

Public Accounts

VOLUME 1 – FINANCIAL STATEMENTS

Province of Nova Scotia

for the fiscal year **1999-2000**

THE HONOURABLE NEIL J. LEBLANC, MINISTER OF FINANCE







To Her Honour,

The Honourable Myra A. Freeman

Lieutenant Governor of Nova Scotia

May It Please Your Honour -

The undersigned has the honour to submit the Public Accounts of the Province of Nova Scotia for the fiscal year ended March 31, 2000.

Neil J. LeBlanc
Minister of Finance

Office of the Minister
Halifax, Nova Scotia



*The Honourable Neil J. LeBlanc
Minister of Finance
Halifax, Nova Scotia*

Sir:

In accordance with Section 9(1) of the Provincial Finance Act, I have the Honour to submit the Public Accounts of the Province of Nova Scotia for the Fiscal year ended March 31, 2000.

Respectfully submitted,

W. D. Hogg, CA
Deputy Minister of Finance

Office of the Deputy Minister
Halifax, Nova Scotia



Province of Nova Scotia

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for the fiscal year ended March 31, 2000

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Province of Nova Scotia

***Statement of Responsibility for the
Consolidated Financial Statements of the
Province of Nova Scotia***

Responsibility for the integrity and objectivity of the consolidated financial statements of the Province of Nova Scotia rests with the Government. These financial statements are prepared by the Controller in accordance with the Government's stated accounting policies.

The stated accounting policies reflect the accounting principles recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

The Consolidated Financial Statements include a Statement of Financial Position, a Statement of Operations, a Statement of Net Direct Debt, a Statement of Cash Flow and a Statement of Tangible Capital Assets. Together, they present fairly, in all material respects, the financial position and the results of operations for the year then ended.

The Government maintains a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets safeguarded and financial records properly maintained.

The Auditor General of Nova Scotia provides an independent opinion on the Consolidated Financial Statements prepared by the Government.

Auditor's Report

To the Members of the Legislative Assembly of Nova Scotia

I have audited the consolidated statements of financial position and tangible capital assets of the Province of Nova Scotia as at March 31, 2000 and the consolidated statements of operations, net direct debt and cash flow for the year then ended. These statements are the responsibility of the Government of Nova Scotia, represented by the Minister of Finance. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in Canada. 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.

The audited financial statements of Sydney Steel Corporation and the related pension plans for the year ended December 31, 1999 and the final actuarial valuation reports on those pension plans, had not been finalized at the time of my reporting on the Province's March 31, 2000 consolidated financial statements. Since the preliminary versions of this information available during my examination may be changed, I was unable to determine whether adjustments to the net income from government business enterprises or the unusual item reported on the statement of operation might be necessary.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to examine the audited financial statements of Sydney Steel Corporation and the related pension plans for the year ended December 31, 1999 and the final actuarial valuation reports on those pension plans, these consolidated financial statements present fairly, in all material respects, the financial position and the tangible capital assets of the Province of Nova Scotia as at March 31, 2000 and the results of its operations, changes in net direct debt, and cash flow for the year then ended in accordance with accounting principles generally accepted for public sector in Canada.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
November 30, 2000

Consolidated Statement of Financial Position as at March 31, 2000

(\$ thousands)

	2000	1999 (as restated)
Assets		
Cash and Short-Term Investments (Note 5)	\$ 445,377	\$ 270,009
Accounts Receivable and Advances	1,021,172	1,099,775
Inventory	1,080	---
Loans and Investments (Schedule 3)	994,096	963,492
Unamortized Foreign Exchange Translation Losses and Discounts	520,834	684,207
	<u>\$ 2,982,559</u>	<u>\$ 3,017,483</u>
Liabilities		
Bank Advances and Short-Term Borrowings	\$ 738,918	\$ 942,001
Accounts Payable and Accrued Liabilities	1,076,790	546,192
Deferred Revenue	31,790	176,560
Accrued Interest	297,625	287,909
Unmatured Debt of Government Service Organizations (Schedule 4)	10,370,374	9,584,118
Pension, Retirement and Other Obligations (Note 7)	1,112,498	1,091,252
Deficiency in Government Business Enterprises (Schedule 7)	574,417	674,110
	<u>\$ 14,202,412</u>	<u>\$ 13,302,142</u>
Net Direct Debt	<u>(11,219,853)</u>	<u>(10,284,659)</u>
	<u>\$ 2,982,559</u>	<u>\$ 3,017,483</u>
Net Direct Debt represented by:		
Tangible Capital Assets	\$ 2,403,259	\$ 2,267,850
Accumulated Provincial Deficits	<u>8,816,594</u>	<u>8,016,809</u>
	<u>\$ 11,219,853</u>	<u>\$ 10,284,659</u>
Trust Funds under Administration (Note 8)	<u>\$ 7,334,226</u>	<u>\$ 6,186,562</u>

Contingent Liabilities and Commitments (Note 11)

Subsequent Events (Note 12)

Comparative Figures (Note 13)

Year 2000 (Note 15)

The accompanying notes and schedules are an integral part of these Financial Statements.

Consolidated Statement of Operations for the fiscal year ended March 31, 2000

(\$ thousands)

	2000	1999 <i>(as restated)</i>
Revenue (Schedule 1)		
Provincial Sources	\$ 2,585,920	\$ 2,412,900
Federal Sources	1,903,624	1,871,127
Prior Years' Adjustments - Federal/Provincial Fiscal Arrangements	9,400	106,769
Other	431,006	359,157
Sinking Fund and Public Debt Retirement Fund Earnings	216,962	218,164
Total Revenue	5,146,912	4,968,117
Expenses (Schedule 2)		
Agriculture and Marketing	42,263	35,612
Business and Consumer Services	31,538	31,259
Community Services	583,320	566,065
Economic Development	103,097	83,558
Education	1,063,709	1,059,783
Assistance to Universities	197,232	188,487
Environment	44,002	37,707
Finance	9,638	5,109
Fisheries and Aquaculture	8,905	5,870
Health	1,951,879	1,752,068
Housing and Municipal Affairs	78,439	141,394
Human Resources	3,934	3,983
Justice	84,088	80,120
Labour	8,983	10,341
Natural Resources	55,832	53,763
Public Service	79,219	66,811
Tourism and Culture	40,479	---
Transportation and Public Works	236,258	225,742
Restructuring Costs	(54,476)	14,878
Unallocated Recoveries	---	(14,099)
Debt Servicing Costs	1,110,993	1,041,578
Total Expenses	5,679,332	5,390,029
Deficit from Government Service Organizations, on an Expense Basis	(532,420)	(421,912)
Net Income from Government Business Enterprises (Schedule 7)	234,483	160,738
Deficit before Unusual Item, on an Expense Basis	(297,937)	(261,174)
Unusual Item (Note 3)	(475,300)	---
Provincial Deficit, on an Expense Basis	\$ (773,237)	\$ (261,174)

The accompanying notes and schedules are an integral part of these Financial Statements.

Consolidated Statement of Net Direct Debt
for the fiscal year ended March 31, 2000

(\$ thousands)

	2000	1999 <i>(as restated)</i>
Net Direct Debt - as Originally Reported	\$ 10,284,659	\$ 9,290,490
Prior Period Adjustments (Note 4)	---	640,082
Comparative Figures Adjustment (Note 13)	26,548	---
	<hr/>	<hr/>
Net Direct Debt - Beginning of Year	10,311,207	9,930,572
Add:		
Provincial Deficit, on an Expense Basis	773,237	261,174
Increase in Net Book Value of Tangible Capital Assets	135,409	92,913
	<hr/>	<hr/>
Increase in Net Direct Debt	908,646	354,087
Net Direct Debt - End of Year	\$ 11,219,853	\$ 10,284,659

The accompanying notes and schedules are an integral part of these Financial Statements.

Consolidated Statement of Cash Flow for the fiscal year ended March 31, 2000

(\$ thousands)

	2000	1999 <i>(as restated)</i>
Cash Inflows (Outflows) from the Following Activities:		
Operations:		
Provincial Deficit, on an Expense Basis	\$ (773,237)	\$ (261,174)
Sinking Fund and Public Debt Retirement Fund Earnings	(216,962)	(218,164)
Foreign Exchange Amortization	(8,863)	(131,080)
Amortization of Tangible Capital Assets and Social Housing Adjustment	137,769	125,889
Net Change in Other Non-Cash Items	264,682	(245,808)
	<u>(596,611)</u>	<u>(730,337)</u>
Investing:		
Principal Repayment of Loans and Investments	152,863	146,839
Advances and Investing	(183,467)	(260,616)
Acquisition of Tangible Capital Assets	(277,809)	(221,580)
Proceeds from the Disposal of Tangible Capital Assets - Net Book Value	4,631	2,778
Net Income from Government Business Enterprises	(234,483)	(160,738)
Advances from Government Business Enterprises	134,789	261,790
	<u>(403,476)</u>	<u>(231,527)</u>
Financing:		
Debentures Issued	1,454,450	1,607,940
Capital Leases	105,832	55,652
Foreign Currency Swaps and Adjustments	80,109	270,323
Sinking Fund Instalments	(219,805)	(170,542)
Proceeds from Sinking Funds for Debt Repayment	214,814	256,636
Repayment of Debentures and Other Long-Term Obligations	(459,945)	(1,590,716)
	<u>1,175,455</u>	<u>429,293</u>
Cash Inflow (Outflow)	175,368	(532,571)
Cash Position, Beginning of Year	270,009	802,580
Cash Position, End of Year	<u>\$ 445,377</u>	<u>\$ 270,009</u>
Cash Position Represented by:		
Cash and Short-Term Investments	<u>\$ 445,377</u>	<u>\$ 270,009</u>

The accompanying notes and schedules are an integral part of these Financial Statements.

Consolidated Statement of Tangible Capital Assets

as at March 31, 2000

(\$ thousands)

	2000									1999
	Land	Buildings and Land Improvements	Machinery Computers and Equipment	Ferries	Vehicles	Capital Leases	Roads, Bridges and Highways	Social Housing	Total	(as restated) Total
Cost of Tangible Capital Assets										
Opening Costs	\$ 492,982	\$ 1,616,786	\$ 472,503	\$ 9,241	\$ 21,674	\$ 99,344	\$ 234,031	\$ 415,237	\$ 3,361,798	\$ 3,166,541
Additions	6,241	67,147	56,846	---	4,319	110,496	30,257	2,503	277,809	221,580
Annual Adjustment to Social Housing	---	---	---	---	---	---	---	(7,912)	(7,912)	(6,196)
Disposals	(50)	(511)	(12,187)	---	(406)	(3,508)	---	(3,291)	(19,953)	(20,487)
Closing Costs	499,173	1,683,422	517,162	9,241	25,587	206,332	264,288	406,537	3,611,742	3,361,438
Accumulated Amortization										
Opening Accumulated Amortization	---	(674,924)	(298,691)	(7,931)	(11,885)	(17,072)	(83,445)	---	(1,093,948)	(991,876)
Disposals	---	82	11,728	---	336	3,176	---	---	15,322	17,709
Amortization Expenses	---	(36,488)	(50,555)	(262)	(3,592)	(9,389)	(29,571)	---	(129,857)	(119,693)
Closing Accumulated Amortization	---	(711,330)	(337,518)	(8,193)	(15,141)	(23,285)	(113,016)	---	(1,208,483)	(1,093,860)
Net Book Value	\$ 499,173	\$ 972,092	\$ 179,644	\$ 1,048	\$ 10,446	\$ 183,047	\$ 151,272	\$ 406,537	\$ 2,403,259	\$ 2,267,578
Opening Balance, April 1, 1999	\$ 492,982	\$ 941,862	\$ 173,812	\$ 1,310	\$ 9,789	\$ 82,272	\$ 150,586	\$ 415,237	\$ 2,267,850	\$ 2,174,665
Closing Balance, March 31, 2000	499,173	972,092	179,644	1,048	10,446	183,047	151,272	406,537	2,403,259	2,267,578
Increase (Decrease) in Net Book Value	\$ 6,191	\$ 30,230	\$ 5,832	\$ (262)	\$ 657	\$ 100,775	\$ 686	\$ (8,700)	\$ 135,409	\$ 92,913

Opening costs and opening accumulated amortization include amounts attributed to the addition of College de l'Acadie to detailed consolidation of the Government Reporting Entity, which were not included in fiscal 1998-1999.

Amortization is calculated on a declining-balance basis or on a straight-line basis. The estimated useful lives and amortization percentages of the more common tangible capital assets are: buildings and land improvements (3-50 years, 2.5-5%); machinery, computers & equipment (3-20 years, 20-50%); ferries (20%); vehicles (3 years, 33.3%); and roads, bridges and highways (5-30%). Capital leases are amortized on a straight-line basis, 3-20 years or over the length of the relevant lease.

Social Housing Assets relate to the Housing Development Corporation and Housing Development Fund. These entities do not track accumulated amortization separately. Thus the closing cost of these assets is the net carrying value of the assets. Social Housing assets are amortized using the sinking fund method.

Included in the closing costs of the various classes as of March 31, 2000, are costs for assets under construction which have not started to be amortized. These costs (\$ thousands) are buildings - \$78,204; equipment - \$509; capital leases - \$23,228; and roads, bridges and highways - \$6,934.

Revenue**for the fiscal year ended March 31, 2000**

(\$ thousands)

	2000	1999 <i>(as restated)</i>
Provincial Sources		
Income Taxes	\$ 1,294,250	\$ 1,111,561
Sales Taxes	1,073,360	1,047,255
Other Provincial Revenue	218,310	254,084
	<u>2,585,920</u>	<u>2,412,900</u>
Federal Sources		
Equalization Payments	1,279,610	1,260,683
Equalization Offshore Revenue Offset	2,110	1,539
Canada Health and Social Transfer	527,920	426,874
Other Federal Payments	41,284	104,331
Federal Compensation for Harmonization	52,700	77,700
	<u>1,903,624</u>	<u>1,871,127</u>
Prior Years' Adjustments - Federal/Provincial Fiscal Arrangements	9,400	106,769
Other Revenue	431,006	359,157
Sinking Fund and Public Debt Retirement Fund Earnings	216,962	218,164
Total Revenue	\$ <u>5,146,912</u>	\$ <u>4,968,117</u>

Expenses**for the fiscal year ended March 31, 2000**

(\$ thousands)

	2000	1999 (as restated)
Agriculture and Marketing	\$ 42,263	\$ 35,612
Business and Consumer Services	31,538	31,259
Community Services	583,320	566,065
Economic Development		
Department of Economic Development	80,432	70,284
Nova Scotia Film Development Corporation	3,439	3,357
Nova Scotia Innovation Corporation	8,165	8,223
Trade Centre Limited	9,367	6,815
Waterfront Development Corporation	1,694	(5,121)
	<u>103,097</u>	<u>83,558</u>
Education		
Department of Education	158,998	160,884
Annapolis Valley Regional School Board	90,418	88,791
Cape Breton Victoria Regional School Board	110,826	115,677
Chignecto-Central Regional School Board	131,785	133,254
College de l'Acadie	4,469	---
Conseil Scolaire Acadien Provincial	26,497	26,468
Halifax Regional School Board	289,578	295,031
Nova Scotia Community College	94,597	81,139
Southwest Regional School Board	95,401	95,232
Strait Regional School Board	61,140	63,307
	<u>1,063,709</u>	<u>1,059,783</u>
Assistance to Universities	197,232	188,487
Environment		
Department of Environment	15,393	15,493
Resource Recovery Fund Board Incorporated	28,609	22,214
	<u>44,002</u>	<u>37,707</u>
Finance	9,638	5,109
Fisheries and Aquaculture	8,905	5,870

Expenses

for the fiscal year ended March 31, 2000

(continued)

(\$ thousands)

	2000	1999 (as restated)
Health		
Department of Health	752,399	631,362
Cape Breton Regional Healthcare Complex	140,516	131,711
Central Regional Health Board	69,012	63,638
Eastern Regional Health Board	58,901	54,892
Insured Prescription Drug Plan	100,863	99,304
IWK-Grace Health Centre	117,420	99,484
Northern Regional Health Board	101,964	91,213
Nova Scotia Hospital	44,434	36,086
Queen Elizabeth II Health Sciences Centre	413,816	407,763
Western Regional Health Board	152,554	136,615
	<u>1,951,879</u>	<u>1,752,068</u>
Housing and Municipal Affairs		
Department of Housing and Municipal Affairs	65,641	98,810
Nova Scotia Municipal Finance Corporation	778	2,407
Nova Scotia Housing Development Fund	---	(1,821)
Nova Scotia Housing Development Corporation	12,020	41,998
	<u>78,439</u>	<u>141,394</u>
Human Resources	3,934	3,983
Justice	84,088	80,120
Labour	8,983	10,341
Natural Resources	55,832	53,763
Public Service	79,219	66,811
Tourism and Culture	40,479	---
Transportation and Public Works	236,258	225,742
Restructuring Costs	(54,476)	14,878
Unallocated Recoveries	---	(14,099)
Debt Servicing Costs	1,110,993	1,041,578
Total Expenses	\$ <u>5,679,332</u>	\$ <u>5,390,029</u>

Loans and Investments

as at March 31, 2000

(\$ thousands)

	Loans and		Net	
	Investments	Provisions	2000	1999 <i>(as restated)</i>
Loans of the Consolidated Fund:				
Agriculture and Rural Credit Act	\$ 160,345	\$ (6,779)	\$ 153,566	\$ 150,515
Business Development Corporation Act	183,556	(31,150)	152,406	144,542
Fisheries Development Act	43,095	(1,014)	42,081	36,898
Housing Development Act	41,781	(7,808)	33,973	34,394
Industrial Development Act	84,911	(45,780)	39,131	39,909
Venture Corporations Act	2,126	(1,671)	455	540
Loans to Municipalities:				
Funds provided by Government of Canada	230	---	230	403
Municipal Hospitals Loan Act	---	---	---	13
Municipal Loan and Building Fund Act	1,650	---	1,650	1,967
Special Reserve Fund - Municipal Loan and Building Fund	10	---	10	29
Miscellaneous	709	---	709	1,069
	518,413	(94,202)	424,211	410,279
Investments of the Consolidated Fund:				
Business Development Corporation Act	22,960	(11,765)	11,195	9,696
Halifax International Containers Limited - Investment of 8,000 Shares of Capital Stock at Par	8	---	8	8
Housing Development Act	9,042	(6,495)	2,547	---
Industrial Development Act	12,607	(7,218)	5,389	4,337
	44,617	(25,478)	19,139	14,041
Loans and Investments of Government Service Organizations:				
IWK-Grace Health Centre	1,987	---	1,987	2,175
Insured Prescription Drug Plan	9,287	---	9,287	---
Nova Scotia Innovation Corporation	13,957	---	13,957	13,530
Nova Scotia Municipal Finance Corporation	524,199	---	524,199	520,268
Other Government Service Organizations	1,316	---	1,316	3,199
	550,746	---	550,746	539,172
Total Loans and Investments	\$ 1,113,776	\$ (119,680)	\$ 994,096	\$ 963,492

Loans and Investments

as at March 31, 2000

(continued)

AGRICULTURE AND RURAL CREDIT ACT

The Nova Scotia Farm Loan Board, a Provincial agency, provides loans to individuals, partnerships and corporations engaged in the farming industry. Loans are provided for the acquisition of real estate, the improvement of existing facilities and are generally secured by agreements of sale between the borrower and the Province. The Farm Loan Board issues loans at a fixed rates, depending on the repayment schedule. As of January 1, 2000, the approved interest rates are: for loans less than 14 years, 7.95%; 15-19 years, 8.15%; and, 20-24 years, 8.25%. The repayment schedules vary between monthly, semi-annual or annual.

BUSINESS DEVELOPMENT CORPORATION ACT

The Nova Scotia Business Development Corporation is an agency of the Province established to encourage business development in the Province and to promote economic growth and employment opportunities by rendering to business, financial and other assistance. Loans are primarily secured by first mortgages and by fixed and floating charges. The average interest rate (incorporating the impact of loans with concessionary assistance) is 6.96% and the term of the loans range from 5 to 20 years.

FISHERIES DEVELOPMENT ACT

The Province provides loans for the construction or purchase of vessels, machinery and other onboard fishing equipment. Loans are made to individuals, partnerships and corporations and are generally secured by first marine mortgages. Fisheries loans bear interest at prevailing market rates repayable on a seasonal repayment schedule.

HOUSING DEVELOPMENT ACT

The Housing Development Act enables the Nova Scotia Department of Housing and Municipal Affairs to provide subsidized mortgage loans for home ownership, and low interest loans for home repair or rehabilitation to low to moderate income households in Nova Scotia. Interest rates on the loans range from 6.5% to 13.05%. Effective April 1, 1999, pursuant to Bill #35, the Nova Scotia Housing Development Corporation took over the assets, liabilities and activities of the Nova Scotia Housing Development Fund. The Corporation administers the capital housing programs and recovers some of the costs from federal funding under the Social Housing Transfer Agreement. Other costs are recovered from the Municipalities. The Housing Act also enables the Corporation to construct public housing projects, and to develop and service land for resale. The Corporation continues to administer the existing programs even though there are no plans to develop new land or construct new housing projects.

INDUSTRIAL DEVELOPMENT ACT

The Province provides financial assistance to industries engaged in manufacturing and processing activities or natural resource extraction. Loans are primarily secured by first mortgages and by fixed and floating charge debentures. The average interest rate (incorporating the impact of loans with concessionary assistance) is 2.07% and the term of the loans range from 5 to 20 years.

VENTURE CORPORATIONS ACT

The Province provides a source of equity capital to registered Venture Corporations to encourage the development of small businesses in Nova Scotia. The Venture Corporations in turn provide assistance in the development of small enterprises by providing equity capital, business and managerial expertise.

Loans and Investments

as at March 31, 2000

(continued)

LOANS TO MUNICIPALITIES - FUNDS PROVIDED by the GOVERNMENT of CANADA

Loans were provided by the Government of Canada for municipal capital projects. The Province loaned these funds to municipalities under similar terms and conditions. Loans are for terms of 20 years and are evidenced by debentures covering principal and interest.

MUNICIPAL LOAN AND BUILDING FUND ACT

Provincial loans to municipalities are for water and sewer systems, schools and municipal buildings. Loans are secured by municipal debentures.

MUNICIPAL FINANCE CORPORATION

The Corporation's purpose is to provide financing for the capital requirements of municipalities, school boards and hospitals by issuing its securities and re-lending the funds for these purposes. All municipalities and school boards must finance, and hospitals may finance, their capital requirements through the Corporation, except for capital projects funded directly by the Province of Nova Scotia, interim financing, and certain projects for which funds may be borrowed from the Government of Canada, the Province or other municipalities within the province. The Corporation utilizes the provincial guarantee and debt pooling techniques to meet clients' approved funding requirements at lower costs. Interest rates range from 1.0% to 13.375% with loan terms of up to 20 years.

Unmatured Debt**as at March 31, 2000**

(\$ thousands)

	2000		1999	
	Gross Debt	Sinking Funds Public Debt Retirement Fund and Defeasance Assets	Net Debt	Net Debt
Government Service Organizations				
Consolidated Fund	\$ 12,645,848	\$ 2,939,910	\$ 9,705,938	\$ 8,789,172
Northern Regional Health Board	685	---	685	1,711
Nova Scotia Housing Development Corporation	345,171	---	345,171	320,916
Nova Scotia Housing Development Fund	---	---	---	34,640
Nova Scotia Municipal Finance Corporation	303,768	---	303,768	418,832
Nova Scotia Power Finance Corporation	1,461,050	1,461,050	---	---
Waterfront Development Corporation Limited	12,600	---	12,600	13,600
Western Regional Health Board	1,023	---	1,023	4,000
Other	1,189	---	1,189	1,247
	14,771,334	4,400,960	10,370,374	9,584,118
Unmatured Debt of Government Service Organizations				
Government Business Enterprises				
Halifax-Dartmouth Bridge Commission	123,000	---	123,000	119,000
Highway 104 Western Alignment Corporation	78,734	---	78,734	80,649
Nova Scotia Liquor Commission	8,848	---	8,848	9,127
	210,582	---	210,582	208,776
Debt of Government Business Enterprises				
Total Unmatured Debt	\$ 14,981,916	\$ 4,400,960	\$ 10,580,956	\$ 9,792,894

Notes:

All debt is presented in Canadian dollar equivalents and after giving effect to currency swap contracts itemized in Note 6.

The current and long-term portions of unmatured debt of Government Service Organizations are shown on the Consolidated Statement of Financial Position with reference to this schedule. Debt of Government Business Enterprises is reflected in the Deficiency in Government Business Enterprises. Unmatured debt of Government Business Enterprises is included in Schedule 7.

This Schedule excludes short-term borrowings, such as those of Nova Scotia Resources Limited in the amount of \$713.8 million.

Unmatured Debt**as at March 31, 2000***(continued)**(\$ thousands)*

As of March 31, 2000, the Consolidated Fund held Sinking Funds of \$1,996.0 million and Public Debt Retirement Funds of \$944.0 million for a total of \$2,940.0 million. Sinking Funds were comprised of \$1,404.0 million Canadian assets and \$592.0 million (US\$ 407.1 million) US assets. Public Debt Retirement Funds were comprised of \$590.0 million Canadian assets and \$354.0 million (US\$ 243.8 million) US assets. Total market value of both funds is \$2,921.0 million at year end. During the year, contributions were \$230.5 million, total earnings were \$183.0 million (including a foreign currency translation adjustment of \$34.0 million), and redemptions were \$214.8 million.

Assets consist primarily of debentures of the Provinces and Government of Canada with fixed interest rates ranging from 4.25% to 15.75% for Canadian funds and 5.25% to 13.5% for US funds. Sinking fund payments normally commence on the first anniversary date of the issue of the debenture and are designed to retire the debt over a 20 year period unless the term of the issue is longer. At year end, the Province held \$1,008.0 million worth of its own debentures which have a gross value of \$973.6 million.

As per the Nova Scotia Power Corporation Privatization Agreement, Nova Scotia Power Finance Corporation provides for defeasance of its debt. The portfolio of defeasance assets consists of Nova Scotia Power Corporation, other Provincial Governments and utilities, Federal US bonds, coupons or residuals. The debt is shown net of defeasance assets on the Statement of Financial Position.

The following table outlines net debt refinancing for the Province over the next five years:

	Government Service Organizations			Government	
	Principal Repayments	Sinking Fund Requirements	Net Debt Refinancing	Business Enterprises	Total
2001	\$ 1,267,821	\$ 267,845	\$ 999,976	\$ 6,536	\$ 1,006,512
2002	927,324	254,607	672,717	7,262	679,979
2003	1,189,120	266,580	922,540	7,342	929,882
2004	928,459	266,068	662,391	7,434	669,825
2005	1,122,416	259,563	862,853	7,533	870,386
	\$ 5,435,140	\$ 1,314,663	\$ 4,120,477	\$ 36,107	\$ 4,156,584

Gross Long-Term Debt**as at March 31, 2000**

(\$ thousands)

	<i>Foreign Exchange Rate</i>	<i>Cdn \$ Amount</i>	<i>Maturity Dates</i>	<i>Interest Rates</i>
Government Service Organizations:				
Debentures				
Consolidated Fund				
Consolidated Fund (CDN)		\$ 7,724,485	2000 to 2027	5.1% to 15.43%
Consolidated Fund (US \$2,645,728)	1.4535	3,845,567	2000 to 2022	7.25% to 9.5%
Consolidated Fund (SF 106,500)	0.8743	93,113	2000	7.0%
Consolidated Fund (UK £35)	2.3143	81	2011 to 2019	11.75% to 16.75%
Consolidated Fund (Yen 55,600,000)	0.0142	787,296	2000 to 2014	4.9% to 7.7%
Municipal Finance Corporation		303,768	2000 to 2015	1.0% to 13.375%
Nova Scotia Power Finance Corporation				
Nova Scotia Power Finance Corporation (CDN)		1,025,000	2002 to 2031	10.25% to 13.5%
Nova Scotia Power Finance Corporation (US \$300,000)	1.4535	436,050	2021	9.4%
Total - Debentures		<u>14,215,360</u>		
Loans				
Consolidated Fund - Government of Canada		427	2000 to 2002	7.161% to 8.5%
Consolidated Fund - Courthouse Debt		900	2011	8.375%
Consolidated Fund - Hospital and Public School Debt		973		
Cape Breton Regional Healthcare Complex		198	2001	
Housing Development Corporation		345,171	2000 to 2034	4.0% to 21.5%
Waterfront Development Corporation		12,600	Demand Loan	bank prime less 1.0%
Western Regional Health Board		6	2000	non interest bearing
Total - Loans		<u>360,275</u>		
Capital Leases				
Consolidated Fund		193,006	2019 to 2020	6.04% to 11.0%
Other		2,693	2000 to 2006	6.75% to 12.5%
Total - Capital Leases		<u>195,699</u>		
Total Long-Term Debt of Government Service Organizations		<u>14,771,334</u>		

Gross Long-Term Debt

as at March 31, 2000

(continued)

(\$ thousands)

	Cdn \$ Amount	Maturity Dates	Interest Rates
Government Business Enterprises:			
	Debentures		
Halifax-Dartmouth Bridge Commission	100,000	2007	5.95%
Highway 104 Western Alignment Corporation	78,734	2011 to 2026	10.13% to 13.4%
	<hr/>		
Total - Debentures	178,734		
	Loans		
Halifax-Dartmouth Bridge Commission	23,000	2007	floating (line of credit)
	Capital Leases		
Nova Scotia Liquor Commission	8,848	2011	13.8%
Total Long-Term Debt of Government Business Enterprises	<hr/>		
	210,582		
Total Gross Long-Term Debt	<u>\$ 14,981,916</u>		

Call or Redemption Features:**Consolidated Fund**

\$1,173.0 million CPP debentures redeemable in whole or in part before maturity, on six months notice, at the option of the Minister of Finance of Canada.

Issue 9D, US \$250.0 million, is redeemable on November 15, 2001 at the option of the bondholder.

Nova Scotia Power Finance Corporation

\$325.0 million of the Canadian debentures are callable issues. Under the terms of the privatization agreement, all options must be exercised. The range of call dates is 2000 to 2002.

Direct Guarantees

as at March 31, 2000

(\$ thousands)

	Authorized	Utilized	
	2000	2000	1999 <i>(as restated)</i>
Bank Loans:			
Industrial Development Act	\$ 147,150	\$ 40,767	\$ 15,700
Nova Scotia Business Development Corporation	10,875	9,871	10,870
Nova Scotia Fisheries and Aquaculture Loan Board	3,772	3,235	3,529
Nova Scotia Innovation Corporation	---	---	150
Sydney Steel Corporation	---	---	109,781
	161,797	53,873	140,030
Total - Bank Loan Guarantees			
Promissory Notes:			
Nova Scotia Resources Limited (US \$241,761,276)	363,375	351,400	---
Nova Scotia Resources Limited (US \$240,252,844)	---	---	362,590
Nova Scotia Resources Limited to Canada-Nova Scotia Offshore Petroleum Board	17,500	17,500	17,500
	380,875	368,900	380,090
Total - Promissory Note Guarantees			
Mortgages:			
Nova Scotia Housing Development Corporation Act	204,760	204,760	212,997
Provincial Finance Act	660	660	781
	205,420	205,420	213,778
Total - Mortgage Guarantees			
Other Guarantees:			
Performance Bonds	9,568	9,568	2,835
Nova Scotia Resources Limited Site Abandonment Costs	40,000	---	---
Nova Scotia Resources Limited Service Contracts	212,351	212,351	117,000
	261,919	221,919	119,835
Total - Other Guarantees			
Total - Direct Guarantees	\$ 1,010,011	850,112	853,733
Less: Provision for Guarantee Payout:			
Industrial Development Act		(3,349)	(50)
Nova Scotia Business Development Corporation		(3,434)	(2,461)
Nova Scotia Housing Development Act		(9,352)	(8,100)
Nova Scotia Resources Limited		(368,900)	(380,090)
Sydney Steel Corporation		---	(109,781)
		(385,035)	(500,482)
Net Direct Guarantees Not Provided for in these Statements		\$ 465,077	\$ 353,251

Government Business Enterprises

as at March 31, 2000

(\$ thousands)

	2000							1999	
	Halifax- Dartmouth Bridge Commission	Highway 104 Western Alignment Corporation	Nova Scotia Gaming Corporation	Nova Scotia Liquor Commission	Nova Scotia Resources Limited	Sydney Steel Corporation	Sydney Steel Corporation Adjustments	Total	Total
Cash	\$ 398	\$ 356	\$ 12,140	\$ 2,001	\$ 5,303	\$ 13	\$ ---	\$ 20,211	\$ 28,092
Accounts Receivable	933	597	4,339	2,514	6,532	9,538	---	24,453	35,495
Inventory	159	27	---	16,477	---	53,887	---	70,550	54,174
Fixed Assets	80,537	119,663	134	16,472	182,555	25,335	---	424,696	333,799
Other Assets	11,116	9,040	3	2,478	---	1,657	---	24,294	26,344
Total - Assets	93,143	129,683	16,616	39,942	194,390	90,430	---	564,204	477,904
Accounts Payable	2,981	851	1,302	31,094	8,288	177,758	(154,748)	67,526	68,573
Long Term Debt	123,000	78,734	---	8,848	---	---	---	210,582	208,776
Other Liabilities	2,294	53,929	15,314	---	748,176	40,800	---	860,513	874,665
Total - Liabilities	128,275	133,514	16,616	39,942	756,464	218,558	(154,748)	1,138,621	1,152,014
Equity (Deficit)	(35,132)	(3,831)	---	---	(562,074)	(128,128)	154,748	(574,417)	(674,110)
Total Liabilities and Equity (Deficit)	\$ 93,143	\$ 129,683	\$ 16,616	\$ 39,942	\$ 194,390	\$ 90,430	\$ ---	\$ 564,204	\$ 477,904
Revenue	\$ 22,138	\$ 11,469	\$ 418,415	\$ 371,365	\$ 34,980	\$ 85,865	\$ ---	\$ 944,232	\$ 927,402
Expenses	8,693	4,050	260,090	234,938	72,089	113,094	---	692,954	675,229
Debt Servicing Costs	7,061	8,205	3,957	1,257	(10,945)	7,260	---	16,795	91,435
Total - Liabilities	15,754	12,255	264,047	236,195	61,144	120,354	---	709,749	766,664
Net Income/(Loss)	\$ 6,384	\$ (786)	\$ 154,368	\$ 135,170	\$ (26,164)	\$ (34,489)	\$ ---	\$ 234,483	\$ 160,738

Government Business Enterprises

as at March 31, 2000

(continued)

THE HALIFAX-DARTMOUTH BRIDGE COMMISSION

The Commission is incorporated by Special Statute of the Province of Nova Scotia. The purpose of the Commission is to construct, maintain and operate bridges and their necessary approaches across the Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm. Bridge tolls are regulated by the Nova Scotia Utility Review Board, a provincially controlled public sector entity. The Commission's fiscal year end is December 31. At March 31, 2000, the Commission owed \$23.0 million to the Province's Consolidated Fund for a revolving line of credit. The Commission records depreciation on bridge assets using the straight line method and uses the declining balance method for all other assets. Included in other assets is a reserve fund in the amount of \$4.3 million which is restricted in use until 2007 and was established under the terms of the trust indenture.

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

The Corporation has been established to finance, design, construct, operate and maintain a 45 km stretch of highway between Masstown and Thomson Station in the Counties of Colchester and Cumberland, Nova Scotia. The Province of Nova Scotia retains ownership of the highway, however, the Corporation is granted the right to operate and collect tolls for a thirty year period, pursuant to an agreement dated April 1, 1996, after which time the right will revert back to the Province. In addition, the Corporation has entered into an operating agreement. Compensation is based on the annual operating budget plus a variable fee. The Corporation's fiscal year end is March 31. The Corporation records depreciation using the sinking fund method. Restricted assets, consisting of short-term investments in the amount of \$7.8 million, are included in other assets. These reserve accounts were established in accordance with trust indenture agreements between the Corporation and bondholders.

The Province has contributed \$55.0 million toward construction of the highway, half of which will be recovered from the Federal Government under the Canada/Nova Scotia Strategic Highway Improvement Program.

THE NOVA SCOTIA GAMING CORPORATION

The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Gaming Control Act of 1994-95. The purpose of the Corporation is to develop, undertake, organize conduct and manage casinos and other lottery business on behalf of the Province. The Corporation's fiscal year end is March 31.

The revenues of the Corporation are derived from the Sheraton Halifax and Sydney Casinos and the Atlantic Lottery Corporation. The net earnings of the Corporation, after providing for expenses, are budgeted for and recorded in the revenues of the Province. The net balance owing to the Province at March 31, 2000 was \$5.4 million.

The Nova Scotia Gaming Corporation is guaranteed revenues of \$25.0 million from the Halifax and Sydney casinos in each of the four years commencing August 1, 1995. Total provincial revenue includes the aggregate of casino win tax paid to the Province, annual registration fees paid to the Nova Scotia Alcohol and Gaming Authority and the share of profit allocated to the Nova Scotia Gaming Corporation as described in an operating contract between the Metropolitan Entertainment Group (the Operator), Sheraton International Inc., and the Corporation. If total provincial revenue falls below the \$25.0 million requirement in any year of the guarantee period, the Operator is obligated to pay the shortfall. The shortfall amounted to \$21.0 million for the three year period ending July 31, 1998. The Operator is entitled to recover any shortfall amounts paid to the extent that the Province's revenue exceeds \$25.0 million in any year through to July 31, 2000. To date, the Operator is entitled to a recovery of \$8.2 million, reducing the maximum potential recovery to \$12.8 million.

Government Business Enterprises*as at March 31, 2000**(continued)***THE NOVA SCOTIA GAMING CORPORATION***(continued)*

The Corporation is required to reimburse the Operator for approved development costs of the Halifax permanent casino, which opened April 24, 2000. Within 180 days of this date, the Operator must submit a detailed summary of the total amount expended for the Casino which must be approved within 30 days. The total amount expended is approximately \$98.0 million.

The Corporation has agreed to an annual contribution of \$1.0 million annually to the Department of Health to provide funds for problem gaming programs and related public education. The Corporation has also agreed to provide up to \$1.0 million in funds in 2000-2001 for the harness industry in Nova Scotia.

THE NOVA SCOTIA LIQUOR COMMISSION

The Commission derives its mandate from the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989. The Commission operates retail sales locations across the province. Its fiscal year end is March 31. The net earnings of the Commission, after providing for expenses, are budgeted for and recorded in the revenues of the Consolidated Fund of the Province. The net balance owing to the Province at March 31, 2000 was \$15.17 million.

NOVA SCOTIA RESOURCES LIMITED

The Company has a 50% working interest in the Panuke and Cohasset oil fields offshore Nova Scotia that were in production from 1992 to 1999. The Company has an 8.4% working interest in the Sable Offshore Energy Project gas fields which started commercial production on December 31, 1999. It also has significant discovery licenses and gross royalty on Deep Panuke/Cohasset gas field.

The carrying value of oil and gas properties is \$182.6 million at December 31, 1999. The Company compared the net recoverable amount based on commodity prices at December 31, 1999 to the carrying value of the oil and gas properties and has determined that no write down is required. Net losses for its fiscal years ended December 31, 1999 and 1998, amounted to \$26.2 million and \$75.8 million respectively. Debt of Nova Scotia Resources Limited guaranteed by the Province amounted to \$351.4 million, comprised of \$241.8 million payable in U.S. dollars, and notes payable directly to the Province totaling \$365.0 million at March 31, 2000. The Company records depletion expense on a unit of production basis. The Company's oil and gas operations are conducted through a subsidiary, which is a taxable corporation that has approximately \$808.0 million of tax deductions available to reduce future taxable income.

SYDNEY STEEL CORPORATION

The Sydney Steel Corporation (Sysco), a Provincial Crown Corporation established by an Act of the Legislature, operates a steel mill at Sydney, Nova Scotia.

Sysco recorded losses for its fiscal years ended December 31, 1999 and 1998 of \$34.5 million and \$31.3 million respectively. \$154.3 million of debt which was guaranteed by the Province and \$0.4 million pension health benefits were both paid out by the Province for Sysco between December 31, 1999 and March 31, 2000. The impact on Sysco for these payouts is a \$154.7 million reduction in Accounts Payable and a reduction in Deficit. This has been adjusted in the schedule above. Sysco records depreciation on a straight-line basis. The Province negotiated a final sale agreement for the mill as at October 31, 2000. See Note 3 for further details.

Reporting Entity

as at March 31, 2000

Listed below are the government service organizations and the government business enterprises included in the government reporting entity at the present time.

Government Service Organizations (Consolidated)

Annapolis Valley Regional School Board	Nova Scotia Gaming Foundation
Art Gallery of Nova Scotia	Nova Scotia Harness Racing Incorporated
Bedford Waterfront Development Corporation	Nova Scotia Hospital
Cape Breton Regional Healthcare Complex	Nova Scotia Housing Development Corporation
Cape Breton Victoria Regional School Board	Nova Scotia Housing Development Fund
Central Regional Health Board	Nova Scotia Innovation Corporation
Check Inns Limited	Nova Scotia Legal Aid Commission
Chignecto-Central Regional School Board	Nova Scotia Municipal Finance Corporation
College de l'Acadie	Nova Scotia Police Commission
Conseil Scolaire Acadien Provincial	Nova Scotia Power Finance Corporation
Consolidated Fund (1)	Nova Scotia Primary Forest Products Marketing Board
Eastern Regional Health Board	Nova Scotia Utility and Review Board
Fisheries and Aquaculture Development Fund	Novaco Limited
Halifax Regional School Board	Provincial Community Pastures Board
Industrial Expansion Fund	Provincial Drug Distribution Program
Insured Prescription Drug Plan Trust Fund	Public Archives
IWK-Grace Health Centre	Queen Elizabeth II Health Sciences Centre
Law Reform Commission	Resource Recovery Fund Board Incorporated
Northern Regional Health Board	Rockingham Terminal Incorporated
Nova Scotia Arts Council	Sherbrooke Restoration Commission
Nova Scotia Business Development Corporation	Southwest Regional School Board
Nova Scotia Community College	Strait Regional School Board
Nova Scotia Crop and Livestock Insurance Commission	Sydney Environmental Resources Limited
Nova Scotia Farm Loan Board	Tidal Power Limited
Nova Scotia Film Development Corporation	Trade Centre Limited
Nova Scotia Freedom of Information and Protection of Privacy Review Office	Upper Clements Family Theme Park Limited
	Waterfront Development Corporation
	Western Regional Health Board

Government Business Enterprises (Modified Equity Method)

Halifax-Dartmouth Bridge Commission
 Highway 104 Western Alignment Corporation
 Nova Scotia Gaming Corporation
 Nova Scotia Liquor Commission
 Nova Scotia Resources Limited
 Sydney Steel Corporation

(1) - Includes all departments and public service units of the Nova Scotia Provincial Government.

PROVINCE OF NOVA SCOTIA
Notes to the Consolidated Financial Statements
March 31, 2000

1. FINANCIAL REPORTING AND ACCOUNTING POLICIES

These financial statements are prepared in accordance with generally accepted accounting principles, which for purposes of the Province's financial statements is represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

These Consolidated Financial Statements have been prepared using the following significant accounting policies.

a) The Consolidated Reporting Entity

The consolidated reporting entity is comprised of the Consolidated Fund, other Government Service Organizations and Government Business Enterprises. This represents the entities which are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the House of Assembly and are owned or controlled by the government. A listing of these organizations is provided in Schedule 8.

Trusts administered by the Province are excluded from the reporting entity and are disclosed separately on the Statement of Financial Position for information purposes only.

b) Principles of Consolidation

The accounts of government service organizations are consolidated on a line-by-line basis after adjusting the accounting policies to be consistent with those described in Note 1(c), with the exception of Tangible Capital Assets. Significant inter-organization accounts and transactions are eliminated.

A government business enterprise is a self-sustaining organization which has the financial and operating authority to sell goods and services to individuals and non-government organizations as its principal activity and source of revenue. Government business enterprises have been accounted for on the modified equity basis which does not require any accounting policy adjustments. Their combined deficit is included in these consolidated financial statements as a Deficiency in Government Business Enterprises on the Statement of Financial Position. Their combined net income is shown as a separate line item on the Statement of Operations.

Financial results of government business enterprises whose fiscal year ends are not March 31 were not significant to these financial statements so have not been adjusted, except as noted on Schedule 7 regarding amounts paid on behalf of Sydney Steel Corporation (Sysco).

c) Significant Accounting Policies

Revenues

Revenues are recorded on the accrual basis. The main components of revenue are interest, various taxes and legislated levies. Revenues from Personal and Corporate Income Taxes, Federal Equalization Payments and Canada Health and Social Transfers are accrued in the year earned based upon estimates using statistical models. These federal revenues are recorded at the net amount received, after being reduced for charges such as tax credits and administrative costs related to the collection and processing performed by the federal government. Revenue from the oil and gas fields from offshore Nova Scotia is recorded at current sales prices once the product is delivered.

Expenses

Expenses are recorded on the accrual basis and include the cost of supply inventories purchased during the year. Net expenses include recoveries and fees which are directly related to the expenses and are not normally considered to be revenues. Recoveries and fees may include insignificant amounts from other government service organizations, departments and public service units. Gross expenses, before the impact of recoveries, are reported in Note 9 - Expenses By Object. Grants are recognized in the period during which both payment is authorized and any eligibility criteria are met. Provisions are made for probable losses on certain loans, investments, loan guarantees, accounts receivable, advances, forgivable loans and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined.

Assets

Cash and Short-Term Investments are recorded at cost which approximates market value. Investments normally include R-1 (mid to high) rated Bankers' Acceptance, term deposits and commercial paper with fixed interest rates averaging 5.30% and are for terms of 1 to 14 days. At statement date, short-term investments included one foreign investment of 615,968 UK Sterling, (CDN \$1,425,411).

Accounts Receivable and Advances are recorded at the principal amount less valuation allowances.

Inventories consist of items held for resale. All other items are expensed for the period.

Loans and Investments are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by a department of government. Any loan write-offs must be approved by Order-in-Council. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

Unamortized Foreign Exchange Translation Gains and Losses and Discounts and Premiums result when debentures payable in foreign currencies, accrued interest thereon, and sinking funds, where invested in foreign currencies, are translated into Canadian dollars at the rate of exchange in effect at March 31. Realized foreign exchange gains and losses relating to US dollar denominated annual sinking fund instalments, balances and serial retirements are charged to debt servicing costs. Foreign exchange gains and losses on the translation of foreign currency debentures together with premiums, discounts and underwriting commissions relating to the issuance of debentures are amortized on a straight-line basis over the remaining term of the related monetary issue.

Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded on the Statement of Tangible Capital Assets at net historical cost (or estimated cost when the actual cost is unknown) and includes all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Commencing April 1, 2000, interest will be capitalized as part of the cost for significant assets under construction. Tangible capital assets include land, buildings, major equipment, computer equipment and software, vehicles, ferries, roads and bridges. Tangible capital assets do not include intangibles, assets acquired by right such as forests, water and mineral resources and works of art and historical treasures.

Social Housing assets relate to the merged Housing Development Corporation and the Housing Development Fund. These entities do not track accumulated amortization separately. The closing cost of these assets is the net carrying value of the assets.

Liabilities

Bank Advances and Short-Term Borrowings are generally for less than 90 days and are recorded at a value which approximates market value. At March 31, 2000, short-term borrowings included \$141.5 million in US dollar obligations (CDN \$205.7 million). Short-Term borrowings had a fixed average interest rate of 5.95% on US dollar borrowings and 5.15% on CDN dollar borrowings.

Unmatured Debt consists of debentures and various loans in Canadian and foreign currencies and capital leases. Debt is recorded at par, net of sinking funds.

Sinking Fund and Public Debt Retirement Fund objectives are to manage short-term liquidity, to manage interest rate and currency exposure, and to assist in the orderly refunding of maturing debt while maximizing the long-term investment return to the Province. Sinking fund payments usually commence on the first anniversary date of the issue and are generally designed to retire the debt over a 20 year period or the term of the issue, whichever is longer. Sinking Fund and Public Debt Retirement Fund investments are recorded at cost and consist primarily of debentures of the Province of Nova Scotia, other provincial governments and the Government of Canada. Sinking funds for US currency debentures are invested in US dollar denominated investments.

Pension, Retirement and Other Obligations. For purposes of these financial statements, the Province's pension liabilities are calculated using an accrued benefits actuarial method and using accounting assumptions which reflect the Province's best estimates of performance over the long-term. The net pension liability represents accrued pension benefits less the market value of pension assets (if applicable) and the balance of unamortized experience gains and losses. The Public Service Superannuation Plan and Teachers' Pension Plan have separate funds. The Province also maintains accounts within the Consolidated Fund for other pension and retirement obligations as described in Note 7. Pension expense includes the value of pension benefits earned in the period and the amortization of experience gains and losses. Related interest is charged or credited to debt servicing costs. Other obligations include Self-insured Workers' Compensation and Long-Term Disability Plan liabilities. These amounts are assessed each year at March 31 and any adjustments are charged or credited to expenses.

Net Direct Debt represents the direct liabilities of the Province less realizable assets and unamortized foreign exchange translation gains and losses and premiums and discounts on outstanding debenture issues. Disclosure on the Statement of Financial Position indicates the significant portion of Net Direct Debt arising from investment in tangible capital assets.

2. MEASUREMENT UNCERTAINTY

Measurement uncertainty exists in financial statements when recorded amounts are based on assumptions or estimates. Accuracy of these numbers depends on the completeness and quality of information available when the recorded amount is derived. There could be significant variances among the estimates recorded, the actual results achieved and another reasonable estimate. For example, revenues from Personal and Corporate Income Taxes, Federal Equalization Payments and Canada Health and Social Transfers are accrued in the year earned based on estimates using statistical models. Also, pension obligations are recorded based on various assumptions about plan members and economic conditions in the marketplace.

3. UNUSUAL ITEM

The Unusual Item disclosed on the Statement of Operations represents an accounting provision established for the sale of Sydney Steel Corporation (Sysco) and is comprised of the following:

	<i>(\$ millions)</i>
Sysco Losses to October 31, 2000	\$ 14.0
Expected Loss on the Sale of Assets	46.0
Sysco Severance Liabilities	10.3
Sysco Unfunded Pension Liabilities	86.5
Environmental Remediation of Sysco and Adjacent Sites	250.0
Environmental Remediation of the Sydney Tar Ponds Site	68.5
	<hr/>
Total - Unusual Item	\$ 475.3

Sysco has been a provincially owned corporation producing steel on Cape Breton Island, Nova Scotia. The Province entered into purchase/sale negotiations with Duferco Farrell Corporation (a Swiss Company) in the 1999-2000 fiscal year. On January 27, 2000, the Executive Council approved the appointment of an agent to manage the sale of Sysco. At its meeting of June 26, 2000, the Executive Council approved the execution of an agreement for the sale of Sysco. On November 30, 2000, legislation including terms of the sale was approved in the House of Assembly. In the course of discontinuing the operations of Sysco, the Province is obligated by generally accepted accounting principles to record a provision for the expected loss on sale and any operating losses to the sale agreement date of October 31, 2000. Bill #33, the legislation respecting the sale of the assets of Sysco, received royal assent on November 30, 2000.

In addition to the financial commitments for the sale of Sysco, the Province has assumed legal responsibility for any Sysco site environmental issues that currently exist or may result from conditions that exist at the date of sale. Engineering and environmental studies have generated initial estimates for the cost of remediation of the Sysco and adjacent sites as well as the Sydney Tar Ponds. The calculation assumes that the current cost-sharing arrangements with the Federal Government will continue for the subsequent phases of the remediation. The cost estimate is based on the most cost effective method of remediation. As a result, the Province has recorded a provision for these remediation projects in the fiscal year.

On the Statement of Financial Position these items are represented by a \$86.5 million increase in pension liabilities and a \$388.8 million increase in accounts payable.

The above provision is an estimate based on the best information available at the time of the preparation of these financial statements. Actual costs may vary from this provision.

The Company will continue to collect accounts receivable and wind down its operational commitments and guarantees until such time as wind up is possible.

4. PRIOR PERIOD ADJUSTMENTS

To more fully comply with generally accepted accounting principles, certain accounting policy changes have been reflected retroactively in these consolidated financial statements. These policy changes have resulted in a decrease in the 1998-1999 deficit of \$124.3 million. This is attributable to a \$92.9 million decrease from the implementation of tangible capital assets, a \$33.0 million decrease from foreign exchange gains and losses, and a \$1.6 million increase to employee benefits expense. The impact on opening net direct debt of \$640.1 million as of April 1, 1999 results from a \$28.4 million reclassification of tangible capital assets, \$79.8 million due to foreign exchange gains and losses, and \$531.9 million related to employee benefits. These changes are discussed in further details in the following paragraphs.

The Province has changed its accounting policy for tangible capital assets on the Statement of Operations whereby expenditures for tangible capital assets are capitalized and amortized over the estimated useful life of the asset. In the past, expenditures for tangible capital assets were charged to operations when incurred. The impact of this change is a \$135.7 million decrease in the deficit for March 31, 2000 and a \$ 92.9 million decrease in the deficit for 1999. The impact of this policy change has been removed from expenses by an adjustment on the Statement of Net Direct Debt to reinstate that figure to an expenditure basis as required by PSAB. Also, \$28.4 million of assets previously classified as investments have been charged to opening Net Direct Debt as at March 31, 1998.

The Province has changed its accounting policy for long-term disability benefits to record the Long-Term Disability Fund's deficiency. In the past, no liability had been recorded. The impact of this change results in a \$8.3 million decrease in the deficit for 2000, a \$6.5 million decrease in the deficit for 1999 and a \$42.7 million increase in Net Direct Debt as at March 31, 1998.

The Province has changed its accounting policy for pensions and other retirement obligations to comply with PSAB. Pension benefits and pension fund interest expense or recoveries are recognized as earned in the year. Also, valuation adjustments to the liability at year end are deferred and amortized over the estimated average remaining service life of members. Assumptions used in the valuation of these benefits and obligations were developed for accounting purposes and differ from those assumptions used for funding purposes. In previous years, the funding assumptions were used for accounting purposes.

In the past, contributions or payments were recorded as expenditures and valuation adjustments were charged or credited to Net Direct Debt. The impact of this change results in a \$44.1 million decrease in the deficit for 1999-2000, a \$4.7 million increase in the deficit for 1998-1999, a \$240.4 million increase in Net Direct Debt as at March 31, 1998. Also the \$252.3 million valuation adjustment previously recorded to Net Direct Debt as at March 31, 1999 has been reclassified resulting in an additional \$3.4 million increase in the deficit for 1998-1999 and \$248.8 million increase in Net Direct Debt as at March 31, 1998.

In addition to the accounting policy changes discussed above, a prior period adjustment has been made to correct an error relating to the recognition of unamortized foreign exchange gains or losses. As a result, there is a \$33.0 million decrease in the deficit previously reported for fiscal 1998-1999, a \$79.8 million increase in the Net Direct Debt as of March 31, 1998, and a \$46.8 million change to the unamortized foreign exchange translation losses and discounts balance reported as at March 31, 1999.

5. RESTRICTED CASH AND SHORT-TERM INVESTMENTS

Restricted cash and short-term investments of \$25.4 million (\$24.0 million in 1999) have been designated for restricted purposes by parties external to the Province.

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Province is a party to financial instruments with off-balance sheet risk, either to hedge against the risks associated with fluctuations in foreign currency exchange rates or to manage risks associated with interest rate fluctuations. Foreign currency contracts are used to convert the liability for foreign currency borrowings and associated costs into Canadian or US dollars. Interest rate contracts are used to vary the amounts and periods for which interest rates on borrowing are fixed or floating.

The Province's credit policy is that it executes derivative transactions only with counter-parties rated equal to or better than the Province. When a counterpart has a split rating, the Province uses the lower of the two ratings.

Foreign currency contracts include forward rate agreements, future contracts, swap agreements and options. Interest rate contracts include forward rate agreements, future contracts, swap agreements and options on swaps and deferred rate-setting agreements.

The Province has executed the following swap contracts to convert certain interest payments from a fixed to floating, from floating to fixed, floating to floating or fixed to fixed basis for the fiscal year ended March 31, 2000:

# of Swaps	Currency	Notional Principal (\$ thousands)	Term Left to Maturity (years)	Reset Index	Spread	Mark to Market *
86	CDN \$	1,301,225	1 to 19	3 mth CAD-BA-CDOR	-0.17 to +0.12	3.24
6	US \$	939,712	1 to 22	3 mth USD-LIBOR 3 mth CAD-BA-CDOR	no spread +0.045	(16.30)
3	UK pound	143,215	1 to 4	6 mth GBP-LIBOR-BBA 6 mth USD-LIBOR-BBA	-0.095 to +2.96 +2.85	4.21
1	YEN	3,000,000	1	3 mth CAD-BA-CDOR	-0.01	2.07
1	Euro	50,000	10	not applicable		(6.43)
97						(13.21)

* Mark to Market is an indication of the swap's market value as at March 31, 2000. This represents the estimated realizable gain and is equivalent to the present value of future interest savings based on market conditions as at March 31, 2000.

The Province has also executed several currency swap contracts to convert foreign denominated debt into Canadian or US dollar denominated debt as follows:

Termination Date	Original Currency	Original Principal (\$ thousands)	Current Currency	Current Principal (\$ thousands)
May 12, 2001	US \$	281,031	CDN \$	407,776
February 24, 2010	Euro	50,000	CDN \$	72,235
April 18, 2000	UK pound	60,000	US \$	98,736
April 30, 2001	UK pound	23,215	US \$	38,204
March 8, 2001	Yen	3,000,000	CDN \$	41,436
March 1, 2020	US \$	236,245	CDN \$	322,238
March 15, 2016	US \$	102,326	CDN \$	140,340
March 1, 2020	US \$	120,000	CDN \$	163,680

The Province has also executed several foreign currency forward agreements to convert Yen, Swiss Franc and US dollar commitments coming due in 2000 as follows:

Forward Date	Original Currency	Original Principal (\$ thousands)	Current Currency	Current Principal (\$ thousands)
August 3, 2000	CHF \$	143,500	US \$	97,092
August 3, 2000	US \$	65,000	CDN \$	96,320
November 27, 2000	Yen	24,400,000	US \$	226,299
November 27, 2000	US \$	105,000	CDN \$	155,536

7. PENSION, RETIREMENT AND OTHER OBLIGATIONS

a) Description of Obligations

Employees of the Province and certain other entities are entitled to receive pension benefits from the Province's Consolidated Fund and several separate pension funds administered by the Province. These pensions are defined benefit plans and the pension liabilities are adjusted each year on an accrued benefit basis to reflect the net actuarial position of the plan to date. The Province records the full amount of any unfunded pension or retirement liability. For the Public Service Superannuation Plan (PSSP) and the Nova Scotia Teachers' Pension Plan (TPP), the Province records the full unfunded liability and shares equally with plan members in any surplus.

The following is a general description of the various plans, including benefit formulae:

Public Service Superannuation Plan (PSSP)

The plan invests in Canadian and foreign equities, bonds, debentures, mortgages and money market securities. Investments held in the Fund include debentures of the Province of Nova Scotia and the Nova Scotia Municipal Finance Corporation with a total market value of \$74.0 million as at March 31, 2000.

Employees are required to contribute 5.4% of earnings up to the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan (CPP) and 7% of any earnings over the YMPE. Contributions are matched by the Province and participating agencies.

Pension benefits are based on average salary during the five highest earning years at the rate of 2% per year of contributions. Normal retirement age is considered to be age 65. Eligible employees may elect early retirement as early as age 50; integration with CPP reduces benefits after age 65. If early eligibility criteria are not met, employees may elect early retirement as early as age 55 on an actuarially reduced pension basis. Pensions are inflation protected to the lesser of 6% or the increase in the Consumer Price Index (CPI).

In the event there are insufficient funds within the PSSP to make all payments required by the Act, the Province guarantees cash flow assistance.

Nova Scotia Teachers' Pension Plan (TPP)

The plan invests in Canadian and foreign equities, bonds, debentures, mortgages and money market securities. Investments held in the Fund include debentures of the Province of Nova Scotia and the Nova Scotia Municipal Finance Corporation with a total market value of \$80.0 million as at March 31, 2000.

Pursuant to an agreement with the Nova Scotia Teachers' Union in 1993, amendments were made to the Teachers' Pension Act (Schedules A and B) regarding amounts which the Province would pay to the Pension Fund. Schedule A was paid out in 1997. Under Schedule B, the Province is committed to making a series of payments which began at \$10.0 million per annum in 1993, increased by 7.5% each year thereafter until 2003. The present value of these future payments as at March 31, 2000, is approximately \$48.2 million and has been recognized in these financial statements.

Members are required to contribute 8.3% of earnings up to the YMPE under the CPP and 9.9% of any earnings over the YMPE. Contributions are matched by the Province.

Pension benefits are based on average salary during the five highest earning years at the rate of 2% per year of contributions. Normal retirement age is considered to be age 65. Eligible employees taking early retirement can receive reduced benefits beginning at age 55; integration with CPP reduces benefits after age 65. If early eligibility criteria are not met, employees may still elect early retirement as early as age 55 on an actuarially reduced pension basis. Pensions are inflation protected to the lesser of 6% or the increase in the CPI less 1% (never less than zero).

In the event there are insufficient funds within the TPP to make all payments required by the Act, the Province guarantees cash flow assistance.

Members' Retiring Allowance Act (MRA)

There is no separate fund for the Members' Retiring Allowances. Contributions are paid to the Consolidated Fund of the Province and allowances are paid from the Consolidated Fund.

Members are required to contribute 10% of their Annual Indemnity Payment, their annual allowance for expenses and Executive Council salary or other salaried office. The Province contributes 3.96 times the contributions by members.

Pension benefits are based on average salary during the last three years at the rate of 5% per year of contributions to a maximum of fifteen years of service. A member qualifies for benefits on ceasing to be a member after having served five years during two or more General Assemblies and having attained age 55. Members may make application for an actuarially reduced allowance at age 45. Pensions are inflation protected to the lesser of 6% or the increase in the CPI.

Early Retirement Incentive Programs (ERIP)

The Province has offered early retirement incentive programs to members of the Public Service Superannuation Plan at various times commencing in 1986. Qualified members were offered additional years of pensionable service if they elected to retire. These are obligations of the Province and are not payable from the Public Service Superannuation Plan. The last ERIP offering expired on April 1, 1998.

Teachers' Early Retirement Program (ERP)

This program, which commenced in 1994, entitled teachers who met the eligibility criteria to retire early. For each program participant, the ERP liability was increased by an amount equal to the present value of the remaining payments for the prescribed obligation. This program expired on August 1, 1998.

Judges' Pension Supplement (JPS)

Provincial and Family Court judges are members of the Public Service Superannuation Plan with all the benefits it entails. However, judges are also eligible to retire under the terms of the Provincial Court Act. A judge who retires at age 65 with at least five years of service is entitled to pension benefits based on the average salary during the three highest earning years at the rate of 7% per year of contributions to a maximum of 70%. The base benefit is paid by the Public Service Superannuation Plan and the supplement necessary to bring the judge's total pension up to the amount payable under the terms of the Provincial Court Act is paid from the Consolidated Fund of the Province.

Deputy Ministers' Supplement (DMS)

Deputy Ministers are members of the Public Service Superannuation Plan. Benefits paid to retiring Deputy Ministers are based on the average salary for the three highest earning years instead of the five highest earning years which is the entitlement under the Public Service Superannuation Plan. The amount of pension benefit which is attributable to this difference in entitlement is paid from the Consolidated Fund of the Province. A member qualifies for benefits as early as age 50, if they have 20 years of service, 5 of which were served as a Deputy Minister.

Other Service (Other)

The Province's Consolidated Fund is also responsible for funding the cost of certain types of pensionable service which do not fall into the categories described above.

Sysco Pension Plan

The total obligation to the Plan is \$121.5 million at March 31, 2000. It is comprised of two separate commitment amounts. In previous years, the Province had committed to fund the December 31, 1994 unfunded liability of the Sydney Steel Employees Pension Plan Fund. Interest is accrued on this liability at a rate of 8% per year and several instalment payments have been made. The balance of the 1994 obligation is \$35.0 million. In the year, additional commitments were made by the Province to fund \$86.5 million of plan deficits and enhancements as part of the negotiations for the sale of Sysco.

Public Service Award

Upon retirement, employees of the Province are eligible for a Public Service Award equal to one week's salary per year of service to a maximum of six months salary. The liability consists of obligations recorded as 1% of total payroll plus interest allocated annually.

Retiring Allowances

Health Boards and School Boards also offer a retirement allowance for benefits accruing to employees under various contractual arrangements. The amount of these allowances has been estimated for these financial statements using standard actuarial methods.

Self-Insured Workers' Compensation

The Province is self-insured for Workers' Compensation purposes. Any approved claims from injured workers are paid directly by the Province. The amount recorded in these financial statements represents the actuarial estimate of future payments based on claims ongoing as at March 31, 2000.

Long-Term Disability

The Province participates with the Nova Scotia Government Employees Union in the administration of the Nova Scotia Public Service Long-Term Disability Plan Trust Fund. The Fund provides benefits to those workers approved for long-term disability leave.

b) Member Data

The following table provides member data for certain plans:

<i>Pension Plan</i>	<i>Active Members</i>	<i>Average Age of Active Members</i>	<i>Estimated Average Remaining Service Life</i>	<i>Average Salary of Active Members</i>	<i>Average Pension</i>	<i>Number of Pensioners</i>
PSSP	15,106	43.9	16	\$ 38,116	\$ 16,191	7,208
TPP	13,157	42.7	15	44,806	23,648	7,799
MRA	52	49.6	7	57,671	28,372	98
JPS	39	52.9	12	130,641	28,576	31
DMS	27	50.0	10	96,332	2,666	31
Other	N/A	N/A	N/A	N/A	2,993	820

Those pensioners who retired under the PSSP's ERIP or the TPP's ERP programs are included in the number of pensioners for those respective plans.

c) Actuarial Assumptions

The table below summarizes some of the key accounting assumptions used by actuaries to estimate the Province's pension obligations:

<u>Pension Plan</u>	<u>Real Rate of Return on Assets</u>	<u>Annual Salary Increase</u>	<u>Inflation</u>	<u>Average Retirement Age</u>
PSSP	5.20%	3.5% + merit	3.0%	60
TPP	5.20%	3.5% + merit	3.0%	58
MRA	3.46%	3.0%	3.0%	58
JPS	3.46%	3.5%	3.0%	65
DMS	3.46%	3.5%	3.0%	60
Other	3.46%	N/A	3.0%	N/A

d) Obligation Totals

Details of the pension, retirement and other obligations are outlined in the table below. Pension obligations are calculated on an actuarial basis. Actuarial assumptions used include factors such as retirement age, mortality rates, rates of return on investments, management's best estimates of short and long-term interest, inflation rates, marital status and future salary levels, among others. In all cases, the estimated plan assets (if applicable) and plan liabilities reported have been updated to the year end date by extrapolating the data from the last valuation.

The actuarial process uses assumptions to calculate the present value of accrued pension benefits. Pension plan assets are stated at either cost or market value at the year end date. Actual experience may vary from the predicted performance of the plans due to such factors as inflation or market performance of fund assets. The resulting gains or losses are amortized over the estimated average remaining service life of the plan members. The net pension obligation represents the accrued pension benefits net of pension assets and the unamortized experience gains or losses. By following PSAB recommendations for pension accounting, the decision on how plans are funded should not affect the expense recognized in the financial statements.

<u>Pension Plan and Other Obligations</u>	<u>Last Actuarial Valuation Date</u>	<u>Estimated Accrued Benefits</u>	<u>Market Value of Assets</u>	<u>Unamortized Experience Gains/(Losses)</u> (\$ thousands)	<u>2000 Net Obligation</u>	<u>1999 Net Obligation</u>
PSSP (at 50%)	December 1999	\$ 1,153,800	\$ 1,544,600	\$ 259,735	\$ (131,065)	\$ (110,950)
TPP	December 1999	3,395,820	3,557,000	580,200	419,020	467,710
ERP	March 2000	178,527	N/A	N/A	178,527	194,140
MRA	December 1999	48,541	N/A	3,904	52,445	51,050
ERIP	March 2000	160,870	N/A	(6,477)	154,393	152,945
JPS	March 2000	17,463	N/A	(1,544)	15,919	15,180
DMS	March 2000	2,191	N/A	589	2,780	2,713
Other	March 2000	22,180	N/A	(3,880)	18,300	17,747
Sysco Pension Plan		121,469	N/A	N/A	121,469	32,379
Public Service Awards		105,900	N/A	(11,567)	94,333	87,093
Retiring Allowances		127,741	N/A	(2,152)	125,589	112,113
Self-Insured Workers' Compensation		33,000	N/A	N/A	33,000	33,000
Long-Term Disability Plan		58,860	31,072	N/A	27,788	36,132
		\$ 5,426,362	\$ 5,132,672	\$ 818,808	\$ 1,112,498	\$ 1,091,252

Included in estimated accrued benefits is accrued interest on the net over/under-funded pension obligations.

Other pension and post-employment benefit obligations may exist which have not been valued and therefore have not been recorded in these financial statements.

8. TRUST FUNDS UNDER ADMINISTRATION

Trust fund assets administered by the Province (before giving consideration to actuarial adjustments) are:

<u>Description</u>	<u>2000</u>	<u>1999</u>
	<i>(\$ thousands)</i>	
Public Service Superannuation Plan	\$ 3,089,151	\$ 2,505,870
Nova Scotia Teachers' Pension Plan	3,546,169	3,067,839
Workers' Compensation Board	559,361	464,613
Nova Scotia Municipal Finance Corporation	29,843	47,237
Nova Scotia Government Fund Limited	27,041	26,876
Long-Term Disability Plan	33,253	25,813
Public Trustee	19,455	19,018
Miscellaneous Trusts	29,953	29,296
	<u>\$ 7,334,226</u>	<u>\$ 6,186,562</u>

9. EXPENSES BY OBJECT

<u>Description</u>	<u>2000</u>
	<i>(\$ thousands)</i>
Grants and Subsidies	\$ 2,095,537
Salaries and Employee Benefits	1,904,829
Operating Goods and Services	862,468
Professional Services	151,717
Amortization and Social Housing Adjustment	137,769
Debt Servicing Costs	1,110,993
Other	4,919
Less: Chargeable	(329,448)
Less: Recoveries	(259,452)
	<u>5,679,332</u>
Total Expenses before Unusual Item	5,679,332
Unusual Item (Note 3)	475,300
	<u>\$ 6,154,632</u>

Detailed comparative numbers by object were not available.

10. DEBT SERVICING COSTS

<i>Description</i>	2000	1999
	<i>(\$ thousands)</i>	
CDN\$ Debentures	\$ 588,651	\$ 531,942
US\$ Debentures	340,861	364,471
Foreign Currencies Debentures	80,984	90,401
Pension Liabilities	24,354	13,406
Capital Leases	7,082	1,095
Other Debt	35,139	17,370
Premium/Discount Amortization	(8,863)	(4,728)
Foreign Exchange Amortization	35,446	27,379
Miscellaneous	7,339	242
Total - Debt Servicing Costs	\$ 1,110,993	\$ 1,041,578

Debt servicing costs for the year ending March 31, 1999 were restated to reflect the change in accounting policy for pensions and for adjustments to foreign exchange gains/(losses)/discounts/premiums (see Note 4).

Debt servicing costs for Government Business Enterprises was \$16.8 million for the year ended March 31, 2000 (\$91.4 million for the year ended March 31, 1999).

11. CONTINGENT LIABILITIES AND COMMITMENTS

a) Contingent Liabilities

i) Environmental Sites

Various provincially owned sites located throughout the Province are considered environmental or contaminated sites. Studies are ongoing to assess the nature and extent of the damage and to develop a remediation plan. Remediation costs for these sites are not determinable as at March 31, 2000 and no further provisions for these costs have been recorded in these financial statements with the exception of the provisions recorded for remediation of the Sysco and adjacent sites and the Sydney Tar Ponds as described in Note 3.

ii) Lawsuits

The Province's losses for any lawsuits pending cannot be determined due to uncertainty of the trial outcomes.

b) Commitments

i) Commitments

Commitments total \$192.4 million. Included in this amount are commitments of \$53.4 million for a correctional and forensic facility, \$55.9 million by the Department of Economic Development for projects approved under its various cost sharing programs and \$45.8 million for monthly services and equipment with respect to the Trunk Mobile Radio System over the next 10 years. Also included is a commitment by the Department of Health and the Western Regional Health Board to participate in a redevelopment project for the Yarmouth Regional Hospital in the amount of \$47.9 million.

ii) Environmental Sites

In negotiations for the sale of Sysco, the Province has assumed legal liability for the remediation of the Sysco site. Engineering and environmental studies have generated initial estimates for the cost of remediation of the Sysco and adjacent sites as well as the Sydney Tar Ponds. As a result, the Province has recorded liabilities of \$250.0 million and \$68.5 million respectively in the fiscal year for environmental site clean up. These amounts are reflected on the Statement of Operations as part of the Unusual Item provision. See Note 3.

iii) Leases

As at March 31, 2000, the Province was committed under the terms of various leases. Future minimum annual lease payments are as follows:

<u>Fiscal Year</u>	<u>Lease Payments</u> (\$ millions)
2000-2001	\$ 117.0
2001-2002	72.7
2002-2003	59.6
2003-2004	52.0
2004-2005	39.1
2006-2010	30.9
2011-2015	6.8
2016-2020	0.5
	<u>\$ 378.6</u>

iv) School Maintenance and Development Agreements

As at March 31, 2000, the Province had signed Development Agreements with a number of private sector companies for the construction of 25 additional schools, with estimated total capital lease payments of \$703.5 million. Leases are typically for a 20 year term. The Province expects to lease the schools with estimated annual payments of \$35.4 million for leases and \$18.6 million for maintenance.

12. SUBSEQUENT EVENTS

On May 25, 2000, the Executive Council approved the retention of an investment banker for the disposal of Nova Scotia Resources Limited (NSRL). On November 16, 2000, the Executive Council passed OIC #2000-598 to forgive any debt owing to the Province from NSRL as at November 30, 2000.

13. COMPARATIVE FIGURES

To conform with current year's presentation, certain comparative figures for previous years have been restated as follows:

a) Additional Government Service Organization

The financial results of College de l'Acadie have been consolidated into these financial statements for the first time this year. Its March 31, 1999 accumulated net equity of \$1.7 million has been charged to opening Net Direct Debt in 2000.

b) Clarification of Consolidated Results

The Province prepared its first consolidated financial statements in 1999. Time constraints imposed by this late August change in reporting limited the amount of information to be incorporated in the process. Subsequent to the release of those statements, there has been an accounting review with more in-depth information provided by the entities within the reporting entity. An additional adjustment of \$26.5 million, including item (a) above, has been made to opening Net Direct Debt in 2000 based on findings of this review process. This includes the amount referred to in Note 13(a).

c) Prior Period Adjustments

As described in Note 4 to these statements, there have been some retroactive restatements of figures in accordance with the newly adopted accounting policies.

d) New Department

A new department, Tourism and Culture, was formed in the year by merging sections of the former Department of Education and Culture and the Department of Economic Development and Tourism.

e) Bill No. 35

Effective April 1, 1999, pursuant to Bill No. 35, the Nova Scotia Housing Development Corporation assumed the assets, liabilities and activities of the Nova Scotia Housing Development Fund.

f) Presentation

Prior year's numbers have been restated to conform to the presentation format adopted in the current year.

14. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are immaterial transactions with various provincial crown corporations, agencies, boards and commissions. Significant related party transactions have been offset and eliminated for purposes of consolidated reporting. Parties are deemed to be related to the Consolidated Fund due to common control or ownership by the Province of Nova Scotia.

The most significant related party transactions are described in Schedule 7 - Government Business Enterprises.

15. YEAR 2000

The impact of the Year 2000 issue on operations and financial reporting may range from minor errors to significant systems failure which could affect the Province's ability to conduct normal business operations. Although the date has changed to 2000, it is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to efforts of suppliers and other third parties, have been fully resolved.



Financial Highlights



Message from the Minister

The financial statements for the year ending March 31, 2000 represent a continuation of the Nova Scotia government's commitment to open and transparent financial accountability.

Prior to fiscal 1998-1999, the Province's financial statements were not fully compliant with Generally Accepted Accounting Principles. With the move to fully implement Generally Accepted Accounting Principles, a much wider definition of accountability was adopted and a more complete picture of the Province's fiscal position emerged.

The fiscal 1998-1999 financial statements included all significant financial transactions in calculating the Provincial Surplus/(Deficit) for that fiscal year. These statements also included the true operating and capital costs of the health care sector and the losses of crown corporations such as Nova Scotia Resources Limited and Sydney Steel Corporation. By including these factors, the

impact on the province's fiscal position of policy decisions related to these areas became clearer.

For fiscal 1999-2000, the financial statements go even further. Tangible capital assets and pensions are now properly accounted for in compliance with Generally Accepted Accounting Principles for the public sector. This accounting treatment also enables government to better manage the public's investment in infrastructure.

Decisions respecting the future of Nova Scotia public programs and services must be grounded in sound financial information. This information was critical to developing the four-year fiscal plan that will see a balanced budget in fiscal 2002-2003 and a personal income tax cut in fiscal 2003-2004. By restoring credibility to the province's financial statements, we have a full and clear picture of the challenge that lies before us.

*Honourable Neil LeBlanc
Minister of Finance*



Selected Financial Highlights

Budgetary Summary

(\$ millions)

ACTUAL 1998-1999 (as restated)		ESTIMATE 1999-2000	ACTUAL 1999-2000
	Consolidated Fund		
4,550.6	Ordinary Revenue	4,623.0	4,784.3
	Net Expenses		
4,061.1	Net Program Expenditures	4,231.2	4,294.1
762.3	Net Debt Servicing Costs	799.5	827.1
4,823.4		5,030.7	5,121.2
(272.8)		(407.7)	(336.9)
	Consolidation Adjustments for the Consolidated Fund and Government Service Organizations		
1,615.1	Consolidated Fund Consolidation Adjustments	---	1,596.5
(955.5)	Health and Hospital Boards Operations	---	(1,053.1)
(652.5)	School Boards Operations	---	(698.5)
(156.2)	Other Organizations	---	(40.4)
(149.1)		---	(195.5)
	Net Income (Losses) for Government Business Enterprises		
(75.8)	Nova Scotia Resources Limited	(65.1)	(26.2)
(31.3)	Sydney Steel Corporation	(31.8)	(34.5)
267.8	Other Enterprises	8.0	295.2
160.7		(88.9)	234.5
(261.2)		(496.6)	(297.9)
	Provincial Surplus (Deficit) before Unusual Item		
	Unusual Item		
---	Environmental Clean-Up	---	(68.5)
---	Sydney Steel Corporation	---	(406.8)
---		---	(475.3)
(261.2)	Provincial Surplus (Deficit)	(496.6)	(773.2)

Significant Accounting Policy Issues

Introduction

The Government of Nova Scotia recognizes that its primary financial accountability document is the annual financial statements. A number of changes have taken place to improve these financial statements. The statements for the fiscal year ended March 31, 2000 represent a significant step toward fully adopting generally accepted accounting principles. The objective is to ensure that the statements fully and openly disclose the financial results of operations and the Province's financial position.

The Standard

The recommendations and guidelines of the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Board (PSAB), supplemented where appropriate by other CICA accounting standards and guidelines, provide an authoritative foundation for the Government of Nova Scotia as it relates to what constitutes appropriate accounting for, and disclosure of the Province's financial position and results. PSAB's recommendations have, to a significant extent, become generally accepted practice for governments.

Changes for the 1999-2000 Financial Statements

The Province of Nova Scotia has made further improvements in the manner it presents financial information. Accounting policy changes for pension costs and tangible capital assets have been implemented effective March 31, 2000 and the actual results for 1998-1999 fiscal year have been restated for comparative purposes. In addition, the Province has accounted for the sale of the Sydney Steel Corporation in the 1999-2000 financial statements which has a significant impact on the 1999-2000 operating results.

Pensions

The Province of Nova Scotia now accounts for pension costs on a basis that is consistent with generally accepted accounting principles. Previously, the Province recorded the cash cost of its pension plan contributions as expense for the current year. The current accounting policy now recognizes the cost of the pensionable service earned by employees in the year as its pension expense. As well, this policy has impacted the treatment of annual changes in the unfunded liabilities of the pension plans. The full impact of this accounting policy change is outlined in Note 4 to the Consolidated Financial Statements.

Tangible Capital Assets

During the 1999-2000 fiscal year, the Province completed its implementation of accounting for tangible capital assets. The policy has been implemented on a retroactive basis in accordance with the recommendations of the Public Sector Accounting Board. In the past, all expenditures for tangible capital assets were charged to operations when incurred even though the expenditure had a useful life extending beyond the accounting period and provided benefits for a number of years.

All tangible capital assets will be capitalized and amortized over the estimated useful life of the asset. Amortization of the assets will be included in the Statement of Operations as part of the expenses of departments and other entities. To ensure net direct debt continues to represent cumulative provincial deficits, a charge for the change in the net book value of tangible capital assets is reflected on the Statement of Net Direct Debt.

Sale of Sydney Steel Corporation

The Province of Nova Scotia has accounted for the sale of Sydney Steel Corporation (Sysco) as an "Unusual Item". This transaction has been accounted for in this manner because it does not typify the normal activities of the Province of Nova Scotia.

The provision was established as a result of the decision to sell Sysco being made prior to March 31, 2000 but not finalized prior to the release of the financial statements. This provision is in accordance with generally accepted accounting principles.

The provision for Sysco recognizes the estimated loss associated with the sale of the assets to Duferco. There are unfunded pension liabilities associated with the operations as well as the negotiated pension settlement and severance costs.

The majority of the provision relates to the requirement to undertake certain environmental remediation on the Sysco site. The Province has assumed legal responsibility for any Sysco site environmental issues that currently exist or may result from conditions that exist at the date of the sale. Engineering and environmental studies have generated initial estimates for the cost of remediation of the Sysco and adjacent sites as well as the Sydney Tar Ponds.

Revenues - Consolidated Fund

(\$ thousands)

REVENUE SOURCES	ACTUAL 1998-1999	ESTIMATE 1999-2000	ACTUAL 1999-2000	VARIANCE Increase (Decrease)
Provincial Sources				
Personal Income Tax	992,205	1,044,742	1,144,871	100,129
Corporate Income Tax	119,356	127,102	149,379	22,277
Harmonized Sales Tax	723,391	759,450	754,827	(4,623)
Tobacco Tax	74,598	77,685	76,543	(1,142)
Motive Fuel Taxes	211,606	219,945	219,389	(556)
Gaming Corporation Profits	144,414	161,622	164,926	3,304
Liquor Commission Profits	129,200	133,500	135,170	1,670
Interest Revenues	32,784	35,325	34,428	(897)
Registry of Motor Vehicles	60,980	56,335	61,439	5,104
Royalties - Petroleum	1,834	2,000	1,970	(30)
Other Provincial Sources	184,383	168,556	167,299	(1,257)
Total - Provincial Sources	2,674,751	2,786,262	2,910,241	123,979
Federal Sources				
Equalization	1,260,683	1,257,629	1,279,610	21,981
Canada Health and Social Transfer	426,874	521,487	527,920	6,433
Federal Compensation for Harmonization	77,700	52,700	52,700	---
Other Federal Sources	3,845	4,407	4,416	9
Total - Federal Sources	1,769,102	1,836,223	1,864,646	28,423
Prior Years' Adjustments - Federal-Provincial Fiscal Arrangements	106,769	---	9,400	9,400
Total - Revenues	4,550,622	4,622,485	4,784,287	161,802

Total Ordinary Revenues were \$4,784.3 million for the fiscal year 1999-2000, which is \$161.8 million higher than estimated in the October budget.

Personal Income Tax revenues were \$100.1 million higher than the Estimate of \$1,044.9 million. The main factor contributing to this improvement was an increase in the national level of basic federal tax, the base upon which Nova Scotia Personal Income Tax (PIT) is calculated. A positive adjustment of \$73.4 million, in respect of prior years was also recorded for personal income taxes.

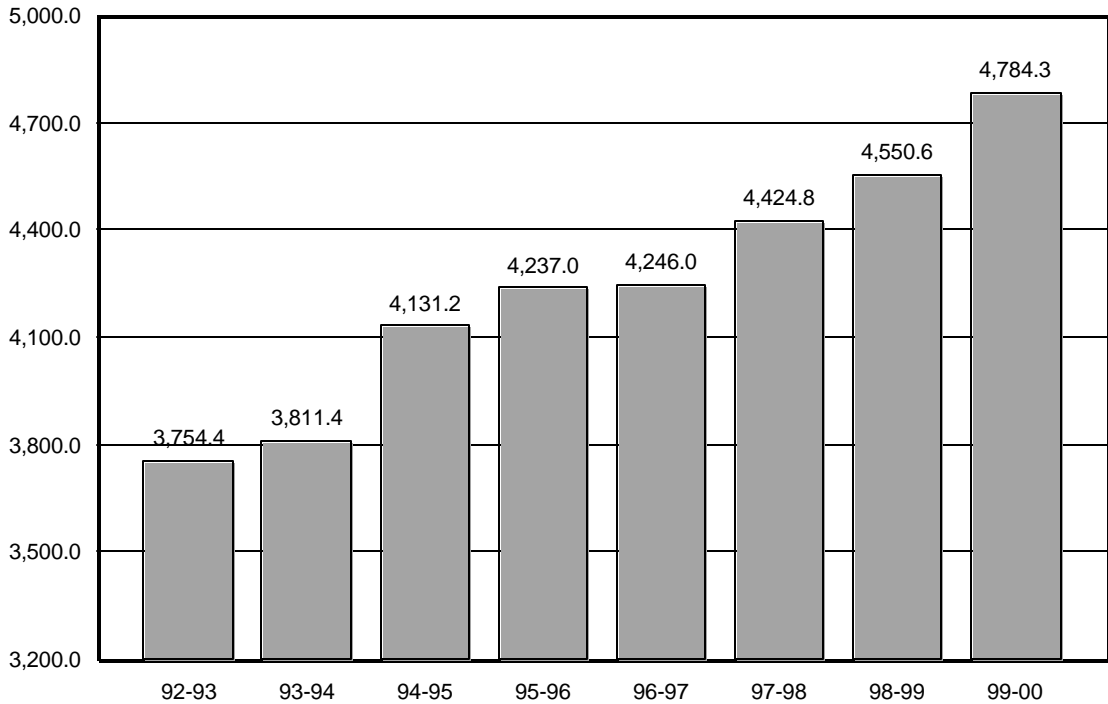
Corporate Income Taxes increased by \$22.2 million from the Estimate of \$127.1 million. A positive prior years adjustment of \$14.2 million was recorded in respect of corporate income taxes, reflecting prior years growth in national and provincial corporate income levels.

The Harmonized Sales Tax (HST) revenues are \$4.6 million lower than estimated for fiscal year 1999-2000. A negative prior years adjustment of \$22.7 million was recorded. Despite the drop in the provincial sales tax rate from 11.0 percent to 8.0 percent, tax revenues are back to pre-harmonized levels. This is because the HST base is growing faster than the former base. In 1996 Nova Scotia received \$249.0 million in federal compensation to offset the revenue loss due to harmonization of the provincial sales tax with the Goods and Services Tax (GST). Nova Scotia allocated \$118.6 million in fiscal 1997-1998 and \$77.7 million in fiscal 1998-1999 with the remaining allocated to fiscal 1999-2000. This apportionment was to match the expected revenue gap between the old Provincial Sales Tax and the new Harmonized Sales Tax.

Under the terms of the harmonized agreement, HST revenues are collected by the federal government and distributed to participating provinces according to a revenue allocation formula. While the formula was under development by the federal government and participating provinces, the federal government made a series of pre-determined payments, adjusted for provincial rebates. The formula has been completed in fiscal 2000-2001 but is subject to prior years' adjustments (positive or negative) based on the difference between the formula allocation and the amounts recorded by the province.

Revenues - Consolidated Fund
1992-1993 to 1999-2000

(\$ millions)



Nova Scotia Gaming Corporation profits were up \$3.3 million in 1999-2000 from the original estimate. This is primarily due to a more equitable allocation of the Atlantic Lottery Corporation's expenses among the four Atlantic Provinces.

Registry of Motor Vehicles revenues increased \$5.0 million over the Estimate due to a higher number of licenses than anticipated and a one time increase in permits (large vehicle) due to offshore construction.

Federal transfers amounted to \$1,864.7 million in 1999-2000, an increase of \$28.4 million over the initial estimate. Equalization Payments increased to \$1,279.6 million, which is \$22.0 million higher than estimated. This increase was due to the strong performance of the Ontario economy. The Canada Health and Social Transfer (CHST) cash portion increased by \$6.4 million over the initial estimate, due to changes in the estimates of the values of personal and corporate tax points.

The Province experienced positive Prior Years' Adjustments (PYA's) totaling \$9.4 million in fiscal 1999-2000. PYA's for own-source revenues totaled \$56.4 million and largely reflected adjustments in respect of final personal and corporate income tax data for 1998. Changes to federal transfers in respect of prior years resulted in a negative adjustment of \$47.0 million. This was comprised of Equalization and CHST adjustments.

Program Spending - Consolidated Fund

Net Program Expenditures

(\$ thousands)

DEPARTMENTS	ACTUAL	ESTIMATE	ACTUAL	VARIANCE
	1998-1999 (as restated)	1999-2000	1999-2000	Increase (Decrease)
Agriculture and Marketing	35,626	42,238	42,223	(15)
Business and Consumer Services	31,318	33,135	32,037	(1,098)
Community Services	565,829	580,173	583,228	3,055
Economic Development	77,268	60,268	89,263	28,995
Education	906,088	873,746	969,747	96,001
Assistance to Universities	188,487	197,232	197,232	---
Environment	15,480	15,678	15,437	(241)
Finance	8,332	9,941	8,938	(1,003)
Fisheries and Aquaculture	5,863	9,396	8,899	(497)
Health	1,632,041	1,770,630	1,767,440	(3,190)
Housing and Municipal Affairs	106,328	101,938	101,923	(15)
Human Resources	3,983	4,334	3,934	(400)
Justice	80,118	82,582	85,250	2,668
Labour	10,328	11,040	8,993	(2,047)
Natural Resources	53,886	56,707	55,414	(1,293)
Public Service	67,504	86,015	101,888	15,873
Tourism and Culture	---	40,456	40,423	(33)
Transportation and Public Works	236,468	239,568	236,303	(3,265)
Unallocated Recoveries	(14,099)	---	---	---
Restructuring Costs	50,265	16,100	(54,476)	(70,576)
	4,061,113	4,231,177	4,294,096	62,919

Notes: The consolidation of departmental expenditures with that of government service organizations provides the total expenditures for which government is accountable. This table provides the net program expenditures by department prior to consolidation and the tangible capital asset accounting policy, as compared to the prior fiscal year and the budget which are the Estimates as approved by the Legislature in the annual Appropriations Act.

In total, net program expenditures in fiscal 1999-2000 increased by \$62.9 million over the original budget of \$4.232 billion to \$4.331 billion. Five departments and three Public Service votes ended the fiscal year with over-expenditures totaling \$217.2 million. The remaining departments and Public Service votes came in under-budget by a total of \$83.7 million.

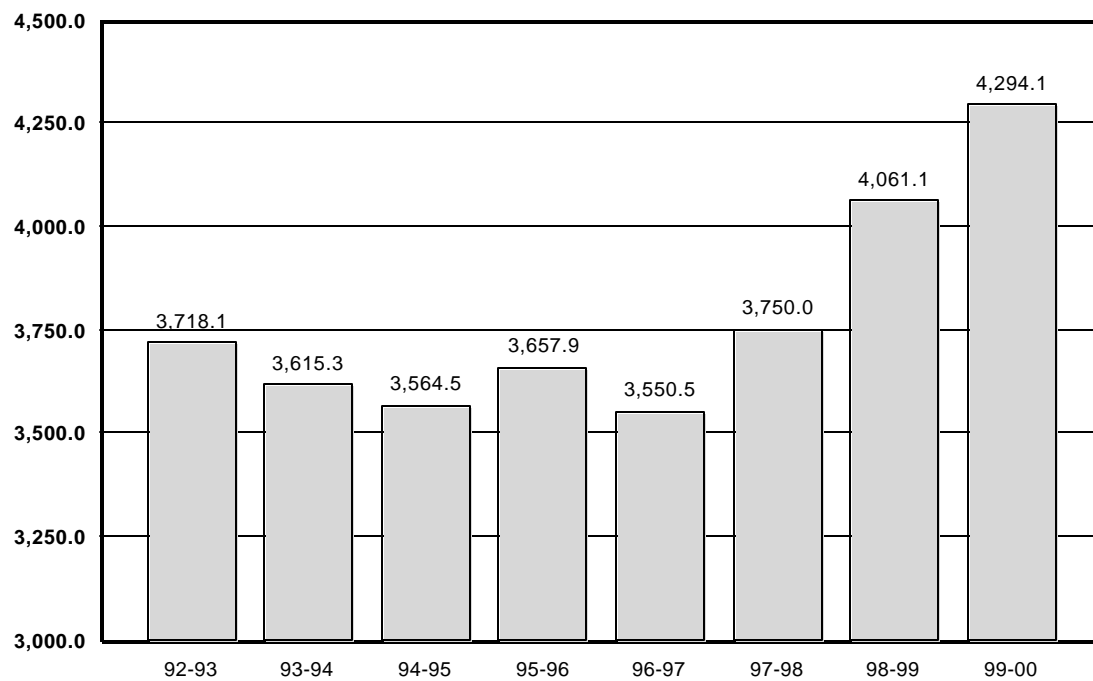
The Restructuring Costs appropriation includes funding to support the collective bargaining process, workforce adjustment and government restructuring costs and other expenses which cannot be directly attributed to a particular government department. There was an overall improvement of \$70.6 million in the appropriation in fiscal 1999-2000 because during the year the Province adopted two new accounting policies related to employee benefit expenses and liabilities. The Province now records its pension expense for the year based on the cost of pensionable service earned by the employees for that year. In addition, the Province now recognizes the deficiency in the Long-Term Disability Fund. As a result of these changes, a recovery in the amount of \$65.5 million was recorded in Restructuring Costs as the impact of these changes cannot be allocated to individual departments.

The Department of Economic Development was over-spent by \$29.0 million in fiscal 1999-2000, primarily because of business assistance, including a \$10.2 million payment to Stora Enso, and an increase in the provision for possible loan losses as the result of a review of the department's loan portfolio.

The Department of Education was over budget by \$96.0 million in fiscal 1999-2000. The largest portion of the over-expenditure, \$84.9 million, resulted from a change in the accounting treatment of the P3 facilities. The accounting review of the leases re-classified the expenditure as a capital lease, which had to be recorded as an expense in 1999-2000. Student assistance was over-spent by \$14.2 million as a result of utilization exceeding budget and as a result of "grand-fathering" eligible applicants prior to the cancellation of the loan remission program on April 1, 2000. Also, there was \$3.2 million in emergency capital construction undertaken that was not budgeted and there was a \$3.2 million over-expenditure in capital construction expenditures as a result of approved projects that were over budget.

Additional funding was required for public education as a result of a number of one time charges including: an additional \$14.9 million of school board expenditures recognized during funding negotiations in April, 2000; \$6.5 million in additional expenditures incurred to settle outstanding P3 claims relating to extra expenses for additional square footage, delays and site costs; and, increased medical insurance premiums for teachers of \$1.2 million. Off-setting these additional expenditures was the transfer of the responsibility for \$30.2 million in payments to the Teachers' Pension Fund to the Department of Finance.

Net Program Expenditures - Consolidated Fund
1992-1993 to 1999-2000
 (\$ millions)



Community Services was over-spent by \$3.1 million in 1999-2000. The factors contributing to the over-spending include the Heating Fuel Rebate program, which was not included in the department's original budget and amounted to \$0.75 million. Also, costs associated with the funding framework for the Long Term Care sector, as well as the increased special needs of the clients in these facilities increased spending in this area by \$6.0 million. Savings resulting from the delay in construction of the Secure Treatment Facility, as well as other administrative economies, partially offset the over-expenditure in the department.

The over-expenditure of \$2.7 million in Justice represents ongoing costs with respect to the investigation of allegations of abuse at the Shelburne Youth Centre. The Technology and Science Secretariat was over-spent by \$19.1 million because the accounting review of the lease for the new Trunked Mobile Radio System classified the expenditure as a capital lease. Therefore, the acquisition of the infrastructure for the system had to be recorded as an expense in 1999-2000. Also, the Emergency Measures Organization of Nova Scotia and Government Contributions to Benefit Plans appropriations recorded over-expenditures of less than \$0.2 million each. These increases in spending were offset, in part, by savings totaling nearly \$3.6 million in the remaining Public Service appropriations.

The Department of Health finished fiscal 1999-2000 slightly less than \$3.2 million under-budget. Throughout the year, the department experienced \$23.1 million in budget increases due to higher costs in Emergency Health Services, its Home Care Program and Long Term Care Program and through the loss of a federal subsidy. However, these increases were more than offset by savings in insured medical programs and information technology expenditures for the Year 2000, increased revenues from third party levies, and various other savings throughout the department.

Natural Resources achieved total budget savings of \$2.4 million. These savings were achieved throughout the department and are primarily the result of delayed hiring and reduced purchasing.

Transportation and Public Works was under-budget in fiscal 1999-2000 by just under \$3.3 million. The Real Property Division achieved \$1.3 million in savings through lower leasing costs and higher than anticipated revenues in the Enterprise Development section. Savings on various construction projects realized a further \$1.275 million. The department saved a further \$0.5 million in administrative savings.

**Analysis of Appropriations Relative
to the Appropriations Act, 1999**

(\$ thousands)

	Resolution Number *	Budget	Actual	Variance	Additional Appropriation Required
Net Program Expenditures					
Agriculture and Marketing	1	42,238	42,223	(15)	
Business and Consumer Services	2	33,135	32,037	(1,098)	
Community Services	3	580,173	583,228	3,055	3,055
Economic Development	4	60,268	89,263	28,995	28,995
Education	5	873,746	969,747	96,001	96,001
Assistance to Universities	6	197,232	197,232	---	
Environment	7	15,678	15,437	(241)	
Finance	8	9,941	8,938	(1,003)	
Fisheries and Aquaculture	10	9,396	8,899	(497)	
Health	11	1,770,630	1,767,440	(3,190)	
Housing and Municipal Affairs	12	101,938	101,923	(15)	
Human Resources	13	4,334	3,934	(400)	
Justice	14	82,582	85,250	2,668	2,668
Labour	15	11,040	8,993	(2,047)	
Natural Resources	16	56,707	55,414	(1,293)	
Communications Nova Scotia	17	2,068	1,825	(243)	
Emergency Measures Organization of Nova Scotia	18	1,246	1,418	172	172
Executive Council	19	7,406	6,325	(1,081)	
FOIPOP Review Office	20	185	129	(56)	
Government Contributions to Benefit Plans	21	3,842	3,986	144	144
Human Rights Commission	22	1,700	1,572	(128)	
Legislative Services	23	19,798	19,174	(624)	
Nova Scotia Advisory Council on the Status of Women	24	699	586	(113)	
Nova Scotia Alcohol and Gaming Authority	25	5,819	5,635	(184)	
Nova Scotia Boxing Authority	26	65	34	(31)	
Nova Scotia Petroleum Directorate	27	6,289	5,886	(403)	
Nova Scotia Police Commission	28	280	267	(13)	
Nova Scotia Securities Commission	29	916	868	(48)	
Nova Scotia Sport and Recreation Commission	30	6,820	6,818	(2)	
Nova Scotia Utility and Review Board	31	2,409	2,409	---	
Office of the Auditor General	32	1,837	1,722	(115)	
Office of the Ombudsman	33	752	652	(100)	
Public Prosecution Service	34	11,047	10,623	(424)	
Technology and Science Secretariat	35	12,837	31,959	19,122	19,122
Tourism and Culture	36	40,456	40,423	(33)	
Transportation and Public Works	37	239,568	236,303	(3,265)	
Restructuring Costs	38	16,100	(54,476)	(70,576)	

* - Refers to the Resolution Number in the Appropriations Act, 1999.

**Analysis of Appropriations Relative
to the Appropriations Act, 1999**

(continued)
(\$ thousands)

	Resolution Number *	Budget	Actual	Variance	Additional Appropriation Required
Other Appropriations					
Debt Servicing Costs	9	949,252	975,781	26,529	26,529
Sinking Fund Instalments and Serial Retirements	39	243,601	250,287	6,686	6,686
Restatement of Prior Years' Operating Results	40	370,100	363,333	(6,767)	
Capital Advances, Department of Agriculture and Marketing	41	45	45	---	
Canada-Nova Scotia (Offshore) Development Fund	42	4,222	1,865	(2,357)	
Unusual Item		---	475,300	475,300	475,300

* - Refers to the Resolution Number in the Appropriations Act, 1999.

Debt Review

In fiscal 1999-2000, the Province of Nova Scotia posted a \$773.2 million provincial deficit. In fiscal 2000-2001, the Province tabled a budget with a deficit of \$268.1 million. The Net Direct Debt of the Province as of March 31, 2000 was \$11.2 billion, an increase of \$908.6 million from a year earlier. The Province's Net Direct Debt to Gross Domestic Product ratio increased to 47.8 percent at March 31, 2000 from 45.9 percent a year earlier.

Capital Markets Issuance Initiatives

The Province of Nova Scotia borrowed \$1.507 billion in fiscal year 1999-2000. This borrowing program was large in the context of the Province's borrowing history but included pre-borrowing for the 2000-2001 fiscal year. The borrowing was used to fund the budgetary deficit, to pay debt that matured during the fiscal year, and to contribute to the Province's sinking funds and Public Debt Retirement Funds (one each in Canadian and United States dollars) for the future repayment of debt.

The Province raised the majority of these funds in the domestic Canadian public market, private placements and structured notes under the Province's domestic medium term note program. Two transactions in European markets were also completed during the fiscal year raising approximately \$322.0 million. One of the transactions in European markets was in the Euro currency on a fully swapped basis to Canadian dollars.

Provinces participating in the Canada Pension Plan had borrowed monies from the plan up to 1992. Amendments to the CPP in 1997 provided for an option to participating provinces to roll-over existing debt with the CPP at market interest rates for a further 20 year term. The Province of Nova Scotia exercised its option to refinance \$73.9 million with the Canada Pension Plan Investment Board in 1999-2000.

Financial Risk Management

In fiscal 1999-2000, the Province reduced its exposure to foreign currency in the gross debt portfolio to 35.6 percent at March 31, 2000 from 51 percent at March 31, 1999. This action marks a significant improvement in the Province's foreign currency exposure that stood at 72 percent at March 31, 1995. With no further active management of the debt portfolio, at the March 31, 2000 level of exchange rates, the Province will meet its objective of 20 percent foreign exchange exposure by March 31, 2005.

The Province also reduced its exposure to short-term interest rates in the debt portfolio to 16 percent from 19 percent a year earlier. This reduction continued the actions of the Province in the previous fiscal year to reduce its exposure to short-term interest rates.

Debt Servicing Costs

Net Debt Servicing Costs in 1999-2000 were \$827.1 million, an increase of \$27.6 million over the original budget. This increase consists primarily of \$18.4 million from the re-classification of interest payments on Teachers' Pension Plan contributions to debt servicing costs that were previously recorded as an expenditure by the Department of Education. In addition, the interest component on P3 school capital leases which amounted to \$2.6 million and was previously reported as expenditure by the Department of Education, was re-classified as debt servicing costs. The remainder of the changes in Net Debt Servicing Costs were from numerous factors, such as fluctuations in exchange and interest rates.

Net Debt Servicing Costs - Consolidated Fund

(\$ millions)

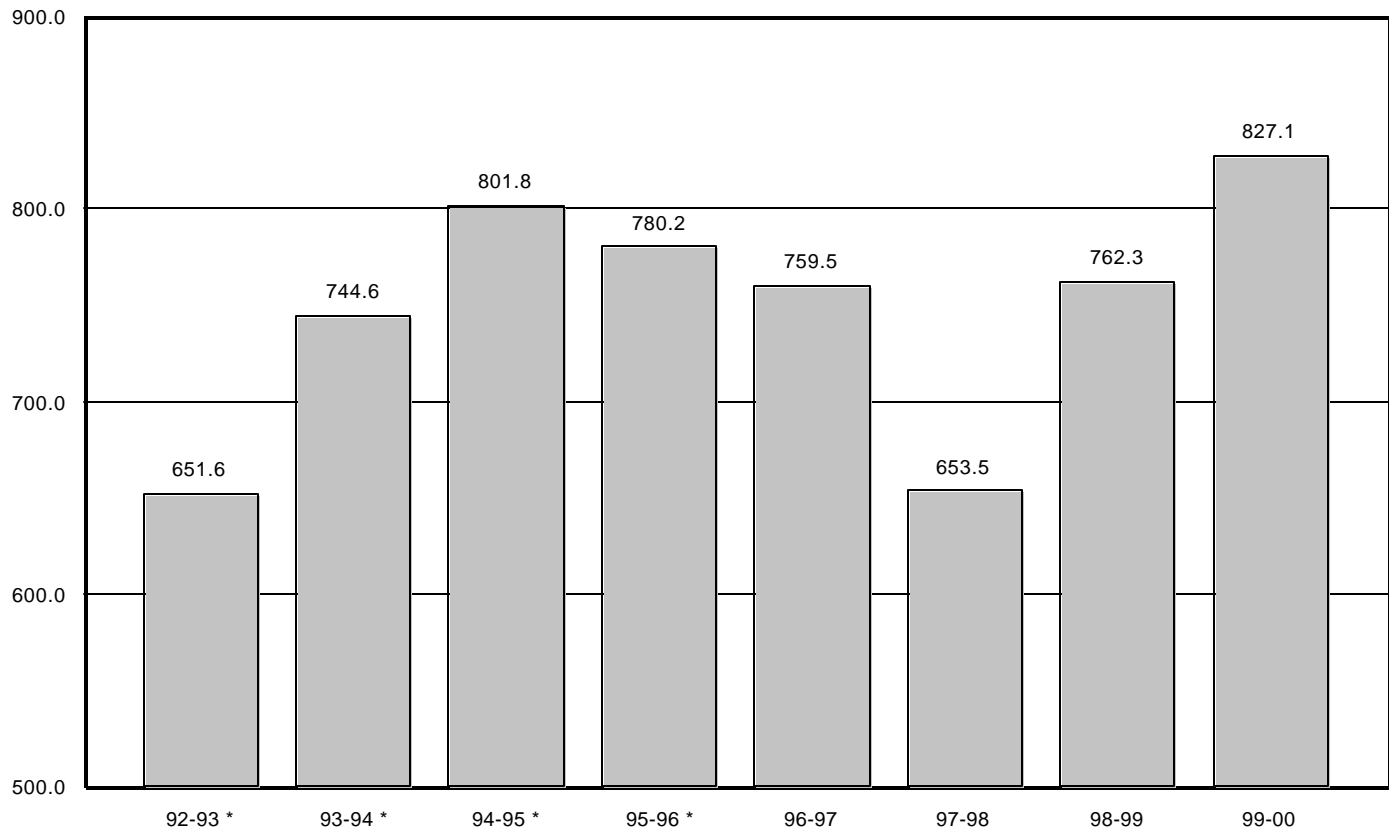
	ACTUAL 1998-1999 (as restated)	ESTIMATE 1999-2000	ACTUAL 1999-2000	VARIANCE Increase (Decrease)
Gross Debt Servicing Costs	909.0	949.2	975.8	26.6
Less: Sinking Fund Earnings	146.7	149.7	148.7	(1.0)
Net Debt Servicing Costs	762.3	799.5	827.1	27.6

Note: The Province budgets its debt servicing costs on a gross basis less earnings on the Public Debt Retirement Fund. Sinking Fund Earnings are reflected in the Statement of Revenues and Expenditures.

Net Debt Servicing Costs - Consolidated Fund

1992-1993 to 1999-2000

(\$ millions)



* The fiscal years 1992-1993, 1993-1994, 1994-1995 and 1995-1996 have not been restated to reflect the accounting changes related to Foreign Exchange Gains/(Losses).

Debenture Debt

The Province's Net Debenture Debt (outstanding debentures less sinking funds and the Public Debt Retirement Fund) was \$12.45 billion in Canadian dollar equivalent at the rate of exchange in effect on March 31, 2000. Of this amount, \$520.8 million represents the difference between the exchange rate at the issue date of foreign currency debt and the rate of exchange in effect on March 31, 2000. This amount will fluctuate from year-to-year based on exchange rates in effect at year-end.

The Province of Nova Scotia provides sinking fund instalments for all debenture and medium term note issues. Annual sinking fund instalments range from 1 to 3 percent of the original issue and are designed to fully fund the issue over 20 years or the life of the issue, whichever is longer. Sinking funds are treated as trust funds and are used solely for debt retirement. Sinking funds related to US dollar debt are invested in US dollar denominated securities.

Debenture Debt, Sinking Funds and Debt Retirement Funds

(\$ millions)

	Outstanding Debentures	Sinking and Retirement Funds
	(CDN\$ Equivalents)	
Debentures Payable in Canadian Dollars		
Canada Pension Plan Investment Fund	1,173.1	543.2
Other Issues	6,551.4	510.2
United States Dollars	3,845.4	591.7
Other Foreign Currencies	880.5	280.4
Debt Retirement Funds	---	944.0
	<hr/> 12,450.4 <hr/>	<hr/> 2,869.5 <hr/>

Long-Term debt issued by way of debentures are subject to a legislative authority to borrow through the Appropriations Act. Unused portions of these authorities carry forward to be used in future years. In 1999-2000, the Province borrowed (face value) \$951.0 million in long-term debentures, all of which was applied to the 1998 authority. At March 31, 2000, \$72.9 million remains in authority from the 1998 Appropriations Act, as well as the full amount of the authority from the 1999 Appropriations Act.

Statement of Borrowing Powers

as at March 31, 2000

(\$ millions)

	<i>Amount of Issue</i>	1998-1999	1999-2000
Balance of Authority from Previous Fiscal Years		---	72,939
Authority Approved for the Fiscal Year		1,500,000	1,500,000
Authority Used in Prior Fiscal Years:			
Year ended March 31, 1999		476,037	---
Balance of Authority at April 1st		1,023,963	1,572,939
Authority Used in the Current Fiscal Year:			
Debenture Series A5	300,000	300,000	---
Debenture Series A6	250,000	250,000	---
Debenture Series A7	300,000	300,000	---
Debenture Series CP36	27,102	27,102	---
Debenture Series CP37	73,922	73,922	---
		<hr/>	<hr/>
		951,024	---
Balance of Authority at March 31st		<u>72,939</u>	<u>1,572,939</u>

Additional Borrowing Powers:

Cape Breton Industrial Assistance Act - Chapter 60, R.S.N.S. 1989
Housing Act - Chapter 211, R.S.N.S. 1989
Housing Development Corporation Act - Chapter 213, R.S.N.S. 1989
Municipal Finance Corporation Act - Chapter 301, R.S.N.S. 1989
Sydney Steel Corporation Act - Chapter 456, R.S.N.S. 1989
Finance Act - 5, 47, Chapter 365, R.S.N.S. 1989 (OIC #95-786, #90-1002)

Economic Information

Economic Indicators

	1995	1996	1997	1998	1999	2000
Gross Domestic Product at Market Prices (<i>\$ millions</i>)	19,263	19,436	20,195	21,110	22,407	23,483
Annual % Change	3.4	0.9	3.9	4.5	6.1	4.8
Gross Domestic Product at Market Prices (<i>Constant 1992 \$ millions</i>)	18,578	18,641	19,242	19,828	20,865	21,366
Annual % Change	1.8	0.3	3.2	3.0	5.2	2.4
Personal Income (<i>\$ millions</i>)	18,486	18,573	19,139	19,981	20,837	21,691
Annual % Change	2.3	0.5	3.0	4.4	4.3	4.1
Consumer Price Index - Nova Scotia (<i>Annual % Change</i>)	1.5	1.7	2.1	0.6	1.7	2.2
Population (<i>thousands of persons</i>)	928	931	935	936	939	941

Source: Statistics Canada, Provincial Economic Accounts, Cat. No. 13-213-PIB
Nova Scotia Department of Finance

Note: The 2000 forecast takes into account Statistics Canada's Provincial Economic
Accounts data, released on October 31, 2000.

Economic Performance

Output

Business investment spending, export trade, and tourism continued to propel Nova Scotia's economic performance in 1999. These were augmented by resurgence in government sector spending on goods and services. Statistics Canada reported in their recently released economic accounts data that the province's real gross domestic product (GDP) growth accelerated to 5.2 percent. This performance occurred on top of the upward-revised growth rate of 3.0 percent for 1998.

Business capital investment spending increased 25.4 percent on an inflation-adjusted basis. The key driving factor was the construction of Tier I of the Sable Offshore Energy Project and the natural gas transmission pipeline. By year-end, these facilities had been completed and in service. Additional impetus to capital spending came from Y2K-related investments and a rebound in residential construction activity.

The value of exports of goods and services, on an inflation-adjusted basis, to all destinations outside Nova Scotia grew 7.9 percent in 1999. This growth was due primarily to exports to other provinces rather than to other countries. Exports to other provinces were up 13.4 percent compared to 3.2 percent to other countries.

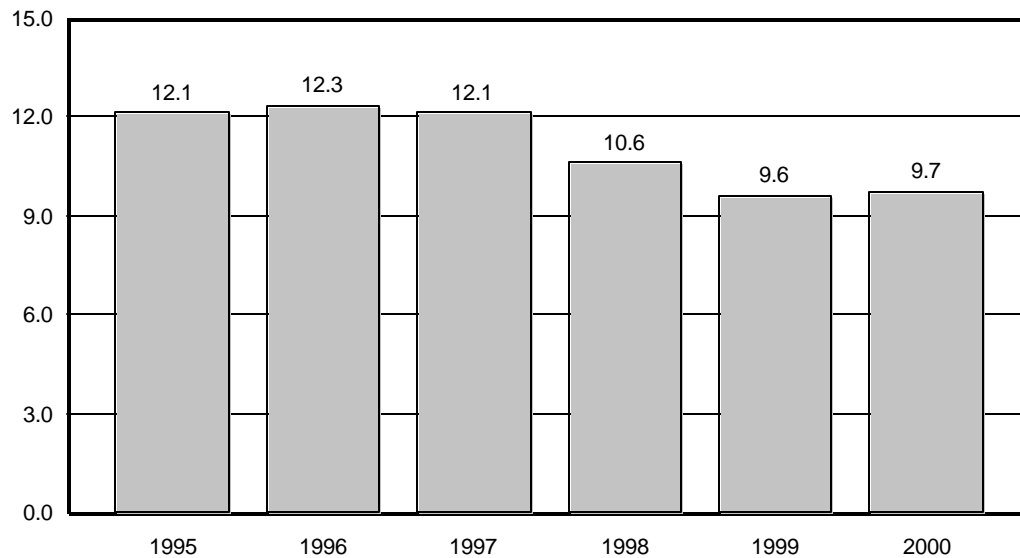
The province's tourism industry experienced another record-breaking year in 1999. Tourism receipts reached \$1.256 billion, an increase of 14 percent over 1998. The industry benefited from favourable exchange rates and robust economic conditions in North America.

Labour Markets

In 1999, employment increased by 2.4 percent to 408,600. This net gain was mostly in full-time jobs. The labour force grew by 1.3 percent, a rate of growth appreciably lower than the growth in jobs. Consequently, the unemployment rate in 1999 declined to 9.6 percent from 10.6 percent in the previous year.

Unemployment Rate

(percent)

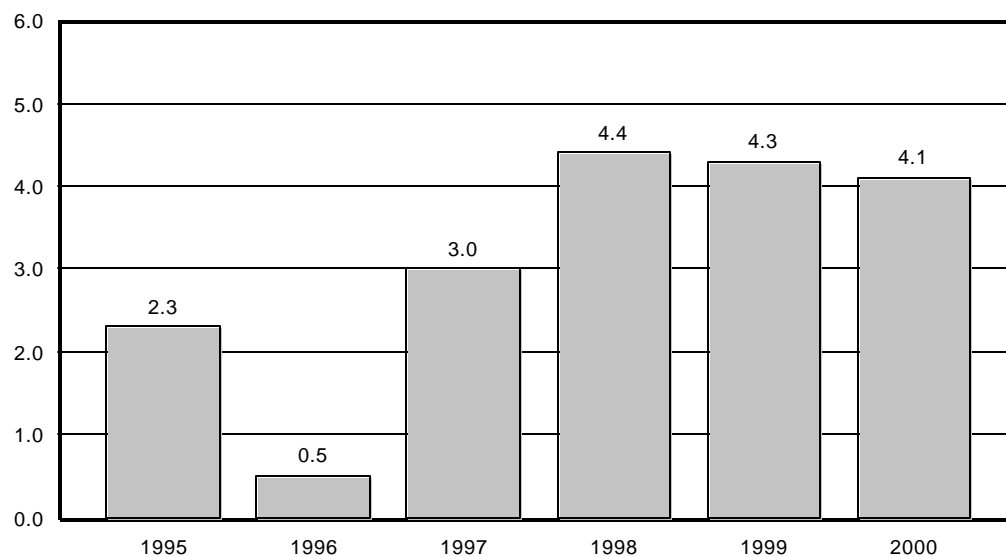


Income and Consumer Spending

Personal income grew 4.3 percent in 1999, virtually matching the growth of the previous year. Labour income, the largest component of personal income, posted a gain of 6.1 percent. Personal income adjusted for changes in the Consumer Price Index advanced 2.6 percent.

Personal Income Growth

(percent)



Another year of solid employment and income growth encouraged consumer confidence in the province. Retail sales posted a gain of 5.8 percent supported by the fourth consecutive year of double-digit growth in new motor vehicle sales. The total value of consumer spending on all goods and services was up 4.7 percent. Housing starts also bounced back in 1999, to record an increase of 35.5 percent.

Industry Performance

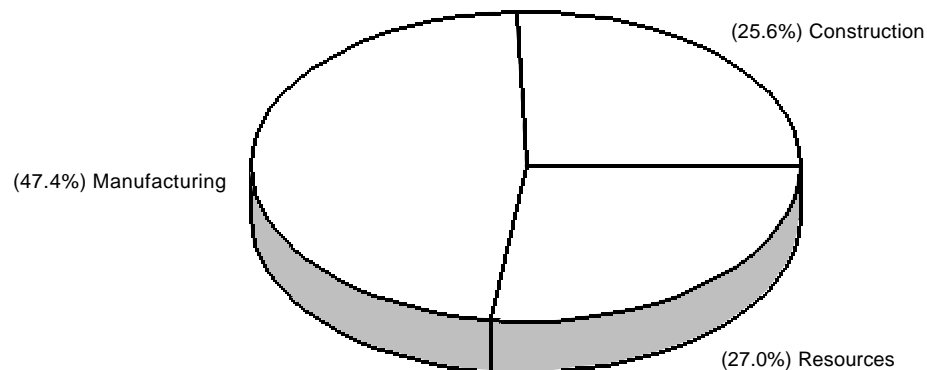
Goods Industries Output

Goods-producing industries contributed 24.6 percent of the total output of final goods and services in the Nova Scotia economy in 1999, up slightly from 23.8 percent in 1998. The value of total output from goods-producing industries was up 8.5 percent in real (constant 1992) dollars in 1999.

Among goods-producing sectors, the largest increase in output was posted in the construction sector at 15.1 percent. This was mainly due to construction activities related to Sable gas development. Manufacturing output grew 9.6 percent in 1999, up from 2.5 percent in 1998. Forest products and railcar manufacture continued to be leading sources of growth of output in the manufacturing sector. Performance in the resource industry sectors was mixed. Output declined in fishing, forestry, and mining, while agriculture and utilities both realized positive growth for the year.

Goods Industries GDP 1999

(as a % of Total Goods GDP)



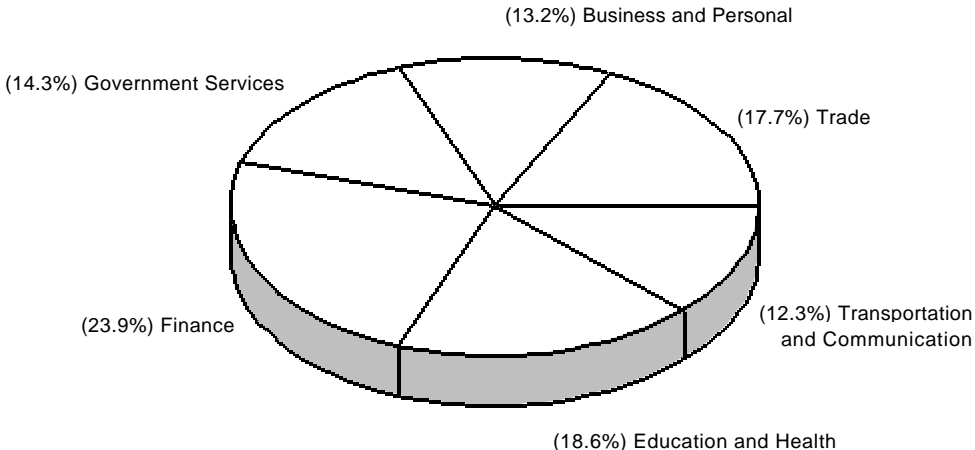
Services Industries Output

Nova Scotia is predominantly a service-sector economy. Services industries accounted for about 75.4 percent of Nova Scotia's output and registered a 4.1 percent gain in output in 1999.

The public sector is the largest component of the services sector: government services (public administration and national defence), education and health accounted for a combined 32.9 percent of service sector output, down from 34.1 percent in 1998. In 1999, the combined output of education and health and social services sector was unchanged compared to the previous year. By contrast, positive growth in the government services sector resumed, after five consecutive years of declining output.

The strongest growth in the service sector occurred in transportation and communication, which grew by 10.2 percent over 1998 and in wholesale and retail trade combined, which grew by 9.9 percent. Output in the business and personal services sector was up 3.8 percent. The finance, insurance, and real estate sector registered an increase of 3.0 percent. The robust performance across the private sector services industries 1999 is attributed to many factors, including, business opportunities from the development of offshore natural gas, growth in the information and communication technology sector, continued upswing in tourism, and improvement in real estate activity.

Services Industries GDP 1999
(as a % of Total Services GDP)





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