

Scarrow & Donald LLP

SCARROW & DONALD LLP
CHARTERED ACCOUNTANTS
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December 6, 2012



INDEPENDENT AUDITORS' REPORT

To Jim Spencer, Official Agent for Brian Pallister, and Brian Pallister, the Leadership Contestant:

We have audited the accompanying Form 947, Leadership Contestant's Financial Statements and Supporting Schedules, which comprises the Statement of Assets, Liabilities and Surplus/(Deficit) as at September 28, 2012, Statement of Income and Expenses for the Leadership Contest Period of Brian Pallister for the leadership contest period from November 26, 2011 to September 28, 2012 relating to the leadership vote for the Progressive Conservative Party of Manitoba held on July 28, 2012 and a note describing the basis of accounting (the statements). The statements have been prepared by the Official Agent based on the financial reporting provisions of *The Elections Finances Act* of Manitoba.

Official Agent's Responsibility for the Statements

The Official Agent is responsible for the preparation of the statements in accordance with the financial reporting provisions of *The Elections Finances Act* of Manitoba, and for such internal control as the Official Agent determines is necessary to enable the preparation of the statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 statements are free from material misstatement.

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

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

Basis for Qualified Opinion

Due to the nature of the types of transactions inherent in any leadership campaign, the completeness of contribution income and donations in kind income and expenses is not susceptible of satisfactory audit verification. Accordingly, our testing of contribution income and donations in kind income and expenses was limited to the amounts recorded in the candidate's election campaign records and we were not able to determine whether any adjustments might be necessary to assets, liabilities, income, expenses, and the campaign period surplus/deficit.

Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, Form 947, Leadership Contestant's Financial Statements and Supporting Schedules for Brian Pallister for the leadership contest period of November 26, 2011 to September 28, 2012 relating to the leadership vote for the Progressive Conservative Party of Manitoba held on July 28, 2012 are prepared, in all material respects, in accordance with the financial reporting provisions of *The Elections Finances Act* of Manitoba.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the statements, which describe the basis of accounting. The statements are prepared to comply with the financial reporting provisions of the Elections Finances Act as issued by Elections Manitoba. The statements are filed with Elections Manitoba in accordance with *The Elections Finances Act* of Manitoba. As a result, the statements may not be suitable for another purpose.

Chartered Accountants
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for the opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

**Notes to the Leadership Contestant's Financial Statements and Supporting Schedules – Form 947
for the Leadership Contest Period from November 26, 2011 to September 28, 2012**

1. Basis of accounting

The Leadership Contestant's Financial Statements and Supporting Schedules – Form 947, are prepared to comply with the financial reporting provisions of *The Elections Finances Act* of Manitoba. Income and expenses have been accounted for using the rules and regulations found within the Act. The statements are filed with Elections Manitoba in accordance with *The Elections Finances Act* of Manitoba. As a result, the statements may not be suitable for another purpose.

947

Leadership Contestant's Financial Statements and Supporting Schedules



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ELECTIONS MANITOBA

(To be filed within 30 days after the end of the Leadership Contest Period)

For the Leadership Contest Period

Date November 26, 2011

To

Date September 28, 2012

Leadership Contestant

Name	Brian Pallister
Registered Political Party	Progressive Conservative Party of Manitoba

Official Agent


Name	Jim Spencer
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Auditor

Name of Auditor	Scarrow & Donald LLP
Name of Public Accountant to Whom Inquiry May be Directed (if different than above)	Keith Findlay, FCA

Declaration

I, the undersigned Official Agent, hereby file a completed Form 947 – *Leadership Contestant's Financial Statements and Supporting Schedules* – along with an Auditor's Report from a qualified auditor. I declare that to the best of my knowledge and belief the information contained herein is complete, true and correct and in compliance with *The Elections Finances Act*.



Signature of Official Agent

December 6, 2012

Date

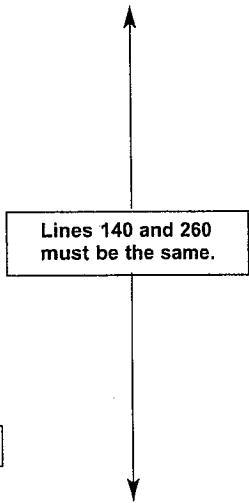
Statement of Assets, Liabilities and Surplus/(Deficit) as at the End of the Leadership Contest Period

Assets

100	Cash	\$ 23,251.79	
110	Accounts receivable	<u>1,880.00</u>	
	Other assets (provide details)		
120	_____	_____	
130	_____	_____	
140	Total Assets (total of lines 100 to 130)		<u>\$ 25,131.79</u>

Liabilities and Surplus/(Deficit)

200	Accounts payable	\$ 27,076.68	
210	Overdraft/Line of Credit*	_____	
220	Loans*	_____	
	Other liabilities (provide details)		
230	_____	_____	
240	_____	_____	
250	Leadership Contest Period Surplus/(Deficit)	<u>(1,944.89)</u>	← From line 410
260	Total Liabilities and Surplus/(Deficit) (total of lines 200 to 250)		<u>\$ 25,131.79</u>



* A written copy of each loan agreement must be filed separately if there was a loan, line of credit, or bank overdraft in existence at any time to the leadership contestant during the leadership contest period.

Statement of Income and Expenses for the Leadership Contest Period

Income

300	Contributions	\$ 148,045.00	← From line 630, column C	
310	Fund raising	2,375.00		
	Other Income (provide details)			
320	Interest	1.89		
330				
340	Total Income (total of lines 300 to 330)		line 340	\$ 150,421.89

Expenses

400	Expenses		From line 580, column C →	line 400	\$ 152,366.78
410	Leadership Contest Period Surplus/(Deficit) (line 390 minus line 400)			line 410	\$ (1,944.89)

To line 250 ↗

Schedule 1 – Leadership Contest Period Expenses (Including Donations in Kind)

Expenses (used in leadership contest period)

	A	B	C
	Money paid, liabilities	Donations in Kind	Total Expenses (columns A plus B)
500 Advertising - Media	27,707.51		27,707.51
505 Posters, pamphlets, promotional	4,769.23		4,769.23
510 Audit fee (amount in excess of subsidy)			
515 Disability			
520 Fund raising	8,982.39		8,982.39
525 Furniture and equipment rental	9,716.17		9,716.17
530 Honoraria/Salaries	64,451.33		64,451.33
535 Interest and bank charges	1,210.20		1,210.20
540 Office Occupancy (rent, utilities)	11,720.34		11,720.34
545 Office Supplies and postage	2,713.50		2,713.50
550 Personal			
555 Polling			
560 Signs/structural support	3,112.20		3,112.20
565 Telephone	4,724.78		4,724.78
570 Transportation, accommodation and food	13,259.13		13,259.13
Other (provide details)			
575 _____			
580 _____			
585 Totals (total lines 500 to 580)	152,366.78		152,366.78

← To line 400

Schedule 2 – Contributions to a Leadership Contestant (Including Donations in Kind)**A. Contributions Summary**

		A	B	C (A plus B)
	Aggregate Contributions of:	Cash	Donations in Kind	Total of all Contributions
600	\$250 or more	129,700.00		129,700.00
610	\$25 or more but less than \$250	18,235.00		18,235.00
620	Less than \$25	110.00		110.00
630	Total	\$ 148,045.00	\$	\$ 148,045.00

Enter line 630, column C total on line 300

B. Contributions of \$250 or More

(Complete part B only if the aggregate value of the contributions (cash and donations in kind) from any individual normally resident in Manitoba was \$250 or more during the leadership contest period.)

Name of Contributor (alphabetical order last name, first name)	Contributor's Manitoba Residential Address	Aggregate Value of Contributions
	See attached list	

Additional pages attached?

Yes No

Last Name	First Name	Donation
Ammeter	Dale	\$1,000.00
Andrew	Scott	\$1,000.00
Banjavich	George	\$ 300.00
Banman	Gerald	\$ 500.00
Barkman	Peter	\$1,000.00
Beard	Mark	\$1,000.00
Beauregard	Paul	\$ 250.00
Bereza	Jeffrey	\$ 300.00
Bickerton	Bob	\$ 300.00
Bieber	Guy	\$ 500.00
Blatz	John	\$1,000.00
Blight	Chris	\$ 500.00
Blight	Arnold	\$1,000.00
Bodie	John	\$ 500.00
Bolley	Matthew	\$ 250.00
Borger	Alan	\$1,000.00
Borger	Anita	\$1,000.00
Borger	J. Henry	\$1,000.00
Borger	Ralph	\$1,000.00
Borger	Helen	\$ 250.00
Borger	David	\$ 250.00
Borger	Jo-Ann	\$ 250.00
Borger	Henry	\$ 250.00
Borger	Anita	\$ 250.00
Borger	Susan	\$ 250.00
Borger	Sharon	\$ 250.00
Borger	Joyce	\$ 250.00
Borger	Gerald	\$ 250.00
Borger	Lois	\$ 250.00
Borger	Grant	\$ 250.00
Borger	James	\$ 250.00
Borger	Christine	\$ 250.00
Bouchard	Ray	\$1,000.00
Bowes	Keith	\$2,000.00
Bowes	Diane	\$1,000.00
Bracken	Warren	\$ 500.00
Brandt	Robert	\$ 500.00
Collet	Denis	\$ 500.00
Collet	Gilles	\$ 500.00
Collett	Lou	\$ 500.00
Comte	Jean	\$ 500.00
Connery	Ed	\$ 250.00
Cowieson	Trevor	\$1,000.00
Cummings	J. Glen	\$ 300.00
Dalke	Ed	\$ 500.00
Davis	Christopher	\$ 500.00
Davison	Randy	\$1,800.00
Derksen	Monica	\$1,000.00
Derksen	Kurt	\$1,000.00
Dick	Brad	\$ 500.00
Driedger	Myrna	\$ 500.00
Duncan	Brian	\$ 250.00
Dunn	Craig	\$1,500.00
Enright	Richard	\$1,000.00
Falk	David	\$ 500.00
Fehr	V.	\$ 500.00
Floresco	Mario	\$1,000.00
Frazer	John	\$ 500.00
Gavriloff	Boris	\$ 500.00
Giffin	Karen	\$ 500.00
Gilbert	Brent	\$1,000.00

Godkin	Helen	\$ 300.00
Gramiak	Edward	\$ 300.00
Halwas	Heather	\$ 250.00
Hanson	Mary	\$ 500.00
Harder	Martin	\$1,000.00
Harvey	Doug	\$2,000.00
Heide	Dale	\$ 500.00
Helwer	Reginald	\$1,000.00
Helwer	Ron	\$1,000.00
Irwin	Brent	\$ 500.00
Jebb	W. Lee	\$ 250.00
Jebb	Ray	\$ 250.00
Jordan	Keith	\$ 500.00
Kavanaugh	Els	\$ 500.00
Klippenstein	Wayne	\$ 750.00
Kuras	Ilmars	\$ 250.00
Laramée	Kevin	\$ 250.00
Leipsic	Micheal	\$ 500.00
Lundgren	Don	\$1,000.00
Lupkowski	Jerry	\$ 250.00
Lyle	Dale	\$ 500.00
Marek	Sean	\$ 250.00
Matthews	Craig	\$ 500.00
McIntosh	Craig	\$ 500.00
McKnight	Tom	\$ 500.00
McLaughlin	John (Jack)	\$ 300.00
McLaughlin	Alan	\$ 500.00
Meseyton	Paul	\$ 600.00
Meseyton	Jack	\$ 300.00
Minuk	Marty	\$ 250.00
Mitchell	Dennis	\$1,000.00
Moon	Edward (Ted)	\$3,000.00
Moran	Ken	\$ 500.00
Morantz	Martin	\$ 500.00
Morden	Tim	\$1,000.00
Munro	Colleen	\$ 500.00
Munro	Colleen	\$ 500.00
Nichol	Harold	\$ 750.00
Olson	Mark	\$3,000.00
Orchard	Don	\$ 400.00
Owens	Hugh	\$ 500.00
Pallister	Jim	\$1,000.00
Palson	Ken	\$1,000.00
Parrish	Donna	\$3,000.00
Parrish	William	\$3,000.00
Penner	Travis	\$ 750.00
Penner	Milton	\$1,000.00
Penner	Bob	\$ 500.00
Penner	Gregory	\$1,000.00
Pereux	Rene	\$1,500.00
Peters	Gordon	\$1,500.00
Petkau	Art	\$ 400.00
Pfuetzner	Jennifer	\$ 250.00
Philippe	Gilbert	\$ 500.00
Plett	Jenny	\$1,000.00
Plett	Frank	\$ 400.00
Pollard	Frances	\$ 500.00
Pollard	John	\$1,000.00
Powell	Dan	\$3,000.00
Price	Gerald	\$1,500.00
Pritchard	Ian	\$ 250.00
Rabb	Jeffrey	\$ 500.00

Reimer	Gerald	\$ 300.00
Riley	Sandrord	\$2,000.00
Robinson	Ross	\$ 500.00
Rose	Scott	\$2,000.00
Sadler	Barry	\$ 300.00
Sanders	George	\$1,500.00
Sawatsky	Don	\$1,000.00
Schinkel	Robert	\$ 400.00
Sharples	Jordan	\$1,500.00
Shiffman	Kenneth	\$1,000.00
Shindelman	Claire	\$1,000.00
Shindelman	Robert	\$1,000.00
Siemens	W.J.	\$ 500.00
Sigurdson	Barrie	\$ 750.00
Simpson	Doug	\$1,000.00
Sissons	Grant	\$ 500.00
Skwark	David	\$ 250.00
Smith	Barry	\$ 400.00
Sparrow	Robert (Bob)	\$2,000.00
Sprague	Trevor	\$1,000.00
Stefanson	Jason	\$ 750.00
Stefanson	Thomas	\$ 500.00
Stewart	Hazel	\$ 500.00
Stratychuk	Garry	\$1,000.00
Sullivan	Mike	\$ 500.00
Swan	Bill	\$ 500.00
Tallieu	Mavis	\$3,000.00
Tallieu	Roger	\$1,000.00
Thiessen	Alvin	\$ 500.00
Thompson	Jill	\$ 500.00
Thompson	Katherine	\$ 500.00
Thomson	Douglas	\$ 500.00
Thorsteinson	Derek	\$ 500.00
Thorsteinson	Arni	\$3,000.00
Thorsteinson	Derek	\$ 500.00
Tyler	Robert	\$ 500.00
Velazquez-Sanche	Yusmila	\$1,000.00
Voth	Don	\$ 500.00
Waldner	Corny	\$ 500.00
Washchyshyn	Peter	\$ 500.00
Watchorn	Bill	\$ 500.00
Watson	Herb	\$ 500.00
Weins	John	\$1,000.00
Wolfe	Lincoln	\$1,800.00
Wright	William	\$ 500.00
Zmavc	Natatlja	\$ 250.00