



# **Province of Newfoundland and Labrador**

## **Public Accounts**

### **Volume II**

#### **Consolidated Revenue Fund Financial Statements**

**For The Year Ended  
31 March 2004**

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## INTRODUCTION

The *Financial Administration Act* requires that all revenues over which the Legislature has power of appropriation shall form one Consolidated Revenue Fund. The financial statements of the Consolidated Revenue Fund of the Province of Newfoundland and Labrador are presented through the publication of the Public Accounts, Volume II.

These statements are prepared on the accrual basis of accounting in accordance with the Public Sector Accounting 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. Budget figures, where available, are provided on several Statements for comparison purposes.

The Public Accounts for the year ended 31 March 2004 consists of three other volumes:

**Volume I - Consolidated Summary Financial Statements** presents the summary financial statements which 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 controlled by the Government of Newfoundland and Labrador.

**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>

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## CHANGES TO THE FINANCIAL STATEMENTS

Effective for the 2003-04 Public Accounts, the Province's financial statements (Volumes I and II) have been prepared in accordance with the new government reporting format as prescribed by new Public Sector Accounting Standards issued by the Canadian Institute of Chartered Accountants. A summary of the major changes from 2002-03 are as follows:

- Statement of Operations replaces the former Statement of Revenue and Expenditure and reflects the amortization expense associated with tangible capital assets. Budget figures are also included for comparison.
- Statement of Change in Net Debt replaces the former Statement of Net Debt and includes Budget figures for comparison.
- Statement of Cash Flows replaces the former Statement of Changes in Financial Position.
- Introduction of a new Statement of Change in Accumulated Deficit.

The most significant impact of this change is the initial recording of tangible capital assets (representing a non-financial asset) on the Statement of Financial Position, as opposed to simply disclosing the balance of such assets as a schedule to the financial statements for information purposes only. Non-financial assets do not normally provide resources to discharge liabilities but rather contribute to the delivery of government programs and services.

The annual surplus/deficit (as calculated and disclosed on the new Statement of Operations) now reflects the amortization expense associated with the use of tangible capital assets. Costs of acquisitions and construction of tangible capital assets are no longer charged directly against annual surplus/deficit, but are reflected in the tangible capital assets balance as recorded on the Statement of Financial Position.

The new government reporting format has been applied to restate the figures for 2002-03 to facilitate comparability.

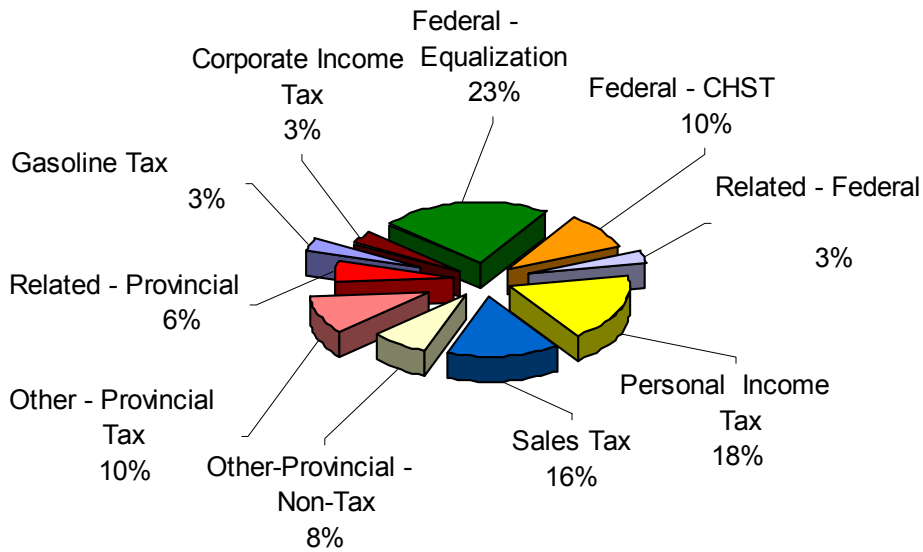
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Revenue

Total revenue was \$4.06 billion in 2003-2004 which consisted of federal revenues of \$1.47 billion and provincial revenues of \$2.59 billion.

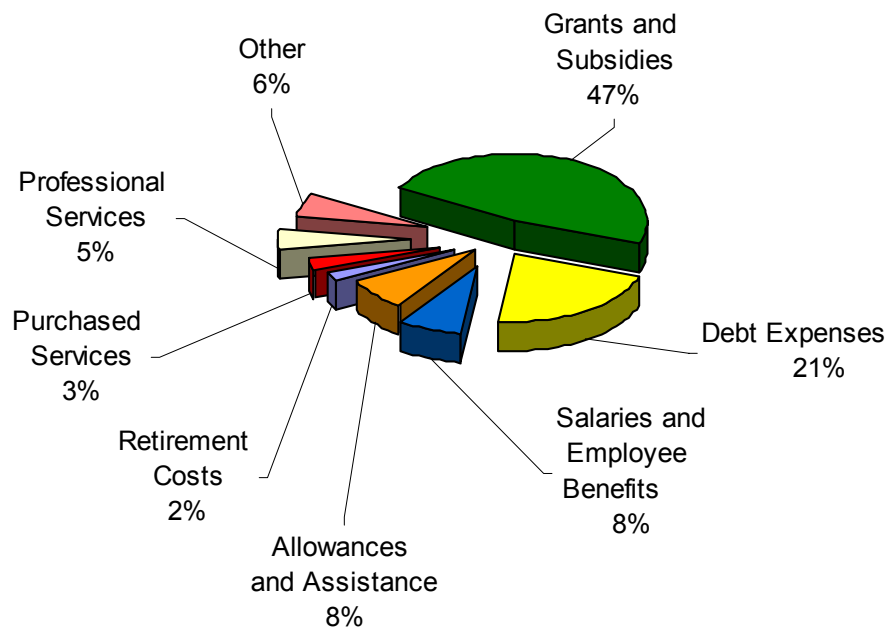
Revenue by Source - 31 March 2004



Expenses

Total expenses were \$4.73 billion in 2003-2004. Grants and subsidies of \$2.23 billion and debt expenses of \$1.01 billion represented 68% of this amount.

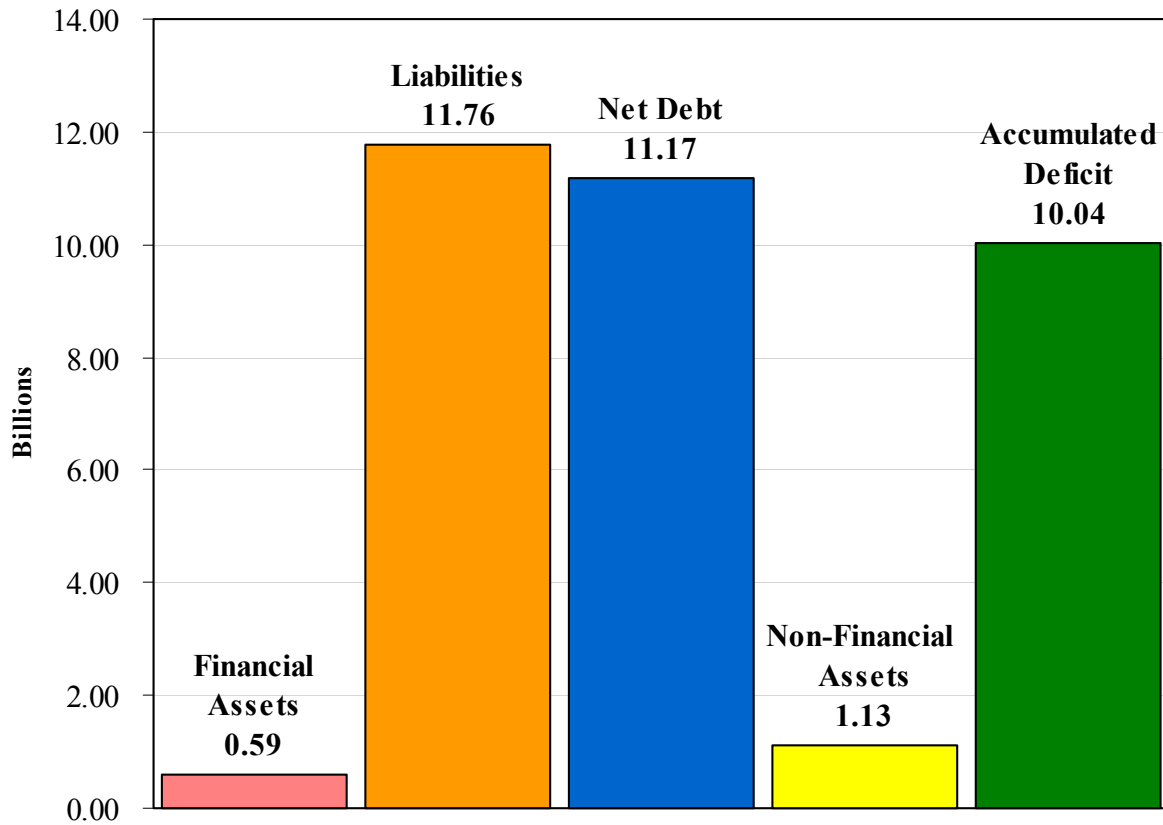
Expenses by Category - 31 March 2004



Financial Position

Accumulated Deficit of \$10.04 billion consisted of \$11.76 billion in liabilities less \$1.72 billion in assets.  
Net Debt of \$11.17 billion consisted of \$11.76 billion in liabilities less \$0.59 billion in financial assets.

Statement of Financial Position - 31 March 2004



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GOVERNMENT OF  
NEWFOUNDLAND AND LABRADOR

TREASURY BOARD SECRETARIAT

OFFICE OF THE COMPTROLLER GENERAL

CONFEDERATION BUILDING  
ST. JOHN'S

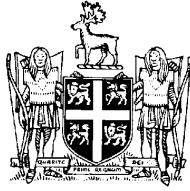
1 October 2004

**STATEMENT OF RESPONSIBILITY**

These summary financial statements of the Consolidated Revenue Fund are prepared in accordance with the requirements of the *Financial Administration Act* based upon information provided by the various Government departments. Where necessary, the information included in these summary financial statements is based upon best estimates and judgement, taking into account materiality of the amounts. The summary financial statements in this volume include a Statement of Financial Position, a Statement of Change in Net Debt, a Statement of Operations, a Statement of Change in Accumulated Deficit, a Statement of Cash Flows 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's Consolidated Revenue Fund as at 31 March 2004 and the results of operations for the year then ended.

RONALD A. WILLIAMS, C.A.  
Comptroller General

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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 statement of financial position of the Consolidated Revenue Fund of the Province of Newfoundland and Labrador as at 31 March 2004 and the statements of change in net debt, operations, change in accumulated deficit, and cash flows 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 financial statements present fairly, in all material respects, the financial position of the Consolidated Revenue Fund as at 31 March 2004 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies disclosed in Note 1 to the financial statements applied, after giving retroactive effect to the changes in accounting policies as disclosed in Notes 1(b)(ii), 10 and 11, on a basis consistent with that of the preceding year.

The accompanying financial statements have been prepared to present the results of the Consolidated Revenue Fund in relation to its budget for the year ended 31 March 2004. Significant financial activities of Government occur outside the Consolidated Revenue Fund. Most of these activities together with those of the Consolidated Revenue Fund are included in the consolidated summary financial statements of the Province. For this reason, the consolidated summary financial statements provide a more comprehensive accounting of the financial position and results of Government operations. A separate Auditor's Report is provided on the consolidated summary financial statements for the year ended 31 March 2004.

JOHN L. NOSEWORTHY, C.A.  
Auditor General

St. John's, Newfoundland and Labrador  
1 October 2004

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Statement of Financial Position As at 31 March 2004 with comparative figures for 2003

		Actuals 2004	Actuals 2003
		(\$000)	(\$000)
<b>FINANCIAL ASSETS</b>			
	Temporary investments at cost - note 2	200,012	376,910
	Government of Canada - claims in process - note 3	54,320	29,783
Sch. A	Accounts and taxes receivable	333,320	298,086
	Less: Allowance for doubtful accounts	115,715	93,162
		<u>217,605</u>	<u>204,924</u>
Sch. B	Loans, advances and mortgages receivable	167,598	167,187
	Less: Allowance for doubtful accounts	126,999	124,405
		<u>40,599</u>	<u>42,782</u>
Sch. C	Investments at cost	90,992	85,732
	Less: Allowance for investment writedowns	10,790	10,305
		<u>80,202</u>	<u>75,427</u>
	<b>Total Financial Assets</b>	<u>592,738</u>	<u>729,826</u>
<b>LIABILITIES</b>			
Sch. E	Other liabilities	1,069,508	967,778
Sch. F	Debenture and other debt	6,578,666	6,688,818
	Less: Sinking fund assets - note 4	701,022	772,646
	Plus: Unamortized unrealized foreign exchange gains (losses) - note 5	8,436	(173,098)
		<u>5,886,080</u>	<u>5,743,074</u>
	Group health and life insurance retirement benefits - notes 7, 10(c)	1,057,669	985,174
	Unfunded pension liability - note 8	3,745,470	3,556,806
	<b>Total Liabilities</b>	<u>11,758,727</u>	<u>11,252,832</u>
	<b>NET DEBT</b>	<u>11,165,989</u>	<u>10,523,006</u>
<b>NON-FINANCIAL ASSETS</b>			
Sch. D	Tangible capital assets - note 10(a)	1,109,365	1,137,061
	Prepaid expenses - note 10(b)	1,779	1,165
	Inventories of supplies - note 10(d)	14,597	14,729
	<b>Total Non-Financial Assets</b>	<u>1,125,741</u>	<u>1,152,955</u>
	<b>ACCUMULATED DEFICIT</b>	<u>10,040,248</u>	<u>9,370,051</u>

The reporting entity pertaining to this financial statement is the Consolidated Revenue Fund of the Province of Newfoundland and Labrador.

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



## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Statement of Change in Net Debt For the year ended 31 March 2004 with comparative figures for 2003

	Actuals 2004	Original Estimates 2004 (Note 20)	Actuals 2003
	(\$000)	(\$000)	(\$000)
<b>NET DEBT - beginning of period</b> .....	10,523,006		9,028,529
Add (Deduct):			
Adjustments:			
Prepaid expenses - note 10(b) .....	-		8,085
Group health and life insurance retirement benefits - note 10(c) ..	-		985,174
<b>ADJUSTED NET DEBT - beginning of period</b> .....	<u>10,523,006</u>		<u>10,021,788</u>
<b>Deficit for the period</b> .....	<u>670,197</u>	598,064	<u>497,467</u>
<b>Changes in tangible capital assets - note 10(a)</b>			
Acquisition of tangible capital assets .....	61,602	119,304	96,138
Net book value of tangible capital asset disposals .....	(269)	-	(583)
Amortization of tangible capital assets .....	(89,029)	(84,116)	(85,529)
<i>Increase (Decrease) in net book value of tangible capital assets</i> ..	<u>(27,696)</u>	<u>35,188</u>	<u>10,026</u>
<b>Changes in other non-financial assets</b>			
Acquisition of prepaid expenses (net of usage) - note 10(b) .....	614		(6,920)
Acquisition of inventories of supplies (net of usage) - note 10(d) ....	(132)		645
<i>Increase (Decrease) in other non-financial assets</i> .....	<u>482</u>		<u>(6,275)</u>
<i>Increase (Decrease) in net debt</i> .....	<u>642,983</u>		<u>501,218</u>
<b>NET DEBT - end of period</b> .....	<u><u>11,165,989</u></u>		<u><u>10,523,006</u></u>

The reporting entity pertaining to this financial statement is the Consolidated Revenue Fund of the Province of Newfoundland and Labrador.

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

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Statement of Operations For the year ended 31 March 2004 with comparative figures for 2003

	Actuals 2004 (\$000)	Original Estimates 2004 (Note 20) (\$000)	Actuals 2003 (\$000)
<b>REVENUE</b>			
Provincial			
Tax Revenue			
Sales .....	625,148	597,220	589,998
Personal income .....	733,217	703,000	671,419
Gasoline .....	135,937	138,000	135,926
Corporate income .....	139,575	123,436	108,645
Other .....	410,503	357,426	312,772
Non-tax revenue .....	320,403	323,199	314,939
Related revenue .....	228,791	177,422	268,095
Government of Canada			
Equalization .....	938,983	1,054,400	1,085,963
Canada Health and Social Transfer .....	393,668	403,200	312,868
Other .....	1,708	1,700	1,700
Related revenue .....	134,994	110,321	115,363
<b>Total Revenue</b> .....	<b>4,062,927</b>	<b>3,989,324</b>	<b>3,917,688</b>
<b>EXPENSE</b>			
Salaries .....	335,088	377,047	326,337
Employee benefits .....	35,934	60,801	47,591
Retirement costs .....	104,671	55,296	95,771
Transportation and communications .....	37,522	38,657	36,576
Supplies .....	57,353	52,341	57,219
Professional services .....	248,091	207,764	199,942
Purchased services .....	134,899	148,419	140,535
Property, furnishings and equipment .....	31,990	9,531	8,831
Allowances and assistance .....	369,655	365,401	351,558
Grants and subsidies .....	2,229,653	2,276,257	2,128,050
Debt expenses .....	1,011,704	891,915	905,087
Information technology .....	21,138	22,051	23,897
Amortization (tangible capital assets) .....	89,029	84,116	85,529
Bad debt expenses .....	26,397	(2,208)	8,232
<b>Total Expense</b> .....	<b>4,733,124</b>	<b>4,587,388</b>	<b>4,415,155</b>
<b>ANNUAL DEFICIT - notes 10(a), (d)</b> .....	<b>(670,197)</b>	<b>(598,064)</b>	<b>(497,467)</b>
Surplus (Deficit) on current account - note 9 .....	(490,657)	(422,100)	(405,979)
Surplus (Deficit) on capital account - note 9 .....	(179,540)	(175,964)	(91,488)
	<b>(670,197)</b>	<b>(598,064)</b>	<b>(497,467)</b>

The reporting entity pertaining to this financial statement is the Consolidated Revenue Fund of the Province of Newfoundland and Labrador.

See accompanying notes to the financial statements.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Statement of Change in Accumulated Deficit For the year ended 31 March 2004 with comparative figures for 2003

	Actuals 2004	Original Estimates 2004 (Note 20)	Actuals 2003
	(\$000)	(\$000)	(\$000)
<b>ACCUMULATED DEFICIT - beginning of period - note 11</b> . . . . .	9,370,051		7,887,410
Add:			
Adjustments:			
Group health and life insurance retirement benefits - note 10(c) . . . . .	-		985,174
<b>ADJUSTED ACCUMULATED DEFICIT - beginning of period</b> . . . . .	9,370,051		8,872,584
<b>Deficit for the period</b> . . . . .	670,197	598,064	497,467
<b>ACCUMULATED DEFICIT - end of period</b> . . . . .	10,040,248		9,370,051

The reporting entity pertaining to this financial statement is the Consolidated Revenue Fund of the Province of Newfoundland and Labrador.

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

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Statement of Cash Flows For the year ended 31 March 2004 with comparative figures for 2003

	Actuals 2004	Actuals 2003
	(\$000)	(\$000)
<b>Funds provided from (applied to):</b>		
<b>OPERATIONS</b>		
Annual deficit .....	(670,197)	(497,467)
Add (Deduct) non-cash items:		
Amortization of foreign exchange gains/losses .....	(22,760)	23,519
Amortization of tangible capital assets .....	89,029	85,529
Retirement costs .....	424,659	312,821
Valuation allowances .....	22,975	(3,129)
Sinking funds .....	(20,011)	14,017
Other .....	55,028	102,624
April writebacks .....	(10,315)	(42,710)
<i>Net cash applied to operating transactions</i> .....	<u>(131,592)</u>	<u>(4,796)</u>
<b>CAPITAL</b>		
Acquisitions .....	(61,602)	(96,138)
Disposals .....	97	103
<i>Net cash applied to capital transactions</i> .....	<u>(61,505)</u>	<u>(96,035)</u>
<b>FINANCING</b>		
Debt issued .....	300,000	450,000
Debt retirement .....	(117,978)	(180,027)
Special purpose funds/contractors' holdback funds .....	(3,190)	3,045
Treasury bills redeemed .....	(2,740,699)	(3,506,850)
Treasury bills purchased .....	2,741,476	3,505,816
Sinking fund contributions .....	(37,600)	(39,907)
Retirement of pension liabilities .....	(163,500)	(148,500)
Wind up of voluntary sinking funds .....	40,589	39,972
<i>Net cash provided from financing transactions</i> .....	<u>19,098</u>	<u>123,549</u>
<b>INVESTING</b>		
Loan repayments .....	4,523	6,577
Loan advances and investments .....	(10,713)	(4,781)
<i>Net cash provided from (applied to) investing transactions</i> .....	<u>(6,190)</u>	<u>1,796</u>
<i>Net cash provided (applied)</i> .....	(180,189)	24,514
Cash and temporary investments - beginning of period .....	365,593	341,079
<b>CASH AND TEMPORARY INVESTMENTS - end of period - note 13</b> ..	<u><u>185,404</u></u>	<u><u>365,593</u></u>

The reporting entity pertaining to this financial statement is the Consolidated Revenue Fund of the Province of Newfoundland and Labrador.

See other accompanying notes to the financial statements.

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# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Notes to the Financial Statements For the year ended 31 March 2004

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### 1. Summary of Significant Accounting Policies

#### (a) The Reporting Entity

The Reporting Entity includes the accounts and financial activities of the Consolidated Revenue Fund. Pursuant to the *Financial Administration Act* of the Province all public monies are accounted for through the Fund.

#### (b) Basis of Accounting

##### (i) Method

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

##### (ii) Changes in Financial Statement Presentation

The financial statement presentation for the 2003-04 Public Accounts is in accordance with the newly recommended format pursuant to the Public Sector Accounting Standards issued by the Canadian Institute of Chartered Accountants. Major changes in presentation from 2002-03 include:

- Statement of Financial Position includes tangible capital assets and accumulated deficit, differentiates between financial and non-financial assets, but retains the traditional net debt figure;
- Statement of Operations (reflecting amortization expense related to tangible capital assets) replaces the former Statement of Revenue and Expenditure (which treated costs of acquiring and constructing tangible capital assets as expenditures);
- Statement of Cash Flows replaces the former Statement of Changes in Financial Position;
- Introduction of a Statement of Change in Accumulated Deficit; and,
- Budget figures, where available, are provided on several Statements for comparison purposes.

The new government reporting format has been applied to restate the comparative figures for 2002-03 to facilitate comparability.

##### (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) Expenses

Expenses are recorded on an accrual basis.

Retirement related costs are determined as the cost of benefits and interest on the liabilities accrued, as well as amortization of experience gains and losses.

##### (v) Assets

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

Government of Canada - claims in process are recorded as a receivable based on claims outstanding at 31 March and relate mainly to cost-shared agreements.

Inventories of supplies are comprised of items which are held for consumption that will be used by the Province in the course of its operations.

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Loans, advances and mortgages receivable 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 expenses 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.

Tangible capital assets held by the Province are recorded at cost or estimated cost less accumulated amortization.

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

(vi) *Liabilities*

Deferred revenue represents amounts received but not earned.

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.

Debenture and other debt, except treasury bills, are recorded at face value. 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 expenses 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 losses on these guarantees is established when it is determined that a loss is likely.

**2. Temporary Investments**

Temporary investments of \$200.0 million (31 March 2003 - \$376.9 million), including accrued interest of \$0.01 million (31 March 2003 - \$0.17 million), consist of investments with financial institutions. These investments are on call or have maturity dates ranging from 01 April 2004 to 07 April 2004 at an interest rate of 2.25%.

**3. Government of Canada - Claims in Process**

Consists of:

	31 March 2004	31 March 2003
	(\$mil)	(\$mil)
Claims receivable at 31 March not received in April .....	30.5	11.1
Receipts in April .....	23.8	18.7
Total .....	<u>54.3</u>	<u>29.8</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**4. Sinking Fund**

The value of the sinking funds as recorded in the Newfoundland and Labrador Government Sinking Fund financial statements is reflected in these financial statements.

The Sinking Fund Assets consist of:

	31 March 2004	31 March 2003
	(\$mil)	(\$mil)
Investments at cost .....	543.9	651.1
Amortization of bond discount .....	62.3	85.3
Investments at amortized cost .....	606.2	736.4
Cash and receivables less accounts payable .....	94.8	36.2
Net Sinking Fund Assets - translated at 31 March .....	<u>701.0</u>	<u>772.6</u>

The net sinking fund assets balance of 772.6 million Canadian dollars as at 31 March 2003 includes 194.4 million U.S. dollars translated to 285.4 million Canadian dollars in accordance with current practice.

The net sinking fund assets balance of 701.0 million Canadian dollars as at 31 March 2004 includes 216.7 million U.S. dollars translated to 284.2 million Canadian dollars in accordance with current practice.

The Province does not anticipate conversion of the U.S. dollars to Canadian dollars as the U.S. funds will be used to retire U.S. debt.

**5. 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 2004. See Schedule F - Debenture and Other Debt. Details of the effect of these translations at year end are outlined in the table below.

The net amortization expense is \$22.8 million which represents a credit adjustment (31 March 2003 - \$23.5 million-debit adjustment).

	31 March 2004	31 March 2003
	(\$mil)	(\$mil)
Unrealized foreign exchange gain (loss):		
Debt .....	(158.8)	(339.4)
Sinking funds .....	16.0	44.8
Net .....	(142.8)	(294.6)
Total accumulated amortization .....	<u>151.2</u>	<u>121.5</u>
Net unamortized unrealized foreign exchange gain (loss) .....	<u>8.4</u>	<u>(173.1)</u>

**6. Provision for Guaranteed Debt**

An amount of \$0.1 million (31 March 2003 - \$5.4 million) has been recorded as a provision for possible losses on guaranteed debt (see note 14(a)). See Schedule E - Current and Long Term Liabilities.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**7. Retirement Benefits - Group Health and Life Insurance**

All retired employees of the Government of Newfoundland and Labrador who are receiving a pension from the Public Service Pension Plan, Uniformed Services Pension Plan or the Members of the House of Assembly Pension Plan are eligible to participate in the group insurance program sponsored by Government. All retired teachers who are receiving a pension from the Teachers' Pension Plan are eligible for coverage under the group insurance program sponsored by the Newfoundland and Labrador Teachers Association (NLTA) and cost shared by Government. These programs provide both group health and group life benefits to enrolled retirees.

Under the plans, the Province pays 50% of the total premium charged towards the benefits of both active employees and retirees for both the life insurance and health benefits under both programs sponsored by the Province and the NLTA. As at 31 March 2004, the plans provided benefits to 14,202 retirees.

**Actuarial Valuations**

An actuarial valuation as of 31 March 2003, with disclosures as at 31 March 2004, was prepared by the Province's actuaries based on a number of assumptions about future events including an interest rate of 5.5% (31 March 2004), CPI of 3.0%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts.

**Group Health and Life Insurance Retirement Benefits Liability**

Details of the group health and life insurance retirement benefits liability are outlined in the table below:

Plan	Estimated Accrued Benefit Obligation	Unamortized Experience Losses 2004	Net Liability 2004	Net Liability 2003	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Group health retirement benefits	1,115.1	(130.1)	985.0	916.5	68.5
Group life insurance retirement benefits	81.4	(8.7)	72.7	68.7	4.0
	1,196.5	(138.8)	1,057.7	985.2	72.5

There are no fund assets associated with these plans.

**Group Health and Life Insurance Retirement Benefits Expense**

In these statements, group health and life insurance retirement benefits costs have been determined as the cost of benefits accrued during the period. Interest on the liability has been accrued for the same period.

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

Plan	Province's Share of Current Period Costs	Interest Expense on the Liability	Province's Current Period Contributions	Current Period Amortization of Experience Changes	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Group health retirement benefits	24.0	57.1	(12.6)	-	68.5
Group life insurance retirement benefits	1.3	3.8	(1.1)	-	4.0
	25.3	60.9	(13.7)	-	72.5

Interest expense related to the group health and life insurance retirement benefits liability is included with interest as debt expenses in the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

**Experience Gains or Losses**

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount will be included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

The unamortized experience loss at 31 March 2004 resulted from a change in the discount rate used by the actuaries.

**8. Retirement Benefits - Pensions****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, the Members of the House of Assembly Pension Plan, and the Provincial Court Judges' Pension Plan. Combined, the plans have approximately 33,195 participants.

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 2004, the plans provided benefits to 18,031 pensioners. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan or the Members of the House of Assembly Pension Plan nor to pensioners of the Teachers' Pension Plan who retired prior to 01 September 1998.

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 five 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.

**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 pension benefits 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 pension benefits for each year since 1967. The CPP reduction only applies to pensioners who retired after 31 August 1998.

**Uniformed Services Pension Plan**

Employee contributions are 8.5% of pensionable salary, less a formulated amount representing contributions to the CPP. 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 pension benefits since 1967. Grandfathered members have higher service accrual pensions in recognition of their higher contributions.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**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 pension benefits for each year since 1967. Ministers receive an additional pension amount calculated similarly, based on service and pensionable salary as a Minister.

Effective 31 December 2003, the Supplementary Employee Retirement component was established as a component of the existing Plan, with the liability being split between the two components based on limits set out in the federal *Income Tax Act*. The Registered component provides benefits based on limits set out in the federal *Income Tax Act* for active members only with the remainder of the benefit provided by the Supplementary Employee Retirement component which also provides benefits to pensioners and deferred pensioners.

**Provincial Court Judges' Pension Plan**

Effective 01 April 2002 (pursuant to the *Provincial Court Judges' Pension Plan Act* enacted 08 June 2004) the Provincial Court Judges' Pension Plan was established with then-existing judges being given the one-time option of transferring from the Public Service Pension Plan. All judges appointed subsequent to 01 April 2002 are required to join this Plan. Employee contributions are 9% of pensionable salary. A pension benefit is available based on the number of years pensionable service times 3.33% of the employee's annual salary. The Registered component of the Plan provides benefits based on limits set out in the federal *Income Tax Act* with the remainder of the benefit provided by the Supplementary component.

**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 7.5% projected on a long term basis. 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% for the Registered component and 5.5% for the Supplementary Employee Retirement component, projected on a long term basis. The expected rate for the Provincial Court Judges' Pension Plan is 7.0% for the Registered component (no actuarial valuation has yet been performed on the Supplementary Employee Retirement component).

**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 3.0%. The expected rate for the Uniformed Services Pension Plan is 3.0% projected on a long term basis. The expected rate for the Members of the House of Assembly Pension Plan is 3.0% projected on a long term basis. The expected rate for the Provincial Court Judges' Pension Plan (Registered component) is 3.0%.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

The latest actuarial valuations for the Province's pension plans, according to the administrators of those plans, are dated as listed in the following table:

Pension Plan	Valuation Date
Public Service	31 December 2003
Teachers'	31 August 2003
Uniformed Services	31 December 2003
Members of the House of Assembly	31 December 2003
Provincial Court Judges'	01 April 2002

Actuarial extrapolations are provided for accounting purposes by the Province's actuaries based on the above dates, unless otherwise noted.

Complete formal actuarial extrapolations to 31 March 2004 could not be obtained for the Provincial Court Judges' Pension Plan in time for inclusion in these financial statements, however the actuary did provide a general estimate of the total accrued benefit obligation (\$3.0 million) at 31 March 2004 which is reflected in the table below. In any event, the impact of such extrapolations on the financial statements would be immaterial.

#### Pension Liability

Details of the pension liability are outlined in the table below. The estimated accrued benefit obligation and the value of the plan assets reported below have been extrapolated by the Province's actuaries to 31 March 2004. The actual results of future valuations may result in variances from these extrapolations.

Pension Plan	Estimated Accrued Benefit Obligation	Fund Assets	Unamortized Experience Losses 2004	Net Unfunded Liability 2004	Net Unfunded Liability 2003	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	3,690.7	1,762.8	(343.5)	1,584.4	1,492.7	91.7
Teachers'	3,013.1	792.0	(278.6)	1,942.5	1,840.5	102.0
Uniformed Services	240.4	48.1	(12.1)	180.2	185.3	(5.1)
Members of the House of Assembly	72.2	1.2	(19.9)	51.1	38.3	12.8
Provincial Court Judges'	3.0	-	-	3.0	-	3.0
Unallocated Fund Assets	-	15.7	-	(15.7)	-	(15.7)
<b>Total</b>	<b>\$7,019.4</b>	<b>\$2,619.8</b>	<b>(\$654.1)</b>	<b>\$3,745.5</b>	<b>\$3,556.8</b>	<b>\$188.7</b>

Pension Fund Assets are valued at the market value at 31 December 2003 and projected to year end.

#### Special Payments

Pursuant to the applicable pensions legislation, the Province has agreed to make special payments of \$60 million annually into the Public Service Pension Plan 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. Annual payments of \$20 million to the Uniformed Services Pension Plan are also being made by the Province for a five year period which commenced in 2001-2002. Also commencing in 2001-02, the Province began making annual payments of \$7.5 million to the Members of the House of Assembly Pension Plan, however, it was determined that such payments were not allowable under the federal *Income Tax Act* to fund the Registered component of the Plan and therefore the residual amount of the payments (\$15.7 million) is no longer classified as an asset of the Plan. The amount, however, remains part of the Pooled Pension Fund and will ultimately be allocated to one or more of the other pension plans.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**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:

Pension Plan	Province's Share of Pension Benefits Earned for the Period	Pension Expense on the Unfunded Liability	Province's Current Period Pension Contributions	Current Period Amortization of Experience Changes	Other Adjustments	Unfunded Portion of Current Period Pension Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	(12.4)	146.0	(81.5)	39.6	-	91.7
Teachers'	14.7	167.0	(110.3)	30.6	-	102.0
Uniformed Services	1.7	14.5	(22.0)	0.7	-	(5.1)
Members of the House of Assembly	0.8	3.4	(0.4)	0.8	8.2	12.8
Provincial Court Judges'	-	-	-	-	3.0	3.0
Unallocated Fund Assets	-	-	(7.5)	-	(8.2)	(15.7)
<b>Total</b>	<b>\$4.8</b>	<b>\$330.9</b>	<b>(\$221.7)</b>	<b>\$71.7</b>	<b>\$3.0</b>	<b>\$188.7</b>

Pension interest expense is included with interest as debt expenses in the financial statements. Pension interest expense for 31 March 2003 amounted to \$270.2 million.

**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 retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

**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 22,535 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 London Life Insurance Company and at 31 March 2004 assets had a market value of \$157.3 million.

**9. Current and Capital Account**

Classification of revenue and expenses between current account items and capital account items follow the classifications as per the Estimates for the purposes of categorizing the annual deficit.

**10. Accounting Changes****(a) Tangible Capital Assets**

Due to changes introduced by the Public Sector Accounting Board (refer to note 1(b)(ii)), a change in accounting policy has been implemented whereby tangible capital assets and other non-financial assets are now being recorded on the Statement of Financial Position as non-financial assets. Previously, tangible capital assets were recorded as expenditures upon acquisition but are now capitalized and amortized over the useful life of the asset.

This accounting change has been applied retroactively with restatement. As a result, the 31 March 2003 figures presented for comparative purposes have been restated from those previously reported. This has resulted in a decrease in the annual deficit of \$10.0 million for the fiscal year ended 31 March 2003. A cumulative adjustment relating to the effects of tangible capital assets as at 31 March 2002 has been included in the opening balance of the accumulated deficit for 31 March 2003 in the amount of \$1,127.0 million (see note 11).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**(b) Prepaid Expenses**

As a result of the changes described in note 1(b)(ii), prepaid expenses have been reclassified as a non-financial asset (previously shown as a financial asset) on the Statement of Financial Position. This has resulted in an increase to the beginning net debt as at 31 March 2003 of \$8.1 million. There was no impact on the annual deficit or accumulated deficit as a result of this change.

**(c) Group Health and Life Insurance Retirement Benefits**

Due to changes introduced by the Public Sector Accounting Board, an actuarial review was undertaken to determine the Province's liability related to group health and life insurance retirement benefits for inclusion in the financial statements. Adoption of this accounting policy was applied retroactively without restatement of the prior year with respect to the Statement of Operations as the amounts were not available. The Statement of Financial Position at 31 March 2003 was restated with a resulting increase to Total Liabilities and Net Debt of \$985.2 million.

**(d) Inventories of Supplies**

As a result of the changes described in note 1(b)(ii), inventories of supplies have been included as non-financial assets on the Statement of Financial Position. Previously, inventories of supplies were recorded as expenditures upon acquisition.

This accounting change has been applied retroactively with restatement. As a result, the 31 March 2003 figures presented for comparative purposes have been restated from those previously reported. This has resulted in a decrease in the annual deficit of \$0.6 million for the fiscal year ended 31 March 2003. A cumulative adjustment relating to the effects of inventories of supplies as at 31 March 2002 has been included in the opening balance of the accumulated deficit for 31 March 2003 in the amount of \$14.1 million (see note 11).

**11. Accumulated Deficit**

In accordance with changes to the financial statement presentation as required by the Public Sector Accounting Standards issued by the Canadian Institute of Chartered Accountants, a Statement of Change in Accumulated Deficit was added to the 2003-04 Public Accounts. The opening balance of accumulated deficit as reported in the 2003 comparatives (i.e. ending balance as at 31 March 2002) of \$7,887.4 million was derived by taking the ending net debt at 31 March 2002 of \$9,028.5 million (per 2002-03 Public Accounts) less the ending tangible capital assets balance at 31 March 2002 of \$1,127.0 million as disclosed in note 10(a) and less the ending balance of inventories of supplies at 31 March 2002 of \$14.1 million as disclosed in note 10(d).

**12. Amounts Capitalized**

Funds advanced to Crown agencies may be in the form of investments in such agencies or as loans or advances. Payments and receipts related to principal portions of these loans, advances and investments are capitalized on the Statement of Financial Position. Depending upon the relevant legislation and/or particular circumstances under which a Crown agency is established, the profits generated by their operations may be: (a) turned over to the Province and recorded as revenue; (b) used to repay loans and advances made to the agency by the Province; or (c) retained by the agency.

Amounts capitalized for 31 March 2004 amounted to \$6.2 million (31 March 2003 - \$1.8 million). See Schedule J - Reconciliation of Modified Cash to Accrual.

**13. Cash and Temporary Investments**

Cash and temporary investments as at 31 March 2004 of \$185.4 million consist of \$200.0 million (as per the Statement of Financial Position) less bank overdraft of \$14.6 million (as reflected in Schedule E - Current and Long Term Liabilities).

Cash and temporary investments as at 31 March 2003 of \$365.6 million consist of \$376.9 million (as per the Statement of Financial Position) less bank overdraft of \$11.1 million (as reflected in Schedule E - Current and Long term Liabilities) less accrued interest of \$0.2 million.

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

Guarantees made by the Province as at 31 March 2004 amounted to \$2,296.0 million (31 March 2003 - \$2,060.4 million). In addition, the Province guaranteed the interest thereon. See Schedule G - Guaranteed Debt.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**(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.
- (ii) A Statement of Claim has been served on the Province in its role as the regulator of mortgage brokers and investment companies.
- (iii) A number of claims have been filed against the Province for alleged breaches of contracts and/or tenders as well as for general damages and personal claims pursuant to action initiated by the Province.

**(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 8.

**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 2004, no liability exists.

**(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. See Schedule I - Trust Accounts.

**(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 \$0.1 million. Under the loan remission component of the Program, the Province is contingently liable for possible remissions totalling \$9.1 million.

**(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 2004, the status and costs of potential issues are not determinable.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**15. Commitments**

Commitments to outside organizations in respect of contracts entered into before 31 March 2004 amount to \$114.2 million of which \$4.1 million is for lease payments, \$60.6 million for capital projects, \$43.5 million for Government's service agreement with xwave Solutions Limited that will expire 31 March 2007, and \$6.0 million for other information technology services.

These commitments will become liabilities and expenses of the Consolidated Revenue Fund when the terms of the contracts are met. Payments in respect of these contracts and agreements are subject to the voting of supply by the Legislature.

**16. 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 retirement benefits, the amortization of foreign exchange gains or losses, the allowance for guaranteed debt and the accrual of self-insured workers' compensation benefits.

**17. Self-Insured Workers' Compensation Benefits**

Other liabilities on the Statement of Financial Position includes an amount related to self-insured workers' compensation benefits. The methodology used to calculate this liability at 31 March 2004 differed from that which was used to calculate the liability at 31 March 2003 resulting in a decrease to the liabilities of \$3.6 million. This represents a change in estimate and has been applied prospectively.

**18. Change in Government Structure**

Under sections 5 and 17 of the *Executive Council Act*, government departments were reorganized effective 23 February 2004 (Orders in Council 2004-197 to 2004-205). Pursuant to Cabinet direction, the financial structure for the departments that existed prior to the reorganization was to remain in place until the end of the 2003-04 fiscal year.

**19. Comparatives**

Certain of the 31 March 2003 financial statement figures have been restated to be consistent with the 31 March 2004 statement presentation.

**20. Original Estimates**

Certain amounts in the 2003-04 Estimates shown for comparative purposes were prepared on the accrual basis.

The primary focus of the accrual budget information presented in the 2003-04 Estimates was to adhere to the more general format of the Consolidated Statement of Operations in Volume I. The details of the budgeted revenue and expense items that comprised the annual deficit amount of \$598.1 million (consistent with the more detailed format of the non-consolidated Statement of Operations in Volume II) were not disclosed in the 2003-04 Estimates but rather were obtained from internal documentation used to calculate the budgeted deficit disclosed in the 2003-04 Estimates.

In arriving at the original estimate figures on the Statement of Operations, implicit costs associated with the acquisition of tangible capital assets, which were eliminated from these items, were estimated based on a reasonable allocation methodology. The Estimates format and information disclosed therein is in the process of transition with respect to the inclusion of accrual based amounts.

Amounts for beginning and ending net debt (Statement of Change in Net Debt) and accumulated deficit (Statement of Change in Accumulated Deficit) were not presented in the 2003-04 Estimates and therefore are not available for comparison purposes.

**21. Additional Notes**

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

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## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Accounts and Taxes Receivable As at 31 March 2004 with comparative figures for 2003

	2004	2003
	(\$000)	(\$000)
Accounts Receivable:		
Crown agencies working capital and unremitted profits	43,121	36,800
Student loans	34,426	19,385
Social assistance overpayments	28,667	26,850
Rent and royalties/permits to occupy	24,791	22,362
Court fines	23,415	22,242
Miscellaneous/other receivables	5,906	6,228
Accident claims recoveries	5,789	5,757
Fees and licences	1,986	1,673
Workplace, Health, Safety and Compensation Commission	1,668	1,320
Reciprocal billings - medical services	1,642	1,143
Due from municipalities	1,216	1,838
Board and lodging	682	654
Due from Government of Canada	680	3,880
Province of Newfoundland and Labrador Pooled Pension Fund	645	410
Travel advances	474	657
Atlantic Lottery Corporation Incorporated	273	1,047
Total Accounts Receivable	<u>175,381</u>	<u>152,246</u>
Taxes Receivable:		
Sales tax	70,825	68,331
School tax	45,877	42,648
Gasoline tax	12,981	12,029
Tobacco tax	9,300	6,990
Mining and mineral rights tax	7,915	4,978
Health and post secondary education tax	7,216	7,332
Forest management tax	2,200	2,300
Financial corporation capital tax	844	145
Insurance companies tax	553	728
Mineral holding tax	208	359
Utilities tax	20	-
Total Taxes Receivable	<u>157,939</u>	<u>145,840</u>
Total Accounts and Taxes Receivable	<u><u>333,320</u></u>	<u><u>298,086</u></u>

#### NOTE

The allowance for doubtful accounts for 31 March 2004 is \$115.7 million (31 March 2003 - \$93.2 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Loans, Advances and Mortgages Receivable As at 31 March 2004 with comparative figures for 2003

	2004	2003
	(\$000)	(\$000)
Crown Agencies:		
Business Investment Corporation - note 1 .....	115,828	118,397
C.A. Pippy Park Commission .....	250	250
Newfoundland and Labrador Film Development Corporation .....	5,694	4,319
Newfoundland and Labrador Industrial Development Corporation - note 2 .....	29,546	29,546
<b>Total Crown Agencies .....</b>	<b>151,318</b>	<b>152,512</b>
Commercial Loans:		
A. L. Stuckless & Sons Limited .....	1,217	-
Atlantic Fisheries Limited .....	980	980
Cote's Mechanical Limited .....	200	200
Delaney, William and McCarthy, Leslie .....	439	439
Doyle, James & Sons Ltd. ....	771	771
Easteel Industries Limited .....	3,658	3,658
Eastern Ocean Products Limited .....	163	163
George Sexton Limited .....	50	50
Grandy, Gordon .....	90	90
Griffiths Guitars International Inc. ....	300	-
Hughes, Vincent .....	50	50
Island Seafoods Products Limited .....	250	250
Keats, Eric .....	102	102
Melindy, John .....	191	191
Newfound Harvesting Limited .....	2,947	3,084
Newman, Raymond .....	162	162
Northeast Coast Sealers Co-op Society Limited .....	378	378
O'Rourke, Rupert .....	337	337
Pittman, Thomas .....	93	93
Pumphrey, Gerry .....	537	537
Ryder, Gerald and Street, Walter .....	357	357
Saunders, Ralph .....	61	61
Seaward, Alphonsus .....	99	99
Sexton Lumber Limited .....	300	-
Short, William .....	262	262
Sweet, Roy .....	49	49
Vokey's Shipyard Limited .....	100	100
Whelan, Ormond .....	853	853
White's Fisheries Limited .....	50	50
Wilson, Ronald and Curtis, Kevin .....	299	299
<b>Total Commercial Loans .....</b>	<b>15,345</b>	<b>13,665</b>

## LOANS, ADVANCES AND MORTGAGES RECEIVABLE (continued)

	2004	2003
	(\$000)	(\$000)
Other Organizations:		
Gros Morne Mortgages .....	60	59
Municipalities .....	875	951
Total Other Organizations .....	935	1,010
Total Loans, Advances and Mortgages Receivable .....	<u>167,598</u>	<u>167,187</u>
Current portion .....	12,237	11,771
Long-term portion .....	<u>155,361</u>	<u>155,416</u>
	<u>167,598</u>	<u>167,187</u>

## NOTES

**1. Business Investment Corporation**

Funds are advanced to Business Investment Corporation (formerly Enterprise Newfoundland and Labrador Corporation) for the purpose of making loans and equity investments to enable them to carry out their mandate. Principal and interest repayments received are refunded to the Province and the principal amounts are applied toward the funds advanced.

**2. Newfoundland and Labrador Industrial Development Corporation**

Funds are advanced to Newfoundland and Labrador Industrial Development Corporation for the purpose of providing long-term financing to industrial and resource based companies. The Province holds non-interest bearing notes with no fixed terms of repayment or maturity dates. Any balance available out of net profits or equity redemptions is to be paid to the Province at such intervals and in a manner that the Minister of Finance may direct.

**3. Loans, Advances and Mortgages Receivable**

Interest rates and terms for loans due from Business Investment Corporation and Newfoundland and Labrador Industrial Development Corporation have been disclosed above. Interest rates on all other loans range from Prime +1% to 14% and are repayable over terms not exceeding twenty-five years.

**4. Interest Receivable**

The balances include interest receivable at year-end of \$3.8 million (31 March 2003 - \$3.8 million) where applicable. It consists of interest due and unpaid, late interest charges and accrued interest.

**5. Allowance for Doubtful Accounts**

The allowance for doubtful accounts for 31 March 2004 is \$127.0 million (31 March 2003 - \$124.4 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Investments As at 31 March 2004 with comparative figures for 2003

Description of Investment	Net Additions	Balance 31 March 2004		2003
		No. of Shares	Cost	Cost
	(\$000)		(\$000)	(\$000)
<b>Preferred Shares:</b>				
Atlantic Ocean Farms Limited				
Class "A", redeemable - note 7	-	289,655	290	290
Country Ribbon Inc. - note 1	4,500	4,500	4,500	-
CHC Composites Inc. - notes 2, 7	-	95,000	9,500	9,500
CHC Composites Inc. Series II - notes 2, 7	1,000	10,000	1,000	-
Mineral Resources Corporation				
Class "B" - note 3	-	-	-	640
<b>Total Preferred Shares Investments</b>	<b>5,500</b>		<b>15,290</b>	<b>10,430</b>
<b>Common Shares:</b>				
ACF Equity Atlantic Inc.	-	2,390,000	2,231	2,231
AT&T Canada Inc. - Class A Voting - note 4	-	2	-	-
AT&T Canada Inc. - Class B Limited Voting - note 4	-	114	-	-
Atlantic Lottery Corporation Inc.	-	1	-	-
Bull Arm Site Corporation Inc.	-	3	-	-
Dominion Jubilee Corporation Limited	-	200,000	-	-
Hotel Buildings Limited	-	3	3	3
Hurley Slate Works Company Inc. - Class "B"	400	400	400	-
Inter-Provincial Lottery Corporation	-	1	-	-
Marble Mountain Development Corporation	-	500	-	-
Marble Mountain Management Corporation	-	500	-	-
Municipal Assessment Agency	-	1	-	-
Newfoundland and Labrador				
Education Investment Corporation	-	3	-	-
Newfoundland and Labrador				
Film Development Corporation	-	600	-	-
Newfoundland and Labrador Heritage Corporation	-	1	-	-
Newfoundland and Labrador Hydro Electric Corporation	-	22,503,942	10,187	10,187
Newfoundland and Labrador				
Student Investment & Opportunity Corporation	-	1	-	-
Newfoundland Government Fund Limited	-	2	-	-
Newfoundland Hardwoods Limited	-	253	26	26
Newfoundland Ocean Enterprises Limited	-	3	3	3
Rooms Corporation of Newfoundland and Labrador Inc.	-	500	-	-
Special Celebrations Corporation of				
Newfoundland and Labrador	-	500	-	-
<b>Total Common Shares Investments</b>	<b>400</b>		<b>12,850</b>	<b>12,450</b>

## INVESTMENTS (continued)

Description of Investment	Net Additions (\$000)	Balance 31 March 2004		2003
		No. of Shares	Cost (\$000)	Cost (\$000)
<b>Other:</b>				
Newfoundland and Labrador Farm Products Corporation - note 5 .....	-	-	-	-
Newfoundland and Labrador Housing Corporation - note 6 .....	-	-	62,852	62,852
Total Other Investments .....	-	-	62,852	62,852
Total Investments .....	5,900		90,992	85,732

## NOTES

**1. Country Ribbon Inc.**

County Ribbon Inc. issued preference shares valued at \$4.5 million to refinance a loan of \$1.9 million and in exchange for a cash payment of \$2.6 million from the Province. These shares are redeemable by the company subject to certain terms and conditions.

**2. CHC Composites Inc.**

The Province has purchased 95,000 preference shares of CHC Composites Inc., costing \$9.5 million, to be redeemed at a nominal value based on a pre-determined number of person years of employment to be created. A provision has been set up for the full amount of the investment.

On 11 July 2003, the Province purchased 10,000 preference shares, Series II, of CHC composites Inc., at a cost of \$1,000,000. These shares are redeemable subject to certain terms and conditions.

**3. Mineral Resources Corporation**

On 01 April 2003, Cassiar Resources Inc. (the successor corporation to Mineral Resources Corporation) purchased the outstanding preference shares held by the Province at an agreed upon price of \$125,000.

**4. AT&T Canada Inc.**

As part of arrangements made to restructure debt under the Companies' Creditors Arrangement Act, AT&T Canada Inc. issued both Class A and Class B common shares to the Province on 01 April 2003. AT&T Canada Inc. emerged from protection under the *Companies' Creditors Arrangement Act* and a new parent company, New AT&T Canada Inc. was incorporated under the *Canada Business Corporations Act*. On 18 June 2003, New AT&T Canada Inc. changed its name to Allstream Inc.

On 18 March 2004, Manitoba Telecom Services Inc. (MTS) offered to acquire the shares of Allstream Inc. for cash and shares in the capital of MTS. The offer from MTS was accepted by the shareholders of Allstream Inc. on 12 May 2004 and the Province has tendered its shares to the Transfer Agent, CIBC Mellon.

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**INVESTMENTS (continued)**

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**5. Newfoundland and Labrador Farm Products Corporation**

The Corporation, no longer carrying out normal business operations, recorded a deficit of \$12.0 million at year end resulting in a nil balance payable to the Province.

**6. Newfoundland and Labrador Housing Corporation**

This investment represents accumulated capital advances made by the Province to the Corporation. These advances are utilized by the Corporation to develop housing projects, land assemblies, etc. Consequently, the Province's investment is represented by certain physical assets which are held by the Corporation.

**7. Allowance for Investment Write-downs**

The allowance for investment write-downs for 31 March 2004 is \$10.8 million (31 March 2003 - \$10.3 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Tangible Capital Assets As at 31 March 2004

Category	Original Cost			Accumulated Amortization				Net Book Value 31 March 2004	Net Book Value 31 March 2003
	Balance 31 March 2003	Additions 2004	Disposals 2004	Balance 31 March 2004	Balance 31 March 2003	Amort. Net of Disposals 2004	Balance 31 March 2004		
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Buildings	736.0	36.8	3.6	769.2	420.9	19.4	440.3	328.9	315.1
Marine vessels & aircraft	82.2	0.0	0.0	82.2	54.7	4.2	58.9	23.3	27.5
Equipment & machinery	92.3	4.5	1.9	94.9	64.0	5.3	69.3	25.6	28.3
Infrastructure	3,729.1	35.4	0.7	3,763.8	3,080.9	52.5	3,133.4	630.4	648.2
Computer software	18.7	6.9	0.0	25.6	15.3	1.8	17.1	8.5	3.4
Sub-total	<u>4,658.3</u>	<u>83.6</u>	<u>6.2</u>	<u>4,735.7</u>	<u>3,635.8</u>	<u>83.2</u>	<u>3,719.0</u>	1,016.7	1,022.5
Work in progress				<u>92.7</u>				<u>92.7</u>	<u>114.6</u>
Total				<u>4,828.4</u>				<u>1,109.4</u>	<u>1,137.1</u>

#### NOTES

#### 1. Tangible Capital Assets

Tangible capital assets are capitalized on the Statement of Financial Position with the cost of the assets amortized over the estimated useful life of the assets.

#### 2. Work In Progress

Work in progress is considered to be a tangible capital asset, however it is not amortized as it is not yet available for use. Government currently has a number of projects under construction or development with a total for 31 March 2004 of \$92.7 million (31 March 2003 - \$114.6 million) having been spent on these projects to date. Upon completion, these assets are recorded in the appropriate category in the schedule.

#### 3. Amortization Expense

Amortization net of disposals in the amount of \$83.2 million as reported in the schedule consists of amortization expense of \$89.0 million less accumulated amortization on assets disposed of in the year in the amount of \$5.8 million.

Amortization net of disposals as at 31 March 2003 was \$82.0 million which consisted of amortization expense of \$85.5 million less accumulated amortization on assets disposed of in the year in the amount of \$3.5 million.

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TANGIBLE CAPITAL ASSETS (continued)

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**4. Estimated Useful Life**

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:

<u>Asset</u>	<u>Estimated Useful Life</u>
Buildings	40 years
Marine vessels & aircraft	
Marine vessels	20 years
Aircrafts	20 years
Equipment & machinery	
Heavy machinery and equipment	20 years
Snow removal machinery and 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

**5. 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.

**6. Intangible and Inherited Assets**

Intangible assets and items inherited by right of the Crown, such as Crown lands, forest, and mineral resources, are not recognized as tangible capital assets in accordance with current accounting standards.

**7. Leased Assets**

The gross amount of leased tangible capital assets is \$51.0 million and accumulated depreciation is \$27.6 million. These are included in the appropriate category in the schedule.

**8. Comparatives**

Certain of the 31 March 2003 figures have been adjusted from those reported in the 2002-03 Public Accounts. The balances reported previously included Original Cost of \$4,884.4 million and Accumulated Amortization of \$3,619.8 million for a Net Book Value at 31 March 2003 of \$1,264.6 million. Tangible capital assets were not capitalized in the 2002-03 Public Accounts and were presented for information purposes only.



## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Current and Long Term Liabilities As at 31 March 2004 with comparative figures for 2003

	2004		2003	
	Current	Long Term	Current	Long Term
	(\$000)	(\$000)	(\$000)	(\$000)
Due to Government of Canada - note 1 . . . . .	191,730	-	80,259	-
Accrued interest . . . . .	177,840	-	191,943	-
Accounts payable write-backs . . . . .	82,621	-	87,745	-
Salaries and benefits . . . . .	67,141	67,584	59,933	66,209
Due to municipalities . . . . .	34,588	306,321	34,518	286,257
Physician services . . . . .	26,952	-	34,109	-
Bank overdraft - Consolidated Revenue Fund . . . . .	14,596	-	11,144	-
Accounts payable - other . . . . .	12,302	5,342	11,450	5,673
Due to Crown Agencies . . . . .	5,837	-	6,288	-
Special purpose funds - note 2 . . . . .	4,816	-	4,277	-
Reciprocal billing - hospital services payable . . . . .	4,342	-	5,264	-
Self-insured workers' compensation benefits . . . . .	2,820	18,361	3,745	21,009
Long-term leases . . . . .	2,421	2,313	2,109	4,245
Contractors' holdbacks . . . . .	2,026	-	5,756	-
Taxes payable . . . . .	974	-	1,406	-
St. Clare's Hospital - purchase . . . . .	750	7,500	750	8,250
Provision for guaranteed debt . . . . .	125	-	5,388	-
Health Care Centres - lease/purchase . . . . .	-	30,206	-	30,051
	<u>631,881</u>	<u>437,627</u>	<u>546,084</u>	<u>421,694</u>
	<u>1,069,508</u>		<u>967,778</u>	

#### NOTES

**1. Due to Government of Canada**

This amount is comprised of \$151.0 million for Equalization and \$40.7 million for CHST which is primarily related to the impact of the 2001 census.

**2. Special Purpose Funds**

Included in this schedule are funds totalling \$4.8 million considered to be special purpose funds whereby payments are made specifically for these purposes. Pursuant to Section 22(a) of the *Financial Administration Act*, appropriations are not required for these payments.

**3. Comparatives**

Certain of the 31 March 2003 financial statement figures have been restated to be consistent with the 31 March 2004 statement presentation.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Debenture and Other Debt As at 31 March 2004 with comparative figures for 2003

Series	Date of Issue	Date of Maturity	Interest Rate %	Amount in Foreign Currency	Sinking Fund Balance	Amount Issued or Outstanding		Notes
						2004	2003	
						(\$000)	(\$000)	
General Debentures:								
5R	25 Feb. 1987	25 Feb. 2010	9.375		76,309	100,000	100,000	1(a)
5S	01 Oct. 1987	01 Oct. 2007	10.79		29,665	42,300	42,300	1(a)
AF	15 Oct. 1987	15 Oct. 2007	11.625	(100,000 U.S.)	87,722	131,130	146,780	1(a)
5T	23 Feb. 1988	23 Feb. 2008	11.25		67,414	100,000	100,000	1(a)
5U	15 Feb. 1989	15 Feb. 2012	11		74,409	125,000	125,000	1(a)
AG	01 Jun. 1989	01 Jun. 2019	9	(150,000 U.S.)	77,526	196,695	220,170	1(d)
5V	22 Nov. 1989	22 Nov. 2014	10.125		60,191	150,000	150,000	1(a)
AH	01 Jun. 1990	01 Jun. 2020	9.875	(150,000 U.S.)	22,455	196,695	220,170	1(a)
AJ	29 Nov. 1990	01 Dec. 2020	10	(150,000 U.S.)	21,425	196,695	220,170	1(a)
5X	15 Apr. 1991	15 Apr. 2021	10.95		-	147,892	147,892	1(a)
S7	23 Jul. 1991	23 Jul. 2003	7	(150,000 S.F.)	-	-	162,675	1(b)
AK	17 Oct. 1991	15 Oct. 2021	9	(200,000 U.S.)	24,984	262,260	293,560	1(a)
AM	22 Oct. 1992	22 Oct. 2022	8.65	(200,000 U.S.)	21,687	262,260	293,560	1(a)
EC6	12 May 1993	12 May 2013	5.65		26,187	81,734	150,000	1(b)(c)
AN	13 Oct. 1993	13 Oct. 2023	7.32	(200,000 U.S.)	28,401	262,260	293,560	1(a)
6B	07 Jul. 1995	07 Jul. 2025	9.15		8,594	100,000	100,000	1(a)
5Z	05 Feb. 1996	05 Aug. 2004	9.55		-	98,895	98,895	1(a)
6C	05 Feb. 1996	05 Feb. 2026	8.45		12,280	150,000	150,000	1(a)
6E	12 Dec. 1997	12 Dec. 2007	5.9		-	150,000	150,000	1(a)
6F	17 Apr. 1998	17 Apr. 2028	6.15		28,729	450,000	450,000	1(a)
6G	07 Oct. 1998	07 Oct. 2008	5.70		-	250,000	250,000	1(a)
6J	03 Nov. 1999	03 Nov. 2009	6.70		-	200,000	200,000	1(a)
6H	27 Jul. 1999	17 Oct. 2029	6.5		10,621	200,000	200,000	1(a)
6K	30 Jun. 2000	17 Oct. 2030	6.55		17,237	450,000	450,000	1(a)
6L	25 Jul. 2001	25 Jul. 2011	6.4		-	200,000	200,000	1(a)
6Q	16 Aug. 2002	17 Oct. 2042	6.24		1,306	250,000	250,000	1(a)
EC7	19 Feb. 2003	29 Dec. 2010	5.125		-	200,000	200,000	1(b)
6R	12 Jun. 2003	17 Oct. 2033	5.6		-	300,000	-	1(b)
Total: General Debentures					697,142	5,253,816	5,364,732	
Other:								
6N	22 Mar. 2002	22 Mar. 2005	Floating		-	40,000	40,000	1(h)
6P	25 Mar. 2002	23 Mar. 2005	Floating		-	60,000	60,000	1(h)
6M	31 Oct. 2001	31 Oct. 2005	4.61		-	100,000	100,000	1(a)
Treasury bill borrowings					-	491,219	490,441	1(g)
Total: Other					-	691,219	690,441	

## DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance	Amount Issued or Outstanding	
					2004	2003
				(\$000)	(\$000)	(\$000)
Government of Canada and Agencies:						
Canada Pension Plan Investment Fund						
Debentures - note 1(e)						
3A-209	05 Apr. 1983	05 Apr. 2003	10.92			
to	to	to	to			
3A-218	01 Mar. 1984	01 Mar. 2004	12.14	-	-	50,738
3A-219	02 Apr. 1984	02 Apr. 2004	12.08			
to	to	to	to			
3A-227	02 Jan. 1985	02 Jan. 2005	14.06	-	47,146	47,146
3A-228	01 Apr. 1985	01 Apr. 2005	10.58			
to	to	to	to			
3A-238	03 Mar. 1986	03 Mar. 2006	12.57	-	50,570	50,570
3A-239	01 Apr. 1986	01 Apr. 2006	9.04			
to	to	to	to			
3A-249	02 Mar. 1987	02 Mar. 2007	10.17	-	59,659	59,659
3A-250	01 Apr. 1987	01 Apr. 2007	9.12			
to	to	to	to			
3A-258	01 Mar. 1988	01 Mar. 2008	11.07	153	43,829	43,829
3A-259	05 Apr. 1988	05 Apr. 2008	9.62			
to	to	to	to			
3A-267	01 Dec. 1988	01 Dec. 2008	10.39	924	41,635	41,635
3A-268	03 Apr. 1989	03 Apr. 2009	9.15			
to	to	to	to			
3A-277	01 Mar. 1990	01 Mar. 2010	10.31	869	45,188	45,188
3A-278	02 Apr. 1990	02 Apr. 2010	10.36			
to	to	to	to			
3A-284	03 Dec. 1990	03 Dec. 2010	11.33	844	40,432	40,432
3A-285	02 Apr. 1991	02 Apr. 2011	9.81			
to	to	to	to			
3A-288	02 Jul. 1991	02 Jul. 2011	10.04	553	40,858	40,858
3A-289	01 May. 1992	01 May. 2012	9.17			
to	to	to	to			
3A-291	02 Jul. 1992	02 Jul. 2012	9.45	537	28,770	28,770
3A-292	01 Mar. 1999	01 Mar. 2019	5.97	-	1,827	1,827
3A-293	02 Apr. 1999	02 Apr. 2019	5.89			
to	to	to	to			
3A-303	03 Mar. 2000	03 Mar. 2020	7.02	-	35,282	35,282
3A-304	01 Apr. 2000	01 Apr. 2020	6.41			
to	to	to	to			
3A-314	02 Mar. 2001	02 Mar. 2021	6.90	-	42,645	42,645
3A-315	01 Apr. 2001	01 Apr. 2021	6.38			
to	to	to	to			
3A-326	01 Mar. 2002	02 Mar. 2022	6.85	-	52,376	52,376

## DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance	Amount Issued or Outstanding	
					2004	2003
				(\$000)	(\$000)	(\$000)
3A-327	01 Apr. 2002	01 Apr. 2022	5.88			
to	to	to	to			
3A-337	01 Mar. 2003	02 Mar. 2023	6.61	-	52,104	52,104
3A-338	05 Apr. 2003	05 Apr. 2023	5.41			
to	to	to	to			
3A-347	01 Mar. 2004	01 Mar. 2024	6.15	-	50,738	-
Total: Canada Pension Plan Investment Fund Debentures				3,880	633,059	633,059
Harbour Lodge - see note 1(f)				-	572	586
Total: Government of Canada and Agencies				3,880	633,631	633,645
Total: Debenture and Other Debt				701,022	6,578,666	6,688,818
Current portion of Debenture and Other Debt					737,241	853,854
Long-term portion of Debenture and Other Debt					5,841,425	5,834,964
					6,578,666	6,688,818

## NOTES

## 1. Details of Debt Issues

a) Non-callable.

b) Non-callable by the Province, except upon changes in tax status and/or law, then as a whole at par.

c) Extendible at the bondholders option to 12 May 2013 after a new interest rate had been established by the Province. The new interest rate was set at 5.65% and \$81,734,000 principal amount of bonds were extended.

d) Redeemable at the bondholders option on 1 June 2004 upon not less than thirty days prior written notice.

e) Callable at par at the option of the Minister of Finance of Canada upon six months' prior written notice, subject to the requirements of the Canada Pension Plan. Commencing March 1999, the Province has an option, pursuant to amendments of the Canada Pension Plan enacted by the *Canada Pension Plan Investment Board Act*, to refinance for a final twenty year term maturing Canada Pension Plan borrowings, provided sufficient monies are available in the Canada Pension Plan Investment Fund. The Province has exercised an option to refinance its maturing Canada Pension Plan debt and to date has rolled over, for a further 20 year term, all funds made available by the Canada Pension Plan Investment Fund.

f) This is a loan from the Canada Mortgage and Housing Corporation for the acquisition and construction of the Harbour Lodge. This loan is repayable over a 50 year period in blended annual installments of principal and interest, at an interest rate of 7.875%, maturing 1 December 2021.

g) This figure represents the net proceeds from the sale of \$494 million discounted treasury bills with maturity dates ranging from 01 April 2004 to 24 June 2004 and interest rates ranging from 2.010% to 2.610%.

h) Interest is payable quarterly at 3-month Canadian Bankers' acceptances plus 7 basis points.

## 2. Sinking Fund Balance

See note 4 of the Notes to the Financial Statements.

## DEBENTURE AND OTHER DEBT (continued)

**3. Borrowings**

Borrowings and unamortized foreign exchange losses, by major currency, and sinking funds as at 31 March 2004 are as follows:

Major Currencies	Foreign Borrowings	Exchange Rate	Canadian \$ (000's)	Unamortized Foreign Exchange Gains/(Losses) (000's)	Net (000's)
U.S.	1,150,000	1.3113	1,507,995	8,614	1,516,609
Canadian			<u>5,070,671</u>	<u>-</u>	<u>5,070,671</u>
	Sub-total		<u>6,578,666</u>	<u>8,614</u>	<u>6,587,280</u>
	Less: Foreign sinking funds		284,200	178	284,378
	Less: Canadian sinking funds		<u>416,822</u>	<u>-</u>	<u>416,822</u>
	Total		<u><u>5,877,644</u></u>	<u><u>8,436</u></u>	<u><u>5,886,080</u></u>

**4. 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. (000's)	Canadian (000's)	Total (000's)
2004-2005	12,100	276,000	288,100
2005-2006	12,100	180,500	192,600
2006-2007	12,100	89,600	101,700
2007-2008	9,500	220,900	230,400
2008-2009	9,500	316,700	326,200
2009-2043	<u>99,700</u>	<u>1,556,500</u>	<u>1,656,200</u>
	<u><u>155,000</u></u>	<u><u>2,640,200</u></u>	<u><u>2,795,200</u></u>

The foreign exchange gain which has been recognized on the Statement of Operations is \$22.8 million.

**5. Sensitivity Analysis**

An increase/decrease of one cent in the foreign exchange rates at 31 March 2004 would result in an increase/decrease in foreign borrowings of \$11.5 million.

**6. 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 2004 with comparative figures for 2003

	Limit of Guarantee	Contingent Liability	
		2004	2003
	(\$000)	(\$000)	(\$000)
Guaranteed Debentures:			
Municipalities:			
(For debentures issued to The Municipal Development and Loan Board and The Canada Mortgage and Housing Corporation)			
Baie Verte	1	1	11
Bishop's Falls	28	28	39
Botwood	3	3	5
Buchans	7	7	10
Burin	21	21	27
Channel - Port aux Basques	13	13	18
Deer Lake	9	9	12
Gambo	31	31	53
Gander	63	63	81
Glenwood	69	69	69
Grand Bank	7	7	10
Grand Falls - Windsor	66	66	89
Happy Valley - Goose Bay	115	115	150
Harbour Breton	158	158	158
Harbour Grace	72	72	74
La Scie	21	21	28
Mount Pearl	32	32	44
New-Wes-Valley	25	25	33
Placentia	108	108	126
Springdale	14	14	18
Stephenville Crossing	13	13	15
Wabana	25	25	29
	901	901	1,099
Crown Corporations:			
Health Care Corporation of St. John's - note 2	130,183	130,183	131,034
Newfoundland and Labrador Hydro Electric Corporation - note 2	1,485,572	1,485,572	1,461,052
Newfoundland and Labrador Municipal Financing Corporation - note 2	305,248	305,248	333,733
Newfoundland Liquor Corporation	-	-	105
	1,921,003	1,921,003	1,925,924
Guaranteed Bank Loans:			
Crown Corporations:			
Health Labrador Corporation	9,000	5,710	4,425
Marble Mountain Development Corporation	2,100	1,887	1,802
Newfoundland and Labrador Education Investment Corporation	105,000	77,461	61,276

## GUARANTEED DEBT (continued)

	Limit of Guarantee (\$000)	Contingent Liability	
		2004 (\$000)	2003 (\$000)
Guaranteed Bank Loans:			
Crown Corporations:			
Newfoundland and Labrador Heritage Corporation .....	47,500	43,484	29,241
Newfoundland Ocean Enterprises Limited - note 6 .....	-	-	5,250
	<u>163,600</u>	<u>128,542</u>	<u>101,994</u>
Municipalities: - note 3			
Bird Cove .....	47	41	-
Burlington .....	-	-	2
Flower's Cove .....	18	14	14
Fox Roost-Margaree .....	25	13	13
Jackson's Arm .....	30	11	10
Musgrave Harbour .....	54	-	-
Pilley's Island .....	36	30	17
St. Bernard's-Jacques Fontaine .....	-	-	19
	<u>210</u>	<u>109</u>	<u>75</u>
Fisheries: - note 4			
AAG Enterprises Inc. ....	265	265	286
A.S.E. Enterprises Limited; Sylvia & Alvin Petten .....	378	378	951
Ackerman, Scott .....	-	-	247
Alcon Enterprises .....	600	600	667
Allingham, Ralph and Wayne .....	53	53	62
Andrew Daley Limited .....	487	487	-
Andrews, Winston and Bert .....	170	170	204
Ashco Fishing Limited .....	814	814	250
Atlantic Blue Fin Limited .....	1,117	1,117	913
Atlantic Explorer III Limited .....	582	582	704
B D & T Enterprises & William F. Ralph .....	294	294	348
B & J Fisheries Limited .....	389	389	434
Barrett, Donald .....	174	174	195
Barrett, Victor and Dwayne .....	201	201	235
Batten, Purdie .....	345	345	377
Bird, Cecil .....	-	-	38
Burton, Glen - et al .....	178	178	214
Butler, Harold .....	300	300	325
Chambers, Wilfred - et al .....	-	-	12
Coles, Kirby - et al .....	238	238	257
Collins Fisheries Limited .....	512	512	569
Daley, Andrew .....	234	234	279
Daley, Gary .....	270	270	315
Decker, Barry .....	-	-	10

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 GUARANTEED DEBT (continued)
 

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	Limit of Guarantee (\$000)	Contingent Liability	
		2004 (\$000)	2003 (\$000)
Guaranteed Bank Loans:			
Fisheries: - note 4			
Decker, William .....	36	36	58
DJJ Enterprises Inc. ....	152	152	177
Drake, Keith and Gertrude .....	30	30	65
Drover, Walter and Drover's Sea Harvesting Limited .....	683	683	739
E & R Small & Sons Limited .....	400	400	450
Emberley, Randy .....	156	156	179
F.I.C. Enterprises Limited .....	439	439	472
Feltham, Alexander .....	219	219	241
Fennelly, Thomas .....	206	206	258
Fennelly, Thomas and Jeanette .....	227	227	159
Fitzgerald, Kevin and Daphne .....	77	77	-
Foley, Dennis J. ....	12	12	32
Forsey, Maxwell .....	297	297	347
G & D Fisheries Limited .....	919	534	-
Gallant, Guy .....	435	435	437
Genge, Claude - et al .....	2	2	11
Genge, Emanuel Jr. ....	263	263	300
Genge, Marvin .....	371	371	405
Genge, Montrose .....	374	374	449
Gibbons, David and Reginald .....	9	9	18
Gosse, George Roy .....	49	49	59
Gould, Angus - et al .....	85	85	103
Gould, Clifford - et al .....	131	131	150
Greenham, David J. and Billy F. T/A B & D Fishing .....	455	455	499
Greenspond Fisheries Limited .....	365	365	395
Hart, Edward T. ....	805	805	878
Hart, Lloyd .....	464	464	529
Harvester Enterprises Limited .....	122	122	143
Hayden, Eric .....	61	61	77
Hickey, John Sr. - et al .....	650	650	715
Hicks Fisheries Limited & Randy Hicks .....	368	368	394
High Tide Enterprises Limited .....	602	602	685
High Wave Fisheries Limited .....	516	516	607
Hiscock, Albert .....	471	471	530
House, Lionel .....	33	33	71
Hutchings, Frank .....	309	309	353
Hyde, Gary and Karen .....	156	156	175
J.T. Fisheries Limited .....	173	173	190
Jacobs, George - et al .....	280	280	330
JBCE Fisheries Limited .....	520	520	-



## GUARANTEED DEBT (continued)

	Limit of Guarantee (\$000)	Contingent Liability	
		2004 (\$000)	2003 (\$000)
Guaranteed Bank Loans:			
Fisheries: - note 4			
Jones, Jeffrey - et al	-	-	60
Jones, Richard	291	291	-
Kearney, Francis and Jerome	282	282	314
Keats, Winston	-	-	887
Larkham's Fisheries Limited	158	158	185
Lavers, Boyd George	578	578	578
Lavers, Dion	85	85	92
Legge, Wilbert	164	164	294
Lewis, John B.	101	101	122
Lewis, Patrick	302	302	-
Leyte, Melvin	1,005	1,005	1,104
Leyte, Roy and Melvin	205	205	246
Lormar Enterprises Limited	219	219	236
Loveless, Bruce	17	17	23
Lynch, Levi	197	197	214
Marine Fisher Limited & Dino Dredge	118	118	135
Martin, Harold	277	277	299
May, Gilbert and Eleanor	20	20	-
Meade, Edward J.	9	9	17
Mercer, Stanley	72	72	92
Miller, Gerald and Freeman	54	54	96
Morey, Byron	217	217	253
Morey, Lorne	172	172	208
Morey's Enterprises Limited	282	282	-
Morgan, William G.	909	909	986
Mouland, James B.	249	249	280
Myers, Howard and Baines, Andy	206	206	236
Newell, William H.	-	-	58
Newhook, Albert	310	310	360
Noonan, Maurice and Raymond	369	369	431
Norman, Glenn	724	724	800
Normore, Elvin	155	155	177
Normore, Kevin, Leroy and Urias	223	223	283
Northern Provider Ltd.	585	585	-
Parsons, William A.	102	102	88
Patey, Randy	292	292	298
Pencol Enterprises Limited	900	900	-
Penney's Fisheries Limited	898	898	994
Penney, Boyd - et al	171	171	227
Penney, Glenn	35	35	45

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 GUARANTEED DEBT (continued)
 

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	Limit of Guarantee (\$000)	Contingent Liability	
		2004 (\$000)	2003 (\$000)
Guaranteed Bank Loans:			
Fisheries: - note 4			
Penton, Aiden .....	-	-	200
Petten, Chesley .....	-	-	375
Petten, Dwight .....	-	-	58
Petten, Lester .....	211	211	253
Petten, Neal .....	372	372	372
Petten, Raymond .....	956	956	1,029
Piercey's Fishing Enterprises Limited .....	415	415	150
Plowman, Clayton .....	71	71	83
Porter, Alfred .....	13	13	53
Porter, David and Calvin .....	45	45	100
Porter, Edmund and Marion .....	-	-	287
Porter, Robert E. and Robert W. ....	161	161	-
R & C Rose Enterprises Limited .....	703	703	912
Reid, Austin, Kevin and Boyce .....	291	291	332
Reid, Glen W. ....	50	50	60
Rett Enterprises Inc. ....	249	249	284
Roberts, Charles and Winslow, Glen .....	420	420	480
Rowe, Morley .....	252	252	294
Russell, Wayne .....	207	207	245
Russell, William and Mercer, Glen .....	70	70	93
Ryan, Randy and Lisa .....	327	327	305
S & D Fisheries Limited .....	259	259	-
S & I Fisheries Limited .....	283	283	318
S & J Fisheries Limited .....	464	464	-
SGR Fisheries Limited .....	737	737	851
Seward, Sterling and Lemuel .....	133	133	-
Simmonds, Rex .....	510	510	567
Smith, Ivan and Baxter .....	-	-	37
Splendid Fishing Company Limited .....	523	425	140
Symmonds, Michael - et al .....	208	208	145
The Roberts and Sisters Enterprises Limited .....	282	282	308
Tobin's Fisheries Limited .....	-	-	38
Tucker, Noah .....	76	76	94
Vernon Petten Enterprises Limited .....	572	572	631
Walsh's Fisheries Limited .....	315	315	360
Ward, Cecil .....	634	634	639
Warren, Maxwell .....	49	49	59
Waye's Enterprises Limited .....	726	726	858
What's Happening Fisheries Limited .....	767	700	-

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**GUARANTEED DEBT (continued)**


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	Limit of Guarantee (\$000)	Contingent Liability	
		2004 (\$000)	2003 (\$000)
Guaranteed Bank Loans:			
Fisheries: - note 4			
Whitewater Fisheries Limited and Garfield Tippett .....	219	219	-
Wrice, Wallace & Mary .....	240	240	260
Yankee Point Limited .....	198	198	226
	<u>42,484</u>	<u>41,934</u>	<u>41,786</u>
Province's Liability	<u>31,486</u>	<u>30,936</u>	<u>29,589</u>
Corporate:			
A.L. Stuckless and Sons Limited .....	-	-	1,200
Fogo Island Co-operative Society Limited .....	2,000	1,156	110
Island By-Products Limited .....	133	133	178
Newfoundland Symphony Orchestra Association .....	50	-	39
Smith Seafoods Limited .....	100	97	97
Tornгат Fish Producers Co-op Society Limited .....	2,100	-	-
	<u>4,383</u>	<u>1,386</u>	<u>1,624</u>
Other Bank Loans:			
Consumer Protection Fund for Prepaid Funeral Expenses .....	200	144	133
	<u>200</u>	<u>144</u>	<u>133</u>
Other Guarantees:			
Crown Corporations:			
Student Loan Corporation of Newfoundland and Labrador - note 7 .....	213,000	213,000	-
	<u>213,000</u>	<u>213,000</u>	<u>-</u>
	<u>2,334,783</u>	<u>2,296,021</u>	<u>2,060,438</u>

**NOTES****1. Definitions**

The headings used in this Schedule are defined as follows:

**Limit of Guarantee** - This represents the maximum amount of loan advances available under the Province's guarantee plus capitalized interest thereon and past due interest, less downpayment and less any receipted Provincial subsidy.

**Contingent Liability** - This represents the actual amount of loan advances (drawdowns) outstanding under the various guarantees plus capitalized interest thereon and past due interest. This represents the amount that the Province would be liable for if it had to honour these guarantees at year end.

The difference between these two amounts reflects the financing still available under the Province's guarantee. As of 31 March 2004, capitalized interest and past due interest amounted to nil and nil respectively.

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 GUARANTEED DEBT (continued)
 

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**2. Debenture Issues with Sinking Funds**

Corporations for which guarantees are presented net of sinking fund values:

	Principal Amount of Debentures Outstanding	Accrued Interest	Value of Sinking Fund	Contingent Liability
	(\$000)	(\$000)	(\$000)	(\$000)
Newfoundland and Labrador Hydro Electric Corporation				
- Canadian Funds .....	1,400,000	20,915	118,636	1,302,279
- Government of Canada .....	16,505	9	-	16,514
- Promissory Notes .....	164,248	2,531	-	166,779
				<u>1,485,572</u>
Newfoundland and Labrador Municipal Financing Corp.				
- Canadian Funds .....	319,284	6,061	20,097	<u>305,248</u>
Health Care Corporation of St. John's				
- Canadian Funds .....	130,000	2,605	2,422	<u>130,183</u>

**3. Municipal Loans**

Interim financing for municipal capital projects is provided through these guaranteed bank loans which include interest capitalized during the construction. Once an appropriate level of capital projects have been completed, the Newfoundland and Labrador Municipal Financing Corporation (a Crown agency) provides long-term financing by issuing its own securities and lending the funds to the municipalities for those loans not financed through private sources. The debt securities of the Newfoundland and Labrador Municipal Financing Corporation are also guaranteed by the Province.

**4. Fisheries Loans**

During a vessel's construction period, interim financing is provided through bank loans which are fully guaranteed by the Province. Once construction has been completed, these interim loans are converted to term debt by the banks. With regard to these term loans, the Province's contingent liability under each individual guarantee is determined as being limited to the lesser of the term loan or 20% of the aggregate of all term loans made by the Bank, less the total of all claims paid to the Bank by the Province with respect to these loans.

For the fiscal year ended 31 March 2004, the Province's contingent liability is limited to \$30.9 million.

**5. Payments under Guarantee**

During the 2003-04 fiscal year, the Province paid the following amount under its guarantee:

	(\$000)
A. L. Stuckless & Sons Limited .....	1,217
	<u>1,217</u>

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**GUARANTEED DEBT (continued)**

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**6. Newfoundland Ocean Enterprises Limited**

The Province provided a grant to the Corporation for the purpose of repaying its guaranteed operating loan.

**7. Student Loan Corporation of Newfoundland and Labrador**

The Corporation is responsible for the funding and administration of loans to qualifying post-secondary students. A floating rate note dated March 31, 2004, was issued in the amount of \$213 million, primarily to finance the purchase of the outstanding student loan portfolio from the previous service provider - a Canadian chartered bank. The loan is unconditionally guaranteed as to principal and interest by the Province.

**8. Valuation Allowance**

The provision for guaranteed debt for 31 March 2004 is \$0.1 million (31 March 2003 - \$5.4 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Losses, Uncollectible Accounts and Other Amounts Written Off For the year ended 31 March 2004 with comparative figures for 2003

Department	2004	2003
	(\$000)	(\$000)
Finance:		
Remissions .....	635	1,465
Tax forgiveness .....	51	5,371
Loan forgiveness .....	113	30,663
	<u>799</u>	<u>37,499</u>
Executive Council:		
Uncollectible accounts .....	-	10
Government Services and Lands:		
Uncollectible accounts .....	14	-
Works, Services and Transportation:		
Uncollectible accounts .....	1	8
Fisheries and Aquaculture:		
Uncollectible accounts .....	11	7
Forest Resources and Agrifoods		
Uncollectible accounts .....	5	1
Municipal and Provincial Affairs		
Uncollectible accounts .....	1	-
Justice		
Uncollectible accounts .....	6	-
Labour		
Uncollectible accounts .....	4	-
Industry, Trade and Rural Development:		
Uncollectible accounts .....	1	-
Mines and Energy:		
Uncollectible accounts .....	7	-
Tourism, Culture and Recreation:		
Uncollectible accounts .....	140	5
Health and Community Services:		
Ambulance services .....	-	154
Third party liabilities .....	12	386
Bursary assistance .....	-	17
	<u>12</u>	<u>557</u>
Human Resources and Employment:		
Overpayment of social assistance .....	512	782
Total	<u>1,513</u>	<u>38,869</u>

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Trust Accounts As at 31 March 2004 with comparative figures for 2003

	2004 (\$000)	2003 (\$000)
Assets		
Registrar of the Supreme Court - note 1 .....	23,563	21,077
Newfoundland Government Fund .....	20,250	20,000
Teachers' Accrued Salary Trust Account .....	5,823	5,010
Commercial and Corporate Affairs Trust .....	5,580	6,596
Consolidated Tender Account .....	1,076	675
Provincial Courts Trust Account .....	646	354
Federal/Provincial Contractors' Security Account .....	504	913
Rooms Trust Account .....	80	78
High Sheriff of Newfoundland .....	77	190
H.M. Penitentiary .....	76	60
Contractors' Security Account - Works, Services and Transportation .....	54	78
Securities Payable .....	53	15
Newfoundland and Labrador Youth Centre .....	51	26
Labrador Correctional Centre .....	10	11
School for the Deaf .....	10	8
West Coast Correctional Centre .....	8	5
Newfoundland and Labrador Correctional Centre for Women .....	7	4
Labour Standards Tribunal .....	5	-
Small Claims Court .....	2	-
Unpaid Wages Trust Account .....	2	3
Bishop's Falls Correctional Centre .....	1	2
Homes for Special Care - note 1 .....	-	647
Total Trust Account Assets	57,878	55,752
Balance of Funds		
Balance of Funds .....	57,878	55,752
Total Balance of Funds	57,878	55,752

#### NOTE

##### 1. Homes for Special Care

The balances in the Homes for Special Care Trust Fund were passed over to the Registrar of the Supreme Court on 26 March 2004.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Reconciliation of Modified Cash to Accrual For the year ended 31 March 2004 with comparative figures for 2003

	2004		2003	
	Current (\$000)	Capital (\$000)	Current (\$000)	Capital (\$000)
Surplus (Deficit) - modified cash .....	8,014	(142,725)	88,611	(124,809)
Less: Amounts capitalized .....	-	6,190	-	(1,796)
	8,014	(136,535)	88,611	(126,605)
Surplus (Deficit) - accrual .....	(490,657)	(179,540)	(405,979)	(91,488)
Change in surplus/deficit .....	<u>498,671</u>	<u>43,005</u>	<u>494,590</u>	<u>(35,117)</u>
The change in the basis of accounting from the modified cash to the accrual affected revenue and expense as follows:				
Revenue:				
Retail sales tax .....	(2,925)	-	10,131	-
Gasoline tax .....	(952)	-	72	-
Other taxes .....	(8,653)	-	(1,757)	-
Non-tax revenue .....	(9,462)	-	(8,603)	-
Related revenue - provincial .....	(36,703)	(5,416)	18,638	(31,403)
Equalization .....	99,765	-	45,922	-
Related revenue - federal .....	(19,345)	-	5,273	-
Canada Health and Social Transfer .....	14,906	-	26,838	-
Total revenue .....	<u>36,631</u>	<u>(5,416)</u>	<u>96,514</u>	<u>(31,403)</u>
Expense:				
Salaries .....	3,995	(2,921)	15,337	(3,633)
Employee benefits .....	(75,318)	-	(53,226)	-
Retirement costs .....	104,671	-	95,771	-
Transportation and communication .....	-	(821)	-	(998)
Supplies .....	132	(334)	(645)	(419)
Professional services .....	-	(2,178)	-	(4,052)
Purchased services .....	480	(47,194)	4,846	(77,676)
Property, furnishings and equipment .....	-	(4,146)	-	(6,133)
Allowances and assistance .....	(288)	-	(411)	-
Grants and subsidies .....	(4,053)	-	22,335	-
Debt expenses .....	409,103	17,916	306,819	5,479
Information technology .....	-	(4,009)	-	(2,793)
Amortization expense .....	-	89,029	-	85,529
Bad debt expenses .....	23,318	3,079	7,250	982
Total expense .....	<u>462,040</u>	<u>48,421</u>	<u>398,076</u>	<u>(3,714)</u>
Change in surplus/deficit .....	<u>498,671</u>	<u>43,005</u>	<u>494,590</u>	<u>(35,117)</u>
	<u>541,676</u>		<u>459,473</u>	