



We Are
MEMBERTOU
2011 - 2012 ANNUAL REPORT





**we are
MEMBERTOU**

we are MEMBERTOU

We are a strong and prosperous community. We are our youth as they are our most precious asset. We are building for tomorrow through business partnerships on the foundations of culture and tradition. We are Membertou and we are welcoming you!

We look forward to the future for our people as we welcome the world to join us in our journey to move beyond the constraints of the past into a more inclusive future..

For over a decade, Membertou's Corporate Division has made remarkable progress in building a solid foundation for growth, built on these key messages:

- Membertou has worked hard over the last many years to ensure that life for our community members is full of opportunity and hope. Our chief and council work diligently to make decisions that will impact the community in a positive way.
- Creating employment opportunities for community members will help to secure the future of Membertou. Our

youth are our biggest asset. Through education and training, we are putting the succession plan in motion.

- Having a diverse portfolio of businesses and departments, our community members have many career choices. Between the government departments, the Membertou Trade & Convention Centre and the many other arms of Membertou, whoever wants a job in Membertou, has one.

- Each year Membertou grows a little more; creating new jobs, producing more corporate visibility, initiating more education and skills training. All of these have a huge impact on the sustainability of the community. Everything that Membertou does, has the well-being of the community in the forefront of its actions.



We are a strong and prosperous community.

We are our youth as they are our most precious asset.

We are building for tomorrow on the foundations of culture and tradition.

“ We are building for tomorrow on the foundations of culture and tradition. ”



OUR VISION FOR THE FUTURE...

Looking at Membertou's success over the past year, three key factors stand out:

Intention. Commitment. Leadership.

Even with 28 years of consistent leadership through our chief and council, this has been a year of rejuvenation of sorts. Our key values, however, have remained constant.

To reach the goals set out for our community, there must first be intention. 2011 brought enormous growth for our community with infrastructure upgrades, economic development projects and an increase in our national and international visibility. Most noticeably, the 2011 National Boxing Championships which were held at the Membertou Trade and Convention Centre. This was a staple event showing Canada that Membertou is able to host events of large capacities. As well, the completion of the Hampton Inn by Hilton Membertou and the construction of the pedway now offer visitors a unique experience, not found

at any other convention centre in Atlantic Canada.

Other key events have also helped our ongoing progress; the visit from Canada's Governor General, the Rick

// To reach the goals set out for our community, there must first be intention. //

Hanson Relay, the 2011 Mi'kmaw Summer Games in Wagmacook, the Lieutenant Governor's Community Spirit Award as well as his visit to Membertou. Perhaps one of the most exciting was the

Entrepreneur Centre's recognition by the United Nations.

Through these events we have strengthened partnerships and formed new relationships with national and international businesses which have brought much growth to our community. Their approach to business aligns strongly with ours and their broad business experience will help us ensure that we optimize our resources and build our community to our full potential. Everything we do in Membertou comes with intention; intention to create a viable, sustainable and vibrant community.

Our vision takes commitment; a commitment shared by chief and council, the executive team and the community.

// This vision for the future is taking

This vision for the future is taking shape with much anticipation for more success in the remainder of 2012. Our people, business partners, other Aboriginal communities and the government have faith in our ability to progress in economic initiatives and contribute greatly to the Cape Breton community and its economy. It is a responsibility that we take very seriously.

With many new developments on the horizon such as the Highway 125 Interchange project, the construction of 25 new homes in Membertou, the new Membertou Elementary School, the continued fundraising for the new Membertou Sports and Wellness Centre and the construction of the second Membertou Business Centre, our place in society is growing stronger. Our vision still incorporates innovations of today while remaining focused on conservation, sustainability of resources and reverence for our land and waters.

Guided by the wants and needs of the community, chief and council continue to believe that strong leadership will encourage the growth and sustainability of our community of Membertou.

"I LOOK FORWARD TO THE FUTURE FOR OUR PEOPLE. THE FOUNDATION OF INTENTION, COMMITMENT AND LEADERSHIP THAT WE HAVE BUILT OVER THE YEARS ENSURE A SUSTAINABLE FUTURE FOR OUR COMMUNITY; ONE FULL OF PROMISE."

TERRANCE PAUL
Chief / CEO





MEMBERTOU IS GROWING AT A VERY FAST PACE.

Over the last year we have spent much time reviewing our past successes, capitalizing on opportunities and evaluating our capacity to grow.

In order to continue moving forward, these pieces must all be examined and acted upon. Membertou has always had the foresight to realize its positives and then work on them. This past year was no different. Realizing the capacity that our community has for growth and the “up and coming youth” gives Membertou the basis for a bright future. Education, skills training and mentorship has been, and still is, a focus for chief and council. The training of our people allows for our community to look forward to continued success because of a solid base.

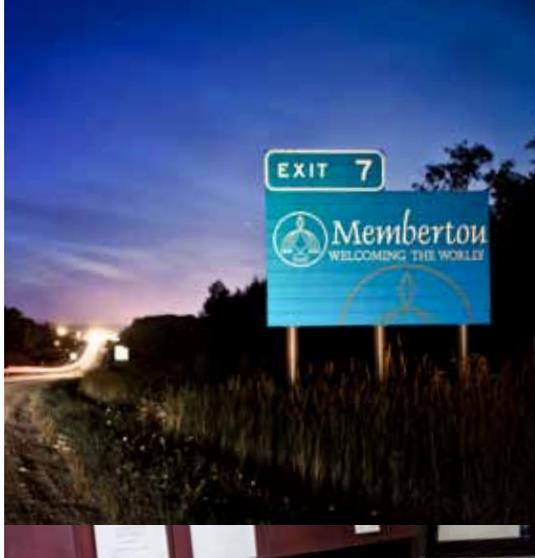
DAN CHRISTMAS
Senior Advisor



Our Elders give us guidance through experience and

With the continued efforts of the Step Up and METS programs, members of the community, including our youth, are given opportunities to investigate different career paths. From there they are given the tools and resources to pursue the career direction that they choose.

Membertou is growing at a very fast pace. With this growth comes opportunity however ensuring that our people have the qualifications to fill these positions has become a priority. When our community works together toward the advancement of our objectives; the community benefits greatly. Our Elders give us guidance through experience and our youth give us hope through their excitement. When a succession plan is in the background of all that we do then we can be certain that the our future for ourselves and our children is taken care of.



our youth give us hope through their excitement.





MEMBERTOU GOVERNANCE

Membertou operates under the Indian Act of Canada; federal legislation enacted by the Parliament of Canada.

We are governed by a chief and 12 councilors that are elected every two years by the Membertou community members. Chief Terrance Paul has been elected chief of Membertou for the past 28 consecutive years. The chief and council meet weekly to discuss Membertou's future plans, resolve any current issues, voice the thoughts and ideas of the community members, and to ensure smooth operation of its business and administrative departments.

GOVERNANCE COMMITTEE

The purpose of the Membertou/ Maupeltu Governance Committee is to develop laws and codes for the consideration of the citizens of the community of Membertou.

Chief Terry Paul encourages the community to get involved in the Membertou Governance Committee and its workshops. He says "If our

community continues to work as a team, it makes success a lot easier to achieve." Membertou was approached by the National Centre for First Nations Governance (NCFNG) as a leader in First Nations governance and asked to participate in its "Circle of Excellence" program which culminated in a Memorandum of Understanding (MOU) being signed between the two parties in December 2009. Both parties agreed to work cooperatively to document Membertou's challenges and successes in implementing its model of governance. A Circle of Excellence video of Membertou was created. Membertou's chief and council ratified the Terms of Reference for the Governance Committee and mandated the committee to work on

Registered On Reserve Population

912 people

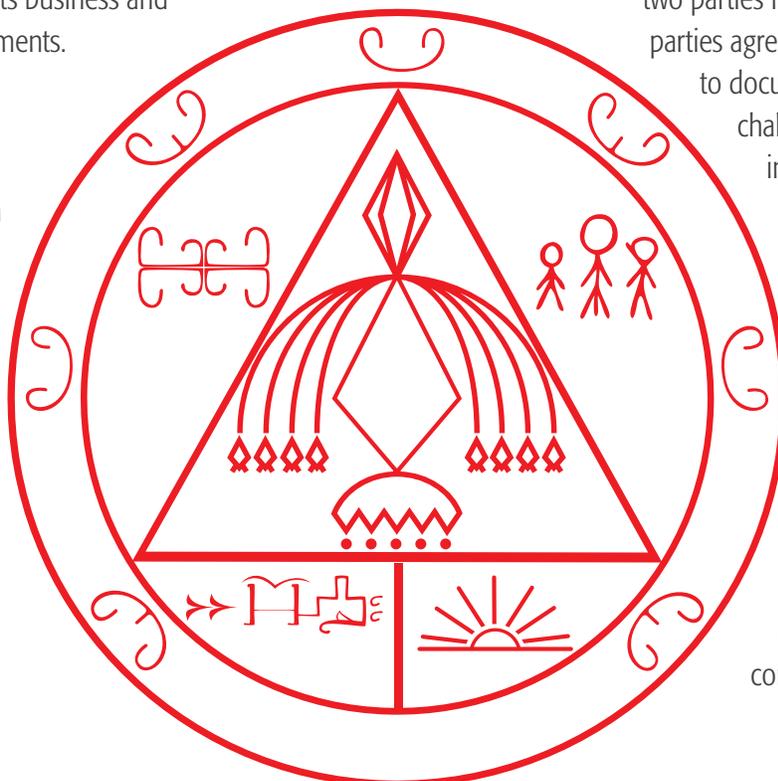
Registered Off Reserve Population

435 people

Total Land Base:

1.1 km

1000 plus acres



developing land and citizenship codes for review and discussion within the community. Chief and council sent out a call for community members to apply to sit on this committee. All thirty-four people who applied were accepted. Resources were made available to establish the committee, to conduct governance workshops and to hire a Governance Coordinator to embark on this important initiative. Because of community involvement in the governance committee, the people of Membertou can have a voice and a say.

YOUTH GOVERNANCE

It is important for the youth of the community to be informed about the governance in Membertou. The youth opinions and feedback about governance issues are important to the Governance Committee. Recently, the youth were provided with information about the activities of the Membertou Governance Committee. The youth participated in a “world café” activity to answer questions about how they identify themselves as youth, their role in governance and how to make Membertou a better place. One of the main outcomes of this engagement was setting a goal to develop a Youth Advisory Committee on Governance. The youth have participated in an Emerging Leadership program that helps them gain more insight, tools and information about becoming strong

youth leaders. The program helped them develop their Youth Advisory Committee on Governance.





INTERVIEW WITH YOUTH CHIEF TUMA

Youth opinions and feedback about governance issues are important to the Governance Committee. Youth Governance was created so that Membertou's youth have a voice in their community.

Q: How long have you lived in Membertou?

A: I lived in Membertou my whole life.

Q: What do you do during your leisure time?

A: I play hockey, go to the gym and love socializing with my friends and other community members.

Q: What is your favorite traditional Mi'kmaq dish?

A: My favorite traditional Mi'kmaq dish is salmon.

Q: What is your role and responsibilities in Youth Governance?

A: My role is chief. I feel as though my most important responsibility is to be a strong and constant voice to represent the youth of our community. I want to make sure that all the concerns and questions are acknowledged.

Q: How does Youth Governance improve the community?

A: I feel that this Youth Governance committee will improve the community by giving all the youth in Membertou the opportunity to express their views and opinions on matters that are important to them or affect the youth the most.

Q: What business development projects do you see as beneficial to the community?

A: I believe the hockey rink that they're building in the near future is a good benefit for the community. I hope that this will encourage fitness and healthy lifestyle in our community.

Q: How has your culture influenced your life?

A: By learning the sacred teachings from our elders it has taught me many things that I will carry with me for the rest of my life, and hopefully teach younger generations.

Q: What do you feel are the most important values for youth today?

A: I feel that the most important values for our youth today are respect for others and respect for ourselves.

I feel that the most important values for our youth today are respect for others and respect for ourselves.

Q: Do you see these values as being important to Membertou's youth?

A: These values are very important to Membertou's youth because respect is so important for everyone. To earn respect you need to give respect. I have an enormous amount of respect for our elders in our communities. I also think that having respect for ourselves is also very important because having respect for ourselves leads to self-esteem and confidence.

Q: What are your plans for the future?

A: My plan for the future is to be a police / RCMP officer and to hopefully run my own business.

TUMA STEVENS
Youth Chief

and respect for ourselves.





MEMBERTOU CORPORATE DIVISION

In January 2002, Membertou officially achieved ISO status, making us the first aboriginal government in the world to have many of its departments ISO 9001:2000 certified.

The International Organization for Standardization (ISO) is a worldwide federation that works to ensure consistency and quality in companies around the world. The value of ISO certification to an organization is vast. ISO compliance means that client companies can be confident that the organization has the systems and infrastructure in place to consistently deliver quality. This instills confidence and increases business prospects.

In January 2002, Membertou officially achieved ISO status, making us the first aboriginal government in the world to have many of its departments ISO 9001:2000 certified. With our financial house in order and a vastly improved management capacity, Membertou made three strategic decisions to attain a greater role in the mainstream economy. The first was to build on the innovations of today while at the same time incorporate the indigenous knowledge that is based on Membertou's community

pillars of sustainability, conservation, innovation and success.

The second was to increase our business profile by setting up the Membertou Corporate office in

opportunities generated by the new partnerships and initiatives. In the last 25 years, Membertou's operating budget grew to 112 million dollars. The number of employees jumped to over 700.

The revenue generated from our corporate entities is reinvested back into the community...

downtown Halifax and through this, an increase in sustainable partnerships.

The third decision was to initiate education and career-related training programs for citizens of Membertou to leverage the employment

Now with 14 corporate entities and 13 organizational departments, Membertou is the most advanced Aboriginal community in Atlantic Canada; generating over 1 million dollars in revenue per year. The revenue generated from the corporate entities is re-invested back into the community to produce further expansion, development and profits.



MEMBERTOU'S CORPORATE DIVISIONS

Membertou Development Division
Membertou Market
Membertou Insurance Brokers
Membertou Trade & Convention Centre
Membertou Geomatic Solutions
Membertou Data Centre
Membertou Entertainment Centre
Membertou Gaming Commission
Anaia Global Renewable Energies
Kiju's Restaurant
Petroglyphs Gift Shop
First Fishermen Seafood's
Membertou Heritage Park

MEMBERTOU'S INTERNAL DEPARTMENTS

Finance Department
Human Resource
Public Works & Housing
Environmental Services
Membertou Research Department
Occupational Health and Safety
Membertou Radio C99FM
Wellness Home
Social Services
Information Technology Services
Education Department
Membertou C@P Site
Membertou Entrepreneur Centre



Membertou
Trade &
Convention
Centre



MEMBERTOU
HERITAGE
PARK





MEMBERTOU COMMUNITY

Membertou is a thriving community located on Cape Breton Island, Nova Scotia. Our people and their ancestors have lived in this area for hundreds of years.

Our community and our Elders believe in the importance of sharing our exclusive culture and history with all people, and they realized that this sharing and celebration must come from the community itself.

The story of the Community of Membertou is one of achievement, resiliency and pride. On June 12, 2012 the Membertou Heritage Park held its grand opening. The park represents the rich culture and educates the public on the customs and history of the Membertou people. The Park

honours the spirituality and the strength of the Membertou people by telling the story of Membertou, educating and sharing the Mi'kmaq culture and assisting in preserving the Mi'kmaq heritage. Through the Membertou Heritage Park, all people have the opportunity to touch, feel and learn while experiencing first-hand the rich culture that is Membertou.

Today, Membertou is the most prosperous Aboriginal community in Atlantic Canada and continues to lead in Aboriginal economic development initiatives. By introducing new training programs, the youth are able to develop the skills they need to sustain the community and the culture of the Mi'kmaq people. Programs in education, planning and community development are well underway with



men, women and youth learning about industries such as business, information technology, hospitality and culinary services. As well, there are many Membertou students enrolled in apprenticeship programs which provide significant on-the-job training as they pursue their trades.

Membertou continues to be a leader in Aboriginal economic development

The past year also brought many notable developments to the community such as the Membertou Business Park and the Churchill Connector Road. Currently, there are 12 permanent business operations in the Membertou Business Centre from locally owned to national corporations.

Membertou is currently in the second phase of real estate development in the Membertou Business Park. An additional building is currently under construction and will house office space for both private and corporate business entities.



2011 brought great progress for

FINANCIAL MESSAGE FROM CFO

2011 brought great progress for Membertou, both economically and financially.

Membertou has continued to take large strides over the past year to develop profitable business solutions.

Overall commercial revenues have increased by 4% and improvements to profitability have been made. The band has completed several major investments as noted below:

- completed a new 128 room Hampton Inn in partnership with D.P. Murphy
- completed a new pedway connecting the new Hampton Inn to the Membertou Trade & Convention Centre
- completed a new \$1.5 million Membertou Heritage Park

During the 2011 fiscal year, Membertou was the first Atlantic Canadian community to receive a Financial Performance Certificate under section

50(3) of the First Nations Statistical Management Act. This certificate has allowed Membertou to become a borrowing member with the First Nation Finance Authority (FNFA), and receive long-term financing up to thirty years and at affordable rates. As of March 2012 Membertou has entered into a borrowing

agreement with the **FNFA** allowing Membertou to borrow up to \$44,650,000 for specified capital projects and to restructure existing bank debt.

Subsequent to year end,

Membertou has already received \$10 million in new financing and has taken this to pay off the short term, high interest loans previously received; thus, improving working capital substantially.



MIKE MCINTYRE
CFO

Membertou, both economically and financially.

INDEPENDENT AUDITOR'S REPORT

To the Chief and Councillors of the Membertou Reserve Band Council

We have audited the accompanying consolidated statement of financial position of the Membertou Reserve Band Council (the "Band Council") as at March 31, 2012, and the consolidated statement of operations, changes in net financial liabilities, statement of fund balances, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Membertou Reserve Band Council as at March 31, 2012, and the results of its operations, changes in its net financial liabilities, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Sydney, Nova Scotia
July 17, 2012 Chartered accountants

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MEMBERTOU RESERVE BAND COUNCIL CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Financial assets	2012	2011
Receivables (Note 3)	\$ 2,892,305	\$ 3,843,859
Band funds in trust (Note 4)	22,907	22,142
Due from Membertou Cultural and Heritage Foundation	-	217,072
Restricted cash (Note 7)	93,965	71,281
Investments (Note 5)	2,527,815	527,988
	5,536,992	4,682,342
Liabilities		
Payables and accruals (Note 8)	4,216,555	2,517,565
Deferred revenue	4,272,288	3,822,096
Long term debt (Note 9)	951,913	1,493,871
Deferred trust contributions (Note 11)	18,552,222	20,620,692
Capital lease obligations (Note 10)	4,524,707	4,093,207
	889,960	1,216,276
	33,407,645	33,763,707
Net financial liabilities (Page 6)	(27,870,653)	(29,081,365)
Assets		
Capital assets (Note 6)	55,177,405	52,111,922
Prepays	85,482	138,689
Inventory	289,779	218,033
	55,552,666	52,468,644
Net assets	\$ 27,682,013	\$ 23,387,279
Fund balances	\$ 27,682,013	\$ 23,387,279



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MEMBERTOU RESERVE BAND COUNCIL CONSOLIDATED STATEMENT OF CASH FLOWS

Operating	2012	2011
Excess of revenue over expenditures	\$4,191,339	\$ 5,166,044
Depreciation	2,884,578	2,631,894
Loss from write-off of investment Foundation	-	309,623
Gain on disposal of assets	(378,971)	(40,037)
	6,696,946	8,067,524
Change in non-cash operating working capital		
Receivables	951,554	2,401,169
Prepays	53,207	(35,846)
Inventory	(71,746)	11,569
Payables and accruals	450,192	(4,666,543)
Deferred revenue	(541,958)	(1,089,404)
	7,538,195	4,688,469
Investing		
Purchase of investments	(1,999,827)	(541,209)
Financing		
Replacement reserve (net of approved repairs)	(96,899)	(25,088)
Advances to related parties	217,072	(150,128)
Advances (to) from Unama'ki Economic Benefits Office	-	(4,465)
Advances from Anaia Global	-	15,497
Advances from (to) Unama'ki Partnership for Prosperity Association	-	16,006
Moveable Capital Asset Reserve <i>(net of capital acquisitions)</i>	5,836	3,612
Trust contributions	765	823
New deferred trust contributions	431,500	542,500
Repayment of long term capital lease obligation	(443,119)	(349,326)
New capital lease	116,801	-
Issuance of long term debt	664,211	5,519,427
Repayment of long term debt	(2,732,680)	(2,698,396)
	(1,836,513)	2,870,462
Capital		
Proceeds from disposal of capital assets	1,091,040	618,999
Heritage Centre assets acquired, net of equity	(91,951)	-
Capital assets acquired	(6,376,485)	(6,886,112)
	(5,377,396)	(6,267,113)
Net (decrease) increase in cash and cash equivalents	(1,675,541)	750,609
Cash and cash equivalents, beginning of year	(2,424,142)	(3,174,751)
Cash and cash equivalents, end of year	\$ (4,099,683)	\$ (2,424,142)
Cash and cash equivalents consist of:		
Bank indebtedness	\$ (4,216,555)	\$ (2,517,565)
Funds in trust	22,907	22,142
Restricted cash	93,965	71,281
	\$ (4,099,683)	\$ (2,424,142)

Revenue	Budget	2012	2011
Aboriginal Affairs and Northern Development Canada	5,438,789	6,408,568	7,068,817
Mi'kmaw Kina'matnewey	3,153,713	3,483,190	3,451,699
Mi'kmaw Employment Training Secretariat	431,112	458,512	466,804
Health Canada	1,103,818	1,794,529	1,791,147
Department of Fisheries and Oceans - AFS	162,000	162,000	196,200
Membertou Housing and Public Works	1,349,962	1,398,086	4,884,322
Membertou Enterprise Fund	3,026,603	3,025,816	2,869,630
Revenue from Commercial Operations	92,385,758	97,232,170	92,505,000
Province of Nova Scotia	225,000	173,270	244,812
Miscellaneous Revenue	155,000	148,123	199,712
	107,431,755	114,284,264	113,678,143
Expenditures	Budget	2012	2011
Aboriginal Affairs and Northern Development Canada	8,870,645	9,422,838	9,544,291
Mi'kmaw Kina'matnewey	3,926,003	3,807,081	3,456,324
Employment Development Programs	441,074	554,863	612,198
Health Canada	1,136,634	1,754,287	1,635,228
Department of Fisheries and Oceans - AFS	162,000	162,075	178,660
Membertou Housing and Public Works	4,775,516	4,679,818	5,332,622
Membertou Enterprise Fund	2,970,281	3,037,188	3,408,289
Expenditures from Commercial Operations	80,732,384	84,373,069	82,131,720
Interest and Bank Charges			
	266,600	354,706	334,767
	103,281,137	108,145,925	106,634,099
Community Member Contributions			
	1,950,000	1,947,000	1,878,000
Excess Revenue over Expenditure			
	\$ 2,200,618	\$ 4,191,339	\$ 5,166,044

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY AND PRINCIPLES OF FINANCIAL REPORTING

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which encompass the principles common with First Nations.

The consolidated financial statements of the Membertou Reserve Band Council are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the First Nation and the changes thereto. The consolidated statement of financial position includes all the assets and liabilities of the First Nation.

Significant aspects of the accounting policies adopted by the First Nation are as follows:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all funds and operations in which the First Nation has a controlling interest, after the elimination of inter-fund transactions and balances. The entities include the following Membertou Reserve Band Council Funds - Operating Fund, Housing Fund, Public Works Fund, Capital Fund, Economic Development Fund, Enterprise Fund, Employment Development Fund, Health Fund, AFS Program Fund, Social Fund, Enterprise Fund, and Education Fund, as well as, the Membertou Development Corporation, the Membertou Market, the Membertou Trade & Convention Centre Limited, the Membertou Gaming Commission Inc., Membertou Insurance Brokers Inc., Membertou Commercial Fisheries, Membertou Entertainment Centre, the Membertou Business Centre, and the Mi'kmaq Cultural and Heritage Centre Foundation Inc..

REVENUE RECOGNITION

Membertou Reserve Band Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses or capital expenditures are incurred. Unrestricted contributions are recognized as revenue when recovered or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, balances with banks, and term deposits net of bank overdraft.

CAPITAL ASSETS

Capital assets are recorded at cost.

INVESTMENTS

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

USE OF ESTIMATES

In preparing the Band's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

INCOME TAXES

The Band Council is exempt from income taxes under Section 149(l) (c) of the Canadian Income Tax Act.

MOVEABLE CAPITAL ASSET RESERVE

The Band is required to maintain a Moveable Capital Asset Reserve in accordance with the consolidated contribution agreement with Health Canada. The reserve is for the maintenance or replacement of capital assets transferred to the band by Health Canada. Expenditures of capital funds under the reserve are restricted to expenditures on these assets only and there can be no transfer of these funds to the operating budget.

NET DEBT

The Band's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Band is determined by its liabilities less its financial assets.

INVENTORY

The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present location and condition, such as freight. The cost is reduced by the value of rebates and allowances received from vendors. The Band estimates net realizable value as the amount that inventories are expected to be sold. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage, or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling price, the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred.

DEPRECIATION

Rates and bases of depreciation applied to write off the cost of property and equipment over their estimated lives are as follows:

Buildings	4%, declining balance
Housing properties	25 year, straight line
Infrastructure	4%, declining balance
Fishing vessels	15%, declining balance
Fishing equipment	20%, declining balance
Equipment	20%, declining balance
Motor vehicles	20%, declining balance
Moveable equipment	20%, declining balance
School buses	20%, declining balance
Computer hardware and software	20%, declining balance
Office equipment and furniture	20%, declining balance
Parking lots	20%, declining balance
Leasehold improvements	20%, declining balance
Equipment under capital lease	20%, declining balance

Summary of Significant accounting Policies (continued)

The cost of inventory recognized as an expense during fiscal 2012 was \$8,694,079 (2011 \$8,064,833). No write-down of inventories below their cost to their net realizable value was made in fiscal 2012. There were no reversals of inventories written down previously that are no longer estimated to sell below cost.

LEASES

Leases are classified as either capital or operating in nature. Capital leases are those which transfer substantially all the benefits and risks of ownership to the lessee. If the lease contains a term that allows

ownership to pass to the Company or there is a bargain purchase option the capitalized value is depreciated over the estimated useful life of the related asset. Otherwise, the capitalized value is depreciated on a straight line basis over the lesser of the lease term and its estimated useful life. Obligations recorded under capital leases are reduced by the principal portion of lease payments as incurred and the imputed interest portion of capital lease payments is charged to expense and amortized straight-line over the life of the lease. Operating lease payments are charged to expense.

Budget figures

Budget figures have been compiled from information provided by management. These figures have not been audited or verified by any means and are provided for comparative purposes only.



MEMBERTOU

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