

Province of
Newfoundland and Labrador



**Public Accounts
Consolidated Summary
Financial Statements**

FOR THE YEAR ENDED
MARCH 31, 2023


Newfoundland
&
Labrador



Province of Newfoundland and Labrador

Public Accounts

Consolidated Summary Financial Statements

**For The Year Ended
31 March 2023**

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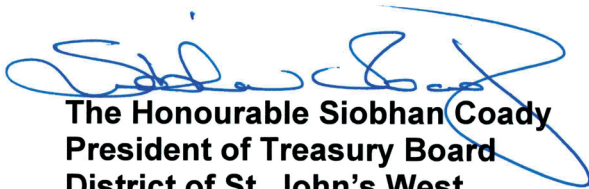
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**MESSAGE FROM THE MINISTER OF FINANCE AND
PRESIDENT OF TREASURY BOARD**

I am presenting the public accounts of the Government of Newfoundland and Labrador for the 2022-23 fiscal year. These audited financial statements are preceded by a discussion and analysis which highlights the fiscal health of the province.

The province reported a surplus of \$323.1 million for the 2022-23 fiscal year, which reflects a \$674.5 million improvement compared to the original estimated deficit of \$351.4 million. This surplus is primarily related to an increase in revenues of \$1.1 billion compared to the original estimate mainly due to higher than anticipated taxation revenue and offshore royalties. This was offset by an increase in expenses of \$445.5 million compared to the original estimate.

We will continue to deliver on our strategic plan for financial improvement, which ensures prudent fiscal governance and responsible debt management - all towards a stronger, smarter, self-sufficient, sustainable Newfoundland and Labrador.



**The Honourable Siobhan Coady
President of Treasury Board
District of St. John's West**

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**Understanding the Financial Health of the Province of
Newfoundland and Labrador**

For the Fiscal Year Ended 31 March 2023

INTRODUCTION

This financial statement discussion and analysis report precedes the Public Accounts to provide an overview of changes in government's financial position and highlight key figures and comparatives. The report is prepared by the Office of the Comptroller General and is not subject to an audit opinion; however, the information analyzed in the report is based on what is reported in the audited Public Accounts.

FINANCIAL REPORTS

The Public Accounts are the audited consolidated summary financial statements of the Province. They are prepared using the **accrual basis** of accounting in accordance with standards established by the Public Sector Accounting Board (PSAB) and audited by the Auditor General. The financial statements contain Original Budget figures for comparison purposes, where applicable.

Within the annual Original Budget Speech is a series of statements which are comparable to the Public Accounts as both are prepared using the accrual basis of accounting and both consolidate the financial statements of core government departments with that of various Crown Corporations, Boards and Authorities, as approved by Treasury Board. These organizations are controlled by government and are accountable to either a Minister of the government department or directly to the Legislature for the administration of their financial affairs and resources.

The Public Accounts also contain supplemental financial information of the Consolidated Revenue Fund. The Consolidated Revenue Fund is comprised of all public money that is controlled by government. This financial information is essentially the unaudited financial statements of the aggregate core government departments. These statements are prepared on an accrual basis in accordance with standards established by the PSAB and can be found as an appendix within the Public Accounts.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund is an additional annual financial report prepared during the Public Accounts process. It is prepared using the modified **cash basis** of accounting. It presents the details of the actual revenues and expenditures of core government departments that were receipted and disbursed in the fiscal year. It is the companion document to the Estimates as it portrays actual cash revenues received and compares amounts spent against the amounts appropriated. This report is not subject to an audit opinion, but is tabled in the House of Assembly and is published on the Executive Council website.

The Public Accounts of the Province are tabled in the House of Assembly in accordance with Section 60 of the *Financial Administration Act*.

All of these, as well as other financial reports can be found on the Executive Council website at:

<https://www.gov.nl.ca/exec/tbs/working-with-us/publications/public-accounts/>

WHAT TO EXPECT IN THIS REPORT

In this report you can expect to find variance analysis between the Original Budget deficit as per the Original Budget Speech and the actual surplus as per the Statement of Operations found in the Public Accounts. The Original Budget Speech represents government's forecast for the fiscal year while the Public Accounts report the financial results of that fiscal year. The comparison of Original Budget to actual promotes accountability and provides explanations of significant variances.

A comparison of current and previous year financial results and trend analysis is included to illustrate how the financial results of the current year relate to the results of prior years. It demonstrates government's position and highlights any significant changes that have occurred.

A summary of risks that may impact the financial position of the Province is presented to highlight potential changes and government's plans to mitigate them.

The financial statement discussion and analysis report will also summarize an outlook on 2023 by providing available information on what can be expected to impact government's financial position in the future.

Refer to the glossary of terms on page 45 for definitions and explanations of key terms that have been bolded throughout the document.

FINANCIAL HIGHLIGHTS

The Public Accounts contains six financial statements. Each statement includes important information that is necessary to obtain a complete understanding of the Province's financial position. The financial statements present prior year results and Original Budget figures, where possible, for comparative purposes. Certain comparative figures have been reclassified to conform to the basis of presentation adopted during the current reporting period. This section provides a summary of key financial statement highlights of the Public Accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

- Presents **financial assets**, liabilities and **non-financial assets** at a point in time. The statement calculates **net debt**, the difference between financial assets and liabilities; and **accumulated deficit**, the net financial position of government from all years of operations at a point in time. The statement discloses separately the two components comprising the accumulated deficit: the accumulated operating deficit and the accumulated remeasurement gains and (losses).
- Net debt for the 2022-23 fiscal year is \$16.5 billion. The accumulated deficit is \$11.5 billion, consisting of an accumulated operating deficit of \$11.6 billion and an accumulated remeasurement gain of \$76.1 million.
- As at 31 March 2023, both net debt and accumulated deficit are less than they were at the end of the previous fiscal year. This is due to an increase in financial assets compared to fiscal 2021-22, primarily related to equity in government business enterprises and partnership, which increased \$633.5 million compared to fiscal 2021-22, offset by a decrease in cash and temporary investments of \$219.9 million.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

- Highlights the changes in Net Debt from the previous fiscal year and provides a comparison to Original Budget figures. The statement also discloses the impact of net remeasurement gains and (losses) on net debt.
- This statement shows that net debt totalled \$16.5 billion in the 2022-23 fiscal year and decreased 2.4% in comparison to the prior year (31 March 2022 - \$16.9 billion).
- The assets and liabilities contributing to the change in net debt are presented in the Consolidated Statement of Financial Position. The intent of this statement is to report the extent the operating surplus/deficit and net remeasurement gains and (losses) have impacted net debt after removing the effects of changes to non-financial assets (i.e. **tangible capital assets**) from the operating surplus/deficit. As well, any changes in accounting policy or restatements of prior year's results are also reflected on this statement.

CONSOLIDATED STATEMENT OF OPERATIONS

- Reports the revenues and expenses from operations in a fiscal year, the resulting operating surplus or deficit and provides a comparison to Original Budget figures and previous year actuals.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

- The **annual surplus** of \$323.1 million represents an increase of \$674.5 million compared to the \$351.4 million deficit originally budgeted for the 2022-23 fiscal year. Furthermore, the annual surplus in 2022-23 increased by \$600.4 million from the prior year (31 March 2022 - \$277.3 million deficit).
- For the fiscal year ended 31 March 2023, total revenue was \$10.2 billion (31 March 2022 - \$8.6 billion) and total expenses were \$9.9 billion (31 March 2022 - \$8.9 billion).
- Revenues increased by 18.6% from the prior year and increased by 12.3% from the Original Budget. Expenses increased by 11.3% from the prior year and increased from the Original Budget by 4.7%.
- The increase in revenues from the prior year and the Original Budget exceeded the increases in expenses, and revenues exceeded expenses, resulting in a surplus for 2022-23, a substantial improvement compared to the prior year and the Original Budget deficits.

CONSOLIDATED STATEMENT OF CHANGE IN ACCUMULATED DEFICIT

- Highlights the changes in accumulated deficit from the Original Budget and the previous fiscal year. The statement also distinguishes the accumulated deficit components, the accumulated operating deficit and the accumulated remeasurement gains and (losses), disclosing both.
- The main decrease in accumulated deficit in 2022-23 is due to the surplus for the current year.
- The accumulated deficit of \$11.5 billion for 2022-23 decreased by \$0.4 billion in comparison to 2021-22 of \$11.9 billion.

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

- Reports unrealized changes in the value of certain financial assets and financial liabilities arising from their remeasurement at current exchange rates and/or fair value.
- The government's proportionate share of other comprehensive income of the government business enterprises and partnership is also reported in the statement of remeasurement gains and losses.
- There was a net remeasurement gain for fiscal year 2022-23 of \$45.4 million, resulting in an accumulated remeasurement gain of \$76.1 million at March 31, 2023.

CONSOLIDATED STATEMENT OF CASH FLOWS

- Explains the change in cash and temporary investments from the previous fiscal year to the government generated and disbursed cash in the current fiscal year.
- Cash and temporary investments decreased by 13.8% from the previous fiscal year. Cash flows decreased despite an annual surplus, primarily due to the retirement of long-term debt.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

KEY FINANCIAL HIGHLIGHTS

For the fiscal year ended 31 March 2023

(In \$ millions)

	Original Budget 2022-23 ¹	Actual Results 2022-23	Actual Results 2021-22 ²	Change from Original Budget			Change from Prior Year Actual Results		
				\$	%	↕↕	\$	%	↕↕
REVENUE									
Provincial									
Taxation	4,473.0	5,241.2	4,501.9	768.2	17.2	↑	739.3	16.4	↑
Investment	73.9	177.7	96.9	103.8	140.5	↑	80.8	83.4	↑
Fees and fines	315.9	459.8	500.7	143.9	45.6	↑	(40.9)	(8.2)	↓
Offshore royalties	865.7	1,166.1	1,196.0	300.4	34.7	↑	(29.9)	(2.5)	↓
Other	485.1	514.1	511.2	29.0	6.0	↑	2.9	0.6	↑
Total Provincial	6,213.6	7,558.9	6,806.7	1,345.3	21.7	↑	752.2	11.1	↑
Federal	1,942.5	1,705.1	1,387.2	(237.4)	(12.2)	↓	317.9	22.9	↑
Net income of government business enterprises and partnership	914.1	926.1	395.5	12.0	1.3	↑	530.6	134.2	↑
Total Revenue	9,070.2	10,190.1	8,589.4	1,119.9	12.3	↑	1,600.7	18.6	↑
EXPENSE									
Salaries and employee benefits	3,531.1	3,608.2	3,452.8	77.1	2.2	↑	155.4	4.5	↑
Grants and subsidies	2,568.9	2,596.8	2,035.4	27.9	1.1	↑	561.4	27.6	↑
Operating costs	1,383.8	1,484.4	1,409.2	100.6	7.3	↑	75.2	5.3	↑
Debt expenses	956.0	1,087.2	941.6	131.2	13.7	↑	145.6	15.5	↑
Professional services	573.0	588.9	534.2	15.9	2.8	↑	54.7	10.2	↑
Other	408.8	501.5	493.5	92.7	22.7	↑	8.0	1.6	↑
Total Expense	9,421.6	9,867.0	8,866.7	445.4	4.7	↑	1,000.3	11.3	↑
ANNUAL OPERATING SURPLUS (DEFICIT)									
	(351.4)	323.1	(277.3)	674.5	191.9	↑	600.4	216.5	↑

¹ The Budget figures are from pages ii and vii of the Budget 2022 Speech Statements and Schedules and certain figures have been restated as consistent with the Public Accounts.

² Prior year actual results for 2021-22 amounts have been restated as consistent with the Public Accounts 31 March 2023 presentation.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

HISTORICAL DATA

For the past 5 fiscal years
(\$ thousands)

	2019	2020	2021	2022	2023	5 Year Trend
Total Revenue	7,826,842	9,583,631	7,328,109	8,589,429	10,190,199	↑
Total Expense	8,379,371	8,466,450	8,819,930	8,866,699	9,867,063	↑
Surplus (Deficit)	(552,529)	1,117,181	(1,491,821)	(277,270)	323,136	↑
Financial Assets	9,616,682	13,173,451	13,088,762	13,446,264	13,811,928	↑
Liabilities:						
Borrowings	14,347,481	16,375,361	17,323,129	18,345,310	18,107,086	↑
Group Health/ Life Insurance	3,035,970	3,149,114	3,247,979	3,353,621	3,461,738	↑
Pension	4,927,736	4,889,959	4,904,687	4,629,673	4,371,159	↓
Other Liabilities	2,683,577	3,193,877	3,629,148	4,032,715	4,382,481	↑
Net Debt	15,378,082	14,434,860	16,016,181	16,915,055	16,510,536	↑
Non-Financial Assets	4,582,777	4,759,974	4,850,403	5,027,638	5,016,630	↑
Accumulated Deficit	10,795,305	9,674,886	11,165,778	11,887,417	11,493,906	↑

¹ Prior year amounts have been restated as consistent with the Public Accounts 31 March 2023 presentation.

CONSOLIDATED FINANCIAL RESULTS

Taxation revenue was the largest revenue variance between both 2021-22 actuals and the Original Budget, with 2022-23 actuals being \$739.3 million higher than the prior year actuals and \$768.2 million higher than the Original Budget.

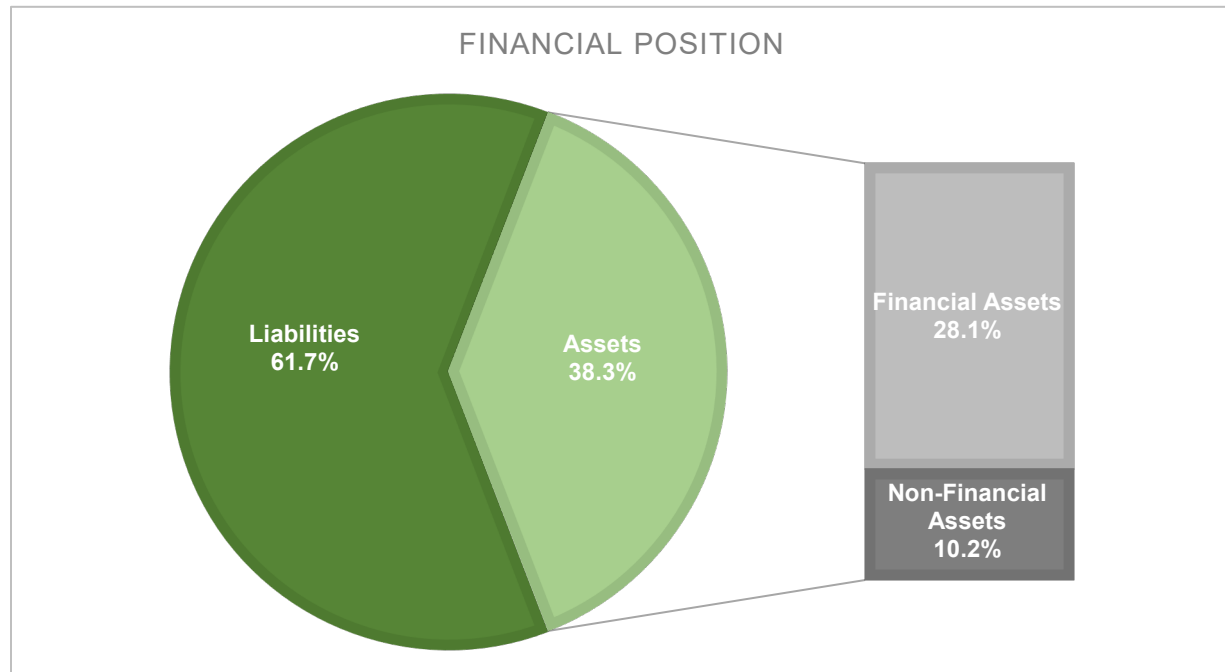
The largest expense variance between actual results and Original Budget figures relates to debt expenses. Debt expenses were \$131.2 million higher than the projected amount.

Grants and subsidies expense was the largest variance from the previous fiscal year with an increase of \$561.4 million from 2021-22.

Further details regarding these and other significant variances can be found later in this report.

FINANCIAL POSITION

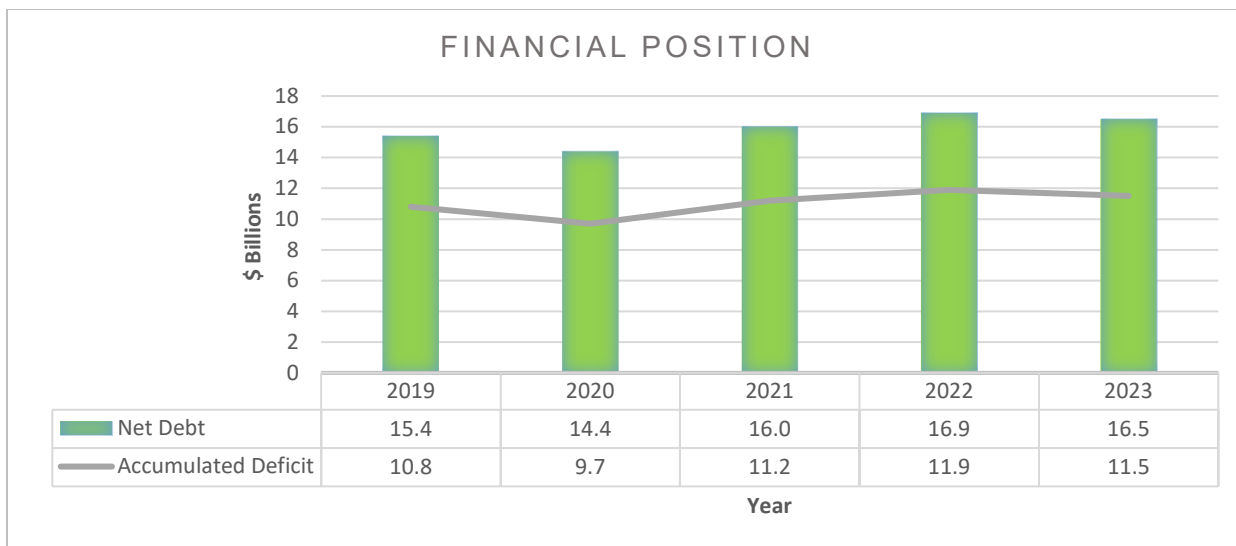
Newfoundland and Labrador continues to face economic, social and fiscal challenges including a large level of debt. To ensure the future financial health of the Province, it is necessary that we continue to manage our fiscal situation while still focusing on delivery of valuable programs and services; achieve better outcomes for our investments; and create an environment that supports economic development, job creation, and other opportunities for residents.



The Province's accumulated deficit position and net debt as at 31 March 2023 is presented in the following chart. The Province's net debt totals \$16.5 billion and represents the amount needed to be funded from future generations to pay for past activities.

Net debt decreased by \$0.4 billion and accumulated deficit decreased by \$0.4 billion from the previous year mainly due to the annual surplus. Details of the annual surplus will be discussed later in this report.

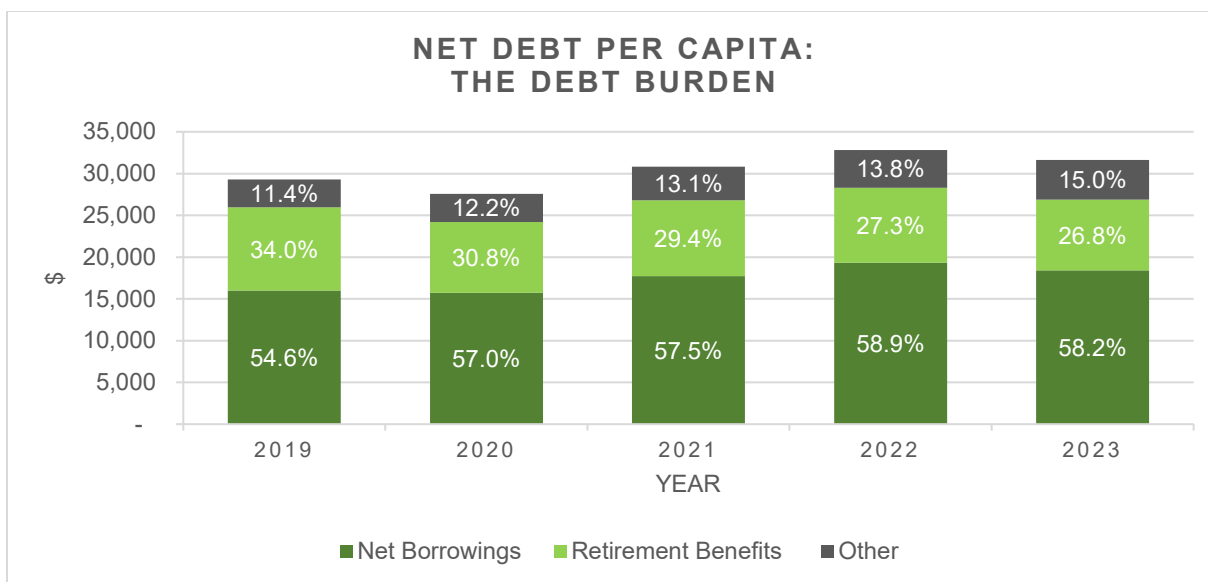
UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR



¹ Prior year actual results for 2021-22 amounts have been restated as consistent with the Public Accounts 31 March 2023 presentation.

NET DEBT PER CAPITA

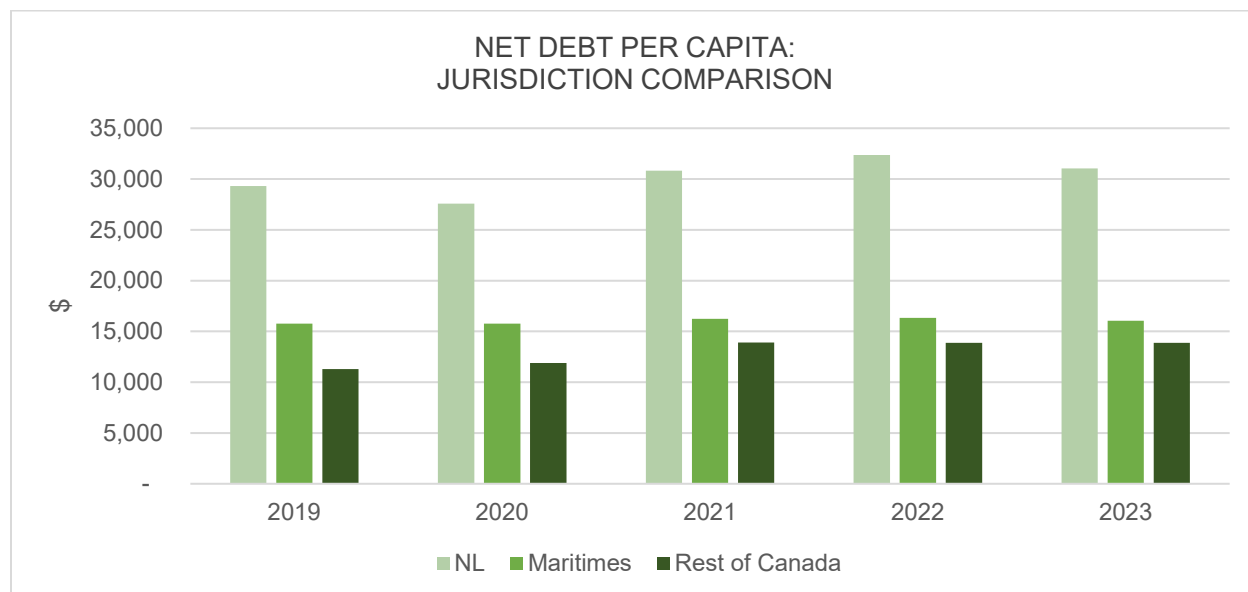
Net debt per capita indicates the average amount of the Province’s net debt attributed to each citizen of the Province and is calculated by dividing the net debt by the Province’s population. Each citizen’s share of the net debt decreased in 2022-23. As presented in the chart that follows, net debt per capita decreased from \$32,830 in 2021-22 to \$31,625 in 2022-23. This decrease of \$1,205 per person is primarily the result of the decrease in the Province’s net debt and an increase in population. The following graph also indicates the portion of each type of debt that makes up the net debt per capita.



¹ Prior year actual results for 2021-22 amounts have been restated as consistent with the Public Accounts 31 March 2023 presentation.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

The following chart presents the Province's net debt per capita in comparison to the Maritime Provinces and the rest of Canada.



*Note: Original Budget figures were used where the Public Accounts actual results were not available.

Newfoundland and Labrador's net debt per capita has been greater than the average of the other jurisdictions for the past five years and is greater than it was in 2018-19. The Maritimes' net debt per capita has decreased slightly from 2021-22. Net debt per capita for the rest of Canada has decreased slightly from 2021-22, but remains under half of that of Newfoundland and Labrador.

The Province has a smaller population to carry the net debt burden. The average population for the last five years for the Province, and the Maritimes and the rest of Canada per jurisdiction is presented below. As shown, the average population for the country has remained steady.

Average Population per jurisdiction (in 000's)	2019	2020	2021	2022	2023 ^[1]	5 Year Change
NL	524.8	523.3	519.7	522.5	531.9	7.1
Maritimes	630.7	639.2	642.6	655.3	679.1	48.4
Rest of Canada	3,874.4	3,940.9	3,957.9	4,004.3	4,110.9	236.5

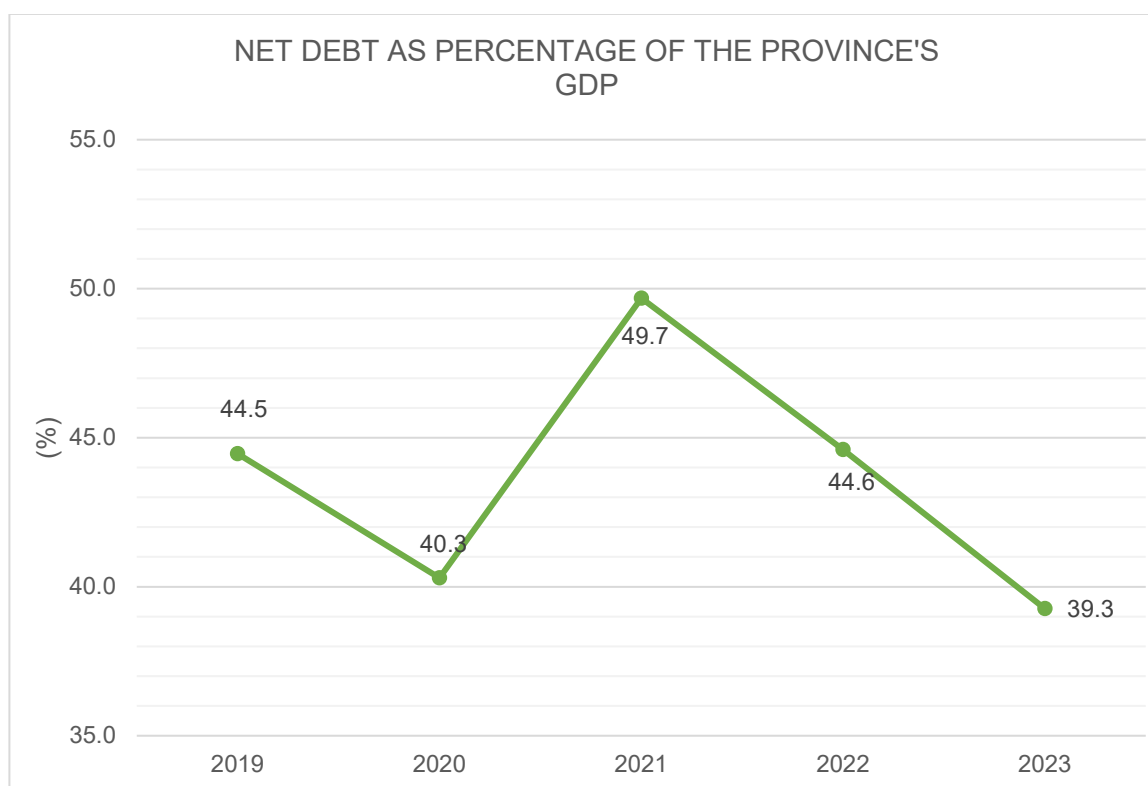
^[1] Source: Statistics Canada, Centre for Demography

NET DEBT AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT (GDP)

This ratio measures the level of debt that the Province carries as a percentage of its **GDP**.

As presented in the following graph, there has been a decrease in net debt as a percentage of GDP in the current year given the decrease in net debt and continued economic recovery from the COVID-19 pandemic. The lower ratio in 2019-20 was a result of federal source revenue stemming from the Atlantic Accord (2019), however, the ratio reached its peak in 2020-21, which can be attributed to the decrease in GDP due to the economic impacts of the pandemic. On a five-year basis, the relationship implies that the rate of increase in GDP has been greater than the rate of increase in net debt and as such, it indicates that Government has decreased its demands on the provincial economy during this time.

The 2022-23 ratio is 39.3%, a decrease of 5.3 percentage points from 2021-22 and at the lowest point of the last five years. The average of this ratio over the past five years is 43.7%. Since 2019, the ratio has decreased by 5.2 percentage points.



Note: Figures shown in the above graph use the GDP figures from Newfoundland and Labrador Statistics Agency's website (Selected Economic Indicators Forecast 2013-2027f published as of March 23, 2023). The GDP figures have been restated based on the real GDP for 2019-2022.

NET DEBT AND ACCUMULATED DEFICIT

For the fiscal year ended 31 March 2023, net debt of \$16.5 billion included borrowings of \$18.1 billion. Net debt for the fiscal year ended 31 March 2023 decreased from the previous year by \$0.4 billion or 2.4% and borrowings decreased by \$0.2 billion which represents a 1.3% decrease.

The net debt is the difference between total financial assets of \$13.8 billion and liabilities of \$30.3 billion. The Province's net debt, less non-financial assets of \$5.0 billion, results in an accumulated deficit of approximately \$11.5 billion.

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

(\$ billions)	2019	2020	2021	2022	2023
Borrowings	14.3	16.4	17.3	18.3	18.1
Unfunded Pension Liability	4.9	4.9	4.9	4.6	4.3
Group Health and Life Insurance Retirement Benefits	3.0	3.1	3.2	3.4	3.5
Other Liabilities	2.8	3.2	3.7	4.0	4.4
Less: Total Financial Assets	(9.6)	(13.2)	(13.1)	(13.4)	(13.8)
Net Debt	15.4	14.4	16.0	16.9	16.5
Less: Tangible Capital Assets	(4.5)	(4.6)	(4.7)	(4.8)	(4.8)
Less: Other Non-financial Assets	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
Accumulated Deficit	10.8	9.7	11.2	11.9	11.5

¹ Prior year amounts have been restated as consistent with the Public Accounts 31 March 2023 presentation.

As shown in the previous table, accumulated deficit and net debt increased from 2019 to 2022. This can be attributed primarily due to additional borrowings of \$4.0 billion obtained by the Province during this period; this is an increase of 28.0% over the borrowings of \$14.3 billion in 2019. However, in 2022-23, both net debt and accumulated deficit decreased compared to 2021-22 with financial assets increasing and liabilities, including borrowings, decreasing.

BORROWINGS

For the fiscal year ended 31 March 2023, net borrowings totaled \$17.0 billion and decreased by \$0.2 billion from 2021-22.

DEBT RELATED RISK

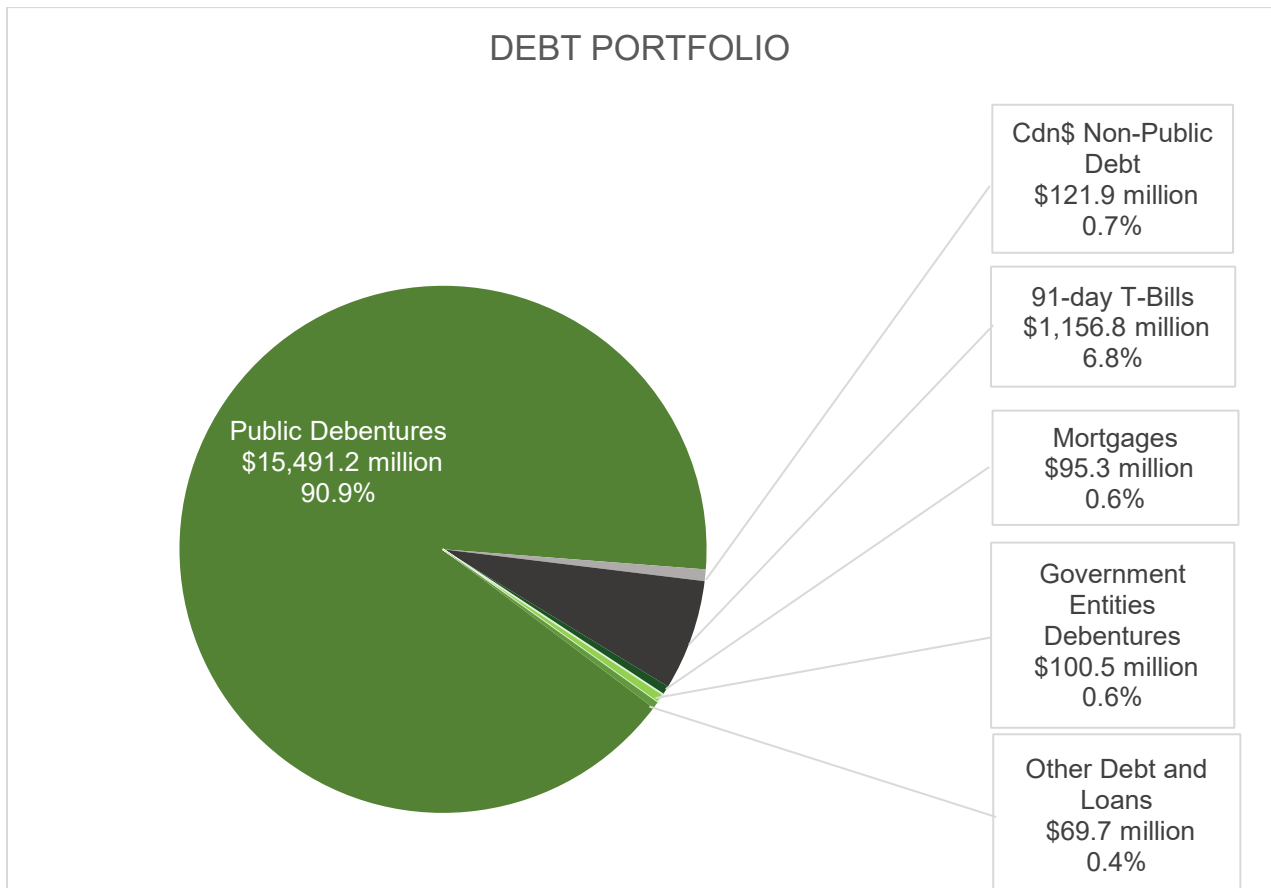
The practice of borrowing in both domestic and foreign currencies may potentially give rise to a number of risks including foreign exchange risk, liquidity risk, interest rate risk, and credit risk.

- **Foreign exchange risk:** Foreign exchange risk exists when a financial transaction is denominated in a currency other than that of the base currency of the Province (CAD). The majority of the Province's debt is domestic in nature, with only one US dollar denominated debt issue outstanding at March 31, 2023. This is a long-term issue and the Province has established sinking funds, also in US dollars, to provide repayment of the debt at maturity. An increase/decrease of one cent in the foreign exchange rates at 31 March 2023 would result in an increase/decrease in foreign borrowings of \$2.0 million (31 March 2022 - \$4.0 million). Original Budget 2022-23 forecasts the US-Canada exchange rate to be \$0.793. This estimate is based on an average of eight forecasts and was a prudent estimate based on best available information. The average US-Canada exchange rate for 2022-23 was \$0.757 (2021-22 - \$0.798).
- **Liquidity risk:** Liquidity risk is the risk that a party cannot meet its short-term debt obligations. 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.
- **Interest rate and credit risk:** Interest rate risk is the risk that debt-servicing costs will increase due to changes in interest rates. Credit risk is the risk that a loss may occur from the failure of another party to meet its obligations under a financial instrument contract. To mitigate these risks, the Province's debt portfolio is structured such that a high degree 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. Additionally, 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.

DEBT PORTFOLIO

The Province's debt portfolio is comprised of the following:

- \$15.5 billion in public debentures, net of \$1.4 billion in sinking fund assets, of which 24% are due in 25 years or more, pertaining to the Consolidated Revenue Fund. 99% is Canadian while the remaining 1% is foreign debt (US).
- \$1.2 billion of 91-day T-bills (floating-rate revolving debt).
- \$121.9 million of Canadian non-public debentures; Canadian Pension Plan (CPP) related debt.
- \$95.3 million in various mortgages and debt assumed relating to electricity generating assets. Mortgages pertaining to Canada Mortgage and Housing Corporation (CMHC) represents 66% of total mortgages.
- \$100.5 million in debenture debt, net of \$29.5 million in sinking fund assets, held by government entities.
- \$52.6 million in various other debt.
- \$17.1 million in loans with both fixed and variable interest rates for the purposes of funding student transportation for schools.



CREDIT RATING

For the first time in 12 years the Province has received an upgraded credit rating (DBRS Morningstar), which demonstrates that the Province's financial situation is moving in the right direction.

The ratings upgrade reflects Newfoundland and Labrador's improving fiscal outlook, along with the commissioning and operations of the Muskrat Falls Project.

Moody's Investors Service's (Moody's) has rated the Province's long-term debt at A1 (stable). The outlook was upgraded from negative to stable in July 2022 due to the expectation of a stabilizing debt burden and an assessment of reduced risk regarding the Muskrat Falls electricity generation project.

S&P Global Ratings (S&P) confirmed its rating on the Province's long-term debt at A and short-term debt at A-1. The outlook remains stable. S&P is expecting that the Province will continue with its prudent financial management despite challenging macroeconomic conditions.

DBRS Morningstar has upgraded the Province's long-term debt to A from A (low), and changed the trend on all long-term ratings to stable. Factors included rate mitigation, a much improved fiscal outlook, and an expected improvement in real GDP growth, primarily because of increased mineral production and higher capital investment.

The Province's long-term and short-term ratings were recently affirmed as follows:

	Long-Term	Short-Term	Outlook	Date
S&P	A	A-1	Stable	July 19, 2023
Moody's	A1	Not rated	Stable	August 22, 2023
DBRS Morningstar	A	R-1 (low)	Stable	August 17, 2023

NON-FINANCIAL ASSETS

The total non-financial assets of \$5.0 billion in 2022-23 included prepaid and deferred charges of \$77.2 million; inventory of supplies of \$95.2 million; and tangible capital assets of \$4.8 billion, the most significant component.

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.

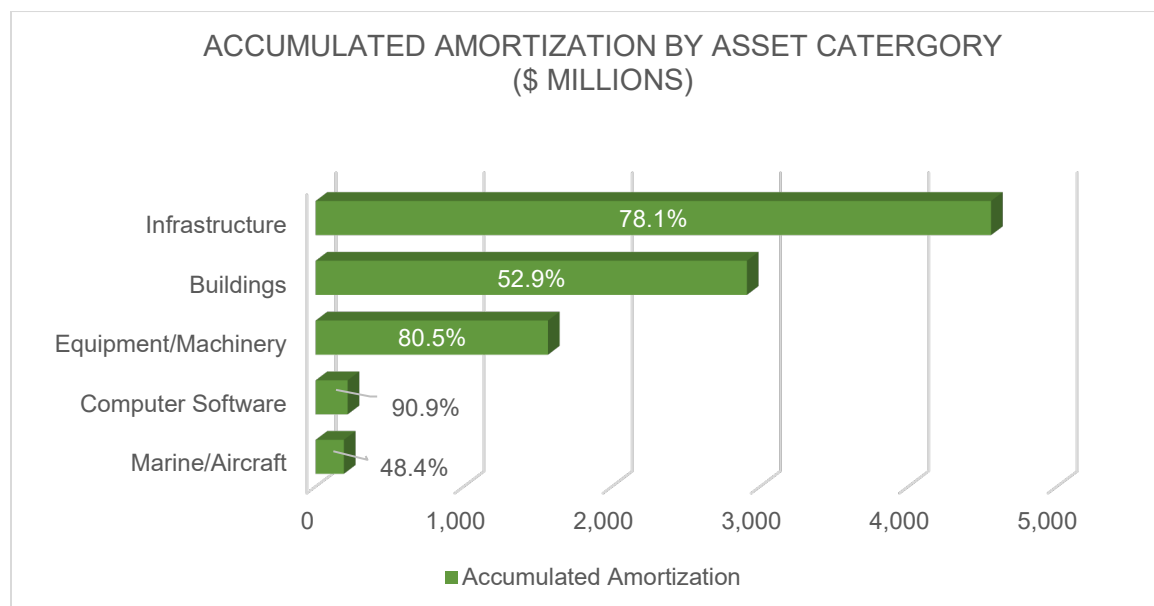
Accumulated Amortization

Total accumulated amortization of tangible capital assets (excluding work in progress assets) represents 67.8% of the cost of tangible capital assets. The most significant of the asset categories that are amortized are computer software and equipment and machinery where 90.9% and 80.5% of the original cost has been amortized respectively.

The Province's infrastructure, such as bridges and roads, has less than one quarter of its useful life remaining. Computer software, as well as equipment and machinery have a relatively short useful life. It is expected that these assets will be replaced more frequently due primarily to changing technologies.

The Province currently has a number of projects under construction or development. Work in progress assets consists of \$367.0 million as at 31 March 2023 which is a \$38.2 million or an 11.6% increase from 2022. Work in progress is considered to be a tangible capital asset; however, it is not subject to amortization as it is not currently available for use.

The following chart presents the tangible capital asset cost (excluding work in progress) and accumulated amortization by category at 31 March 2023.



Capital Acquisitions

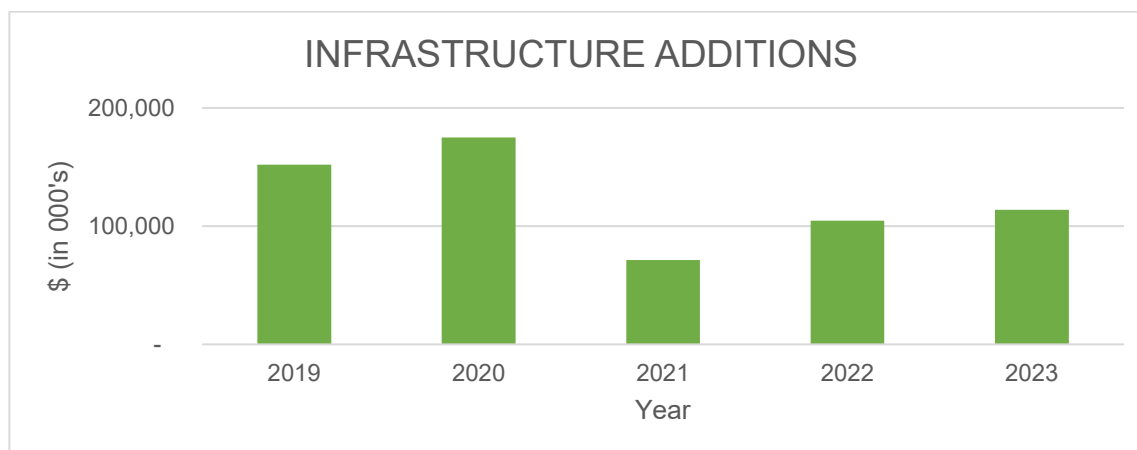
Capital acquisitions in the current year totaled approximately \$338.0 million and includes capital additions of \$296.8 million, net additions to work in progress assets of \$117.0 million, less \$75.8 million of work in progress assets capitalized in the year. Acquisitions decreased in 2022-23 by \$93.7 million from 2021-22 (\$431.7 million). The Province continues to invest in capital assets and is forecasting to increase capital acquisitions to \$725.7 million in 2023-24.

Original Budget for fiscal 2023-24 invests more than \$1.1 billion (both capital acquisitions and repairs and maintenance costs) in key infrastructure projects, including an historic investment in provincial roads and highways. Acquisitions to tangible capital assets for the past five years were reported as follows:



Infrastructure Additions

Although infrastructure is reported as 78.1% amortized, this does not necessarily describe the age of this asset category. The Province continues to invest in roads, bridges, waterways and dams. The following graph presents reported infrastructure additions for the last five fiscal years. Note that this graph does not include work-in-progress infrastructure.



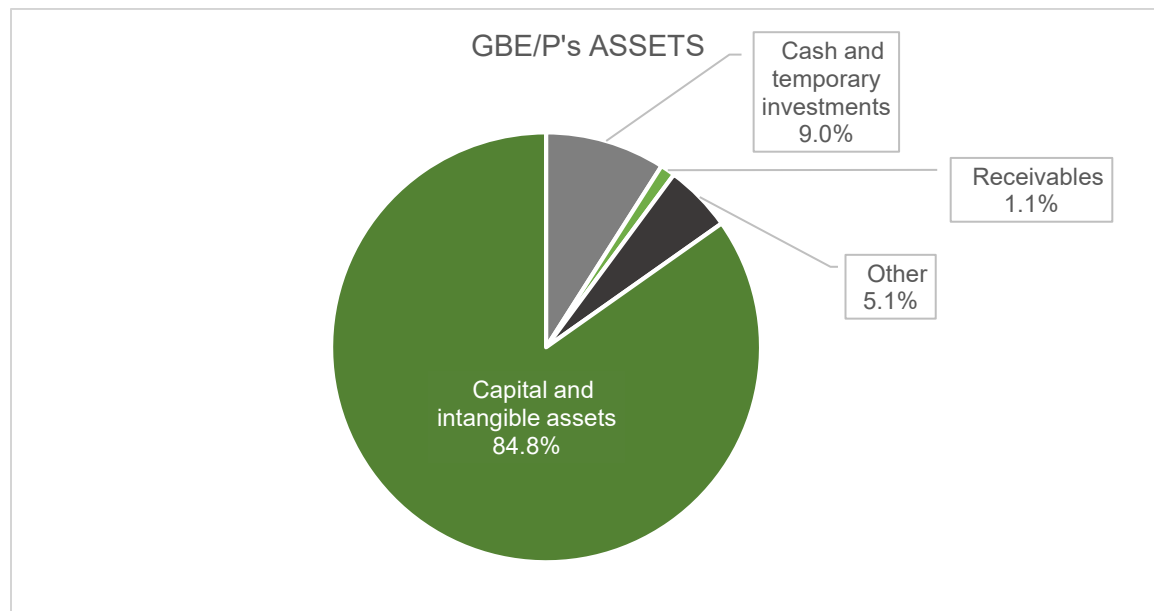
GOVERNMENT BUSINESS ENTERPRISES AND PARTNERSHIP

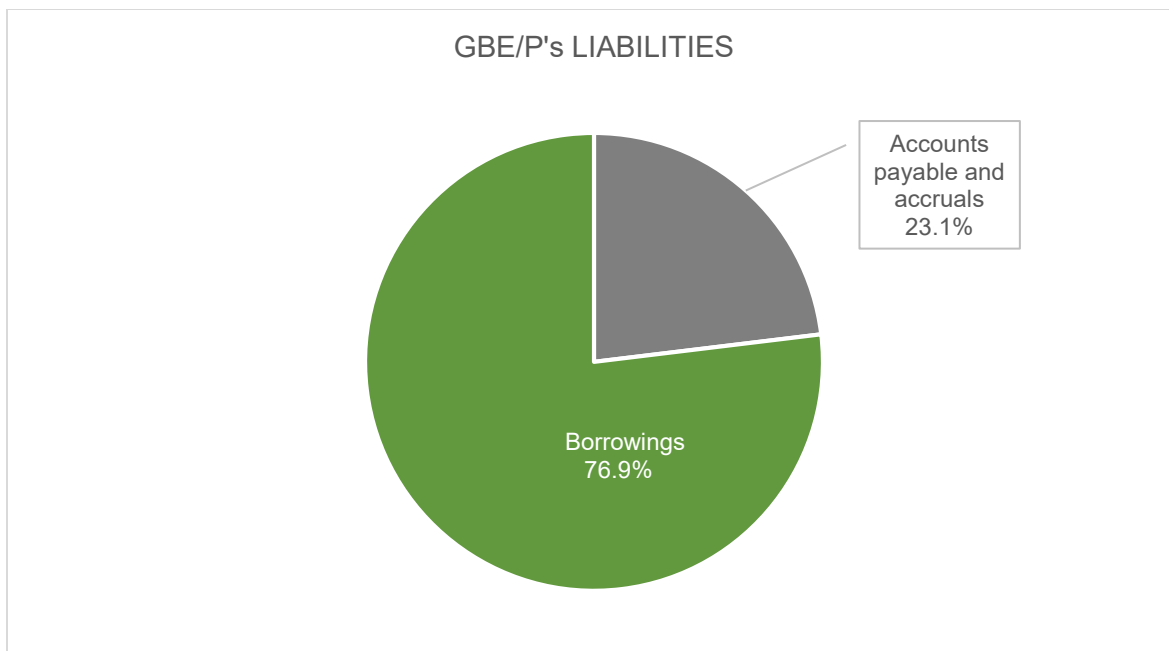
The Province has two Government Business Enterprises (GBEs) including Newfoundland Labrador Liquor Corporation (NLC), and Nalcor Energy (Nalcor); and one Government Business Partnership (GBP), Atlantic Lottery Corporation Inc. (ALC). NLC is a provincial crown corporation responsible for managing the importation, sale and distribution of alcohol beverages and cannabis throughout the Province. Nalcor is incorporated as a crown corporation and its business includes the development, generation, transmission and sale of electricity, oil and gas, industrial fabrication and energy marketing. ALC has been appointed to undertake, conduct and manage lotteries by and on behalf of the Provinces of Newfoundland and Labrador, New Brunswick, Nova Scotia and Prince Edward Island.

Equity In Government Business Enterprises and Partnership

Equity in GBEs and GBP accounts for more than half of the Province's consolidated financial assets in 2022-23. Financial figures for ALC, NLC, and Nalcor can be found in Schedules 3 and 4 of the Consolidated Summary Financial Statements.

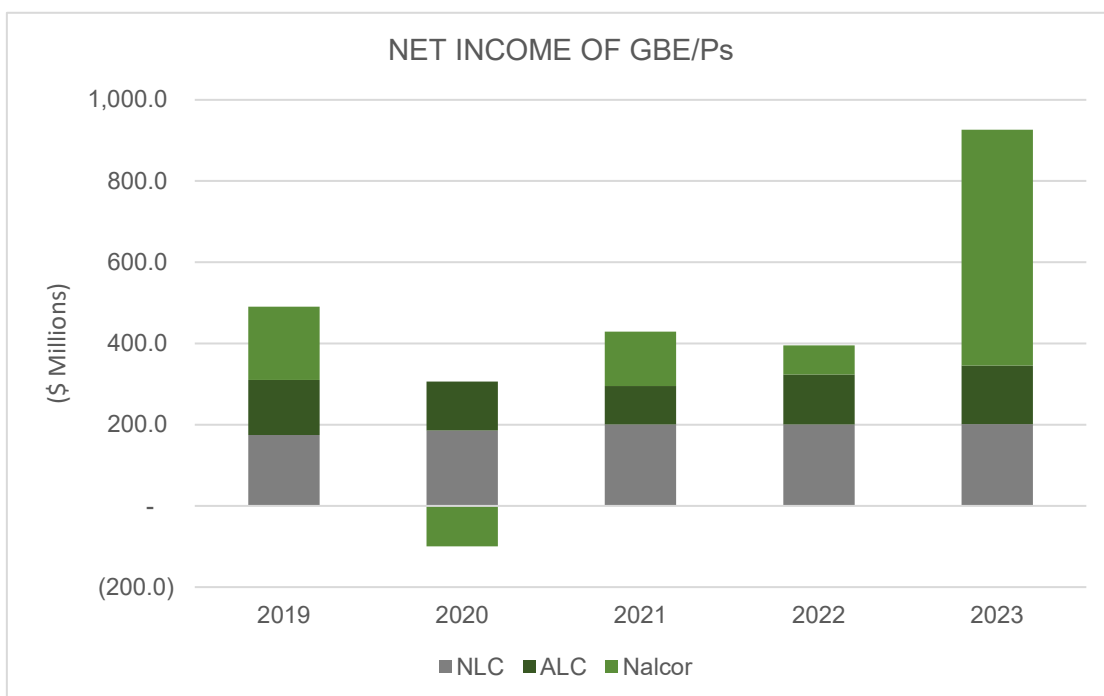
GBEs and GBP are considered investments therefore their assets and liabilities are not combined with the assets and liabilities of other government entities; they are recorded in one line as 'Equity in government business enterprises and partnership' on the Consolidated Statement of Financial Position. To provide further information on the financial position of these organizations the following provides an overview of their asset and liability components. A significant portion of these components pertain to Nalcor. In fact, 99.9% of GBE/GBP borrowings relate to Nalcor as does 99.7% of the GBE/GBP capital and intangible assets.





Net Income of Government Business Enterprises and Partnership

The following graph shows the five-year trend in GBEs and GBP net income. Total net income for the current year from GBE/GBPs was \$926.1 million. This is an increase of \$530.6 million and 134.1% from 2021-22 (\$395.5 million). The increase in net income was mainly due to the financial results from Nalcor, reporting net income of \$580.3 million in the fiscal year, which was an increase in profit of \$508.7 million from 2021-22.



Key drivers relating to the increase of \$508.7 million in net income for Nalcor relate to the following:

- Revenue increased by approximately \$346.7 million primarily due to:
 - \$252.0 million increase in electricity sales due to higher NS Block deliveries and upswing in price and quantities of export.
 - \$95.0 million increase in petroleum and natural gas sales due to higher than average price per barrel.
 - \$4.0 million increase due to a decrease in royalty expense netted against revenue as a result of favourable foreign exchange.
 - \$4.3 million net decrease in various other sources.
- Expenses decreased by approximately \$162.0 million primarily relating to:
 - \$98.0 million increase in net finance expenses primarily due to borrowing costs related to Muskrat Falls, the assets for which were completed in the last quarter of 2021.
 - \$66.0 million increase in fuel costs due to increased primary fuel prices.
 - \$34.0 million increase in operating costs, primarily maintenance, material expenses, and professional services.
 - \$22.0 million increase in depreciation, depletion, amortization, and impairment costs due to higher depletion of oil and gas assets, along with Maritime Link depreciation expenses.
 - \$64.0 million decrease in other expenses, primarily due to a decrease in the net impact of Hibernia South Extension Redetermination.
 - \$318.0 million decrease due to favourable regulatory adjustments related to Nalcor's regulatory assets and liabilities established through rate setting process, which are expected to be reflected in customer rates in future periods.

Investment in Government Business Enterprises and Partnership

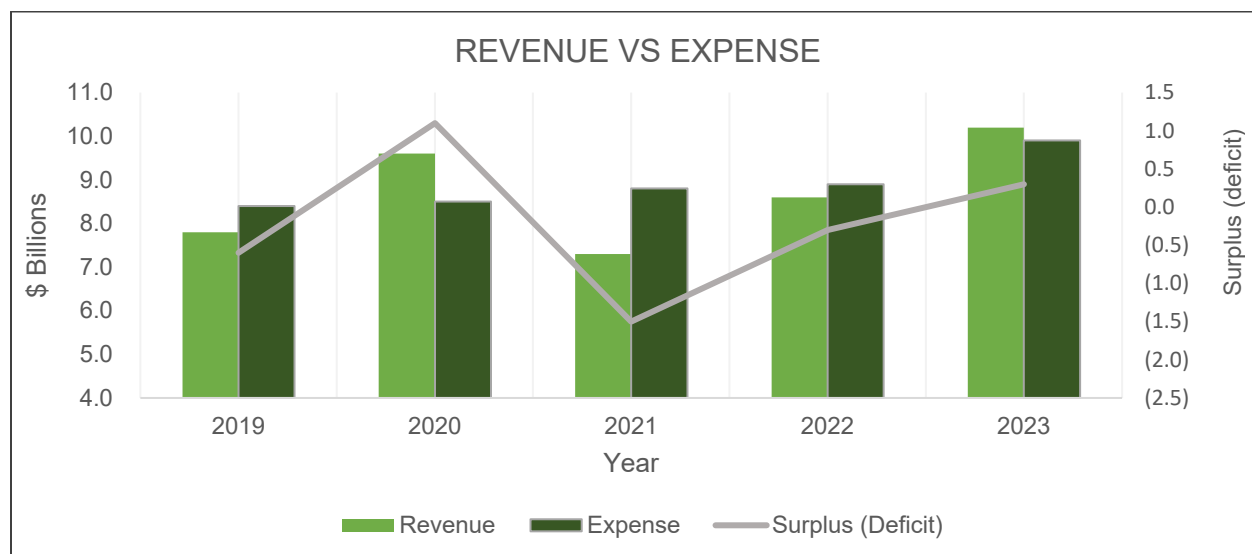
ALC and NLC transferred a combined total of \$352.6 million in dividends to the Province. Equity contributions to Nalcor have generally decreased over the last 5 years. For 2022-23, capital transfers from the Province to Nalcor were Nil.

Capital Transactions

	2019	2020	2021	2022	2023
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Equity Contributions from the Province:					
Nalcor	533,658	379,200	1,000	250,000	-
NLC	-	-	-	-	-
ALC	-	-	-	-	-
Total	533,658	379,200	1,000	250,000	-
Dividends Received by the Province:					
Nalcor	-	-	-	-	-
NLC	183,600	168,500	195,000	210,000	208,000
ALC	131,705	118,666	94,392	123,111	144,590
Total	315,305	287,166	289,392	333,111	352,590

FINANCIAL OPERATIONS

For the fiscal year ended 31 March 2023, total revenue was \$10.2 billion (31 March 2022 - \$8.6 billion) and total expenses were \$9.9 billion (31 March 2022 - \$8.9 billion), resulting in a provincial surplus of \$0.3 billion (31 March 2022 – a deficit of \$0.3 billion). The Province reported revenues and expenses for the previous five years as follows:



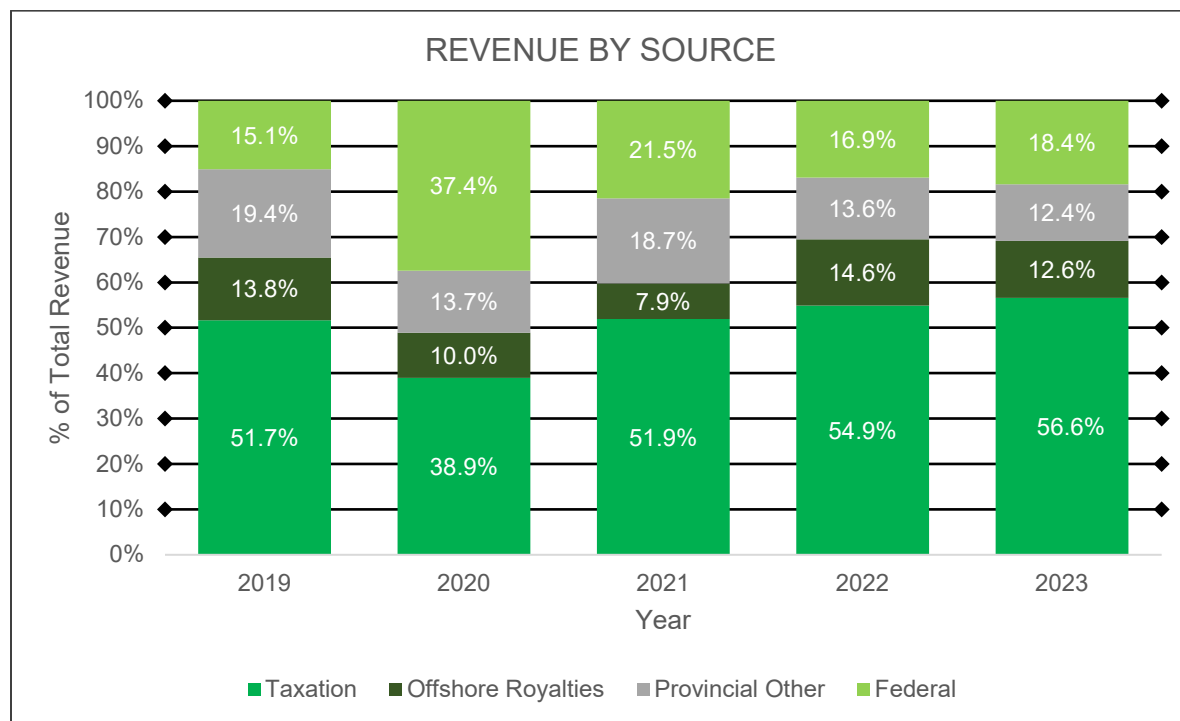
In the graph above, the five-year trend in surplus (deficit) is shown in relation to revenues and expenses. The Province has incurred deficits in three of the last five years with the highest deficit in 2020-21 reaching \$1.5 billion. There has been a reduction in deficit since 2020-21, with a surplus of \$0.3 billion reached in 2022-23. Fiscal 2019-20 experienced a surplus of \$1.1 billion mainly due to federal source revenue from the Atlantic Accord (2019).

Revenue Highlights

Revenues of \$10.2 billion for 2022-23 were \$1.1 billion higher than the Original Budget of \$9.1 billion due largely to increases in corporate and personal income taxes, sales tax, and offshore royalties. Reported revenues in 2021-22 were \$8.6 billion. Compared to the prior year, revenues increased by \$1.6 billion primarily due to increases in corporate and personal income taxes, net income of government business enterprises and partnership, and net profits interest.

Revenues by Source – Five Year Trend

The provincial and federal sources that constitute total revenues for the past five fiscal periods are presented in the following graph.



Offshore Royalties

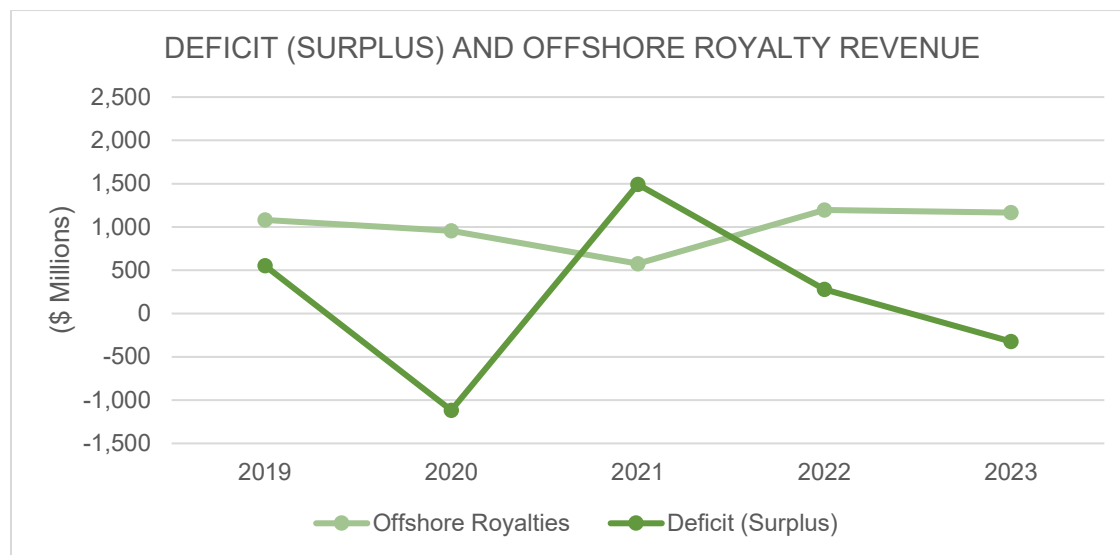
Oil royalties, which were forecasted at Original Budget to be \$0.9 billion, resulted in actuals of \$1.2 billion. There was a \$300.4 million increase in offshore royalties compared to Original Budget mainly due to higher oil prices, higher Hebron, White Rose, and Hibernia production, and lower CAD/USD exchange rates. This was partially offset by lower Terra Nova production than budgeted due to an extended shutdown for the life extension project.

Total oil production was 1.8 million barrels lower than projected due to lower Terra Nova production than forecasted offset by higher Hibernia, White Rose, and Hebron output.

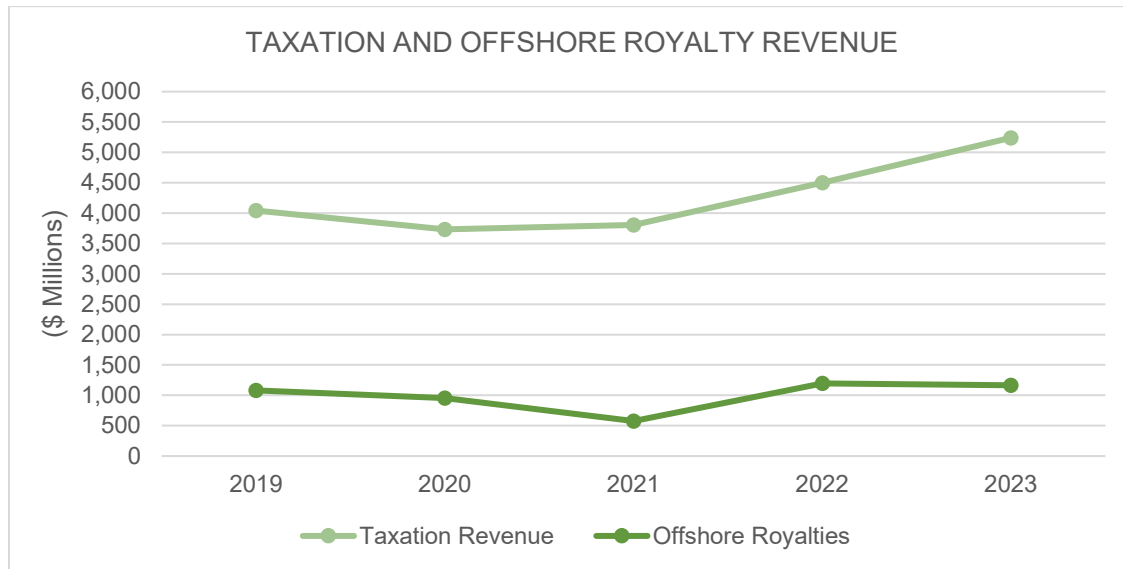
UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

Offshore Oil Royalties, Actuals and Original Budget For Fiscal year ended 31 March 2023			
	Actuals	Budget	Variance
Royalties (\$M)	\$1,166.1	\$865.7	\$300.4
Average oil price per barrel (\$US)	\$95.90	\$86.00	\$9.90
Average exchange rate (\$US/\$CA)	0.757	0.793	(0.036)
Production (millions of barrels):			
Hibernia	25.5	25.0	0.5
Terra Nova	-	6.3	(6.3)
White Rose	6.2	5.7	0.5
Hebron	49.7	46.2	3.5
Total Oil Production	81.4	83.2	(1.8)

Notes: Figures shown are for fiscal year 2022-23, and will differ from the calendar year figures presented in *The Economy* publications. Variances and totals may not calculate, due to rounding.



Offshore Royalty and Taxation Revenue – Five Year Trend



Taxation Revenue

- Actual results for fiscal 2022-23 in comparison to the prior year resulted in increased revenues of \$739.3 million mainly attributed to:
 - \$482.5 million increase in personal income tax substantially due to population and income growth over 2021-22 driven by a strengthening economy post-COVID-19. In addition, there was a large prior year adjustment in respect of 2021 taxation year assessments.
 - \$332.5 million increase in corporate income tax primarily due to the strengthened economy due to post-COVID-19 economic recovery and record high iron ore prices. Corporate income tax revenues are estimates based on the 2021 taxation year. There was also a significant prior year adjustment in respect of 2021 taxation year assessments.
 - \$18.6 million increase in carbon tax mainly due to higher carbon tax rates in comparison to 2021-22.
 - \$16.7 million increase in sales tax primarily as a result of higher HST entitlements during 2022-23.
 - A \$58.4 million decrease in gasoline tax due to gasoline tax rate reduction on June 2, 2022.
 - A \$57.0 million decrease in mining and mineral rights tax as a result of lower iron ore prices throughout 2022-23 than the prior fiscal year.
 - \$4.4 million net increase in other taxation revenue sources.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

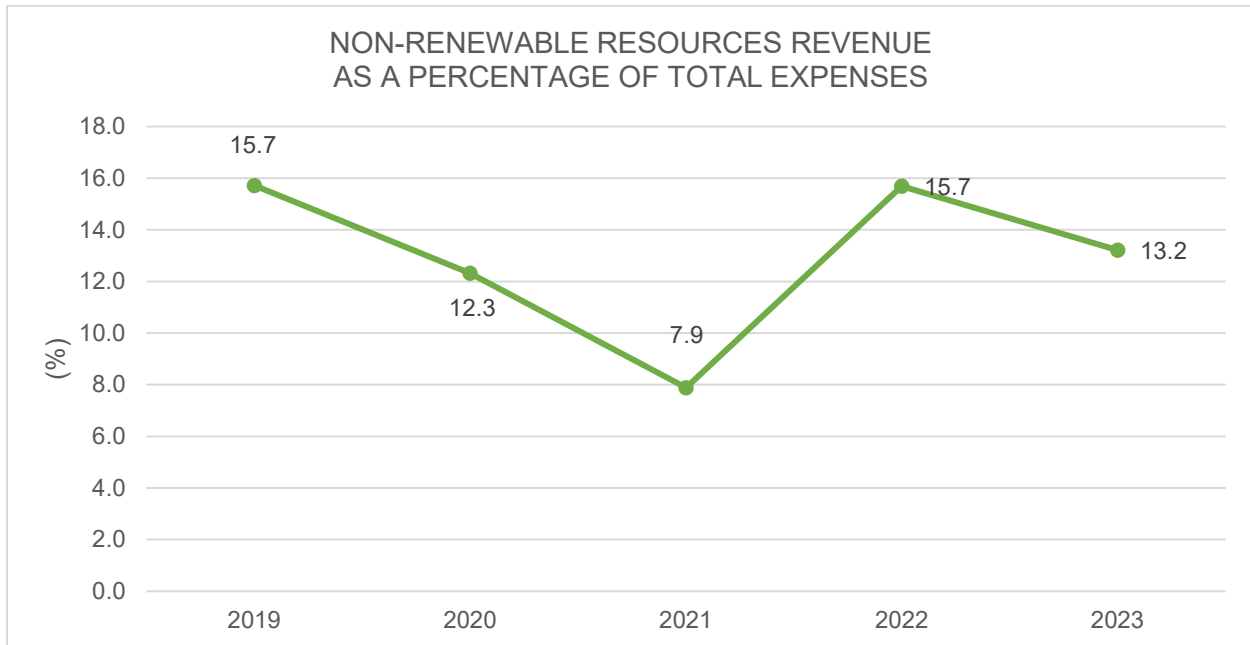
- Actual results for fiscal 2022-23 in comparison to the Original Budget resulted in an increase of \$768.2 million relating to:
 - \$400.5 million increase in personal income tax primarily due to population and income growth driven by a strengthened economy post-COVID-19. A large prior year 2021 adjustment further increased this variance.
 - \$255.6 million increase in corporate income tax mainly due to the strengthened economy due to post-COVID-19 economic recovery and higher than anticipated iron ore prices. In addition, a large prior year 2021 adjustment further increased this variance.
 - \$157.3 million increase in sales tax substantially due to higher Finance Canada HST entitlements for 2022 and larger prior year adjustments than anticipated at the time of the original budget.
 - \$17.2 million increase in mining and mineral rights tax primarily due to higher than forecasted iron ore prices during 2022-23.
 - \$50.9 million decrease in gasoline tax due to a gasoline tax rate reduction on June 2, 2022.
 - \$24.8 million decrease in tobacco tax and vapour products tax due to lower than anticipated consumption throughout 2022-23.
 - \$13.3 million net increase in other taxation revenue sources.

Federal Source Revenue

- There was an increase of \$317.9 million in 2022-23 federal source revenue in comparison to the prior year, primarily related to the introduction of net profits interest in 2022-23 which resulted in \$191.6 million in revenue. Health and social transfers increased by \$58.6 million year over year substantially due to higher national base entitlements for Canada Health Transfer (CHT). This was offset by the difference in CHT top-up amounts between the two years. There was an \$84.0 million increase compared to the prior year due to the Atlantic Accord revenue adjustment required to account for a revised estimate of Canada Hibernia Holding Corporation (CHHC) taxes under the Hibernia Dividend Backed Annuity Agreement.
- Actual results from federal sources for fiscal year 2022-23 in comparison to the Original Budget resulted in a decrease of \$237.4 million. This is mainly related to a decrease in revenues from cost-shared programs of \$185.9 million as a result of infrastructure project delays. There was also lower funding related to the Canada Wide Early Learning and Child Care Agreement and the Disaster Assistance Program compared to budget.

NON-RENEWABLE RESOURCES REVENUE AS A PERCENTAGE OF TOTAL EXPENSES

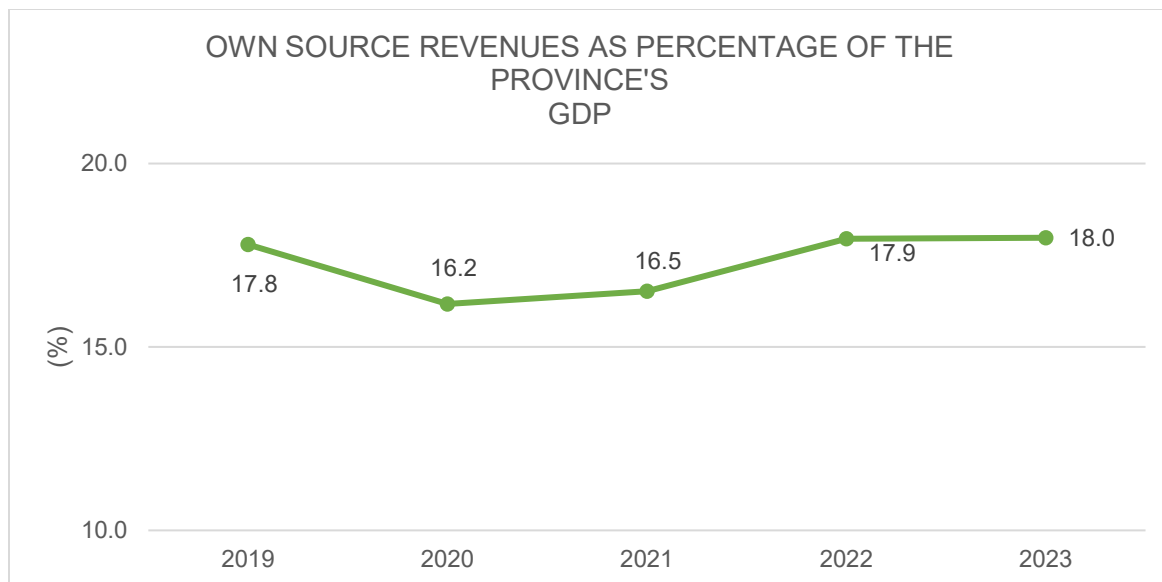
- Non-renewable resources revenue is affected by price, sales and other factors that are often beyond the Province's direct control. Non-renewable resources revenue as a percentage of total expenses is an indicator of how vulnerable the Province is as a result of its dependence on non-renewable resources revenue to fund its expenses.
- The following graph indicates that the Province's non-renewable resources revenue as a percentage of total expenses has decreased from 15.7% in 2019 to 13.2% in 2023.



Note: Figures shown in the above graph include revenues for offshore royalties and mining and mineral rights tax.

PROVINCIAL REVENUES AS A PERCENTAGE OF GDP

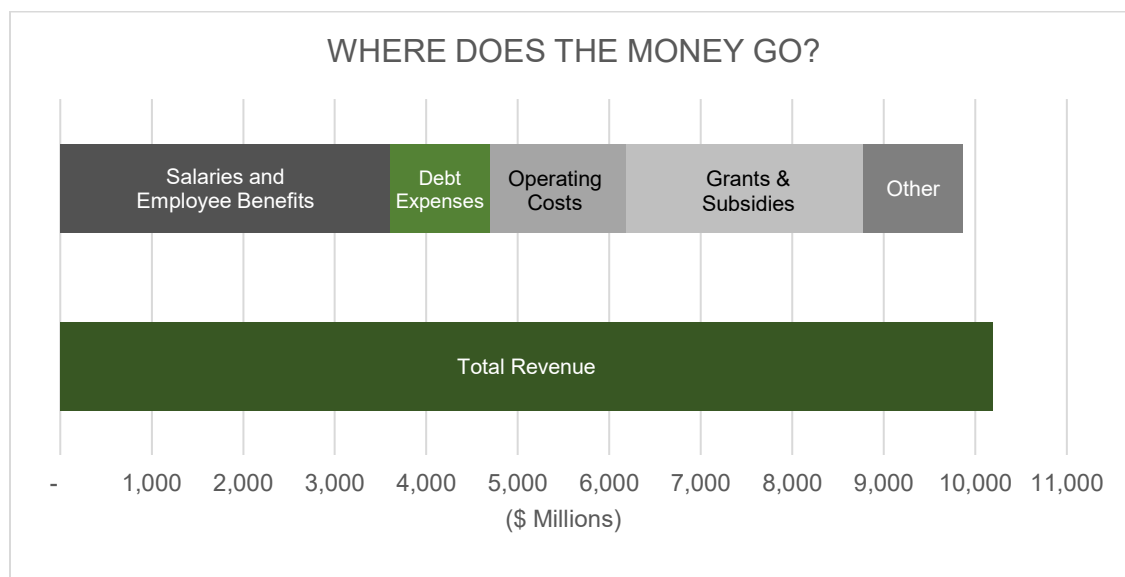
- The purpose of this indicator is to show the extent to which a government is taking income out of the economy in its jurisdiction, through both taxation and user charges.
- The following graph indicates that provincial revenues as a percentage of GDP in the current year increased from 2021-22. The Province's GDP increased in 2022-23 which coincided with an increase in revenue.
- The 2022-23 own source revenues as percentage of the Province's GDP ratio is 18.0%. The percentage increased 0.1 percentage point from 17.9% in 2021-22. This ratio is higher than the five-year average of 17.3%.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR


Note: Figures shown in the above graph use the GDP figures from Newfoundland and Labrador Statistics Agency's website (Selected Economic Indicators Forecast 2013-2027f published as of March 23, 2023). The GDP figures have been restated based on the real GDP for 2019 to 2022.

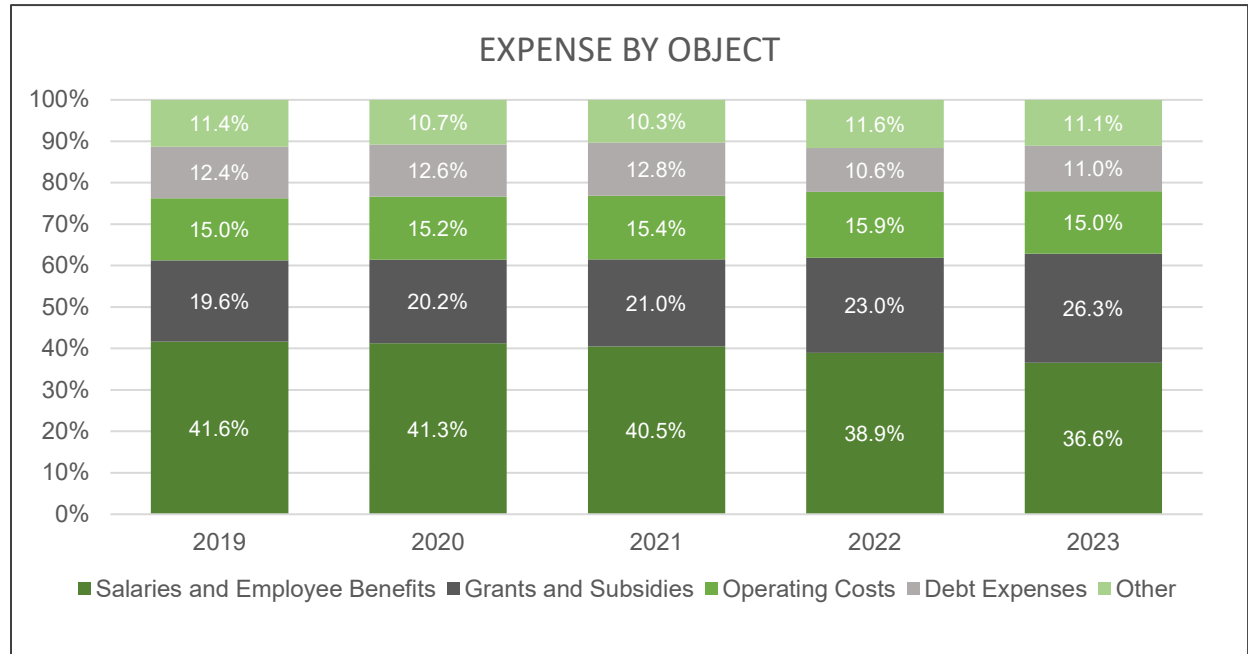
EXPENSE HIGHLIGHTS

The Province's expenses are classified into the following: salaries and employee benefits; grants and subsidies; operating costs; debt expenses; and other expenses including professional services; amortization and (gain)/loss on the sale of tangible capital assets; property, furnishings and equipment; and valuation allowances (recovery). Total expenses of \$9.9 billion were \$445.5 million higher than the Original Budget (\$9.4 billion) and increased by \$1.0 billion from the previous year. Salaries and employee benefits was the Province's largest expense in each of the last five years.



Expenses by Object

The following graph presents the percentage of expenses by object for the previous five-year period. The most significant expense type in 2022-23 was salaries and employee benefits, reflecting the nature of government in providing services to the Province. However, salaries and employee benefits expense as a percentage of total expenses has decreased 5.0 percentage points over the five year period.

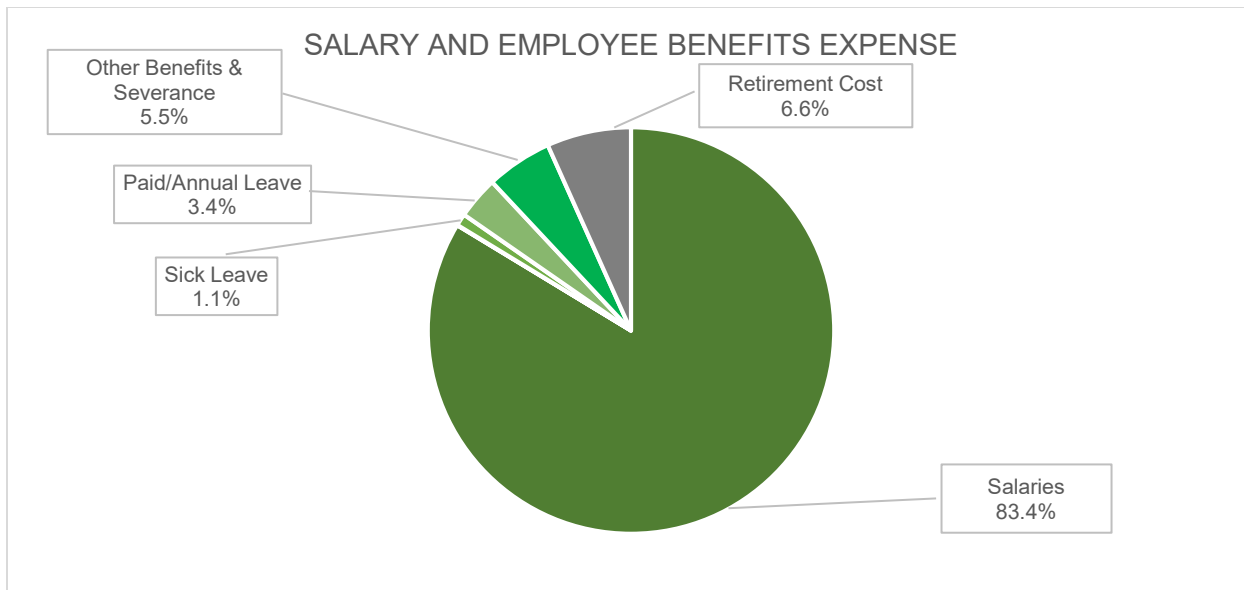


Salaries and Employee Benefits

Salaries and employee benefits consists of the following:

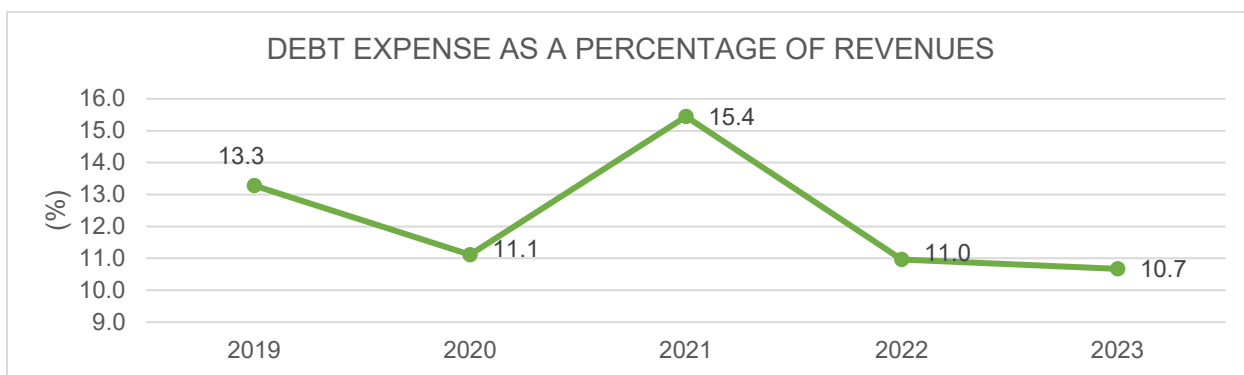
	2022 (\$mil)	2023 (\$mil)
Salaries	2,888.6	3,008.3
Retirement costs	232.0	238.0
Other benefits	181.4	191.0
Paid and annual leave	116.6	123.0
Sick leave	33.2	38.0
Severance	1.0	9.9
Total	3,452.8	3,608.2

¹ Prior year actual results for 2021-22 amounts have been restated as consistent with the Public Accounts 31 March 2023 presentation.



Debt Expense

The following graph presents the percentages of revenues used to pay debt expenses for the past five years. In 2022-23, the Province spent 10.7 cents of each revenue dollar on interest (11.0 cents in 2021-22). This ratio has decreased 19.5% over the five year period. The decrease in this ratio for 2022-23 is primarily driven by higher revenues compared to the prior year.



Compared to Previous Year

The increase in total expenses of \$1.0 billion from 2021-22 to 2022-23 can be attributed to the following:

- Increase of \$561.4 million in grants and subsidies is mainly due to the Cost of Living Program that was implemented during the fiscal year and funding to NL Hydro in 2022-23 to repay the balance in the supply cost variance deferral account. Also contributing to the increase is a higher demand in provincial programs such as settlement costs for new immigrants; funding for Canada Games programming; and support for the Hurricane Fiona Financial Assistance Program. This was offset by a decrease in expenses in COVID-19-related recovery programs.
- Increase of \$155.4 million in salaries and employee benefits, primarily due to increased salary expenses from new collective agreements.
- Increase of \$145.6 million in debt expenses substantially due to an increase in interest rates on treasury bills, and escalating costs of borrowing during 2022-23 in comparison to the 2021-22 fiscal year.
- Increase of \$75.2 million in operating expenses, substantially related to an increase in community support and operational costs in the health care sector.
- Increase of \$54.7 million in professional services, mainly due to increased spending in relation to physician and provincial policing services.
- Increase of \$16.4 million in property, furnishings, and equipment due to increased information technology requirements and the implementation of the province wide radio system.
- \$8.7 million net decreases in other expenses.

Compared to Original Budget

The increase in total expenses of \$445.4 million for 2022-23 compared to Original Budget can be attributed to the following:

- Increase of \$170.6 million in operating expenses and property, furnishings, and equipment predominately due to a higher than expected costs for materials and supplies in the transportation, education and health care sectors. There were also unanticipated requirements for information technology equipment.
- Increase of \$131.2 million in debt expenses, mainly due to discounts and premiums that were not budgeted, higher than anticipated interest rates on treasury bills, and escalating costs of borrowing compared to original budget
- Increase of \$77.1 million in salaries and employee benefits primarily in the health care sector, predominately due to higher demand for health care services and pandemic impacts, as well as retention and recruitment incentives.
- Increase of \$27.9 million in grants and subsidies largely caused by the Cost of Living program approved during the fiscal year which was not included in the original budget. Offset by lower than budgeted expenditures to municipalities under the Canada Community-Building Fund, and lower program expenditures under the Canada Wide Early Learning and Child Care Agreement.
- \$38.6 million net increases in various other expenses.

RISK ANALYSIS

The Province is subject to various forms of risk inherent in the nature of certain financial statement elements and financial markets.

Exposure to risk from the use of accounting and other estimates in recording certain transactions is discussed in Note 22 – Measurement Uncertainty, of the consolidated financial statements of this publication.

Debt related risk including foreign exchange risk, interest rate risk, credit risk, and liquidity risk was discussed previously in the consolidated financial results section, page 15, of this publication.

In terms of Government Business Enterprises and Partnership risk, ALC and Nalcor Energy operate in an environment with various forms of financial risk including changes in interest rates, and fluctuation in foreign currency exchange rates and commodity prices. A combination of financial instruments and portfolio management tools and techniques are utilized to manage these risks.

OPPORTUNITIES

While there is a greater degree of uncertainty than usual regarding the medium-term economic outlook for the Province due to world events, including the war in Ukraine and high global inflation rates, there is reason to be optimistic in the longer term. Various opportunities in the economic forecast exist for oil and gas, wind-powered green hydrogen production, mining, aquaculture, technology and manufacturing industries.

Oil and Gas

- Hibernia oil production resumed in November 2022 and the Hebron project continues to produce oil at a steady pace. Both of these oilfields are anticipated to continue producing beyond 2040.
- The Terra Nova Floating Production, Storage and Offloading (FPSO) vessel is expected to resume production near the end of this year and the Terra Nova project has an estimated 81 million barrels of oil of recoverable reserves remaining.
- Construction of the West White Rose platform resumed in 2023. The work includes the completion of a concrete gravity structure and topsides, which will serve as the drilling platform for the project. First oil is expected in 2026 with peak production anticipated to reach 80,000 barrels per day by 2029. The project is expected to add an additional 14 years of production. As of December 2022, there were 1,075 Newfoundland and Labrador residents working on the West White Rose Project.
- Equinor's Bay du Nord project received environmental approval from the Government of Canada in April 2022. This project is also expected to generate significant economic benefits for the Province. Initial reserve estimates totalled approximately 300 million barrels of recoverable oil with an expected field life between 12 and 20 years and 11,000 person-years of in-province employment. Recent discoveries of oil resources have brought the total estimate to be greater than 500 million barrels of recoverable oil. In May 2023, Equinor announced that it would be postponing the Bay du Nord offshore oil and gas project for up to three years. The company indicated that they will utilize this postponement to continue to actively mature Bay du Nord towards a successful development. Since then, in August 2023, Equinor announced that a contract had been awarded for the Hercules semi-submersible drilling rig to conduct an exploration drilling program in Q2 2024, which will focus on the Sitka prospect and includes an option for an additional well. According to Equinor, the

exploration program will support Equinor's continued optimization of the Bay du Nord project development. This past September, Equinor stated publicly that they are more optimistic that the project will proceed. A final investment decision could occur over the next couple of years with first oil before the end of the decade.

- Exploration drilling programs have potential to create significant activity in the Newfoundland and Labrador offshore area and bode well for the future of the industry in the Province. The Call for Bids for exploration licences in the Eastern Newfoundland Region and South Eastern Newfoundland Region closed with five successful bids being received for the Eastern Newfoundland Region. This past 2023 exploration season saw two exploratory wells drilled in the Newfoundland and Labrador Offshore by BP and ExxonMobil. As noted, Equinor has awarded a contract for the Hercules semi-submersible drilling rig to conduct an exploration drilling program in Q2 2024.

Wind to Hydrogen Energy

- The Province's consistently strong wind resources can be used to generate electricity, including to power the production of green hydrogen. As an energy carrier, green hydrogen is being pursued globally to decarbonize hard to abate sectors, thus creating economic development opportunities for the province. As such, a Crown land nomination and bid process for wind energy projects was announced by Government in July 2022. This fair and transparent, multi-stage process will enable industrial customers to self-generate wind energy for their own consumption, and industrial customers or retailers to generate wind energy for export. On August 30, 2023, the Province announced the completion of the call for bids for wind-hydrogen development on Crown land. Of the 24 proposals that were submitted, four companies received Wind Application Recommendation Letters: EverWind NL Company; Exploits Valley Renewable Energy Corporation; Toqlukuti'k Wind and Hydrogen Ltd. (ABO); and World Energy GH2 Inc.
- In April 2022, the Province and the Government of Canada announced that the mandate of the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) would be expanded to include the regulation of offshore renewables. To implement these changes, the Government of Canada intends to amend the *Canada–Newfoundland and Labrador Atlantic Accord Implementation Act*, and the Province has committed to introducing mirroring legislative amendments. On May 30, 2023, amendments were tabled in the House of Commons. In March 2023, the Government of Canada and the Province launched an 18-month Regional Assessment of the Newfoundland and Labrador offshore area for wind development. The assessment will help inform future decisions about specific offshore wind projects.
- On August 23, 2022, a Declaration of Intent was signed to form a Canada-Germany Hydrogen Alliance between the Governments of Canada and Germany in Stephenville. On September 27, 2022, the Province signed a Declaration of Intent with the Free and Hanseatic City of Hamburg, on cooperation in the field of green hydrogen and hydrogen technologies. On May 9, 2023, the Province signed a Memorandum of Understanding with the Port of Rotterdam to cooperate on green hydrogen opportunities.

Mining

- Mineral exploration continues to be a key economic driver for Newfoundland and Labrador. To date in 2023, the Province has approved over 400 mineral exploration applications and exploration expenditures are estimated to be \$238.6 million for 2023. Mineral exploration expenditures hit a 10 year high in 2022, reaching an estimated \$243.0 million.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

- Gold exploration in central Newfoundland and Labrador's deposits of rare earth elements continues to be a driver of the growth for mineral exploration investment in recent years.
- Iron ore production is expected to increase as the Iron Ore Company of Canada (IOC) increases production, with saleable production estimated at 17.0 million tonnes to 18.7 million tonnes for 2023.
- Tacora Resources Inc. filed for creditor protection under CCAA in October 2023 citing operational and market factors. The company has not been able to ramp up to full production levels of 6.0 million tonnes per year (estimating 65% in 2023). The company has secured a USD \$75 million debtor-in-possession loan to continue operations and undertake a sales and investment solicitation process (SISP) led by a court appointed Monitor. Tacora has resources for a 27 year mine life and invested in manganese reduction technology. The company was investigating the technical and economic viability of manganese as it is a critical mineral used in battery technologies.
- Marathon Gold has started construction of its Valentine Lake gold mine project in 2023 and is expected to produce 195,000 ounces of gold annually over 12 years as production commences. They remain on schedule for first gold production in the first quarter of 2025.
- Expansion of Vale Newfoundland and Labrador's underground nickel mine is continuing at Voisey's Bay, which produced its first ore from the Reid Brook deposit in June 2021. The company employed approximately 3,882 person years in 2023. At full capacity this project is expected to produce approximately 45,000 tonnes of nickel, 20,000 tonnes of copper, and 2,600 tonnes of cobalt annually.

Aquaculture

- Aquaculture is an expanding industry that is becoming an increasingly important economic contributor to rural areas of the Province. The aquaculture sector is anticipated to grow over the next decade. While a strategic push towards innovative technology of marine sites and processing plants is expected to continue, diversification is also being considered as the Province is licensing new species that have potential commercial value.
- Risks to aquaculture include the potential for production scale backs due to mortality events caused by diseases and climate change impacts such as warming water temperatures and storms. The aquaculture industry is well positioned to mitigate such events with investments in fish welfare measures, biophysical monitoring technology and third party engineered sea cage infrastructure.
- The total volume of fish landings increased 13.8 per cent in 2022, and 19.2 percent in corresponding landed value, which is a record value of \$1.20 billion.

Technology

- Another expanding sector is technology. Investments in technology and innovation and expansion of existing technology companies highlight the growth potential of this industry. With the success of local companies such as Verafin, Mysa Smart Thermostats, and CoLab Software, there has been an increase in employment and opportunities.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

- The Province, along with IBM Canada and the Government of Canada, have committed to support Memorial University with a more than \$18 million investment regarding the Centre for Analytics, Informatics and Research and the Accelerated Analytics and Machine Learning initiatives. The collaboration will provide the Province access to high-performance computing and more opportunities for researchers, industry partnerships, and start-up entrepreneurs in the technology sector.
- In December of 2022, a total of \$9.6 million in joint funding was announced between the Government of Canada and the Province, to establish an Innovation Centre for remote operations. This new dynamic space will serve as a hub for some of the Province's greatest homegrown technology talent, capabilities and companies.

Manufacturing

- Cresta Fund Management purchased a controlling equity in the idled Come By Chance oil refinery in late 2021 and have renamed the company to Braya Renewable Fuels. The company is converting the refinery to make renewable diesel and sustainable aviation fuel. Construction began in 2021 on a conversion project, with a commitment to maintain employment at no less than 200 full time equivalent positions. The bio-fuel refinery is currently expected to restart operations before the end of the 2023 calendar year. Once operational, the project will initially supply 18,000 barrels per day of low carbon renewable fuel with expansion plans to increase capacity and enhance production of sustainable aviation fuel.

RISKS

The Province's financial position and fiscal forecast are also subject to various risks in the economic forecast. These risks have the potential to significantly impact the provincial economy and, in turn, the Province's fiscal position. These risks pertain to such items as the commodity market and demographic factors.

Market Conditions

- The Consumer Price Index rose 6.4 per cent in 2022, representing the highest annual inflation rate since 1983. A large portion of the constant increase in global inflation was due to a rebound from deflated energy prices in 2020 and other impacts from the COVID-19 pandemic, including pent-up demand, higher savings, and increased government spending. The state of inflation was further aggravated by Russia's invasion of Ukraine in early 2022. Interest rate increases have resulted to control global inflation.
- Tight credit conditions created by high interest rates, over time, will tend to suppress economic activity within and across jurisdictions and sectors. This can impact businesses of all sizes and lead to delayed or cancelled investment as well as hiring. For businesses facing more challenging circumstances, this can lead to layoffs and downsized operations, as well as loan defaults and bankruptcies.
- Labour and skill shortages are being reported across jurisdictions and sectors and presenting increasing challenges to the ability of businesses to maintain or expand operations. The Province is forecasting a shortage of 79,000 workers within the next decade. In particular, this can significantly impact the ability of companies to launch and complete large, complex investment and infrastructure

projects of the kind the Province is depending upon to drive future economic growth and development. The Province has increased efforts to attract and retain skilled workers.

Demographic Factors

- Aging of the population is one of the most important demographic challenges confronting the Province because of its significant implications for program delivery of many public services, in particular health care. On July 1, 2022, the Province had the highest proportion of people aged 65 and older (23.6%) and the lowest proportion of children aged 0 to 14 (13.0%) across Canada. The births to deaths ratio for the Province in 2022, at 0.6, was the lowest of all provinces. The Province's population increased by 1.1% to 525,972 over the July 1, 2021 to July 1, 2022 period, due to gains from both international and interprovincial migration, partly offset by natural losses (more deaths than births). The Province's population is expected to rise by 1.0 percent in 2023 with net natural losses being offset by significant net in-migration.

Muskrat Falls Project

- Paying for the Muskrat Falls project (MFP) and achieving rate mitigation is one of the biggest challenges facing the Province. In the absence of rate mitigation solutions, the Province risked either additional debt burdens to taxpayers by funding rate mitigation or rising electricity rates for rate payers. These risks have the potential to place downward pressures on the Province's financial position, as well as economic activity across the Province in general.
- On February 14, 2022, a financing agreement between the Province and the Government of Canada was finalized and signed regarding the financial restructuring of the Lower Churchill Projects. The agreement provides \$2.0 billion in federal financing, including a \$1.0 billion investment in the Province's portion of the Projects' Labrador-Island Link (LIL) and a federal loan guarantee of \$1.0 billion for the Projects' Muskrat Falls and Labrador Transmission Assets. In March 2022, Nalcor issued \$1.0 billion in debt backed by the Federal Loan Guarantee. The proceeds of this debt issuance will be used to make principal repayments for the Muskrat Falls and Labrador Transmission Assets Project that come due on or before June 1, 2029.
- As of March 31, 2023, the net amount of debt remaining outstanding is \$9.5 billion, having been reduced by both principal repayments to bond holders and funds held in escrow for future principal repayments.
- A Supply Cost Variance Deferral was established through the Public Utilities Board in the Fall of 2021. With the commissioning of the Muskrat Falls Plant and the Labrador Transmission Assets, in November 2021, costs associated with the operations of these facilities began going into this account as well as any revenues collected from rates relating to the Project. The Deferral Account balance that accumulated up to December 2022 was paid from funds collected from Ratepayers and a \$190 million grant from the Province.
- In April 2023, the LIL was commissioned and the costs associated with the operations of these facilities began going into this account as well. Note 23 in the consolidated financial statements discusses this subsequent event.
- The Province continues to finalize the full rate mitigation plan.

ECONOMIC OUTLOOK AND OVERVIEW

In advance of receiving results of actual revenues collected, the Province relies on its economic and demographic forecasts, and known relationships with administrative data to estimate revenues. Some components of nominal Gross Domestic Product (GDP), such as consumer expenditure, are used to forecast growth in specific tax bases. Other indicators such as household income (including earned income), consumer inflation and population are also used in the projection and estimation of certain revenues.

The following discussion provides an overview of the economic and demographic performance of Newfoundland and Labrador in 2022, as well as an estimate on the performance for 2023. Given the use of estimates, this data is subject to change as updated information becomes available. It should also be noted that all data discussed in this section are reported on a calendar year basis.

ECONOMIC PERFORMANCE IN 2022

The Newfoundland and Labrador economy performed well in 2022, with most economic indicators showing moderate-to-strong growth. In particular, employment, population, and retail sales growth were stronger than anticipated, while high oil prices helped boost the value of nominal exports. Additionally, the tourism sector benefited from a pandemic rebound and the “Come Home 2022” campaign. However, these positives were offset by lower oil and mineral production, resulting in a 1.7 per cent decline in Newfoundland and Labrador’s real GDP. Lower oil and nickel production was due to temporary factors that are not indicative of the level of economic activity in these industries. Investment and employment levels in the mining and oil and gas sector actually increased last year, as development activity on the West White Rose oil project re-started, the ongoing refit of the Terra Nova floating production, storage and offloading (FPSO) vessel continued, and the development of the Voisey’s Bay Mine Expansion project continued. If the negative impacts of lower oil and mineral production were excluded from the GDP calculations, Newfoundland and Labrador’s real GDP would have increased at rates similar to the other Atlantic Provinces in 2022.

The nominal value of Newfoundland and Labrador international exports increased 9.3 per cent to \$15.9 billion in 2022, mainly the result of higher values of oil and nickel exports. The value of oil exports increased 26.7 per cent due to a higher average price for Brent crude oil in 2022 (+42.6 per cent). The value of nickel exports was up 35.4 per cent, due to a 38.7 per cent increase in nickel prices. These increases were partly offset by declines in the value of iron ore and seafood product exports. Iron ore prices were historically high in 2021, but returned toward normal levels in 2022. Similarly, market prices for snow crab, which is the highest valued species in the Province’s seafood processing sector, peaked at a historical high in 2021 before falling by nearly 30% in 2022, but remained relatively high on a historical basis.

Capital investment in Newfoundland and Labrador was \$8.0 billion in 2022, an increase of 11.3 per cent from 2021 (see the Capital Investment Chart). Residential investment spending increased 25.7 per cent in 2022, mainly due to strong housing start numbers in the Province, up 35.1 per cent for the year. Non-residential spending rebounded from depressed levels in 2020 and 2021—stemming mainly from the suspension of construction activity in many sectors due to the COVID-19 pandemic. Investment in the oil and gas sector increased significantly in 2022 compared to 2021, most notably investment related to the Terra Nova FPSO vessel, which underwent a major refit in Spain throughout most of the year. Investment spending also increased on all other oil projects, including the West White Rose project, preliminary work on the Bay du Nord project, and drilling and maintenance work on the Hibernia project.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

Economic Indicators

Newfoundland and Labrador

	<u>2021</u>	<u>2022</u>	<u>2023f</u>
GDP at Market Prices (\$ Millions)	37,927	42,049	40,627
% Change	17.7	10.9	-3.4
% Change, Real	0.6	-1.7	2.8
Final Domestic Demand (\$ Millions)	35,310	38,041	39,786
% Change	5.7	7.7	4.6
% Change, Real	2.8	3.0	2.1
Household Income (\$ Millions)	27,893	30,184	31,484
% Change	6.3	8.2	4.3
% Change, Real	2.5	1.7	1.0
Household Disposable Income (\$ Millions)	19,288	20,841	21,647
% Change	7.5	8.1	3.9
% Change, Real	3.7	1.6	0.6
Retail Sales (\$ Millions)	10,422	11,221	11,597
% Change	11.1	7.7	3.4
% Change, Real	6.3	1.4	0.1
Consumer Price Index (2002=100)	144.7	153.9	158.9
% Change	3.7	6.4	3.2
Investment, Gross Fixed Capital Formation (\$ Millions)	7,224	8,040	8,694
% Change	-3.7	11.3	8.1
% Change Real	-8.7	6.0	6.9
Housing Starts	1,021	1,379	1,412
% Change	33.8	35.1	2.4
Employment ('000s)	222.8	232.5	237.7
% Change	3.4	4.4	2.2
Labour Force ('000s)	256.3	262.0	264.4
% Change	1.9	2.2	0.9
Unemployment Rate (%)	13.1	11.3	10.1
Participation Rate (%)	57.6	58.4	58.2
Population ('000s)	520.5	526.0	531.1
% Change	-0.2	1.1	1.0

Updated April 27, 2023

f: forecast

Source: Economics Division, Department of Finance

Retail sales, which typically account for about 55 per cent of total consumer spending, totalled \$11.2 billion in 2022. This was a 7.7 per cent increase compared to 2021. Retail sales were up in most categories, consistent with higher overall prices for consumer goods. Higher retail sales were led by 'Gasoline stations' sales, which increased 16.7 per cent, mostly the result of higher gasoline prices.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

Notable sales increases were also seen in 'Food and beverage stores' (+8.7 per cent) and 'Grocery and convenience retailers' (+8.4 per cent).

Consumer spending consists of expenditures on all goods and services within an economy. Despite near record-high inflation, consumer spending remained strong in the Province in 2022, partly due to pandemic-induced pent-up demand and savings. Consumer spending, adjusted for inflation, increased by 3.0 per cent to \$16.7 billion in 2022, with the largest increases concentrated in service industries, particularly restaurants and hotels.

Total employment increased to 232,500 persons in 2022, a 4.4 per cent increase over 2021. Employment gains were seen in both full and part-time employment, and across all major age groups. The number of employees increased in both the private and public sectors, with gains spread evenly across the goods-producing sector and the services-producing sector. Many service-sector industries have now seen employment recover to, or in some cases exceed, pre-pandemic levels. There were notable gains in 'Transportation and warehousing' (+36.3 per cent) and tourism-related industries, such as 'Accommodation and food services' (+19.3 per cent). In the goods-producing sector, 'Mining, quarrying, and oil and gas extraction' (+16.7 per cent) and 'Construction' (+9.4 per cent) recorded the largest gains.

The Province's labour force increased 2.2 per cent to 262,000 persons in 2022, due to an increase in the labour force age population (those age 15 years and older) and higher labour force participation. These factors led to a 1.8 percentage point decrease in the unemployment rate, which, at 11.3 per cent in 2022, is the lowest annual unemployment rate on record for the Province since consistent Labour Force Survey records began in 1976.

Low levels of unemployment, combined with high inflation, resulted in higher wages in the Province in 2022. Average weekly earnings in the Province were \$1,149.92 in 2022. This represented an increase of 4.7 per cent over 2021, and was the second highest growth rate among Provinces, behind only New Brunswick (5.7 per cent). Average weekly earnings for Canada were \$1,165.51 in 2022, up 3.1 per cent from 2021.

Newfoundland and Labrador's population stood at 525,972 as of July 1, 2022, an increase of 5,520 persons, or 1.1 per cent, compared to July 1, 2021. This represents the largest annual population increase in the Province since 1976. The population increase was driven by both international and interprovincial in-migration, which offset losses due to natural population change (i.e., fewer births than deaths). Net international in-migration totalled 4,884 from July 1, 2021 to July 1, 2022, the largest increase in the Province's history since consistent records began in 1971 (the previous high was 1,882 in 1993). This large influx of international migrants was partly due to the Province welcoming Afghan and Ukrainian citizens who fled, or were displaced, from their home countries throughout the year, but also partly due to increased effort by the provincial government to attract and retain skilled workers. A backlog of immigration applications stemming from the pandemic also likely contributed to the increase. Net interprovincial in-migration increased for a second consecutive year, following four years of decline. Net interprovincial in-migration totalled 2,930 from July 1, 2021 to July 1, 2022, the largest total recorded since consistent records began in 1971 (the previous high was 1,877 in 2009). Interprovincial in-migration was heavily concentrated in individuals coming the Province from Ontario, while out-migration of the Province's population was mainly to Ontario and Alberta. Losses from natural population changes (i.e., births less deaths) totalled 2,294, accelerating for the sixth consecutive year due to a rising number of deaths, reflecting an aging population and factors related to the pandemic. The births to deaths ratio for Newfoundland and Labrador, at 0.6, was the lowest of all provinces. New Brunswick, Nova Scotia, Prince Edward Island and British Columbia were also below 1.0. Of note, annual births increased slightly in the Province for the first time since 2014.

ECONOMIC OUTLOOK

At the time of Budget 2023, real GDP was forecast to increase by 2.8 per cent in 2023. However, given the year-to-date performance of some key economic performance indicators, particularly oil and mineral production, this estimate is likely to be revised downward. Similarly, the value of real exports were forecast to increase by 5.4 per cent—this estimate will also be likely revised downward due to lower than expected oil and mineral production. Most other economic indicators are on track to meet Budget 2023 expectations, as indicated below.

Household income is expected to increase by 4.3 per cent in 2023, following an 8.2 per cent increase in 2022. Strong wage growth will be partially offset by lower government transfers, as temporary cost-of-living measures elevated 2022 transfer levels. Income growth is anticipated to continue to support retail sales, which are expected to increase by 3.4 per cent in 2023. The rate of consumer inflation remained high in the first half of 2023. It began moderating in the second half of the year as the effects of the Bank of Canada's interest rate increases impact the economy. However, some uncertainty remains and a rebound in energy prices or disruptions caused by world events may lead to further inflationary pressures.

The Province's population is projected to rise by 1.0 per cent with net natural losses being offset by significant net in-migration. Given year-to-date population numbers so far in 2023, this estimate will likely be revised slightly upward.

Capital investment is expected to increase by 8.1 per cent to \$8.7 billion in 2023, as the West White Rose project ramps up again and the Voisey's Bay Mine Expansion project continues (see the Capital Investment Chart).

While a set date has not yet been announced for either to return to production, progress has been made with both the Terra Nova oil project, which returned to sea in August, and the newly converted bio-fuel refinery in Come By Chance. The resumption of development work on the West White Rose project and continued government investment in infrastructure projects, such as the new mental health facility in St. John's, will contribute to increased construction activity.

There are reasons for continued optimism in the longer term, with growth opportunities in the oil and gas, mining, and aquaculture industries forecast to increase economic activity. There is substantial oil and gas exploration potential for new discoveries in addition to tieback opportunities for existing projects in Newfoundland and Labrador's offshore.

Newfoundland and Labrador has an abundance of renewable energy resources that positions the Province well to meet its net-zero commitments, address climate change, and to grow clean energy jobs and economic development. The five-year Renewable Energy Plan "Maximizing our Renewable Future: A Plan for the Development of the Renewable Energy Industry in Newfoundland and Labrador" was released in December 2021, and provides a sustainable long-term vision for Newfoundland and Labrador to maximize its renewable energy future. The plan has four specific focus areas, all with short-term (within one year), medium-term (within two years) and long-term (two to five years) actions for each: Energy Uses and Markets; Regulatory Framework; Partnerships, Innovation and Industry Support; and, Training and Jobs.

There is significant interest in developing the Province's wind resources to produce green hydrogen. On August 23, 2022, a Declaration of Intent to establish a Canada-Germany Hydrogen Alliance was signed between the Governments of Canada and Germany in Stephenville. With abundant wind resources, Newfoundland and Labrador is well-positioned to meet the clean energy needs of Canada and other countries, such as Germany. In December 2022, the provincial government announced the launch of a Crown land call for bids for wind energy projects, which closed on March 3, 2023. On February 23, 2023, the provincial government released a new wind-hydrogen fiscal framework that will be applicable to wind-hydrogen projects in the Province – it includes crown land fees, wind electricity tax, water use fee and

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

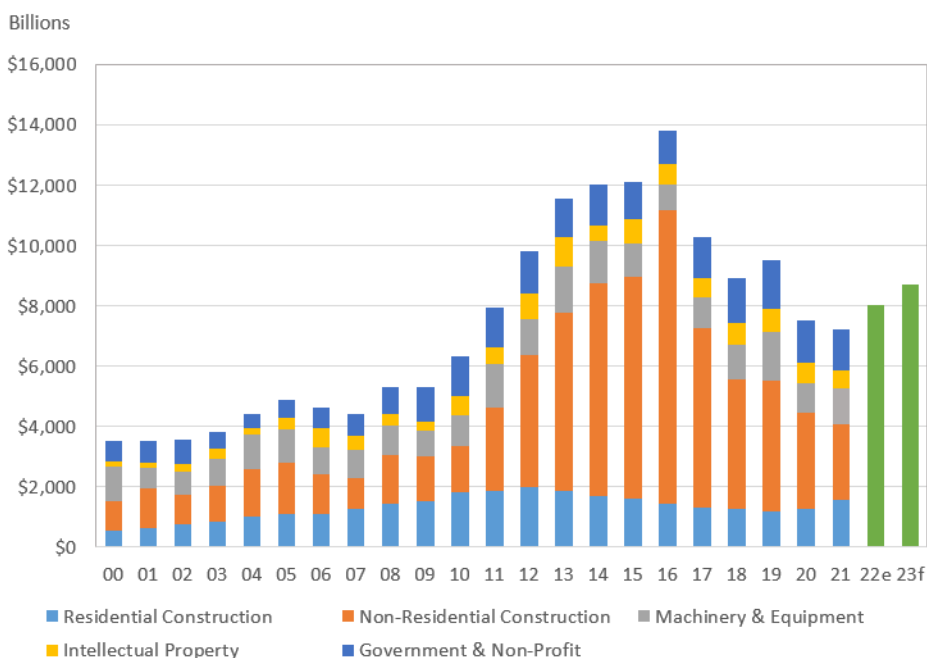
water royalty. On May 9, 2023, the provincial government signed a Memorandum of Understanding with the Port of Rotterdam to cooperate on green hydrogen opportunities. On August 30, 2023, the provincial government announced the completion of the call for bids for wind-hydrogen development on Crown land. Of the 24 proposals that were submitted, four companies received Wind Application Recommendation Letters: EverWind NL Company; Exploits Valley Renewable Energy Corporation; Toqlukuti'k Wind and Hydrogen Ltd. (ABO); and World Energy GH2 Inc.

In the mining sector, iron ore production is expected to increase as the Iron Ore Company of Canada increases production and construction activities associated with a gold mine in central Newfoundland, the Valentine Gold project owned by Marathon Gold, started in 2023. Gold exploration on the island portion of the province is expected to remain high in the year ahead.

The aquaculture sector is anticipated to grow over the next decade. A strategic push towards innovative technology of marine sites and in processing plants is expected to continue. Diversification is also at the forefront, with the province licensing new species that have commercial potential over the coming years.

The Government of Newfoundland and Labrador also continues to work proactively with the technology and film and television sectors to create more opportunities and accelerate growth within those industries.

Capital Investment, NL, 2000-2023f



e: estimate; f: forecast

Source: Statistics Canada; Department of Finance

RISKS AND ADJUSTMENTS

Although these economic indicators for 2022 and 2023 form the basis for the final revenues presented in the 2022-23 Public Accounts, they are still projections and are subject to change. Further economic and administrative data relating to 2022 and 2023 are expected in the future. New data may result in adjusted revenues with respect to the taxation years reported in this document. Such differences will be reflected

in subsequent fiscal years as prior year adjustments. As a result, differences may arise between estimated and actual revenues reported in these Public Accounts.

GLOSSARY OF TERMS

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

<i>Accrual Basis:</i>	A method of accounting whereby revenues are recorded when earned and expenses are recorded when liabilities are incurred.
<i>Accumulated Deficit:</i>	Liabilities less total assets. This equals the net accumulation of all annual surpluses and deficits experienced by the Province.
<i>Annual Surplus/ (Deficit):</i>	The excess of annual revenues (expenses) over annual expenses (revenues).
<i>Original budgetary Contribution/ (Requirement):</i>	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.
<i>Cash Basis:</i>	A method of accounting whereby revenues are recorded when received and expenditures are recorded when paid.
<i>Deferred Revenue:</i>	Represents funding received in advance of revenue recognition criteria being met.
<i>Financial Assets:</i>	Assets (such as cash, receivables and investments) to be used to reduce existing or future liabilities.
<i>GDP:</i>	Gross Domestic Product (at market prices) of the Province.
<i>Interest Cost:</i>	Interest on the Province's debt (e.g. borrowings, unfunded pension liability), as well as, other debt related expenses.
<i>Net Borrowings:</i>	Total borrowings (debentures, treasury bills, etc.) less sinking funds. Also referred to as provincial debt in this report.
<i>Net Debt:</i>	Liabilities less financial assets.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

<i>Non-Financial Assets:</i>	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.
<i>Tangible Capital Assets:</i>	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.
<i>Unfunded Pension Liability:</i>	The total unpaid pension benefits earned by existing/former employees and retirees less the value of assets set aside to fund the benefits. Also included is the outstanding balance of the promissory notes as issued from the pension reform.



Province of Newfoundland and Labrador

Consolidated Summary Financial Statements

**For The Year Ended
31 March 2023**

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25 October 2023

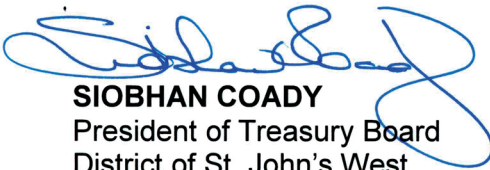
STATEMENT OF RESPONSIBILITY

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, Office of the Executive Council 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, a Consolidated Statement of Remeasurement Gains and Losses, and notes. Other schedules and notes that are included also form an integral part of these statements.

Pursuant to Section 16 of the *Auditor General Act, 2021*, the Auditor General of Newfoundland and Labrador provides an independent opinion on the consolidated summary financial statements.



SIOBHAN COADY
President of Treasury Board
District of St. John's West



Julie Moore, MBA, CPA, CMA
Comptroller General (A)
Treasury Board Secretariat

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OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

INDEPENDENT AUDITOR'S REPORT

To the House of Assembly
Province of Newfoundland and Labrador

Report on the Audit of the Consolidated Summary Financial Statements

Opinion

I have audited the consolidated summary financial statements of the Province of Newfoundland and Labrador, which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of change in net debt, operations, change in accumulated deficit, remeasurement gains and losses and cash flows for the year then ended, and notes to the consolidated summary financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated summary financial statements present fairly, in all material respects, the consolidated financial position of the Province of Newfoundland and Labrador as at March 31, 2023, and its consolidated results of operations, consolidated change in its net debt, consolidated change in its accumulated deficit, consolidated remeasurement gains and losses and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Summary Financial Statements section of my report. I am independent of the Province of Newfoundland and Labrador in accordance with the ethical requirements that are relevant to my audit of the consolidated summary financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

Without modifying my opinion, I draw attention to Government's commitment to ensure electricity rates in this Province are not impacted by the Muskrat Falls Project. Government has not finalized specific strategies for its rate mitigation plan. Implementation of this plan may have a significant impact on the Province's consolidated summary financial statements in future years.

Independent Auditor's Report (cont.)

Other Information

Management is responsible for the other information. The other information comprises the information in the Public Accounts of Newfoundland and Labrador, but does not include the consolidated summary financial statements and my auditor's report thereon.

My opinion on the consolidated summary financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated summary financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated summary financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Summary Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated summary financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated summary financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated summary financial statements, management is responsible for assessing the Province of Newfoundland and Labrador's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Province of Newfoundland and Labrador's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Summary Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated summary financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will

Independent Auditor's Report (cont.)

always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated summary financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated summary financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Province of Newfoundland and Labrador's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Province of Newfoundland and Labrador's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated summary financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Province of Newfoundland and Labrador to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated summary financial statements, including the disclosures, and whether the consolidated summary financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report (cont.)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated summary financial statements to express an opinion on the consolidated summary financial statements. I am responsible for the direction, supervision, and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



DENISE HANRAHAN, CPA, CMA, MBA, ICD.D
Auditor General

October 27, 2023
St. John's, Newfoundland and Labrador

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Financial Position As at 31 March 2023 with comparative figures for 2022

	<u>Actuals 2023</u>	<u>Actuals 2022</u>
	(\$000)	(Note 17, 26) (\$000)
FINANCIAL ASSETS		
Sch. 1 Cash and temporary investments - note 2	1,375,131	1,595,030
Sch. 1 Receivables (net of valuation allowances)	3,401,784	3,484,851
Inventories held for resale - note 3	4,708	4,813
Sch. 2 Loans, advances and investments (net of valuation allowances) - note 4	422,444	392,310
Sch. 6 Sinking fund assets	1,383,955	1,378,865
Sch. 3 Equity in government business enterprises and partnership - note 1(b)	<u>7,223,906</u>	<u>6,590,395</u>
Total Financial Assets	<u>13,811,928</u>	<u>13,446,264</u>
LIABILITIES		
Sch. 5 Payables, accrued and other liabilities - note 5	4,032,312	3,560,281
Deferred revenue - note 6	350,169	472,434
Sch. 6 Borrowings	18,419,338	18,582,629
Plus: Unamortized premiums (discounts) and issuance fees - note 7	<u>(312,252)</u>	<u>(237,319)</u>
	18,107,086	18,345,310
Group health and life insurance retirement benefits - note 8	3,461,738	3,353,621
Unfunded pension liability - note 9	405,761	579,815
Plus: Promissory notes - note 9	<u>3,965,398</u>	<u>4,049,858</u>
Total Liabilities	<u>4,371,159</u>	<u>4,629,673</u>
Total Liabilities	<u>30,322,464</u>	<u>30,361,319</u>
NET DEBT	<u>16,510,536</u>	<u>16,915,055</u>
NON-FINANCIAL ASSETS		
Sch. 10 Tangible capital assets	4,844,173	4,850,264
Prepaid and deferred charges - note 10	77,226	67,326
Inventories of supplies - note 3	<u>95,231</u>	<u>110,048</u>
Total Non-Financial Assets	<u>5,016,630</u>	<u>5,027,638</u>
ACCUMULATED DEFICIT	<u>11,493,906</u>	<u>11,887,417</u>
Accumulated deficit is comprised of:		
Accumulated operating deficit	11,570,047	11,887,417
Accumulated remeasurement gains and (losses)	<u>76,141</u>	<u>-</u>
	<u>11,493,906</u>	<u>11,887,417</u>
Contractual Rights - note 19		Contingent Assets - note 20
Externally Restricted Assets - note 15		Contingent Liabilities - note 11
Sch. 7 Guaranteed Debt - notes 11(a) and 16		Contractual Obligations - note 14
Sch. 9 Trust Accounts - note 11(c)(i)		

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 2023 with comparative figures for 2022

	Actuals 2023 (\$000)	Original Budget 2023 Unaudited (Note 24) (\$000)	Actuals 2022 (Note 17, 26) (\$000)
NET DEBT - beginning of period	16,915,055	16,513,280	16,016,181
Add (Deduct):			
Adjustments - note 17			
Change in Government reporting entity	-	-	24,797
Government organization changes	5,766	-	504
Asset retirement obligation	-	-	518,567
ADJUSTED NET DEBT - beginning of period	<u>16,920,821</u>	<u>16,513,280</u>	<u>16,560,049</u>
Operating Surplus (Deficit) for the period	<u>323,136</u>	<u>(351,404)</u>	<u>(277,270)</u>
Changes in tangible capital assets			
Acquisition of tangible capital assets	337,961	525,297	431,711
Net book value of tangible capital asset disposals/adjustments	(3,734)	-	(2,129)
Amortization of tangible capital assets	(340,318)	(335,745)	(336,045)
<i>Increase (Decrease) in net book value of tangible capital assets</i>	<u>(6,091)</u>	<u>189,552</u>	<u>93,537</u>
Changes in other non-financial assets			
Acquisition of prepaid and deferred charges (net of usage)	9,900	-	1,239
Acquisition of inventories of supplies (net of consumption)	(14,817)	-	9,130
<i>Increase (Decrease) in other non-financial assets</i>	<u>(4,917)</u>	<u>-</u>	<u>10,369</u>
Changes in net debt from operations			
Sch. 3 Other comprehensive (income) loss	-	-	(26,170)
<i>Other comprehensive (income) loss</i>	<u>-</u>	<u>-</u>	<u>(26,170)</u>
<i>Increase (Decrease) in net debt excluding net remeasurement gains and (losses)</i>	<u>(334,144)</u>	<u>540,956</u>	<u>355,006</u>
Net remeasurement gains and (losses)			
Opening balance adjustment	30,782	-	-
Net remeasurement gains and (losses) for the year	45,359	-	-
Increase (Decrease) in net debt	<u>(410,285)</u>	<u>540,956</u>	<u>355,006</u>
NET DEBT - end of period	<u><u>16,510,536</u></u>	<u><u>17,054,236</u></u>	<u><u>16,915,055</u></u>

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Operations For the year ended 31 March 2023 with comparative figures for 2022

	Actuals 2023	Original Budget 2023 Unaudited (Note 24)	Actuals 2022 (Note 17, 26)
	(\$000)	(\$000)	(\$000)
REVENUE			
Sch. 11 Provincial			
Sch. 11 Taxation	5,241,218	4,473,021	4,501,873
Sch. 11 Investment	177,698	73,864	96,906
Sch. 11 Fees and fines	459,802	315,917	500,653
Sch. 11 Offshore royalties	1,166,095	865,693	1,196,034
Sch. 11 Miscellaneous	514,132	485,062	511,173
Sch. 11 Federal	1,705,158	1,942,527	1,387,247
	<u>9,264,103</u>	<u>8,156,084</u>	<u>8,193,886</u>
Sch. 4 Net income of government business enterprises and partnership	926,096	914,103	395,543
Total Revenue	<u>10,190,199</u>	<u>9,070,187</u>	<u>8,589,429</u>
EXPENSE			
Sch. 12 General Government Sector and Legislative Branch	2,331,743	2,236,136	1,916,591
Sch. 12 Resource Sector	993,264	768,966	804,134
Sch. 12 Social Sector	6,542,056	6,416,489	6,145,974
Sch. 13 Total Expense	<u>9,867,063</u>	<u>9,421,591</u>	<u>8,866,699</u>
ANNUAL OPERATING SURPLUS (DEFICIT)	<u>323,136</u>	<u>(351,404)</u>	<u>(277,270)</u>

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

SUMMARY FINANCIAL STATEMENTS

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Accumulated Deficit
For the year ended 31 March 2023
with comparative figures for 2022

	Actuals 2023 (\$000)	Original Budget 2023 Unaudited (Note 24) (\$000)	Actuals 2022 (Note 17, 26) (\$000)
ACCUMULATED OPERATING DEFICIT - beginning of period	11,887,417		11,165,778
Add (Deduct):			
Adjustments - note 17			
Change in Government reporting entity	-		25,575
Government organization changes	5,766		504
Asset retirement obligation	-		444,460
ADJUSTED ACCUMULATED OPERATING DEFICIT - beginning of period	11,893,183		11,636,317
Operating Surplus (Deficit) for the period	323,136	(351,404)	(277,270)
Sch. 3 Other comprehensive (income) loss	-		(26,170)
Accumulated operating deficit – end of period	11,570,047		11,887,417
Accumulated remeasurement gains and (losses) – end of period	76,141		-
ACCUMULATED DEFICIT - end of period	<u>11,493,906</u>		<u>11,887,417</u>

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Remeasurement Gains and Losses For the year ended 31 March 2023

	Actuals 2023 <u>(\$000)</u>
ACCUMULATED REMEASUREMENT GAINS AND (LOSSES) - beginning of period	-
Opening Adjustments - note 1(e)	30,782
ADJUSTED ACCUMULATED REMEASUREMENT GAINS AND (LOSSES) - beginning of period	<u>30,782</u>
UNREALIZED GAINS (LOSSES) ATTRIBUTABLE TO:	
Foreign exchange	(22,630)
Derivatives	(100)
Portfolio investments	(894)
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS:	
Foreign exchange	8,687
Portfolio investments	291
Sch.3 Other comprehensive income (loss)	60,005
Net remeasurement gains and (losses) for the period	<u>45,359</u>
ACCUMULATED REMEASUREMENT GAINS AND (LOSSES) – end of period	<u><u>76,141</u></u>
Accumulated remeasurement gains and (losses) is comprised of:	
Foreign exchange	(6,833)
Derivatives	86
Portfolio investments	19,183
Accumulated other comprehensive income	<u>63,705</u>
Total accumulated remeasurement gains and (losses)	<u><u>76,141</u></u>

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Cash Flows For the year ended 31 March 2023 with comparative figures for 2022

	Actuals 2023 (\$000)	Actuals 2022 (Note 17, 26) (\$000)
Funds provided from (applied to):		
OPERATIONS		
Annual operating surplus (deficit)	323,136	(277,270)
Add (Deduct) non-cash items:		
Accounts receivable	72,388	46,002
Accounts payable	472,031	502,992
Amortization of foreign exchange (gains)/losses, (premiums)/discounts and issuance fees	11,008	(13,638)
Amortization of tangible capital assets	340,318	336,045
Retirement costs	(64,355)	(85,448)
Valuation allowances	18,385	31,878
Unremitted net income of government business enterprises and partnership	(573,506)	(62,432)
Sinking fund earnings	(49,278)	(45,525)
Deferred revenue	(122,265)	(99,427)
Other	(45,699)	(88,347)
Special purpose funds/contractors' holdback funds	7,125	680
Net cash provided from (applied to) operating transactions	389,288	245,510
CAPITAL		
Acquisitions	(337,961)	(950,278)
Disposals	1,617	110
Net cash provided from (applied to) capital transactions	(336,344)	(950,168)
FINANCING		
Debt issued	1,705,230	1,554,140
Debt retirement	(1,902,394)	(472,686)
Retirement of pension liabilities	(1,900)	(4,246)
Retirement of promissory note	(84,460)	(79,678)
Sinking fund contributions	(41,312)	(42,257)
Sinking fund proceeds	103,483	100,186
Treasury bills purchased	8,855,995	8,439,898
Treasury bills redeemed	(8,867,449)	(8,441,269)
Net cash provided from (applied to) financing transactions	(232,807)	1,054,088
INVESTING		
Loan repayments	18,039	25,563
Investment in government business enterprises	-	(250,000)
Loan advances	(12,596)	(9,937)
Investments	(45,479)	(8,174)
Net cash provided from (applied to) investing transactions	(40,036)	(242,548)
Net cash provided (applied)	(219,899)	106,882
Cash and temporary investments - beginning of period	1,595,030	1,488,148
CASH AND TEMPORARY INVESTMENTS - end of period - note 2	1,375,131	1,595,030

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

SUMMARY FINANCIAL STATEMENTS

PROVINCE OF NEWFOUNDLAND AND LABRADOR**Notes to the Consolidated Financial Statements
For the year ended 31 March 2023****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 and government business partnership, are consolidated after adjusting them to a basis consistent with the accounting policies described below. Inter-organizational transactions and balances are eliminated.

Government business enterprises are organizations, included in the reporting entity, that have 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.

A government partnership exists when the Government has entered into a contractual arrangement with one or more partners outside the government reporting entity where these partners cooperate to achieve clearly defined common goals and share on an equitable basis, the significant risks and benefits associated with operating a government partnership.

A government business partnership is a government partnership that has the financial and operating authority to carry on a business and sell goods and services to individuals and organizations other than the partners as its principal activity and source of revenue.

Government business enterprises and government business partnerships are recorded on the modified equity method. Under this method, the Government's proportionate share of equity in these organizations are adjusted annually to reflect the net income/loss and other net equity changes of the organizations without adjusting the organization'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.

SUMMARY FINANCIAL STATEMENTS**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****(ii) Revenues**

Revenues from the Government of Canada under the federal-provincial fiscal arrangements, health and social transfers and tax collection agreements are based on regular entitlements received for the current year and adjusted against future years' revenues when known. Government transfers are recognized as revenue in the period during which the transfer is authorized and all eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recorded as deferred revenue and are recognized as revenue when the funds are used as intended.

Revenues from provincial tax sources are accrued in the year earned based upon estimates using statistical models and prior year actuals. Tax revenues are recorded at the amount estimated, after considering certain adjustments for non-refundable tax credits and other adjustments from the federal government. Refundable tax credits are not recognized as a reduction of tax revenues. Tax revenues are recorded net of any tax concessions or expenditures that reduce the amount of tax payable. Transfers made through the tax system that do not affect the amount of tax payable are recorded as expenses.

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

Cash and temporary investments represent the cash position including bank balances and short-term, highly liquid investments that are readily convertible to known amounts of cash. Temporary investments are recorded at cost or market value, whichever is lower.

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

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, advances and mortgages receivable are recorded at cost, less any concessionary terms. Concessionary terms represent the difference between the face value and the present value of the loan and are accounted as expenses on the Consolidated Statement of Operations. Valuation allowances are recorded to reflect assets at the lower of cost or net recoverable value. Loans made by the Province that are expected to be recovered from future appropriations are accounted for as expenses by providing valuation allowances. Interest revenue on loans receivable is recognized when earned and ceases when collection is not reasonably assured.

SUMMARY FINANCIAL STATEMENTS**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Investments in equity instruments that are quoted in an active market are measured at fair value. Unrealized changes in fair value are recognized in the Consolidated Statement of Remeasurement Gains and Losses until they are realized and then transferred to the Consolidated Statement of Operations. Other investments administered by Memorial University of Newfoundland which includes its bond portfolio have been recorded at fair value as the university manages and reports performance of it on a fair value basis. Sinking fund investments in fixed income securities are recorded at amortized cost using the effective interest method. Other investments are recorded at cost, less any concessionary terms. Concessionary terms represent the difference between the face value and the present value of the investment and are accounted as expenses on the Consolidated Statement of Operations. Investments are written down when there is a loss in value that is other than a temporary decline.

For financial instruments recorded at fair value, fair value is the estimated amount for which a financial instrument could be exchanged based on current market conditions in an arm's length transaction between a willing buyer and seller. Fair value measurements are classified using the following fair value hierarchy that reflects the inputs used to determine the valuation:

Level 1 – Unadjusted quoted prices from active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices used in Level 1 that are observable either directly as prices or indirectly as derived from prices.

Level 3 – Valuation for the financial instrument is not based on observable market data.

Financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is recorded in the Consolidated Statement of Operations, and any applicable unrealized gain and loss is adjusted through the Consolidated Statement of Remeasurement Gains and Losses.

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

Unrealized foreign exchange gains and losses result when assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end rate of exchange. Unrealized foreign exchange gains and losses are recognized in the Consolidated Statement of Remeasurement Gains and Losses. In the period of settlement, the unrealized foreign exchange gains and losses are reversed on the Consolidated Statement of Remeasurement Gains and Losses and recognized in the Consolidated Statement of Operations.

Tangible capital assets held by the Province are recorded at cost or estimated cost less accumulated amortization. Cost also includes the estimated cost of legally required activities associated with retirement of a tangible capital asset. Assets acquired via public private partnership (P3) are recognized as a tangible capital asset when the Province acquires control of the asset. Contracts for P3 assets generally require the private sector partner to design, build, finance, operate and/or maintain the asset. The cost of a P3 asset is initially measured at fair value and subsequently amortized over its useful life similar to other tangible capital assets.

(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.

A liability for asset retirement obligations is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be required to be given up, and a reasonable estimate of the amount can be made. These liabilities include the costs

SUMMARY FINANCIAL STATEMENTS**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

directly attributable to asset retirement activities and are measured based on the best estimate of expenditures required to complete the retirement activities as at year-end. Asset retirement costs are capitalized by increasing the carrying value of the related tangible capital assets by the same amount as the liability, and amortized on the same basis as the related tangible capital assets. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

A liability for remediation of contaminated sites is recognized when an environmental standard exists, contamination exceeds the environmental standard, the government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. An obligation is not recognized unless all criteria above are satisfied.

A liability recognized in relation to a P3 arrangement is initially measured at the same amount as the related infrastructure asset reduced for any consideration previously provided to the private sector partner. Subsequent measurement of a liability is done at amortized cost using the effective interest method.

Deferred revenue represents amounts received but not earned.

Borrowings, except treasury bills, are recorded at amortized cost using the effective interest method. 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 at that date and the amount is recognized as unrealized foreign exchange gains and losses in the Consolidated Statement of Remeasurement Gains and Losses. Premiums and discounts relating to the issuance of debentures as well as issuance fees are measured using the effective interest method and are deferred and amortized over the term of the related debt. Amortization and realized foreign exchange gains and losses, premiums and discounts and issuance fees are charged to debt expense.

(vi) **Government Transfers**

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

Liabilities are established for any transfers due at 31 March for which the intended recipients have met the eligibility criteria and the transfer is authorized.

(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.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(d) Generally Accepted Accounting Principles

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

(e) Changes in Accounting Policies

The Province has adopted the following new and amended accounting standards issued by the Public Sector Accounting Standard Board of the Chartered Professional Accountants of Canada, effective April 1, 2022:

(i) *PS 3450 - Financial Instruments*, *PS 1201 - Financial Statement Presentation*, *PS 2601 - Foreign Currency Translation*, and *PS 3041 - Portfolio Investments*

The Province has adopted these standards effective April 1, 2022 on a prospective basis and the prior periods, including comparative information, have not been restated.

PS 3450 – Financial Instruments: Establishes guidance on the recognition, measurement, presentation, and disclosure of financial instruments, including derivatives, and requires financial instruments to be measured at either fair value, or at cost or amortized cost. Remeasurement gains and losses associated with fair value adjustments are recognized in the Consolidated Statement of Remeasurement Gains and Losses.

PS 1201 - Financial Statement Presentation: Amends general reporting principles and standards for presentation and disclosure in public sector financial statements, including the requirement of a Consolidated Statement of Remeasurement Gains and Losses to capture unrealized gains and losses and accumulated other comprehensive income and loss amounts.

PS 2601 - Foreign Currency Translation: Establishes amended guidance on the recognition, presentation, and disclosure of transactions denominated in a foreign currency. Unrealized foreign exchange gains and losses are now reported separately on the Consolidated Statement of Remeasurement Gains and Losses.

PS 3041 - Portfolio Investments: Establishes amended guidance on accounting for, and presentation and disclosure of, portfolio investments, which include any equity or debt instruments held in organizations that do not form part of the government reporting entity.

As a result of implementation of these standards, \$30.8 million was recognized in 2023 opening accumulated remeasurement gains and (losses).

The total opening adjustment for accumulated remeasurement gains and (losses) are attributable to the following:

	<u>(\$mil)</u>
Foreign Exchange	7.1
Derivatives	0.2
Portfolio Investments	19.8
Accumulated Other Comprehensive Income	3.7
Total	<u>30.8</u>

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(ii) *PS 3280 - Asset Retirement Obligations:*

The Province has adopted this new standard effective April 1, 2022 on a modified retroactive basis with restatement. The new standard establishes guidance on how to account for and report legal obligations associated with the retirement of tangible capital assets. As a result, the opening liabilities and net debt in 2022 increased by \$518.6 million, tangible capital assets increased by \$74.1 million, and the opening accumulated operating deficit increased by \$444.5 million. Amortization expense in 2022 increased by \$5.5 million and the operating deficit increased by \$5.5 million.

(f) Future Changes in Accounting Policies

There are several new standards and amendments to standards issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada that are not yet effective and have not been applied in these financial statements. These standards and corresponding effective dates are as follows:

Effective 1 April 2023:

PS 3400 Revenue – a new standard establishing guidance on how to account for and report on revenue, including revenue from exchange and non-exchange transactions.

PS 3160 Public Private Partnerships – a new standard establishing guidance on how to account for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner with the private sector partner's obligations to include requirements to design, build, acquire or better new or existing infrastructure; finance the transaction past the point where the infrastructure is ready for use; and operate and/or maintain the infrastructure.

PSG-8 Purchased Intangibles – a new guideline allowing recognition of intangible assets purchased through an exchange transaction.

These new and amended standards are planned to be adopted on the effective dates. The Province is currently analyzing the impact these standards will have on the financial statements.

2. Cash and Temporary Investments

Cash and temporary investments consist of:

	31 March 2023	31 March 2022
	(\$mil)	(Note 17, 26) (\$mil)
Cash and temporary investments – Consolidated Revenue Fund (CRF):		
Cash balance (overdraft)	1,002.2	1,386.7
Temporary investments	300.0	-
Total cash and temporary investments – CRF	<u>1,302.2</u>	<u>1,386.7</u>
Cash and temporary investments – Other Entities:		
Cash balance (overdraft)	4.1	167.0
Temporary investments	68.8	41.3
Total cash and temporary investments – Other Entities	<u>72.9</u>	<u>208.3</u>
Total: Cash and Temporary Investments (CRF and Other Entities)	<u>1,375.1</u>	<u>1,595.0</u>

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Cash includes \$157.1 million (31 March 2022 - nil) for the Newfoundland and Labrador Future Fund established under the *Future Fund Act*. Withdrawals from this fund can only be used to service public debt, pay certain expenses related to the sale of Crown assets, pay amounts related to abandonment and decommissioning activities under an oil lease or licence, fund strategic priorities, or pay amounts due to extraordinary circumstances. Withdrawals are also subject to approvals and additional restrictions as outlined in the *Future Fund Act*.

Temporary investments consist of investments with financial institutions. As at 31 March 2023, these investments are on call or have maturity dates ranging from 1 May 2023 to 2 December 2024 at an interest rate ranging from 1.7% to 4.4%.

3. Inventories

Inventories consist of:

	31 March 2023	31 March 2022
	(\$mil)	(\$mil)
Inventories Held for Resale		
University and college textbooks, stockroom and food supplies	2.8	3.0
Other miscellaneous inventories	1.9	1.8
Total: Inventories Held for Resale	4.7	4.8
 Inventories of Supplies		
Medical and drug supplies	50.3	64.5
Textbooks and stockroom supplies held within the CRF	43.3	44.0
Other miscellaneous supplies	1.6	1.5
Total: Inventories of Supplies	95.2	110.0

4. Financial Instrument Classification

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following table presents the fair value of financial instruments recorded at fair value at 31 March 2023 classified using the fair value hierarchy described in Note 1(c)(iv).

	Level 1	Level 2	Level 3	Fair Value Total	Cost/ Amortized Cost	Total
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Publicly traded equity investments	151.4	-	-	151.4	-	151.4
Other investments	-	58.6	35.5	94.1	106.2	200.3
Total	151.4	58.6	35.5	245.5	106.2	351.7

During the year, there have been no transfers of amounts between Level 1, Level 2, and Level 3. All financial instruments were recognized at cost at 31 March 2022.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Payables - Sick Leave

The Province accrues a liability for employees entitled to accumulating, non-vesting sick leave benefits based on anticipated future sick leave utilization. The rate at which benefits accumulate vary depending on the terms of employment. Generally, bargaining unit employees have the ability to accumulate sick leave benefits for each year of service up to a defined maximum benefit. Non-bargaining unit employees do not accumulate sick leave benefits, but may avail of previously accumulated sick leave should such benefits still exist.

Actuarial Valuations

The actuarial valuations which are prepared by the Province's or the individual entities' actuaries were based on management's best assumptions about future events such as probability of use of accrued sick leave, future salary and wage changes, employees' ages, probability of departure, retirement ages, and discount rate. Actuarial valuations are generally completed every three years. The latest actuarial valuation dates are as follows.

Sick Leave Plan	Valuation Date	Discount Rate
Consolidated Revenue Fund	31 March 2023	4.47%
Eastern Regional Health Authority	31 March 2021	4.47%
NL English School District	30 June 2021	2.75%
Western Regional Health Authority	31 March 2021	4.47%
Central Regional Health Authority	31 March 2021	4.47%
College of the North Atlantic	31 March 2022	4.47%
Labrador-Grenfell Regional Health Authority	31 March 2022	4.47%
Conseil scolaire francophone provincial de Terre-Neuve et Labrador	30 June 2022	2.75%
Newfoundland and Labrador Housing Corporation	31 March 2021	4.75%
Provincial Information and Library Resources Board	31 March 2021	4.47%
Newfoundland and Labrador Centre for Health Information	31 March 2023	4.50%

Sick Leave Liability

Details of the sick leave liability are outlined in the table below:

Sick Leave Plan	Estimated Accrued Benefit Obligation (\$mil)	Unamortized Experience Gains (Losses) (\$mil)	Net Liability 2023 (\$mil)	Net Liability 2022 (\$mil)	Change (\$mil)
Consolidated Revenue Fund	53.4	(6.4)	47.0	40.2	6.8
Other	181.4	17.3	198.7	199.7	(1.0)
Total	234.8	10.9	245.7	239.9	5.8

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Sick Leave Expense

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

	Current Period Benefit Costs (\$mil)	Interest Expense on the Liability (\$mil)	Actuarial Value of Benefits Provided (\$mil)	Current Period Amortization of Experience Changes (\$mil)	Change (\$mil)
Consolidated Revenue Fund	4.3	1.8	0.5	0.2	6.8
Other	15.3	6.1	(23.6)	1.2	(1.0)
Total	19.6	7.9	(23.1)	1.4	5.8

6. Deferred Revenue

Deferred revenue consists of:

	31 March 2023 (\$mil)	31 March 2022 (Note 17, 26) (\$mil)	Change (\$mil)
Entities in the education sector relating to the provision of various educational services including contract training and special projects	191.6	185.1	6.5
Gas tax initiatives	91.3	81.0	10.3
Federal-Provincial initiatives in support of housing and home repair programs	30.7	28.0	2.7
Entities in the health sector relating to the provision of various health care services including research and other contracts	19.4	18.7	0.7
Federal initiatives in support of the Oil and Gas Sector	8.7	143.3	(134.6)
Federal initiatives in support of Early Learning and Child Care	-	8.8	(8.8)
Other miscellaneous programs including recycling programs, social and economic development and cultural heritage	8.5	7.5	1.0
Total: Deferred Revenue	350.2	472.4	(122.2)

The balance as of 31 March 2023 will be recognized as revenue in the periods in which the revenue recognition criteria are met.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Unamortized Premiums (Discounts) and Issuance Fees

Foreign currency debt and sinking funds are translated to Canadian dollars at the exchange rate at 31 March 2023 or the exchange rate at maturity for those debt and sinking funds retired during the fiscal year. Premiums (discounts) and issuance fees relating to the issuance of debentures are measured using the effective interest method and are deferred and amortized over the term of the related debt. See Schedule 6 - Borrowings. Details of the effect of these translations at year end are outlined in the table below.

The foreign exchange loss which has been recognized on the Statement of Operations is \$8.7 million which represents a debit adjustment (31 March 2022 - \$22.1 million - credit adjustment). The net amortization expense on premiums (discounts) and issuance fees is \$19.1 million which represents a debit adjustment (31 March 2022 - \$8.4 million - debit adjustment).

Foreign exchange gains and losses for the current year are being recognized on the Statement of Remeasurement Gains and Losses.

	<u>31 March 2023</u>	<u>31 March 2022</u>
	(\$mil)	(\$mil)
Foreign exchange gain (loss):		
Debt	-	14.9
Sinking funds	-	(7.8)
Net	-	7.1
Accumulated amortization on foreign exchange	-	-
Net unamortized unrealized foreign exchange gains (losses)	-	7.1
Unamortized premiums (discounts) and issuance fees	(312.3)	(244.4)
Total unamortized unrealized foreign exchange gains (losses), premiums (discounts) and issuance fees	<u>(312.3)</u>	<u>(237.3)</u>

8. Retirement Benefits - Group Health and Life Insurance

All retired employees of the Government of Newfoundland and Labrador who are receiving a pension from the 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 employees of the Government of Newfoundland and Labrador who (i) retired under the Public Service Pension Plan (PSPP) prior to 01 January 2015 or (ii) retire under the PSPP after 31 December 2014 and meet the eligibility criteria outlined below 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 programs, including dental benefits, 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 programs, including dental benefits, sponsored by MUN. These programs provide both group health and group life benefits to enrolled retirees, including their spouses and dependents.

SUMMARY FINANCIAL STATEMENTS**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

On 31 May 2018, the Province introduced amendments to the *Other Post-Employment Benefits Eligibility Modification Act* (OPEB Act), which sets out new rules for benefits applying to non-represented public sector employees who are covered under the Public Service Pensions Act, 2019 hired on and after 1 June 2018. While current employees qualify for retirement benefits after 10 years of pensionable service at the date of his or her retirement, new hires will be required to reach 15 years of pensionable service at the date of his or her retirement to qualify. These amendments are currently effective for unionized employees hired on or after 31 March 2018. Furthermore, the OPEB Act was amended on November 5, 2020 for eligible non-represented public sector employees hired on or after June 1, 2018 and before April 1, 2020 which will cost share premiums at 50/50 basis with the employer. For eligible non-represented public sector employees hired after 31 March 2020, the employer will contribute 40% toward OPEB plan premiums.

During 2019-20 and 2020-21, the Province signed extensions to collective agreements pertaining to public sector employees. These agreements provided for further changes to the OPEB plan including premium contribution rates whereby all current eligible employees as of 31 March 2020 will cost share premiums on a 50/50 basis with the employer. For eligible employees hired after 31 March 2020, the employer will contribute 40% toward OPEB plan premiums.

The health benefits to be received in retirement were reduced for all represented and non-represented provincial government employees hired subsequent to March 31, 2020 regardless of which provincial defined benefit plan they participate in.

Under the remaining plans sponsored by the Province, NLTA and NLHC the employer contributes 50% towards group health and group life premiums for both employees and eligible retirees. During 2021-22, the Province signed extension agreements to collective agreements pertaining to employees represented by the Canadian Union of Public Employees and the NLTA. For eligible employees hired after March 31, 2020, the employer will contribute 40% towards group health and group life premiums. Plans sponsored by the NLTA are subject to the maximum rates under the PSPP's program. NLHC contributes 100% of the retirees' group life premiums after age 65. For plans sponsored by MUN, the employer contributes a range of 15% to 50% of the total premium charged towards the benefits of both employees and retirees, based on the years of service at retirement with the exception of certain retirees whose health benefits are 70% or fully funded by MUN. Group life benefits cease at age 72 for MUN retirees and at age 65 for the Province and NLTA retirees. As at 31 March 2023, the programs have 69,361 participants who contributed total contributions of \$89.3 million. The total of all the plans provided benefits of \$45.0 million to 40,272 retirees, their spouses and dependents.

Actuarial Valuations

An actuarial extrapolation was prepared to 31 March 2023 by the Province's actuaries based on the latest actuarial valuations (Public Service valuation date of 31 December 2020 and Teachers' valuation date of 31 August 2021) for the programs sponsored by the Province and the NLTA. The actuarial extrapolation was based on a number of assumptions about future events including an interest rate of 4.47%, Consumer Price Index (CPI) of 2.10%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality rates. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts.

An actuarial extrapolation was prepared to 31 March 2023 by NLHC's actuaries based on the latest actuarial valuation (31 March 2021) for the programs sponsored by NLHC. The actuarial extrapolation was based on a number of assumptions about future events including an interest rate of 4.75%, CPI of 1.75%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality rates. The assumptions used reflect NLHC's best estimates of expected long-term rates and short-term forecasts.

An actuarial extrapolation was prepared to 31 March 2023 by MUN's actuaries based on the latest actuarial valuation (valuation date of 31 December 2020) for the programs sponsored by MUN. The extrapolation was based on a number of assumptions about future events including an interest rate of 4.75%, CPI of 2.0%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality rates. The assumptions used reflect MUN's best estimates of expected long-term rates and short-term forecasts.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Group Health and Life Insurance Retirement Benefits Liability

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

Plan	Estimated Accrued Benefit Obligation (\$mil)	Unamortized Experience Gains (Losses) (\$mil)	Net Liability 2023 (\$mil)	Net Liability 2022 (\$mil)	Change (\$mil)
Group health retirement benefits					
Consolidated Revenue Fund	2,374.9	675.2	3,050.1	2,958.2	91.9
Memorial University of Newfoundland	192.2	42.3	234.5	225.4	9.1
Newfoundland and Labrador Housing Corporation	19.5	(0.2)	19.3	20.1	(0.8)
Sub-total	2,586.6	717.3	3,303.9	3,203.7	100.2
Group life insurance retirement benefits					
Consolidated Revenue Fund	134.5	19.3	153.8	145.8	8.0
Memorial University of Newfoundland	1.0	0.6	1.6	1.7	(0.1)
Newfoundland and Labrador Housing Corporation	2.2	0.2	2.4	2.4	-
Sub-total	137.7	20.1	157.8	149.9	7.9
Total	2,724.3	737.4	3,461.7	3,353.6	108.1

There are no fund assets associated with these programs.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 (\$mil)	Interest Expense on the Liability (\$mil)	Actuarial Value of Benefits Provided (\$mil)	Current Period Amortization of Experience Changes (\$mil)	Change (\$mil)
Group health retirement benefits					
Consolidated Revenue Fund	82.7	97.5	(36.8)	(51.5)	91.9
Memorial University of Newfoundland	5.9	8.6	(4.5)	(0.9)	9.1
Newfoundland and Labrador Housing Corporation	-	0.8	(0.5)	(1.1)	(0.8)
Sub-total	88.6	106.9	(41.8)	(53.5)	100.2
Group life insurance retirement benefits					
Consolidated Revenue Fund	3.4	5.4	(2.9)	2.1	8.0
Memorial University of Newfoundland	-	-	(0.1)	-	(0.1)
Newfoundland and Labrador Housing Corporation	-	0.1	-	(0.1)	-
Sub-total	3.4	5.5	(3.0)	2.0	7.9
Total	92.0	112.4	(44.8)	(51.5)	108.1

Interest expense related to the group health and life insurance retirement benefits liability is included with interest as a component of debt expenses in the financial statements. Interest expense for 31 March 2022 amounted to \$98.5 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.

The opening unamortized experience gain of \$262.9 million was increased by \$474.5 million during the year resulting in a closing unamortized experience gain of \$737.4 million. This increase consists of \$526.0 million for new experience gains and amortization of \$51.5 million.

The expected average remaining service life (EARSL) of programs sponsored by the Province and MUN is 13 years, while the EARSL for NLHC and the NLTA sponsored programs are 12 and 11 years, respectively.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Retirement Benefits - Pensions**Defined Benefits**

The defined benefit pension plans provided to employees of the Province are maintained in four funds; the Public Service Pension Plan Fund, the Teachers' Pension Plan Fund, the Memorial University Pension Fund and the Province of Newfoundland and Labrador Pooled Pension Fund.

Public Service Pension Plan Fund

During 2014-15, the Province signed a Joint Sponsorship Agreement with the five major unions representing unionized members of the Public Service Pension Plan (PSPP). The agreement establishes joint and equal participation in the sponsorship and management of the PSPP via the Public Service Pension Plan Corporation (PSPP Corporation). As a result, changes were made to the *Public Service Pensions Act, 1991* to establish the Public Service Pension Plan Fund. The PSPP Corporation (Provident¹⁰) was created to administer the plan and manage the investment of the Fund. The Corporation is an independent, statutory corporation without share capital and is not an agent of the Crown.

The Joint Sponsorship Agreement provides for joint management of the PSPP and an equal sharing between the Province and plan members in any surpluses and deficits. The *Pensions Funding Act* was updated to reflect that the Province is no longer required to provide a deficiency guarantee for the PSPP. The Province's sole financial obligation is to make contributions to the Plan as specified. Actuarial surpluses and deficits are shared equally by the Province and the PSPP members as well as adjustments required when funding is below or above established funding targets.

The joint agreement and the subsequent amendments to the *Public Service Pensions Act, 2019* require the Province to deliver a fully enforceable non-marketable and non-transferrable promissory note to the PSPP Corporation (Provident¹⁰), effective 31 March 2015. The promissory note amortizes \$2.685 billion over 30 years at a discount rate of 6%. The payments under this agreement are fixed and shall be made regardless of the funded status of the PSPP. Payments of \$47.0 million are made on a quarterly basis, which equates to equal annual payments of \$195.0 million due to the time value of money. As at 31 March 2023, the balance of the promissory note is \$2,301.1 million. The promissory note is included as part of the total net pension liability on the statement of financial position.

As at 31 March 2023, the PSPP has 28,545 participants who contributed \$190.8 million. The plan provided benefits of \$714.0 million to 23,740 pensioners.

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

Employee contributions are up to 11.85% of pensionable salary, less a formulated amount representing contributions to the Canada Pension Plan (CPP). A pension benefit is available for employees hired after 1 January 2015 based on the number of years of pensionable service times 2% of the employee's best six years average salary, and for employees hired prior to 1 January 2015, based on the higher of the frozen best average five year earnings or the best average six year earnings. Both new and existing pension benefits are reduced by a formulated amount representing CPP pension benefits for each year since 1967.

During 2019-20, the *Public Service Pensions Act, 2019* was enacted consistent with the two components of the Plan. The Registered component (RPP) is administered in the PSPP Corporation (Provident¹⁰). The Supplementary component (SERP) is administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Teachers' Pension Plan Fund

During 2015-16, the Province and the Newfoundland and Labrador Teachers' Association (NLTA) reached an agreement to sustain the Teachers' Pension Plan (TPP). The agreement establishes joint and equal participation in the sponsorship and management of the TPP via the Teachers' Pension Plan Corporation (TPP Corporation). As a result, changes were made to the *Teachers' Pensions Act* to establish the Teachers' Pension Plan Fund. The TPP Corporation was created to administer the plan and manage the investment of the Fund. The Corporation is an independent, statutory corporation without share capital and is not an agent of the Crown.

The Joint Sponsorship Agreement provides for joint management of the TPP and an equal sharing between the Province and plan members in any surpluses and deficits. The *Pensions Funding Act* was updated to reflect that the Province is no longer required to provide a deficiency guarantee for the TPP. The Province's sole financial obligation is to make contributions to the Plan as specified. Actuarial surpluses and deficits are shared equally by the Province and the TPP members as well as adjustments required when funding is below or above established funding targets.

The joint agreement and the subsequent amendments to the *Teachers' Pensions Act, 2018* require the Province to deliver a fully enforceable non-marketable and non-transferrable promissory note to the TPP Corporation, effective 31 August 2016 with interest accruing as of 1 September 2015. The promissory note amortizes \$1.862 billion over 30 years at a discount rate of 6%. The payments under this agreement are fixed and shall be made regardless of the funded status of the TPP. Equal annual payments of \$135.3 million began on 31 August 2016. As at 31 March 2023, the balance of the promissory note is \$1,664.3 million. The promissory note is included as part of the total net pension liability on the statement of financial position.

In addition to changes to Joint Sponsorship, other plan amendments were effective 01 September 2015. Amendments include an increase in members' contributions to 11.35% of pensionable salary from 9.35%, suspension of indexing for future service and changes to the average pensionable earnings formula. Any active member who terminates employment after 31 August 2016 with less than 24.5 years of credited service shall be eligible to retire at age 62. Amendments to the *Teachers' Pensions Act, 2018* to reflect the terms of the agreement signed by the Provincial Government and NLTA have been approved by the House of Assembly.

As at 31 March 2023, the TPP has 6,035 participants who contributed \$61.0 million. The plan provided benefits of \$331.1 million to 9,759 pensioners. Inflation protection is not extended to pensioners of the Teachers' Pension Plan who retired prior to 1 September 1998.

Contribution and Benefit Formulae**Teachers' Pension Plan**

Employee contributions are 11.35% 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 eight years average salary, plus 2% of the employee's best eight 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 the *Teachers' Pensions Act* was enacted consistent with the two components of the Plan. The Registered component will be administered in the Teachers' Pension Plan Corporation. The Supplementary component is administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Memorial University Pension Fund

Memorial University of Newfoundland (MUN) has a defined benefit pension plan for full time employees known as the Memorial University of Newfoundland Pension Plan (MUNPP). The MUNPP has 3,587 participants who contributed \$33.2 million as at 31 March 2023.

The MUNPP provides for pensions based on employees' length of service and highest average earnings. Employees contribute a defined percentage of their salary, and the employer matches this amount. As at 31 March 2023, the MUNPP provided benefits of \$107.2 million to the registered component of the plan and MUN provided benefits of \$1.7 million to the supplemental component to a total of 2,737 pensioners.

In 1970, the Memorial University Pension Fund was established by the *Memorial University Pensions Act*. This Fund administers all financial activity, including the collection of all contributions and the payment of pensions and the investment of funds for the MUNPP. The financial activity of the MUNPP 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**Memorial University of Newfoundland Pension Plan**

Employee contributions are 11.4% 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 at age 65 by a formulated amount representing integration with the CPP.

In addition to the above registered component, in May 1996, MUN approved a Supplemental Retirement Income Plan to provide benefits to employees whose average salaries upon retirement generate defined benefit pensions that exceed 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.

Province of Newfoundland and Labrador Pooled Pension Fund

The Government of Newfoundland and Labrador guarantees defined benefit pension plans for a number of its full time employees and for members of its Legislature. The plans are – the Uniformed Services Pension Plan, the Members of the House of Assembly Pension Plan, and the Provincial Court Judges' Pension Plan. Combined, the plans have 666 participants who contributed \$5.7 million as at 31 March 2023 as follows: Uniformed Services - \$4.8 million, Members of the House of Assembly - \$0.4 million and Provincial Court Judges' - \$0.5 million.

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 2023, the plans provided benefits of \$45.7 million to 1,137 pensioners as follows: Uniformed Services - \$33.6 million, Members of the House of Assembly - \$7.3 million and Provincial Court Judges' - \$4.8 million. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan nor the Members of the House of Assembly Pension Plan.

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. The Consolidated Revenue Fund guarantees any deficiency in the event assets of a plan are insufficient to meet benefit payments or administration costs.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Contribution and Benefit Formulae**Uniformed Services Pension Plan**

Employee contributions are 9.95% of pensionable salary, less a formulated amount representing contributions to the CPP. A pension benefit is available based on the number of years pensionable service times 2% of the employee's best three years average salary, reduced by a formulated amount representing CPP pension benefits since 1967. Grandfathered members have higher service accrual pensions in recognition of their higher contributions.

During 2012-13 the *Uniformed Services Pensions Act, 2012* was enacted consistent with the two components of the Uniformed Services Pension Plan (USPP). 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 USPP.

Members of the House of Assembly Pension Plan

Member contributions are 9% of pensionable salary, which includes salary as a Minister, if applicable. A pension benefit is available after serving as a Member in, at least, two General Assemblies and for, at least, five years. The benefit formula is based on years of service expressed as a percentage of the average pensionable salary for the best three years. The percentage varies being 5% for each of the first ten years, 4% for each of the next five years and 2.5% for each of the next two years of service as a Member. For members elected for the first time after 8 February 1999, the percentage is 5% for the first ten years and 2.5% for each of the next ten years. For members elected for the first time after 31 December 2009, the percentage is 3.5% for each year of service as a Member. The accrued benefit is reduced by a formulated amount representing CPP pension benefits for each year since 1967. Ministers receive an additional pension amount calculated similarly, based on service and pensionable salary as a Minister.

During 2005-06 the *Members of the House of Assembly Retiring Allowances Act* was enacted to restructure the Members of the House of Assembly Pension Plan (MHAPP) 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.

During 2017-18, Bill 21 was passed amending the *Members of the House of Assembly Retiring Allowances Act* and the *Portability of Pensions Act*. For members of the MHAPP first elected on or after November 30, 2015, the annual benefit accrual rate is reduced from 3.5% to 2.5% with a maximum pension accrual entitlement reducing from 70% to 50%. There shall be no portability option to the MHAPP. Eligibility for an MHA to receive a pension shall be at 60 years of age, and there shall be no option to select an early retirement option; the MHAPP shall have no indexing component; and the current MHAPP vesting component and survivor's benefit remain unchanged.

Provincial Court Judges' Pension Plan

Effective 1 April 2002 (pursuant to the *Provincial Court Judges' Pension Plan Act* enacted 8 June 2004) the Provincial Court Judges' Pension Plan (PCJPP) was established with then-existing judges being given the one-time option of transferring from the Public Service Pension Plan. All judges appointed subsequent to 1 April 2002 are required to join the PCJPP. Employee contributions are 9% of pensionable salary. A pension benefit is available based on the number of years pensionable service times 3.33% of the judge's annual salary. The Registered component of the PCJPP, 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.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 rates. 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

<u>Pension Plan</u>	<u>Expected Average Interest Rate</u>
Public Service Pension Plan	
RPP	6.00%
SERP	4.47%
Teachers'	6.65%
Memorial University of Newfoundland	
RPP	5.80%
Supplemental Retirement Income Plan	4.75%
Voluntary Early Retirement Income Plan	4.45%
Uniformed Services	6.30%
Members of the House of Assembly	
RPP	6.20%
SERP	4.47%
Provincial Court Judges'	
RPP	6.20%
SERP	4.47%

The expected average interest rate is based on the average interest rate for plan assets for the registered components, while the cost of borrowing is used for the supplementary unfunded components of the plans.

Expected Inflation Rates

The expected inflation rate for the MUNPP plan is 2.0%. The expected inflation rate for PSPP, USPP, MHAPP, PCJPP and TPP are 2.10%.

Actuarial valuations for accounting purposes are generally completed every three years. The latest actuarial valuations for the Province's pension plans, according to the administrators of those plans, are dated as listed in the following table:

<u>Pension Plan</u>	<u>Valuation Date</u>
Public Service	31 December 2021
Teachers'	31 August 2021
Memorial University of Newfoundland	31 December 2022
Uniformed Services	31 December 2020
Members of the House of Assembly	31 December 2021
Provincial Court Judges'	31 December 2022

Actuarial extrapolations are provided for accounting purposes by the Province's and MUN's actuaries based on the above dates.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Pension Liability

Details of the pension liability are outlined in the table below.

Pension Plan	Estimated Accrued Benefit Obligation	Fund Assets	Unamortized Experience Gains (Losses)	Net Unfunded Liability 2023	Net Unfunded Liability 2022	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	6,630.0	4,391.3	(14.2)	2,224.5	2,326.4	(101.9)
Teachers'	3,315.7	2,266.6	332.0	1,381.1	1,514.3	(133.2)
Memorial University of Newfoundland	2,065.6	1,994.2	188.6	260.0	295.6	(35.6)
Uniformed Services	505.7	141.9	37.1	400.9	382.3	18.6
Members of the House of Assembly	100.1	38.7	15.2	76.6	82.5	(5.9)
Provincial Court Judges'	37.0	16.7	7.8	28.1	28.6	(0.5)
Total	12,654.1	8,849.4	566.5	4,371.2	4,629.7	(258.5)

Pension Fund Assets are valued at the market value at 31 March 2023 (31 March 2022 – \$8,873.7 million).

As at 31 March 2023, the net unfunded liability of \$4,371.2 million is comprised of the \$3,965.4 million outstanding balance of the promissory notes delivered by the Province upon joint sponsorship to address the unfunded liability related to the Public Service Pension Plan (\$2,301.1 million) and the Teachers' Pension Plan (\$1,664.3 million).

Special Payments

MUN has requested that the exemptions relating to the minimum contributions required under the *Pension Benefits Act Regulations* established under the *Pensions Benefits Act, 1997* based on a solvency valuation be extended. Without further exemptions, significant special payments will be required over five years relating to the solvency valuation to address the above net unfunded liability. Exemptions have been put in place up to 31 December 2023. In addition, MUN is exempt from the requirement to liquidate the going concern unfunded liability arising from the cost of providing indexed benefits in relation to past service within the prescribed 15 year period and is instead permitted to liquidate this liability within 40 years from 1 July 2004.

During 2022-23, MUN made a special payment of \$1.9 million (31 March 2022 - \$4.2 million) towards the balance of the unfunded liability for the MUNPP.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Pension Expense

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

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

Pension Plan	Province's Share of Pension Benefits Earned for the Period (\$mil)	Pension Interest Expense (Earned) on the Unfunded Liability (\$mil)	Province's Current Period Pension Contributions (\$mil)	Current Period Amortization of Experience Changes (\$mil)	Unfunded Portion of Current Period Pension Change (\$mil)
Public Service	137.1	58.3	(293.3)	(4.0)	(101.9)
Teachers'	38.8	11.4	(142.4)	(41.0)	(133.2)
Memorial University of Newfoundland	25.5	3.3	(34.1)	(30.3)	(35.6)
Uniformed Services	4.3	21.1	(4.6)	(2.2)	18.6
Members of the House of Assembly	0.9	2.4	(6.0)	(3.2)	(5.9)
Provincial Court Judges'	2.5	0.8	(2.9)	(0.9)	(0.5)
Total	209.1	97.3	(483.3)	(81.6)	(258.5)

Interest Expense (Earned)

Pension interest expense is included with interest as debt expenses in the financial statements. Interest expense is comprised of the interest expense on the accrued benefit obligation netted with the interest earned on fund assets as follows:

Pension Plan	Interest Expense on the Accrued Benefit Obligation 2023 (\$mil)	Interest Earned on Fund Assets 2023 (\$mil)	Net Interest Expense (Earned) 2023 (\$mil)
Public Service	319.2	(260.9)	58.3
Teachers'	159.6	(148.2)	11.4
Memorial University of Newfoundland	114.8	(111.5)	3.3
Uniformed Services	30.8	(9.7)	21.1
Members of the House of Assembly	4.8	(2.4)	2.4
Provincial Court Judges'	1.9	(1.1)	0.8
Total	631.1	(533.8)	97.3

Pension interest expense for 31 March 2023 amounted to \$97.3 million (31 March 2022 - \$97.5 million). Also included in debt expenses is an additional interest expense of \$119.4 million (31 March 2022 - \$121.8 million) relating to the interest on the promissory notes.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Experience Gains or Losses

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

Accrued Benefit Obligation

The change in the unamortized experience gains (losses) on the accrued benefit obligation for the current period is comprised of the following amounts:

Pension Plan	Opening Unamortized Experience Gains (Losses) (\$mil)	New Experience Gains (Losses) (\$mil)	Amortization (Gains) Losses (\$mil)	Closing Unamortized Experience Gains (Losses) (\$mil)
Public Service	(271.9)	85.8	47.0	(139.1)
Teachers'	212.9	11.4	(2.1)	222.2
Memorial University of Newfoundland	(12.0)	52.6	7.1	47.7
Uniformed Services	(4.0)	5.0	2.6	3.6
Members of the House of Assembly	4.7	6.7	(1.2)	10.2
Provincial Court Judges'	1.2	4.9	(0.2)	5.9
Total	(69.1)	166.4	53.2	150.5

Fund Assets

The change in the unamortized experience gains (losses) on the fund assets for the current period is comprised of the following amounts:

Pension Plan	Opening Unamortized Experience Gains (Losses) (\$mil)	New Experience Gains (Losses) (\$mil)	Amortization (Gains) Losses (\$mil)	Closing Unamortized Experience Gains (Losses) (\$mil)
Public Service	353.5	(177.6)	(51.0)	124.9
Teachers'	239.2	(90.5)	(38.9)	109.8
Memorial University of Newfoundland	266.4	(88.1)	(37.4)	140.9
Uniformed Services	48.8	(10.5)	(4.8)	33.5
Members of the House of Assembly	9.9	(2.9)	(2.0)	5.0
Provincial Court Judges'	3.9	(1.3)	(0.7)	1.9
Total	921.7	(370.9)	(134.8)	416.0

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Expected average remaining service life (EARSL) of related employee groups is as follows:

	<u>EARSL</u>
Public Service - RPP	12 years
Public Service – SERP	8 years
Teachers'	11 years
Memorial University of Newfoundland	11 years
Uniformed Services	15 years
Members of the House of Assembly	5 years
Provincial Court Judges'	6 years

Other Pension Plan

The *Government Money Purchase Pension Plan Act* established the Government Money Purchase Pension Plan for employees whose employment status does not qualify them for participation in another of their employer's pension plans. This plan has 38,371 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 Canada Life Assurance Company and at 31 March 2023 assets had a market value of \$412.9 million (31 March 2022 - \$417.5 million). The expense recognized for 31 March 2023 amounted to \$14.9 million (31 March 2022 - \$14.9 million).

10. Prepaid and Deferred Charges

Prepaid and deferred charges consist of:

	31 March 2023	31 March 2022
	<u>(\$mil)</u>	<u>(Note 17, 26) (\$mil)</u>
Workers' compensation fees	13.7	12.5
Software licenses	12.2	12.1
Insurance costs	11.4	9.3
Property taxes and other municipal fees	7.9	7.7
Maintenance contracts	7.2	6.7
Library operating supplies	4.0	3.5
Membership fees and subscriptions	2.3	1.4
Ambulance services	1.9	1.9
Rent	1.2	1.2
Computer network and accessories	0.7	0.4
Personal protective equipment	-	2.4
Other prepaid and deferred charges	<u>14.7</u>	<u>8.2</u>
Total: Prepaid and Deferred Charges	<u><u>77.2</u></u>	<u><u>67.3</u></u>

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Contingent Liabilities

(a) Guaranteed Debt

Guarantees made by the Province as at 31 March 2023 amounted to \$1,021.9 million (31 March 2022 - \$900.2 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 the Government employees and agencies in not preventing abuse while these claimants were under Government care.
- (ii) A number of claims have been filed against the Province for alleged breaches of contracts and/or tenders as well as for general damages and personal claims pursuant to action initiated by the Province.

(c) Other

 (i) *Trust Accounts*

a) Office of the Public Trustee

The Province guarantees all sums required to discharge the balances of the Public Trustee as administrator, guardian, trustee, etc. (*Public Trustee Act, 2009*). See Schedule 9 - Trust Accounts.

b) Supreme Court of Newfoundland and Labrador

The Province guarantees all sums required to discharge the balances of the Supreme Court of Newfoundland and Labrador as administrator, guardian, trustee, etc. (*Judicature Act*). See Schedule 9 - Trust Accounts.

c) Other Trust Accounts

Generally, the Province is contingently liable for any shortage that may occur for certain funds held in trust by the Province. Currently, all obligations held have an offsetting asset. See Schedule 9 - Trust Accounts.

 (ii) *Canadian Salt Fish 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.

SUMMARY FINANCIAL STATEMENTS**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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.

(iii) *Newfoundland and Labrador Student Loans Program*

Under the loan guarantee component of this Program, the Province has no guarantees issued at 31 March 2023. Under the debt reduction component of the Program, the Province is contingently liable for possible grants totaling \$10.1 million, of which \$3.9 million (31 March 2022 - \$3.4 million) has been recorded as a provision for likely amounts payable related to student loans due to the debt reduction component. See Schedule 2 – Loans, Advances and Investments.

(iv) *Contaminated Sites*

The Province has identified approximately 205 sites for which environmental liabilities or contamination may exist for assessment, remediation or monitoring. See note 13 – Contaminated Sites for further details.

In addition, the Province has provided an environmental indemnity to the acquiring entity of North Atlantic Refining Limited (NARL) regarding the oil refinery in Come by Chance. The Province and NARL entered into an environmental agreement on 10 November 2014 which required an environmental site assessment (ESA) to be completed by NARL. The environmental site assessment includes Phase I, II and III assessments and a remediation plan.

During the fiscal year 2021-22, a majority equity stake in NARL was acquired by a new partner (Cresta Fund Management) and NARL has been renamed Braya Renewable Fuels. As well on November 29, 2021, the Province of Newfoundland and Labrador had agreed to an MOU to amend the 2014 environmental agreement. This will extend the term to 2031 and expand the period of indemnification to 2021, segmented into two periods – the Historical Period (covers the period prior to November 10, 2014) and the Additional Period (covers the period between November 11, 2014 and October 31, 2021). Under this MOU, the Province's indemnity financial coverage has been capped at up to \$150 million for the Historical Period and up to \$30 million for the Additional Period. Braya submitted their ESA report in June 2023, which is under technical review. If the report is determined to be incomplete, the indemnitees continue to be responsible to provide a completed report.

(v) *Equity Support Agreements – Lower Churchill Project*

The Province has provided a guarantee to the Government of Canada to compensate it for any costs under the Federal Loan Guarantee on the Lower Churchill Project which are triggered by legislative or regulatory actions of the Province. The Province has a separate agreement for each component of the project to guarantee the payment of Nalcor's equity commitments in the event that Nalcor fails to fulfill its commitments.

The final project costs are \$13.5 billion, including interest during construction and other capitalized/pre-funded financing costs of \$3.3 billion. The Province's total committed equity investment in the project is \$4.5 billion as at 31 March 2023. The project is being financed through the issuance of bonds in the amount of \$7.9 billion and equity contributions of \$5.6 billion.

See note 23 – Subsequent Events for further details.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(vi) *Corner Brook Pulp and Paper Limited (CBPPL)*

In 2014 the Province signed an agreement with CBPPL which states that in the event of the closure of the Corner Brook Mill, the Province has agreed to purchase the power assets and water rights. The purchase price is dependent upon the timing of the closure of the Corner Brook Mill, and could range from \$110.0 million to the greater of \$200.0 million or the fair market value of the purchased assets, less any monies owing to the Province. In 2017 the Province entered into another agreement providing a guarantee up to \$88.0 million on a letter of credit held by a Trust for the benefit of pension plan members. Should the government have to pay under the guarantee, the amount would also be deducted from the purchase price of the power assets and water rights.

(vii) *Offshore Royalty Decommissioning Carry Back*

Currently, there are four production facilities located in the offshore of Newfoundland and Labrador; White Rose/White Rose Expansion, Terra Nova, Hibernia and Hebron. The anticipated end of production dates currently forecasted for these projects range from 2033 to 2051.

For all current projects except Hibernia, Part VII of the *Royalty Regulations, 2003* provides for the carryback of actual decommissioning costs incurred, net of decommissioning revenue, against earlier net revenue, commencing in the period of substantial completion of the decommissioning. This requires project operator(s) to submit to the Province for approval not less than one year before decommissioning, a decommissioning proposal. Regulatory approval of decommissioning by the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) and other government bodies and agencies as required must also be received prior to the approval of the decommissioning proposal. Upon substantial completion of the decommissioning, where decommissioning costs exceed decommissioning revenues, the operator(s) must submit a decommissioning carry back statement to the Province. This carryback of net decommissioning costs may result in an amount being owed to the project interest holders by the Province. As of 31 March 2023, no project operators have submitted or indicated their intent to submit a decommissioning proposal.

For Hibernia, under the *Hibernia Royalty Agreement*, the Province has acknowledged that there should be a sharing of abandonment or decommissioning costs on an agreed basis and has agreed to enter into discussions with project owners at some future date if the requirements for decommissioning or abandonment of the project become more clearly defined. No discussions have commenced under this *Agreement* as of 31 March 2023.

As a result of several factors beyond the Province's control, including, but not limited to, decommissioning timeframes, submission and approval of decommissioning proposals and plans, actual future decommissioning costs and revenue, types and amount of future royalties, and future negotiations, uncertainty currently exists with respect to the existence, nature, and extent of any obligation of the Province for future decommissioning carry back amounts.

12. **Asset Retirement Obligation**

The Province owns and operates various assets that are subject to asset retirement obligations (AROs). As at March 31, 2023, a total liability for asset retirement obligations of \$518.1 million (31 March 2022 - \$518.6 million) has been recorded (See Schedule 5 – Payables, Accrued, and Other Liabilities). Amounts have been estimated based on internal expert assessments and third-party reports that estimate the costs of remediation and have been measured on an undiscounted basis.

The Province's existing AROs relate mainly to asbestos, lead, refrigerants, mercury, polychlorinated biphenyls (PCBs), etc. in its buildings. The liability has been established using an estimate process which recognizes that the average cost to remove these materials per square meter varies significantly based on the date of building construction. As a result, buildings have been grouped and costs applied based on nature of usage and year of

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

construction. Asset retirement obligations have not been escalated or discounted given significant uncertainty around the retirement dates of these buildings and Province's long history of sustaining buildings beyond their amortized lives.

There are also asset retirement obligations related to the future disposal of fuel tanks, as well as in certain entities the future disposal of septic tanks, water wells, air conditioning systems, and other equipment.

The asset retirement costs have been capitalized to the related tangible capital assets and are being amortized over the assets' remaining useful lives. Amortization rates are identified in Schedule 10.

Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

The asset retirement obligations are as follows:

	31 March 2023	31 March 2022 (Note 17, 26)
	(\$mil)	(\$mil)
Balance, beginning of the year	518.6	518.7
Additions	-	-
Recoveries	(0.5)	(0.1)
Ending Balance	<u>518.1</u>	<u>518.6</u>

13. Contaminated Sites

There are a number of sites throughout the Province which are considered potentially contaminated sites. The liability reflects the Province's best estimate of the amount required to remediate the sites to the current minimum standards for its use prior to contamination. As some of these sites are not yet fully assessed and contamination has not yet been determined or a detailed remediation plan has not been developed, no liability has been recognized. Studies are ongoing to assess the nature and extent of damage and to develop remediation plans, if necessary.

The Province has identified approximately 205 sites for which environmental liabilities may exist for assessment, remediation or monitoring. Of these, 22 were identified as sites where action is possible and for which a liability was recorded. As at 31 March 2023, a total liability for contaminated sites of \$222.8 million (31 March 2022 - \$208.5 million) has been recorded (see Schedule 5 - Payables, Accrued and Other Liabilities). Of this, \$192.1 million (31 March 2022 - \$184.7 million) relates to a liability for remediation of former mining sites. The Province has completed a partial remediation program at these sites, focused on the removal of buildings and infrastructure, designed to address safety hazards. The remaining contaminated sites liability of \$30.7 million (31 March 2022 - \$23.8 million) is mainly related to Petroleum Hydrocarbon (PHC) impacts. The liability reflects the present value of estimated future cash flows, where applicable, with total undiscounted expenditures of \$635.3 million (31 March 2022 - \$608.5 million) present valued at a discount rate of 3.71% (31 March 2022 - 3.71%).

The remainder of the sites are not liabilities as they are active and absent of an unexpected event; the impacts on the site do not exceed the applicable standards; the Province is not responsible for remediation; or it is not anticipated that remediation will occur. Upon identification of new contaminated sites or changes in the assessments of currently known sites, additional liabilities or disclosures may be recognized.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Contractual Obligations

Contractual obligations consist of:

	31 March 2023 (\$mil)	31 March 2022 (\$mil)
Public-private partnerships	1,790.1	1,794.7
Provincial policing agreement	834.4	927.2
Capital projects	472.0	378.3
Ferry services	328.5	364.4
Early learning and child care	253.4	298.5
Information technology services	218.6	45.7
Power purchase agreements	200.8	365.3
Economic development	193.5	161.5
Lease payments	147.4	143.9
Oil and gas	49.4	617.8
Letters of credit	33.9	35.2
Transmission service agreements	28.9	52.6
Telephone services	24.4	30.3
Lower Churchill Project	15.8	50.2
Residential services	8.6	8.0
Road maintenance	7.6	28.9
Forestry and wildlife management	1.8	2.5
Energy savings	0.3	0.5
Other agreements	<u>83.7</u>	<u>105.8</u>
Total: Contractual Obligations	<u><u>4,693.1</u></u>	<u><u>5,411.3</u></u>

Contractual obligations are those to outside organizations in respect of contracts entered into before 31 March 2023. 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 voting of supply by the Legislature.

As at 31 March 2023, the Province had entered into a number of agreements pertaining to the acquisition of P3 assets. The amount disclosed above represents the operating component of P3 assets placed in service, as well as the operating and capital components of P3 assets that are currently under construction. The liability and associated asset for P3 assets under construction will be recognized in the Province's financial statements when the Province acquires control of the assets, which generally is intended to occur at the time when the construction of the assets is substantially complete.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

During 2020, the Province acquired control and placed into service a P3 asset pertaining to the Corner Brook Long-term Care Facility. The contractual obligations associated with this P3 arrangement consists of \$72.3 million (31 March 2022 - \$75.4 million) relating to the operating component of the agreement, such as facility maintenance payments.

During 2022, the Province acquired control and placed into service two P3 assets pertaining to the Gander and Grand Falls-Windsor Long Term Care Facilities. The contractual obligations associated with this P3 arrangement consists of \$64.4 million (31 March 2022 - \$65.7 million) relating to the operating component of the agreement.

During 2022, the Province also acquired control and placed into service the P3 asset pertaining to the Parking Structure for the New Adult and Mental Health Addictions Facility. The contractual obligations associated with this portion of the P3 arrangements consists of \$3.4 million (31 March 2022 - \$3.6 million) relating to the operating component of the agreement.

In addition to the P3 assets placed in service, the Province has agreements for the acquisition of two other P3 assets that are under construction. These assets consist of the Corner Brook Acute Care Hospital, as well as the New Adult Mental Health and Addictions Facility with anticipated in-service dates of November 2023 and October 2024 respectively. The contractual obligations for the operating and capital components of these agreements total \$1.65 billion (31 March 2022 - \$1.65 billion).

The above table includes contractual obligations of \$0.4 billion (31 March 2022 - \$1.1 billion) for government business enterprises and \$10.6 million (31 March 2022 - \$17.4 million) for government business partnership.

Contractual obligations for the next five years and beyond are as follows:

<u>Fiscal Year</u>	<u>Contractual Obligations</u> (\$mil)
2023-24	1,223.2
2024-25	616.5
2025-26	424.5
2026-27	291.1
2027-28	251.0
Thereafter	1,886.8
<u>Total</u>	<u>4,693.1</u>

15. Externally Restricted Assets

Externally restricted assets amount to \$168.3 million (31 March 2022 - \$165.4 million – restated. See notes 17 and 26 for further details) of which \$166.4 million relates to Memorial University of Newfoundland which consists primarily 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 cannot 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. Externally restricted assets of other entities amount to \$1.9 million which relate to various donations designated for specified purposes.

16. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt (see note 11(a)) is nil (31 March 2022 - nil).

SUMMARY FINANCIAL STATEMENTS**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****17. Adjustments to Beginning Balances****(a) Asset Retirement Obligation**

There was no change in Net Debt for the fiscal year 31 March 2023 (31 March 2022 – \$518.6 million increase) and Accumulated Operating Deficit for the fiscal year 31 March 2023 (31 March 2022 – \$444.5 million increase) as a result of the Province adopting a new accounting standard *PS 3280 – Asset Retirement Obligations* on a modified retroactive basis with restatement.

(b) Change in Government Reporting Entity

Net Debt increased by \$24.8 million and Accumulated Operating Deficit increased by \$25.6 million as a result of changes to entities included in the Government reporting entity for the 2022 fiscal year. Health Care Foundation of St. John's Inc., Janeway Children's Hospital Foundation, Dr. H. Bliss Murphy Cancer Care Foundation, Discovery Health Care Foundation Inc., Trinity-Conception-Placentia Health Care Foundation Inc., and The Burin Peninsula Health Care Foundation Inc. were not included for the 2022-23 fiscal year and are removed for the comparative year 2021-22.

(c) Government Organization Changes

Net Debt and Accumulated Operating Deficit increased by \$5.8 million (31 March 2022 - \$0.5 million) relating to the government organization changes. There was a nil impact on the Annual Deficit (31 March 2022 –nil). These changes have been applied retroactively without restatement.

(d) Accumulated Remeasurement Gains and (Losses)

As a result of implementation of new accounting standards, \$30.8 million was recognized in 2023 opening accumulated remeasurement gains and (losses). See note 1 (e) – Changes in Accounting Policies for further details.

See note 26 - Comparatives for further details.

18. Related Party Disclosures

The Province considers key management personnel (KMP), their close family members and any organizations controlled by the KMP or their close family members as related parties. For this purpose, KMPs are defined to include Ministers and Deputy Ministers (Equivalents). KMPs of Government entities also include board members.

The Province and its entities have determined through a due diligence process that no transactions occurred at a price different than fair market value or under terms different than what two unrelated parties would agree. As a result, all transactions with its related parties were conducted in the normal course of business and at arms' length.

Refer to Schedule 4 – Net Income of Government Business Enterprises and Partnership for a description of related party transactions of Government Business Enterprises and Partnership.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Contractual Rights

Contractual Rights consist of:

	31 March 2023	31 March 2022
	(\$mil)	(\$mil)
Cost sharing agreements	1,062.6	1,118.0
Other agreements	15.2	2.4
Total: Contractual Rights	1,077.8	1,120.4

Contractual rights are rights to economic resources arising from contracts or agreements entered into before 31 March 2023. These contractual rights will become assets when the transaction or event triggering recognition occurs.

20. Contingent Assets

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. The resolution of the uncertainty will confirm the existence or non-existence of an asset. The uncertainty will be resolved when one or more future events not wholly within the Province's control occurs or fails to occur.

A number of legal actions have been filed for the Province that have the potential to result in damages being awarded to the Province. The outcome of the legal actions is not determinable. Contingent assets are nil (31 March 2022 - nil).

21. Atlantic Accord (2019)

During the fiscal year 2019-20, the Province and the Federal Government entered into an agreement (Hibernia Dividend Backed Annuity Agreement) intended to ensure that the Province is the principal beneficiary of its offshore resources. As a result, the Province will receive a guaranteed revenue stream of approximately \$3.3 billion, inclusive of Canada Hibernia Holding Corporation (CHHC) provincial taxes, over 38 years (2019 to 2056), with no restriction on the use of these funds. The CHHC provincial tax portion of this revenue stream will be recognized as revenue each year as the taxable event occurs. As well, the province will make eight annual payments of \$100 million each (with first payment due to begin in 2045) for a total of \$800 million. As a result of this agreement, the net debt and accumulated deficit were immediately reduced by \$2.4 billion as at March 31, 2020.

22. 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. While best estimates are used for reporting items subject to measurement uncertainty, it is reasonably possible that changes in the future conditions could require change in the amounts recognized or disclosed.

SUMMARY FINANCIAL STATEMENTS**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Some examples of where measurement uncertainty exists are as follows:

- (i) The nature of uncertainty for the accrual of retirement benefits, the allowance for guaranteed debt, and the accrual of sick leave and self-insured workers' compensation benefits arises as actual results may differ significantly from the Province's assumptions about plan members and economic conditions in the marketplace.
- (ii) The accruals for environmental remediation obligations are uncertain because the actual extent of the remediation activities, methods, and site contamination may differ significantly from the Province's original remediation plans.
- (iii) Revenues from sales taxes, income taxes, oil royalties, Canada Health Transfer, and Canada Social Transfer are uncertain due to differences between the estimated and actual economic performance and other assumptions used to accrue these revenues. The tax revenues under the federal-provincial fiscal arrangements attributable to the year can change as a result of reassessments in subsequent years. The variability of the final amounts attributable to the year cannot be reasonably determined.
- (iv) The accrual for asset retirement obligations is uncertain due to the long-term nature of these liabilities and indeterminate settlement amounts and dates. As a result, estimates are required regarding amounts of regulated materials and expected retirement costs, including timing and duration of those retirement costs.

23. Subsequent Event

In April 2023, commissioning of the Labrador Island Link (LIL) was approved by all required stakeholders. All components of the Lower Churchill Project, the Muskrat Falls hydroelectric generating facility, Labrador Transmission Assets (LTA) and LIL are now commissioned. Final commissioning of the LIL enabled the release of the Government of Canada \$1 billion investment and \$145 million received by Nalcor in August 2023. The total cost of the project has now been determined to be \$13.5 billion.

24. Original Budget

Certain amounts in the statements and exhibits of the 2022-23 Budget Speech shown for comparative purposes were prepared on the accrual basis as described under note 1(c)(i). To be consistent with the format of the financial statements, presentation changes have been applied as necessary. Budgeted figures included in the financial statements are not audited.

25. Additional Notes

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

26. Comparatives

Certain amounts of the 31 March 2022 financial statement figures and related schedules have been restated to be consistent with the 31 March 2023 statement presentation. See note 17 – Adjustments to Beginning Balances for further details.

SUMMARY FINANCIAL STATEMENTS

Schedule 1

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Receivables
As at 31 March 2023
with comparative figures for 2022

	2023	2022
	(Note 17, 26)	(Note 17, 26)
	(\$000)	(\$000)
Due from Government of Canada - note 1	2,818,944	2,814,457
Accounts receivable	346,634	338,735
Taxes receivable	265,642	292,544
Offshore royalties	104,622	163,944
Accrued interest receivable	1,620	170
	<u>3,537,462</u>	<u>3,609,850</u>
Less: Allowance for doubtful accounts	135,678	124,999
Total: Receivables	<u><u>3,401,784</u></u>	<u><u>3,484,851</u></u>

NOTE

1. Due from Government of Canada includes a receivable of \$2.6 billion (31 March 2022 \$2.7 billion) related to the Atlantic Accord (2019).

SUMMARY FINANCIAL STATEMENTS

Schedule 2

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Investments
As at 31 March 2023
with comparative figures for 2022

	2023	2022
	(\$000)	(Note 17, 26) (\$000)
Loans and Advances - notes 1, 2		
Commercial - note 3	179,945	178,305
Housing	73,352	79,859
Student loans	57,833	59,112
Municipalities	615	734
Other	9,218	8,396
Total: Loans and Advances	<u>320,963</u>	<u>326,406</u>
Less: Discounts due to concessionary terms on loans - note 4	91,468	87,166
Allowance for doubtful loans and advances	60,620	64,526
Provision for loan repayments through future appropriations	3,921	3,450
	<u>164,954</u>	<u>171,264</u>
Investments		
Equity Investments:		
Administered by Memorial University of Newfoundland	105,820	90,990
Administered by Newfoundland and Labrador Film Development Corporation	77,527	68,462
Cold Ocean Salmon Inc.	10,000	10,000
Administered by Innovation and Business Investment Corporation	6,336	6,550
Grieg Seafood Newfoundland Ltd.	5,000	5,000
Gray Aqua Group Ltd.	4,827	4,827
Country Ribbon Inc.	4,500	4,500
ACF Equity Atlantic Inc.	2,203	2,203
Newfoundland Aqua Services Ltd. - redeemable	1,389	1,580
NavSim Technologies	500	500
Marine Industrial Lighting Systems	500	500
Consilient Technologies Corporation	500	500
Blue Line Innovations Inc.	500	500
Icewater Seafoods Inc.	441	616
Pixecur Technologies Inc. - redeemable	400	400
Hurley Slate Works Company Inc.	400	400
Burton's Cove Logging and Lumber	166	2,036
Other	2,166	1,968
	<u>223,175</u>	<u>201,532</u>

SUMMARY FINANCIAL STATEMENTS

LOANS, ADVANCES AND INVESTMENTS (continued)

	2023	2022
	(\$000)	(Note 17, 26) (\$000)
Other Investments:		
Administered by Memorial University of Newfoundland - note 5	94,131	84,878
Administered by Multi-Materials Stewardship Board	13,024	402
Newfoundland and Labrador Venture Capital Fund	9,094	9,094
Atlantic Canada Regional Venture Fund LP	8,320	8,285
Pelorus Venture Capital General	3,546	1,670
Sandpiper Ventures Fund LP	457	407
	128,572	104,736
Total: Investments	351,747	306,268
Less: Discounts due to concessionary terms on investments - note 6	77,527	68,462
Allowance for write-down of investments	16,730	16,760
	257,490	221,046
Total: Loans, Advances and Investments	422,444	392,310

NOTES

1. Interest Rates and Loan Terms

Interest rates for all loans range from non-interest bearing to 14.0% and are payable over terms not exceeding 27 years.

2. Loan Receivable

The Province reopened general debenture 7C and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. General debenture 7I was reopened and issued \$300.0 million on 13 April 2021, on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest revenue earned on this loan totalling \$27.5 million is netted against the offsetting interest expense on the debenture debt.

3. Security

Security exists for certain loans that can be accessed in the event of default. Refer to note 11 (c) (vi) of the Notes to the Financial Statements for further details.

4. Discounts Due to Concessionary Terms on Loans

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

5. Fair Market Value (FMV) of Investments

The FMV of these investments is \$94.1 million of which \$35.5 million pertain to real estate. The remaining balance relates to fixed income investments.

6. Discounts Due to Concessionary Terms on Investments

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Equity in Government Business Enterprises and Partnership As at 31 March 2023 with comparative figures for 2022

	Atlantic Lottery Corporation 31 Mar 2023	NL Liquor Corporation 1 Apr 2023	Nalcor Energy 31 Dec 2022	Total 2023	Total 2022
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Equity - beginning of year	31,647	55,202	6,503,546	6,590,395	6,251,793
Net income for year	144,594	201,218	580,284	926,096	395,543
Other comprehensive income - note 1	(1,995)	-	62,000	60,005	26,170
Capital transactions:					
Transfers from government - note 2	-	-	-	-	250,000
Transfers to government	(144,590)	(208,000)	-	(352,590)	(333,111)
Equity - end of year	<u>29,656</u>	<u>48,420</u>	<u>7,145,830</u>	<u>7,223,906</u>	<u>6,590,395</u>
Equity represented by:					
Assets					
Cash and temporary investments	8,227	22,368	1,873,000	1,903,595	1,262,792
Receivables	34,523	18,731	181,900	235,154	219,957
Inventories	2,759	32,627	132,000	167,386	149,328
Prepaid and deferred charges	2,648	515	562,000	565,163	207,485
Investments	-	-	290,000	290,000	5,000
Reserve fund	-	-	49,000	49,000	43,000
Capital and intangible assets	<u>35,307</u>	<u>26,690</u>	<u>17,820,000</u>	<u>17,881,997</u>	<u>17,679,227</u>
Total Assets	<u>83,464</u>	<u>100,931</u>	<u>20,907,900</u>	<u>21,092,295</u>	<u>19,566,789</u>
Liabilities					
Accounts payable and accruals	38,538	52,511	3,109,518	3,200,567	3,234,281
Deferred government assistance	-	-	321	321	321
Borrowings - note 3	<u>15,270</u>	<u>-</u>	<u>10,652,231</u>	<u>10,667,501</u>	<u>9,741,792</u>
Total Liabilities	<u>53,808</u>	<u>52,511</u>	<u>13,762,070</u>	<u>13,868,389</u>	<u>12,976,394</u>
Equity	<u>29,656</u>	<u>48,420</u>	<u>7,145,830</u>	<u>7,223,906</u>	<u>6,590,395</u>

NOTES

1. Other Comprehensive Income

Other comprehensive income includes certain unrealized gains and losses of government business enterprises and partnership that are not reported in the statement of operations but are reported in the statement of financial position. Unrealized gains and losses are recognized in the statement of operations when they become realized gains and losses. Accumulated other comprehensive income as at 31 March 2023 amounted to \$63.7 million (31 March 2022 - \$3.7 million). The other comprehensive income recognized during the year was \$60.0 million (31 March 2022 - \$26.2 million).

2. Transfers from Government

Capital transfers from the Province was Nil (31 March 2022 - \$250.0 million) for the Oil and Gas Development and Lower Churchill Project.

SUMMARY FINANCIAL STATEMENTS

EQUITY IN GOVERNMENT BUSINESS ENTERPRISES AND PARTNERSHIP (continued)

3. Contributions and Repayment Requirements

Sinking fund contributions and long term debt repayments for Government Business Enterprises and Partnership, in Canadian dollars are as follows.

	Total
	(\$000)
2023-2024	197,628
2024-2025	67,398
2025-2026	68,170
2026-2027	308,874
2027-2028	65,300
2028-2057	10,226,900
	10,934,270
Less: Sinking Fund Contributions	(266,769)
	10,667,501

PROVINCE OF NEWFOUNDLAND AND LABRADOR
Net Income of Government Business Enterprises and Partnership
As at 31 March 2023
with comparative figures for 2022

	Atlantic Lottery Corporation 31 Mar 2023 (\$000)	NL Liquor Corporation 1 Apr 2023 (\$000)	Nalcor Energy 31 Dec 2022 (\$000)	Total 2023 (\$000)	Total 2022 (\$000)
Revenue					
Revenue from operations	<u>232,598</u>	<u>415,496</u>	<u>1,359,284</u>	<u>2,007,378</u>	<u>1,610,193</u>
Expense					
Expenses from operations	<u>88,004</u>	<u>214,278</u>	<u>779,000</u>	<u>1,081,282</u>	<u>1,214,650</u>
Net Income	<u>144,594</u>	<u>201,218</u>	<u>580,284</u>	<u>926,096</u>	<u>395,543</u>

NOTE

Related Party Transactions

Nalcor Energy earned related party revenues regarding funding to support both new and current offshore petroleum exploration, funding for wind feasibility studies in Labrador, for a total amount of \$2.4 million (31 December 2021 - \$2.4 million). Nalcor Energy incurred related party expenses in relation to power purchase agreements, cost of application hearings, operation of Exploits assets, various rentals and royalties, and a debt guarantee fee. Netted against these expenses is the funding received from the Province related to Nalcor's obligation under the Upper Churchill Redress Agreement resulting in total expenses of \$33.6 million (31 December 2022 - \$54.4 million).

In relation to the above listed related party transactions for Nalcor Energy, there exists accounts receivable, accounts payable and deferred credits. Accounts receivable include \$44.6 million (31 December 2021 - \$35.8 million); accounts payable include \$28.1 million (31 December 2021 - \$12.2 million) and deferred credits is \$nil (31 December 2021 - \$0.3 million). In addition, Nalcor Energy invested \$52.5 million (31 December 2021 - \$49.5 million) in Provincial bonds. Refer to Schedule 2, note 2 for further details regarding Nalcor Energy's loan payable to the Province.

Newfoundland and Labrador Liquor Corporation is leasing office and warehouse space from the Department of Transportation and Infrastructure. These leases are rent free to the Corporation; however, all operating, leasehold and maintenance costs related to the buildings are the responsibility of the Corporation.

Atlantic Lottery Corporation Inc.'s related party profit earnings totaled \$148.6 million (31 March 2022 - \$135.1 million). In relation to profit earnings, there exists an accounts payable of \$4.0 million (31 March 2022 - \$6.9 million accounts receivable).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Payables, Accrued and Other Liabilities

As at 31 March 2023

with comparative figures for 2022

	2023	2022
	(\$000)	(Note 17, 26) (\$000)
Due to Government of Canada- note 1	1,122,183	1,093,650
Accrued salaries and employee benefits - note 2	767,873	766,519
Accounts payable	522,619	476,564
Asset retirement obligation	518,098	518,568
Taxes payable - note 3	466,853	78,260
Accrued interest payable	241,359	226,250
Contaminated sites	222,803	208,518
Public private partnerships - note 4	135,625	146,683
Capital leases - note 5	14,966	25,080
Other	19,149	19,158
Due to municipalities	784	1,031
Total: Payables, Accrued and Other Liabilities	4,032,312	3,560,281

NOTES

1. Due to Government of Canada

Due to Government of Canada is comprised of \$800.0 million for the Atlantic Accord (2019) (31 March 2022 - \$800 million), \$246.7 million for an Equalization loan (31 March 2022 - \$266.7 million), \$23.7 million for an RCMP policing service contract (31 March 2022 - \$18.3 million) and \$51.8 million for other Federal programs (31 March 2022 - \$8.6 million).

2. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of the following.

	2023	2022
	(\$mil)	(\$mil)
Paid and annual leave	320.3	322.1
Sick leave	245.7	239.9
Severance	22.2	39.3
Salaries	92.8	89.2
Self-insured workers' compensation benefits	61.0	53.5
Other benefits	25.9	22.5
	767.9	766.5

During the 2022-23 fiscal year, an actuarial valuation as of 31 December 2022, with disclosures as at 31 March 2023, was obtained for the Province's self-insured workers' compensation benefits. During the 2022-23 fiscal year an actuarial valuation as of 31 March 2023, with disclosures as at 31 March 2023, was obtained for the Province's sick leave benefits. Accrued severance and sick leave balances have been determined using a combination of actuarial valuations and internal methodologies. Refer to note 5 of the Notes to the Financial Statements for further details on sick leave.

PAYABLES, ACCRUED AND OTHER LIABILITIES (continued)

3. Taxes Payable

Taxes payable is comprised of \$429.9 million for corporate income tax (31 March 2022 - \$69.6 million), \$21.0 million for HST (31 March 2022 - \$nil) and \$16.0 million for other taxes (31 March 2022 - \$8.6 million).

4. Public Private Partnerships

The liability for public private partnerships (P3s) represents the Province's outstanding obligation for the discounted, capitalized cost of acquired P3 assets. The P3 liability has interest rates which vary from 3.55% to 3.85% and has repayment schedules with durations ranging from 27 to 29 years.

5. Capital Leases

Interest rates for all capital leases range from 1.0% to 9.41% and have repayment schedules ranging in duration from 1 to 4 years.

SUMMARY FINANCIAL STATEMENTS

Schedule 6

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Borrowings
As at 31 March 2023
with comparative figures for 2022

	2023			Interest Rate Range (%)	2022
	Total Borrowings (\$000)	Sinking Fund Balance (\$000)	Net Borrowings (\$000)		Net Borrowings (\$000)
Consolidated Revenue Fund					
Treasury bill borrowings	1,156,828	-	1,156,828	4.51 - 4.63	1,168,282
General debentures	16,845,660	1,354,500	15,491,160	1.25 - 9.15	15,573,549
Sun Life Assurance Company of Canada	27,703	-	27,703	7.55 - 9.20	36,538
Government of Canada	121,871	-	121,871	4.91 - 6.15	173,975
	<u>18,152,062</u>	<u>1,354,500</u>	<u>16,797,562</u>		<u>16,952,344</u>
Health care organizations	138,252	29,455	108,797	1.12 - 10.50	112,704
Newfoundland and Labrador Housing Corporation	61,861	-	61,861	0 - 19.75	66,265
Memorial University of Newfoundland	49,882	-	49,882	3.69 - 4.18	52,808
School Districts	17,063	-	17,063	1.35 - prime	19,495
Other	218	-	218	2.89 - prime	148
Total: Borrowings	<u>18,419,338</u>	<u>1,383,955</u>	<u>17,035,383</u>		<u>17,203,764</u>

NOTES

1. General Debentures

General debenture 7C was reopened and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. General debenture 7I was reopened and issued \$300.0 million on 13 April 2021 on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest expense on the debenture debt totaling \$27.5 million is netted against the offsetting interest revenue on the loan receivable.

General debenture 7E had a floating interest rate equal to the three month Canadian Dollar Bankers Acceptance Rate plus 14.5 basis points. General debenture 7F has a floating interest rate equal to the three month Canadian Dollar Bankers Acceptance Rate plus 21 basis points.

BORROWINGS (continued)

2. Borrowings

Borrowings, sinking funds and unamortized premiums, discounts and issuance fees as at 31 March 2023 are noted below. Refer to note 7 of the Notes to the Financial Statements for further details.

Major Currencies	Foreign Borrowings (\$000)	Exchange Rate	Canadian (\$000)	Unamortized Premiums/ (Discounts) and Issuance Fees (\$000)	Net (\$000)
U.S.	200,000	1.3533	270,660	-	270,660
Canadian			18,148,678	-	18,148,678
		Sub-total	18,419,338	-	18,419,338
		Foreign sinking funds	(150,969)	-	(150,969)
		Canadian sinking funds	(1,232,986)	-	(1,232,986)
		Sub-total	17,035,383	-	17,035,383
		Unamortized premiums (discounts) and issuance fees		(312,252)	(312,252)
		Total		(312,252)	16,723,131

3. Contributions and Repayment Requirements

Sinking fund contributions and long term debt repayments, by major currency, in Canadian dollars are as follows.

	U.S. (\$000)	Canadian (\$000)	Total (\$000)
2023-2024	117,008	1,709,255	1,826,263
2024-2025	-	123,607	123,607
2025-2026	-	1,270,628	1,270,628
2026-2027	-	1,074,980	1,074,980
2027-2028	-	1,306,954	1,306,954
2028-2055	-	10,332,850	10,332,850
	117,008	15,818,274	15,935,282

Plus: Sinking Fund Values at Maturity	3,095,948
Less: Sinking Fund Contributions	(611,892)
	18,419,338

SUMMARY FINANCIAL STATEMENTS**BORROWINGS (continued)****4. Interest Expense**

The gross interest expense associated with borrowings, recognized for 31 March 2023, amounted to \$756.4 million (31 March 2022 - \$618.2 million).

5. Foreign Exchange Gains/Losses and Premiums/Discounts and Issuance Fees

The foreign exchange loss which has been recognized on the Consolidated Statement of Operations is \$8.7 million which represents a debit adjustment (31 March 2022 - \$22.1 million - credit adjustment). The net amortization expense on premiums (discounts) and issuance fees is \$19.1 million which represents a debit adjustment (31 March 2022 - \$8.4 million - debit adjustment).

6. Related Sinking Fund Investments

At year end, the Province held \$617.3 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2022 - \$744.4 million) which are reflected in the sinking fund balances disclosed in note 2 above. These were comprised of \$586.6 million in Canadian investments and \$30.7 million in US investments.

7. Risk Disclosure

The Province is exposed to risks related to its financial instruments. These include credit risk, liquidity risk, and market risk (including foreign exchange risk, interest rate risk, and other price risk). The Province has risk management strategies in place to mitigate these risks. There was no significant change in the Government's exposure to these risks or its processes for managing these risks from the prior year.

Credit Risk

Credit risk is the risk of financial loss caused by one party to another party by failing to meet contractual obligations. This risk arises most frequently in relation to cash and temporary investments, receivables, and loans, investments, and advances held by the Province. This risk is mitigated by the fact that a significant portion of amounts receivable are associated with the Government of Canada; therefore collection of these amounts is reasonably assured. Other receivables held by the Province are associated with services provided to a large and diversified cross-section of residents, customers, and other entities. This diversification minimizes the concentration of credit risk exposure associated with any particular individual, company, or other entity.

Credit risk is measured through monitoring and evaluation of receivables and loans, investments, and advances balances. If the evaluations indicate the other party may be unable to meet their obligations, the Province will recognize an allowance for doubtful accounts. Such allowances are disclosed in Schedule 1 and Schedule 2 of the consolidated financial statements. Receivables and advances, taxes receivable, and loans receivable include amounts that are past due but not considered to be impaired. Security also exists for certain commercial loans issued that can be accessed in the event of default, further minimizing risk. Credit risk exposure in relation to investments held by the Province is limited by monitoring and investing in securities with high credit quality based on established investment policies, and utilizing approved brokers for investment transactions. The carrying value of the financial assets subject to this risk represents the maximum credit exposure at year end.

Liquidity Risk

Liquidity risk is the risk that a party cannot meet its short-term debt obligations. Exposure to liquidity risk on the part of the Province is managed by distributing debt maturities over a range of years and terms, maintaining sinking funds for the repayment of certain long-term debt issues, and, based on cash flow monitoring and forecasting, holding adequate cash reserves or short-term borrowings as contingent sources of liquidity. A maturity analysis of borrowings is disclosed in Schedule 6, note 3 of the consolidated financial statements. Accounts payable are short term in nature, with payment generally due within 30 days after receipt of goods and services and related invoice

SUMMARY FINANCIAL STATEMENTS**BORROWINGS (continued)****Market Risk**

Market risks arise with the fluctuation of market prices that are associated with the fair value or future cash flows of a financial instrument. Market risk is comprised of foreign exchange rate risk, interest rate risk and other price risk.

Foreign Exchange Risk

Foreign exchange rate risk is the risk of unfavorable changes in fair value or future cash flows due to fluctuations in foreign exchange rates on foreign currency denominated assets held by the Province. The Province holds a modest portfolio of investments in foreign currencies, and sets strict limits on the proportion of foreign currency denominated assets that can be held relative to total assets in order to manage exposure to foreign exchange risk. An increase/decrease of one cent in United States (US) dollar foreign exchange rates at March 31, 2023 relative to the Canadian Dollar would result in a \$2.0 million increase/decrease in foreign investments. Additionally, the Province has historically issued debentures in US dollars, which entail repayment obligations in US dollars that are subject to foreign exchange risk. At present, the majority of the Province's current debt is domestic in nature, with only one US dollar denominated debt issue currently outstanding. Such US dollar debt issues are long-term in nature and the Province has established sinking funds, also denominated in US dollars, to provide for 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. An increase/decrease of one cent in the foreign exchange rates at 31 March 2023 would result in an increase/decrease in foreign borrowings of \$2.0 million (31 March 2022 - \$4.0 million).

Interest Rate Risk

Interest rate risk is the risk of unfavorable changes in fair value or future cash flows due to fluctuations in market interest rates. The Province manages this risk by setting asset mix guidelines and monitoring assets to limit (1) the total proportion of funds invested in fixed income instruments that are subject to interest rate risk, and (2) the extent to which fixed income assets need to be sold prior to maturity to meet ongoing obligations, which could potentially trigger a capital loss to the Province. At March 31, 2023, none of the sinking fund assets were held in floating rate investments. The Province's outstanding debt is structured such that a high degree of its debt is long-term with fixed interest rates and fixed repayment terms with limited exposure to floating rate debt obligations. 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. A 1% increase/decrease in interest rates would increase/decrease annual interest expense by \$7.5 million based upon the impact of refinancing the current portion only. At March 31, 2023, there was \$425 million of borrowing held in floating rate notes. A 1% increase/decrease in interest rates would increase/decrease annual interest expense by \$4.3 million.

Other Price Risk

Other price risk is the risk of unfavorable changes in fair value or future cash flows due to fluctuations in market prices that do not arise from foreign exchange risk, or interest rate risk. The Province is exposed to other price risk through its investments traded in an active market, however such risk is minimal given limited holdings and investment concentration. At March 31, 2023, a 1% increase/decrease in the fair value of equity investments held in sinking funds would result in a \$0.5 million increase/decrease in both the net income of the sinking fund and the value of the investment assets.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Guaranteed Debt As at 31 March 2023 with comparative figures for 2022

	2023	2022
	(\$000)	(\$000)
Guaranteed Debentures		
Newfoundland and Labrador Hydro	1,002,985	872,827
Newfoundland and Labrador Housing Projects - note 4	11,884	15,673
Municipalities	677	660
	<u>1,015,546</u>	<u>889,160</u>
Guaranteed Bank Loans		
Fisheries	5,540	10,168
Other corporations	820	852
	<u>6,360</u>	<u>11,020</u>
Total: Guaranteed Debt	<u><u>1,021,906</u></u>	<u><u>900,180</u></u>

NOTES

1. Limit of Loan Guarantees

The limit of loan guarantees for guaranteed debentures is \$1,015.9 million and \$18.4 million for guaranteed bank loans.

2. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt is nil (31 March 2022 - nil).

3. General Terms and Conditions

Guaranteed debentures for Newfoundland and Labrador Hydro have maturity dates ranging from February 2026 to December 2045 at interest rates varying from 3.6% to 8.4%. Other guaranteed debentures and guaranteed bank loans have maturity dates ranging from April 2023 to December 2035 at interest rates varying from 1.01% to 10.5%.

4. Loan Guarantees

The Newfoundland and Labrador Housing Corporation has provided loan guarantees pursuant to the Canada-Newfoundland Social Housing Agreement in respect of certain Canada Mortgage and Housing Corporation debt of partner managed housing operations.

PROVINCE OF NEWFOUNDLAND AND LABRADOR**Losses, Uncollectible Accounts and Other Amounts Written Off****As at 31 March 2023****with comparative figures for 2022**

Department	2023	2022
	(\$000)	(\$000)
Finance:		
Remissions	917	7,594
Education:		
Uncollectible accounts	2,364	3,064
Immigration, Population, Growth and Skills:		
Uncollectible accounts	84	73
Children, Seniors and Social Development:		
Uncollectible accounts	1,113	2,268
Digital Government and Service Newfoundland and Labrador:		
Uncollectible accounts	2	122
Transportation and Infrastructure:		
Uncollectible accounts	-	296
Total: Losses, Uncollectible Accounts and Other Amounts Written Off	4,480	13,417

NOTE

Losses, Uncollectible Accounts and Other Amounts Written Off includes balances of the Consolidated Revenue Fund.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Trust Accounts As at 31 March 2023 with comparative figures for 2022

	2023	2022
	(Note 17, 26)	(Note 17, 26)
	(\$000)	(\$000)
Office of the Public Trustee	34,121	37,955
Supreme Court of Newfoundland and Labrador	25,244	26,828
Refund Deposit Account (formerly known as Rate Stabilization Fund)	8,565	8,431
Scholarships and Awards	7,085	7,415
Teachers' Accrued Salary Trust Account	5,283	5,704
Patients' Funds Held in Trust	4,381	4,371
Replacement Reserve Funds	3,699	3,684
Consolidated Tender Account	3,143	1,666
Federal/Provincial Contractors' Security Account	2,910	3,915
Support Enforcement	1,405	1,364
Contractors' Security Account - Transportation and Infrastructure	1,132	748
Provincial Courts Trust Account	456	466
High Sheriff of Newfoundland	206	196
Other Trust Accounts	4,714	4,654
Total: Trust Accounts	102,344	107,397

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 2022, the Commission reported a net fund surplus of \$226.2 million (31 December 2021 - net fund surplus of \$430.1 million) and an accumulated operating surplus of \$222.1 million (31 December 2021 - accumulated operating surplus of \$426.9 million). Under legislation, no liability on behalf of the Province has been established.

SUMMARY FINANCIAL STATEMENTS

Schedule 10

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Tangible Capital Assets
As at 31 March 2023
with comparative figures for 2022

Category	Original Cost			Accumulated Amortization				Net Book Value 31 March 2023	Net Book Value 31 March 2022 (Note 17, 26)
	Balance 31 March 2022	Additions 2023	Disposals 2023	Balance 31 March 2023	Balance 31 March 2022	Amort. Net of Disposals 2023	Balance 31 March 2023		
Buildings	5,406.7	102.3	7.5	5,501.5	2,782.9	128.2	2,911.1	2,590.4	2,623.8
Marine vessels & aircraft	394.2	0.4	-	394.6	173.2	17.7	190.9	203.7	221.0
Equipment & machinery	1,896.9	76.1	25.0	1,948.0	1,520.9	47.6	1,568.5	379.5	376.0
Infrastructure	5,726.5	113.7	-	5,840.2	4,451.6	106.7	4,558.3	1,281.9	1,274.9
Computer software	233.6	4.3	-	237.9	207.8	8.4	216.2	21.7	25.8
Sub-total	<u>13,657.9</u>	<u>296.8</u>	<u>32.5</u>	<u>13,922.2</u>	<u>9,136.4</u>	<u>308.6</u>	<u>9,445.0</u>	<u>4,477.2</u>	<u>4,521.5</u>
Work in progress				<u>367.0</u>				<u>367.0</u>	<u>328.8</u>
Total				<u><u>14,289.2</u></u>				<u><u>4,844.2</u></u>	<u><u>4,850.3</u></u>

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. The Province currently has a number of projects under construction or development with a total for 31 March 2023 of \$367.0 million (31 March 2022 - \$328.8 million) having been spent on these projects to date. Upon completion, these assets are recorded in the appropriate category in the schedule. The additions of \$296.8 million include \$75.8 million of work in progress assets that have been capitalized in the year. Net additions to work in progress assets include additions of \$117.0 million less disposals of \$3.0 million for 2022-23.

SUMMARY FINANCIAL STATEMENTS

TANGIBLE CAPITAL ASSETS (continued)

3. Accumulated Amortization

The \$308.6 million change in accumulated amortization from the prior year, as reported in the Tangible Capital Asset schedule, consists of amortization expense of \$340.3 million less accumulated amortization on assets disposed of in the year in the amount of \$31.7 million.

The \$286.5 million change in accumulated amortization as at 31 March 2022 consisted of amortization expense of \$336.0 million less accumulated amortization on assets disposed of in the year in the amount of \$49.5 million.

4. Estimated Useful Life

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

<u>Asset</u>	<u>Estimated Useful Life</u>
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	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.

TANGIBLE CAPITAL ASSETS (continued)

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 \$61.6 million (31 March 2022 - \$60.3 million), amortization expense is \$3.0 million (31 March 2022 - \$4.0 million) and accumulated amortization is \$34.8 million (31 March 2022 - \$31.8 million). These are included in the appropriate category in the schedule.

8. Expropriated Assets

In December 2008, the Province passed legislation entitled Abitibi-Consolidated Rights and Assets Act, to expropriate certain rights and assets from Abitibi-Consolidated. The intent of this Act was to return to the Province rights relating to timber and water use, as well as assets and land associated with the generation of electricity enabled by water use rights. As a result of the expropriation, the Province also assumed responsibility of other assets associated with the pulp and paper mill. While the Province has licensed Nalcor Energy to manage and operate the hydro electricity generating assets on behalf of the Province, the intent is to transfer these assets to Nalcor Energy or Newfoundland and Labrador Hydro. Nalcor Energy is operating these electricity generating assets on a cost recovery basis and with revised power purchase rates now applying to these facilities. As the value of the electricity generating assets expropriated, and their ultimate use, have not been determined, any payments related to subsection 10.(2) of the Act have been recorded as tangible capital assets. \$113.9 million, (net) has been recorded as the cost of the electricity generating assets for the fiscal year ended 31 March 2023 and are included in the infrastructure category. As the value of the non-electricity generating assets expropriated, and their ultimate future use have not been determined, they have been recorded as tangible capital assets at a nominal amount.

9. Public Private Partnerships

The cost of tangible capital assets includes \$194.0 million (31 March 2022 - \$194.0 million) related to public private partnership assets, of which \$3.6 million (31 March 2022 - \$3.6 million) has been recorded as amortization expense and accumulated amortization is \$9.5 million (31 March 2022 - \$5.9 million). These amounts are included in the appropriate category in the schedule.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue by Source For the year ended 31 March 2023 with comparative figures for 2022

	Original Budget 2023 Unaudited (Note 24)	Actuals 2022 (Note 17, 26)
	Actuals 2023 (\$000)	Actuals 2022 (\$000)
Provincial Sources		
Taxation		
Personal income tax	2,066,863	1,584,344
Sales tax	1,452,435	1,435,686
Corporate income tax	993,095	660,584
Mining and mineral rights tax	137,666	194,634
Carbon tax	109,537	90,943
Gasoline tax	90,741	149,099
Cannabis tax	10,522	8,278
Other	380,359	378,305
	<u>5,241,218</u>	<u>4,501,873</u>
Investment		
Interest	104,343	49,047
Sinking fund earnings	48,896	45,525
Other	24,459	2,334
	<u>177,698</u>	<u>96,906</u>
Fees and fines		
Fees	426,288	489,616
Fines	33,514	11,037
	<u>459,802</u>	<u>500,653</u>
Offshore royalties	1,166,095	1,196,034
Miscellaneous		
Sales and rentals	111,900	107,027
Cost recoveries	45,716	38,141
Other	356,516	366,005
	<u>514,132</u>	<u>511,173</u>
Total Provincial Sources	<u>7,558,945</u>	<u>6,806,639</u>
Federal Sources		
Health and social transfers	854,694	796,135
Cost-shared programs	623,236	630,909
Net profits interest	191,586	-
Atlantic Accord (2019)	(25,489)	(109,491)
Other	61,131	69,694
	<u>1,705,158</u>	<u>1,387,247</u>
Total Federal Sources	<u>1,705,158</u>	<u>1,387,247</u>
Net income of government business enterprises and partnership - see note	<u>926,096</u>	<u>395,543</u>
Total: Revenue by Source	<u>10,190,199</u>	<u>8,589,429</u>

NOTE

See Schedule 4 for a breakdown by entity.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Department For the year ended 31 March 2023 with comparative figures 2022

	Actuals 2023 (\$000)	Original Budget 2023 Unaudited (Note 24) (\$000)	Actuals 2022 (Note 17, 26) (\$000)
General Government Sector and Legislative Branch			
General Government Sector			
Consolidated Fund Services	1,008,345	831,242	714,109
Executive Council	181,226	221,876	170,637
Finance	423,746	505,281	303,913
Public Procurement Agency	1,828	2,165	2,043
Public Service Commission	11,016	11,999	11,072
Digital Government and Service Newfoundland and Labrador	36,029	36,459	33,369
Transportation and Infrastructure	645,062	597,101	658,696
Legislative Branch			
Legislature	24,491	30,013	22,752
	<u>2,331,743</u>	<u>2,236,136</u>	<u>1,916,591</u>
Resource Sector			
Environment and Climate Change	75,049	72,347	54,040
Industry, Energy and Technology	470,194	281,370	387,224
Tourism, Culture, Arts and Recreation	110,297	92,267	96,245
Fisheries, Forestry and Agriculture	152,616	132,042	135,175
Immigration, Population Growth and Skills	185,108	190,940	131,450
	<u>993,264</u>	<u>768,966</u>	<u>804,134</u>
Social Sector			
Children, Seniors and Social Development	418,977	411,059	396,789
Education	1,821,023	1,791,778	1,748,158
Health and Community Services	3,723,942	3,591,737	3,527,070
Justice and Public Safety	366,601	321,130	281,908
Newfoundland and Labrador Housing Corporation	133,081	142,165	113,336
Municipal and Provincial Affairs	78,432	158,620	78,713
	<u>6,542,056</u>	<u>6,416,489</u>	<u>6,145,974</u>
Total: Expenses by Department	<u><u>9,867,063</u></u>	<u><u>9,421,591</u></u>	<u><u>8,866,699</u></u>

NOTE

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

SUMMARY FINANCIAL STATEMENTS

Schedule 13

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Object
For the year ended 31 March 2023
with comparative figures for 2022

	Original Budget		
	2023 Unaudited (Note 24)	Actuals 2022 (Note 17, 26)	
	Actuals 2023 (\$000)	Actuals 2022 (\$000)	
Salaries and employee benefits - note 1	3,608,241	3,531,110	3,452,794
Grants and subsidies	2,596,836	2,568,882	2,035,418
Operating costs	1,484,412	1,383,832	1,409,205
Debt expenses	1,087,176	955,968	941,588
Professional services	588,853	572,972	534,160
Amortization and (gain)/loss on the sale of tangible capital assets	342,513	333,183	337,447
Property, furnishings and equipment - note 2	140,647	70,654	124,209
Valuation allowances (recovery)	18,385	4,990	31,878
Total: Expenses by Object	<u>9,867,063</u>	<u>9,421,591</u>	<u>8,866,699</u>

NOTES

1. Salaries and employee benefits

Salaries and employee benefits consists of the following.

	2023	2022
	(\$mil)	(\$mil)
Salaries	3,008.3	2,888.6
Retirement costs	238.0	232.0
Other benefits	191.0	181.4
Paid and annual leave	123.0	116.6
Sick leave	38.0	33.2
Severance	9.9	1.0
	<u>3,608.2</u>	<u>3,452.8</u>

2. Property, Furnishings and Equipment

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

SUMMARY FINANCIAL STATEMENTS

Schedule 14

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue and Expense by Sector
For the year ended 31 March 2023

	General Government Sector and Legislative Branch (\$000)	Resource Sector (\$000)	Social Sector (\$000)	Total (\$000)
REVENUE				
Provincial				
Taxation	5,287,072	38	-	5,287,110
Investment	149,170	10,985	17,543	177,698
Fees and Fines	159,654	80,471	219,677	459,802
Offshore Royalties	198	1,165,897	-	1,166,095
Other	29,878	135,932	353,239	519,049
Federal sources	<u>1,105,868</u>	<u>268,158</u>	<u>331,132</u>	<u>1,705,158</u>
	6,731,840	1,661,481	921,591	9,314,912
Net income of government business enterprises and partnership	<u>345,812</u>	<u>580,284</u>	<u>-</u>	<u>926,096</u>
Total Sector Revenue - note 2	<u>7,077,652</u>	<u>2,241,765</u>	<u>921,591</u>	<u>10,241,008</u>
EXPENSE				
Salaries and employee benefits	316,570	132,919	3,243,150	3,692,639
Operating costs	316,839	179,450	988,123	1,484,412
Grants and subsidies	476,450	634,693	1,452,104	2,563,247
Debt expenses	1,038,891	2,712	45,573	1,087,176
Professional services	17,527	7,595	563,731	588,853
Amortization and (gain)/loss on sale of tangible capital assets	157,083	27,170	158,260	342,513
Property, furnishings, and equipment	9,465	12,397	118,785	140,647
Valuation allowances (recovery)	<u>(1,082)</u>	<u>1,249</u>	<u>18,218</u>	<u>18,385</u>
Total Sector Expense - note 3	<u>2,331,743</u>	<u>998,185</u>	<u>6,587,944</u>	<u>9,917,872</u>
Sector Results - before adjustments	4,745,909	1,243,580	(5,666,353)	323,136
Inter-Sector Eliminations	<u>45,892</u>	<u>(4,920)</u>	<u>(40,972)</u>	<u>-</u>
Annual Surplus (Deficit)	<u>4,791,801</u>	<u>1,238,660</u>	<u>(5,707,325)</u>	<u>323,136</u>

NOTES

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE SCHEDULE OF REVENUE AND EXPENSE BY SECTOR
For the year ended 31 March 2023

1. Sectors

The sectors identified above are consistent with the presentation of the Consolidated Statement of Operations, the 2022-23 Estimates. Each sector includes the revenue 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 12 - 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 \$50.8 million resulting in total revenue of \$10,190.2 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 eliminations pertaining to expenses amount to \$50.8 million resulting in total expense of \$9,867.1 million as per the Consolidated Statement of Operations.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Government Reporting Entity For the year ended 31 March 2023

GOVERNMENT ORGANIZATIONS

	Board of Commissioners of Public Utilities
	C.A. Pippy Park Commission
	Celebrate NL Inc.
	Central Regional Health Authority
D	Chicken Farmers of Newfoundland and Labrador
note 1	Churchill Falls (Labrador) Corporation Trust
	College of the North Atlantic
J	Conseil scolaire francophone provincial de Terre-Neuve et Labrador
	Consolidated Revenue Fund
	Credit Union Deposit Guarantee Corporation
JU	Dairy Farmers of Newfoundland and Labrador
note 2	Eastern Regional Health Authority
D	Egg Farmers of Newfoundland and Labrador
	Heritage Foundation of Newfoundland and Labrador
	Innovation and Business Investment Corporation
	Labrador-Grenfell Regional Health Authority
	Livestock Owners Compensation Board
A	Marble Mountain Development Corporation
	Memorial University of Newfoundland
	Multi-Materials Stewardship Board
	Municipal Assessment Agency Inc.
note 4	Newfoundland and Labrador 911 Bureau Inc.
	Newfoundland and Labrador Arts Council
	Newfoundland and Labrador Centre for Health Information
	Newfoundland and Labrador Crop Insurance Agency
J - note 3	Newfoundland and Labrador English School District
	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
	Newfoundland and Labrador Sports Centre Inc.
	Newfoundland Hardwoods Limited
D	Oil and Gas Corporation of Newfoundland and Labrador
	Provincial Advisory Council on the Status of Women - Newfoundland and Labrador
	Provincial Information and Library Resources Board

SUMMARY FINANCIAL STATEMENTS

GOVERNMENT REPORTING ENTITY (continued)

GOVERNMENT ORGANIZATIONS

The Rooms Corporation of Newfoundland and Labrador
Western Regional Health Authority

GOVERNMENT BUSINESS ENTERPRISES

D	Nalcor Energy
F	Newfoundland and Labrador Liquor Corporation

GOVERNMENT BUSINESS PARTNERSHIP

Atlantic Lottery Corporation Inc. (25% ownership)

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.
JU	This entity has a year end of 31 July.
F	This entity has 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.

NOTES

- 1 Churchill Falls (Labrador) Corporation Trust was included in the Government reporting entity for consolidation since, in substance, it was closely held and controlled by the Province and was administered by senior Government officials. During the year, Churchill Falls (Labrador) Corporation was removed from the Government Reporting Entity as all obligations of the Trust had been met and the Declaration of Trust has been terminated.
- 2 During the prior year, the bylaws of the Eastern Regional Health Authority were amended. As a result of these amendments, Eastern Regional Health Authority no longer controls a number of foundations/associations. These health foundations/associations have not been consolidated with the Eastern Health Regional Authority financial statements for the periods of 2021-22 and 2022-23 nor have they been included within the Province's 2021-22 and 2022-23 Consolidated Summary Financial Statements. These entities are as follows: 1) Health Care Foundation of St.John's Inc.; 2) Janeway Children's Hospital Foundation; 3) Dr. H. Bliss Murphy Cancer Care Foundation; 4) Discovery Health Care Foundation Inc.; 5) Trinity - Conception - Placentia Health Foundation Inc.; 6) The Burin Peninsula Health Care Foundation Inc.
- 3 Newfoundland and Labrador English School District controls a number of foundations/associations which have been consolidated within their financial statements in 2022-23. These entities are as follows: 1) Newfoundland and Labrador Education Foundation Inc.; and 2) Newfoundland and Labrador International Student Education Inc.
- 4 During the year, the Newfoundland and Labrador 911 Bureau Inc. was dissolved and the operations of their programs were transferred to the Consolidated Revenue Fund.



Province of Newfoundland and Labrador

Consolidated Revenue Fund Financial Information (Unaudited)

**For The Year Ended
31 March 2023**

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INTRODUCTION

This supplementary information is comprised of the Consolidated Revenue Fund Financial Information which presents the financial statements of the Consolidated Revenue Fund of the Province of Newfoundland and Labrador. The Consolidated Revenue Fund, as required by the *Financial Administration Act*, is comprised of all public money over which the Legislature has power of appropriation.

These unaudited financial statements are prepared by the Comptroller General of Finance on the accrual basis of accounting in accordance with the Public Sector Accounting Standards of the Chartered Professional Accountants of Canada. The accounting policies applied in the preparation of these financial statements are consistent with those disclosed in Note 1 to the Consolidated Summary Financial Statements. Where available, Original Budget figures prepared on the accrual basis of accounting are provided on several statements for comparison purposes. As well, restatements to the comparative fiscal year as disclosed in the Consolidated Summary Financial Statements applicable to the Consolidated Revenue Fund have also been reflected in these statements.

The Consolidated Revenue Fund Financial Information for previous years is also available on the Internet at: <https://www.gov.nl.ca/exec/tbs/working-with-us/publications/public-accounts/>

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PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Financial Position
As at 31 March 2023
with comparative figures for 2022

	Actuals 2023 (\$000)	Actuals 2022 (\$000)
FINANCIAL ASSETS		
	1,302,222	1,386,740
	122,819	47,041
Sch. A	3,306,469	3,496,410
	122,163	112,886
	3,184,306	3,383,524
Sch. B	380,642	382,699
	49,446	51,271
	331,196	331,428
Sch. E	1,354,500	1,351,291
Sch. C	4,966,038	4,966,152
	10,361	10,361
	<u>4,955,677</u>	<u>4,955,791</u>
	<u>11,250,720</u>	<u>11,455,815</u>
Total Financial Assets		
LIABILITIES		
Sch. D	2,917,819	2,434,821
	102,553	234,890
Sch. E	18,152,062	18,303,635
	(312,252)	(237,319)
	17,839,810	18,066,316
	3,203,885	3,104,039
	145,534	284,434
	3,965,398	4,049,858
	4,110,932	4,334,292
	<u>28,174,999</u>	<u>28,174,358</u>
Total Liabilities		
NET DEBT		
	<u>16,924,279</u>	<u>16,718,543</u>
NON-FINANCIAL ASSETS		
	2,591,316	2,591,916
	13,903	9,492
	45,085	58,849
	<u>2,650,304</u>	<u>2,660,257</u>
Total Non-Financial Assets		
ACCUMULATED DEFICIT		
	<u>14,273,975</u>	<u>14,058,286</u>
Accumulated deficit is comprised of:		
	14,267,358	14,058,286
	(6,617)	-
	<u>14,273,975</u>	<u>14,058,286</u>

Sch. F Guaranteed Debt

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

Certain amounts of the 31 March 2022 financial statement figures and related schedules have been restated.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Change in Net Debt For the year ended 31 March 2023 with comparative figures for 2022

	Actuals 2023 (\$000)	Original Budget 2023 (\$000)	Actuals 2022 (\$000)
NET DEBT - beginning of period	16,718,543	23,586,075	16,167,158
Add (Deduct):			
Adjustments			
Asset retirement obligation	-	-	119,779
ADJUSTED NET DEBT - beginning of period	<u>16,718,543</u>	<u>23,586,075</u>	<u>16,286,937</u>
Operating Surplus (Deficit) for the period	<u>(209,072)</u>	<u>(1,539,224)</u>	<u>(361,845)</u>
Changes in tangible capital assets			
Acquisition of tangible capital assets	189,390	291,158	245,626
Net book value of tangible capital asset disposals	(4,805)	-	(2,035)
Amortization of tangible capital assets	<u>(185,185)</u>	<u>(174,098)</u>	<u>(188,506)</u>
Increase (Decrease) in net book value of tangible capital assets	<u>(600)</u>	<u>117,060</u>	<u>55,085</u>
Changes in other non-financial assets			
Acquisition of prepaid expenses (net of usage)	4,411	-	2,899
Acquisition of inventories of supplies (net of usage)	<u>(13,764)</u>	<u>-</u>	<u>11,777</u>
Increase (Decrease) in other non-financial assets	<u>(9,353)</u>	<u>-</u>	<u>14,676</u>
Increase (Decrease) in net debt excluding net remeasurement gains and (losses)	<u>199,119</u>	<u>1,656,284</u>	<u>431,606</u>
Net remeasurement gains and (losses)			
Opening balance adjustment	7,110	-	-
Net remeasurement gains and (losses) for the year	<u>(13,727)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in net debt	<u>205,736</u>	<u>1,656,284</u>	<u>431,606</u>
NET DEBT - end of period	<u><u>16,924,279</u></u>	<u><u>25,242,359</u></u>	<u><u>16,718,543</u></u>

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

Certain amounts of the 31 March 2022 financial statement figures and related schedules have been restated.

CONSOLIDATED REVENUE FUND (UNAUDITED)

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Statement of Operations
For the year ended 31 March 2023
with comparative figures for 2022**

	Actuals 2023 (\$000)	Original Budget 2023 (\$000)	Actuals 2022 (\$000)
REVENUE			
Provincial			
Tax Revenue			
Sales	1,452,435	1,295,158	1,435,686
Personal income	2,066,863	1,666,323	1,584,344
Gasoline	90,741	141,648	149,099
Corporate income	993,095	737,467	660,584
Mining and mineral rights	137,666	120,479	194,634
Cannabis tax	10,522	8,938	8,278
Carbon tax	109,537	117,013	90,943
Other	426,251	385,995	422,549
Non-Tax Revenue			
Offshore royalties	1,166,095	865,693	1,196,034
Investment	351,912	401,017	340,653
Fees and fines	237,573	162,934	302,336
Other	35,238	-	41,035
Provincial related revenue	248,665	123,682	230,208
Federal			
Atlantic Accord (2019)	(25,489)	-	(109,491)
Net profits interest	191,586	-	-
Health and social transfers	854,694	825,679	796,135
Other	4,337	9,710	9,668
Federal related revenue	568,617	985,545	585,104
Total Revenue	8,920,338	7,847,281	7,937,799
EXPENSE			
Salaries and employee benefits	668,743	706,029	601,855
Transportation and communications	31,948	33,506	22,987
Supplies	151,824	101,124	117,523
Professional services	553,066	542,011	488,636
Purchased services	316,878	290,896	358,116
Property, furnishings and equipment	19,201	8,489	4,948
Allowances and assistance	997,473	601,403	732,660
Grants and subsidies	5,149,902	5,994,502	4,856,326
Debt expenses	1,041,584	934,447	900,272
Amortization and (gain)/loss on the sale of tangible capital assets	185,296	174,098	190,527
Valuation allowances (recovery)	13,495	-	25,794
Total Expense	9,129,410	9,386,505	8,299,644
ANNUAL OPERATING SURPLUS (DEFICIT)	(209,072)	(1,539,224)	(361,845)

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

Certain amounts of the 31 March 2022 financial statement figures and related schedules have been restated.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Change in Accumulated Deficit For the year ended 31 March 2023 with comparative figures for 2022

	<u>Actuals</u> 2023 (\$000)	<u>Original</u> Budget 2023 (\$000)	<u>Actuals</u> 2022 (\$000)
ACCUMULATED OPERATING DEFICIT - beginning of period	14,058,286		13,572,693
Add (Deduct):			
Adjustments			
Asset retirement obligation	-		123,748
ADJUSTED ACCUMULATED OPERATING DEFICIT - beginning of period	14,058,286		13,696,441
Operating Surplus (Deficit) for the period	<u>(209,072)</u>	<u>(1,539,224)</u>	<u>(361,845)</u>
Accumulated operating deficit – end of period	14,267,358		14,058,286
Accumulated remeasurement gains and (losses) - end of period	<u>(6,617)</u>	-	-
ACCUMULATED DEFICIT - end of period	<u><u>14,273,975</u></u>		<u><u>14,058,286</u></u>

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

Certain amounts of the 31 March 2022 financial statement figures and related schedules have been restated.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Statement of Remeasurement Gains and Losses
For the year ended 31 March 2023**

	Actuals 2023 (\$000)
ACCUMULATED REMEASUREMENT GAINS AND (LOSSES) - beginning of period	-
Opening Adjustments	7,110
ADJUSTED ACCUMULATED REMEASUREMENT GAINS AND (LOSSES) - beginning of period	<u>7,110</u>
UNREALIZED GAINS (LOSSES) ATTRIBUTABLE TO:	
Foreign exchange	(22,823)
Portfolio investments	382
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS:	
Foreign exchange	8,714
Net remeasurement gains and (losses) for the period	<u>(13,727)</u>
ACCUMULATED REMEASUREMENT GAINS AND (LOSSES) – end of period	<u><u>(6,617)</u></u>
Accumulated remeasurement gains and (losses) is comprised of:	
Foreign exchange	(6,999)
Portfolio investments	382
Total accumulated remeasurement gains and (losses)	<u><u>(6,617)</u></u>

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

CONSOLIDATED REVENUE FUND (UNAUDITED)

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Statement of Cash Flows
For the year ended 31 March 2023
with comparative figures for 2022**

	<u>Actuals</u> 2023	<u>Actuals</u> 2022
	(\$000)	(\$000)
Funds provided from (applied to):		
OPERATIONS		
Annual operating surplus (deficit)	(209,072)	(361,845)
Add (Deduct) non-cash items:		
Accounts payable	430,502	83,980
Accounts receivable	189,941	67,165
Amortization of foreign exchange (gains)/losses, (premiums)/discounts and issuance fees	11,008	(13,638)
Amortization of tangible capital assets	185,185	188,506
April writebacks	16,764	39,346
Deferred revenue	(132,337)	(137,434)
Other	(103,160)	(92,124)
Retirement costs	(39,055)	(73,965)
Sinking funds	(48,145)	(44,692)
Special purpose funds/contractors' holdback funds	7,125	680
Valuation allowances	13,495	25,794
Net cash provided from (applied to) operating transactions	<u>322,251</u>	<u>(318,227)</u>
CAPITAL		
Acquisitions	(189,390)	(365,405)
Disposals	981	15
Net cash provided from (applied to) capital transactions	<u>(188,409)</u>	<u>(365,390)</u>
FINANCING		
Debt issued	1,700,000	1,550,000
Debt retirement	(1,885,378)	(460,130)
Retirement of promissory note	(84,460)	(79,678)
Sinking fund contributions	(39,431)	(40,676)
Sinking fund proceeds	103,483	100,186
Treasury bills purchased	8,855,995	8,439,898
Treasury bills redeemed	(8,867,449)	(8,441,269)
Net cash provided from (applied to) financing transactions	<u>(217,240)</u>	<u>1,068,331</u>
INVESTING		
Loan advances and investments	(14,525)	(268,433)
Loan repayments	13,405	20,478
Net cash provided from (applied to) investing transactions	<u>(1,120)</u>	<u>(247,955)</u>
Net cash provided (applied)	(84,518)	136,759
Cash and temporary investments - beginning of period	1,386,740	1,249,981
CASH AND TEMPORARY INVESTMENTS - end of period	<u>1,302,222</u>	<u>1,386,740</u>

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

Certain amounts of the 31 March 2022 financial statement figures and related schedules have been restated.

Schedule A

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Accounts and Taxes Receivable
As at 31 March 2023
with comparative figures for 2022**

	2023 (\$000)	2022 (\$000)
Accounts Receivable:		
Due from Government of Canada - note 1	2,651,250	2,735,772
Offshore royalties	104,622	163,944
Income support overpayments	95,881	85,394
Court fines	55,116	53,253
Newfoundland Labrador Liquor Corporation	48,420	69,902
Innovation and Business Development Fund	30,000	36,000
Miscellaneous/other receivables	19,273	20,775
Due from Nalcor Energy	14,032	10,947
Rent and other royalties/permits to occupy	5,744	5,756
Reciprocal billings - medical services	4,575	5,819
Medical care plan audit recoveries	2,525	2,438
Amounts due as a result of Constituency Allowance review	2,488	2,501
Atlantic Lottery Corporation Incorporated	1,938	6,892
Due from municipalities	1,903	2,323
Workplace, Health, Safety and Compensation Commission	1,692	1,526
Accident recovery claims	663	24
Fees and licences	566	577
Province of Newfoundland and Labrador Pooled Pension Fund	116	2
Travel advances	23	21
Total: Accounts Receivable	3,040,827	3,203,866
Taxes Receivable:		
Mining and mineral rights tax	88,358	130,894
Personal income tax	74,880	-
Sales tax	32,427	88,136
Health and post secondary education tax	21,251	15,457
School tax	8,830	8,864
Insurance companies tax	8,806	8,862
Carbon tax	8,324	9,289
Tobacco tax	7,435	9,046
Gasoline tax	5,978	15,143
Cannabis tax	4,733	3,403
Miscellaneous/other taxes	3,063	1,781
Forest management tax	1,557	1,669
Total: Taxes Receivable	265,642	292,544
Total: Accounts and Taxes Receivable	3,306,469	3,496,410

NOTES

1. Due from Government of Canada includes a receivable of \$2.6 billion for 31 March 2023 (31 March 2022 - \$2.7 billion) related to the Atlantic Accord (2019).

2. The allowance for doubtful accounts for 31 March 2023 is \$122.2 million (31 March 2022 - \$112.9 million).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Mortgages Receivable As at 31 March 2023 with comparative figures for 2022

	2023	2022
	(\$000)	(\$000)
Crown Agencies - note 4:		
Memorial University of Newfoundland	179,385	181,077
Newfoundland and Labrador Film Development Corporation	6,819	6,819
Total: Crown Agencies	186,204	187,896
Commercial Loans		
6574262 Canada Inc.	500	500
Afinin Lab Inc.	30	30
Canada Fluorspar (NL) Inc.	21,294	21,294
Clear Risk Inc.	420	420
Corner Brook Pulp and Paper Limited	117,225	112,807
D.F. Barnes Fabrication Limited	200	200
Doyle, James & Sons Ltd.	771	771
Garrison Guitars	171	171
Holson Forest Products Ltd.	7,319	7,319
Hughes, Vincent	50	50
IC Spa Products Inc.	183	183
Icewater Harvesting Inc.	188	437
Island Seafoods Products Limited	125	125
Keats, Eric	102	102
Koby Seat Inc.	9	9
Mike Butland Fisheries	134	134
MyTechSupport.com Limited	20	20
MyTelescope.com Inc.	315	315
Newfoundland and Labrador Mobile Shelters Limited	394	400
Other Ocean Group Inc.	781	781
PAL Aerospace Ltd.	2,250	2,250
Phocalux International Inc.	863	821
Pumphrey, Gerry	537	537
Saunders, Ralph	61	61
Seacraft Limited	68	68
Seaward, Alphonsus	99	99
Shell-Ex (formerly known as Eastern Star Group Canada Inc.)	145	145

LOANS, ADVANCES AND MORTGAGES RECEIVABLE (continued)

	<u>2023</u>	<u>2022</u>
	(\$000)	(\$000)
Commercial Loans:		
Short, William	262	262
Superior Waterproof Coating NF & LB Inc.	154	154
Sweet, Roy	59	59
Uncle Phil's Think Tank Inc.	75	75
Virtual Marine Technology	991	991
Wilson, Ronald & Curtis, Kevin	<u>354</u>	<u>354</u>
Total: Commercial Loans	<u>156,149</u>	<u>151,944</u>
Other Loans:		
Municipalities	630	630
Student loans	<u>57,833</u>	<u>59,112</u>
Total: Other Loans	<u>58,463</u>	<u>59,742</u>
Sub-Total: Loans, Advances and Mortgages Receivable	400,816	399,582
Less: Discounts due to concessionary terms - note 5	(16,253)	(13,456)
Provision for loan repayments through future appropriations	<u>(3,921)</u>	<u>(3,427)</u>
Total: Loans, Advances and Mortgages Receivable	<u><u>380,642</u></u>	<u><u>382,699</u></u>

NOTES

1. Interest Rates and Loan Terms

Interest rates on loans range from non-interest bearing to 14% and are repayable over terms not exceeding 22 years.

2. Allowance for Doubtful Accounts

The allowance for doubtful accounts for 31 March 2023 is \$49.4 million (31 March 2022 - \$51.3 million).

3. Security

Security exists for certain loans that can be accessed in the event of default.

4. Loan Receivable

The Province reopened general debenture 7C and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. General debenture 71 was reopened and issued \$300.0 million on 13 April 2021, on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest revenue earned during the year on this loan totaling \$27.5 million is netted against the offsetting interest expense on the debenture debt.

5. Discounts Due to Concessionary Terms on Loans

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Investments As at 31 March 2023 with comparative figures for 2022

Description of Investment	Net Additions (Disposals)	Balance 31 March 2023		2022
		(\$000)	No. of Shares	Cost (\$000)
Preferred Shares:				
Atlantic Ocean Farms Limited - Class A, redeemable	-	289,655	290	290
Blue Line Innovations Inc. - Class B	-	5,000	500	500
Burton's Cove Logging and Lumber	(1,870)	4	166	2,036
Cold Ocean Salmon Inc. - Class A	-	10,000,000	10,000	10,000
Country Ribbon Inc.	-	4,500	4,500	4,500
Gray Aqua Group Ltd. - Class A	-	4,826,836	4,827	4,827
Grieg Seafood Newfoundland Ltd.	-	5,000,000	5,000	5,000
Newfoundland Aqua Services Ltd. - redeemable	(191)	1,389,414	1,389	1,580
Pixecur Technologies Inc. - redeemable	-	4,000	400	400
Shell-Ex - Class A	-	350	350	350
Total: Preferred Shares Investments	<u>(2,061)</u>		<u>27,422</u>	<u>29,483</u>
Common Shares:				
ACF Equity Atlantic Inc.	-	2,390,000	2,203	2,203
ACZEN Innovations Inc. - Class A	-	1,763	176	176
Consilient Technologies Corporation - Class B	-	568,182	500	500
First Choice Vision Centre Limited - Class B	(14)	2,277	228	242
Hurley Slate Works Company Inc. - Class B	-	400	400	400
Jackman Brand Marketing Inc. - Class B	-	1,250	125	125
Marble Mountain Development Corporation	-	500	-	-
Marine Industrial Lighting Systems	-	5,000	500	500
Nalcor Energy Corporation	-	122,500,018	110,187	110,187
NavSim Technologies	-	5,000	500	500
Newfoundland and Labrador Film Development Corporation	-	600	-	-
Newfoundland and Labrador Immigrant Investor Fund Ltd.	-	3	-	-
Newfoundland Hardwoods Limited	-	253	25	25
Northern Radar Inc. - Class C	-	3,749	375	375
Rooms Corporation of Newfoundland and Labrador Inc.	-	500	-	-
Celebrate NL Inc.	-	500	-	-
Solace Power Inc. - Class D	-	1,401	140	140
Trans Ocean Gas Inc.	-	18,000	90	90
Total: Common Shares Investments	<u>(14)</u>		<u>115,449</u>	<u>115,463</u>

INVESTMENTS (continued)

Description of Investment	Net Additions (Disposals) (\$000)	No. of Shares	Balance 31 March 2023	2022
			Cost (\$000)	Cost (\$000)
Non-Share Equity:				
Nalcor Energy Corporation	-	-	4,738,898	4,738,898
Newfoundland and Labrador Housing Corporation	-	-	62,852	62,852
Newfoundland and Labrador Venture Capital Fund	-	-	9,094	9,094
Atlantic Canada Regional Venture Fund LP	35	-	8,320	8,285
Sandpiper Ventures Fund LP	50	-	457	407
Pelorus Venture Capital General	<u>1,876</u>	-	<u>3,546</u>	<u>1,670</u>
Total: Non-Share Equity Investments	1,961	-	4,823,167	4,821,206
Sub-Total: Investments	(114)	-	4,966,038	4,966,152
Less: Discounts due to concessionary terms - note 2	-	-	-	-
Total: Investments	<u>(114)</u>	-	<u>4,966,038</u>	<u>4,966,152</u>

NOTES

1. Allowance for Investment Write-downs

The allowance for investment write-downs for 31 March 2023 is \$10.4 million (31 March 2022 - \$10.4 million).

2. Discounts Due to Concessionary Terms on Investments

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Other Liabilities As at 31 March 2023 with comparative figures for 2022

	2023	2022
	(\$000)	(\$000)
Due to Government of Canada - note 1	1,107,605	1,091,191
Taxes payable - note 2	466,853	78,260
Accounts payable write-backs	298,719	253,348
Accrued interest	240,691	225,546
Contaminated sites	221,926	208,353
Public private partnerships - note 3	135,625	146,683
Accrued salaries and employee benefits - note 4	128,280	122,913
Asset retirement obligation	119,779	119,779
Self-insured workers' compensation benefits - note 5	61,054	53,509
Special purpose funds - note 6	42,252	38,943
Offshore royalties	26,996	19,734
Physician services	19,842	18,925
Capital leases - note 7	14,255	24,075
Accounts payable - other	12,180	13,064
Contractors' holdbacks	11,256	7,440
Reciprocal billing-hospital services payable	10,497	12,846
Due to municipalities	9	212
Total: Other Liabilities	2,917,819	2,434,821

NOTES

1. Due to Government of Canada

This amount is comprised of \$800.0 million for the Atlantic Accord (2019) (31 March 2022 - \$800.0 million), \$246.7 million for an Equalization loan (31 March 2022 - \$266.7 million), \$23.7 million for a RCMP policing service contract (31 March 2022 - \$18.3 million) and \$37.2 million for other Federal programs (31 March 2022 - \$6.2 million).

2. Taxes Payable

Taxes payable is comprised of \$429.9 million for corporate income tax (31 March 2022 - \$69.6 million), \$21.0 million for HST (31 March 2022 - nil) and \$16.0 million for other taxes (31 March 2022 - \$8.6 million).

3. Public Private Partnerships

Interest rates for public private partnerships range from 3.55% to 3.85% and have repayment schedules with durations of 27 to 29 years.

OTHER LIABILITIES (continued)

4. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of \$4.8 million for severance (31 March 2022 - \$3.3 million), \$63.0 million for paid/annual leave (31 March 2022 - \$65.2 million), \$12.1 million for salaries (31 March 2022 - \$13.2 million), \$47.0 million for sick leave (31 March 2022 - \$40.2 million), and \$1.4 million for other benefits (31 March 2022 - \$1.0 million).

5. Self-Insured Workers' Compensation Benefits

The amount of \$61.1 million relates to the self-insured workers' compensation benefits liability as at 31 March 2023 (31 March 2022 - \$53.5 million). During the 2022-23 fiscal year, an actuarial valuation as of 31 December 2022, with disclosures as at 31 March 2023, was obtained for the Province's self-insured workers' compensation benefits.

6. Special Purpose Funds

Included in this schedule are funds totalling \$42.3 million (31 March 2022 - \$38.9 million) considered to be special purpose funds whereby payments are made specifically for these purposes. Pursuant to Section 22(a) of the Financial Administration Act, appropriations are not required for these payments.

7. Capital Leases

Interest rates for all capital leases range from 3.65% to 9.41% and have repayment schedules ranging from 1 to 4 years.

8. Comparative

Certain amounts of the 31 March 2022 financial statement figures and related schedules have been restated.

CONSOLIDATED REVENUE FUND (UNAUDITED)

Schedule E

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Debenture and Other Debt
As at 31 March 2023
with comparative figures for 2022**

Series	Date of Issue	Date of Maturity	Interest Rate %	Amount in Foreign Currency (\$000)	Sinking Fund Balance (\$000)	Amount Issued or Outstanding		Notes
						2023 (\$000)	2022 (\$000)	
General Debentures:								
AM	22 Oct. 1992	22 Oct. 2022	8.65	(200,000U.S.)	-	-	249,920	1(a)
AN	13 Oct. 1993	13 Oct. 2023	7.32	(200,000U.S.)	150,969	270,660	249,920	1(a)
6B	07 Jul. 1995	07 Jul. 2025	9.15		45,175	100,000	100,000	1(a)
6C	05 Feb. 1996	05 Feb. 2026	8.45		65,139	150,000	150,000	1(a)
6F	17 Apr. 1998	17 Apr. 2028	6.15		213,536	450,000	450,000	1(a)
6H	27 Jul. 1999	17 Oct. 2029	6.50		95,287	200,000	200,000	1(a)
6K	30 Jun. 2000	17 Oct. 2030	6.55		197,158	450,000	450,000	1(a)
6R	12 Jun. 2003	17 Oct. 2033	5.60		112,997	300,000	300,000	1(a)
6T	21 Sep. 2004	17 Oct. 2035	5.70		103,636	300,000	300,000	1(a)
6U	28 Nov. 2006	17 Apr. 2037	4.50		124,302	350,000	350,000	1(a)
6V	15 May 2007	17 Oct. 2040	4.65		205,255	650,000	650,000	1(a)
6Q	16 Aug. 2002	17 Oct. 2042	6.24		41,046	250,000	250,000	1(a)
6W	18 Mar. 2015	02 Jun. 2025	2.30		-	1,050,000	1,050,000	1(a)
6X	24 Jul. 2015	17 Oct. 2046	3.30		-	2,050,000	2,050,000	1(a)
6Z	18 Mar. 2016	02 Jun. 2026	3.00		-	1,000,000	1,000,000	1(a)
7B	2 Jun. 2016	2 Jun. 2022	1.95		-	-	875,000	1(a)
7C	7 Dec. 2016	17 Oct. 2048	3.70		-	750,000	750,000	1(b)
7D	24 Nov. 2017	02 Jun. 2028	2.85		-	1,250,000	950,000	1(a)
7E	27 Feb. 2018	27 Feb. 2023			-	-	675,000	1(a,f)
7F	17 Dec. 2018	17 Mar. 2024			-	425,000	425,000	1(a,g)
7G	4 Mar. 2019	2 Jun. 2029	2.85		-	1,000,000	1,000,000	1(a)
7H	12 Sep. 2019	17 Oct. 2050	2.65		-	1,900,000	1,900,000	1(a)
7I	18 Aug. 2020	2 Jun. 2030	1.75		-	700,000	700,000	1(b)
7J	9 Dec. 2020	2 Jun. 2030	1.25		-	500,000	500,000	1(a)
7K	21 Sep. 2021	2 Jun. 2031	2.05		-	900,000	900,000	1(a)
7L	19 Oct. 2021	2 Dec. 2052	3.15		-	750,000	450,000	1(a)
7M	8 Nov. 2022	17 Oct. 2027	3.85		-	800,000	-	1(a)
7N	19 Dec. 2022	17 Oct. 2054	4.10		-	300,000	-	1(a)
Total: General Debentures					<u>1,354,500</u>	<u>16,845,660</u>	<u>16,924,840</u>	
Other:								
Treasury bill borrowings					-	<u>1,156,828</u>	<u>1,168,282</u>	1(c)
Total: Other					-	<u>1,156,828</u>	<u>1,168,282</u>	

CONSOLIDATED REVENUE FUND (UNAUDITED)

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DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance (\$000)	Amount Issued or Outstanding	
					2023 (\$000)	2022 (\$000)
Government of Canada and Other:						
Canada Pension Plan Investment Fund						
Debentures - note 1(d)						
3A-327 to 3A-01 337	Apr. 2002 to Mar. 2003	01 Apr. 2022 to 01 Mar. 2023	5.88 to 6.61	-	-	52,104
3A-338 to 3A-05 347	Apr. 2003 to Mar. 2004	05 Apr. 2023 to 01 Mar. 2024	5.41 to 6.15	-	50,738	50,738
3A-348 to 3A-02 356	Apr. 2004 to Jan. 2005	02 Apr. 2024 to 02 Jan. 2025	5.36 to 5.92	-	47,146	47,146
3A-357 to 3A-01 359	Apr. 2005 to Jun. 2005	01 Apr. 2025 to 03 Jun. 2025	4.91 to 5.34	-	23,987	23,987
Total: Canada Pension Plan Investment Fund Debentures				-	121,871	173,975
Sun Life Assurance Company of Canada - see note 1(e)				-	27,703	36,538
Total: Other				-	27,703	36,538
Total: Government of Canada and Other				-	149,574	210,513
Total: Debenture and Other Debt				<u>1,354,500</u>	<u>18,152,062</u>	<u>18,303,635</u>
Current portion of Debenture and Other Debt					1,907,618	3,029,141
Long-term portion of Debenture and Other Debt					<u>16,244,444</u>	<u>15,274,494</u>
					<u>18,152,062</u>	<u>18,303,635</u>

CONSOLIDATED REVENUE FUND (UNAUDITED)**DEBENTURE AND OTHER DEBT (continued)****NOTES****1. Details of Debt Issues**

- a) Non-callable.
- b) Non-callable. General debenture 7C was reopened and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. General Debenture 7I was reopened and issued \$300.0 million on 13 April 2021, on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest expense on the debenture debt totaling \$27.5 million is netted against the offsetting interest revenue on the loan receivable.
- c) This amount represents the net proceeds from the sale of \$1.157 billion discounted treasury bills with maturity dates ranging from 6 April 2023 to 29 June 2023 and interest rates ranging from 4.510% to 4.625%.
- d) Callable at par at the option of the Minister of Finance of Canada upon six months' prior written notice, subject to the requirements of the Canada Pension Plan. Commencing March 1999, the Province has an option, pursuant to amendments of the Canada Pension Plan enacted by the Canada Pension Plan Investment Board Act, to refinance for a final twenty year term maturing Canada Pension Plan borrowings, provided sufficient monies are available in the Canada Pension Plan Investment Fund. The Province has exercised an option to refinance its maturing Canada Pension Plan debt and to date has rolled over, for a further 20 year term, all funds made available by the Canada Pension Plan Investment Fund from March 1999 to June 2005. Commencing July 2005, Canada Pension Plan borrowings have not been rolled over and have been allowed to mature.
- e) Sun Life Assurance Company of Canada represents the secured creditors of the Exploits River Hydro Partnership and the Star Lake Hydro Partnership per Section 10.(2) of the Abitibi Consolidated Rights and Assets Act. The secured creditors of the Exploits River Hydro Partnership include Industrial Alliance Life Insurance, Manufacturers Life Insurance Company of Canada and Sun Life Assurance Company of Canada. This loan is repayable in blended quarterly installments of principal and interest, at an interest rate of 7.552%, maturing 31 December 2028. The secured creditors of the Star Lake Hydro Partnership include Sun Life Assurance Company of Canada, Industrial Alliance Life Insurance, Canada Life Assurance Company, Standard Life Assurance Company of Canada and Manufacturers Life Insurance Company of Canada. This loan is repayable in blended monthly installments of principal and interest, at an interest rate of 9.20%, maturing 1 April 2023.
- f) General debenture 7E had a floating interest rate equal to the three month Canadian Dollar Bankers Acceptance Rate plus 14.5 basis points.
- g) General debenture 7F has a floating interest rate equal to the three month Canadian Dollar Bankers Acceptance Rate plus 21 basis points.

DEBENTURE AND OTHER DEBT (continued)

2. Sinking Fund Balance

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

The Sinking Fund Assets consist of:

	31 March 2023	31 March 2022
	(\$mil)	(\$mil)
Investments at cost	908.5	964.2
Amortization of bond discount	145.9	128.6
Investments at amortized cost	1,054.4	1,092.8
Cash and receivables less accounts payable	300.1	258.5
Net Sinking Fund Assets - translated at 31 March	1,354.5	1,351.3

The net sinking fund assets balance of \$1,354.5 million Canadian dollars as at 31 March 2023 includes \$111.6 million U.S. dollars translated to \$151.0 million Canadian dollars in accordance with current practice.

The net sinking fund assets balance of \$1,351.3 million Canadian dollars as at 31 March 2022 includes \$180.1 million U.S. dollars translated to \$225.1 million Canadian dollars in accordance with current practice.

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

CONSOLIDATED REVENUE FUND (UNAUDITED)

DEBENTURE AND OTHER DEBT (continued)

3. Borrowings

Borrowings by major currency, sinking funds and unamortized premiums (discounts) and issuance fees as at 31 March 2023 are noted below.

Major Currencies	Foreign Borrowings (\$000)	Exchange Rate	Canadian (\$000)	Unamortized Premiums/ (Discounts) and Issuance Fees (\$000)	Net (\$000)
U.S.	200,000	1.3533	270,660	-	270,660
Canadian			<u>17,881,402</u>	-	<u>17,881,402</u>
	Sub-total		18,152,062	-	18,152,062
	Foreign sinking funds		(150,969)	-	(150,969)
	Canadian sinking funds		<u>(1,203,531)</u>	-	<u>(1,203,531)</u>
	Sub-total		<u>16,797,562</u>	-	16,797,562
	Unamortized premiums (discounts) and issuance fees			<u>(312,252)</u>	<u>(312,252)</u>
	Total			<u>(312,252)</u>	<u>16,485,310</u>

4. Contributions and Repayment Requirements

Sinking fund contributions and long term debt repayments, by major currency, in Canadian dollars are as follows. The total contributions and repayment requirements differ from the total debt outstanding due to reconciling items such as treasury bills, foreign exchange adjustments between 31 March 2023 and the maturity dates, and projected adjustments for sinking fund values at maturity.

	U.S. (\$000)	Canadian (\$000)	Total (\$000)
2023-2024	117,008	1,690,896	1,807,904
2024-2025	-	105,327	105,327
2025-2026	-	1,251,090	1,251,090
2026-2027	-	1,056,991	1,056,991
2027-2028	-	1,291,035	1,291,035
2028-2055	-	<u>10,185,113</u>	<u>10,185,113</u>
	<u>117,008</u>	<u>15,580,452</u>	15,697,460
Plus: Sinking Fund Values at Maturity			3,053,040
Less: Sinking Fund Contributions			<u>(598,438)</u>
			<u>18,152,062</u>

The foreign exchange loss which has been recognized on the Statement of Operations is \$8.7 million.

DEBENTURE AND OTHER DEBT (continued)

5. Interest Expense

The gross interest expense associated with debenture and other debt, recognized for 31 March 2023, amounted to \$725.6 million (31 March 2022 - \$594.3 million).

6. Related Sinking Fund Investments

At year end, the Province held \$617.3 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2022 - \$744.4 million) which are reflected in the sinking fund balances disclosed in note 3 above. These were comprised of \$586.6 million in Canadian investments and \$30.7 million in US investments.

7. Risk Disclosure

The Province is exposed to risks related to its financial instruments. These include credit risk, liquidity risk, and market risk (including foreign exchange risk, interest rate risk, and other price risk). The Province has risk management strategies in place to mitigate these risks. There was no significant change in the Government's exposure to these risks or its processes for managing these risks from the prior year.

Credit Risk

Credit risk is the risk of financial loss caused by one party to another party by failing to meet contractual obligations. This risk arises most frequently in relation to cash and temporary investments, receivables, and loans, investments, and advances held by the Province. This risk is mitigated by the fact that a significant portion of amounts receivable are associated with the Government of Canada; therefore collection of these amounts is reasonably assured. Other receivables held by the Province are associated with services provided to a large and diversified cross-section of residents, customers, and other entities. This diversification minimizes the concentration of credit risk exposure associated with any particular individual, company, or other entity.

Credit risk is measured through monitoring and evaluation of receivables and loans, investments, and advances balances. If the evaluations indicate the other party may be unable to meet their obligations, the Province will recognize an allowance for doubtful accounts. Such allowances are disclosed in Schedule A, Schedule B and Schedule C of the financial statements. Receivables and advances, taxes receivable, and loans receivable include amounts that are past due but not considered to be impaired. Security also exists for certain commercial loans issued that can be accessed in the event of default, further minimizing risk. Credit risk exposure in relation to investments held by the Province is limited by monitoring and investing in securities with high credit quality based on established investment policies, and utilizing approved brokers for investment transactions. The carrying value of the financial assets subject to this risk represents the maximum credit exposure at year end.

Liquidity Risk

Liquidity risk is the risk that a party cannot meet its short-term debt obligations. Exposure to liquidity risk is managed by distributing debt maturities over a range of years and terms, maintaining sinking funds for the repayment of certain long-term debt issues, and, based on cash flow monitoring and forecasting, holding adequate cash reserves or short-term borrowings as contingent sources of liquidity. A maturity analysis of borrowings is disclosed in Schedule E, note 4 of the financial statements. Accounts payable are short term in nature, with payment generally due within 30 days after receipt of goods and services and related invoice.

CONSOLIDATED REVENUE FUND (UNAUDITED)**DEBENTURE AND OTHER DEBT (continued)****Market Risk**

Market risks arise with the fluctuation of market prices that are associated with the fair value or future cash flows of a financial instrument. Market risk is comprised of foreign exchange rate risk, interest rate risk and other price risk.

Foreign Exchange Risk

Foreign exchange rate risk is the risk of unfavorable changes in fair value or future cash flows due to fluctuations in foreign exchange rates on foreign currency denominated assets held by the Province. The Province holds a modest portfolio of investments in foreign currencies, and sets strict limits on the proportion of foreign currency denominated assets that can be held relative to total assets in order to manage exposure to foreign exchange risk. An increase/decrease of one cent in United States (US) dollar foreign exchange rates at March 31, 2023 relative to the Canadian Dollar would result in a \$2.0 million increase/decrease in foreign investments. Additionally, the Province has historically issued debentures in US dollars, which entail repayment obligations in US dollars that are subject to foreign exchange risk. At present, the majority of the Province's current debt is domestic in nature, with only one US dollar denominated debt issue currently outstanding. Such US dollar debt issues are long-term in nature and the Province has established sinking funds, also denominated in US dollars, to provide for 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. An increase/decrease of one cent in the foreign exchange rates at 31 March 2023 would result in an increase/decrease in foreign borrowings of \$2.0 million (31 March 2022 - \$4.0 million).

Interest Rate Risk

Interest rate risk is the risk of unfavorable changes in fair value or future cash flows due to fluctuations in market interest rates. The Province manages this risk by setting asset mix guidelines and monitoring assets to limit (1) the total proportion of funds invested in fixed income instruments that are subject to interest rate risk, and (2) the extent to which fixed income assets need to be sold prior to maturity to meet ongoing obligations, which could potentially trigger a capital loss to the Province. At March 31, 2023, none of the sinking fund assets were held in floating rate investments. The Province's outstanding debt is structured such that a high degree of its debt is long-term with fixed interest rates and fixed repayment terms with limited exposure to floating rate debt obligations. 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. A 1% increase/decrease in interest rates would increase/decrease annual interest expense by \$7.5 million based upon the impact of refinancing the current portion only. At March 31, 2023, there was \$425 million of borrowing held in floating rate notes. A 1% increase/decrease in interest rates would increase/decrease annual interest expense by \$4.3 million.

Other Price Risk

Other price risk is the risk of unfavorable changes in fair value or future cash flows due to fluctuations in market prices that do not arise from foreign exchange risk, or interest rate risk. The Province is exposed to other price risk through its investments traded in an active market, however such risk is minimal given limited holdings and investment concentration. At March 31, 2023, a 1% increase/decrease in the fair value of equity investments held in sinking funds would result in a \$0.5 million increase/decrease in both the net income of the sinking fund and the value of the investment assets.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Guaranteed Debt
As at 31 March 2023
with comparative figures for 2022**

	Limit of	Contingent Liability	
	Guarantee	2023	2022
	(\$000)	(\$000)	(\$000)
Guaranteed Debentures - note 7:			
Municipalities:			
(For debentures issued to The Municipal Development and Loan Board and The Canada Mortgage and Housing Corporation)			
Glenwood	122	110	107
Harbour Breton	334	261	254
Harbour Grace	84	175	171
Placentia	405	103	100
Wabana	56	28	28
	<u>1,001</u>	<u>677</u>	<u>660</u>
Crown Corporations - note 2:			
Eastern Regional Health Authority	103,130	103,130	105,013
Newfoundland and Labrador Hydro Electric Corporation	1,002,985	1,002,985	872,827
	<u>1,106,115</u>	<u>1,106,115</u>	<u>977,840</u>
Guaranteed Bank Loans - note 7:			
Crown Corporations:			
Labrador-Grenfell Regional Health Authority	20,000	20,000	16,450
Marble Mountain Development Corporation	2,087	1,396	1,216
	<u>22,087</u>	<u>21,396</u>	<u>17,666</u>
Fisheries - note 3:			
A.J. Rodgers & Sons Limited	407	3	37
Adam Crocker	-	-	106
Anchor Point Enterprises Limited	1,288	680	716
Ashley Enterprises Limited	-	-	19
Atlantic Providence Inc.	2,805	935	1,122
Atlantic Retriever Limited	700	292	350
Bears Cove Fisheries Limited	1,125	150	375
Cecil Ward Limited	595	78	117
Dempster's Fisheries Limited	1,148	227	287
Frazer Scanlon	70	6	12
G & L Fisheries Incorporated	850	150	350
Garrett Mulrooney	531	211	251

CONSOLIDATED REVENUE FUND (UNAUDITED)

GUARANTEED DEBT (continued)

	Limit of Guarantee (\$000)	Contingent Liability	
		2023 (\$000)	2022 (\$000)
Guaranteed Bank Loans:			
Fisheries - note 3:			
Janica II Enterprise Limited	920	57	118
John W. Brazil	276	111	129
Keith Bowen	996	306	350
North Queen Limited	-	-	497
Northern Auk Fisheries Limited	638	213	255
P & G Sea Harvestors Limited	1,190	701	761
RB Fisheries Limited	1,050	420	492
Rainbow Venture Inc.	-	-	115
Sam Tooktoshina Kraken Catches Ltd.	935	851	860
Shelco Fisheries Limited	-	-	70
TJL Enterprises Limited	-	-	2,605
TPJH Fisheries Limited	323	149	174
	<u>15,847</u>	<u>5,540</u>	<u>10,168</u>
Aggregate Limit & Contingent Amount	<u>15,847</u>	<u>5,540</u>	<u>10,168</u>
Corporate:			
Fogo Island Co-operative Society Limited	1,500	-	-
Stephenville Airport Corporation	900	820	852
	<u>2,400</u>	<u>820</u>	<u>852</u>
Other Bank Loans:			
Consumer Protection Fund for Prepaid Funeral Services	200	-	-
	<u>200</u>	<u>-</u>	<u>-</u>
Other Guarantees:			
Crown Corporations:			
Newfoundland and Labrador Immigrant Investor Fund Limited - note 4	54	54	362
	<u>54</u>	<u>54</u>	<u>362</u>
	<u>1,147,704</u>	<u>1,134,602</u>	<u>1,007,548</u>

GUARANTEED DEBT (continued)

NOTES

1. Definitions

The headings used in this Schedule are defined as follows:

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

Contingent Liability - This represents the actual amount of loan advances (drawdowns) outstanding under the various guarantees plus capitalized interest thereon and past due interest. This represents the amount that the Province would be liable for if it had to honour these guarantees at year end.

The difference between these two amounts reflects the financing still available under the Province's guarantee.

2. Debenture Issues with Crown Corporations

	Principal Amount of Debentures Outstanding	Accrued Interest	Value of Sinking Fund	Contingent Liability
	(\$000)	(\$000)	(\$000)	(\$000)
Eastern Regional Health Authority				
- Canadian Funds	130,000	2,580	29,450	<u>103,130</u>
Newfoundland and Labrador Hydro Electric Corporation				
- Canadian Funds	1,225,000	11,815	373,830	862,985
- Promissory Notes	<u>140,000</u>	-	-	<u>140,000</u>
	<u>1,365,000</u>	<u>11,815</u>	<u>373,830</u>	<u>1,002,985</u>

3. Fisheries Loans

During a vessel's construction period, interim financing is provided through bank loans which are fully guaranteed by the Province. Once construction has been completed, these interim loans are converted to term debt by the banks. For guarantees issued prior to 1 June 2012, the Province's contingent liability under each individual guarantee is determined as being limited to the lesser of the term loan or 20% of the aggregate of all term loans made by the Bank less the total of all claims paid to the Bank by the Province with respect to these loans. The Fisheries Loans Guarantee Program guidelines were amended effective 1 June 2012 such that all new guarantees issued from that date forward are fully guaranteed by the Province.

For the fiscal year ended 31 March 2023, the Province's contingent liability with respect to these guarantees is \$5.5 million (31 March 2022 - \$10.2 million).

4. Newfoundland and Labrador Immigrant Investor Fund Limited

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

CONSOLIDATED REVENUE FUND (UNAUDITED)

GUARANTEED DEBT (continued)

5. Payments under Guarantee

Payments under guarantee for 31 March 2023 is nil (31 March 2022 - nil).

6. Valuation Allowance

The provision for guaranteed debt for 31 March 2023 is nil (31 March 2022 - nil).

7. General Terms and Conditions

Guaranteed debentures and guaranteed bank loans have maturity dates ranging from December 2023 to October 2048 at interest rates varying from 1.1% to 10.5%.