



Province of Newfoundland and Labrador

Public Accounts

Volume I

Consolidated Summary Financial Statements

**For The Year Ended
31 March 2003**

This Page Intentionally Left Blank.

Table of Contents

	Page No.
INTRODUCTION	1
STATEMENT OF RESPONSIBILITY	7
AUDITOR'S REPORT	9
STATEMENTS:	
Consolidated Statement of Financial Position	10
Consolidated Statement of Net Debt	11
Consolidated Statement of Revenue and Expenditure	12
Consolidated Statement of Changes in Financial Position	13
Notes to the Consolidated Financial Statements	14
SCHEDULES:	
Receivables - Schedule 1	23
Loans, Advances and Investments - Schedule 2	24
Equity in Government Business Enterprises - Schedule 3	25
Net Income of Government Business Enterprises - Schedule 4	26
Payables, Accrued and Other Liabilities - Schedule 5	27
Borrowings - Schedule 6	28
Notes to the Schedule of Borrowings	29
Guaranteed Debt - Schedule 7	30
Trust Accounts - Schedule 8	31
Tangible Capital Assets - Schedule 9	32
Notes to the Schedule of Tangible Capital Assets	33
Revenue - Schedule 10	34
Expenditure by Department - Schedule 11	35
Expenditure by Object - Schedule 12	36
Reconciliation of Cash Results to Consolidated Accrual Results - Schedule 13	37
Notes to the Schedule of Reconciliation of Cash Results to Consolidated Accrual Results	38
Government Reporting Entity - Schedule 14	39

This Page Intentionally Left Blank.

INTRODUCTION

The consolidated summary financial statements of the Province of Newfoundland and Labrador are presented through the publication of the Public Accounts, Volume I. These statements consolidate the financial statements of the Consolidated Revenue Fund with the financial statements of various Crown Corporations, Boards and Authorities, as approved by Treasury Board, which are owned or controlled by, and accountable to, the Government of Newfoundland and Labrador.

These statements are prepared on the accrual basis of accounting in accordance with the Public Sector Accounting Board standards of the Canadian Institute of Chartered Accountants, and as outlined in the significant accounting policies of the Province. They are prepared by the Comptroller General and are audited by the Auditor General, who presents an annual report to the House of Assembly on the results of his audit.

The Public Accounts for the year ended 31 March 2003 consists of three other volumes:

Volume II – Consolidated Revenue Fund Financial Statements presents the financial position of the Fund and the results of its activities.

Volume III – Consolidated Revenue Fund Supplementary Statements and Schedules presents the unaudited summary statements, detailed departmental statements, schedules and notes of the Fund and are prepared on a basis consistent with the Estimates of the Province.

Volume IV – Financial Statements of Crown Corporations, Boards and Authorities presents a reproduction of the available financial statements of the Crown Corporations, Boards and Authorities.

The Public Accounts of the Province are tabled in the House of Assembly in accordance with Section 60 of the *Financial Administration Act*.

Internet Address

The Public Accounts are available on the Internet at:
<http://www.gov.nl.ca/ComptrollerGeneral/publications.htm>

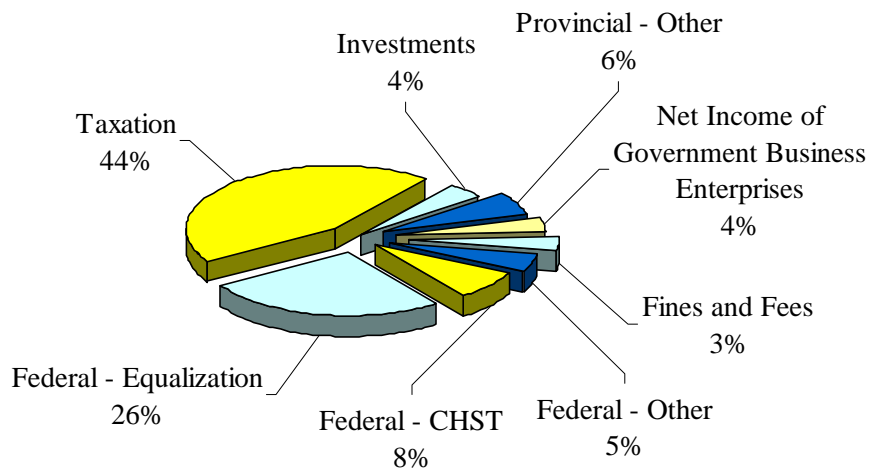
This Page Intentionally Left Blank.

SUMMARY FINANCIAL STATEMENTS

Revenue

Total revenue was \$4.10 billion in 2002-2003 which consisted of federal revenues of \$1.59 billion and provincial revenues of \$2.51 billion.

Revenue by Source - 31 March 2003

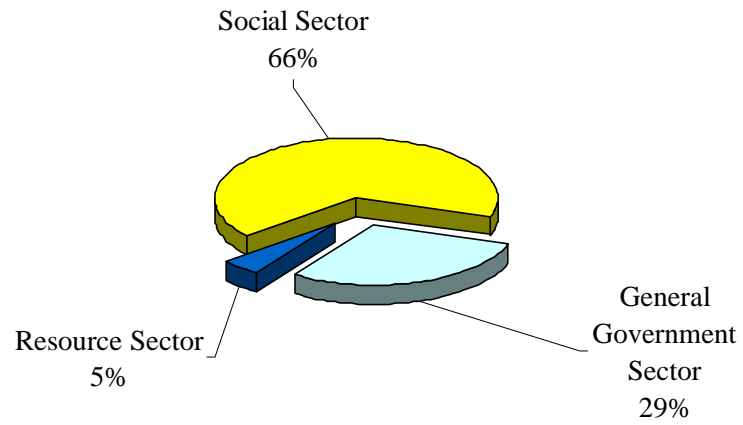


SUMMARY FINANCIAL STATEMENTS

Expenditure

Expenditure for the social sector of \$3.17 billion represented approximately two-thirds of all expenditures.

Expenditure by Sector - 31 March 2003

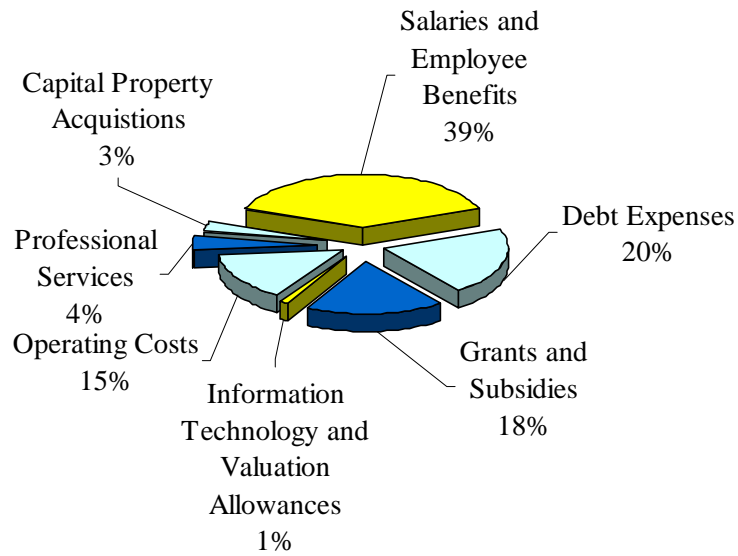


SUMMARY FINANCIAL STATEMENTS

Expenditure

Total expenditure was \$4.79 billion in 2002-2003. Salaries and employee benefits of \$1.85 billion and debt expenses of \$0.98 billion represented 59% of this amount.

Expenditure by Category - 31 March 2003

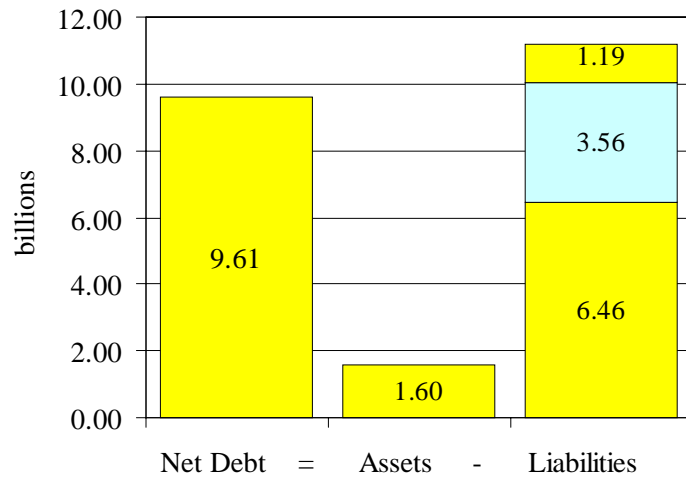


SUMMARY FINANCIAL STATEMENTS

Financial Position

Net Debt of \$9.61 billion consisted of \$11.21 billion in liabilities less \$1.60 billion in assets.

Statement of Financial Position - 31 March 2003



Liabilities are comprised of:

- Net borrowings of \$6.46 billion
- Unfunded pension liability of \$3.56 billion
- Other liabilities of \$1.19 billion



GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR

TREASURY BOARD SECRETARIAT

OFFICE OF THE COMPTROLLER GENERAL

CONFEDERATION BUILDING
ST. JOHN'S

12 September 2003

STATEMENT OF RESPONSIBILITY

These consolidated summary financial statements of the Province are prepared in accordance with the applicable legislation based upon information provided by the various Government departments and the noted Crown corporations, boards and authorities. Where necessary, the information included in these consolidated summary financial statements is based upon best estimates and judgement, taking into account materiality of the amounts. The consolidated summary financial statements in this volume include a Consolidated Statement of Financial Position, a Consolidated Statement of Net Debt, a Consolidated Statement of Revenue and Expenditure, a Consolidated Statement of Changes in Financial Position and notes. Other schedules and notes that are included also form an integral part of these statements. Together they present fairly, in all material respects, the financial position of the Province as at 31 March 2003 and the results of operations for the year then ended.

RONALD A. WILLIAMS, C.A.
Comptroller General

This Page Intentionally Left Blank.



OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the House of Assembly
Province of Newfoundland and Labrador

I have audited the consolidated statement of financial position of the Province of Newfoundland and Labrador as at 31 March 2003 and the consolidated statements of net debt, revenue and expenditure, and changes in financial position for the year then ended. These financial statements are the responsibility of Government. 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 Government, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated summary financial statements present fairly, in all material respects, the financial position of the Province of Newfoundland and Labrador as at 31 March 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies disclosed in Note 1 to the consolidated summary financial statements applied on a basis consistent with that of the preceding year.

JOHN L. NOSEWORTHY, C.A.
Auditor General

St. John's, Newfoundland and Labrador
12 September 2003

SUMMARY FINANCIAL STATEMENTS

PROVINCE OF NEWFOUNDLAND AND LABRADOR**Consolidated Statement of Financial Position
As at 31 March 2003
with comparative figures for 2002**

	<u>2003</u>	<u>2002</u>
	(\$000)	(\$000)
ASSETS		
	509,693	510,174
Sch. 1	280,221	306,362
	9,213	12,600
	19,602	29,457
Sch. 2	145,873	165,065
Sch. 3	630,387	705,972
	<u>1,594,989</u>	<u>1,729,630</u>
NET DEBT		
	<u>9,610,781</u>	<u>8,932,266</u>
	<u>11,205,770</u>	<u>10,661,896</u>
LIABILITIES		
Sch. 5	1,161,328	1,060,212
	26,701	59,209
Sch. 6	6,634,033	6,457,439
	<u>173,098</u>	<u>307,448</u>
	6,460,935	6,149,991
	3,556,806	3,392,484
	<u>11,205,770</u>	<u>10,661,896</u>
Sch. 8		
Sch. 9		

The accompanying notes and supporting schedules form an integral part of the financial statements.

SUMMARY FINANCIAL STATEMENTS

PROVINCE OF NEWFOUNDLAND AND LABRADOR
**Consolidated Statement of Net Debt
For the year ended 31 March 2003
with comparative figures for 2002**

	2003	2002
	(\$000)	(\$000)
Net debt - previously reported	8,932,266	8,436,983
Add (Deduct):		
Prior years' adjustments:		
Self-insured workers' compensation benefits (Note 10)	-	24,754
Unamortized, unrealized foreign exchange loss (Note 11)	-	(11,971)
Government organization changes (Note 12)	(12,311)	14,295
Pension plan changes	-	392
Adjusted net debt - beginning of year	<u>8,919,955</u>	<u>8,464,453</u>
Net Expenditure over Revenue	<u>690,826</u>	<u>467,813</u>
Net debt - end of year	<u><u>9,610,781</u></u>	<u><u>8,932,266</u></u>

See accompanying notes to the financial statements.

SUMMARY FINANCIAL STATEMENTS

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Consolidated Statement of Revenue and Expenditure
For the year ended 31 March 2003
with comparative figures for 2002**

		<u>2003</u>	<u>2002</u>
		(\$000)	(\$000)
REVENUE			
Sch. 10	Provincial		
Sch. 10	Taxation	1,796,218	1,584,343
Sch. 10	Investment	167,415	332,724
Sch. 10	Fees and fines	142,956	105,987
Sch. 10	Other	255,595	220,263
Sch. 10	Government of Canada	1,589,411	1,656,795
		<u>3,951,595</u>	<u>3,900,112</u>
Sch. 4	Net income of government business enterprises	150,374	146,378
	Total Revenue	<u>4,101,969</u>	<u>4,046,490</u>
EXPENDITURE			
Sch. 11	General Government Sector	1,403,791	1,306,878
Sch. 11	Resource Sector	218,709	179,581
Sch. 11	Social Sector	3,170,295	3,027,844
Sch. 12	Total Expenditure	<u>4,792,795</u>	<u>4,514,303</u>
	Net Expenditure over Revenue	<u>690,826</u>	<u>467,813</u>

See accompanying notes to the financial statements.

SUMMARY FINANCIAL STATEMENTS

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Changes in Financial Position For the year ended 31 March 2003 with comparative figures for 2002

	2003	2002
	(\$000)	(\$000)
Funds provided from (applied to):		
Operations		
Net expenditure over revenue	(690,826)	(467,813)
Add (deduct) non-cash items:		
Amortization of foreign exchange losses	23,519	13,999
Pension costs	312,821	187,186
Valuation allowances	21,792	7,753
Unremitted net income of government business enterprises	70,626	(2,078)
Sinking fund earnings	17,122	77,651
Other	90,682	21,446
	<u>(154,264)</u>	<u>(161,856)</u>
Financing		
Debt issued	522,340	559,032
Debt retirement	(245,395)	(433,399)
Special purpose funds/contractors' holdback funds	2,955	2,091
Deferred revenue	(10,252)	(154)
Treasury bills issued	3,505,816	3,010,664
Treasury bills redeemed	(3,506,850)	(2,904,309)
Sinking fund contributions	(41,273)	(50,490)
Sinking fund retirement	41,892	96,178
Retirement of pension liabilities	(148,500)	(143,500)
	<u>120,733</u>	<u>136,113</u>
Investing		
Loan repayments	69,794	105,963
Loan advances	(38,447)	(57,317)
Investments	1,613	2,517
	<u>32,960</u>	<u>51,163</u>
Net cash provided (applied)	(571)	25,420
Cash and temporary investments, beginning of year	510,091	484,671
Cash and temporary investments, end of year	<u>509,520</u>	<u>510,091</u>

See accompanying notes to the financial statements.

NOTE

Temporary investments are net of accrued interest of \$0.17 million (31 March 2002 - \$0.08 million).

PROVINCE OF NEWFOUNDLAND AND LABRADOR**Notes to the Consolidated Financial Statements
For the year ended 31 March 2003**

1. Summary of Significant Accounting Policies**(a) The Reporting Entity**

The Reporting Entity includes the accounts and financial activities of organizations, as approved by Treasury Board, which are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislature and which are owned or controlled by Government.

A listing of organizations included in these financial statements is provided in Schedule 14 - Government Reporting Entity.

(b) Method of Consolidation

The accounts of government organizations, except those designated as government business enterprises, are consolidated after adjusting them to a basis consistent with the accounting policies described below. Inter-governmental transactions and balances are eliminated.

A government business enterprise is an organization, included in the reporting entity, that has the financial and operating authority to carry on a business and sell goods and services to individuals and non-government organizations as its principal activity and source of revenue.

Government business enterprises are recorded on the modified equity method. Under this method, the Government's equity in these enterprises is adjusted annually to reflect the net income/loss and other net equity changes of the enterprise without adjusting the enterprise's financial statements to conform with the accounting policies described below. Inter-governmental transactions and balances are not eliminated.

Adjustments are not made to the financial results of government organizations because of fiscal year-ends different than that used for the consolidated entity, unless it would have a significant impact on the consolidated operating results.

(c) Basis of Accounting**(i) Method**

These financial statements are prepared on the accrual basis of accounting, revenues being recorded when earned and expenditures being recorded when liabilities are incurred, with exceptions made in accordance with the applicable significant accounting policies.

(ii) Presentation

The Province follows the expenditure basis of accounting for the preparation of its financial statements.

The Province presents its financial statements using the "net debt" approach. The Province's net debt consists of total liabilities less financial assets.

(iii) Revenues

Revenues from the Government of Canada under the federal-provincial fiscal arrangements, Canada Health and Social Transfer and tax collection agreements are based on regular entitlements received for the current year and adjusted against future years' revenues when known.

Other revenues are recorded on an accrual basis.

(iv) Expenditures

Expenditures are recorded on an accrual basis.

Pension related costs consist of cost of benefits accrued, interest on the unfunded liability, and amortization of experience gains and losses.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(v) *Assets*

Temporary investments are recorded at cost or market value, whichever is lower.

Receivables are recorded for all amounts due for work performed and goods or services supplied. Valuation allowances are provided when collection is considered doubtful.

Inventories are comprised of items held for resale and are recorded at the lower of cost or net realizable value.

Loans and advances are recorded at cost. Valuation allowances are recorded to reflect assets at the lower of cost or net recoverable value. Loans made by the Province that are expected to be recovered from future appropriations are accounted for as expenditures by providing valuation allowances. Interest revenue on loans receivable is recognized when earned and ceases when collection is not reasonably assured.

Investments are recorded at cost and are written down when there is a loss in value that is other than a temporary decline.

Equity in government business enterprises represents the net assets of government business enterprises recorded on the modified equity basis as described under Note 1(b) - Method of Consolidation.

Unrealized foreign exchange gains or losses are deferred and amortized on a straight line basis over the remaining term of the debt.

Tangible capital assets held by the Province are valued at cost or estimated cost. Capital asset acquisitions are recorded as expenditures in the year they are acquired.

(vi) *Liabilities*

Payables, accrued and other liabilities are recorded for all amounts due for work performed, goods or services received or for charges incurred in accordance with the terms of a contract.

Deferred revenue represents amounts received but not earned.

Borrowings, except treasury bills, are recorded at face value and are reported net of sinking funds. Treasury bills are recorded at net proceeds. The Province records foreign-denominated debt in Canadian dollars translated at the exchange rate on the transaction date which is considered to be the issue date; except for the proceeds of hedged transactions which are recorded at the rate as established by the terms of that hedge. Foreign-denominated sinking fund assets are also recorded in Canadian dollars and transactions are translated at the exchange rate used in recording the related debt. At 31 March, foreign debt and sinking funds are adjusted to reflect the exchange rate in effect on that date.

(vii) *Government Transfers*

Government transfers are recognized by the Province as revenues or expenditures in the period during which both the payment is authorized and any eligibility criteria are met.

(viii) *Loan Guarantees*

The Province has guaranteed the repayment of principal and interest on certain debentures and bank loans on behalf of crown corporations, municipalities, private sector companies and certain individuals. A provision for loss is established when it is determined that a payment on guarantee is likely.

2. Cash and Temporary Investments

Cash and temporary investments of \$509.7 million, including accrued interest of \$0.17 million (31 March 2002 - \$0.08 million) consist of investments with financial institutions. These investments are callable or have maturity dates ranging from 02 January 2003 to 25 June 2003 at interest rates which vary from 1.35% to 3.14%.

3. Provision for Guaranteed Debt

An amount of \$0.8 million (31 March 2002 - \$0.2 million) has been recorded as a provision for possible losses on guaranteed debt. See Schedule 5 - Payables, Accrued and Other Liabilities.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Unamortized Unrealized Foreign Exchange Gains and Losses

Foreign currency debt and sinking funds are translated to Canadian dollars at the exchange rate at 31 March 2003. See Schedule 6 - Borrowings. Details of the effect of these translations at year end are outlined in the table below.

The net amortization expense is \$23.5 million which represents a debit adjustment (31 March 2002 - \$14.0 million-debit adjustment).

	31 March 2003	31 March 2002
	(\$mil)	(\$mil)
Unrealized foreign exchange gain (loss):		
Debt	(339.4)	(467.0)
Sinking funds	44.8	61.6
Net	(294.6)	(405.4)
Total accumulated amortization	121.5	98.0
Net unamortized unrealized foreign exchange gain (loss)	<u>(173.1)</u>	<u>(307.4)</u>

5. Unfunded Pension Liability**Defined Benefits**

The Government of Newfoundland and Labrador guarantees defined benefit pension plans for substantially all of its full time employees, and those of its Agencies, Boards and Commissions and for members of its Legislature. The plans are - the Public Service Pension Plan, Teachers' Pension Plan, Uniformed Services Pension Plan and the Members of the House of Assembly Pension Plan.

The Plans provide for pensions based on employees' length of service and highest average earnings. Employees contribute a defined percentage of their salary, and the employer generally matches this amount. As at 31 March 2003, the plans provided benefits to 17,104 pensioners. The Uniformed Services Pension Plan and the Members of the House of Assembly Pension Plan do not provide for inflation protection.

In 1980, the Province of Newfoundland and Labrador Pooled Pension Fund was established by the *Pensions Funding Act*, with the Minister of Finance as Trustee. This Fund administers all financial activity of these four plans, including the collection of all contributions and the payment of pensions and the investment of funds. The Province guarantees any deficiency in the event assets of a plan are insufficient to meet benefit payments or administration costs.

The following outlines the contribution and benefit formulae for each of the plans:

Contribution and Benefit Formulae**Public Service Pension Plan**

Employee contributions are 8.6% of pensionable salary, less a formulated amount representing contributions to the Canada Pension Plan (CPP). A pension benefit is available based on the number of years of pensionable service times 2% of the employee's best five years average salary, reduced by a formulated amount representing CPP earnings for each year since 1967.

Teachers' Pension Plan

Employee contributions are 9.35% of pensionable salary. A pension benefit is available based on the number of years of pensionable service prior to 1 January 1991 times 1/45th of the employee's best five years average salary, plus 2% of the employee's best five years average salary times years of pensionable service after that date, reduced by a formulated amount representing CPP earnings for each year since 1967.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Uniformed Services Pension Plan

Employee contributions are 8.5% of pensionable salary, less a formulated amount representing contributions to the CPP. Grandfathered members contribute an additional 3.5% of salary. A pension benefit is available based on the number of years pensionable service times 2% of the employee's best three years average salary, reduced by a formulated amount representing CPP earnings since 1967. Grandfathered members have higher service accrual pensions in recognition of their higher contributions.

Members of the House of Assembly Pension Plan

Member contributions are 9% of pensionable salary, which includes salary as a Minister, if applicable. A pension benefit is available after serving as a Member in, at least, two General Assemblies and for, at least, five years. The benefit formula is based on years of service expressed as a percentage of the average pensionable salary for the best three years. The percentage varies being 5% for each of the first ten years, 4% for each of the next five years and 2.5% for each of the next two years of service as a Member. For members elected for the first time after 1 April 1998, the percentage is 5% for the first ten years and 2.5% for each of the next ten years. The accrued benefit is reduced by a formulated amount representing CPP earnings for each year since 1967. Ministers receive an additional pension amount calculated similarly, based on service and pensionable salary as a Minister.

Actuarial Valuations

The actuarial valuations which are prepared by the Province's actuaries were based on a number of assumptions about future events, such as interest rates, wage and salary increases, inflation rates and rates of employee turnover, disability and mortality. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts. The expected interest and inflation rates follow:

Expected interest rates

The expected average interest rate for the Public Service Pension Plan is 7.5%. The expected rate for the Teachers' Pension Plan is 8.0% for the first six years after the valuation date and 7.5% thereafter. The expected rate for the Uniformed Services Pension Plan is 7.5% projected on a long term basis. The expected rate for the Members of the House of Assembly Pension Plan is 7.5% projected on a long term basis.

Expected inflation rates

The expected inflation rate for the Public Service Pension Plan is 3.0%. The expected rate for the Teachers' Pension Plan is 2.0% for the first year after the valuation date and 3.5% thereafter. The expected rate for the Uniformed Services Pension Plan is 3.5% projected on a long term basis. The expected rate for the Members of the House of Assembly Pension Plan is 3.5% projected on a long term basis.

The latest actuarial valuations for the Province's pension plans are dated as listed in the following table:

Plan	Valuation Date
Public Service Pension Plan	31 December 2000
Teachers' Pension Plan	31 August 2000
Uniformed Services Pension Plan	31 December 2000
Members of the House of Assembly Pension Plan	31 December 2000

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Pension Liability

Details of the pension liability are outlined in the table below. The estimated accrued benefits and the value of the plan assets reported below have been extrapolated by the Province's actuaries to 31 March 2003. The actual results of future valuations may result in variances from these extrapolations.

Plan	Estimated Accrued Benefit Obligation	Fund Assets	Unamortized Experience Losses 2003	Net Unfunded Liability 2003	Net Unfunded Liability 2002	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service Pension Plan	3,319.9	1,332.3	(494.9)	1,492.7	1,455.9	36.8
Teachers' Pension Plan	2,778.4	643.6	(294.3)	1,840.5	1,705.6	134.9
Uniformed Services Pension	223.9	30.8	(7.8)	185.3	190.0	(4.7)
MHA Pension Plan	55.7	11.6	(5.8)	38.3	40.9	(2.6)
Total	\$6,377.9	\$2,018.3	(\$802.8)	\$3,556.8	\$3,392.4	\$164.4

Pension Fund Assets are valued at the market value at 31 December 2002 and projected to year end.

The Net Unfunded Liability 2002 has been restated from the amount previously reported. See Note 11(b) - Pension Plan Assets.

Special Payments

Pursuant to the applicable pensions legislation, the Province has agreed to increase its special payments into the Public Service Pension Plan from \$40 million to \$60 million annually commencing 01 January 2003 and to continue the payment as long as the plan remains unfunded. In addition, the Province has agreed to make special payments of \$76 million annually into the Teachers' Pension Plan until the remaining balance of an initial obligation of \$815 million plus interest has been paid, as well as to make annual payments of \$20 million and \$7.5 million to the Uniformed Services Pension Plan and the Members of the House of Assembly Pension Plan respectively, for five years commencing 2001-2002.

Pension Expense

In these statements, pension costs have been determined as the cost of benefits accrued during the period. Interest on the unfunded liability has been accrued for the same period.

The change in the unfunded liability for the current period for each plan is comprised of the following amounts:

Plan	Province's Share of Pension Benefits Earned for the Period	Pension Interest Expense on the Unfunded Liability	Province's Current Period Pension Contributions	Current Period Amortization of Experience Changes	Plan Amendments	Unfunded Portion of Current Period Pension Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service Pension Plan	49.8	102.1	(105.3)	(190.8)	181.0	36.8
Teachers' Pension Plan	14.4	149.7	(107.6)	16.1	62.3	134.9
Uniformed Services Pension	1.7	14.8	(21.9)	0.7	-	(4.7)
MHA Pension Plan	0.9	3.6	(7.9)	0.8	-	(2.6)
Total	\$66.8	\$270.2	(\$242.7)	(\$173.2)	\$243.3	\$164.4

Pension interest expense is included with interest as debt expenses in the financial statements. Pension interest expense for 31 March 2002 amounted to \$243.0 million.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Experience Gains or Losses

Experience gains or losses are amortized over the estimated average remaining service life of active contributors. The amortization amount is included with pension costs in the financial statements.

Unamortized experience gains/losses have changed from a \$211.3 million gain at 31 March 2002 to a \$802.8 million loss at 31 March 2003. This change is represented by experience losses for the Public Service Pension Plan of \$642.8 million relating to a new valuation at 31 December 2000; experience losses of \$198.1 million related to the value of the Fund assets of the other three plans; a debit adjustment of \$181.0 million to offset the plan amendment costs of the Public Service Pension Plan, and a credit adjustment of \$7.8 million as a result of current period amortization of experience changes.

Plan Amendments

The Public Service Pension Plan was amended 01 January 2002 so that no CPP reduction for retirement, survivor and disability benefits is applied until the member's 65th birthday. As a result of this amendment, the unfunded pension liability at 31 March 2003 for the current year has increased by \$8.0 million.

The Public Service Pension Plan and the Teachers' Pension Plan were amended at 01 October 2002 and 01 September 2002 respectively, to include indexing provisions and an increase in required contributions. As a result of these amendments, the unfunded pension liability for the current year has increased by \$235.3 million.

The total of these plan amendments was \$243.3 million - as detailed above.

Other Pension Plans

The Government Money Purchase Pension Plan was established for employees whose employment status does not qualify them for participation in another of their employer's pension plans. This plan has approximately 21,000 participants. Employees contribute 5% of their salary to the Plan and the Province generally matches this contribution. Each employee will receive an annuity at retirement, the value of which is determined by their accumulated contributions plus investment earnings. This Plan is administered by the Canada Trust Financial Service and at 31 March 2003 assets had a market value of \$128.5 million.

6. Contingent Liabilities**(a) Guarantees**

Guarantees made by the Province amounted to \$1.5 billion (31 March 2002 - \$1.4 billion). In addition, the Province guaranteed the interest thereon. See Schedule 7 - Guaranteed Debt.

(b) Legal Actions

(i) There have been a number of statements of claim alleging negligence on the part of Government employees and agencies in not preventing abuse while these claimants were under Government care. The Province has also filed a statement of claim against a third party in an attempt to recover monies already paid out for similar claims.

(ii) A Statement of Claim has been served on the Province in its role as the regulator of mortgagor brokers and investment companies.

(iii) A number of claims have been filed against the Province related to general damages and personal claims pursuant to action initiated by the Province.

(iv) There has been a claim served against the Fisheries Loan Board in respect of loss of business and for damages.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(c) Other**(i) Registrar of the Supreme Court**

The Province of Newfoundland and Labrador guarantees all sums required to discharge the balances of the Registrar of the Supreme Court as administrator, guardian, trustee, etc. (*Judicature Act*).

(ii) Pensions**a) Province of Newfoundland and Labrador Pooled Pension Fund**

Pursuant to Section 9 of the *Pensions Funding Act*, the Province is liable for any deficiency in the Province of Newfoundland and Labrador Pooled Pension Fund covered by that Act. See Note 5 - Unfunded Pension Liability.

b) Memorial University of Newfoundland Pension Fund

Pursuant to Section 6 of the *Memorial University Pensions Act*, the Province is liable for payment of any deficiency in the Memorial University of Newfoundland Pension Fund covered by that Act. As at 31 March 2003, no liability existed.

(iii) Trust Accounts

The Province is contingently liable for any shortage that may occur for funds held in trust by the Province. Currently, all obligations held have an offsetting asset.

(iv) Canadian Saltfish Corporation

On 17 July 1970, the Province entered into an agreement with the Government of Canada for the marketing of saltfish products by the Canadian Saltfish Corporation (the Corporation), pursuant to the Saltfish Act. The Agreement provided that the Province is required to pay to the Government of Canada its proportional share of 50 per cent of the losses to Canada. This share is based on the loss to Canada based on the total value of annual sales of cured fish products applicable to each participating province.

On 19 February 1993 the Government of Canada requested that the Province compensate it for losses incurred to 31 March 1992. The amount which the Government of Canada calculated as the Province's share of the losses is \$21.6 million.

This matter is currently under discussion between the Government of Canada and the Province. However, the Province takes the position that for a number of reasons, including the fact that the Corporation engaged in activities beyond its mandate as determined by the Auditor General of Canada and confirmed by the Department of Justice of Canada, it is not liable for the amount claimed.

(v) Newfoundland and Labrador Student Loans Program

Under the loan guarantee component of this Program, the Province has issued guarantees totalling \$0.2 million. Under the loan remission component of the Program, the Province is contingently liable for possible remissions totalling \$8.0 million. Under the current service provider, the Province is contingently liable for loans issued as of 31 March 2003 totalling \$198.8 million. The expected default rate on these loans is 25% -30%. See Note 13 - Subsequent Event.

(vi) Environmental Responsibility

As a result of delivering its stated programs and initiatives, the Province acknowledges that there are situations where it may be responsible for dealing with environmental issues. As at 31 March 2003, the status and costs of potential issues are not determinable.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Commitments

Commitments to outside organizations in respect of contracts entered into before 31 March 2003 amount to \$274.4 million, of which \$37.6 million is for lease payments, \$153.9 million for capital projects, \$58.0 million for government's service agreement with xwave Solutions Limited and other agreements of \$24.9 million. These commitments will become liabilities when the terms of the contracts are met. Payments in respect of these contracts and agreements for the Consolidated Revenue Fund are subject to the voting of supply by the Legislature.

8. Trust Accounts

Trust funds are presented as a self-balancing, separate component. Additional information is provided in Schedule 8 - Trust Accounts.

9. Measurement Uncertainty

Measurement uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available. Some examples of where measurement uncertainty exists are the accrual of pension obligations, the amortization of foreign exchange gains or losses and the allowance for guaranteed debt.

10. Self-Insured Workers' Compensation Benefits

Payables, accrued and other liabilities on the Statement of Financial Position at 31 March 2002 have been restated by \$24.8 million to include self-insured workers' compensation benefits.

This liability relates to the provincial government employees for which the Province provides self-insured workers' compensation benefits. The estimated liability was calculated based on the relationship of the self-insured salaries base of the other three Atlantic provinces to the amount of their recorded workers' compensation benefits liabilities for the year ended 31 March 2002, and applying such relationship to the Province's self-insured salaries. Given the nature of the liability, the methodology employed to calculate an initial estimate and the immateriality of any change in the liability during the year, there was no significant impact on net expenditure over revenue. The total amount of the liability was applied to beginning net debt for 31 March 2002. See Note 11 - Prior Years' Adjustments.

11. Prior Years' Adjustments**(a) Unamortized Unrealized Foreign Exchange Loss**

The unamortized unrealized foreign exchange loss at 31 March 2002 have been increased from \$289.3 million to \$307.4 million (increase of \$18.1 million) as a result of a change in the application of the accounting policy with respect to the amortization of foreign exchange gains/losses on debenture and other debt. This has resulted in a decrease in net expenditure over revenue of \$6.1 million and a decrease in net debt of \$12.0 million.

(b) Pension Plan Assets

The unfunded pension liability at 31 March 2002 has been increased from \$3,391.6 million to \$3,392.4 million due to an adjustment of \$0.8 million to the plan assets for the Uniformed Services Pension Plan and the Members of the House of Assembly Pension Plan. This has resulted in an increase to net expenditure over revenue of \$0.8 million.

The above adjustments have resulted in a total decrease in net expenditure over revenue for the year ended 31 March 2002 from \$473.1 million to \$467.8 million (decrease of \$5.3 million) represented by a decrease of \$6.1 million related to unamortized unrealized foreign exchange losses and an increase of \$0.8 million related to an adjustment to the plan assets for the Uniformed Services Pension Plan and the Members of the House of Assembly Pension Plan.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The above adjustments, in addition to the adjustment in Note 10 - Self-Insured Workers' Compensation Benefits, have also resulted in a total increase in net debt at 31 March 2002 from \$8,924.8 million to \$8,932.3 million (increase of \$7.5 million) represented by an increase in other liabilities of \$24.8 million, the direct decrease in net debt of \$12.0 million related to unamortized unrealized foreign exchange losses and the decrease in net expenditure over revenue of \$5.3 million.

These changes have been applied retroactively and the 31 March 2002 figures presented for comparative purposes have been restated from those previously reported.

12. Government Organization Changes

The net debt at 31 March 2003 has been decreased by \$12.3 million to reflect the change to the prior year's amounts in the 31 March 2002 financial statements of certain entities. This change has been applied retroactively without restatement.

13. Subsequent Event

On 1 August 2003, the Province entered into an agreement with the Canadian Imperial Bank of Commerce (CIBC), its current service provider under the Newfoundland and Labrador Student Loans Program, whereby the Province has agreed to assume ownership of CIBC's outstanding portfolio under the Program. The projected outstanding balance at 31 March 2004 is expected to be in excess of \$200.0 million.

14. Comparatives

Certain of the 31 March 2002 financial statement figures have been restated to be consistent with the 31 March 2003 statement presentation.

15. Additional Notes

In addition to the aforementioned, there are various other notes disclosed in the schedules which follow.

SUMMARY FINANCIAL STATEMENTS

*Schedule 1***PROVINCE OF NEWFOUNDLAND AND LABRADOR**

Receivables
As at 31 March 2003
with comparative figures for 2002

	<u>2003</u>	<u>2002</u>
	(\$000)	(\$000)
Accounts receivable	199,255	209,093
Taxes receivable	141,492	154,009
Due from Government of Canada	<u>29,783</u>	<u>37,638</u>
	370,530	400,740
Less: Provision for doubtful accounts	<u>90,309</u>	<u>94,378</u>
	<u><u>280,221</u></u>	<u><u>306,362</u></u>

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Investments As at 31 March 2003 with comparative figures for 2002

	2003	2002
	(\$000)	(\$000)
Loans and Advances		
Municipalities	272,595	290,658
Commercial	77,716	87,052
Other	46,392	39,011
Housing	9,974	21,304
	406,677	438,025
Less: Provision for loan repayments through future appropriations	245,787	252,169
Provision for doubtful loans and advances	67,929	75,713
	92,961	110,143
Investments		
Water rights held in Labrador (Note 1)	30,000	30,000
Equity investments	23,088	22,029
Government of Canada Coupon investments	17,438	19,890
CHC Composites Inc	9,500	9,500
ACF Equity Atlantic Inc	2,231	2,231
Mineral Resources Corporation	640	640
Terra Nova Shoes Limited	135	435
Atlantic Ocean Farms Limited	290	290
Other investments	1,956	1,876
	85,278	86,891
Less: Provision for write-down of investments	32,366	31,969
	52,912	54,922
	145,873	165,065

NOTES

1. Water rights held in Labrador

Pursuant to an agreement dated 24 November 1978, the Lower Churchill Development Corporation Limited (LCDC) has the option of purchasing Newfoundland and Labrador Industrial Development Corporation's water rights to the Lower Churchill River in consideration for the issuance of 3,000 Class B common shares without nominal or par value. These shares will then be transferred to Newfoundland and Labrador Hydro. This option was to expire 24 November 1996 but has been extended to 24 November 2003. LCDC was incorporated under the *Corporations Act* and is owned 51% by Newfoundland and Labrador Hydro and 49% by the Government of Canada. LCDC was established with the objective of developing all or part of the hydro-electric potential of the Lower Churchill Basin.

2. Interest rates

Interest rates for all loans range from non-interest bearing to 14.5% and are repayable over terms not exceeding twenty five years.

SUMMARY FINANCIAL STATEMENTS

Schedule 3

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Equity in Government Business Enterprises
As at 31 March 2003
with comparative figures for 2002**

	Nfld. Liquor Corporation 31 Mar 2003	Nfld. and Labrador Hydro 31 Dec 2002	Total 2003	Total 2002
	(\$000)	(\$000)	(\$000)	(\$000)
Equity - as previously reported	37,272	668,700	705,972	703,894
Equity adjustment	141	(5,100)	(4,959)	-
Equity - beginning of year	37,413	663,600	701,013	703,894
Net income for year	92,374	58,000	150,374	146,378
Capital transactions:				
Transfers to government	(93,000)	(128,000)	(221,000)	(144,300)
Equity - end of year	36,787	593,600	630,387	705,972
Equity represented by:				
Assets:				
Cash and temporary investments	11,072	200	11,272	17,309
Receivables	7,083	200,100	207,183	75,376
Inventories	24,176	48,000	72,176	69,597
Prepaid and deferred charges	481	112,400	112,881	234,755
Investments	-	5,200	5,200	5,200
Capital assets	12,501	1,904,700	1,917,201	1,845,249
Total Assets	55,313	2,270,600	2,325,913	2,247,486
Liabilities:				
Accounts payable and accruals	18,315	116,600	134,915	118,214
Other deferred liabilities	-	-	-	10,000
Borrowings	211	1,545,600	1,545,811	1,398,500
Total Liabilities	18,526	1,662,200	1,680,726	1,526,714
Non-controlling interest	-	14,800	14,800	14,800
Equity	36,787	593,600	630,387	705,972

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Net Income of Government Business Enterprises For the year ended 31 March 2003 with comparative figures for 2002

	Nfld. Liquor Corporation 31 Mar 2003	Nfld. and Labrador Hydro 31 Dec 2002	Total 2003	Total 2002
	(\$000)	(\$000)	(\$000)	(\$000)
Revenue:				
Revenue from operations	169,064	427,600	596,664	556,193
Expenses:				
Expenses from operations	76,690	357,400	434,090	398,715
Transfers to government	-	12,200	12,200	11,100
Total Expenses	<u>76,690</u>	<u>369,600</u>	<u>446,290</u>	<u>409,815</u>
Net income	<u>92,374</u>	<u>58,000</u>	<u>150,374</u>	<u>146,378</u>

SUMMARY FINANCIAL STATEMENTS

Schedule 5

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Payables, Accrued and Other Liabilities
As at 31 March 2003
with comparative figures for 2002

	<u>2003</u>	<u>2002</u>
	(\$000)	(\$000)
Accrued salaries and employee benefits	484,525	454,949
Accounts payable	251,452	247,798
Accrued interest payable	199,681	208,390
Due to Government of Canada	80,259	5,325
Due to municipalities	74,988	60,556
Long-term leases	45,405	48,106
Other	24,217	34,918
Provision for guaranteed debt	<u>801</u>	<u>170</u>
	<u><u>1,161,328</u></u>	<u><u>1,060,212</u></u>

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Borrowings As at 31 March 2003 with comparative figures for 2002

	2003			Interest Rate Range	2002
	Total Borrowings	Sinking Fund Balance	Net Borrowings		Net Borrowings
	(\$000)	(\$000)	(\$000)	(%)	(\$000)
Consolidated Revenue Fund					
Treasury bill borrowings	490,441	-	490,441	2.72-3.21	491,475
General debentures	5,364,732	694,761	4,669,971	5.12-13.50	4,603,008
Government of Canada	633,059	77,885	555,174	5.88-14.06	449,516
Other	200,586	-	200,586	prime-4.61	200,000
	<u>6,688,818</u>	<u>772,646</u>	<u>5,916,172</u>		<u>5,743,999</u>
Newfoundland and Labrador Municipal Financing Corporation					
General debentures	370,396	44,399	325,997	3.50-12.75	343,761
Newfoundland and Labrador Housing Corporation					
Demand loans	-	-	-	prime	11,186
General debentures	29,951	-	29,951	6.22	30,583
Other	33,472	-	33,472	3.67-7.75	41,522
	<u>63,423</u>	<u>-</u>	<u>63,423</u>		<u>83,291</u>
Other Debt					
Health Care organizations	215,518	1,572	213,946	prime-11.00	230,638
Miscellaneous	114,495	-	114,495	prime-10.75	55,750
	<u>330,013</u>	<u>1,572</u>	<u>328,441</u>		<u>286,388</u>
Total	<u><u>7,452,650</u></u>	<u><u>818,617</u></u>	<u><u>6,634,033</u></u>		<u><u>6,457,439</u></u>

See accompanying notes.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE SCHEDULE OF BORROWINGS
As at 31 March 2003

1. Borrowings

Borrowings and unamortized foreign exchange losses, by major currency, and sinking funds as at 31 March 2003 are as follows:

Major Currencies	Foreign Borrowings	Exchange Rate	Canadian \$	Unamortized Foreign Exchange Losses	Net
			(000's)	(000's)	(000's)
Swiss	150,000	1.0845	162,675	21,997	140,678
U.S.	1,150,000	1.4678	1,687,970	182,117	1,505,853
			<u>1,850,645</u>	<u>204,114</u>	<u>1,646,531</u>
Canadian			<u>5,602,005</u>	<u>-</u>	<u>5,602,005</u>
		Sub-total	<u>7,452,650</u>	<u>204,114</u>	<u>7,248,536</u>
		Less: Foreign sinking funds	285,424	31,016	254,408
		Less: Canadian sinking funds	<u>533,193</u>	<u>-</u>	<u>533,193</u>
		Total	<u><u>6,634,033</u></u>	<u><u>173,098</u></u>	<u><u>6,460,935</u></u>

2. Contributions and Repayment Requirements

Sinking fund contributions and debt repayments which are not funded by a sinking fund, by major currency, in Canadian dollars are as follows:

	U.S.	Canadian	Total
	(000's)	(000's)	(000's)
2003-2004	13,600	45,878	59,478
2004-2005	13,600	260,818	274,418
2005-2006	13,600	168,511	182,111
2006-2007	13,600	129,609	143,209
2007-2008	10,600	299,845	310,445
2008-2042	<u>122,200</u>	<u>1,968,109</u>	<u>2,090,309</u>
	<u><u>187,200</u></u>	<u><u>2,872,770</u></u>	<u><u>3,059,970</u></u>

3. Foreign Exchange Loss

The foreign exchange loss which has been recognized on the Statement of Revenue and Expenditure is \$23.5 million.

4. Sensitivity Analysis

An increase/decrease of one cent in the foreign exchange rates at 31 March 2003 would result in an increase/decrease in foreign borrowings of \$13.0 million.

5. Debt-Related Risk

The Province, in consultation with its fiscal agents, monitors financial markets (interest and foreign currency rates) in consideration of its existing debt servicing costs and mix of domestic and foreign currency debt. Opportunities to reduce debt servicing costs, while keeping debt-related risk to an acceptable level, are duly considered by the Province.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Guaranteed Debt As at 31 March 2003 with comparative figures for 2002

	2003 (\$000)	2002 (\$000)
Guaranteed Debentures		
Newfoundland and Labrador Hydro	1,461,052	1,319,944
Municipalities	1,099	1,276
Newfoundland Liquor Corporation	105	209
	1,462,256	1,321,429
Guaranteed Bank Loans		
Fisheries	29,589	30,315
Mortgages	3,976	4,649
Other corporations	1,757	1,641
Municipalities	75	580
	35,397	37,185
Other Guarantees		
Other	-	7,000
	1,497,653	1,365,614

NOTE

Limit of Loan Guarantees: Guaranteed Debentures - \$1,462.3 million; Guaranteed Bank Loans - \$41.7 million.

SUMMARY FINANCIAL STATEMENTS

Schedule 8

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Trust Accounts
As at 31 March 2003
with comparative figures for 2002

	2003	2002
	(\$000)	(\$000)
Registrar of the Supreme Court	21,077	22,144
Newfoundland Government Fund	20,000	19,000
Commercial and Corporate Affairs Trust	6,596	5,771
Teachers' Accrued Salary Trust Account	5,010	4,507
Patients' Funds Held in Trust	2,637	2,838
Federal/Provincial Contractors' Security Account	913	1,950
Consolidated Tender Account	675	997
Other Trust Accounts	956	981
Homes for Special Care	647	646
Provincial Courts Trust Account	354	328
	<u>58,865</u>	<u>59,162</u>

NOTE

The Workplace Health Safety and Compensation Commission (the Commission) is considered to be a form of trust. For the most recent fiscal year ended 31 December 2002, the Commission reported a surplus of \$17.4 million (December 2001 - deficit of \$7.7 million) and an unfunded liability of \$178.9 million (31 December 2001 - \$200.0 million). Under legislation, no liability on behalf of the Province has been established. The Commission's financial statements are reproduced in Volume IV of the Public Accounts.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Tangible Capital Assets As at 31 March 2003 with comparative figures for 2002

Category	Estimated Useful Life	Estimated Original Cost			Accumulated Amortization			Net Book Value 31 March
		Balance 31 March 2002	Additions Net of Disposals 2003	Balance 31 March 2003	Balance 31 March 2002	Amort. Net of Disposals 2003	Balance 31 March 2003	
	(years)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Buildings	40	1,860.4	67.2	1,927.6	553.1	21.5	574.6	1,353.0
Marine vessels & aircraft	20	74.3	8.0	82.3	47.3	7.4	54.7	27.6
Equipment & machinery	4 - 20	603.8	42.3	646.1	352.9	33.0	385.9	260.2
Infrastructure	20 - 40	3,650.0	68.1	3,718.1	3,005.7	49.1	3,054.8	663.3
Computer software	7	27.2	0.7	27.9	16.4	3.3	19.7	8.2
Sub-total		<u>6,215.7</u>	<u>186.3</u>	<u>6,402.0</u>	<u>3,975.4</u>	<u>114.3</u>	<u>4,089.7</u>	<u>2,312.3</u>
Work in progress				<u>150.3</u>				<u>150.3</u>
Total				<u><u>6,552.3</u></u>				<u><u>2,462.6</u></u>

See accompanying notes.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE SCHEDULE OF TANGIBLE CAPITAL ASSETS
As at 31 March 2003

1. Tangible Capital Assets

Tangible capital assets are reported as expenditures in the year the assets are acquired. Tangible capital assets that meet the minimum thresholds for the appropriate categories are included.

While the Province has greatly improved the quality of its tangible capital asset information over the past several years, efforts are ongoing to further improve the completeness, integrity and presentation of such information.

For the current year, the accounting policies for tangible capital assets of the organizations in the Government Reporting Entity have not been adjusted to conform with the policies of the Consolidated Revenue Fund. This issue will be addressed in future Public Accounts.

2. Amortization

The historic cost of the assets is estimated in many cases, and amortization is calculated on a straight line basis over the following useful lives:

Asset	Estimated Useful Life
Buildings	40 years
Marine vessels & aircraft	
Marine vessels	20 years
Aircraft	20 years
Equipment & machinery	
Heavy machinery and equipment	20 years
Snow removal equipment	10 years
Office/other machinery and equipment	10 years
Vehicles	5 years
Computer hardware	4 years
Infrastructure	
Roads	20 years
Airstrips	20 years
Marine facility infrastructure	20 years
Other infrastructure assets	20 years
Land	indefinite
Bridges	40 years
Computer software	7 years

3. Work In Progress

Work in progress is considered to be a tangible capital asset, however it is not amortized as the applicable assets are not yet available for use. Government currently has a number of projects under construction or development with a total of \$150.3 million having been spent on these projects to date. Upon completion, these assets are recorded in the appropriate category in the schedule.

4. Historical or Cultural Assets

In accordance with current accounting standards, certain assets which have historical or cultural value belonging to the Province are not included in this schedule. Such assets consist of paintings, sculptures, historical documents and historical and cultural artifacts.

5. Leased Assets

The gross amount of leased tangible capital assets is \$77.2 million and accumulated depreciation is \$40.2 million. These are included in the appropriate category in the schedule.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue For the year ended 31 March 2003 with comparative figures for 2002

	2003	2002
	(\$000)	(\$000)
Government of Canada		
Equalization	1,085,963	1,117,374
Canada health and social transfer	312,868	333,805
Cost-shared programs	173,813	187,076
Other	16,767	18,540
	<u>1,589,411</u>	<u>1,656,795</u>
Taxation		
Personal income tax	671,419	607,164
Sales tax	589,998	556,368
Other	290,230	234,281
Gasoline tax	135,926	131,624
Corporate income tax	108,645	54,906
	<u>1,796,218</u>	<u>1,584,343</u>
Investment		
Sinking fund earnings	69,771	78,513
Other	57,007	194,023
Interest	40,637	60,188
	<u>167,415</u>	<u>332,724</u>
Fees and Fines		
Fees	135,264	97,327
Fines	7,692	8,660
	<u>142,956</u>	<u>105,987</u>
Other	255,595	220,263
	<u>3,951,595</u>	<u>3,900,112</u>

SUMMARY FINANCIAL STATEMENTS

Schedule 11

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Expenditure by Department
For the year ended 31 March 2003
with comparative figures for 2002**

	2003	2002
	(\$000)	(\$000)
General Government Sector		
Consolidated Fund Services	939,811	803,753
Executive Council	32,569	28,872
Finance	116,051	87,287
Government Services and Lands	30,002	28,736
Labrador and Aboriginal Affairs	7,270	6,673
Legislature	14,031	12,720
Public Service Commission	2,216	3,038
Works, Services and Transportation	261,841	335,799
	<u>1,403,791</u>	<u>1,306,878</u>
Resource Sector		
Environment	22,647	13,335
Fisheries and Aquaculture	9,508	11,999
Forest Resources and Agrifoods	56,193	47,194
Industry, Trade and Rural Development	40,046	46,830
Mines and Energy	30,083	17,680
Tourism, Culture and Recreation	60,232	42,543
	<u>218,709</u>	<u>179,581</u>
Social Sector		
Education	584,505	567,717
Health and Community Services	1,671,380	1,558,334
Human Resources and Employment	259,808	260,458
Justice	141,778	139,013
Labour	7,163	6,396
Municipal and Provincial Affairs	230,543	233,457
Youth Services and Post-Secondary Education	275,118	262,469
	<u>3,170,295</u>	<u>3,027,844</u>
	<u>4,792,795</u>	<u>4,514,303</u>

NOTE

Expenditure by Department includes expenditures by organizations in the government reporting entity which report to that department.

PROVINCE OF NEWFOUNDLAND AND LABRADOR
**Expenditure by Object
For the year ended 31 March 2003
with comparative figures for 2002**

	<u>2003</u>	<u>2002</u>
	(\$000)	(\$000)
Salaries and employee benefits	1,852,486	1,657,577
Debt expenses	978,996	941,933
Grants and subsidies	869,500	819,918
Operating costs	699,628	710,964
Professional services	208,964	204,180
Capital property acquisitions	130,783	142,425
Information technology	30,646	29,553
Valuation allowances	21,792	7,753
	<u>4,792,795</u>	<u>4,514,303</u>

SUMMARY FINANCIAL STATEMENTS

Schedule 13

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Reconciliation of Cash Results to Consolidated Accrual Results
For the year ended 31 March 2003
with comparative figures for 2002**

	<u>2003</u>	<u>2002</u>
	(\$000)	(\$000)
Deficit - Actuals (cash)	(36,198)	(47,250)
Deficit - Actuals (consolidated accrual)	<u>(690,826)</u>	<u>(467,813)</u>
Change in deficit (Note 1)	<u><u>(654,628)</u></u>	<u><u>(420,563)</u></u>
The change in deficit is comprised of the following:		
Consolidated Revenue Fund: (Note 2)		
Sinking fund earnings	(14,017)	(81,790)
Accrued pension costs - interest	(270,276)	(243,019)
Accrued pension costs - other	(42,545)	55,833
Amortization of foreign exchange losses	(43,994)	(19,072)
Other debt expenses	1,972	(4,332)
Bad debt expenses	(8,232)	(11,324)
Accrued revenues and expenses	<u>(94,848)</u>	<u>(21,499)</u>
	<u>(471,940)</u>	<u>(325,203)</u>
Other entities: (Note 3)		
Health care sector	(16,993)	(17,607)
Education sector	(29,395)	(32,864)
General Government sector	<u>(136,300)</u>	<u>(44,889)</u>
	<u>(182,688)</u>	<u>(95,360)</u>
Change in deficit	<u><u>(654,628)</u></u>	<u><u>(420,563)</u></u>

See accompanying notes.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE RECONCILIATION OF CASH RESULTS TO CONSOLIDATED ACCRUAL RESULTS
For the year ended 31 March 2003

1. Reconciliation of Cash Results to Consolidated Accrual Results

This schedule reconciles the cash deficit of the Consolidated Revenue Fund to the accrual deficit on a consolidated basis. The change shown consists of year end accrual adjustments for the Consolidated Revenue Fund and accounting policy adjustments to the annual results of government organizations.

2. Consolidated Revenue Fund

Sinking fund earnings represent the interest earned on the sinking funds during the year less the sinking fund income returned to the Province from the sinking funds retired.

Accrued pension costs (interest) represent the net interest expense on the unfunded pension liability.

Accrued pension costs (other) represent employer contributions less current costs (which includes an amount for a plan amendment to the Teachers' Pension Plan for 2003).

Amortization of foreign exchange losses represent the amortization of the unrealized foreign exchange losses.

Other debt expenses represent primarily the change in the accrued interest expense on the debt and capital leases.

Bad debt expenses represent the net increase in the allowance for doubtful accounts receivable, loans, investments, and guarantees made by the Province.

Accrued revenues and expenses represent all other changes in revenues and expenses during the year, e.g. equalization, sales tax, salaries and benefits.

3. Other Entities

This represents the accrual deficits of all other government organizations after adjustments have been made to conform to the accounting policies of the Province, e.g. expenditure of capital assets versus capitalization of these assets. The General Government sector adjustment includes the above and reverses the cash received by the Province for Newfoundland and Labrador Hydro and Newfoundland Liquor Corporation and records the net income of these entities.

SUMMARY FINANCIAL STATEMENTS

Schedule 14

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Government Reporting Entity
For the year ended 31 March 2003**

GOVERNMENT ORGANIZATIONS

J	Avalon East School Board
	Avalon Health Care Institutions Board
J	Avalon West School District
J	Baie Verte, Central, Connaigre School District
	Board of Commissioners of Public Utilities
	Bull Arm Site Corporation
J	Burin Peninsula School Board
Note 1	Business Investment Corporation
	C.A. Pippy Park Commission
	Central East Health Care Institutions Board
	Central Regional Health and Community Services Board
	Central West Health Corporation
	College of the North Atlantic
J	Conseil Scolaire Francophone Provincial de Terre-Neuve et du Labrador
	Consolidated Revenue Fund
J	Cormack Trail School Board
J	Corner Brook - Deer Lake - St. Barbe School District
D	Credit Union Deposit Guarantee Corporation
	Eastern Health and Community Services Board
	Grenfell Regional Health Services Board
	Health Care Corporation of St. John's
	Health Labrador Corporation
	Heritage Foundation of Newfoundland and Labrador
	Hotel Buildings Limited
J	Labrador School Board
	Labrador Transportation Initiative Fund
J	Lewisporte/Gander School District
	Livestock Owners Compensation Board
A	Marble Mountain Development Corporation
A	Marble Mountain Management Corporation
	Multi-Materials Stewardship Board
	Municipal Assessment Agency Inc.
Note 2	Newco IV Corporation
	Newfoundland and Labrador Arts Council
	Newfoundland and Labrador Centre for Health Information
	Newfoundland and Labrador Crop Insurance Agency
	Newfoundland and Labrador Education Investment Corporation
	Newfoundland and Labrador Farm Products Corporation
	Newfoundland and Labrador Film Development Corporation
	Newfoundland and Labrador Heritage Corporation
	Newfoundland and Labrador Housing Corporation

SUMMARY FINANCIAL STATEMENTS

GOVERNMENT REPORTING ENTITY (continued)

GOVERNMENT ORGANIZATIONS

	Newfoundland and Labrador Industrial Development Corporation
	Newfoundland and Labrador Legal Aid Commission
	Newfoundland and Labrador Municipal Financing Corporation
	Newfoundland and Labrador Petroleum Products Pricing Commission
	Newfoundland and Labrador Student Investment and Opportunity Corporation
	Newfoundland Hardwoods Limited
	Newfoundland Ocean Enterprises Limited
J	Northern Peninsula/Labrador South School Board
	Peninsulas Health Care Corporation
	Provincial Advisory Council on the Status of Women
	Provincial Information and Library Resources Board
	Provincial Perinatal Program
D	Public Accountants Licensing Board
	Public Health Laboratory
	Special Celebrations Corporation of Newfoundland and Labrador, Inc.
	St. John's Nursing Home Board
	St. John's Regional Health and Community Services Board
Note 3	The John Cabot (1997) 500th Anniversary Corporation
	The Newfoundland Cancer Treatment and Research Foundation
J	Vista School District
	Western Health Care Corporation
	Western Regional Health and Community Services Board

GOVERNMENT BUSINESS ENTERPRISES

D	Newfoundland and Labrador Hydro
	Newfoundland Liquor Corporation

LEGEND

A	These entities have a year end of 30 April.
J	These entities have a year end of 30 June.
D	These entities have a year end of 31 December.

NOTES

Note 1	Enterprise Newfoundland and Labrador Corporation, the Farm Development Loan Board and the Fisheries Loan Board of Newfoundland and Labrador have been amalgamated to create the Business Investment Corporation.
Note 2	The financial statements for 28 February 2003 represented the final financial position and results of operations for Newco IV.
Note 3	The financial statements for 17 February 2003 represented the final financial position and results of operations for The John Cabot (1997) 500 th Anniversary Corporation.