 1,412,138**	**$ 31,884**	$ 1,341,723	$ 29,975
Physical Damage	**145,047**	**5,650**	166,112	21,370
	1,557,185	**37,534**	1,507,835	51,345
Discontinued Operations				
Personal/Commercial	**4,251**	**–**	4,790	–
	$ 1,561,436	**$ 37,534**	$ 1,512,625	$ 51,345

The provision for unpaid claims, including adjustment expenses, is discounted using the following discount rates:

	2009	2008
Benefits	Interest Rate Assumptions	
Pre-PIPP Weekly Indemnity	**2.6% per year**	2.6% per year
PIPP other than death and impairment	**2.6% per year**	2.6% per year
All other coverages	**4.6% per year**	4.6% per year

PIPP – Personal Injury Protection Plan

According to accepted actuarial practice, the discounted reserve includes a provision for adverse deviation of $276.7 million (2008 – $271.3 million) comprised of a claims development component of $166.6 million (2008 – $158.2 million), an interest rate component of $108.5 million (2008 – $111.3 million) and a reinsurance component of $1.6 million (2008 – $1.8 million).

Net claims incurred and adjustment expenses included no losses from catastrophes in the current fiscal year (2008 – $10.0 million). 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 claim 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 28, 2009 for prior years, are as follows:

(in thousands of dollars)	Accident Years				
	2008	2007	2006	2005 and Prior	Total
Net unpaid claims (valuation estimate as at February 29, 2008)	$ 333,135	$ 196,148	$ 146,189	$ 778,069	
Net payments for the year	137,977	20,980	12,082	32,579	
	195,158	175,168	134,107	745,490	
Net unpaid claims (revised valuation estimate as at February 28, 2009)	162,395	165,093	117,014	770,015	
(Redundancy) Deficiency	$ (32,763)	$ (10,075)	$ (17,093)	$ 24,525	$ (35,406)
Prior years (redundancy) deficiency		$ 1,373	$ 4,082	$ (67,915)	$ (62,460)

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 28, 2009 are a decrease of $0.3 million (2008 – decrease of $0.4 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

Improvements to the Personal Injury Protection Plan (PIPP) benefits have been approved in principle, by government, for claimants who meet the definition of "catastrophic injury" as it will be defined in The Manitoba Public Insurance Corporation Act and regulations. These improvements will apply to all active PIPP no-fault injury claim files as well as all new claims on a go-forward basis. The financial impact of these changes is estimated to be $90.8 million on a one-time basis and has been recorded in the provision for unpaid claims.

11. Reinsurance

The corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 28, 2009, these reinsurance agreements limit the corporation's exposure to a maximum amount of $5.0 million (2008 – $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 $13.3 million (2008 – $11.7 million). These arrangements protect the corporation against losses up to $266.7 million (2008 – $266.7 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 figures shown in the Statement of Operations are net of the following amounts relating to reinsurance ceded to other companies:

(in thousands of dollars)	**2009**	2008
Premiums earned	$ 13,172	$ 16,641
Claims incurred	$ 1,126	$ 45,330

12. Commitments

The corporation is committed to make minimum annual lease payments for land, buildings and equipment. The minimum annual lease payments required are approximately as follows:

(in thousands of dollars)	
Fiscal Year	Minimum Lease Payments
2010	$ 1,437
2011	$ 1,204
2012	$ 1,120
2013	$ 988
2014	$ 782
thereafter	$ 11,231

The corporation has committed $5.9 million for the construction of a new service centre.

13. Investment Income

(in thousands of dollars)	**2009**	2008
Interest from bonds	**$ 68,201**	$ 72,344
Gain (loss) on sale of Available for Sale bonds	**8,754**	1,435
Gain (loss) on sale of Held for Trading bonds	**6,541**	–
Unrealized gain (loss) on Held for Trading bonds	**(5,533)**	–
Dividends from equities	**9,976**	10,373
Gain (loss) on sale of equities	**(35,572)**	37,907
Gain (loss) on foreign exchange	**(20,214)**	15,833
Write-down of investments	**(24,619)**	(9,010)
Investment management fees	**(2,902)**	(3,338)
Total	**$ 4,632**	$ 125,544

Investment income is net of management fees paid to the Department of Finance in the amount of $2.9 million (2008 – $3.3 million). This includes $1.7 million (2008 – $2.2 million) of fees the Province paid to outside managers on the corporation's behalf.

14. Accumulated Other Comprehensive Income (Loss)

Accumulated Other Comprehensive Income (Loss) (AOCI) reflects the net unrealized gain or loss on financial assets classified as Available for Sale. Changes in AOCI by type of asset are presented below.

(in thousands of dollars)	AOCI at February 29, 2008	Unrealized Gains (Losses) in 2008/2009	Realized (Gains) Losses transferred to Net Income in 2008/2009	AOCI at February 28, 2009
Canadian Equities	$ 7,581	$ (133,747)	$ 34,630	$ (91,536)
U.S. Equities	(12,741)	(23,168)	20,216	(15,693)
Bonds and Other	28,328	(35,641)	(3,417)	(10,730)
	$ 23,168	$ (192,556)	$ 51,429	$ (117,959)

15. 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 $0.4 million (2008 – $0.8 million) which is reported as part of the Special Risk Extension line of business (Note 16). Included in the provision for unpaid claims is $4.3 million (2008 – $4.8 million) relating to discontinued operations.

16. Net Income (Loss) From Annual Operations

The lines of business reported net income (loss) from annual operations as follows:

(in thousands of dollars)		**2009**		2008
Basic insurance	**$**	**(8,165)**	$	69,040
Extension insurance		**(1,684)**		12,351
Special Risk Extension		**14,899**		16,049
		13,215		28,400
Net income from annual operations	**$**	**5,050**	$	97,440

17. 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. At February 29, 2008, the rebate was estimated to be $62,700,000. The amount was actualized during the current fiscal year when $62,646,000 was distributed to Basic policyholders.

On December 2, 2008 the Public Utilities Board released its ruling on the corporation's 2009/2010 Basic Insurance rate application. There is no surplus distribution in 2009/2010.

18. Fair Value Disclosure

The fair value of financial assets and liabilities approximates their carrying value.

19. 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)		**2009**		2008
KPMG LLP				
Audit fees	**$**	**178**	$	171
Regulatory related fees		**14**		–
Advisory fees		**15**		2
Total	**$**	**207**	$	173
Ernst & Young LLP				
Valuation of policy liabilities fees	**$**	**95**	$	107
Actuarial advisory fees		**92**		89
Management advisory fees		**–**		6
Total	**$**	**187**	$	202

20. 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 installments of $1.75 million to defray the cost borne by the corporation as a result of the transfer.

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)		**2009**		2008
Vehicle registration fees	**$**	**118,056**	$	102,702
Driver licensing fees		**19,876**		21,880
Total	**$**	**137,932**	$	124,582

21. Immobilizer Incentive Fund

Activity in the Immobilizer Incentive Fund includes:

(in thousands of dollars)		2009		2008
Balance beginning of year	$	**17,925**	$	33,143
Less: Funds transferred to Basic Insurance Rate Stabilization Reserve to offset program costs		**(15,904)**		(15,218)
Balance end of year	$	**2,021**	$	17,925

The Immobilizer Incentive Fund was established during the 2005/2006 fiscal year by appropriating $40.0 million from the Basic Insurance Rate Stabilization Reserve 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 “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.

22. 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 into the Extension Development Fund (EDF). 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)		2009		2008
Balance beginning of year	$	**35,389**	$	–
Transfer from Competitive Lines Retained Earnings		**31,739**		38,983
Transfer to Competitive Lines Retained Earnings		**(7,703)**		(3,594)
Balance end of year	$	**59,425**	$	35,389

23. 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.

24. Subsequent Event

On February 26, 2009, the corporation submitted a conditional offer for the purchase of the Cityplace property for $81.5 million plus expenses. The closing date for the transaction is May 1, 2009. The Cityplace building houses most of the corporation's administrative offices as well as some third-party occupied office and retail space.

25. 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 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 16, 2009.

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 and actuaries 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 Chief Actuary of the WCB completed an independent actuarial valuation of the benefit liabilities included in the financial statements of the WCB and reported thereon in accordance with accepted actuarial practices. The firm of Eckler Ltd. has been appointed as the peer reviewer to the WCB. The Chief Actuary's opinion on the valuation of the benefit liabilities is provided on page 29. Eckler Ltd.'s opinion is provided on page 30.

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 31, outlines the scope of this independent audit and includes their opinion expressed on the 2008 consolidated financial statements.

Doug Sexsmith
President and CEO

Lorena B. Trann, CMA, FCMA
Chief Financial Officer

March 16, 2009

Auditor's 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, 2008 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 financial statements present fairly, in all material respects, the financial position of the WCB as at December 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.

Grant Thornton LLP

Grant Thornton LLP
Chartered Accountants
Winnipeg, Manitoba

March 5, 2009

Grant Thornton

Consolidated Balance Sheet

December 31, 2008
(in thousands of dollars)

	2008	2007
Assets		
Cash	$ 1,103	$ 2,881
Receivables and other (Note 4)	34,675	35,190
Investment portfolio (Note 5)	885,059	1,019,142
Deferred assessments (Note 7)	65,691	47,598
Capital assets (Note 8)	12,036	11,993
	$ 998,564	$ 1,116,804
Liabilities and Funded Position		
Payables and accrued liabilities (Note 9)	$ 33,492	$ 27,223
Benefit liabilities (Note 11)	903,489	831,681
Total liabilities	936,981	858,904
Accident fund reserve	120,256	150,254
Accumulated other comprehensive (loss) income	(58,673)	107,646
Funded position	61,583	257,900
	$ 998,564	$ 1,116,804

Signed on behalf of the Board of Directors

Tom J. Farrell
Chairperson, Board of Directors

Ken Sutherland
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, 2008
(in thousands of dollars)

	2008	2007
Revenue		
Premium revenue (Note 13)	$ 247,887	$ 223,973
Investment income (Note 5)	45,035	98,078
Total revenue	292,922	322,051
Expenses		
Claim costs incurred (Note 11)	263,127	215,491
Operating expenses (Note 14)	59,793	55,981
Total expenses	322,920	271,472
Operating (loss) surplus	**(29,998)**	**50,579**
Accident fund reserve at beginning of year	150,254	99,675
Accident fund reserve at end of year	$ 120,256	$ 150,254

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive (Loss) Income

Year Ended December 31, 2008
(in thousands of dollars)

	2008	2007
Operating (loss) surplus	$ (29,998)	$ 50,579
Other comprehensive (loss) income		
Unrealized (losses) gains on available-for-sale financial assets	(158,789)	5,934
Reclassification of realized gains to the Consolidated Statement of Operations and Accident Fund Reserve (Note 5)	(7,530)	(45,309)
Other comprehensive loss	(166,319)	(39,375)
Total comprehensive (loss) income	$ (196,317)	$ 11,204

Consolidated Statement of Changes in Accumulated Other Comprehensive (Loss) Income

Year Ended December 31, 2008
(in thousands of dollars)

	2008	2007
Accumulated Other Comprehensive (Loss) Income		
Balance at beginning of year	$ 107,646	$ 147,021
Other comprehensive loss	(166,319)	(39,375)
Balance at end of year	$ (58,673)	$ 107,646

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended December 31, 2008
(in thousands of dollars)

	2008	2007
Operating cash flows		
Premiums from employers	$ 230,309	$ 218,560
Investment income	47,270	50,647
Claim payments (Note 11)	(191,319)	(172,842)
Purchases of administration goods and services	(59,162)	(56,556)
Net cash provided by operating activities	27,098	39,809
Investing cash flows		
Purchases of investments, net of sales (Note 5)	(26,920)	(37,553)
Capital asset acquisitions, net of disposals	(1,956)	(2,487)
Net cash used by investing activities	(28,876)	(40,040)
Net decrease in cash	(1,778)	(231)
Cash at beginning of year	2,881	3,112
Cash at end of year	$ 1,103	$ 2,881

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended December 31, 2008
($ amounts in thousands of dollars unless otherwise noted)

1. NATURE OF OPERATIONS

The Workers Compensation Board of Manitoba (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
- 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 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 WCB does not receive government funding or assistance. Available funds are invested and 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.

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 $244.2 million at the end of 2008 ($254.0 million in 2007).

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 Chief 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 (AOCI). AOCI 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.

General Employers Pool

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

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. Current costs are collected as billed while future costs are recorded as a deferred receivable.

The Government of Canada and its agencies are self-insured based on the *Government Employees Compensations Act*. Under this Act, the administration of this program is delegated to the WCB which acts as agent of the Government of Canada for the payment of compensation to federal employees in Manitoba.

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 $37.5 million ($5.3 million in 2007), comprised of $15.0 million on the operating line of credit and $22.5 million on the revolving credit facility ($2.3 million and $3.0 million, respectively, in 2007), and were repaid in full during the year.

4. RECEIVABLES AND OTHER

		2008		2007
Premiums – Class E employers	$	27,134	$	26,142
Allowance for doubtful accounts		(1,013)		(1,226)
		26,121		24,916
Current assessments – Self-insured employers		2,600		4,058
Sundry		2,165		1,481
Accrued pension benefit asset (Note 10)		3,789		4,735
	$	34,675	$	35,190

5. INVESTMENT PORTFOLIO

Fair Value of the Investment Portfolio

		2008		2007
Equities				
Canadian	$	150,922	$	214,976
Private placements		29,675		33,061
U.S.		116,634		131,857
Europe, Australasia & Far East		66,213		95,019
Emerging markets		18,964		38,863
		382,408		513,776
Cash and short term investments		20,376		47,394
Fixed income		341,076		319,497
Real estate (see table below)		141,199		138,475
Total	$	885,059	$	1,019,142

Real Estate Portfolio

The real estate portfolio can be further broken down as follows:

		2008		2007
Rental properties and other net assets	$	186,037	$	185,114
Mortgages payable		(44,838)		(46,639)
Real estate investments	$	141,199	$	138,475

Mortgages payable on rental properties bear interest at rates ranging from 3.5 per cent to 7.36 per cent per annum, with maturity dates ranging from 2009 to 2033. Scheduled principal and interest payments for 2009 on these mortgages total $15.6 million. The scheduled amounts of principal repayments in each of the next five years are as follows:

2009	$	13,590
2010		972
2011		8,830
2012		759
2013		2,318
		26,469
Thereafter		18,369
Total	$	44,838

Investment Income

Investment income was derived from the following sources:

		2008		2007
Canadian equities	$	4,939	$	5,530
Foreign equities		6,386		5,211
Cash and short term investments		1,349		1,932
Fixed income		17,121		16,202
Real estate (see table below)		12,097		28,389
Realized gains reclassified from other comprehensive income		7,530		45,309
Loan interest expense		(52)		(9)
Management expenses		(4,335)		(4,486)
Investment income	$	45,035	$	98,078

Real Estate Income

The real estate income can be further broken down as follows:

		2008		2007
Rental income, net of expenses	$	5,275	$	6,319
Appraisal gains		6,560		13,757
Realized gains from property sales		262		8,313
	$	12,097	$	28,389

Purchases of Investments, Net of Sales

Purchases of investments, net of sales can be further broken down as follows:

	2008	2007
Purchases of investments	$ 796,194	$ 1,321,583
Proceeds on disposal of investments	(769,274)	(1,284,030)
Net purchases of investments	$ 26,920	$ 37,553

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 $12.6 million ($18.4 million in 2007) to specific investment projects to be financed from the existing portfolio or from available cash.

6. INVESTMENT RISK MANAGEMENT

In accordance with the Statement of Investment Policy and Objectives, the investment objective of the WCB is to generate a consistent, positive, real rate of return on invested assets. Recognizing the need to achieve a balance between risk and return, investment risk is managed through a portfolio that is diversified across a number of distinct asset classes as well as geographic region and investment style.

The following sections describe the nature and extent of financial risk exposure and the related risk mitigation strategies.

Market Risk

The WCB invests in publicly and privately traded equities and fixed income instruments available on domestic and foreign exchanges. As these securities are affected by market changes and fluctuations, the WCB is exposed to market risk as a result of price changes due to economic fluctuations in capital markets.

The following table presents the effect of a material change in the key risk variable – the sector benchmark – for each of the equity mandates in the WCB investment portfolio:

	2008		2007	
	5 year annualized		5 year annualized	
Equities	+/- 1 standard deviation	+/- 2 standard deviation	+/- 1 standard deviation	+/- 2 standard deviation
% change in benchmark	16.7%	33.4%	9.0%	18.0%
Canadian	$25,161	$50,322	$19,348	$38,696
% change in benchmark	10.3%	20.6%	10.6%	21.2%
US	$11,467	$22,934	$13,977	$27,954
% change in benchmark	14.1%	28.2%	13.9%	27.8%
Europe, Australasia and Far East	$10,056	$20,112	$12,207	$26,414
% change in benchmark	21.1%	42.2%	16.7%	33.4%
Emerging markets	$4,001	$8,003	$6,489	$12,978

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. To mitigate the risk of credit default, the minimum quality standard for individual bonds and debentures at time of purchase is BBB, as rated by an established bond rating service. To further mitigate this risk, bonds with a BBB rating are limited to a maximum of 15 per cent of an individual investment manager's portfolio. The balance of the portfolio should be invested in bonds with a minimum rating of A or higher.

Of the fixed income assets in the investment portfolio, 98 per cent (98 per cent in 2007) 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, 2008, these loans amounted to $67.1 million ($114.9 million in 2007).

Foreign Exchange Risk Management

The WCB has certain investments denominated in foreign currencies, which exposes the WCB to foreign currency risk. During 2008, 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.

WCB has exposure to the US dollar, with USD-denominated holdings of $201.6 million CAD ($265.6 million CAD in 2007) or 22.8 per cent of the portfolio (26.1 per cent in 2007).

The table below presents the effects of a material change in the Canadian/US dollar exchange rates:

	CAD/USD	
	2008	2007
10 % appreciation in the Canadian dollar	$(18.3 million)	$(24.1 million)

Interest Rate Risk Management

The WCB is exposed to interest rate risk to the extent that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates. These fluctuations are managed by actively controlling the duration of the fixed income portfolio. As at December 31, 2008, the duration of the WCB's bond portfolio was 6.3 years (6.8 years in 2007).

The following table shows the effects of a negative 50 and 100 basis point (where one basis point equals 1/100 of one per cent; 50 basis points equals 0.5 per cent) change in interest rates on the bond portfolio:

	2008		2007	
+/- basis point change	50 basis points	100 basis points	50 basis points	100 basis points
Bonds	$8,281	$16,562	$8,706	$17,412

7. 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:

	2008	2007
Balance at beginning of year	$ 47,598	$ 43,718
Increase in future cost liability	18,379	5,003
Increase in pension related transactions	477	445
Interest allocation	(763)	(1,568)
Net change in deferred assessments	18,093	3,880
Balance at end of year	$ 65,691	$ 47,598

8. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	$ 11,866	$ 10,268	$ 11,268	$ 9,705
Systems development projects	12,546	8,842	12,016	8,110
Furniture, fixtures and equipment	2,228	1,983	2,080	1,932
Building renovations and leasehold improvements	3,852	2,983	3,625	2,795
Building and land	6,176	556	6,031	485
	$ 36,668	$ 24,632	$ 35,020	$ 23,027
Net book value		**$ 12,036**		**$ 11,993**

As a result of asset dispositions, costs of $309 ($624 in 2007) for computer equipment and furniture, fixtures and equipment, and the offsetting accumulated depreciation were removed from the accounting records. A gain of $1 ($2 in 2007) was recognized on the sale of these fully depreciated capital assets.

9. PAYABLES AND ACCRUED LIABILITIES

	2008	2007
Accounts payable and accrued liabilities	$ 4,837	$ 3,751
Client annuity program	13,878	12,531
Community Initiatives and Research Program grants	2,398	2,186
Deposits from self-insured employers	4,995	1,591
Employee vacation entitlements	2,951	2,817
Unearned revenue	182	545
Other payables	1,286	1,305
Sick leave plan (Note 10)	2,965	2,497
	$ 33,492	$ 27,223

10. 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 2008, 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 $2.8 million ($2.5 million in 2007).

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, 2007. The next required valuation for this purpose will be as at December 31, 2010.

Information about the WCB's employee benefit plans for the year is as follows:

	Pension Plan		Sick Leave Plan	
	2008	2007	**2008**	2007
Benefits paid by the plan	$ 3,136	$ 1,499	$ 189	$ 44
Employer contributions	2,631	2,417	189	44
Employee contributions	2,001	1,744	-	-
Employee future benefit expense	3,577	3,059	657	621
Actual return on plan assets	(16.34%)	(1.3%)	-	-

Reconciliation of the benefit plans to amounts included in the financial statements:

	Pension Plan		Sick Leave Plan	
	2008	2007	**2008**	2007
Fair value of plan assets	$ 72,499	$ 84,426	-	-
Accrued benefit obligation	79,068	97,587	$ 3,832	$ 4,406
Plan deficit for accounting purposes	(6,569)	(13,161)	(3,832)	(4,406)
Balance of unamortized losses	10,358	17,896	867	1,909
Accrued benefit asset (liability)	$ 3,789	$ 4,735	$ (2,965)	$ (2,497)

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		Sick Leave Plan	
	2008	2007	**2008**	2007
Discount rate	7.25%	5.50%	7.25%	5.50%
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	14	14	14

The asset allocation for the pension plan as at December 31 is:

	2008	2007
Equity	59%	61%
Fixed income (including short term)	41%	39%

11. 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:

	2008	2007
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	(0.5%)	2.0%

An analysis of the components of and changes in benefit liabilities is as follows:

	2008						2007
	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 130,016	$ 375,671	$ 155,548	$ 146,534	$ 23,912	$ 831,681	$ 789,032
Add: Claim costs incurred							
Current year	115,326	1,843	7,770	49,492	10,367	184,798	171,971
Prior years	(24,240)	57,297	5,971	42,333	(3,032)	78,329	43,520
	91,086	59,140	13,741	91,825	7,335	263,127	215,491
Less: Claim payments made							
Current year	30,619	397	556	19,482	40	51,094	48,506
Prior years	39,618	47,220	15,710	35,002	2,675	140,225	124,336
	70,237	47,617	16,266	54,484	2,715	191,319	172,842
Balance at end of year	$ 150,865	$ 387,194	$ 153,023	$ 183,875	$ 28,532	$ 903,489	$ 831,681

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 $39.4 million ($38.0 million in 2007) for the long latent occupational disease liability and $54.4 million ($53.4 million in 2007) for the future cost of administering existing claims.

12. BENEFIT LIABILITIES FOR SELF-INSURED EMPLOYERS

Note 11 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:

	2008						2007
	Short Term Disability	**Long Term Disability**	**Survivor Benefits**	**Healthcare Benefits**	**Rehabilitation Services**	**Total**	**Total**
Balance at beginning of year	$ 13,713	$ 44,219	$ 27,878	$ 18,501	$ 2,076	$ 106,387	$ 99,683
Add: Claim costs incurred							
Current year	12,563	780	764	7,151	1,002	22,260	19,864
Prior years	(281)	3,253	2,242	15,126	(631)	19,709	10,403
	12,282	4,033	3,006	22,277	371	41,969	30,267
Less: Claim payments made							
Current year	3,743	85	102	2,137	0	6,067	5,911
Prior years	5,774	4,640	3,719	5,669	130	19,932	17,652
	9,517	4,725	3,821	7,806	130	25,999	23,563
Balance at end of year	$ 16,478	$ 43,527	$ 27,063	$ 32,972	$ 2,317	$ 122,357	$ 106,387

Included in premiums and claim costs for self-insured employers are payments in the amount of $4.2 million ($4.1 million in 2007) 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 $11.4 million ($11.1 million in 2007) for self-insured employers' share of the long latent occupational disease liability and $6.8 million ($6.2 million in 2007) for the future cost of administering existing claims.

13. PREMIUM REVENUE

	2008	2007
Premiums – Class E employers	$ 203,445	$ 194,059
Assessments – Self-insured employers	26,349	26,034
Increase in deferred assessments (Note 7)	18,093	3,880
Total premium revenue	$ 247,887	$ 223,973

14. OPERATING EXPENSES

	2008	2007
Salaries, employee benefits and training	$ 39,923	$ 37,263
Information technology service fees	1,574	1,898
Occupancy costs	1,978	1,834
Office supplies, services and projects	742	471
Communications	1,240	1,029
Professional fees	981	895
Donations	579	80
Amortization of capital assets	1,913	2,065
Appeal Commission	1,150	1,228
Community Initiatives and Research Program grants	1,000	1,000
Recoveries from the Government of Canada	(867)	(861)
Prevention and other (Note 15)	9,580	9,079
Total operating expenses	$ 59,793	$ 55,981

Of the total operating expenses, $4.3 million ($4.2 million in 2007) 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.

15. 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 2008, the amount charged to operations under this provision was $7.4 million ($6.9 million in 2007).

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 2008, the amount charged to operations under this provision was $0.9 million ($0.9 million in 2007).

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, 2008, are guaranteed debentures issued by the Province of Manitoba in the amount of $0.8 million ($1.0 million in 2007).

16. 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:

2009	2010	2011	2012	2013	Total
$549	$369	$62	$10	$0	$990

17. CONTINGENCIES

The WCB is party to various claims and lawsuits related to the normal course of business that are currently being contested. In the opinion of management, the outcome of such claims and lawsuits are not determinable. However, based on the total amount of all such actions, the WCB has concluded that their outcomes, either individually or in aggregate, will not have a material effect on the results of operations or financial position.

18. AUDITOR INDEPENDENCE

Grant Thornton LLP did not provide non-audit services to the WCB in 2008 ($9 in 2007).

19. COMPARATIVE FIGURES

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