APPENDICES

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SUMMARY FINANCIAL STATEMENTS - AUDITOR'S REPORT

Appendix A

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT
On the Summary Financial Statements for the Government Reporting Entity
Province of Manitoba

To the Legislative Assembly of the Province of Manitoba

I have audited the summary statement of financial position of the Province of Manitoba as at March 31, 2006 and the summary statements of revenue and expense, accumulated deficit, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the Government of Manitoba. My responsibility is to express an opinion on these financial statements based on my audit.

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

Reservation
As explained in the Note 1 A to these financial statements, the Province of Manitoba's accounting policies contain an exception to Canadian generally accepted accounting principles, related to the inclusion of public school divisions. The effects of the non-consolidation of public school divisions on the reported assets, liabilities, revenues and expenses, and the information provided by way of notes to the financial statements cannot be determined.

Opinion
In my opinion, except for the effects of the inability to consolidate the assets, liabilities and the operating results of public school divisions, these Summary Financial Statements for the Government Reporting Entity present fairly, in all material respects, the financial position of the Province of Manitoba as at March 31, 2006 and the results of its operations and its cash flow for the year then ended, in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba
July 31, 2006

Bonnie J. Lysyk, MBA, CA•CIA
Deputy Auditor General

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Appendix B

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

STATEMENT OF RESPONSIBILITY

The Summary Financial Statements are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the Government reporting entity and include summary statements of financial position, revenue and expense, accumulated deficit, change in net debt, cash flow, notes and schedules integral to the statements. Together, except as stated in Note 1A to the Summary Financial Statements, they present fairly, in all material respects, the financial condition of the Government reporting entity at the fiscal year end and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

The Government is responsible for the integrity and objectivity of the Summary Financial Statements. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets, liabilities, revenues and expenses is dependent on future events. The Government believes such estimates have been based on careful judgements and have been properly reflected in the Summary Financial Statements.

The Government fulfills its accounting and reporting responsibilities, through the Office of the Provincial Comptroller, by maintaining systems of financial management and internal control. The systems are continually enhanced and modified to provide timely and accurate information, to safeguard and control the Government's assets, and to ensure all transactions are in accordance with the Financial Administration Act.

The Auditor General expresses an independent opinion on these financial statements. Her report, stating the scope of her audit and opinion, appears on the following page. The audit opinion for the 2005/06 financial statements was signed by the Deputy Auditor General.

These financial statements are tabled in the Legislature. They are referred to the Standing Committee on Public Accounts, which reports to the Legislature on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

On behalf of the Government of the Province of Manitoba.

Ewald Boschmann
Deputy Minister of Finance

Betty-Anne Pratt
Provincial Comptroller

July 31, 2006

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

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(cont'd.)

SUMMARY FINANCIAL STATEMENTS

SUMMARY STATEMENT OF FINANCIAL POSITION

As at March 31, 2006

($ millions)

SCHEDULE		2006	2005
	FINANCIAL ASSETS		
	Cash and cash equivalents (Note 2)	1,088	1,137
	Temporary investments (Note 2)	323	267
1	Amounts receivable	900	900
	Inventories	40	36
	Prepaid expense	22	19
	Portfolio investments (Note 3)	608	545
2	Loans and advances	585	626
3	Equity in Government business enterprises (Note 5)	1,740	1,224
4	Other long-term investments	4	4
	Total Financial Assets	5,310	4,758
	LIABILITIES		
5	Borrowings	18,559	18,390
	Less: Sinking funds (Note 6)	(2,739)	(2,729)
	Less: Debt incurred for and repayable by the Manitoba Hydro-Electric Board and Manitoba Lotteries Corporation	(6,276)	(6,215)
		9,544	9,446
	Less: Unamortized foreign currency fluctuation	(79)	(84)
	Net borrowings	9,465	9,362
6	Accounts payable, accrued charges, provisions and deferrals	2,397	2,305
	Pension liability (Note 12)	3,967	3,761
	Total Liabilities	15,829	15,428
	NET DEBT	(10,519)	(10,670)
	NON-FINANCIAL ASSETS (Note 1D.13)		
7	Tangible capital assets	4,170	3,915
	ACCUMULATED DEFICIT	(6,349)	(6,755)

Information concerning the Government's Guarantees, Contractual Obligations, Contingencies and Treaty Land Entitlement Obligations can be found in Notes 7, 8, 9 and 10.

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(cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

SUMMARY STATEMENT OF REVENUE AND EXPENSE

For the Year Ended March 31, 2006

	($ millions)	
	2006	**2005**
REVENUE		
Manitoba Collections:		
Retail sales tax	1,198	1,125
Fuel taxes	236	235
Levy for health and education	303	287
Mining tax	39	41
Other taxes	509	531
Fees and other revenue	2,057	1,842
Income taxes:		
Corporation income tax	373	402
Individual income tax	1,949	1,842
Net income from Government business enterprises (Schedule 3)	958	679
Federal transfers:		
Equalization	1,601	1,699
Canada Health and Social Transfers	1,108	1,045
Health Reform Fund	-	55
Bill C-48	49	-
Shared cost and other	345	357
TOTAL REVENUE	10,725	10,140
EXPENSES		
Health	3,849	3,560
Education	2,366	2,309
Family Services and Housing	1,075	1,020
Community, Economic and Resource Development	1,448	1,169
Justice and Other Government	822	755
Debt Servicing (Note 16)	790	765
TOTAL EXPENSES (Schedule 11)	10,350	9,578
SUMMARY NET INCOME (Schedule 9)	375	562

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix B
(cont'd.)

SUMMARY FINANCIAL STATEMENTS

SUMMARY STATEMENT OF ACCUMULATED DEFICIT

For the Year Ended March 31, 2006

	($ millions)	
	2006	2005
Opening accumulated deficit, as previously reported	(6,707)	(7,334)
Restatements (Note 4)	(48)	(48)
Opening accumulated deficit, as restated	(6,755)	(7,382)
Other Comprehensive Income (Note 4)	31	65
Summary net income for the year	375	562
Closing accumulated deficit, as restated	(6,349)	(6,755)

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Appendix B
(cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

SUMMARY STATEMENT OF CHANGE IN NET DEBT

For the Year Ended March 31, 2006

($ millions)

	2006	2005
Annual Surplus	375	562
Acquisition of Tangible Capital Assets	(531)	(428)
Amortization of Tangible Capital Assets	266	254
Disposal of Tangible Capital Assets	10	4
	(255)	(168)
Other Comprehensive Income (Note 4)	31	65
Decrease in Net Debt	151	459
Net Debt, beginning of year	(10,670)	(11,129)
Net Debt, end of year	(10,519)	(10,670)

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix B
(cont'd.)

SUMMARY STATEMENT OF CASH FLOW

For the Year Ended March 31, 2006

	($ millions) 2006	2005
Cash and cash equivalents provided by (used in)		
Operating activities:		
Summary net income for the year	375	562
Changes in non-cash items:		
Temporary investments	(56)	(60)
Amounts receivable	20	(124)
Valuation allowance	(31)	4
Inventories	(4)	2
Prepaids	3	-
Portfolio investments	(63)	(156)
Accounts payable, accrued charges, provisions and deferrals	92	117
Pension liability	206	190
Amortization of foreign currency fluctuation	5	6
Amortization of debt discount	7	8
Amortization of investment discounts and premiums	2	(1)
Workers Compensation Board investment premium	-	28
Other Comprehensive Income	31	37
Disposal of tangible capital assets	10	4
Amortization of tangible capital assets	266	254
	883	871
Changes in equity in Government business enterprises	(516)	(286)
Cash provided by operating activities	347	585
Tangible capital assets		
Acquisition of tangible capital assets	(531)	(426)
Cash used in capital activities	(531)	(426)
Investing activities:		
Made	(590)	(584)
Realized	499	140
Cash used in investing activities	(91)	(444)
Financing activities:		
Debt issued	2,901	2,671
Debt redeemed	(2,777)	(2,180)
Changes in sinking funds	102	197
Cash provided by financing activities	226	688
Increase (decrease) in cash and cash equivalents	(49)	403
Cash and cash equivalents, beginning of year	1,137	734
Cash and cash equivalents, end of year	1,088	1,137

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Appendix B (cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

NOTES TO THE SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

A. General Basis of Accounting

The Summary Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for senior Governments as recommended by the Canadian Institute of Chartered Accountants (CICA), with the following exception:

The financial statements do not reflect the financial position for public school divisions. The financial operations of these divisions are reflected only to the extent that their operations were financed from or contributed to the Summary Financial Statements. Changes to the GAAP definition of the Government Reporting Entity (GRE) required that the school divisions, and other organizations that were previously not included, become part of the GRE effective April 1, 2005. While the other organizations have been included in these financial statements, the school divisions will not be included until the March 31, 2008 fiscal year. The accounting system currently adopted by the school divisions does not provide sufficient information to allow for the consolidation of the school divisions into the Summary Financial Statements in accordance with GAAP. Changes to the school divisions accounting systems are presently underway and the impact of those changes will be reflected in the financial reporting for the year ended March 31, 2008.

B. The Reporting Entity

Various funds, Crown organizations and Government business enterprises comprising the Government Reporting Entity are listed in Schedule 8.

The Operating Fund and Special Funds Special Purpose financial statements report amounts recorded as Government revenue, expense on Government programs, the lending and investment of Government funds, including funds of certain Crown organizations and Government business enterprises and the borrowing and repayment of debt.

To be considered a part of the Government Reporting Entity, an organization must be controlled by the Government. Control, as defined by the CICA Public Sector Accounting Standards Board, is the power to govern the financial and operating policies of another organization with the expected benefits or the risk of loss to the Government from the other organization's activities.

C. Basis of Consolidation

Crown organizations are consolidated after adjusting their accounting policies to a basis consistent with the accounting policies of the Government Reporting Entity. Inter-entity accounts and transactions are eliminated upon consolidation, except for retail sales tax and the levy for health and education. Where the fiscal year end dates of Crown organizations are not the same as that of the Government Reporting Entity and their transactions significantly affect the financial statements, their financial results are updated to March 31.

Government business enterprises, whose principal activity is carrying on a business, maintain their accounts in accordance with accounting principles which are generally accepted for business enterprises and which are considered appropriate to their individual objectives and circumstances. They derive the majority of their revenue from sources outside the Government Reporting Entity. They are reported in these Summary Financial Statements using the modified equity method of accounting without adjusting their accounting policies to a basis consistent with that of the Government Reporting Entity. The financial results of enterprises are not updated to March 31 where their fiscal year end is not the same as that of the Government Reporting Entity, except when transactions which would significantly affect the Summary Financial Statements occur during the intervening period. Inter-entity accounts and transactions with Government business enterprises are not eliminated, nor are normal operating inter-entity transactions disclosed separately. Supplementary financial information describing the financial position and results of operations of these enterprises is presented in Schedule 3.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix B
(cont'd.)

SUMMARY FINANCIAL STATEMENTS

D. Basis of Specific Accounting Policies

Government of Canada Receipts

Transfer payments from the Government of Canada include all accruals determined before June 15 each year for current year entitlements that have been authorized by March 31st, that can be reasonably estimated and for which any eligibility criteria have been met.

The Province's share of individual and corporation income tax is recorded based upon cash receipts to March 31 plus an accrual of adjustments determined before June 15 each year.

Other Revenue

All other revenues are recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Expenses

All expenses incurred for goods or services received are recorded on an accrual basis. Exceptions to this policy involve the acquisition of inventories acquired for the Government's use that are reflected as expenses when incurred.

Expenses include provisional amounts recorded in anticipation of costs which are quantifiable and have been identified as obligations. Government transfers are recognized as expenses in the period during which the transaction is authorized and any eligibility criteria are met.

Gross Accounting Concept

Revenues and expenses are recorded in gross amounts with the following exceptions:

1) Refunds of revenue are treated as reductions of current year revenue.

2) Decreases in valuation allowances previously provided are treated as reductions to expense.

3) Recoveries of the debt servicing costs on self-sustaining debt of Government business enterprises are recorded as a reduction of debt servicing expense.

Liabilities and Assets

1) All borrowings are expressed in Canadian dollars and are shown net of sinking funds, unamortized debt issue costs and debt of the Province of Manitoba held as provincial investments. Foreign borrowings are converted at the exchange rate in effect at March 31 adjusted for any forward foreign exchange contract entered for settlement after the fiscal year end. Discounts or premiums, and commissions incurred at the time of the issue of debt are amortized monthly to debt servicing expense over the term of the debt.

2) The amount of the pension liability is based on actuarial calculations. When actual experience varies from actuarial estimates, the adjustments needed are amortized over the expected average remaining service life of the employee groups.

3) The amount of the liabilities for severance, Long Term Disability Income Plan liability and workers compensation claims is based upon actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations because 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.

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Appendix B (cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

4) The year end translation adjustments reflecting the foreign currency fluctuation from the value at the issue date are recorded through the unamortized foreign currency fluctuation account and amortized monthly to debt servicing expense over the remaining term of the debt. The unamortized portion of foreign currency fluctuation also reflects the gains or losses on the conversion of foreign currency debt called prior to maturity using the rates in effect at the time of the call and these gains and losses are amortized over the original remaining term of the debt or over the term of the replacement issue, whichever is shorter.

5) Loans, advances and long-term investments are recorded at cost less valuation allowances. A valuation allowance is provided to reduce the value of the assets to their estimated realizable value or to reflect the impact of significant concessionary terms on outstanding loans. Valuation allowances are made when the collection is considered doubtful or when the value of the investment is impaired. Premiums that may arise from the early repayment of loans or advances are reflected as deferred revenue and are amortized monthly to debt servicing expense over the term of the related debt issue.

6) Investments denominated in foreign currency are translated to the Canadian dollar equivalent at the exchange rate in effect at March 31, unless the rate of exchange or a forward foreign exchange contract fixing the value has been negotiated, in which case that rate or amount is used. The year end investment translation adjustments reflecting the foreign currency fluctuation between year ends are amortized monthly over the remaining life of the investment and included with debt servicing expense. Expenses and other transaction charges incurred on the purchase of investments during the year are charged to debt servicing expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

7) Premiums paid on interest rate options are amortized monthly starting from the date the income is received over the period of the applicable agreement. If the option is exercised, the premium is amortized over the period from the date of receipt to the maturity date of the agreement. If the option is not exercised, any unamortized premium will be immediately taken into revenue.

8) Inventories held for resale are recorded at the lower of cost and net realizable value.

9) The cost of tangible capital assets purchased includes the purchase price as well as costs such as installation costs, design and engineering fees, survey and site preparation costs and other costs incurred to put the asset in service. The cost of tangible capital assets constructed by the Province include all direct construction costs such as materials, labour, design, installation, engineering, architectural fees, and survey and site preparation costs, as well as overhead costs directly attributable to the construction activity such as licenses, inspection fees, indirect labour costs, and amortization expense of any equipment which was used in the construction project. Any carrying cost associated with the development and construction of tangible capital assets is included for projects whose cost exceeds $20 million.

A tangible capital asset received as a donation is recorded at its fair market value with the same amount being shown as a deferred revenue which is amortized to revenue on the same basis as the asset is amortized. Where the acquisition cost of a tangible capital asset is shared with other jurisdictions under a shared cost agreement, such contributions are deducted from the cost of the related asset with any amortization calculated on the net amount. Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Intangible assets and items inherited by right of the Crown, such as Crown lands, forests, water and other mineral resources are not recognized in Government financial statements.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix B
(cont'd.)

10) Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

General Tangible Assets:	
Land	Indefinite
Buildings and Leasehold Improvements	
Buildings	25 to 40 years
Leasehold improvements	Life of lease
Vehicles and Equipment	
Vehicles	5 years
Aircraft and vessels	5 to 24 years
Machinery, equipment and furniture	10 years
Maintenance and road construction equipment	15 years
Computer hardware and software	4 to 15 years
Infrastructure Assets	
Land	Indefinite
Land Improvements	30 years
Transportation	
Bridges and Structures	40 years
Provincial Highways, Roads and Airstrips	10 to 40 years
Dams and Water Management Structures	40 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available to be put into service.

11) During the 2000/01 fiscal year, the Federal Government created a Health Equipment and Infrastructure Fund for investment in new medical equipment. The Province's share of this fund was $37 million. Funding from the Health Equipment and Infrastructure Fund has been treated as deferred revenue and will be brought into revenue based on actual purchases of equipment according to a defined schedule.

During the 2002/03 fiscal year, the Federal Government created a Diagnostic and Medical Equipment Fund for investment in new medical equipment. The Province's share of this fund was $54 million. Funding from the Diagnostic and Medical Equipment Fund has been treated as deferred revenue and will be brought into revenue based on actual purchase of equipment according to a defined schedule.

12) Guarantees by the Government are made through specific agreements or legislation to repay promissory notes, bank loans, lines of credit, mortgages and other securities. Provision for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provision represents the Government's best estimate of future payments less recoveries.

13) In the public sector, recognition and measurement of tangible capital and other non-financial assets are based on their service potential. Generally, such assets do not generate future net cash inflows. Therefore, these assets will not provide resources to discharge the liabilities of the Government. For non-financial assets, the future economic benefit consists of their capacity to render service to fulfill the Government's objectives.

14) Effective for the 2005/06 fiscal year, the Government adopted an accounting policy regarding the recognition and measurement of environmental liabilities. An environmental liability for contaminated sites is recorded when contamination is identified, and when the Government is obligated or likely to become obligated to incur remediation costs due to reasons of public health and safety, contractual arrangements, or compliance with environmental standards which are set out in any act or regulation (federal, provincial, municipal) recognized by the Government. The liability is based upon remediation costs determined on a site-by-site basis, measured as incremental direct costs, reduced by estimated recoveries from third parties, and discounted where possible to reflect the time value of money.

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Appendix B (cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

For past liabilities arising from contaminations or obligating events on or before March 31, 2005, there is a transition period (April 1, 2006 to March 31, 2009) to identify and record such liabilities. These liabilities will be recorded as an increase to the accumulated deficit until March 31, 2009. Subsequent to that, any past liability not previously recorded or sufficiently provided for will be recorded as an expense.

For liabilities arising from contaminations or obligating events after March 31, 2005, the amounts are recorded as an expense when identified.

E. Measurement Uncertainty

Estimates are used to accrue revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonable possible amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements exist in the accrual of individual, corporate income taxes, Health Transfers and Canada Social Transfer entitlements, Federal Government transfers under Bill C-48, accruals for pension obligations, accruals for environmental obligations and allowances for doubtful loans and advances and provision for losses on guarantees.

The nature of the uncertainty related to the accrual of health and social transfer payments from the Federal Government and individual and corporate income taxes arises because of the possible differences between the estimates for the economic factors used in calculating the accruals and actual economic results. Uncertainty related to Federal Government transfers under Bill C-48 relates to the ultimate determination of the transfer amounts being dependent upon audited current year financial results of the Federal Government. Dependent upon these final results, the transfer that the Province is eligible for could range from $0 to $98 million (recorded $49 million as current year's revenue). The uncertainty related to accruals for pension obligations arises because actual results may differ significantly from the Province's best estimates of expected results based on variables such as earnings on the pension investments, salary increases and the life expectancy of claimants. The uncertainty related to the accrual of environmental obligations is based upon the identification of all sites where environmental damages have occurred that are the Province's responsibility to mitigate and the quantification of what the actual liability will be based upon impact studies. Uncertainty concerning the allowance for doubtful loans and advances is based upon actual collectibility and changes in economic conditions.

While management's best estimates have been used for reporting items subject to measurement uncertainty, it is possible that changes in future conditions in the near term could require a material change in the valuation of the reported amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

2. CASH AND TEMPORARY INVESTMENTS

Cash equivalents included in cash are recorded at cost. Market values approximate cost. Investment revenue earned during the year was $34 million (2005 - $35 million).

Temporary investments are recorded at the lower of cost and market value. As at March 31, 2006, the cost of temporary investments was $323 million (2005 - $267 million) with a market value of $323 million (2005 - $267 million). Investment revenue earned on the temporary investments funds during the year was $20 million (2005 - $12 million).

3. PORTFOLIO INVESTMENTS

Portfolio investments are recorded at the lower of cost and net realizable value. As at March 31, 2006, the carrying value of portfolio investments was $608 million (2005 - $545 million). Portfolio investments earned $64 million during the year (2005 - $58 million).

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix B
(cont'd.)

Portfolio investments include amounts invested with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. These investments represent funds set aside for the future retirement of the pension liability. These investments earn the respective Fund's annual rate of return and reflect both the realized gains (losses) on sale of investments and unrealized market gain (loss) for the year. Investment income earned for the year was $61 million (2005 - $30 million). The fair value of these investments as at March 31, 2006 was $537 million (2005 - $382 million). These Funds are balanced funds and the investments consist primarily of cash equivalents, equities, bonds, mortgages and real estate.

4. ADJUSTMENTS TO ACCUMULATED DEFICIT

In the March 31, 2006 fiscal year, restatements to the March 31, 2005 accumulated deficit and net income for the year were made to apply changes in accounting policies and due to correction of errors.

Adjustments were made to the opening accumulated deficit for the March 31, 2005 fiscal year to recognize the impact of changing accounting policies. These adjustments were made to recognize environmental liabilities ($142 million increase) and to recognize the liability associated with the recognition of prepaid expense in accordance with changes to public sector accounting standards ($19 million decrease).

Adjustments were made to the opening accumulated deficit for the March 31, 2005 fiscal year to apply changes due to correction of errors. An adjustment was made to recognize the liability associated with certain tax refunds that had not been identified and corrected in the 2005 fiscal year ($6 million increase).

Adjustments were made to the opening accumulated deficit for the March 31, 2005 fiscal year to account for the inclusion of eight additional entities into the Government Reporting Entity in accordance with changes to public sector accounting standards ($93 million decrease). These entities included; Collège universitaire de Saint-Boniface, First Nations of Northern Manitoba Child and Family Services Authority, First Nations of Southern Manitoba Child and Family Services Authority, Metis Child and Family Services Authority, Sport Manitoba Inc., St. Amant Centre Inc. (a component of the Winnipeg Regional Health Authority), Tire Stewardship Board and the University of Winnipeg.

In the March 31, 2006 fiscal year the Manitoba Public Insurance Corporation changed its accounting policies on the recognition of pension plan experience gains to recognize these gains and losses in the year in which they occur. Previously the policy was to amortize these gains and losses over the expected average remaining service life of the employee group. As a result of this change, the accumulated deficit for March 31, 2005 increased by $12 million.

The net effect of these adjustments is a $48 million increase to March 31, 2005 opening accumulated deficit.

In the March 31, 2005 fiscal year, the Workers Compensation Board elected to change its accounting policies on the recognition of gains and losses (other comprehensive income) in accordance with changes to accounting standards on the recognition of these gains and losses. As a result of this change the accumulated deficit for March 31, 2005 decreased by $28 million. In the March 31, 2006 fiscal year, the Government adopted the policy to recognize this other comprehensive income as a charge to the accumulate deficit in accordance with new public sector accounting policy standards. The net effect of these changes is a $37 million decrease to the March 31, 2005 summary net income. The net effect of these adjustments is a $65 million increase to the March 31, 2005 accumulated deficit.

5. EQUITY IN GOVERNMENT BUSINESS ENTERPRISES

The category definitions are as follows:

Utility:
An enterprise which provides public utility services for a fee.

Insurance:
An enterprise which provides insurance coverage services to the public for a fee.

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Appendix B (cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Finance:
Enterprises which provide regulatory control and are revenue generating, or enterprises which use economy of scale to deliver goods and services to non-government clients.

Resource Development:
Enterprises charged with the development of various industries and/or the delivery of various goods and services which will assist the provincial economy.

Included in the equity in Government business enterprises are equities which are restricted for use by provincial legislation and thereby not available to discharge Government liabilities or to finance other Government programs.

Equity in Government business enterprises is comprised of:

	($ millions) 2006	2005
Restricted Equity in Government Business Enterprises:		
Manitoba Hydro-Electric Board	1,285	870
Manitoba Public Insurance Corporation	260	212
Workers Compensation Board	184	131
	1,729	1,213
Unrestricted Equity in Government Business Enterprises:		
Manitoba Lotteries Corporation	5	5
Manitoba Product Stewardship Corporation	2	2
Manitoba Public Insurance Corporation	4	4
	11	11
Equity in Government Business Enterprises	1,740	1,224

6. SINKING FUNDS

Sinking funds are recorded at the lower of cost and market value. As at March 31, 2006, sinking funds had a cost of $2,739 million (2005 - $2,729 million) and a market value of $2,753 million (2005 - $2,828 million). Investment revenue earned on the sinking funds during the year was $204 million (2005 - $219 million).

Section 60 of *The Financial Administration Act* authorizes the Minister of Finance to provide for the creation and management of sinking funds for the orderly retirement of debt. The Minister of Finance may authorize, by directive, the amount, if any, to be allocated to the Province's sinking fund. The Province's sinking fund currently provides for the repurchase of foreign debt and the pre-funding of maturing debt issues. In addition, the Province's sinking fund is invested principally in securities issued or guaranteed by Canadian provinces.

As provided by *The Manitoba Hydro Act*, the Manitoba Hydro-Electric Board (Hydro) is required to provide, prior to its fiscal year end in each year, amounts for sinking funds which are not less than the sum of i.) 1% of the principal amount of Hydro's outstanding debt on the preceding March 31 and, ii.) 4% of the balance of cash and book value of securities in the sinking fund at such date. Sinking funds are invested in Government bonds and the bonds of highly rated corporations and financial institutions. Interest earned on money and securities in the sinking fund is paid to Hydro.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix B
(cont'd.)

The sinking funds are allocated as follows:

	($ millions) 2006	2005
Province of Manitoba	2,151	2,148
Manitoba Hydro-Electric Board	586	579
University of Manitoba	2	2
Total sinking funds	2,739	2,729

Sinking funds are invested as follows:

	($ millions) 2006	2005
Cash and temporary investments	223	268
Portfolio investments	2,516	2,461
	2,739	2,729

7. GUARANTEES

The Government Reporting Entity has guaranteed the repayment of debt, promissory notes, bank loans, lines of credit, mortgages and other securities. Debt guaranteed by the Province is guaranteed as to principal and interest until the debt is matured or redeemed. The authorized limits and the outstanding guarantees are as follows:

	Authorized Limit	($ millions) 2006	2005
Canada Mortgage and Housing Corporate Mortgages	1	-	-
Manitoba Business Start Program	5	1	1
Manitoba Agricultural Services Corporation (Note a)		59	56
Manitoba Housing & Renewal Corporation (Note b)		6	7
Rural Entrepreneur Assistance Program (Note c)	16	4	4
Manitoba Student Financial Assistance Program (Note d)	20	7	8
Rural Municipality of Richot	1	1	1
		78	77
Manitoba Grow Bonds		5	6
Total guarantees outstanding		83	83

The provisions for losses on guaranteed loans are determined by a review of individual guarantees. The provision represents the best estimate of probable claims against the guarantee. Where circumstances indicate the likelihood of claims arising, provisions are established for those loan guarantees. Provision for future losses on guarantees in the amount of $20 million (2005 - $18 million) has been recorded in the accounts.

Note a – The Manitoba Agricultural Services Corporation has guaranteed loans under the following programs:
Guaranteed Operating Loan Program – guarantees each participating lending institution 12 ½% of the respective value of loans made under this program.
Manitoba Cattle Feeder Associations Loans Guarantees – for each association guarantee 25% of the loan to a maximum guarantee of $1 million.
Diversification Loan Guarantee Program – guarantees 25% of loans made by participating lenders, for the diversification or farm value-added activities, to a maximum individual guaranteed loan allowable of $3 million.
Enhanced Diversification Loan Guarantee Program – eliminated lender pooling of guarantees and the maximum of $3 million for qualifying loans.

Note b – The Manitoba Housing and Renewal Corporation has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts.

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Appendix B (cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Note c – The Province provides guarantees on new and expanding small or home business loans, with a five year term.

Note d – The Government guarantees three types of student loans issued in the past twelve years:

i. Guaranteed loans: issued by the Canadian Imperial Bank of Commerce (CIBC) from April 1, 1993 to December 31, 1994. These loans are fully guaranteed should the loan be deemed to be in default.

ii. Limited risk loans: issued by the CIBC from January 2, 1995 to December 31, 1997 and issued by the Royal Bank from June 2, 1997 to July 31, 2000. The Government only guarantees those loans in default that have been issued to credit abusers, insolvent creditors and minors.

iii. Non-risk loans: issued by the Royal Bank from August 1, 2000 to July 31, 2001. The Government has agreed to guarantee and purchase any loan deemed to be in default.

8. CONTRACTUAL OBLIGATIONS

A. Operating Obligations

The Government Reporting Entity has made future obligations under long-term contracts that cover the rental of tangible capital assets. These financial obligations as at March 31 are as follows:

	Government Business Enterprises	Other	($ millions) Total 2006	2005
Rental of tangible capital assets	61	145	206	222

The Government Reporting Entity has obligations which are not capital in nature, related primarily to future loans and grants and the maintenance of desktop equipment totalling $79 million (2005 - $77 million).

B. Capital Obligations

The Government Reporting Entity has approved long-term financial arrangements.

Future Obligations:

	Government Business Enterprises	Other	($ millions) Total 2006	2005
Tangible capital assets, infrastructure and capital grants	98	117	215	282
Approved mortgages	-	21	21	7
	98	138	236	289

The Manitoba Hydro-Electric Board made a commitment to towards the construction of an office building in downtown Winnipeg. Construction on this building is underway and is expected to be complete on or before September 3, 2007.

The Province has undertaken to expand the Red River Floodway. Through the Manitoba Floodway Authority, the Province is a party to a funding agreement with the Government of Canada for a $240 million (2005 - $240 million) expansion project and has committed to provide $120 million (2005 - $120 million) towards the $240 million (2005 - $240 million) expansion project. Subsequent to the year end a funding amendment was reached between the Government of Canada and the Government of Manitoba increasing the joint contribution by $84 million to a total of $324 million.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix B
(cont'd.)

The Government has made contractual obligations against future appropriations that cover the purchase or development of tangible capital assets. Funding is provided annually from appropriations of the Capital Budget. These obligations as at March 31 are as follows:

	($ millions) 2006	2005
Buildings	3	2
Transportation	34	14
Dams and Water Management Structures	2	2
Equipment	-	1
	39	19

9. CONTINGENCIES

The Government has been named in various legal actions, including treaty land entitlements. No provision has been made at March 31, 2006 in the accounts where the final results are uncertain.

A. Disaster Financial Assistance

A provision has been made at March 31, 2006 for all flood claims and other disaster financial assistance. The final amount of the Government's share of these costs under shared cost agreements is uncertain at the date these financial statements were issued.

B. Northern Development Projects

The Province is contingently liable for legal claims associated with past Manitoba Hydro-Electric Board (Hydro) related northern development projects. The outcome of these claims is not determinable at this time.

Hydro 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 the Lake Winnipeg Regulation projects. Comprehensive settlements have been reached with all communities except Cross Lake.

In recognition of all anticipated payments, Hydro has recorded a total liability of $121 million (2005 - $104 million). Reassessments of these liabilities will be made as settlements are achieved. There are other mitigation issues, the outcomes of which are not determinable at this time.

C. Canadian Blood Services

Most provinces, including Manitoba, are members of, and provide funding to, Canadian Blood Services, which operates the Canadian blood system. Their March 31, 2005 audited financial statements indicate that a wholly owned subsidiary, CBS Insurance Company Limited, provides for the contingent liabilities for risks related to operations of the blood system. The actuarially determined provisions for future insurance claims, reported and unreported, related to insured events that occurred prior to March 31, 2005 is $174 million (2004 - $163 million). The related assets as at March 31, 2005 total $208 million (2004 - $187 million). The subsidiary also had a re-insurance contract for additional coverage of $750 million.

Based upon the above, as at March 31, 2005, the Province of Manitoba's share of the provision for future claims is offset with designated assets which, at that point, exceed the provision. In addition, there is re-insurance to cover an additional $750 million in claims of insured events occurring on or before March 31, 2005. March 31, 2006 figures are not available for comparison.

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Appendix B (cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

10. TREATY LAND ENTITLEMENT OBLIGATIONS

To meet Manitoba's obligation under treaty land entitlement (TLE) agreements, approximately 195,908 acres of provincial Crown land have been transferred to the Government of Canada (Canada) for First Nations.

This transfer will help strengthen the economic development of these First Nations. Manitoba continues to work with Canada and First Nations on a number of initiatives leading to greater self-government in areas such as land and child and family services delivery.

Manitoba's obligations under the Treaty Land Entitlement Framework Agreement requires the setting aside of 985,949 acres of Crown land. To date, 871,428 acres have been selected by the Entitlement First Nations. The Crown lands will be transferred according to the Natural Resources Transfer Agreement, including mines and minerals and other interests normally reserved for the Province under the *Crown Land Act* or any other statute.

11. ENVIRONMENTAL ISSUES

The Manitoba Hydro-Electric Board will incur future costs associated with the assessment and remediation of contaminated lands and for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment.

12. PENSION PLANS

The Government of the Province of Manitoba supports ten separate pension plans. These include the Civil Service Plan (CSP), the Teachers' Plan (TP), the Members of the Legislative Assembly Plan (MLAP), the Legislative Assembly Pension Plan (LAPP), the University of Manitoba Pension Plan, the Brandon University Retirement Plan, the Healthcare Employees Pension Plan (HEPP), the Judges' Supplemental Pension Plan, the Winnipeg Child and Family Services Employee Benefits Retirement Plan (WCFSP) and the University of Winnipeg Pension Plan. HEPP offers retirement benefits to employees of health care facilities. The pension plans for the Universities of Manitoba, Winnipeg and Brandon and HEPP are fully funded. There is no unfunded liability reported by the actuaries of the university pension plans and HEPP.

The Government is required, under the amended provisions of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*, to set aside funds beginning in 2000/01, to address the Government's unfunded pension liability. The minimum annual contribution must be sufficient to equal the contributions made by employees and teachers hired on or after April 1, 2000. While the minimum contribution for the year ended March 31, 2006 was $21 million (2005 - $17 million), the Government set aside $85 million (2005 - $79 million) in the Pension Assets Fund. These funds are separately invested and maintained in trust accounts with Civil Service Superannuation Fund (CSSF) and Teachers' Retirement Allowances Fund (TRAF) for the Government and are increased by the rate of return of the funds. Portfolio investments held in the CSSF and in the TRAF for the Government, from funds that it set aside for the future retirement of its pension liability amount to $537 million at March 31, 2006 (2005 - $382 million).

The actuarial valuations were based on a number of assumptions about future events, such as interest rates, wage and salary increases, inflation rates and rates of employee turnover, disability and mortality. Information about the economic assumptions used in the most recent actuarial valuations is provided below. Demographic assumptions used in the valuations reflect the experience of the plans.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

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Plan	Latest Valuation	Real Rate of Return	Inflation Rate	Investment Rate of Return
Civil Service	December 31, 2004	4.00%	2.50%	6.50%
Teachers'	January 1, 2004	4.25%	2.50%	6.75%
MLA	March 31, 2003	4.00%	2.75%	6.75%
LAPP	March 31, 2005	3.25%	2.75%	6.00%
University of Manitoba	December 31, 2003	4.00%	2.50%	6.50%
Brandon University	December 31, 2003	3.50%	2.50%	6.00%
HEPP	December 31, 2003	3.50%	3.00%	6.50%
Judges' Supplemental	March 31, 2003	3.25%	2.75%	6.00%
WCFSP	December 31, 2004	3.50%	2.50%	6.00%
University of Winnipeg	December 31, 2004			6.50%[1] 6.00%[2]

[1]pre-retirement rate of return
[2]post-retirement rate of return

During the year, an increase in employee contribution rate of 1.1% was approved for the Teachers' Plan. No other amendments were made to any of the Plans.

The components of the unfunded pension liability and expense are as follows:

	($ millions)		
	Pension Expense	Pension Liability	
	2006	2006	2005
Civil Service Plan			
Pension Liability	163	1,703	1,606
Unamortized Net Actuarial Gains		14	19
Teachers' Plan			
Pension Liability	226	2,271	2,158
Unamortized Actuarial Losses		(82)	(90)
Members of the Legislative Assembly			
Pension Liability	2	29	29
Unamortized Actuarial Gains		3	4
Legislative Assembly Pension Plan	1	1	N/A
Judges' Supplemental Pension Plan	3	26	23
Other Plans	23	2	2
	418	3,967	3,761

The pension liabilities of Government business enterprises are disclosed in Schedule 3.

A. Civil Service Plan

The Civil Service Superannuation Act (CSSA) established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government through the Civil Service Superannuation Fund (CSSF).

As at March 31, 2006, the CSP had approximately 42,500 (2005 - 41,800) participants including active members, retired employees and former employees with entitlements.

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Appendix B (cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Certain amendments to the CSSA were made in 1992 which required that the CSSF establish and fund a separate account in an amount sufficient to cover the Government's share of pension costs attributable to the 1992 amendments to the CSSA. The CSSF account maintained on behalf of the Government at March 31, 2006 was $44 million (2005 - $38 million).

Effective December 15, 2000, the CSP was amended to include improved benefits. The cost of the plan amendments is fully funded from actuarially determined employee surpluses with no additional cost to the employer. The following describes the current terms of the CSP, with the previous terms indicated within brackets.

The lifetime pension calculation equals 2% of a member's best five years average yearly pensionable earnings multiplied by pensionable service, minus 0.4% (previously 0.6%) of the average Canada Pension Plan (CPP) earnings for the same period multiplied by pensionable service since January 1, 1966.

The CSSA requires that employees contribute 6.0% (previously 5.1%) on pensionable earnings up to the CPP maximum earnings, and 7.0% of pensionable earnings above the maximum. 89.8% of contributions are used to fund basic benefits and 10.2% of contributions are allocated for indexing benefits. Contributions continue until the employee's retirement or other termination from service. Employee contributions for the year ended March 31, 2006 amounted to $76 million (2005 - $72 million).

Indexing benefits are not guaranteed and are paid only to the extent that the indexing adjustment account in CSSF can finance one-half of cost-of-living increases granted. The maximum annual adjustment is limited by legislation to two-thirds of the increase in the consumer price index for Canada.

The Government does not make contributions to the CSSF during employees' service. By legislation, however, it is required to pay 50% of the pension disbursements made from the CSSF. For the year ended March 31, 2006, payments of $99 million (2005 - $90 million) were made to the CSSF.

An actuarial report was completed for CSSF as of December 31, 2004, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's net liability for accounting purposes has been calculated to be $1,717 million as at March 31, 2006 (2005 - $1,625 million), which includes net unamortized actuarial gains of $14 million (2005 - $19 million). The increase in liability includes current year interest of $115 million (2005 - $99 million). The December 31, 2004 report disclosed an actuarial loss of $22 million which will be amortized over the 15 year expected average remaining service life of the employee groups. This actuarial loss has been combined with the actuarial loss from the December 31, 2001 actuarial report and the actuarial gain from the December 31, 1998 actuarial report. The 2006 combined amortization was a $5 million decrease to expenses (2005 - $7 million).

B. Teachers' Plan

The Teachers' Pensions Act (TPA) established a defined benefit plan to provide pension benefits to teachers who have taught in public schools in Manitoba.

As at March 31, 2006, the Teachers' Retirement Allowances Fund (TRAF) had approximately 32,200 (2005 - 31,800) participants including active members, retired teachers and former teachers with entitlements.

The lifetime pension calculation is based upon the lesser of A or B:

A) The years of service prior to July 1, 1980, multiplied by 2% and the average salary of the best 7 of the final 12 years of service and years of service after July 1, 1980, multiplied by 2% and the average salary of the best 5 of the final 12 years of service;

less

The years of service from January 1, 1966, to July 1, 1980, multiplied by .6% and the average annual salary up to the yearly maximum pensionable earnings for the same period and years of service after July 1, 1980, multiplied by .6% and the annual salary up to the yearly maximum pensionable earnings for the same period.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

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B) 70% of the weighted average annual salary of the member in the 7 and 5 year periods used above.

The TPA requires that teachers contribute 6.8% (prior to September 1, 2005 - 5.7%) on pensionable earnings up to the CPP maximum earnings, and 8.4% (prior to September 1, 2005 - 7.3%) on pensionable earnings above the maximum. 83.4% of contributions are used to fund basic benefits and 16.6% of contributions are allocated for indexing benefits. Contributions continue until the teacher's retirement or other termination from service. Teacher contributions for the year ended March 31, 2006, amounted to $61 million (2005 - $52 million).

Indexing benefits are not guaranteed and are paid only to the extent that one half of the pension adjustment does not result in an unfunded pension liability in TRAF.

The Government does not make contributions to TRAF during teachers' service. By legislation, however, it is required to pay 50% of the pension disbursements and other disbursements made by TRAF as provided for in the TPA. For the year ended March 31, 2006, payments of $115 million (2005 - $108 million) were made to TRAF.

An actuarial report was completed for TRAF as of January 1, 2004, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's net liability for accounting purposes has been calculated to be $2,189 million as at March 31, 2006 (2005 - $2,078 million), which includes unamortized actuarial losses of $82 million (2005 - $90 million). The increase in liability includes current year interest of $145 million (2005 – $138 million). The latest actuary's calculation disclosed an actuarial loss of $4 million which will be amortized over the 12.5 year expected average remaining service life of the employee groups, commencing in the 2005/06 fiscal year. This actuarial loss has been combined with the actuarial loss from the January 1, 2001 actuarial report and actuarial loss from the 2004 funding valuation. The 2006 amortization expense was $9 million (2005 - $8 million).

C. Members of the Legislative Assembly Plan

The pension plan for Members of the Legislative Assembly (MLAs) is established and governed by *The Legislative Assembly Act* (LAA). For MLAs elected prior to the dissolution of the Assembly of the 35th Legislature, the LAA provides for defined pension benefits based on years of service to April, 1995. For those elected after the 35th Legislature in April 1995, the LAA provides for matching contributions. As at March 31, 2006, there are 115 (2005 - 116) plan members who are entitled to receive future pension benefits in accordance with the LAA.

The calculation for defined pension benefits is equal to 3% of the average annual indemnities for the last five years served as a member or all the years served if less than five, multiplied by the number of years of pensionable service up to April 1995. These entitlements are fully indexed to cost of living increases.

An actuarial report was completed for the MLA plan as of March 31, 2003, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's net liability for accounting purposes has been calculated to be $32 million as at March 31, 2006 (2005 - $33 million), which includes unamortized actuarial gains of $3 million (2005 - $4 million). The change in liability includes current year interest of $2 million (2005 - $2 million). The March 31, 2003 report disclosed an actuarial gain of $2 million which will be amortized over the 10 year expected average remaining service life of the MLAs. This actuarial gain has been combined with the actuarial gain from the March 31, 2000 actuarial report. The 2006 combined amortization was a $0.6 million decrease to expenses (2005 - $0.6 million).

Under the matching contributions provisions, MLAs may contribute up to 7% of their remuneration toward a Registered Retirement Savings Plan (RRSP) of their choice. The Government matches the member's contributions on a current basis, consequently, there is no liability for past service benefits under this component of the plan. In the event that a member withdraws money from the RRSP while an active member of the Legislative Assembly, the Government's contribution would be refundable.

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Appendix B (cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

D. Legislative Assembly Pension Plan

The Members' Retirement Benefits Regulation of *The Legislative Assembly Act* established a defined benefit plan, effective April 1, 2004 that provides pension benefits to eligible Members of Legislative Assembly (MLA) who elect to participate in the plan. The following persons may elect to become members of the plan:

a) a person who is an MLA when the plan is registered;
b) a person who becomes an MLA after the plan is registered
c) a person who
   i) was an MLA on May 2, 2003, and has not since been re-elected, and
   ii) wishes to purchase a period of pensionable service in respect of his or her membership in the Assembly during the period from April 25,1995, to June 2, 2003.

The calculation of pension benefits under the plan is determined by the following formula:

$$2\% \times S \times Y$$

In this formula:

S is the average of the best five-year annual salaries received by the member during the years for which he or she accrued pensionable service or, if less than five years the average of the annual salaries for that period.

Y is the lesser of
   (i) 35, and
   (ii) the total number of years of pensionable service.

The pension is reduced by an amount equal to 0.25% times the number of months before the member's 60th birthday that the first pension payment is made. These entitlements are indexed to 2/3 of cost of living increases.

Participation in the plan is voluntary. For existing and eligible former MLAs, there is a six month time limit placed on the decision of whether to join the plan commencing once the Pension Commissioner establishes Regulations respecting his decisions. The same six month option period is to be made available for newly elected MLAs. Employee contributions are deducted at 7% of the total annual indemnity and allowance for MLA expenses. The balance of the current service cost, and any other special payments, are to be paid by the Province.

As at March 31, 2006 there were three members contributing to the plan, but the pension fund has not been set up as of that date and the members' and employer's contributions are being held in trust.

An actuarial report was completed for the Legislative Assembly Pension Plan as at March 31, 2005, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's liability for accounting purposes has been projected by the actuary to be $1.2 million as at March 31, 2006.

E. University of Manitoba

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 Province's Summary Financial Statements.

The University of Manitoba Pension Plan (1970) and University of Manitoba Pension Plan (1993) are both money purchase plans with a defined benefit minimum. The funding for the plans requires a matching contribution from the University and the employees. The surplus from the plans, and the matching contribution, is adequate to fund the plans and the current level of funding satisfies the requirements of *The Manitoba Pensions Benefit Act*. The plans are not indexed.

As at December 31, 2005, the University of Manitoba Pension Plans had 5,359 active members (2004 - 5,215), and 985 pensioners (2004 - 953). The plans do not offer deferred pension elections.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

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The actuarial present value of accrued pension benefits has been determined using the projected unit credit actuarial cost method and assumptions developed by reference to expected long-term market conditions. An actuarial valuation effective December 31, 2003 was completed in 2004 by Eckler Partners Ltd., a firm of consulting actuaries. The results of this valuation have been extrapolated by Eckler Partners Ltd. to December 31, 2005. As at December 31, 2005, the University of Manitoba Pension Plan (1970) and The University of Manitoba Pension Plan (1993) were in an actuarial surplus of $1 million (2004 - $1 million) and $6 million (2004 - $6 million), respectively. The University of Manitoba cannot access this surplus and, as a result, no asset has been recorded in the Province's Summary Financial Statements.

The University of Manitoba recognized expenses equal to its contributions of $14 million (2004 - $13 million) for the 1970 Plan and for the 1993 Plan for the fiscal year ended March 31, 2006. Employee contributions equalled the employer contributions.

The next full actuarial valuation of the plans will be as at December 31, 2005 and will be completed in 2006.

The University of Manitoba GFT Pension Plan (1986) is a defined contribution pension plan; therefore there is no requirement for an actuarial valuation of this plan. The University's contributions to this plan were $1 million in 2006 (2005 - $1 million).

F. Brandon University

The Brandon University administers the Brandon University Retirement Plan, which is a trusteed pension plan. The Trustees are responsible for the custody of the Plan's assets and issuance of annual financial statements, which do not form part of the Province's Summary Financial Statements.

The Brandon University Retirement Plan is a final average contributory defined benefit pension plan established April 1, 1974 for the benefit of the employees of Brandon University. The funding for the plan requires a matching contribution from the University and the employees. The surplus from the plan and the matching contribution is adequate to fund the plan and the current level of funding satisfies the requirements of *The Manitoba Pensions Benefit Act*.

As at December 31, 2005, the Brandon University Retirement Plan had 469 active members (2004 - 469), 206 pensioners (2004 - 189), and 50 deferred pensioners (2004 - 40).

The actuarial present value of accrued pension benefits has been determined using the accrued benefit method prorated on service and using assumptions recommended by the actuary and approved by the Trustees. An actuarial valuation was completed as at December 31, 2003 by Eckler Partners Ltd., a firm of consulting actuaries. As at December 31, 2005, the Brandon University Retirement Plan had no actuarial surplus (2004 – no actuarial surplus).

The Brandon University recognized expenses equal to its contributions of $2 million (2005 - $1 million). Employee contributions equalled the employer contributions.

The next full actuarial valuation of the plan will be as at December 31, 2006 and will be completed in 2007.

G. Healthcare Employees Pension Plan - Manitoba

The Healthcare Employees Pension Plan - Manitoba (HEPP) was established in 1997 to meet the retirement needs of Manitoba's healthcare employees and their beneficiaries. Benefits accrued from January 1, 1997 are administered in accordance with the HEPP Plan Text and governing agreements. Benefits accrued up to and including December 31, 1996 are administered in accordance with previous plans. HEPP is governed by an independent, 12 member Board of Trustees representing both union and employer participants. The Trustees are responsible for the custody of the plan's assets and issuance of annual financial statements, which do not form part of the Province's Summary Financial Statements.

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Appendix B (cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

HEPP is a defined benefit pension plan. The lifetime pension calculation is based on an amount equal to:

- 1.5% of a member's highest average earnings up to the Canada Pension Plan Yearly Maximum Pensionable Earnings (YMPE), and,
- 2.0% of a member's highest average earnings over the YMPE,
- multiplied by a member's years of contributory service. The highest average earnings are determined by averaging the best five years of annualized pensionable earnings in the past eleven years prior to termination, retirement or death.

Ad hoc cost of living adjustments (COLAs) to pension benefits are reviewed every year. Members who retired on or before July 1, 2000, disabled members, and deferred vested members received a 2.34% ad hoc COLA effective January 1, 2002. COLAs were not granted for year ended December 31, 2004.
As at December 31, 2004, HEPP had 35,635 active and disabled members (2003 - 34,865), 6,221 deferred vested members (2003 - 4,822), and 9,505 retired members (2003 - 8,971). There are currently 180 participating employers (2003 - 185).

The Plan Text requires that an annual actuarial valuation be performed on both a going concern basis and a solvency basis by an independent actuary. Towers Perrin, a firm of consulting actuaries, prepared the most recent actuarial valuation as at December 31, 2003, using the projected unit credit actuarial cost method. As at December 31, 2003, HEPP had a going concern actuarial surplus of $5 million (2003 - $11 million). The employers cannot access this surplus and, as a result no asset has been recorded in the Province's Summary Financial Statements.

Information for the year ended December 31, 2005 is not available due to extension of the reporting deadline to September 30, 2006 approved by the HEPP Board of Trusties.

H. Judges' Supplemental Pension Plan

The supplemental pension benefit for judges was determined to be the difference between the total pension benefits for judges, including the amendments introduced by Judicial Compensation Committees, and the formula pension available under the Civil Service Superannuation Act (CSSA) as described above in note 12A.

The present supplemental pension benefit for judges was effective July 1, 1992. It was based upon the first Judicial Compensation Committee report of June 7, 1991. Since that time, four successive Judicial Compensation Committees have been duly appointed and amendments have been implemented to the supplemental benefits available under the Judges' Supplemental Pension Plan.

The current supplemental pension, including amendments introduced by the most recent Judicial Compensation Committee, is summarized as follows:

- The supplemental pension plus the pension provided under the CSSA results in an accrual rate of 3.00% for each year of service as a judge,
- A cap of 70% of earnings on the combined judge's supplemental pension and Civil Service Superannuation Pension,
- The overall limit that the judge's supplemental service not exceed 23.5 years.

As at March 31, 2006, there are 63 (2005 - 61) plan members who are entitled to receive future pension benefits in accordance with the plan.

An actuarial report was completed for the Judges' Supplemental Pension Plan as at March 31, 2003, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's liability for accounting purposes has been calculated to be $26 million as at March 31, 2006 (2005 - $23 million). The increase in liability includes current year interest of $1 million (2005 $1 million).

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix B
(cont'd.)

SUMMARY FINANCIAL STATEMENTS

I. Winnipeg Child and Family Services Employee Benefits Retirement Plan

The Winnipeg Child and Family Services Employee Benefits Retirement Plan (the WCFSP) was established effective December 29, 2003. The WCFSP applies to employees of the former Winnipeg Child and Family Services who transferred to the Department of Family Services and Housing and the terms apply to those who retire or terminate employment on or after December 29, 2003. These employees were previously members of the United Way Agencies' Employee Benefits Retirement Plan (UWARP). Under a Special Pension Transfer Agreement, the services and benefits earned by those employees were transferred from UWARP to the WCFSP.

At December 31, 2005, the WCFSP had 312 active and deferred members (2004 - 634), 139 pensioners (2004 - 133).

The lifetime pension calculation equals 2% of the member's highest average pensionable earnings in any three non-overlapping periods of 12 consecutive months, less 0.6% of the average CPP earnings for the same period multiplied by years of pensionable service.

Members are required to contribute 4.5% of pensionable earnings up to the CPP maximum and 6% on pensionable earnings over the maximum.

The employer is required to make monthly contributions actuarially determined to provide for the normal cost of the benefits accruing to members and to provide for the proper amortization of any unfunded liability or solvency deficiency. Currently that contribution has been established at an amount equal to employee contributions. In addition, the Government made a commitment to make payments to cover an estimated solvency deficiency of $1.2 million (2005 - $1.9 million). This amount has been accrued in these statements. With payment of this deficiency, the plan is expected to be fully funded as at March 31, 2007.

The WCFSP will reflect the pension benefits earned by its members for service until June 27, 2004. No further pensionable service entitlements will accrue in the WCFSP after June 27, 2004. Subsequent to June 27, 2004, the active members of the WCFSP will become members of the Civil Service Plan (CSP) and will begin earning pension benefit entitlements under the CSP. The pension benefits for all future service of the former WCFSP members will accrue under the CSP.

An actuarial report was completed for the Winnipeg Child and Family Services Plan as at December 31, 2004, by Ellement & Ellement Ltd. The Plan has a going concern surplus of $0.8 million and the solvency ratio of 96.8% at the valuation date.

J. University of Winnipeg Pension Plan

The University of Winnipeg administers the University of Winnipeg Pension Plan (UWPP), which is comprised of a defined benefit segment and a defined contribution segment. The assets of the Plan are held in trust by independent custodians and are not recorded in the accounts of the University.

The University of Winnipeg Pension Plan (UWPP) was established as a contributory defined benefit pension plan at September 1, 1972 and covers all eligible employees of the University, except those who are members of the United Church of Canada Pension Plan. The funding for the plan requires a matching contribution from the University and the employees.

Since December 31, 2000, when the defined contribution segment of the Plan was introduced, approximately one-quarter of the eligible members converted to that plan. The obligation for pension benefits under the defined contribution segment of the Plan will always be equal to net assets in each member's account. Therefore, no surplus or deficiency arises from fluctuations in the investment market.

An actuarial valuation of the UWPP was completed as at December 31, 2004 by Eckler Partners Ltd., a firm of consulting actuaries, and this valuation was updated by them to December 31, 2005. This valuation confirms that the defined benefit segment of the Plan has a solvency deficiency of $15 million. The University would normally be required under the *Pension Benefit Act* to make additional annual payments of $3.4 million over a five year period to retire this solvency deficiency. However, the Provincial Government has provided the University with an amnesty that enables the University to elect to defer the annual solvency payments

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

over the next three years. The University made this election in September, 2005. This plan also has a going concern deficiency of $3.7 million, which will be funded by annual payments of $0.4 million over a 15 year period.

As at December 31, 2005, the University of Winnipeg Pension Plan had 663 active members (2004 - 650), 198 pensioners (2004 -187), and 79 deferred pensioners (2004 -72).

The University of Winnipeg recognized expenses equal to its contributions of $3 million (2004 - $2 million). Employee contributions equalled the employer contributions.

The next full actuarial valuation of the plan will be as at December 31, 2007 and will be completed in 2008.

13. LONG TERM DISABILITY INCOME PLAN

The Government guarantees payments of long term disability benefits for all employees covered by the Long Term Disability Income Plan that was established on April 1, 1984. An actuarial valuation report was completed for the Long Term Disability Plan as of September 1, 2003 with projections to March 31, 2004 and March 31, 2005 which determine the Government's liability. The report provides a formula to update the liability on an annual basis. The Government's actuarially determined liability for accounting purposes as at March 31, 2006 was $30 million (2005 - $28 million).

14. SEVERANCE PAY OBLIGATIONS

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 Government's actuarially determined net liability for accounting purposes as at March 31, 2006 was $280 million (2005 - $243 million).

15. AMOUNTS HELD IN TRUST

The Government held certain fiduciary trusts for investment or administration at March 31, 2006, totalling $417 million (2005 - $394 million). Such deposits are pooled with other available funds of the Government for investment purposes and are accorded a market rate of interest.

The Government also provides a safekeeping service for various departments, agencies, boards and commissions. In this capacity, it held custodial trust funds in the form of bonds and other securities at March 31, 2006 totalling $104 million (2005 - $113 million) and title to tangible capital assets in trust in the amount of $68 million (2005 - $68 million).

The Civil Service Superannuation Fund, University of Manitoba Pension Plans, University of Winnipeg Pension Plan and Brandon University Retirement Plan have been established by legislation to administer various pension and insurance trust funds to which the Government Reporting Entity contributes but over which the Government Reporting Entity has no power of appropriation. The total assets as at December 31st are as follows:

	($ millions) 2005	2004
Civil Service Superannuation Fund	3,550	3,096
University of Manitoba Pension Plans	968	891
University of Winnipeg Pension Plans	127	116
Brandon University Retirement Plan	93	84
	4,738	4,187

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

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16. DEBT SERVICING

Debt servicing costs of $790 million (2005 - $765 million) is net of interest recoveries from Government business enterprises of $474 million (2005 - $436 million) and includes $83 million (2005 - $97 million) representing interest expense of Crown organizations (Schedule 11). Government business enterprises debt servicing costs of $517 million (2005 - $514 million) are reported on Schedule 3.

17. AMOUNTS DUE TO THE FEDERAL GOVERNMENT

The March 31, 2003 financial statements disclosed that the net impact of the federal settlement related to the Federal Accounting Error for the period of 1997 to 1999 was a $91 million loan payable owing to the Federal Government over a ten-year period commencing in 2004/05. As at March 31, 2006, this loan payable has been reduced to $71 million (2005 - $80 million) by offsetting an adjustment to unapplied taxes and the payment of an instalment of $9 million.

To offset negative adjustments to the 2004 Equalization payments, the Federal Government provided to the Province a net loan payable of $38 million. Repayment of this loan payable is scheduled to begin in April, 2006 and continue over a five year period. Similarly, to offset negative adjustments to the 2004 Canada Health and Social Transfer (CHST) entitlements, the Federal Government provided to the Province a net loan payable of $9 million. Repayment of this loan is scheduled to begin in April, 2006 and continue over a five year period.

Through the Manitoba Opportunities Fund Ltd., the Province holds and invests deposits made through the Federal Department of Citizenship and Immigration Canada's (CIC) Immigrant Investor Program. The Federal Immigrant Investor Program seeks to attract experienced persons and capital to Canada. Investors must demonstrate business experience and make an investment into the program. The funds are distributed among participating Provinces. These funds are returned to the investor after a period of 5 years. As at March 31, 2006 the Province has loans payable of $75 million (2005 - $39 million) to be repaid to the Federal Government five years after receipt.

18. RISK MANAGEMENT AND THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Province employs various risk management strategies and operates within fixed risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivative financial instruments (derivatives). Derivatives are financial contracts, the value of which is derived from underlying instruments. The Province uses derivatives to hedge and to mitigate interest rate risk and the risks attached to foreign currency fluctuations. The Province does not use derivatives for speculative purposes. Gains or losses realized arising from derivative transactions are deferred and amortized over the remaining life of the derivative contract.

Hedges are created primarily through derivatives (swaps), which are legal contracts under which the Province agrees with another party to exchange cash flows based upon one or more notional amounts using stipulated reference interest rates for a specified period. Swaps can also be used to exchange cash flows involving different currencies. Swaps allow the Province to effectively manage the terms of its existing obligations and thereby convert them into obligations that meet the Provinces risk parameters.

Other derivative instruments used by the Province include forward foreign exchange contracts and forward interest rate agreements. Foreign exchange or currency risk is the risk that foreign currency debt principal and interest payments and foreign currency transactions will vary in Canadian dollar terms due to fluctuations in foreign exchange rates. To manage currency risk, the Province uses derivative contracts including foreign exchange forward contracts as well as swaps to convert foreign currency cash flows into Canadian dollar denominated cash flows. The current portfolio of foreign debt is fully hedged through the use of derivatives and US dollar sinking funds, except for the impact of the unamortized foreign exchange fluctuation account of $79 million (2005 - $84 million).

Derivative contracts hedge the underlying debt by matching the critical terms to achieve effectiveness. The current policy has hedged the foreign currency debt principal and interest payments through the use of derivatives in relation to general purpose debt as well as through the use of future US dollar revenue streams and US dollar sinking funds in relation to debt incurred on behalf of Manitoba Hydro Electric Board.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

The table below presents a maturity schedule of the Province's derivatives, by type, outstanding at March 31, 2006, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivative Portfolio Notional Value
As at March 31, 2006

	Maturity in Fiscal Year ($millions)							
Derivatives	**2007**	**2008**	**2009**	**2010**	**2011**	**6 – 10 Years**	**Over 10 Years**	**Total**
Interest rate swaps	2,040	1,175	836	2,158	2,176	6,516	5,233	20,134
Cross currency swaps	552	462	984	609	234	972	2,915	6,728
Forward foreign exchange contracts	123					208		331
Total	2,715	1,637	1,820	2,767	2,410	7,696	8,148	27,193

The use of derivatives introduces credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which the Province has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2006.

Credit Risk Exposure
As at March 31, 2006

	($ millions)	
	2006	**2005**
Gross credit risk exposure *1*	59	172
Less: Netting *2*	(762)	(967)
Net Credit Risk Exposure	(703)	(795)

1 *Gross credit risk exposure is the gross credit exposure to counterparties with net positive exposures (the respective counterparties owe the Province.)*
2 *"Netting" is the gross negative credit exposure to counterparties with net positive credit exposures covered by master agreements providing for close out netting when contracts do not have co-terminus settlement dates (the Province owes the respective counterparties).*

As at March 31, 2006, the Province has no net credit risk exposure, but has a net liability to counterparties.

The Province manages its credit risk exposure from derivatives by, among other activities, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. In addition, the Province enters into contractual agreements ("master agreements") with all of its counterparties that provide for termination netting and if applicable payment netting. Net credit risk exposure is the potential loss including the mitigating impact of these netting provisions.

A one percent (100 basis points) increase in interest rates would increase debt servicing costs by $13.5 million (2005 - $11.8 million). Liquidity risk is the risk that the Province will not be able to meet its current short-term financial obligations. To reduce liquidity risk, the Province maintains liquid reserves, that is, cash and cash equivalents (Note 2), at levels that will meet future cash requirements and will give the Province flexibility in the timing of issuing debt. In addition, the Province has short-term note programs and sinking funds as alternative sources of liquidity.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

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In accordance with the Manitoba Hydro-Electric Board's (Hydro) Exposure Management Program, revenues used as hedges are firm US dollar export revenues which are translated at the historical book value exchange rates of the respective US dollar denominated debt obligations to which the firm revenues are linked and for which they, together, form an effective hedge. For purposes of bridging the timing of US dollar denominated debt maturities and the US dollar revenue streams used to hedge those debt maturities, Hydro utilizes US dollar sinking funds.

19. RELATED PARTY TRANSACTIONS

A. Related Party Borrowings

Borrowings include $330 million (2005 - $306 million) owed to Manitoba Public Insurance Corporation related to the capital financing of school board and health care facilities as well as $250 million (2005 - $197 million) for the financing of general Government programs. A nil balance (2005 - $10 million) is owed to Manitoba Hydro-Electric Board for the capital financing of health care facilities and $45 million (2005 - $45 million) is payable to the Manitoba Liquor Control Commission.

These loans and debentures are repayable over a term from 2007 to 2025 at varying interest rates ranging from 0% to 12.25%.

B. Water Power Rentals

Water power rental revenue from the Manitoba Hydro-Electric Board (Hydro), in the amount of $125 million (2005 - $105 million), is included in the Summary Statement of Revenue and Expense under the Manitoba Collections category. These rentals are paid for the use of water resources in the operation of Hydro's hydroelectric generating stations. Water rental rates during the year were $3.34 per megawatt hour (MW.h) (2005 - $3.34 per MW.h).

C. Guarantee Fees

Manitoba Hydro-Electric Board (Hydro) remits guarantee fees to the Government based on the Hydro debt that the Province guarantees on their behalf. The guarantee fees paid by Hydro for the year ended March 31, 2006 were $69 million (2005 - $70 million).

The Government guarantees and administers Manitoba HydroBonds. Outstanding bonds as at March 31, 2006 totalled $485 million (2005 - $654 million). The bonds carry fixed and variable coupon rates that range from 3.1% to 10.0%. Manitoba HydroBonds are redeemable at the option of the holder.

D. Revenue From Government Business Enterprises

Under the *Workplace Safety and Health Act of Manitoba*, The Workers Compensation Board supports the administrative expenses incurred by the Department of Labour and Immigration for The Workplace Safety and Health program and the Worker Advisor Office. The amount for the year ended March 31, 2006 was $7 million (2005 - $7 million).

The Manitoba Lotteries Corporation provided $3 million in funding for the year ended March 31, 2006 (2005 - $2 million) to the Addictions Foundation of Manitoba for problem gambling services programming. Manitoba Hydro-Electric Board paid Corporation Capital Tax of $37 million for the year ended March 31, 2006 (2005 - $34 million).

E. Purchase of Winnipeg Hydro

The Purchase of Winnipeg Hydro Act received Royal Assent on August 9, 2002. In the 2003 fiscal year, the Manitoba Hydro-Electric Board entered into an agreement with the City of Winnipeg to purchase all of the net assets of Winnipeg Hydro. The consideration principally consisted of annual payments to the City of Winnipeg of $25 million per annum in years 2002 to 2006, $20 million per annum in years 2007 to 2010, and $16 million per annum in year 2011 and each year thereafter. Winnipeg Hydro was an electric utility with 94,000 customers and annual revenues of $125 million.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

F. Driver Licencing Operations

Effective October 4, 2004, the Province of Manitoba transferred management and administration of driver licencing to the Manitoba Public Insurance Corporation (MPIC), including all aspects pertaining to driver safety, vehicle registration and driver licencing including all related financial, administrative and data processing services.

The Province of Manitoba has agreed to provide funding to MPIC in the amount of $21 million annually, into perpetuity, to defray the cost borne by MPIC as a result of the transfer.

MPIC, on behalf of the Province of Manitoba, collects and transfers motor vehicle registration fees to the Province. For the fiscal year ended March 31, 2006, these fees totalled $98 million (2005 - $85 million). Effective October 4, 2004, MPIC is also responsible for collecting and transferring driver licencing fees to the Province of Manitoba. For the fiscal year ended March 31, 2006 these fees totalled $19 million (the six month period ended March 31, 2005 - $9 million).

20. COMPARATIVE FIGURES

Certain of the 2005 financial statement figures have been reclassified to be consistent with the 2006 presentation.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

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SUMMARY FINANCIAL STATEMENTS

SCHEDULE 1

SUMMARY STATEMENT OF AMOUNTS RECEIVABLE

As at March 31, 2006

	($ millions) 2006	2005
TAXATION REVENUE:		
Corporation capital tax	1	10
Corporation income tax	64	58
Gasoline tax	13	13
Health and education levy	30	27
Individual income tax	126	121
Insurance corporation tax	14	14
Motive fuel tax	9	8
Oil and natural gas tax	1	-
Retail sales tax	123	119
Revenue Act, 1964, part 1	9	8
Tobacco tax	17	19
	407	397
GOVERNMENT OF CANADA AND OTHER GOVERNMENTS:		
Canada health and social transfers	4	3
Municipal corporations	37	46
Provincial and Territories	18	24
Shared cost programs/agreements	169	127
Other	20	20
	248	220
INTEREST:		
Province of Manitoba sinking fund	24	26
Other investments	7	6
	31	32
OTHER:		
Health and social services	91	127
Manitoba Hydro-Electric Board	11	10
Manitoba Liquor Control Commission	23	20
Manitoba Lotteries Corporation	6	3
Morris-Macdonald School Division	-	1
Sundry departmental revenue	61	59
Other	104	133
	296	353
	982	1,002
Less: Allowances	82	102
	900	900

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

SCHEDULE 2

SUMMARY STATEMENT OF LOANS AND ADVANCES

As at March 31, 2006

	($ millions) 2006	2005
GOVERNMENT BUSINESS ENTERPRISES:		
Manitoba Liquor Control Commission	-	5
Manitoba Hydro-Electric Board	6,625	6,548
Manitoba Lotteries Corporation	237	246
	6,862	6,799
OTHER:		
Loans and Mortgages - Note 1	608	656
Hudson Bay Mining and Smelting Co. Ltd - Note 2	16	17
Manitoba Potash Corporation - Note 3	4	4
Manitoba student loans - Note 4	29	22
Regional family services agencies - Note 5	14	9
Rural economic development initiatives program - Note 6	3	3
Other	2	1
	676	712
Less: Valuation allowance	91	91
	585	621
	7,447	7,420
Less: Sinking funds provided for repayment of applicable debt	586	579
	6,861	6,841
Less: Debt incurred for and repayable by the Manitoba-Hydro Electric Board and Manitoba Lotteries Corporation	6,276	6,215
NET LOANS AND ADVANCES	585	626

The Government business enterprises loans and advances portfolio is due in varying annual amounts to the year 2044, bearing interest rates from nil to 13.375%

Note 1		
Agricultural direct lending and special assistance program mortgages, due in varying annual amounts to the year 2032, bearing interest rates ranging from 2.25% to 14.5%.	345	358
Housing direct lending and special assistance program mortgages, due in varying annual amounts to the year 2024, bearing interest rates ranging from 0.0% to 13.5%.	162	187
Business development assistance loans, due in varying annual amounts to the year 2013, bearing interest rates ranging from nil to 9.875%.	77	106
Northern business development and fishing industry assistance loans, due in varying annual amounts to the year 2009, bearing interest rates ranging from 3.5% to 6.75%.	24	25
	608	656

Note 2 - environmental improvement loan, due in varying amounts to the year 2008, bearing no interest and guaranteed with an irrevocable letter of credit.

Note 3 - advances, repayable on the Corporation generating revenue or the sale of the Province's interest, bearing interest at prime less 3/4%.

Note 4 - student loans, payment and interest free until 6 to 12 months past the completion of studies, due 114 to 174 months after that time, carrying interest at prime plus 2.5%.

Note 5 - advances to provide family services agencies with interim funding to meet daily operating expenses related to providing services, to be repaid when no longer required, bearing no interest.

Note 6 - Community Works Program loans, repayable at the end of the 5 to 10 year term, bearing no interest.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

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SCHEDULE 3

GOVERNMENT BUSINESS ENTERPRISES
SCHEDULE OF SUMMARY OPERATING RESULTS AND FINANCIAL POSITION
For the Year Ended March 31, 2006
($ millions)

	UTILITY	INSURANCE	FINANCE	RESOURCE DEVELOPMENT	TOTAL 2006	TOTAL 2005
RESULTS OF OPERATIONS						
Revenues from operations	2,399	1,254	1,170	-	4,823	4,217
Expenses: From operations	1,481	1,183	684	-	3,348	3,024
Debt servicing	503	-	14	-	517	514
Total expenses	1,984	1,183	698	-	3,865	3,538
Net income	415	71	472	-	958	679
Transfers to the Government	-	-	(473)	-	(473)	(458)
	415	71	(1)	-	485	221
Other comprehensive income	-	31	-	-	31	37
Net increase in equity in Government business enterprises	415	102	(1)	-	516	258
FINANCIAL POSITION						
Assets:						
Cash and temporary investments	119	92	41	1	253	110
Amounts receivable	427	265	32	-	724	681
Portfolio investments - Due from the Province	-	-	45	-	45	556
Due from others	-	2,663	-	-	2,663	1,863
Capital assets	7,713	43	231	-	7,987	7,766
Pension assets	719	-	-	-	719	615
Other assets	652	93	37	-	782	666
Total assets	9,630	3,156	386	1	13,173	12,259
Liabilities						
Accounts payable, accrued liabilities and deferred revenue	1,125	550	94	-	1,769	1,527
Long-term debt: Owing to the Province	6,070	-	237	1	6,308	6,246
Owing to others	544	-	1	-	545	648
Provision for future benefits: Pension obligations	606	124	47	-	777	714
Future cost of existing claims	-	2,034	-	-	2,034	1,900
Total liabilities	8,345	2,708	379	1	11,433	11,035
Equity in Government business enterprises	1,285	448	7	-	1,740	1,224

* Represents pension assets invested with the Province

For Government business enterprises whose fiscal year is prior to March 31, the amounts reflected are as at their fiscal year end.

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(cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

SCHEDULE 4

SUMMARY STATEMENT OF LONG-TERM INVESTMENTS

As at March 31, 2006

	($ millions) 2006	2005
OTHER INVESTMENTS, AT COST		
Common shares -		
Manitoba Potash Corporation - 490,000 shares	5	5
Preferred shares -		
3863620 Canada Limited - 11,000,000 shares	11	11
Special shares -		
Crocus Investment Fund - 2,000,000 shares	2	2
Debentures -		
Municipalities	2	2
Profit sharing agreement -		
Hudson Bay Mining and Smelting re: Ruttan Mine	-	11
Other -		
Limited partnership investments	14	14
	34	45
Less: Valuation allowance	30	41
	4	4

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

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SUMMARY STATEMENT OF BORROWINGS

SCHEDULE 5

As at March 31, 2006

($ millions)

Fiscal Year of Maturity	Bonds and Debentures Cdn	Bonds and Debentures US	Canada Pension Plan Cdn	Loans and Mortgages Cdn	Promissory Notes and Treasury Bills Cdn	Totals 2006	Totals 2005
2006	-	-	-	-	-	-	2,172
2007	1,188	584	150	-	325	2,247	1,943
2008	1,526	-	90	-	-	1,616	1,616
2009	1,940	268	106	-	-	2,334	2,296
2010	738	463	115	-	-	1,316	1,419
2011	841	292	103	-	-	1,236	828
2006-2011	6,233	1,627	564	-	325	8,749	10,274
2012-2016 Operating Fund	3,389	396	177	-	-	3,962	3,071
2017-2026 Operating Fund	3,432	817	15	237	-	4,501	4,137
2027-2045 Operating Fund	2,343	-	-	-	-	2,343	2,041
2007-2016 Government of Canada (Note 17)	-	-	-	193	-	193	166
2007-2019 Government Business Enterprises (Note 19)	-	-	-	375	-	375	361
2007-2043 Crown Organizations	-	-	-	216	-	216	222
2012-2045	9,164	1,213	192	1,021	-	11,590	9,998
Total borrowings	15,397	2,840	756	1,021	325	20,339	20,272
Reduced by:							
Unamortized debt issue costs	(9)	(6)	-	-	-	(15)	(22)
Province of Manitoba debt issues held as investments in sinking funds and cash and cash equivalents	(1,765)	-	-	-	-	(1,765)	(1,860)
	13,623	2,834	756	1,021	325	18,559	18,390

Borrowings payable in:	March 31/06 Cdn $ Valuation (See Notes)	March 31/05 Cdn $ Valuation (See Notes)
Canadian dollars	14,667	14,385
Foreign issues hedged to Canadian dollars	2,834	2,947
U.S. dollars	2,221	2,056
Foreign issues hedged to U.S. dollars	617	884
Total borrowings	20,339	20,272

Note 1: The hedges are derivative contracts which include swaps and forward foreign exchange contracts.

Note 2: The Canadian dollar valuation is calculated using the foreign currency exchange rates in effect at each March 31 adjusted for any forward foreign exchange contracts entered into for settlement after year-end.

Note 3: Interest rates on these borrowings fall into one of three categories:

i) Fixed with rates ranging from 3.25% to 11.33%.

ii) Floating Canadian - Bankers Acceptance (BA) setting, established quarterly or monthly, with the lowest rate currently set at 3.787% and the highest set at 7.33% as at March 31, 2006.

iii) Floating U.S. - U.S. Dollar London Interbank Offering Rate (LIBOR) setting, established quarterly, with the lowest rate currently set at 5.0455% and the highest set at 5.4255% as at March 31, 2006.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

SCHEDULE 6

SUMMARY STATEMENT OF ACCOUNTS PAYABLE, ACCRUED CHARGES, PROVISIONS AND DEFERRALS

As at March 31, 2006

	($ millions) 2006	2005
Accounts payable	646	801
Accrued charges:		
Interest accrued on borrowings and trust funds	234	232
Other accrued liabilities:		
Canadian Agricultural Income Stabilization	110	66
Compensation for Victims of Crime	19	18
Disaster assistance	17	1
Flood claims	15	15
Hepatitis C assistance	6	6
Land acquisition claims	2	2
Long Term Disability Income Plan	30	28
Manfor Ltd. divestiture	1	1
Net Income Stabilization Account Program (NISA)	-	1
Enviromental Liabilities	147	148
Salaries and benefits	585	582
Tripartite Land Assembly Program	3	3
Workers compensation claims	10	7
Other	12	34
	957	912
Provision for future losses on guarantees (Note 7)	20	18
Deferred Revenue		
Deferred Contributions Related to Future Expense	50	57
Government of Canada - Advances re: Shared Cost Programs Not Yet Claimed	98	113
Research and Special Funds	96	87
Tuition and Education Fees	17	13
Vehicle Registration	43	42
Other	36	30
	340	342
	2,397	2,305

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix B
(cont'd.)

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SCHEDULE 7

SUMMARY STATEMENT OF TANGIBLE CAPITAL ASSETS
For the Year Ended March 31, 2006
($ millions)

	General Capital Assets					Infrastructure				Totals	
	Land	Buildings and Leasehold Improvements	Vehicles and Equipment	Computer Hardware and Software	Assets Under Construction	Land and Land Improvements	Transportation	Dams and Water Management Structures	Assets Under Construction	2006	2005
Cost											
Opening cost, as previously reported	71	2,850	1,340	401	273	222	1,841	81	27	7,116	5,769
New organizations included in the Government Reporting Entity (Note 4)	3	77	26	18	4	2	-	-	-	130	1,156
Opening cost restated (*)	74	2,927	1,366	419	277	224	1,841	81	27	7,246	6,925
Add:											
Additions during the year	6	209	91	29	63	5	82	2	44	531	435
Assets acquired in prior years	-	3	-	-	-	-	-	-	-	3	-
Less:											
Disposals and write downs	(1)	(12)	(18)	(7)		-	-	-	-	(39)	(105)
Settlements and reclassifications	-	30	8	19	(59)	5	2	2	(7)	-	(9)
Closing cost	79	3,157	1,446	460	281	234	1,925	85	64	7,741	7,246
Accumulated amortization											
Opening, as previously reported	-	1,197	916	197	-	34	874	50	-	3,268	2,638
New organizations included in the Government Reporting Entity (Note 4)	-	29	18	14	-	2	-	-	-	63	540
Opening accumulated amortization restated (*)	-	1,226	934	211	-	36	874	50	-	3,331	3,178
Add:											
Amortization	-	74	85	35	-	3	67	2	-	266	254
Assets acquired in prior years	-	3	-	-	-	-	-	-	-	3	-
Less:											
Accumulated amortization on disposals, write downs, reclassifications	-	(7)	(23)	-	-	1	-	-	-	(29)	(101)
Closing accumulated amortization	-	1,296	996	246	-	40	941	52	-	3,571	3,331
Net Book Value of Tangible Capital Assets	79	1,871	450	214	281	194	984	33	64	4,170	3,915

* Effective April 1, 2004, the Government included the capitalization of infrastructure as part of the tangible capital assets.

During the year the Province capitalized $0.8 million of interest relating to assets under construction. (2005 - $0.5 million)

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Appendix B
(cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

SCHEDULE 8

FUNDS, ORGANIZATIONS AND BUSINESS ENTERPRISES COMPRISING THE GOVERNMENT REPORTING ENTITY

CONSOLIDATED FUND:
OPERATING FUND AND SPECIAL FUNDS:

Abandonment Reserve Fund
Debt Retirement Fund
Farm Machinery and Equipment Act Fund
Fiscal Stabilization Fund
Land Titles Assurance Fund
Manitoba Law Reform Commission
Manitoba Trucking Productivity Improvement Fund
Mining Community Reserve
Mining Rehabilitation Reserve
Pension Assets Fund
Quarry Rehabilitation Reserve
Veterinary Science Scholarship Fund
Victims Assistance Fund

CROWN ORGANIZATIONS:

Addictions Foundation of Manitoba
Assiniboine Community College
Board of Administration under the Embalmers and Funeral Directors Act
Brandon University
CancerCare Manitoba
Centre culturel franco-manitobain
Child and Family Services of Central Manitoba
Child and Family Services of Western Manitoba
Collège universitaire de Saint-Boniface
Communities Economic Development Fund
Cooperative Loans and Loans Guarantee Board
Cooperative Promotion Board
Council on Post-Secondary Education
Crown Corporations Council
Diagnostic Services of Manitoba Inc.
Economic Innovation and Technology Council
First Nations of Northern Manitoba Child & Familly Services Authority
First Nations of Southern Manitoba Child & Family Services Authority
General Child and Family Services Authority
Helen Betty Osborne Foundation
Horse Racing Commission

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix B
(cont'd.)

SUMMARY FINANCIAL STATEMENTS

SCHEDULE 8
(cont'd)

Insurance Council of Manitoba
Legal Aid Services Society of Manitoba
Manitoba Adolescent Treatment Centre Inc.
Manitoba Agricultural Services Corporation
Manitoba Arts Council
Manitoba Boxing Commission
Manitoba Centennial Centre Corporation
Manitoba Community Services Council Inc.
Manitoba Development Corporation
Manitoba Film and Sound Recording Development Corporation
Manitoba Floodway Authority
Manitoba Gaming Control Commission
Manitoba Habitat Heritage Corporation
Manitoba Health Research Council
Manitoba Health Services Insurance Plan
Manitoba Hospital Capital Financing Authority
Manitoba Housing and Renewal Corporation
Manitoba Opportunities Fund Ltd.
Manitoba Trade and Investment Corporation
Manitoba Water Services Board
Metis Child and Family Services Authority
Public Schools Finance Board
Red River College
Regional Health Authorities (including controlled organizations)
- Assiniboine Regional Health Authority Inc.
- Brandon Regional Health Authority Inc.
- Burntwood Regional Health Authority Inc.
- Churchill RHA Inc.
- Interlake Regional Health Authority
- NOR-MAN Regional Health Authority Inc.
- North Eastman Health Association Inc.
- Parkland Regional Health Authority Inc.
- Regional Health Authority - Central Manitoba Inc.
- South Eastman Health/Santé Sud-Est Inc.
- Winnipeg Regional Health Authority

Rehabilitation Centre for Children Inc.

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Appendix B
(cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

SUMMARY FINANCIAL STATEMENTS

SCHEDULE 8
(cont'd)

Special Operating Agencies Financing Authority
- Civil Legal Services
- Companies Office
- Fleet Vehicles Agency
- Food Development Centre
- Industrial Technology Centre
- Land Management Services
- Manitoba Education, Research and Learning Information Networks (Merlin)
- Manitoba Securities Commission
- Manitoba Text Book Bureau
- Materials Distribution Agency
- Office of the Fire Commissioner
- Organization and Staff Development
- Pineland Forest Nursery
- The Property Registry
- The Public Trustee
- Vital Statistics Agency

Sport Manitoba Inc.
Tire Stewardship Board
Travel Manitoba
University College of The North
University of Manitoba
University of Winnipeg
Venture Manitoba Tours Ltd.

GOVERNMENT BUSINESS ENTERPRISES: (Schedule 3) (Note 5)

Utility:
- Manitoba Hydro-Electric Board

Insurance:
- Manitoba Public Insurance Corporation
- Workers Compensation Board

Finance:
- Manitoba Liquor Control Commission
- Manitoba Lotteries Corporation
- Manitoba Product Stewardship Corporation

Resource Development:
- Leaf Rapids Town Properties Ltd.
- Manitoba Hazardous Waste Management Corporation

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix B
(cont'd.)

SCHEDULE 9

RECONCILIATION OF OPERATING FUND BUDGETARY BALANCE TO SUMMARY NET INCOME

As at March 31, 2006

($ millions)

	2005-06 Summary Budget	2005-06 Operations per Entity Financial Statements	2004-05 Summary Net Income (loss) as restated
OPERATING FUND AND SPECIAL FUNDS			
Operating Fund and Special Funds	146	226	541
CROWN ORGANIZATIONS			
Brandon University	-	1	1
CancerCare Manitoba	2	(1)	2
Collège universitaire de Saint-Boniface	-	2	-
Diagnostic Services of Manitoba Inc.	-	-	(1)
Manitoba Agricultural Services Corporation	(22)	(131)	(85)
Manitoba Development Corporation	-	5	-
Manitoba Gaming Control Commission	-	-	(1)
Manitoba Habitat Heritage Corporation	-	1	-
Manitoba Housing and Renewal Corporation	-	1	2
Manitoba Opportunities Fund	-	1	-
Manitoba Water Services Board	-	-	(1)
Public Schools Finance Board	-	18	6
Red River College	-	3	3
Regional Health Authorities and controlled organiztions	6	(45)	(13)
Special Operating Agencies Financing Authority	11	4	(1)
University College of the North	-	1	(1)
University of Manitoba	29	67	73
University of Winnipeg	-	-	3
Venture Manitoba Tours Ltd.	(1)	5	(1)
TOTAL CROWN ORGANIZATIONS	25	(67)	(14)
Adjustments on Consolidation	-	(63)	4
TOTAL OPERATING FUND AND SPECIAL FUNDS AND CROWN ORGANIZATIONS	171	96	531
GOVERNMENT BUSINESS ENTERPRISES			
Leaf Rapids Town Properties Ltd.	-	-	(1)
Manitoba Hazardous Waste Management Corporation	-	(1)	(1)
Manitoba Hydro - Electric Board	210	415	136
Manitoba Liquor Control Commission	187	196	185
Manitoba Lotteries Corporation	271	277	273
Manitoba Product Stewardship Corporation	(1)	-	(1)
Manitoba Public Insurance Corporation	6	48	79
Workers Compensation Board	16	23	9
	691	958	679
Less: Adjustments on Consolidation	(458)	(473)	(458)
TOTAL GOVERNMENT BUSINESS ENTERPRISES (Schedule 3)	233	485	221
PENSION LIABILITY INCREASE	(206)	(206)	(190)
TOTAL SUMMARY NET INCOME	198	375	562

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Appendix B
(cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

SUMMARY FINANCIAL STATEMENTS

SCHEDULE 10

RECONCILIATION OF OPERATING FUND ACCUMULATED DEFICIT TO SUMMARY ACCUMULATED DEFICIT

As at March 31, 2006

($ millions)

	Restated Accumulated Surplus (Deficit) March 31,2005	2005-06 Summary Net Income (loss)	Adjustments to Accumulated Surplus (Deficit)	Accumulated Surplus (Deficit) March 31,2006
OPERATING FUND AND SPECIAL FUNDS				
Operating Fund and Special Funds	(6,210)	226	-	(5,984)
CROWN ORGANIZATIONS				
Addictions Foundation of Manitoba	4	-	-	4
Assiniboine Community College	8	-	-	8
Brandon University	8	1	-	9
CancerCare Manitoba	10	(1)	-	9
Child and Family Services of Western Manitoba	1	-	-	1
Collège universitaire de Saint-Boniface	28	2	-	30
Diagnostic Services of Manitoba Inc.	(1)	-	-	(1)
First Nations of Northern Manitoba Child & Family Services	1	-	-	1
Manitoba Adolescent Treatment Centre	1	-	-	1
Manitoba Agricultural Services Corporation	218	(131)	-	87
Manitoba Development Corporation	3	6	-	9
Manitoba Gaming Control Commission	1	-	-	1
Manitoba Habitat Heritage Corporation	4	1	-	5
Manitoba Health Services Insurance Plan	1	-	-	1
Manitoba Housing and Renewal Corporation	(245)	1	-	(244)
Manitoba Opportunities Fund	-	1	-	1
Manitoba Water Services Board	(2)	-	-	(2)
Public Schools Finance Board	-	18	-	18
Red River College	13	3	-	16
Regional Health Authorities and controlled organizations	121	(45)	-	76
Special Operating Agencies Financing Authority	48	4	-	52
University College of the North	4	1		5
University of Manitoba	761	67	-	828
University of Winnipeg	48	-	-	48
Venture Manitoba Tours	(9)	5	-	(4)
	(5,184)	159	-	(5,025)
Adjustments on Consolidation	966	(63)	-	903
	(4,218)	96	-	(4,122)
GOVERNMENT BUSINESS ENTERPRISES				
Manitoba Hydro - Electric Board	870	415	-	1,285
Manitoba Liquor Control Commission	-	196	(196)	-
Manitoba Lotteries Corporation	5	277	(277)	5
Manitoba Product Stewardship Corporation	3	(1)	-	2
Manitoba Public Insurance Corporation	216	48	-	264
Workers Compensation Board	130	23	31	184
	1,224	958	(442)	1,740
Adjustments on Consolidation	-	(473)	473	-
	1,224	485	31	1,740
PENSION LIABILITY	(3,761)	(206)	-	(3,967)
TOTAL SUMMARY BALANCES	(6,755)	375	31	(6,349)

Note - Differences may result from rounding.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix B
(cont'd.)

SUMMARY FINANCIAL STATEMENTS

SCHEDULE 11

SUMMARY STATEMENT OF EXPENSE BY TYPE

For the Year Ended March 31, 2006

($ millions)

	2006	2005
Personnel Services	3,705	3,546
Grants/Transfer Payments	2,735	2,499
Transportation	101	96
Communications	53	55
Supplies and Services	1,077	899
Social Assistance Related	709	680
Other Operating	853	742
Debt Servicing - Provincial Departments (Note 16)	707	668
- Crown Organizations (Note 16)	83	97
Minor Capital	61	42
Amortization of Tangible Capital Assets (Schedule 7)	266	254
	10,350	9,578

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Appendix C

SPECIAL PURPOSE OPERATING FUND AND SPECIAL FUNDS FINANCIAL STATEMENTS - AUDITOR'S REPORT



Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT
On the Special Purpose Operating Fund and Special Funds Financial Statements
Province of Manitoba

To the Members of the Legislative Assembly of the Province of Manitoba

These financial statements report transactions and events of the Operating Fund and Special Funds only. Significant financial activities of the Government occur outside of these funds. Therefore, readers should not use these special purpose financial statements to understand and assess the Government's overall management of public financial affairs and provincial resources.

The Summary Financial Statements are complete financial statements. Their purpose is to report the full nature and extent of the overall financial affairs and resources of the Province of Manitoba for which the Government is responsible.

Please refer to the Summary Financial Statements to understand and assess the Government's management of public financial affairs and provincial resources as a whole.

In accordance with Section 9 of The Auditor General Act, I have audited the special purpose statement of financial position of the Operating Fund and Special Funds of the Province of Manitoba as at March 31, 2006 and the special purpose statements of revenue and expense, calculation of balance under the Balanced Budget, Debt Repayment and Taxpayer Accountability Act, accumulated (deficits) surpluses, change in net debt, and cash flow for the year then ended. These special purpose financial statements are the responsibility of the Government of Manitoba. My responsibility is to express an opinion on these special purpose financial statements based on my audit.

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

Opinion
In my opinion, these Special Purpose Financial Statements present in all material respects, the financial position of the Operating Fund and Special Funds as at March 31, 2006, and the results of its operations and its cash flow for the year then ended in accordance with the accounting policies disclosed in Note 1 to the financial statements applied, on a basis consistent with that of the preceding year, except as described in Note 5 to these financial statements.

Manitoba

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SPECIAL PURPOSE OPERATING FUND AND SPECIAL FUNDS FINANCIAL STATEMENTS - AUDITOR'S REPORT

Appendix C
(cont'd.)

Exceptions from Generally Accepted Accounting Principles

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles for the public sector (GAAP), are solely for the information and use of the Members of the Legislative Assembly for the purpose of determining compliance with the Balanced Budget, Debt Repayment and Taxpayer Accountability Act. These financial statements are not intended to be and should not be used by lenders, bond rating agencies, citizens, or anyone other than the specified users or for any other purpose. Specifically, these statements should not be used to assess the fiscal performance of the government as this information is only available in the Summary Financial Statements.

The Special Purpose Statement of Revenue and Expense along with the Special Purpose Statement of Calculation of Balance under the Balanced Budget, Debt Repayment and Taxpayer Accountability Act should be analyzed in two parts. The first part, showing the calculation of Net Result for the year, has been determined using the accounting policies described in Note 1 to the Special Purpose Financial Statements. These accounting policies differ materially from Canadian GAAP as described in Note 1, and therefore do not result in fair presentation. The second part is where the Net Result for the year is adjusted as authorized by The Balanced Budget, Debt Repayment and Taxpayer Accountability Act to determine a Positive Balance as defined by the Act. These adjustments, specifically inter-fund transfers, would not be included in the Special Purpose Statement of Revenue and Expense and a Special Purpose Statement of Calculation of Balance under the Balanced Budget, Debt Repayment and Taxpayer Accountability Act would not be produced had Canadian GAAP been used.

If Canadian GAAP had been used in the preparation of the Special Purpose Financial Statements, financial assets would increase by $199 million (2005-$246 million), non-financial assets would increase by $1,826 million (2005-$1,707 million), liabilities would increase by $2,390 million (2005-$2,649 million), net debt would increase by $2,191 million (2005-$2,403 million), accumulated deficit would increase by $365 million (2005-$696 million), revenue including net income from government business enterprises would increase by $2,209 million (2005-$1,871million), and expenses would increase by $2,062 million (2005-$1,854 million). As well, the effects of the non-consolidation of public school divisions on the reported assets, liabilities, revenues and expenses, and the information provided by way of notes to the financial statements cannot be determined.



Winnipeg, Manitoba
July 31, 2006

Bonnie J. Lysyk, MBA, CA•CIA
Deputy Auditor General

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Appendix D

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

STATEMENT OF RESPONSIBILITY

The Special Purpose Operating Fund and Special Funds financial statements are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the Government and include a special purpose statement of financial position, a special purpose statement of revenue and expense, a special purpose statement of calculation of balance under the Balanced Budget, Debt Repayment and Taxpayer Accountability Act, a special purpose statement of accumulated (deficits) surpluses, a special purpose statement of change in net debt, a special purpose statement of cash flow, notes and schedules integral to the statements. Together, they present, in all material respects, the financial condition of the Operating Fund and Special Funds at the fiscal year end and results of their operations for the year then ended, in accordance with the accounting policies stated in Note 1 to the financial statements applied on a basis consistent with that of the preceding year, except as described in note 5 to these financial statements.

The Government is responsible for the integrity and objectivity of the Special Purpose Operating Fund and Special Funds financial statements. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets, liabilities, revenues and expenses is dependent on future events. The Government believes such estimates have been based on careful judgements and have been properly reflected in the financial statements.

The Government fulfills its accounting and reporting responsibilities, through the Office of the Provincial Comptroller, by maintaining systems of financial management and internal control. The systems are continually enhanced and modified to provide timely and accurate information, to safeguard and control the Government's assets, and to ensure all transactions are in accordance with the Financial Administration Act.

The Auditor General expresses an independent opinion on these financial statements. Her report, stating the scope of her audit and opinion, appears on the following page. The audit opinion for the 2005/06 financial statements was signed by the Deputy Auditor General.

These special purpose financial statements are tabled in the Legislature. They are referred to the Standing Committee on Public Accounts, which reports to the Legislature on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

More detailed information regarding the Operating Fund and Special Funds combined financial position and operating results can be found in Volumes 2 and 3 of the Public Accounts. In addition, explanatory comments with respect to changes in revenue and expense are provided in each government department's annual report.

On behalf of the Government of the Province of Manitoba.

Ewald Boschmann
Deputy Minister of Finance

Betty-Anne Pratt
Provincial Comptroller

July 31, 2006

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix D
(cont'd.)

OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF FINANCIAL POSITION

As at March 31, 2006

SCHEDULE		($ millions) 2006	2005
	FINANCIAL ASSETS		
	Cash and Cash Equivalents (Note 2)	605	602
	Portfolio Investments (Note 3)	537	382
1	Amounts Receivable	737	811
2	Loans and Advances	617	653
4	Trust Assets (Note 1F)	2,615	2,264
	Total Financial Assets	5,111	4,512
	LIABILITIES		
5	Borrowings	18,333	18,165
	Less: Sinking Funds (Note 4)	(2,728)	(2,703)
	Less: Debt Incurred For and Repayable By The Manitoba Hydro-Electric Board and Manitoba Lotteries Corporation	(6,276)	(6,215)
		9,329	9,247
	Less: Unamortized Foreign Currency Fluctuation	(79)	(84)
	Net Borrowings	9,250	9,163
6	Accounts Payable, Accrued Charges, Provisions and Deferrals	1,574	1,352
		10,824	10,515
4	Amounts Held in Trust for Investment or Administration (Note 1F)	2,615	2,264
	Total Liabilities	13,439	12,779
	NET DEBT	(8,328)	(8,267)
	NON-FINANCIAL ASSETS (Note 1E.11)		
	Inventory	2	-
	Deferred Charge for Health Care Facilities (Note 1A4)	637	586
7	Tangible Capital Assets	1,705	1,622
		2,344	2,208
	ACCUMULATED DEFICIT	(5,984)	(6,059)

Information concerning Long Term Investments can be found on Schedule 3.
Information concerning the Government's Guarantees, Contractual Obligations, Contingencies and Pension Liability can be found in Notes 6, 7, 8 and 10.

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Appendix D
(cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF REVENUE AND EXPENSE

For the Year Ended March 31, 2006

($ millions)

	Operating Fund Budget	Operating Fund Actual	Fiscal Stabilization Fund	Debt Retirement Fund	Pension Assets Fund	Other Special Funds	Total 2006	Total 2005
OPERATING REVENUE (Schedule 8)								
Manitoba Collections	2,663	2,698	-	-	-	6	2,704	2,587
Income Taxes	2,243	2,322	-	-	-	-	2,322	2,247
Federal Transfers	2,796	2,914	-	-	-	-	2,914	2,920
Crown Organizations	475	491	-	-	9	-	500	482
Interest Earned	-	-	15	*	61	-	76	33
	8,177	8,425	15	-	70	6	8,516	8,269
OPERATING EXPENSES (Schedules 8 & 10)	8,064	8,284	-	-	-	4	8,288	7,724
NET RESULT FOR THE YEAR	113	141	15	-	70	2	228	545
INTERFUND TRANSFERS								
Transfer to Debt Retirement Fund	(110)	(110)	-	110	-	-	-	-
Transfer for Pensions	-	-	-	(85)	85	-	-	-
Transfer from Mining Community Reserve	-	-	-	-	-	(2)	(2)	(1)
Transfer of Positive Balance to Fiscal Stabilization Fund under Section 9 (a) of the Act	-	(31)	31	-	-	-	-	-
	(110)	(141)	31	25	85	(2)	(2)	(1)
NET RESULT FOR THE YEAR AFTER INTERFUND TRANSFERS	3	-	46	25	155	-	226	544

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix D
(cont'd.)

OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF CALCULATION OF BALANCE
UNDER THE BALANCED BUDGET, DEBT REPAYMENT
AND TAXPAYER ACCOUNTABILITY ACT
For the Year Ended March 31, 2006

	($ millions) 2006	2005
Operating Fund Revenue	8,425	8,223
Operating Fund Expenses	8,284	7,718
NET RESULT FOR THE YEAR BEFORE INTERFUND TRANSFERS	141	505
INTERFUND TRANSFERS		
To the Debt Retirement Fund	(110)	(99)
POSITIVE BALANCE FOR PURPOSES OF BALANCED BUDGET LEGISLATION	31	406

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Appendix D
(cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT
OF ACCUMULATED (DEFICITS) SURPLUSES

For the Year Ended March 31, 2006

($ millions)

	Operating Fund	Fiscal Stabilization Fund	Debt Retirement Fund	Pension Assets Fund	Other Special Funds (Schedule 9)	Total 2006	Total 2005
Accumulated (Deficits) Surpluses, Beginning of Year	(6,949)	486	-	382	22	(6,059)	(7,349)
Environmental Liabilities (Notes 1E.12 & 5A)	(142)					(142)	-
Tax Refunds (Note 5B)	(9)					(9)	-
Recognition of Infrastructure	-	-	-	-	-	-	1,183
Unfunded Employee Future Benefits	-	-	-	-	-	-	(234)
Long Term Disability Income Plan	-	-	-	-	-	-	(27)
Health Care Facilities Debt	-	-	-	-	-	-	(152)
Interest Accruals	-	-	-	-	-	-	(18)
Workers Compensation Claims Liability	-	-	-	-	-	-	(6)
Net Result for the Year after Interfund Transfers	-	46	25	155	-	226	544
Accumulated (Deficits) Surpluses, End of Year	(7,100)	532	25	537	22	(5,984)	(6,059)

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix D
(cont'd.)

OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF CHANGE IN NET DEBT

For the Year Ended March 31, 2006

	($ millions) 2006	2005
Annual Surplus:		
Fiscal Stabilization Fund	46	407
Debt Retirement Fund	25	22
Pension Assets Fund	155	115
	226	544
Acquisition of Tangible Capital Assets	(188)	(133)
Recognition of Infrastructure	-	(1,183)
Disposals and Write-downs	-	9
Amortization of Tangible Capital Assets	105	100
	(83)	(1,207)
Increase in Deferred Charge for Health Care Facilities	(51)	(89)
Increase in Inventory	(2)	-
Changes in Accumulated Deficit		
Environmental Liabilities (Notes 1E.12 & 5A)	(142)	-
Tax Refunds (Note 5B)	(9)	-
Recognition of Infrastructure	-	1,183
Unfunded Employee Future Benefits	-	(234)
Long Term Disability Income Plan	-	(27)
Health Care Facilities Debt	-	(152)
Interest Accruals	-	(18)
Workers Compensation Claims Liability	-	(6)
	(151)	746
(Increase) in Net Debt	(61)	(6)
Net Debt, beginning of year	(8,267)	(8,261)
Net Debt, end of year	(8,328)	(8,267)

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(cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF CASH FLOW

For the Year Ended March 31, 2006

($ millions)

	2006	2005
Cash and Cash Equivalents Provided by (Used in)		
Operating transactions		
Net Result for the year after Interfund Transfers - Special Funds	226	544
Changes in non-cash items:		
Amounts Receivable	(126)	(52)
Valuation Allowance	(3)	4
Accounts Payable, Accrued Charges, Provisions and Deferrals	226	318
Amortization of Foreign Currency Fluctuation	5	6
Amortization of Debt Discount	7	8
Amortization of Investment Discounts and Premiums	2	(1)
Amortization of Tangible Capital Assets	103	98
Amortization of Tangible Capital Assets Charged to Special Operating Agencies	2	2
Recognition of Infrastructure	-	(1,183)
Increase in Inventory	(2)	-
Adjustment to Accumulated Deficit	(151)	746
Cash provided by operating transactions	289	490
Capital transactions		
Acquisition of Tangible Capital Assets	(188)	(133)
Disposal of Tangible Capital Assets	-	9
Cash used in capital transactions	(188)	(124)
Investing transactions		
Made	(842)	(822)
Realized	545	178
Cash used in investing transactions	(297)	(644)
Financing transactions		
Debt Issued	2,908	2,962
Debt Redeemed	(2,778)	(2,180)
Changes in Sinking Funds	69	26
Cash provided by financing transactions	199	808
Increase in Cash and Cash Equivalents	3	530
Cash and Cash Equivalents, beginning of year	602	72
Cash and Cash Equivalents, end of year	605	602

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

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NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

A. General Basis of Accounting

The Special Purpose Financial Statements of the Operating Fund and Special Funds have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for senior Governments as recommended by the Canadian Institute of Chartered Accountants (CICA), with the following exceptions:

1) Liabilities for unfunded pension benefits have not been recorded in the Special Purpose Financial Statements. If Canadian GAAP had been used in the recording of pension transactions, liabilities and the accumulated deficit would increase by $3,967 million (2005 - $3,761 million) and expenses would increase by $206 million (2005 - $190 million).

2) The financial statements do not reflect the financial results for all of the Government business enterprises and Crown organizations comprising the Government reporting entity. The financial operations of the latter are reflected only to the extent that their operations were financed from or contributed to the Special Purpose Financial Statements. If Canadian GAAP had been used to record these transactions, financial assets would increase by $199 million (2005 - $246 million), non-financial assets would increase by $2,463 million (2005 - $2,293 million), liabilities would decrease by $1,577 million (2005 - $1,112 million), net debt would decrease by $1,776 million (2005 - $1,358 million), the accumulated deficit would decrease by $4,239 million (2005 - $3,651 million), revenue including net income from Government business enterprises would increase by $2,209 million (2005 - $1,871 million) and expenses would increase by $1,805 million (2005 - $1,575 million).

3) Material adjustments may result from changes in accounting policies or from the correction of an error which are attributable to and identifiable with prior periods. It is the Government's practice to reflect the effects of such adjustments in the accumulated deficit. Prior year balances are not restated. If Canadian GAAP had been used to record changes in accounting policies and correction of errors, the comparative figures of the financial statements and the opening balance of the accumulated deficit would have changed.

4) Prior to the 2000/01 fiscal year, individual health care facilities issued long-term debt in their own name to finance major capital acquisitions. In 2000/01, the Province began a program to finance such debt directly, taking advantage of its superior borrowing power and rates, and lowering the cost of health related borrowings for Manitoba. This debt is included as part of the Province's borrowings. The related asset for health care facilities is recorded as a deferred charge and amortized over the same period of time as the term of the debt issue. If Canadian GAAP had been used to record these transactions, the deferred charge asset would decrease by $637 million (2005 - $586 million) and the accumulated deficit would increase by $637 million (2005 - $586 million) and expenses would increase by $51 million (2005 - $89 million).

These accounting policies have been developed and are applied in accordance with the provisions of *The Financial Administration Act*, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba.

B. The Reporting Entity

These statements consist of the Operating Fund and Special Funds, that on a combined basis, reflect the transactions and balances of these funds.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

OPERATING FUND AND SPECIAL FUNDS – SPECIAL PURPOSE FINANCIAL STATEMENTS

The nature and purpose of the funds reflected in these financial statements is as follows:

Operating Fund - The Operating Fund is the vehicle through which the Government manages and controls the operations of Government departments and programs, and does not include the results of Government business enterprises and Crown organizations except to the extent that they may have received funding from the Operating Fund. It is through the Operating Fund that the Government reports on its stewardship of Central Government operations, including measurement of its results as compared to voted appropriations, and its obligations with respect to *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*.

Fiscal Stabilization Fund - This Fund was established at March 31, 1989 under the authority of *The Fiscal Stabilization Fund Act*. The purpose of the Fund is to assist in stabilizing the fiscal position of the Government from year to year and to improve long-term fiscal planning. Under the provisions of the Act, the Government may deposit in the Fund any part of the revenue or other financial assets received in the Operating Fund in any fiscal year and shall credit to the Fiscal Stabilization Fund any earnings from investment of the assets of the Fund. All or part of the Fund balance may be transferred to the Operating Fund in accordance with the provisions of the Act.

Section 9(a) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act* requires that, if a surplus exists in a fiscal year in the Operating Fund, the Minister of Finance shall transfer an amount sufficient to bring the Fiscal Stabilization Fund to its target level as set out by *The Fiscal Stabilization Fund Act* or any greater amount that the Minister considers appropriate. The target level for the Fiscal Stabilization Fund is a minimum of 5% of the expense of the Operating Fund.

Debt Retirement Fund - This Fund was established on November 3, 1995 under the authority of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The purpose of the Fund is to assist in the orderly repayment of debt pursuant with section 8(4) of the Act. After March 31, 2000, until the Fund is wound up, the Minister of Finance is required to deposit annually in the Fund a minimum of $96 million or such greater amount as determined by the Act.

Pension Assets Fund - This Fund was established under the authority of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The purpose of the Fund is to set aside designated assets, pursuant to section 8 of the Act, for the future retirement of the Government's pension liability.

Other Special Funds:

Mining Community Reserve - This Fund was established to assist with the welfare and employment of people who are directly affected by mine closures in Manitoba. The Lieutenant Governor in Council may transfer to this Fund each year up to 3% of the taxes collected under *The Mining Tax Act*.

Quarry Rehabilitation Reserve Fund - This Fund was established to assist in the rehabilitation of quarries deemed to be depleted. A levy of 10 cents per metric ton of all aggregate quarry mineral production in Manitoba is paid into the Fund each year.

Other Funds - Other funds included reflect the transactions of the Abandonment Reserve Fund, the Farm Machinery and Equipment Act Fund, the Land Titles Assurance Fund, Manitoba Law Reform Commission, Veterinary Science Scholarship Fund, Mining Rehabilitation Reserve, Manitoba Trucking Productivity Improvement Fund, and Victims Assistance Fund.

The combined financial statements of the above funds are also included in the Government's Summary Financial Statements which are presented separately.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

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C. Gross Accounting Concept

Revenues and expenses are recorded in gross amounts with the following exceptions:

1) Refunds of revenue are treated as reductions of current year revenue.

2) Decreases in valuation allowances previously provided are treated as reductions to expense.

3) Recoveries of the debt servicing costs on self-supporting debt and revenue earned on investments, loans and advances to Crown organizations and Government business enterprises are recorded as a reduction of debt servicing expense.

D. Modified Accrual Accounting

The revenues and expenses of the Government are recorded on an accrual basis with the following exceptions:

1) **Government of Canada Receipts –** Transfer payments from the Government of Canada include all accruals determined before June 15 each year for current year entitlements that have been authorized by March 31st, that can be reasonably estimated and for which any eligibility criteria have been met.

The Province's share of individual and corporation income tax is recorded based upon cash receipts to March 31 plus an accrual of adjustments determined before June 15 each year.

2) **Other Revenue –** All other revenues are recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. Recoveries of the debt servicing costs on self-supporting debt and revenue earned on investments, loans and advances to Crown organizations and Government business enterprises are recorded as a reduction of debt servicing expense.

3) **Expenses –** All expenses incurred for goods or services received are recorded on an accrual basis. Exceptions to this policy involve the acquisition of inventories acquired for the Government's use that are reflected as expenses when incurred as well as item 4) noted below.

Expenses include provisional amounts recorded in anticipation of future costs which are quantifiable and have been identified as obligations. Government transfers are recognized as expenses in the period during which the transaction is authorized and any eligibility criteria are met.

4) **Pension Benefits –** The annual cost recorded is based on the Government's share of pensions paid to retired employees, teachers and Members of the Legislative Assembly, as well as current contributions to Registered Retirement Savings Plan accounts and tax paid trusts on behalf of MLAs and employees who are pensionable outside of the Civil Service Superannuation Plan. The Government does not record its liability for the unfunded cost of pension benefits earned by employees, teachers, judges and Members of the Legislative Assembly.

E. Liabilities and Assets

1) All borrowings are expressed in Canadian dollars and are shown net of sinking funds, unamortized debt issue costs and debt of the Province of Manitoba held as provincial investments. Foreign borrowings are converted at the exchange rate in effect at March 31 adjusted for any forward foreign exchange contract entered into for settlement after the fiscal year end. Discounts or premiums, and commissions incurred at the time of the issue of debt are amortized monthly to debt servicing expense over the term of the debt.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

2) The amount of the liabilities for severance, Long Term Disability Income Plan liability and workers compensation claims is based upon actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations because 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.

3) The year end translation adjustments reflecting the foreign currency fluctuation from the value at the issue date are recorded through the unamortized foreign currency fluctuation account, and amortized monthly to debt servicing expense over the remaining term of the debt. The unamortized portion of foreign currency fluctuation also reflects the gains or losses on the conversion of foreign currency debt called prior to maturity using the rates in effect at the time of the call and these gains and losses are amortized over the original remaining term of the debt or over the term of the replacement issue, whichever is shorter.

4) Loans, advances and long-term investments are recorded at cost less valuation allowances. A valuation allowance is provided to reduce the value of the assets to their estimated realizable value or to reflect the impact of significant concessionary terms on outstanding loans. Valuation allowances are made when the collection is considered doubtful or when the value of the investments is impaired. Premiums that may arise from the early repayment of loans or advances are reflected as deferred revenue and are amortized monthly to debt servicing expense over the term of the related debt issue.

5) Investments denominated in foreign currency are translated to the Canadian dollar equivalent at the exchange rate in effect at March 31, unless the rate of exchange or a forward foreign exchange contract fixing the value has been negotiated, in which case that rate or amount is used. The year end investment translation adjustments reflecting the foreign currency fluctuation between year ends are amortized monthly over the remaining life of the investment and included with debt servicing expense. Expenses and other transaction charges incurred on the purchase of investments during the year are charged to debt servicing expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

6) Premiums paid on interest rate options are amortized monthly starting from the date the income is received over the period of the applicable agreement. If the option is exercised, the premium is amortized over the period from the date of receipt to the maturity date of the agreement. If the option is not exercised, any unamortized premium will be immediately taken into revenue.

7) The cost of tangible capital assets purchased includes the purchase price as well as costs such as installation costs, design and engineering fees, survey and site preparation costs and other costs incurred to put the asset in service. The cost of tangible capital assets constructed by the Province includes all direct construction costs such as materials, labour, design, installation, engineering, architectural fees, and survey and site preparation costs, as well as overhead costs directly attributable to the construction activity such as licenses, inspection fees, indirect labour costs, and amortization expense of any equipment which was used in the construction project. Any carrying cost associated with the development and construction of tangible capital assets is included in cost for projects whose cost exceeds $20 million.

A tangible capital asset received as a donation is recorded at its fair market value with the same amount being shown as a deferred revenue which is amortized to revenue on the same basis as the asset is amortized. Where the acquisition cost of a tangible capital asset is shared with other jurisdictions under a shared cost agreement, such contributions are deducted from the cost of the related asset with any amortization calculated on the net amount. Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Intangibles assets and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources are not recognized in Government financial statements.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix D
(cont'd.)

8) Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

General Tangible Assets:

Land	Indefinite
Buildings and Leasehold Improvements	
Buildings	25 to 40 years
Leasehold Improvements	Life of lease
Vehicles and Equipment	
Vehicles	5 years
Aircraft and vessels	5 to 24 years
Machinery, equipment and furniture	10 years
Maintenance and road construction equipment	15 years
Computer hardware and software	4 to 15 years

Infrastructure Assets:

Land	Indefinite
Land Improvements	30 years
Transportation	
Bridges and Structures	40 years
Provincial Highways, Roads and Airstrips	10 to 40 years
Dams and Water Management Structures	40 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available to be put into service.

9) During the 2000/01 fiscal year, the Federal Government created a Health Equipment and Infrastructure Fund for investment in new medical equipment. The Province's share of this fund was $37 million. Funding from the Health Equipment and Infrastructure Fund has been treated as deferred revenue and will be brought into revenue based on actual purchases of equipment according to a defined schedule.

During the 2002/03 fiscal year, the Federal Government created a Diagnostic and Medical Equipment Fund for investment in new medical equipment. The Province's share of this fund was $54 million. Funding from the Diagnostic and Medical Equipment Fund has been treated as deferred revenue and will be brought into revenue based on actual purchases of equipment according to a defined schedule.

10) Guarantees by the Government are made through specific agreements or legislation to repay promissory notes, bank loans, lines of credit, mortgages and other securities. Provision for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provision represents the Government's best estimate of future payments less recoveries.

11) In the public sector, recognition and measurement of tangible capital and other non-financial assets are based on their service potential. Generally, such assets do not generate future net cash inflows. Therefore, these assets will not provide resources to discharge the liabilities of the Government. For non-financial assets, the future economic benefit consists of their capacity to render service to fulfill the Government's objectives.

12) Effective for the 2005/06 fiscal year, the Government adopted an accounting policy regarding the recognition and measurement of environmental liabilities. An environmental liability for contaminated sites is recorded when contamination is identified, and when the Government is obligated or likely to become obligated to incur remediation costs due to reasons of public health and safety, contractual arrangements, or compliance with environmental standards which are set out in any act or regulation (federal, provincial, municipal) recognized by the Government.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

The liability is based upon remediation costs determined on a site-by-site basis, measured at incremental direct costs, reduced by estimated recoveries from third parties, and discounted where possible to reflect the time value of money.

For liabilities arising from contaminations or obligating events on or before March 31, 2005, there is a transition period (April 1, 2006 to March 31, 2009) to identify and record such liabilities. These liabilities will be recorded as an increase to the accumulated deficit until March 31, 2009. Subsequent to that, any past liability not previously recorded or sufficiently provided for will be recorded as an expense.

For current liabilities arising from contaminations or obligating events after March 31, 2005, the amounts are recorded as an expense when identified.

F. Amounts Held In Trust for Investment or Administration

These amounts primarily represent sinking funds and surplus cash of Government business enterprises and Crown organizations on deposit with the Minister of Finance for investment. Deposits of surplus cash funds not required to be specifically invested are pooled with other available funds of the Operating Fund for investment purposes and are accorded a market rate of interest. Sinking fund contributions made by Government business enterprises, Crown organizations and others in respect of their direct debt are deposited with and specifically invested by the Minister of Finance. These investments are recorded at cost.

G. Measurement Uncertainty

Estimates are used to accrue revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonable possible amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements exist in the accrual of individual, corporate income taxes, Health Transfers and Canada Social Transfer entitlements, Federal Government transfers under Bill C-48, accruals for pension obligations, accruals for environmental obligations and allowances for doubtful loans and advances and provision for losses on guarantees.

The nature of the uncertainty related to the accrual of health and social transfer payments from the Federal Government and individual and corporate income taxes arises because of the possible differences between the estimates for the economic factors used in calculating the accruals and actual economic results. Uncertainty related to Federal Government transfers under Bill C-48 relates to the ultimate determination of the transfer amounts being dependent upon audited current year financial results of the Federal Government. Dependent upon these final results, the transfer that the Province is eligible for could range from $0 to $98 million (recorded $49 million as current year's revenue). The uncertainty related to accruals for pension obligations arises because actual results may differ significantly from the Province's best estimates of expected results based on variables such as earnings on the pension investments, salary increases and the life expectancy of claimants. The uncertainty related to the accrual of environmental obligations is based upon the identification of all sites where environmental damages have occurred that are the Province's responsibility to mitigate and the quantification of what the actual liability will be based upon impact studies. Uncertainty concerning the allowance for doubtful loans and advances is based upon actual collectibility and changes in economic conditions.

While management's best estimates have been used for reporting items subject to measurement uncertainty, it is possible that changes in future conditions in the near term could require a material change in the valuation of the reported amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

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2. CASH AND CASH EQUIVALENTS

Cash equivalents are recorded at cost. Market values approximate cost. Investment revenue earned on cash equivalents during the year was $21 million (2005 - $9 million). Cash and cash equivalents include cash and short-term investments that can be converted to cash.

3. PORTFOLIO INVESTMENTS

Portfolio investments include amounts invested with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. These investments represent funds set aside for the future retirement of the pension liability. These investments earn the respective Fund's annual rate of return and reflect both the realized gains (losses) on sale of investments and unrealized market gain (loss) for the year. Investment income earned for the year was $61 million (2005 - $30 million). The fair value of these investments as at March 31, 2006 was $537 million (2005 - $382 million). These Funds are balanced funds and the investments consist primarily of cash equivalents, equities, bonds, mortgages and real estate.

4. SINKING FUNDS

Sinking funds are recorded at the lower of cost and market value. As at March 31, 2006, sinking funds had a cost of $2,728 million (2005 - $2,703 million) and a market value of $2,742 million (2005 - $2,803 million). Investment revenue earned on the sinking funds during the year was $204 million (2005 - $219 million).

Section 60 of *The Financial Administration Act* authorizes the Minister of Finance to provide for the creation and management of sinking funds for the orderly retirement of debt. The Minister of Finance may authorize, by directive, the amount, if any, to be allocated to the Province's sinking fund. The Province's sinking fund currently provides for the repurchase of foreign debt and the pre-funding of maturing debt issues. In addition, the Province's sinking fund is invested principally in securities issued or guaranteed by Canadian provinces.

The sinking funds are allocated as follows:

	($ millions) 2006	2005
Province of Manitoba	2,140	2,122
Manitoba Hydro-Electric Board	586	579
University of Manitoba	2	2
Total sinking funds	2,728	2,703

Sinking funds are invested as follows:

	($ millions) 2006	2005
Cash and cash equivalents	223	251
Portfolio investments	2,505	2,452
	2,728	2,703

5. ADJUSTMENTS TO ACCUMULATED DEFICIT

A. Environmental Liabilities

Implementation of the new accounting policy with respect to environmental liabilities (Note 1E.12) has resulted in various site assessments. Based upon the results to March 31, 2006, the Government has

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

accrued environmental liabilities in the net amount of $142 million (gross - $189 million) which includes certain significant amounts discounted at rates from 0 to 4.9%. A breakdown of these liabilities by department is as follows:

	($ millions)
Aboriginal and Northern Affairs	1
Conservation	39
Industry Economic Development and Mines	66
Transportation and Government Services	36
	142

These liabilities, all related to contaminations or obligating events on or before March 31, 2005, have been recorded with a corresponding increase in accumulated deficit of $142 million.

B. Tax Refunds

During the year, the Government identified and corrected an accounting error related to the determination of taxation revenue in the 2004/05 fiscal year. Certain tax refunds payable were incorrectly omitted, resulting in an overstatement of the 2004/05 taxation revenue. Correction of this error has resulted in an increase in accumulated deficit of $9 million.

6. GUARANTEES

The Government has guaranteed the repayment of debt, promissory notes, bank loans, lines of credit, mortgages and other securities issued by Government business enterprises and Crown organizations. Debt guaranteed by the Government is guaranteed as to principal and interest until the debt is matured or redeemed. The authorized and outstanding guarantees are as follows:

		($ millions)	
	Authorized	2006	2005
Debt issued by Government business enterprises (Note a)		485	654
Manitoba Grow Bonds		5	6
Promissory notes, bank loans, lines of credit and other			
Assiniboine Community College	2	-	-
Manitoba Business Start Program (Note b)	5	1	1
Manitoba Housing and Renewal Corporation	2	-	-
Manitoba Opportunities Fund Ltd.	98	75	39
Manitoba Student Financial Assistance Program (Note c)	20	7	8
Red River College	5	-	-
Rural Entrepreneur Assistance Program (Note b)	16	4	4
University College of The North	2	-	-
Venture Manitoba Tours Ltd.	-	-	9
Winnipeg Football Club – 2006 Grey Cup	2	-	-
Miscellaneous	2	2	1
		579	722
Less: Sinking funds		-	8
Total guarantees outstanding		579	714

Provision for future losses on guarantees in the amount of $10 million (2005 - $17 million) has been recorded in the accounts. The provision for losses on guaranteed loans is determined annually by a review of individual guarantees. The provision represents the best estimate of probable claims against the guarantee. Where circumstances indicate the likelihood of claims arising, the provisions are established for those loan guarantees.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

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Note a – The Government guarantees and administers Manitoba HydroBonds. The bonds carry fixed and variable coupon rates that range from 3.1% to 10.0%. Manitoba HydroBonds are redeemable at the option of the holder.

Note b – The Government provides guarantees on new and expanding small or home business loans, with a five year term.

Note c – The Government guarantees three types of student loans issued in the past twelve years:

i. Guaranteed loans: issued by the Canadian Imperial Bank of Commerce (CIBC) from April 1, 1993 to December 31, 1994. These loans are fully guaranteed should the loan be deemed to be in default.
ii. Limited risk loans: issued by the CIBC from January 2, 1995 to December 31, 1997 and issued by the Royal Bank from June 2, 1997 to July 31, 2000. The Government only guarantees those loans in default that have been issued to credit abusers, insolvent creditors and minors.
iii. Non-risk loans: issued by the Royal Bank from August 1, 2000 to July 31, 2001. The Government has agreed to guarantee and purchase any loan deemed to be in default.

7. CONTRACTUAL OBLIGATIONS

A. Operating Obligations

Funding is provided annually from appropriations of the Operating Budget.

As at March 31, the Government has obligations under operating contracts and agreements in the amount of $33 million (2005 - $60 million). The Government also has obligations under long-term contracts regarding tangible capital assets as follows:

	($ millions) 2006	2005
Future obligations:		
Infrastructure and capital grants	10	7
Rental of tangible capital assets	91	90
	101	97

B. Capital Obligations

Funding is provided annually from appropriations of the Capital Budget.

The Government has contractual obligations that cover the purchase or development of tangible capital assets. These obligations as at March 31 are as follows:

	($ millions) 2006	2005
Buildings	3	2
Equipment	-	1
Transportation	34	14
Dams and Water Management Structures	2	2
	39	19

The Government has undertaken to expand the Red River Floodway. Through the Manitoba Floodway Authority, the Government is a party to a funding agreement with the Government of Canada for a $240 million (2005 - $240 million) expansion project and has committed to provide $120 million (2005 - $120 million) towards the expansion project. Subsequent to the year end a funding amendment was reached

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

between the Government of Canada and the Government of Manitoba increasing the joint contribution by $84 million to a total of $324 million.

8. CONTINGENCIES

The Government has been named in various legal actions, including treaty land entitlements. No provision has been made at March 31, 2006 in the accounts where the final results are uncertain.

A. Disaster Financial Assistance

A provision has been made at March 31, 2006 for all flood claims and other disaster financial assistance. The final amount of the Government's share of these costs under shared cost agreements is uncertain at the date these financial statements were issued.

B. Northern Development Projects

The Province is contingently liable for legal claims associated with past Manitoba Hydro-Electric Board related northern development projects. The Province has provided for all claims that have been settled to date. The outcome of unsettled claims is not determinable at this time.

C. Canadian Blood Services

Most provinces, including Manitoba, are members of, and provide funding to, Canadian Blood Services, which operates the Canadian blood system. The March 31, 2005 audited financial statements of Canadian Blood Services indicate that a wholly owned subsidiary, CBS Insurance Company Limited, provides for the contingent liabilities for risks related to operations of the blood system. The actuarially determined provisions for future insurance claims, reported and unreported, related to insured events that occurred prior to March 31, 2005 is $174 million (2004 - $163 million). The related assets as at March 31, 2005 total $208 million (2004 - $187 million). The subsidiary also had a re-insurance contract for additional coverage of $750 million.

Based upon the above, as at March 31, 2005, the Province of Manitoba's share of the provision for futures claims is offset with designated assets which at that point exceed the provision. In addition, there is re-insurance to cover an additional $750 million in claims of insured events occurring on or before March 31, 2005. March 31, 2006 figures are not available for comparison.

9. TREATY LAND ENTITLEMENT OBLIGATIONS

To meet Manitoba's obligation under treaty land entitlement (TLE) agreements, approximately 195,908 acres of provincial Crown land have been transferred to the Government of Canada (Canada) for First Nations.

This transfer will help strengthen the economic development of these First Nations. Manitoba continues to work with Canada and First Nations on a number of initiatives leading to greater self-government in areas such as land and child and family services delivery.

Manitoba's obligations under the Treaty Land Entitlement Framework Agreement requires the setting aside of 985,949 acres of Crown land. To date, 871,428 acres have been selected by the Entitlement First Nations. The Crown lands will be transferred according to the Natural Resources Transfer Agreement, including mines and minerals and other interests normally reserved for the Province under the *Crown Land Act* or any other statute.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

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10. PENSION LIABILITY

The Government supports six separate pension plans. These include the Civil Service Plan (CSP), the Teachers' Plan (TP), the Members of the Legislative Assembly Plan (MLAP), the Legislative Assembly Pension Plan (LAPP), the Judges' Supplemental Pension Plan, and the Winnipeg Child and Family Services Employee Benefits Retirement Plan (WCFSP).

The Government is required, under the amended provisions of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*, to set aside funds beginning in 2000/01, to address the Government's unfunded pension liability. The minimum annual contribution must be sufficient to equal the contributions made by employees and teachers hired on or after April 1, 2000. While the minimum contribution for the year ended March 31, 2006 was $21 million (2005 - $17 million), the Government set aside $85 million (2005 - $79 million) in the Pension Assets Fund. These funds are separately invested and maintained in trust accounts with Civil Service Superannuation Fund (CSSF) and Teachers' Retirement Allowances Fund (TRAF) for the Government and are increased by the rate of return of the funds. The Pension Assets Fund's balance as at March 31, 2006 was $537 million (2005 - $382 million).

The actuarial valuations were based on a number of assumptions about future events, such as interest rates, wage and salary increases, inflation rates and rates of employee turnover, disability and mortality. Information about the economic assumptions used in the most recent actuarial valuations is provided below. Demographic assumptions used in the valuations reflect the experience of the Plans.

Plan	Latest Valuation	Real Rate of Return	Inflation Rate	Investment Rate of Return
Civil Service	December 31, 2004	4.00%	2.50%	6.50%
Teachers'	January 1, 2004	4.25%	2.50%	6.75%
MLA	March 31, 2003	4.00%	2.75%	6.75%
LAPP	March 31, 2005	3.25%	2.75%	6.00%
Judges' Supplemental	March 31, 2003	3.25%	2.75%	6.00%
WCFSP	December 31, 2004	3.50%	2.50%	6.00%

During the year, an increase in employee contribution rate of 1.1% was approved for the Teachers' Plan. No other amendments were made to any of the Plans.

In accordance with the terms of an agreement between the Province and the Special Operating Agencies (SOAs) in 2002, the SOAs transferred to the Province funds equal to their unfunded pension liability as determined by actuarial valuations, and thereafter have provided the Province annually, with an amount equal to the employees' annual pension contributions. In exchange, the Province has assumed the unfunded pension liability for SOA employees. Because the Province does not recognize the unfunded pension obligation in the Special Purpose Financial Statements, these funds have been recorded as revenue. $2 million was recorded as revenue in the Pension Assets Funds for the current year (2005 - $2 million). The cumulative funds received by the Province under this agreement as at March 31, 2006 are $15 million (2005 - $13 million).

A. Civil Service Plan

The Civil Service Superannuation Act (CSSA) established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government through the Civil Service Superannuation Fund (CSSF).

As at March 31, 2006, the CSP had approximately 28,200 (2005 - 28,000) participants including active members, retired employees and former employees with entitlements.

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Appendix D (cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Certain amendments to the CSSA were made in 1992 which required that the CSSF establish and fund a separate account in an amount sufficient to cover the Government's share of pension costs attributable to the 1992 amendments to the CSSA. The CSSF account maintained on behalf of the Government at March 31, 2006, was $44 million (2005 - $38 million).

Effective December 15, 2000, the CSP was amended to include improved benefits. The cost of the plan amendments was fully funded from actuarially determined employee surpluses with no additional cost to the employer. The following describes the current terms of the CSP, with the previous terms indicated within brackets.

The lifetime pension calculation equals 2% of a member's best five years average yearly pensionable earnings multiplied by pensionable service, minus 0.4% (previously 0.6%) of the average Canada Pension Plan (CPP) earnings for the same period multiplied by pensionable service since January 1, 1966.

The CSSA requires that employees contribute 6.0% (previously 5.1%) on pensionable earnings up to the CPP maximum earnings and 7.0% of pensionable earnings above the maximum. 89.8% of contributions are used to fund basic benefits and 10.2% of contributions are allocated for indexing benefits. Contributions continue until the employee's retirement or other termination from service. Employee contributions for the year ended March 31, 2006 amounted to $52 million (2005 - $49 million).

Indexing benefits are not guaranteed and are paid only to the extent that the indexing adjustment account in CSSF can finance one-half of cost-of-living increases granted. The maximum annual adjustment is limited by legislation to two-thirds of the increase in the consumer price index for Canada.

The Government does not make contributions to the CSSF during employees' service. By legislation, however, it is required to pay 50% of the pension disbursements made from the CSSF. For the year ended March 31, 2006, payments of $71 million (2005 - $64 million) were made to the CSSF.

An actuarial report was completed for CSSF as of December 31, 2004, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's net liability has been calculated to be $1,715 million as at March 31, 2006 (2005 - $1,623 million), which includes net unamortized actuarial gains of $14 million (2005 - $19 million). The increase in liability includes current year interest of $115 million (2005 - $99 million).

B. Teachers' Plan

The Teachers' Pensions Act (TPA) established a defined benefit plan to provide pension benefits to teachers who have taught in public schools in Manitoba.

As at March 31, 2006, the Teachers' Retirement Allowances Fund (TRAF) had approximately 32,200 (2005 - 31,800) participants including active members, retired teachers and former teachers with entitlements.

The lifetime pension calculation is based upon the lesser of A or B:

A) The years of service prior to July 1, 1980, multiplied by 2% and the average salary of the best 7 of the final 12 years of service and years of service after July 1, 1980, multiplied by 2% and the average salary of the best 5 of the final 12 years of service;

less

The years of service from January 1, 1966, to July 1, 1980, multiplied by .6% and the average annual salary up to the yearly maximum pensionable earnings for the same period and years of service after July 1, 1980, multiplied by .6% and the annual salary up to the yearly maximum pensionable earnings for the same period.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix D
(cont'd.)

B) 70% of the weighted average annual salary of the member in the 7 and 5 year periods used above.
The TPA requires that teachers contribute 6.8% (prior to September 1, 2005 - 5.7%) on pensionable earnings up to the CPP maximum earnings, and 8.4% (prior to September 1, 2005 - 7.3%) on pensionable earnings above the maximum. 83.4% of contributions are used to fund basic benefits and 16.6% of contributions are allocated for indexing benefits. Contributions continue until the teacher's retirement or other termination from service. Teacher contributions for the year ended March 31, 2006, amounted to $61 million (2005 - $52 million).

Indexing benefits are not guaranteed and are paid only to the extent that one half of the pension adjustment does not result in an unfunded pension liability in TRAF.

The Government does not make contributions to TRAF during teachers' service. By legislation, however, it is required to pay 50% of the pension disbursements and other disbursements made by TRAF as provided for in the TPA. For the year ended March 31, 2006, payments of $115 million (2005 - $108 million) were made to TRAF.

An actuarial report was completed for TRAF as of January 1, 2004, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's net liability has been calculated to be $2,189 million as at March 31, 2006 (2005 - $2,078 million), which includes unamortized actuarial losses of $82 million (2005 - $90 million). The increase in liability includes current year interest of $145 million (2005 - $138 million).

C. Members of the Legislative Assembly Plan

The pension plan for Members of the Legislative Assembly (MLAs) is established and governed by *The Legislative Assembly Act* (LAA). For MLAs elected prior to the dissolution of the Assembly of the 35th Legislature, the LAA provides for defined pension benefits based on years of service to April, 1995. For those elected after the 35th Legislature in April 1995, the LAA provides for matching contributions. As at March 31, 2006, there are 115 (2005 - 116) plan members who are entitled to receive future pension benefits in accordance with the LAA.

The calculation for defined pension benefits is equal to 3% of the average annual indemnities for the last five years served as a member or all the years served if less than five, multiplied by the number of years of pensionable service up to April 1995. These entitlements are fully indexed to cost of living increases.

An actuarial report was completed for the MLA plan as of March 31, 2003, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's net liability has been calculated to be $32 million as at March 31, 2006 (2005 - $33 million), which includes unamortized actuarial gains of $3 million (2005 - $4 million). The change in liability includes current year interest of $2 million (2005 - $2 million).

Under the matching contributions provisions, MLAs may contribute up to 7% of their remuneration toward a Registered Retirement Savings Plan (RRSP) of their choice. The Government matches the member's contributions on a current basis, consequently, there is no liability for past service benefits under this component of the plan. In the event that a member withdraws money from the RRSP while an active member of the Legislative Assembly, the Government's contribution would be refundable.

D. Legislative Assembly Pension Plan

The Members' Retirement Benefits Regulation of *The Legislative Assembly Act* established a defined benefit plan, effective April 1, 2004 that provides pension benefits to eligible Members of Legislative Assembly (MLA) who elect to participate in the plan. The following persons may elect to become members of the plan:
a) a person who is an MLA when the plan is registered;
b) a person who becomes an MLA after the plan is registered

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Appendix D (cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

c) a person who
   i) was an MLA on May 2, 2003, and has not since been re-elected, and
   ii) wishes to purchase a period of pensionable service in respect of his or her membership in the Assembly during the period from April 25, 1995, to June 2, 2003.

The calculation of pension benefits under the plan is determined by the following formula:

2% x S x Y

In this formula:
S is the average of the best five-year annual salaries received by the member during the years for which he or she accrued pensionable service or, if less than five years the average of the annual salaries for that period.
Y is the lesser of
   (i) 35, and
   (ii) the total number of years of pensionable service.

The pension is reduced by an amount equal to 0.25% times the number of months before the member's 60th birthday that the first pension payment is made. These entitlements are indexed to 2/3 of cost of living increases.

Participation in the plan is voluntary. For existing and eligible former MLAs, there is a six month time limit placed on the decision of whether to join the plan commencing once the Pension Commissioner establishes Regulations respecting his decisions. The same six month option period is to be made available for newly elected MLAs. Employee contributions are deducted at 7% of the total annual indemnity and allowance for MLA expenses. The balance of the current service cost, and any other special payments, are to be paid by the Province.

As at March 31, 2006 there were three members contributing to the plan, but the pension fund has not been set up as of that date and the members' and employer's contributions are being held in trust.

An actuarial report was completed for the Legislative Assembly Pension Plan as at March 31, 2005, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's liability for accounting purposes has been projected by the actuary to be $1.2 million as at March 31, 2006.

E. Judges' Supplemental Pension Plan

The supplemental pension benefit for judges was determined to be the difference between the total pension benefits for judges, including the amendments introduced by Judicial Compensation Committees, and the formula pension available under the *Civil Service Superannuation Act* (CSSA) as described above in note 10A.

The present supplemental pension benefit for judges was effective July 1, 1992. It was based upon the first Judicial Compensation Committee report of June 7, 1991. Since that time, four successive Judicial Compensation Committees have been duly appointed and amendments have been implemented to the supplemental benefits available under the Judges' Supplemental Pension Plan.

The current supplemental pension, including amendments introduced by the most recent Judicial Compensation Committee, is summarized as follows:
- The supplemental pension plus the pension provided under the CSSA results in an accrual rate of 3.00% for each year of service as a judge,
- A cap of 70% of earnings on the combined judge's supplemental pension and Civil Service Superannuation Pension,
- The overall limit that the judge's supplemental service not exceed 23.5 years.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix D
(cont'd.)

As at March 31, 2006, there are 63 (2005 - 61) plan members who are entitled to receive future pension benefits in accordance with the Plan.

An actuarial report was completed for the Judges' Supplemental Pension Plan as at March 31, 2003, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's liability for accounting purposes has been calculated to be $26 million as at March 31, 2006 (2005 - $23 million). The increase in liability includes current year interest of $1 million (2005 - $1 million).

F. Winnipeg Child and Family Services Employee Benefits Retirement Plan

The Winnipeg Child and Family Services Employee Benefits Retirement Plan (the WCFSP) was established effective December 29, 2003. The WCFSP applies to employees of the former Winnipeg Child and Family Services who transferred to the Department of Family Services and Housing and the terms apply to those who retire or terminate employment on or after December 29, 2003. These employees were previously members of the United Way Agencies' Employee Benefits Retirement Plan (UWARP). Under a Special Pension Transfer Agreement, the services and benefits earned by those employees were transferred from UWARP to the WCFSP.

At December 31, 2005, the WCFSP had 312 active and deferred members (2004 - 634) and 139 pensioners (2004 - 133).

The lifetime pension calculation equals 2% of the member's highest average pensionable earnings in any three non-overlapping periods of 12 consecutive months, less 0.6% of the average CPP earnings for the same period multiplied by years of pensionable service.

Members are required to contribute 4.5% of pensionable earnings up to the CPP maximum and 6% on pensionable earnings over the maximum.

The employer is required to make monthly contributions actuarially determined to provide for the normal cost of the benefits accruing to members and to provide for the proper amortization of any unfunded liability or solvency deficiency. Currently that contribution has been established at an amount equal to employee contributions. In addition, the Government made a commitment to make payments to cover an estimated solvency deficiency of $1.2 million (2005 - $1.9 million). This amount has been accrued in these statements. With payment of this deficiency, the plan is expected to be fully funded as at March 31, 2007.

The WCFSP will reflect the pension benefits earned by its members for service until June 27, 2004. No further pensionable service entitlements will accrue in the WCFSP after June 27, 2004. Subsequent to June 27, 2004, the active members of the WCFSP will become members of the Civil Service Plan (CSP) and will begin earning pension benefit entitlements under the CSP. The pension benefits for all future service of the former WCFSP members will accrue under the CSP.

An actuarial report was completed for the Winnipeg Child and Family Services Plan as at December 31, 2004, by Ellement & Ellement Ltd. The Plan has a going concern surplus of $0.8 million and the solvency ratio of 96.8% at the valuation date.

11. LONG TERM DISABILITY INCOME PLAN

The Government guarantees payments of long term disability benefits for all employees covered by the Long Term Disability Income Plan that was established on April 1, 1984. An actuarial valuation report was completed for the Long Term Disability Plan as of September 1, 2003 with projections to March 31, 2004 and March 31, 2005 which determined the Government's liability. The report provides a formula to update the liability on an annual basis. The Government's actuarially determined liability for accounting purposes as at March 31, 2006 was $30 million (2005 - $28 million).

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Appendix D (cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

12. SEVERANCE PAY OBLIGATIONS

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 resulting actuarial loss of $5 million is being amortized over the 15 year expected average remaining service life of the employee group. In addition, the report provides a formula to update the liability on an annual basis. The Government's actuarially determined net liability for accounting purposes as at March 31, 2006 was $229 million (2005 - $225 million).

13. EXPENSES IN EXCESS OF LEGISLATIVE AUTHORITY

The budget estimate amounts disclosed in the Special Purpose Statement of Revenue and Expense (originally published in the Estimates of Expenditure) exclude $269 million in supplemental estimates and special warrants. The original budget estimate amounts plus the $269 million in supplemental estimates and special warrants becomes the revised estimates, against which expenses in excess of Legislative Authority is determined.

Based upon the revised estimates, the following voted appropriations were over-expended as a result of adjustments after March 31, 2006:

	($ millions)
Agriculture, Food and Rural Initiatives	
Risk Management and Income Support Programs	37
Education, Citizenship and Youth	
Support to Schools	3
Justice	
Criminal Justice	2

14. TRANSFER FOR DEBT RETIREMENT AND PENSION OBLIGATIONS

The Government transferred $110 million (2005 - $99 million) to the Debt Retirement Fund from the Operating Fund for the specific purpose of reducing general purpose debt and pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. The transfer was made in accordance with subsection 8 (4) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The Government transferred $85 million (2005 - $79 million) from the Debt Retirement Fund for the specific purpose of providing for the future retirement of pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. This transfer was made in accordance with subsection 8 (6) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The balance in the pension assets fund as at March 31, 2006 was $537 million (2005 - $382 million).

Subsection 8 (6) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act* requires the balance in the Debt Retirement Fund to be transferred to the Operating Fund at least once every 5 years for the purpose of reducing general purpose debt. The most recent transfer, in the amount of $202 million, was made in the 2004/05 fiscal year.

15. BALANCED BUDGET LEGISLATION

Section 6 of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act* requires the Minister of Finance to report on compliance with the Act in the audited special purpose financial statements of the Operating Fund for each fiscal year. The Special Purpose Statement of Calculation of Balance under the Balanced Budget,

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Debt Repayment and Taxpayer Accountability Act shows a positive balance of $31 million. Using the disclosed basis of accounting, the Government is therefore in compliance with the Act.

16. DEBT SERVICING

Debt servicing expense totals $766 million (2005 - $731 million) which is net of interest recoveries from Government business enterprises of $474 million (2005 - $436 million).

Net debt servicing expense is disclosed in the financial statements in Schedule 8 as $260 million (2005 - $241 million) representing net debt servicing costs and is net of amounts charged to the departments, as well as net of interest recoveries from Crown organizations including guarantee fees and interest revenue earned on investments including sinking funds. These recoveries and allocations total $415 million (2005 - $405 million). The disclosed $260 million (2005 - $241 million) is also net of debt servicing cost of $91 million (2005 - $85 million) allocated to departments for the imputed cost to finance the purchase or construction of tangible capital assets.

Schedule 10 discloses separately net debt servicing costs of $260 million (2005 - $241 million) and the debt servicing costs of $91 million (2005 - $85 million) charged to the departments for the imputed cost of financing the purchase or construction of tangible capital assets.

17. AMOUNTS DUE TO THE FEDERAL GOVERNMENT

The March 31, 2003 financial statements disclosed that the net impact of the federal settlement related to the Federal Accounting Error for the period of 1997 to 1999 was a $91 million loan payable owing to the Federal Government over a ten-year period commencing in 2004/05. As at March 31, 2006, this loan payable has been reduced to $71 million (2005 - $80 million) by offsetting an adjustment to unapplied taxes and the payment of the annual instalment of $9 million.

To offset negative adjustments to the 2004 Equalization payments, the Federal Government provided to the Province a net loan payable of $38 million. Repayment of this loan payable is scheduled to begin in April, 2006 and continue over a five year period. Similarly, to offset negative adjustments to the 2004 Canada Health and Social Transfer (CHST) entitlements, the Federal Government provided to the Province at net loan payable of $9 million. Repayment of this loan payable is also scheduled to begin in April, 2006 and continue over a five year period.

18. RISK MANAGEMENT AND THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Province employs various risk management strategies and operates within fixed risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivative financial instruments (derivatives). Derivatives are financial contracts, the value of which is derived from underlying instruments. The Province uses derivatives to hedge and to mitigate interest rate risk and the risks attached to foreign currency fluctuations. The Province does not use derivatives for speculative purposes. Gains or losses realized arising from derivative transactions are deferred and amortized over the remaining life of the derivative contract.

Hedges are created primarily through derivatives (swaps), which are legal contracts under which the Province agrees with another party to exchange cash flows based upon one or more notional amounts using stipulated reference interest rates for a specified period. Swaps can also be used to exchange cash flows involving different currencies. Swaps allow the Province to effectively manage the terms of its existing obligations and thereby convert them into obligations that meet the Province's risk parameters.

Other derivative instruments used by the Province include forward foreign exchange contracts and forward interest rate agreements. Foreign exchange or currency risk is the risk that foreign currency debt principal and interest payments and foreign currency transactions will vary in Canadian dollar terms due to fluctuations in foreign exchange rates. To manage currency risk, the Province uses derivative contracts including foreign

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

exchange forward contracts as well as swaps to convert foreign currency cash flows into Canadian dollar denominated cash flows. The current portfolio of foreign debt is fully hedged through the use of derivatives and US dollar sinking funds, except for the impact of the unamortized foreign exchange fluctuation account of $79 million (2005 - $84 million).

Derivative contracts hedge the underlying debt by matching the critical terms to achieve effectiveness. The current policy has hedged the foreign currency debt principal and interest payments through the use of derivatives in relation to general purpose debt as well as through the use of future US dollar revenue streams and US dollar sinking funds in relation to debt incurred on behalf of Manitoba Hydro-Electric Board.

The table below presents a maturity schedule of the Province's derivatives, by type, outstanding at March 31, 2006, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivative Portfolio Notional Value
As at March 31, 2006

	Maturity in Fiscal Year ($millions)							
Derivatives	**2007**	**2008**	**2009**	**2010**	**2011**	**6 – 10 Years**	**Over 10 Years**	**Total**
Interest rate swaps	2,040	1,175	836	2,158	2,176	6,516	5,233	20,134
Cross currency swaps	552	462	984	609	234	972	2,915	6,728
Forward foreign exchange contracts	123					208		331
Total	2,715	1,637	1,820	2,767	2,410	7,696	8,148	27,193

The use of derivatives introduces credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which the Province has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2006.

Credit Risk Exposure
As at March 31, 2006

	($ millions)	
	2006	**2005**
Gross credit risk exposure *1*	59	172
Less: Netting *2*	(762)	(967)
Net Credit Risk Exposure	(703)	(795)

1 *Gross credit risk exposure is the gross credit exposure to counterparties with net positive exposures (the respective counterparties owe the Province.)*
2 *"Netting" is the gross negative credit exposure to counterparties with net positive credit exposures covered by master agreements providing for close out netting when contracts do not have co-terminus settlement dates (the Province owes the respective counterparties).*

As at March 31, 2006, the Province has no net credit risk exposure, but has a net liability to counterparties.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

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The Province manages its credit risk exposure from derivatives by, among other activities, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. In addition, the Province enters into contractual agreements ("master agreements") with all of its counterparties that provide for termination netting and if applicable payment netting. Net credit risk exposure is the potential loss including the mitigating impact of these netting provisions.

A one percent (100 basis points) increase in interest rates would increase debt servicing costs by $13.5 million (2005, $11.8 million). Liquidity risk is the risk that the Province will not be able to meet its current short-term financial obligations. To reduce liquidity risk, the Province maintains liquid reserves, that is, cash and cash equivalents (Note 2), at levels that will meet future cash requirements and will give the Province flexibility in the timing of issuing debt. In addition, the Province has short-term note programs and sinking funds as alternative sources of liquidity.

19. RELATED PARTY TRANSACTIONS

A. Related Party Borrowings

Borrowings include $330 million (2005 - $306 million) owed to Manitoba Public Insurance Corporation related to the capital financing of school board and health care facilities as well as $250 million (2005 - $197 million) for the financing of general Government programs. A nil balance (2005 - $10 million) is owed to Manitoba Hydro-Electric Board for the capital financing of health care facilities and $45 million (2005 - $45 million) is payable to the Manitoba Liquor Control Commission. As well, $65 million (2005 - $32 million) is payable to Manitoba Opportunities Fund Ltd.

These loans and debentures are repayable over a term from 2007 to 2025 at varying interest rates ranging from 0% to 12.25%.

B. Water Power Rentals

Water power rental revenue from the Manitoba Hydro-Electric Board (Hydro), in the amount of $125 million (2005 - $105 million), is included in the Special Purpose Statement of Revenue and Expense under the Manitoba Collections category. These rentals are paid for the use of water resources in the operation of Hydro's hydroelectric generating stations. Water rental rates during the year were $3.34 per megawatt hour (MW.h) (2005 - $3.34 per MW.h).

C. Guarantee Fees

Manitoba Hydro-Electric Board (Hydro) remits guarantee fees to the Government based on the Hydro debt that the Province guarantees on their behalf. The guarantee fees paid by Hydro for the year ended March 31, 2006 were $69 million (2005 - $70 million).

D. Revenue From Workers Compensation Board

Under *The Workplace Safety and Health Act of Manitoba*, The Workers Compensation Board supports the administrative expenses incurred by the Department of Labour and Immigration for The Workplace Safety and Health program and the Worker Advisor Office. The amount for the year ended March 31, 2006 was $7 million (2005 - $7 million).

E. Driver Licencing Operations

Effective October 4, 2004, the Province of Manitoba transferred management and administration of driver licencing to the Manitoba Public Insurance Corporation (MPIC), including all aspects pertaining to driver safety, vehicle registration and driver licencing including all related financial, administrative and data processing services.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

The Province of Manitoba has agreed to provide funding to MPIC in the amount of $21 million annually, in perpetuity, to defray the cost borne by MPIC as a result of the transfer.

MPIC, on behalf of the Province of Manitoba, collects and transfers motor vehicle registration fees to the Province. For the fiscal year ended March 31, 2006, these fees totalled $98 million (2005 - $85 million). Effective October 4, 2004, MPIC is also responsible for collecting and transferring driver licencing fees to the Province of Manitoba. For the fiscal year ended March 31, 2006 these fees totalled $19 million (the six month period ended March 31, 2005 - $9 million).

20. COMPARATIVE FIGURES

Certain of the 2005 financial statement figures have been reclassified to be consistent with the 2006 presentation.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix D
(cont'd.)

OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

AMOUNTS RECEIVABLE — SCHEDULE 1

As at March 31, 2006

($ millions)

	2006	2005
Taxation Revenue:		
Corporation Capital Tax	1	10
Corporation Income Tax	64	58
Gasoline Tax	13	13
Health and Education Levy	30	27
Individual Income Tax	126	121
Insurance Corporation Tax	14	14
Motive Fuel Tax	9	8
Oil and Natural Gas Tax	1	-
Retail Sales Tax	123	119
Revenue Act, 1964, Part 1	9	7
Tobacco Tax	17	19
	407	398
Government of Canada and Other Governments:		
Shared Cost Programs/Agreements	169	123
Canada Health and Social Transfers	4	3
Municipal corporations	-	2
	173	128
Interest Income:		
Province of Manitoba Sinking Fund	24	25
Other Investments	5	5
	29	30
Other:		
Health Care Facilities Sinking Funds	9	10
Immigration Program	1	-
Manitoba Agricultural Services Corporation	1	1
Manitoba Floodway Authority	19	-
Manitoba Health Insurance Plan	36	-
Manitoba Hydro-Electric Board	11	10
Manitoba Liquor Control Commission	23	19
Manitoba Lotteries Corporation	6	3
Morris-Macdonald School Division	-	1
Primary Health Care Transition Fund	3	4
Regional Health Authorities	11	20
Social Allowance	14	14
Special Operating Agencies	7	9
Sundry Departmental Revenue	61	59
Sundry	1	1
	203	151
	812	705
Less: Valuation Allowance	75	94
	737	611

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(cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

LOANS AND ADVANCES — SCHEDULE 2

As at March 31, 2006

($ millions)

	Crown Organizations and Government Business Enterprises	Other (Note Below)	2006 Total	2005 Total
Due 1 Year or Less	738	53	791	466
Due Over 1 Year	7,023	15	7,038	7,334
Total	7,761	68	7,829	7,800
Less: Sinking Funds	588	-	588	581
	7,173	68	7,241	7,219
Less: Valuation Allowance	335	13	348	351
	6,838	55	6,893	6,868
Less: Debt incurred for and repayable by the Manitoba Hydro-Electric Board and Manitoba Lotteries Corporation	6,276	-	6,276	6,215
Net	562	55	617	653

The Crown organizations and Government business enterprises loans and advances portfolio is due in varying annual amounts to the year 2044, bearing interest rates from nil to 13.375%.

Note:

Environmental improvement loan, due in varying amounts to the year 2008, bearing no interest and guaranteed by an irrevocable letter of credit	16	17
Advances to Manitoba Potash Corporation, repayable on the Corporation generating revenue or the sale of the Province's interest, bearing interest at prime less 3/4%	4	4
Student loans, payment and interest free until 6 to 12 months past the completion of studies, due 114 to 174 months after that time, carrying interest at prime plus 2.5%	29	22
Community work program loans, repayable at the end of the 5 to 10 year term, bearing no interest	3	3
Advances to provide health care agencies with interim funding to meet daily operating expenses related to operations, repayable when no longer needed, bearing no interest	14	9
Miscellaneous	2	1
	68	56

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix D
(cont'd.)

OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

LONG-TERM INVESTMENTS — SCHEDULE 3

As at March 31, 2006

($ millions)

	Crown Organizations	Other	2006 Total	2005 Total
Shares:				
Common	9	5	14	14
Preferred	2	4	6	6
Special	-	2	2	2
Debentures	1	-	1	1
Profit Sharing Agreement	-	-	-	11
	12	11	23	34
Less: Valuation Allowance	12	11	23	34
Net	-	-	-	-

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Appendix D
(cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

AMOUNTS HELD IN TRUST FOR INVESTMENT OR ADMINISTRATION AND TRUST ASSETS — **SCHEDULE 4**

As at March 31, 2006

($ millions)

	2006	2005
AMOUNTS HELD IN TRUST		
Government Business Enterprises	2,011	1,660
Crown Organizations	533	527
Fiduciary and Other Government Related Trusts	71	57
	2,615	2,264
TRUST ASSETS		
Cash and Cash Equivalents	798	639
Sinking Funds	-	8
Funds on Deposit for Investment and Administration	1,817	1,617
	2,615	2,264

Note: The Government also provides a safekeeping and custodial service for various departments, agencies, boards and commissions. In this capacity, it holds custodial trust funds in the amount of $104 million (2005 - $113 million) in the form of bonds and other securities, and title to tangible capital assets in trust in the amount of $68 million (2005 - $68 million). These amounts are not reflected in the above numbers.

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix D
(cont'd.)

SCHEDULE OF BORROWINGS

SCHEDULE 5

As at March 31, 2006
($ millions)

Fiscal Year of Maturity	Bonds and Debentures Cdn	Bonds and Debentures US	Canada Pension Plan Cdn	Loans Payable	Promissory Notes and Treasury Bills Cdn	Totals 2006	Totals 2005
2006	-	-	-	-	-	-	2,172
2007	1,188	584	150	-	325	2,247	1,943
2008	1,526	-	90	-	-	1,616	1,816
2009	1,940	288	106	-	-	2,334	2,296
2010	736	463	115	-	-	1,316	1,456
2011	916	292	103	-	-	1,311	828
2006-2011	6,306	1,627	564	-	325	8,824	10,313
2012-2016	3,389	396	177	-	-	3,962	3,971
2017-2026	3,432	817	15	-	-	4,264	3,898
2027-2045	2,343	-	-	-	-	2,343	2,041
2007-2026 Government Business Enterprises	-	-	-	375	-	375	361
2007-2026 Health Care Facilities	-	-	-	237	-	237	239
2006-2015 Government of Canada (Note 17)	-	-	-	118	-	118	127
2012-2045	9,164	1,213	192	730	-	11,299	9,737
Total Borrowings	15,472	2,840	756	730	325	20,123	20,050
Reduced by:							
Unamortized Debt Issue Costs	(9)	(6)	-	-	-	(15)	(22)
Province of Manitoba debt issues held as investments in sinking funds and in cash and cash equivalents	(1,775)	-	-	-	-	(1,775)	(1,863)
	13,688	2,834	756	730	325	18,333	18,165

Borrowings payable in:	March 31/06 Cdn $ Valuation (See Notes)	March 31/05 Cdn $ Valuation (See Notes)
Canadian dollars	14,451	14,163
Foreign issues hedged to Canadian dollars	2,834	2,947
U.S. dollars	2,221	2,056
Foreign issues hedged to U.S. dollars	617	884
Total borrowings	20,123	20,050

Note 1: The hedges are derivative contracts which include swaps and forward foreign exchange contracts.

Note 2: The Canadian dollar valuation is calculated using the foreign currency exchange rates in effect at each March 31 adjusted for any forward foreign exchange contracts entered into for settlement after year-end.

Note 3: Interest rates on these borrowings fall into one of three categories:
- i) Fixed with rates ranging from 3.25% to 11.33%.
- ii) Floating Canadian - Bankers Acceptance (BA) setting, established quarterly or monthly, with the lowest rate currently set at 3.787% and the highest set at 7.33% as at March 31, 2006.
- iii) Floating U.S. - U.S. Dollar London Interbank Offering Rate (LIBOR) setting, established quarterly, with the lowest rate currently set at 5.0455% and the highest set at 5.4255% as at March 31, 2006.

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Appendix D
(cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

ACCOUNTS PAYABLE, ACCRUED CHARGES, PROVISIONS AND DEFERRALS

SCHEDULE 6

As at March 31, 2006

($ millions)

	2006	2005
Accounts Payable	434	378
Accrued Charges:		
Interest Accrued on Provincial Borrowings and Trust Funds	228	225
Other Accrued Liabilities:		
Canadian Agricultural Income Stabilization Program	110	66
Communities Economic Development Fund	2	2
Compensation for Victims of Crime	19	17
Crown Organizations - Vacation Liability	139	139
Disaster Assistance	17	1
Environmental Liabilities (Note 1E.12)	146	5
Fairford First Nation	7	7
Flood Claims	15	15
Hepatitis C Assistance	6	6
Infrastructure Works Program	3	2
Land Acquisition Claims	2	2
Long Term Disability Income Plan (Note 11)	30	28
Manfor Ltd. Divestiture	1	2
Municipal Assistance Program	1	1
Net Income Stabilization Account Program (NISA)	-	1
Salaries and Benefits	72	97
Salaries and Benefits - Severance (Note 12)	229	225
Tripartite Land Assembly Program	3	3
VLT Grants Payable	2	4
Workers Compensation Claims	10	7
Other	4	5
Provision for Future Losses on Guarantees (Note 6)	10	17
Deferred Revenue		
Government of Canada - Advances re: Shared Cost Programs Not Yet Claimed	24	44
Vehicle Registration	43	42
Other	17	11
	1,574	1,352

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix D
(cont'd.)

OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

SCHEDULE 7

TANGIBLE CAPITAL ASSETS
For the Year Ended March 31, 2006
($ millions)

	General Capital Assets					Infrastructure			Totals	
	Land	Buildings and Leasehold Improvements	Vehicles and Equipment	Computer Hardware and Software	Assets Under Construction	Land and Land Improvements	Transportation	Dams and Water Management Structures	Assets Under Construction	2006	2005
Cost											
Opening costs	14	348	149	241	31	207	1,841	81	27	2,939	770
Add:											
Additions during the year	1	4	8	10	33	4	82	2	44	188	133
Infrastructure recognized (*)	-	-	-	-	-	-	-	-	-	-	2,066
Assets acquired in prior years/ devolved	-	3	-	-	-	-	-	-	-	3	-
Less:											
Disposals and write downs	-	-	(1)	-	-	-	-	-	-	(1)	(30)
Settlements and reclassifications	-	8	1	11	(21)	4	2	2	(7)	-	-
Closing costs	15	363	157	262	43	215	1,925	85	64	3,129	2,939
Accumulated amortization											
Opening accumulated amortization	-	182	88	85	-	28	674	50	-	1,317	355
Add:											
Amortization	-	9	7	16	-	2	67	2	-	103	98
Amortization charged to SOAs	-	-	-	2	-	-	-	-	-	2	2
Accumulated amortization - infrastructure recognized (*)	-	-	-	-	-	-	-	-	-	-	883
Assets acquired in prior years/ devolved	-	3	-	-	-	-	-	-	-	3	-
Less:											
Disposals and write downs	-	-	(1)	-	-	-	-	-	-	(1)	(21)
Closing accumulated amortization	-	204	94	103	-	30	941	52	-	1,424	1,317
Net Book Value of Tangible Capital Assets	15	159	63	159	43	185	984	33	64	1,705	1,622

* Effective April 1, 2004, the Government included the capitalization of infrastructure as part of the tangible capital assets.

During the year the Province capitalized $0.8 million of interest relating to assets under construction. (2005 - $0.5 million)

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Appendix D
(cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

SCHEDULE 8

OPERATING FUND REVENUE AND EXPENSE

For the Year Ended March 31, 2006

($ millions)

	2006 Budget Estimate (Note 13)	2006 Actual	2005 Actual
OPERATING FUND REVENUE			
Manitoba Collections:			
Retail Sales Tax	1,181	1,198	1,125
Fuel Taxes	234	236	235
Levy for Health and Education	294	303	287
Mining Tax	57	39	41
Other Taxes	529	509	531
Fees and Other Revenue	368	413	361
Income Taxes:			
Corporation Income Tax	366	373	402
Individual Income Tax	1,877	1,949	1,845
Federal Transfers:			
Equalization	1,601	1,601	1,699
Bill C-48	-	49	-
Canada Health Transfer	726	733	685
Canada Social Transfer	320	325	307
Child Care	5	25	-
Health Reform Fund	-	-	55
Other Health Funds	27	25	54
Shared Cost and Other Transfers	117	156	120
Crown Organizations	475	491	476
TOTAL OPERATING FUND REVENUE	8,177	8,425	8,223
OPERATING FUND EXPENSES			
Health	3,390	3,443	3,237
Education	1,746	1,736	1,692
Family Services and Housing	986	983	927
Community, Economic and Resource Development	1,090	1,220	1,023
Justice and Other Government	648	642	598
Net Debt Servicing (Note 16)	269	260	241
	8,129	8,284	7,718
Less: Budgeted Underexpenditure	65	-	-
TOTAL OPERATING FUND EXPENSES (Schedule 10)	8,064	8,284	7,718

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EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

Appendix D
(cont'd.)

OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

CHANGES IN OTHER SPECIAL FUNDS — SCHEDULE 9

For the Year Ended March 31, 2006

($ millions)

	Mining Community Reserve	Quarry Rehabilitation Reserve Fund	Other Funds	Total 2006	Total 2005
Surplus, Beginning of Year	14	6	3	22	22
Revenue	1	2	3	6	7
Expenses	-	1	3	4	6
Net Revenue over Expenses	1	1	-	2	1
Transfers	2	-	-	2	1
Net Result for the Year	(1)	1	-	-	-
Surplus, End of Year	13	6	3	22	22

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Appendix D
(cont'd.)

EXCERPTS FROM "PROVINCE OF MANITOBA, ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2006"

OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

OPERATING FUND EXPENSE BY TYPE — SCHEDULE 10

For the Year Ended March 31, 2006

($ millions)

	2006	2005
Personnel Services	847	819
Grants/Transfer Payments	5,634	5,211
Transportation	47	43
Communications	28	29
Supplies and Services	317	288
Social Assistance Related	700	669
Other Operating	236	218
Net Debt Servicing - General (Note 16)	260	241
- Departments (Note 16)	91	85
Minor Capital	21	17
Amortization	103	98
	8,284	7,718

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Appendix E

SUMMARY OF WHO CONDUCTS THE AUDITS

(OAG - Office of the Auditor General; PSA - Private Sector Auditors)

	Audit Conducted By	
	OAG	PSA
Government Business Enterprises		
Leaf Rapids Town Properties Ltd.	X	
Manitoba Hazardous Waste Management Corporation		X
Manitoba Hydro-Electric Board		X
Manitoba Liquor Control Commission		X
Manitoba Lotteries Corporation		X
Manitoba Product Stewardship Corporation		X
Manitoba Public Insurance Corporation		X
Workers Compensation Board		X
Crown Organizations		
Addictions Foundation of Manitoba		X
Assiniboine Community College		X
Board of Administration under the Embalmers and Funeral Directors Act	X	
Brandon University	X	
CancerCare Manitoba		X
Centre Culturel Franco-Manitobain	X	
Child and Family Services of Central Manitoba		X
Child and Family Services of Western Manitoba		X
Collège universitaire de Saint-Boniface		X
Communities Economic Development Fund		X
Cooperative Loans and Loans Guarantee Board	X	
Cooperative Promotion Board	X	
Council on Post-Secondary Education	X	
Crown Corporations Council		X
Diagnostic Services of Manitoba Inc.		X
Economic Innovation and Technology Council	X	
First Nations of Northern Manitoba Child and Family Services Authority		X
First Nations of Southern Manitoba Child and Family Services Authority		X
General Child and Family Services Authority		X
Helen Betty Osborne Foundation	X	
Horse Racing Commission	X	
Insurance Council of Manitoba		X
Legal Aid Manitoba	X	
Manitoba Adolescent Treatment Centre Inc.		X
Manitoba Agricultural Credit Corporation	X	
Manitoba Arts Council		X
Manitoba Boxing Commission		X
Manitoba Centennial Centre Corporation	X	
Manitoba Community Services Council Inc.		X
Manitoba Crop Insurance Corporation	X	

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Appendix E
(cont'd.)

SUMMARY OF WHO CONDUCTS THE AUDITS

(OAG - Office of the Auditor General; PSA - Private Sector Auditors)

	Audit Conducted By	
	OAG	PSA
Manitoba Development Corporation		X
Manitoba Film and Sound Development Corporation		X
Manitoba Floodway Authority		X
Manitoba Gaming Control Commission	X	
Manitoba Habitat Heritage Corporation	X	
Manitoba Health Research Council		X
Manitoba Health Services Insurance Plan	X	
Manitoba Hospital Capital Financing Authority	X	
Manitoba Housing and Renewal Corporation	X	
Manitoba Opportunities Fund Ltd.		X
Manitoba Trade and Investment Corporation	X	
Manitoba Water Services Board	X	
Metis Child and Family Services Authority		X
Public Schools Finance Board	X	
Red River College		X
Rehabilitation Centre for Children, Inc.		X
Special Operating Agencies Financing Authority	X	
Sport Manitoba Inc.		X
Tire Stewardship Board		X
Travel Manitoba		X
University College of the North	X	
University of Manitoba	X	
University of Winnipeg	X	
Venture Manitoba Tours Ltd.		X
Special Operating Agencies		
Civil Legal Services		X
Companies Office		X
Fire Commissioner, Office of the		X
Fleet Vehicles Agency		X
Food Development Centre		X
Industrial Technology Centre		X
Land Management Services		X
Manitoba Education, Research and Learning Information Networks (MERLIN)		X
Manitoba Securities Commission		X
Manitoba Text Book Bureau	X	
Materials Distribution Agency		X
Organization and Staff Development	X	
Pineland Forest Nursery		X
The Property Registry		X
The Public Trustee	X	
Vital Statistics Agency		X

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Appendix E
(cont'd.)

SUMMARY OF WHO CONDUCTS THE AUDITS

(OAG - Office of the Auditor General; PSA - Private Sector Auditors)

	Audit Conducted By	
	OAG	**PSA**
Regional Health Authorities		
Assiniboine Regional Health Authority Inc.		X
Brandon Regional Health Authority Inc.		X
Burntwood Regional Health Authority Inc.		X
Churchill Regional Health Authority Inc.		X
Interlake Regional Health Authority		X
NOR-MAN Regional Health Authority Inc.		X
North Eastman Health Authority Inc.		X
Parkland Regional Health Authority Inc.		X
Regional Health Authority - Central Manitoba Inc.		X
South Eastman Regional/Sante Sud-Est Inc.		X
Winnipeg Regional Health Authority Inc.		X

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Appendix F

BALANCED BUDGET, DEBT REPAYMENT AND TAXPAYER ACCOUNTABILITY ACT

CHAPTER B5

THE BALANCED BUDGET, DEBT REPAYMENT AND TAXPAYER ACCOUNTABILITY ACT

(Assented to November 3, 1995)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Manitoba, enacts as follows:

Definitions

1 In this Act,

"allocation committee" means the Debt Retirement Fund Allocation Committee appointed under subsection 8(6.2); (« Comité de répartition »)

"balance" for a fiscal year means the net result as shown on the financial statements after expenditure, as adjusted by section 3, is subtracted from revenue, as adjusted by section 3, and after the application of transfers from the operating fund to the Debt Retirement Fund and from the Fiscal Stabilization Fund to the operating fund; (« solde »)

"Crown corporation" means Manitoba Hydro, The Manitoba Public Insurance Corporation, The Liquor Control Commission and The Manitoba Lotteries Corporation; (« société de la Couronne »)

10/00

CHAPITRE B5

LOI SUR L'ÉQUILIBRE BUDGÉTAIRE, LE REMBOURSEMENT DE LA DETTE ET L'OBLIGATION DE RENDRE COMPTE AUX CONTRIBUABLES

(Date de sanction : 3 novembre 1995)

SA MAJESTÉ, sur l'avis et avec le consentement de l'Assemblée législative du Manitoba, édicte :

Définitions

1 Les définitions qui suivent s'appliquent à la présente loi.

« Comité de répartition » Comité de répartition du Fonds de remboursement de la dette nommé en vertu du paragraphe 8(6.2). ("allocation committee")

« dépenses » Dépenses engagées au cours d'un exercice et déclarées dans les états financiers vérifiés du fonds de fonctionnement pour l'exercice. La présente définition ne vise toutefois pas les transferts effectués du fonds de fonctionnement au Fonds de stabilisation des recettes ou au Fonds de remboursement de la dette. ("expenditure")

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BALANCED BUDGET, DEBT REPAYMENT AND TAXPAYER ACCOUNTABILITY ACT

Appendix F
(cont'd.)

"Debt Retirement Fund" means the fund established in section 8; (« Fonds de remboursement de la dette »)

"expenditure" in respect of a fiscal year means expenditure as reported in the audited financial statements of the operating fund for that fiscal year, but does not include transfers from the operating fund to the Fiscal Stabilization Fund or the Debt Retirement Fund; (« dépenses »)

"financial statements" means the special purpose statements regarding the operating fund, prepared for the purpose of this Act to show whether the government is in compliance with this Act; (« états financiers »)

"Fiscal Stabilization Fund" means the Fiscal Stabilization Fund established in *The Fiscal Stabilization Fund Act*; (« Fonds de stabilisation des recettes »)

"general purpose debt" means general purpose debt as described in subsection 78(2) of *The Financial Administration Act*, but does not include

(a) debt associated with the acquisition of capital assets by the government for which an amortization allowance has been included in expenditure of the operating fund, or

(b) other debt incurred by the government for which a repayment provision has been included in expenditure of the operating fund; (« dette à portée générale »)

"minister" means the Minister of Finance; (« ministre »)

"net general purpose debt" means general purpose debt less the book value of related sinking funds; (« dette nette à portée générale »)

"net pension liability" means pension liability less the book value of related funds established for the payment of pensions; (« passif net découlant du régime de retraite »)

« dette à portée générale » La dette à portée générale que vise le paragraphe 78(2) de la *Loi sur la gestion des finances publiques*. La présente définition ne vise toutefois pas :

a) les dettes découlant de l'acquisition d'immobilisations, par le gouvernement, pour lesquelles une allocation d'amortissement a été portée aux dépenses du fonds de fonctionnement;

b) les autres dettes que le gouvernement a engagées et dont le remboursement a été prévu dans les dépenses du fonds de fonctionnement. ("general purpose debt")

« états financiers » Les états spéciaux du fonds de fonctionnement dressés pour l'application de la présente loi afin de démontrer si le gouvernement s'est conformé ou non à la présente loi. ("financial statements")

« fonds de fonctionnement » La partie du Trésor dans laquelle sont effectuées les transactions de fonctionnement du gouvernement, mais non celles visant les fonds détenus en fiducie. ("operating fund")

« Fonds de remboursement de la dette » Fonds constitué en vertu de l'article 8. ("Debt Retirement Fund")

« Fonds de stabilisation des recettes » Fonds de stabilisation des recettes constitué en vertu de la *Loi sur le Fonds de stabilisation des recettes*. ("Fiscal Stabilization Fund")

« ministre » Le ministre des Finances. ("minister")

« passif découlant du régime de retraite » Sommes nécessaires pour provisionner totalement les pensions que prévoient la *Loi sur la pension de la fonction publique* et la *Loi sur la pension de retraite des enseignants* qui sont payables sur le fonds de fonctionnement, mais qui ne sont pas déjà provisionnées. ("pension liability")

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Appendix F
(cont'd.)

BALANCED BUDGET, DEBT REPAYMENT AND TAXPAYER ACCOUNTABILITY ACT

"**operating fund**" means that part of the Consolidated Fund that records the operational activities of the government and does not record activities relating to moneys that are held in trust; (« fonds de fonctionnement »)

"**pension liability**" means the amount required to fully fund the pensions provided for under *The Civil Service Superannuation Act* and *The Teachers' Pensions Act* that are payable out of the operating fund and not funded in another manner; (« passif découlant du régime de retraite »)

"**revenue**" in respect of a fiscal year means revenue as reported in the audited financial statements of the operating fund for that fiscal year, but does not include transfers to the operating fund from the Debt Retirement Fund or the Fiscal Stabilization Fund; (« recettes »)

S.M. 2000, c. 42, s. 3.

« **passif net découlant du régime de retraite** » Passif découlant du régime de retraite moins la valeur comptable des fonds connexes établis pour le paiement des pensions. ("net pension liability")

« **recettes** » Recettes obtenues au cours d'un exercice et déclarées dans les états financiers vérifiés du fonds de fonctionnement pour l'exercice. La présente définition ne vise toutefois pas les transferts effectués du Fonds de stabilisation des recettes ou du Fonds de remboursement de la dette au fonds de fonctionnement. ("revenue")

« **société de la Couronne** » L'Hydro-Manitoba, la Société d'assurance publique du Manitoba, la Société des alcools et la Corporation manitobaine des loteries. ("Crown corporation")

« **solde** » Résultat net d'un exercice figurant aux états financiers et obtenu en soustrayant les dépenses, rajustées en vertu de l'article 3, des recettes, rajustées en vertu de l'article 3, et après avoir affecté les transferts du fonds de fonctionnement au fonds de remboursement de la dette et du Fonds de stabilisation des recettes au fonds de fonctionnement. ("balance")

L.M. 2000, c. 42, art. 3

BALANCED BUDGET REQUIREMENT

Fiscal year 2000-01 and thereafter

2 Subject to subsection 4(2), for the fiscal year ending on March 31, 2001 and for each fiscal year thereafter, the government is not to incur a negative balance.

S.M. 2000, c. 42, s. 4.

Transfers from Debt Retirement Fund not included in determining balance

3(1) For greater certainty, transfers from the Debt Retirement Fund to the operating fund shall not be included in determining whether there is a positive or negative balance for a fiscal year.

ÉQUILIBRE BUDGÉTAIRE

Exercices 2000-2001 et subséquents

2 Sous réserve du paragraphe 4(2), le gouvernement s'interdit de terminer l'exercice se terminant le 31 mars 2001 et les exercices subséquents avec un solde négatif.

L.M. 2000, c. 42, art. 4.

Détermination du solde — transferts

3(1) Il est entendu que, pour la détermination du solde, positif ou négatif, d'un exercice, il n'est pas tenu compte des transferts du Fonds de remboursement de la dette au fonds de fonctionnement.

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BALANCED BUDGET, DEBT REPAYMENT AND TAXPAYER ACCOUNTABILITY ACT

Appendix F (cont'd.)

Proceeds from sale of Crown corporation not included in determining balance
3(1.1) Revenue or other financial assets received by the government in a fiscal year ending after March 31, 2000 as a result of selling shares or assets of a Crown corporation in the course of a privatization of the Crown corporation shall not be included in determining whether there is a positive or negative balance for the fiscal year.

Other amounts not required to be included in determining balance
3(2) The government is not required to include the following in determining whether there is a positive or negative balance for a fiscal year:

(a) an expenditure required in the fiscal year as a result of a natural or other disaster in Manitoba that could not have been anticipated and affects the province or a region of the province in a manner that is of urgent public concern;

(b) an expenditure required in the fiscal year because Canada is at war or under apprehension of war;

(c) a reduction in revenue of 5% or more in the fiscal year, other than a reduction resulting from a change in Manitoba's taxation laws.

Declaration of L. G. in C.
3(3) A declaration by the Lieutenant Governor in Council that, in the opinion of the Lieutenant Governor in Council, an expenditure or reduction of revenue as described in subsection (2) has occurred is conclusive for the purposes of this Act of the fact that the expenditure or reduction occurred and in that amount.

Content of declaration
3(4) A declaration under subsection (3) shall include a description of the expenditure and why it was necessary and of the reduction in revenue and why it occurred.

Accounting policies
3(5) Subject to subsection (6), expenditure and revenue of a fiscal year shall be determined in accordance with the accounting policies that are observed for the fiscal year as disclosed in the audited financial statements of the operating fund for that fiscal year.

Détermination du solde — vente de sociétés de la Couronne
3(1.1) Pour la détermination du solde, positif ou négatif, des exercices postérieurs au 31 mars 2001, il n'est pas tenu compte des recettes ni des autres actifs financiers que le gouvernement obtient en contrepartie de la vente d'actions ou d'actifs de sociétés de la Couronne faisant l'objet d'une privatisation.

Détermination du solde — autres sommes
3(2) Le gouvernement n'est pas obligé de tenir compte des circonstances mentionnées plus bas pour déterminer le solde, positif ou négatif, d'un exercice :

a) la survenance, au Manitoba, d'un sinistre imprévu, notamment un sinistre naturel, qui a touché la totalité ou une partie de la province d'une manière telle qu'il constitue une question urgente d'intérêt public;

b) le Canada était en guerre ou se préparait à la guerre;

c) la réduction d'au moins 5 % des recettes au cours de l'exercice qui n'est pas attribuable à des modifications apportées aux lois fiscales de la province.

Déclaration du lieutenant-gouverneur
3(3) Le fait que le lieutenant-gouverneur en conseil déclare estimer qu'il y a eu engagement de dépenses ou réduction de recettes, ainsi qu'il est indiqué au paragraphe (2), constitue, aux fins de la présente loi, une preuve des dépenses ou de la réduction et de leur montant.

Contenu de la déclaration
3(4) Sont énoncées dans la déclaration visée au paragraphe (3) les dépenses engagées et les raisons de leur engagement ainsi que la réduction des recettes et les raisons de cette réduction.

Principes comptables
3(5) Sous réserve du paragraphe (6), les dépenses et les recettes d'un exercice sont déterminées en conformité avec les principes comptables précisés aux états financiers vérifiés annuels du fonds de fonctionnement.

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Appendix F
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BALANCED BUDGET, DEBT REPAYMENT AND TAXPAYER ACCOUNTABILITY ACT

Concerns of Auditor General
3(6) If the audited financial statements of the operating fund for a fiscal year contain a reservation of the Auditor General that results directly from a change in accounting policies occurring after March 31, 1995 that is not authorized by this Act, the government will not be considered to be in compliance with this Act unless a restatement of the financial statements of the operating fund for that fiscal year, excluding the effect of the change in accounting policies, would show the government to be in compliance with this Act.

S.M. 2000, c. 42, s. 5; S.M. 2001, c. 39, s. 31.

Negative balance requires offsetting positive balance in following year
4(1) If there is a negative balance in a fiscal year, the government is required to achieve at least an offsetting positive balance in the next fiscal year.

Application to government change
4(2) If there is a general election and the party forming the government after the election is different from the party forming the government before the election, subsection (1) does not require the government after the election to achieve an off-setting positive balance in connection with a negative balance incurred in the fiscal year during which the election took place.

S.M. 2000, c. 42, s. 6.

Audited financial statements
5 The audited financial statements of the operating fund for a fiscal year shall be completed and made public within six months after the end of that fiscal year.

Reporting requirements
6 The minister shall include a report on compliance with this Act in the third-quarter financial report and in the audited financial statements of the operating fund for a fiscal year.

Failure to meet requirements: third-quarter projection
7(1) If in respect of a fiscal year ending after March 31, 2000 the government is projecting a negative balance in the third-quarter financial report, the amount payable to each member of the Executive Council as remuneration for service as a member of the Executive Council, for the 12-month period commencing on April 1 of the fiscal year immediately following the fiscal year to which the third-quarter financial report relates, shall be reduced by

Opinion du vérificateur
3(6) Si les états financiers annuels vérifiés du fonds de fonctionnement contiennent une restriction du vérificateur général découlant directement d'une modification des principes comptables, adoptée après le 31 mars 1995, qui va à l'encontre de la présente loi, le gouvernement n'est réputé se conformer à la présente loi que s'il refait les états financiers du fonds de fonctionnement de l'exercice en ne tenant pas compte de ces modifications de façon à qu'ils indiquent qu'il s'est conformé à la présente loi.

L.M. 2000, c. 42, art. 5; L.M. 2001, c. 39, art. 31.

Compensation du déficit
4(1) Lorsque le solde d'un exercice est négatif, le gouvernement est tenu de réaliser, au cours de l'exercice subséquent, un solde positif compensant au moins ce solde négatif.

Changement de gouvernement
4(2) En cas d'élections générales, le paragraphe (1) ne s'applique pas, à l'égard de tout solde négatif enregistré pendant l'exercice au cours duquel ont eu lieu les élections, au nouveau gouvernement s'il est formé d'un autre parti que celui qui était au pouvoir avant les élections.

L.M. 2000, c. 42, art. 6.

États financiers vérifiés
5 Les états financiers vérifiés annuels du fonds de fonctionnement sont rendus publics dans les six mois suivant la fin de chaque exercice.

Respect de la Loi
6 Pour chaque exercice, le ministre joint un rapport de conformité avec la présente loi au rapport financier du troisième trimestre et aux états financiers vérifiés du fonds de fonctionnement.

Prévisions budgétaires du troisième trimestre
7(1) Si le gouvernement prévoit, dans son rapport financier du troisième trimestre d'un exercice se terminant après le 31 mars 2000, un solde négatif, la rémunération que les ministres reçoivent à titre de membres du Conseil exécutif est minorée, pendant la période de 12 mois commençant le 1er avril suivant l'exercice auquel s'applique le rapport financier :

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BALANCED BUDGET, DEBT REPAYMENT AND TAXPAYER ACCOUNTABILITY ACT

Appendix F (cont'd.)

(a) 20%, in a case where the government did not incur a negative balance in the fiscal year immediately preceding the fiscal year to which the report relates;

(b) 40%, in a case where the government incurred a negative balance in the fiscal year immediately preceding the fiscal year to which the report relates.

Refund
7(2) If the audited financial statements of the operating fund for a fiscal year show that the government is in compliance with this Act and amounts have been deducted from amounts payable to members of the Executive Council in connection with that fiscal year under subsection (1), the amounts so deducted shall be refunded to the members of the Executive Council.

Failure to meet requirements: year-end
7(3) If in respect of a fiscal year ending after March 31, 2000 the audited financial statements of the operating fund show that the government incurred a negative balance, and no amount is being deducted from amounts payable to members of the Executive Council under subsection (1) in connection with that fiscal year, the amount payable to each member of the Executive Council as remuneration for service as a member of the Executive Council, for the 12-month period commencing on April 1 of the fiscal year immediately following the fiscal year to which the statements relate, shall be reduced by

(a) 20%, in a case where the government did not incur a negative balance in the fiscal year immediately preceding the fiscal year to which the statements relate;

(b) 40%, in a case where the government incurred a negative balance in the fiscal year immediately preceding the fiscal year to which the statements relate.

Reduction process
7(4) The reduction required by subsection (3) may be prorated over the months that remain in the fiscal year after the publication of the audited financial statements of the operating fund.

Ceasing to be a member of the Executive Council
7(5) A reduction in the amount payable to a member of the Executive Council under this section applies only during the period when he or she serves as a member of the Executive Council.

a) de 20 %, si le gouvernement n'a pas obtenu un solde négatif au cours de l'exercice précédant celui auquel s'applique le rapport;

b) de 40 %, si le gouvernement a obtenu un solde négatif au cours de l'exercice précédant celui auquel s'applique le rapport.

Remboursement
7(2) Toute somme déduite de la rémunération des ministres en vertu du paragraphe (1) à l'égard d'un exercice leur est remboursée si les états financiers vérifiés annuels du fonds de fonctionnement indiquent que le gouvernement s'est conformé à la présente loi.

Défaut
7(3) Si les états financiers vérifiés du fonds de fonctionnement pour tout exercice se terminant après le 31 mars 2000 indiquent que le gouvernement a obtenu un solde négatif et qu'aucune minoration n'ait été effectuée en application du paragraphe (1) pour cet exercice, la rémunération que les ministres reçoivent à titre de membres du Conseil exécutif est minorée, pendant la période de 12 mois commençant le 1er avril suivant l'exercice auquel s'appliquent les états financiers :

a) de 20 %, si le gouvernement n'a pas obtenu un solde négatif au cours de l'exercice précédant celui auquel s'applique le rapport;

b) de 40 %, si le gouvernement a obtenu un solde négatif au cours de l'exercice précédant celui auquel s'applique le rapport.

Processus de minoration
7(4) La minoration visée au paragraphe (3) peut être répartie sur la partie de l'exercice qui suit la publication des états financiers vérifiés du fonds de fonctionnement.

Titulaires de portefeuille ministériel
7(5) La minoration de rémunération visée au présent article ne s'applique qu'à la période pendant laquelle la personne est membre du Conseil exécutif.

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BALANCED BUDGET, DEBT REPAYMENT AND TAXPAYER ACCOUNTABILITY ACT

New members of the Executive Council
7(6) A reduction in the amount payable to members of the Executive Council under this section applies on a prorated basis to any new member of the Executive Council appointed during the period of the reduction.

S.M. 2000, c. 42, s. 7.

Nouveaux ministres
7(6) La minoration visée au présent article s'applique aux ministres nommés au cours de la période de minoration de façon proportionnelle à la partie de la période au cours de laquelle ils sont ministre.

L.M. 2000, c. 42, art. 7.

DEBT RETIREMENT FUND

Debt Retirement Fund
8(1) In this section, **"fund"** means the Debt Retirement Fund established in subsection (2).

Fund established
8(2) The Debt Retirement Fund is hereby established under the direction and control of the minister.

Management of fund
8(3) The minister shall hold the fund in trust and shall manage the fund in accordance with the provisions of *The Financial Administration Act* and this Act.

Transfers to the fund from the operating fund mandatory
8(4) Despite *The Financial Administration Act*, the minister

(a) may, with the approval of the Lieutenant Governor in Council, transfer to the fund from the operating fund in any fiscal year any amounts that the Lieutenant Governor in Council considers appropriate; and

(b) shall, in each fiscal year ending after March 31, 2000, until the fund is wound up under subsection (12), transfer to the fund from the operating fund an amount equal to the greater of the following amounts:

(i) $96,357,000., as adjusted from time to time under subsection (4.1),

(ii) 1% of the total of the net general purpose debt and the net pension liability as at the end of the immediately preceding fiscal year.

FONDS DE REMBOURSEMENT DE LA DETTE

Définition
8(1) Pour l'application du présent article, « **Fonds** » s'entend du Fonds de remboursement de la dette constitué en application du paragraphe (2).

Constitution
8(2) Est constitué le Fonds de remboursement de la dette. Le ministre en est responsable.

Administration du Fonds
8(3) Le ministre détient le Fonds en fiducie et l'administre en conformité avec la présente loi et la *Loi sur l'administration financière*.

Transferts du fonds de fonctionnement
8(4) Malgré la *Loi sur la gestion des finances publiques*, le ministre :

a) peut, avec l'approbation du lieutenant-gouverneur en conseil, transférer du fonds de fonctionnement au Fonds les sommes que le lieutenant-gouverneur en conseil estime appropriées;

b) pour tout exercice se terminant après le 31 mars 2000 et jusqu'à ce que le Fonds soit liquidé en vertu du paragraphe (12), est tenu de transférer du fonds de fonctionnement au Fonds une somme équivalant au plus élevé des montants qui suivent :

(i) 96 357 000 $, rajusté conformément au paragraphe (4.1),

(ii) 1 % du total de la dette nette à portée générale et du passif net découlant du régime de retraite à la clôture de l'exercice précédent.

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BALANCED BUDGET, DEBT REPAYMENT AND TAXPAYER ACCOUNTABILITY ACT

Appendix F (cont'd.)

Adjustment of transfer amount
8(4.1) The amount set out in subclause (4)(b)(i) shall be increased in each fiscal year commencing after March 31, 2001

(a) by 7% of all amounts transferred from the fund to the operating fund after March 31, 2000 for the repayment of general purpose debt; and

(b) if the amount remaining, after the allocation to general purpose debt, is insufficient to match the projected pension contributions of new employees hired on or after April 1, 2000, by any amount the minister considers necessary to ensure that those projected pension contributions can be matched.

Earnings of fund
8(5) The minister shall credit to the fund any earnings from investments of the fund.

Transfers from the fund to the operating fund
8(6) The minister, with the approval of the Lieutenant Governor in Council,

(a) may, from time to time during a fiscal year, transfer to the operating fund all or any part of the amounts standing to the credit of the fund, to be used for the sole purpose of reducing the general purpose debt and the pension liability of the government; and

(b) shall, at least once every five years after March 31, 2000, transfer to the operating fund all of the amounts standing to the credit of the fund, to be used for the sole purpose of reducing the general purpose debt and the pension liability of the government.

Allocation between general purpose debt and pension liability
8(6.1) The amount transferred to the fund under clause (4)(b) shall be allocated between general purpose debt and pension liability as follows:

(a) for the fiscal year ending March 31, 2001, $75,000,000. to general purpose debt and the remainder to pension liability; and

(b) for each fiscal year ending after March 31, 2001, as determined by the allocation committee.

Rajustement annuel
8(4.1) La somme indiquée au sous-alinéa (4)b)(i) est majorée, au cours de chaque exercice commençant après le 31 mars 2001 :

a) de 7 % des sommes transférées du Fonds au fonds de fonctionnement après le 31 mars 2000 pour le remboursement de la dette à portée générale;

b) de la somme que le ministre estime nécessaire pour provisionner les cotisations de contrepartie prévues pour les employés engagés à partir du 1er avril 2000 si le solde, après l'allocation pour la dette à portée générale, n'est pas suffisant pour les provisionner.

Revenus du Fonds
8(5) Le ministre porte au crédit du Fonds les revenus provenant des placements de celui-ci.

Transferts
8(6) Avec l'approbation du lieutenant-gouverneur en conseil, le ministre :

a) peut transférer au fonds de fonctionnement, au cours d'un exercice, la totalité ou une partie des sommes à l'actif du Fonds afin de réduire la dette à portée générale du gouvernement et son passif découlant du régime de retraite;

b) après le 31 mars 2000, est tenu de transférer au fonds de fonctionnement, au moins une fois par cinq ans, les sommes à l'actif du Fonds afin de réduire la dette à portée générale du gouvernement et son passif découlant du régime de retraite.

Répartition entre la dette et le passif
8(6.1) La somme transférée au Fonds en vertu de l'alinéa (4)b) est répartie entre la dette à portée générale et le passif découlant du régime de retraite comme suit :

a) pour l'exercice se terminant le 31 mars 2001, 75 000 000 $ pour la dette à portée générale et le reste pour le passif découlant du régime de retraite;

b) pour les exercices se terminant après le 31 mars 2001, conformément à ce que détermine le Comité de répartition.

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BALANCED BUDGET, DEBT REPAYMENT AND TAXPAYER ACCOUNTABILITY ACT

Debt Retirement Fund Allocation Committee
8(6.2) The Debt Retirement Fund Allocation Committee is established consisting of

(a) the Deputy Minister of Finance, who shall be the chairperson of the allocation committee; and

(b) at least four other individuals appointed by the Lieutenant Governor in Council who, in the opinion of the Lieutenant Governor in Council, demonstrate financial expertise and competence, each of whom may be appointed for any term the Lieutenant Governor in Council considers appropriate.

Duties of allocation committee
8(6.3) The allocation committee shall determine the allocation between general purpose debt and pension liability of

(a) the amounts transferred to the fund under subsection (4) and clause 9(b); and

(b) any earnings from investments of the fund.

Effective reduction of aggregate amount
8(6.4) In determining the allocation of the amounts transferred to the fund between general purpose debt and pension liability, the allocation committee shall follow investment and debt reduction principles that, subject to subsection (6.5), in the opinion of the committee, will result in the most effective reduction of the aggregate amount owing.

Requirement regarding matching contributions for new employees
8(6.5) The allocation committee shall ensure that provision exists for matching the projected pension contributions of new employees hired on or after April 1, 2000.

No lapse
8(7) Notwithstanding any other Act or law, amounts standing to the credit of the fund do not lapse at the end of a fiscal year.

Fiscal year
8(8) The fiscal year of the fund is the period commencing on April 1 in one year and ending on March 31 in the next year.

Comité de répartition du Fonds de remboursement
8(6.2) Est créé le Comité de répartition du Fonds de remboursement de la dette constitué :

a) du sous-ministre des Finances, qui en est le président;

b) d'au moins quatre autres personnes que le lieutenant-gouverneur en conseil nomme pour la durée qu'il juge indiquée et qui, selon lui, ont les connaissances et les compétences financières nécessaires.

Attributions du Comité de répartition
8(6.3) Le Comité de répartition détermine la répartition des sommes mentionnées plus bas à la dette de portée générale et au passif découlant du régime de retraite :

a) les sommes transférées au Fonds en vertu du paragraphe (4) et de l'alinéa 9b);

b) les gains provenant des investissements du Fonds.

Réduction réelle du montant global
8(6.4) Pour déterminer la répartition des sommes transférées au Fonds au titre de la dette à portée générale et du passif découlant du régime de retraite, le Comité de répartition respecte les principes de placement et de réduction de la dette qui, selon lui et sous réserve du paragraphe (6.5), sont les plus efficaces pour réduire le montant global de la dette.

Exigences — cotisation des nouveaux employés
8(6.5) Le Comité de répartition s'assure que sont provisionnées les cotisations de contrepartie prévues pour les employés engagés à partir du 1er avril 2000.

Annulation
8(7) Malgré toute autre loi ou règle de droit, les sommes à l'actif du Fonds ne sont pas annulées à la fin de l'exercice.

Exercice
8(8) L'exercice du Fonds commence le 1er avril d'une année et se termine le 31 mars de l'année suivante.

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BALANCED BUDGET, DEBT REPAYMENT AND TAXPAYER ACCOUNTABILITY ACT

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Audit
8(9) The accounts and transactions of the fund shall be audited annually by the Auditor General.

Financial statements
8(10) The minister shall, annually, within six months after the end of the fiscal year, submit to the Lieutenant Governor in Council the audited financial statements of the fund for that fiscal year.

Tabling of statements in Assembly
8(11) The minister shall table in the Legislative Assembly a copy of the financial statements of the fund provided to the Lieutenant Governor in Council pursuant to subsection (10) immediately if the Assembly is then in Session and, if it is not then in Session, within 15 days of the beginning of the next Session.

Winding up of fund
8(12) If, in the opinion of the minister, sufficient money has been set aside to retire the general purpose debt and cover the pension liability of the government, the minister, with the approval of the Lieutenant Governor in Council, may wind up the fund and transfer any amounts remaining in the fund to the operating fund.

S.M. 2000, c. 42, s. 8; S.M. 2001, c. 39, s. 31

Vérification
8(9) Le vérificateur général examine annuellement les comptes et les opérations du Fonds.

États financiers
8(10) Le ministre présente au lieutenant-gouverneur en conseil, dans les six mois suivant la fin de chaque exercice, les états financiers vérifiés annuels du Fonds.

Dépôt des états financiers à l'Assemblée
8(11) Le ministre dépose immédiatement devant l'Assemblée législative un exemplaire des états financiers du Fonds présentés au lieutenant-gouverneur en conseil en vertu du paragraphe (10); toutefois, si l'Assemblée législative ne siège pas, il les dépose dans les quinze premiers jours de séance ultérieurs.

Liquidation du Fonds
8(12) Le ministre peut, avec l'autorisation du lieutenant-gouverneur en conseil, liquider le Fonds s'il juge que des sommes suffisantes pour éteindre la dette à portée générale du gouvernement et pour provisionner son passif découlant du régime de retraite ont été amassées, puis transférer le solde du Fonds, le cas échéant, au fonds de fonctionnement.

L.M. 2000, c. 42, art. 8; L.M. 2001, c. 39, art. 31.

DISPOSITION OF POSITIVE BALANCE

Disposition of positive balance
9 If a positive balance exists in a fiscal year, the minister shall dispose of the amount of the positive balance as follows:

(a) the amount required to bring the Fiscal Stabilization Fund to its target level as described in section 3.1 of *The Fiscal Stabilization Fund Act*, or any greater amount that the minister, with the approval of the Lieutenant Governor in Council, considers appropriate, shall be transferred to the Fiscal Stabilization Fund;

(b) any amount remaining after a transfer under clause (a) may be left as a positive balance of the operating fund or may, with the approval of the Lieutenant Governor in Council, be transferred to the Debt Retirement Fund.

S.M. 2000, c. 42, s. 9.

UTILISATION DU SOLDE POSITIF

Utilisation du solde positif
9 Le ministre utilise tout solde positif accumulé au cours d'un exercice comme suit :

a) il transfère au Fonds de stabilisation des recettes soit les sommes nécessaires pour atteindre le niveau cible du Fonds visé à l'article 3.1 de la *Loi sur le Fonds de stabilisation des recettes*, soit, avec l'approbation du lieutenant-gouverneur en conseil, les sommes plus élevées qu'il juge appropriées;

b) après les transferts effectués en vertu de l'alinéa a), il peut, avec l'approbation du lieutenant-gouverneur en conseil, transférer le reste du solde positif au Fonds de remboursement de la dette ou le laisser à l'actif du fonds de fonctionnement à titre de solde positif.

L.M. 2000, c. 42, art. 9.

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BALANCED BUDGET, DEBT REPAYMENT AND TAXPAYER ACCOUNTABILITY ACT

TAX REFERENDUM REQUIREMENT

Referendum required for tax changes
10(1) Subject to subsection (2), the government shall not present to the Legislative Assembly a bill to increase the rate of any tax imposed by an Act or part of an Act listed below, unless the government first puts the question of the advisability of proceeding with such a bill to the voters of Manitoba in a referendum, and a majority of the persons who vote in the referendum authorize the government to proceed with the changes:

(a) *The Health and Post Secondary Education Tax Levy Act*;

(b) *The Income Tax Act*;

(c) *The Retail Sales Tax Act*;

(d) Part I of *The Revenue Act*.

Revenue neutral and external changes
10(2) Subsection (1) does not apply to

(a) a bill to increase the rate of a tax if, in the opinion of the minister, the increase results from changes in federal taxation laws and is necessary to maintain provincial revenue or to give effect to a restructuring of taxation authority between the federal government and provincial governments;

(b) a bill to increase the rate of a tax if, in the opinion of the minister, the proposed change is designed to restructure the tax burden and does not result in an increase in revenue.

Procedures for referendum
11(1) A referendum under subsection 10(1) shall be conducted and managed by the Chief Electoral Officer in the same manner, to the extent possible, as a general election under *The Elections Act*, and the provisions of *The Elections Act* apply with necessary modifications to a referendum.

Question to be put to voters
11(2) The question to be put to voters in a referendum under subsection 10(1) shall be determined by Order of the Lieutenant Governor in Council at the commencement of the referendum process.

EXIGENCES EN MATIÈRE DE RÉFÉRENDUM SUR LES TAXES

Référendum – modification des taxes
10(1) Sous réserve du paragraphe (2), le gouvernement peut déposer à l'Assemblée législative un projet de loi prévoyant l'augmentation du taux de taxation ou d'imposition prévu par la totalité ou une partie d'une des lois citées ci-dessous s'il demande au préalable, par voie de référendum, l'avis de l'électorat manitobain sur les modifications proposées et que celui-ci lui donne l'autorisation, par un vote majoritaire, de procéder à l'adoption des modifications

a) la *Loi sur l'impôt destiné aux services de santé et à l'enseignement postsecondaire*;

b) la *Loi de l'impôt sur le revenu*;

c) la *Loi de la taxe sur les ventes au détail*;

d) la partie 1 de la *Loi sur le revenu*.

Exception
10(2) Le paragraphe (1) ne s'applique pas :

a) aux projets de loi prévoyant l'augmentation du taux d'une taxe ou d'un impôt si le ministre juge que l'augmentation résulte de modifications apportées aux lois fiscales fédérales et est nécessaire au maintien des recettes provinciales ou au plein effet d'un transfert de pouvoirs en matière de fiscalité entre les gouvernements fédéral et provinciaux;

b) aux projets de loi prévoyant l'augmentation du taux d'une taxe ou d'un impôt si le ministre juge que les modifications ont pour but de redistribuer le fardeau fiscal sans entraîner une augmentation des recettes.

Processus référendaire
11(1) Le directeur général des élections tient et dirige tout référendum visé au paragraphe 10(1), dans la mesure du possible, de la même façon que sont tenues les élections générales en vertu de la *Loi électorale* dont les dispositions s'appliquent, avec les adaptations nécessaires, aux référendums.

Libellé de la question
11(2) Le lieutenant-gouverneur en conseil détermine, par décret, au début du processus de tout référendum devant être tenu en vertu du paragraphe 10(1), le libellé de la question devant en faire l'objet.

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BALANCED BUDGET, DEBT REPAYMENT AND TAXPAYER ACCOUNTABILITY ACT

Appendix F
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Regulations re procedures
11(3) The Lieutenant Governor in Council may make any regulations that the Lieutenant Governor in Council considers necessary respecting the referendum process to give effect to subsection 10(1), including, without limiting the generality of the foregoing,

(a) governing the preparation of a voters list;

(b) governing the expenses, if any, that may be incurred, and the contributions, if any, that may be made, and by whom, in connection with a referendum;

(c) where greater certainty is required, modifying to the extent necessary the provisions of *The Elections Act* to make them applicable to the requirements of a referendum.

Costs of referendum
11(4) The costs of conducting a referendum shall be paid from the Consolidated Fund.

Règlement – procédure
11(3) Le lieutenant-gouverneur en conseil peut, par règlement, prendre les mesures nécessaires pour donner plein effet au paragraphe 10(1), et notamment:

a) régir la préparation de la liste électorale pour la tenue d'un référendum;

b) régir le genre de dépenses et de contributions permises, le cas échéant, dans le cadre d'un référendum et régir qui peut les engager ou les faire;

c) effectuer les modifications nécessaires à la *Loi sur les élections* de façon à respecter les exigences d'un référendum.

Coûts d'un référendum
11(4) Les dépenses engagées pour la tenue d'un référendum sont payées sur le Trésor.

AMENDMENT OR REPEAL

Amendment or repeal
12(1) Any bill introduced in the Legislative Assembly to amend, repeal, override or suspend the operation of this Act shall be referred at the committee stage to a standing committee of the Legislative Assembly which provides the opportunity for representations by members of the public.

Requirements re hearings
12(2) The standing committee reviewing a bill described in this section shall not be scheduled until seven days after the later of

(a) the day the bill is distributed in the Legislative Assembly; and

(b) the day the public is given notice of the date, time and place of the committee meeting.

MODIFICATION OU ABROGATION

Modification ou abrogation
12(1) Les projets de loi déposés à l'Assemblée législative qui visent à modifier ou à abroger la présente loi, à déroger à son application ou à en suspendre l'application sont renvoyés, à l'étape de l'étude en comité, à un comité permanent de l'Assemblée afin de permettre au public de présenter ses observations.

Exigences
12(2) Les séances de tout comité permanent procédant à l'étude d'un projet de loi visé au présent article commencent au plus tôt sept jours après la plus éloignée des dates suivantes :

a) la date de distribution du projet de loi à l'Assemblée législative;

b) la date de communication d'un avis public indiquant l'heure, la date et l'endroit de l'étude du projet de loi.

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Appendix F
(cont'd.)

BALANCED BUDGET, DEBT REPAYMENT AND TAXPAYER ACCOUNTABILITY ACT

13 NOTE: This section contained consequential amendments to *The Fiscal Stabilization Fund Act* which are now included in that Act.

13 NOTE : Les modifications corrélatives que contenait l'article 13 ont été intégrées à la *Loi sur le Fonds de stabilisation des recettes* à laquelle elles s'appliquaient.

C.C.S.M. reference
14 This Act may be cited as *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act* and referred to as chapter B5 of the *Continuing Consolidation of the Statutes of Manitoba*.

S.M. 2000, c. 42, s. 11

Renvoi à la C.P.L.M.
14 La présente loi constitue la *Loi sur l'équilibre budgétaire, le remboursement de la dette et l'obligation de rendre compte aux contribuables*, chapitre B5 de la *Codification permanente des lois du Manitoba*.

L.M. 2000, c. 42, art. 11.

Coming into force
15 This Act comes into force on the day it receives royal assent.

Entrée en vigueur
15 La présente loi entre en vigueur le jour de sa sanction.

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THE FISCAL STABILIZATION FUND ACT

Appendix G

CHAPTER F85

THE FISCAL STABILIZATION FUND ACT

(Assented to December 13, 1989)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Manitoba, enacts as follows:

Interpretation

1 In this Act,

"balance" has the same meaning as in *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*; (« solde »)

"Crown corporation" means Manitoba Hydro, The Manitoba Public Insurance Corporation, The Liquor Control Commission and The Manitoba Lotteries Corporation; (« société de la Couronne »)

"fund" means the Fiscal Stabilization Fund established in section 2; (« Fonds »)

"minister" means the Minister of Finance; (« ministre »)

S.M. 2000, c. 42, s. 13.

CHAPITRE F85

LOI SUR LE FONDS DE STABILISATION DES RECETTES

(Sanctionnée le 13 décembre 1989)

SA MAJESTÉ, sur l'avis et du consentement de l'Assemblée législative du Manitoba, édicte :

Définitions

1 Les définitions qui suivent s'appliquent à la présente loi.

« Fonds » Le Fonds de stabilisation des recettes constitué en vertu de l'article 2. ("fund")

« ministre » Le ministre des Finances. ("minister")

« société de la Couronne » L'Hydro-Manitoba, la Société d'assurance publique du Manitoba, la Société des alcools et la Corporation manitobaine des loteries. ("Crown corporation")

« solde » S'entend au sens qui est attribué à ce terme dans la *Loi sur l'équilibre budgétaire, le remboursement de la dette et l'obligation de rendre des comptes aux contribuables*. ("balance")

L.M. 2000, c. 42, art. 13.

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Appendix G
(cont'd.)

THE FISCAL STABILIZATION FUND ACT

Fund established
2(1) The Fiscal Stabilization Fund is hereby established under the direction and control of the minister.

Purpose of fund
2(2) The purpose of the fund is to assist in stabilizing the fiscal position of the government from year to year and to improve long-term fiscal planning.

Management of fund
2(3) The minister shall hold the fund in trust and shall manage the fund in accordance with the provisions of *The Financial Administration Act*.

Transfers to fund
3(1) Subject to subsection (1.1) and despite *The Financial Administration Act*, the minister may, with the approval of the Lieutenant Governor in Council, transfer to the fund any part of a positive balance, in accordance with *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*.

Proceeds of sale of Crown corporation
3(1.1) For greater certainty, the minister shall not deposit in the fund any revenue or other financial assets received by the government in a fiscal year ending after March 31, 2000 as a result of selling shares or assets of a Crown corporation in the course of a privatization of the Crown corporation.

Earnings of fund
3(2) The minister shall credit to the fund any earnings from investments of the fund.

S.M. 2000, c. 42, s. 13.

Target level
3.1(1) In this section, **"target level"** means an amount equal to 5% of the expenditure of the operating fund of the Consolidated Fund.

Achieving target level
3.1(2) The minister shall make every effort to ensure that the amount standing to the credit of the fund reaches at least the target level.

S.M. 1995, c. 7, s.13.

Constitution du Fonds
2(1) Est constitué le Fonds de stabilisation des recettes. Le ministre en est responsable.

Objet
2(2) Le Fonds a pour objet de faciliter la stabilisation de la situation financière du gouvernement d'année en année et d'améliorer la planification financière à long terme.

Administration du Fonds
2(3) Le ministre détient le Fonds en fiducie et l'administre en conformité avec la *Loi sur l'administration financière*.

Transferts au Fonds
3(1) Sous réserve du paragraphe (1.1) et malgré la *Loi sur la gestion des finances publiques*, le ministre peut, avec l'approbation du lieutenant-gouverneur en conseil, transférer au Fonds toute partie d'un solde positif conformément à la *Loi sur l'équilibre budgétaire, le remboursement de la dette et l'obligation de rendre des comptes aux contribuables*.

Produit de la vente de sociétés de la Couronne
3(1.1) Il est entendu que le ministre s'interdit de déposer dans le Fonds les recettes et les autres actifs financiers que le gouvernement obtient, au cours d'un exercice se terminant après le 31 mars 2000, en contrepartie de la vente d'actions ou d'actifs de sociétés de la Couronne faisant l'objet d'une privatisation.

Revenus du Fonds
3(2) Le ministre porte au crédit du Fonds les revenus provenant des placements de celui-ci.

L.M. 2000, c. 42, art. 13.

Définition
3.1(1) Pour l'application du présent article, le « **niveau cible** » correspond à 5 % des dépenses du fonds de fonctionnement du Trésor.

Niveau cible
3.1(2) Le ministre déploie tous les efforts pour que les sommes à l'actif du Fonds atteignent au moins le niveau cible.

L.M. 1995, c. 7, art. 13.

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THE FISCAL STABILIZATION FUND ACT

Appendix G
(cont'd.)

Transfers out of the fund
4(1) Subject to subsection (2), the minister may, for the purpose mentioned in subsection 2(2), and with the approval of the Lieutenant Governor in Council, transfer to the Consolidated Fund all or any part of amounts standing to the credit of the fund.

Restriction
4(2) A transfer under subsection (1) may be made only once in each fiscal year.

S.M. 1995, c. 7, s.13; S.M. 2000, c. 42, s. 13.

No lapse
5 Notwithstanding any other Act or law, amounts standing to the credit of the fund do not lapse at the end of any fiscal year.

Fiscal year
6 The fiscal year of the fund shall be the period commencing on April 1 in one year and ending on March 31 in the next year.

Regulations
7 The Lieutenant Governor in Council may make any regulations that the Lieutenant Governor in Council considers necessary respecting the administration of the fund.

Audit
8 The accounts and transactions of the fund shall be audited annually by the Auditor General.

S.M. 2001, c. 39, s. 31.

Financial statements
9(1) The minister shall, annually, within six months of the end of the fiscal year, submit to the Lieutenant Governor in Council the audited financial statements of the fund for that fiscal year.

Tabling of statements in Assembly
9(2) The minister shall table in the Legislative Assembly a copy of the financial statements of the fund provided to the Lieutenant Governor in Council pursuant to subsection (1) forthwith if the Assembly is then in Session and, if it is not then in Session, within 15 days of the commencement of the next ensuing Session.

S.M. 1996, c. 59, s. 93.

Transferts
4(1) Sous réserve du paragraphe (2), le ministre peut, relativement à l'objet mentionné au paragraphe 2(2) et avec l'approbation du lieutenant-gouverneur en conseil, transférer au Trésor tout ou partie des montants compris dans le Fonds.

Restriction
4(2) Le transfert visé au paragraphe (1) ne peut être effectué qu'une fois.

L.M. 1995, c. 7, art.13; L.M. 2000, c. 42, art. 13.

Annulation
5 Malgré toute autre loi ou règle de droit, les montants compris dans le Fonds ne sont pas annulés à la fin de l'exercice.

Exercice
6 L'exercice du Fonds commence le 1er avril et se termine le 31 mars de l'année suivante.

Règlements
7 Le lieutenant-gouverneur en conseil peut prendre les règlements qu'il estime nécessaires relativement à l'administration du Fonds.

Vérification
8 Le vérificateur général examine annuellement les comptes et les opérations du Fonds.

L.M. 2001, c. 39, art. 31.

États financiers
9(1) Le ministre présente annuellement au lieutenant-gouverneur en conseil, dans les six mois suivant la fin de l'exercice, les états financiers vérifiés du Fonds pour cet exercice.

Dépôt des états à l'Assemblée
9(2) Le ministre dépose immédiatement devant l'Assemblée législative un exemplaire des états financiers du Fonds présentés au lieutenant-gouverneur en conseil en vertu du paragraphe (1); toutefois, si l'Assemblée législative ne siège pas, il les dépose dans les 15 premiers jours de séance ultérieurs.

L.M. 1996, c. 59, art. 93.

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Appendix G
(cont'd.)

THE FISCAL STABILIZATION FUND ACT

C.C.S.M.
10 This Act may be cited as chapter F85 of the *Continuing Consolidation of the Statutes of Manitoba*.

Coming into force
11 This Act is retroactive and is deemed to have come into force on March 31, 1989.

C.P.L.M.
10 La présente loi est le chapitre F85 de la *Codification permanente des lois du Manitoba*.

Entrée en vigueur
11 La présente loi a un effet rétroactif et est réputée être entrée en vigueur le 31 mars 1989.

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RECEIVABLES FOR SEVERANCE AND VACATION PAY DUE FROM THE PROVINCE

Appendix H

Province of Manitoba
Accrued Liability - Severance, Crown Organizations
March 31, 2006

Crown Agencies	
Addictions Foundation of Manitoba	$ 1,435,499
Assiniboine Community College	1,104,350
CancerCare Manitoba	1,646,660
Communities Economic Development Fund	65,400
Council on Post-Secondary Education	104,141
Horse Racing Commission	18,702
Legal Aid Manitoba	716,166
Manitoba Adolescent Treatment Centre Inc.	553,058
Manitoba Agricultural Services Corporation	428,901
Manitoba Centennial Centre Corporation	307,561
Manitoba Gaming Control Commission	146,079
Manitoba Housing and Renewal Corporation	1,446,105
Red River College	5,184,881
Rehabilitation Centre for Children, Inc.	259,607
Travel Manitoba	368,937
University College of the North	827,228
Sub-total	14,613,275
Regional Health Authorities	
Assiniboine Regional Health Authority Inc.	8,669,925
Brandon Regional Health Authority Inc.	8,636,465
Burntwood Regional Health Authority Inc.	1,758,851
Churchill Regional Health Authority Inc.	197,540
Interlake Regional Health Authority Inc.	5,277,128
NOR-MAN Regional Health Authority Inc.	2,654,372
North Eastman Health Association Inc.	1,859,090
Parkland Regional Health Authority Inc.	1,926,278
Regional Health Authority - Central Manitoba Inc.	9,115,360
South Eastman Health/Saute Sud-Est Inc.	1,898,575
Winnipeg Regional Health Authority Inc.	70,544,746
Sub-total	112,538,330
SOAs	
Civil Legal Services	248,300
Companies Office	170,800
Fleet Vehicles Agency	294,868
Food Development Centre	82,800
Industrial Technology Centre	142,200
Land Management Services	187,500
Manitoba Text Book Bureau	62,700
Manitoba Securities Commission	137,344
Manitoba Education, Research and Learning Information Networks (MERLIN)	26,400
Materials Distribution Agency	342,700
Office of the Fire Commissioner	281,700
Organization and Staff Development	33,100
Pineland Forest Nursery	142,300
Property Registry	1,041,400
Public Trustee	403,200
Vital Statistics Agency	126,300
Experience gain SOAs per Actuarial Valuation	(405,382)
Sub-total	3,318,230
Total March 31, 2006	$130,469,835

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Appendix H (cont'd.)

RECEIVABLES FOR SEVERANCE AND VACATION PAY DUE FROM THE PROVINCE

Province of Manitoba
Accrued Liability - Vacation Pay, Crown Organizations
March 31, 2006

Crown Agencies	
Addictions Foundation of Manitoba	$ 940,611
Assiniboine Community College	875,000
CancerCare Manitoba	1,715,083
Centre Culturel Franco-Manitobain	25,891
Child and Family Services of Central Manitoba	158,850
Child and Family Services of Western Manitoba	434,869
Council on Post-Secondary Education	26,963
Horse Racing Commission	10,149
Manitoba Adolescent Treatment Centre Inc.	706,940
Manitoba Agricultural Services Corporation	169,369
Manitoba Centennial Centre Corporation	199,964
Manitoba Housing and Renewal Corporation	410,280
Red River College	4,090,000
Rehabilitation Centre for Children, Inc.	138,650
University College of the North	742,665
Sub-total	10,645,284
Regional Health Authorities	
Assiniboine Regional Health Authority Inc.	6,484,052
Brandon Regional Health Authority Inc.	8,335,117
Burntwood Regional Health Authority Inc.	2,589,257
Churchill Regional Health Authority Inc.	348,158
Interlake Regional Health Authority Inc.	3,901,625
NOR-MAN Regional Health Authority Inc.	2,839,934
North Eastman Health Association Inc.	1,926,024
Parkland Regional Health Authority Inc.	7,582,679
Regional Health Authority - Central Manitoba Inc.	6,814,484
South Eastman Health/Saute Sud-Est Inc.	2,653,549
Winnipeg Regional Health Authority Inc.	82,708,311
Sub-total	126,183,190
SOAs	
Civil Legal Services	140,144
Companies Office	93,211
Land Management Services	132,925
Manitoba Text Book Bureau	32,726
Manitoba Securities Commission	116,332
Manitoba Education, Research and Learning Information Networks (MERLIN)	6,562
Materials Distribution Agency	46,870
Office of the Fire Commissioner	235,447
Pineland Forest Nursery	98,833
Property Registry	525,853
Public Trustee	224,974
Sub-total	1,653,877
Total March 31, 2006	$138,482,351

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RECEIVABLES FOR PENSIONS DUE FROM THE PROVINCE

Appendix I

Province of Manitoba
Due From Province of Manitoba for Pensions
March 31, 2006

Crown Agencies	
Addictions Foundation of Manitoba	$16,332,241
Child and Family Services of Central Manitoba	13,895
Communities Economic Development Fund	1,620,890
Council on Post-Secondary Education	1,031,345
Horse Racing Commission	271,207
Legal Aid Manitoba	10,023,029
Manitoba Agricultural Services Corporation	5,932,258
Manitoba Centennial Centre Corporation	4,862,000
Manitoba Housing and Renewal Corporation	5,657,598
Total March 31, 2006	$45,744,463

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Appendix J

GLOSSARY

Accumulated surplus/deficit	The total of all past annual surpluses and deficits to date.
Annual surplus/deficit	The difference between the government's annual revenues and expenses.
Derivative contract	A "swap" or other financial instrument that is entered into with a third party, and is used to hedge interest rate, foreign currency or other risk exposures.
Effective interest method	Method of calculating the amortized cost of a financial asset or liability and of allocating interest income or interest expense over the relevant period.
Effective interest rate	Rate which exactly discounts future cash payments or receipts over the expected life of the financial instrument.
Financial assets	Assets of government (such as cash, investments, loans and accounts receivable) that can be converted to cash in order to pay government's liabilities or finance its future operations.
General infrastructure assets	Also known as capital assets, physical assets, tangible assets, non-financial assets, physical capital stock. These general program capital assets form the infrastructure necessary to provide services to citizens.
Generally accepted accounting principles (GAAP)	This refers to the accounting policies that government should follow in order to be consistent in its accounting practices with other, similar, organizations. The accepted authority for GAAP for Canadian governments is the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).
General programs	Those activities of government which are not carried out by its profit-oriented enterprises.
Government Business Enterprises	Also known as commercial, self-supporting, or modified equity enterprises. These are self-sufficient Crown corporations that sell goods or services to parties outside the government reporting entity.
Government reporting entity	The group of organizations that are consolidated in the government's main summary financial statements.
Government transfers	Funds received by the Province from the Federal Government, such as the Equalization Transfers and the Canada Health and Social Transfers.

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Appendix J
(cont'd.)

GLOSSARY

Gross domestic product (GDP)	The money value of goods and services produced within a geographical boundary. GDP can be reported without adjusting for inflation (known as market value, current, or nominal GDP) or it may be discounted for the effects of inflation (real GDP).
Health Care Facilities	These facilities are controlled by a Regional Health Authority. They include faith based hospitals as well as personal care homes.
Hedging	Reducing potential exposure to foreign currency, interest rate or other risks. Often achieved by entering into derivative contracts with a third party.
Net debt	Defined as government's total liabilities less its financial assets, this is the residual liability amount that will have to be paid by future taxpayers.
Public debt	Borrowings of the government. Debt generally consists of debentures, notes payable, capital leases and mortgages.
Public debt expense	Also known as the cost of borrowing, or debt servicing costs, this is the interest incurred by government on its borrowings.
Summary financial statements	The provincial consolidated financial statements through which government reports its financial position and operating results.

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