



# **Province of Newfoundland and Labrador**

## **Public Accounts Volume II**

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

**For The Year Ended  
31 March 2006**





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## **Public Accounts**

### **Volume II**

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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 2006 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.

In previous years, the Public Accounts also included two other volumes, Volume III - Consolidated Revenue Fund Supplementary Statements and Schedules and Volume IV- Financial Statements of Crown Corporations, Boards and Authorities. The former Volume III has been previously released as a separate report for 2005-06 and is entitled Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund. This report is available online at the address noted below. The former Volume IV which presents a reproduction of the available financial statements of the Crown Corporations, Board and Agencies will also be released as a separate report at a later date.

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

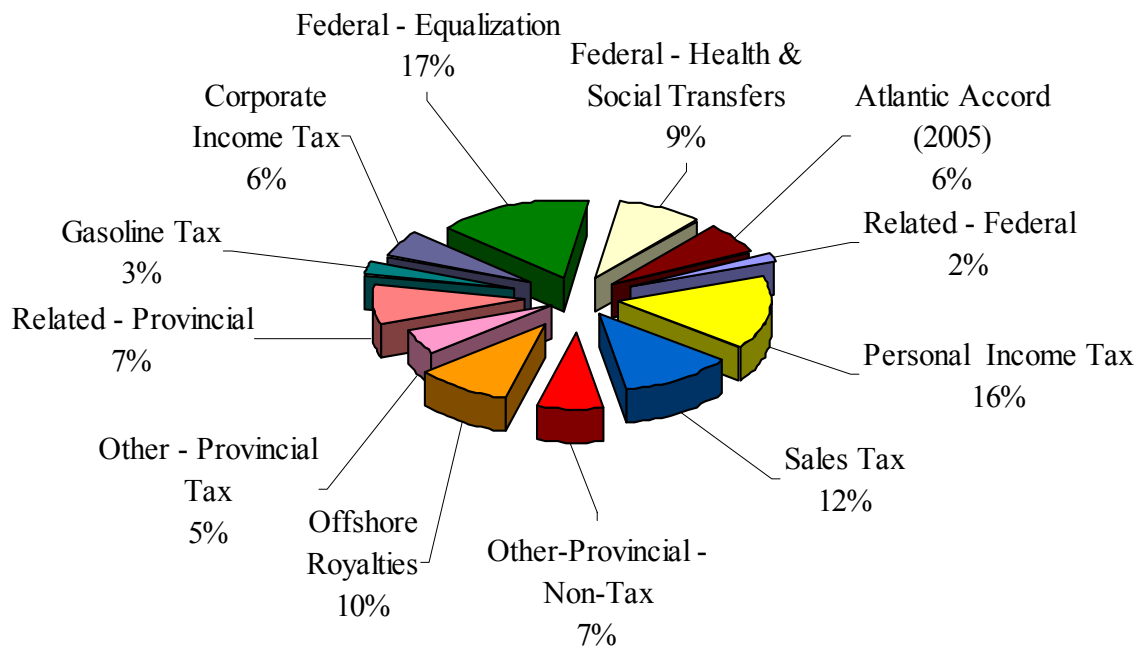
The Public Accounts are available on the Internet at:  
<http://www.gov.nl.ca/ComptrollerGeneral/publications.htm>

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## Revenue

Total revenue was \$5.17 billion in 2005-06 which consisted of federal revenues of \$1.76 billion and provincial revenues of \$3.41 billion.

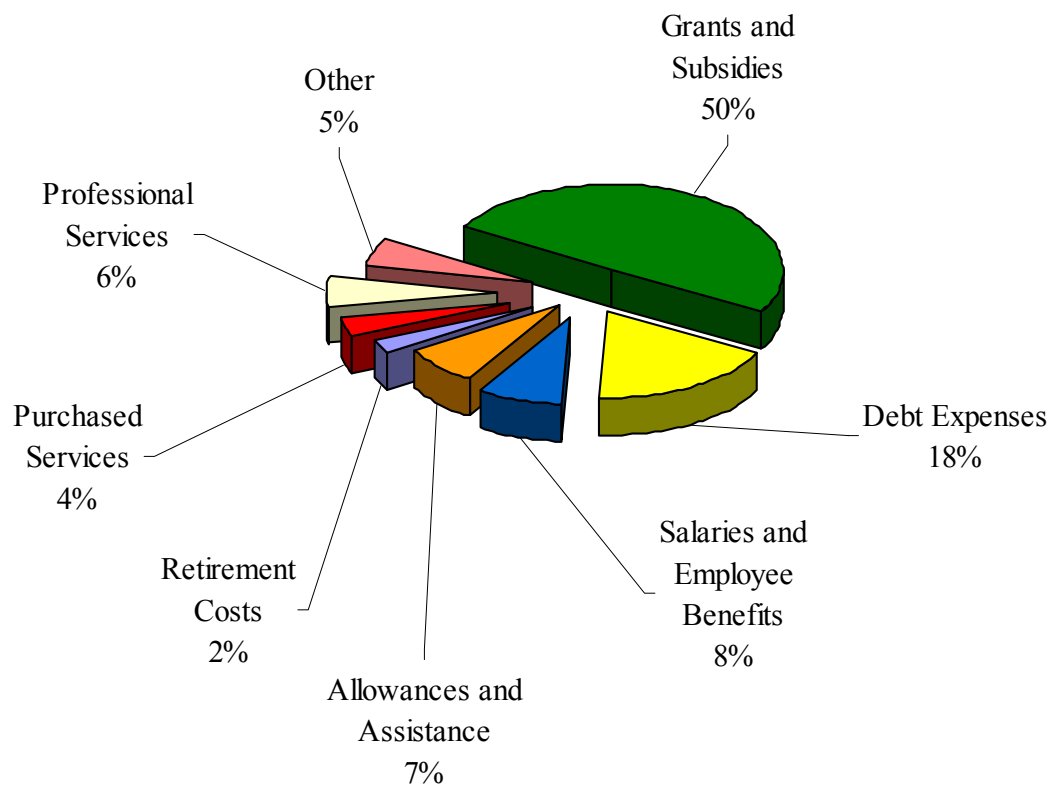
Revenue by Source - 31 March 2006



Expenses

Total expenses were \$4.87 billion in 2005-06. Grants and subsidies of \$2.43 billion and debt expenses of \$0.88 billion represented approximately 68% of this amount.

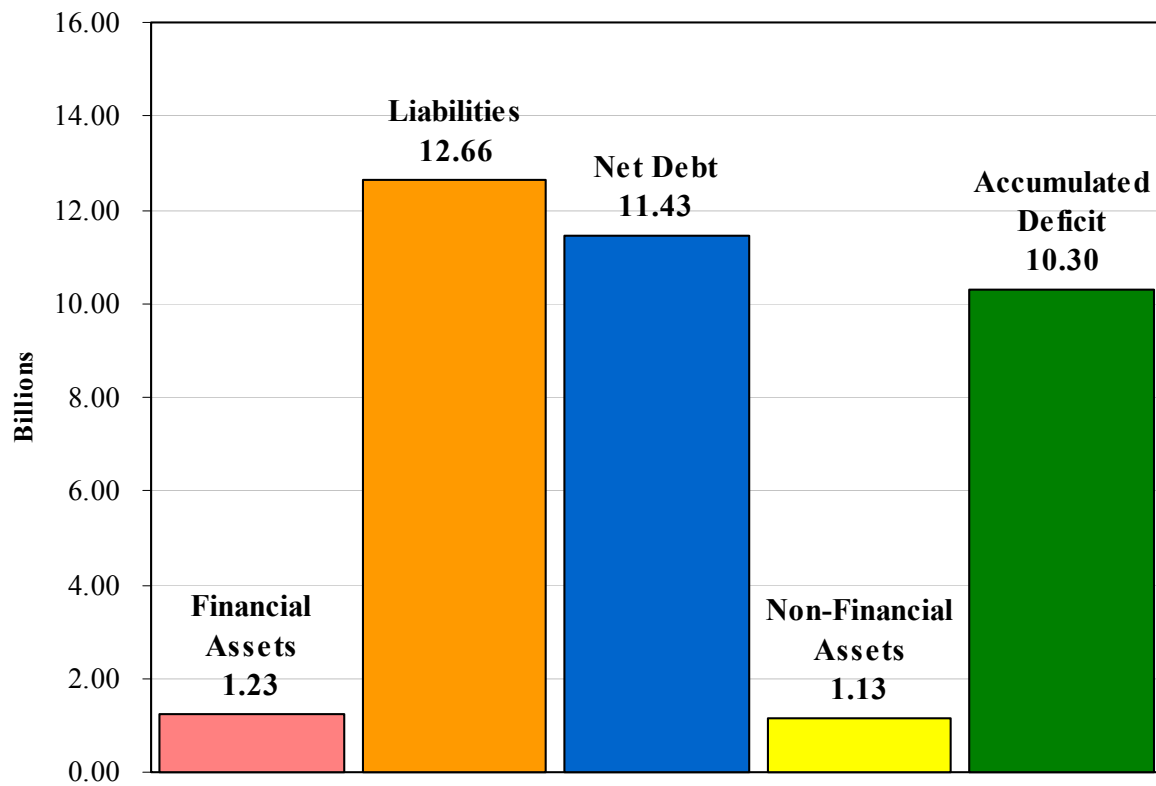
Expenses by Category - 31 March 2006



Financial Position

Accumulated Deficit of \$10.30 billion consisted of \$12.66 billion in liabilities less \$2.36 billion in assets.  
Net Debt of \$11.43 billion consisted of \$12.66 billion in liabilities less \$1.23 billion in financial assets.

Statement of Financial Position - 31 March 2006



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13 October 2006

## STATEMENT OF RESPONSIBILITY

These summary financial statements of the Consolidated Revenue Fund are prepared in accordance with the requirements of the *Financial Administration Act* based upon information provided by the various Government departments. Where necessary, the information included in these summary financial statements is based upon best estimates and judgement, taking into account materiality of the amounts. The summary financial statements in this volume include a Statement of Financial Position, a Statement of Change in Net Debt, a Statement of Operations, a Statement of Change in Accumulated Deficit, a Statement of Cash Flows and notes. Other schedules and notes that are included also form an integral part of these statements. Together they present fairly, in all material respects, the financial position of the Province's Consolidated Revenue Fund as at 31 March 2006 and the results of operations for the year then ended.

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

I have audited the statement of financial position of the Consolidated Revenue Fund of the Province of Newfoundland and Labrador as at 31 March 2006 and the statements of change in net debt, operations, change in accumulated deficit, and cash flows for the year then ended. These financial statements are the responsibility of Government. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Consolidated Revenue Fund as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies disclosed in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

The accompanying financial statements have been prepared to present the results of the Consolidated Revenue Fund in relation to its budget for the year ended 31 March 2006. Significant financial activities of Government occur outside the Consolidated Revenue Fund. Most of these activities together with those of the Consolidated Revenue Fund are included in the consolidated summary financial statements of the Province. For this reason, the consolidated summary financial statements provide a more comprehensive accounting of the financial position and results of Government operations. A separate Auditor's Report is provided on the consolidated summary financial statements for the year ended 31 March 2006.

JOHN L. NOSEWORTHY, C.A.  
Auditor General

St. John's, Newfoundland and Labrador  
13 October 2006

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Statement of Financial Position As at 31 March 2006 with comparative figures for 2005

	Actuals 2006	Actuals 2005
	(\$000)	(\$000)
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments at cost - notes 2, 17 .....	730,021	688,960
Government of Canada - claims in process - note 3 .....	49,818	52,515
Sch. A Accounts and taxes receivable .....	405,370	349,489
Less: Allowance for doubtful accounts .....	91,528	101,150
	313,842	248,339
Sch. B Loans, advances and mortgages receivable .....	124,393	122,529
Less: Allowance for doubtful accounts .....	73,394	78,517
	50,999	44,012
Sch. C Investments at cost .....	87,289	86,239
Less: Allowance for investment writedowns .....	6,440	6,440
	80,849	79,799
<b>Total Financial Assets</b> .....	1,225,529	1,113,625
<b>LIABILITIES</b>		
Sch. E Other liabilities .....	1,545,429	1,505,002
Deferred revenue - note 4 .....	1,740,528	8,358
Sch. F Debenture and other debt .....	6,686,681	6,862,522
Less: Sinking fund assets - note 5 .....	849,080	762,612
Plus: Unamortized unrealized foreign exchange gains (losses) - note 6 .....	128,677	100,968
	5,966,278	6,200,878
Group health and life insurance retirement benefits - note 8 .....	1,222,162	1,149,375
Unfunded pension liability - note 9 .....	2,182,414	3,933,568
<b>Total Liabilities</b> .....	12,656,811	12,797,181
<b>NET DEBT</b> .....	11,431,282	11,683,556
<b>NON-FINANCIAL ASSETS</b>		
Sch. D Tangible capital assets .....	1,115,041	1,072,092
Prepaid expenses .....	4,696	3,398
Inventories of supplies .....	15,281	13,113
<b>Total Non-Financial Assets</b> .....	1,135,018	1,088,603
<b>ACCUMULATED DEFICIT</b> .....	10,296,264	10,594,953

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 2006 with comparative figures for 2005

	Actuals 2006	Original Estimates 2006 (Note 19)	Actuals 2005
	(\$000)	(\$000)	(\$000)
<b>NET DEBT - beginning of period</b> .....	11,683,556	11,683,556	11,165,989
<b>Surplus (Deficit) for the period</b> .....	298,689	(367,216)	(554,705)
<b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets .....	131,461	124,187	45,583
Net book value of tangible capital asset disposals .....	(718)	-	(189)
Amortization of tangible capital assets .....	(87,794)	(82,004)	(82,667)
<i><b>Increase (Decrease) in net book value of tangible capital assets</b></i>	42,949	42,183	(37,273)
<b>Changes in other non-financial assets</b>			
Acquisition of prepaid expenses (net of usage) .....	1,298		1,619
Acquisition of inventories of supplies (net of usage) .....	2,168		(1,484)
<i><b>Increase (Decrease) in other non-financial assets</b></i>	3,466		135
<i><b>Increase (Decrease) in net debt</b></i> .....	(252,274)	409,399	517,567
<b>NET DEBT - end of period</b> .....	11,431,282	12,092,955	11,683,556

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 2006 with comparative figures for 2005

	Actuals 2006 (\$000)	Original Estimates 2006 (Note 19) (\$000)	Actuals 2005 (\$000)
<b>REVENUE</b>			
Provincial			
Tax Revenue			
Sales .....	629,872	648,498	594,551
Personal income .....	811,189	779,770	766,510
Gasoline .....	141,226	145,300	137,801
Corporate income .....	295,962	175,990	171,663
Other .....	266,826	272,310	246,047
Non-Tax Revenue			
Offshore royalties .....	532,533	215,370	264,673
Investment income .....	211,079	212,618	221,226
Fees and fines .....	147,803	138,287	157,192
Related revenue .....	373,914	301,485	226,853
Government of Canada			
Equalization .....	860,959	860,959	919,955
Atlantic Accord (2005) .....	322,300	188,700	-
Health and Social Transfers .....	491,568	487,752	426,406
Other .....	1,708	1,708	1,708
Related revenue .....	86,185	132,083	85,417
<b>Total Revenue</b> .....	<b>5,173,124</b>	<b>4,560,830</b>	<b>4,220,002</b>
<b>EXPENSE</b>			
Salaries .....	328,951	328,053	310,106
Employee benefits .....	56,013	44,701	45,645
Retirement costs .....	102,424	125,519	120,935
Transportation and communications .....	35,345	41,158	32,174
Supplies .....	70,283	61,900	58,222
Professional services .....	285,107	288,633	267,489
Purchased services .....	196,801	177,955	137,561
Property, furnishings and equipment .....	48,115	43,065	12,237
Allowances and assistance .....	354,056	358,689	345,705
Grants and subsidies .....	2,428,732	2,464,248	2,478,953
Debt expenses .....	876,946	901,871	881,229
Amortization (tangible capital assets) .....	87,794	82,004	82,667
Bad debt expenses .....	3,868	10,250	1,784
<b>Total Expense</b> .....	<b>4,874,435</b>	<b>4,928,046</b>	<b>4,774,707</b>
<b>ANNUAL SURPLUS (DEFICIT) - note 10</b> .....	<b>298,689</b>	<b>(367,216)</b>	<b>(554,705)</b>

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

See accompanying notes to the financial statements.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Statement of Change in Accumulated Deficit For the year ended 31 March 2006 with comparative figures for 2005

	Actuals 2006 (\$000)	Original Estimates 2006 (Note 19) (\$000)	Actuals 2005 (\$000)
<b>ACCUMULATED DEFICIT - beginning of period</b> .....	10,594,953	10,594,953	10,040,248
<b>Surplus (Deficit) for the period</b> .....	298,689	(367,216)	(554,705)
<b>ACCUMULATED DEFICIT - end of period</b> .....	10,296,264	10,962,169	10,594,953

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 2006 with comparative figures for 2005

	Actuals 2006	Actuals 2005
	(\$000)	(\$000)
<b>Funds provided from (applied to):</b>		
<b>OPERATIONS</b>		
Annual surplus (deficit) .....	298,689	(554,705)
Add (Deduct) non-cash items:		
Amortization of foreign exchange gains/losses .....	(8,433)	(1,751)
Amortization of tangible capital assets .....	87,794	82,667
April writebacks .....	68,040	(6,440)
Contributed tangible capital assets .....	(49,304)	-
Deferred revenue .....	1,732,170	8,358
Other .....	(89,009)	17,639
Retirement costs .....	420,855	435,804
Sinking funds .....	(53,066)	(42,911)
Valuation allowances .....	(1,735)	25,636
<i>Net cash provided from (applied to) operating transactions</i> .....	<u>2,406,001</u>	<u>(35,703)</u>
<b>CAPITAL</b>		
Acquisitions .....	(82,157)	(45,583)
Disposals .....	54	133
<i>Net cash provided from (applied to) capital transactions</i> .....	<u>(82,103)</u>	<u>(45,450)</u>
<b>FINANCING</b>		
Debt issued .....	-	600,000
Debt retirement .....	(126,583)	(198,895)
Equalization loan .....	-	378,402
Retirement of pension liabilities .....	(2,099,222)	(156,000)
Sinking fund contributions .....	(45,100)	(41,350)
Special purpose funds/contractors' holdback funds .....	(2,267)	3,829
Treasury bills purchased .....	1,961,293	2,312,303
Treasury bills redeemed .....	(1,962,694)	(2,312,581)
<i>Net cash provided from (applied to) financing transactions</i> .....	<u>(2,274,573)</u>	<u>585,708</u>
<b>INVESTING</b>		
Loan advances and investments .....	(11,850)	(4,304)
Loan repayments .....	142	3,305
<i>Net cash provided from (applied to) investing transactions</i> .....	<u>(11,708)</u>	<u>(999)</u>
<i>Net cash provided (applied)</i> .....	37,617	503,556
Cash and temporary investments - beginning of period .....	688,960	185,404
<b>CASH AND TEMPORARY INVESTMENTS - end of period - note 2</b> ...	<u><u>726,577</u></u>	<u><u>688,960</u></u>

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

See other accompanying notes to the financial statements.

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# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Notes to the Financial Statements For the year ended 31 March 2006

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### 1. Summary of Significant Accounting Policies

#### (a) The Reporting Entity

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

#### (b) Basis of Accounting

##### (i) Method

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

##### (ii) 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*

Deferred revenue represents amounts received but not earned.

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

Debenture and other debt, except treasury bills, are recorded at face value. Treasury bills are recorded at net proceeds.

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

(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 2006	31 March 2005
	(\$mil)	(\$mil)
Temporary investments - note 17 .....	730.0	660.1
Cash balance (overdraft) .....	(3.4)	28.9
Total .....	<u>726.6</u>	<u>689.0</u>

Temporary investments consist of investments with financial institutions. As at 31 March 2006, these investments are on call or have maturity dates ranging from 03 April 2006 to 12 April 2006 at interest rates which vary from 3.63% to 3.85%.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Consists of:

	31 March 2006	31 March 2005
	(\$mil)	(\$mil)
Claims receivable at 31 March not received in April .....	37.2	24.1
Receipts in April .....	12.6	28.4
Total .....	<u>49.8</u>	<u>52.5</u>

**4. Deferred Revenue**

The deferred revenue totalling \$1,740.5 million consists of \$1,677.7 million relating to the unearned balance of the Atlantic Accord (2005), \$61.6 million relating to Federal Government funding for various health care initiatives and \$1.2 million related to other miscellaneous programs. The amounts relating to funding received from the Federal Government will be recognized as revenue in the periods in which the eligibility criteria have been met as outlined in the various agreements.

**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 2006	31 March 2005
	(\$mil)	(\$mil)
Investments at cost .....	739.7	631.8
Amortization of bond discount .....	82.5	72.2
Investments at amortized cost .....	822.2	704.0
Cash and receivables less accounts payable .....	26.9	58.6
Net Sinking Fund Assets - translated at 31 March .....	<u>849.1</u>	<u>762.6</u>

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 net sinking fund assets balance of 762.6 million Canadian dollars as at 31 March 2005 includes 239.9 million U.S. dollars translated to 290.2 million Canadian dollars in accordance with current practice.

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

## 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 2006. 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 \$8.4 million which represents a credit adjustment (31 March 2005 - \$1.8 million-credit adjustment).

	31 March 2006	31 March 2005
	(\$mil)	(\$mil)
Unrealized foreign exchange gain (loss):		
Debt .....	58.5	10.6
Sinking funds .....	(18.4)	(6.6)
Net .....	40.1	4.0
Total accumulated amortization .....	88.6	97.0
Net unamortized unrealized foreign exchange gain (loss) .....	<u>128.7</u>	<u>101.0</u>

**7. Provision for Guaranteed Debt**

An amount of \$0.02 million (31 March 2005 - \$0.1 million) has been recorded as a provision for possible losses on guaranteed debt (see note 12(a)). 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 the plans, the Province pays 50% of the total premium charged towards the benefits of both active employees and retirees for both the life insurance and health benefits under both programs sponsored by the Province and the NLTA. As at 31 March 2006, the plans provided benefits to 16,294 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 4.84%, 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 2006	Net Liability 2006	Net Liability 2005	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Group health retirement benefits	1,327.9	(167.1)	1,160.8	1,071.7	89.1
Group life insurance retirement benefits	59.2	2.2	61.4	77.7	(16.3)
	1,387.1	(164.9)	1,222.2	1,149.4	72.8

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	31.9	66.0	(17.4)	8.6	-	89.1
Group life insurance retirement benefits	1.3	3.4	(2.6)	0.3	(18.7)	(16.3)
	33.2	69.4	(20.0)	8.9	(18.7)	72.8

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 2005 amounted to \$66.2 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 life insurance plan sponsored by the NLTA was amended so that the employer's obligation is limited to a certain amount per year with respect to post-65 life insurance benefits. As a result of this amendment, the net liability for group insurance retirement benefits decreased by \$18.7 million. This decrease is net of actuarial losses of \$4.3 million recognized as a result of this amendment.

## 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 32,376 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 2006, the plans provided benefits to 20,172 pensioners. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan or the Members of the House of Assembly Pension Plan nor to pensioners of the Teachers' Pension Plan who retired prior to 01 September 1998.

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

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

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

**Teachers' Pension Plan**

Employee contributions are 9.35% of pensionable salary. A pension benefit is available based on the number of years of pensionable service prior to 1 January 1991 times 1/45th of the employee's best five years average salary, plus 2% of the employee's best five years average salary times years of pensionable service after that date, reduced by a formulated amount representing CPP pension benefits for each year since 1967. The CPP reduction only applies to pensioners who retired after 31 August 1998.

**Uniformed Services Pension Plan**

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

**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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**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 5.5% for the Supplementary Employee Retirement component, projected on a long term basis. The expected rate for the Provincial Court Judges' Pension Plan is 7.0% for the Registered component 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%.

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 2003
Teachers'	31 August 2003
Uniformed Services	31 December 2003
Members of the House of Assembly	31 December 2003
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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**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 2006. The actual results of future valuations may result in variances from these extrapolations.

Pension Plan	Estimated Accrued Benefit Obligation	Fund Assets	Unamortized Experience Gains (Losses) 2006	Net Unfunded Liability 2006	Net Unfunded Liability 2005	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	4,171.4	2,388.4	(27.4)	1,755.6	1,671.1	84.5
Teachers'	3,189.4	2,851.1	(138.2)	200.1	2,043.6	(1,843.5)
Uniformed Services	256.7	83.6	(2.5)	170.6	175.4	(4.8)
Members of the House of Assembly	75.4	10.3	(13.0)	52.1	40.3	11.8
Provincial Court Judges'	5.2	1.7	0.5	4.0	3.2	0.8
<b>Total</b>	<b>\$7,698.1</b>	<b>\$5,335.1</b>	<b>(\$180.6)</b>	<b>\$2,182.4</b>	<b>\$3,933.6</b>	<b>(\$1,751.2)</b>

Pension Fund Assets are valued at the market value at 31 December 2005 and projected to year end.

**Special Payments**

Pursuant to the applicable pensions legislation, the Province has agreed to make special payments of \$60 million annually into the Public Service Pension Plan as long as the plan remains unfunded. In addition, the Province had agreed to make special payments of \$76 million annually into the Teachers' Pension Plan, however, during 2005-06 the Province made additional special payments totalling \$2,019.2 million in large part due to funding received via the Atlantic Accord (2005). As a result, there are no more planned special payments for the Teachers' Pension Plan after 31 March 2006. Annual payments of \$20 million to the Uniformed Services Pension Plan are also being made by the Province for a five year period which commenced in 2001-02. 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 2005-06.

**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	(7.2)	142.9	(79.8)	28.3	0.3	84.5
Teachers'	17.1	169.0	(2,052.6)	33.0	(10.0)	(1,843.5)
Uniformed Services	2.1	13.9	(21.9)	1.1	-	(4.8)
Members of the House of Assembly	1.6	3.3	(6.0)	2.5	10.4	11.8
Provincial Court Judges'	0.6	0.2	(0.2)	-	0.2	0.8
<b>Total</b>	<b>\$14.2</b>	<b>\$329.3</b>	<b>(\$2,160.5)</b>	<b>\$64.9</b>	<b>\$0.9</b>	<b>(\$1,751.2)</b>

Pension interest expense is included with interest as debt expenses in the financial statements. Pension interest expense for 31 March 2005 amounted to \$320.6 million.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**Experience Gains or Losses**

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

**Other Pension Plans**

The Government Money Purchase Pension Plan was established for employees whose employment status does not qualify them for participation in another of their employer's pension plans. This plan has approximately 23,340 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 2006 assets had a market value of \$200.3 million (31 March 2005 - \$173.9 million).

**10. Current and Capital Account**

The annual surplus of \$298.7 million (31 March 2005 - deficit of \$554.7 million) is comprised of a surplus on the current account of \$423.4 million (31 March 2005 - deficit of \$298.6 million) and a deficit on the capital account of \$124.7 million (31 March 2005 - \$256.1 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.

**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 2006 amounted to \$13.7 million (31 March 2005 - \$1.0 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 2006 amounted to \$2,083.5 million (31 March 2005 - \$2,120.6 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 Statement of Claim has been served on the Province in its role as the regulator of mortgage brokers and investment companies.
- (iii) A number of claims have been filed against the Province for alleged breaches of contracts and/or tenders as well as for general damages and personal claims pursuant to action initiated by the Province.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(ii) *Pensions*

## a) Province of Newfoundland and Labrador Pooled Pension Fund

Pursuant to Section 9 of the *Pensions Funding Act*, the Province is liable for any deficiency in the Province of Newfoundland and Labrador Pooled Pension Fund covered by that Act. See note 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 Province is liable for payment of an amount to cover the deficiency.

As at 31 March 2006, the Memorial University of Newfoundland Pension Plan had a net unfunded pension liability for funding purposes of \$91.3 million. However, as there is currently sufficient money in the Fund for the payment of expenditures as they fall due, there is no direct liability for the Province.

(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.

(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 \$23.7 million. An amount of \$17.7 million has been recorded as a provision for possible grants 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 (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 2006, 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 currently 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**13. Commitments**

Commitments to outside organizations in respect of contracts entered into before 31 March 2006 amount to \$195.8 million of which \$129.2 million is for capital projects, \$24.4 million for information technology services, \$18.5 million for lease payments, \$9.1 million for phone services, \$8.6 million for ferry services and \$6.0 million for other projects.

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

**14. 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.

**15. Atlantic Accord (2005)**

During the 2005-06 fiscal year, the enabling legislation for the Atlantic Accord (2005) agreement was passed by the Government of Canada. The agreement provides 100% equalization clawback protection for offshore revenues for the eight year period from 2004-05 to 2011-12. Following the passing of the agreement, the Province received a \$2.0 billion advance payment in July 2005. During 2005-06, the majority of the \$2.0 billion received was used for the retirement of pension liabilities.

While the agreement did include an allocation for the 2004-05 fiscal year, the revenue recognition criteria, as per generally accepted accounting principles, were not met until the passing of the federal legislation. As a result, the total revenue recognized as at 31 March 2006 (\$322.3 million) includes the allocations for 2004-05 (\$133.6 million), along with the allocation for 2005-06 (\$188.7 million). The remaining \$1,677.7 million has been recorded as deferred revenue (see note 4).

**16. Rearrangement and Transfer of Duties**

Under the *Executive Council Act*, the duties of various government departments were rearranged during 2005-06. Applicable changes have been applied retroactively with restatement.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**17. 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 2006. 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 2006 for further information on the calculation of the Total Borrowing Requirements of \$1,746.5 million noted below.

	31 March 2006
	(\$mil)
Total Borrowing Requirements .....	(1,746,527)
Add (Deduct):	
Treasury bill borrowing repayments .....	(1,962,694)
Deferred revenue .....	1,669,597
Temporary investments 1 April 2005 .....	660,119
Writeback expenditure - 2006 .....	132,987
Writeback expenditure - 2005 .....	(80,778)
Federal health trust funds .....	50,349
Writeback revenue - 2005 .....	28,444
Writeback revenue - 2006 .....	(12,613)
Special purpose funds .....	(2,659)
Other adjustments .....	(482)
Contractors holdback funds .....	392
Prior year's expenditure cheques recovered .....	308
Total Cash Requirements .....	<u>(1,263,557)</u>
Borrowings:	
Treasury bill borrowings .....	1,961,293
Increase (Decrease) in bank overdraft .....	32,285
Total Borrowings .....	<u>1,993,578</u>
Temporary Investments 31 March 2006 .....	<u>730,021</u>

**18. Comparatives**

Certain of the 31 March 2005 financial statement figures and related schedules have been restated to be consistent with the 31 March 2006 statement presentation.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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**19. Original Estimates**

Certain amounts in the 2005-06 Estimates shown for comparative purposes were prepared on the accrual basis.

The primary focus of the accrual budget information presented in the 2005-06 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 \$367.2 million (consistent with the more detailed format of the non-consolidated Statement of Operations in Volume II) were not disclosed in the 2005-06 Estimates but rather were obtained from internal documentation used to calculate the budgeted deficit disclosed in the 2005-06 Estimates. In addition, amounts for net debt and accumulated deficit were 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.

**20. Additional Notes**

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

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Accounts and Taxes Receivable As at 31 March 2006 with comparative figures for 2005

	2006	2005
	(\$000)	(\$000)
Accounts Receivable:		
Offshore royalties .....	86,194	41,924
Crown agencies working capital and unremitted profits .....	48,900	41,768
Student loans .....	36,386	35,978
Social assistance overpayments .....	28,493	28,309
Court fines .....	26,048	25,101
Miscellaneous/other receivables .....	12,719	10,740
Rent and other royalties/permits to occupy .....	12,682	8,429
Reciprocal billings - medical services .....	4,946	2,670
Due from Government of Canada .....	2,000	1,237
Workplace, Health, Safety and Compensation Commission .....	1,538	3,755
Fire suppression recovery .....	1,098	1,098
Due from municipalities .....	1,085	1,044
Fees and licences .....	997	1,939
Accrued interest on temporary investments .....	857	695
Board and lodging .....	682	682
Province of Newfoundland and Labrador Pooled Pension Fund .....	658	500
Accident claims recoveries .....	476	231
Medical care plan audit recoveries .....	401	640
Atlantic Lottery Corporation Incorporated .....	268	1,098
Travel advances .....	157	161
Total Accounts Receivable .....	266,585	207,999
Taxes Receivable:		
Sales tax .....	68,460	62,221
School tax .....	30,130	41,071
Gasoline tax .....	12,323	11,739
Tobacco tax .....	9,313	12,111
Health and post secondary education tax .....	7,735	7,273
Insurance companies tax .....	5,772	564
Mining and mineral rights tax .....	1,970	2,714
Forest management tax .....	1,928	2,065
Corporate income tax .....	991	687
Mineral holding tax .....	162	176
Utilities tax .....	1	-
Financial corporation capital tax .....	-	108
Personal income tax .....	-	761
Total Taxes Receivable .....	138,785	141,490
Total Accounts and Taxes Receivable .....	405,370	349,489

#### NOTE

The allowance for doubtful accounts for 31 March 2006 is \$91.5 million (31 March 2005 - \$101.2 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Loans, Advances and Mortgages Receivable As at 31 March 2006 with comparative figures for 2005

	2006	2005
	(\$000)	(\$000)
Crown Agencies:		
Business Investment Corporation - note 1 .....	72,666	70,342
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>109,147</u>	<u>106,823</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. ....	364	334
Hughes, Vincent .....	50	50
Island Seafoods Products Limited .....	250	250
Keats, Eric .....	102	102
Melindy, John .....	191	191
Newfound Harvesting Limited .....	2,782	2,837
Newman, Raymond .....	162	162
Northeast Coast Sealers Co-op Society Limited .....	378	378
O'Rourke, Rupert .....	337	337
Pittman, Thomas .....	93	93
Pumphrey, Gerry .....	537	537
Ryder, Gerald and Street, Walter .....	-	357
Saunders, Ralph .....	61	61
Seaward, Alphonsus .....	99	99
Sexton Lumber Limited .....	340	324
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>14,488</u>	<u>14,854</u>

## LOANS, ADVANCES AND MORTGAGES RECEIVABLE (continued)

	2006	2005
	(\$000)	(\$000)
Other Organizations:		
Gros Morne Mortgages .....	61	61
Municipalities .....	697	791
Total Other Organizations .....	758	852
Total Loans, Advances and Mortgages Receivable .....	<u>124,393</u>	<u>122,529</u>
Current portion .....	12,208	12,233
Long-term portion .....	<u>112,185</u>	<u>110,296</u>
	<u>124,393</u>	<u>122,529</u>

## NOTES

**1. Business Investment Corporation**

The Province advances funds to Business Investment Corporation (formerly Enterprise Newfoundland and Labrador 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 \$3.4 million (31 March 2005 - \$3.6 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 2006 is \$73.4 million (31 March 2005 - \$78.5 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Investments As at 31 March 2006 with comparative figures for 2005

Description of Investment	Net Additions	Balance 31 March 2006		2005
		No. of Shares	Cost	Cost
	(\$000)		(\$000)	(\$000)
<b>Preferred Shares:</b>				
Atlantic Ocean Farms Limited				
Class "A", redeemable .....	-	289,655	290	290
Blue Line Innovations Inc. - Class "B" - note 1 .....	500	5,000	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
Total Preferred Shares Investments .....	<u>500</u>		<u>11,040</u>	<u>10,540</u>
<b>Common Shares:</b>				
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 4	500	568,182	500	-
Hurley Slate Works Company Inc. - Class "B" .....	-	400	400	400
Inter-Provincial Lottery Corporation .....	-	1	-	-
Manitoba Telecom Services Inc. - note 5 .....	-	126	-	-
Marble Mountain Development Corporation .....	-	500	-	-
Marble Mountain Management Corporation .....	-	500	-	-
Municipal Assessment Agency .....	-	1	-	-
Newfoundland and Labrador				
Education Investment Corporation - note 6 .....	-	-	-	-
Newfoundland and Labrador				
Film Development Corporation .....	-	600	-	-
Newfoundland and Labrador Heritage Corporation - note 7	-	-	-	-
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	-	-
Special Celebrations Corporation of				
Newfoundland and Labrador Inc .....	-	500	-	-
Trans Ocean Gas Inc. - note 8 .....	50	10,000	50	-
Total Common Shares Investments .....	<u>550</u>		<u>13,397</u>	<u>12,847</u>

## INVESTMENTS (continued)

Description of Investment	Net Additions (\$000)	Balance 31 March 2006		2005
		No. of Shares	Cost (\$000)	Cost (\$000)
<b>Other:</b>				
Newfoundland and Labrador Housing Corporation - note 9 .....	-	-	62,852	62,852
Total Other Investments .....	-	-	62,852	62,852
Total Investments .....	1,050		87,289	86,239

## NOTES

**1. Blue Line Innovations Inc.**

During the year, 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. Consilient Technologies Corporation**

During the year, 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.

**5. 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.

**6. Newfoundland and Labrador Education Investment Corporation**

The corporation ceased business on 20 May 2005 and filed for dissolution on 23 August 2005.

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**INVESTMENTS (continued)**

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**7. Newfoundland and Labrador Heritage Corporation**

The corporation was dissolved on 22 April 2005.

**8. Trans Ocean Gas Inc.**

During the year, 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 2006, the Province had invested \$50,000 and been issued 10,000 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 2006 is \$6.4 million (31 March 2005 - \$6.4 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Tangible Capital Assets As at 31 March 2006 with comparative figures for 2005

Category	Original Cost			Accumulated Amortization				Net Book Value 31 March 2006	Net Book Value 31 March 2005
	Balance 31 March 2005	Additions 2006	Disposals 2006	Balance 31 March 2006	Balance 31 March 2005	Amort. Net of Disposals 2006	Balance 31 March 2006		
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Buildings	783.0	110.0	1.0	892.0	456.0	18.2	474.2	417.8	327.0
Marine vessels & aircraft	82.2	9.7	-	91.9	63.1	4.2	67.3	24.6	19.1
Equipment & machinery	99.6	12.2	1.3	110.5	70.6	5.6	76.2	34.3	29.0
Infrastructure	3,795.7	52.1	1.8	3,846.0	3,185.9	52.1	3,238.0	608.0	609.8
Computer software	31.8	6.3	0.1	38.0	21.4	4.2	25.6	12.4	10.4
Sub-total	<u>4,792.3</u>	<u>190.3</u>	<u>4.2</u>	<u>4,978.4</u>	<u>3,797.0</u>	<u>84.3</u>	<u>3,881.3</u>	1,097.1	995.3
Work in progress				<u>17.9</u>				<u>17.9</u>	<u>76.8</u>
Total				<u>4,996.3</u>				<u>1,115.0</u>	<u>1,072.1</u>

#### NOTES

#### 1. Tangible Capital Assets

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

#### 2. Work In Progress

Work in progress is considered to be a tangible capital asset, however it is not amortized as it is not yet available for use. Government currently has a number of projects under construction or development with a total for 31 March 2006 of \$17.9 million (31 March 2005 - \$76.8 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 \$190.3 million include \$68.8 million of work in progress assets that have been capitalized in the year. Additions to work in progress assets amount to \$9.9 million for 2005-06.

#### 3. Amortization Expense

Amortization net of disposals in the amount of \$84.3 million as reported in the schedule consists of amortization expense of \$87.8 million less accumulated amortization on assets disposed of in the year in the amount of \$3.5 million.

Amortization net of disposals as at 31 March 2005 was \$78.0 million which consisted of amortization expense of \$82.7 million less accumulated amortization on assets disposed of in the year in the amount of \$4.7 million.

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TANGIBLE CAPITAL ASSETS (continued)

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**4. Estimated Useful Life**

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

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

**5. Historical or Cultural Assets**

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

**6. Intangible and Inherited Assets**

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

**7. Leased Assets**

The gross amount of leased tangible capital assets is \$48.0 million (31 March 2005 - \$55.9 million) and accumulated depreciation is \$24.3 million (31 March 2005 - \$30.1 million). These are included in the appropriate category in the schedule.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Other Liabilities As at 31 March 2006 with comparative figures for 2005

	2006	2005
	(\$000)	(\$000)
Due to Government of Canada - note 1 .....	567,766	568,247
Due to municipalities .....	338,523	353,379
Accrued interest .....	177,288	182,277
Accounts payable write-backs .....	132,987	80,778
Salaries and benefits .....	131,990	125,153
Health Care Centres - lease/purchase .....	30,010	30,316
Accounts payable - other .....	29,021	19,197
Physician services .....	28,841	29,741
Self-insured workers' compensation benefits - note 2 .....	28,806	28,423
Taxes payable .....	21,743	34,658
Provision for student loan debt reduction .....	17,747	20,934
Environmental liabilities .....	10,715	-
St. Clare's Hospital - purchase .....	6,750	7,500
Due to Crown Agencies .....	5,805	6,600
Special purpose funds - note 3 .....	5,437	8,096
Reciprocal billing - hospital services payable .....	5,200	5,100
Bank overdraft - Consolidated Revenue Fund .....	3,444	-
Contractors' holdbacks .....	2,967	2,575
Long-term leases .....	371	1,903
Provision for guaranteed debt .....	18	125
	<u>1,545,429</u>	<u>1,505,002</u>

#### NOTES

#### 1. Due to Government of Canada

The total due to the Government of Canada is \$567.8 million. This amount is comprised of \$151.0 million for Equalization overpayments, \$38.4 million for Health and Social Transfer overpayments and \$378.4 million for an Equalization loan.

#### 2. Self-Insured Workers' Compensation Benefits

The amount of \$28.8 million relates to the self-insured workers' compensation benefits liability as at 31 March 2006 (31 March 2005 - \$28.4 million). During the 2004-05 fiscal year, an actuarial valuation as of 31 December 2004, with disclosures as at 31 March 2006, was obtained for the Province's self-insured workers' compensation benefits.

#### 3. Special Purpose Funds

Included in this schedule are funds totalling \$5.4 million (31 March 2005 - \$8.1 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 2006 with comparative figures for 2005

Series	Date of Issue	Date of Maturity	Interest Rate %	Amount in Foreign Currency	Sinking Fund Balance	Amount Issued or Outstanding		Notes	
						2006	2005		
						(000)	(000)		
General Debentures:									
5S	01 Oct. 1987	01 Oct. 2007	10.79		35,711	42,300	42,300	1(a)	
AF	15 Oct. 1987	15 Oct. 2007	11.625	(100,000 U.S.)	93,336	116,800	120,960	1(a)	
6E	12 Dec. 1997	12 Dec. 2007	5.9		-	150,000	150,000	1(a)	
5T	23 Feb. 1988	23 Feb. 2008	11.25		81,207	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	9.375		91,371	100,000	100,000	1(a)	
EC7	19 Feb. 2003	29 Dec. 2010	5.125		-	200,000	200,000	1(b)	
6L	25 Jul. 2001	25 Jul. 2011	6.4		-	200,000	200,000	1(a)	
5U	15 Feb. 1989	15 Feb. 2012	11		90,250	125,000	125,000	1(a)	
EC6	12 May 1993	12 May 2013	5.65		33,516	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	10.125		73,555	150,000	150,000	1(a)	
AG	01 Jun. 1989	01 Jun. 2019	9	(150,000 U.S.)	83,813	175,200	181,440	1(a)	
AH	01 Jun. 1990	01 Jun. 2020	9.875	(150,000 U.S.)	24,526	175,200	181,440	1(a)	
AJ	29 Nov. 1990	01 Dec. 2020	10	(150,000 U.S.)	23,430	175,200	181,440	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	(200,000 U.S.)	27,651	233,600	241,920	1(a)	
AM	22 Oct. 1992	22 Oct. 2022	8.65	(200,000 U.S.)	24,326	233,600	241,920	1(a)	
AN	13 Oct. 1993	13 Oct. 2023	7.32	(200,000 U.S.)	32,335	233,600	241,920	1(a)	
6B	07 Jul. 1995	07 Jul. 2025	9.15		11,451	100,000	100,000	1(a)	
6C	05 Feb. 1996	05 Feb. 2026	8.45		16,385	150,000	150,000	1(a)	
6F	17 Apr. 1998	17 Apr. 2028	6.15		42,754	450,000	450,000	1(a)	
6H	27 Jul. 1999	17 Oct. 2029	6.5		16,938	200,000	200,000	1(a)	
6K	30 Jun. 2000	17 Oct. 2030	6.55		30,499	450,000	450,000	1(a)	
6R	12 Jun. 2003	17 Oct. 2033	5.6		8,000	300,000	300,000	1(a)	
6T	21 Sep. 2004	17 Oct. 2035	5.7		3,867	300,000	300,000	1(a)	
6Q	16 Aug. 2002	17 Oct. 2042	6.24		4,159	250,000	250,000	1(a)	
Total: General Debentures					849,080	5,590,126	5,637,966		
Other:									
6M	31 Oct. 2001	31 Oct. 2005	4.61		-	-	100,000	1(a)	
Treasury bill borrowings					-	489,539	490,941	1(e)	
Total: Other					-	489,539	590,941		

## DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance	Amount Issued or Outstanding	
					2006	2005
				(\$000)	(\$000)	(\$000)
Government of Canada and Agencies:						
Canada Pension Plan Investment Fund						
Debentures - note 1(c)						
3A-228	01 Apr. 1985	01 Apr. 2005	10.58			
to	to	to	to			
3A-238	03 Mar. 1986	03 Mar. 2006	12.57	-	-	50,570
3A-239	01 Apr. 1986	01 Apr. 2006	9.04			
to	to	to	to			
3A-249	02 Mar. 1987	02 Mar. 2007	10.17	-	59,659	59,659
3A-250	01 Apr. 1987	01 Apr. 2007	9.12			
to	to	to	to			
3A-258	01 Mar. 1988	01 Mar. 2008	11.07	-	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	
					2006	2005
				(\$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	-
Total: Canada Pension Plan Investment Fund Debentures				-	606,476	633,059
Harbour Lodge - see note 1(d)				-	540	556
Total: Government of Canada and Agencies				-	607,016	633,615
Total: Debenture and Other Debt				849,080	6,686,681	6,862,522
Current portion of Debenture and Other Debt					549,216	641,511
Long-term portion of Debenture and Other Debt					6,137,465	6,221,011
					6,686,681	6,862,522

## 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 06 April 2006 to 29 June 2006 and interest rates ranging from 3.41% to 3.92%.

## 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 2006 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	1.168	1,343,200	156,412	1,499,612
Canadian			5,343,481	-	5,343,481
	Sub-total		6,686,681	156,412	6,843,093
	Less: Foreign sinking funds		309,417	27,735	337,152
	Less: Canadian sinking funds		539,663	-	539,663
	Total		5,837,601	128,677	5,966,278

**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)
2006-2007	10,804	131,200	142,004
2007-2008	8,468	262,500	270,968
2008-2009	8,468	358,300	366,768
2009-2010	8,468	311,900	320,368
2010-2011	8,468	304,600	313,068
2011-2043	71,832	1,673,529	1,745,361
	116,508	3,042,029	3,158,537

The foreign exchange gain which has been realized on the Statement of Operations is \$8.4 million.

**5. Sensitivity Analysis**

An increase/decrease of one cent in the foreign exchange rates at 31 March 2006 would result in an increase/decrease in foreign borrowings of \$11.5 million (31 March 2005 - \$11.5 million).

**6. Debt-Related Risk**

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

**7. Related Sinking Fund Investments**

At year end, the Province held \$643.9 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2005 - \$583.5 million) which are reflected in the sinking fund balances disclosed in note 3 above. These were comprised of \$500.0 million in Canadian investments and \$143.9 million in US investments.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Guaranteed Debt As at 31 March 2006 with comparative figures for 2005

	Limit of Guarantee (\$000)	Contingent Liability	
		2006 (\$000)	2005 (\$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	16	16
Botwood .....	1	1	2
Buchans .....	-	-	4
Burin .....	8	8	14
Channel - Port aux Basques .....	-	-	6
Deer Lake .....	-	-	6
Gambo .....	14	14	24
Gander .....	22	22	43
Glenwood .....	61	61	65
Grand Bank .....	-	-	3
Grand Falls - Windsor .....	27	27	35
Happy Valley - Goose Bay .....	47	47	79
Harbour Breton .....	131	131	145
Harbour Grace .....	71	71	71
La Scie .....	24	24	25
Mount Pearl .....	12	12	23
New-Wes-Valley .....	9	9	17
Placentia .....	69	69	89
Springdale .....	5	5	10
Stephenville Crossing .....	11	11	12
Wabana .....	14	14	21
	542	542	710
Crown Corporations:			
Eastern Regional Integrated Health Authority - note 2, 3 .....	128,176	128,176	129,295
Newfoundland and Labrador Hydro Electric Corporation - note 2 .....	1,439,182	1,439,182	1,452,322
Newfoundland and Labrador Municipal Financing Corporation - note 2 .....	237,383	237,383	279,176
	1,804,741	1,804,741	1,860,793
Guaranteed Bank Loans:			
Crown Corporations:			
Eastern Regional Integrated Health Authority - note 3 .....	-	-	3,334
Labrador-Grenfell Regional Integrated Health Authority .....	9,000	7,195	7,105
Marble Mountain Development Corporation .....	2,100	1,438	1,898
	11,100	8,633	12,337

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 GUARANTEED DEBT (continued)
 

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	Limit of Guarantee (\$000)	Contingent Liability	
		2006 (\$000)	2005 (\$000)
Guaranteed Bank Loans:			
Municipalities: - note 4			
Fox Roost-Margaree .....	-	-	14
Jackson's Arm .....	-	-	21
Pilley's Island .....	-	-	31
	<hr/>	<hr/>	<hr/>
	-	-	66
Fisheries: - note 5			
AAG Enterprises Inc. ....	224	224	245
A.S.E. Enterprises Limited; Sylvia & Alvin Petten .....	143	143	222
Alcon Enterprises .....	467	467	600
Allingham, Ralph and Wayne .....	35	35	44
Andrew Daley Limited .....	417	417	417
Ashco Fishing Limited .....	666	666	740
Ashley's Pride Enterprises Limited .....	580	580	644
Atlantic Blue Fin Limited .....	958	958	1,037
Atlantic Explorer III Limited .....	310	310	411
B D & T Enterprises & William F. Ralph .....	187	187	214
B & J Fisheries Limited .....	299	299	344
Barrett, Donald .....	108	108	130
Barrett, Victor and Dwayne .....	134	134	157
Batten, Purdie .....	182	182	262
Burton, Glen - et al .....	107	107	143
Butler, Harold .....	250	250	275
Coles, Kirby - et al .....	181	181	209
Collins Fisheries Limited .....	398	398	455
DJJ Enterprises Inc. ....	101	101	126
DOBCO Enterprises Limited .....	324	324	360
Daley, Andrew .....	143	143	189
Daley, Gary .....	180	180	225
Decker, William .....	-	-	14
Drake, Keith and Gertrude .....	-	-	4
Drover, Walter and Drover's Sea Harvesting Limited .....	569	569	626
E & R Small & Sons Limited .....	350	350	350
Emberley, Randy .....	112	112	134
F.I.C. Enterprises Limited .....	405	405	405
Feltham, Alexander .....	175	175	197
Fennelly, Thomas .....	131	131	175
Fennelly, Thomas and Jeanette .....	177	177	200
Forsey, Maxwell .....	206	206	259
G & D Fisheries Limited .....	919	849	920
Gallant, Guy .....	331	331	331

## GUARANTEED DEBT (continued)

	Limit of Guarantee (\$000)	Contingent Liability	
		2006 (\$000)	2005 (\$000)
Guaranteed Bank Loans:			
Fisheries: - note 5			
Genge, Emanuel Jr. ....	225	225	225
Genge, Marvin ....	304	304	338
Genge, Montrose ....	298	298	298
Gibbons, David and Reginald ....	-	-	9
Gosse, George Roy ....	30	30	39
Gould, Angus - et al ....	-	-	68
Gould, Clifford - et al ....	94	94	112
Greenham, David J. and Billy F. ....	1,300	1,300	1,076
Greenham, David J. and Billy F. T/A B & D Fishing ....	-	-	398
Greenspond Fisheries Limited ....	304	304	334
H.A. & Sons Limited ....	56	56	-
Hart, Edward T. ....	659	659	732
Hart, Lloyd ....	335	335	399
Harvester Enterprises Limited ....	82	82	102
Hayden, Eric ....	31	31	46
Hickey, John Sr. - et al ....	520	520	585
Hicks Fisheries Limited & Randy Hicks ....	315	315	341
High Tide Enterprises Limited ....	480	480	520
High Wave Fisheries Limited ....	460	460	425
Hutchings, Frank ....	221	221	265
Hyde, Gary and Karen ....	117	117	137
JBCE Fisheries Limited ....	416	416	468
J.T. Fisheries Limited ....	141	141	157
Jacobs, George - et al ....	178	178	229
Jones, Richard ....	249	249	291
Kailey Venture Limited ....	458	458	475
Kearney, Francis and Jerome ....	-	-	251
Larkham's Fisheries Limited ....	104	104	131
Lavers, Boyd George ....	444	444	489
Lavers, Dion ....	71	71	78
Lewis, John B. ....	61	61	81
Lewis, Patrick ....	235	235	267
Leyte, Melvin ....	848	848	926
Leyte, Roy and Melvin ....	116	116	144
LCJ Fisheries Limited ....	1,300	1,300	-
Lormar Enterprises Limited ....	187	187	202
Loveless, Bruce ....	6	6	11
Lynch, Levi ....	164	164	181
Marine Fisher Limited & Dino Dredge ....	85	85	102
Martin, Harold ....	235	235	256
May, Gilbert and Eleanor ....	12	12	16

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 GUARANTEED DEBT (continued)
 

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	Limit of Guarantee (\$000)	Contingent Liability	
		2006 (\$000)	2005 (\$000)
Guaranteed Bank Loans:			
Fisheries: - note 5			
Mercer, Stanley .....	51	51	61
Morey, Byron .....	181	181	181
Morey, Lorne .....	134	134	134
Morey's Enterprises Limited .....	10	10	260
Morgan, William G. ....	783	783	846
Mouland, James B. ....	217	217	217
Myers, Howard and Baines, Andy .....	177	177	194
Newhook, Albert .....	260	260	260
Noel Fisheries Limited .....	159	159	159
Noonan, Maurice and Raymond .....	246	246	307
Norman, Glenn .....	573	573	649
Normore, Elvin .....	61	61	111
Normore, Kevin, Leroy and Urias .....	95	95	155
Northern Provider Ltd. ....	439	439	512
Ocean Surfer Limited .....	358	358	394
Parsons, William A. ....	61	61	82
Pencol Enterprises Limited .....	801	801	863
Penney's Fisheries Limited .....	755	755	827
Penney, Boyd - et al .....	142	142	170
Penney, Glenn .....	-	-	26
Petten, Neal .....	297	297	235
Petten, Raymond .....	809	809	882
Piercey's Fishing Enterprises Limited .....	293	293	323
Plowman, Clayton .....	48	48	60
Porter, Alfred .....	-	-	13
Porter, Robert E. and Robert W. ....	138	138	150
R & C Rose Enterprises Limited .....	538	538	621
Reid, Austin, Kevin and Boyce .....	208	208	249
Reid, Glen W. ....	30	30	40
Roberts, Charles and Winslow, Glen .....	300	300	360
Russell, Wayne .....	136	136	171
Russell, William and Mercer, Glen .....	23	23	46
Ryan, Randy and Lisa .....	255	255	291
S & D Fisheries Limited .....	180	180	219
S & I Fisheries Limited .....	220	220	251
S & J Fisheries Limited .....	397	397	430
Seward, Sterling and Lemuel .....	95	95	114
Simmonds, Rex .....	426	426	454
Splendid Fishing Company Limited .....	396	396	396
Symmonds, Michael - et al .....	166	166	187
TJL Enterprises Limited .....	432	432	-

## GUARANTEED DEBT (continued)

	Limit of Guarantee (\$000)	Contingent Liability	
		2006 (\$000)	2005 (\$000)
Guaranteed Bank Loans:			
Fisheries: - note 5			
The Roberts and Sisters Enterprises Limited .....	238	238	260
Toope's Enterprises Limited .....	505	505	505
Tucker, Noah .....	19	19	57
Vernon Petten Enterprises Limited .....	454	454	513
W&R Enterprises Limited .....	427	427	-
Walsh's Fisheries Limited .....	270	270	270
Ward, Cecil .....	487	487	583
Warren, Maxwell .....	29	29	39
Waye's Enterprises Limited .....	462	462	594
What's Happening Fisheries Limited .....	702	702	819
Whitewater Fisheries Limited and Garfield Tippett .....	170	170	194
Wrice, Wallace & Mary .....	200	200	220
Yankee Point Limited .....	141	141	169
	<u>35,904</u>	<u>35,834</u>	<u>38,391</u>
Aggregate Limit & Contingent Amount .....	<u>30,739</u>	<u>30,669</u>	<u>31,241</u>
Corporate:			
Fogo Island Co-operative Society Limited .....	2,000	989	1,276
Island By-Products Limited .....	49	49	91
Natures Sea Farms Inc. ....	7,200	3,800	-
Newfoundland Symphony Orchestra Association .....	50	34	37
Smith Seafoods Limited .....	100	71	69
Stephenville Airport Corporation .....	350	286	157
Tornгат Fish Producers Co-op Society Limited .....	2,100	1,480	695
	<u>11,849</u>	<u>6,709</u>	<u>2,325</u>
Other Bank Loans:			
Consumer Protection Fund for Prepaid Funeral Expenses .....	200	159	146
	<u>200</u>	<u>159</u>	<u>146</u>
Other Guarantees:			
Crown Corporations:			
Newfoundland and Labrador Immigrant Investor Fund Limited - note 6 .....	26,089	26,089	-
Student Loan Corporation of Newfoundland and Labrador - note 7 .....	206,000	206,000	213,000
	<u>232,089</u>	<u>232,089</u>	<u>213,000</u>
	<u>2,091,260</u>	<u>2,083,542</u>	<u>2,120,618</u>

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**GUARANTEED DEBT (continued)**


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**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 2006, 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 .....	1,400,000	20,635	159,811	1,260,824
- Government of Canada .....	95	3	-	98
- Promissory Notes .....	176,835	1,425	-	178,260
				<u>1,439,182</u>
Newfoundland and Labrador Municipal Financing Corp.				
- Canadian Funds .....	243,882	3,603	10,102	<u>237,383</u>
Eastern Regional Integrated Health Authority				
- Canadian Funds .....	130,000	2,605	4,429	<u>128,176</u>

**3. Eastern Regional Integrated Health Authority**

On 1 April 2005 the Eastern Regional Integrated Health Authority was established and the new authority assumed all of the assets and liabilities of the Health Care Corporation of St. John's and the Avalon Health Care Institutions Board. A guarantee for the Avalon Health Care Institutions Board, which secured drawdowns in excess of \$7 million on a \$13.5 million bank operating credit, expired on 31 March 2006 in accordance with the terms, and no demand for payment was made by the bank.

**4. Municipal Loans**

Interim financing for municipal capital projects is provided through these guaranteed bank loans, provided by banks and credit unions, which include interest capitalized during the construction. The Province enters into cost-sharing arrangements with municipalities and, upon completion of related projects, the Province will repay its agreed upon share of interim financing. Municipalities' shares of interim loans are refinanced through long-term borrowings by the municipalities. These long-term borrowings are not guaranteed by the Province.

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**GUARANTEED DEBT (continued)**

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**5. 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 2006, the Province's contingent liability is limited to \$30.7 million (31 March 2005 - \$31.2 million).

**6. 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.

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

The Corporation is responsible for the funding and administration of loans to qualifying post-secondary students. A floating rate note dated 31 March 2004 was issued in the amount of \$213 million, primarily to finance the purchase of the outstanding student loan portfolio from the previous service provider - a Canadian chartered bank. The floating rate note had an initial term of eighteen months. On 30 September 2005, the Corporation paid \$7 million on principal and refinanced the balance for a further one year term. The borrowing is unconditionally guaranteed as to principal and interest by the Province.

**8. Payments under Guarantee**

During the 2005-06 fiscal year there were no payments under guarantee.

**9. Valuation Allowance**

The provision for guaranteed debt for 31 March 2006 is \$0.02 million (31 March 2005 - \$0.1 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Losses, Uncollectible Accounts and Other Amounts Written Off For the year ended 31 March 2006 with comparative figures for 2005

Department	2006	2005
	(\$000)	(\$000)
Finance:		
Loan forgiveness .....	8,991	49,863
Remissions .....	5,941	404
Tax forgiveness .....	3,534	2,778
	<u>18,466</u>	<u>53,045</u>
Human Resources, Labour and Employment:		
Overpayment of social assistance .....	753	686
Justice:		
Uncollectible accounts .....	144	1,742
Environment and Conservation:		
Uncollectible accounts .....	44	152
Innovation, Trade and Rural Development:		
Uncollectible accounts .....	27	-
Transportation and Works:		
Uncollectible accounts .....	-	89
Natural Resources:		
Uncollectible accounts .....	-	21
Tourism, Culture and Recreation:		
Uncollectible accounts .....	-	5
	<u>-</u>	<u>5</u>
Total	<u>19,434</u>	<u>55,740</u>

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Trust Accounts As at 31 March 2006 with comparative figures for 2005

	2006 (\$000)	2005 (\$000)
Assets		
Registrar of the Supreme Court .....	28,581	28,259
Teachers' Accrued Salary Trust Account .....	6,178	6,222
Consolidated Tender Account .....	3,088	2,308
Provincial Courts Trust Account .....	974	724
Federal/Provincial Contractors' Security Account .....	406	419
Securities Payable .....	161	84
Contractors' Security Account - Transportation and Works .....	103	37
Rooms Trust Account .....	84	82
High Sheriff of Newfoundland .....	74	73
Victims of Mount Cashel .....	72	70
H.M. Penitentiary .....	66	76
Newfoundland and Labrador Youth Centre .....	54	26
School for the Deaf .....	36	12
West Coast Correctional Centre .....	21	11
Labrador Correctional Centre .....	20	10
Newfoundland and Labrador Correctional Centre for Women .....	7	7
Labour Standards Tribunal .....	4	2
Unpaid Wages Trust Account .....	3	4
Bishop's Falls Correctional Centre .....	3	2
Commercial and Corporate Affairs Trust .....	-	5,616
Total Trust Account Assets	39,935	44,044
Balance of Funds		
Balance of Funds .....	39,935	44,044
Total Balance of Funds	39,935	44,044

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Reconciliation of Budgetary Contribution (Requirement) to Accrual For the year ended 31 March 2006 with comparative figures for 2005

	2006		2005	
	Current	Capital	Current	Capital
	(\$000)	(\$000)	(\$000)	(\$000)
Budgetary Contribution (Requirement) - note 1 . . . . .	728,326	(204,040)	143,581	(226,957)
Less: Amounts capitalized . . . . .	-	13,683	-	999
	<u>728,326</u>	<u>(190,357)</u>	<u>143,581</u>	<u>(225,958)</u>
Surplus (Deficit) - accrual . . . . .	423,410	(124,721)	(298,576)	(256,129)
Difference . . . . .	<u>304,916</u>	<u>(65,636)</u>	<u>442,157</u>	<u>30,171</u>
The difference is comprised of the following:				
Sinking fund earnings . . . . .	(53,066)	-	(42,911)	-
Accrued retirement costs - interest . . . . .	398,777	-	386,846	-
Accrued retirement costs - other . . . . .	22,078	-	48,958	-
Amortization of foreign exchange gains/losses . . . . .	(8,525)	-	(927)	-
Other debt expenses . . . . .	(5,005)	(2,589)	4,421	(3,469)
Bad debt expenses . . . . .	-	3,868	-	1,784
Amortization expense re tangible capital assets . . . . .	-	87,794	-	82,667
Tangible capital asset acquisitions/adjustments - net . . . . .	-	(81,439)	-	(45,394)
Inventories of supplies . . . . .	(2,168)	-	1,484	-
Accrued revenues and expenses . . . . .	<u>(47,175)</u>	<u>(73,270)</u>	<u>44,286</u>	<u>(5,417)</u>
Difference . . . . .	<u>304,916</u>	<u>(65,636)</u>	<u>442,157</u>	<u>30,171</u>
	<u>239,280</u>		<u>472,328</u>	

#### NOTE

#### 1. Tax Expenditures

Details on the Budgetary Contribution (Requirement) for 2005-06 may be found in the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund (for 2004-05 please refer to Volume III of the Public Accounts for that year). The following provides information on the value of tax expenditures included within the Budgetary Contribution (Requirement) for 2005-06. Tax expenditures are revenue reductions and include exemptions, deductions, rebates, deferrals and credits to tax revenues. While these tax expenditures reduce tax revenue they are also a means to facilitate the advancement of various economic, social and other public policy objectives. The estimated tax expenditures as per Appendix V of the 2005-06 Estimates are also presented for comparative purposes.

	Actuals 2006	Original Estimates 2006
	(\$mil)	(\$mil)
Personal income tax . . . . .	27.0	27.8
Corporate income tax . . . . .	44.7	30.7
Harmonized sales tax . . . . .	5.3	4.2
Gasoline tax . . . . .	8.3	8.4
Tobacco tax . . . . .	<u>1.9</u>	<u>1.6</u>
Total . . . . .	<u>87.2</u>	<u>72.7</u>