

Public Accounts

VOLUME 1 – FINANCIAL STATEMENTS

Province of Nova Scotia

for the fiscal year **2000-2001**

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, 2001.

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, 2001.

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, 2001

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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 are safeguarded and financial records are properly maintained.

The Auditor General of Nova Scotia provides an independent opinion on the consolidated financial statements prepared by the government.



Office of the
Auditor General

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, 2001 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.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position and tangible capital assets of the Province of Nova Scotia as at March 31, 2001 and the results of its operations, changes in net direct debt and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
September 28, 2001

Consolidated Statement of Financial Position as at March 31, 2001

(\$ thousands)

	2001	2000 <i>(as restated)</i>
Assets		
Cash and Short-term Investments (Note 4)	\$ 375,145	\$ 445,377
Accounts Receivable and Advances	1,054,596	1,021,172
Inventory	954	1,080
Loans and Investments (Schedule 3)	947,370	994,096
Unamortized Foreign Exchange Translation Losses and Discounts	565,834	516,178
	<u>\$ 2,943,899</u>	<u>\$ 2,977,903</u>
Liabilities		
Bank Advances and Short-term Borrowings	\$ 1,174,169	\$ 738,918
Accounts Payable and Accrued Liabilities	1,046,692	1,053,197
Deferred Revenue	40,696	31,790
Accrued Interest	270,048	297,625
Unmatured Debt of Government Service Organizations (Schedule 4)	10,680,372	10,400,143
Pension, Retirement and Other Obligations (Note 6)	1,042,071	1,112,498
Deficiency in Government Business Enterprises (Schedule 7)	34,695	38,963
Deficiency in Discontinued Government Business Enterprises (Schedule 7)	3,465	535,454
	<u>\$ 14,292,208</u>	<u>\$ 14,208,588</u>
Net Direct Debt	<u>(11,348,309)</u>	<u>(11,230,685)</u>
	<u>\$ 2,943,899</u>	<u>\$ 2,977,903</u>
Net Direct Debt as represented by:		
Investment in Tangible Capital Assets	\$ (2,668,221)	\$ (2,403,259)
Accumulated Provincial (Deficits)	(8,680,088)	(8,827,426)
	<u>\$ (11,348,309)</u>	<u>\$ (11,230,685)</u>
Trust Funds under Administration (Note 7)	<u>\$ 7,513,752</u>	<u>\$ 7,350,070</u>
Prior Period Adjustment (Note 2)		
Contingencies and Commitments (Note 11)		
Subsequent Events (Note 12)		
Comparative Figures (Note 13)		
Expenses in Excess of Estimates (Note 15)		

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

Consolidated Statement of Operations
for the fiscal year ended March 31, 2001

(\$ thousands)

	2001	2000 <i>(as restated)</i>
Revenue (Schedule 1)		
Provincial Sources	\$ 2,734,658	\$ 2,585,920
Federal Sources	1,965,075	1,903,624
Prior Years' Adjustments - Federal/Provincial Fiscal Arrangements	99,914	9,400
Other	439,441	431,006
Sinking Fund and Public Debt Retirement Fund Earnings	206,639	193,238
	<u>5,445,727</u>	<u>5,123,188</u>
Total Revenue	5,445,727	5,123,188
Expenses (Schedule 2)		
Agriculture and Marketing	34,086	42,263
Business and Consumer Services	31,471	31,538
Community Services	581,700	583,320
Economic Development	80,368	103,097
Education	1,100,258	1,063,709
Assistance to Universities	203,489	197,232
Environment	43,138	44,002
Finance	8,704	9,638
Fisheries and Aquaculture	5,706	8,905
Health	1,909,996	1,951,879
Housing and Municipal Affairs	65,082	78,439
Human Resources	3,458	3,934
Justice	81,109	84,088
Labour	7,306	8,983
Natural Resources	50,881	55,832
Public Service	93,068	79,219
Tourism and Culture	38,384	40,479
Transportation and Public Works	245,317	236,258
Restructuring Costs	73,378	2,773
Pension Valuation Adjustment	(77,663)	(57,249)
Loss on Disposal of Crown Assets	321	---
Debt Servicing Costs (Note 9)	1,144,765	1,110,993
	<u>5,724,322</u>	<u>5,679,332</u>
Total Expenses	5,724,322	5,679,332
Surplus (Deficit) from Government Service Organizations, on an Expense Basis	(278,595)	(556,144)
Net Income from Government Business Enterprises (Schedule 7)	296,993	295,136
Net Loss from Discontinued Government Business Enterprises (Schedule 7)	(50,885)	(60,653)
	<u>(32,487)</u>	<u>(321,661)</u>
Surplus (Deficit) before Unusual Items, on an Expense Basis	(32,487)	(321,661)
Unusual Items		
Nova Scotia Resources Limited	179,825	---
Sydney Steel Corporation	---	(475,300)
	<u>179,825</u>	<u>(475,300)</u>
Total Unusual Items (Note 3)	179,825	(475,300)
Provincial Surplus (Deficit), on an Expense Basis	\$ 147,338	\$ (796,961)

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

Consolidated Statement of Net Direct Debt
for the fiscal year ended March 31, 2001

(\$ thousands)

	2001	2000 <i>(as restated)</i>
Net Direct Debt - as Originally Reported	\$ (11,230,685)	\$ (10,284,659)
Prior Period Adjustment (Note 2)	---	(10,701)
Comparative Figures Adjustment (Note 13)	---	(2,955)
	<hr/>	<hr/>
Net Direct Debt - Beginning of Year	<u>(11,230,685)</u>	<u>(10,298,315)</u>
Add (Less):		
Provincial Surplus (Deficit), on an Expense Basis	147,338	(796,961)
Increase in Net Book Value of Tangible Capital Assets	(264,962)	(135,409)
	<hr/>	<hr/>
Increase in Net Direct Debt	<u>(117,624)</u>	<u>(932,370)</u>
Net Direct Debt - End of Year	<u>\$ (11,348,309)</u>	<u>\$ (11,230,685)</u>

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

Consolidated Statement of Cash Flow
for the fiscal year ended March 31, 2001

(\$ thousands)

	2001	2000 <i>(as restated)</i>
Cash Inflows (Outflows) from the following activities:		
Operations:		
Provincial Surplus (Deficit), on an Expense Basis	\$ 147,338	\$ (796,961)
Sinking Fund and Public Debt Retirement Fund Earnings	(206,639)	(193,238)
Foreign Exchange Amortization	(9,416)	(8,863)
Amortization of Tangible Capital Assets and Social Housing Adjustment	157,726	137,769
Net Income from Government Business Enterprises	(246,108)	(234,483)
Net Change in Other Items (Note 10)	323,801	264,682
	<u>166,702</u>	<u>(831,094)</u>
Investing:		
Principal Repayment of Loans and Investments	191,450	152,863
Advances and Investing	(144,724)	(183,467)
Acquisition of Tangible Capital Assets	(427,106)	(277,809)
Net Proceeds from the Disposal of Tangible Capital Assets	4,418	4,631
Advances to Government Business Enterprises	(307,600)	134,789
	<u>(683,562)</u>	<u>(168,993)</u>
Financing:		
Debentures Issued	1,248,827	1,454,450
Capital Leases	237,064	105,832
Foreign Currency Swaps and Adjustments	115,361	80,109
Sinking Fund Instalments	(266,511)	(219,805)
Proceeds from Sinking Funds for Debt Repayment	138,532	214,814
Repayment of Debentures and Other Long-term Obligations	(1,026,645)	(459,945)
	<u>446,628</u>	<u>1,175,455</u>
Cash Inflows (Outflows)	(70,232)	175,368
Cash Position, Beginning of Year	445,377	270,009
	<u>375,145</u>	<u>445,377</u>
Cash Position, End of Year	<u>\$ 375,145</u>	<u>\$ 445,377</u>
Cash Position as represented by:		
Cash and Short-term Investments	<u>\$ 375,145</u>	<u>\$ 445,377</u>

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

Consolidated Statement of Tangible Capital Assets

as at March 31, 2001

(\$ thousands)

	2001									2000
	Land	Buildings and Land Improvements	Machinery Computers and Equipment	Ferries	Vehicles	Capital Leases	Roads, Bridges and Highways	Social Housing	Total	Total
Cost of Tangible Capital Assets										
Opening Costs	\$ 499,173	\$ 1,683,422	\$ 517,162	\$ 9,241	\$ 25,587	\$ 206,332	\$ 264,288	\$ 406,537	\$ 3,611,742	\$ 3,361,798
Additions	3,712	68,203	76,120	---	5,755	236,112	37,204	---	427,106	277,809
Annual Adjustment to Social Housing	---	---	---	---	---	---	---	(8,502)	(8,502)	(7,912)
Disposals	(2,161)	(718)	(18,547)	---	(642)	(1,423)	---	(810)	(24,301)	(19,953)
Closing Costs	500,724	1,750,907	574,735	9,241	30,700	441,021	301,492	397,225	4,006,045	3,611,742
Accumulated Amortization										
Opening Accumulated Amortization	---	(711,330)	(337,518)	(8,193)	(15,141)	(23,285)	(113,016)	---	(1,208,483)	(1,093,948)
Disposals	---	536	17,390	---	556	1,401	---	---	19,883	15,322
Amortization Expenses	---	(37,907)	(54,415)	(210)	(3,942)	(22,367)	(30,383)	---	(149,224)	(129,857)
Closing Accumulated Amortization	---	(748,701)	(374,543)	(8,403)	(18,527)	(44,251)	(143,399)	---	(1,337,824)	(1,208,483)
Net Book Value	\$ 500,724	\$ 1,002,206	\$ 200,192	\$ 838	\$ 12,173	\$ 396,770	\$ 158,093	\$ 397,225	\$ 2,668,221	\$ 2,403,259
Opening Balance, April 1, 2000	\$ 499,173	\$ 972,092	\$ 179,644	\$ 1,048	\$ 10,446	\$ 183,047	\$ 151,272	\$ 406,537	\$ 2,403,259	\$ 2,267,850
Closing Balance, March 31, 2001	500,724	1,002,206	200,192	838	12,173	396,770	158,093	397,225	2,668,221	2,403,259
Increase (Decrease) in Net Book Value	\$ 1,551	\$ 30,114	\$ 20,548	\$ (210)	\$ 1,727	\$ 213,723	\$ 6,821	\$ (9,312)	\$ 264,962	\$ 135,409

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, 4-5%); machinery, computers and equipment (3-20 years, 20-50%); ferries (20%); vehicles (3 years, 30%); 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. This entity does 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 at March 31, 2001, are costs for assets under construction which have not started to be amortized. These costs are buildings - \$35,142; machinery, computers and equipment - \$5,234; capital leases - \$1,311; and roads, bridges and highways - \$7,042.

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

Revenue**for the fiscal year ended March 31, 2001**

(\$ thousands)

	2001	2000 <i>(as restated)</i>
Provincial Sources		
Income Taxes	\$ 1,397,904	\$ 1,294,250
Sales Taxes	1,111,646	1,083,918
Other Provincial Revenue	225,108	207,752
	<u>2,734,658</u>	<u>2,585,920</u>
Federal Sources		
Equalization Payments	1,395,500	1,279,610
Equalization Offshore Revenue Offset	---	2,110
Canada Health and Social Transfer	526,054	527,920
Other Federal Payments	43,521	41,284
Federal Compensation for Harmonization	---	52,700
	<u>1,965,075</u>	<u>1,903,624</u>
Prior Years' Adjustments - Federal/Provincial Fiscal Arrangements		
Provincial Sources	78,156	55,751
Federal Sources	21,758	(46,351)
	<u>99,914</u>	<u>9,400</u>
Other Revenue	439,441	431,006
Sinking Fund and Public Debt Retirement Fund Earnings	206,639	193,238
Total Revenue	<u>\$ 5,445,727</u>	<u>\$ 5,123,188</u>

Expenses

for the fiscal year ended March 31, 2001

(\$ thousands)

	2001	2000 <i>(as restated)</i>
Agriculture and Marketing	\$ 34,086	\$ 42,263
Business and Consumer Services	31,471	31,538
Community Services	581,700	583,320
Economic Development		
Department of Economic Development	58,090	80,432
Nova Scotia Film Development Corporation	2,822	3,439
Nova Scotia Innovation Corporation	7,189	8,165
Trade Centre Limited	10,794	9,367
Waterfront Development Corporation Limited	1,473	1,694
	<u>80,368</u>	<u>103,097</u>
Education		
Department of Education	190,602	158,998
Annapolis Valley Regional School Board	88,963	90,418
Cape Breton Victoria Regional School Board	111,348	110,826
Chignecto-Central Regional School Board	133,860	131,785
College de l'Acadie	5,031	4,469
Conseil Scolaire Acadien Provincial	27,630	26,497
Halifax Regional School Board	287,336	289,578
Nova Scotia Community College	99,577	94,597
Southwest Regional School Board	93,137	95,401
Strait Regional School Board	62,774	61,140
	<u>1,100,258</u>	<u>1,063,709</u>
Assistance to Universities	203,489	197,232
Environment		
Department of Environment	12,380	15,393
Resource Recovery Fund Board Incorporated	30,758	28,609
	<u>43,138</u>	<u>44,002</u>
Finance	8,704	9,638
Fisheries and Aquaculture	5,706	8,905

Expenses

for the fiscal year ended March 31, 2001

(continued)

(\$ thousands)

	2001	2000 <i>(as restated)</i>
Health		
Department of Health	714,088	752,399
Cape Breton Healthcare Complex	104,270	140,516
Central Regional Health Board	---	69,012
District Health Authority 1 (South Shore District Health Authority)	10,932	---
District Health Authority 2 (South West Nova District Health Authority)	14,048	---
District Health Authority 3 (Annapolis Valley District Health Authority)	16,713	---
District Health Authority 4 (Colchester East Hants District Health Authority)	9,955	---
District Health Authority 5 (Cumberland Health Authority)	7,600	---
District Health Authority 6 (Pictou County District Health)	10,287	---
District Health Authority 7 (Guysborough Antigonish-Strait Health Authority)	9,815	---
District Health Authority 8 (Cape Breton District Health Authority)	43,517	---
District Health Authority 9 (Capital District Health Authority)	511,521	---
Eastern Regional Health Board	43,742	58,901
Insured Prescription Drug Plan	104,160	100,863
Izaak Walton Killam Grace Health Centre	116,392	117,420
Northern Regional Health Board	78,057	101,964
Nova Scotia Hospital	---	44,434
Queen Elizabeth II Health Sciences Centre	---	413,816
Western Regional Health Board	114,899	152,554
	1,909,996	1,951,879
Housing and Municipal Affairs		
Department of Housing and Municipal Affairs	50,704	65,641
Nova Scotia Municipal Finance Corporation	653	778
Nova Scotia Housing Development Corporation	13,725	12,020
	65,082	78,439
Human Resources	3,458	3,934
Justice	81,109	84,088
Labour	7,306	8,983
Natural Resources	50,881	55,832
Public Service	93,068	79,219
Tourism and Culture	38,384	40,479
Transportation and Public Works	245,317	236,258

Expenses**for the fiscal year ended March 31, 2001***(continued)**(\$ thousands)*

	2001	2000 <i>(as restated)</i>
Restructuring Costs	73,378	2,773
Pension Valuation Adjustment	(77,663)	(57,249)
Loss on Disposal of Crown Assets	321	---
Debt Servicing Costs	1,144,765	1,110,993
Total Expenses	\$ <u>5,724,322</u>	\$ <u>5,679,332</u>

Loans and Investments

as at March 31, 2001

(\$ thousands)

	Loans and Investments	Provisions	Net	
			2001	2000
Loans of the Consolidated Fund:				
Agriculture and Rural Credit Act	\$ 171,888	\$ 7,442	\$ 164,446	\$ 153,566
Business Development Corporation Act	185,180	42,457	142,723	152,406
Fisheries Development Act	52,610	1,117	51,493	42,081
Housing Development Act	39,332	3,408	35,924	33,973
Industrial Development Act	71,977	40,594	31,383	39,131
Venture Corporations Act	2,086	1,856	230	455
Loans to Municipalities:				
Funds provided by the Government of Canada	137	---	137	230
Municipal Loan and Building Fund Act	1,417	---	1,417	1,650
Special Reserve Fund - Municipal Loan and Building Fund	8	---	8	10
Miscellaneous	709	---	709	709
	525,344	96,874	428,470	424,211
Investments of the Consolidated Fund:				
Business Development Corporation Act	22,436	11,765	10,671	11,195
Halifax International Containers Limited - Investment of 8,000 Shares of Capital Stock at Par	---	---	---	8
Housing Development Act	5,218	3,081	2,137	2,547
Industrial Development Act	15,274	7,218	8,056	5,389
	42,928	22,064	20,864	19,139
Loans and Investments of Government Service Organizations:				
Izaak Walton Killam Grace Health Centre	---	---	---	1,987
Insured Prescription Drug Plan	10,979	---	10,979	9,287
Nova Scotia Innovation Corporation	12,009	---	12,009	13,957
Nova Scotia Municipal Finance Corporation	474,058	---	474,058	524,199
Other Government Service Organizations	990	---	990	1,316
	498,036	---	498,036	550,746
Total Loans and Investments	\$ 1,066,308	\$ 118,938	\$ 947,370	\$ 994,096

Loans and Investments**as at March 31, 2001***(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 fixed rates, with various repayment schedules.

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 financial and other assistance to business. Loans are primarily secured by first mortgages and by fixed and floating charges.

FISHERIES DEVELOPMENT ACT

The Province of Nova Scotia 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. 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 of Nova Scotia 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.

VENTURE CORPORATIONS ACT

The Province of Nova Scotia 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 and business and managerial expertise.

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.

Loans and Investments

as at March 31, 2001

(continued)

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.

NOVA SCOTIA 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, by legislation, 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.

Unmatured Debt as at March 31, 2001

(\$ thousands)

	2001			2000
	Gross Debt	Sinking Funds Public Debt Retirement Fund and Defeasance Assets	Net Debt	Net Debt <i>(as restated)</i>
Government Service Organizations				
Consolidated Fund	\$ 13,225,868	\$ 3,061,441	\$ 10,164,427	\$ 9,735,707
Nova Scotia Housing Development Corporation	337,441	---	337,441	345,171
Nova Scotia Municipal Finance Corporation	166,616	---	166,616	303,768
Nova Scotia Power Finance Corporation	1,348,220	1,348,220	---	---
Waterfront Development Corporation Limited	10,100	---	10,100	12,600
Other	1,788	---	1,788	2,897
Unmatured Debt of Government Service Organizations	15,090,033	4,409,661	10,680,372	10,400,143
Government Business Enterprises				
Halifax-Dartmouth Bridge Commission	123,000	8,201	114,799	120,025
Highway 104 Western Alignment Corporation	80,780	---	80,780	78,734
Nova Scotia Gaming Corporation	94,947	---	94,947	---
Nova Scotia Liquor Commission	8,528	---	8,528	8,848
Debt of Government Business Enterprises	307,255	8,201	299,054	207,607
Total Unmatured Debt	\$ 15,397,288	\$ 4,417,862	\$ 10,979,426	\$ 10,607,750

Notes:

All debt is presented in Canadian dollar equivalents at par and after giving effect to currency swap contracts itemized in Note 5.

The current and long-term portions of unmaturing 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.

Unmatured Debt as at March 31, 2001

(continued)

(\$ thousands)

As at March 31, 2001, the Consolidated Fund held, at book value, total Sinking Funds and Public Debt Retirement Funds of \$3,061.4 million. These funds were comprised of \$2,120.3 million in Canadian assets and \$941.1 million in US assets (US \$607.1 million converted to CDN\$ based on the underlying securities' effective foreign exchange rates). Total market value of both funds is \$3,280.9 million at year end. During the year, contributions were \$275.9 million, total earnings were \$206.6 million, and redemptions were \$376.8 million. Most Sinking Funds and all Public Debt Retirement Funds are subject to internal restrictions for repayment of debt.

Sinking fund assets are recorded at cost, which include premiums and discounts associated with the purchase of these investments. These premiums and discounts are amortized over the term of the related investment. The unamortized portion of the premiums and discounts are included as part of the value of the sinking funds. As at March 31, 2001, the unamortized net premium was \$102.9 million.

Assets consist primarily of debentures of the Provinces and Government of Canada with fixed interest rates ranging from 5.38% to 13.5% for Canadian funds and 5.25% to 9.625% 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's Sinking Funds held \$1,047.8 million (book value) worth of its own debentures which have a par value of \$1,003.7 million.

As per the Nova Scotia Power Corporation Privatization Agreement passed in 1992, the 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 principal and sinking fund requirements for the Province over the next five years:

	Government Service Organizations			Government Business Enterprises		Total
	Principal Repayments	Sinking Fund Requirements	Total Cash Requirement			
2002	\$ 1,102,700	\$ 294,138	\$ 1,396,838	\$ 7,262	\$ 1,404,100	
2003	1,332,507	329,809	1,662,316	7,342	1,669,658	
2004	1,135,502	342,088	1,477,590	7,434	1,485,024	
2005	956,418	353,944	1,310,362	7,533	1,317,895	
2006	1,270,781	366,029	1,636,810	7,646	1,644,456	
	\$ 5,797,908	\$ 1,686,008	\$ 7,483,916	\$ 37,217	\$ 7,521,133	

Gross Long-term Debt as at March 31, 2001

(\$ 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 \$)		\$ 8,856,115	2001 to 2027	5.1% to 15.43%
Consolidated Fund (US \$2,104,343)	1.5774	3,319,391	2001 to 2011	7.25% to 9.5%
Consolidated Fund (Yen 50,000,000)	0.0126	628,000	2004 to 2014	4.9% to 5.5%
Consolidated Fund (UK £35)	2.2000	77	2011 to 2019	11.75% to 16.75%
Nova Scotia Municipal Finance Corporation		166,616	2001 to 2015	1.0% to 12.5%
Nova Scotia Power Finance Corporation				
Nova Scotia Power Finance Corporation (CDN \$)		875,000	2001 to 2031	10.25% to 13.5%
Nova Scotia Power Finance Corporation (US \$300,000)	1.5774	473,220	2021	9.4%
Total - Debentures		<u>14,318,419</u>		
Loans				
Consolidated Fund - Government of Canada		73	2001 to 2002	7.161% to 7.5%
Consolidated Fund - Courthouse Debt		825	2011	8.375%
Nova Scotia Housing Development Corporation		337,441	2000 to 2034	4.0% to 21.5%
Waterfront Development Corporation Limited		10,100	Demand Loan	bank prime less 1.0%
Other		144	2006	non interest bearing
Total - Loans		<u>348,583</u>		
Capital Leases				
Consolidated Fund		421,387	2005 to 2021	6.04% to 11%
Other		1,644	2001 to 2005	7.0% to 12.5%
Total - Capital Leases		<u>423,031</u>		
Total Long-term Debt of Government Service Organizations		<u>15,090,033</u>		

Gross Long-term Debt

as at March 31, 2001

(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	80,780	2011 to 2026	10.13% to 10.76%
	<hr/>		
Total - Debentures	180,780		
	Loans		
Halifax-Dartmouth Bridge Commission	<hr/> 23,000	2007	floating (line of credit)
	Capital Obligations and Leases		
Nova Scotia Gaming Corporation	94,947		
Nova Scotia Liquor Commission	8,528		
	<hr/>		
Total - Capital Obligations and Leases	103,475	2012	13.8%
Total Long-term Debt of Government Business Enterprises	<hr/> 307,255		
Total Gross Long-term Debt	<u>\$ 15,397,288</u>		

Call or Redemption Features:**Consolidated Fund**

\$1,173.0 million in CPP debentures are 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

\$175.0 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 2001 to 2002.

Direct Guarantees

as at March 31, 2001

(\$ thousands)

	<u>Authorized</u>	<u>Utilized</u>	
	2001	2001	2000 <small>(as restated)</small>
Bank Loans:			
Industrial Development Act	\$ 99,456	\$ 85,056	\$ 40,767
Nova Scotia Business Development Corporation	10,318	10,175	10,876
Nova Scotia Fisheries and Aquaculture Loan Board	3,565	3,278	3,235
Nova Scotia Innovation Corporation	115	115	115
Department of Education - Student Loan Program	33,257	33,257	---
Total - Bank Loan Guarantees	146,711	131,881	54,993
Promissory Notes:			
Nova Scotia Resources Limited (US \$250,000,000)	394,350	4,200	---
Nova Scotia Resources Limited (US \$241,761,276)	---	---	351,400
Nova Scotia Resources Limited to Canada-Nova Scotia Offshore Petroleum Board	17,500	17,500	17,500
Total - Promissory Note Guarantees	411,850	21,700	368,900
Mortgages:			
Nova Scotia Housing Development Corporation Act	211,003	211,003	204,760
Provincial Finance Act	601	601	660
Total - Mortgage Guarantees	211,604	211,604	205,420
Other Guarantees:			
Sydney Steel Corporation Performance Bonds (Includes US \$ component \$5,933,462)	9,719	9,719	9,568
Nova Scotia Resources Limited Service Contracts	---	---	212,351
Trade Centre Limited	3,000	3,000	---
Total - Other Guarantees	12,719	12,719	221,919
Total - Direct Guarantees	\$ 782,884	377,904	851,232
Less: Provision for Guarantee Payout:			
Industrial Development Act		(4,616)	(3,349)
Nova Scotia Business Development Corporation		(5,444)	(3,434)
Department of Education - Student Loan Program		(12,000)	---
Nova Scotia Housing Development Act		(8,400)	(9,352)
Nova Scotia Resources Limited		---	(368,900)
		(30,460)	(385,035)
Net Direct Guarantees Not Provided for in these Statements		\$ 347,444	\$ 466,197

Direct Guarantees**as at March 31, 2001***(continued)***INDUSTRIAL DEVELOPMENT ACT**

The Province of Nova Scotia provides guarantees to lenders who make loans to approved businesses which are engaged in development activities qualifying under the Industrial Development Act. The guarantees include repayment of interest and principal to lenders financing these businesses. Guarantees are limited to the amount as authorized by individual loan guarantees by the Governor-in-Council.

NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION

The Province of Nova Scotia provides guarantees to lenders who make loans to approved businesses which are engaged in development activities qualifying under the Business Development Act. The guarantees include repayment of interest and principal to lenders financing these businesses. Guarantees are limited to the amount as authorized for loan guarantees by the Governor-in-Council.

NOVA SCOTIA FISHERIES AND AQUACULTURE LOAN BOARD

The Province of Nova Scotia provides guarantees to lenders who make loans to approved businesses which are engaged in development activities qualifying under the Fisheries Development Act. The guarantees include repayment of interest and principal to lenders financing these businesses. Guarantees are limited to the amount as authorized for loan guarantees by the Governor-in-Council.

NOVA SCOTIA INNOVATION CORPORATION

The Nova Scotia First Fund was established by Governor-in-Council to encourage the development of high technology industries and to encourage the adoption of new technologies by existing industries. With regard to this Fund, the Corporation has a guarantee in the amount of \$115,000.

DEPARTMENT OF EDUCATION - STUDENT LOAN PROGRAM

The Province of Nova Scotia assumed liability from the banking sector for the Student Loan Program in fiscal 2000-2001, requiring the provision of guarantees to lenders for those loans obtained by students after August 1, 2000 under the Nova Scotia Student Aid Act.

NOVA SCOTIA RESOURCES LIMITED

As evidence of financial responsibility regarding the abandonment of the Sable Offshore Energy Project, the Company has issued a \$4.2 million letter of credit to the Canada-Nova Scotia Offshore Petroleum Board. The letter of credit was guaranteed by the Province of Nova Scotia. The guarantee expired in July 2001.

As evidence of financial responsibility regarding the abandonment of the Cohasset/Panuke Project, the Company has issued a demand promissory note to the Canada-Nova Scotia Offshore Petroleum Board in the amount of \$17.5 million. The note is guaranteed by the Province of Nova Scotia.

Direct Guarantees**as at March 31, 2001***(continued)***NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION ACT**

Pursuant to the October 1, 1997 Social Housing Transfer Agreement, the Corporation is required to indemnify Canada Mortgage and Housing Corporation against future losses related to its insured portfolio of 533 loans for Nova Scotia. The Corporation has a total of 30 mortgage guarantees as at March 31, 2001 (28 as at March 31, 2000) for interest and principal to lenders financing certain housing projects.

PROVINCIAL FINANCE ACT

Under the authority granted in the Provincial Finance Act, the Province of Nova Scotia provides direct guarantees of interest and principal to lenders financing certain projects.

SYDNEY STEEL CORPORATION

When in active operations, the Company provided customers with performance bonds guaranteed by the Province of Nova Scotia. Although the Company is no longer operating, there are US \$5.93 million and CDN \$0.36 million in performance bonds which the Province of Nova Scotia has guaranteed until the last one expires on January 30, 2006. No provisions have been recorded as the Company retains sufficient cash to cover any expense resulting from these guarantees.

TRADE CENTRE LIMITED

The Trade Centre Limited has entered into a contract in which it has guaranteed a minimum profit in the amount of \$3.0 million to the Canadian Hockey Association in connection with the hosting of the World Junior Hockey Championship by the Halifax Metro Centre in 2003.

Government Business Enterprises

as at March 31, 2001

(\$ thousands)

	2001									2000	
	Halifax-Dartmouth Bridge Commission †	Highway 104 Western Alignment Corporation	Nova Scotia Gaming Corporation	Nova Scotia Liquor Commission	Nova Scotia Resources Limited †	Nova Scotia Resources Limited † Adjustments	Sydney Steel Corporation †	Sydney Steel Corporation Adjustments	Total	Total	
Cash	\$ 3,851	\$ 480	\$ 24,114	\$ 8,576	\$ 10,157	\$ ---	\$ 20,484	\$ (20,484)	\$ 47,178	\$ 20,211	
Accounts Receivable	149	145	---	3,117	11,423	---	15,783	(15,783)	14,834	24,453	
Inventory	---	25	2,500	16,804	---	---	4,492	(4,492)	19,329	70,550	
Fixed Assets	76,605	117,521	114,693	15,171	189,445	(187,946)	1	(1)	325,489	424,696	
Other Assets	16,180	11,690	5,333	245	---	---	---	---	33,448	24,294	
Total - Assets	96,785	129,861	146,640	43,913	211,025	(187,946)	40,760	(40,760)	440,278	564,204	
Accounts Payable	1,225	328	1,298	35,385	14,663	---	10,994	(10,994)	52,899	67,526	
Long-term Debt	123,000	80,780	94,947	8,528	---	---	---	---	307,255	210,582	
Other Liabilities	3,105	52,903	50,395	---	12,838	(957)	3,316	(3,316)	118,284	860,513	
Total - Liabilities	127,330	134,011	146,640	43,913	27,501	(957)	14,310	(14,310)	478,438	1,138,621	
Equity (Deficit)	(30,545)	(4,150)	---	---	183,524	(186,989)	26,450	(26,450)	(38,160)	(574,417)	
Total Liabilities and Equity (Deficit)	\$ 96,785	\$ 129,861	\$ 146,640	\$ 43,913	\$ 211,025	\$ (187,946)	\$ 40,760	\$ (40,760)	\$ 440,278	\$ 564,204	
Revenue	\$ 23,136	\$ 12,164	\$ 451,779	\$ 376,404	\$ 78,668	\$ ---	\$ 66,335	\$ (66,335)	\$ 942,151	\$ 944,232	
Expenses	11,228	4,320	285,509	238,005	51,984	---	75,557	(75,557)	591,046	692,954	
Debt Servicing Costs	7,322	8,163	10,727	1,216	77,569	---	2,534	(2,534)	104,997	16,795	
Special Closure Costs	---	---	---	---	---	---	43,932	(43,932)	---	---	
Total - Expenses	18,550	12,483	296,236	239,221	129,553	---	122,023	(122,023)	696,043	709,749	
Net Income/(Loss)	\$ 4,586	\$ (319)	\$ 155,543	\$ 137,183	\$ (50,885)	\$ ---	\$ (55,688)	\$ 55,688	\$ 246,108	\$ 234,483	

* **Note:** The Halifax-Dartmouth Bridge Commission has included \$8,201 in its Other Assets, which is restricted for the purposes of paying down the Toll Revenue Bonds. Therefore, the Long-term Debt net of sinking funds is \$114,799.

Nova Scotia Resources Limited was reported as a discontinued operation as at March 31, 2001.

Sydney Steel Corporation was reported as a discontinued operation as at March 31, 2000.

Government Business Enterprises**as at March 31, 2001***(continued)***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 and Review Board, a provincially controlled public sector entity. The Commission's fiscal year end is December 31. At March 31, 2001, 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 \$9.6 million, \$8.2 million of which is restricted for repayment of principal, interest and fees on Toll Revenue Bonds as 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. The Corporation is granted the right to operate the highway and collect tolls for a 30 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 with the Province, whereby 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 \$10.5 million, are included in other assets. These reserve accounts were established in accordance with trust indenture agreements between the Corporation and bondholders.

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

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 two casinos located in Halifax and Sydney and the Atlantic Lottery Corporation. The net balance owing to the Province at March 31, 2001 was \$13.7 million.

The Nova Scotia Gaming Corporation was guaranteed revenues of \$25.0 million from the Halifax and Sydney casinos in each of the four years commencing August 1, 1995. The "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.

Government Business Enterprises**as at March 31, 2001***(continued)***NOVA SCOTIA GAMING CORPORATION***(continued)*

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 Operator was 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. Under this income guarantee, a net amount of \$12.1 million was paid by the Operator to the Corporation for the five year period ended July 31, 2000.

During the year, the Corporation retroactively changed its method of accounting for casino capital assets. These assets have been recorded as fixed assets in its financial statements.

The Corporation is required to reimburse the Operator for approved development costs of the Halifax and Sydney casinos. The net present value of the remaining obligations for casinos is approximately \$94.9 million.

Unclaimed prizes are retained by the Corporation in a prize fund for one year from the announced beginning date of the draw. At March 31, 2001, this amounted to \$7.0 million.

Video Lottery Terminal (VLT) retailers in Nova Scotia have agreed, under the terms of their retailer agreements with the Atlantic Lottery Corporation Inc. to contribute 1% of their VLT commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to all contributions made by the VLT retailers.

The Corporation has agreed to an annual contribution of \$1.0 million annually to the Department of Health to provide funds for programs related to problem gambling. The Corporation will provide up to \$1.0 million in funds in fiscal 2001-2002 for the harness industry in Nova Scotia.

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 balance owing to the Province at March 31, 2001 was \$16.85 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 gasfields which started commercial production on December 31, 1999. It also has significant discovery licenses and gross royalty on Deep Panuke/Cohasset gasfield.

Government Business Enterprises**as at March 31, 2001***(continued)***NOVA SCOTIA RESOURCES LIMITED***(continued)*

The Company's carrying value of oil and gas properties is \$187.9 million at December 31, 2000. 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 November 30, 2000 and December 31, 1999, amounted to \$50.9 million and \$26.2 million respectively. The Company records depletion expense on a unit of production basis.

During the year, the Province proceeded with its plan to sell NSRL. In November 2000, the Company's \$796.4 million debt was fully assumed by the Province. Purchase and Sale Agreements were negotiated in February 2001, under which most of the oil and gas properties and related liabilities and commitments were sold as at December 1, 2000 with closing dates of June 15, 2001 and July 31, 2001. As a result, this schedule has been adjusted for provisions for the sale recorded by the Province for the discontinued operations of the Company. The Province has recorded its net loss from NSRL based on the November 30, 2000 figures to reflect its limited responsibility for NSRL's operations to the sale date (See Note 3 - Unusual Items).

SYDNEY STEEL CORPORATION

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

Sysco recorded losses for its fiscal years ended December 31, 2000 and 1999 of \$55.7 million and \$34.5 million respectively. Plans to sell Sysco collapsed during the year when the intended buyer pulled out of the negotiated deal. Still, operations wound down and work is underway to dismantle and sell off the assets. As such, Sysco's Balance Sheet for 2000 has been reported on a liquidation basis. The schedule has been adjusted to reflect the discontinued operations already accounted for in the prior year (See Note 3 - Unusual Items).

Reporting Entity

as at March 31, 2001

Listed below are the entities included in the government reporting entity.

Government Service Organizations

(Consolidation Method)

Annapolis Valley Regional School Board	Nova Scotia Arts Council
Art Gallery of Nova Scotia	Nova Scotia Business Development Corporation
Bedford Waterfront Development Corporation	Nova Scotia Community College
Cape Breton Healthcare Complex	Nova Scotia Crop and Livestock Insurance Commission
Cape Breton Victoria Regional School Board	Nova Scotia Farm Loan Board
Central Regional Health Board	Nova Scotia Film Development Corporation
Check Inns Limited	Nova Scotia Freedom of Information and Protection of Privacy Review Office
Chignecto-Central Regional School Board	Nova Scotia Gaming Foundation
College de l'Acadie	Nova Scotia Harness Racing Incorporated
Conseil Scolaire Acadien Provincial	Nova Scotia Health Research Foundation
Consolidated Fund (1)	Nova Scotia Hospital
District Health Authority 1 (South Shore District Health Authority)	Nova Scotia Housing Development Corporation
District Health Authority 2 (South West Nova District Health Authority)	Nova Scotia Innovation Corporation
District Health Authority 3 (Annapolis Valley District Health Authority)	Nova Scotia Legal Aid Commission
District Health Authority 4 (Colchester East Hants District Health Authority)	Nova Scotia Municipal Finance Corporation
District Health Authority 5 (Cumberland Health Authority)	Nova Scotia Police Commission
District Health Authority 6 (Pictou County District Health)	Nova Scotia Power Finance Corporation
District Health Authority 7 (Guysborough Antigonish-Strait Health Authority)	Nova Scotia Primary Forest Products Marketing Board
District Health Authority 8 (Cape Breton District Health Authority)	Nova Scotia Utility and Review Board
District Health Authority 9 (Capital District Health Authority)	Novaco Limited
Eastern Regional Health Board	Provincial Community Pastures Board
Fisheries and Aquaculture Development Fund	Provincial Drug Distribution Program
Halifax Regional School Board	Public Archives
Industrial Expansion Fund	Queen Elizabeth II Health Sciences Centre
Insured Prescription Drug Plan Trust Fund	Resource Recovery Fund Board Incorporated
Izaak Walton Killam Grace Health Centre	Rockingham Terminal Incorporated
Law Reform Commission	Sherbrooke Restoration Commission
Northern Regional Health Board	Southwest Regional School Board
	Strait Regional School Board
	Sydney Environmental Resources Limited
	Tidal Power Limited
	Trade Centre Limited
	Upper Clements Family Theme Park Limited
	Waterfront Development Corporation Limited
	Western Regional Health Board

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

Reporting Entity

as at March 31, 2001

(continued)

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

Government Partnership Arrangements

(Proportionate Consolidation Method)

Atlantic Provinces Special Education Authority (approximately 54% share)
Canadian Blood Services (approximately 4% share)
Council of Maritime Premiers (approximately 51% share)
Canada-Nova Scotia Offshore Petroleum Board (50% share)
National Sports Centre Atlantic (approximately 6% share)

Government Business Partnership Arrangements

(Proportionate Modified Equity Method)

Interprovincial Lottery Corporation (1 of 10 shares)

PROVINCE OF NOVA SCOTIA
Notes to the Consolidated Financial Statements
March 31, 2001

1. FINANCIAL REPORTING AND ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the Province's financial statements are 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, Government Service Organizations, Government Business Enterprises, Government Partnership Arrangements and Government Business Partnership Arrangements. 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.

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 deficits are included in these consolidated financial statements on the Statement of Financial Position. Their net income and net loss are shown as separate line items on the Statement of Operations.

A Government Partnership is a contractual arrangement between the government and a party or parties outside the reporting entity. The partners have significant clearly defined common goals, make a financial investment in the partnership, share control of decision making, and share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership. Where significant, government's interest in partnerships are proportionately consolidated.

A Government Business Partnership is a government partnership that sells goods and services to individuals and organizations outside the partnership as its principal activity, and has been delegated the financial and operational authority to carry on a business. Where significant, government's interest in a business partnership is accounted for on the proportionate modified equity basis.

A complete listing of the organizations within the Government Reporting Entity is provided in Schedule 8.

Financial results from fiscal year end to March 31, 2001 for Government Business Enterprises whose fiscal year ends are not March 31 were not significant to these financial statements so they have not been adjusted. Other adjustments have been made as noted on Schedule 7 regarding Nova Scotia Resources Limited and Sydney Steel Corporation.

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 estimated, after considering adjustments for tax credits and administrative costs related to the collection and processing performed by the federal government. Revenue from the oil and gasfields 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 8 - 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. These provisions are updated as estimates are revised, at least annually.

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 5.01% and are for terms of 1 to 14 days.

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 in 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 the Governor-in-Council. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

Unamortized Foreign Exchange Translation Gains and Losses result when debentures payable in foreign currencies, accrued interest thereon, and sinking funds invested in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at March 31. Foreign exchange gains and losses on the translation of foreign currency are amortized on a straight-line basis over the remaining term of the related monetary issue.

Premiums and Discounts, as well as underwriting commissions relating to the issuance of debentures, are deferred and amortized over the term of the related investment. Amortization and realized foreign exchange gains and losses, premiums and discounts relating to debt balances and serial retirements are charged to debt servicing costs. Amortization and realized foreign exchange gains and losses relating to sinking fund balances and instalments are netted against sinking fund earnings.

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 include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, major equipment, computer equipment and software, vehicles, ferries, roads, highways and bridges. Tangible capital assets do not include intangibles or assets acquired by right such as forests, water and mineral resources or works of art and historical treasures.

Liabilities

Bank Advances and Short-term Borrowings are generally for less than 120 days and are recorded at a value which approximates market value. Short-term borrowings had a fixed average interest rate of 5.16% 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. Premiums and discounts on sinking funds are deferred and amortized over the life of the investment. Amortization and realized gains and losses for premiums and discounts relating to sinking fund balances and instalments are netted against sinking fund earnings.

Pension, Retirement and Other Obligations include various employee benefits. 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, the Teachers' Pension Plan, the Sydney Steel Corporation Pension Fund and the Long-term Disability Plan each 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 benefits. 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.

d) 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.

2. PRIOR PERIOD ADJUSTMENT

The Province has changed its accounting policy for sinking fund investment premiums and discounts. Premiums and discounts will be deferred and amortized over the term of the investments instead of being recognized only when the investments are sold or redeemed. The impact of this change is a \$15.8 million increase in the fiscal 2001 surplus, a \$23.7 million increase in the fiscal 2000 deficit and a \$10.7 million increase in Net Direct Debt as at March 31, 1999.

3. UNUSUAL ITEMS

The Unusual Items disclosed on the Statement of Operations represent accounting provisions established for the sale of certain assets of Nova Scotia Resources Limited (NSRL) and the closure of Sydney Steel Corporation (Sysco). The provisions are comprised of the following:

	2001	2000
Nova Scotia Resources Limited		
Proceeds on sale of assets	\$ 355.0	\$ ---
Net book value of assets	(187.0)	---
Interest and revenue adjustments	17.9	---
Costs related to sale	(6.1)	---
Sydney Steel Corporation		
Losses to October 31, 2000	---	(14.0)
Expected Loss on the Sale of Assets	---	(46.0)
Severance Liabilities	---	(10.3)
Unfunded Pension Liabilities	---	(86.5)
Environmental Remediation of Sysco and adjacent sites	---	(250.0)
Environmental Remediation of the Sydney Tar Ponds Site	---	(68.5)
Total - Unusual Items - Net Gain (Net Expense)	\$ 179.8	\$ (475.3)

Nova Scotia Resources Limited (NSRL)

During the year, the Province continued its search for potential buyers of NSRL. Negotiations proceeded with a group of companies and on February 6, 2001, the Province secured signed Purchase and Sale agreements for the sale of certain assets for a stated price of \$355 million. All relevant parties declined their "rights of first refusal" to purchase these assets and the sale officially closed in two parts on June 15, 2001 and July 31, 2001.

The gain from the sale of the assets net of related costs is included as an Unusual Item on the Statement of Operations. For purposes of these financial statements, the sold assets have been removed from NSRL's accounts, as reflected by the adjustments on Schedule 7, Government Business Enterprises. The sale of NSRL shares has not been finalized and no amounts have been recorded in these financial statements.

Sydney Steel Corporation (Sysco)

During the year, the sale of Sysco collapsed so the facilities were closed permanently. All employees were provided with applicable severances and early retirements. Provisions of \$475.3 million recorded in 2000 for the closure were charged for any ongoing expenses. As at March 31, 2001 expenses of \$64.3 million were incurred and the remaining provisions were considered sufficient for estimated future costs. The Company continues to dismantle its plant and equipment and wind down any operational commitments and guarantees.

4. RESTRICTED CASH AND SHORT-TERM INVESTMENTS

As at March 31, 2001, restricted cash and short-term investments of \$30.7 million (\$25.4 million as at March 31, 2000) have been designated for restricted purposes by parties external to the Province.

5. 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. Foreign exchange contracts include forward and 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, 2001:

<u># of Swaps</u>	<u>Currency</u>	<u>Notional Principal</u> (\$ thousands)	<u>Term Left to Maturity</u> (years)	<u>Reset Index</u>	<u>Spread</u>	<u>Mark to Market</u> *
94	CDN \$	1,262,461	1 to 21	3 mth CAD-BA-CDOR	0.17 to +0.12	(11.98)
13	US \$	1,207,597	1 to 21	3 mth USD-LIBOR	no spread	
				3 mth CAD-BA-CDOR	0.045 to +0.065	189.35
3	UK pound	143,215	1 to 3	6 mth GBP-LIBOR-BBA	0.095 to +2.96	
				6 mth USD-LIBOR-BBA	+2.88	(17.41)
1	Euro	50,000	9	not applicable		6.75
111						166.71

* Mark to Market is an indication of the swap's market value as at March 31, 2001. 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, 2001.

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

<u>Termination Date</u>	<u>Original Currency</u>	<u>Original Principal</u> (\$ thousands)	<u>Current Currency</u>	<u>Current Principal</u> (\$ thousands)
April 18, 2001	UK pound	60,000	US \$	98,736
April 30, 2001	UK pound	23,215	US \$	38,204
March 15, 2016	US \$	150,000	CDN \$	205,725
March 1, 2020	US \$	300,000	CDN \$	409,200
April 1, 2022	US \$	182,597	CDN \$	247,967
May 14, 2001	US \$	375,000	CDN \$	552,223
February 24, 2010	Euro	50,000	CDN \$	72,235

6. 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 of Nova Scotia. 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, but records only its 50% share of any surplus in the PSSP and TPP as it shares any surplus equally with the members.

i) Pension and Retirement Obligations

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 \$57 million as at March 31, 2001.

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 \$72 million as at March 31, 2001.

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, 2001, is approximately \$35.9 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 15 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 April 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, five of which were served as a Deputy Minister.

Sydney Steel Corporation Pension Fund (Sysco Fund)

The fund invests in Canadian and foreign equities, bonds, debentures and short-term notes.

The fund is comprised of three plans covering steelworkers, CUPE workers and salaried members. Defined pension benefits are based on \$30 and \$35 per month per year of credited service, respectively, to a maximum of 35 years. The salaried plan has some additional benefits based on required contributions. Senior management benefits are based on 2% of the best five years' average earnings per year in the last ten years. Steelworkers and CUPE plans are noncontributory. The salaried plan contributions are 3% of salary up to YMPE and 5% of salary above YMPE.

In 1999-2000, additional commitments were made by the Province to fund the plan deficits and enhancements for early retirements. During 2000-2001, the Province assumed administration of the plans as Sysco was closed and all eligible workers were retired.

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.

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.

During the year, bargaining unit Corrections Officers received a contract change entitling them to a Public Service Award on the same basis as civil servants. This plan amendment was valued at \$3.75 million, includes service with the Province plus any service as a Corrections Officer in a municipal institution, and is effective for retirements in March, 2001 or later.

Retiring Allowances

District Health Authorities, School Boards and certain other government service organizations 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.

ii) Other Obligations

Self-Insured Workers' Compensation (WCB)

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, 2001.

Long-term Disability (LTD)

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. Other LTD plans are accounted for on the cash basis and are not yet actuarially valued.

b) Member Data

The following table provides member data for certain plans:

Pension Plan	Active Members	Average Age of Active Members	Estimated Average Remaining Service Life	Average Salary of Active Members	Average Pension	Number of Pensioners
PSSP	14,542	44.7	16	\$ 39,537	\$ 14,614	9,514
TPP	13,368	43.5	15	45,996	27,851	7,843
MRA	52	50.3	8	59,113	27,804	102
JPS	31	53.9	11	137,484	30,521	28
DMS	20	50.3	8	99,934	5,215	34
Sysco Fund	91	49.2	1	44,568	8,459	2,067
Other	N/A	N/A	N/A	N/A	3,035	790

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:

Pension Plan	Real Rate of Return on Assets	Annual Salary Increase	Inflation	Average Retirement Age
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
Sysco Fund	4.37%	N/A	3.0%	57
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 and inflation rates, marital status and future salary levels, among others. In most 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.

The following table details the net obligations for the plans noted.

Last Actuarial Valuation Date	Pension Plan and Other Obligations	Estimated Accrued Benefits	Market Value of Assets	Unamortized Experience Gains (Losses)	2001 Net Obligation	2000 Net Obligation
				(\$ thousands)		
March 2000	PSSP (at 50%) **	\$ 1,209,372	\$ 1,456,876	\$ 60,902	\$ (186,602)	\$ (131,065)
March 2000	TPP	3,531,070	3,592,355	359,376	298,091	419,020
March 2000	ERP	161,680	N/A	N/A	161,680	178,527
March 2000	MRA	50,704	N/A	3,065	53,769	52,445
March 2000	ERIP	177,587	N/A	(6,324)	171,263	154,393
March 2000	JPS	18,296	N/A	(1,453)	16,843	15,919
March 2000	DMS	2,243	N/A	544	2,787	2,780
March 2001	Sysco Fund	245,908	67,042	N/A	178,866	121,469
March 2000	Other	24,035	N/A	(3,662)	20,373	18,300
March 2000	PSA	117,273	N/A	(14,886)	102,387	94,333
Various	Retiring Allowance	144,205	N/A	(2,274)	141,931	125,589
March 2001	WCB	34,381	N/A	N/A	34,381	33,000
March 2001	LTD	74,140	27,838	N/A	46,302	27,788
		\$ 5,790,894	\$ 5,144,111	\$ 395,288	\$ 1,042,071	\$ 1,112,498

** The gross (100%) values of the PSSP are as follows:

Estimated Accrued Benefits	\$ 2,418,744
Market Value of Assets	2,913,752
Unamortized Experience Gains	121,804
Net Plan (Surplus) Obligation as at March 31, 2001	(373,204)
Net Plan (Surplus) Obligation as at March 31, 2000	(262,130)

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

Other pension and post-employment benefit obligations exist which have not been actuarially valued and therefore have been recorded in these financial statements on a contribution basis.

7. TRUST FUNDS UNDER ADMINISTRATION

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

<i>Description</i>	<i>2001</i>	<i>2000</i>
		<i>(as restated)</i>
		<i>(\$ thousands)</i>
Public Service Superannuation Plan (1)	\$ 2,913,751	\$ 3,089,151
Nova Scotia Teachers' Pension Plan (1) (5)	3,741,847	3,546,169
Workers' Compensation Board (1) (5)	663,999	561,818
Sydney Steel Corporation Pension Fund (2) (5)	67,042	---
Nova Scotia Public Service Long-Term Disability Plan Trust Fund (1) (5)	31,545	32,472
Nova Scotia Government Fund Limited (5)	27,889	27,041
Public Trustee (1)	20,910	19,455
Nova Scotia Municipal Finance Corporation (3)	---	29,843
Miscellaneous Trusts (4)	46,769	44,121
	\$ 7,513,752	\$ 7,350,070

- (1) See Public Accounts Volume II for full financial statements of these funds.
- (2) Administration of the assets of Sydney Steel Corporation Pension Fund was assumed during fiscal 2000-2001.
- (3) All funds administered on behalf of municipalities were paid out during fiscal 2000-2001.
- (4) Miscellaneous trusts include a large number of relatively small funds.
- (5) These represent trusts with December 31 year ends. Trust asset balances at March 31 did not differ significantly.

8. EXPENSES BY OBJECT

<i>Description</i>	<i>2001</i>	<i>2000</i>
		<i>(\$ thousands)</i>
Grants and Subsidies	\$ 1,761,297	\$ 2,095,537
Salaries and Employee Benefits	1,971,154	1,904,829
Operating Goods and Services	1,053,925	862,468
Professional Services	150,558	151,717
Amortization and Social Housing Adjustment	157,726	137,769
Debt Servicing Costs	1,144,765	1,110,993
Other	2,142	4,919
Less: Chargeables	(258,492)	(329,448)
Less: Recoveries	(258,753)	(259,452)
Total Expenses before Unusual Item	\$ 5,724,322	\$ 5,679,332

9. DEBT SERVICING COSTS

<i>Description</i>	2001	2000
	<i>(\$ thousands)</i>	
CDN\$ Denominated Debt	\$ 659,731	\$ 475,741
US\$ Denominated Debt	278,964	351,530
Other Foreign Currency Denominated Debt	60,331	70,316
Pension Liabilities	(3,495)	50,386
Capital Leases	21,212	7,082
Other Debt	86,130	103,022
Premium/Discount Amortization	(9,416)	(8,863)
Foreign Exchange Amortization	85,386	82,282
Miscellaneous	2,406	1,034
Interest Recoveries	(36,484)	(21,537)
Total - Debt Servicing Costs	\$ 1,144,765	\$ 1,110,993

Debt servicing costs for Government Business Enterprises was \$105.0 million for the year ended March 31, 2001 (\$16.8 million for the year ended March 31, 2000).

10. CASH FLOW - NET CHANGE IN OTHER ITEMS

<i>Description</i>	2001	2000
	<i>(\$ thousands)</i>	
Change in Comparative Year Figures	\$ ---	\$ (2,955)
Change in Receivables from Government Business Enterprises	(4,134)	(25,778)
Change in Receivables and Advances	(29,290)	104,381
Change in Accounts Payable and Other Short-term Borrowings	446,197	303,922
Change in Inventory	126	(1,080)
Change in Deferred Revenue	8,906	(144,770)
Change in Accrued Interest	(27,577)	9,716
Change in Pension, Retirement and Other Obligations	(70,427)	21,246
Total Net Change in Other Items	\$ 323,801	\$ 264,682

11. CONTINGENCIES 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, 2001 and no further provisions for these costs have been recorded in these financial statements.

ii) Lawsuits

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

b) Contingent Gains

The Province of Nova Scotia is seeking reimbursement from insurance companies for various types of claims paid out. The recoveries are not yet assured so no amounts have been recorded to date.

c) Commitments

i) Commitments

Commitments total \$433.4 million. Included in this amount are commitments of \$53.4 million for a correctional and forensic facility; \$76.5 million by the Department of Economic Development for projects approved under its various programs; \$28.4 million for monthly services with respect to the Trunked Mobile Radio System over the next nine years; and \$37.8 million by the Departments of Education and Transportation and Public Works for the construction of seven new schools. Also included is a commitment by the Department of Health and South West Nova District Health Authority to participate in a redevelopment project for the Yarmouth Regional Hospital in the amount of \$48.9 million.

ii) Environmental Sites

Engineering and environmental studies have generated initial estimates for the cost of remediation of the Sydney Steel Corporation and adjacent sites as well as the Sydney Tar Ponds site. As a result, the Province recorded liabilities of \$250.0 million and \$68.5 million respectively, in the prior year for environmental site clean up. Of these provisions, \$249.5 million and \$61.8 million, respectively, remain unspent.

iii) Leases

As at March 31, 2001, the Province was committed under the terms of various operating leases. Future minimum annual lease payments are as follows:

<u>Fiscal Year</u>	<u>Lease Payments</u>
	(\$ millions)
2001-2002	\$ 37.1
2002-2003	31.0
2003-2004	24.5
2004-2005	17.5
2005-2006	14.4
2007-2011	38.2
2012-2016	11.2
2017-2021	9.1
	<u>\$ 183.0</u>

iv) School Maintenance and Development Agreements

As at March 31, 2001, there was one of the original 39 Public-Private Partnership schools still under construction with an anticipated completion date of August 2001. These are capital leases and are typically for a 20-year term. The Province expects to make annual lease payments of \$35.7 million for the 39 schools. In addition, the Province will incur \$18.0 million in annual maintenance costs.

12. SUBSEQUENT EVENTS

The sale of certain oil and gas property assets owned by Nova Scotia Resources Limited (NSRL) closed on July 31, 2001 and proceeds of \$355.0 million have been received. The sale has been recorded on the Statement of Operations as an Unusual Item. The sale of NSRL shares has not been finalized and no amounts have been recorded in these financial statements (See Note 3 for more details).

Effective April 1, 2001, Waterfront Development Corporation Limited amalgamated with Bedford Waterfront Development Corporation Limited.

13. COMPARATIVE FIGURES

a) Presentation

To conform with current year's presentation, certain comparative figures for the prior year have been restated.

b) Legislation to Create New Entities

New legislation for district health authorities came into effect on January 1, 2001. Bill 34, the Health Authorities Act, legislates nine district health authorities to replace the four regional health boards in the province.

Legislation was introduced in November 2000 to create Nova Scotia Business Incorporated (NSBI). The legislation established NSBI as a Crown corporation managed by a private-sector Board of Directors.

c) Comparative Figures Adjustment

In 2000, an adjustment of \$26.5 million was made to opening Net Direct Debt, resulting from a review of the consolidation process of 1999, the Province's first year producing consolidated financial statements. Further clarification has resulted in an offsetting adjustment of \$23.6 million, reducing the total adjustment to \$2.9 million.

14. RELATED PARTY TRANSACTIONS

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. EXPENSES IN EXCESS OF ESTIMATES

Pursuant to Section 13 of the Expenditure Control Act, a resolution to authorize program spending to the extent of \$176.7 million for the fiscal year 1999-2000 is required.

Financial Highlights

Message from the Minister

With the publication of the financial statements for the year ending March 31, 2001, the Nova Scotia government has fulfilled its commitment to present open and transparent financial accounting to the people of this province.

In its financial statements of the past two years, the Nova Scotia Department of Finance has fully implemented Generally Accepted Accounting Principles. This compliance ensures credibility and accountability.

The Province of Nova Scotia has previously accounted for the operating losses of Nova

Scotia Resources Limited (NSRL). The 2000-2001 financial statements reflect the sale of certain assets of NSRL, which provided the government with a one-time credit to its 2000-2001 results. The sale of NSRL has contributed to a surplus of \$147.3 million, which reduces the net direct debt.

While the Consolidated Statement of Operations for the fiscal year ended March 31, 2001 reflects a surplus, we cannot rely on this sale, or any other future sales to achieve our fiscal agenda. We must be vigilant in our efforts to stay the course and achieve our goal of financial stability.

Honourable Neil J. LeBlanc
Minister of Finance

Selected Financial Highlights

Budgetary Summary

(\$ millions)

ACTUAL 1999-2000 (as restated)		ESTIMATE 2000-2001	ACTUAL 2000-2001
	Consolidated Fund		
4,783.9	Ordinary Revenue	4,794.9	5,090.9
	Net Expenses		
4,185.4	Net Program Expenses	4,146.0	4,174.5
850.8	Net Debt Servicing Costs	899.1	872.8
5,036.2		5,045.1	5,047.3
(252.3)		(250.2)	43.6
	Consolidation and Accounting Adjustments for the Consolidated Fund and Government Service Organizations		
1,488.2	Consolidated Fund Consolidation Adjustments	---	1,471.6
(1,053.1)	Health and Hospital Boards Operations	---	(1,065.0)
(698.5)	School Boards Operations	---	(692.3)
(40.4)	Other Organizations	---	(36.5)
(303.8)		---	(322.2)
	Net Income (Losses) for Government Business Enterprises		
(26.2)	Nova Scotia Resources Limited	(25.9)	(50.9)
(34.5)	Sydney Steel Corporation	---	---
295.2	Other Enterprises	8.0	297.0
234.5		(17.9)	246.1
(321.6)	Provincial Surplus (Deficit) before Unusual Items	(268.1)	(32.5)
	Unusual Items		
(68.5)	Environmental Clean-Up	---	---
---	Nova Scotia Resources Limited	---	179.8
(406.8)	Sydney Steel Corporation	---	---
(475.3)		---	179.8
(796.9)	Provincial Surplus (Deficit)	(268.1)	147.3

Significant Accounting Policy Issues

Introduction

The Province of Nova Scotia recognizes that its primary financial accountability document is the annual financial statements. These statements are prepared following generally accepted accounting principles to ensure full and open disclosure of the Province's financial position and results of operations.

The Standard

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

Key Items for the 2000-2001 Financial Statements

Pension Valuation Adjustment

The Province accounts for pension costs in accordance with generally accepted accounting principles. Prior to fiscal 1999-2000, the Province recorded the cash cost of its pension plan contributions as an expense for the year. The current accounting policy recognizes the cost of pensionable service earned by employees in the year as its pension expense. As well, the policy impacts the treatment of annual changes in the unfunded pension liabilities. The net impact of the current policy versus the previous cash basis is separately disclosed as the Pension Valuation Adjustment.

Sale of Nova Scotia Resources Limited

Prior to March 31, 2001, the Province of Nova Scotia secured a buyer for certain assets of Nova Scotia Resources Limited (NSRL). As a result, a provision was recorded for the estimated net gain on the sale of those assets, which was completed subsequent to year end. The sale of the NSRL shares is being pursued, but has not been finalized and has not been recorded at year end. See Note 3 - Unusual Items for more information.

Revenues - Consolidated Fund

(\$ thousands)

REVENUE SOURCES	ACTUAL	ESTIMATE	ACTUAL	VARIANCE
	1999-2000 (as restated)	2000-2001	2000-2001	Increase (Decrease)
Provincial Sources				
Personal Income Tax	1,144,871	1,144,925	1,228,672	83,747
Corporate Income Tax	149,379	161,653	169,232	7,579
Harmonized Sales Tax	754,827	786,309	804,280	17,971
Tobacco Tax	76,543	80,100	75,577	(4,523)
Motive Fuel Taxes	219,389	232,335	201,669	(30,666)
Gaming Corporation Profits	164,926	175,119	171,256	(3,863)
Liquor Commission Profits	135,170	141,000	137,183	(3,817)
Interest Revenues	34,428	35,507	39,692	4,185
Registry of Motor Vehicles	61,439	61,440	61,979	539
Royalties - Petroleum	1,970	6,000	9,269	3,269
Other Provincial Sources	166,334	160,165	168,267	8,102
Gain on the Sale of Crown Assets	610	---	---	---
Total - Provincial Sources	2,909,886	2,984,553	3,067,076	82,523
Federal Sources				
Equalization	1,279,610	1,279,630	1,395,500	115,870
Canada Health and Social Transfer	527,920	522,928	526,054	3,126
Federal Compensation for Harmonization	52,700	---	---	---
Other Federal Sources	4,416	7,830	2,330	(5,500)
Total - Federal Sources	1,864,646	1,810,388	1,923,884	113,496
Prior Years' Adjustments - Federal-Provincial Fiscal Arrangements	9,400	---	99,914	99,914
Total - Revenues	4,783,932	4,794,941	5,090,874	295,933

Total ordinary revenues were \$5,090.9 million for the fiscal year 2000-2001, which is \$295.9 million higher than the budget estimate.

Provincial Sources

In fiscal 2000-2001, personal and corporate income taxes were \$91.3 million higher than the original budget estimate. Personal income continued to grow both in Nova Scotia, as well as nationally. Nova Scotia provincial corporate income tax revenues also grew but were partially offset by increases in Nova Scotia credits, such as growth in the Manufacturing and Processing Investment Tax Credit.

Positive prior years' adjustments of \$41.2 million and \$27.4 million were recorded for personal and corporate income taxes respectively due to updated information.

Sales tax revenues grew as personal disposable income and consumption continued to grow. Fiscal 2000-2001 was the first year in which a finalized allocation formula was in place between the federal government and the harmonized provinces. This resulted in a positive prior years' adjustment of \$7.3 million which was recorded reflecting adjustments between the formula allocation and previous amounts recorded by the province.

Fuel consumption for fiscal 1999-2000 was at above average levels due to construction activity within the province. Activity returned to more normal levels in fiscal 2000-2001 and this factor, coupled with fuel price increases, reduced the motive fuel consumption. These factors, combined with unanticipated refunds, resulted in revenues for Motive Fuel Taxes that were \$30.4 million lower than the budget estimate.

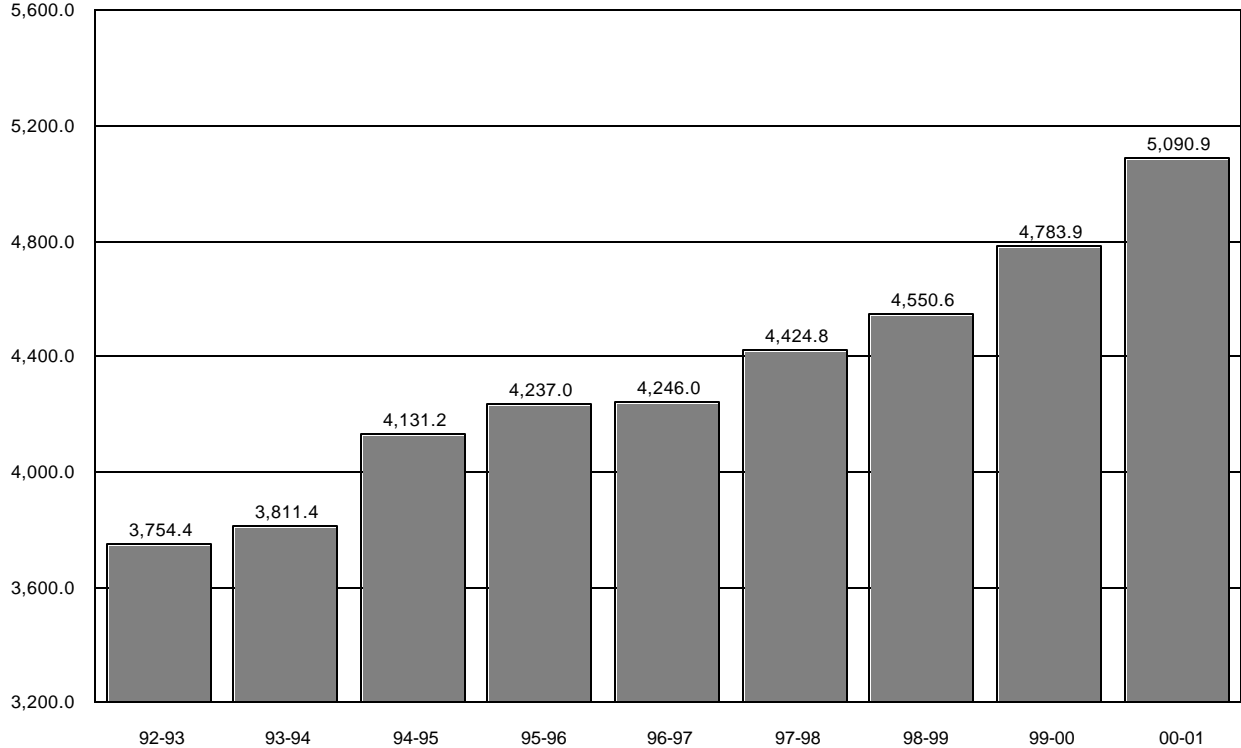
Federal Sources

Equalization transfers were \$1,395.5 million in fiscal 2000-2001, which was \$115.9 million higher than the budget estimate. This increase was driven by better than anticipated performance by the representative five province standard, particularly Ontario, as well as rising oil and gas prices in Alberta. A negative prior years' adjustment of \$8.6 million was recorded due to revisions in the final data for the three previous years.

Revenues - Consolidated Fund

1992-1993 to 2000-2001

(\$ millions)



***Prior Years' Adjustments -
Federal-Provincial Fiscal Arrangements***

The province experienced total Prior Years' Adjustments (PYA's) of \$99.9 million in fiscal 2000-2001. PYA's are made to reflect changes in information with respect to prior years' revenues which are still forthcoming from sources such as the federal government. Typically, income tax adjustments are from the previous year, in this case 1999, while transfer payments are not finalized for three years from the time of the initial federal payment.

A one-time PYA was recorded to reflect outstanding receivables and payables for income taxes and federal transfers. Through a review exercise it was determined that many of these outstanding entries were no longer expected to be receivable or owed and therefore they were reversed from the Province's general ledger. This resulted in a net positive PYA of \$32.1 million.

Program Spending - Consolidated Fund

Net Program Expenses

(\$ thousands)

DEPARTMENTS	ACTUAL	ESTIMATE	ACTUAL	VARIANCE
	1999-2000 (as restated)	2000-2001	2000-2001	Increase (Decrease)
Agriculture and Marketing	42,263	33,537	34,086	549
Business and Consumer Services	31,538	31,201	31,471	270
Community Services	583,320	575,989	583,856	7,867
Economic Development	89,272	49,033	63,981	14,948
Education	879,055	858,832	872,699	13,867
Assistance to Universities	197,232	201,232	203,489	2,257
Environment	15,393	13,132	12,380	(752)
Finance	9,638	9,298	8,704	(594)
Fisheries and Aquaculture	8,905	5,716	5,706	(10)
Health	1,770,278	1,686,140	1,747,388	61,248
Housing and Municipal Affairs	101,965	88,663	88,317	(346)
Human Resources	3,934	3,986	3,458	(528)
Justice	85,252	82,293	82,273	(20)
Labour	8,983	8,689	7,306	(1,383)
Natural Resources	55,832	52,090	50,881	(1,209)
Public Service	79,724	76,244	93,067	16,823
Tourism and Culture	40,479	38,388	38,384	(4)
Transportation and Public Works	236,847	243,514	247,572	4,058
Restructuring Costs	2,773	88,035	75,303	(12,732)
Pension Valuation Adjustment	(57,249)	---	(76,175)	(76,175)
Loss on the Sale of Crown Assets	---	---	321	321
	4,185,434	4,146,012	4,174,467	28,455

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 expenses by department prior to consolidation, as compared to the prior fiscal year and the budget, which are the Estimates as approved by the Legislature in the annual Appropriations Act.

Net Program Expenses increased by \$28.455 million during fiscal 2000-2001 over the original budget of \$4.146 billion to \$4.174 billion. Seven departments and three Public Service appropriations ended the fiscal year with increases in expenses that totaled \$127.6 million. This overspending was offset, in part, as the remaining departments and Public Service votes were under-budget by \$10.2 million.

The Restructuring Costs appropriation, which includes funding to support the collective bargaining process, workforce adjustment expenses, government restructuring costs and other expenses that cannot be directly attributed to a particular government department, was under-budget by \$12.7 million. The increase resulting from the recent settlements in the collective bargaining process was more than offset by savings in workforce adjustment costs.

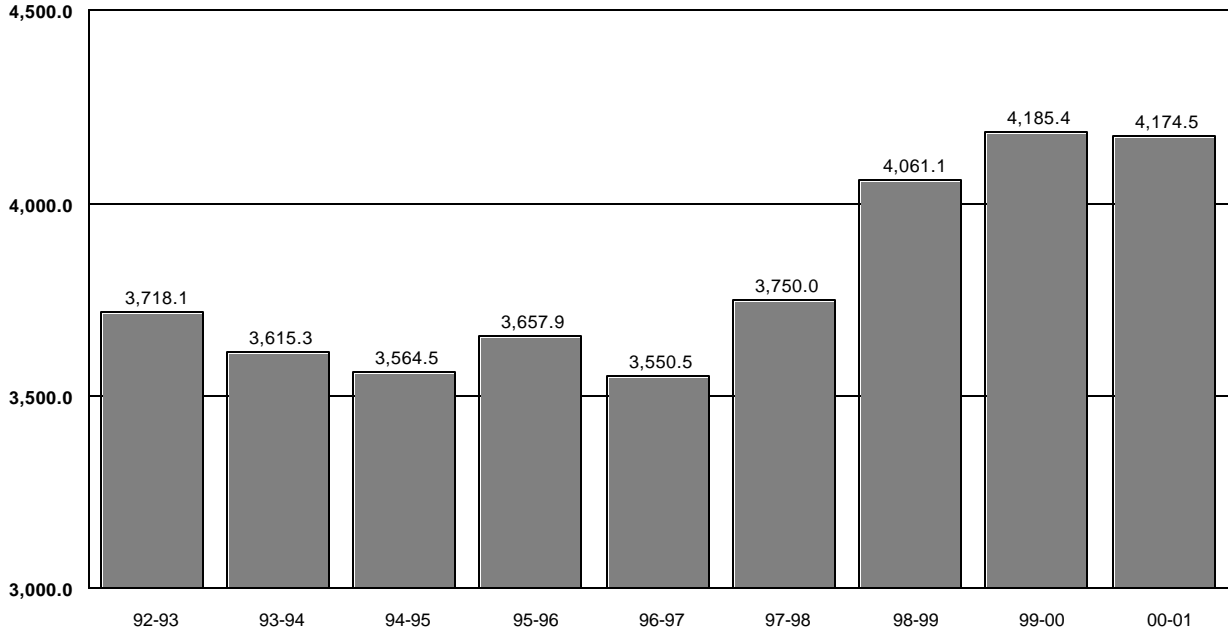
The Province of Nova Scotia accounts for pension costs on a basis that is consistent with generally accepted accounting principles. Prior to fiscal 1999-2000, the Province recorded the cash cost of its pension plan contributions as an expenditure in the fiscal year. The current accounting policy recognizes pension expense to include the cost of pensionable service earned by employees in the current fiscal year and amortization of the experience gains and losses in the pension plans. As a result, there was a positive adjustment of \$76.2 million recorded as the Pension Valuation Adjustment for fiscal 2000-2001.

The Department of Health was over budget in fiscal 2000-2001 by \$61.2 million. The major reason for this increase was the delay in implementing the business plans of the District Health Authorities and the establishment of the authorities themselves. These two factors accounted for \$53.1 million of the variance. As well, Home Care Services was over budget by \$10.3 million due to continued growth in demand and Long Term Care was overspent by \$16.9 million because of one-time capital commitments related to fire marshal and safety issues, and an increase in the per diem rates paid to the facilities, as a result of wage settlements. These increases were offset by savings in Capital Grants by \$16.2 million resulting from construction delays, as well as savings in the Pharmacare Program of \$10.0 million and departmental administrative savings of \$1.4 million.

Net Program Expenses - Consolidated Fund

1992-1993 to 2000-2001

(\$ millions)



The Department of Economic Development was overspent by \$14.6 million in fiscal 2000-2001, primarily due to an increase in the provision for potential loan losses as a result of a review of the department's loan portfolio and an expansion of business assistance. These increases were partially offset by savings in departmental operations and cash flow management of strategic investment funds.

The Department of Education exceeded its budget in fiscal 2000-2001 by a net total of \$13.9 million for a number of reasons. As a result of the change in the accounting treatment of the P3 facilities, which reclassified the expenditure as capital leases, additional funding (\$12.4 million) was required to cover the amortization related to the leases and also the accelerated amortization of furniture fixtures, equipment and technology acquired from the private developers. Also, there was an accrual of \$12.0 million for potential losses associated with the guaranteed student loan program and the Nova Scotia Community College received additional \$1.0 million to acquire technology. These increases were offset, in part, by savings in other areas of the department resulting from changes in accounting treatment and under-expenditures for both loan remission and interest relief under the student assistance program.

The Assistance to Universities appropriation was overspent by \$2.3 million as a result of providing additional capital funding to Saint Francis Xavier University to honour a previous commitment to the institution.

Community Services was overspent by \$7.8 million in fiscal 2000-2001. The factors contributing to the overspending of \$2.9 million in the Family and Children's Services programs, include an increasing caseload of children in care combined with increased costs of the services required. Also, the costs associated with the funding framework and the continued out-placements to small options facilities resulting from the closure of the larger, out-dated facilities led to an increase of \$14.5 million over the budget for the long-term care sector. Savings of \$7.7 million resulting from the continuing trend of cases exiting the income assistance system partially offset the overspending in the department. In addition, there was \$1.9 million in savings in the department's administrative costs.

For fiscal 2000-2001 the Department of Transportation and Public Works required additional funding of \$4.1 million. The severe winter weather conditions resulted in the Snow and Ice Control budget of the department being overspent by \$10.1 million. This budget pressure was mitigated to a significant degree by reduced highway and bridge maintenance and improvement expenditures, which was largely due to wet weather in the late fall that prevented the completion of some of this scheduled work.

The Government Contributions to Benefit Plans appropriation was overspent by \$20.6 million because of an increase in the government contributions to the pensioners' consolidated health plan due to an increase in the premiums and because the Province now recognizes the deficiency in the Long-term Disability Plan and its self-insured workers' compensation benefits.

A number of departments and Public Service appropriations were underspent in fiscal 2000-2001, primarily as a result of reduced operational expenditures. The Department of Labour was underspent by nearly \$1.4 million because of delays in filling positions due to the pending reorganization of the Workers' Compensation Board and Occupational Health and Safety Division. The wet summer, coupled with heavy winter snows, resulted in fewer forest fires in the spring and summer, and restricted the ability of crews to carry out forestry projects in the winter. This factor, along with decreased operational expenditures, resulted in the Department of Natural Resources being underspent by \$1.2 million.

Tangible Capital Assets - Consolidated Fund

Effective April 1, 1999, the Province implemented a new accounting policy for Tangible Capital Assets. The new policy charges a percentage of the original cost to each year of the useful life of the asset. This charge to operations is called amortization. As a result, departments were required to budget for tangible capital assets purchases and the resulting amortization from the acquisition of these assets, for the first time in fiscal 2000-2001. The cost of the estimated purchases of eligible Tangible Capital Assets was voted separately in the Capital Purchase Requirements appropriation.

Capital Purchase Requirements

(\$ thousands)

DEPARTMENTS	ESTIMATE 2000-2001	ACTUAL 2000-2001	VARIANCE Increase (Decrease)
Agriculture and Marketing	---	25	25
Business and Consumer Services	---	1,942	1,942
Education	31,801	289,664	257,863
Environment	---	66	66
Finance	---	6,499	6,499
Fisheries and Aquaculture	30	28	(2)
Health	4,927	5,497	570
Housing and Municipal Affairs	130	58	(72)
Natural Resources	403	220	(183)
Public Service	---	21,721	21,721
Transportation and Public Works	51,607	50,702	(905)
	88,898	376,422	287,524

In fiscal 2000-2001, the Department of Education allocation in the Capital Purchase Requirements appropriation was overspent by \$257.8 million. The largest portion of this variance, \$228.2 million, resulted from a change in the accounting treatment of the P3 facilities after the budget had been introduced. An accounting review of the leases determined that these leases were capital leases, which meant the net present value of the leases had to be recorded as an acquisition when the Province took possession of the facility. An additional \$14.4 million was incurred as a result in an amendment to the Tangible Capital Asset policy which required the initial acquisition of furniture, equipment and technology to be set up as a tangible capital asset.

The \$21.7 million over-expenditure in the Public Service allocation was also the result of the determination that the leases of the equipment for the new trunked mobile radio system were, in effect, capital leases.

This schedule reflects the amortization charged to operations related to the Tangible Capital Assets that were acquired in prior years, as well as the charges related to the acquisitions made during fiscal 2000-2001.

Amortization

(\$ thousands)

DEPARTMENTS	ESTIMATE	ACTUAL	VARIANCE
	<i>2000-2001</i>	<i>2000-2001</i>	<i>Increase (Decrease)</i>
Agriculture and Marketing	52	58	6
Business and Consumer Services	1,227	1,135	(92)
Community Services	67	67	---
Economic Development	6	6	---
Education	16,472	28,868	12,396
Environment	21	24	3
Finance	412	2,443	2,031
Fisheries and Aquaculture	14	10	(4)
Health	4,660	4,137	(523)
Housing and Municipal Affairs	45	34	(11)
Justice	1	1	---
Labour	16	16	---
Natural Resources	455	355	(100)
Public Service	377	4,736	4,359
Tourism and Culture	43	43	---
Transportation and Public Works	45,179	42,537	(2,642)
	69,047	84,470	15,423

**Analysis of Appropriations Relative
to the Appropriations Act, 2000
for the fiscal year ended March 31, 2001**

(\$ thousands)

	Resolution Number *	Budget	Actual	Variance	Additional Appropriation Required
Net Program Expenditures					
Agriculture and Marketing	1	33,537	34,086	549	549
Business and Consumer Services	2	31,201	31,471	270	270
Community Services	3	575,989	583,856	7,867	7,867
Economic Development -					
Departmental Operations	4	20,333	19,366	(967)	
Funds for Strategic Investment	5	28,700	44,615	15,915	15,915
Education	6	858,832	872,699	13,867	13,867
Assistance to Universities	7	201,232	203,489	2,257	2,257
Environment	8	13,132	12,380	(752)	
Finance	10	9,298	8,704	(594)	
Fisheries and Aquaculture	11	5,716	5,706	(10)	
Health	12	1,686,140	1,747,388	61,248	61,248
Housing and Municipal Affairs	13	88,663	88,317	(346)	
Human Resources	14	3,986	3,458	(528)	
Justice	15	82,293	82,273	(20)	
Labour	16	8,689	7,306	(1,383)	
Natural Resources	17	52,090	50,881	(1,209)	
Communications Nova Scotia	18	2,124	2,093	(31)	
Emergency Measures Organization of Nova Scotia	19	637	1,675	1,038	1,038
Executive Council	20	7,701	6,989	(712)	
FOIPOP Review Office	21	235	195	(40)	
Government Contributions to					
Benefit Plans	22	3,810	24,449	20,639	20,639
Human Rights Commission	23	1,609	1,549	(60)	
Legislative Services	24	13,505	13,027	(478)	
Nova Scotia Advisory Council on the Status of Women	25	625	590	(35)	
Nova Scotia Alcohol and Gaming Authority	26	4,982	4,277	(705)	
Nova Scotia Petroleum Directorate	27	5,347	5,850	503	503
Nova Scotia Police Commission	28	266	250	(16)	
Nova Scotia Securities Commission	29	870	807	(63)	
Nova Scotia Sport and Recreation Commission	30	6,882	6,881	(1)	
Nova Scotia Utility and Review Board	31	2,099	2,099	---	
Office of the Auditor General	32	1,850	1,713	(137)	
Office of the Ombudsman	33	600	599	(1)	
Public Prosecution Service	34	10,864	10,276	(588)	
Technology and Science Secretariat	35	12,238	9,748	(2,490)	
Tourism and Culture	36	38,388	38,384	(4)	
Transportation and Public Works	37	243,514	247,572	4,058	4,058
Restructuring Costs	39	88,035	75,303	(12,732)	

* - Refers to the Resolution Number in the Appropriations Act, 2000.

**Analysis of Appropriations Relative
to the Appropriations Act, 2000
for the fiscal year ended March 31, 2001**

(continued)
(\$ thousands)

	<i>Resolution Number *</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>	<i>Additional Appropriation Required</i>
Other Appropriations					
Debt Servicing Costs	9	1,049,485	1,020,617	(28,868)	
Capital Purchase Requirements	38	88,898	376,422	287,524	287,524
Sinking Fund Instalments and Serial Retirements	40	286,830	321,298	34,468	34,468
Capital Advances, Department of Agriculture and Marketing	41	45	---	(45)	
Canada-Nova Scotia (Offshore) Development Fund	42	2,000	1,828	(172)	

* - Refers to the Resolution Number in the Appropriations Act, 2000.

Debt Review - Consolidated Fund

In fiscal 2000-2001, the Province of Nova Scotia posted a \$32.5 million provincial deficit before unusual items. Inclusion of the one-time unusual item of \$179.8 million, related to the sale of Nova Scotia Resources Limited, resulted in a net surplus of \$147.3 million. The Net Direct Debt of the Province as of March 31, 2001 was \$11.5 billion, an increase of approximately \$117.6 million from a year earlier. The Province's Net Direct Debt to Gross Domestic Product ratio decreased to 45.2 per cent at March 31, 2001 from 47.8 per cent a year earlier.

Capital Markets Issuance Initiatives

The Province of Nova Scotia borrowed approximately \$1.3 billion in fiscal 2000-2001, down from the previous year's level of \$1.5 billion. 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 borrowed all of its requirements for fiscal 2000-2001 in Canadian financial markets by way of three public issues, five Medium Term Notes, and the refinancing of a Canada Pension Plan maturity. The Province also maintains documentation necessary in order to issue securities in the United States and Japanese markets. In early 2000, the Province established an Euro Medium Term Note program (EMTN) to provide for more timely and efficient access to European institutional and retail markets. The Province executed its first transaction under the EMTN program in fiscal 2000-2001. The Province's Canadian dollar promissory note program was an important source of funding in fiscal 2000-2001, contributing \$766.2 million in short-term funding.

Financial Risk Management

The Province reduced its exposure to foreign currency in the gross debt portfolio to 30.8 per cent at March 31, 2001 from 35.6 per cent at March 31, 2000. This action continues the significant improvement from previous years in the Province's foreign currency exposure which stood at 72.2 per cent at March 31, 1995. In the absence of any major moves in the value of the Canadian dollar, it is anticipated the Province will meet its objective of 20 per cent foreign currency exposure by March 31, 2005.

The Province's exposure to short-term interest rates in the debt portfolio decreased to 15 per cent at March 31, 2001 from 16 per cent a year earlier. This level is at the low end of the Province's floating rate exposure policy of having floating rate exposure in the range of 15 to 35 per cent of debt outstanding. Securing 85 per cent of the total debt portfolio in fixed rate form provides stability in debt servicing costs in an historically low interest rate period.

The average term to maturity of the debt portfolio as at March 31, 2001 decreased moderately to 10.2 years from approximately 10.6 years at March 31, 2000.

Debt Servicing Costs

Net Debt Servicing Costs in fiscal 2000-2001 were \$872.8 million, a decrease of \$26.3 million from the original budget estimate. In late November 2000, the Province assumed the approximately \$800.0 million debt of Nova Scotia Resources Limited and incurred debt servicing costs for the remainder of the fiscal year. While actual debt servicing costs were generally in line with the estimates, it does represent an increase of 2.6 per cent over the previous year, accounted for partially by the marginally higher debt, as well as fluctuations in exchange and interest rates.

Net Debt Servicing Costs - Consolidated Fund

(\$ millions)

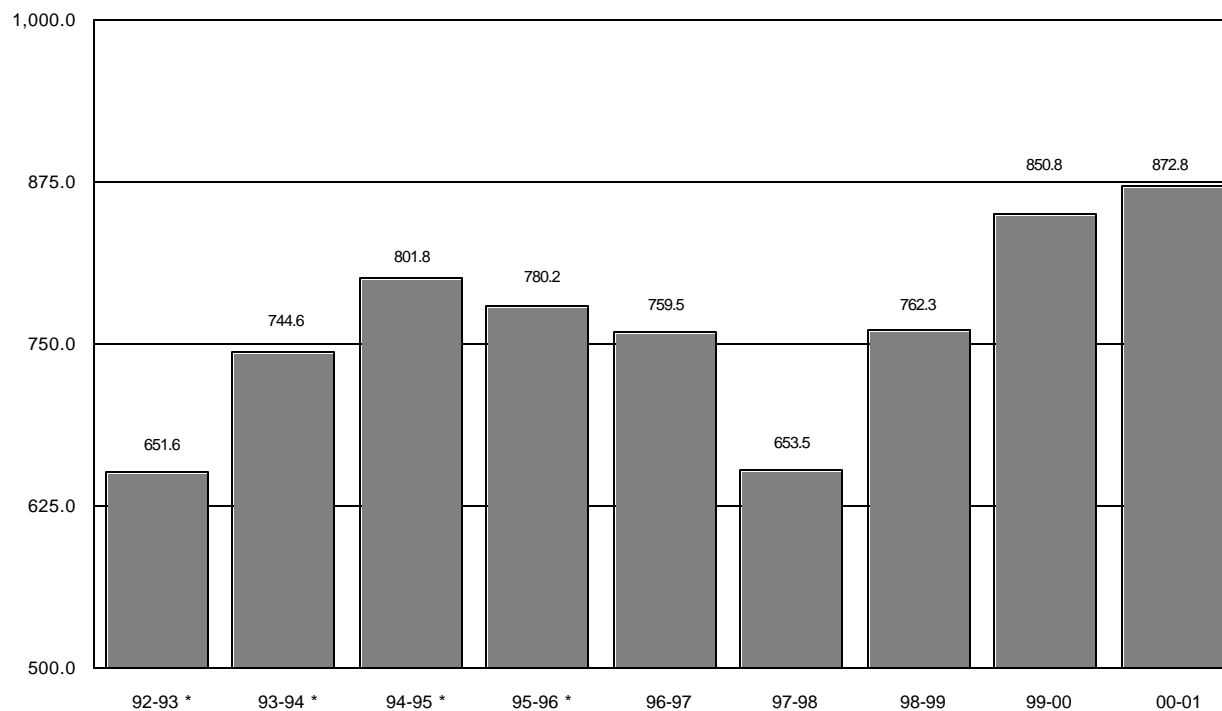
	ACTUAL 1999-2000	ESTIMATE 2000-2001	ACTUAL 2000-2001	VARIANCE Increase (Decrease)
Gross Debt Servicing Costs	975.8	1,049.5	1,020.6	(28.9)
Less: Sinking Fund Earnings	125.0	150.4	147.8	(2.6)
Net Debt Servicing Costs	850.8	899.1	872.8	(26.3)

Note: The Province budgets its debt servicing costs on a gross basis less earnings on the Public Debt Retirement Fund.

Net Debt Servicing Costs - Consolidated Fund

1992-1993 to 2000-2001

(\$ 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 and (losses), premiums and discounts.

Debenture Debt

The Province's Net Debenture Debt (outstanding debentures less sinking funds and the Public Debt Retirement Fund) was \$10.1 billion in Canadian dollar equivalent at the rate of exchange in effect on March 31, 2001. Of this amount, \$566.0 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, 2001. 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 one to three per cent 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.

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 fiscal 2000-2001, the Province borrowed (face value) \$1,308.3 million in long-term debentures, all of which was applied to the authority from fiscal 1998-1999 and fiscal 1999-2000. At March 31, 2001, \$264.7 million remains in authority from fiscal 1999-2000, as well as the full amount of the authority from the Appropriations Act, 2000.

Debenture Debt

(\$ millions)

	Outstanding Debentures (CDN\$ Equivalents)
Debentures Payable in Canadian Dollars	
Canada Pension Plan Investment Fund	1,173.1
Other Issues	7,682.8
United States Dollars	3,319.4
Other Foreign Currencies	628.0
Debt Retirement Funds	---
	<hr/> 12,803.3 <hr/>

Statement of Borrowing Powers
as at March 31, 2001

(\$ thousands)

	<i>Amount of Issue</i>	<i>1999-2000</i>	<i>2000-2001</i>
Balance of Authority from Previous Fiscal Years		72,939	1,572,939
Authority Approved for the Fiscal Year		1,500,000	1,500,000
Balance of Authority at April 1st		1,572,939	3,072,939
Authority Used in the Current Fiscal Year:			
Debenture Series A8	300,000	---	300,000
Debenture Series A3 (reopen)	50,000	---	50,000
Promissory Note P46	110,000	---	110,000
Debenture Series A8 (reopen)	300,000	---	300,000
Promissory Note P47	60,000	---	60,000
Debenture Series A9	350,000	---	350,000
Promissory Note P48	60,000	---	60,000
Debenture Series CP38	78,277	---	78,277
		---	1,308,277
Balance of Authority at March 31st		<u>1,572,939</u>	<u>1,764,662</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

	1996	1997	1998	1999	2000 (E)	2001 (F)
Gross Domestic Product at Market Prices <i>(\$ millions)</i>	19,436	20,195	21,110	22,407	23,926	24,963
Annual % Change	0.9	3.9	4.5	6.1	6.8	4.3
Gross Domestic Product at Market Prices <i>(Constant 1992 \$ millions)</i>	18,641	19,242	19,828	20,865	21,497	21,989
Annual % Change	0.3	3.2	3.0	5.2	3.0	2.3
Personal Income <i>(\$ millions)</i>	18,573	19,139	19,981	20,837	21,822	22,518
Annual % Change	0.5	3.0	4.4	4.3	4.7	3.2
Consumer Price Index - Nova Scotia <i>(Annual % Change)</i>	1.7	2.1	0.6	1.7	3.5	2.7
Population <i>(thousands of persons)</i>	931	935	936	939	941	944

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

Notes: The data for 1996 to 2000 is Statistics Canada's historical data except for Gross Domestic Product and Personal Income, which are Department of Finance estimates (E).
The data for 2001 is Department of Finance forecasts (F).

Economic Performance

Output

The Nova Scotia economy achieved solid performance in 2000 after a record year of growth in 1999. The Nova Scotia Department of Finance estimates real Gross Domestic Product (GDP) growth rate in 2000 at 3.0 per cent following a 5.2 per cent growth for 1999. The Department of Finance survey of economic forecasts for Nova Scotia indicates that the estimated rate of growth of real GDP in 2000 ranges from 2.8 per cent to 3.4 per cent with an average of 3.0 per cent.

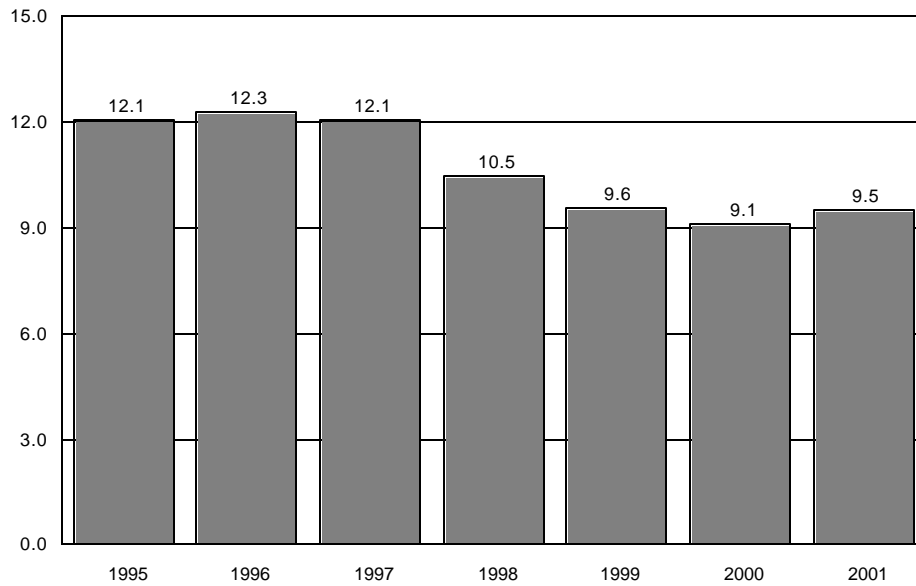
Exports were the main contributor to the province's GDP growth in 2000. By the end of the year, the Sable Offshore Energy Project (SOEP) was approaching capacity production and, combined with higher natural gas prices throughout the year helps to explain the huge increase in exports. Exports of goods and services grew by nearly 20 per cent in 2000. Nova Scotia's merchandise exports to international markets were up approximately 30 per cent, led by natural gas. By the fourth quarter of the year, natural gas had accounted for 26 per cent of merchandise exports. The strong growth in export sales can also be seen in the export performance for other goods such as tires, fine paper, wood pulp, crab, scallops and gypsum. Service exports to domestic and external markets also had a solid year of growth.

Labour Markets

In 2000, employment increased by 2.7 per cent to 419,500. This net gain was mostly in full-time jobs. The labour force grew 2.1 per cent, a rate of growth slightly lower than the growth in jobs. Consequently, the unemployment rate declined in 2000 to 9.1 per cent from 9.6 per cent in the previous year.

Unemployment Rate

(percent)

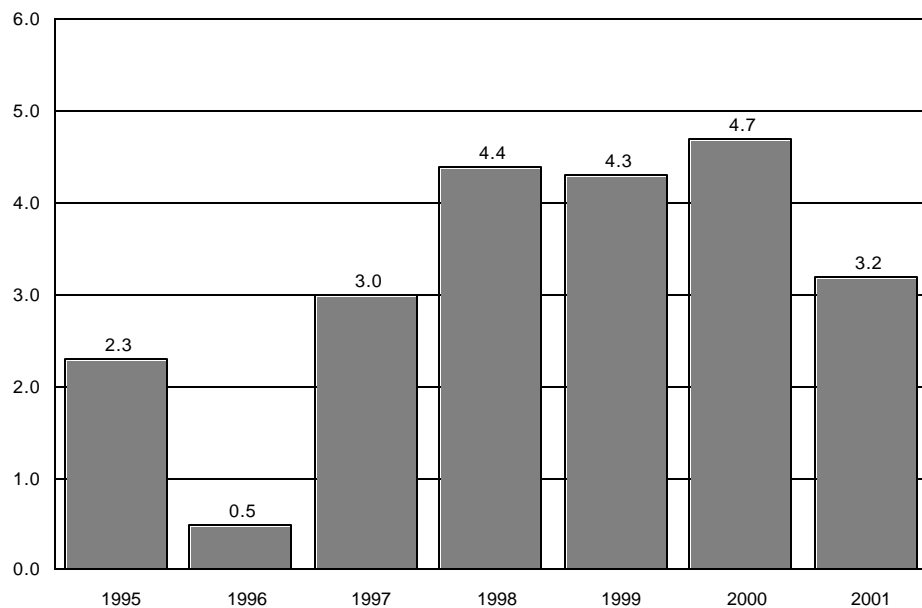


Income and Consumer Spending

Personal expenditures on goods and services increased 4.7 per cent, the same rate as in 1999. Retail sales registered an increase of 4.3 per cent in 2000. The tempo of consumer spending was sustained by the strong growth in personal income. Labour income, the largest share of personal income, increased 6.0 per cent by virtue of strong employment growth, wage settlement increases, and the federal government pay equity settlements, estimated at \$90.0 million for Nova Scotia. Personal income grew 4.7 per cent.

Personal Income Growth

(percent)



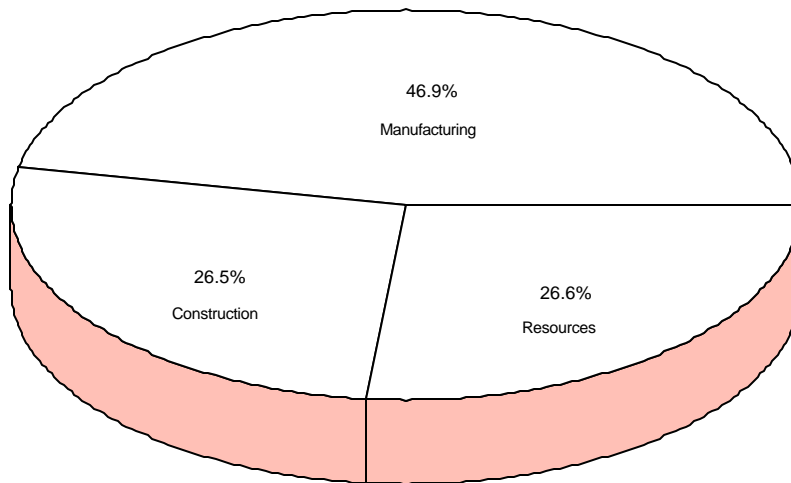
Industry Performance

Goods Industries Employment

In 2000, goods producing industries accounted for 22.1 per cent of the total employment in the Nova Scotia economy. Employment in the goods producing industries was up 2.3 per cent in 2000. Among the goods producing sectors, the largest increase in employment was posted in the construction sector at 13.1 per cent. This was mainly due to construction activities related to residential construction. Housing starts were up by 4.3 per cent in 2000. Employment in manufacturing declined by 3.4 per cent. Most of this decline occurred in the food processing industries and in pulp and paper mills. Sawmills and the transportation equipment manufacturing sectors had strong employment gains in 2000. There was no change in employment levels for the agriculture and forestry industries.

Employment by Goods Industries 2000

(as a % of Total Goods Industries Employment)



Services Industries Employment

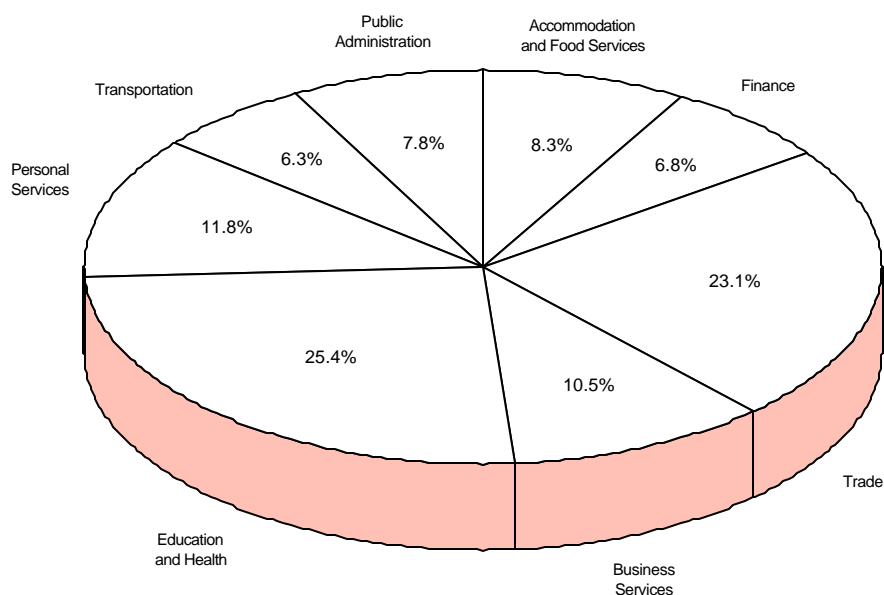
Nova Scotia is predominantly a service-sector economy. Services industries account for 77.8 per cent of Nova Scotia's employment and registered a 2.8 per cent gain in employment in 2000.

The education, health care and social assistance services sector, which is the largest component of the services sector with 25.4 per cent of the employment, reported an increase of 5.9 per cent in employment for health care and social assistance along with a 4.9 per cent increase for education services during 2000. The trade (retail and wholesale) was the next largest sector, representing 23.1 per cent of employment in the service industries. This sector had a 6.7 per cent increase in employment in 2000.

Five of the service sectors had employment decreases in 2000. The completion of the Sable Gas project in 1999 helps to explain the 1.8 per cent fall in employment in transportation and warehousing and the decrease of 1.9 per cent in the professional, scientific and technical services sector. Down-sizing in the financial institutes reflects the 3.6 per cent loss in employment for the finance, insurance, real estate and leasing services sector. A slower pace in the tourism sector is consistent with the 5.9 per cent fall in employment levels for the accommodation and foods services sector. The decline in employment levels for the provincial and municipal governments exceeded the employment gains in the federal government sector, resulting in a slight drop (0.8 per cent) in public sector employment.

Employment by Service Industries 2000

(as a % of Total Services Industries Employment)



The strongest employment rate growth (22.6 per cent) in the service sector occurred in management, administrative and other support services. This growth is directly related to the development of more call centres within the province, servicing the business needs of clients throughout North America. Information, culture and recreation services also had employment gains (8.8 per cent) in 2000, due to employment growth in the recreational, broadcasting and telecommunications industries.

This document and other financial information may be obtained on the Department of Finance website at:

www.gov.ns.ca/finance