

**STUDENT LOAN CORPORATION OF
NEWFOUNDLAND AND LABRADOR**

ANNUAL REPORT 2003-04

AUTHORITY

The Student Loan Corporation of Newfoundland and Labrador (SLCNL) referred herein as the “Corporation” was established on March 30, 2004 pursuant to the *Student Financial Assistance Act*.

MANDATE

The SLCNL was established to act as the lender for all provincial student loans.

In order to receive a loan, a student must attend an approved educational institution and meet certain financial need requirements. Repayment of the loan is to commence six months after the end of the student study period. The Student does not pay interest on the loan during the study period; however, interest begins to accrue at the end of the study period.

ADMINISTRATION

The affairs of the SLCNL are managed by a Board of Directors, comprised of the Deputy Minister of Education, the Deputy Minister of Finance and the Secretary to Treasury Board. It reports to the Minister of Education.

The SLCNL has a staff compliment of six employees consisting of: Director of Portfolio Management, Manager of Financial Operations, three Portfolio Collection Officers, and an Administrative Officer.

PORTFOLIO

On March 31, 2004 the Corporation borrowed \$213 million to accommodate purchase of the Newfoundland and Labrador student loan portfolio totaling \$207,904,783 from CIBC.

The portfolio consists of provincial loans issued on or after August 1, 2000 and those provincial loans issued prior to August 1, 2000 where the student was not in repayment on July 31, 2000.

As at March 31, 2004, the following were the SLCNL caseload statistics:

Current Portfolio

Class A (In School & In Grace)
\$91.9 million (13,500 loans)
Class B & Interest (In Repayment)
113.8 million (17,500 loans)

Defaulted Portfolios

Owned by: Dept of Education
\$34.4 million (4,700 loans)
Owned by: SLCNL
None as at 31 Mar 2004

FINANCIAL STATEMENTS

Expenditure and revenue figures (accrual based) included in this document are based on the public accounts.

CONTACT US

Confederation Building
4th Floor, West Block, P.O. Box 8700
St. John's, NL A1B 4J6

**Phone: 729-6465 (local) or
1-877-520-8800 (long distance)**

Fax: 729-7481

**STUDENT LOAN CORPORATION OF
NEWFOUNDLAND AND LABRADOR**

FINANCIAL STATEMENTS

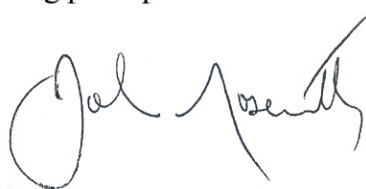
31 MARCH 2004

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

I have audited the balance sheet of the Student Loan Corporation of Newfoundland and Labrador as at 31 March 2004 and the statements of revenues, expenses and deficit, and cash flows for the period then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2004 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "John L. Noseworthy". The signature is fluid and cursive, with a large initial "J" and "N".

JOHN L. NOSEWORTHY, C.A.
Auditor General

St. John's, Newfoundland and Labrador
19 July 2004

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
BALANCE SHEET
31 March **2004**

ASSETS

Cash	\$ 4,999,332
Accounts receivable	3,015,004
Student loans receivable (Note 2)	176,902,984
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	\$ 184,917,320

LIABILITIES AND DEFICIT

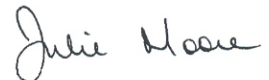
Accounts payable	\$ 60,367
Long-term debt (Note 3)	213,000,000
	<hr/>
	213,060,367
Deficit	(28,143,047)
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	\$ 184,917,320

See accompanying notes

Signed on behalf of the Board:



Chairperson



Director of Portfolio Management

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES, EXPENSES AND DEFICIT
For the Period 30 March to 31 March **2004**

REVENUES

Student loan interest	\$ 751,354
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EXPENSES

Bad debt expense	28,798,516
Bank charges	35
Commission expense	95,850

28,894,401

Excess of expenses over revenues	(28,143,047)
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Equity, beginning of period	-
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Deficit, end of period	\$ (28,143,047)
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See accompanying notes

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS
For the Period 30 March to 31 March

2004

Cash flows from operating activities

Excess of expenses over revenues \$ (28,143,047)

Adjustments for non-cash items

Bad debt expense 28,798,516

655,469

Changes in non-cash operating items

Accounts receivable (3,015,004)

Accounts payable 60,367

(2,299,168)

Cash flows from investing activities

Loans receivable (205,701,500)

Cash flows from financing activities

Proceeds from long-term debt 213,000,000

Net increase in cash 4,999,332

Cash, beginning of period -

Cash, end of period \$ 4,999,332

See accompanying notes

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2004

Authority

The Student Loan Corporation of Newfoundland and Labrador was established on 30 March 2004 under the authority of the *Student Financial Assistance Act*. The affairs of the Corporation are managed by a Board of Directors comprised of the Deputy Minister of Education, the Deputy Minister of Finance and the Secretary to Treasury Board.

The objective of the Corporation is to act as the lender for all provincial student loans. In order to receive a loan, a student must attend an approved education institution and meet certain financial need requirements. Repayment of the loan is to commence 6 months after the end of the student's study period. The student does not pay interest on the loan during the study period; however, interest commences to accrue as at the end of the study period.

Student loan balances may be reduced by Provincial debt reduction payments calculated on a semester basis for students that borrow more than \$165 per week. This program, implemented 1 August 2002, replaced the Newfoundland and Labrador Loan Remission Program which provided funds to reduce student loans that exceeded a certain threshold for the full program period.

1. Significant accounting policies

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles.

2. Student loans receivable

On 31 March 2004, the Corporation purchased the Newfoundland and Labrador student loan portfolio totalling \$207,904,783 from the Canadian Imperial Bank of Commerce. The original purchase price was based on the loan portfolio value as at 29 February 2004, subsequently adjusted for transactions during March 2004. The portfolio consists of provincial loans issued on or after 1 August 2000 and provincial loans issued prior to 1 August where the student was still in school and did not receive additional loans.

As at 31 March 2004 approximately 17,500 loans totalling \$113,061,539 were being repaid at an average interest rate of prime plus 2.5% (Class B loans) while 13,500 loans totalling \$91,888,607 were not being repaid as the student was either still in attendance at an approved education institution or was within 6 months after the end of the study period (Class A loans).

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2004

2. Student loans receivable (cont.)

Student loans receivable consist of the following:

	<u>2004</u>
Loans receivable	
Class B principal	\$ 113,061,539
Class A principal	91,888,607
Interest receivable	751,354
	205,701,500
Less: allowance for doubtful accounts	(28,798,516)
	\$ 176,902,984

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

3. Long-term debt

Issue of floating rate notes dated 31 March 2004 maturing 30 September 2005 and bearing interest at the 3-month Canadian Bankers Acceptance rate plus 3 basis points, payable quarterly.

	<u>2004</u>
	\$ 213,000,000

4. Related party transactions

The Province unconditionally guarantees the principal and interest outstanding on the long-term debt of \$213,000,000. For the period ended 31 March 2004, the former Department of Youth Services and Post-Secondary Education paid \$1,238,000 in costs related to the transfer of loans from the Canadian Imperial Bank of Commerce to the Corporation. As at 31 March 2004 the Department of Education owed the Corporation \$2,190,106 in debt reduction and loan remission payments related to student loans.

5. Economic dependence

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

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2004

6. Financial instruments

The Corporation's short-term financial instruments recognized on the balance sheet consist of cash, accounts receivable and accounts payable. The carrying values of these instruments approximate fair value due to the short-term maturity or current market rate associated with these instruments. There is no impairment of accounts receivable because the amount is due from the Government of Newfoundland and Labrador and from the bank relating to payments made in March 2004.

The Corporation's long-term financial instruments recognized on the balance sheet consist of student loans receivable and long-term debt. The student loans receivable are reported at cost with provision being made for any decline in their value. Therefore, no further credit risk exists relating to these loans. The Corporation's long-term debt is at a floating rate determined by the 3-month Canadian Bankers Acceptance rate plus 3 basis points, maturing in September 2005. This may subject the Corporation to interest rate risk caused by changes in the interest rate. The carrying values of these long-term financial instruments approximate their fair value.

7. Income taxes

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

