

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR

ANNUAL REPORT 2007-08

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CHAIRPERSON'S MESSAGE

August 29, 2008

Hon. Joan Burke
Department of Education
West Block, Confederation Building
P.O. Box 8700
St. John's, NL
A1B 4J6

Dear Minister:

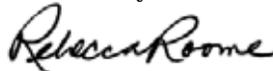
In accordance with the *Transparency and Accountability Act*, please find enclosed the annual report of the Student Loan Corporation of Newfoundland and Labrador for the year ended March 31, 2008.

This is the second and final performance based report to be presented under the Corporation's business plan from 2006-07 to 2007-08. This document sets forth in clear language how the Corporation has addressed the goals and objectives that were outlined in the plan.

Readers of this report should note that the Corporation serves as government's banker with respect to the financing and collection of Newfoundland and Labrador student financial assistance. Loan eligibility is determined by the Department of Education's Division of Student Financial Services. As such, issues related to the determination of eligibility are not included in this document. Readers are encouraged to consult the Department of Education's publications for this type of information.

By way of this letter, signed on behalf of the Board of Directors of the Corporation, I am indicating the board's accountability for the actual results reported herein.

Sincerely,



Rebecca Roome
Chairperson

1.0 OVERVIEW

The Student Loan Corporation of Newfoundland and Labrador was established on March 30, 2004 pursuant to the *Student Financial Assistance Act* and is a category two government entity in accordance with the *Transparency and Accountability Act*. The Corporation is responsible for financial administration of the Newfoundland and Labrador Student Financial Assistance Program.

The affairs of the Corporation are managed by a Board of Directors responsible to the Minister of Education. The Board of Directors includes:

- The Deputy Minister of Education, who is chair, Ms. Rebecca Roome; and
- The Deputy Minister of Finance, Mr. Terry Paddon.

On March 31, 2008, the Corporation employed 23 individuals as indicated in the table below. These staff members are also included within the advanced studies branch of the Department of Education.

Table 1: Student Loan Corporation Staff:

Staff	Female	Male	Total
Management	2	1	3
Professional	9	6	15
Clerical	5	0	5
Total	16	7	23
Percentage	70%	30%	100%

The Corporation's offices are located at:

Confederation Building, 4th Floor, West Block
P.O. Box 8700, St. John's, NL A1B 4J6
Phone: 729-6465 (local) or 1-877-520-8800
Fax: 729-2091

1.1 MANDATE

The Corporation was established to provide and facilitate repayment of loans, manage the debt and investment portfolio, and provide financial administration for the Newfoundland and Labrador student financial assistance program as set out in section 14 of the *Student Financial Assistance Act*.

1.2 VISION

The vision of the Student Loan Corporation is students with access to the financial resources to pursue post-secondary education.

1.3 MISSION

Readers should note that the Student Loan Corporation has expanded its mission in the 2008-11 business plan. The current mission, listed below, is reflective of that contained in the 2006-08 business plan. The Corporation, during the 2006-07 and 2007-08 fiscal years, has been progressing toward successful achievement of the indicators, and included additional indicators to guide its work for the 2008-11 period.

By 2011, the Corporation will have improved services to student borrowers and improved Corporation processes.

Measure One: Improved Services to Student Borrowers.

Indicators: * Improvements in services available for students as represented by an increased number of payment methods available.

Measure Two: Improved Corporation Processes

Indicators: * Improved business processes facilitated through the implementation of business resources and techniques, and increased staff training.

1.4 LINES OF BUSINESS

The Corporation provides financial administration for the Newfoundland and Labrador student financial assistance program. Its lines of business include:

1. Portfolio Management:

The Corporation acts as the Province's banker in providing student loans, and in the administration and oversight of financial activities for the program. In completing these activities, the Corporation oversees the work of its service providers which operate the National Student Loan Service Centre (NSLSC) in loan administration. In addition, the Corporation has partnered with the federal government through an integration agreement in the administration of this direct lending program.

2. Debt and Investment Services:

The Corporation manages all debt-related activities pertaining to the purchase of the loans program in 2004, and short-term investments of the Corporation's cash flows during each year.

3. Repayment Services:

The Corporation provides all repayment services for the Province's existing defaulted loans and for the Corporation's loans which defaulted prior to February 1, 2007. These activities begin at the Corporation's offices once a loan is transferred for repayment after it has been 270 days in arrears at the NSLSC. Post February 1, 2007, defaulted loans are returned to Canada Revenue Agency (CRA) for collection and the Corporation continues to monitor all activities on these loans.

1.5 SNAPSHOT AND HIGHLIGHTS FOR THE YEAR ENDED MARCH 31, 2008

SNAPSHOT

Table 2: Student Loan Corporation Portfolio:

Portfolio	31-Mar-07		31-Mar-08	
	Number of Loans (rounded)	Value (\$ in millions)	Number of Loans (rounded)	Value (\$ in millions)
Current Portfolio				
Class A (In School & In Grace)	10,900	\$75.3	10,400	\$60.5
Class B & Interest (In Repayment)	20,200	\$123.7	20,400	\$122.0
Subtotal	31,100	\$199.0	30,800	\$182.5
Defaulted Portfolios				
Department of Education ¹	4,300	\$35.3	4,100	\$34.8
Corporation	6,400	\$43.7	6,000	\$42.7
CRA	200	\$1.4	1,400	\$10.1
Subtotal	10,900	\$80.4	11,500	\$87.6
Total	42,000	\$279.4	42,300	\$270.1

Note 1 – *Unaudited*.

During the year, approximately:

- \$18.2 million in new loans were disbursed to students;
- 16,800 new loan certificates were issued to both returning and new students pursuing a post-secondary education;
- \$27.0 million was received from students who are in repayment (\$8.3 million was received in interest payments and \$18.7 million was received in principal payments);
- \$12.6 million was accrued in interest for the year (\$9.7 million on the current portfolio and \$2.9 million on the Corporation default portfolio). A total of \$1.7 million (*unaudited*) was accrued in interest on the Department of Education's default portfolio;
- \$20.3 million in provincial and federal grant payments were issued to students to assist with reducing their student loans (\$6.4 million in provincial debt reduction grant payments, \$9.5 million in provincial up-front grant payments, and \$4.4 million in federal grant payments) and an additional \$190,000 was paid directly to students whose provincial loans were repaid in excess of the amount owed in light of these debt reduction measures;
- \$1.5 million was paid by the Corporation for administrative fees (\$1.4 million to Human Resources and Social Development Canada to support the service provider contract and \$21,000 to CRA in administrative fees as per the integrated collections agreement);
- \$676,000 was earned by the Corporation in interest revenue on bank balances which existed during the year and \$328,000 was earned on short-term investments;
- \$8.9 million was paid by the Corporation in interest payments on its outstanding debt which totaled \$184 million at year end; during the year, interest was paid at rates ranging from 4.33% to 4.89%;

- \$5.7 million in default collections was received for 2007-08 (Corporation: \$3.5 million, Department of Education: \$2.2 million (*unaudited*)), an increase of almost 18% from the approximately \$4.9 million collected by the Corporation in 2006-07. Of this amount, almost \$2.8 million is attributable to CRA set-off; and
- \$87.6 million was in default collections with the Corporation. At year end, there were almost 10,100 accounts outstanding.

HIGHLIGHTS

- *Budget 2007* announced a 2.5% reduction in the interest rate charged on all student loans. The Corporation worked with its partners and financial institutions to implement the change effective August 1, 2007, with students paying prime on variable rate loans; one of the lowest interest rates applied across the country. As a result, interest collected from students decreased by approximately \$2.1 million. Further reductions in interest revenue are expected in 2008-09 when the full-year impact of the interest rate reduction is realized.
- *Budget 2007* also introduced an up-front, needs-based grant which came into effect on August 1, 2007. This grant effectively caps provincial student borrowing at \$70 per week with the remaining need, to a maximum of \$70 per week, provided in the form of a non-repayable grant. A total of \$9.5 million in up-front grants were disbursed in 2007-08.
- During 2007-08, the *Student Financial Assistance Act* was amended increasing the board's membership to include two Assistant Deputy Ministers of Education and the Comptroller General. This amendment will enhance the improvements to the student loan program by increasing the stewardship over its resources.

2.0 SHARED COMMITMENTS

2.1 DEPARTMENT OF EDUCATION

The Corporation is responsible to the Minister of Education and operates under the *Student Financial Assistance Act* and *Student Financial Assistance Regulations*. The student financial assistance program also operates under this legislative framework. The Corporation works closely with the student financial services division to ensure financial administration mirrors program delivery. The Corporation also works with the finance division of the Department of Education in the management of the department's defaulted loans portfolio. These loans are not owned by the Corporation but by government (i.e., defaulted loans in repayment prior to August 1, 2000). When government makes student financial assistance program decisions, the financial management activities of the Corporation are affected.

2.2 FEDERAL GOVERNMENT

The Corporation partners with the federal department of Human Resources and Social Development via the Canada-Newfoundland and Labrador Integration Agreement. One aim of this agreement is to ensure administrative integration of the federal and provincial student loan programs, which simplifies the administration of loans, particularly in the repayment process. The Corporation has worked with Human Resources and Social Development to promote and enhance measures to further this initiative.

The NSLSC administers the loan process for both governments. Resolve Corporation operates the NSLSC and provides loan administration from disbursement to repayment. It is a one-stop approach to loan management. The Corporation works closely with the NSLSC to provide advice, direction, and inquiry and issue resolution to Newfoundland and Labrador students as they repay their student loans.

The Province signed a Memorandum of Understanding with the federal departments of Human Resources and Social Development, Service Canada and CRA to operate an integrated defaulted collections program effective February 1, 2007. Administration of the collections process for provincial loans defaulting after February 1, 2007 is completed by CRA along with collections on defaulted federal loans. This agreement is designed to improve service to students who are experiencing difficulty repaying their student loans. Students are now contacted by the Non-Tax Collections Directorate of CRA, and will have one repayment plan for both their federal and provincial defaulted student loans.

The Corporation continues to participate in the income tax interception set-off program with CRA. Under this program, certain tax refunds are intercepted to repay defaulted student loans.

3.0 OUTPUTS

In consideration of the minister's strategic directions, as well as the mandate and financial resources of the Corporation, the following areas have been identified as the key priorities in the 2006-08 business plan. The goal identified for each issue reflects the results expected, while the objectives provide an annual focus. Measures and indicators are provided for the goal and objectives to assist both the Corporation and the public in monitoring and evaluating success.

The Corporation's annual report outlines its progress in achieving the goals and objectives of the 2006-08 business plan.

3.1 ISSUE ONE: IMPROVED SERVICES TO STUDENT BORROWERS

Creation of the Corporation in 2004 was part of a broader plan by the Province to improve services to students. The Corporation planned to implement multiple new payment methods to assist students repay defaulted loans.

Objective for 2007-08:

By March 31, 2008 the Corporation will have implemented additional new payment methods making it easier for students to repay their loans.

Measures: debit and credit cards accepted as a form of payment
Indicators: payments received via debit and credit cards

Progress 2007-08:

- With the implementation of online/telephone banking and pre-authorized debit in 2006-07, the Corporation found that on-site demand for debit/credit card services was very low and therefore this method of payment was not implemented in the Corporation's Confederation Building payment wicket. However, for the small number of students wishing to pay in this manner debit/credit is currently available through the Department of Finance's cashier's office in the East Block of the Confederation Building as has always been the case. Furthermore the Corporation is determining the feasibility of offering these payment methods via the World Wide Web in the future.
 - Average monthly payments received from online/telephone banking increased from \$50,000 per month in 2006-07 to \$125,000 per month for a total of \$1.5 million during 2007-08.
 - Average monthly payments received from the pre-authorized debit method of payment increased from \$500 per month in 2006-07 to \$7,750 per month in for a total of \$93,000 during 2007-08.

Goal:

By March 31, 2008 the Corporation will have improved payment methods.

Measure: improved payment methods

Indicator: increased number of payment methods available

While the addition of the debit/credit card method of payment was not added in 2007-08, the Corporation still met its 2006-08 goal through its activities in 2006-07 when it brought in the pre-authorized debit and bill payment methods of payment.

3.2 ISSUE TWO: IMPROVED CORPORATION PROCESSES

Recognizing the need for improvements in business processes, the Corporation has been working to increase staffing. The Corporation continues to work toward improvements in the business processes/tools, procedures, and training available for its staff. These changes have enhanced the Corporation's business processes.

Objectives for 2007-08:

By March 31, 2008, the Corporation will have improved procedures and staff training.

Measures: increased tools available to staff

Indicators: increased automated processes to reduce time spent on administrative tasks

Progress 2007-08:

- In January 2008, the Corporation began its TRIM project. TRIM is a records management software application which the Corporation will be using to make the filing process more efficient and less labour intensive. Currently the Corporation's file room houses over 11,000 student files. With the implementation of TRIM, staff will be able to file and access student information electronically, saving time and increasing efficiency. Work was substantially completed during 2007-08 and the system will be implemented early in 2008-09.
- A project to transition from two service providers to one concluded in March 2008. The Corporation participated in the review and implementation of the sole service provider to ensure financial accountability and a smooth transition for students. The change meant a 50% reduction in the level of work required in several areas such as:
 - Monthly financial income statements (MFIS) reconciliation – 12 MFIS instead of 24;
 - Attest audits – now have four annually instead of eight; and
 - Daily wire transfers – 200 annually instead of 400.
- Approximately 150 post-dated cheques are processed monthly by the Corporation. During 2007-08 this process became 100% automated, significantly reducing the amount of time required to process this payment method.
- Over 250 hours of training were provided to staff to support professional development such as lunch and learn sessions on skip tracing and judgment enforcement, orientation sessions, Microsoft Outlook, *Access to Information and Protection of Privacy Act* training, Business Writing, Briefing Note Writing, and TRIM training.

- The Corporation requested an organizational review of its financial management section. This was completed in 2007-08. The organizational structure was revised, adding new administrative/professional positions. These changes will provide added resources to improve the financial administration and accountability of the program.

Goal:

By March 31, 2008 the Corporation will have improved business processes through the implementation of various business resources (*i.e. tools available to staff to improve repayment processing*) and increased staff training.

Measure: improved business processes
Indicators: increased number of business resources
increased number of training courses provided to staff

As this fiscal year concludes the business plan for 2006-08, the Corporation has met its goal of improving Corporation processes and staff training through the indicators listed in this report coupled with the indicators from Annual Report 2006-07. The successful achievement of the goals in the 2006-08 business plan support the strategic direction of government with respect to enhancing collection processes relating to Newfoundland and Labrador student loans.

4.0 OPPORTUNITIES AND CHALLENGES AHEAD

4.1 OPPORTUNITIES

The Corporation has a number of opportunities available to improve financial administration of the program. These include:

- The TRIM project will continue into the upcoming fiscal year. The process of scanning over 11,000 student files into TRIM will take time to complete but will allow staff to focus on caseload management and financial oversight activities; and
- With only one service provider, there will be greater opportunities to focus on enhancing accountability.

4.2 CHALLENGES

As the Corporation works toward achieving the objectives and goals for 2008-09, some challenges include:

- Recruitment of sufficient, qualified staff in a timely manner is an issue the Corporation continues to work through;
- Further implementation of new systems, policies, procedures, and structures to support the work of the Corporation in achieving its mandate; and
- The 2008 federal budget announced significant changes to the Canada Student Loans Program to take effect in August 2009. The Corporation will participate on various cross country committees preparing for possible financial impacts to the provincial program.

5.0 CONCLUSION

Significant progress has been made in fiscal 2007-08 as outlined in this annual report. These accomplishments could not have been achieved without the dedication and hard work of the management and staff of the Corporation.

This annual report concludes the business plan for 2006-08. By focusing on improving services to student borrowers and business processes, the Corporation continues to ensure the success of the student loans program.

There are many challenges and opportunities that lie ahead and much work to complete in the upcoming year for the next planning cycle (2008-2011). This will require the support and co-operation of all stakeholders to improve services to its primary clients – students and government.

Copies of this document, as well as other Corporation publications are available on the Corporation's website: <http://www.ed.gov.nl.ca/edu/dept/slc.htm>

6.0 FINANCIAL STATEMENTS

The audited financial statements show total revenues of \$51.2 million and total expenditures of \$35.2 million.

During the year, the Corporation experienced a \$0.6 million decrease in the use of the interest relief program, following two years of increases in this program. The Corporation recognized an increase of \$5.4 million in loan repayments over the prior year. This is particularly important on the older, harder-to-collect default portfolio.

As a result of the *Budget 2007* changes that came into effect on August 1, 2007 there was an \$11.3 million decrease in the amount of loans issued which was offset by the introduction of up-front, needs-based grants of \$9.5 million and a decrease of \$2.0 million in interest revenue as a result of the 2.5% reduction in the interest rate.

A surplus of \$21.5 million on the Corporation's income statement allowed for a one-time decrease in the operating grant from government of \$15.9 million for the next fiscal year without impacting supports to students.

**STUDENT LOAN CORPORATION OF
NEWFOUNDLAND AND LABRADOR**

FINANCIAL STATEMENTS

31 MARCH 2008



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

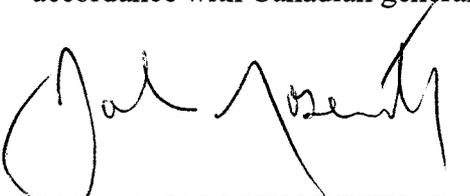
AUDITOR'S REPORT

To the Board of Directors
Student Loan Corporation of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Student Loan Corporation of Newfoundland and Labrador as at 31 March 2008 and the statements of revenues, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
18 June 2008

**STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
BALANCE SHEET**

31 March

2008

2007

ASSETS

Cash	\$ 9,128,985	\$ 5,716,623
Short-term investments, at cost (Note 2)	13,918,952	7,379,726
Interest receivable on investments	159,295	35,575
Accounts receivable	333,495	334,550
Prepaid expense	5,710	2,096
<u>Student loans receivable (Note 3)</u>	<u>182,265,622</u>	<u>192,523,771</u>
	205,812,059	205,992,341
 Capital assets (Note 4)	 <u>131,892</u>	 <u>56,757</u>
	 <u>\$ 205,943,951</u>	 <u>\$ 206,049,098</u>

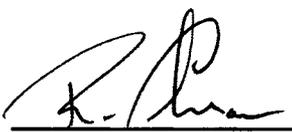
LIABILITIES AND SURPLUS

Accounts payable and accrued liabilities	\$ 271,415	\$ 247,888
Accrued vacation pay	82,421	50,303
Interest payable on long-term debt	-	2,133,290
Current portion - long-term debt (Note 5)	14,000,000	14,000,000
<u>Current portion - obligation under capital lease (Note 6)</u>	<u>4,348</u>	<u>4,348</u>
	14,358,184	16,435,829
 Long-term debt (Note 5)	 <u>170,000,000</u>	 <u>184,000,000</u>
Accrued severance pay	32,691	28,940
<u>Obligation under capital lease (Note 6)</u>	<u>7,246</u>	<u>11,594</u>
	184,398,121	200,476,363
 Surplus	 <u>21,545,830</u>	 <u>5,572,735</u>
	 <u>\$ 205,943,951</u>	 <u>\$ 206,049,098</u>

See accompanying notes

Signed on behalf of the Board:


Chairperson


Director

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR**STATEMENT OF REVENUES, EXPENSES AND SURPLUS**

For the year ended 31 March

2008

2007

REVENUES

Provincial grant revenue	\$ 33,155,813	\$ 27,973,390
Federal grant revenue	4,427,720	4,399,890
Student loan interest	12,577,952	14,643,079
Interest revenue	1,008,596	694,154
Other revenue	19,842	13,934

51,189,923

47,724,447**EXPENSES**

Administrative fees	1,453,389	1,287,506
Amortization	12,454	12,200
Bad debt expense	1,442,766	1,764,473
Bank charges	20,619	20,651
Grant expense – Federal	4,427,720	4,399,890
Grant expense – Provincial	15,888,545	7,743,557
Interest expense	8,880,010	8,687,975
Interest relief expense	1,943,077	2,521,849
Miscellaneous expenses	30,736	3,422
Operating expenses	101,048	187,541
Salaries	1,016,464	882,848

35,216,828

27,511,912**Excess of revenues over expenses** 15,973,095 20,212,535**Surplus (Deficit), beginning of year** 5,572,735 (14,639,800)

Surplus, end of year \$ 21,545,830 \$ 5,572,735*See accompanying notes*

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS

For the year ended 31 March

2008

2007

Cash flows from operating activities

Excess of revenues over expenses	\$ 15,973,095	\$ 20,212,535
Add non-cash items		
Amortization	12,454	12,200
Bad debt expense	1,442,766	1,764,473
	17,428,315	21,989,208
Changes in non-cash operating items		
Interest receivable on investments	(123,720)	(35,575)
Accounts receivable	1,055	(115,174)
Prepaid expense	(3,614)	287
Student loans receivable (Note 3)	8,815,383	(8,202,151)
Accounts payable and accrued liabilities	23,527	(100,664)
Accrued vacation pay	32,118	5,566
Interest payable on long-term debt	(2,133,290)	2,133,290
	24,039,774	15,674,787
Accrued severance pay	3,751	(9,904)
	24,043,525	15,664,883

Cash flows from investing activities

Purchase of capital assets	(87,589)	(6,728)
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Cash flows from financing activities

Proceeds from long-term debt	-	198,000,000
Repayment of long-term debt	(14,000,000)	(206,000,000)
Repayment of capital lease obligation	(4,348)	(4,348)
	(14,004,348)	(8,004,348)

Increase in cash and cash equivalents 9,951,588 7,653,807

Cash and cash equivalents, beginning of year 13,096,349 5,442,542

Cash and cash equivalents, end of year \$ 23,047,937 \$ 13,096,349

Cash and cash equivalents include:

Cash	\$ 9,128,985	\$ 5,716,623
Short-term investments	13,918,952	7,379,726
	\$ 23,047,937	\$ 13,096,349

See accompanying notes

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2008

Authority

The Student Loan Corporation of Newfoundland and Labrador was established on 30 March 2004 under the authority of the *Student Financial Assistance Act*. The objective of the Corporation is to act as the lender for all Provincial student loans. The affairs of the Corporation are managed by a Board of Directors comprised of senior government officials.

1. Significant accounting policies

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed:

(a) Capital assets

All capital assets are recorded at cost at the time of acquisition. Amortization is calculated using the straight-line method based on the expected future life of all assets as follows:

Office equipment	10 years
Computer software	7 years
Computer hardware	4 years
Capital photocopier lease	5 years

(b) Severance pay

The calculation of severance pay is based on years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continuous service, and accordingly no provision has been made in the accounts for employees with less than nine years of continuous service. The amount is payable when the employee ceases employment with the Corporation. If the employee transfers to another entity included in the public service, then the liability is transferred with the employee to the other entity.

2. Short-term investments

Short-term investments are valued at cost of \$13,918,952 (2007 - \$7,379,726) which approximates market value. As of 31 March 2008, the Corporation had two investments. These investments have a maturity date of 15 September 2008 and interest rates of 3.51% and 4.58% respectively.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2008

3. Student loans receivable

The student loan portfolio consists of Provincial loans issued on or after 1 August 2000 and Provincial loans issued prior to 1 August where the student was still in school and did not receive additional loans.

As at 31 March 2008 approximately 20,366 loans totalling \$121,389,688 (2007 - 20,179 loans totalling \$122,480,353) were being repaid at an average interest rate of prime plus 2.5% for the period 1 April 2007 to 31 July 2007, and at an average rate of prime for the period 1 August 2007 to 31 March 2008 (Class B) while 10,356 loans totalling \$60,516,585 (2007 - 10,942 loans totalling \$75,281,472) were not being repaid as the student was either still in attendance at an approved education institution or was within 6 months after the end of the study period (Class A loans).

As at 31 March 2008 approximately 7,414 loans totalling \$45,484,607 (2007 - 6,617 loans totalling \$39,325,180) were defaulted. These loans are defined as Class B loans delinquent for 270 days (nine months). The interest rate on these loans is prime plus 2.5% for the period 1 April 2007 to 31 July 2007, and at an average rate of prime for the period 1 August 2007 to 31 March 2008.

Student loans receivable consist of the following:

	<u>2008</u>	<u>2007</u>
Loans receivable		
Class B principal	\$ 121,389,688	\$ 122,480,353
Class A principal	60,516,585	75,281,472
Loans defaulted	45,484,607	39,325,180
Interest receivable	7,937,742	7,057,000
	<u>235,328,622</u>	<u>244,144,005</u>
Less: allowance for doubtful accounts	<u>(53,063,000)</u>	<u>(51,620,234)</u>
	<u>\$ 182,265,622</u>	<u>\$ 192,523,771</u>

The allowance for doubtful accounts represents the Corporation's best estimate of future probable losses with respect to loans receivable. The estimation of an appropriate allowance involves significant judgment. These financial statements represent management's best estimates based on available information.

The net increase (decrease) in student loans receivable during the year consists of the following:

	<u>2008</u>	<u>2007</u>
Student loan interest	\$ 12,577,952	\$ 14,643,079
Interest relief	(1,943,077)	(2,521,849)
Student loan grants	(10,658,439)	(11,891,593)
Student loans disbursed	18,206,038	29,493,421
Student loan payments	(26,967,428)	(21,520,907)
Student loan written off	(30,429)	-
	<u>\$ (8,815,383)</u>	<u>\$ 8,202,151</u>

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4. Capital assets

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	\$ 4,627	\$ 540	\$ 4,087	\$ 4,434
Computer software	116,231	20,105	96,126	33,611
Computer hardware	22,539	2,816	19,723	2,408
Capital photocopier lease	21,739	9,783	11,956	16,304
	\$ 165,136	\$ 33,244	\$ 131,892	\$ 56,757

5. Long-term debt

	<u>2008</u>	<u>2007</u>
Issue of floating rate notes dated 2 October 2006 maturing 30 September 2011 and bearing interest at the 3-month Canadian Bankers' Acceptance rate less 2 basis points, payable quarterly.	\$ 184,000,000	\$ 198,000,000
<u>Less: current portion</u>	<u>14,000,000</u>	<u>14,000,000</u>
	\$ 170,000,000	\$ 184,000,000

On 2 October 2006, the Corporation repaid \$206 million principal amount of floating rate notes by using available cash of \$8 million to reduce the principal balance to \$198 million, then arranging a new long-term borrowing to refinance this amount for a term of five years. A principal payment of \$14 million will be made on 30 September in each of the years 2007 to 2010, inclusive, with the balance of the debt maturing 30 September 2011. Interest is payable quarterly in arrears on 31 March, 30 June, 30 September, and 31 December each year.

Principal repayments on long-term debt for the next four years are as follows:

Year Ended 31 March

2009	\$ 14,000,000
2010	\$ 14,000,000
2011	\$ 14,000,000
2012	\$ 142,000,000

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6. Obligation under capital lease

The following is a schedule of future minimum lease payments under the capital lease expiring in December 2010.

Year Ended 31 March	<u>2008</u>	<u>2007</u>
2008	\$ -	\$ 4,348
2009	4,348	4,348
2010	4,348	4,348
2011	2,898	2,898
	11,594	15,942
Less: current portion	4,348	4,348
	\$ 7,246	\$ 11,594

7. Related party transactions

The Province unconditionally guarantees the principal and interest outstanding on long-term debt of \$184,000,000.

8. Economic dependence

As a result of its reliance on the Government of Newfoundland and Labrador to address the future funding requirements of the student loans program, the Corporation's ability to continue is dependent upon the decisions of Government.

9. Financial instruments

The Corporation's short-term financial instruments recognized on the balance sheet consist of cash, short-term investments, interest receivable on investments, accounts receivable, accounts payable and accrued liabilities, accrued vacation pay, interest payable on long-term debt and current portion of long-term debt. The carrying values of these instruments approximate current fair value due to their nature and short-term maturity associated with them.

The Corporation's long-term financial instruments recognized on the balance sheet consist of student loans receivable, long-term debt and accrued severance pay. The student loans receivable are reported at cost with provision being made for any decline in their value. Therefore, no further credit risk exists relating to these loans. The Corporation's long-term debt is at a floating rate determined by the 3-month Canadian Bankers' Acceptance rate less 2 basis points, maturing in September 2011. This may subject the Corporation to interest rate risk caused by changes in the interest rate. The carrying values of these long-term financial instruments approximate their current fair value.

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10. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

11. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.