Province of
Newfoundland and Labrador

Public Accounts Volume I
Consolidated Summary
Financial Statements

FOR THE YEAR ENDED
MARCH 31, 2008

Newfoundland
Labrador

Province of Newfoundland and Labrador

Public Accounts

Volume I

Consolidated Summary Financial Statements

For The Year Ended 31 March 2008

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INTRODUCTION

Volume I of the Public Accounts presents the consolidated summary financial statements of the Province of Newfoundland and Labrador. These statements are preceded by a report which discusses and analyzes the information contained within the summary financial statements. The report, entitled **Understanding the Financial Health of the Province of Newfoundland and Labrador**, provides a narrative review of the financial performance of the Province along with illustrations of key figures and relationships. This financial statement discussion and analysis, in conjunction with the consolidated summary financial statements, provides additional information for users of the Provinces' summary statements.

The consolidated summary financial statements combine 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. These organizations are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislature.

These statements are prepared on the accrual basis of accounting in accordance with the Public Sector Accounting Board (PSAB) standards of the Canadian Institute of Chartered Accountants (CICA), 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. Budget figures, where available, are provided on several Statements for comparison purposes.

The Public Accounts for the year ended 31 March 2008 also includes one other volume, Volume II - Consolidated Revenue Fund Financial Statements. It presents the financial position of the Fund and the results of its activities.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for 2007-08 was released in August, 2008 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. This report is available online at the address noted below. Another report containing a reproduction of the available financial statements of the Crown Corporations, Boards and Authorities will be released as a separate report.

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/ComptrollerGeneral/publications.htm

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UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

I hereby provide a report on the financial health of the Province for the 2007-08 fiscal year as presented through the Province's audited financial statements, the Public Accounts. The following highlights the Province's fiscal performance through a discussion and analysis of the Province's financial position and results of operations.

The Province's continued fiscal discipline during 2007-08 has contributed to its third consecutive surplus, which is reported for the 2007-08 fiscal year as $1.4 billion. While the Province's fiscal performance is highly influenced by its resource based revenues, prudent financial management, as well as sound policies and strategic investments focusing on the best interests of the Province's future are essential to sustaining fiscal prosperity.

To achieve this reality, Government remains committed to progressively lowering the extent of the Province's debt. This commitment is evident in yet another reduction of net debt to $10.2 billion as at 31 March 2008, down $1.7 billion from the 2004-05 fiscal year just 3 short years ago. This improvement has contributed to an upgrade in the Province's credit rating, a sign of the strength and confidence in our financial position and fiscal outlook. While this is a significant achievement, we cannot overlook that our debt position remains a significant burden on the people of this Province.

The challenge for the future will be to sustain growth and optimism in our economy while further reducing this debt burden. Like so many others, Newfoundland and Labrador must face the realities of the global economic downturn. Its impact on our resource based revenues will present a challenge to Government to ensure we remain vigilant in our reasonable and balanced approached to spending. Strong fiscal management and debt reduction, while continuing investment in the Province's infrastructure, as well as economic and social programs within our fiscal capacity is essential in navigating through the course to sustainability and long-term prosperity.

JEROME P. KENNEDY, Q.C.
MINISTER OF FINANCE AND
PRESIDENT OF TREASURY BOARD

18 November 2008

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FINANCIAL REPORTS

Information on the financial picture of the Province can be obtained from the Public Accounts and the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund.

The Public Accounts consists of two volumes. These include:

Volume I: *Consolidated Summary Financial Statements*

- These are the combined audited financial statements of the Consolidated Revenue Fund (all departments) and government organizations (including Health and School Boards) which are controlled by and therefore accountable to Government.
- They present the consolidated financial position of the Province on an accrual basis, in accordance with the accounting standards established for governments by the Canadian Institute of Chartered Accountants (CICA).
- The consolidated summary (accrual) surplus for the year ended 31 March 2008 as presented in Volume I is $1.4 billion; net debt is $10.2 billion; and accumulated deficit is $7.8 billion.

Volume II: *Consolidated Revenue Fund (CRF) Financial Statements*

- These are the audited financial statements of the Consolidated Revenue Fund (all departments) on an accrual basis.
- The CRF (accrual) surplus for the year ended 31 March 2008 as presented in Volume II is $1.2 billion; net debt is $10.3 billion; and accumulated deficit is $9.0 billion.

The Auditor General issued an unqualified audit opinion on both volumes of the 2007-08 Public Accounts.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund shows the actual overall budgetary contribution (requirement) of the Consolidated Revenue Fund as at 31 March 2008.

- This report is prepared using the modified cash basis of accounting and is not subject to an audit opinion.
- The budgetary contribution of $1.1 billion for the year ended 31 March 2008 is comprised of a current account financial contribution of $1.4 billion offset by a capital account financial requirement of $340.8 million.

The Public Accounts and the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund can be found on the Government's website at:

www.fin.gov.nl.ca/ComptrollerGeneral/Publications.htm

Copies of all volumes of the Public Accounts, the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund, and the Financial Statements of Crown Corporations, Boards and Authorities can be obtained at the Queen's Printer, Confederation Building.

FINANCIAL DISCUSSION AND ANALYSIS REPORT

The inclusion of this report, a financial discussion and analysis of the Public Accounts, is a practice recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The Public Sector Accounting Board sets the accounting standards for Canadian senior governments.

Information provided in this report will focus on the consolidated summary financial statements of the Province. Throughout this report, any reference to a particular year means the fiscal year ended in that year. For example, reference to 2008 means the fiscal year ended 31 March 2008.

GLOSSARY OF TERMS

To assist in understanding the discussion and analysis to follow in this report, definitions of the various terms used are provided below:

Accrual Basis:	A method of accounting whereby revenues are recorded when earned and expenses are recorded when liabilities are incurred.
Accumulated Deficit:	Liabilities less total assets. This equals the net accumulation of all annual surpluses and deficits experienced by the Province.
Annual Surplus/ (Deficit):	The excess of annual revenues (expenses) over annual expenses (revenues).
Budgetary Contribution/ (Requirement):	The difference between revenues and expenditure cash flows of the Consolidated Revenue Fund generated as a result of the operations of government departments during the year.
Cash Basis:	A method of accounting whereby revenues are recorded when received and expenditures are recorded when paid.
Deferred Revenue:	Represents funding received in advance of revenue recognition criteria being met.
Financial Assets:	Assets (such as cash, receivables and investments) to be used to reduce existing or future liabilities.
GDP:	Gross Domestic Product (at market prices) of the Province.
Interest Cost:	Interest on the Province's debt (e.g. borrowings, unfunded pension liability), as well as other debt related expenses.
Net Borrowings:	Total borrowings (debentures, treasury bills, etc.) less sinking funds. Also referred to as provincial debt in this report.
Net Debt:	Liabilities less financial assets.
Non-Financial Assets:	Assets consumed in the delivery of government services, but not intended to reduce existing or future liabilities. Non-financial assets are primarily comprised of tangible capital assets.

Tangible Capital Assets:	Non-financial assets which are held for use in the production or supply of goods and services and have useful economic lives extending beyond an accounting period. Examples include buildings, roads, infrastructure, marine vessels, heavy equipment and machinery.
Unfunded Pension Liability:	The total unpaid pension benefits earned by existing/former employees and retirees less the value of assets set aside to fund the benefits.

CONSOLIDATED ACCRUAL RESULT

Compared to Previous Year

The difference between the annual surplus of $1.4 billion for 2008 and the annual surplus of $154.1 million for 2007 is approximately $1.2 billion. This increase can be attributed to an increase in total revenues of $1.6 billion combined with an increase in total expenses of $336.4 million.

The increase in total revenues of $1.6 billion from 2007 to 2008 can be attributed to increases experienced in the following revenue sources:

- $1.3 billion in offshore royalties mainly related to increased production and higher oil prices triggering higher royalty rates;
- $155.1 million in mining and mineral rights tax caused by strong growth in metal prices combined with increases in production; and
- $142.0 million in corporate income tax which can primarily be attributed to growth in offshore activities and general economic improvements.

The increase in total expenses of $336.4 million from 2007 to 2008 can be attributed to increases experienced in the following types of expenses:

- $121.1 million in salaries and employee benefits primarily due to general increases in wages and related benefits, additional hires and overtime;
- $109.6 million growth in operating costs which mainly relate to increased purchases of supplies and purchased services;
- $83.2 million in grants and subsidies which mainly relate to health related programs, educational assistance, up-front payments for municipal infrastructure and increases in provincial drug programs; and
- $22.5 million net increase in other miscellaneous expenses.

Additional variance analysis on the changes in revenues and expenses between the 2007 and 2008 fiscal years is included in later sections of this report.

Compared to Original Budget (Accrual)

The budgeted annual surplus of $261.2 million as per the 2007-08 Estimates and the annual surplus of $1.4 billion differs by approximately $1.2 billion. This difference can be attributed to an increase in total revenues of $951.4 million combined with a decrease in total expenses of $224.8 million.

The difference in total revenues of $951.4 million from the original budget can be attributed to increases experienced in the following revenue sources:

- $715.3 million in offshore royalties which can be primarily attributed to higher than expected oil prices combined with increased production;

- $229.0 million in taxation revenues primarily due to a $147.7 million increase in corporate income tax, a $49.6 million increase in mining and mineral rights with the net difference of $31.7 million relating to other taxation revenue sources. The increase in corporate income tax is primarily due to improvements in economic forecasts which result in upward revisions to revenues in both the current and prior years while stronger than anticipated metal prices lead to the increase in mining and mineral tax; and

- $7.1 million net increase in other miscellaneous sources of revenues.

The difference in total expenses of $224.8 million from original budget can be primarily attributed to decreases experienced in the following types of expenses:

- $101.3 million primarily due to delays in implementation, as well as less than anticipated caseloads relating to such programs as the Provincial Drug Program, Dental Program, housing initiatives, and various other employment assistance and health care initiatives;

- $43.8 million primarily due to implementation delays, timing of project approvals and less than anticipated participation for various resource based initiatives which include the Energy Plan, agriculture and agrifoods development, mineral resource management, fishing industry renewal initiatives, environment and conservation projects and business attraction programs;

- $36.5 million related to municipal debt servicing and municipal infrastructure funding due to lower than anticipated borrowings, less than anticipated new projects and delays in completing various projects;

- $26.2 million due to lower borrowing requirement as well as lower interest rates; and

- $17.0 million net decrease in other program expenses.

CASH FLOW ANALYSIS

The Province records its transactions on an accrual basis in accordance with generally accepted accounting principles, the timing of which may vary from when actual cash is paid or received. In 2008, the Province's overall net cash flows differed by $949.9 million from the previous year, as detailed in the following chart:

Cash Flow by Category	**2008**	**2007**	**Difference**
	(000's)	*(000's)*	*(000's)*
Operating	1,251,433	239,223	1,012,210
Capital	(279,032)	(201,048)	(77,984)
Financing	(283,958)	(298,981)	15,023
Investing	27,953	27,268	685
Net Inflows (Outflows) of Cash	716,396	(233,538)	949,934

The difference in the operating category net cash flows is primarily due to the increase in the annual surplus. Total revenues increased by $1.6 billion while total expenses only increased by $336.4 million.

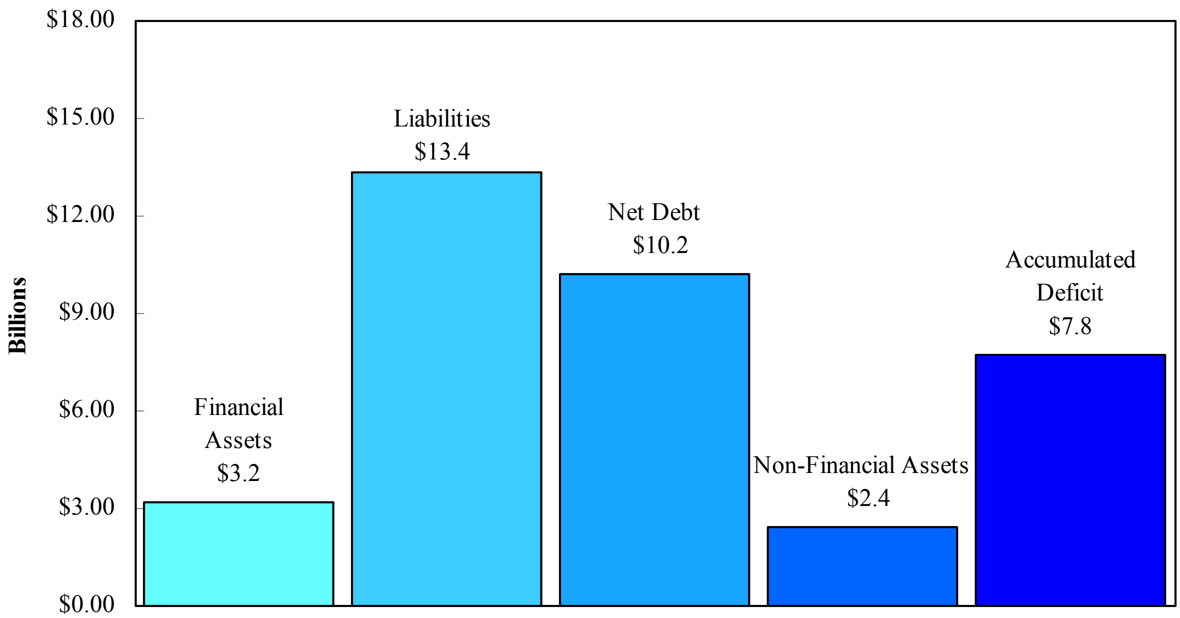
Cash outflows for capital were $78.0 million higher in 2008, primarily due to greater acquisitions of tangible capital assets.

Cash outflows related to financing were lower for 2008 primarily due to an increase of $265.1 million in sinking fund proceeds and the issuance of an additional $111.3 million in debt. This is somewhat offset by an increase of $234.5 million in debt retirement and $136.8 million relating to retirement of pension liabilities.

The difference in the investing category is primarily due to a slight increase in loan repayments in 2008 compared to 2007.

HIGHLIGHTS - FINANCIAL POSITION

The Province's financial position as at 31 March 2008 is presented in the following chart. As noted in the chart, net debt of $10.2 billion consisted of $13.4 billion in liabilities less $3.2 billion in financial assets. Accumulated deficit of $7.8 billion consisted of $10.2 billion in net debt less $2.4 billion in non-financial assets.



Accumulated Deficit

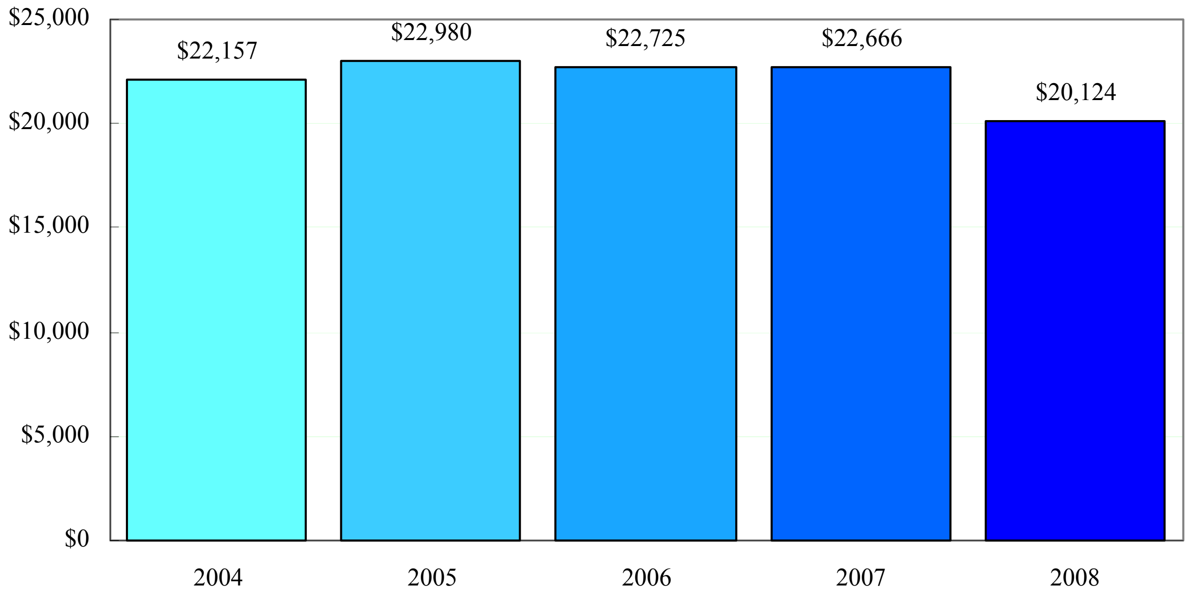
The accumulated deficit for the fiscal year ended 31 March 2008 decreased from the previous years adjusted accumulated deficit by the $1.4 billion surplus for the year.

Net Debt and Net Borrowings

For the fiscal year ended 31 March 2008, net debt totaled $10.2 billion which included net borrowings of $6.8 billion. The net debt for the fiscal year ended 31 March 2008 decreased from the previous year by $1.4 billion and the net borrowings increased by $178.5 million.

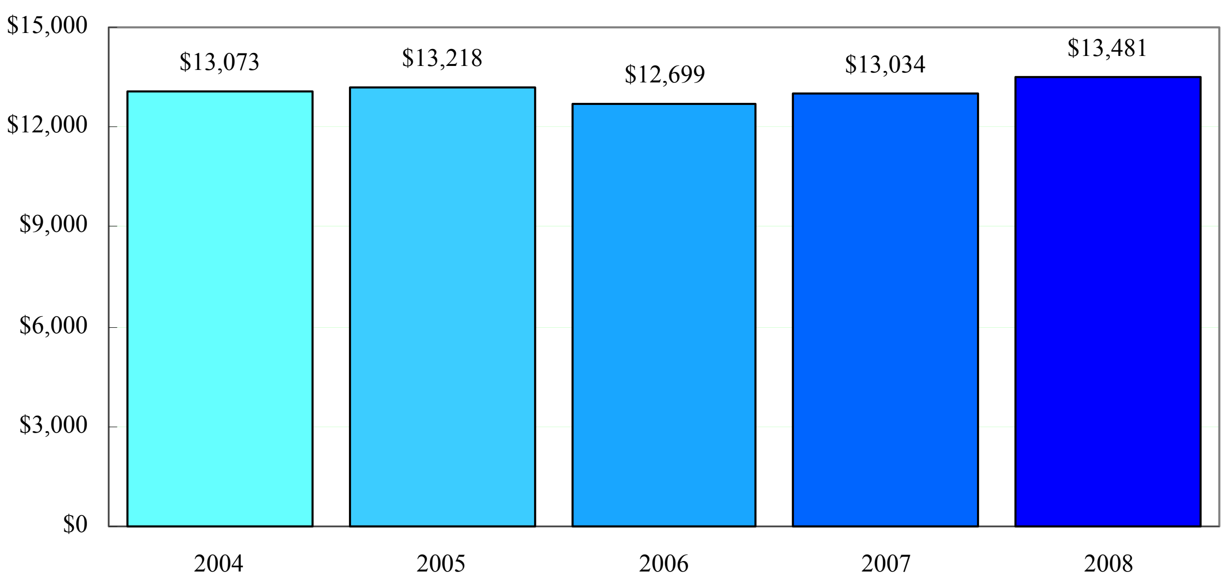
a) *Net Debt per Capita*

Net debt per capita indicates the average amount of net debt owing by each citizen of the Province and is calculated by dividing the net debt of the Province by the Province's population. Each citizen's share of the net debt declined in both 2007 and 2008. It has fallen from $22,666 in 2007 to $20,124 in 2008 as presented in the chart that follows. This is a decrease of $2,542 per person as a result of a reduction in the Province's net debt as previously noted somewhat offset by a slight decrease in population by 3,665.



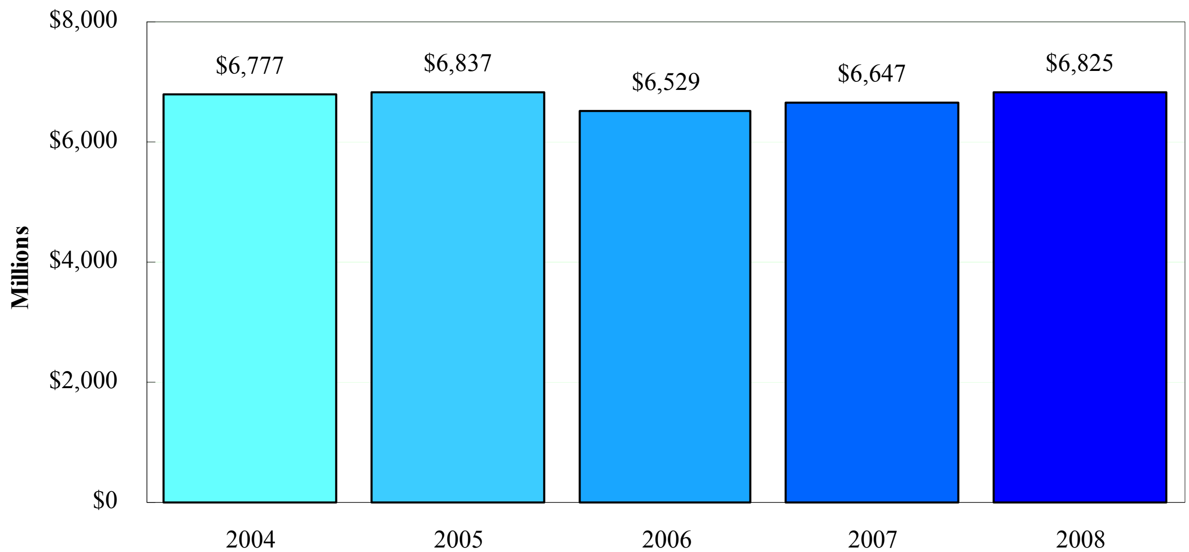
b) ***Net Borrowings per Capita***

Net borrowings per capita indicates the average amount of provincial debt owing by each citizen of the Province and is calculated by dividing the net borrowings of the Province by the population of the Province. In 2008 it increased from 2007 by $447 per person, which can be attributed to an increase in net borrowings as well as a slight decline in population. The net borrowings per capita are presented in the following chart.



c) *Net Borrowings - 5 Year Comparison*

Net borrowings of the Province increased in 2008 by approximately $178.5 million. Borrowings of the Consolidated Revenue Fund represented 91.6% of the total borrowings during 2008, a 1.1% increase over 90.5% in 2007. The net borrowings are shown in the following chart.

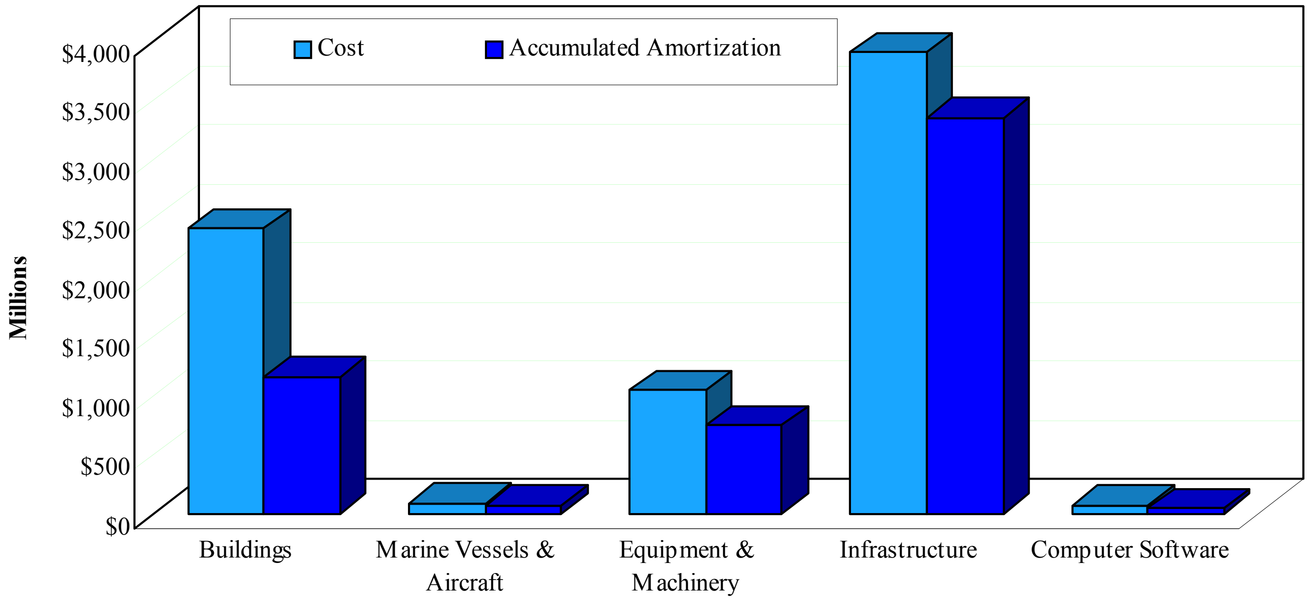


Non-Financial Assets

In 2008, non-financial assets of $2.4 billion related primarily to tangible capital assets. The net book value of tangible capital assets increased by $121.2 million from 2007. Analysis of the information in the consolidated summary financial statements follows:

- The increase in net book value of tangible capital assets was the result of an increase in acquisitions that more than offset the increase in accumulated amortization.
- Accumulated amortization of tangible capital assets represents 69.4% of the costs of tangible capital assets. 48.0% of buildings and 85.8% of all infrastructure assets' original cost has been amortized.
- Buildings and infrastructure (including roads, bridges, airstrips and marine facilities) represented 76.3% of the total net book value of tangible capital assets as at 31 March 2008.
- 63.0% of computer software assets' original cost has been amortized compared to 59.7% in 2007.
- 71.4% of equipment and machinery's original cost has been amortized compared to 72.6% in 2007.
- 80.7% of marine vessels and aircraft's original cost has been amortized compared to 77.5% in 2007.
- Work in progress assets consist of $215.9 million as at 31 March 2008. 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 following chart shows the tangible capital asset cost and accumulated amortization by category at 31 March 2008.



FINANCIAL POSITION

Net debt and accumulated deficit are comprised of the following components:

($ billions)	**2008**	**2007**	**2006**	**2005**	**2004**
Unfunded Pension Liability	1.46	1.93	2.20	3.93	3.75
Borrowings (net of sinking funds)	6.83	6.65	6.53	6.84	6.78
Group Health and Life Insurance Retirement Benefits	1.51	1.40	1.27	1.16	1.07
Other Liabilities	3.57	3.68	3.80	1.81	1.29
Less: Total Financial Assets	(3.18)	(2.10)	(2.12)	(1.85)	(1.40)
Net Debt	10.19	11.56	11.68	11.89	11.49
Less: Tangible Capital Assets	(2.37)	(2.24)	(2.23)	(2.08)	(2.13)
Less: Other Non-financial Assets	(0.07)	(0.08)	(0.06)	(0.06)	(0.05)
Accumulated Deficit	7.75	9.24	9.39	9.75	9.31

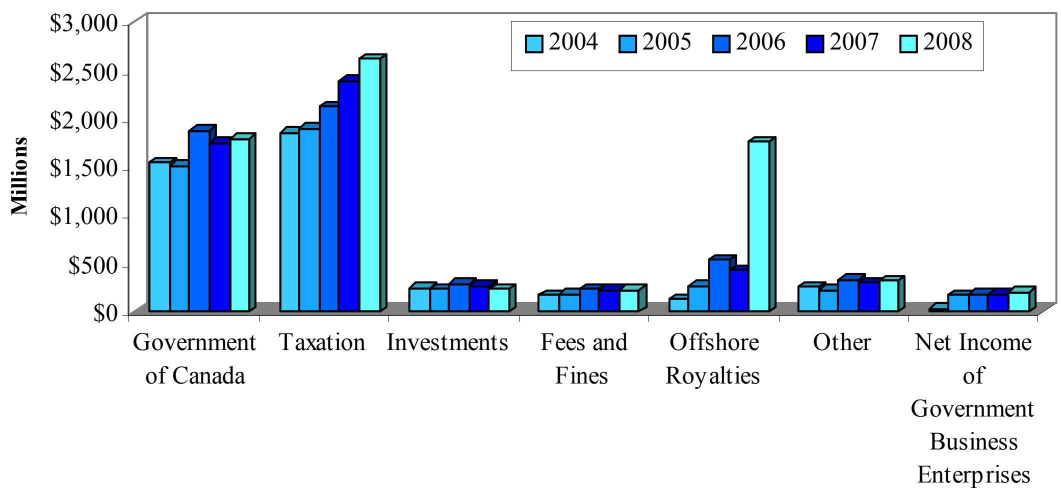
As seen in the previous table, net debt has declined since 2005. Although net debt is the lowest it's been since 2004, the Province still has significant debt.

HIGHLIGHTS - FINANCIAL OPERATIONS

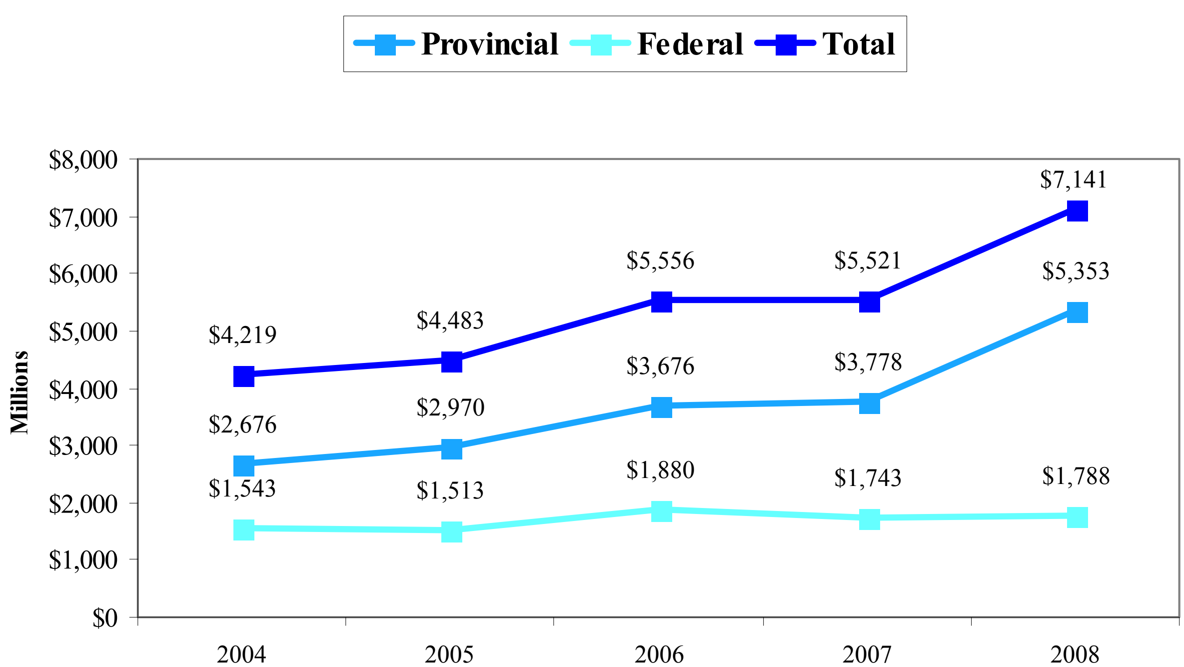
Revenues

For the fiscal year ended 31 March 2008, total revenues amounted to $7.1 billion. Of this amount, 25.0% came from Federal Government sources, while 75.0% was derived from provincial revenue sources. This is a 6.6% increase from 2007 in terms of revenues generated by provincial sources compared to a 2.2% increase between 2007 and 2006. Details on the sources of revenues, including five-year historical comparisons, are provided in the following charts and graphs.

a) *Revenues by Source - 5 Year Comparison*



b) *Total Revenues - 5 Year Comparison*



From an analysis of the previous charts and the information presented in the consolidated summary financial statements, the following observations can be made:

- With the exception of a slight decline in 2007, total revenues have been rising over the last five years. Annual revenues have increased by over $2.9 billion since 2004. The change from 2007 to 2008 alone saw a significant increase of 29.3% in revenues.

- Total federal revenues, as a percentage of total revenues, have been declining since 2004, with the exception of a slight increase between 2005 and 2006. Since 2004, there has been an 11.6% decrease with 6.6% of the difference occurring between 2007 and 2008.

- Total provincial revenues have climbed 100.0% in the last five years, from $2.7 billion in 2004 to $5.4 billion in 2008. This climb includes a $1.6 billion increase from 2007 to 2008.

c) *Revenues by Source*

The most significant changes in revenues by source between 2007 and 2008 arise from offshore royalties, mining and mineral rights tax and corporate income tax.

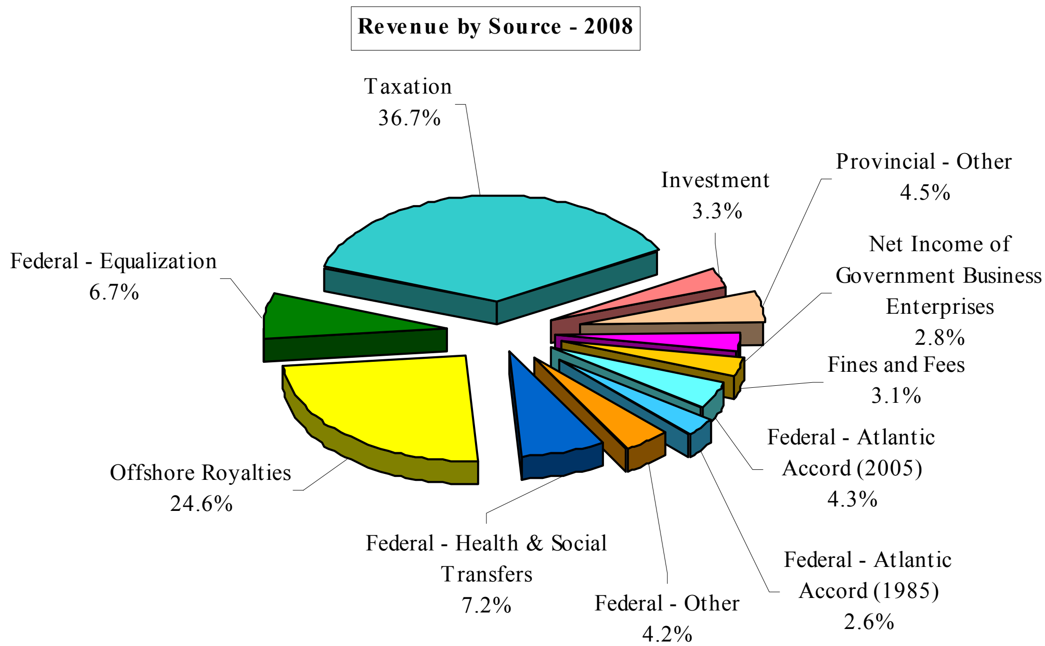
- Offshore royalties were $1.3 billion higher in 2008 than in 2007 which is largely attributable to increased production and higher prices which triggered higher royalty rates. While there is significant growth in the current year, the volatility of oil prices creates uncertainty regarding the sustainability of this revenue source.

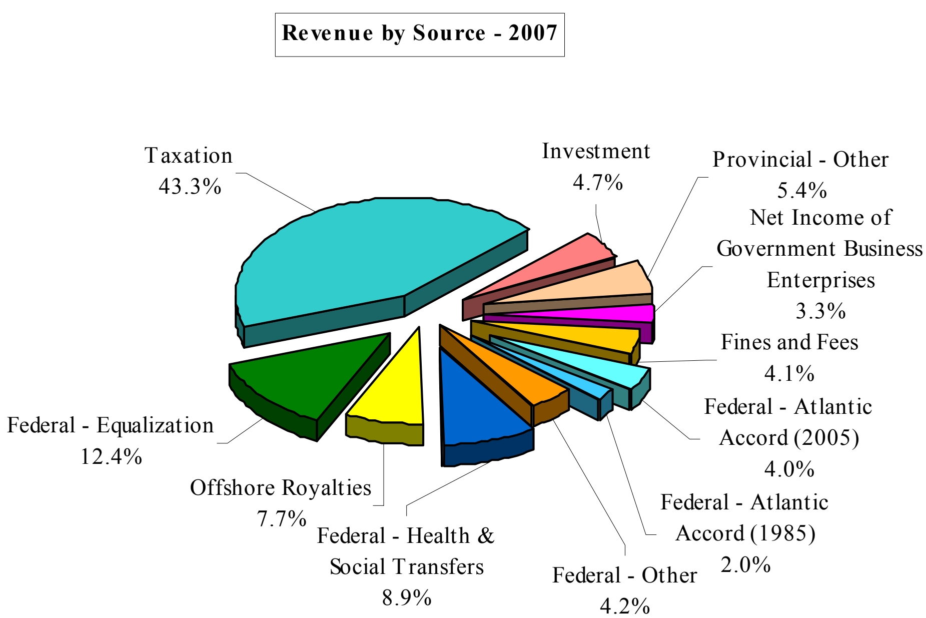
- Taxation revenues were $231.2 million higher in 2008 in comparison to 2007 due to a $155.1 million increase in mining and mineral rights tax and an increase of $142.0 million in corporate income tax. The increase in mining and mineral rights tax is primarily the result of strong growth in metal prices combined with increased production while growth in offshore activities, as well as the general economy during the period led to increases in corporate income tax revenue. These increases are offset by a net decrease of $65.9 million which primarily relates to a decrease in personal income tax that is attributable to income tax reductions announced in the 2007 budget.

The following charts depict revenues by source for the current and preceding year for comparative purposes. Further information on revenues by source may also be obtained from the consolidated summary financial statements.

- Health and social transfers are the most significant source of federal revenues representing 7.2% of total revenues (down from 8.9% in 2007) and 28.9% of total federal revenues in 2008.

- Taxation is the most significant source of provincial revenues in 2008, representing 49.0% of all provincial revenues (down from 63.2% in 2007) and 36.7% of total revenues. The largest contributor to this source of revenue was personal income tax representing 30.7% of total taxation revenues. While taxation revenues increased in 2008 and continues to be the most significant source of revenues overall, its percentage of total revenues has declined by 6.6% as a result of the increased contribution from offshore royalties. As a percentage of total revenues, offshore royalties have increased from 7.7% in 2007 to 24.6% in 2008.

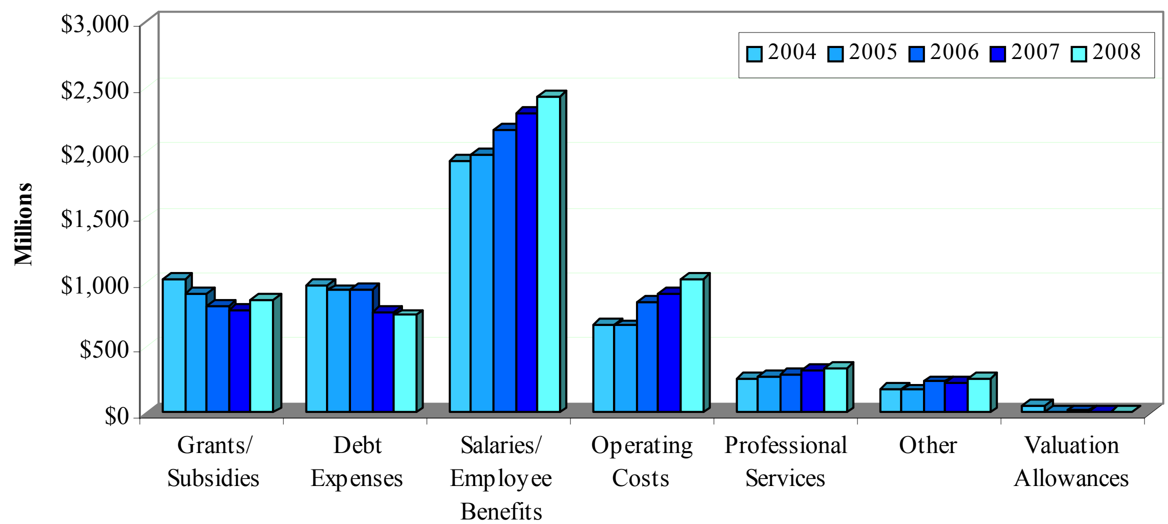




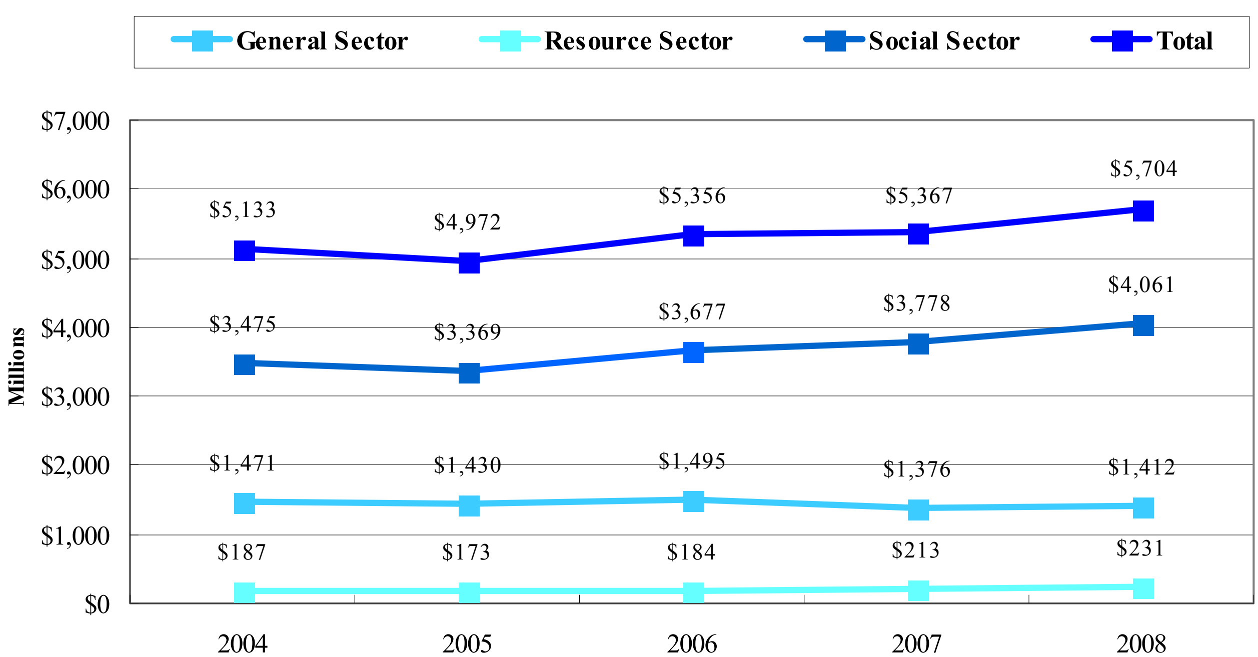
Expenses

For 2008, total expenses amounted to $5.7 billion. The following charts and discussion analyze the nature of these expenses by category and sector. In the discussion on expenses by category, it should be noted that the ‘Other’ category represents minor capital property acquisitions, as well as amortization and loss on sale relating to tangible capital assets.

a) ***Expenses by Major Category - 5 Year Comparison***



b) ***Expenses by Sector - 5 Year Comparison***



From an analysis of the information presented in the consolidated summary financial statements and the previous charts, the following observations can be made:

- Total expenses have grown by $570.5 million overall during the past five years, of which $336.4 million relates to the change from 2007 to 2008.

- Salaries and employee benefits remain the most significant expense, rising steadily over the past five years from $1.9 billion in 2004 to $2.4 billion in 2008.

- Together salaries and employee benefits and operating expenses represent 60.7% of total expenses for 2008 compared to 60.2% in 2007.

- Expenses for the social sector were $4.1 billion in 2008, accounting for 71.2% of the total expenses for the year. The increase of $282.7 million from 2007 represents a 7.5% growth.

c) *Expenses by Category*

The most significant changes in expenses by category between 2007 and 2008 relate to salaries and employee benefits, operating costs, and grants and subsidies.

- Salaries and employee benefits were $121.1 million greater in 2008 than in 2007. Approximately $48.9 million is attributable to health care boards, $25.3 million is attributable to education related entities, $41.5 million is related to the Consolidated Revenue Fund and the remaining $5.4 million is due to the other organizations in the Government Reporting Entity. These increases are mainly due to general wage increases, additional hires relating to new programs and the enhancement of existing programs, retention and recruitment costs, as well as increased overtime due to labour shortages and seasonal variability.

- Operating costs were $109.6 million higher in 2008 than in 2007. Of this amount, $96.5 million can be primarily attributed to increased repairs and maintenance for roads, ferries, and buildings which include schools and hospitals. As well, expenses for repairs and maintenance to equipment were also higher in 2008, in part due to the duration and conditions of the winter season. These programs, as well as others, saw an increase in the cost of supplies due mainly to inflationary increases in various resources such as fuel, external contracts, janitorial supplies and winter maintenance materials. In addition, there were increased costs in school materials and supplies supported through government’s commitment to reduce school fees and the implementation of new educational initiatives such as the used textbook buyback program.

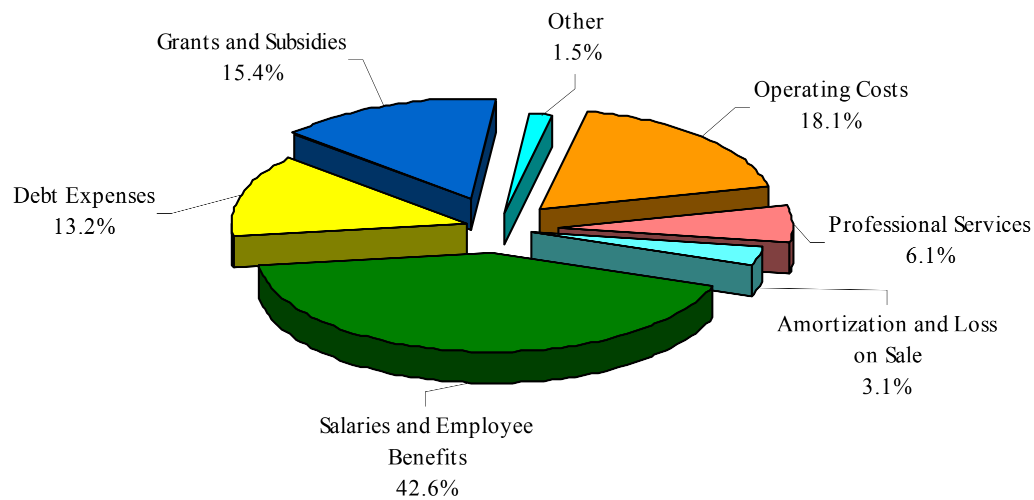
  The increase can also be attributed to higher costs of health care related initiatives. Such programs experienced increased operating costs mainly due to volume increases and an increase in the costs of drugs, as well as medical and surgical supplies. The increased cost of providing ambulance services also contributed to the rising operating expenses.

  The remaining increase of $13.1 million can be attributed to the remaining entities of the Government Reporting Entity.

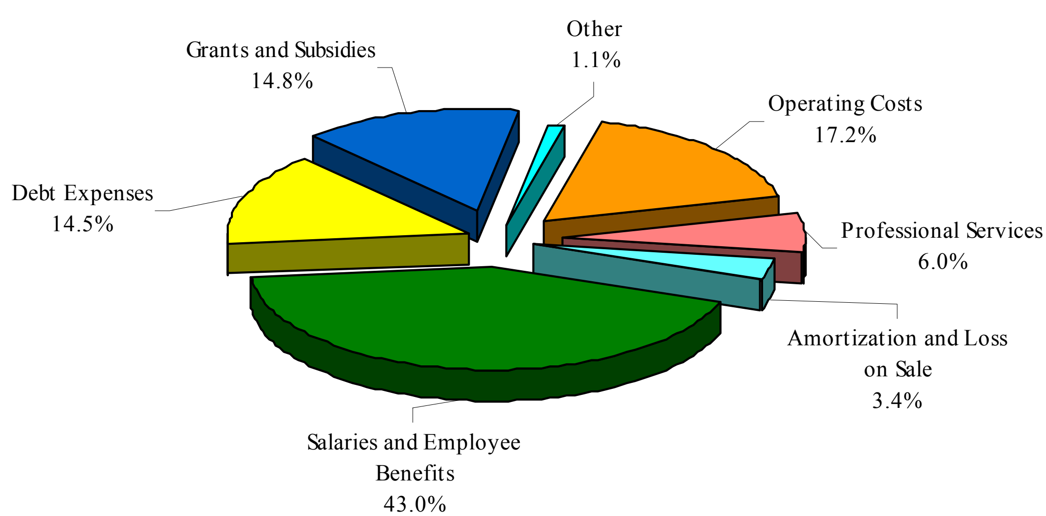
- Grants and subsidies were $83.2 million higher in 2008 than in 2007. Of this amount, approximately $43.0 million is attributable to increases in health care programs, $22.9 million for assistance to municipalities for infrastructure projects including up-front assistance, $11.7 million relating to educational assistance, with the remaining $5.6 million relating to assistance in other program initiatives.

The increase in health care programs primarily include enhancement and increased use of community programs, assistance to nursing homes and expansion in the Provincial Drug Program. The increase in educational assistance is the result of the introduction of an up-front, needs-based grant program as well as new and enhanced scholarships and educational funding.

Expenses by Major Category - 2008



Expenses by Major Category - 2007



KEY INDICATORS

- Key indicators included in this document provide a complete picture of the Province's financial condition at 31 March 2008.

- The common key indicators included herein were primarily identified in a research report issued by the Canadian Institute of Chartered Accountants entitled *Indicators of Government Financial Condition.* These indicators, which are used in assessing a government's financial health in the context of the overall economic and financial environment, can be summarized under the headings of *flexibility, sustainability* and *vulnerability.*

- While there are no established public sector benchmarks for these indicators, one can assess the Province's financial condition through a comparison of previous years' indicators.

- Gross Domestic Product (GDP) and population figures were obtained from Newfoundland and Labrador Statistics Agency's website. Figures used were the latest non-forecasted information available as of 31 March 2008.

Flexibility

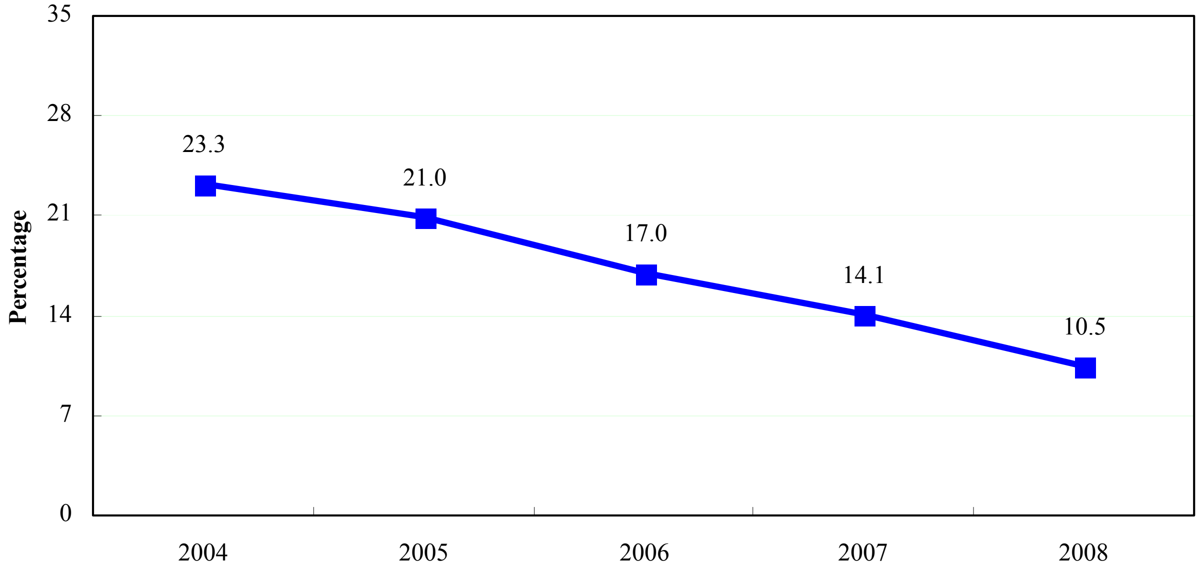
Flexibility refers to the degree to which a government can respond to rising commitments by either expanding its revenues or increasing its debt. Indicators of flexibility include:

a) *Province's Interest Cost as a Percentage of Revenues*

- This ratio measures the extent to which past borrowings may impact the Province's ability to provide for the economic and social needs of its citizens.

- The following graph indicates that the Province's interest costs as a percentage of revenues has been steadily declining over the past five years from 23.3% in 2004 to 10.5% in 2008 which is mainly attributable to an increasing revenue base.

- The average of this ratio over the past five years is 17.2%. Although declining, interest costs remain a significant expense incurred by the Province since it represents 10.5% of all revenues.

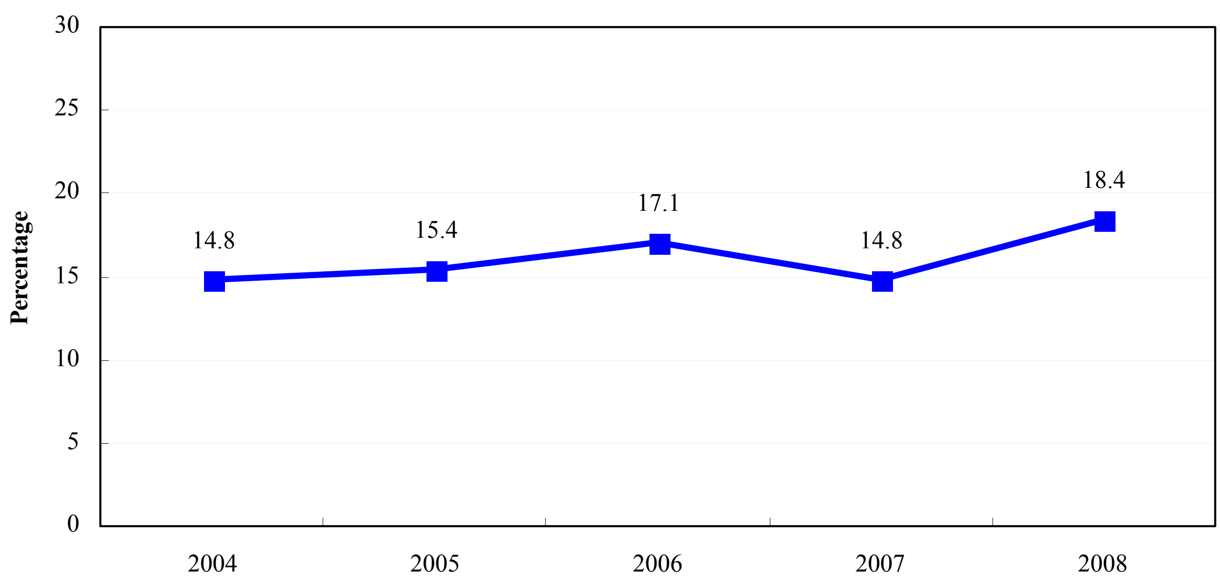


b) ***Provincial Revenues as a Percentage of GDP***

- The purpose of this indicator is to show the extent to which a government is taking income out of the economy in its jurisdiction, through both taxation and user charges.

- The following graph indicates that provincial revenues as a percentage of GDP have been fluctuating slightly over the last five years.

- The 2008 ratio is 18.4%, higher than the five-year average of 16.1%, as a result of the growth in provincial revenues, especially in offshore royalties and taxation, exceeding the increase in GDP from 2007 to 2008.

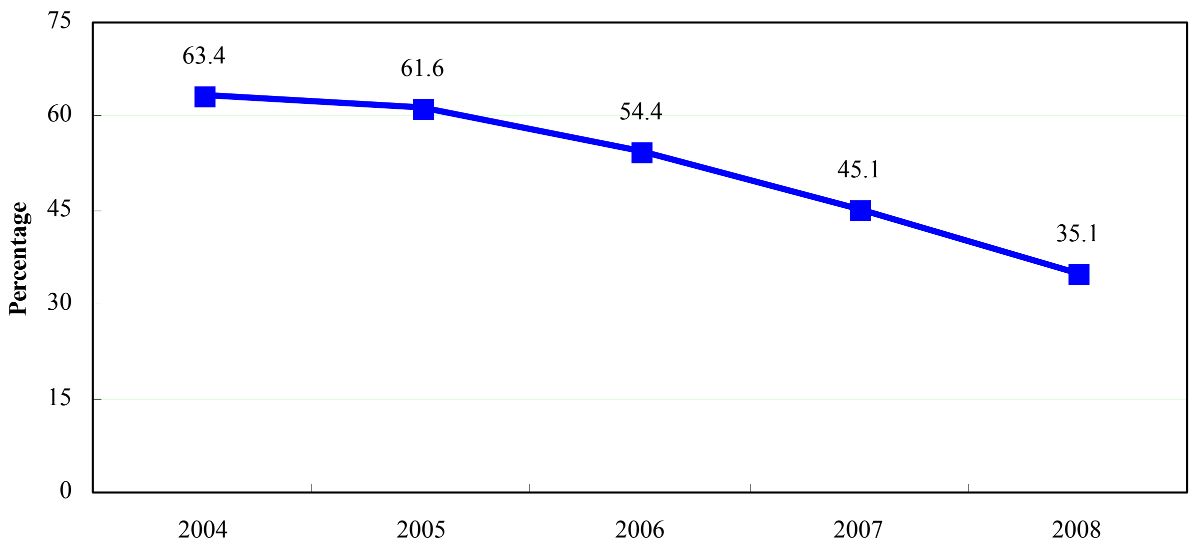


Sustainability

Sustainability refers to the degree to which a government can meet its existing program commitments and creditor requirements without increasing the debt burden on the economy. Indicators of sustainability include:

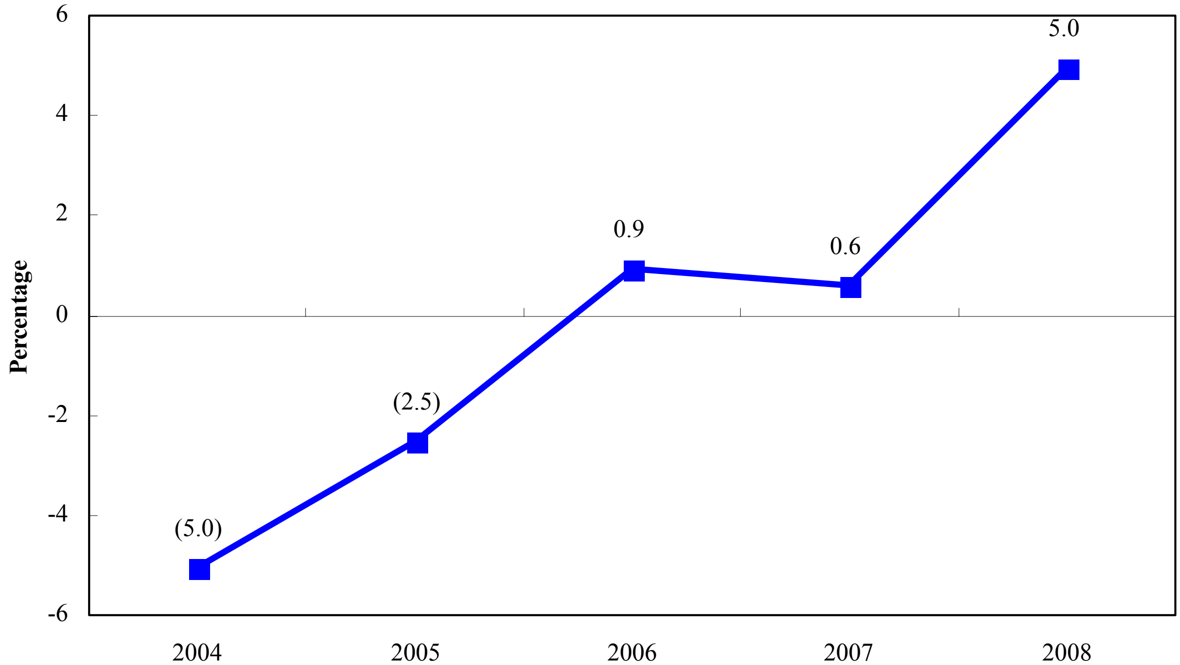
a) *Net Debt as a Percentage of GDP*

- This ratio measures the level of debt that the Province carries as a percentage of its GDP.
- As indicated in the following graph, net debt as a percentage of GDP has declined overall during the past five years. This relationship implies that the rate of economic growth is greater than the rate of growth in debt. As this ratio decreases, it indicates that Government has increased ability to manoeuver in making fiscal choices.
- The average of this ratio over the past five years is 51.9%, with a decline from 45.1% in 2007 to 35.1% in 2008. Since 2004, this ratio has decreased by 28.3%.



b) *Annual Surplus (Deficit) as a Percentage of GDP*

- This ratio measures the difference between revenues and expenses expressed as a percentage of GDP.
- As indicated in the following graph, the annual deficit as a percentage of GDP declined between 2004 and 2005 and moved to a surplus as a percentage of GDP of 0.9% in 2006. This ratio decreased slightly in 2007 to 0.6%, but grew significantly in 2008 to a surplus of 5.0%. This trend indicates that the Province has increased its ability to meet financial obligations over the past five years.
- The average of this ratio over the past five years is (0.2)%.



Vulnerability

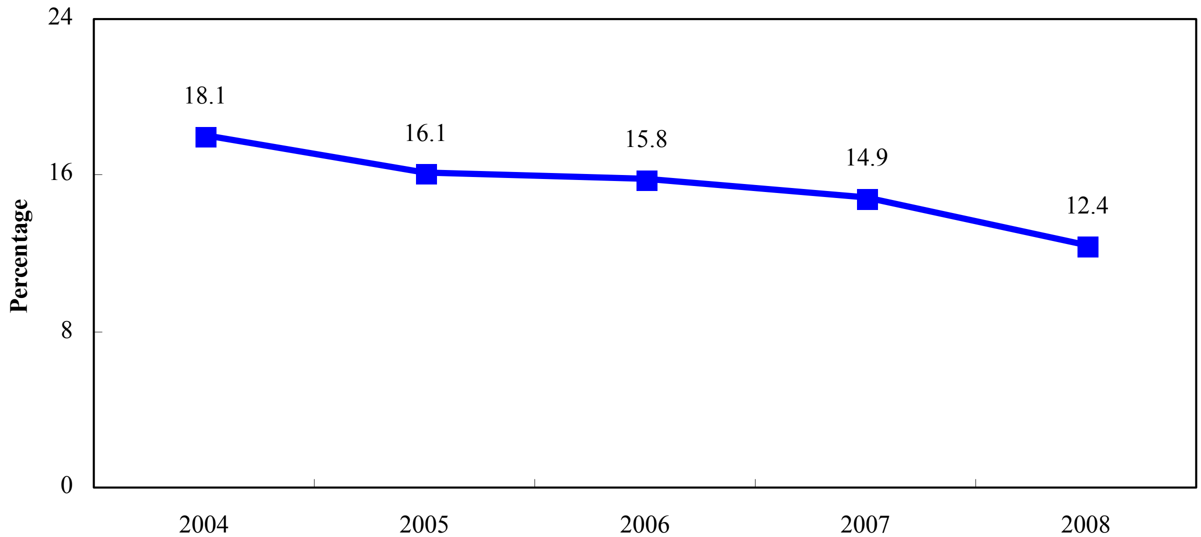
Vulnerability refers to the degree to which a government is dependent on, and therefore vulnerable to, sources of funding outside of its control or influence. Indicators of vulnerability include:

a) *Foreign Currency Debt as a Percentage of Net Borrowings*

- This ratio measures the Province's foreign currency debt relative to its net borrowings. It reflects the degree of vulnerability to foreign currency swings that the Province faces.

- As indicated in the following graph, foreign currency debt as a percentage of net borrowings has been declining steadily over the last five years, thus indicating that the Province is less susceptible to foreign currency fluctuations in terms of repaying its debt.

- The average of this ratio over the past five years is 15.5%. While this percentage indicates that foreign currency debt has historically represented a significant portion of the Province's borrowings, this ratio has now declined to a five-year low of 12.4% for 2008.

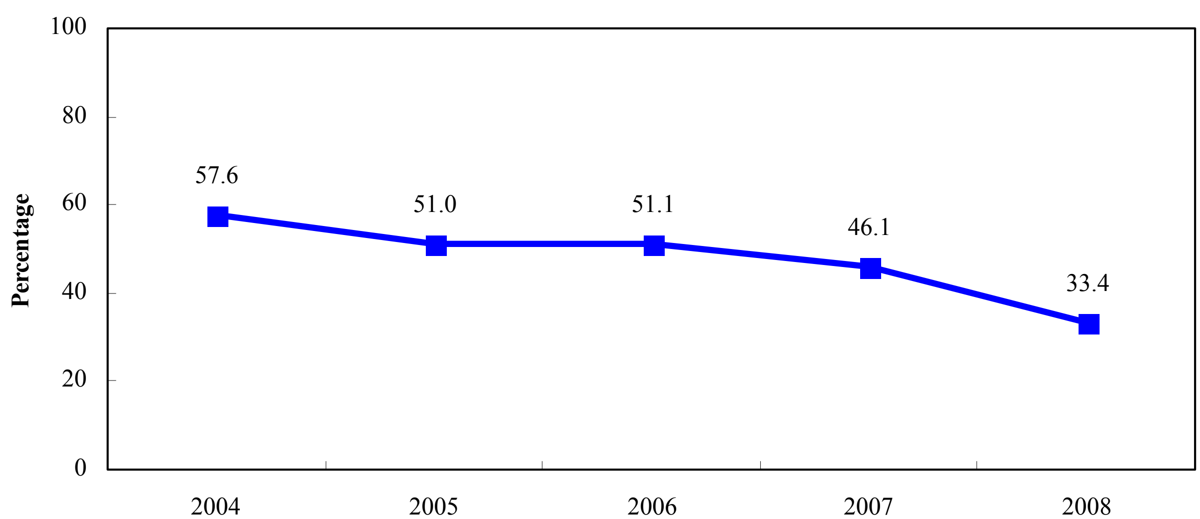


b) ***Federal Transfers as a Percentage of Provincial Revenues***

- This ratio measures the extent to which the Province raises its own revenues from within the Province as compared to the extent it receives funds from the Federal Government.

- As indicated in the following graph, federal transfers as a percentage of provincial revenues have declined since 2004 with the exception of a 0.1% increase in 2006. The overall decrease since 2004 is 24.2% which includes a 12.7% reduction from 2007 to 2008. This reduction in federal transfers has placed a greater financial burden on the Province. Consequently, the fiscal policy decisions of the Federal Government have a significant impact on the Province's financial position.

- The 2008 ratio of federal transfers as a percentage of provincial revenues is down to 33.4%, which is less than the five-year average of 47.8%. This indicates the Province's historically heavy dependence on the Federal Government is gradually being reduced.

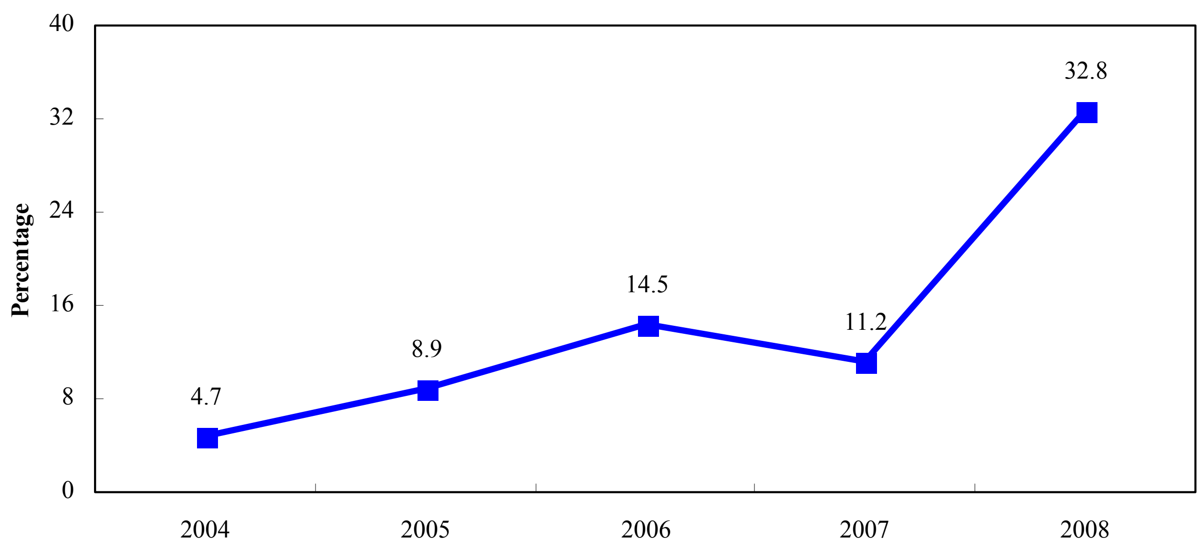


c) *Offshore Royalties as a Percentage of Provincial Revenues*

- This ratio measures the Province's offshore royalty revenues in relation to total provincial revenues. It reveals the degree to which the Province relies on revenues from such resources as a source of funding.

- As indicated in the following graph, offshore royalties as a percentage of provincial revenues have increased steadily since 2004, with the exception of a 3.3% decrease between 2006 and 2007. Since 2004, this ratio has grown by 28.1%, including a 21.6% increase from 2007 to 2008. This indicates that provincial revenues rely progressively more on offshore royalties.

- Over the past five years, the average ratio of offshore royalties to provincial revenues is 14.4%. In 2008, the ratio is 32.8%, significantly greater than the five year average. This implies that the Province is increasingly more dependent on revenues from offshore royalties; a revenue source which is beyond its control given the volatility of market factors such as the price of oil.



FINANCIAL PERFORMANCE

The discussion and analysis presented in this report highlight in many ways the improvements realized to the Province's financial health. Growth in its revenue base, primarily attributed to resource based sources, combined with a reasonable and balanced approach to spending has allowed the Province to achieve its third consecutive consolidated accrual surplus.

Sustaining this growth on a long term basis is essential to the future financial health of the Province. While improved, the Province's net debt position of $10.2 billion remains a significant challenge. The Province's dependance on its resource based revenues and the inherent volatility of such revenue will further add to the challenges that lie ahead. Government's commitment to reducing its debt position, decreasing taxes, while investing strategically to further economic growth are key to addressing these challenges.

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Province of Newfoundland and Labrador

Consolidated Summary Financial Statements

For The Year Ended 31 March 2008

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Government of Newfoundland and Labrador
Department of Finance

18 November 2008

STATEMENT OF RESPONSIBILITY

Responsibility for the integrity, objectivity and fair presentation of the consolidated summary financial statements of the Province of Newfoundland and Labrador rests with the Government. As required under Section 59 of the *Financial Administration Act*, these consolidated summary financial statements are prepared by the Comptroller General of Finance in accordance with the applicable legislation and in accordance with the accounting policies as disclosed in Note 1 to these consolidated summary financial statements. These consolidated summary financial statements are prepared based upon information provided by the various Government departments and the noted Crown corporations, boards and authorities pursuant to Section 19 of the *Transparency and Accountability Act* and 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 consolidated summary financial statements in this volume include a Consolidated Statement of Financial Position, a Consolidated Statement of Change in Net Debt, a Consolidated Statement of Operations, a Consolidated Statement of Change in Accumulated Deficit, a Consolidated 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 consolidated summary financial statements.

JEROME P. KENNEDY, Q.C.
Minister of Finance and President
of Treasury Board

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

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

AUDITOR'S REPORT

To the House of Assembly
Province of Newfoundland and Labrador

I have audited the consolidated statement of financial position of the Province of Newfoundland and Labrador as at 31 March 2008 and the consolidated statements of change in net debt, operations, change in accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of Government. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated summary financial statements present fairly, in all material respects, the financial position of the Province of Newfoundland and Labrador as at 31 March 2008 and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles and, pursuant to Section 11 of the *Auditor General Act*, in accordance with the accounting policies of the Provincial government as disclosed in Note 1 to these financial statements applied on a basis consistent with that of the preceding year.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John’s, Newfoundland and Labrador
18 November 2008

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Financial Position
As at 31 March 2008
with comparative figures for 2007

		Actuals 2008	Actuals 2007
		($000)	($000)
	FINANCIAL ASSETS		
	Cash and temporary investments - note 2	1,316,660	600,264
Sch. 1	Receivables (net of valuation allowances)	824,027	565,098
	Inventories held for resale - note 3	12,567	11,977
Sch. 2	Loans, advances and investments (net of valuation allowances)	295,682	293,953
Sch. 3	Equity in government business enterprises - note 1(b)	728,009	632,450
	Total Financial Assets	3,176,945	2,103,742
	LIABILITIES		
Sch. 5	Payables, accrued and other liabilities - note 15	2,040,705	1,913,912
	Deferred revenue - note 4	1,304,822	1,646,165
Sch. 6	Borrowings (net of sinking fund assets)	6,824,984	6,646,527
	Plus: Unamortized unrealized foreign exchange gains (losses) - note 5	222,614	127,464
		7,047,598	6,773,991
	Group health and life insurance retirement benefits - note 6	1,512,845	1,402,927
	Unfunded pension liability - note 7	1,459,017	1,925,124
	Total Liabilities	13,364,987	13,662,119
	NET DEBT	10,188,042	11,558,377
	NON-FINANCIAL ASSETS		
Sch. 9	Tangible capital assets	2,365,223	2,244,019
	Prepaid and deferred charges	36,931	39,799
	Inventories of supplies - note 3	33,903	32,195
	Total Non-Financial Assets	2,436,057	2,316,013
	ACCUMULATED DEFICIT	7,751,985	9,242,364

Contingent Liabilities - note 8
Contractual Obligations - note 9
Externally Restricted Assets - note 10
Sch. 7 Guaranteed Debt - note 11
Sch. 8 Trust Accounts - note 8(c)(iii)

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Net Debt
For the year ended 31 March 2008
with comparative figures for 2007

	Actuals 2008	Original Estimates 2008 (Note 17)	Actuals 2007
	($000)	($000)	($000)
NET DEBT - beginning of period	11,558,377	11,614,221	11,684,079
Add (Deduct):			
Adjustments:			
Government organization changes - note 12	(36,530)	-	5,793
ADJUSTED NET DEBT - beginning of period	11,521,847	11,614,221	11,689,872
Surplus (Deficit) for the period	1,437,378	261,180	154,085
Changes in tangible capital assets			
Acquisition of tangible capital assets	280,840	381,182	202,438
Net book value of tangible capital asset disposals/adjustments	2,183	-	(9,201)
Amortization of tangible capital assets	(178,290)	(186,118)	(181,746)
Increase (Decrease) in net book value of tangible capital assets	104,733	195,064	11,491
Changes in other non-financial assets			
Acquisition of prepaid and deferred charges (net of usage)	(2,868)	-	10,879
Acquisition of inventories of supplies (net of consumption)	1,708	-	220
Increase (Decrease) in other non-financial assets	(1,160)	-	11,099
Increase (Decrease) in net debt	(1,333,805)	(66,116)	(131,495)
NET DEBT - end of period	10,188,042	11,548,105	11,558,377

See accompanying notes to the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Operations
For the year ended 31 March 2008
with comparative figures for 2007

		Actuals 2008	Original Estimates 2008 (Note 17)	Actuals 2007
		($000)	($000)	($000)
REVENUE				
Sch. 10	Provincial			
Sch. 10	Taxation	2,620,484	2,391,499	2,389,312
Sch. 10	Investment	233,809	205,734	261,148
Sch. 10	Fees and fines	226,288	218,324	224,342
Sch. 10	Offshore royalties	1,753,931	1,038,600	423,041
Sch. 10	Other	319,583	344,952	299,584
Sch. 10	Government of Canada	1,788,046	1,794,931	1,742,589
		6,942,141	5,994,040	5,340,016
Sch. 4	Net income of government business enterprises	198,759	195,450	181,150
	Total Revenue	7,140,900	6,189,490	5,521,166
EXPENSE				
Sch. 11	General Government Sector	1,411,642	1,386,816	1,376,186
Sch. 11	Resource Sector	231,046	294,347	212,726
Sch. 11	Social Sector	4,060,834	4,247,147	3,778,169
Sch. 12	***Total Expense***	5,703,522	5,928,310	5,367,081
ANNUAL SURPLUS (DEFICIT) - note 18		1,437,378	261,180	154,085

See accompanying notes to the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Accumulated Deficit
For the year ended 31 March 2008
with comparative figures for 2007

	Actuals 2008	Original Estimates 2008 (Note 17)	Actuals 2007
	($000)	($000)	($000)
ACCUMULATED DEFICIT - beginning of period	9,242,364		9,394,661
Add (Deduct):			
Adjustments:			
Government organization changes - note 12	(53,001)		1,788
ADJUSTED ACCUMULATED DEFICIT - beginning of period	9,189,363		9,396,449
Surplus (Deficit) for the period	1,437,378	261,180	154,085
ACCUMULATED DEFICIT - end of period	7,751,985		9,242,364

See accompanying notes to the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Cash Flows
For the year ended 31 March 2008
with comparative figures for 2007

	Actuals 2008	Actuals 2007
	($000)	($000)
Funds provided from (applied to):		
OPERATIONS		
Annual surplus (deficit)	1,437,378	154,085
Add (Deduct) non-cash items:		
Amortization of foreign exchange gains/losses	(9,445)	(10,906)
Amortization of tangible capital assets	178,290	181,746
Retirement costs	232,655	312,368
Valuation allowances	4,556	12,975
Unremitted net income of government business enterprises	(73,759)	(76,550)
Sinking fund earnings	(50,272)	(58,576)
Deferred revenue	(341,344)	(155,057)
Other	(126,626)	(120,862)
Net cash provided from (applied to) operating transactions	1,251,433	239,223
CAPITAL		
Acquisitions	(280,840)	(202,438)
Disposals	1,808	1,390
Net cash provided from (applied to) capital transactions	(279,032)	(201,048)
FINANCING		
Debt issued	662,059	550,710
Debt retirement	(551,552)	(317,097)
Special purpose funds/contractors' holdback funds	10,097	4,373
Treasury bills redeemed	(2,477,141)	(1,956,200)
Treasury bills purchased	2,478,444	1,955,541
Equalization loan	(37,840)	(37,840)
Sinking fund proceeds	265,132	-
Sinking fund contributions	(44,412)	(46,568)
Retirement of pension liabilities	(588,745)	(451,900)
Net cash provided from (applied to) financing transactions	(283,958)	(298,981)
INVESTING		
Loan repayments	76,543	75,318
Loan advances	(37,650)	(40,891)
Investments	(10,940)	(7,159)
Net cash provided from (applied to) investing transactions	27,953	27,268
Net cash provided (applied)	716,396	(233,538)
Cash and temporary investments - beginning of period	600,264	833,802
CASH AND TEMPORARY INVESTMENTS - end of period - note 2.	1,316,660	600,264

See accompanying notes to the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Notes to the Consolidated Financial Statements
For the year ended 31 March 2008

1. Summary of Significant Accounting Policies

(a) The Reporting Entity

The Reporting Entity includes the accounts and financial activities of organizations, as approved by Treasury Board, which are controlled by Government. These organizations are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislature.

A listing of organizations included in these financial statements is provided in Schedule 15 - Government Reporting Entity.

(b) Method of Consolidation

The accounts of government organizations, except those designated as government business enterprises, are consolidated after adjusting them to a basis consistent with the accounting policies described below. Inter-organizational transactions and balances are eliminated.

A government business enterprise is an organization, included in the reporting entity, that has the financial and operating authority to carry on a business and sell goods and services to individuals and non-government organizations as its principal activity and source of revenue.

Government business enterprises are recorded on the modified equity method. Under this method, the Government's equity in these enterprises is adjusted annually to reflect the net income/loss and other net equity changes of the enterprise without adjusting the enterprise's financial statements to conform with the accounting policies described below. Inter-organizational transactions and balances are not eliminated.

Adjustments are not made to the financial results of government organizations because of fiscal year-ends different than that used for the consolidated entity, unless it would have a significant impact on the consolidated operating results.

(c) Basis of Accounting

(i) *Method*

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

(ii) *Revenues*

Revenues from the Government of Canada under the federal-provincial fiscal arrangements, health and social transfers and tax collection agreements are based on regular entitlements received for the current year and adjusted against future years' revenues when known.

Other revenues are recorded on an accrual basis.

(iii) *Expenses*

Expenses are recorded on an accrual basis.

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

(iv) *Assets*

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

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

Inventories held for resale are recorded at the lower of cost or net realizable value.

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.

Loans and advances are recorded at cost. Valuation allowances are recorded to reflect assets at the lower of cost or net recoverable value. Loans made by the Province that are expected to be recovered from future appropriations are accounted for as expenses by providing valuation allowances. Interest revenue on loans receivable is recognized when earned and ceases when collection is not reasonably assured.

Investments are recorded at cost and are written down when there is a loss in value that is other than a temporary decline.

Equity in government business enterprises represents the net assets of government business enterprises recorded on the modified equity basis as described under note 1(b).

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

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

Certain assets have been recorded at fair market value based on the accounting policies of certain organizations. In such instances, the fair market value does not differ materially from cost, and/or the assets are not of a material nature.

(v) *Liabilities*

Payables, accrued and 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.

Borrowings, except treasury bills, are recorded at face value and are reported net of sinking funds. 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.

Certain liabilities have been recorded at fair market value based on the accounting policies of certain organizations. In such instances, the fair market value does not differ materially from cost, and/or the liabilities are not of a material nature.

(vi) *Government Transfers*

Government transfers are recognized by the Province as revenues or expenses in the period during which both the payment is authorized and any eligibility criteria are met.

(vii) *Loan Guarantees*

The Province has guaranteed the repayment of principal and interest on certain debentures and bank loans on behalf of Crown corporations, municipalities, private sector companies and certain individuals. A provision for losses on these guarantees is established when it is determined that a loss is likely.

(d) Generally Accepted Accounting Principles

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

2. Cash and Temporary Investments

Cash and temporary investments consist of:

	31 March 2008	31 March 2007
	($mil)	($mil)
Cash and temporary investments - Consolidated Revenue Fund (CRF)	1,048.6	433.3
Cash and temporary investments - Other Entities:		
Temporary investments	118.5	61.3
Cash balance (overdraft)	149.6	105.7
Total cash and temporary investments - Other Entities	268.1	167.0
Cash and temporary investments (CRF and Other Entities)	1,316.7	600.3

Temporary investments consist of investments with financial institutions. As at 31 March 2008, these investments are on call or have maturity dates ranging from 01 April 2008 to 01 December 2015 at interest rates which vary from 2.00% to 7.00%.

3. Inventories

Inventories for resale of $12.6 million consist of $9.3 million relating to Newfoundland and Labrador Housing Corporation land assemblies, $3.0 million relating to Memorial University of Newfoundland and College of the North Atlantic primarily for textbooks, stockroom and food supplies, with the balance of $0.3 million relating to other entities.

Inventories of supplies of $33.9 million is comprised of $14.5 million for medical and drug supplies held by health sector entities, $18.0 million for textbooks and stockroom supplies held within the Consolidated Revenue Fund and $1.4 million for miscellaneous inventories.

4. Deferred Revenue

Consists of:

	31 March 2008	31 March 2007	Change
	($mil)	($mil)	($mil)
Atlantic Accord (2005) - unearned balance of the $2.0 billion advance payment received in 2005-06	1,152.8	1,458.5	(305.7)
Federal government funding for various health care initiatives	50.6	51.7	(1.1)
Federal initiatives in support of post-secondary education, public transit, clean air and climate change, affordable housing and off reserve aboriginal housing	39.8	44.9	(5.1)
Gas tax initiatives	10.8	16.4	(5.6)
Entities in the education sector	39.5	62.3	(22.8)
Entities in the health sector	7.8	7.4	0.4
Other miscellaneous programs	3.5	5.0	(1.5)
Total Deferred Revenue	1,304.8	1,646.2	(341.4)

The balance as of 31 March 2008 will be recognized as revenue in the periods in which the revenue recognition criteria have been met.

5. Unamortized Unrealized Foreign Exchange Gains and Losses

Foreign currency debt and sinking funds are translated to Canadian dollars at the exchange rate at 31 March 2008 or the exchange rate at maturity for these debt and sinking funds retired during the fiscal year. See Schedule 6 - Borrowings. Details of the effect of these translations at year end are outlined in the table below.

The net amortization expense is $10.8 million which represents a credit adjustment (31 March 2007 - $10.9 million-credit adjustment).

	31 March 2008	31 March 2007
	($mil)	($mil)
Foreign exchange gain (loss):		
Debt	226.2	73.9
Sinking funds	(70.5)	(24.1)
Net	155.7	49.8
Total accumulated amortization	66.9	77.7
Net unamortized unrealized foreign exchange gain (loss)	222.6	127.5

6. 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. All retired employees of the Newfoundland and Labrador Housing Corporation (NLHC) are eligible to participate in the group insurance plans sponsored by NLHC. All retired employees of Memorial University of Newfoundland (MUN) who are receiving a pension from the Memorial University Pension Plan or another retirement benefit to which MUN contributed are eligible to participate in the group insurance plans sponsored by MUN. These programs provide both group health and group life benefits to enrolled retirees.

Under the plans sponsored by the Province, NLTA and NLHC, the employer contributes 50% towards group health and group life premiums for both employees and retirees. Plans sponsored by the NLTA are subject to the maximum rates under the NLTA's program. For plans sponsored by MUN, the employer also contributes 50% of the total premium charged towards the benefits of both employees and retirees, with the exception of certain retirees whose health benefits are fully funded by MUN. As at 31 March 2008, the total of all the plans provided benefits to 19,148 retirees.

Actuarial Valuations

An actuarial valuation was prepared by the Province's actuaries (valuation date of 31 March 2006) for the programs sponsored by the Province and the NLTA. The actuarial valuation was based on a number of assumptions about future events including an interest rate of 4.67%, Consumer Price Index (CPI) of 3.0%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts.

An actuarial extrapolation was prepared by NLHC's actuaries (valuation date of 31 March 2006) for the programs sponsored by NLHC. The actuarial extrapolation was based on a number of assumptions about future events including an interest rate of 6.0%, CPI of 2.5%, 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 NLHC's best estimates of expected long-term rates and short-term forecasts.

An actuarial valuation was also prepared by MUN's actuaries (valuation date of 31 March 2008) for the programs sponsored by MUN. The actuarial valuation was based on a number of assumptions about future events and include an interest rate of 5.6%, CPI of 3.0%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect MUN's best estimates of expected long-term rates and short-term forecasts.

Group Health and Life Insurance Retirement Benefits Liability

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

Plan	Estimated Accrued Benefit Obligation	Unamortized Experience Losses	Net Liability 2008	Net Liability 2007	Difference
	($mil)	($mil)	($mil)	($mil)	($mil)
Group health retirement benefits	1,653.2	(215.7)	1,437.5	1,328.6	108.9
Group life insurance retirement benefits	74.9	0.4	75.3	74.3	1.0
	1,728.1	(215.3)	1,512.8	1,402.9	109.9

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	Employer's Share of Current Period Costs	Interest Expense on the Liability	Employer's Current Period Contributions	Current Period Amortization of Experience Changes	Other Adjustments	Change
	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)
Group health retirement benefits	45.3	73.7	(28.2)	18.1	-	108.9
Group life insurance retirement benefits	1.6	3.1	(3.7)	-	-	1.0
	46.9	76.8	(31.9)	18.1	-	109.9

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 expense for 31 March 2007 amounted to $71.4 million.

Experience Gains or Losses

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

7. 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. In addition, Memorial University of Newfoundland (MUN) also has a defined benefit pension plan for full time employees known as the Memorial University of Newfoundland Pension Plan. Combined, the plans have 37,712 participants as at 31 March 2008.

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 2008, the plans provided benefits to 23,116 pensioners. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan and the Members of the House of Assembly Pension Plan nor to pensioners of the Teachers' Pension Plan who retired prior to 01 September 1998.

In 1980, the Province of Newfoundland and Labrador Pooled Pension Fund was established by the *Pensions Funding Act*, with the Minister of Finance as Trustee. This Fund administers all financial activity, including the collection of all contributions and the payment of pensions and the investment of funds for all the pension plans noted above with the exception of the Memorial University of Newfoundland Pension Plan. The financial activity of the Memorial University of Newfoundland Pension Plan is administered by MUN. 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.

Memorial University of Newfoundland Pension Plan

Employee contributions are 9.2% of pensionable salary, less a formulated amount representing contributions to the 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.

In addition to the above Registered component, in May 1996, MUN approved a Supplemental Retirement Income Plan to provide benefits to employees whose salaries exceed the maximum pensionable salary and whose defined benefit pension, therefore, exceeds the maximum benefits payable from the Memorial University of Newfoundland Pension Plan as per limits set out in the federal *Income Tax Act*. As well, in February and May 1996, MUN offered employees who reached the age of 55 and attained a minimum of 10 years pensionable service, an opportunity to take an early retirement under the provisions of the Voluntary Early Retirement Incentive Program. The program provided an incentive of enhanced pension benefits of up to five years pensionable service and waiver of actuarial reduction, if applicable, or a lump sum early retirement payment.

Uniformed Services Pension Plan

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

Members of the House of Assembly Pension Plan

Member contributions are 9% of pensionable salary, which includes salary as a Minister, if applicable. A pension benefit is available after serving as a Member in, at least, two General Assemblies and for, at least, five years. The benefit formula is based on years of service expressed as a percentage of the average pensionable salary for the best three years. The percentage varies being 5% for each of the first ten years, 4% for each of the next five years and 2.5% for each of the next two years of service as a Member. For members elected for the first time after 1 April 1998, the percentage is 5% for the first ten years and 2.5% for each of the next ten years. The accrued benefit is reduced by a formulated amount representing CPP pension benefits for each year since 1967. Ministers receive an additional pension amount calculated similarly, based on service and pensionable salary as a Minister.

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

Provincial Court Judges' Pension Plan

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

Actuarial Valuations

The actuarial valuations which are prepared by the Province's and MUN'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 and MUN's best estimates of expected long-term rates and short-term forecasts. The expected interest and inflation rates follow:

Expected Interest Rates

The expected average interest rate for the Public Service Pension Plan is 7.5%. The expected rate for the Teachers' Pension Plan is 7.5% projected on a long term basis. The expected rate for the Memorial University of Newfoundland Pension Plan for the Registered component is 6.5% and the Supplemental Retirement Income Plan and the Voluntary Early Retirement Income Plan is 5.6% projected on a long term basis. The expected rate for the Uniformed Services Pension Plan is 7.5% projected on a long term basis. The expected rate for the Members of the House of Assembly Pension Plan is 7.5% for the Registered component and 4.66% for the Supplementary Employee Retirement component, projected on a long term basis. The expected rate for the Provincial Court Judges' Pension Plan is 7.0% for the Registered component and 4.685% for the Supplementary Employee Retirement component, projected on a long term basis.

Expected Inflation Rates

The expected inflation rate for all pension plans is 3.0%.

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

Pension Plan	Valuation Date
Public Service	31 December 2006
Teachers’	31 August 2006
Memorial University of Newfoundland	31 March 2008
Uniformed Services	31 December 2005
Members of the House of Assembly	31 December 2006
Provincial Court Judges’	31 December 2007

Actuarial extrapolations are provided for accounting purposes by the Province’s and MUN’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 and MUN’s actuaries to 31 March 2008. The actual results of future valuations may result in variances from these extrapolations.

Pension Plan	Estimated Accrued Benefit Obligation	Fund Assets	Unamortized Experience Losses	Net Unfunded Liability 2008	Net Unfunded Liability 2007	Change
	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)
Public Service	4,819.2	3,543.9	(363.7)	911.6	1,426.4	(514.8)
Teachers'	3,486.3	2,868.8	(347.3)	270.2	237.4	32.8
Memorial University of Newfoundland	883.1	716.6	(155.6)	10.9	17.4	(6.5)
Uniformed Services	293.4	69.7	(21.4)	202.3	184.5	17.8
Members of the House of Assembly	88.0	11.9	(17.3)	58.8	54.8	4.0
Provincial Court Judges’	7.8	2.2	(0.4)	5.2	4.6	0.6
Total	$9,577.8	$7,213.1	($905.7)	$1,459.0	$1,925.1	($466.1)

Pension Fund Assets, with the exception of the Memorial University of Newfoundland Pension Plan, are valued at the market value at 31 December 2007 and projected to year end. Pension Fund Assets for the Memorial University of Newfoundland Pension Plan are valued at the market value at 31 March 2008.

Special Payments

Pursuant to the applicable pensions legislation, the Province had agreed to make special payments of $60 million annually into the Public Service Pension Plan as long as the plan remains unfunded. The agreement was amended during 2006-07 to replace this annual funding as a result of the commitment of the Province to make a one time total contribution of $982 million to the Public Service Pension Plan to help address the unfunded liability. Of the additional $982 million contribution, $582 million was made during 2007-08 which concluded this commitment. During the year, MUN made a special payment of $6.7 million to eliminate the balance of the 31 March 2007 unfunded liability. Also, commencing in 2001-02, the Province began making annual payments of $7.5 million to the Members of the House of Assembly Pension Plan, however, these payments will only be allowable under the federal *Income Tax Act* to the extent that they fully fund the Registered component of the Plan. There were no special payments made to the Members of the House of Assembly Pension Plan in 2007-08.

Pension Expense

In these statements, pension costs have been determined as the cost of benefits accrued during the period. Interest on the unfunded liability has been accrued for the same period.

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

Pension Plan	Province's Share of Pension Benefits Earned for the Period	Pension Interest Expense on the Unfunded Liability	Province's Current Period Pension Contributions	Current Period Amortization of Experience Changes	Other Adjustments	Unfunded Portion of Current Period Pension Change
	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)
Public Service	58.4	72.3	(657.6)	12.1	-	(514.8)
Teachers'	23.5	22.5	(34.7)	21.5	-	32.8
Memorial University of Newfoundland	15.3	0.1	(23.2)	1.3	-	(6.5)
Uniformed Services	3.4	15.0	(2.6)	2.0	-	17.8
Members of the House of Assembly	2.9	3.3	(5.7)	3.5	-	4.0
Provincial Court Judges'	0.5	0.3	(0.1)	(0.1)	-	0.6
Total	$104.0	$113.5	($723.9)	$40.3	-	($466.1)

Pension interest expense is included with interest as debt expenses in the financial statements. Pension interest expense for 31 March 2007 amounted to $174.3 million.

Experience Gains or Losses

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

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 27,595 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 2008 assets had a market value of $223.3 million (31 March 2007 - $224.7 million).

8. Contingent Liabilities

(a) Guarantees

Guarantees made by the Province as at 31 March 2008 amounted to $1,296.0 million (31 March 2007 - $1,337.1 million). In addition, the Province guaranteed the interest thereon. See Schedule 7 - Guaranteed Debt.

(b) Legal Actions

(i) There have been a number of statements of claim alleging negligence on the part of Government employees and agencies in not preventing abuse while these claimants were under Government care.

(ii) A number of claims have been filed against the Province for alleged breaches of contracts and/or tenders as well as for general damages and personal claims pursuant to action initiated by the Province.

(c) Other

(i) *Registrar of the Supreme Court*

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

(ii) *Pensions*

a) Province of Newfoundland and Labrador Pooled Pension Fund

Pursuant to Section 9 of the *Pensions Funding Act*, the Consolidated Revenue Fund is liable for any deficiency in the Province of Newfoundland and Labrador Pooled Pension Fund covered by that Act. See note 7.

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 2008, the Memorial University of Newfoundland Pension Plan had a net unfunded pension liability for funding purposes of $117.2 million. However, there currently exists sufficient money in the Fund for the payment of expenditures as they fall due. See note 7.

(iii) *Trust Accounts*

Generally, the Province is contingently liable for any shortage that may occur for certain funds held in trust by the Province. Currently, all obligations held have an offsetting asset. See Schedule 8 - Trust Accounts.

(iv) *Canadian Saltfish Corporation*

On 17 July 1970, the Province entered into an agreement with the Government of Canada for the marketing of saltfish products by the Canadian Saltfish Corporation (the Corporation), pursuant to the *Saltfish Act*. The Agreement provided that the Province is required to pay to the Government of Canada a proportional share of 50 per cent of the losses of the Corporation. This share is based on the total value of annual sales of cured fish products applicable to each participating province.

On 19 February 1993, the Government of Canada requested that the Province compensate it for losses incurred to 31 March 1992. The amount which the Government of Canada calculated as the Province's share of the losses was $21.6 million.

The Corporation was dissolved with effect from 1 April 1995, so that resolution of the matter will be between the Government of Canada and the Province. However, the Province takes the position that for a number of reasons, including the fact that the Corporation engaged in activities beyond its mandate as determined by the Auditor General of Canada and confirmed by the Department of Justice of Canada, it is not liable for the amount claimed.

(v) *Newfoundland and Labrador Student Loans Program*

Under the loan guarantee component of this Program, the Province has issued guarantees totalling $0.1 million. Under the debt reduction component of the Program, the Province is contingently liable for possible grants totalling $20.7 million and of this amount, $15.5 million has been recorded as a provision for likely amounts payable related to student loans due to the debt reduction program. See Schedule 2 - Loans, Advances and Investments.

(vi) *Environmental Responsibility*

As a result of delivering its stated programs and initiatives, there are a number of sites throughout the Province which are considered potentially contaminated sites. A liability will be accrued in the financial statements when it has been determined that the Province is liable for a site which has become contaminated and where a reasonable estimate of the remediation costs can be made. To date, $8.3 million has been recorded (see Schedule 5 - Payables, Accrued and Other Liabilities). Where it is uncertain as to whether an obligation exists for the Province to remediate a contaminated site, then information on any such sites will be disclosed as contingent liabilities.

As at 31 March 2008, 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. It is the responsibility of the departments and entities 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.

9. Contractual Obligations

Contractual obligations to outside organizations in respect of contracts entered into before 31 March 2008 amount to $383.8 million, of which $179.9 million is for capital projects, $46.8 million for information technology services, $46.1 million for lease payments, $42.9 million for ferry services, $23.7 million for forestry management, $7.9 million for energy savings projects, $1.0 million for phone services and other agreements of $35.5 million.

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

10. Externally Restricted Assets

Externally restricted assets amount to $53.6 million (31 March 2007 - $48.7 million) of which $51.6 million relates to Memorial University of Newfoundland consisting of assets held for endowment purposes whereby the principal is not expendable. Income earned on these assets is required to be used for the purpose specified by the donors and hence can not be used for other operating purposes. The externally restricted assets consist of donations and investments which are to be used for scholarships, assistance, professional recruitment and development, equipment and other external endowments. Deferred revenue of $20.2 million (31 March 2007 - $18.6 million) has been recorded in relation to these assets and is included in the amount noted in note 4 for the education sector. Externally restricted assets of other entities amount to $2.0 million which relate to various donations designated for specified purposes.

11. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt (see note 8(a)) is nil (31 March 2007 - nil).

12. Government Organization Changes

The Accumulated Deficit at 31 March 2008 has been decreased by $53.0 million, of which $36.5 million relates to a decrease in Net Debt, to reflect the change to the prior year's amounts in the 31 March 2007 financial statements of certain entities. Of the $53.0 million, $21.8 million relates to changes in accounting policies for a Government Business Enterprise primarily related to recognizing accumulated other comprehensive income arising from unrealized gains on sinking fund investments. In addition, $16.5 million relates to adjustments for tangible capital assets with the remaining $14.7 million relating to other changes in entities' accounting policies and restatements. The Accumulated Deficit at 31 March 2007 has been increased by $1.8 million and Net Debt increased by $5.8 million to reflect the change to the prior year's amounts in the 31 March 2006 financial statements of certain entities. These changes have been applied retroactively without restatement.

13. Measurement Uncertainty

Measurement uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available. Some examples of where measurement uncertainty exists are the accrual of retirement benefits, the amortization of foreign exchange gains or losses, the allowance for guaranteed debt and the accrual of self-insured workers' compensation benefits.

14. Borrowing Contributions (Requirements)

The following summary compares the actual amounts for the year ended 31 March 2008 with amounts included in Statement I (Summary of Cash Requirement) of the Estimates approved by the Legislature. Please refer to the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for the year ended 31 March 2008 for further information on the calculation of the Total Borrowing Requirements - CRF of $110.0 million noted below.

Borrowing Contributions (Requirements)	Actual	Estimates	Increase (Decrease)
	($000)	($000)	($000)
CRF	(110,014)	(1,283,386)	(1,173,372)
Other Entities	62,538	-	(62,538)
Total Borrowing Contributions (Requirements)	(47,476)	(1,283,386)	(1,235,910)

15. Mining Taxes

The Province remits a percentage of mining revenues received as taxes per the Labrador Inuit Land Claims Agreement and the Memorandum of Agreement concerning the Voisey's Bay Project. As at 31 March 2008, the Statement of Financial Position includes a payable of $28.9 million in relation to these agreements (31 March 2007 - $2.8 million).

16. Subsequent Events

(a) Hebron-Ben Nevis Oil Field Agreement

The Province signed a formal agreement on 20 August 2008 with industry partners to develop the Hebron-Ben Nevis oil field. The Province acquired through the Energy Corporation of Newfoundland and Labrador, a wholly owned entity, a 4.9% equity stake in the project which is projected to result in a significant amount of revenues over the 25 year life of the project. The Province has delivered a guarantee to the partners of the agreement for the obligations arising from the equity stake. The guarantee is staged over the life of the project with the maximum Provincial exposure estimated to be $250 million once the project reaches the production phase.

(b) Foreign Exchange

Subsequent to 31 March 2008, a significant, unfavourable change in the US dollar exchange rate occurred. As at the Auditor's Report date of these financial statements, the foreign exchange rate for one US dollar had declined significantly from the exchange rate as at year end. If the foreign exchange rate as at this date had been applied there would have been an increase in foreign exchange losses of approximately $163.6 million.

(c) Pension Fund Assets

Subsequent to 31 March, 2008, a significant decline in the market value of the pension fund assets has occurred. Pension fund assets have declined from $7,213.1 million as at 31 March 2008 to approximately $5,627.5 million as at the Auditor's Report date of these financial statements. This decline is largely attributable to the effects that the global economic uncertainty has had on the financial markets. Such experience losses are amortized to expense over the estimated average remaining service life beginning in the year subsequent to the year in which the experience gain or loss arose.

17. Original Estimates

Certain amounts in the 2007-08 Estimates shown for comparative purposes were prepared on the accrual basis as described under note 1(c)(i).

In addition, amounts for Net Debt (Consolidated Statement of Change in Net Debt) as per the 2007-08 Estimates have also been presented for comparative purposes.

18. Segment Disclosure

In accordance with generally accepted accounting principals for senior governments, the Province has adopted a new accounting standard that discloses revenue and expense by sector (See Schedule 13 - Revenue and Expense by Sector).

19. Additional Notes

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

20. Comparatives

Certain of the 31 March 2007 financial statement figures and related schedules have been restated to be consistent with the 31 March 2008 statement presentation.

Schedule 1

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Receivables
As at 31 March 2008
with comparative figures for 2007

	2008	2007
	($000)	($000)
Accounts receivable	683,760	395,143
Taxes receivable	128,538	191,946
Due from Government of Canada	93,631	69,168
	905,929	656,257
Less: Allowance for doubtful accounts	81,902	91,159
	824,027	565,098

Schedule 2

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Investments
As at 31 March 2008
with comparative figures for 2007

	2008	2007
	($000)	($000)
Loans and Advances		
Student loans	227,391	237,087
Municipalities	157,188	185,702
Commercial	47,790	50,227
Housing	7,837	7,954
Other	5,197	3,326
Total Loans and Advances	445,403	484,296
Less: Provision for loan repayments through future appropriations (municipalities)	157,086	178,482
Allowance for doubtful loans and advances	97,307	98,319
Provision for student loan debt reduction grants	15,546	18,219
	175,464	189,276
Investments		
Water rights held in Labrador - note 1	30,000	30,000
Memorial University of Newfoundland - Fixed Income	32,064	28,577
Government of Canada Coupon investments	2,429	4,138
	64,493	62,715
Equity Investments:		
Administered by Memorial University of Newfoundland	31,155	27,327
Administered by Business Investment Corporation	19,728	20,160
Administered by Newfoundland & Labrador Film Development Corporation	10,653	8,961
Cold Ocean Salmon Inc.	7,250	-
Country Ribbon Inc.	4,500	4,500
Icewater Seafoods Inc.	3,500	3,500
ACF Equity Atlantic Inc.	2,231	2,231
Orphan Industries Limited.	970	970
Blue Line Innovations Inc..	500	500
Consilient Technologies Corporation	500	500
Newlab Clinical Research Inc.	500	-
SAC Mfg. Inc	500	500
Other	6,480	4,406
CHC Composites Inc	-	5,750
	88,467	79,305
Total Investments	152,960	142,020
Less: Allowance for write-down of investments	32,742	37,343
	120,218	104,677
	295,682	293,953

NOTES TO THE SCHEDULE OF LOANS, ADVANCES AND INVESTMENTS
As at 31 March 2008

1. Water Rights Held in Labrador

Pursuant to an agreement dated 24 November 1978, the Lower Churchill Development Corporation Limited (LCDC) had the option of purchasing Newfoundland and Labrador Industrial Development Corporation's (NIDC's) water rights to the Lower Churchill River in consideration for the issuance of 3,000 Class B common shares without nominal or par value. These shares will then be transferred to Newfoundland and Labrador Hydro. This option was to expire 24 November 2007, but had been extended to 24 November 2008. However, subsequent to year end the Legislature of the Province passed the *Energy Corporation of Newfoundland and Labrador Water Rights Act,* which extinguished all water rights in relation to the Lower Churchill River without compensation. Upon the request of the Energy Corporation of Newfoundland and Labrador (ECNL), which is a wholly owned entity of the Province and is the parent company of Newfoundland and Labrador Hydro, to the Lieutenant-Governor in Council, such water rights may be granted to ECNL for water power generation purposes.

2. Interest Rates

Interest rates for all loans range from non-interest bearing to 14.0% and are repayable over terms not exceeding 25 years.

Schedule 3

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Equity in Government Business Enterprises
As at 31 March 2008
with comparative figures for 2007

	NL Liquor Corporation 5 Apr 2008	NL Hydro 31 Dec 2007	Total 2008	Total 2007
	($000)	($000)	($000)	($000)
Equity - beginning of year	58,050	574,400	632,450	555,900
Adjustment to opening equity	-	2,300	2,300	-
Adjusted equity - beginning of period	58,050	576,700	634,750	555,900
Net income for year	117,159	81,600	198,759	181,150
Accumulated other comprehensive income - see note..	-	19,500	19,500	-
Capital transactions:				
Transfers to government	(125,000)	-	(125,000)	(104,600)
Equity - end of year	50,209	677,800	728,009	632,450
Equity represented by:				
Assets				
Cash and temporary investments	16,028	7,200	23,228	38,390
Receivables	9,873	116,500	126,373	163,686
Inventories	28,741	69,700	98,441	80,679
Prepaid and deferred charges	2,601	87,600	90,201	91,824
Investments	-	16,700	16,700	16,900
Reserve Fund	-	11,100	11,100	-
Capital assets	16,618	1,825,700	1,842,318	1,808,539
Total Assets	73,861	2,134,500	2,208,361	2,200,018
Liabilities				
Accounts payable and accruals	23,652	193,000	216,652	196,168
Borrowings	-	1,261,200	1,261,200	1,368,900
Total Liabilities	23,652	1,454,200	1,477,852	1,565,068
Non-controlling interest	-	2,500	2,500	2,500
Equity	50,209	677,800	728,009	632,450

NOTE

Other Comprehensive Income

Other comprehensive income comprises revenues, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income. Comprehensive income is the change in equity (net assets) of an enterprise during a period of transactions and other events and circumstances from non-owner sources. Included in the $19.5 million is $0.2 million relating to the current year.

Schedule 4

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Net Income of Government Business Enterprises
For the year ended 31 March 2008
with comparative figures for 2007

	NL Liquor Corporation 5 Apr 2008	NL Hydro 31 Dec 2007	Total 2008	Total 2007
	($000)	($000)	($000)	($000)
Revenue				
Revenue from operations	227,224	573,400	800,624	756,556
Expense				
Expenses from operations	110,065	478,700	588,765	561,406
Transfers to government	-	13,100	13,100	14,000
Total Expense	110,065	491,800	601,865	575,406
Net income	117,159	81,600	198,759	181,150

Schedule 5

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Payables, Accrued and Other Liabilities
As at 31 March 2008
with comparative figures for 2007

	2008	2007
	($000)	($000)
Accrued salaries and employee benefits - note 1	678,615	603,534
Due to Government of Canada	552,146	555,653
Accounts payable	445,144	368,254
Accrued interest payable	178,913	185,125
Due to municipalities	124,307	138,440
Capital leases - note 2	40,164	40,125
Other	13,142	15,455
Environmental liabilities	8,274	7,326
	2,040,705	1,913,912

NOTES

1. **Self-Insured Workers' Compensation Benefits**
Accrued salaries and employee benefits include an amount of $31.4 million related to the self-insured workers' compensation benefits liability as at 31 March 2008 (31 March 2007 - $29.2 million). During the 2007-08 fiscal year, an actuarial valuation as of 31 December 2007, with disclosures as at 31 March 2008, was obtained for the Province's self-insured workers' compensation benefits.

2. **Capital Leases**
Interest rates for all capital leases range from non-interest bearing to 11.5% and have repayment schedules ranging in duration from less than a year to 16 years.

Schedule 6

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Borrowings
As at 31 March 2008
with comparative figures for 2007

	2008				2007
	Total Borrowings	Sinking Fund Balance	Net Borrowings	Interest Rate Range	Net Borrowings
	($000)	($000)	($000)	(%)	($000)
Consolidated Revenue Fund					
Treasury bill borrowings	490,184	-	490,184	1.90 - 3.89	488,881
General debentures	5,987,126	726,829	5,260,297	4.50 - 11.00	4,976,757
Government of Canada	503,500	-	503,500	4.91 - 11.33	547,348
	6,980,810	726,829	6,253,981		6,012,986
Health care organizations	192,439	6,807	185,632	0.00 - 10.50	184,243
Student Loan Corporation of Newfoundland and Labrador	184,000	-	184,000	4.33 - 4.89	198,012
Newfoundland and Labrador Municipal Financing Corporation	162,619	11,991	150,628	3.85 - 10.88	197,754
Newfoundland and Labrador Housing Corporation					
General debentures	25,445	-	25,445	4.12	26,570
Other	-	-	-	-	2,993
	25,445	-	25,445		29,563
Other Debt	25,298	-	25,298	prime-1 - 8.50	23,969
Total	7,570,611	745,627	6,824,984		6,646,527

See accompanying notes.

NOTES TO THE SCHEDULE OF BORROWINGS
As at 31 March 2008

1. Borrowings

Borrowings and unamortized foreign exchange losses, by major currency, and sinking funds as at 31 March 2008 are as follows:

Major Currencies	Foreign Borrowings	Exchange Rate	Canadian $	Unamortized Foreign Exchange Gains/(Losses)	Net
			(000's)	(000's)	(000's)
U.S.	1,050,000	1.0265	1,077,825	270,332	1,348,157
Canadian			6,492,786	-	6,492,786
		Sub-total	7,570,611	270,332	7,840,943
	Less: Foreign sinking funds		230,610	47,718	278,328
	Less: Canadian sinking funds		515,017	-	515,017
		Total	6,824,984	222,614	7,047,598

2. Contributions and Repayment Requirements

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

	U.S.	Canadian	Total
	(000's)	(000's)	(000's)
2008-2009	7,442	445,914	453,356
2009-2010	7,442	370,746	378,188
2010-2011	7,442	361,549	368,991
2011-2012	7,442	495,761	503,203
2012-2013	7,442	136,077	143,519
2013-2044	50,555	1,852,954	1,903,509
	87,765	3,663,001	3,750,766

3. Foreign Exchange Gain

The foreign exchange gain which has been recognized on the Consolidated Statement of Operations is $10.8 million (31 March 2007 - $10.9 million).

4. Sensitivity Analysis

An increase/decrease of one cent in the foreign exchange rates at 31 March 2008 would result in an increase/decrease in foreign borrowings of $10.5 million (31 March 2007 - $11.5 million).

5. Related Sinking Fund Investments

At year end, the Province held $569.3 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2007 - $721.1 million) which are reflected in the sinking fund balances disclosed in note 1 above. These were comprised of $447.0 million in Canadian investments and $122.3 million in US investments.

NOTES TO THE SCHEDULE OF BORROWINGS (continued)

6. 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.

Newfoundland and Labrador Hydro operates in an environment with various forms of financial risk including changes in interest rates, and fluctuation in foreign currency exchange rates and commodity prices. Newfoundland and Labrador Hydro utilizes a combination of financial instruments and portfolio management to manage these risks. Net borrowings of Newfoundland and Labrador Hydro is reflected in the Equity in government business enterprises on the Consolidated Statement of Financial Position.

Schedule 7

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Guaranteed Debt
As at 31 March 2008
with comparative figures for 2007

	2008	2007
	($000)	($000)
Guaranteed Debentures		
Newfoundland and Labrador Hydro	1,250,681	1,291,392
Municipalities	481	486
	1,251,162	1,291,878
Guaranteed Bank Loans		
Fisheries	32,758	32,606
Other corporations	9,507	9,830
Mortgages	2,581	2,768
	44,846	45,204
	1,296,008	1,337,082

NOTES

1. **Limit of Loan Guarantees**

   The limit of loan guarantees for Guaranteed Debentures is $1,251.2 million and $48.3 million for Guaranteed Bank Loans.

2. **Provision for Guaranteed Debt**

   The provision for probable losses on guaranteed debt is nil (31 March 2007 - nil).

Schedule 8

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Trust Accounts
As at 31 March 2008
with comparative figures for 2007

	2008	2007
	($000)	($000)
Registrar of the Supreme Court	32,876	28,908
Teachers' Accrued Salary Trust Account	6,759	6,593
Patients' Funds Held in Trust	5,059	4,873
Consolidated Tender Account	3,548	4,032
Provincial Nominee Program	1,448	-
Provincial Courts Trust Account	1,188	1,128
Federal/Provincial Contractors' Security Account	312	764
Other Trust Accounts	4,127	2,094
	55,317	48,392

NOTE

Workplace, Health, Safety and Compensation Commission

The Workplace, Health, Safety and Compensation Commission (the Commission) is considered to be a form of trust. For the most recent fiscal year ended 31 December 2007, the Commission reported a net fund deficiency of $29.4 million (31 December 2006 - net fund deficiency of $8.3 million) and an accumulated operating deficit of $84.5 million (31 December 2006 - $131.4 million). During the 2006-07 fiscal year, the Commission changed its presentation to combine what was previously referred to as the unfunded liability (now “the accumulated operating deficit”) with unrealized investment gains and reserves. The combined number is now the net fund deficiency. Under legislation, no liability on behalf of the Province has been established.

Schedule 9

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Tangible Capital Assets
As at 31 March 2008
with comparative figures for 2007

	Original Cost				Accumulated Amortization				
Category	Balance 31 March 2007	Additions 2008	Disposals 2008	Balance 31 March 2008	Balance 31 March 2007	Amort. Net of Disposals 2008	Balance 31 March 2008	Net Book Value 31 March 2008	Net Book Value 31 March 2007
	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)	($mil)
Buildings	2,409.2	68.6	68.8	2,409.0	1,149.3	7.8	1,157.1	1,251.9	1,259.9
Marine vessels & aircraft	91.9	-	-	91.9	71.2	3.0	74.2	17.7	20.7
Equipment & machinery	949.3	125.9	26.3	1,048.9	688.8	59.6	748.4	300.5	260.5
Infrastructure	3,885.1	28.0	10.5	3,902.6	3,302.7	46.9	3,349.6	553.0	582.4
Computer software	68.9	5.4	3.4	70.9	41.1	3.6	44.7	26.2	27.8
Sub-total	7,404.4	227.9	109.0	7,523.3	5,253.1	120.9	5,374.0	2,149.3	2,151.3
Work in progress				215.9				215.9	92.7
Total				7,739.2				2,365.2	2,244.0

NOTES

1. Tangible Capital Assets

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

2. Work In Progress

Work in progress is considered to be a tangible capital asset, however it is not amortized as it is not yet available for use. Government currently has a number of projects under construction or development with a total for 31 March 2008 of $215.9 million (31 March 2007 - $92.7 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 $227.9 million include $6.2 million of work in progress assets that have been capitalized in the year. Additions to work in progress assets amount to $129.4 million for 2007-08, of which $2.7 million represented a reclassification related to school construction in process.

3. Amortization Expense

Amortization net of disposals in the amount of $120.9 million as reported in the schedule consists of amortization expense of $178.3 million less accumulated amortization on assets disposed of in the year in the amount of $25.7 million. The balance of $31.7 million is the result of adjustments by certain entities and the inclusion of additional entities in the Government reporting entity.

Amortization net of disposals as at 31 March 2007 was $157.1 million which consisted of amortization expense of $181.7 million less accumulated amortization on assets disposed of in the year in the amount of $24.3 million. The remaining $0.3 million is the result of adjustments by certain entities.

TANGIBLE CAPITAL ASSETS (continued)

4. Estimated Useful Life

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

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 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

The above useful lives reflect the policies of the Consolidated Revenue Fund. Amortization reported by other organizations included in the Government reporting entity is recorded in these statements as per the amortization policies of these other organizations. These policies may differ from those identified above.

5. Historical or Cultural Assets

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

6. Intangible and Inherited Assets

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

7. Leased Assets

The gross amount of leased tangible capital assets is $75.0 million (31 March 2007 - $72.9 million), amortization expense is $4.0 million (31 March 2007 - $3.1 million) and accumulated depreciation is $46.8 million (31 March 2007 - $43.1 million). These are included in the appropriate category in the schedule.

Schedule 10

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue by Source
For the year ended 31 March 2008
with comparative figures for 2007

	Actuals 2008	Actuals 2007
	($000)	($000)
Federal Sources		
Equalization	477,375	686,603
Health and social transfers	517,467	492,985
Atlantic Accord (2005)	305,697	219,218
Cost-shared programs	235,643	168,800
Atlantic Accord (1985)	188,578	109,784
Other	63,286	65,199
Total Federal Sources	1,788,046	1,742,589
Provincial Sources		
Taxation		
Personal income tax	803,999	885,718
Sales tax	685,856	685,869
Corporate income tax	483,893	341,896
Mining and mineral rights tax	276,593	121,506
Other	222,088	209,684
Gasoline tax	148,055	144,639
	2,620,484	2,389,312
Investment		
Other	120,530	140,189
Interest	60,094	62,369
Sinking fund earnings	53,185	58,590
	233,809	261,148
Fees and Fines		
Fees	213,565	211,918
Fines	12,723	12,424
	226,288	224,342
Offshore royalties	1,753,931	423,041
Other	319,583	299,584
Total Provincial Sources	5,154,095	3,597,427
Net income of government business enterprises - see note	198,759	181,150
	7,140,900	5,521,166

NOTE

See Schedule 4 for a breakdown by entity.

Schedule 11

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Department
For the year ended 31 March 2008
with comparative figures for 2007

	Actuals 2008	Actuals 2007
	($000)	($000)
General Government Sector		
Consolidated Fund Services	509,752	474,655
Executive Council	82,044	67,071
Finance	380,294	442,276
Government Services	32,746	29,681
Labrador and Aboriginal Affairs	4,165	3,091
Legislature	25,060	16,819
Public Service Commission	3,261	2,007
Transportation and Works	374,320	340,586
	1,411,642	1,376,186
Resource Sector		
Business	2,756	2,956
Environment and Conservation	50,185	43,653
Fisheries and Aquaculture	12,841	10,519
Innovation, Trade and Rural Development	27,691	25,150
Natural Resources	84,082	75,294
Tourism, Culture and Recreation	53,491	55,154
	231,046	212,726
Social Sector		
Education	1,188,019	1,106,596
Health and Community Services	2,137,568	1,990,479
Human Resources, Labour and Employment	382,071	372,077
Justice	182,115	161,113
Municipal Affairs	171,061	147,904
	4,060,834	3,778,169
	5,703,522	5,367,081

NOTE

Expenses by Department include expenses by organizations in the Government reporting entity which report to that department.

Schedule 12

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Object
For the year ended 31 March 2008
with comparative figures for 2007

	Actuals 2008	Actuals 2007
	($000)	($000)
Salaries and employee benefits	2,428,039	2,306,989
Operating costs	1,031,890	922,245
Grants and subsidies	876,032	792,874
Debt expenses	751,305	776,894
Professional services	347,388	324,992
Amortization and loss on sale of tangible capital assets	179,692	182,672
Property, furnishings and equipment - see note	84,620	47,440
Valuation allowances	4,556	12,975
	5,703,522	5,367,081

NOTE

This amount includes expenses for property, furnishings and equipment that do not meet the established definition or thresholds for tangible capital assets.

Schedule 13

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue and Expense by Sector
For the year ended 31 March 2008

	General Government Sector	Resource Sector	Social Sector	Total
	($000)	($000)	($000)	($000)
REVENUE				
Provincial				
Taxation	2,649,065	2,139	-	2,651,204
Investment	190,440	1,535	41,834	233,809
Fees and Fines	113,318	35,322	77,648	226,288
Offshore Royalties	-	1,753,931	-	1,753,931
Other	39,529	26,233	256,387	322,149
Government of Canada	1,517,726	9,227	261,093	1,788,046
	4,510,078	1,828,387	636,962	6,975,427
Net income of government business enterprises	198,759	-	-	198,759
Total Sector Revenue - note 2	4,708,837	1,828,387	636,962	7,174,186
EXPENSE				
Salaries and employee benefits	328,285	86,081	2,042,075	2,456,441
Operating costs	248,115	77,512	708,804	1,034,431
Grants and subsidies	19,886	51,291	807,203	878,380
Debt expenses	703,112	171	48,022	751,305
Professional services	32,694	9,522	305,172	347,388
Amortization and loss on sale of tangible capital assets	71,364	4,597	103,731	179,692
Property, furnishings and equipment	7,934	1,941	74,745	84,620
Valuation allowances	281	2,478	1,792	4,551
Total Sector Expense - note 3	1,411,671	233,593	4,091,544	5,736,808
Sector Results - before adjustments	3,297,166	1,594,794	(3,454,582)	1,437,378
Inter-Sector Eliminations	(30,691)	2,548	28,143	-
Annual Surplus (Deficit)	3,266,475	1,597,342	(3,426,439)	1,437,378

NOTES

1. **Sectors**
The sectors identified above are consistent with the presentation of the Consolidated Statement of Operations and the 2007-08 Estimates. Each sector includes the revenues and expenses of the applicable departments and the organizations in the Government reporting entity which report to their respective department. Certain amounts have been allocated on a systematic basis. Refer to Schedule 11 - Expenses by Department for a list of departments included within each sector.

2. **Sector Revenue**
Sector revenues include revenues generated from within the Government reporting entity. These inter-sector transactions are eliminated upon consolidation. Total eliminations pertaining to revenues amount to $33.3 million resulting in total revenue of $7,140.9 million as per the Consolidated Statement of Operations.

3. **Sector Expense**
Sector expenses include expenses incurred from within the Government reporting entity. These inter-sector transactions are eliminated upon consolidation. Total elimination pertaining to expenses amount to $33.3 million resulting in total expense of $5,703.5 million as per the Consolidated Statement of Operations.

Schedule 14

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Reconciliation of Budgetary Contribution (Requirement) to Consolidated Accrual Results
For the year ended 31 March 2008
with comparative figures for 2007

	Actuals 2008	Actuals 2007
	($000)	($000)
Budgetary Contribution (Requirement)	1,071,262	140,929
Surplus (Deficit) - Actuals (consolidated accrual)	1,437,378	154,085
Difference - note 1	(366,116)	(13,156)
The difference is comprised of the following:		
Consolidated Revenue Fund - note 2:		
Sinking fund earnings	(52,129)	(57,948)
Accrued retirement costs - interest	186,189	238,946
Accrued retirement costs - other	38,950	60,805
Amortization of foreign exchange gains/losses	(10,601)	(12,060)
Other debt expenses	(2,987)	2,201
Bad debt expenses	29,242	11,955
Amortization expense related to tangible capital assets	81,551	87,384
Tangible capital asset acquisitions/adjustments - net	(152,010)	(105,232)
Inventories of supplies	(2,104)	(576)
Accrued revenues and expenses	(266,791)	(129,230)
	(150,690)	96,245
Other entities - note 3:		
General Government Sector	(112,238)	(58,135)
Resource Sector	(4,727)	(1,621)
Social Sector	(98,461)	(49,645)
	(215,426)	(109,401)
Difference	(366,116)	(13,156)

See accompanying notes.

NOTES TO THE RECONCILIATION OF BUDGETARY CONTRIBUTION (REQUIREMENT) TO CONSOLIDATED ACCRUAL RESULTS
For the year ended 31 March 2008

1. Reconciliation of Budgetary Contribution (Requirement) to Consolidated Accrual Results

This schedule reconciles the budgetary contribution (requirement) of the Consolidated Revenue Fund as per the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund to the accrual surplus (deficit) on a consolidated basis. The change shown consists of year end accrual adjustments for the Consolidated Revenue Fund and accounting policy adjustments to the annual results of government organizations. The original budgeted consolidated accrual surplus for the period as per the Estimates was $261.2 million.

2. Consolidated Revenue Fund

The Consolidated Revenue Fund accrual surplus for 31 March 2008 was $1,222.0 million as per Volume II of the Public Accounts. The original budgeted Consolidated Revenue Fund accrual surplus for the Province of $164.9 million was not disclosed in the 2007-08 Estimates but was obtained from internal documentation.

Sinking fund earnings represent the interest earned on the sinking funds during the year less the sinking fund income returned to the Province from the sinking funds retired.

Accrued retirement costs (interest) represent the net interest expense on the unfunded pension liability and the group health and life insurance retirement benefits.

Accrued retirement costs (other) represent primarily the employer contributions that exceeded the current service costs for pensions as well as group health and life insurance retirement benefits.

Amortization of foreign exchange gains/losses represent the amortization of the unrealized foreign exchange gains/losses.

Other debt expenses represent primarily the change in the accrued interest expense on the debt and capital leases.

Bad debt expenses represent the net increase in the allowance for doubtful accounts receivable, loans, investments, and guarantees made by the Province.

Accrued revenues and expenses represent all other changes in revenues and expenses during the year (e.g. equalization, sales tax, salaries and benefits).

3. Other Entities

This represents the accrual surplus (deficit) of all other government organizations after adjustments have been made to conform to the accounting policies of the Province. The General Government Sector adjustment includes the above and reverses the cash received by the Province for Newfoundland and Labrador Hydro and Newfoundland and Labrador Liquor Corporation and records the net income of these entities.

Schedule 15

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Government Reporting Entity
For the year ended 31 March 2008

GOVERNMENT ORGANIZATIONS

	Board of Commissioners of Public Utilities
	Bull Arm Site Corporation
	Business Investment Corporation
	C.A. Pippy Park Commission
	College of the North Atlantic
J	Conseil Scolaire Francophone Provincial de Terre-Neuve et du Labrador
	Consolidated Revenue Fund
D	Credit Union Deposit Guarantee Corporation
	Central Regional Integrated Health Authority
note 1	Eastern Regional Integrated Health Authority
J	Eastern School District
D	Embalmers and Funeral Directors Board of Newfoundland and Labrador
	Heritage Foundation of Newfoundland and Labrador
	Labrador-Grenfell Regional Integrated Health Authority
J	Labrador School Board
	Labrador Transportation Initiative Fund
	Livestock Owners Compensation Board
A	Marble Mountain Development Corporation
	Memorial University of Newfoundland
	Multi-Materials Stewardship Board
	Municipal Assessment Agency Inc.
	Newfoundland and Labrador Arts Council
	Newfoundland and Labrador Centre for Health Information
	Newfoundland and Labrador Crop Insurance Agency
	Newfoundland and Labrador Farm Products Corporation
	Newfoundland and Labrador Film Development Corporation
	Newfoundland and Labrador Housing Corporation
	Newfoundland and Labrador Immigrant Investor Fund Limited
	Newfoundland and Labrador Industrial Development Corporation
	Newfoundland and Labrador Legal Aid Commission
	Newfoundland and Labrador Municipal Financing Corporation
N	Newfoundland and Labrador Student Investment and Opportunity Corporation
	Newfoundland Hardwoods Limited
	Newfoundland Ocean Enterprises Limited
J	Nova Central School District
	Provincial Advisory Council on the Status of Women
	Provincial Information and Library Resources Board
D	Public Accountants Licensing Board
	Public Health Laboratory
	Special Celebrations Corporation of Newfoundland and Labrador, Inc.
	Student Loan Corporation of Newfoundland and Labrador
	The Rooms Corporation of Newfoundland and Labrador

GOVERNMENT REPORTING ENTITY (continued)

GOVERNMENT ORGANIZATIONS

note 2	Western Regional Integrated Health Authority
J	Western School District

GOVERNMENT BUSINESS ENTERPRISES

D - note 3	Newfoundland and Labrador Hydro
F	Newfoundland and Labrador Liquor Corporation

LEGEND

A	This entity has a year end of 30 April.
D	These entities have a year end of 31 December.
J	These entities have a year end of 30 June.
N	This entity had a year end of 30 April to allow for the windup of the Corporation.
F	This entity has changed its year end from a 31 March fiscal year end to a floating year end to align with its four 13 week reporting periods. The fiscal year end of the entity will end on the first Saturday of April each year starting for the period ended 5 April 2008.

NOTES

1 Eastern Regional Health Authority controls a number of foundations/associations which have not been consolidated within their financial statements. In accordance with Public Sector Generally Accepted Accounting Principles, these organizations have been included within the Province's 2007-08 Consolidated Summary Financial Statements. These entities are as follows: 1) General Hospital Hostel Association; 2) Health Care Foundation of St. John's Incorporated; 3) Janeway Children's Hospital Foundation; 4) Northwest Rotary - Janeway Hostel Corporation; 5) Ever Green Environmental Corporation (formerly the Waterford Foundation Incorporated); 6) Dr. H. Bliss Murphy Cancer Care Foundation; 7) Discovery Health Care Foundation Inc.; 8) Trinity-Conception-Placentia Health Foundation Inc.; 9) The Burin Peninsula Health Care Foundation Inc.; 10) Blue Crest Cottages; 11) Golden Heights Manor Cottages; 12) Lions Manor Inc.; and 13) TCRHB Housing Complex Inc.

2 Western Regional Health Authority controls a number of associations which have not been consolidated within their financial statements. In accordance with Public Sector Generally Accepted Accounting Principles, these associations have been included within the Province's 2007-08 Consolidated Summary Financial Statements. These entities are as follows: 1) Gateway Cottages Association-Cottages Project; 2) Gateway Cottages Association, Apartment Project; 3) Interfaith #3; 4) Bay St. George & Emile Benoit House; 5) Inter-Faith Home for Senior Citizens-Cottages #1 & 2; and 6) Bay St. George Senior Citizens Home-30 Unit Cottages.

3 In June 2007, legislation was enacted to create the Energy Corporation of Newfoundland and Labrador (ECNL) effective 1 January 2008. ECNL is a wholly owned entity by the Province and is the parent company of Newfoundland and Labrador Hydro. Beginning with the 2008-09 Public Accounts, ECNL will be reported as a Government Business Enterprise. There were no material transactions between 1 January 2008 and 31 March 2008.