



Public Accounts

**VOLUME 1—FINANCIAL STATEMENTS
for the fiscal year ended March 31, 2004**

**The Honourable Peter G. Christie,
Minister of Finance**

Printed by Order of the Legislature
Halifax, Nova Scotia, 2004

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, 2004.

Peter G. Christie
Minister of Finance

Office of the Minister
Halifax, Nova Scotia

The Honourable Peter G. Christie
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, 2004.

Respectfully submitted,

Vicki Harnish
Deputy Minister of Finance

Office of the Deputy Minister
Halifax, Nova Scotia

Province of Nova Scotia

**Table of Contents
Public Accounts – Volume 1
for the fiscal year ended March 31, 2004**

Consolidated Financial Statements	
Statement of Responsibility	9
Auditor’s Report	11
Statement 1 – Consolidated Statement of Financial Position	13
Statement 2 – Consolidated Statement of Operations and Accumulated Deficits	14
Statement 3 – Consolidated Statement of Change in Net Direct Debt	15
Statement 4 – Consolidated Statement of Cash Flow	16
Schedule 1 – Revenue	17
Schedule 2 – Net Expenses	18
Schedule 3 – Loans and Investments	22
Schedule 4 – Government Business Enterprises	23
Schedule 5 – Unmatured Debt	26
Schedule 6 – Gross Long-term Debt	28
Schedule 7 – Tangible Capital Assets	30
Schedule 8 – Direct Guarantees	31
Schedule 9 – Government Reporting Entity	32
Notes to the Consolidated Financial Statements	34
Financial Highlights	
Message from the Minister	A3
Selected Financial Highlights	A5
Revenues – Consolidated Fund	A9
Program Spending – Consolidated Fund	A13
Tangible Capital Assets – Consolidated Fund	A19
Analysis of Appropriations Relative to the Appropriations Act, 2002	A23
Debt Review	A25
Economic Information	A29

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 and International Federation of Accountants accounting standards or pronouncements.

The consolidated financial statements include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations and Accumulated Deficits, a Consolidated Statement of Change in Net Direct Debt, and a Consolidated Statement of Cash Flow. They present fairly, in all material respects, the financial position and the results of operations for the year ended.

The government is responsible for maintaining 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 statement of financial position of the Province of Nova Scotia as at March 31, 2004 and the consolidated statements of operations and accumulated deficits, change in 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 financial statements present fairly, in all material respects, the financial position of the Province of Nova Scotia as at March 31, 2004 and the results of its operations, changes in net direct debt and cash flows 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
July 9, 2004



Consolidated Statement of Financial Position
as at March 31, 2004
(\$ thousands)

	2004	2003 (as restated)
Financial Assets		
Cash and Short-term Investments (Note 4)	\$ 538,972	\$ 266,113
Accounts Receivable and Advances	464,883	457,497
Inventories for Resale	665	1,327
Loans Receivable (Schedule 3)	920,186	901,763
Investments (Schedule 3)	44,926	34,002
Investment in Discontinued Government Business Enterprises (Schedule 4)	<u>---</u>	<u>1,543</u>
	<u>1,969,632</u>	<u>1,662,245</u>
Liabilities		
Bank Advances and Short-term Borrowings	585,312	395,701
Accounts Payable and Accrued Liabilities	1,083,914	1,023,858
Deferred Revenue	108,409	68,213
Accrued Interest	240,981	252,211
Unmatured Debt of Governmental Units (Schedule 5)	11,088,046	11,198,280
Unamortized Foreign Exchange Translation Losses and Discounts	(136,728)	(403,908)
Pension, Retirement and Other Obligations (Note 6)	1,318,331	1,332,387
Deficiency in Government Business Enterprises (Schedule 4)	<u>13,377</u>	<u>21,474</u>
	<u>14,301,642</u>	<u>13,888,216</u>
Net Direct Debt	<u>(12,332,010)</u>	<u>(12,225,971)</u>
Non-Financial Assets		
Tangible Capital Assets (Schedule 7)	3,064,028	2,920,036
Inventories of Supplies	17,746	15,699
Prepaid Expenses	<u>11,346</u>	<u>8,759</u>
	<u>3,093,120</u>	<u>2,944,494</u>
Accumulated Deficits	\$ <u>(9,238,890)</u>	\$ <u>(9,281,477)</u>
Trust Funds under Administration (Note 7)	\$ <u>7,720,038</u>	\$ <u>6,790,328</u>

Accounting Changes (Note 2)
Contingencies and Contractual Obligations (Note 12)
Subsequent Events (Note 13)
Comparative Figures (Note 14)

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

Consolidated Statement of Operations and Accumulated Deficits
for the fiscal year ended March 31, 2004
(\$ thousands)

	2004		2003
	Actual		Actual
			(as restated)
Revenue (Schedule 1)			
Provincial Sources	\$ 3,367,102	\$	3,152,548
Federal Sources	1,885,833		1,785,190
Prior Years' Adjustments – Federal/Provincial Fiscal Arrangements	142,881		(21,909)
Federal Tax Collection Agreement Error (Note 8)	---		35,000
Other Revenue	476,982		523,713
Sinking Fund and Public Debt Retirement Fund Earnings	<u>183,623</u>		<u>198,454</u>
Total Revenue	<u>6,056,421</u>		<u>5,672,996</u>
Net Expenses (Schedule 2)			
Agriculture and Fisheries	42,573		41,440
Community Services	677,648		684,795
Education	1,223,544		1,184,357
Assistance to Universities	212,804		206,762
Energy	6,433		7,798
Environment and Labour	64,222		62,162
Finance	12,452		13,685
Health	2,357,196		2,168,212
Justice	92,014		89,333
Natural Resources	61,483		58,781
Public Service	186,861		146,015
Service Nova Scotia and Municipal Relations	90,698		98,048
Tourism and Culture	40,681		41,954
Transportation and Public Works	229,708		253,442
Restructuring Costs	5,240		(1,359)
Pension Valuation Adjustment	(14,536)		(151,886)
Loss (Gain) on Disposal of Crown Assets	(3,686)		1,388
Debt Servicing Costs (Note 10)	<u>1,070,575</u>		<u>1,079,989</u>
Total Net Expenses	<u>6,355,910</u>		<u>5,984,916</u>
Deficit from Governmental Units, on an Expense Basis	(299,489)		(311,920)
Net Income from Government Business Enterprises (Schedule 4)	<u>333,342</u>		<u>338,399</u>
Surplus before Unusual Items, on an Expense Basis	<u>33,853</u>		<u>26,479</u>
Unusual Items (Note 3)	<u>8,734</u>		<u>1,358</u>
Provincial Surplus, on an Expense Basis	<u>42,587</u>		<u>27,837</u>
Accumulated Deficits, Beginning of Year:			
As Previously Reported	(9,261,348)		(9,292,954)
Accounting Changes (Note 2)	<u>(20,129)</u>		<u>(16,360)</u>
As Restated	(9,281,477)		(9,309,314)
Accumulated Deficits, End of year	\$ <u><u>(9,238,890)</u></u>	\$	<u><u>(9,281,477)</u></u>

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

Consolidated Statement of Change in Net Direct Debt
for the fiscal year ended March 31, 2004
(\$ thousands)

	2004		2003
	Actual		Actual
			(as restated)
Net Direct Debt, Beginning of Year:			
As Previously Reported	\$ (12,205,842)	\$	(12,127,966)
Accounting Changes (Note 2)	<u>(20,129)</u>		<u>(16,360)</u>
As Restated	<u>(12,225,971)</u>		<u>(12,144,326)</u>
 Changes in the Year			
Provincial Surplus, on an Expense Basis	42,587		27,837
Acquisition of Tangible Capital Assets	(330,531)		(307,665)
Amortization of Tangible Capital Assets	185,193		191,189
Disposals and other Adjustments to Tangible Capital Assets	1,346		7,099
Increase in Inventories of Supplies	(2,047)		(259)
Decrease (Increase) in Prepaid Expenses	<u>(2,587)</u>		<u>154</u>
Total Changes in the Year	<u>(106,039)</u>		<u>(81,645)</u>
 Net Direct Debt – End of Year	 \$ <u>(12,332,010)</u>	 \$	 <u>(12,225,971)</u>

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

Consolidated Statement of Cash Flow
for the fiscal year ended March 31, 2004
(\$ thousands)

	2004	2003
		(as restated)
Cash Inflow (Outflow) from the following activities:		
Operating:		
Provincial Surplus, on an Expense Basis	\$ 42,587	\$ 27,837
Sinking Fund and Public Debt Retirement Fund Earnings	(183,623)	(198,454)
Foreign Exchange Amortization	(7,260)	(3,406)
Amortization of Tangible Capital Assets	185,193	191,189
Net Income from Government Business Enterprises	(333,342)	(338,399)
Profit Distributions from Government Business Enterprises	326,788	330,166
Net Change in Other Items (Note 11)	<u>253,220</u>	<u>(20,589)</u>
	<u>283,563</u>	<u>(11,656)</u>
Investing:		
Repayment of Loans	122,683	167,018
Advances and Investing	<u>(152,030)</u>	<u>(183,450)</u>
	<u>(29,347)</u>	<u>(16,432)</u>
Capital:		
Acquisition of Tangible Capital Assets	(330,531)	(307,665)
Disposal of Tangible Capital Assets - NBV	<u>1,346</u>	<u>7,099</u>
	<u>(329,185)</u>	<u>(300,566)</u>
Financing:		
Debentures Issued	931,419	934,714
Foreign Currency Swaps and Adjustments	32,337	362
Sinking Fund Installments	(58,814)	(235,089)
Proceeds from Sinking Funds for Debt Repayment	718,597	976,840
Repayment of Debentures and Other Long-term Obligations	<u>(1,275,711)</u>	<u>(2,360,381)</u>
	<u>347,828</u>	<u>(683,554)</u>
Cash (Outflows) Inflows	272,859	(1,012,208)
Cash Position, Beginning of Year	<u>266,113</u>	<u>1,278,321</u>
Cash Position, End of Year	\$ <u>538,972</u>	\$ <u>266,113</u>
Cash Position Represented by:		
Cash and Short-Term Investments	\$ <u>538,972</u>	\$ <u>266,113</u>

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

Schedules to the Consolidated Financial Statements

Revenue

for the fiscal year ended March 31, 2004

(\$ thousands)

	2004	2003
Provincial Sources		
Income Taxes	\$ 1,582,781	\$ 1,558,625
Sales Taxes	1,421,503	1,324,866
Other Provincial Revenue	<u>362,818</u>	<u>269,057</u>
	<u>3,367,102</u>	<u>3,152,548</u>
Federal Sources		
Equalization Payments	1,114,487	1,125,088
Canada Health and Social Transfer	686,853	605,117
Other Federal Payments	<u>84,493</u>	<u>54,985</u>
	<u>1,885,833</u>	<u>1,785,190</u>
Prior Years' Adjustments – Federal/Provincial Fiscal Arrangements		
Provincial Sources	142,881	(23,833)
Federal Sources	---	1,924
	<u>142,881</u>	<u>(21,909)</u>
Federal Tax Collection Agreement Error (Note 8)	---	35,000
Other Revenue	476,982	523,713
Sinking Fund and Public Debt Retirement Fund Earnings	<u>183,623</u>	<u>198,454</u>
Total Revenue	\$ <u>6,056,421</u>	\$ <u>5,672,996</u>

Schedules to the Consolidated Financial Statements

Net Expenses

for the fiscal year ended March 31, 2004

(\$ thousands)

	2004	2003 (as restated)
Agriculture and Fisheries		
Department of Agriculture and Fisheries	\$ 42,573	\$ 41,440
Nova Scotia Blueberry Institute Fund	<u>---</u>	<u>---</u>
	<u>42,573</u>	<u>41,440</u>
Community Services		
Department of Community Services	606,207	619,256
Mainstream 1992 Fund	---	---
Nova Scotia Housing Development Corporation	<u>71,441</u>	<u>65,539</u>
	<u>677,648</u>	<u>684,795</u>
Education		
Department of Education	213,377	211,616
Annapolis Valley Regional School Board	97,073	94,502
Cape Breton Victoria Regional School Board	121,260	116,324
Chignecto-Central Regional School Board	145,605	144,963
College de l'Acadie	---	4,980
Conseil Scolaire Acadien Provincial	31,442	29,550
Halifax Regional School Board	319,774	304,615
Nova Scotia Community College	125,436	113,815
Nova Scotia Government Acadian Bursary Program Fund	---	---
P3 Schools Capital and Technology Refresh Fund	104	---
School Board Maintenance Stabilization Fund	---	13
Southwest Regional School Board	103,507	99,541
Strait Regional School Board	<u>65,966</u>	<u>64,438</u>
	<u>1,223,544</u>	<u>1,184,357</u>
Assistance to Universities	<u>212,804</u>	<u>206,762</u>
Energy		
Department of Energy	6,433	7,798
Nova Scotia Market Development Initiative Fund	<u>---</u>	<u>---</u>
	<u>6,433</u>	<u>7,798</u>

Schedules to the Consolidated Financial Statements

Net Expenses (continued)
for the fiscal year ended March 31, 2004
(\$ thousands)

	2004	2003 (as restated)
Environment and Labour		
Department of Environment and Labour	26,524	26,603
Nova Scotia Environmental Trust Fund	---	---
Resource Recovery Fund Board Incorporated	<u>37,698</u>	<u>35,559</u>
	<u>64,222</u>	<u>62,162</u>
Finance		
Department of Finance	10,786	13,413
Nova Scotia Government Fund Limited	1,574	272
Nova Scotia Hurricane Juan Recovery Fund	---	---
Sydney Steel Corporation	---	---
3052155 Nova Scotia Limited	<u>92</u>	<u>---</u>
	<u>12,452</u>	<u>13,685</u>
Health		
Department of Health	899,312	815,401
Annapolis Valley District Health Authority	75,483	69,864
Cape Breton District Health Authority	181,548	173,570
Capital District Health Authority	562,409	517,599
Colchester East Hants Health Authority	44,583	40,149
Cumberland Health Authority	40,013	34,510
Gaming Addiction Treatment Trust Fund	1,202	1,206
Guysborough Antigonish-Strait Health Authority	47,517	45,891
Insured Prescription Drug Plan	133,962	123,669
Izaak Walton Killam Health Centre	139,703	131,727
Nova Scotia Gaming Foundation	632	946
Nova Scotia Health Research Foundation	4,941	5,166
Pictou County Health Authority	49,813	45,027
Provincial Drug Distribution Program	61,298	57,004
South Shore District Health Authority	49,813	47,332
South West Nova District Health Authority	<u>64,967</u>	<u>59,151</u>
	<u>2,357,196</u>	<u>2,168,212</u>
Justice		
Department of Justice	77,759	75,880
CorFor Capital Repairs and Replacement Fund	---	---
Nova Scotia Legal Aid Commission	<u>14,255</u>	<u>13,453</u>
	<u>92,014</u>	<u>89,333</u>

Schedules to the Consolidated Financial Statements

Net Expenses (continued)
for the fiscal year ended March 31, 2004
(\$ thousands)

	2004	2003 (as restated)
Natural Resources		
Department of Natural Resources	58,766	55,290
Acadia Coal Company Limited Fund	21	10
Coal Research Agreement Fund	---	150
Crown Land Mine Remediation Fund	---	---
Crown Land Silviculture Fund	---	---
Nova Scotia E 911 Cost Recovery Fund	2,591	3,247
Habitat Conservation Fund	105	84
Partnership Trust Fund	---	---
Scotia Benefits Fund	---	---
Species-at-Risk Conservation Fund	---	---
Sustainable Forestry Fund	---	---
	<u>61,483</u>	<u>58,781</u>
Public Service		
Public Service	137,247	93,695
Nova Scotia Business Incorporated	26,508	28,230
Nova Scotia Film Development Corporation	3,629	3,155
Nova Scotia Innovation Corporation	5,077	5,676
Trade Centre Limited	12,119	13,158
Waterfront Development Corporation Limited	<u>2,281</u>	<u>2,101</u>
	<u>186,861</u>	<u>146,015</u>
Service Nova Scotia and Municipal Relations		
Department of Service Nova Scotia and Municipal Relations	90,396	97,133
Nova Scotia Coordinate Referencing System Trust Fund	---	---
Nova Scotia Municipal Finance Corporation	<u>302</u>	<u>915</u>
	<u>90,698</u>	<u>98,048</u>
Tourism, Culture and Heritage		
Department of Tourism, Culture and Heritage	37,948	38,326
Art Gallery of Nova Scotia	<u>2,733</u>	<u>3,628</u>
	<u>40,681</u>	<u>41,954</u>
Transportation and Public Works	<u>229,708</u>	<u>253,442</u>
Restructuring Costs	<u>5,240</u>	<u>(1,359)</u>

Schedules to the Consolidated Financial Statements

Net Expenses (continued)

For the fiscal year ended March 31, 2004

(\$ thousands)

	2004	2003 (as restated)
Pension Valuation Adjustment	<u>(14,536)</u>	<u>(151,886)</u>
Loss (Gain) on Disposal of Crown Assets	<u>(3,686)</u>	<u>1,388</u>
Debt Servicing Costs		
Consolidated Fund	1,020,496	1,030,368
Annapolis Valley District Health Authority	280	229
Annapolis Valley Regional School Board	496	438
Cape Breton District Health Authority	901	641
Cape Breton Victoria Regional School Board	270	236
Capital District Health Authority	4,542	3,898
Chignecto-Central Regional School Board	1,066	938
Colchester East Hants Health Authority	185	125
College de l' Acadie	---	18
Conseil Scolaire Acadien Provincial	130	116
Cumberland Health Authority	121	118
Guysborough Antigonish-Strait Health Authority	241	252
Halifax Regional School Board	3,120	2,730
Izaak Walton Killam Health Centre	546	426
Nova Scotia Business Incorporated	75	---
Nova Scotia Government Fund Limited	750	294
Nova Scotia Housing Development Corporation	30,943	30,931
Nova Scotia Municipal Finance Corporation	4,781	6,847
Pictou County Health Authority	210	153
Resource Recovery Fund Board	8	26
South Shore District Health Authority	220	148
South West Nova District Health Authority	322	206
Southwest Regional School Board	365	320
Strait Regional School Board	273	251
Waterfront Development Corporation Limited	<u>234</u>	<u>280</u>
	<u>1,070,575</u>	<u>1,079,989</u>
Total Net Expenses	\$ <u><u>6,355,910</u></u>	\$ <u><u>5,984,916</u></u>

Schedules to the Consolidated Financial Statements

Loans and Investments

as at March 31, 2004

(\$ thousands)

	<i>Loans and Investments</i>	<i>Provisions</i>	<i>Net</i>	
			<i>2004</i>	<i>2003</i>
Loans of the Consolidated Fund:				
Agriculture and Rural Credit Act	\$ 175,451	\$ 7,082	\$ 168,369	\$ 162,848
Fisheries Development Act	71,774	673	71,101	67,310
Housing Development Corporation Act	49,573	19,379	30,194	21,555
Industrial Development Act	48,028	24,809	23,219	27,622
Venture Corporations Act	809	809	---	---
Loans to Municipalities:				
Municipal Loan and Building Fund Act	793	---	793	1,001
Special Reserve Fund – Municipal Loan and Building Fund	2	---	2	4
Halifax-Dartmouth Bridge Commission	23,000	---	23,000	23,000
Miscellaneous	709	---	709	709
	<u>370,139</u>	<u>52,752</u>	<u>317,387</u>	<u>304,049</u>
Loans of Governmental Units:				
Nova Scotia Business Incorporated	162,382	51,732	110,650	117,463
Nova Scotia Innovation Corporation	24	---	24	310
Nova Scotia Municipal Finance Corporation	492,003	---	492,003	479,822
Other Government Units	122	---	122	119
	<u>654,531</u>	<u>51,732</u>	<u>602,799</u>	<u>597,714</u>
Total Loans	\$ <u>1,024,670</u>	\$ <u>104,484</u>	\$ <u>920,186</u>	\$ <u>901,763</u>
Investments of the Consolidated Fund:				
Housing Development Corporation Act	6,725	1,887	4,838	3,000
Industrial Development Act	8,394	3,050	5,344	6,193
	<u>15,119</u>	<u>4,937</u>	<u>10,182</u>	<u>9,193</u>
Investments of Governmental Units:				
Art Gallery of Nova Scotia	2,032	---	2,032	2,358
Insured Prescription Drug Plan	5,392	---	5,392	5,693
Nova Scotia Business Incorporated	14,897	5,097	9,800	7,217
Nova Scotia Innovation Corporation	17,520	---	17,520	9,541
	<u>39,841</u>	<u>5,097</u>	<u>34,744</u>	<u>24,809</u>
Total Investments	\$ <u>54,960</u>	\$ <u>10,034</u>	\$ <u>44,926</u>	\$ <u>34,002</u>
Total Loans and Investments	\$ <u>1,079,630</u>	\$ <u>114,518</u>	\$ <u>965,112</u>	\$ <u>935,765</u>

The Provisions listed above include amounts for possible guarantee payouts related to the Industrial Development Act \$766 (2003 - \$566), the Housing Development Corporation Act \$10,006 (2003 - \$10,324) and Nova Scotia Business Incorporated \$1,990 (2003 - \$2,596).

Also included in Provisions for the Housing Development Corporation Act is \$3,200 (2003 - \$3,200) for interest fluctuations.

Schedules to the Consolidated Financial Statements

Government Business Enterprises

as at March 31, 2004

(\$ thousands)

	2004							2003
	<i>Halifax - Dartmouth Bridge Commission</i>	<i>Highway 104 Western Alignment Corporation</i>	<i>Nova Scotia Gaming Corporation</i>	<i>Nova Scotia Liquor Corporation</i>	<i>Nova Scotia Resources Limited*</i>	<i>Nova Scotia Resources Limited Adjustments</i>	<i>Total</i>	<i>Total</i>
Cash	\$ 14,289	\$ 651	\$ 19,883	\$ 5,585	\$ ---	\$ ---	\$ 40,408	\$ 42,715
Accounts Receivable	208	72	---	1,620	---	---	1,900	15,742
Inventory	---	12	2,135	30,950	---	---	33,097	29,910
Tangible Capital Assets	71,439	109,779	123,142	13,469	---	---	317,829	339,516
Other Assets	<u>31,086</u>	<u>20,914</u>	<u>7,054</u>	<u>2,614</u>	<u>---</u>	<u>---</u>	<u>61,668</u>	<u>51,132</u>
Total Assets	<u>117,022</u>	<u>131,428</u>	<u>152,214</u>	<u>54,238</u>	<u>---</u>	<u>---</u>	<u>454,902</u>	<u>479,015</u>
Accounts Payable	1,469	622	1,451	32,056	---	---	35,598	34,689
Long-term Debt	123,000	82,853	101,670	7,250	---	---	314,773	335,121
Other Liabilities	<u>4,303</u>	<u>49,580</u>	<u>49,093</u>	<u>14,932</u>	<u>---</u>	<u>---</u>	<u>117,908</u>	<u>129,136</u>
Total – Liabilities	128,772	133,055	152,214	54,238	---	---	468,279	498,946
Deficit	<u>(11,750)</u>	<u>(1,627)</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(13,377)</u>	<u>(19,931)</u>
Total Liabilities and Deficit	\$ <u>117,022</u>	\$ <u>131,428</u>	\$ <u>152,214</u>	\$ <u>54,238</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>454,902</u>	\$ <u>479,015</u>
Revenue	\$ 24,655	\$ 15,475	\$ 485,509	\$ 441,681	\$ 6,088	\$ (6,088)	\$ 967,320	\$ 945,732
Expenses	10,669	5,366	319,831	272,953	(1,102)	1,102	608,819	580,522
Debt Servicing	<u>7,552</u>	<u>8,444</u>	<u>7,187</u>	<u>1,976</u>	<u>---</u>	<u>---</u>	<u>25,159</u>	<u>26,811</u>
Total Expenses	<u>18,221</u>	<u>13,810</u>	<u>327,018</u>	<u>274,929</u>	<u>(1,102)</u>	<u>1,102</u>	<u>633,978</u>	<u>607,333</u>
Net Income	\$ <u>6,434</u>	\$ <u>1,665</u>	\$ <u>158,491</u>	\$ <u>166,752</u>	\$ <u>7,190</u>	\$ <u>(7,190)</u>	\$ <u>333,342</u>	\$ <u>338,399</u>

* Note: Nova Scotia Resources Limited was disposed in October 2003.

*Schedules to the Consolidated Financial Statements***Government Business Enterprises (continued)**
*as at March 31, 2004***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, 2004, the Commission owed \$23 million (2003 - \$23 million) to the Province's Consolidated Fund for a revolving line of credit. The Commission records depreciation on bridge assets, buildings and electronic transponders using the straight-line method and uses the declining balance method for all other assets. Included in other assets at December 31, 2003 is a reserve fund in the amount of \$27.1 million, (2002 - \$20.8 million), \$25.4 million (2002 - \$19.4 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 Thompson 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 to the Province. In addition, the Corporation has entered into an operating agreement with Atlantic Highways Management Corporation 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 \$20.0 million (2003 - \$16.2 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 contributed \$55.0 million toward the construction of the highway, one-half of which was recovered from the Federal Government under the Canada-Nova Scotia Strategic Highway Improvement Program. There were no contributions in the current or previous year.

Nova Scotia Gaming Corporation

The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The purpose of the Corporation is to develop, undertake, 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 ticket and video lottery sales. The net balance owing to the Province at March 31, 2004 was \$23.5 million (2003 - \$18.6 million).

The Corporation is required to reimburse the operator of the casinos for approved development costs of the Halifax and Sydney casinos. The net present value of the remaining obligations for the casinos is approximately \$65.5 million (2003 - \$76.4 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, 2004, this amounted to \$5.1 million (2003 - \$6.7 million).

Video Lottery Terminal (VLT) retailers in Nova Scotia have agreed, under the terms of their agreements with 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.

Schedules to the Consolidated Financial Statements

Government Business Enterprises (continued)
as at March 31, 2004

The Corporation has agreed to an annual contribution of \$1 million to the Department of Health to provide funds for programs related to problem gambling. The Corporation will provide up to \$0.8 million (2004 - \$0.8 million) in funds in fiscal 2004-2005 for the harness racing industry in Nova Scotia.

Nova Scotia Liquor Corporation

The Corporation derives its mandate from the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989. The Corporation operates retail sales locations across the province. Its fiscal year end is March 31. The net balance owing to the Province at March 31, 2004 was \$3.9 million (2003 - \$9.9 million).

Nova Scotia Resources Limited

The Company, a Provincial Crown Corporation, was established to invest in and manage the Province's participation in petroleum, mineral and energy related projects.

The Province has completed its plan to dispose of the business. The Province sold its shares in Nova Scotia Resources Limited on October 22, 2003 for \$1.6 million. As a result of this sale, the statement of operations only includes the net earnings for the period January 1, 2003 to October 21, 2003. During the period the Company was owned by the Province, the Company sold certain assets for \$5.8 million, resulting in a gain on disposal of \$4.4 million (see Note 3 for details), and transferred certain assets and obligations, with a net book value of \$8.9 million, to 3052155 Nova Scotia Limited, a Provincial Crown Corporation, at cost.

Schedules to the Consolidated Financial Statements

Unmatured Debt
as at March 31, 2004
(\$ thousands)

	2004			2003
	Gross Debt	Sinking Funds and Defeasance Assets	Net Debt	Net Debt
Governmental Units				
Consolidated Fund	\$ 13,616,560	\$ 2,919,796	\$ 10,696,764	\$ 10,776,863
Nova Scotia Government Fund Limited	21,500	---	21,500	21,500
Nova Scotia Housing Development Corporation	309,465	---	309,465	320,013
Nova Scotia Municipal Finance Corporation	54,987	---	54,987	74,679
Nova Scotia Power Finance Corporation	1,093,150	1,093,150	---	---
Waterfront Development Corporation Limited	4,600	---	4,600	4,900
Other	730	---	730	325
Unmatured Debt of Governmental Units	<u>15,100,992</u>	<u>4,012,946</u>	<u>11,088,046</u>	<u>11,198,280</u>
Government Business Enterprises				
Halifax-Dartmouth Bridge Commission	123,000	25,365	97,635	103,646
Highway 104 Western Alignment Corporation	82,853	---	82,853	82,096
Nova Scotia Gaming Corporation	101,670	---	101,670	122,289
Nova Scotia Liquor Corporation	7,250	---	7,250	7,736
Unmatured Debt of Government Business Enterprises	<u>314,773</u>	<u>25,365</u>	<u>289,408</u>	<u>315,767</u>
Total Unmatured Debt	\$ <u>15,415,765</u>	\$ <u>4,038,311</u>	\$ <u>11,377,454</u>	\$ <u>11,514,047</u>

Notes:

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

The current and long-term portions of unmaturing debt of Governmental Units 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 and in further detail in Schedule 4.

All foreign debt is hedged to Canadian dollars with the exception of \$1,798.4 million US\$ denominated debt. A one cent change in the CDN/US\$ foreign exchange rate as of March 31, 2004 would result in a change in long-term debt, and a foreign exchange gain or loss, of \$18 million. This hypothetical foreign exchange gain or loss would be amortized starting in 2004-2005. The change in debt service costs for the 2004-2005 fiscal year would be approximately \$782,000 due to this foreign exchange gain or loss amortization.

As of March 31, 2004, the Consolidated Fund held Sinking Funds and Public Debt Retirement Funds of \$2,919.8 million. These funds were comprised of \$2,373.9 million in Canadian assets and \$545.9 million in US assets (US \$413.6 million converted to CDN\$ based on the underlying securities' effective foreign exchange rates). Total market value of both funds is \$3,201.1 million at year end. During the year, contributions were \$58.8 million, total earnings were \$183.6 million and redemptions were \$718.6 million.

Schedules to the Consolidated Financial Statements

Unmatured Debt (continued)

as at March 31, 2004

(\$ thousands)

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 on a straight-line basis 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, 2004, the unamortized net premium was \$70.9 million.

Assets consist primarily of debentures of the Provinces and Government of Canada with fixed interest rates ranging from 3.5% to 11.25% for Canadian funds and 4.25% to 9.25% for US funds. For designated sinking funds, payments normally commence on the first anniversary date of the issue of the debenture and are designed to retire the debt over a 20-year period, unless the term of the issue is longer. At year end, the Province held \$1,157.1 million worth of its own debentures (gross value of \$1,105.2 million) in Sinking Funds and Public Debt Retirement Funds as active investments. These were comprised of \$571.7 million in Canadian assets and \$585.4 million in US assets.

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

Payments are projected as follows (\$ thousands):

	<i>Governmental Units</i>						<i>Government</i>	<i>Total</i>	
							<i>Business</i>		
							<i>Enterprises</i>		
	<i>Net Principal Repayments by Major Currency (CDN Equivalent)</i>			<i>Sinking Fund Requirements by Major Currency (CDN Equivalent)</i>			<i>Total</i>		
	<i>CDN</i>	<i>US</i>	<i>Total</i>	<i>CDN</i>	<i>US</i>	<i>Total</i>	<i>Commitment</i>		
2005	\$ 1,310,019	\$ ---	\$ 1,310,019	\$ 26,219	\$ 43,215	\$ 69,434	\$ 1,379,453	\$ 58,758	\$ 1,438,211
2006	1,313,949	---	1,313,949	26,219	43,215	69,434	1,383,383	25,986	1,409,369
2007	1,137,861	---	1,137,861	26,219	43,215	69,434	1,207,295	26,698	1,233,993
2008	626,475	---	626,475	26,219	43,215	69,434	695,909	15,049	710,958
2009	310,213	---	310,213	26,219	43,215	69,434	379,647	87,018	466,665
2010 & thereafter	<u>6,163,520</u>	<u>1,255,801</u>	<u>7,419,321</u>	<u>215,637</u>	<u>347,301</u>	<u>562,938</u>	<u>7,982,259</u>	<u>75,899</u>	<u>8,058,158</u>
	<u>\$ 10,862,037</u>	<u>\$ 1,255,801</u>	<u>\$ 12,117,838</u>	<u>\$ 346,732</u>	<u>\$ 563,376</u>	<u>\$ 910,108</u>	<u>\$ 13,027,946</u>	<u>\$ 289,408</u>	<u>\$ 13,317,354</u>

Net principal repayments are comprised of the principal amount due less available designated sinking funds to retire the debenture.

In addition, the Province has approximately \$1,939.9 million in unrestricted sinking funds that can be used towards the retirement of any unmatured debt. The use of these funds is evaluated each year based on a detailed analysis of cash requirements.

Schedules to the Consolidated Financial Statements

Gross Long-term Debt

as at March 31, 2004

(\$ thousands)

	<i>Foreign Exchange Rate</i>	<i>CDN \$ Amount</i>	<i>Maturity Dates</i>	<i>Interest Rates</i>
Governmental Units:				
<u><i>Debentures</i></u>				
Consolidated Fund				
Consolidated Fund (CDN\$)		\$ 10,806,994	2004 to 2033	5.25% to 13.37%
Consolidated Fund (US \$1,798,400)	1.3105	2,356,803	2004 to 2022	7.25% to 9.5%
Consolidated Fund (Yen)	0.0126	---	2004 to 2014	4.9% to 5.5%
Consolidated Fund (UK)	2.4116	---	2011 to 2019	11.75% to 16.75%
Consolidated Fund (Euro)	1.6109	---	2007 to 2010	4.475%
Nova Scotia Municipal Finance Corporation		54,987		
Nova Scotia Power Finance Corporation				
Nova Scotia Power Finance Corporation (CDN\$)		700,000	2012 to 2031	10.25% to 11.25%
Nova Scotia Power Finance Corporation (US\$ 300,000)	1.3105	<u>393,150</u>	2021	9.4%
Total - Debentures		<u>14,311,934</u>		
<u><i>Loans</i></u>				
Consolidated Fund – Other Debt		1,866	2005 to 2011	7% to 8.375%
Nova Scotia Government Fund Limited		21,500	indefinitely	1%
Nova Scotia Housing Development Corporation		309,465	2004 to 2034	4.0% to 21.5%
Waterfront Development Corporation		4,600	Demand Loan	bank prime less 0.95%
Other		<u>154</u>		
Total - Loans		<u>337,585</u>		
<u><i>Capital Leases</i></u>				
Consolidated Fund		450,897	2004 to 2027	4.5% to 11%
Other		<u>576</u>		
Total – Capital Leases		<u>451,473</u>		
Total – Long-term Debt of Governmental Units		\$ <u>15,100,992</u>		
Government Business Enterprises:				
<u><i>Debentures</i></u>				
Halifax-Dartmouth Bridge Commission		\$ 100,000	2007	5.95%
Highway 104 Western Alignment Corporation		82,853	2011 to 2026	10.13% to 10.76%
<u><i>Loans</i></u>				
Halifax-Dartmouth Bridge Commission		23,000	2007	floating (line of credit)
Nova Scotia Gaming Corporation		36,160	2007	floating (line of credit)

Schedules to the Consolidated Financial Statements

Gross Long-term Debt (continued)

as at March 31, 2004

(\$ thousands)

	<i>CDN \$ Amount</i>	<i>Maturity Dates</i>	<i>Interest Rates</i>
	<i>Capital Leases</i>		
Nova Scotia Gaming Corporation	65,510	2005 to 2008	12%
Nova Scotia Liquor Corporation	<u>7,250</u>	2012	13.8%
Total – Long-term Debt of Government Business Enterprises	\$ <u>314,773</u>		
Total Gross Long-term Debt	\$ <u><u>15,415,765</u></u>		

Call, Redemption and Other Features:**Consolidated Fund**

Canadian debentures include the following redeemable issues:

- \$1,079.4 million in CPP debentures which are redeemable in whole or in part before maturity, on six months notice, at the option of the Minister of Finance of Canada;
- \$150 million, redeemable in whole or in part, on 30 days notice on July 3, 2005, or on any interest payment date thereafter, at the option of the Province;
- \$150 million, redeemable in whole or in part, on 30 days notice on December 12, 2005, or on any interest payment date thereafter, at the option of the Province;
- \$205 million in medium-term promissory notes, redeemable in whole but not in part, on the initial redemption date and on each redemption date thereafter, on 15 days notice, at the option of the Province.

Japanese Yen debentures include 15,000 million yen, redeemable in whole but not in part, on not less than 30 days notice nor more than 60 days notice on August 25, 2004 or on August 25, 2009. This debenture has been fully converted to Canadian equivalents via derivative instruments. This option was exercised by the Province subsequent to year end.

The interest rates shown for the Canadian and US debentures reflect the fixed rates only. There are debentures that have floating and step-up rates. Floating interest rates are adjusted on either a monthly or quarterly basis. Step-up rates are adjusted per the individual promissory note step-up schedules.

Housing Development Corporation

Mortgages and notes payable are secured by an assignment of mortgages receivable and investments in social housing.

Highway 104 Western Alignment Corporation

In relation to its senior toll bonds, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the facility, and a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.

In relation to its junior toll bonds, the Corporation has assigned a second charge security interest in all security pledged to the senior toll revenue bondholders.

Halifax-Dartmouth Bridge Commission

The Commission's toll bonds are secured by an assignment of the Commission; subject to the prior payment of operating, maintenance and administrative expenses, and the maintenance of certain reserve funds by the Commission.

Schedules to the Consolidated Financial Statements

Tangible Capital Assets
as at March 31, 2004

(\$ thousands)

	2004									2003
	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	\$ 514,708	\$ 2,008,441	\$ 674,124	\$ 9,282	\$ 43,649	\$ 519,619	\$ 430,832	\$ 374,851	\$ 4,575,506	\$ 4,302,220
Additions	18,959	138,613	66,484	4,134	6,189	2,702	93,450	---	330,531	307,665
Annual Adjustment to Social Housing	---	---	---	---	---	---	---	(10,023)	(10,023)	(9,564)
Disposals	(1)	(34)	(8,553)	---	(169)	(2,036)	---	(1,039)	(11,832)	(24,815)
Closing Costs	533,666	2,147,020	732,055	13,416	49,669	520,285	524,282	363,789	4,884,182	4,575,506
Accumulated Amortization										
Opening Accumulated										
Amortization	---	(837,237)	(464,217)	(8,704)	(29,309)	(97,791)	(218,212)	---	(1,655,470)	(1,491,561)
Disposals	---	34	8,366	---	148	2,022	---	---	10,570	17,716
Amortization Expense	---	(51,792)	(61,963)	(133)	(4,329)	(31,146)	(25,891)	---	(175,254)	(181,625)
Closing Accumulated Amortization	---	(888,995)	(517,814)	(8,837)	(33,490)	(126,915)	(244,103)	---	(1,820,154)	(1,655,470)
Net Book Value	\$ 533,666	\$ 1,258,025	\$ 214,241	\$ 4,579	\$ 16,179	\$ 393,370	\$ 280,179	\$ 363,789	\$ 3,064,028	\$ 2,920,036
Opening Balance	\$ 514,708	\$ 1,171,204	\$ 209,907	\$ 578	\$ 14,340	\$ 421,828	\$ 212,620	\$ 374,851	\$ 2,920,036	\$ 2,810,659
Closing Balance	533,666	1,258,025	214,241	4,579	16,179	393,370	280,179	363,789	3,064,028	2,920,036
Increase (Decrease) in Net Book Value	\$ 18,958	\$ 86,821	\$ 4,334	\$ 4,001	\$ 1,839	\$ (28,458)	\$ 67,559	\$ (11,062)	\$ 143,992	\$ 109,377

Amortization is calculated on a declining balance basis for assets of the Consolidated Fund. The amortization percentages of the more common tangible capital assets are: buildings (5%); machinery, computers and equipment (15-50%); ferries (15%); vehicles (20-35%); and roads, bridges and highways (5-15%). Capital leases are amortized on a straight-line basis over the length of each lease. The review of the Province's TCA Policy resulted in the implementation of revised amortization rates and thresholds for various asset classes effective April 1, 2003 on a prospective basis. The financial impact of the TCA Policy review may be found in Note 2 of these consolidated financial statements.

Amortization is generally calculated on a straight-line basis for assets of entities consolidated with the Consolidated Fund. The estimated useful lives of the more common tangible capital assets are: buildings (including leasehold improvements) and land improvements (2-50 years); machinery, computers and equipment (3-20 years); and vehicles (5 years). Capital leases are amortized on a straight-line basis, generally over a 5 to 20 year term.

Social Housing Assets relate to the Housing Development Corporation. This entity does not track accumulated amortization separately so the closing cost of these assets is the net carrying value of the assets. Social Housing assets are amortized using the sinking fund method.

Included in the closing costs of the various classes as of March 31, 2004, are costs for assets under construction, which have not started to be amortized. These costs (\$ thousands) are buildings - \$69,112; machinery, computers and equipment - \$13,100; vehicles - \$75; capital leases - \$760; and roads, bridges and highways - \$12,868.

Included in Capital Leases are buildings - cost \$470,499, accumulated amortization (\$100,545); machinery, computers and equipment - cost \$37,965, accumulated amortization (\$20,631); and vehicles - cost \$11,821, accumulated amortization (\$5,739).

Schedules to the Consolidated Financial Statements

Direct Guarantees

as at March 31, 2004

(\$ thousands)

	<u>Authorized</u>	<u>Utilized</u>	
	<u>2004</u>	<u>2004</u>	<u>2003</u>
Bank Loans:			
Nova Scotia Business Incorporated	\$ 2,625	\$ 2,605	\$ 4,301
Industrial Development Act	144,161	130,846	102,866
Nova Scotia Fisheries and Aquaculture Loan Board	370	213	2,253
Department of Education – Student Loan Program	<u>119,104</u>	<u>119,104</u>	<u>92,442</u>
Total – Bank Loan Guarantees	<u>266,260</u>	<u>252,768</u>	<u>201,862</u>
Promissory Notes:			
3052155 Nova Scotia Limited to Canada-Nova Scotia			
Offshore Petroleum Board	17,500	17,500	---
Nova Scotia Resources Limited to Canada-Nova Scotia			
Offshore Petroleum Board	---	---	17,500
Total – Promissory Note Guarantees	<u>17,500</u>	<u>17,500</u>	<u>17,500</u>
Mortgages:			
Housing Development Corporation Act	14,838	14,838	26,507
Housing Development Corporation Act -			
CMHC Indemnities	162,036	162,036	171,741
Provincial Finance Act	<u>346</u>	<u>346</u>	<u>448</u>
Total – Mortgage Guarantees	<u>177,220</u>	<u>177,220</u>	<u>198,696</u>
Other Guarantees:			
Nova Scotia Government Fund	15,300	15,300	7,300
Sydney Steel Corporation – Performance bonds			
(Includes US\$ component \$122,228)	520	520	543
Trade Centre Limited	<u>400</u>	<u>400</u>	<u>400</u>
Total – Other Guarantees	<u>16,220</u>	<u>16,220</u>	<u>8,243</u>
Total – Direct Guarantees	\$ <u>477,200</u>	\$ <u>463,708</u>	\$ <u>426,301</u>
Less: Provision for Guarantee Payout:			
Industrial Development Act		(766)	(566)
Nova Scotia Business Incorporated		(1,990)	(2,596)
Department of Education – Student Loan Program		(21,400)	(19,900)
Housing Development Corporation Act		(10,006)	(10,324)
Nova Scotia Resources Limited		---	(11,832)
3052155 Nova Scotia Limited		<u>(9,100)</u>	<u>---</u>
		<u>(43,262)</u>	<u>(45,218)</u>
Net Direct Guarantees not provided for			
in these statements		\$ <u><u>420,446</u></u>	\$ <u><u>381,083</u></u>

Schedules to the Consolidated Financial Statements
Government Reporting Entity*As at March 31, 2004*

Listed below are the governmental units, government business enterprises and government partnership arrangements that comprise the government reporting entity.

Governmental Units*(Consolidation Method)*

Acadia Coal Company Limited Fund	Nova Scotia Community College
AgraPoint International Inc.	Nova Scotia Community College Foundation
AgriTECH Park Inc.	Nova Scotia Coordinate Referencing System Trust Fund
Annapolis Valley District Health Authority	Nova Scotia Crop and Livestock Insurance Commission
Annapolis Valley Regional School Board	Nova Scotia Environmental Trust
Art Gallery of Nova Scotia	Nova Scotia E911 Cost Recovery Fund
Bioscience Enterprise Centre Incorporated	Nova Scotia Farm Loan Board
Cape Breton District Health Authority	Nova Scotia Film Development Corporation
Cape Breton Victoria Regional School Board	Nova Scotia Fisheries and Aquaculture Loan Board
Capital District Health Authority	Nova Scotia Gaming Foundation
Check Inns Limited (inactive)	Nova Scotia Government Acadian Bursary Program Fund
Chignecto-Central Regional School Board	Nova Scotia Government Fund Limited
Coal Research Agreement Fund	Nova Scotia Harness Racing Incorporated
Colchester East Hants Health Authority	Nova Scotia Health Research Foundation
Conseil Scolaire Acadien Provincial	Nova Scotia Housing Development Corporation
Consolidated Fund (1)	Annapolis Valley Housing Authority
CorFor Capital Repairs and Replacements Fund	Cape Breton Island Housing Authority
Crown Land Mine Remediation Fund	Cobequid Housing Authority
Crown Land Silviculture Fund	Eastern Mainland Housing Authority
Cumberland Health Authority	Metropolitan Regional Housing Authority
Gaming Addiction Treatment Trust Fund	South Shore Housing Authority
Guysborough Antigonish-Strait Health Authority	Tri-County Housing Authority
Habitat Conservation Fund	Nova Scotia Hurricane Juan Recovery Fund
Halifax Regional School Board	Nova Scotia Innovation Corporation
Industrial Expansion Fund	1402998 Nova Scotia Limited
Insured Prescription Drug Plan Trust Fund	3839966 Canada Limited (86% ownership)
Izaak Walton Killam Health Centre	Nova Scotia Legal Aid Commission
Law Reform Commission	Nova Scotia Market Development Initiative Fund
Mainstream 1992 Fund	Nova Scotia Municipal Finance Corporation
Muggah Creek Remediation Fund	Nova Scotia Power Finance Corporation
Nova Scotia Arts Council (inactive)	Nova Scotia Primary Forest Products Marketing Board
Nova Scotia Blueberry Institute Fund	Nova Scotia School Boards Association (2)
Nova Scotia Business Incorporated	Nova Scotia Utility and Review Board

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

(2) – Entity is a partnership controlled by the seven school boards.

Schedules to the Consolidated Financial Statements
Governmental Reporting Entity (continued)

As at March 31, 2004

Governmental Units (continued)*(Consolidation Method)*

P3 Schools Capital and Technology Refresh Fund (3)	Southwest Regional School Board
Partnership Trust Fund	Species-at-risk Conservation Fund
Pictou County Health Authority	Strait Regional School Board
Provincial Community Pastures Board (inactive)	Sustainable Forestry Fund
Provincial Drug Distribution Program	Sydney Environmental Resources Limited
Public Archives of Nova Scotia	Sydney Steel Corporation
Resource Recovery Fund Board Incorporated	Sysco Decommissioning Fund
Novapet Inc (60.8% ownership)	Tidal Power Limited (inactive)
Rockingham Terminal Incorporated (inactive)	Trade Centre Limited
Scotia Benefit Fund	Maritime Fall Fair Association
Sherbrooke Restoration Commission	Upper Clements Family Theme Park Limited
South Shore District Health Authority	Waterfront Development Corporation Limited
South West Nova District Health Authority	3052155 Nova Scotia Limited

Government Business Enterprises*(Modified Equity Method)*

Halifax-Dartmouth Bridge Commission	Nova Scotia Resources Limited (disposed October 2003)
Highway 104 Western Alignment Corporation	Canadian Offshore Resources Exploration Limited
Nova Scotia Gaming Corporation	Nova Scotia Resources Exploration Limited
Atlantic Lottery Corporation (25% ownership)	Nova Scotia Resources (U.S.) Limited
Interprovincial Lottery Corporation (10% ownership)	Nova Scotia Resources (Ventures) Limited
Nova Scotia Liquor Corporation	Ventures Exploration Program Limited Partnership
	Venwest Resources Limited
	1752135 Nova Scotia Limited
	1752148 Nova Scotia Limited

Government Partnership Arrangements*(Proportionate Consolidation Method)*

Atlantic Provinces Special Education Authority (approximately 55% share)
Canada-Nova Scotia Offshore Petroleum Board (50% share)
Canadian Blood Services (approximately 4% share)
Canadian Sports Centre Atlantic (approximately 8% share)
Council of Atlantic Premiers (approximately 45% share)

(3) – This includes all refresh funds related to P3 schools.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
March 31, 2004

1. FINANCIAL REPORTING AND ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, that 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 and International Federation of Accountants accounting standards or pronouncements.

These consolidated financial statements have been prepared using the following significant accounting policies:

a) The Government Reporting Entity

The Government Reporting Entity is comprised of the Consolidated Fund, other Governmental Units, Government Business Enterprises and Government Partnership Arrangements. Governmental Units and Government Business Enterprises represent the entities that are controlled by the government. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend legislation or agreements. Government Partnership Arrangements represent entities for which decision making and significant risks and benefits are shared with other parties outside of the Government Reporting Entity.

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

A Governmental Unit is a government organization that is not a Government Business Enterprise. Governmental Units include government departments, public service votes, funds, agencies, service organizations, boards, government not-for-profit organizations and government business-type organizations. The accounts of Governmental Units 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 that 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. The net equity of the Government Business Enterprises is included in the Statement of Financial Position. The net income is shown as a separate item in 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 is accounted for on the proportionate modified equity basis.

A complete listing of the organizations within the Government Reporting Entity is provided in Schedule 9.

Financial results from fiscal year end to March 31, 2004, for Government Business Enterprises whose fiscal year ends are not March 31, were not significant to these consolidated financial statements so they have not been adjusted. Other adjustments have been made, as noted on Schedule 4, regarding Nova Scotia Resources Limited.

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, Harmonized Sales Taxes, Federal Equalization payments and the Canada Health and Social Transfers (CHST) 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.

Net Expenses

Net expenses are recorded on the accrual basis and include the cost of supply inventories purchased during the year by the Consolidated Fund. Net expenses include recoveries and fees that are directly related to the expenses and are not normally considered to be revenues. Recoveries and fees may include insignificant amounts from Governmental Units. Gross expenses, before the impact of recoveries, are reported in Note 9 – Net 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.

Financial Assets

Cash and Short-term Investments are recorded at cost which approximates market value. Investments are R-1 (low, mid, high) rated Federal and Provincial Government Bills or Promissory Notes, Bankers' Acceptance, term deposits and commercial paper are generally for terms of 1 to 90 days. The average interest rate is 2.24% at year end.

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

Inventories for Resale are held for sale in the ordinary course of operations and are recorded at the lower cost and net realizable value.

Loans are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of issuance of the loan. 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.

Investments are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of issuance of the investment. Any write-down of an Investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

Liabilities

Bank Advances and Short-term Borrowings have initial maturities of one year or less and are recorded at cost which approximates market value. Short-term Borrowings had a weighted average interest rate of 2.23% at year-end on Canadian 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 investments are recorded at cost and consist primarily of debentures of the Province of Nova Scotia, other provincial governments and the Government of Canada. 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 installments are netted against sinking fund earnings.

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 installments are netted against sinking fund earnings.

Pension, Retirement and Other Obligations include various employee future benefit plans. Pension liabilities for defined benefit plans are calculated using the projected benefit actuarial method using accounting assumptions that reflect the Province's best estimates of performance over the long-term. The projected benefit actuarial method attributes the estimated cost of retirement benefits to the periods of employee service. The net pension liability represents accrued pension benefits less the market related value of pension assets (if applicable) and the balance of unamortized experience gains and losses. The market related values are determined in a rational and systematic manner so as to recognize asset market value gains and losses over a five-year period. The pension benefit plan for the majority of health sector employees is offered by a multi-employer plan administrator and is not sponsored by the Province. Employer contributions to this plan are expensed in the period paid. The accrued benefit asset (liability) of this plan is not recognized in these financial statements.

Net Direct Debt

Net Direct Debt represents the direct liabilities of the Province less financial assets and unamortized foreign exchange translation gains and losses and premiums and discounts on outstanding debenture issues.

Non-Financial Assets

Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production of supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded 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 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. Tangible capital assets are amortized to expense over the useful lives of the assets. The amortization methods and rates selected by entities other than the Consolidated Fund are not adjusted to the methods and rates used by the Consolidated Fund.

Inventories of Supplies are held for consumption or use by the Province in the course of its operations. All entities, with the exception of the Consolidated Fund which continues to expense Inventories of Supplies in the year purchased, record inventory at the lower of cost and net realizable value.

Prepaid Expenses are cash disbursements for goods or services, other than Tangible Capital Assets and Inventories of Supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Accumulated Deficits

Accumulated Deficits represent the direct liabilities of the Province less financial assets, non-financial assets and unamortized foreign exchange translation gains and losses and premiums and discounts on outstanding debenture issues. This represents the accumulated balance of net deficits arising from the operations of the Province.

d) Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in these financial statements in the accruals for such items as pension, retirement and other obligations, environmental remediation obligations and federal source revenues. The nature of the uncertainty in the accruals for pension, retirement and other obligations arises because actual results may differ significantly from the Province's various assumptions about plan members and economic conditions in the marketplace. Uncertainty exists for environmental remediation obligations because the actual extent of remediation activities required may differ significantly based on the actual extent of site contamination and the chosen remediation process. Uncertainty related to Sales and Income Taxes, Federal Equalization payments and CHST arises because of the possible differences between the estimated and actual economic growth assumptions used in statistical models by the Province to accrue these revenues.

2. ACCOUNTING CHANGES

Accounting changes were made during the year that have increased (decreased) the Provincial Surplus, on an expense basis, Net Direct Debt and Accumulated Deficits as follows (\$ millions):

Accounting Changes (\$ millions)	2003-04			2002-03		
	Provincial Surplus, on an expense basis	Net Direct Debt (April 1, 2003)	Accumulated Deficits (April 1, 2003)	Provincial Surplus, on an expense basis	Net Direct Debt (April 1, 2002)	Accumulated Deficits (April 1, 2002)
a) Teachers' Salary Accrual	\$ (6.1)	\$ 14.7	\$ 14.7	\$ (3.0)	\$ 11.7	\$ 11.7
b) Public Service Award Plan	3.7	(31.3)	(31.3)	3.5	(27.8)	(27.8)
c) Capital District Health Authority Group Insurance Plan	(4.5)	36.7	36.7	(4.3)	32.4	32.4
d) Tangible Capital Assets	23.8	---	---	---	---	---
Total effect of Accounting Changes	\$ 16.9	\$ 20.1	\$ 20.1	\$ (3.8)	\$ 16.3	\$ 16.3

a) Teachers' Salary Accrual

During the year a method to accrue teachers' salaries was introduced. The accrual measures the timing difference between the cost of the teaching days worked versus teaching days paid as of March 31st. The change was adjusted on a retroactive basis.

b) Public Service Award Plan

During the year it was discovered that the data file used to measure the plan liability contained members who were not eligible to receive Public Service Awards. The data has been adjusted to remove non-eligible members. The plan liability has been remeasured and adjusted on a retroactive basis.

c) Capital District Health Authority Group Insurance Plan

The Capital District Health Authority offers health and insurance benefits to certain employees upon retirement. The obligation for this plan was valued and recorded on a retroactive basis to correct amounts previously reported.

d) Tangible Capital Assets

During the year certain amortization rates and capitalization thresholds were changed to better match the recognition of amortization expense over the useful life of each tangible capital asset. The change was adjusted on a prospective basis.

3. UNUSUAL ITEMS

The Unusual Items disclosed on the Statement of Operations represent accounting provisions established or adjusted for the sale of certain assets from discontinued operations and infrequent events or transactions not in the normal course of activities of the Province.

The provisions are comprised of the following:

	<u>2004</u>		<u>2003</u>
			(as restated)
			(\$ millions)
Nova Scotia Resources Limited			
Proceeds on disposal of shares	\$ 1.6	\$	---
Proceeds on sale of assets	5.8		3.3
Net book value of assets	(1.5)		(3.4)
Interest and revenue adjustments	---		0.8
Costs related to sale	---		(0.5)
Other earnings (loss) on operations	2.8		(0.3)
Forfeiture of deposit on share sale agreement	---		1.4
	<u>\$ 8.7</u>	\$	<u>1.3</u>

Nova Scotia Resources Limited (NSRL)

Most of the Company's assets were sold during 2000-01 for proceeds of \$355 million. The Company continued to sell less significant assets during the year. The shares of NSRL were sold in October 2003 for \$1.6 million.

4. RESTRICTED CASH AND SHORT-TERM INVESTMENTS

As at March 31, 2004, restricted cash and short-term investments of \$60.3 million (\$70.8 million as at March 31, 2003) have been designated for restricted purposes by parties external to the Province. Restricted cash includes \$16.5 million for future housing expenditures from the Nova Scotia Housing Development Corporation; \$13.1 million for gas market development from the Nova Scotia Market Development Initiative; and \$30.7 million for various other purposes.

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 borrowing and associated costs into Canadian or US dollars. Interest rate contracts are used to vary the amounts and periods for which interest rates on borrowings are fixed or floating. Interest swap contracts convert certain interest payments from fixed to floating, from floating to fixed, floating to floating or fixed to fixed basis. Foreign exchange contracts include forward and swap agreements. Interest rate contracts include forward rate agreements, swap agreements and options on swaps.

The Province's credit policy is that it only executes derivative transactions with well-rated counter parties. All counter parties are rated equal to or better than the Province.

The Province has executed the following interest and currency swap contracts during the year.

<i># of Swaps</i>	<i>Currency</i>	<i>Notional Principal</i> <i>(\$ thousands)</i>	<i>Term Remaining</i> <i>(years)</i>	<i>Mark to Market</i> * <i>(\$ millions)</i>
122	CDN\$	1,601,643	1 to 20	(40.7)
12	US\$	1,332,597	15 days to 18	(50.8)
3	UK	143,250	19 – 30 days	27.0
2	Euro	90,000	4 to 6	12.6

* Mark to Market is an indication of the swap's market value as at March 31, 2004. This represents the estimated realizable gain and loss, and is equivalent to the present value of future interest savings and losses based on market conditions as at March 31, 2004. The mark to market values of the currency swaps are reflected in the amounts shown under interest rate swaps.

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

<i>Termination Date</i>	<i>Original Currency</i>	<i>Original Principal</i> (\$ thousands)	<i>Current Currency</i>	<i>Current Principal</i> (\$ thousands)
<i>SWAPS:</i>				
April 19, 2004	UK	60,000	US\$	98,736
April 30, 2004	UK	23,250	US\$	38,261
February 27, 2012	US\$	500,000	CDN\$	795,000
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
December 28, 2007	Euro	40,000	CDN\$	56,120
February 24, 2010	Euro	50,000	CDN\$	72,235
<i>FORWARDS:</i>				
August 25, 2004	YEN	10,000,000	CDN\$	133,923
August 25, 2004	YEN	10,000,000	CDN\$	133,958
August 25, 2004	YEN	15,000,000	CDN\$	201,072
August 25, 2004	YEN	15,000,000	CDN\$	199,442

The Province has entered 23 forward agreements to convert future interest payments on foreign debt into Canadian dollars as follows:

<i>Termination Date</i>	<i>Original Currency</i>	<i>Original Principal</i> (\$ thousands)	<i>Current Currency</i>	<i>Current Principal</i> (\$ thousands)
April 1, 2004 to November 15, 2004	US\$	124,892	CDN\$	167,003

6. PENSION, RETIREMENT AND OTHER OBLIGATIONS

a) Description of Obligations

The Province offers a variety of pension, other retirement, post-employment and special termination benefits. The Province is responsible for adequately funding most of the plans. Except as otherwise noted, the cost of benefits are recognized in the periods the employee provides service. For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Province to pay benefits occurs. The significant plans are detailed as follows:

i) Pension Benefit Plans

The Province sponsors two funded pension plans, the Public Service Superannuation Plan (PSSP) and the Nova Scotia Teachers' Pension Plan (TPP). Both plans are defined benefit-plans with plan assets primarily composed of Canadian and foreign equities, government and corporate bonds, debentures and secured mortgages. The plans are jointly funded with contributions from employees being matched by the Province. Benefits paid upon retirement are based on the employee's length of service, rate of pay and inflation adjustments.

The Province has several unfunded defined pension plans. The majority of these plans do not require contributions from employees. Benefits paid upon retirement are based on the employee's length of service, rate of pay and inflation adjustments.

Employees in the health sector are members of a multi-employer defined benefit pension plan. As the Province does not sponsor this plan, the annual net benefit plan expense is the amount of required contributions provided for employees' services rendered during the year. The accrued benefit asset (liability) of this plan is not recognized in these financial statements. The most recent actuarial valuation was performed on December 31, 2000 and showed a funding excess for the entire plan of \$107 million. An extrapolation to December 31, 2003 was performed indicating a funding surplus of \$91 million.

ii) Other Retirement Benefit Plans

The Province sponsors two other retirement benefit plans: retirement allowances and retirement health plan benefits. These plans are not funded. Benefits paid upon retirement for retirement allowances are based on the employee's length of service and rate of pay. Health plan benefits vary depending on the collective agreements negotiated with each group. The Province pays 65% and 100% of the cost of health plan benefits for the PSSP and TPP retirees respectively.

iii) Post-Employment Benefits

The Province offers two significant post-employment benefit plans: Self Insured Workers' Compensation and Long-Term Disability. The amount recorded in these financial statements represents the actual amount of benefits paid during the year plus the actuarial estimate of future payments, based on claims ongoing at year-end, in excess of the fair market value of plan assets.

iv) Special Termination Benefits

The Province has offered early retirement incentive programs to members of the PSSP and TPP at various times commencing in 1986 and 1994 respectively. Qualified members were offered additional years of pensionable service if they elected to retire. The cost of these benefits are accrued in the year the employee accepts the early retirement option.

b) Summary of Activity in Defined Benefit Plans

The accrued benefit liability for pensions, retirement and other obligations is comprised of the following:

	<u>2004</u>		<u>2003</u>
	(\$ thousands)		
Pension Benefit Plans	\$ 160,828	\$	199,512
Other Benefit Plans	<u>1,157,503</u>		<u>1,132,875</u>
	<u>\$ 1,318,331</u>	\$	<u>1,332,387</u>

The activity during the year is as follows:

	<u>Pension Benefit Plans</u>		<u>Other Benefit Plans</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u> (restated)
	(\$ thousands)			
Projected benefit obligation, beginning of year	\$ 7,407,892	\$ 7,041,969	\$ 1,151,416	\$ 1,069,914
Current benefit cost	173,478	168,072	49,137	44,189
Interest cost	588,028	561,293	63,743	64,244
Actuarial (gains) losses	(8,031)	56,646	(33,319)	62,174
Benefit payments	(426,933)	(423,829)	(89,305)	(82,018)
Other	(8,392)	3,741	180	---
Plan amendments	919	---	16,380	(7,087)
Projected benefit obligation, end of year	7,726,961	7,407,892	1,158,232	1,151,416
Market related value of plan assets, beginning of year	6,998,994	6,978,870	22,294	25,417
Expected return on plan assets	562,227	560,023	8,070	(4,967)
Actuarial gains (losses)	(93,980)	(349,895)	---	---
Benefit payments	(426,933)	(423,829)	(89,305)	(82,018)
Other	---	---	(1,571)	(1,500)
Employer contributions	128,098	135,661	86,174	77,815
Employee contributions	104,749	98,164	8,826	7,547
Market related value of plan assets, end of year	7,273,155	6,998,994	34,488	22,294
Funded status, end of year	(453,806)	(408,898)	(1,123,744)	(1,129,122)
Unamortized net actuarial (gains) losses	292,978	209,386	(33,759)	(3,753)
Accrued benefit liability, end of year	(\$ 160,828)	(\$ 199,512)	(\$ 1,157,503)	(\$ 1,132,875)

c) Actuarial Assumptions

The table below shows significant weighted-average assumptions used to measure pension and other benefit plan obligations.

	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
Long-term inflation rates	3.0%	3.0%	3.0%	3.0%
Expected real rate of return on plan assets	5.0%	5.0%	---	---
Rate of compensation increase	3.5% to 6.0% + merit	3.5% to 6.0% + merit	3.5% to 6.0% + merit	3.5% to 6.0% + merit
Discount rate	8.15%	8.15%	6.17%	6.17%

Other assumptions used were:

12% annual rate increase in the cost per person of covered healthcare benefits for 2004, decreasing at 1% per annum to an ultimate rate of 5.0% per annum.

d) Other Disclosure

The PSSP, which is included in Pension Benefits, has plan assets for accounting purposes that exceed the accrued benefit obligations at March 31, 2004. The accrued benefit obligation is \$3.1 billion (2003 - \$3.0 billion) and the market related value of plan assets is \$3.2 billion (2003 - \$3.1 billion). The remaining benefit plans have accrued benefit obligations in excess of plan assets for accounting purposes or are unfunded.

The net unamortized actuarial gains (losses) are amortized on a straight-line basis over the expected average remaining service life (EARS�) of the related employee groups ranging from 6 years to 15 years (weighted-average EARS� is 14 years).

During the year the weighted average actual rate of return on plan assets was 23% (2003 - [10%]). The market value of plan assets is \$6.9 billion (2003 - \$5.8 billion) at March 31, 2004.

The most recent actuarial valuations performed for most of the benefit plans was at December 31, 2002 with the exception of certain other retirement benefit plans that were performed on December 31, 2003 and the post-employment benefit plans that are performed annually at March 31.

e) **Net Benefit Plans (Recovery) Expense**

The table below shows the components of the net benefit plans expense (recovery).

	Pension Benefits		Other Benefits	
	2004	2003 (restated)	2004	2003 (restated)
	(\$ thousands)			
Current benefit cost	\$ 173,478	\$ 168,072	\$ 49,137	\$ 44,188
Employee contributions	(103,557)	(94,423)	(8,826)	(7,547)
Plan amendments	919	---	16,380	(7,087)
Amortization of net actuarial (gains) losses	5,394	(8,150)	(3,312)	8,821
Other	792	---	3,583	1,502
Decrease in valuation allowance	---	(132,169)	---	---
Interest cost	584,990	561,293	63,743	64,244
Expected return on plan assets	(562,227)	(560,023)	(8,070)	4,967
Employer contributions to multi- employer plan	31,600	25,925	---	---
Net benefit plans (recovery) expense	\$ 131,389	\$ (39,475)	\$ 112,635	\$ 109,088

7. TRUST FUNDS UNDER ADMINISTRATION

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

	2004	2003 (as restated)
	(\$ thousands)	
Public Service Superannuation Fund (1)	\$ 3,045,756	\$ 2,555,530
Nova Scotia Teachers' Pension Fund (1), (4)	3,719,808	3,350,712
Workers' Compensation Board (4)	844,696	780,802
Sydney Steel Corporation Superannuation Plan (1), (2)	15,348	16,858
Nova Scotia Public Service Long Term Disability Plan (1), (4)	34,302	27,602
Nova Scotia Credit Union Deposit Insurance Corporation (1), (4)	13,031	12,152
Public Trustee (1)	26,370	24,283
Miscellaneous Trusts (3)	20,727	22,389
	<u>\$ 7,720,038</u>	<u>\$ 6,790,328</u>

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

8. FEDERAL TAX COLLECTION AGREEMENT ERROR

In early 2002, the Canada Revenue Agency (CRA) disclosed it had recently discovered that provincial Personal Income Tax (PIT) payments to provinces that are members of the Tax Collection Agreements had been overpaid for several years. The overpayments were a result of an error in the payments recording processes at CRA in which the capital gains refunds to mutual fund trusts were not deducted from provincial payments. This error overstated the payments to provinces that had mutual fund trust amounts allocated to them. For Nova Scotia, the overpaid amounts were relatively minor. However, for some provinces with large mutual fund trust bases, the overpayments were substantial.

Provincial PIT overpayments could have potentially impacted the provinces' results in prior years through federal transfer payments because PIT is one of 33 tax bases used to determine Equalization payments. However, the federal government has opted to protect equalization receiving provinces from any negative impacts resulting from the recovery of overpayments in an effort to provide comparable benefits to the provinces that received the overpayments. The federal government will change the measurement of fiscal capacity in the Equalization Program to accurately reflect the correction of the error. This change was in place in 2001-02 and the Province had recognized the potential liability through a negative \$35 million adjustment for the impact on Equalization.

Further information surrounding the federal treatment of this error has eliminated the risk associated with this error. Therefore, the \$35 million adjustment set up in 2001-02 was reversed in 2002-03.

9. NET EXPENSES BY OBJECT

	<u>2004</u>	<u>2003</u> (as restated)
	(\$ thousands)	
Grant and Subsidies	\$ 1,980,838	\$ 1,916,469
Salaries and Employee Benefits	2,274,514	2,026,041
Operating Goods and Services	1,468,510	1,262,208
Professional Services	158,155	185,733
Amortization and Social Housing Adjustment	185,193	191,189
Debt Servicing Costs	1,070,575	1,079,989
Other	(3,205)	3,966
Less: Chargeables	(391,692)	(375,495)
Less: Recoveries	<u>(386,978)</u>	<u>(305,184)</u>
Total Net Expenses	<u>\$ 6,355,910</u>	<u>\$ 5,984,916</u>

10. DEBT SERVICING COSTS

	<u>2004</u>	<u>2003</u> (as restated)
	(\$ thousands)	
CDN\$ Denominated Debt	\$ 697,708	\$ 698,597
US\$ Denominated Debt	195,785	225,076
Other Foreign Currency Denominated Debt	---	33,331
Pension, Retirement and Other Obligations	86,463	65,514
Capital Leases	27,647	28,678
Other Debt	40,823	37,262
Premium / Discount Amortization	(8,929)	(3,478)
Foreign Exchange	30,136	(6,242)
Miscellaneous	<u>942</u>	<u>1,251</u>
Total Debt Servicing Costs	<u>\$ 1,070,575</u>	<u>\$ 1,079,989</u>

Debt servicing costs for Government Business Enterprises was \$25.2 million for the year ended March 31, 2004 (\$26.8 million for the year ended March 31, 2003).

11. CASH FLOW – NET CHANGE IN OTHER ITEMS

	<u>2004</u>	<u>2003</u>
		(as restated)
	(\$ thousands)	
Change in Receivables from Government Business Enterprises	\$ 1,209	\$ 8,832
Change in Receivables and Advances	(8,595)	(9,109)
Change in Accounts Payable and Other Short-term Borrowings	249,667	160,652
Change in Inventory for Resale	662	(173)
Change in Inventory of Supplies	(2,047)	(259)
Change in Prepaid Expenses	(2,586)	154
Change in Deferred Revenue	40,196	6,923
Change in Accrued Interest	(11,230)	(23,273)
Change in Pension, Retirement and Other Obligations	(14,056)	(164,336)
Total Net Change in Other Items	<u>\$ 253,220</u>	<u>\$ (20,589)</u>

12. CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

a) Contingent Liabilities

i) Environmental Sites

Various provincially owned sites throughout the Province are considered environmental or contaminated sites. Studies are ongoing to assess the nature and extent of damage to develop remediation plans. Provisions for these costs are recorded in these financial statements when it is determined a legal liability exists and a reasonable estimate of the remediation costs can be made. With the exception of remediation costs noted in the following paragraphs, no further provisions have been recognized in these financial statements.

Engineering and environmental studies have generated 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 1999-2000 for environmental site clean-up. Of these provisions, \$218.7 million (2002-03 - \$230.2 million) and \$46.7 million (2002-03 - \$50.0 million), respectively, remain unspent. Based on currently available information, the provisions, in aggregate, appear sufficient to cover the estimated costs to remediate these sites.

Other remediation liabilities amounting to \$7.0 million (2002-03 – nil) have been recognized in these financial statements.

ii) Lawsuits

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

iii) Other Contingent Liabilities

The Province also has contingent liabilities in the form of indemnities and meeting supply volumes of certain natural resources. The Province's potential liability, if any, cannot be determined at this time.

b) Contingent Gains

The Province of Nova Scotia may receive funds in the future from recoveries of various types of claims paid out and other agreements pending the occurrence of certain events. Recoveries are recorded in the year the contingent events occur.

c) Contractual Obligations

i) Contractual Obligations

Contractual obligations outstanding at March 31, 2004 total \$852 million; comprised of \$737 million for the Consolidated Fund, \$111 million for other Governmental Units and \$4 million for Government Business Enterprises. Included are contractual obligations of \$79 million by Nova Scotia Business Incorporated for projects approved under its various programs and \$422 million by the Department of Education for P3 School maintenance agreements.

In addition to the contractual obligations noted above, in 1992 the Department of Justice entered into a 20-year contract with the RCMP for policing services, including services paid by the municipalities under the Service Exchange Agreement. Costs are negotiated each year based on required policing services. The net estimated expense for the Province for 2004-05 is \$17 million.

The Department of Natural Resources has long-term contractual obligations to provide access to certain natural resources located on lands owned by the Province.

ii) Leases

As at March 31, 2004, the Province was contractually obligated under various operating leases. Future minimum annual lease payments are as follows:

Fiscal Year	Governmental Units	Government Business Enterprises	Total Lease Payments
		(\$ thousands)	
2004-2005	\$ 39,229	\$ 4,953	\$ 44,182
2005-2006	29,510	4,143	33,653
2006-2007	23,714	3,697	27,411
2007-2008	19,280	909	20,189
2008-2009	13,903	323	14,226
2010-2014	20,475	80	20,555
2015-2019	13,969	---	13,969
2020-2024	3,656	---	3,656
	\$ <u>163,736</u>	\$ <u>14,105</u>	\$ <u>177,841</u>

13. SUBSEQUENT EVENTS

a) Tax Rate Changes

The *Financial Measures (2004) Act*, receiving Royal Assent on May 20, 2004, increases the tax rate on the second and third income tax brackets to 2003 levels. In addition, a fourth income bracket, starting at \$93,000, will be introduced at a tax rate of 17.5%. The income tax rate changes, effective January 1, 2004, will increase personal income tax revenues by approximately \$101 million in 2004-05 and per year thereafter.

In addition, effective April 1, 2004, Corporation Capital Tax will increase from 3% to 4% and Large Corporations Tax will increase from 0.25% to 0.3%. Together these measures are expected to increase revenue by approximately \$17 million in 2004-05 and per year thereafter.

b) Fees and Recoveries

Effective April 1, 2004, approximately 500 fees and recoveries were changed to better reflect the cost of providing these services. The changes are expected to increase revenue by approximately \$12 million in 2004-05 and per year thereafter.

14. COMPARATIVE FIGURES

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

a) Accounting Changes

As described in Note 2, there have been some retroactive restatements of figures in accordance with corrections made during the year.

b) Presentation

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

15. RELATED PARTY TRANSACTIONS

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

The most significant unadjusted related party transactions are described in Schedule 4 – Government Business Enterprises.

Financial Highlights



Nova Scotia

Message from the Minister of Finance

I am pleased to present the Province of Nova Scotia's audited financial statements for the fiscal year 2003-2004.

As per legislation passed in the spring of 2004, we are releasing this document some two months earlier than in previous years. This is part of our ongoing efforts to improve financial management within the Government of Nova Scotia.

Government presented a balanced budget with a \$2.8 million surplus in 2003-2004. Some mid-year pressures required government to place controls on program expenses. This helped government bring in a surplus for the fourth consecutive year, with revenues exceeding expenses by \$42.6 million.

A balanced budget will be a top priority for the Government of Nova Scotia for many years to come. It is the road that will take us to a more prosperous future. We must also continue to make investments in our people and our communities to help build that future. This means maintaining a good-quality health care system, ensuring accessible education and training, and growing the economy.

In fiscal 2003-2004, government was able to make strategic investments in health care and other important program areas. At the same time, we reduced personal income taxes to promote a competitive economic climate in the province.

The province's economic indicators were also healthy, and the province has been near the national average in most categories. Growth in the Gross Domestic Product in current dollars was 6.3 per cent in 2003 and our Net Direct Debt to GDP ratio has dropped again to 42.8 per cent.

These numbers indicate that we are on the right track, and I believe we need to stay the course. I would like to thank Nova Scotians for their continued support of our fiscal objectives, now and in future.

*Honourable Peter G. Christie
Minister*

Selected Financial Highlights

Budgetary Summary

(\$ thousands)

ACTUAL 2002-2003 (as restated)		ESTIMATE 2003-2004 (as restated)	ACTUAL 2003-2004
	Consolidated Fund		
<u>4,958,818</u>	Ordinary Revenue	<u>5,302,316</u>	<u>5,347,097</u>
4,570,464	Net Program Expenses	4,756,480	4,797,165
(149,611)	Pension Valuation Adjustment	(13,600)	(14,536)
<u>847,210</u>	Net Debt Servicing Costs	<u>892,793</u>	<u>844,977</u>
<u>5,268,063</u>		<u>5,635,673</u>	<u>5,627,606</u>
<u>(309,245)</u>		<u>(333,357)</u>	<u>(280,509)</u>
	Consolidation and Accounting Adjustments for the Consolidated Fund and Governmental Units		
2,012,292	Consolidated Fund Consolidation Adjustments	---	2,147,768
(1,217,623)	Health and Hospital Boards Operations	---	(1,327,579)
(740,565)	School Boards Operations	---	(773,897)
<u>(56,779)</u>	Other Organizations	<u>---</u>	<u>(65,272)</u>
<u>(2,675)</u>		<u>---</u>	<u>(18,980)</u>
	Net Income from Government Business Enterprises		
172,982	Nova Scotia Gaming Corporation	159,400	158,491
157,866	Nova Scotia Liquor Corporation	166,800	166,752
<u>7,551</u>	Other Enterprises	<u>10,000</u>	<u>8,099</u>
<u>338,399</u>		<u>336,200</u>	<u>333,342</u>
<u>26,479</u>	Provincial Surplus before Unusual Items	<u>2,843</u>	<u>33,853</u>
	Unusual Items		
<u>1,358</u>	Nova Scotia Resources Limited	<u>---</u>	<u>8,734</u>
<u>1,358</u>		<u>---</u>	<u>8,734</u>
<u>27,837</u>	Provincial Surplus	<u>2,843</u>	<u>42,587</u>

Notes: See Page A6 for the detailed Notes regarding this schedule.

Notes:

- 1) The 2002-2003 Actuals have been restated to be on the same basis as the 2003-2004 Actuals with the exception of the Tangible Capital Assets accounting change. No adjustment is required to the 2002-2003 Actuals as this change was implemented prospectively as at April 1, 2003.

The Estimate for 2003-2004 did not include the impact of the accounting changes made in 2002-2003 for retirement benefits and the accounting changes made in 2003-2004. To ensure comparability between the 2003-2004 Estimate and the 2003-2004 Actuals it would be necessary to make the following adjustments to the 2003-2004 Estimate:

- increase the Gross Debt Servicing Costs by \$30.9 million and decrease the Pension Valuation Adjustment by \$1.4 million to account for the accounting changes for retirement benefits;
 - increase Net Program Expenses by \$6.1 million to account for the teachers' salary accrual; and,
 - reduce Net Program Expenses by \$23.8 million in various departments (see the schedule on Page A21) to account for various changes to the Tangible Capital Asset policy.
- 2) Short-term Interest revenue, which was formerly netted against General Interest expenses in Gross Debt Servicing Costs, is now included in Interest Revenues in Ordinary Revenue. Also, Public Debt Retirement Fund Earnings, which were formerly included in Gross Debt Servicing Costs, are now included in Sinking Fund Earnings.
- 3) In order to provide a better comparison with the Consolidated Financial Statements, the net revenues from the Nova Scotia Gaming Corporation and the Nova Scotia Liquor Corporation have been reclassified from Ordinary Revenue to Net Income from Government Business Enterprises in the 2004-2005 Estimates. The Actuals for all previous fiscal years reported in these Financial Highlights and the 2003-2004 Estimate and Actual have been restated in the new format. The Casino Win Tax, which is collected for the Province by the Nova Scotia Gaming Corporation and was included under the net revenues of the Corporation, continues to be reported under Consolidated Fund; Ordinary Revenue; Other Provincial Sources.

Significant Accounting Changes

Introduction

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

The Standard

The Province of Nova Scotia adheres to the recommendations and guidelines of the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Board (PSAB) supplemented, where appropriate, by other CICA and International Federation of Accountants accounting standards or pronouncements for the preparation of the annual consolidated financial statements. PSAB's recommendations have, to a significant extent, been adopted by governments across Canada.

Key Items for the 2003-2004 Financial Statements

Accounting Changes

The accounting policies used to prepare the 2003-2004 consolidated financial statements are the same as those used in the previous year. Corrections and changes in estimates were made during the year, which have increased the provincial surplus for fiscal 2003-2004 by \$16.9 million, on an expense basis, and increased net direct debt and accumulated deficits by \$20.1 million at April 1, 2003. The following four items comprise the Accounting Changes for the year:

a) Teachers' Salary Accrual

During the fiscal year, a method to accrue teachers' salaries was introduced. The accrual measures the timing difference between the cost of the teaching days worked versus the teaching days paid as of March 31st.

b) Public Service Award Plan

During the fiscal year, it was discovered that the data file used to measure the plan liability contained members who were not eligible to receive Public Service Awards. The data has been adjusted to remove non-eligible members.

c) Capital District Health Authority Group Insurance Plan

The Capital District Health Authority offers health and insurance benefits to certain employees upon retirement, but the obligation for this plan had never been valued and recorded. This error was corrected retroactively in fiscal 2003-2004.

d) Tangible Capital Assets

During the year certain amortization rates and capitalization thresholds were changed on a prospective basis to better match the recognition of amortization expense over the useful life of each tangible capital asset.

Details on the nature and impacts of these changes are included in Note 2 of the Consolidated Financial Statements.

The amounts reported in the original 2003-2004 Estimates were prepared prior to the current accounting policies being selected. The Estimates figures have not been restated for the following accounting policy changes:

a) Retirement Health Benefit Plans

The accounting policy for the recognition of retirement health benefit plans was changed in fiscal 2002-2003. Benefit cost and interest on the obligation are recognized as earned. Experience gains and losses are amortized over the estimated average remaining service life of active plan members. Previously, the Province recorded its share of premiums as expenses, and included the obligation as a commitment. This accounting policy change reduced the 2003-2004 provincial surplus by \$33.2 million.

a) Special Purpose Funds

During fiscal 2002-2003, an evaluation of Special Purpose Funds used by the Province was completed. As a result of the evaluation, twenty Special Purpose Funds were added to the Government Reporting Entity in fiscal 2002-2003. There is no significant impact to the 2003-2004 provincial surplus as a result of this change.

Revenues - Consolidated Fund

(\$ thousands)

REVENUE SOURCES	ACTUAL	ESTIMATE	ACTUAL	VARIANCE
	2002-2003 (as restated)	2003-2004 (as restated)	2003-2004	Increase (Decrease)
Provincial Sources				
Personal Income Tax	1,353,675	1,317,200	1,350,071	32,871
Corporate Income Tax	204,950	270,385	232,710	(37,675)
Harmonized Sales Tax	905,120	942,150	975,204	33,054
Tobacco Tax	145,425	166,720	161,715	(5,005)
Motive Fuel Taxes	246,283	254,197	249,900	(4,297)
Interest Revenues	60,675	69,390	60,473	(8,917)
Registry of Motor Vehicles	75,933	73,704	77,546	3,842
Royalties - Petroleum	11,115	27,000	24,083	(2,917)
Other Provincial Sources	210,047	205,219	239,233	34,014
Prior Years' Adjustments - Provincial Sources	(23,833)	---	145,504	145,504
Total - Provincial Sources	3,189,390	3,325,965	3,516,439	190,474
Federal Sources				
Equalization Payments	1,125,088	1,242,870	1,114,487	(128,383)
Canada Health and Social Transfer	605,117	701,151	686,853	(14,298)
Health Reform Fund	---	30,000	29,611	(389)
Other Federal Sources	2,299	2,330	2,330	---
Prior Years' Adjustments - Federal Sources	1,924	---	(2,623)	(2,623)
Federal Tax Collection Agreement Error	35,000	---	---	---
Total - Federal Sources	1,769,428	1,976,351	1,830,658	(145,693)
Total - Revenues	4,958,818	5,302,316	5,347,097	44,781

Note: In order to provide a better comparison with the Consolidated Financial Statements, the net revenues from the Nova Scotia Gaming Corporation and the Nova Scotia Liquor Corporation have been reclassified from Ordinary Revenue to Net Income from Government Business Enterprises in the 2004-2005 Estimates. The Actuals for all previous fiscal years reported in these Financial Highlights and the 2003-2004 Estimate and Actual have been restated in the new format. The Casino Win Tax, which is collected for the Province by the Nova Scotia Gaming Corporation and was included under the net revenues of the Corporation, continues to be reported under Consolidated Fund; Ordinary Revenue; Other Provincial Sources.

Provincial Sources

In fiscal 2003-2004, personal income tax revenue exceeded the original budget by \$32.9 million or 2.5 per cent. This increase resulted from a higher than anticipated yield on taxable incomes, as well as the impact of the tax changes that came into effect January 1, 2004.

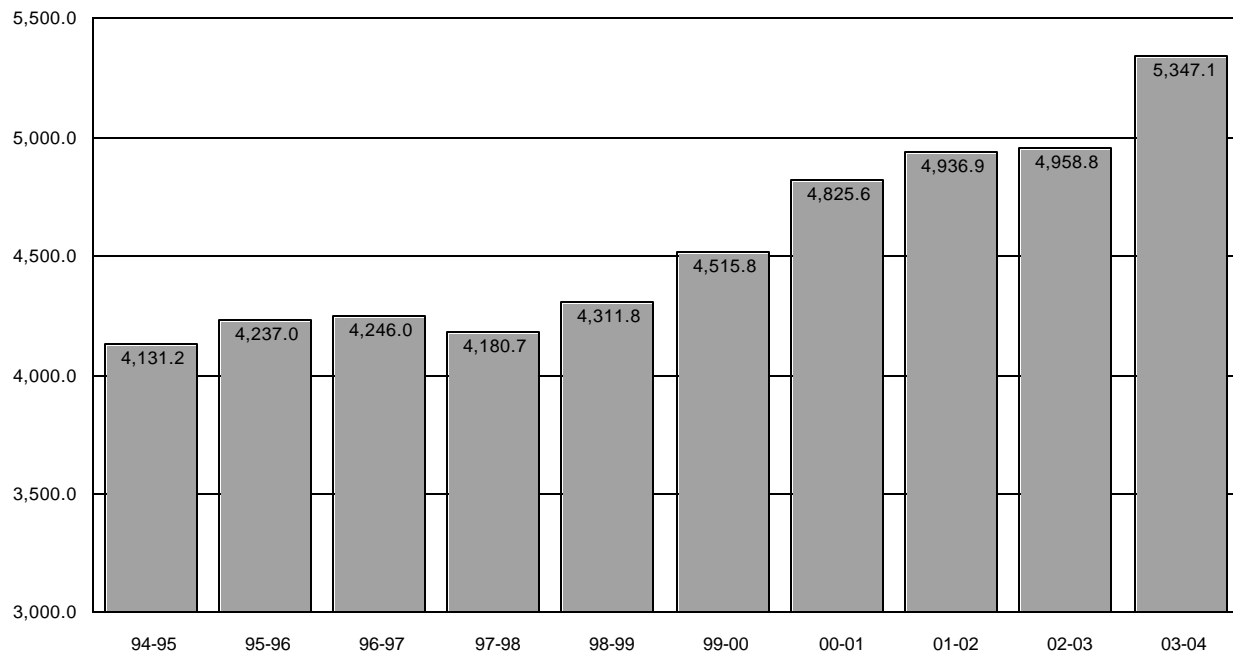
Corporate income tax revenues fell short of the budget by \$37.7 million or 13.9 per cent. This decrease was driven by a number of factors, including changes to the Province's share of nationally allocated taxable income and the amount of income eligible for the Small Business Rate Reduction.

Harmonized Sales Tax (HST) revenue was \$33.1 million or 3.5 per cent above the original budget for fiscal 2003-2004. The increase was driven by revisions to the size of the base year and growth rate estimates for the national GST/HST Declared Revenue Pool.

Revenues - Consolidated Fund

1994-1995 to 2003-2004

(\$ millions)



Federal Sources

Statistics Canada released a revision of 2001 Census data in September 2003. As a result of this new data, Nova Scotia's share of national population declined from previous projections.

Most federal transfers rely on per capita calculations of provincial entitlements. The impact of the revised Census data reduced Equalization Payments by \$60.4 million from the original budget. Equalization Payments also fell a further \$68.0 million short of the original budget largely because of entitlement reductions associated with personal income taxes, capital taxes and offshore revenues. In particular, revised personal income tax data incorporated significant negative shocks to estimates of basic federal tax, which is the measure of personal income taxes in the Equalization formula. These revisions caused large decreases in entitlements for all receiving provinces.

Similarly, the Canada Health and Social Transfer (CHST) revenues were \$14.3 million lower than the original budget, largely because of the Census revision and new estimates of tax point values.

Prior Years' Adjustments

Prior Years' Adjustments are made to reflect changes in information about prior years' revenues. New information routinely comes from sources such as the federal government. Typically, income tax adjustments are from the previous year, while transfer payments are finalized for three years from the time of the initial payment.

Provincial Sources

In fiscal 2003-2004, personal income tax revenue exceeded the original budget by \$32.9 million or 2.5 per cent. This increase resulted from a higher than anticipated yield on taxable incomes, as well as the impact of the tax changes that came into effect January 1, 2004.

There was a significant positive adjustment from prior years' calculation of HST entitlements. Significant increases to the national GST/HST Declared Revenue Pool resulted in substantially higher calculations of Nova Scotia's HST revenues, particularly from fiscal 1999-2000 through fiscal 2002-2003. The total impact of these adjustments was \$96.6 million.

Federal Sources

Changes to Equalization Payments estimates for the fiscal years 2000-2001, 2001-2002 and 2002-2003 included revisions to basic federal tax data. These led to a positive net adjustment of \$11.8 million from Equalization Payments. This increase was offset by a negative adjustment of over \$14.4 million in CHST payments for fiscal 2001-2002 and fiscal 2002-2003.

Program Spending - Consolidated Fund

Net Program Expenses

(\$ thousands)

DEPARTMENTS	ACTUAL	ESTIMATE	ACTUAL	VARIANCE
	2002-2003 (as restated)	2003-2004	2003-2004	Increase (Decrease)
Agriculture and Fisheries	41,440	40,118	42,573	2,455
Community Services	668,306	666,414	659,410	(7,004)
Economic Development	27,391	---	---	---
Education	933,177	980,241	982,232	1,991
Assistance to Universities	206,762	205,805	212,804	6,999
Energy	---	7,614	6,433	(1,181)
Environment and Labour	25,604	27,558	26,544	(1,014)
Finance	12,902	13,235	12,788	(447)
Health	1,996,005	2,111,454	2,166,317	54,863
Justice	90,771	99,417	94,517	(4,900)
Natural Resources	55,291	59,160	56,814	(2,346)
Public Service	106,517	143,220	168,219	24,999
Service Nova Scotia and Municipal Relations	96,533	93,161	90,396	(2,765)
Tourism, Culture and Heritage	39,895	40,805	39,508	(1,297)
Transportation and Public Works	253,626	246,654	229,888	(16,766)
Restructuring Costs	15,557	21,624	8,722	(12,902)
Loss on the Sale of Crown Assets	687	---	---	---
	4,570,464	4,756,480	4,797,165	40,685

Notes:

- 1) The consolidation of departmental expenditures with that of governmental units 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.
- 2) The 2002-2003 Actual for the Department of Education has been restated to include \$2.972 million related to the introduction of an accrual for teachers' salaries. Details on the nature of the accrual are included in Note 2 of the Consolidated Financial Statements.

Program Spending

Overall, Net Program Expenses, which represent the government's share of the cost of programs and services provided to Nova Scotians, exceeded the original budget by \$40.7 million or 0.86 per cent during fiscal 2003-2004. Increased costs in the health care sector and severe weather conditions were the primary reasons for the additional expenses.

The increase was offset, in part, by the savings achieved through the Budget Management Plan that was announced in the Year-End Forecast Update released in September 2003, which reduced the government's net expenses by approximately \$32.8 million. The Plan mandated departments to reduce or defer discretionary expenses, as well as manage vacant positions.

Also, changes were made to the amortization rates and thresholds in the Tangible Capital Assets policy in fiscal 2003-2004 to better reflect the actual cost of capital assets used. These changes, as well as adjustments in the construction schedules for various infrastructure projects, reduced net expenses by a further \$26.1 million.

The savings in the Budget Management Plan were achieved primarily through the management of vacant positions and various departmental operating accounts with the exception of the renegotiation of the Social Housing Agreement. This increased the Department of Community Services' Housing Services division's recoveries from federal sources by approximately \$4.5 million. It should be noted that broader public sector entities such as the regional school boards and post-secondary institutions were also included in the Budget Management Plan.

Departmental Spending

The Department of Agriculture and Fisheries required \$3.5 million in additional funding for the BSE Program, which provided relief to the farmers affected by the Canada-wide mad cow crisis. This increase was offset, in part, by the \$1.0 million savings achieved by the department through the Budget Management Plan.

The Budget Management Plan accounted for \$8.8 million in savings, and additional vacancy management and lower than expected program delivery costs saved the Department of Community Services a further \$4.3 million. Pharmacare costs increased by \$4.7 million and community support for adults spending rose by \$1.4 million, reducing the department's net savings to \$7.0 million.

In the Department of Education, changes in the accounting treatment for teachers salaries increased expenses by \$6.1 million and additional funding totalling \$3.1 million was required for libraries, the teachers' pension plan contributions and other operating costs. The changes in the amortization rates and thresholds in the Tangible Capital Asset program reduced expenses by \$3.0 million and the Budget Management Plan savings of \$4.5 million, which included reductions in the regional school boards and the community college grants, lowered the overspending to \$2.0 million.

Universities received an additional \$8.0 million in assistance, which was offset, in part, by the \$1.0 million savings in the Budget Management Plan.

The Department of Energy experienced a \$1.2 million net decrease in its spending, through the Budget Management Plan, other departmental savings and the suspension of the Deep Panuke project. Vacancy management and other departmental savings, and the Budget Management Plan helped the Department of Environment and Labour achieve a \$1.0 million decrease in expenses. Budget Management Plan savings, vacancy management and other departmental efficiencies were responsible for a \$0.4 million decrease in spending at the Department of Finance.

Overall, the Department of Health experienced a \$54.9 million increase in spending to accommodate wage and operational pressures. Funding for the district health authorities was increased by \$59.4 million, with \$12.2 million coming from the Other Health Care Initiatives and Other Programs areas of the department. Payments to physicians increased by \$22.9 million.

Pharmacare costs in the department also rose by \$0.8 million. A \$5.6 million increase in out-of-province hospital payments and a \$0.7 million decrease in third party liability recoveries were partially offset by a \$1.8 million increase in recoveries from other provinces for a net increase of \$4.5 million in the Revenue and Recovery area of the department.

Vacancy management and reduced contracted services saved the Care Coordination and Home Care programs an additional \$6.6 million. Lower amortization costs reduced expenses by \$3.0 million and \$1.3 million less was spent on the Children's Dental Plan. Vacancy management and other operational savings reduced overall departmental expenses by \$5.8 million. The department also realized \$3.8 million in savings through the Budget Management Plan.

The Department of Justice had a reduction in expenses of \$4.9 million, as a result of a \$1.0 million increase in the revenue from probate fees, \$0.9 million savings in vacancy management and other efficiencies, and \$0.5 million savings in the budget for court renovations. The Budget Management Plan reduced expenses by \$2.5 million.

The Budget Management Plan decreased expenses by \$1.5 million, while additional amortization costs related to the acquisition of the helicopter increased expenses by \$0.2 million. Additional vacancy management and other efficiencies saved the Department of Natural Resources a further \$1.0 million.

The Emergency Measures Organization of Nova Scotia incurred an additional \$13.5 million in expenses to mitigate the impact of Hurricane Juan and the winter storm recovery in February 2004. A shortfall in federal compensation related to the 2003 flooding increased the fiscal 2003-2004 expenses by \$2.1 million.

Excluding Pension Valuation Adjustment items, which are disclosed separately, the Government Contributions to Benefits Plans appropriation was under budget by \$1.3 million. The Province's liability for long-term disability benefits decreased by \$10.6 million primarily due to the rebound in market value of the plan assets, which was partially offset by the \$8.8 million increase in the Province's WCB liability resulting from the Supreme Court decision on chronic pain benefits.

Nova Scotia Business Inc. paid out \$1.8 million less than budgeted in payroll rebates and saved \$1.4 million through the Budget Management Plan, saving \$3.2 million in total. The Office of Economic Development (OED) provided an additional \$5.0 million to refresh the Nova Scotia Research and Innovation Fund and \$4.0 million for its loan valuation allowance. Salary and operational savings, and the Budget Management Plan, reduced OED's expenses by \$3.2 million, which partially offset the increases.

The Office of Health Promotion recorded increased expenses of \$3.7 million, primarily through the provision of financial support for community recreational facilities.

Service Nova Scotia and Municipal Relations reduced its overall expenses by \$2.8 million. The department was able to invest an additional \$1.8 million in grants for infrastructure projects, such as sewage treatment and water plants, while \$1.3 million was saved through additional vacancy management and other adjustments. The Budget Management Plan saved \$2.3 million and decreased amortization costs reduced expenses by almost \$1.0 million more.

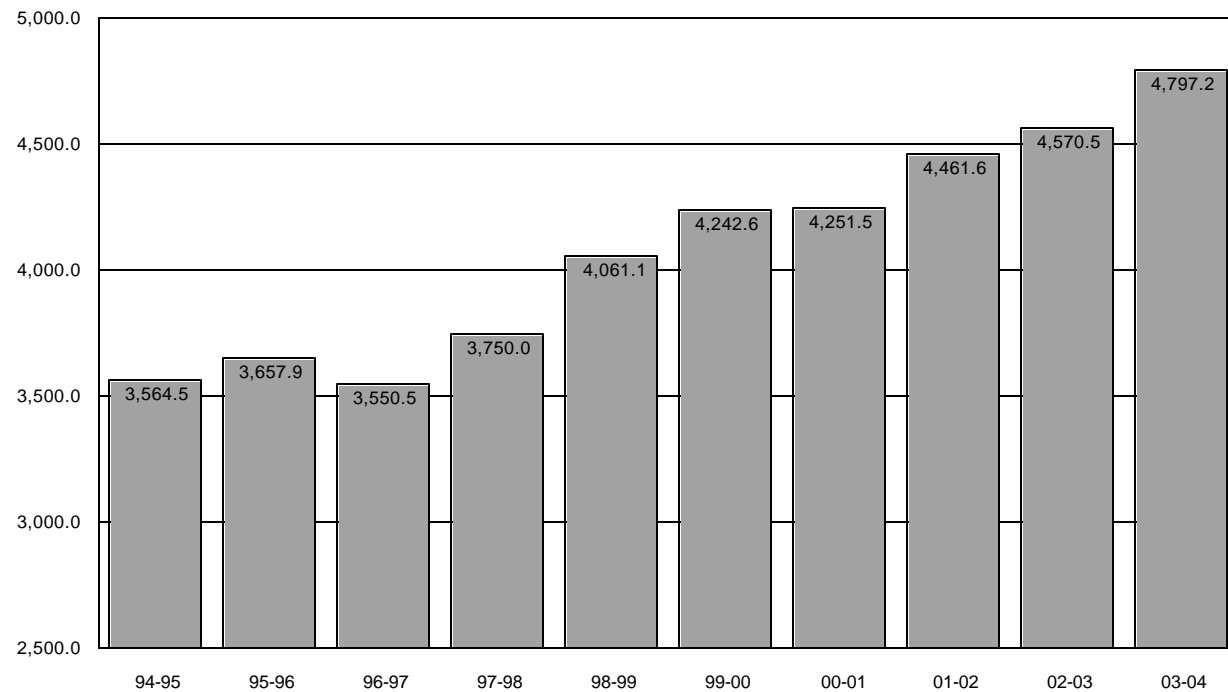
The Department of Tourism, Culture and Heritage saved \$1.0 million through the Budget Management Plan and \$0.3 million through vacancy management and other efficiencies.

The Department of Transportation and Public Works was under budget by \$16.8 million in fiscal 2003-2004 despite increases in several areas of its operations. Expenses on snow and ice control increased by \$3.7 million because of the severe winter storms, and highway and bridge maintenance costs increased by \$0.8 million. Also, there was a net increase of \$3.8 million in environmental remediation costs and \$1.0 million was added to the claims liability reserve. The changes in the amortization rates and thresholds in the Tangible Capital Assets policy reduced expenses by \$21.1 million and the Budget Management Plan saved \$4.4 million, while additional vacancy management and other savings reduced expenses by \$0.6 million.

Net Program Expenses - Consolidated Fund

1994-1995 to 2003-2004

(\$ millions)



Overall, the Restructuring Costs appropriation was \$12.9 million lower than the original budget. Net savings of \$12.4 million were achieved in the provision of funding for contract negotiations, workforce adjustment and government restructuring, in spite of some wage settlements that exceeded the original budget. Included in these savings is \$6.6 million related to funding provisions established and accrued in previous fiscal years, which have been adjusted in fiscal 2003-2004, based on updated information. Also, an additional \$0.5 million in Unallocated Recoveries was received during the fiscal year.

Pension Valuation Adjustment

Although the Pension Valuation Adjustment is not included in Net Program Expenses, it is included under Net Expenses in the Consolidated Fund portion of the Budgetary Summary and therefore, will be noted in this section of the Financial Highlights.

The Province of Nova Scotia accounts for pension and other retirement benefit costs on a basis that is consistent with generally accepted accounting principles and as such, in the current fiscal year recognizes pension expense to include the cost of pensionable service earned by employees and amortization of the experience gains and losses in the pension plans.

The method used to value pension assets is a market related basis as permitted under generally accepted accounting principles, which allows for smoothing of the total annual change in market value equally over a period of five years instead of recognizing the adjustment to asset value in the year of change. This accounting methodology better reflects the long term nature of the investments of the plan assets and reduces volatility in the asset values year over year, reducing the impact of short-term fluctuations, both negative and positive, in the market value of pension plan assets as measured on March 31st of each fiscal year.

A net positive adjustment of \$14.5 million has been recorded as the Pension Valuation Adjustment in fiscal 2003-2004. Accounting changes for retirement health benefits were not approved in time to be reflected in the 2003-2004 Estimates. Further details can be found in Note 6 of the 2003-2004 Consolidated Financial Statements.

Tangible Capital Assets - Consolidated Fund

The Tangible Capital Assets policy charges a percentage of the original cost of an asset to each year of the useful life of the asset. This charge to operations is called amortization. Departments are required to budget for tangible capital asset purchases and the resulting amortization from the acquisition of these assets. The cost of the estimated purchases of Tangible Capital Assets is voted separately in the Capital Purchase Requirements appropriation and the departmental details are noted below.

Capital Purchase Requirements

(\$ thousands)

DEPARTMENTS	ESTIMATE 2003-2004	ACTUAL 2003-2004	VARIANCE Increase (Decrease)
Agriculture and Fisheries	520	705	185
Community Services	800	790	(10)
Education	93,865	85,864	(8,001)
Environment and Labour	35	28	(7)
Finance	4,270	3,528	(742)
Health	7,735	6,860	(875)
Natural Resources	1,420	15,596	14,176
Public Service	147	147	---
Service Nova Scotia and Municipal Relations	750	747	(3)
Tourism, Culture and Heritage	5,550	4,439	(1,111)
Transportation and Public Works			
Highways and Bridges	106,227	107,010	783
Buildings and Infrastructure	23,141	20,943	(2,198)
Contingency	5,540	---	(5,540)
	250,000	246,657	(3,343)

Overall, the Capital Purchase Requirements appropriation was under budget by \$3.3 million in fiscal 2003-2004. The Department of Natural Resources was overspent by \$14.2 million primarily as a result of the acquisition of land. This expenditure was more than offset by cash flow revisions resulting from adjustments in the construction schedules for various infrastructure projects such as: new schools; additions and alterations to existing schools; courthouses; and, the Province's three resort hotels.

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 2003-2004.

Amortization

(\$ thousands)

DEPARTMENTS	ESTIMATE 2003-2004	ACTUAL 2003-2004	VARIANCE Increase (Decrease)
Agriculture and Fisheries	235	189	(46)
Community Services	111	8	(103)
Education	46,329	43,165	(3,164)
Environment and Labour	27	26	(1)
Finance	1,289	1,485	196
Health	10,574	10,034	(540)
Justice	1,332	1,332	---
Natural Resources	643	808	165
Public Service	49	48	(1)
Service Nova Scotia and Municipal Relations	2,256	1,306	(950)
Tourism, Culture and Heritage	235	216	(19)
Transportation and Public Works	66,162	44,530	(21,632)
	129,242	103,147	(26,095)

The 2003-2004 Estimate does not reflect the changes made to the amortization rates and thresholds in the Tangible Capital Assets policy, which were implemented effective April 1, 2003 on a prospective basis. The impact of these changes on amortization and operating expenses is reflected on a departmental basis in the schedule below.

***Impact of Changes in Amortization Rates
and Thresholds in the TCA Policy***

(\$ thousands)

Increase (Decrease) in Amortization Expense:

Agriculture and Fisheries	18
Community Services	(2)
Education	(1,279)
Environment and Labour	4
Finance	192
Health	(568)
Natural Resources	74
Public Service	2
Service Nova Scotia and Municipal Relations	(985)
Tourism, Culture and Heritage	(1)
Transportation and Public Works	(19,909)
	<hr/>
	(22,454)

**Increase (Decrease) in Operating Expenses
due to the Threshold Changes:**

Education	(538)
Transportation and Public Works	(841)
	<hr/>
	(1,379)
	<hr/>
	(23,833)



**Analysis of Appropriations Relative
to the Appropriations Act, 2003
for the fiscal year ended March 31, 2004**

(\$ thousands)

	Resolution Number *	Budget	Actual	Variance	Additional Appropriation Required
Net Program Expenses					
Agriculture and Fisheries	1	40,118	42,573	2,455	2,455
Community Services	2	666,414	659,410	(7,004)	
Education	3	980,241	982,232	1,991	1,991
Assistance to Universities	4	205,805	212,804	6,999	6,999
Energy	5	7,614	6,433	(1,181)	
Environment and Labour	6	27,558	26,544	(1,014)	
Finance	7	13,235	12,788	(447)	
Health	9	2,111,454	2,166,317	54,863	54,863
Justice	10	99,417	94,517	(4,900)	
Natural Resources	11	59,160	56,814	(2,346)	
Communications Nova Scotia	12	3,602	3,298	(304)	
Emergency Measures Organization of Nova Scotia	13	692	16,310	15,618	15,618
Executive Council	14	14,642	13,109	(1,533)	
FOIPOP Review Office	15	239	215	(24)	
Government Contributions to Benefit Plans	16	7,550	6,242	(1,308)	
Human Rights Commission	17	1,764	1,741	(23)	
Legislative Services	18	15,504	22,978	7,474	7,474
Nova Scotia Advisory Council on the Status of Women	19	756	709	(47)	
Nova Scotia Business Inc.	20	29,215	25,999	(3,216)	
Nova Scotia Police Commission	21	299	297	(2)	
Nova Scotia Securities Commission	22	1,220	1,024	(196)	
Nova Scotia Utility and Review Board	23	2,632	2,737	105	105
Office of Economic Development	24	30,909	36,708	5,799	5,799
Office of Health Promotion	25	14,910	18,623	3,713	3,713
Office of the Auditor General	26	2,200	2,171	(29)	
Office of the Ombudsman	27	802	663	(139)	
Public Prosecution Service	28	14,884	14,195	(689)	
Sydney Tar Ponds Agency	29	1,400	1,200	(200)	
Service Nova Scotia and Municipal Relations	30	93,161	90,396	(2,765)	
Tourism, Culture and Heritage	31	40,805	39,508	(1,297)	
Transportation and Public Works	32	246,654	229,888	(16,766)	
Restructuring Costs	34	21,624	8,722	(12,902)	

Note: Section 28 (3) of the Provincial Finance Act requires that any additional spending authority required must be approved by the Governor in Council no later than ninety days after the tabling of the Public Accounts.

* - Refers to the Resolution Number in the Appropriations Act, 2003.

***Analysis of Appropriations Relative
to the Appropriations Act, 2003
for the fiscal year ended March 31, 2004***

(\$ thousands)

	<i>Resolution Number *</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>	<i>Additional Appropriation Required</i>
<i>Other Appropriations</i>					
Debt Servicing Costs	8	1,062,316	1,028,600	(33,716)	
Capital Purchase Requirements	33	250,000	246,657	(3,343)	
Sinking Fund Instalments and Serial Retirements	35	118,237	114,355	(3,882)	

Note: Section 28 (3) of the Provincial Finance Act requires that any additional spending authority required must be approved by the Governor in Council no later than ninety days after the tabling of the Public Accounts.

* - Refers to the Resolution Number in the Appropriations Act, 2003.

Debt Review

In fiscal 2003-2004, the Province of Nova Scotia posted a surplus of \$33.9 million before unusual items. The Net Direct Debt of the Province as of March 31, 2004 was \$12.3 billion, an increase of \$106.0 million from the restated Net Direct Debt at the end of fiscal 2002-2003. The Province's Net Direct Debt to Gross Domestic Product at Market Prices ratio decreased to 42.8 per cent at March 31, 2004 from 45.1 per cent a year earlier.

Credit Rating Upgrade

The Province's credit rating was raised by all three major bond rating agencies over the past year. Moody's Investors Services upgraded the debt rating of the Province to A2 from A3 in September 2004, citing long-term improvement in the Province's debt indicators, economic gains of recent years, and the government's commitment to maintaining balanced budgets and achieving debt reduction. This upgrade followed two similar upgrades by Standard and Poor's in August 2004 to A from A-minus, and Dominion Bond Rating Service in August 2003 to A (low) from BBB (high). The rating outlook is stable.

Capital Markets Issuance Initiatives

The Province of Nova Scotia borrowed \$1.116 billion in fiscal 2003-2004, an increase over its original estimate of \$432.5 million. This increase in borrowing was due to the pre-borrowing of \$400.0 million for future years given the favourable domestic market conditions experienced during the fiscal year, the various Crown corporations, in particular \$84.0 million for the Nova Scotia Municipal Finance Corporation, and \$162.0 million of debt issues called during the fiscal year.

The Province's \$1.116 billion borrowing program was comprised of three 30-year domestic public issues for a total of \$600.0 million; eleven domestic Medium-Term Notes including nine retail structured notes totalling \$250.0 million; one floating rate note for \$125.0 million, and one fixed rate debt issue for \$50.0 million; and, the roll-over of a \$90.6 million Canada Pension Plan issue.

Financial Risk Management

The Province targeted September 2004 as the date where its foreign currency exposure should be at or below 20.0 per cent. The target was achieved eighteen months ahead of schedule. At March 31, 2004, the Province's foreign currency exposure stood at 16.9 per cent on a gross basis, down from 19.5 per cent at the end of fiscal 2002-2003, and 13.2 per cent net of US dollar sinking funds. This action marks a significant improvement in the Province's foreign currency exposure that stood at 72.0 per cent at March 31, 1995.

The debt portfolio's exposure to floating interest rates rose slightly to 21.1 per cent for the fiscal year ended March 31, 2004; 15.0 per cent when net of floating rate sinking fund assets. This level is at the low end of the Province's 15.0 to 35.0 per cent floating rate exposure policy range. With 78.9 per cent of the total principal in fixed rate form, there will be stability in debt serving costs in future years. At March 31, 2004, the average term to maturity of the debt portfolio stood at 9.9 years, which is 0.6 years longer than a year earlier.

Debt Servicing Costs

Net Debt Servicing Costs in fiscal 2003-2004 were \$845.0 million, a decrease of \$47.8 million from the restated budget, due to favourable short-term interest rates and the Canadian dollar. Although not reflected in the original budget, debt servicing costs for retirement health benefits were \$32.8 million.

Net Debt Servicing Costs - Consolidated Fund

(\$ millions)

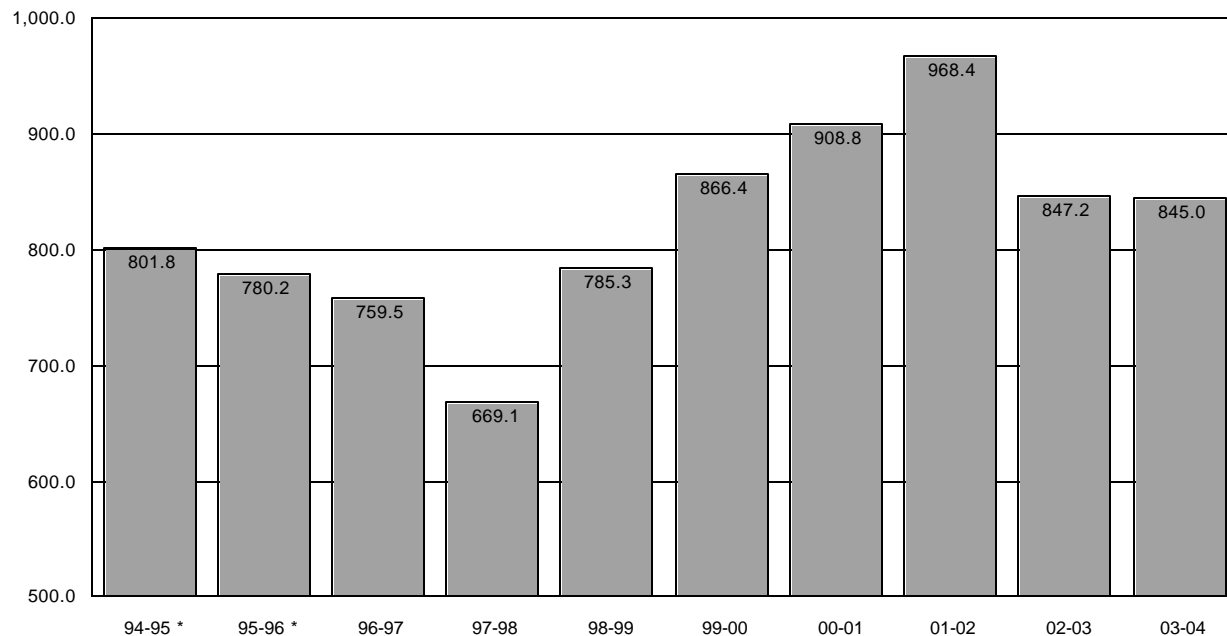
	ACTUAL 2002-2003 <i>(as restated)</i>	ESTIMATE 2003-2004 <i>(as restated)</i>	ACTUAL 2003-2004	VARIANCE Increase (Decrease)
Debt Servicing Costs				
Interest on Long Term Debt	950,480	947,678	920,657	(27,021)
General Interest	29,670	30,038	21,480	(8,558)
Interest on Pension, Retirement and Other Obligations	65,514	84,600	86,463	1,863
Gross Debt Servicing Costs	1,045,664	1,062,316	1,028,600	(33,716)
Less: Sinking Fund Earnings	(198,454)	(169,523)	(183,623)	14,100
Net Debt Servicing Costs	847,210	892,793	844,977	47,816

Note: Short-term Interest revenue, which was formerly netted against General Interest expenses in Gross Debt Servicing Costs, is now included in Interest Revenues in Ordinary Revenue. Also, Public Debt Retirement Fund Earnings, which were formerly included in Gross Debt Servicing Costs, are now included in Sinking Fund Earnings.

Net Debt Servicing Costs - Consolidated Fund

1994-1995 to 2003-2004

(\$ millions)



* The fiscal years 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, which is outstanding debentures less sinking funds and the Public Debt Retirement Fund, was \$10.2 billion in Canadian dollar equivalent at the rate of exchange in effect on March 31, 2004. Of this amount, \$270.5 million represents the difference between the value of the foreign currency debt at the exchange rate at the issue date and the net hedged value on March 31, 2004. 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 some term debt issues. Annual sinking fund instalments generally range from one to three per cent of the original issue, but may vary slightly from year to year based on actual and anticipated rates of return on sinking fund assets. Instalments are designed to fully fund the issue over twenty 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.

Net Debenture Debt

(\$ millions)

	Outstanding Debentures (CDN\$ Equivalents)
Debentures Payable in Canadian Dollars	
Canada Pension Plan Investment Fund	1,079.4
Other Issues	9,727.6
United States Dollars	2,356.8
	<hr/>
	13,163.8
	<hr/>
Less: Sinking Funds and Public Debt Retirement Fund	(2,919.8)
	<hr/>
Net Debenture Debt	10,244.0

Borrowing Powers

Long-term debt issued by way of debentures and Medium Term Notes 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 2003-2004, the Province borrowed, at face value, \$1,115.6 million in long-term debentures, which was applied to the 2002 and 2003 authorities.

Statement of Borrowing Powers
as at March 31, 2004

(\$ thousands)

	<i>2002-2003</i>	<i>2003-2004</i>
Balance of Authority from Previous Fiscal Years	527,291	1,095,291
Authority Approved for the Fiscal Year	1,500,000	1,500,000
Balance of Authority at April 1st	<u>2,027,291</u>	<u>2,595,291</u>
Less: Authority Used in fiscal 2002-2003	932,000	
Less: Authority Used in the Current Fiscal Year:		
Promissory Note P75		125,000
Promissory Note P76		40,000
Promissory Note P77		35,000
Promissory Note P78		50,000
Debenture Series B5		200,000
Promissory Note P79		20,000
Promissory Note P80		50,000
Promissory Note P81		20,000
Promissory Note P82		30,000
Debenture Series B5 (Reopen)		200,000
Promissory Note P83		15,000
Promissory Note P84		20,000
Debenture Series B5 (Reopen)		200,000
Promissory Note P85		20,000
Debenture Series CP40		90,597
		<u>1,115,597</u>
Balance of Authority at March 31st	<u>1,095,291</u>	<u>1,479,694</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

	1999	2000	2001	2002	2003	2004 (Forecast)
Gross Domestic Product at Market Prices <i>(\$ millions)</i>	23,059	24,770	26,070	27,102	28,813	29,919
Annual % Change	7.7	7.4	5.2	4.0	6.3	3.8
Gross Domestic Product at Market Prices <i>(Chained 1997 \$ millions)</i>	22,285	23,174	23,783	24,825	25,057	25,557
Annual % Change	5.5	4.0	2.6	4.4	0.9	2.0
Personal Income <i>(\$ millions)</i>	21,409	22,384	23,173	23,803	24,491	25,205
Annual % Change	5.4	4.6	3.5	2.7	2.9	2.9
Consumer Price Index - Nova Scotia <i>(Annual % Change)</i>	1.7	3.5	1.8	3.0	3.4	1.5
Population <i>(thousands of persons)</i>	934	934	932	934	936	937

Sources: Statistics Canada, Provincial Economic Accounts, Cat. No. 13-213-PPB
Statistics Canada, Quarterly Demographics Statistics, Cat. No. 91-002-XPB
Nova Scotia Department of Finance

Note: The data reflects the most recent information from the Department of Finance as of August 20, 2004. The data for 2003 and 2004 is different from data used in the original budget and actual results for fiscal 2003-2004. The differences would not cause a significant change in the actual results.

Economic Performance

Output

In 2003, the Nova Scotia economy continued to grow despite major unexpected economic shocks, which included SARS, BSE, and natural disasters, as well as the impact of the exchange rate appreciation. Statistics Canada reported a Real GDP growth rate of 0.9 per cent for Nova Scotia in 2003, lower than the 4.4 per cent real growth rate in 2002. Much of this fall in real GDP growth relates to higher prices. The GDP growth in current dollars stood at 6.3 per cent in 2003 for Nova Scotia, compared to 5.3 per cent for Canada.

Consumer spending, along with capital expenditures on residential and non-residential dwelling construction, were the driving forces behind economic growth in 2003. Residential capital expenditures were up 9.7 per cent, reflecting the 12.3 per cent increase in new home construction and the 7.4 per cent increase in renovation expenditures. Non-residential dwelling construction expenditures were up 9.2 per cent, supported by increases in capital expenditures by both the public and private business sectors.

Exports and business capital investment in machinery and equipment were weak in 2003. Business capital investment in machinery and equipment dropped 20.2 per cent from the high 2002 machinery and equipment investment plateau, which was buoyed by the purchase of new submarines and a major modification to an oil and gas drilling rig.

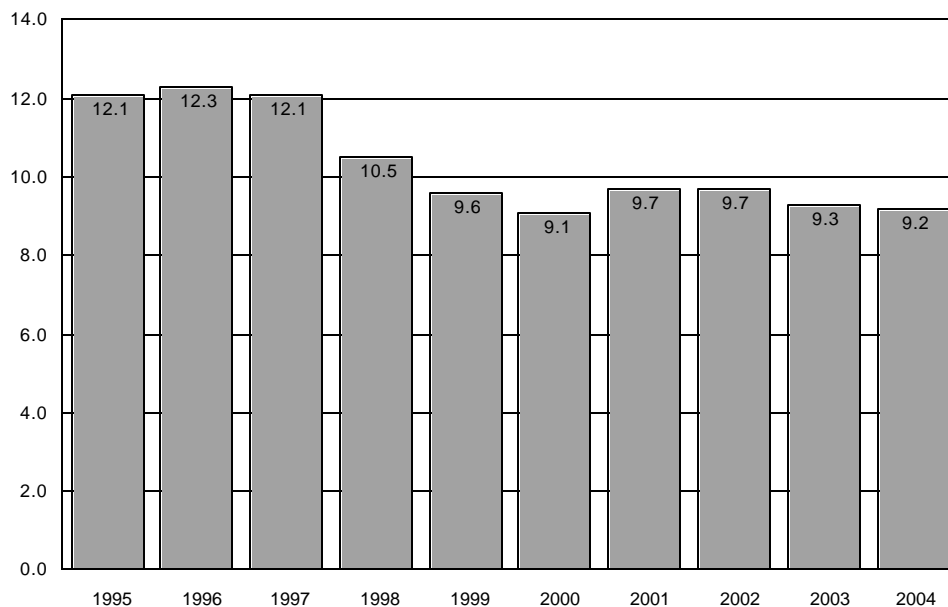
Slower Canadian and US economies both had their impacts on Nova Scotia's export sales. Export sales to other provinces were only up 2.4 per cent. The global slowdown, due to the slump in the United States economy, resulted in a 3.0 per cent increase in international trade. A 3.1 per cent decline in total imports from other provinces and the international market, resulted in a reduction in the trade deficit in 2003.

Labour Markets

In 2003, employment increased by 1.6 per cent to 435,400 with a net gain of 7,000 jobs. The labour force grew 1.2 per cent, a rate of growth lower than the growth in jobs. The net result was a lower unemployment rate in 2003, at 9.3 per cent, compared to 9.7 per cent for 2002.

Unemployment Rate

(per cent)



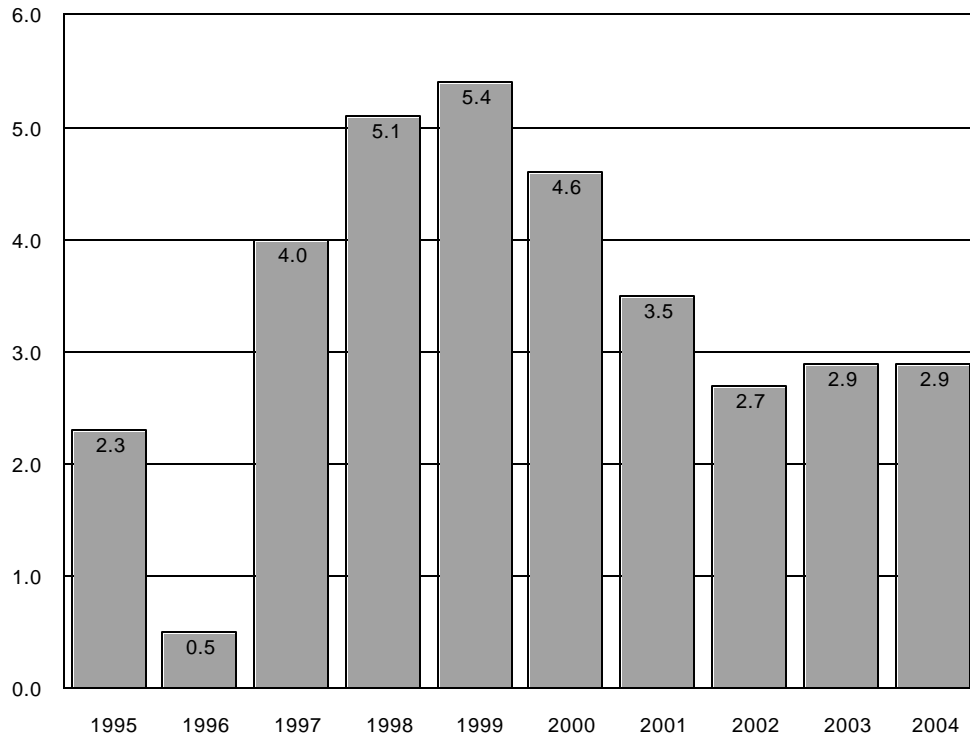
Consumer Spending and Income

Strong employment growth resulted in a 4.7 per cent increase in labour income, the largest share of personal income. Despite strong labour income growth, falling incomes from investments and slow growth in personal transfer payments resulted in reasonable personal income growth. Personal income grew 2.9 per cent in 2003, compared to a 2.7 per cent increase for 2002.

Personal expenditures on goods and services increased 5.2 per cent in 2003, up slightly from 5.0 per cent in 2002. Retail sales registered an increase of 1.5 per cent in 2003. The increase in consumer spending was concentrated in non-durable goods and services, with increases of 6.9 per cent and 5.7 per cent, respectively.

Personal Income Growth

(per cent)



Industry Performance

Goods Industries Employment

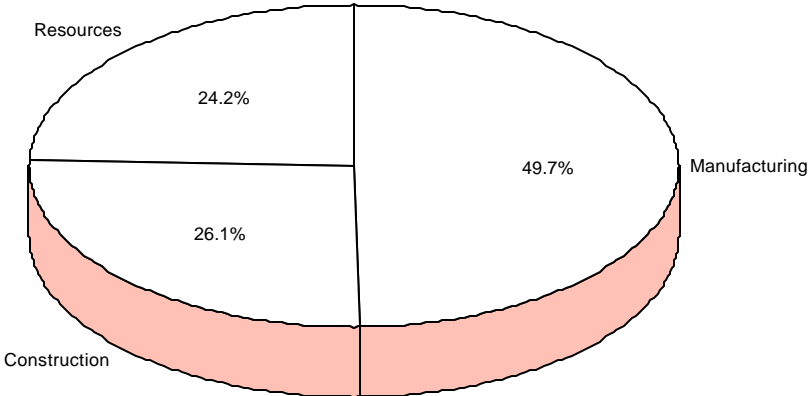
Goods-producing industries accounted for 22.3 per cent of the total employment in the Nova Scotia economy in 2003, with employment in the sector up 3.3 per cent from 2002.

Among goods-producing sectors, the largest increase in employment were posted in the forestry and fishing sectors, which saw employment increases of 12.8 and 25.4 per cent, respectively. High commodity prices and a booming housing market in Canada and the United States stimulated demand for forest products. Employment growth in the manufacturing sector grew by 5.2 per cent, as result of a 2.7 per cent increase in manufacturing shipments.

In 2003, the construction sector displayed an increase in employment of 0.4 per cent as a result of near capacity output in the sector. This full capacity was due to record levels of residential construction, plus more expenditures on renovations. Meanwhile, the mining, oil and gas extraction sector saw an overall decline of 29.7 per cent. A slowdown in offshore oil and gas exploration and development is partially to blame for this employment decline. Agriculture experienced a 2.9 per cent decline in employment.

Employment by Goods Industries 2003

(as a per cent of Total Goods Industries Employment)



Services Industries Employment

Nova Scotia is predominantly a service-sector economy. Services industries account for 77.7 per cent of Nova Scotia's employment and registered a 1.2 per cent gain in employment in 2003.

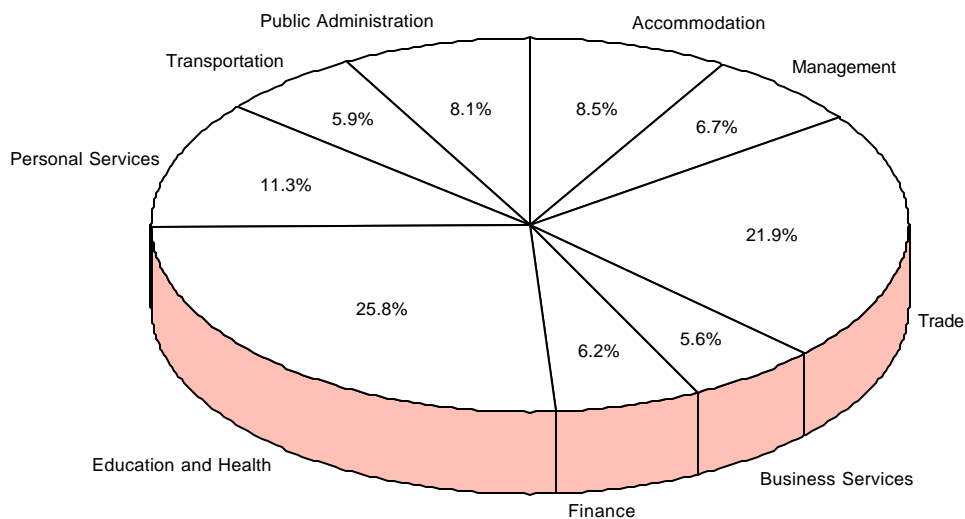
Education, health care and social assistance services are the largest component of the services sector with 25.8 per cent of the employment. In 2003, health care and social assistance employment increased 5.3 per cent; educational services grew by 0.3 per cent.

The next largest sector, retail and wholesale trade, represents 21.9 per cent of employment in services. The sector experienced a decline in employment of 3.1 per cent in 2003. All of the decline was in the retail sector; employment in the wholesale sector was up 8.5 per cent.

Employment growth was concentrated in the public administration, and real estate and leasing sectors, which grew by 18.6 per cent and 15.9 percent, respectively. Strong sales in real estate markets, plus the construction of more new houses, increased employment in real estate and leasing. Employment growth was also positive in the business, building and other support services sector, which grew by 6.0 per cent.

Employment by Service Industries 2003

(as a per cent of Total Services Industries Employment)



Employment decreases in 2003 were evident in the finance, insurance, real estate and leasing sector, as employment declined by 3.3 per cent. This was the result of an 11.2 per cent dip in finance and insurance employment, given the positive growth in real estate and leasing employment. The information, culture and recreation sector also experienced a minor decrease in employment of 1.1 per cent, while the accommodation and food services sector employment levels dropped by 5.6 per cent in 2003. Retail trade employment fell by 5.5 per cent, despite a 1.5 per cent growth in retail sales in 2003.

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

www.gov.ns.ca/finance