



**PROVINCE OF NEWFOUNDLAND
AND LABRADOR**

**PUBLIC ACCOUNTS
VOLUME II**

**CONSOLIDATED REVENUE FUND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 MARCH 2007**

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Province of Newfoundland and Labrador

Public Accounts

Volume II

**Consolidated Revenue Fund
Financial Statements**

**For The Year Ended
31 March 2007**

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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 of Finance 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 2007 also includes one other volume, Volume I - Consolidated Summary Financial Statements. It 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.

A Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund is released separately and shows the actual expenditures and revenues on a modified cash basis compared to the amended estimates for the fiscal year ended 31 March 2007. Also, a reproduction of the available financial statements of the Crown Corporations, Board and Agencies is released separately. The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund and the Financial Statements of the Crown Corporations, Board and Agencies are available on the internet website noted below once released.

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

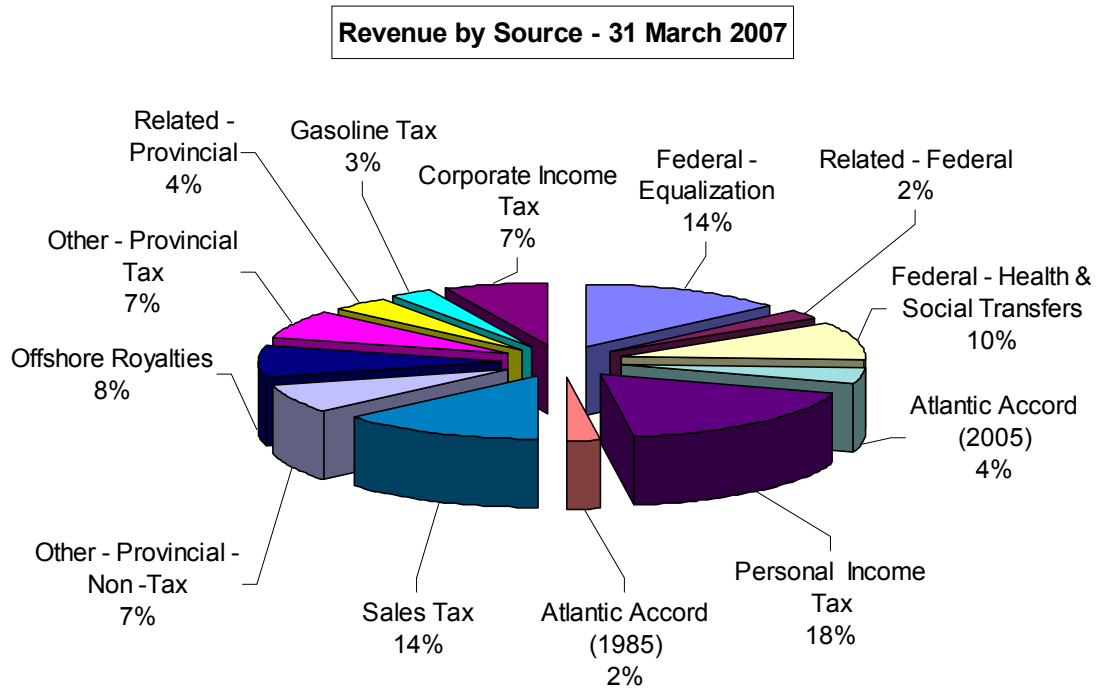
Internet Address

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

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Revenue

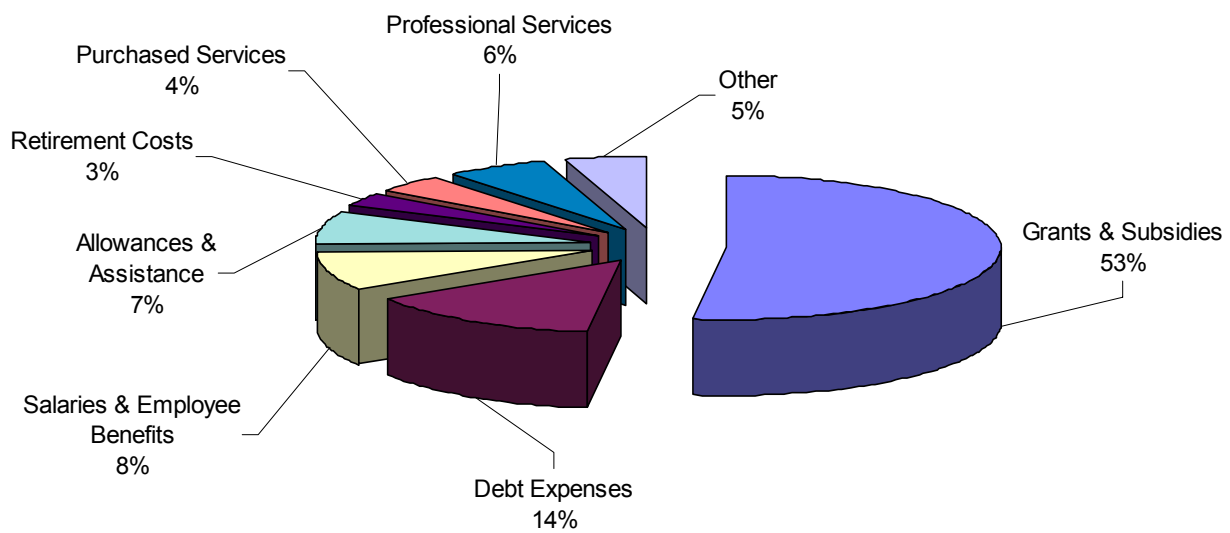
Total revenue was \$5.01 billion in 2006-07 which consisted of federal revenues of \$1.62 billion and provincial revenues of \$3.39 billion.



Expenses

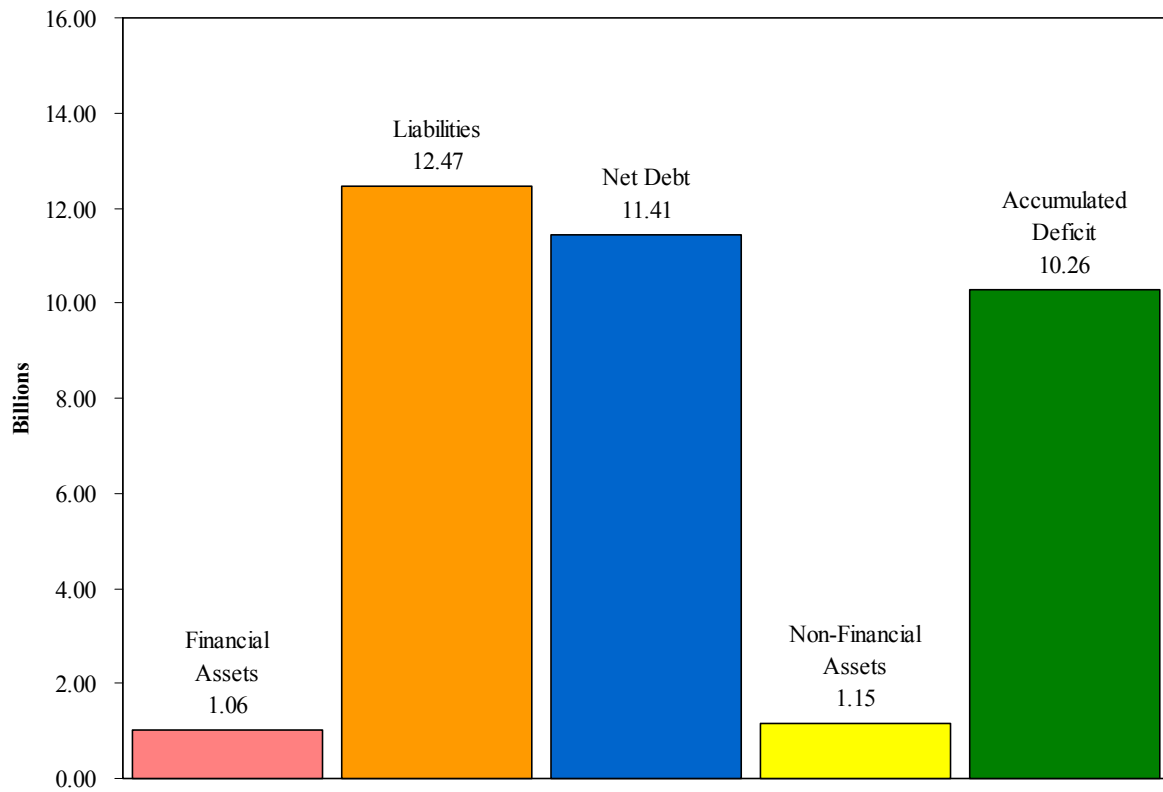
Total expenses were \$4.96 billion in 2006-07. Grants and subsidies of \$2.61 billion and debt expenses of \$0.71 billion represented approximately 67% of this amount.

Expenses by Category - 31 March 2007



Financial Position

Net Debt of \$11.41 billion consisted of \$12.47 billion in liabilities less \$1.06 billion in financial assets. Accumulated Deficit of \$10.26 billion consisted of \$11.41 billion in Net Debt less \$1.15 billion in non-financial assets.

Statement of Financial Position - 31 March 2007

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25 October 2007

STATEMENT OF RESPONSIBILITY

Responsibility for the integrity, objectivity and fair presentation of the summary financial statements of the Consolidated Revenue Fund rests with the Government. As required under Section 59 of the *Financial Administration Act*, these summary financial statements are prepared by the Comptroller General of Finance in accordance with the applicable legislation and in accordance with the accounting policies as disclosed in Note 1 to these summary financial statements. Additionally, information has been provided by various government departments as required by Section 20 of the *Financial Administration Act*.

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

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.

Pursuant to Section 11 of the *Auditor General Act*, the Auditor General of Newfoundland and Labrador provides an independent opinion on the summary financial statements.

THOMAS W. MARSHALL, Q.C.
Minister of Finance and President
of Treasury Board

RONALD A. WILLIAMS, C.A.
Comptroller General of Finance

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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

In accordance with Section 11 of the *Auditor General Act*, I have audited the statement of financial position of the Consolidated Revenue Fund of the Province of Newfoundland and Labrador as at 31 March 2007 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 and have been prepared as outlined in Section 59 of the *Financial Administration Act*. 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 2007 and the results of its operations, the change in its net debt and its cash flows for the year then ended in accordance with the accounting policies disclosed in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

These financial statements have been prepared solely to present the activities of the Consolidated Revenue Fund for the year ended 31 March 2007. However, significant financial activities of the Province occur outside of the Consolidated Revenue Fund. These activities, together with those of the Consolidated Revenue Fund, are included in the consolidated summary financial statements of the Province and it is for this reason that those financial statements provide a more comprehensive accounting of the Province's financial position and the results of its operations, the change in its net debt and its cash flows. A separate Auditor's Report is provided on the consolidated summary financial statements.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
25 October 2007

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Financial Position As at 31 March 2007 with comparative figures for 2006

	Actuals 2007	Actuals 2006
	(\$000)	(\$000)
FINANCIAL ASSETS		
Temporary investments at cost - notes 2, 14	446,208	730,021
Government of Canada - claims in process - note 3	66,684	49,818
Sch. A Accounts and taxes receivable	518,422	405,370
Less: Allowance for doubtful accounts	86,867	91,528
	431,555	313,842
Sch. B Loans, advances and mortgages receivable	105,698	113,593
Less: Allowance for doubtful accounts	75,434	73,394
	30,264	40,199
Sch. C Investments at cost	88,799	87,289
Less: Allowance for investment writedowns	9,000	6,440
	79,799	80,849
Total Financial Assets	1,054,510	1,214,729
LIABILITIES		
Sch. E Other liabilities	1,494,351	1,545,429
Deferred revenue - note 4	1,572,971	1,740,528
Sch. F Debenture and other debt	6,960,945	6,686,681
Less: Sinking fund assets - note 5	946,411	849,080
Plus: Unamortized unrealized foreign exchange gains (losses) - note 6	127,464	128,677
	6,141,998	5,966,278
Group health and life insurance retirement benefits - note 8	1,351,597	1,222,162
Unfunded pension liability - note 9	1,907,730	2,182,414
Total Liabilities	12,468,647	12,656,811
NET DEBT	11,414,137	11,442,082
NON-FINANCIAL ASSETS		
Sch. D Tangible capital assets	1,132,889	1,115,041
Prepaid expenses	3,011	4,696
Inventories of supplies	15,857	15,281
Total Non-Financial Assets	1,151,757	1,135,018
ACCUMULATED DEFICIT	10,262,380	10,307,064

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 2007 with comparative figures for 2006

	Actuals 2007	Original Estimates 2007 (Note 18)	Actuals 2006
	(\$000)	(\$000)	(\$000)
NET DEBT - beginning of period	11,442,082	11,431,282	11,683,556
Surplus (Deficit) for the period - note 16	44,684	(52,547)	287,889
Changes in tangible capital assets			
Acquisition of tangible capital assets	105,892	138,221	131,461
Net book value of tangible capital asset disposals	(660)	-	(718)
Amortization of tangible capital assets	(87,384)	(85,534)	(87,794)
<i>Increase (Decrease) in net book value of tangible capital assets</i>	17,848	52,687	42,949
Changes in other non-financial assets			
Acquisition of prepaid expenses (net of usage)	(1,685)		1,298
Acquisition of inventories of supplies (net of usage)	576		2,168
<i>Increase (Decrease) in other non-financial assets</i>	(1,109)		3,466
<i>Increase (Decrease) in net debt</i>	(27,945)	105,234	(241,474)
NET DEBT - end of period	<u>11,414,137</u>	<u>11,536,516</u>	<u>11,442,082</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 2007 with comparative figures for 2006

	Actuals 2007 (\$000)	Original Estimates 2007 (Note 18) (\$000)	Actuals 2006 (\$000)
REVENUE			
Provincial			
Tax Revenue			
Sales	685,869	650,931	629,872
Personal income	885,718	831,220	811,189
Gasoline	144,639	142,750	141,226
Corporate income	341,896	288,285	295,962
Other	359,698	319,320	266,826
Non-Tax Revenue			
Offshore royalties	423,041	703,100	532,533
Investment income	216,403	202,812	211,079
Fees and fines	141,105	130,948	147,803
Related revenue	190,664	169,469	373,914
Government of Canada			
Equalization	686,603	686,601	860,959
Atlantic Accord (2005)	219,218	329,000	322,300
Atlantic Accord (1985)	109,784	-	-
Health and social transfers	492,985	498,844	491,568
Other	1,708	1,708	1,708
Related revenue	108,443	137,792	86,185
Total Revenue	5,007,774	5,092,780	5,173,124
EXPENSE			
Salaries	350,554	360,499	328,951
Employee benefits	20,814	42,013	56,013
Retirement costs	145,521	114,300	102,424
Transportation and communications	40,009	43,801	35,345
Supplies	84,323	79,245	70,283
Professional services	303,777	340,156	285,107
Purchased services	215,872	251,897	196,801
Property, furnishings and equipment	17,473	26,813	48,115
Allowances and assistance	360,941	382,844	354,056
Grants and subsidies	2,613,854	2,698,015	2,439,532
Debt expenses	710,613	716,905	876,946
Amortization (tangible capital assets)	87,384	85,534	87,794
Bad debt expenses	11,955	3,305	3,868
Total Expense	4,963,090	5,145,327	4,885,235
ANNUAL SURPLUS (DEFICIT) - note 10	44,684	(52,547)	287,889

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 2007 with comparative figures for 2006

	Actuals 2007 (\$000)	Original Estimates 2007 (Note 18) (\$000)	Actuals 2006 (\$000)
ACCUMULATED DEFICIT - beginning of period	10,307,064		10,594,953
Surplus (Deficit) for the period - note 16	44,684	(52,547)	287,889
ACCUMULATED DEFICIT - end of period	10,262,380		10,307,064

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 2007 with comparative figures for 2006

	Actuals 2007	Actuals 2006
	(\$000)	(\$000)
Funds provided from (applied to):		
OPERATIONS		
Annual surplus (deficit)	44,684	287,889
Add (Deduct) non-cash items:		
Amortization of foreign exchange gains/losses	(10,906)	(8,433)
Amortization of tangible capital assets	87,384	87,794
April writebacks	(6,531)	68,040
Contributed tangible capital assets	-	(49,304)
Deferred revenue	(167,557)	1,732,170
Other	(152,650)	(89,009)
Retirement costs	299,751	420,855
Sinking funds	(57,948)	(53,066)
Valuation allowances	11,156	(1,735)
<i>Net cash provided from (applied to) operating transactions</i>	<u>47,383</u>	<u>2,395,201</u>
CAPITAL		
Acquisitions	(105,892)	(82,157)
Disposals	201	54
<i>Net cash provided from (applied to) capital transactions</i>	<u>(105,691)</u>	<u>(82,103)</u>
FINANCING		
Debt issued	350,000	-
Debt retirement	(59,659)	(126,583)
Equalization loan	(37,840)	-
Retirement of pension liabilities	(445,000)	(2,099,222)
Sinking fund contributions	(45,100)	(45,100)
Special purpose funds/contractors' holdback funds	4,373	(2,267)
Treasury bills purchased	1,955,541	1,961,293
Treasury bills redeemed	(1,956,200)	(1,962,694)
<i>Net cash provided from (applied to) financing transactions</i>	<u>(233,885)</u>	<u>(2,274,573)</u>
INVESTING		
Loan advances and investments	(1,568)	(1,050)
Loan repayments	473	142
<i>Net cash provided from (applied to) investing transactions</i>	<u>(1,095)</u>	<u>(908)</u>
<i>Net cash provided (applied)</i>	<u>(293,288)</u>	<u>37,617</u>
Cash and temporary investments - beginning of period	<u>726,577</u>	<u>688,960</u>
CASH AND TEMPORARY INVESTMENTS - end of period - note 2 ...	<u><u>433,289</u></u>	<u><u>726,577</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.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Notes to the Financial Statements For the year ended 31 March 2007

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) Revenues

Revenues from the Government of Canada under the federal-provincial fiscal arrangements, health and social transfers 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.

(iii) 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.

(iv) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(v) *Liabilities*

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

Deferred revenue represents amounts received but not earned.

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.

(vi) *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.

(vii) *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.

(c) **Generally Accepted Accounting Principles**

The accounting policies followed in the preparation of these financial statements have been applied consistent with generally accepted accounting principles for senior governments as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

2. Cash and Temporary Investments

Cash and temporary investments consist of:

	31 March 2007	31 March 2006
	(\$mil)	(\$mil)
Temporary investments - note 14	446.2	730.0
Bank overdraft (included in Other liabilities)	(12.9)	(3.4)
Total	<u>433.3</u>	<u>726.6</u>

Temporary investments consist of investments with financial institutions. As at 31 March 2007, these investments are on call or have maturity dates ranging from 02 April 2007 to 09 April 2007 at interest rates which vary from 4.25% to 4.28%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Government of Canada - Claims in Process

Consists of:

	31 March 2007	31 March 2006
	(\$mil)	(\$mil)
Claims receivable at 31 March not received in April	46.4	37.2
Receipts in April	20.3	12.6
Total	<u>66.7</u>	<u>49.8</u>

4. Deferred Revenue

The deferred revenue totalling \$1,573.0 million consists primarily of \$1,458.5 million relating to the Atlantic Accord (2005), which represents the unearned balance of the \$2.0 billion advance payment received in 2005-06. In addition, the deferred revenue balance consists of \$51.7 million relating to Federal Government funding for various health care initiatives, \$44.9 million relating to Federal initiatives in support of post-secondary education, public transit and affordable housing, and \$16.4 million related to gas tax initiatives. The remaining \$1.5 million balance is related to other miscellaneous programs. These amounts will be recognized as revenue in the periods in which the revenue recognition criteria have been met.

5. 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 2007	31 March 2006
	(\$mil)	(\$mil)
Investments at cost	772.4	739.7
Amortization of bond discount	92.7	82.5
Investments at amortized cost	865.1	822.2
Cash and receivables less accounts payable	81.3	26.9
Net Sinking Fund Assets - translated at 31 March	<u>946.4</u>	<u>849.1</u>

The net sinking fund assets balance of 946.4 million Canadian dollars as at 31 March 2007 includes 291.3 million U.S. dollars translated to 336.3 million Canadian dollars in accordance with current practice.

The net sinking fund assets balance of 849.1 million Canadian dollars as at 31 March 2006 includes 264.9 million U.S. dollars translated to 309.4 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. 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 2007. 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 \$10.9 million which represents a credit adjustment (31 March 2006 - \$8.4 million-credit adjustment).

	31 March 2007	31 March 2006
	(\$mil)	(\$mil)
Unrealized foreign exchange gain (loss):		
Debt	73.9	58.5
Sinking funds	(24.1)	(18.4)
Net	49.8	40.1
Total accumulated amortization	77.7	88.6
Net unamortized unrealized foreign exchange gain (loss)	<u>127.5</u>	<u>128.7</u>

7. Provision for Guaranteed Debt

The provision for possible losses on guaranteed debt (see note 12(a)) is nil (31 March 2006 - \$0.02 million). See Schedule E - Other Liabilities.

8. 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, Members of the House of Assembly Pension Plan or the Provincial Court Judges' 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 Government's program, the Province contributes 50% towards group health and group life premiums for both employees and retirees. Government also contributes 50% towards group health and group life premiums for both teachers and retirees insured under the programs sponsored by the NLTA, subject to the maximum rates under Government's program. As at 31 March 2007, the plans provided benefits to 16,288 retirees.

Actuarial Valuations

The actuarial valuation which was prepared by the Province's actuaries (valuation date of 31 March 2006) was based on a number of assumptions about future events including an interest rate of 4.67%, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 2007	Net Liability 2007	Net Liability 2006	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Group health retirement benefits	1,479.0	(199.7)	1,279.3	1,160.8	118.5
Group life insurance retirement benefits	72.0	0.3	72.3	61.4	10.9
	1,551.0	(199.4)	1,351.6	1,222.2	129.4

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	Plan Amendments	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Group health retirement benefits	36.0	64.7	(20.1)	12.3	25.6	118.5
Group life insurance retirement benefits	1.0	2.8	(2.9)	(0.1)	10.1	10.9
	37.0	67.5	(23.0)	12.2	35.7	129.4

Interest expense related to the group health and life insurance retirement benefits liability is included with interest as debt expenses in the financial statements. Interest related to group health and life insurance retirement benefits for 31 March 2006 amounted to \$69.4 million.

Experience Gains or Losses

Experience gains or losses are amortized over the estimated average remaining service life of active participants. 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.

Plan Amendment

The group health and life insurance plans were amended to reflect the effect of the recent benefit improvements in the NLTA and the Public Service post-retirement programs. As a result of these amendments, the net liability for group insurance retirement benefits increased by \$35.7 million. There were no actuarial gains or losses recognized as a result of these amendments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. 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 32,878 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 2007, the plans provided benefits to 21,022 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 Consolidated Revenue Fund 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.

During 2006-07 plan legislation was enacted consistent with the two components of the Plan. The Registered component will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund and will provide benefits based on limits set out in the federal *Income Tax Act*. The Supplementary component will be administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

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.

During 2006-07 plan legislation was enacted consistent with the two components of the Plan. The Registered component will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund and will provide benefits based on limits set out in the federal *Income Tax Act*. The Supplementary component will be administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

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.

During 2005-06 the *Members of the House of Assembly Retiring Allowances Act* was enacted to restructure the Members of the House of Assembly Pension Plan into two components based on limits set out in the federal *Income Tax Act*. The first, or Registered component, will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund. The second, or the Supplementary Employee Retirement component, will be administered in the accounts of the Consolidated Revenue Fund.

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, administered within the Province of Newfoundland and Labrador Pooled Pension Fund, provides benefits based on limits set out in the federal *Income Tax Act* with the remainder of the benefit provided by the Supplementary component. The Supplementary component will be administered in the accounts of the Consolidated Revenue Fund.

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 4.66% 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 and 4.84% for the Supplementary Employee Retirement component, projected on a long term basis.

Expected Inflation Rates

The expected inflation rate for the Public Service Pension Plan is 3.0%. The expected rate for the Teachers' Pension Plan is 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 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:

<u>Pension Plan</u>	<u>Valuation Date</u>
Public Service	31 December 2006
Teachers'	31 August 2006
Uniformed Services	31 December 2005
Members of the House of Assembly	31 December 2006
Provincial Court Judges'	31 December 2004

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

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 2007. The actual results of future valuations may result in variances from these extrapolations.

<u>Pension Plan</u>	<u>Estimated Accrued Benefit Obligation</u>	<u>Fund Assets</u>	<u>Unamortized Experience Gains (Losses) 2007</u>	<u>Net Unfunded Liability 2007</u>	<u>Net Unfunded Liability 2006</u>	<u>Change</u>
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	4,524.8	3,072.6	(25.8)	1,426.4	1,755.6	(329.2)
Teachers'	3,395.8	3,089.3	(69.1)	237.4	200.1	37.3
Uniformed Services	283.2	83.1	(15.6)	184.5	170.6	13.9
Members of the House of Assembly	85.7	11.5	(19.4)	54.8	52.1	2.7
Provincial Court Judges'	6.3	2.2	0.5	4.6	4.0	0.6
Total	\$8,295.8	\$6,258.7	(\$129.4)	\$1,907.7	\$2,182.4	(\$274.7)

Pension Fund Assets are valued at the market value at 31 December 2006 and projected to year end.

Special Payments

Pursuant to the applicable pensions legislation, the Province had agreed to make special payments of \$60 million annually into the Public Service Pension Plan as long as the plan remains unfunded, of which \$45 million was paid during 2006-07. The agreement was amended during the year to replace this annual funding as a result of the commitment of the Province to make a one time total contribution of \$982 million to the Public Service Pension Plan to help address the unfunded liability. Of the additional \$982 million contribution, \$400 million was made as at 31 March 2007 with the remaining \$582 million being paid by 30 June 2007. The annual payments of \$20 million made to the Uniformed Services Pension Plan over a five year period beginning in 2001-02 concluded as at 31 March 2006. 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, these payments will only be allowable under the federal *Income Tax Act* to the extent that they fully fund the Registered component of the Plan. There were no special payments made to the Members of the House of Assembly Pension Plan in 2006-07.

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 Interest 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	(3.0)	129.8	(467.2)	11.2	-	(329.2)
Teachers'	17.3	25.0	(32.9)	25.1	2.8	37.3
Uniformed Services	2.3	13.0	(1.9)	0.5	-	13.9
Members of the House of Assembly	1.5	3.5	(4.6)	2.3	-	2.7
Provincial Court Judges'	0.6	0.2	(0.1)	(0.1)	-	0.6
Total	\$18.7	\$171.5	(\$506.7)	\$39.0	\$2.8	(\$274.7)

Pension interest expense is included with interest as debt expenses in the financial statements. Pension interest expense for 31 March 2006 amounted to \$329.3 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.

Plan Amendment

The Teachers' Pension Plan was amended in December 2005 to allow a teacher terminating employment with at least 5 years of pensionable service, but not entitled to an immediate benefit, the option of choosing either a commuted value transfer or a deferred pension. Death benefits under the Plan were also amended to provide commuted value payment options. As a result of these plan amendments the unfunded liability for the current year was increased by \$2.8 million. There were no actuarial gains or losses recognized as a result of this amendment.

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 25,350 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 2007 assets had a market value of \$224.7 million (31 March 2006 - \$200.3 million).

10. Current and Capital Account

The annual surplus of \$44.7 million (31 March 2006 - surplus of \$287.9 million) is comprised of a surplus on the current account of \$231.3 million (31 March 2006 - surplus of \$423.4 million) and a deficit on the capital account of \$186.6 million (31 March 2006 - deficit of \$135.5 million). The 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. 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 2007 amounted to \$3.1 million (31 March 2006 - \$13.7 million). See Schedule J - Reconciliation of Budgetary Contribution (Requirement) to Accrual.

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

Guarantees made by the Province as at 31 March 2007 amounted to \$1,916.4 million (31 March 2006 - \$2,083.5 million). In addition, the Province guaranteed the interest thereon. See Schedule G - Guaranteed Debt.

(b) Legal Actions

- (i) There have been a number of statements of claim alleging negligence on the part of Government employees and agencies in not preventing abuse while these claimants were under Government care.
- (ii) 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 Consolidated Revenue Fund is liable for any deficiency in the Province of Newfoundland and Labrador Pooled Pension Fund covered by that Act. See note 9.

b) Memorial University of Newfoundland Pension Fund

Pursuant to Section 6 of the *Memorial University Pensions Act*, if there is insufficient money in the Memorial University of Newfoundland Pension Fund to provide for the payment of applicable expenditures as they fall due, the Consolidated Revenue Fund is liable for payment of an amount to cover the deficiency. As at 31 March 2007, the Memorial University of Newfoundland Pension Plan had a net unfunded pension liability for funding purposes of \$57.9 million. However, there currently exists sufficient money in the Fund for the payment of expenditures as they fall due.

(iii) Trust Accounts

Generally, the Province is contingently liable for any shortage that may occur for certain funds held in trust by the Province. Currently, all obligations held have an offsetting asset. See Schedule I - Trust Accounts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(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 a proportional share of 50 per cent of the losses of the Corporation. This share is 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 was \$21.6 million.

The Corporation was dissolved with effect from 1 April 1995, so that resolution of the matter will be 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 debt reduction component of the Program, the Province is contingently liable for possible grants totalling \$24.3 million and of this amount, \$18.2 million has been recorded as a provision for likely amounts payable related to student loans due to the debt reduction program. See Schedule E - Other Liabilities.

(vi) *Environmental Responsibility*

As a result of delivering its stated programs and initiatives, there are a number of sites throughout the Province which are considered potentially contaminated sites. A liability will be accrued in the financial statements when it has been determined that the Province is liable for a site which has become contaminated and where a reasonable estimate of the remediation costs can be made. To date, \$7.3 million has been recorded (see Schedule E - Other Liabilities). Where it is uncertain as to whether an obligation exists for the Province to remediate a contaminated site, then information on any such sites will be disclosed as contingent liabilities.

As at 31 March 2007, while the Province is aware of a number of contaminated sites, the full extent of the remediation costs for these known sites is not readily determinable. Efforts are ongoing to identify any other potentially contaminated sites which are owned by the Province and to collect the information necessary to assess the extent or likelihood of any environmental damage. These efforts may result in recognizing environmental liabilities or disclosing contingent liabilities due to newly identified sites and/or changes in the assessments of currently known sites.

13. Contractual Obligations

Contractual obligations to outside organizations in respect of contracts entered into before 31 March 2007 amount to \$304.3 million of which \$195.0 million is for capital projects, \$44.1 million for information technology services, \$19.9 million for lease payments, \$17.0 million for ferry services, \$14.5 million for forestry related projects, \$8.8 million for other projects and \$5.0 million for phone services.

These contractual obligations 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Cash Requirements

The following summarizes the actual cash requirements, borrowings and utilization of the borrowings in excess of cash requirements for the year ended 31 March 2007. The total borrowing requirements have been adjusted for the modifications to the cash basis of accounting to arrive at the cash requirement. Please refer to the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for the year ended 31 March 2007 for further information on the calculation of the Total Borrowing Requirements of \$445.5 million noted below.

	31 March 2007
	<u>(\$000)</u>
Total Borrowing Requirements	(445,516)
Add (Deduct):	
Treasury bill borrowing repayments	(1,956,200)
Temporary investments 1 April 2006	730,021
Deferred revenue	(219,218)
Writeback expenditure - 2007	134,209
Writeback expenditure - 2006	(132,987)
Federal trust funds	23,901
Writeback revenue - 2007	(20,336)
Writeback revenue - 2006	12,613
Special purpose funds	3,053
Contractors holdback funds	1,320
Prior year's expenditure cheques recovered	320
Other adjustments	12
Total Cash Requirements	<u>(1,868,808)</u>
Borrowings:	
Treasury bill borrowings	1,955,541
Debenture borrowings	350,000
Increase (Decrease) in bank overdraft	9,475
Total Borrowings	<u>2,315,016</u>
Temporary Investments 31 March 2007	<u>446,208</u>

15. 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.

16. Prior Year Adjustment

An adjustment has been made to the 2005-06 fiscal year to reflect the true substance of the advances issued to the Business Investment Corporation during that year. As a result of this adjustment, the loans receivable balance has decreased by \$10.8 million while grants and subsidies expense increased by \$10.8 million. As a result, both Net Debt and Accumulated Deficit have also increased by \$10.8 million.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Subsequent Events**(a) Hebron-Ben Nevis Oil Field Agreement**

Subsequent to 31 March 2007, the Province signed a Memorandum of Understanding (MOU) with industry partners to develop the Hebron-Ben Nevis oil field. The Province will take a 4.9% equity stake in the project which is projected to result in a significant amount of revenues to be accrued over the 25 year life of the project. Due to the nature of the agreement, a reasonable estimate of the financial impact on the financial statements cannot be determined.

(b) Foreign Exchange

Subsequent to 31 March 2007, a significant, favourable change in the US dollar exchange rate occurred. As at the 25 October 2007 (date of substantial completion), the foreign exchange rate for one US dollar was \$0.9674, an increase of \$0.1872 over the \$1.1546 rate at year end. If as at 31 March 2007, the foreign exchange rate had been \$0.9674, there would have been an increase in foreign exchange gains of \$160.8 million.

18. Original Estimates

Certain amounts in the 2006-07 Estimates shown for comparative purposes were prepared on the accrual basis.

The primary focus of the accrual budget information presented in the 2006-07 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 \$52.5 million (consistent with the more detailed format of the non-consolidated Statement of Operations in Volume II) were not disclosed in the 2006-07 Estimates but rather were obtained from internal documentation used to calculate the budgeted surplus disclosed in the 2006-07 Estimates. In addition, an amount for Net Debt was also obtained from internal documentation.

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.

19. Additional Notes

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

20. Comparatives

Certain of the 31 March 2006 financial statement figures and related schedules have been restated to be consistent with the 31 March 2007 statement presentation.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Accounts and Taxes Receivable As at 31 March 2007 with comparative figures for 2006

	2007 (\$000)	2006 (\$000)
Accounts Receivable:		
Offshore royalties	133,040	86,194
Crown agencies working capital and unremitted profits	58,050	48,900
Student loans	35,562	36,386
Court fines	28,407	26,048
Social assistance overpayments	28,310	28,493
Miscellaneous/other receivables	14,519	12,719
Rent and other royalties/permits to occupy	9,186	12,682
Due from Government of Canada	4,199	2,000
Reciprocal billings - medical services	4,182	4,946
Workplace, Health, Safety and Compensation Commission	3,267	1,538
Atlantic Lottery Corporation Incorporated	2,172	268
Province of Newfoundland and Labrador Pooled Pension Fund	1,155	658
Fees and licences	1,125	997
Due from municipalities	1,181	1,085
Accrued interest on temporary investments	1,113	857
Accident claims recoveries	438	476
Medical care plan audit recoveries	420	401
Travel advances	150	157
Fire suppression recovery	-	1,098
Board and lodging	-	682
Total Accounts Receivable	326,476	266,585
Taxes Receivable:		
Mining and mineral rights tax	75,522	1,970
Sales tax	64,393	68,460
School tax	19,601	30,130
Gasoline tax	11,761	12,323
Tobacco tax	8,808	9,313
Health and post secondary education tax	8,111	7,735
Insurance companies tax	3,526	5,772
Mineral holding tax	150	162
Corporate income tax	34	991
Financial corporation capital tax	33	-
Utilities tax	6	1
Forest management tax	1	1,928
Total Taxes Receivable	191,946	138,785
Total Accounts and Taxes Receivable	518,422	405,370

NOTE

The allowance for doubtful accounts for 31 March 2007 is \$86.9 million (31 March 2006 - \$91.5 million).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Mortgages Receivable As at 31 March 2007 with comparative figures for 2006

	2007	2006
	(\$000)	(\$000)
Crown Agencies:		
Business Investment Corporation - note 1	54,357	61,866
C.A. Pippy Park Commission	250	250
Newfoundland and Labrador Film Development Corporation	6,819	6,819
Newfoundland and Labrador Industrial Development Corporation - note 2	29,412	29,412
Total Crown Agencies	<u>90,838</u>	<u>98,347</u>
Commercial Loans:		
A. L. Stuckless & Sons Limited	1,217	1,217
Atlantic Fisheries Limited	980	980
Cote's Mechanical Limited	200	200
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.	394	364
Hughes, Vincent	50	50
Island Seafoods Products Limited	230	250
Keats, Eric	102	102
Mediclink Systems Limited	58	-
Melindy, John	191	191
Newfound Harvesting Limited	2,727	2,782
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
Saunders, Ralph	61	61
Seaward, Alphonsus	99	99
Sexton Lumber Limited	44	340
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
Total Commercial Loans	<u>14,205</u>	<u>14,488</u>

 LOANS, ADVANCES AND MORTGAGES RECEIVABLE (continued)

	2007	2006
	(\$000)	(\$000)
Other Organizations:		
Gros Morne Mortgages	63	61
Municipalities	592	697
Total Other Organizations	655	758
Total Loans, Advances and Mortgages Receivable	<u>105,698</u>	<u>113,593</u>
Current portion	11,601	12,208
Long-term portion	94,097	101,385
	<u>105,698</u>	<u>113,593</u>

NOTES

1. Business Investment Corporation

The Province advances funds to Business Investment Corporation for the purpose of making loans and equity investments to enable it to carry out its mandate. The advances are non-interest bearing and have no fixed terms of repayment or maturity date.

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. Interest Rates and Loan Terms

As disclosed in notes 1 and 2 above, advances to Business Investment Corporation and Newfoundland and Labrador Industrial Development Corporation are non-interest bearing and have no fixed terms of repayment or maturity date. 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 \$3.5 million (31 March 2006 - \$3.4 million) where applicable. The amount 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 2007 is \$75.4 million (31 March 2006 - \$73.4 million).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Investments As at 31 March 2007 with comparative figures for 2006

Description of Investment	Net Additions	Balance 31 March 2007		2006
		No. of Shares	Cost	Cost
	(\$000)		(\$000)	(\$000)
Preferred Shares:				
Atlantic Ocean Farms Limited				
Class "A", redeemable	-	289,655	290	290
Blue Line Innovations Inc. - Class "B" - note 1	-	5,000	500	500
Country Ribbon Inc. - note 2	-	4,500	4,500	4,500
CHC Composites Inc. Series I - note 3	-	47,500	4,750	4,750
CHC Composites Inc. Series II - note 3	-	10,000	1,000	1,000
Orphan Industries Limited - Class "B" - note 4	970	97,000	970	-
Total Preferred Shares Investments	970		12,010	11,040
Common Shares:				
ACF Equity Atlantic Inc.	-	2,390,000	2,231	2,231
Atlantic Lottery Corporation Inc.	-	1	-	-
Bull Arm Site Corporation Inc.	-	3	-	-
Consilient Technologies Corporation - Class "B" - note 5 ..	-	568,182	500	500
Hurley Slate Works Company Inc. - Class "B"	-	400	400	400
Inter-Provincial Lottery Corporation	-	1	-	-
Manitoba Telecom Services Inc. - note 6	-	126	-	-
Marble Mountain Development Corporation	-	500	-	-
Marble Mountain Management Corporation	-	500	-	-
Municipal Assessment Agency	-	1	-	-
Newfoundland and Labrador				
Film Development Corporation	-	600	-	-
Newfoundland and Labrador Hydro Electric Corporation ..	-	22,503,942	10,187	10,187
Newfoundland and Labrador Immigrant Investor Fund Ltd .	-	3	-	-
Newfoundland and Labrador				
Student Investment and 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	-	-
SAC Mfg. Inc. Class "B" - note 7	500	500	500	-
Special Celebrations Corporation of Newfoundland and Labrador Inc	-	500	-	-
Trans Ocean Gas Inc. - note 8	40	18,000	90	50
Total Common Shares Investments	540		13,937	13,397

 INVESTMENTS (continued)

Description of Investment	Net Additions ((\$000))	Balance 31 March 2007		2006
		No. of Shares	Cost ((\$000))	Cost ((\$000))
Other:				
Newfoundland and Labrador Housing Corporation - note 9	-	-	62,852	62,852
Total Other Investments	-	-	62,852	62,852
Total Investments	<u>1,510</u>		<u>88,799</u>	<u>87,289</u>

NOTES

1. Blue Line Innovations Inc.

During 2005-06, the Province purchased 5,000 non-voting, Class "B" Preference shares at an aggregate cost of \$500,000. These shares are redeemable at the rate of \$100 each based upon the attainment of specified income and cash flow amounts beginning with the year ending 31 March 2007. All shares must be redeemed by no later than 31 March 2013.

2. 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. Commencing in 2007, these shares are redeemable by the company based on after tax earnings and subject to certain terms and conditions.

3. CHC Composites Inc.

The Province had purchased 95,000 preference shares of CHC Composites Inc., at a cost of \$9.5 million. The preference shares are redeemable at a nominal value based upon 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 8 November 2004, 47,500 preference shares, Series I, were redeemed.

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.

4. Orphan Industries Limited

During the year, the Province purchased 97,000 Class "B" Preferred shares at a cost of \$970,000. These shares are conditionally retractable, at the Province's option, upon the occurrence of certain future events, but in any event must be redeemed no later than 31 August 2020.

5. Consilient Technologies Corporation

The Province acquired 568,182 Class "B", non-voting Common shares in return for a \$500,000 repayable investment. These shares are cancellable on a pro-rata basis as the invested amount is repaid to the Province, with the repayment conditional upon Consilient Technologies Corporation raising specified amounts of additional funding.

INVESTMENTS (continued)

6. Manitoba Telecom Services 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 1 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. Allstream Inc. was subsequently acquired by Manitoba Telecom Services Inc. which issued 126 common shares, dated 4 June 2004, to the Province.

7. SAC Mfg. Inc.

During the year, the Province acquired 500 Class "B" Common shares at a cost of \$500,000. Commencing in June 2007, these shares are conditionally redeemable based on after tax earnings. All shares must be redeemed no later than 19 December 2016.

8. Trans Ocean Gas Inc.

During 2005-06, the Province offered this company up to \$100,000 in the form of an interest free repayable contribution to assist its research and development activities. In return for its investment, the Province would be issued Class "B" non-voting, non-interest bearing common shares. As at 31 March 2007, the Province had invested \$90,000 and been issued 18,000 shares. These shares are redeemable based on the achievement of certain project milestones but, in any event, must be redeemed no later than 22 March 2015.

9. 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.

10. Allowance for Investment Write-downs

The allowance for investment write-downs for 31 March 2007 is \$9.0 million (31 March 2006 - \$6.4 million).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Tangible Capital Assets As at 31 March 2007 with comparative figures for 2006

Category	Original Cost			Accumulated Amortization			Net Book Value 31 March 2007	Net Book Value 31 March 2006
	Balance 31 March 2006	Additions 2007	Disposals 2007	Balance 31 March 2007	Balance 31 March 2006	Amort. Net of Disposals 2007		
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Buildings	892.0	13.3	0.9	904.4	474.2	17.2	491.4	417.8
Marine vessels & aircraft	91.9	-	-	91.9	67.3	3.9	71.2	24.6
Equipment & machinery	110.5	14.5	8.0	117.0	76.2	(0.1)	76.1	34.3
Infrastructure	3,846.0	39.0	39.8	3,845.2	3,238.0	52.8	3,290.8	608.0
Computer software	38.0	9.7	-	47.7	25.6	3.5	29.1	12.4
Sub-total	<u>4,978.4</u>	<u>76.5</u>	<u>48.7</u>	<u>5,006.2</u>	<u>3,881.3</u>	<u>77.3</u>	<u>3,958.6</u>	<u>1,097.1</u>
Work in progress				<u>85.3</u>			<u>85.3</u>	<u>17.9</u>
Total				<u>5,091.5</u>			<u>1,132.9</u>	<u>1,115.0</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 2007 of \$85.3 million (31 March 2006 - \$17.9 million) having been spent on these projects to date. Upon completion, these assets are recorded in the appropriate category in the schedule. The additions of \$76.5 million include \$14.0 million of work in progress assets that have been capitalized in the year. Additions to work in progress assets amount to \$81.4 million for 2006-07, of which \$38.1 million represented a reclassification related to the Trans Labrador Highway.

3. Amortization Expense

Amortization net of disposals in the amount of \$77.3 million as reported in the schedule consists of amortization expense of \$87.5 million less accumulated amortization on assets disposed of in the year in the amount of \$10.2 million. The \$(0.1) million amortization net of disposals for equipment and machinery related mainly to an increase in disposals through auction sales in 2006-07.

Amortization net of disposals as at 31 March 2006 was \$84.3 million which consisted of amortization expense of \$87.8 million less accumulated amortization on assets disposed of in the year in the amount of \$3.5 million.

TANGIBLE CAPITAL ASSETS (continued)

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 \$37.4 million (31 March 2006 - \$48.0 million), amortization expense is \$1.3 million (31 March 2006 - \$2.1 million) and accumulated amortization is \$17.4 million (31 March 2006 - \$24.3 million). These are included in the appropriate category in the schedule.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Other Liabilities As at 31 March 2007 with comparative figures for 2006

	2007	2006
	(\$000)	(\$000)
Due to Government of Canada - note 1	510,989	567,766
Due to municipalities	316,922	338,523
Accrued interest	180,055	177,288
Salaries and benefits	144,603	131,990
Accounts payable write-backs	134,209	132,987
Capital leases - note 2	30,574	30,381
Physician services	30,498	28,841
Self-insured workers' compensation benefits - note 3	29,215	28,806
Accounts payable - other	19,595	24,964
Provision for student loan debt reduction	18,219	17,747
Offshore royalties	17,155	4,057
Taxes payable	13,031	21,743
Bank overdraft	12,919	3,444
Special purpose funds - note 4	8,490	5,437
Environmental liabilities	7,326	10,715
St. Clare's Hospital - purchase	6,000	6,750
Reciprocal billing - hospital services payable	5,250	5,200
Due to Crown Agencies	5,014	5,805
Contractors' holdbacks	4,287	2,967
Provision for guaranteed debt	-	18
	1,494,351	1,545,429

NOTES

1. Due to Government of Canada

The total due to the Government of Canada is \$511.0 million. This amount is comprised of \$340.6 million for an Equalization loan, \$135.9 million for Equalization overpayments and \$34.5 million for Health and social transfer overpayments.

2. Capital Leases

Interest rates for all capital leases range from 3.25% to 10.00% and have repayment schedules ranging in duration from less than a year to 17 years.

3. Self-Insured Workers' Compensation Benefits

The amount of \$29.2 million relates to the self-insured workers' compensation benefits liability as at 31 March 2007 (31 March 2006 - \$28.8 million). During the 2004-05 fiscal year, an actuarial valuation as of 31 December 2004, with disclosures as at 31 March 2007, was obtained for the Province's self-insured workers' compensation benefits.

4. Special Purpose Funds

Included in this schedule are funds totalling \$8.5 million (31 March 2006 - \$5.4 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.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Debenture and Other Debt As at 31 March 2007 with comparative figures for 2006

Series	Date of Issue	Date of Maturity	Interest Rate %	Amount in Foreign Currency	Sinking Fund Balance	Amount Issued or Outstanding		Notes
						2007	2006	
						(\$000)	(\$000)	
General Debentures:								
5S	01 Oct. 1987	01 Oct. 2007	10.79		38,949	42,300	42,300	1(a)
AF	15 Oct. 1987	15 Oct. 2007	11.63	(100,000 U.S.)	100,492	115,460	116,800	1(a)
6E	12 Dec. 1997	12 Dec. 2007	5.90		-	150,000	150,000	1(a)
5T	23 Feb. 1988	23 Feb. 2008	11.25		88,595	100,000	100,000	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)
5R	25 Feb. 1987	25 Feb. 2010	9.38		99,431	100,000	100,000	1(a)
EC7	19 Feb. 2003	29 Dec. 2010	5.13		-	200,000	200,000	1(b)
6L	25 Jul. 2001	25 Jul. 2011	6.40		-	200,000	200,000	1(a)
5U	15 Feb. 1989	15 Feb. 2012	11.00		98,744	125,000	125,000	1(a)
EC6	12 May 1993	12 May 2013	5.65		37,465	81,734	81,734	1(b)
6S	04 Jun. 2004	04 Jun. 2014	5.25		-	300,000	300,000	1(a)
5V	22 Nov. 1989	22 Nov. 2014	10.13		80,726	150,000	150,000	1(a)
AG	01 Jun. 1989	01 Jun. 2019	9.00	(150,000 U.S.)	90,840	173,190	175,200	1(a)
AH	01 Jun. 1990	01 Jun. 2020	9.88	(150,000 U.S.)	26,693	173,190	175,200	1(a)
AJ	29 Nov. 1990	01 Dec. 2020	10.00	(150,000 U.S.)	25,513	173,190	175,200	1(a)
5X	15 Apr. 1991	15 Apr. 2021	10.95		-	147,892	147,892	1(a)
AK	17 Oct. 1991	15 Oct. 2021	9.00	(200,000 U.S.)	30,255	230,920	233,600	1(a)
AM	22 Oct. 1992	22 Oct. 2022	8.65	(200,000 U.S.)	26,759	230,920	233,600	1(a)
AN	13 Oct. 1993	13 Oct. 2023	7.32	(200,000 U.S.)	35,773	230,920	233,600	1(a)
6B	07 Jul. 1995	07 Jul. 2025	9.15		12,995	100,000	100,000	1(a)
6C	05 Feb. 1996	05 Feb. 2026	8.45		18,606	150,000	150,000	1(a)
6F	17 Apr. 1998	17 Apr. 2028	6.15		50,368	450,000	450,000	1(a)
6H	27 Jul. 1999	17 Oct. 2029	6.50		20,376	200,000	200,000	1(a)
6K	30 Jun. 2000	17 Oct. 2030	6.55		37,732	450,000	450,000	1(a)
6R	12 Jun. 2003	17 Oct. 2033	5.60		12,392	300,000	300,000	1(a)
6T	21 Sep. 2004	17 Oct. 2035	5.70		7,985	300,000	300,000	1(a)
6U	28 Nov. 2006	17 Apr. 2037	4.50		-	350,000	-	1(a)
6Q	16 Aug. 2002	17 Oct. 2042	6.24		5,722	250,000	250,000	1(a)
Total: General Debentures					946,411	5,924,716	5,590,126	
Other:								
Treasury bill borrowings					-	488,881	489,539	1(e)
Total: Other					-	488,881	489,539	

DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance	Amount Issued or Outstanding	
					2007	2006
				(\$000)	(\$000)	(\$000)
Government of Canada and Agencies:						
Canada Pension Plan Investment Fund						
Debentures - note 1(c)						
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
3A-250	01 Apr. 1987	01 Apr. 2007	9.12			
to	to	to	to			
3A-258	01 Mar. 1988	01 Mar. 2008	11.07	-	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	-	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	-	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	-	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	-	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	-	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	01 Mar. 2022	6.85	-	52,376	52,376
3A-327	01 Apr. 2002	01 Apr. 2022	5.88			
to	to	to	to			
3A-337	01 Mar. 2003	01 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	50,738

DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance	Amount Issued or Outstanding	
					2007	2006
				(\$000)	(\$000)	(\$000)
3A-348	02 Apr. 2004	02 Apr. 2024	5.36			
to	to	to	to			
3A-356	02 Jan. 2005	02 Jan. 2025	5.92	-	47,146	47,146
3A-357	01 April 2005	01 April 2025	4.91			
to	to	to	to			
3A-359	03 June 2005	03 June 2025	5.34	-	23,987	23,987
Total: Canada Pension Plan Investment Fund Debentures				-	546,817	606,476
Harbour Lodge - see note 1(d)				-	531	540
Total: Government of Canada and Agencies				-	547,348	607,016
Total: Debenture and Other Debt				946,411	6,960,945	6,686,681
Current portion of Debenture and Other Debt					940,490	549,216
Long-term portion of Debenture and Other Debt					6,020,455	6,137,465
					6,960,945	6,686,681

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) 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.
- d) 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.
- e) This figure represents the net proceeds from the sale of \$494 million discounted treasury bills with maturity dates ranging from 05 April 2007 to 28 June 2007 and interest rates ranging from 4.18% to 4.22%.

2. Sinking Fund Balance

See note 5 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 2007 are as follows:

Major Currencies	Foreign Borrowings	Exchange Rate	Canadian \$	Unamortized Foreign Exchange Gains/(Losses)	Net
			(000's)	(000's)	(000's)
U.S.	1,150,000	1.1546	1,327,790	152,395	1,480,185
Canadian			<u>5,633,155</u>	-	<u>5,633,155</u>
	Sub-total		<u>6,960,945</u>	<u>152,395</u>	<u>7,113,340</u>
	Less: Foreign sinking funds		336,325	24,931	361,256
	Less: Canadian sinking funds		<u>610,086</u>	-	<u>610,086</u>
	Total		<u><u>6,014,534</u></u>	<u><u>127,464</u></u>	<u><u>6,141,998</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.	Canadian	Total
	(000's)	(000's)	(000's)
2007-2008	8,430	265,800	274,230
2008-2009	8,430	363,500	371,930
2009-2010	8,430	317,100	325,530
2010-2011	8,430	309,900	318,330
2011-2012	8,430	310,300	318,730
2012-2043	<u>65,700</u>	<u>1,500,200</u>	<u>1,565,900</u>
	<u><u>107,850</u></u>	<u><u>3,066,800</u></u>	<u><u>3,174,650</u></u>

The foreign exchange gain which has been realized on the Statement of Operations is \$10.9 million.

5. Sensitivity Analysis

An increase/decrease of one cent in the foreign exchange rates at 31 March 2007 would result in an increase/decrease in foreign borrowings of \$11.5 million (31 March 2006 - \$11.5 million).

6. Related Sinking Fund Investments

At year end, the Province held \$667.1 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2006 - \$643.9 million) which are reflected in the sinking fund balances disclosed in note 3 above. These were comprised of \$511.6 million in Canadian investments and \$155.5 million in US investments.

DEBENTURE AND OTHER DEBT (continued)

7. Debt-Related Risk

The practice of borrowing in both domestic and foreign currencies may potentially give rise to a number of risks including interest rate, credit, foreign exchange and liquidity risk. Interest rate risk is the risk that debt servicing costs will increase due to changes in interest rates while credit risk is the risk that a loss may occur from the failure of another party to meet its obligations under a derivative financial instrument contract. As well, foreign exchange risk is the risk that debt servicing costs will increase due to a decline in the value of the Canadian dollar relative to other currencies while liquidity risk is the risk that financial commitments will not be met over the short-term.

The Province attempts to manage its exposure to these risks and minimize volatility in its debt expenses by following a conservative debt and risk management strategy. The Province's debt portfolio is structured such that virtually all of its debt is long-term with fixed interest rates and fixed repayment terms. When appropriate and the option is available, debt with high interest rates has been called and refinanced with new lower interest rate debt. Otherwise, debt is generally held until maturity. Further, as at 31 March 2007, the Province had not entered into risk management techniques such as derivatives or other financial instruments. Hence, the Province's exposure to interest rate and credit risk is minimal as a result of its conservative debt management strategy.

While the majority of the Province's debt is domestic in nature, there are a number of US dollar denominated debt issues. All of these are long-term issues and the Province has established sinking funds, also in US dollars, to provide repayment of the debt at maturity. For debt servicing purposes, short-term forward contracts are occasionally entered into when favorable exchange rates are available to minimize exposure to foreign exchange risk.

The Province's exposure to liquidity risk is managed by distributing debt maturities over several years, maintaining sinking funds for the repayment of certain long-term debt issues and holding adequate cash reserves or short-term borrowings as contingent sources of liquidity.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Guaranteed Debt As at 31 March 2007 with comparative figures for 2006

	Limit of Guarantee (\$000)	Contingent Liability	
		2007 (\$000)	2006 (\$000)
Guaranteed Debentures:			
Municipalities:			
(For debentures issued to The Municipal Development and Loan Board and The Canada Mortgage and Housing Corporation)			
Bishop's Falls	-	-	16
Botwood	-	-	1
Burin	-	-	8
Gambo	-	-	14
Gander	-	-	22
Glenwood	69	69	61
Grand Falls - Windsor	20	20	27
Happy Valley - Goose Bay	-	-	47
Harbour Breton	164	164	131
Harbour Grace	125	125	71
La Scie	22	22	24
Mount Pearl	-	-	12
New-Wes-Valley	-	-	9
Placentia	69	69	69
Springdale	-	-	5
Stephenville Crossing	-	-	11
Wabana	17	17	14
	<u>486</u>	<u>486</u>	<u>542</u>
Crown Corporations:			
Eastern Regional Integrated Health Authority - note 2	127,007	127,007	128,176
Newfoundland and Labrador Hydro Electric Corporation - note 2	1,291,392	1,291,392	1,439,182
Newfoundland and Labrador Municipal Financing Corporation - note 2	200,559	200,559	237,383
	<u>1,618,958</u>	<u>1,618,958</u>	<u>1,804,741</u>
Guaranteed Bank Loans:			
Crown Corporations:			
Labrador-Grenfell Regional Integrated Health Authority	9,000	9,000	7,195
Marble Mountain Development Corporation	2,100	1,603	1,438
	<u>11,100</u>	<u>10,603</u>	<u>8,633</u>

GUARANTEED DEBT (continued)

	Limit of Guarantee (\$000)	Contingent Liability	
		2007 (\$000)	2006 (\$000)
Guaranteed Bank Loans:			
Fisheries: - note 3			
A & E Fisheries Limited	675	675	-
AAG Enterprises Inc.	204	204	224
A.S.E. Enterprises Limited; Sylvia & Alvin Petten	143	143	143
Alcon Enterprises	400	400	467
Allingham, Ralph and Wayne	27	27	35
Amp Fisheries Limited	800	-	-
Andrew Daley Limited	334	334	417
Ashco Fishing Limited	666	666	666
Ashley's Pride Enterprises Limited	534	534	580
Atlantic Blue Fin Limited	908	908	958
Atlantic Explorer III Limited	-	-	310
B D & T Enterprises & William F. Ralph	160	160	187
B & J Fisheries Limited	299	299	299
B & R Genge Company Limited	500	250	-
Barrett, Donald	98	98	108
Barrett, Victor and Dwayne	112	112	134
Batten, Purdie	117	117	182
Burton, Glen - et al	-	-	107
Butler, Harold	225	225	250
Coles, Kirby - et al	-	-	181
Collins Fisheries Limited	284	284	398
DJJ Enterprises Inc.	-	-	101
DOBCO Enterprises Limited	288	288	324
Daley, Andrew	98	98	143
Daley, Gary	135	135	180
Drover, Walter and Drover's Sea Harvesting Limited	569	569	569
E & E Fisheries Limited	1,182	1,182	-
E & R Small & Sons Limited	-	-	350
Emberley, Randy	89	89	112
F & G Fisheries Limited	332	332	-
F.I.C. Enterprises Limited	371	371	405
Feltham, Alexander	153	153	175
Fennelly, Thomas	92	92	131
Fennelly, Thomas and Jeanette	177	177	177
Forsey, Maxwell	164	164	206
G & D Fisheries Limited	919	779	849
Gallant, Guy	264	264	331
Genge, Emanuel Jr.	535	535	225
Genge, Marvin	270	270	304

 GUARANTEED DEBT (continued)

	Limit of Guarantee	Contingent Liability	
		2007	2006
	(\$000)	(\$000)	(\$000)
Guaranteed Bank Loans:			
Fisheries: - note 3			
Genge, Montrose	256	256	298
Gosse, George Roy	-	-	30
Gould, Clifford - et al	75	75	94
Greenham, David J. and Billy F.	1,325	1,325	1,300
Greenspond Fisheries Limited	280	280	304
H.A. & Sons Limited	-	-	56
Hart, Edward T.	630	630	659
Hart, Lloyd	270	270	335
Harvester Enterprises Limited	61	61	82
Hayden, Eric	15	15	31
Hickey, John Sr. - et al	455	455	520
Hicks Fisheries Limited & Randy Hicks	315	315	315
High Tide Enterprises Limited	432	432	480
High Wave Fisheries Limited	460	460	460
Hutchings, Frank	221	221	221
Hyde, Gary and Karen	97	97	117
JBCE Fisheries Limited	364	364	416
J.T. Fisheries Limited	109	109	141
Jacobs, George - et al	178	178	178
Jones, Richard	228	228	249
Kailey Venture Limited	419	419	458
Larkham's Fisheries Limited	-	-	104
Lavers, Boyd George	786	786	444
Lavers, Dion	63	63	71
Lewis, John B.	41	41	61
Lewis, Patrick	201	201	235
Leyte, Melvin	788	788	848
Leyte, Roy and Melvin	-	-	116
LCJ Fisheries Limited	1,300	1,300	1,300
Lormar Enterprises Limited	187	187	187
Loveless, Bruce	-	-	6
Lynch, Levi	148	148	164
Marine Fisher Limited & Dino Dredge	68	68	85
Martin, Harold	213	213	235
May, Gilbert and Eleanor	8	8	12
McCarthy, Dennis	774	774	-
Mercer, Stanley	46	46	51
Morey, Byron	181	181	181
Morey, Lorne	90	90	134
Morey's Enterprises Limited	-	-	10

GUARANTEED DEBT (continued)

	Limit of Guarantee (\$000)	Contingent Liability	
		2007 (\$000)	2006 (\$000)
Guaranteed Bank Loans:			
Fisheries: - note 3			
Morgan, William G.	720	720	783
Morningstar Enterprises Limited	772	772	-
Mouland, James B.	217	217	217
Myers, Howard and Baines, Andy	-	-	177
Newhook, Albert	260	260	260
Noel Fisheries Limited	159	159	159
Noonan, Maurice and Raymond	184	184	246
Norman, Glenn	498	498	573
Normore, Elvin	-	-	61
Normore, Kevin, Leroy and Urias	53	53	95
Northern Provider Ltd.	388	388	439
Ocean Otter Limited	585	585	-
Ocean Surfer Limited	358	358	358
Parsons, William A.	51	51	61
Pencol Enterprises Limited	801	801	801
Penney's Fisheries Limited	684	684	755
Penney, Boyd - et al	113	113	142
Petten, Neal	260	260	297
Petten, Raymond	882	882	809
Piercey's Fishing Enterprises Limited	293	293	293
Plowman, Clayton	36	36	48
Porter, Robert E. and Robert W.	126	126	138
R & C Rose Enterprises Limited	455	455	538
Reid, Austin, Kevin and Boyce	166	166	208
Reid, Glen W.	20	20	30
Roberts, Charles and Winslow, Glen	240	240	300
Russell, Wayne	101	101	136
Russell, William and Mercer, Glen	-	-	23
Ryan, Randy and Lisa	218	218	255
S & D Fisheries Limited	139	139	180
S & I Fisheries Limited	188	188	220
S & J Fisheries Limited	364	364	397
Salt Water Foam Company Limited	270	270	-
Seward, Sterling and Lemuel	76	76	95
Simmonds, Rex	369	369	426
Splendid Fishing Company Limited	-	-	396
Straits Venture Inc.	173	173	-
Symmonds, Michael - et al	145	145	166
TJL Enterprises Limited	432	432	432
The Roberts and Sisters Enterprises Limited	217	217	238

 GUARANTEED DEBT (continued)

	Limit of Guarantee	Contingent Liability	
		2007	2006
	(\$000)	(\$000)	(\$000)
Guaranteed Bank Loans:			
Fisheries: - note 3			
Toope's Enterprises Limited	393	393	505
Tucker & Son Limited	90	90	-
Tucker, Noah	-	-	19
Vernon Petten Enterprises Limited	454	454	454
W&R Enterprises Limited	398	398	427
Walsh's Fisheries Limited	270	270	270
Ward, Cecil	425	425	487
Warren, Maxwell	20	20	29
Waye's Enterprises Limited	396	396	462
What's Happening Fisheries Limited	702	702	702
Whitewater Fisheries Limited and Garfield Tippett	146	146	170
Wrice, Wallace & Mary	200	200	200
Yankee Point Limited	113	113	141
	<u>37,828</u>	<u>36,638</u>	<u>35,834</u>
Aggregate Limit & Contingent Amount	<u>33,796</u>	<u>32,606</u>	<u>30,669</u>
Corporate:			
Fogo Island Co-operative Society Limited	2,000	-	989
Island By-Products Limited	7	7	49
Natures Sea Farms Inc.	7,200	6,600	3,800
Newfoundland Symphony Orchestra Association	50	50	34
Smith Seafoods Limited	100	85	71
Stephenville Airport Corporation	350	233	286
Torn gat Fish Producers Co-op Society Limited	2,100	1,805	1,480
	<u>11,807</u>	<u>8,780</u>	<u>6,709</u>
Other Bank Loans:			
Consumer Protection Fund for Prepaid Funeral Expenses	200	123	159
	<u>200</u>	<u>123</u>	<u>159</u>
Other Guarantees:			
Crown Corporations:			
Newfoundland and Labrador Immigrant Investor Fund Limited - note 4	44,664	44,664	26,089
Student Loan Corporation of Newfoundland and Labrador - note 5	200,133	200,133	206,000
	<u>244,797</u>	<u>244,797</u>	<u>232,089</u>
	<u>1,921,144</u>	<u>1,916,353</u>	<u>2,083,542</u>

GUARANTEED DEBT (continued)

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 down payment 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 2007, capitalized interest and past due interest amounted to nil and nil respectively.

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	1,425,000	21,793	178,581	1,268,212
- Promissory Notes	23,003	177	-	23,180
				<u>1,291,392</u>
Newfoundland and Labrador Municipal Financing Corp.				
- Canadian Funds	208,784	2,805	11,030	<u>200,559</u>
Eastern Regional Integrated Health Authority				
- Canadian Funds	130,000	2,605	5,598	<u>127,007</u>

3. 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 2007, the Province's contingent liability with respect to these guarantees is \$32.6 million (31 March 2006 - \$30.7 million).

4. Newfoundland and Labrador Immigrant Investor Fund Limited

The Corporation was incorporated on 28 April 2005 under the *Corporations Act* of the Province of Newfoundland and Labrador. The purpose of the Corporation is to administer and invest the Newfoundland and Labrador allocation of funds received from immigrant investors by Citizenship and Immigration Canada under its Business Immigration Program. The Province guarantees repayment of the funds received.

GUARANTEED DEBT (continued)

5. Student Loan Corporation of Newfoundland and Labrador

The Corporation was established on 30 March 2004 under the authority of the *Student Financial Assistance Act* for the purpose of funding and administering loans to qualifying post-secondary students. On 31 March 2004, the Corporation borrowed \$213 million, primarily to finance the purchase of the outstanding student loan portfolio from the previous service provider - a Canadian chartered bank. The Corporation has since reduced the principal amount by \$15 million and during 2006-07 refinanced the balance for a term of five years. The borrowing is unconditionally guaranteed as to principal and interest by the Province.

6. Payments under Guarantee

During the 2006-07 fiscal year there were no payments under guarantee.

7. Valuation Allowance

The provision for guaranteed debt for 31 March 2007 is nil (31 March 2006 - \$0.02 million).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Losses, Uncollectible Accounts and Other Amounts Written Off For the year ended 31 March 2007 with comparative figures for 2006

Department	2007	2006
	(\$000)	(\$000)
Finance:		
Loan forgiveness	7,509	8,991
Remissions	4,906	5,941
Tax forgiveness	1,825	3,534
	<u>14,240</u>	<u>18,466</u>
Education:		
Uncollectible accounts	1,058	-
Human Resources, Labour and Employment:		
Overpayment of social assistance	1,008	753
Health and Community Services:		
Uncollectible accounts	935	-
Justice:		
Uncollectible accounts	508	144
Fisheries and Aquaculture:		
Uncollectible accounts	145	-
Natural Resources:		
Uncollectible accounts	79	-
Transportation and Works:		
Uncollectible accounts	22	-
Environment and Conservation:		
Uncollectible accounts	16	44
Innovation, Trade and Rural Development:		
Uncollectible accounts	-	27
Total	<u>18,011</u>	<u>19,434</u>

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Trust Accounts As at 31 March 2007 with comparative figures for 2006

	2007	2006
	(\$000)	(\$000)
Assets		
Registrar of the Supreme Court	28,908	28,581
Teachers' Accrued Salary Trust Account	6,593	6,178
Consolidated Tender Account	4,032	3,088
Provincial Courts Trust Account	1,128	974
Federal/Provincial Contractors' Security Account	764	406
High Sheriff of Newfoundland	195	74
Securities Payable	94	161
Rooms Trust Account	87	84
Victims of Mount Cashel	75	72
H.M. Penitentiary	41	66
Newfoundland and Labrador Youth Centre	35	54
Labrador Correctional Centre	35	20
Contractors' Security Account - Transportation and Works	26	103
West Coast Correctional Centre	18	21
School for the Deaf	12	36
Newfoundland and Labrador Correctional Centre for Women	7	7
Bishop's Falls Correctional Centre	5	3
Labour Standards Tribunal	2	4
Unpaid Wages Trust Account	2	3
Total Trust Account Assets	42,059	39,935
Balance of Funds		
Balance of Funds	42,059	39,935
Total Balance of Funds	42,059	39,935

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Reconciliation of Budgetary Contribution (Requirement) to Accrual For the year ended 31 March 2007 with comparative figures for 2006

	2007		2006	
	Current	Capital	Current	Capital
	(\$000)	(\$000)	(\$000)	(\$000)
Budgetary Contribution (Requirement)	361,344	(220,415)	728,326	(204,040)
Less: Amounts capitalized	-	3,095	-	13,683
	<u>361,344</u>	<u>(217,320)</u>	<u>728,326</u>	<u>(190,357)</u>
Surplus (Deficit) - accrual	231,287	(186,603)	423,410	(135,521)
Difference	<u>130,057</u>	<u>(30,717)</u>	<u>304,916</u>	<u>(54,836)</u>
The difference is comprised of the following:				
Sinking fund earnings	(57,948)	-	(53,066)	-
Accrued retirement costs - interest	238,946	-	398,777	-
Accrued retirement costs - other	60,805	-	22,078	-
Amortization of foreign exchange gains/losses	(12,060)	-	(8,525)	-
Other debt expenses	2,759	(558)	(5,005)	(2,589)
Bad debt expenses	(136)	12,091	-	3,868
Amortization expense re tangible capital assets	-	87,384	-	87,794
Tangible capital asset acquisitions/adjustments - net ..	-	(105,232)	-	(81,439)
Inventories of supplies	(576)	-	(2,168)	-
Accrued revenues and expenses	<u>(101,733)</u>	<u>(24,402)</u>	<u>(47,175)</u>	<u>(62,470)</u>
Difference	<u>130,057</u>	<u>(30,717)</u>	<u>304,916</u>	<u>(54,836)</u>
	<u>99,340</u>		<u>250,080</u>	