

**Province of
Newfoundland and Labrador**



**Public Accounts Volume II
Consolidated Revenue Fund
Financial Statements**

FOR THE YEAR ENDED
MARCH 31, 2013


**Newfoundland
Labrador**



Province of Newfoundland and Labrador

Public Accounts

Volume II

Consolidated Revenue Fund Financial Statements

**For The Year Ended
31 March 2013**

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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 2013 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.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for 2012-13 was released in August 2013 and presents expenditures and revenues using the modified cash basis of accounting. This is the same basis used to prepare the budgeted appropriations and revenues as per the Estimates. Another report containing a reproduction of the available financial statements of the Crown Corporations, Boards and Authorities was released as a separate report in the Fall of 2013. These reports are available online at the address noted below.

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

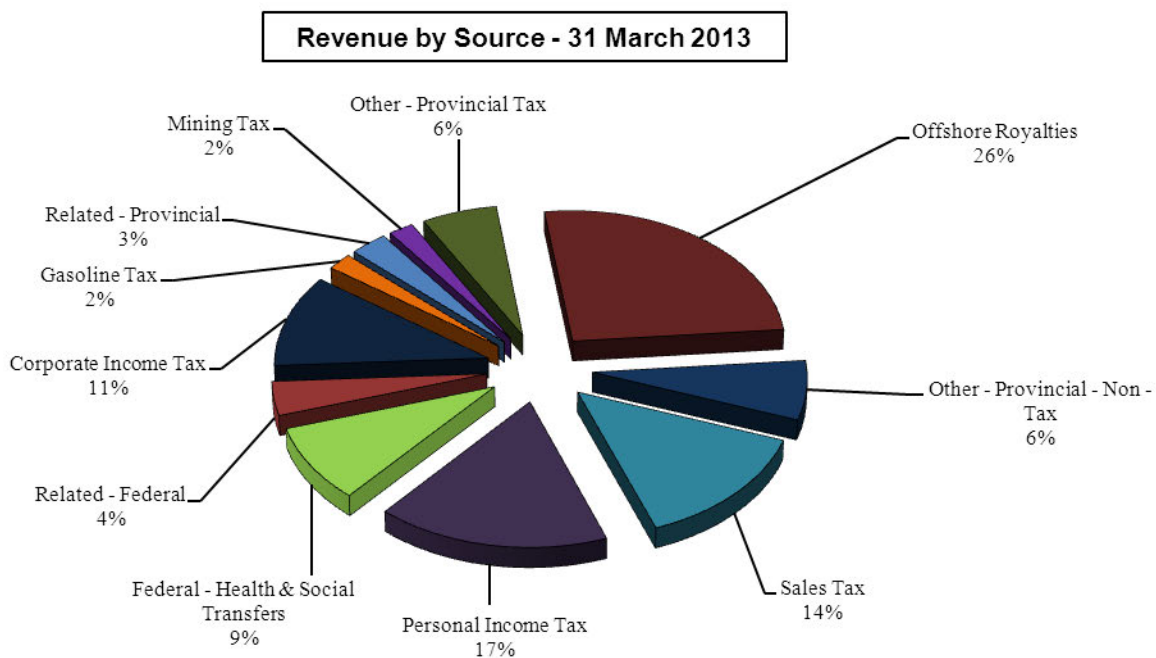
The Public Accounts are available on the Internet at:
http://www.fin.gov.nl.ca/fin/public_accounts/index.html

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CONSOLIDATED REVENUE FUND

Revenue

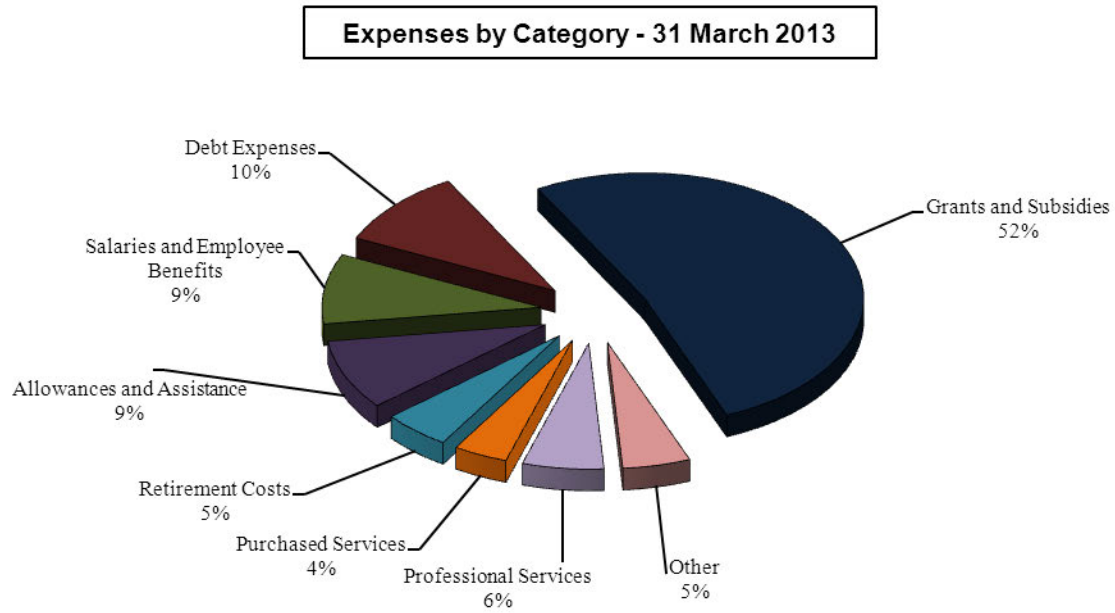
Total revenue was \$6.93 billion in 2012-13 which consisted of federal revenues of \$0.90 billion and provincial revenues of \$6.03 billion.



CONSOLIDATED REVENUE FUND

Expense

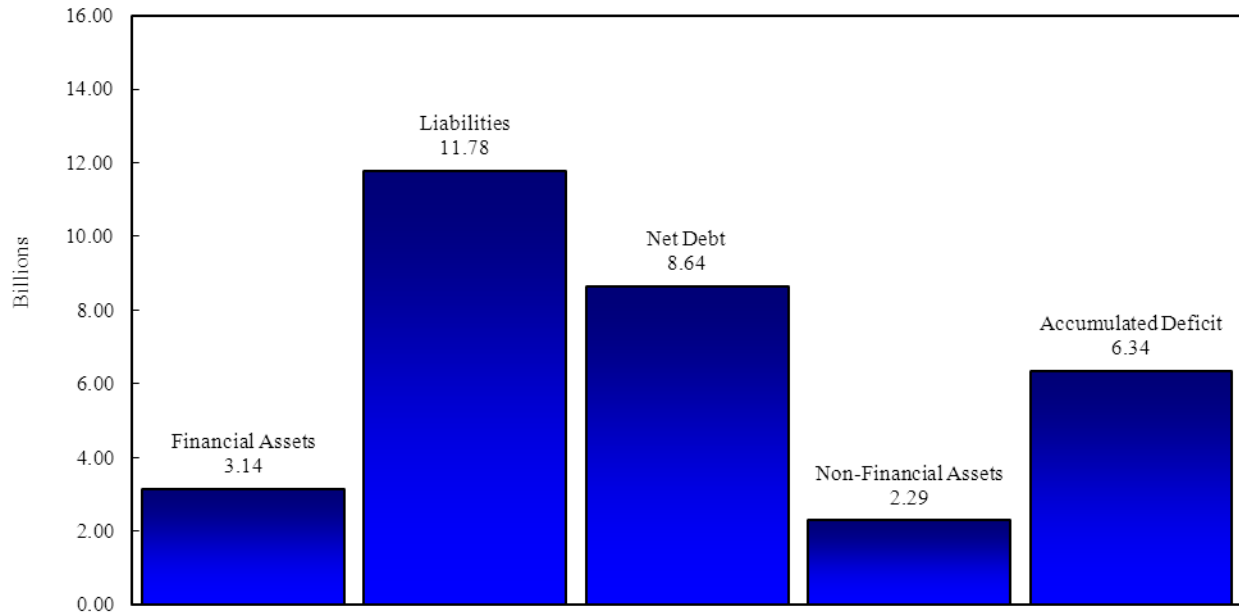
Total expenses were \$7.40 billion in 2012-13. Grants and subsidies of \$3.86 billion and debt expenses of \$0.76 billion represented approximately 62% of this amount.



CONSOLIDATED REVENUE FUND

Financial Position

Net Debt of \$8.64 billion consisted of \$11.78 billion in liabilities less \$3.14 billion in financial assets. Accumulated Deficit of \$6.34 billion consisted of \$8.64 billion in Net Debt less \$2.29 billion in non-financial assets.

Statement of Financial Position - 31 March 2013

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December 19, 2013

STATEMENT OF RESPONSIBILITY

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

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

The financial statements in this volume include a Statement of Financial Position, a Statement of Change in Net Debt, a Statement of Operations, a Statement of Change in Accumulated Deficit, a Statement of Cash Flows and notes. Other schedules and notes that are included also form an integral part of these statements.

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



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



ANN MARIE MILLER, CMA
Comptroller General of Finance

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**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the House of Assembly
Province of Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Consolidated Revenue Fund of the Province of Newfoundland and Labrador, which comprise the statement of financial position as at March 31, 2013, and the statements of change in net debt, operations, change in accumulated deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Government's Responsibility for the Financial Statements

Government is responsible for the preparation and fair presentation of these financial statements as required by Section 59 of the *Financial Administration Act* and in accordance with the accounting policies as disclosed in Note 1 to these financial statements, and for such internal control as Government determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the auditor, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Government, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

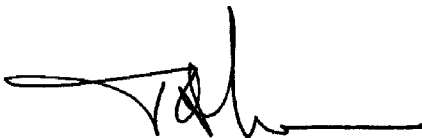
In my opinion, the financial statements present fairly, in all material respects, the financial position of the Consolidated Revenue Fund as at March 31, 2013, and the results of its operations, the change in its net debt, the change in its accumulated deficit and its cash flows for the year then ended in accordance with the accounting policies disclosed in Note 1 to these financial statements.

Report on Other Legal and Regulatory Requirements

As required under Section 11 of the *Auditor General Act*, I also report that in my opinion, these financial statements present fairly, in all material respects, the financial position of the Consolidated Revenue Fund as at March 31, 2013, and the results of its operations, the change in its net debt, the change in its accumulated deficit, and its cash flows for the year then ended in accordance with the accounting policies as disclosed in Note 1 to these financial statements applied on a basis consistent with that of the preceding year, except as described in Note 1(d) of these financial statements.

Other Matter

These financial statements have been prepared solely to present the activities of the Consolidated Revenue Fund for the year ended March 31, 2013. However, significant financial activities of the Province occur outside of the Consolidated Revenue Fund. These activities, together with those of the Consolidated Revenue Fund, are included in the Consolidated Summary Financial Statements of the Province and it is for this reason that those financial statements provide the comprehensive accounting of the Province's financial position and the results of its operations, the change in its net debt, the change in its accumulated deficit, and its cash flows. A separate Independent Auditor's Report is provided on the Consolidated Summary Financial Statements.



TERRY PADDON, CA
Auditor General

December 19, 2013
St. John's, Newfoundland and Labrador

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Statement of Financial Position
As at 31 March 2013
with comparative figures for 2012**

		Actuals 2013	Actuals 2012
		(\$000)	(\$000)
FINANCIAL ASSETS			
	Cash and temporary investments at cost - notes 2, 16	1,451,361	1,907,924
	Government of Canada - claims in process - note 3	225,607	209,750
Sch. A	Accounts and taxes receivable	726,696	998,451
	Less: Allowance for doubtful accounts	80,119	79,561
		<u>646,577</u>	<u>918,890</u>
Sch. B	Loans, advances and mortgages receivable	114,905	193,745
	Less: Allowance for doubtful accounts	22,349	76,089
		<u>92,556</u>	<u>117,656</u>
Sch. C	Investments at cost	735,735	488,408
	Less: Allowance for investment writedowns	10,421	4,862
		<u>725,314</u>	<u>483,546</u>
	Total Financial Assets	<u>3,141,415</u>	<u>3,637,766</u>
LIABILITIES			
Sch. E	Other liabilities - note 19	1,425,501	1,482,828
	Deferred revenue - note 4	27,257	36,586
Sch. F	Debenture and other debt	5,835,617	5,848,827
	Less: Sinking fund assets - note 5	1,017,997	912,895
	Plus: Unamortized unrealized foreign exchange gains (losses) - note 6	135,093	171,352
		<u>4,952,713</u>	<u>5,107,284</u>
	Group health and life insurance retirement benefits - note 8	2,195,997	1,984,535
	Unfunded pension liability - note 9	3,177,995	2,995,221
	Total Liabilities	<u>11,779,463</u>	<u>11,606,454</u>
	NET DEBT	<u>8,638,048</u>	<u>7,968,688</u>
NON-FINANCIAL ASSETS			
Sch. D	Tangible capital assets	2,261,499	2,060,892
	Prepaid expenses	8,352	6,861
	Inventories of supplies	23,707	23,527
	Total Non-Financial Assets	<u>2,293,558</u>	<u>2,091,280</u>
	ACCUMULATED DEFICIT	<u>6,344,490</u>	<u>5,877,408</u>

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 2013 with comparative figures for 2012

	Actuals 2013 (\$000)	Original Estimates 2013 (Note 17) (\$000)	Actuals 2012 (\$000)
NET DEBT - beginning of period	7,968,688	13,595,204	8,368,870
Surplus (Deficit) for the period	(467,082)	(590,421)	690,227
Changes in tangible capital assets			
Acquisition of tangible capital assets	302,346	452,298	408,339
Net book value of tangible capital asset disposals	(9,748)	-	(140)
Amortization of tangible capital assets	(91,991)	(117,569)	(118,373)
<i>Increase in net book value of tangible capital assets</i>	200,607	334,729	289,826
Changes in other non-financial assets			
Acquisition of prepaid expenses (net of usage)	1,491		1,017
Acquisition of inventories of supplies (net of usage)	180		(798)
<i>Increase in other non-financial assets</i>	1,671		219
 <i>Increase (Decrease) in net debt</i>	 669,360	 925,150	 (400,182)
 NET DEBT - end of period	 8,638,048	 14,520,354	 7,968,688

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 2013
with comparative figures for 2012**

	Actuals 2013 (\$000)	Original Estimates 2013 (Note 17) (\$000)	Actuals 2012 (\$000)
REVENUE			
Provincial			
Tax Revenue - note 19			
Sales	941,014	836,268	873,177
Personal income	1,158,522	948,679	1,011,980
Gasoline	170,684	173,989	168,566
Corporate income	766,576	733,494	503,437
Mining and mineral rights	135,986	302,093	317,449
Other	387,949	307,739	355,047
Non-Tax Revenue			
Offshore royalties	1,828,234	2,253,054	2,794,633
Investment	262,361	109,400	251,798
Fees and fines	164,832	147,085	167,739
Other	30,010	-	30,782
Related revenue	185,690	169,511	186,945
Government of Canada			
Atlantic Accord (1985)	-	-	536,121
Health and social transfers	612,965	617,531	625,347
Other	1,708	1,708	1,708
Related revenue	287,724	336,297	323,777
Total Revenue	6,934,255	6,936,848	8,148,506
EXPENSE			
Salaries	591,449	603,744	584,094
Employee benefits	49,658	25,355	43,806
Retirement costs	399,222	413,163	325,882
Transportation and communications	43,257	50,780	43,690
Supplies	109,281	111,436	114,449
Professional services	470,898	457,799	431,359
Purchased services	313,909	361,456	384,166
Property, furnishings and equipment	57,971	64,142	55,196
Allowances and assistance	642,089	574,442	611,221
Grants and subsidies	3,864,718	3,979,468	4,015,990
Debt expenses	759,228	767,915	731,805
Amortization (tangible capital assets)	91,991	117,569	118,373
Bad debt expenses	7,666	-	(1,752)
Total Expense	7,401,337	7,527,269	7,458,279
ANNUAL SURPLUS (DEFICIT) - notes 10, 19	(467,082)	(590,421)	690,227

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Change in Accumulated Deficit For the year ended 31 March 2013 with comparative figures for 2012

	Actuals 2013 (\$000)	Original Estimates 2013 (Note 17) (\$000)	Actuals 2012 (\$000)
ACCUMULATED DEFICIT - beginning of period	5,877,408		6,567,635
Surplus (Deficit) for the period	(467,082)	(590,421)	690,227
ACCUMULATED DEFICIT - end of period	6,344,490		5,877,408

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 2013
with comparative figures for 2012

	Actuals 2013 (\$000)	Actuals 2012 (\$000)
Funds provided from (applied to):		
OPERATIONS		
Annual surplus (deficit)	(467,082)	690,227
Add (Deduct) non-cash items:		
Amortization of foreign exchange (gains)/losses	(17,840)	(20,650)
Amortization of tangible capital assets	91,991	118,373
April writebacks	(29,784)	(142,921)
Deferred revenue	(9,329)	1,317
Other	220,024	(183,387)
Retirement costs	688,536	571,903
Sinking funds	(53,943)	(50,218)
Valuation allowances	6,744	(6,147)
Net cash provided from (applied to) operating transactions	<u>429,317</u>	<u>978,497</u>
CAPITAL		
Acquisitions	(302,346)	(408,339)
Disposals	9,748	2,500
Net cash provided from (applied to) capital transactions	<u>(292,598)</u>	<u>(405,839)</u>
FINANCING		
Debt retirement	(32,600)	(358,940)
Retirement of pension liabilities	(294,300)	-
Sinking fund contributions	(50,153)	(50,153)
Sinking fund proceeds	-	114,738
Special purpose funds/contractors' holdback funds	11,058	8,317
Treasury bills purchased	1,971,050	1,971,159
Treasury bills redeemed	(1,971,085)	(1,971,056)
Net cash provided from (applied to) financing transactions	<u>(366,030)</u>	<u>(285,935)</u>
INVESTING		
Loan advances and investments	(256,635)	(120,666)
Loan repayments	29,383	8,052
Net cash provided from (applied to) investing transactions	<u>(227,252)</u>	<u>(112,614)</u>
Net cash provided (applied)	<u>(456,563)</u>	<u>174,109</u>
Cash and temporary investments - beginning of period	<u>1,907,924</u>	<u>1,733,815</u>
CASH AND TEMPORARY INVESTMENTS - end of period - note 2	<u><u>1,451,361</u></u>	<u><u>1,907,924</u></u>

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR**Notes to the Financial Statements
For the year ended 31 March 2013**

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. Government transfers are recognized as revenue in the period during which the transfer is authorized and all eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recorded as deferred revenue and are recognized as revenue when the funds are used as intended.

Revenues from provincial tax sources are accrued in the year earned based upon estimates using statistical models and prior year actuals. Tax revenues are recorded at the amount estimated, after considering certain adjustments for non-refundable tax credits and other adjustments from the federal government. Refundable tax credits are not recognized as a reduction of tax revenues.

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.

CONSOLIDATED REVENUE FUND**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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 receivable are recorded for all amounts due for work performed and goods or services supplied. Taxes receivable are recorded for all amounts due for levies that are authorized and for which the taxable event has occurred. Valuation allowances are provided when collection is considered doubtful.

Loans, advances and mortgages receivable are recorded at cost, less any concessionary terms. Concessionary terms represent the difference between the face value and the present value of the loan and are accounted as expenses on the Statement of Operations. 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, less any concessionary terms. Concessionary terms represent the difference between the face value and the present value of the investment and are accounted as expenses on the Statement of Operations. Investments 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.

(v) *Liabilities*

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

Deferred revenue represents amounts received but not earned.

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

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

(vi) *Government Transfers*

Government transfers are recognized by the Province as revenues or expenses in the period during which both the payment is authorized and any eligibility criteria and stipulations are met. The recognition of transfer revenues is only deferred when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability.

CONSOLIDATED REVENUE FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

(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.

(d) Changes in Accounting Policies

Tax Revenue

A change in accounting policy has been implemented whereby tax revenues are recorded net of any tax concessions or expenditures that reduce the amount of tax payable. Tax transfers that do not affect the amount of tax payable are recorded as expenses. Previously, tax revenues were recorded net of all tax credits including both tax concessions and tax transfers.

This change in accounting policy is a result of an update to the Public Sector Accounting standards and has been applied retroactively with restatement. As a result, both tax revenues and allowance and assistance expense for the current year have both increased by \$75.4 million (31 March 2012 - \$86.3 million) with no impact on the annual deficit, net debt and accumulated deficits of either year.

Government Transfers

The Province prospectively adopted a revised accounting standard for government transfers, which establishes how to account for and report government transfers from both a transferring government and a recipient government perspective. As a result, the recognition of transfer revenues is only deferred when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability. Receivables are established for transfers to which the Province is entitled under government legislation, regulation or agreement. Liabilities are established for any transfers due at 31 March for which the intended recipients have met the eligibility criteria. These revisions do not materially change how the Province previously accounted for government transfers. As a result, there is no impact on the annual deficit, net debt, and accumulated deficit.

2. Cash and Temporary Investments

Cash and temporary investments consist of:

	31 March 2013	31 March 2012
	(\$mil)	(\$mil)
Cash balance (overdraft)	1,028.5	1,258.6
Temporary investments - note 16	422.9	649.3
Total: Cash and Temporary Investments	<u>1,451.4</u>	<u>1,907.9</u>

As at 31 March 2013, these investments have maturity dates ranging from 4 April 2013 to 8 November 2013 at interest rates ranging from 1.25% to 1.43%.

CONSOLIDATED REVENUE FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Government of Canada – Claims in Process

Consists of:

	31 March 2013	31 March 2012
	(\$mil)	(\$mil)
Claims receivable at 31 March not received in April	158.7	160.8
Receipts in April	66.9	49.0
Total: Government of Canada – Claims in Process	<u>225.6</u>	<u>209.8</u>

4. Deferred Revenue

Consists of:

	31 March 2013	31 March 2012	Change
	(\$mil)	(\$mil)	(\$mil)
Federal initiatives in support of community development, employment development and police officers	15.4	17.1	(1.7)
Gas tax initiatives	11.4	14.1	(2.7)
Federal government funding for various health care initiatives	-	4.5	(4.5)
Other miscellaneous programs	0.5	0.9	(0.4)
Total: Deferred Revenue	<u>27.3</u>	<u>36.6</u>	<u>(9.3)</u>

The balance as of 31 March 2013 will be recognized as revenue in the periods in which the revenue recognition criteria have been met.

5. Sinking Fund

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

The Sinking Fund Assets consist of:

	31 March 2013	31 March 2012
	(\$mil)	(\$mil)
Investments at cost	841.5	798.7
Amortization of bond discount	86.0	75.8
Investments at amortized cost	927.5	874.5
Cash and receivables less accounts payable	90.5	38.4
Net Sinking Fund Assets - translated at 31 March	<u>1,018.0</u>	<u>912.9</u>

CONSOLIDATED REVENUE FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

The net sinking fund assets balance of \$1,018.0 million Canadian dollars as at 31 March 2013 includes \$338.7 million U.S. dollars translated to \$344.1 million Canadian dollars in accordance with current practice.

The net sinking fund assets balance of \$912.9 million Canadian dollars as at 31 March 2012 includes \$314.3 million U.S. dollars translated to \$313.6 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.

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 2013 or the exchange rate at maturity for those debt and sinking funds retired during the fiscal year. 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 \$17.8 million which represents a credit adjustment (31 March 2012 - \$20.7 million-credit adjustment). This is included in debt expenses on the Statement of Operations.

	31 March 2013	31 March 2012
	(\$mil)	(\$mil)
Foreign exchange gain (loss):		
Debt	204.8	224.2
Sinking funds	(66.2)	(67.2)
Net	138.6	157.0
Total accumulated amortization	(3.5)	14.4
Net unamortized unrealized foreign exchange gains (losses)	135.1	171.4

7. Provision for Guaranteed Debt

The provision for possible losses on guaranteed debt is nil (31 March 2012- nil) (see note 12(a)).

8. Retirement Benefits – Group Health and Life Insurance

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

Under Government's program, the Province contributes 50% towards group health and group life premiums for both employees and retirees. Government also contributes 50% towards group health and group life premiums for both teachers and retirees insured under the programs sponsored by the NLTA, subject to the maximum rates under Government's program. As at 31 March 2013, the plans provided benefits to 20,351 retirees.

CONSOLIDATED REVENUE FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

Actuarial Valuations

An actuarial extrapolation was prepared to 31 March 2013 by the Province's actuaries based on the latest actuarial valuation (valuation date of 31 March 2012) for the programs sponsored by the Province and the NLTA. The actuarial extrapolation was based on a number of assumptions about future events including an interest rate of 3.60%, Consumer Price Index (CPI) of 2.50%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts.

Group Health and Life Insurance Retirement Benefits Liability

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

Plan	Estimated Accrued Benefit Obligation (\$mil)	Unamortized Experience Losses (\$mil)	Net Liability 2013 (\$mil)	Net Liability 2012 (\$mil)	Change (\$mil)
Group health retirement benefits	2,585.9	(477.7)	2,108.2	1,901.3	206.9
Group life insurance retirement benefits	119.4	(31.6)	87.8	83.2	4.6
Total	2,705.3	(509.3)	2,196.0	1,984.5	211.5

There are no fund assets associated with these plans.

Group Health and Life Insurance Retirement Benefits Expense

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

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

Plan	Province's Share of Current Period Costs (\$mil)	Interest Expense on the Liability (\$mil)	Province's Current Period Contributions (\$mil)	Current Period Amortization of Experience Changes (\$mil)	Plan Amendments (\$mil)	Change (\$mil)
Group health retirement benefits	83.6	100.7	(31.4)	54.0	-	206.9
Group life insurance retirement benefits	2.5	4.2	(3.9)	1.8	-	4.6
Total	86.1	104.9	(35.3)	55.8	-	211.5

Interest expense related to the group health and life insurance retirement benefits liability is included with interest as debt expenses in the financial statements. Interest related to group health and life insurance retirement benefits for 31 March 2012 amounted to \$102.1 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.

CONSOLIDATED REVENUE FUND**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 38,468 participants as at 31 March 2013.

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 2013, the plans provided benefits to 25,756 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 1 September 1998.

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

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

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

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

Teachers' Pension Plan

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

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

CONSOLIDATED REVENUE FUND**NOTES TO THE FINANCIAL STATEMENTS (continued)**

Uniformed Services Pension Plan

Employee contributions are 9.95% 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.

During 2012-13 plan legislation was enacted consistent with the two components of the Plan. The Registered component will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund and will provide benefits based on limits set out in the federal *Income Tax Act*. The Supplementary component will be administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

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 8 February 1999, the percentage is 5% for the first ten years and 2.5% for each of the next ten years. For members elected for the first time after 31 December 2009, the percentage is 3.5% for each year of service as a Member. The accrued benefit is reduced by a formulated amount representing CPP pension benefits for each year since 1967. Ministers receive an additional pension amount calculated similarly, based on service and pensionable salary as a Minister.

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

Provincial Court Judges' Pension Plan

Effective 1 April 2002 (pursuant to the *Provincial Court Judges' Pension Plan Act* enacted 8 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 1 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 judge'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.

CONSOLIDATED REVENUE FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 6.75%. The expected rate for the Teachers' Pension Plan is 6.75% projected on a long-term basis. The expected rate for the Uniformed Services Pension Plan is 6.75% projected on a long-term basis. The expected rate for the Members of the House of Assembly Pension Plan is 6.75% for the Registered component and 3.60% for the Supplementary Employee Retirement component, projected on a long-term basis. The expected rate for the Provincial Court Judges' Pension Plan is 6.50% for the Registered component and 3.60% for the Supplementary Employee Retirement component, projected on a long-term basis.

Expected Inflation Rates

The expected inflation rate for all pension plans is 2.50%.

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 2012
Teachers'	31 August 2012
Uniformed Services	31 December 2011
Members of the House of Assembly	31 December 2009
Provincial Court Judges'	31 December 2010

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

Pension Liability

Details of the pension liability are outlined in the table below. The estimated accrued benefit obligation and the value of the plan assets reported below have been extrapolated by the Province's actuaries to 31 March 2013. The actual results of future valuations may result in variances from these extrapolations.

<u>Pension Plan</u>	<u>Estimated Accrued Benefit Obligation</u>	<u>Fund Assets</u>	<u>Unamortized Experience Gains (Losses)</u>	<u>Net Unfunded Liability 2013</u>	<u>Net Unfunded Liability 2012</u>	<u>Change</u>
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	7,225.8	4,252.7	(1,042.7)	1,930.4	1,829.6	100.8
Teachers'	4,423.4	2,577.4	(876.5)	969.5	905.3	64.2
Uniformed Services	402.3	163.5	(49.4)	189.4	179.2	10.2
Members of the House of Assembly	109.0	15.9	(16.6)	76.5	70.8	5.7
Provincial Court Judges'	19.8	4.9	(2.7)	12.2	10.3	1.9
Total	12,180.3	7,014.4	(1,987.9)	3,178.0	2,995.2	182.8

CONSOLIDATED REVENUE FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

Pension Fund Assets are valued at the market value at 31 December 2012 and projected to year end.

Special Payments

During 2012-13 the Province made payments of \$175.1 million to the Public Service Pension Plan, \$109.2 million to the Teachers' Pension Plan and \$10.0 million to the Uniformed Services Pension Plan to address the unfunded liabilities of each plan.

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 (\$mil)	Pension Interest Expense on the Unfunded Liability (\$mil)	Province's Current Period Pension Contributions (\$mil)	Current Period Amortization of Experience Changes (\$mil)	Other Adjustments (\$mil)	Unfunded Portion of Current Period Pension Change (\$mil)
Public Service	19.9	183.8	(211.1)	108.2	-	100.8
Teachers'	26.3	106.8	(152.3)	83.4	-	64.2
Uniformed Services	3.8	14.6	(14.1)	5.9	-	10.2
Members of the House of Assembly	2.9	3.5	(5.8)	5.1	-	5.7
Provincial Court Judges'	1.5	0.5	(0.4)	0.3	-	1.9
Total	54.4	309.2	(383.7)	202.9	-	182.8

Pension interest expense is included with interest as debt expenses in the financial statements. Pension interest expense for 31 March 2012 amounted to \$266.2 million.

Experience Gains or Losses

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

Other Pension Plans

The Government Money Purchase Pension Plan was established for employees whose employment status does not qualify them for participation in another of their employer's pension plans. This plan has approximately 31,475 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 2013 assets had a market value of \$280.3 million (31 March 2012 - \$261.0 million).

CONSOLIDATED REVENUE FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Current and Capital Account

The annual deficit of \$467.1 million (31 March 2012 - surplus of \$690.2 million) is comprised of a deficit on the current account of \$169.0 million (31 March 2012 - surplus of \$1,017.8 million) and a deficit on the capital account of \$298.1 million (31 March 2012 - deficit of \$327.6 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 2013 amounted to \$228.7 million (31 March 2012 - \$8.6 million).

12. Contingent Liabilities

(a) Guaranteed Debt

Guarantees made by the Province as at 31 March 2013 amounted to \$1,393.6 million (31 March 2012 - \$1,467.6 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 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) Trust Accounts

a) Office of the Public Trustee

The Province of Newfoundland and Labrador guarantees all sums required to discharge the balances of the Public Trustee as administrator, guardian, trustee, etc. (*Public Trustee Act*). See Schedule I – Trust Accounts.

b) 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*). See Schedule I – Trust Accounts.

c) Other 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.

CONSOLIDATED REVENUE FUND

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 Consolidated Revenue Fund is liable for any deficiency in the Province of Newfoundland and Labrador Pooled Pension Fund covered by that Act. See note 9.

b) Memorial University of Newfoundland Pension Fund

Pursuant to Section 6 of the *Memorial University Pensions Act*, if there is insufficient money in the Memorial University of Newfoundland Pension Fund to provide for the payment of applicable expenditures as they fall due, the Consolidated Revenue Fund is liable for payment of an amount to cover the deficiency. As at 31 March 2013, the Memorial University of Newfoundland Pension Plan had an unfunded pension liability for funding purposes of \$347.0 million (31 March 2012 - \$293.8 million). However, there currently exists sufficient money in the Fund for the payment of expenditures as they fall due.

(iii) *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.

(iv) *Newfoundland and Labrador Student Loans Program*

Under the loan guarantee component of this Program, the Province has no guarantees issued at 31 March 2013. Under the debt reduction component of the Program, the Province is contingently liable for possible grants totalling \$10.0 million, of which \$6.8 million has been recorded as a provision for likely amounts payable related to student loans due to the debt reduction component. See Schedule E - Other Liabilities.

(v) *Environmental Responsibility*

As a result of delivering its stated programs and initiatives, there are a number of sites throughout the Province which are considered potentially contaminated sites. A liability will be accrued in the financial statements when it has been determined that the Province is liable for a site which has become contaminated and where a reasonable estimate of the remediation costs can be made. To date, \$28.3 million has been recorded (see Schedule E - Other Liabilities).

CONSOLIDATED REVENUE FUND**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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 2013, 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 other than those indicated below. It is the responsibility of the departments 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. As contaminated sites are identified, additional environmental liabilities may be recognized or contingent liabilities disclosed due to newly identified sites and/or changes in the assessments of currently known sites.

Former Abitibi-Consolidated Sites

In December 2008, the Province passed legislation entitled *Abitibi-Consolidated Rights and Assets Act* to expropriate certain rights and assets from Abitibi-Consolidated. Abitibi filed for creditor protection, and was granted a stay of creditor proceedings, under the *Companies' Creditor Arrangements Act* ("CCAA") in April 2009. The Province petitioned the CCAA court for a declaration that Abitibi is responsible for full compliance with the *Provincial Environmental Protection Act*, which included clean-up of its former sites. The CCAA court ruled that any claims the Province may have regarding clean-up of the former sites can be compromised and extinguished by the CCAA process, the practical effect of which is that the Province could bear the burden of clean-up of these sites.

In November 2011, the Province brought the matter to the Supreme Court of Canada. The Supreme Court of Canada released its decision on 7 December 2012. As a result of the ruling, the Province is responsible for the remediation costs of sites formerly occupied by Abitibi and owned by the Province. For legal purposes, initial environmental site assessments estimated the extent of the contamination for potential remediation of approximately \$265 million. However, further environmental site assessments would be necessary to assess the human health and ecological risks and to determine the methods and related costs required to remediate the contamination. The completion of any such assessments would inform the Province as to the extent of the necessary remediation efforts and costs which would result in the giving up of future economic benefits and the recognition of a liability for the Province. As at 31 March 2013, a liability of \$2.5 million has been recorded to address the known health and safety concerns.

Former Mining Sites

The Province owns two former mining sites which have estimated costs for remediation that are potentially significant: the former Baie Verte Asbestos Mine (order of magnitude costs of \$40.0 million) and the former Consolidated Rambler Mines Copper Mine (order of magnitude costs of \$95.0 million). The Province has completed rehabilitation at these sites designed to address immediate human health and safety issues. No remediation expenditures are planned for the next five years. In addition to these two sites, the Province is seeking to complete an inventory and risk based priority list of orphaned and abandoned mines.

CONSOLIDATED REVENUE FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Contractual Obligations

Contractual obligations to outside organizations in respect of contracts entered into before 31 March 2013 consists of:

	31 March 2013 (\$mil)	31 March 2012 (\$mil)
Capital projects	544.5	588.9
Provincial policing agreement	137.7	142.2
Lease payments	56.2	46.0
Ferry services	48.9	55.2
Economic development	44.0	58.4
Information technology services	34.4	51.4
Telephone services	12.5	7.6
Food services	-	1.3
Other projects	52.6	57.3
Total: Contractual Obligations	930.8	1,008.3

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

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 allowance for guaranteed debt and the accrual of self-insured workers' compensation benefits.

15. Comparatives

Certain of the 31 March 2012 financial statement figures and related schedules have been restated to be consistent with the 31 March 2013 statement presentation.

CONSOLIDATED REVENUE FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. 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 2013. The total borrowing contribution has 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 2013 for further information on the calculation of the Total Borrowing Contribution (Requirement) of \$(440.6) million noted below.

	31 March 2013 <u>(\$mil)</u>
Total Borrowing Contribution (Requirement)	(440.6)
Add (Deduct):	
Treasury bill borrowing repayments	(1,971.1)
Temporary investments 1 April 2012	649.3
Writeback expenditure - 2013	383.1
Writeback expenditure - 2012	(395.0)
Writeback revenue - 2013	(66.9)
Writeback revenue - 2012	49.0
Special purpose funds	(1.3)
Contractors' holdback funds	12.3
Prior year's expenditure cheques recovered	1.1
Other Adjustments	1.8
Total: Cash Requirements	<u>(1,778.3)</u>
Borrowings:	
Treasury bill borrowings	1,971.1
Increase (Decrease) in cash balance (overdraft)	(230.1)
Total: Borrowings	<u>2,201.2</u>
Temporary Investments 31 March 2013	<u>422.9</u>

17. Original Estimates

Certain amounts in the 2012-13 Estimates shown for comparative purposes were prepared on the accrual basis.

The primary focus of the accrual budget information presented in the 2012-13 Budget Speech 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 \$590.4 million (consistent with the more detailed format of the non-consolidated Statement of Operations in Volume II) were not disclosed in the 2012-13 Budget Speech but rather were obtained from internal documentation used to calculate the budgeted surplus disclosed in the 2012-13 Budget Speech. In addition, an amount for Net Debt was also obtained from internal documentation.

In arriving at the original estimate figures on the Statement of Operations, implicit costs associated with the acquisition of tangible capital assets, which were eliminated from these items, were estimated based on a reasonable allocation methodology.

CONSOLIDATED REVENUE FUND**NOTES TO THE FINANCIAL STATEMENTS (continued)**

18. Change in Government Structure

Under section 5 and 17 of the *Executive Council Act*, government departments were reorganized effective 24 October 2012. Pursuant to Cabinet direction, the new financial structure for the departments commenced for the 2012-13 fiscal year. The comparative figures have been restated to reflect this new departmental structure.

19. Prior Period Adjustment

As at March 31, 2012, a liability was recognized for mining and mineral rights tax installments received in advance of a filed tax return. Subsequently, the installments were determined to have met the revenue recognition criteria. As a result, the prior year has been restated to reflect a \$30.4 million increase in the annual surplus and a respective decrease in net debt and accumulated deficit. There was no impact on prior year beginning balances.

20. Subsequent Event

Subsequent to year end, the Province entered into new commitments related to the Lower Churchill Project (the Project).

The Project, which is planned and developed by Nalcor Energy through its subsidiaries, consists of a Muskrat Falls hydroelectric plant, a transmission line connecting the Muskrat Falls plant to the Churchill Falls plant and a transmission line to move the power from the Muskrat Falls hydroelectric plant to the island part of Newfoundland and Labrador.

The electricity generated by the hydroelectric generating facility will be delivered through a high voltage transmission system to Newfoundland and Labrador, Nova Scotia and other Canadian and northeastern United States electricity markets. Construction is underway and will take approximately five years to complete.

The Project will be financed in part by the Province through equity contributions to Nalcor Energy. The expected commitment will be approximately \$1.9 billion; furthermore, the Province has committed to funding all contingent equity which may be required to cover cost overruns on each aspect of the Project. In addition, the Project has also been financed through an issuance of bonds by Nalcor Energy's project subsidiaries in the amount of \$5.0 billion over 40 years at a blended interest rate of 3.8%. The bonds are fully guaranteed by the Government of Canada. The Province has also provided a guarantee to the Government of Canada to compensate it for any costs under this Guarantee which are triggered by legislative or regulatory actions of the Province.

21. 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 2013 with comparative figures for 2012

	2013	2012
	(\$000)	(\$000)
Accounts Receivable:		
Offshore royalties	292,166	421,018
Crown agencies working capital and unremitted profits	73,988	68,620
Social assistance overpayments	38,135	34,008
Court fines	37,923	38,139
Miscellaneous/other receivables	36,329	32,620
Student loans	21,600	23,515
Nalcor Energy	20,218	12,514
Fees and licences	6,963	779
Reciprocal billings - medical services	6,229	5,974
Rent and other royalties/permits to occupy	5,206	2,387
Amounts due as a result of Constituency Allowance review	2,698	2,772
Due from municipalities	2,128	1,729
Atlantic Lottery Corporation Incorporated	2,062	166
Accrued interest on temporary investments	1,812	935
Workplace, Health, Safety and Compensation Commission	1,465	1,851
Accident recovery claims	1,329	7,214
Province of Newfoundland and Labrador Pooled Pension Fund	862	772
Medical care plan audit recoveries	691	28
Travel advances	91	131
Total: Accounts Receivable	551,895	655,172
Taxes Receivable:		
Sales tax	85,240	57,219
Mining and mineral rights tax	34,993	231,908
Gasoline tax	14,509	14,313
Health and post secondary education tax	11,785	12,759
Tobacco tax	11,074	10,498
School tax	9,260	9,353
Insurance companies tax	4,570	4,507
Corporate capital tax	3,027	2,510
Miscellaneous/other taxes	343	212
Total: Taxes Receivable	174,801	343,279
Total: Accounts and Taxes Receivable	726,696	998,451

NOTE

The allowance for doubtful accounts for 31 March 2013 is \$80.1 million (31 March 2012 - \$79.6 million).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Loans, Advances and Mortgages Receivable
As at 31 March 2013
with comparative figures for 2012**

	2013	2012
	(\$000)	(\$000)
Crown Agencies:		
Business Investment Corporation - note 1	-	54,357
C.A. Pippy Park Commission	250	250
Newfoundland and Labrador Film Development Corporation	6,819	6,819
Student Loan Corporation	73,000	102,000
Total: Crown Agencies	<u>80,069</u>	<u>163,426</u>
Commercial Loans:		
6574262 Canada Inc.	500	500
A. L. Stuckless & Sons Limited	1,217	1,217
Afinin Lab Inc.	30	30
Atlantic Fisheries Limited	-	980
Bit Trap Studios Canada Inc.	300	282
Blue Drop Inc.	500	500
Blue Ocean Satellite Systems Inc.	221	221
Canada Fluorspar (NL) Inc.	637	349
Carino Processing	3,600	-
Clear Risk Inc.	420	420
Cote's Mechanical Limited	200	200
Doyle, James & Sons Ltd.	771	771
Easteel Industries Limited	3,658	3,658
Eastern Ocean Products Limited	-	163
Eastern Star Group Canada Inc.	500	500
Gavijo Innovations	15	15
George Sexton Limited	50	50
Goodfellow Inc.	250	-
Grandy, Gordon	90	90
Holson Forest Products Ltd.	7,150	7,100
Hughes, Vincent	50	50
IC Spa Products Inc.	183	183
Island Seafoods Products Limited	125	125
Keats, Eric	102	102
Koby Seat Inc.	9	9
Mediclink Systems Limited	58	58
Melindy, John	191	191
MyTelescope.com Inc.	315	315
Newfoundland Harvesting Limited	2,727	2,727
Newman, Raymond	162	162
Northeast Coast Sealers Co-op Society Limited	367	367
O'Rourke, Rupert	337	337

CONSOLIDATED REVENUE FUND

LOANS, ADVANCES AND MORTGAGES RECEIVABLE (continued)

	2013	2012
	(\$000)	(\$000)
Commercial Loans:		
Other Ocean Group Inc.	781	781
Pittman, Thomas	93	93
Procom Data Services	143	143
Pumphrey, Gerry	537	537
Quorum Information Group	172	161
Saunders, Ralph	61	61
Seacraft Limited	68	68
Seaward, Alphonsus	99	99
Sexton Lumber Ltd.	2,114	2,220
Short, William	262	262
Superior Waterproof Coatings NF & LB Inc.	154	154
Sweet, Roy	59	49
Terra Nova Marine Co. Ltd.	400	400
Terra Nova Shoes ULC	6,775	7,000
Uncle Phil's Think Tank Inc.	75	75
Virtual Marine Technology	991	991
Vokey's Shipyard Limited	-	100
Whelan, Ormond	853	853
White's Fisheries Limited	-	50
Wilson, Ronald & Curtis, Kevin	354	298
Total: Commercial Loans	<u>38,726</u>	<u>36,067</u>
Other Organizations:		
Municipalities	-	197
Total: Other Organizations	<u>-</u>	<u>197</u>
Sub-Total: Loans, Advances and Mortgages Receivable	118,795	199,690
Less: Discounts due to concessionary terms - note 4	<u>(3,890)</u>	<u>(5,945)</u>
Total: Loans, Advances and Mortgages Receivable	<u><u>114,905</u></u>	<u><u>193,745</u></u>

LOANS, ADVANCES AND MORTGAGES RECEIVABLE (continued)

NOTES

1. Business Investment Corporation

The Province advanced funds to Business Investment Corporation for the purpose of making loans and equity investments to enable it to carry out its mandate. The advances were non-interest bearing and had no fixed terms of repayment or maturity date. During fiscal 2012-13, in accordance with Section 18 of the Financial Administration Act, Treasury Board approved the write off of \$54.4 million representing the outstanding receivable owed by Business Investment Corporation.

2. Interest Rates and Loan Terms

Interest rates on loans range from non-interest bearing to 14% and are repayable over terms not exceeding twenty-five years.

3. Allowance for Doubtful Accounts

The allowance for doubtful accounts for 31 March 2013 is \$22.3 million (31 March 2012 - \$76.1 million).

4. Discounts due to concessionary terms on loans

The discounts due to concessionary terms on loans are the portion of the receivable that represents the difference between the face value and the present value of the loan. The loans are reported at their present value due to the concessionary terms in the loan agreement.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Investments As at 31 March 2013 with comparative figures for 2012

Description of Investment	Balance 31 March 2013		2012	
	Net Additions (\$000)	No. of Shares	Cost (\$000)	Cost (\$000)
Preferred Shares:				
Atlantic Ocean Farms Limited - Class A, redeemable	-	289,655	290	290
Blue Line Innovations Inc. - Class B	-	5,000	500	500
Burton's Cove Logging and Lumber	-	76	3,818	3,818
Cold Ocean Salmon Inc. - Class A	-	10,000	10,000	10,000
Country Ribbon Inc.	-	4,500	4,500	4,500
Gray Aqua Group Ltd. - Class A	1,827	4,826,836	4,827	3,000
Northern Harvest Sea Farms Newfoundland Ltd.	-	8,000,000	8,000	8,000
Orphan Industries Limited - Class B	(242)	58,200	582	824
Pixecur Technologies Inc. - redeemable	-	4,000	400	400
Total: Preferred Shares Investments	<u>1,585</u>		<u>32,917</u>	<u>31,332</u>
Common Shares:				
ACF Equity Atlantic Inc.	-	2,390,000	2,231	2,231
ACZEN Innovations Inc. - Class A	-	1,763	176	176
Adfinitum Networks Inc.	-	3,300	330	330
Atlantic Lottery Corporation Inc.	-	1	-	-
Consilient Technologies Corporation - Class B	-	568,182	500	500
Dockside Appetizers Ltd. - Class B	-	310	31	31
Dynamic Air Shelters Ltd. - Class B	(72)	428,492	428	500
First Choice Vision Centre Limited - Class B	-	4,537	426	426
Hurley Slate Works Company Inc. - Class B	-	400	400	400
Icewater Harvesting Inc. - Class B	2,000	200,000	2,000	-
Inter-Provincial Lottery Corporation - Class B	-	1	-	-
iSYS Intelligent Systems Solutions - Class F	-	986	98	98
Jackman Brand Marketing Inc. - Class B	-	1,250	125	125
Manitoba Telecom Services Inc.	-	126	-	-
Marble Mountain Development Corporation	-	500	-	-
Marine Industrial Lighting Systems	-	5,000	500	500
MedicLink Systems Ltd. - Class A	-	3,517	352	352
Municipal Assessment Agency	-	1	-	-
Nalcor Energy Corporation	-	122,500,018	110,187	110,187
NavSim Technologies	-	2,500	250	250
Newfound Genomics Inc.	-	5,000	500	500
Newfoundland and Labrador Film Development Corporation	-	600	-	-
Newfoundland and Labrador Immigrant Investor Fund Ltd.	-	3	-	-

INVESTMENTS (continued)

Description of Investment	Balance 31 March 2013		2012	
	Net Additions (\$000)	No. of Shares	Cost (\$000)	Cost (\$000)
Common Shares:				
Newfoundland Government Fund Limited - Class B	-	2	-	-
Newfoundland Hardwoods Limited	(1)	253	25	26
Newfoundland Ocean Enterprises Limited	-	3	3	3
Newlab Clinical Research Inc. - Class A	-	5,000	484	484
Northern Radar Inc. - Class C	-	3,749	375	375
Rooms Corporation of Newfoundland and Labrador Inc.	-	500	-	-
SAC Mfg. Inc. - Class B	-	500	500	500
Sexton Lumber Co. Ltd.	-	5,000	500	500
Solace Power Inc. - Class D	-	1,401	140	140
Trans Ocean Gas Inc.	-	18,000	90	90
Total: Common Shares Investments	<u>1,927</u>		<u>120,651</u>	<u>118,724</u>
Non-Share Equity:				
Nalcor Energy Corporation	245,000	-	520,500	275,500
Newfoundland and Labrador Housing Corporation	-	-	62,852	62,852
Total: Non-Share Equity Investments	<u>245,000</u>	-	<u>583,352</u>	<u>338,352</u>
Sub-Total: Investments	248,512		736,920	488,408
Less: Discounts due to concessionary terms - note 2	-		(1,185)	-
Total: Investments	<u><u>248,512</u></u>		<u><u>735,735</u></u>	<u><u>488,408</u></u>

NOTES

1. Allowance for Investment Write-downs

The allowance for investment write-downs for 31 March 2013 is \$10.4 million (31 March 2012 - \$4.9 million).

2. Discounts due to concessionary terms on investments

The discounts due to concessionary terms on investments are the portion of the investments that represents the difference between the cost and the present value of the investment. The investments are reported at their present value due to the concessionary terms in the investment agreement.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Tangible Capital Assets As at 31 March 2013 with comparative figures for 2012

Category	Original Cost			Accumulated Amortization			Net Book Value 31 March 2013	Net Book Value 31 March 2012
	Balance 31 March 2012	Additions 2013	Disposals 2013	Balance 31 March 2013	Balance 31 March 2012	Amort. Net of Disposals 2013		
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Buildings	1,119.4	63.8	-	1,183.2	593.9	9.3	603.2	525.5
Marine vessels and aircraft	239.3	4.0	-	243.3	60.3	10.1	70.4	179.0
Equipment and machinery	168.2	15.2	4.0	179.4	97.5	9.7	107.2	70.7
Infrastructure	4,470.6	98.0	6.9	4,561.7	3,561.4	48.9	3,610.3	909.2
Computer software	60.5	16.6	-	77.1	52.7	4.0	56.7	7.8
Sub-total	<u>6,058.0</u>	<u>197.6</u>	<u>10.9</u>	<u>6,244.7</u>	<u>4,365.8</u>	<u>82.0</u>	<u>4,447.8</u>	<u>1,692.2</u>
Work in progress				<u>464.6</u>			<u>464.6</u>	<u>368.7</u>
Total				<u>6,709.3</u>			<u>2,261.5</u>	<u>2,060.9</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. Fully amortized tangible capital assets are recorded at gross cost and accumulated amortization.

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. The Province currently has a number of projects under construction or development with a total for 31 March 2013 of \$464.6 million (31 March 2012 - \$368.7 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 \$197.6 million include \$110.3 million of work in progress assets that have been capitalized in the year. Net additions to work in progress assets include additions of \$215.0 million less disposals of \$8.8 million for 2012-13.

TANGIBLE CAPITAL ASSETS (continued)

3. Accumulated Amortization

The \$82.0 million change in accumulated amortization from the prior year, as reported in the Tangible Capital Asset schedule, consists of amortization expense of \$92.0 million less accumulated amortization on assets disposed of in the year in the amount of \$10.0 million.

The \$97.5 million change in accumulated amortization as at 31 March 2012 consisted of amortization expense of \$118.4 million less accumulated amortization on assets disposed of in the year in the amount of \$20.9 million.

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:

Asset	Estimated Useful Life
Buildings	40 years
Marine vessels & aircraft	
Marine vessels	20 years
Aircraft	20 years
Equipment & machinery	
Heavy machinery and equipment	20 years
Snow removal 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.

CONSOLIDATED REVENUE FUND

TANGIBLE CAPITAL ASSETS (continued)

7. Leased Assets

The gross amount of leased tangible capital assets is \$27.4 million (31 March 2012 - \$27.4 million), amortization expense is \$0.7 million (31 March 2012 - \$0.7 million), and accumulated amortization is \$14.1 (31 March 2012 - \$13.4 million). These are included in the appropriate category in the schedule.

8. Expropriated Assets

In December 2008, the Province passed legislation entitled Abitibi-Consolidated Rights and Assets Act, to expropriate certain rights and assets from Abitibi-Consolidated. The intent of this Act was to return to the Province rights relating to timber and water use, as well as assets and land associated with the generation of electricity enabled by water use rights. As a result of the expropriation, the Province also assumed responsibility of other assets associated with the pulp and paper mill. While the Province has licensed Nalcor Energy to manage and operate the hydro electricity generating assets on behalf of the Province, no decision has been made on whether the assets will continue to be held by the Province, or transferred to Nalcor Energy or other parties. Nalcor Energy is operating these electricity generating assets on a cost recovery basis, and with revised power purchase rates now applying to these facilities. As the value of the electricity generating assets expropriated, and their ultimate use, have not been determined, any payments related to subsection 10.(2) of the Act have been recorded as tangible capital assets. \$137.5 million, net has been recorded as the cost of the electricity generating assets for the fiscal year ended 31 March 2013 and are included in the infrastructure category. As the value of the non-electricity generating assets expropriated, and their ultimate future use have not been determined, they have been recorded as tangible capital assets at a nominal amount.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Other Liabilities
As at 31 March 2013
with comparative figures for 2012**

	2013	2012
	(\$000)	(\$000)
Accounts payable write-backs	383,104	395,002
Due to Government of Canada - note 1	327,998	346,934
Accrued salaries and employee benefits - note 2	205,518	202,995
Accrued interest	146,759	148,262
Due to municipalities	107,079	131,118
Accounts payable - other	37,887	57,102
Contractors' holdbacks	37,860	25,514
Self-insured workers' compensation benefits - note 3	32,200	32,005
Taxes payable	29,638	15,512
Environmental liabilities	28,340	29,720
Capital leases - note 4	26,803	27,732
Offshore royalties	21,774	28,202
Physician services	14,734	14,129
Reciprocal billing - hospital services payable	9,185	9,019
Special purpose funds - note 5	8,336	9,624
Provision for student loan debt reduction	6,786	7,708
St. Clare's Hospital - purchase	1,500	2,250
Total: Other Liabilities	<u>1,425,501</u>	<u>1,482,828</u>

NOTES

- 1. Due to Government of Canada**
This amount is comprised of \$271.2 million for an Equalization loan, \$45.3 million for Equalization overpayments and \$11.5 million for Health and Social transfer overpayments.
- 2. Accrued Salaries and Employee Benefits**
Accrued salaries and employee benefits consists of \$101.8 million for severance (31 March 2012 - \$98.2 million), \$83.9 million for leave and other employee benefits (31 March 2012 - \$83.6 million) and \$19.8 million for salaries (31 March 2012 - \$21.2 million).
- 3. Self-Insured Workers' Compensation Benefits**
The amount of \$32.2 million relates to the self-insured workers' compensation benefits liability as at 31 March 2013 (31 March 2012 - \$32.0 million). During the 2010-11 fiscal year, an actuarial valuation as of 31 December 2010, with disclosures as at 31 March 2013, was obtained for the Province's self-insured workers' compensation benefits.
- 4. Capital Leases**
Interest rates for all capital leases range from 9.15% to 16.00% and have repayment schedules ranging in duration from less than a year to 10 years.
- 5. Special Purpose Funds**
Included in this schedule are funds totalling \$8.3 million (31 March 2012 - \$9.6 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 2013 with comparative figures for 2012

Series	Date of Issue	Date of Maturity	Interest Rate %	Amount in Foreign Currency	Sinking Fund Balance	Amount Issued or Outstanding		Notes	
						2013	2012		
						(\$000)	(\$000)		
General Debentures:									
EC6	12 May 1993	12 May 2013	5.65		63,637	81,734	81,734	1(a)	
6S	04 Jun. 2004	04 Jun. 2014	5.25		-	300,000	300,000	1(b)	
5V	22 Nov. 1989	22 Nov. 2014	10.13		127,474	150,000	150,000	1(b)	
AG	01 Jun. 1989	01 Jun. 2019	9.00	(150,000 U.S.)	128,828	152,400	149,625	1(b)	
AH	01 Jun. 1990	01 Jun. 2020	9.88	(150,000 U.S.)	38,510	152,400	149,625	1(b)	
AJ	29 Nov. 1990	01 Dec. 2020	10.00	(150,000 U.S.)	36,898	152,400	149,625	1(b)	
5X	15 Apr. 1991	15 Apr. 2021	10.95		-	147,892	147,892	1(b)	
AK	17 Oct. 1991	15 Oct. 2021	9.00	(200,000 U.S.)	44,599	203,200	199,500	1(b)	
AM	22 Oct. 1992	22 Oct. 2022	8.65	(200,000 U.S.)	40,271	203,200	199,500	1(b)	
AN	13 Oct. 1993	13 Oct. 2023	7.32	(200,000 U.S.)	55,028	203,200	199,500	1(b)	
6B	07 Jul. 1995	07 Jul. 2025	9.15		23,351	100,000	100,000	1(b)	
6C	05 Feb. 1996	05 Feb. 2026	8.45		33,547	150,000	150,000	1(b)	
6F	17 Apr. 1998	17 Apr. 2028	6.15		102,297	450,000	450,000	1(b)	
6H	27 Jul. 1999	17 Oct. 2029	6.50		44,064	200,000	200,000	1(b)	
6K	30 Jun. 2000	17 Oct. 2030	6.55		87,917	450,000	450,000	1(b)	
6R	12 Jun. 2003	17 Oct. 2033	5.60		43,600	300,000	300,000	1(b)	
6T	21 Sep. 2004	17 Oct. 2035	5.70		37,502	300,000	300,000	1(b)	
6U	28 Nov. 2006	17 Apr. 2037	4.50		38,046	350,000	350,000	1(b)	
6V	15 May 2007	17 Oct. 2040	4.65		55,693	650,000	650,000	1(b)	
6Q	16 Aug. 2002	17 Oct. 2042	6.24		16,735	250,000	250,000	1(b)	
Total: General Debentures					1,017,997	4,946,426	4,927,001		
Other:									
Treasury bill borrowings						-	492,788	492,823	1(c)
Total: Other					-	492,788	492,823		

DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance	Amount Issued or Outstanding		
					2013	2012	
					(\$000)	(\$000)	(\$000)
Government of Canada and Agencies:							
Canada Pension Plan Investment Fund							
Debentures - note 1(d)							
3A-289 to 3A-291	01 May 1992 to 02 Jul. 1992	01 May 2012 to 02 Jul. 2012	9.17 to 9.45	-	-	28,770	
3A-292	01 Mar. 1999	01 Mar. 2019	5.97	-	1,827	1,827	
3A-293 to 3A-303	02 Apr. 1999 to 03 Mar. 2000	02 Apr. 2019 to 03 Mar. 2020	5.89 to 7.02	-	35,282	35,282	
3A-304 to 3A-314	01 Apr. 2000 to 02 Mar. 2001	01 Apr. 2020 to 02 Mar. 2021	6.41 to 6.90	-	42,645	42,645	
3A-315 to 3A-326	01 Apr. 2001 to 01 Mar. 2002	01 Apr. 2021 to 01 Mar. 2022	6.38 to 6.85	-	52,376	52,376	
3A-327 to 3A-337	01 Apr. 2002 to 01 Mar. 2003	01 Apr. 2022 to 01 Mar. 2023	5.88 to 6.61	-	52,104	52,104	
3A-338 to 3A-347	05 Apr. 2003 to 01 Mar. 2004	05 Apr. 2023 to 01 Mar. 2024	5.41 to 6.15	-	50,738	50,738	
3A-348 to 3A-356	02 Apr. 2004 to 02 Jan. 2005	02 Apr. 2024 to 02 Jan. 2025	5.36 to 5.92	-	47,146	47,146	
3A-357 to 3A-359	01 Apr. 2005 to 03 Jun. 2005	01 Apr. 2025 to 03 Jun. 2025	4.91 to 5.34	-	23,987	23,987	
Total: Canada Pension Plan Investment Fund Debentures				-	306,105	334,875	

CONSOLIDATED REVENUE FUND

DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance	Amount Issued or Outstanding	
					2013	2012
				(\$000)	(\$000)	(\$000)
Harbour Lodge - see note 1(e)				-	392	421
Sun Life Assurance Company of Canada - see note 1(f)				-	89,906	93,707
Total: Agencies				-	90,298	94,128
Total: Government of Canada and Agencies				-	396,403	429,003
Total: Debenture and Other Debt				<u>1,017,997</u>	<u>5,835,617</u>	<u>5,848,827</u>
Current portion of Debenture and Other Debt					578,689	525,439
Long-term portion of Debenture and Other Debt					5,256,928	5,323,388
					<u>5,835,617</u>	<u>5,848,827</u>

NOTES

1. Details of Debt Issues

- a) Non-callable by the Province, except upon changes in tax status and/or law, then as a whole at par.
- b) Non-callable.
- c) This amount represents the net proceeds from the sale of \$494 million discounted treasury bills with maturity dates ranging from 4 April 2013 to 27 June 2013 and interest rates ranging from 0.975% to 1.000%.
- d) 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 from March 1999 to June 2005. Commencing July 2005, Canada Pension Plan borrowings have not been rolled over and have been allowed to mature.
- e) 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 installments of principal and interest, at an interest rate of 7.875%, maturing 1 December 2021.
- f) Sun Life Assurance Company of Canada represents the secured creditors of the Exploits River Hydro Partnership and the Star Lake Hydro Partnership per Section 10.(2) of the Abitibi Consolidated Rights and Assets Act. The secured creditors of the Exploits River Hydro Partnership include Industrial Alliance Life Insurance, Manufacturers Life Insurance Company of Canada and Sun Life Assurance Company of Canada. This loan is repayable in blended quarterly installments of principal and interest, at an interest rate of 7.552%, maturing 31 December 2028. The secured creditors of the Star Lake Hydro Partnership include Sun Life Assurance Company of Canada, Industrial Alliance Life Insurance, Canada Life Assurance Company, Standard Life Assurance Company of Canada and Manufacturers Life Insurance Company of Canada. This loan is repayable in blended monthly installments of principal and interest, at an interest rate of 9.20%, maturing 1 April 2023.

DEBENTURE AND OTHER DEBT (continued)

2. Sinking Fund Balance

See note 5 of the Notes to the Financial Statements.

3. Borrowings

Borrowings and unamortized foreign exchange losses, by major currency, and sinking funds as at 31 March 2013 are as follows:

Major Currencies	Foreign Borrowings (\$000)	Exchange Rate	Canadian (\$000)	Unamortized Foreign Exchange Gains/(Losses) (\$000)	Net (\$000)
U.S.	1,050,000	1.0160	1,066,800	185,905	1,252,705
Canadian			4,768,817	-	4,768,817
		Sub-total	5,835,617	185,905	6,021,522
	Foreign sinking funds		(344,134)	(50,812)	(394,946)
	Canadian sinking funds		(673,863)	-	(673,863)
	Total		<u>4,817,620</u>	<u>135,093</u>	<u>4,952,713</u>

4. Contributions and Repayment Requirements

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

	U.S. (\$000)	Canadian (\$000)	Total (\$000)
2013-2014	7,250	43,823	51,073
2014-2015	7,250	341,935	349,185
2015-2016	7,250	313,518	320,768
2016-2017	5,000	42,760	47,760
2017-2018	5,000	43,228	48,228
2018-2043	17,500	1,090,142	1,107,642
	<u>49,250</u>	<u>1,875,406</u>	<u>1,924,656</u>

The foreign exchange gain which has been realized on the Statement of Operations is \$17.8 million.

5. Sensitivity Analysis

An increase/decrease of one cent in the foreign exchange rates at 31 March 2013 would result in an increase/decrease in foreign borrowings of \$10.5 million (31 March 2012 - \$10.5 million).

6. Related Sinking Fund Investments

At year end, the Province held \$523.0 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2012 - \$520.6 million) which are reflected in the sinking fund balances disclosed in note 3 above. These were comprised of \$390.5 million in Canadian investments and \$132.5 million in US investments.

DEBENTURE AND OTHER DEBT (continued)

7. Debt Related Risk

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

The Province attempts to manage its exposure to these risks and minimize volatility in its debt expenses by following a conservative debt and risk management strategy. The Province's debt portfolio is structured such that virtually all of its debt is long-term with fixed interest rates and fixed repayment terms. When appropriate and the option is available, debt with high interest rates has been called and refinanced with new lower interest rate debt. Otherwise, debt is generally held until maturity. Hence, the Province's exposure to interest rate and credit risk is minimal as a result of its conservative debt management strategy.

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

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Guaranteed Debt
As at 31 March 2013
with comparative figures for 2012**

	Limit of Guarantee	Contingent Liability	
		2013	2012
	(\$000)	(\$000)	(\$000)
Guaranteed Debentures:			
Municipalities:			
(For debentures issued to The Municipal Development and Loan Board and The Canada Mortgage and Housing Corporation)			
Glenwood	72	72	72
Grand Falls - Windsor	5	5	8
Harbour Breton	171	171	171
Harbour Grace	127	127	127
La Scie	1	1	4
Placentia	70	70	70
Wabana	18	18	18
	<u>464</u>	<u>464</u>	<u>470</u>
Crown Corporations - note 2:			
Eastern Regional Health Authority	119,099	119,099	120,542
Newfoundland and Labrador Hydro Electric Corporation	969,158	969,158	999,843
Newfoundland and Labrador Municipal Financing Corporation	35,572	35,572	55,467
	<u>1,123,829</u>	<u>1,123,829</u>	<u>1,175,852</u>
Guaranteed Bank Loans:			
Crown Corporations:			
Labrador-Grenfell Regional Health Authority	10,000	-	-
Marble Mountain Development Corporation	2,100	1,921	1,928
	<u>12,100</u>	<u>1,921</u>	<u>1,928</u>
Fisheries - note 3:			
11072 Newfoundland Ltd.	-	-	73
A & E Fisheries Limited	-	-	374
AAG Enterprises Inc.	82	82	102
Anchor Point Enterprises Limited	289	289	321
Andrew Daley Limited	193	193	231
ASG Fisheries Limited	737	737	-
Ashco Fishing Limited	141	141	276
Ashley Enterprises Limited	188	188	206
Ashley's Pride Enterprises Limited	389	389	304

CONSOLIDATED REVENUE FUND

GUARANTEED DEBT (continued)

	Limit of Guarantee	Contingent Liability	
		2013	2012
	(\$000)	(\$000)	(\$000)
Guaranteed Bank Loans:			
Fisheries: - note 3			
Atlantic Blue Fin Limited	469	469	576
B.A.D.S. Fisheries Limited	292	292	333
B & O Enterprises Ltd.	1,020	1,020	-
B & R Genge Company Limited	418	418	464
BNB Morey Fisheries Limited	297	297	347
Butler, Harold	75	75	100
C & L Harvesting Limited	792	792	864
Campbell Fisheries Limited	180	180	216
CJ Fisheries	297	297	347
Drover's Sea Harvesting Limited	778	778	856
Dwight Russel Enterprises Limited	600	600	780
E & E Fisheries Limited	677	677	761
F & G Fisheries Limited	-	-	237
Feltham, Alexander	89	89	44
Frazer Scanlon	64	64	70
G & D Fisheries Limited	414	414	483
G W R Fisheries Limited	318	318	374
Genge, Jarvis	-	-	534
Genge, Theodore	775	775	875
Greenham, David J. and Billy F.	1,048	1,048	1,143
Greenspond Fisheries Limited	91	91	122
Haily Bear Enterprises Limited	1,530	872	408
Harbourview Fishing Corporation	1,870	1,870	-
Harvester Enterprises Limited	43	43	161
Hicks Fisheries Limited	262	262	292
High Tide Enterprises Limited	125	125	195
High Wave Fisheries Limited	68	68	137
J & K Frampton Enterprises Limited	285	285	302
J.T. Fisheries Limited	137	137	155
JBCE Fisheries Limited	-	-	104
Jolly T Fisheries Inc.	638	638	-
Jones, Richard	216	216	240
Kailey Venture Limited	417	417	500
Kane, Charles M	37	37	43
Lavers, Boyd George	618	618	687
Lavers, Dion	21	21	28
Lewis, Patrick	-	-	34
Leyte, Melvin	315	315	394
Long Haul Ltd. (formerly Daley, Gary)	237	237	280
Lower Coast Fisheries Inc.	48	48	67
Lynch, Levi	49	49	66
McCarthy, Dennis	770	770	847
Morningstar Enterprises Limited	-	-	494

GUARANTEED DEBT (continued)

	Limit of Guarantee	Contingent Liability	
		2013	2012
	(\$000)	(\$000)	(\$000)
Guaranteed Bank Loans:			
Fisheries - note 3:			
Newfoundland Leader Limited	285	285	347
Newfoundland Mariner Fishing Enterprises Limited	656	656	750
Noel Fisheries Limited	50	50	60
Ocean Surfer Limited	419	419	-
Pencol Enterprises Limited	-	-	467
Penney's Fisheries Limited	254	254	325
Petten, Neal	-	-	73
Piercey's Fishing Enterprises Limited	217	217	254
Ryan, Randy and Lisa	-	-	36
Ryan, Randy and Lisa and Sea Surfer Enterprises Ltd.	43	43	57
S & I Fisheries Limited	-	-	31
S & J Fisheries Inc.	223	223	268
Salt Water Foam Company Limited	108	108	135
Shirley Ann D Enterprises Limited	248	248	297
Strabcol Enterprise Ltd.	245	245	388
Straits Venture Inc.	299	299	335
Symmonds, Michael - et al	21	21	42
T & C Fisheries Ltd.	270	270	300
The Roberts and Sisters Enterprises Limited	-	-	108
Timton Enterprises Ltd.	360	360	405
TJL Enterprises Limited	381	381	236
Toope's Enterprises Limited	315	315	112
Trina and Sons Ltd.	237	237	261
Walsh's Fisheries Limited	-	-	45
Ward, Cecil	168	168	201
	<u>23,198</u>	<u>22,540</u>	<u>22,380</u>
Aggregate Limit & Contingent Amount	<u>36,256</u>	<u>35,597</u>	<u>34,501</u>
Corporate:			
Fogo Island Co-operative Society Limited	1,500	-	-
Smith Seafoods Limited	100	22	21
Stephenville Airport Corporation	600	202	240
Torngat Fish Producers Co-op Society Limited	1,600	1,600	1,445
	<u>3,800</u>	<u>1,824</u>	<u>1,706</u>
Other Bank Loans:			
Consumer Protection Fund for Prepaid Funeral Expenses	200	-	-
	<u>200</u>	<u>-</u>	<u>-</u>

CONSOLIDATED REVENUE FUND

GUARANTEED DEBT (continued)

	Limit of	Contingent Liability	
	Guarantee	2013	2012
	(\$000)	(\$000)	(\$000)
Other Guarantees:			
Crown Corporations:			
Newfoundland and Labrador Immigrant Investor			
Fund Limited - note 4	243,062	243,062	265,291
	<u>243,062</u>	<u>243,062</u>	<u>265,291</u>
	<u>1,406,653</u>	<u>1,393,640</u>	<u>1,467,627</u>

NOTES

1. Definitions

The headings used in this Schedule are defined as follows:

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

2. Debenture Issues with Sinking Funds

	Principal Amount of Debentures Outstanding	Accrued Interest	Value of Sinking Fund	Contingent Liability
	(\$000)	(\$000)	(\$000)	(\$000)
Eastern Regional Health Authority				
- Canadian Funds	130,000	2,605	13,506	<u>119,099</u>
Newfoundland and Labrador Hydro Electric Corporation				
- Canadian Funds	1,225,000	21,287	317,126	929,161
- Promissory Notes	39,992	5	-	39,997
	<u>1,264,992</u>	<u>21,292</u>	<u>317,126</u>	<u>969,158</u>
Newfoundland and Labrador Municipal Financing Corporation				
- Canadian Funds	35,446	126	-	<u>35,572</u>

GUARANTEED DEBT (continued)

3. Fisheries Loans

During a vessel's construction period, interim financing is provided through bank loans which are fully guaranteed by the Province. Once construction has been completed, these interim loans are converted to term debt by the banks. For guarantees issued prior to 1 June 2012, 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. The Fisheries Loans Guarantee Program guidelines were amended effective 1 June 2012 such that all new guarantees issued from that date forward are fully guaranteed by the Province.

For the fiscal year ended 31 March 2013, the Province's contingent liability with respect to these guarantees is \$22.5 million (31 March 2012 - \$22.4 million).

4. Newfoundland and Labrador Immigrant Investor Fund Limited

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

5. Payments under Guarantee

During the 2012-13 fiscal year there were no payments under guarantee.

6. Valuation Allowance

The provision for guaranteed debt for 31 March 2013 is nil (31 March 2012 - nil).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Losses, Uncollectible Accounts and Other Amounts Written Off For the year ended 31 March 2013 with comparative figures for 2012

Department	2013 (\$000)	2012 (\$000)
Finance:		
Remissions	308	304
Tax Forgiveness	458	3
	<u>766</u>	<u>307</u>
Advanced Education and Skills:		
Overpayment of social assistance	730	1,062
Uncollectible accounts	1,255	-
	<u>1,985</u>	<u>1,062</u>
Justice:		
Uncollectible accounts	1,264	481
Municipal Affairs:		
Uncollectible accounts	197	-
Education:		
Uncollectible accounts	-	1,947
Innovation, Business and Rural Development:		
Loan forgiveness	54,357	-
Fisheries and Aquaculture:		
Uncollectible accounts	1,293	-
Tourism, Culture and Recreation:		
Uncollectible accounts	1	-
Total: Losses, Uncollectible Accounts and Other Amounts Written Off	<u>59,863</u>	<u>3,797</u>

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Trust Accounts
As at 31 March 2013
with comparative figures for 2012**

	2013	2012
	(\$000)	(\$000)
Office of the Public Trustee	32,905	29,705
Eastern Regional Health Authority Sinking Fund	13,506	12,063
Teachers' Accrued Salary Trust Account	8,794	8,736
Registrar of the Supreme Court	7,182	7,810
Rate Stabilization Fund	5,449	5,538
Consolidated Tender Account	5,346	5,239
Federal/Provincial Contractors' Security Account	4,317	8,477
Support Enforcement	1,286	900
Churchill Falls (Labrador) Corporation Trust	717	363
Provincial Courts Trust Account	454	559
Contractors' Security Account - Transportation and Works	447	186
High Sheriff of Newfoundland	165	208
Provincial Nominee Program	164	163
Victims of Mount Cashel	82	81
H.M. Penitentiary	41	88
Securities Payable	16	138
School for the Deaf	9	5
Newfoundland and Labrador Youth Centre	8	19
Labrador Correctional Centre	5	6
Commercial and Corporate Affairs Trust	2	1
West Coast Correctional Centre	2	8
Bishop's Falls Correctional Centre	-	17
Chief Electoral Office Account	-	8
Total: Trust Accounts	<u>80,897</u>	<u>80,318</u>

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue and Expense by Sector For the year ended 31 March 2013

	General Government Sector and Legislative Branch	Resource Sector	Social Sector	Total
	(\$000)	(\$000)	(\$000)	(\$000)
REVENUE				
Provincial				
Taxation	3,560,459	272	-	3,560,731
Non-tax revenue	389,596	1,882,062	13,779	2,285,437
Related revenue	107,525	48,937	29,228	185,690
Government of Canada	645,516	161,267	95,614	902,397
Total Sector Revenue	<u>4,703,096</u>	<u>2,092,538</u>	<u>138,621</u>	<u>6,934,255</u>
EXPENSE				
Salaries	223,020	155,107	213,322	591,449
Employee benefits	47,229	818	1,611	49,658
Retirement costs	399,222	-	-	399,222
Transportation and communications	14,128	17,902	11,227	43,257
Supplies	82,425	8,670	18,186	109,281
Professional services	18,580	16,341	435,977	470,898
Purchased services	174,372	61,729	77,808	313,909
Property, furnishings and equipment	300	2,575	55,096	57,971
Allowances and assistance	77,885	318,305	245,899	642,089
Grants and subsidies	7,940	710,978	3,145,800	3,864,718
Debt expenses	750,146	7,901	1,181	759,228
Amortization (tangible capital assets)	75,399	16,374	218	91,991
Bad debt expense	-	7,666	-	7,666
Total Sector Expense	<u>1,870,646</u>	<u>1,324,366</u>	<u>4,206,325</u>	<u>7,401,337</u>
SECTOR SURPLUS (DEFICIT)	<u>2,832,450</u>	<u>768,172</u>	<u>(4,067,704)</u>	<u>(467,082)</u>

REVENUE AND EXPENSE BY SECTOR (continued)

NOTE

Sectors

The sectors identified above are comprised of a broad array of programs which are delivered through the various departments and are consistent with the presentation of the 2012-13 Estimates. Revenue and Expenses have been attributed to individual departments based on where the program is administered. Certain amounts have been allocated on a systematic basis. The sectors include the following departments:

General Government Sector and Legislative Branch

This sector consists of the Departments of Consolidated Fund Services, Executive Council, Finance, Legislature, Public Service Commission, Service Newfoundland and Labrador and Transportation and Works.

Resource Sector

This sector consists of the Departments of Advanced Education and Skills, Environment and Conservation, Fisheries and Aquaculture, Innovation, Business and Rural Development, Natural Resources and Tourism, Culture and Recreation.

Social Sector

This sector consists of the Departments of Child, Youth and Family Services, Education, Health and Community Services, Justice, Municipal Affairs and Newfoundland and Labrador Housing Corporation.

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