

Province of
Newfoundland and Labrador



**Public Accounts
Consolidated Summary
Financial Statements**

FOR THE YEAR ENDED
MARCH 31, 2021





Province of Newfoundland and Labrador

Public Accounts

Consolidated Summary Financial Statements

**For The Year Ended
31 March 2021**

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

I hereby present the financial statements - the Public Accounts of the Province of Newfoundland and Labrador for the 2020-21 fiscal year. To provide further information and transparency on the financial position of Newfoundland and Labrador, the audited financial statements contained herein are preceded by a discussion and analysis which highlights the fiscal health of the province.

The province reported a deficit of \$1.5 billion for the 2020-21 fiscal year, which reflects a \$346.3 million decrease as compared with the original estimated deficit of \$1.8 billion. The decrease in deficit from our estimate is primarily based on higher than anticipated federal revenue, as well as an increase in taxation revenues. In addition, expenses of \$8.8 billion were lower than the original estimate of \$9.0 billion, primarily due to the timing in which various grant expenses were anticipated to be incurred.

While the 2020-21 fiscal year has been a challenge in many ways, largely due to the COVID-19 pandemic, we cannot continue to allow deficits and debt to add to the burden of future generations. To achieve fiscal stability, government is committed to ensuring spending remains in check while continuing to make strategic investments in our economy as it progresses toward a return to fiscal balance.



**The Honourable Siobhan Coady
Deputy Premier
Minister of Finance
President of Treasury Board**

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

For the Fiscal Year Ended 31 March 2021

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/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 deficit 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 2021 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 44 for definitions and explanations of key terms that have been bolded throughout the document.

FINANCIAL HIGHLIGHTS

The Public Accounts contains five 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.
- Net debt for the 2020-21 fiscal year is \$16.0 billion. The accumulated deficit is \$11.2 billion.
- As at 31 March 2021, both net debt and accumulated deficit are more than they were at the end of the previous fiscal year. This is mainly due to increases in all liabilities, primarily net borrowings, which increased by \$1.0 billion compared to fiscal 2019-20.

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.
- This statement shows that net debt totaled \$16.0 billion in the 2020-21 fiscal year and increased 11.0% in comparison to the prior year (31 March 2020 - \$14.4 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 surplus/deficit has impacted net debt after removing the effects of changes to non-financial assets (i.e. **tangible capital assets**) from the 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 surplus or deficit and provides a comparison to Original Budget figures and previous year actuals.
- The **annual deficit** of \$1.5 billion represents a decrease of \$346.3 million compared to the \$1.8 billion deficit originally budgeted for 2020-21 fiscal year. Furthermore, the annual deficit in 2020-21 increased by \$2.6 billion from the prior year (31 March 2020 - \$1.1 billion surplus).
- For the fiscal year ended 31 March 2021, total revenue was \$7.3 billion (31 March 2020 - \$9.6 billion) and total expenses were \$8.8 billion (31 March 2020 - \$8.5 billion).

- Revenues decreased by 23.5% from the prior year and increased by 2.8% from the Original Budget. Expenses increased by 4.2% from the prior year and decreased from the Original Budget by 1.6%.
- Despite the increase in revenues from Original Budget, revenues remained lower than expenses, resulting in a deficit for the current fiscal year.

CONSOLIDATED STATEMENT OF CHANGE IN ACCUMULATED DEFICIT

- Highlights the changes in accumulated deficit from the Original Budget and the previous fiscal year.
- The main increase in accumulated deficit in 2020-21 is due to the deficit for the current year.
- The accumulated deficit of \$11.2 billion for 2020-21 increased by \$1.5 billion in comparison to 2019-20 of \$9.7 billion.

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 3.5% from the previous fiscal year. Cash flows decreased due to the expenditures exceeding revenues as represented in the annual deficit, however, this was partially offset by an increase in cash flows resulting from financing transactions, primarily due to issuance long-term debt of \$2.8 billion.

KEY FINANCIAL HIGHLIGHTS

For the fiscal year ended 31 March 2021

(In \$ millions)

	Original Budget 2020-21 ¹	Actual Results 2020-21 ²	Actual Results 2019-20	Change from Original Budget			Change from Prior Year Actual Results		
				\$	%	⇅	\$	%	⇅
REVENUE									
Provincial									
Taxation	3,732.5	3,804.3	3,732.7	71.8	1.9	↑	71.6	1.9	↑
Investment	73.3	93.0	114.7	19.7	26.9	↑	(21.7)	(18.9)	↓
Fees and fines	331.6	357.5	404.9	25.9	7.8	↑	(47.4)	(11.7)	↓
Offshore royalties	532.7	576.4	957.1	43.7	8.2	↑	(380.7)	(39.8)	↓
Other	530.3	495.0	583.2	(35.3)	(6.7)	↓	(88.2)	(15.1)	↓
Total Provincial	5,200.4	5,326.2	5,792.6	125.8	2.4	↑	(466.4)	(8.1)	↓
Federal	1,458.1	1,572.5	3,584.6	114.4	7.8	↑	(2,012.1)	(56.1)	↓
Net income of government business enterprises and partnership	470.7	429.4	206.4	(41.3)	(8.8)	↓	223.0	108.0	↑
Total Revenue	7,129.2	7,328.1	9,583.6	198.9	2.8	↑	(2,255.5)	(23.5)	↓
EXPENSE									
Salaries and employee benefits	3,470.9	3,568.7	3,493.7	97.8	2.8	↑	75.0	2.1	↑
Grants and subsidies	2,158.9	1,852.5	1,709.1	(306.4)	(14.2)	↓	143.4	8.4	↑
Operating costs	1,346.6	1,357.6	1,287.1	11.0	0.8	↑	70.5	5.5	↑
Debt expenses	1,073.1	1,131.8	1,064.9	58.7	5.5	↑	66.9	6.3	↑
Professional services	517.8	499.6	508.3	(18.2)	(3.5)	↓	(8.7)	(1.7)	↓
Other	400.0	409.7	403.3	9.7	2.4	↑	6.4	1.6	↑
Total Expense	8,967.3	8,819.9	8,466.4	(147.4)	(1.6)	↓	353.5	4.2	↑
ANNUAL SURPLUS (DEFICIT)	(1,838.1)	(1,491.8)	1,117.2	346.3	18.8	↑	(2,609.0)	(233.5)	↓

¹ The Budget figures are from pages ii and vii of the Budget 2020 Speech Statements and Schedules and certain figures have been restated as consistent with the Public Accounts.

² Prior year amounts have been restated as consistent with the Public Accounts 31 March 2021 presentation.

HISTORICAL DATA

For the past 5 fiscal years
(\$ thousands)

	2017	2018	2019	2020	2021	5 Year Trend
Total Revenue	7,157,066	7,280,145	7,826,842	9,583,631	7,328,109	↑
Total Expense	8,304,838	8,190,895	8,379,371	8,466,450	8,819,930	↑
Surplus (Deficit)	(1,147,772)	(910,750)	(552,529)	1,117,181	(1,491,821)	↑
Financial Assets	7,648,635	7,858,667	8,066,271	11,677,712	11,721,142	↑
Liabilities:						
Borrowings	10,415,024	11,505,532	12,797,070	14,879,622	15,955,509	↑
Group Health/ Life Insurance	2,854,068	2,937,396	3,035,970	3,149,114	3,247,979	↑
Pension	4,908,340	4,952,465	4,927,736	4,889,959	4,904,687	↓
Other Liabilities	3,069,009	3,136,990	2,683,577	3,193,877	3,629,148	↑
Net Debt	13,597,806	14,673,716	15,378,082	14,434,860	16,016,181	↑
Non-Financial Assets	4,405,957	4,493,026	4,582,777	4,759,974	4,850,403	↑
Accumulated Deficit	9,191,849	10,180,690	10,795,305	9,674,886	11,165,778	↑

¹ Prior year amounts have been restated as consistent with the Public Accounts 31 March 2021 presentation.

CONSOLIDATED FINANCIAL RESULTS

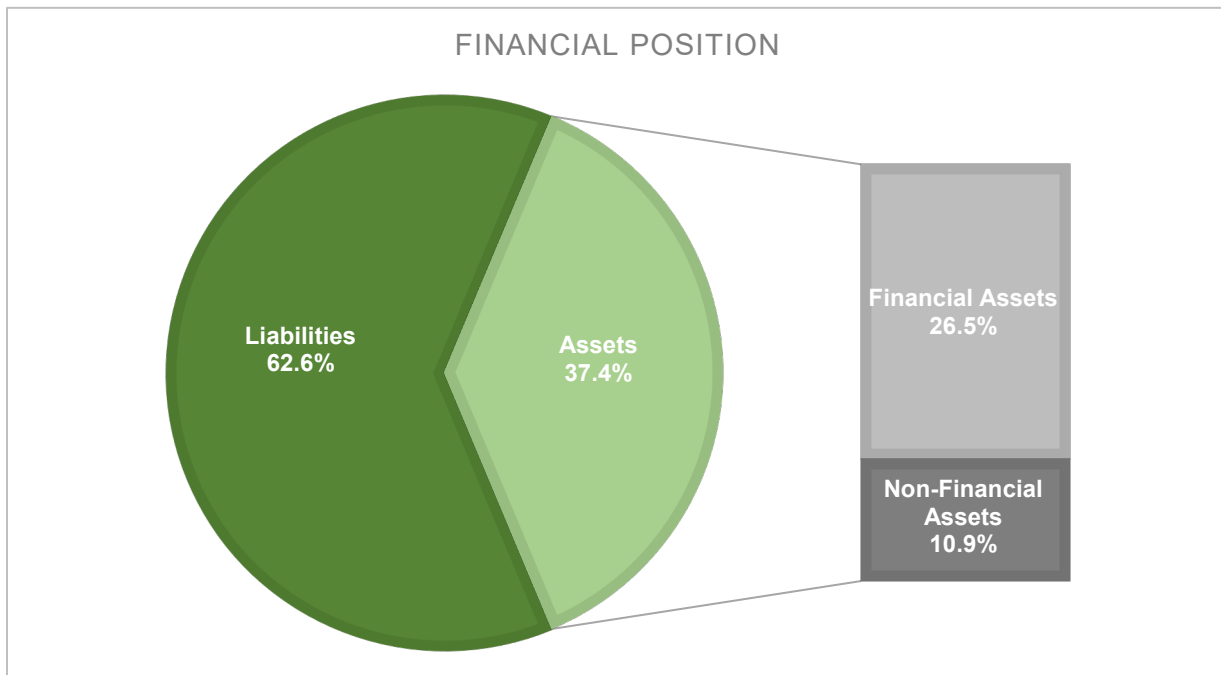
The largest expense variance between actual results and Original Budget figures relates to grants and subsidies. Grants and subsidies were \$306.4 million lower than the projected amount.

Grants and subsidies was also largest variance from the previous fiscal year with an increase of \$143.4 million from 2019-20.

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

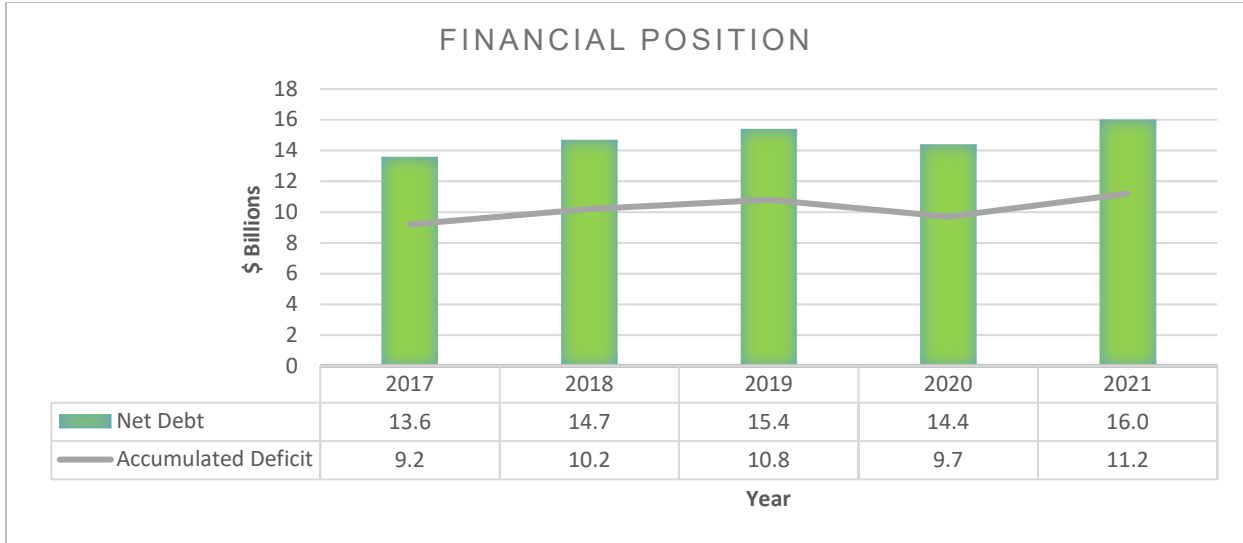
FINANCIAL POSITION

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 and job creation, and creates opportunities for residents.



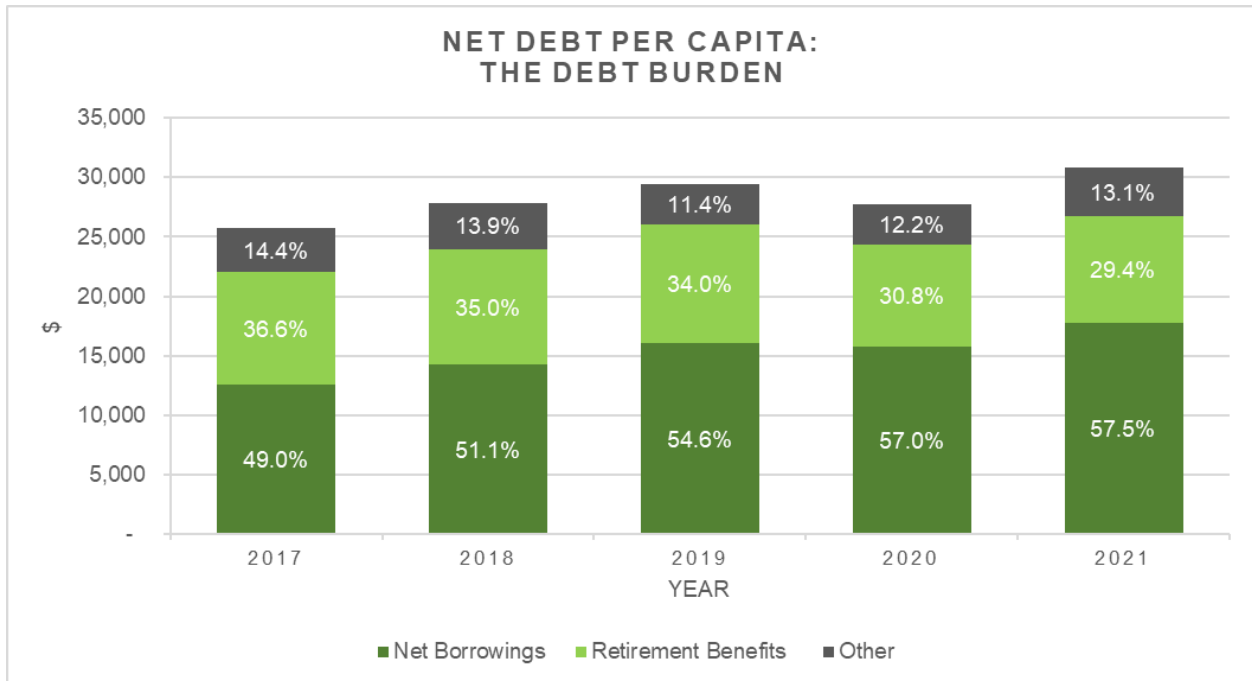
The Province's accumulated deficit position and net debt as at 31 March 2021 is presented in the following chart. The Province's net debt totals \$16.0 billion and represents the amount needed to be funded from future generations to pay for past activities.

Net debt increased by \$1.6 billion and accumulated deficit increased by \$1.5 billion from the previous year mainly due to the annual deficit. Details of the annual deficit will be discussed later in this report.

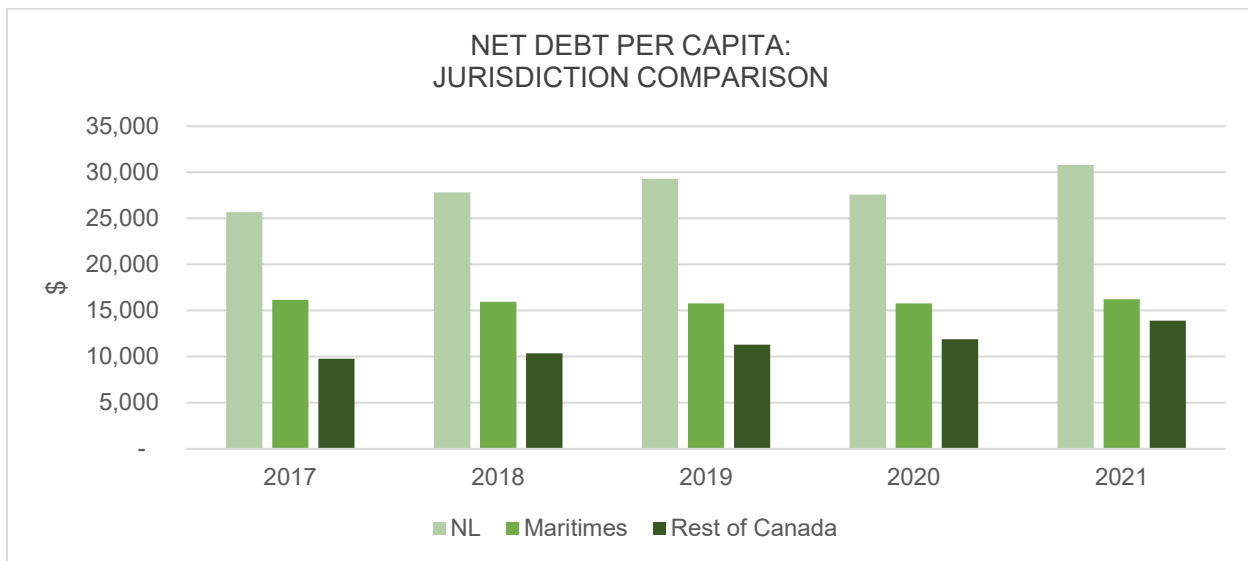


NET DEBT PER CAPITA

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 increased in 2020-21. As presented in the chart that follows, net debt per capita increased from \$27,736 in 2019-20 to \$30,820 in 2020-21. This increase of \$3,084 per person is primarily the result of the increase in the Province’s net debt combined with a slight decrease in population. The following graph also indicates the portion of each type of debt that makes up the net debt per capita.



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 significantly greater than it was in 2016-17. The Maritimes' net debt per capita has increased slightly from 2019-20. Net debt per capita for the rest of Canada has increased from 2019-20, 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)	2017	2018	2019	2020	2021 ^[1]	5 Year Change
NL	529.3	527.5	524.8	523.3	519.7	(9.6)
Maritimes	619.6	624.5	630.7	639.2	642.6	23.0
Rest of Canada	3,769.6	3,821.9	3,874.4	3,940.9	3,957.9	188.3

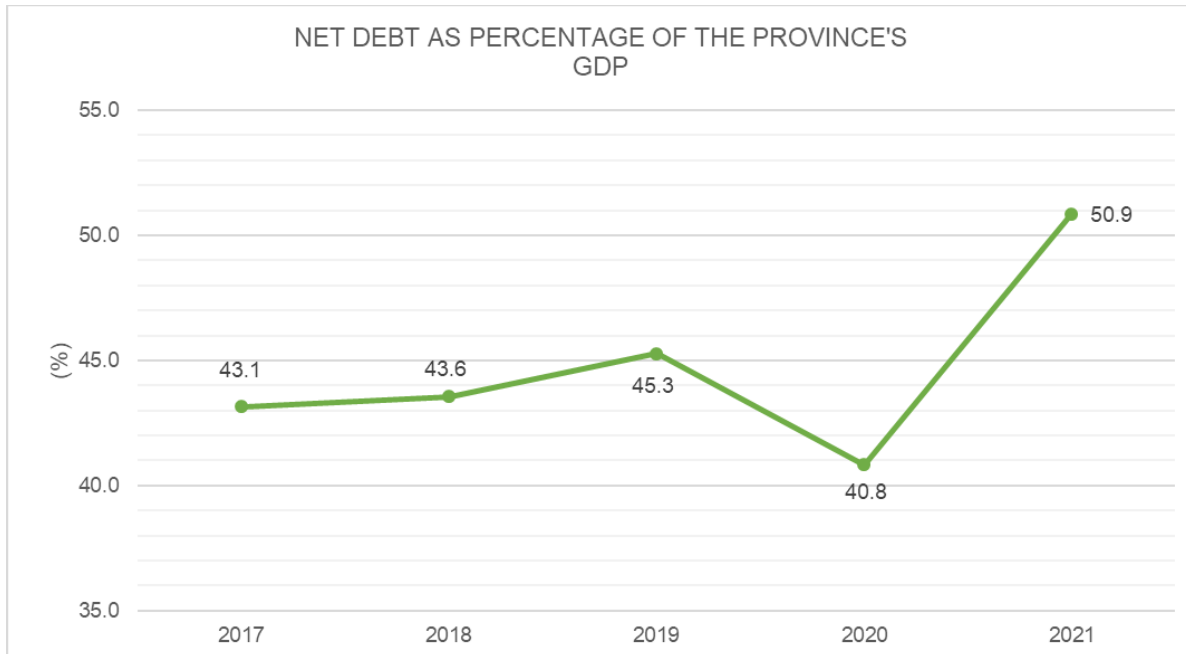
^[1] Source: Statistics Canada, Centre for Demography

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 an increase in net debt as a percentage of GDP in the current year. The lower ratio in 2019-20 was a result of federal source revenue stemming from the Atlantic Accord (2019). In addition, the ratio increase in 2020-21 can be attributed to the decrease in GDP due to the economic impacts of the COVID-19 pandemic. On a five-year basis, the relationship implies that the rate of increase in net debt has largely been greater than the rate of economic growth and as such, it indicates that Government has increased its demands on the provincial economy during this time.

The 2020-21 ratio is 50.9%, an increase of 10.1 percentage points from 2019-20. The average of this ratio over the past five years is 44.7%. Since 2017, the ratio has increased by 7.8 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 2007-2025f published as of June 2, 2021). The GDP figures have been restated based on the real GDP for 2017 to 2020.

NET DEBT AND ACCUMULATED DEFICIT

For the fiscal year ended 31 March 2021, net debt of \$16.0 billion included net borrowings of \$16.1 billion. Net debt for the fiscal year ended 31 March 2021 increased from the previous year by \$1.6 billion or 11.0% and net borrowings increased by \$1.0 billion which represents a 6.8% increase.

The net debt is the difference between total financial assets of \$11.7 billion and liabilities of \$27.7 billion. The Province's net debt, less non-financial assets of \$4.8 billion, results in an accumulated deficit of approximately \$11.2 billion.

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

(\$ billions)	2021	2020	2019	2018	2017
Borrowings (net of sinking funds)	16.1	15.1	13.0	11.7	10.6
Unfunded Pension Liability	4.9	4.9	4.9	5.0	4.9
Group Health and Life Insurance Retirement Benefits	3.2	3.1	3.0	2.9	2.9
Other Liabilities	3.5	3.0	2.6	2.9	2.8
Less: Total Financial Assets	(11.7)	(11.7)	(8.1)	(7.8)	(7.6)
Net Debt	16.0	14.4	15.4	14.7	13.6
Less: Tangible Capital Assets	(4.7)	(4.6)	(4.5)	(4.4)	(4.3)
Less: Other Non-financial Assets	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Accumulated Deficit	11.2	9.7	10.8	10.2	9.2

As shown in the previous table, accumulated deficit and net debt have both increased from 2017 to 2021. This can be attributed primarily due to additional borrowings of \$5.5 billion obtained by the Province during this period; this is an increase of 51.4% over the net borrowings of \$10.6 billion in 2017.

BORROWINGS

For the fiscal year ended 31 March 2021, net borrowings totaled \$16.1 billion and increased by \$1.0 billion from 2020. For the current fiscal year, borrowings attributed for 58.1% of total liabilities.

DEBT RELATED RISK

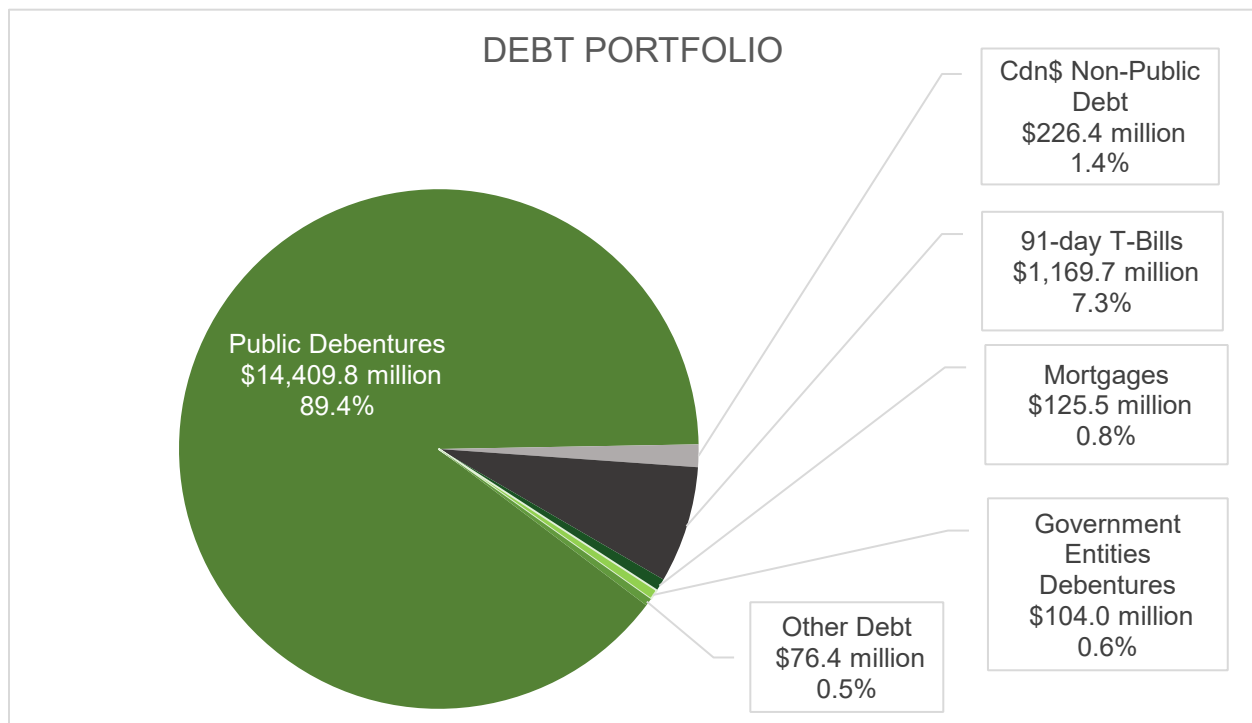
The practice of borrowing in both domestic and foreign currencies may potentially give rise to a number of risks including foreign exchange risk, liquidity risk, interest rate risk, and credit risk.

- **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). While the majority of the Province's debt is domestic in nature, there are a number of US dollar denominated debt issues. All of these are long-term issues and the Province has established sinking funds, also in US dollars, to provide repayment of the debt at maturity. An increase/decrease of one cent in the foreign exchange rates at 31 March 2021 would result in an increase/decrease in foreign borrowings of \$6.0 million (31 March 2020 - \$9.0 million). Original Budget 2020-21 forecasts the US-Canada exchange rate to be \$0.738. 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 2020-21 was \$0.76 (2019-20 - \$0.75).
- **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 and credit risk are also a risk factor for the Province of Newfoundland and Labrador. 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:

- \$14.4 billion in public debentures, of which 31% are due in 25 years or more, pertaining to the Consolidated Revenue Fund. 97% is Canadian while the remaining 3% is foreign debt (US).
- \$1.2 billion of 91-day T-bills (floating-rate revolving debt).
- \$226.4 million of Canadian non-public debentures; Canadian Pension Plan (CPP) related debt.
- \$125.5 million in various mortgages and debt assumed relating to electricity generating assets. Mortgages pertaining to Canada Mortgage and Housing Corporation (CMHC) represents 59% of total mortgages.
- \$104.0 million in debenture debt held by government entities.
- \$58.9 million in various other debt including \$3.0 million in short-term bankers' acceptances.
- \$17.5 million in loans with both fixed and variable interest rates for the purposes of funding student transportation for schools.



CREDIT RATING

Short-term and long-term ratings have remained the same as the prior year due to continued pressure from the pandemic on the global economy. However, the improved outlook can be attributed to signs of recovery and the agreement in principle (AIP) announced on July 28, 2021 between the Province and the Government of Canada on the financial restructuring of the Lower Churchill Project.

Moody's Investors Service's (Moody's) negative outlook reflects the Province's elevated debt and interest burden. Moody's credit opinion on March 26, 2021, mentioned that the negative outlook also reflects the large liability of Nalcor and uncertainty of the Province achieving electricity rate mitigation. However, Moody's issued a comment August 9, 2021, noting that the increased federal support for Muskrat Falls is credit positive for the Province.

Standard and Poor's Financial Services' (S&P) negative outlook reflects heightened risk that a prolonged pandemic disruption could lead to persistently low liquidity levels over the next several years. While S&P expects budgetary performance to improve in the next two years, there is still uncertainty about the pace it will occur if disruption from the pandemic is prolonged.

DBRS Morningstar updated the outlook on short-term and long-term ratings from negative to stable given the improving economic and fiscal environment. Furthermore, the stable outlook reflects the reduced provincial budget deficit forecasted for 2021-22 and the AIP announced with the federal government on the Lower Churchill Project.

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	Negative	September 9, 2021
Moody's	A1	Not rated	Negative	August 9, 2021
DBRS Morningstar	A (low)	R-1 (low)	Stable	September 2, 2021

NON-FINANCIAL ASSETS

The total non-financial assets of \$4.8 billion in 2020-21 included prepaid and deferred charges of \$66.1 million; inventory of supplies of \$100.9 million; and tangible capital assets of \$4.7 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.

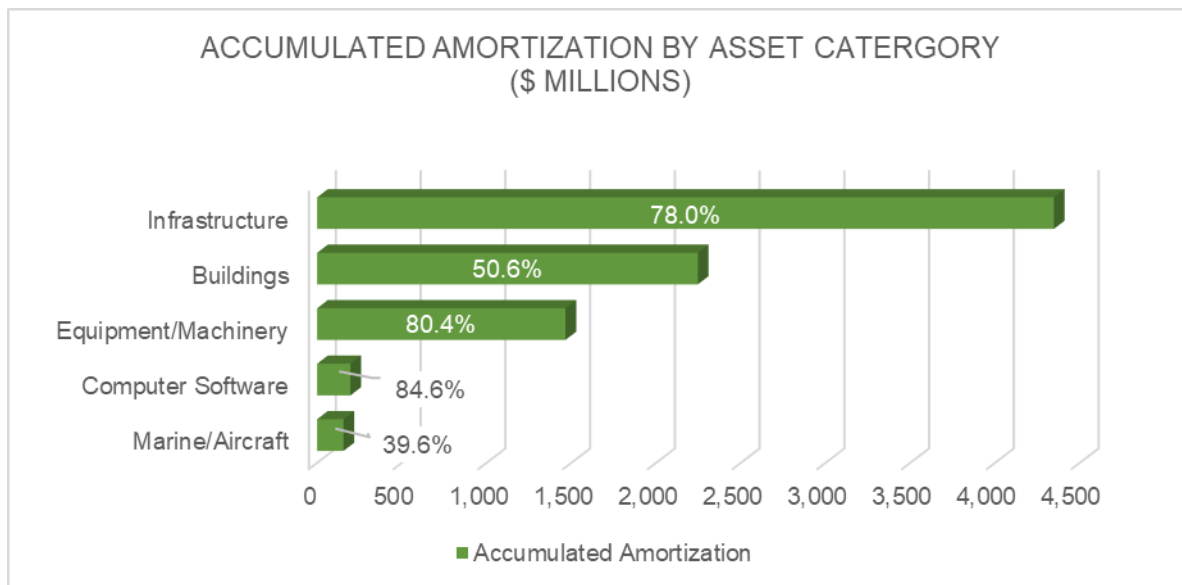
Accumulated Amortization

Total accumulated amortization of tangible capital assets (excluding work in progress assets) represents 67.5% 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 84.6% and 80.4% 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 \$633.2 million as at 31 March 2021 which is a \$96.2 million or a 17.9% increase from 2020. 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.

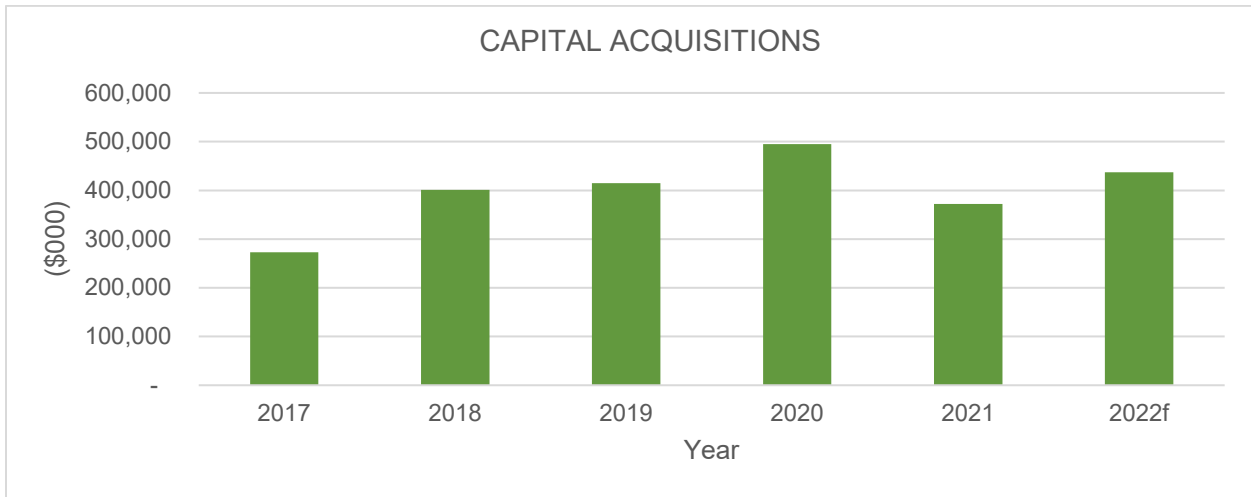
The following chart presents the tangible capital asset cost (excluding work in progress) and accumulated amortization by category at 31 March 2021.



Capital Acquisitions

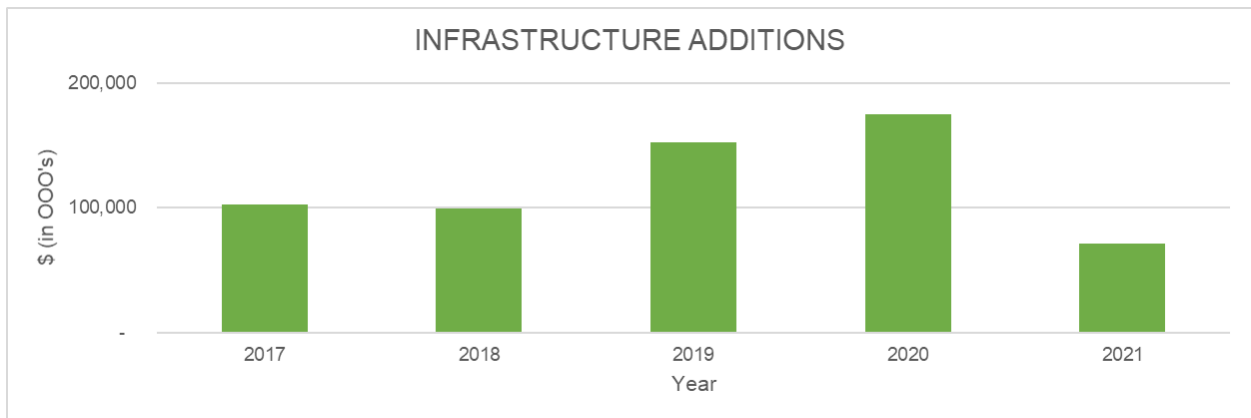
Capital acquisitions in the current year totaled approximately \$366.6 million and includes capital additions of \$270.3 million, net additions to work in progress assets of \$156.8 million, less \$60.5 million of work in progress assets capitalized in the year. Acquisitions decreased in 2020-21 by \$128.0 million from 2019-20 (\$494.6 million) due to the ongoing impacts of the COVID-19 pandemic. The Province continues to invest in capital assets and is forecasting to increase capital acquisitions to \$437.2 million in 2021-22.

Original Budget for fiscal 2021-22 invests \$600.0 million (both capital acquisitions and repairs and maintenance costs) in key infrastructure areas including roads, schools, health care facilities, correctional facilities and municipal infrastructure projects to help improve access to services while stimulating economic activity. Acquisitions to tangible capital assets for the past five years were reported as follows:



Infrastructure Additions

Although infrastructure is reported as 78.0% 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.



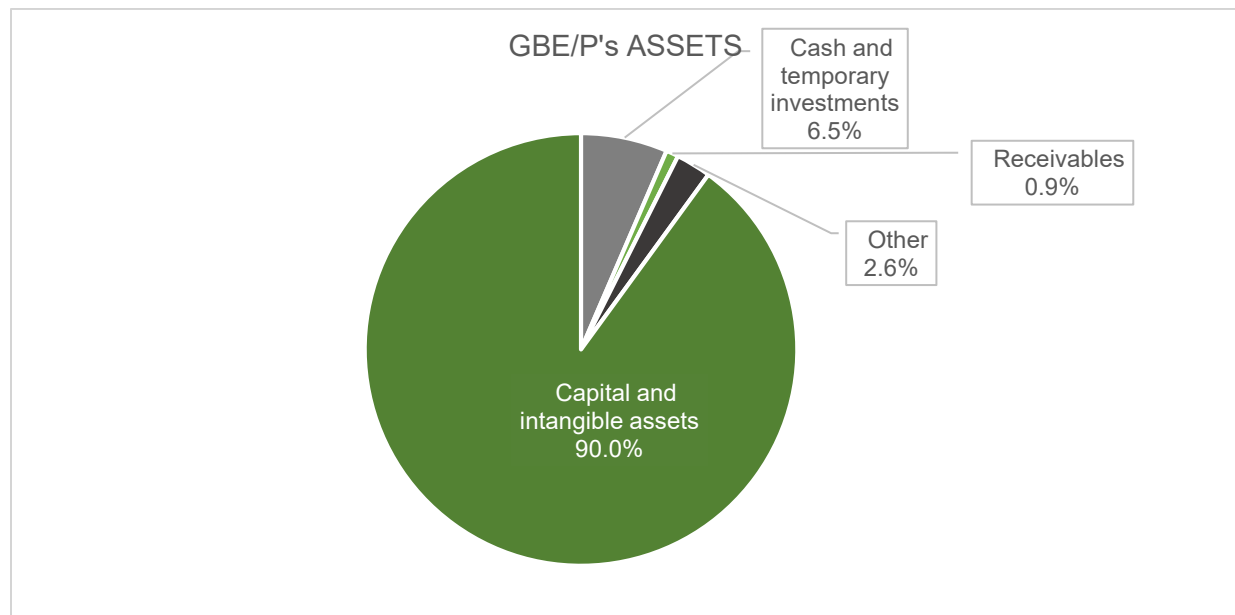
GOVERNMENT BUSINESS ENTERPRISES AND PARTNERSHIP

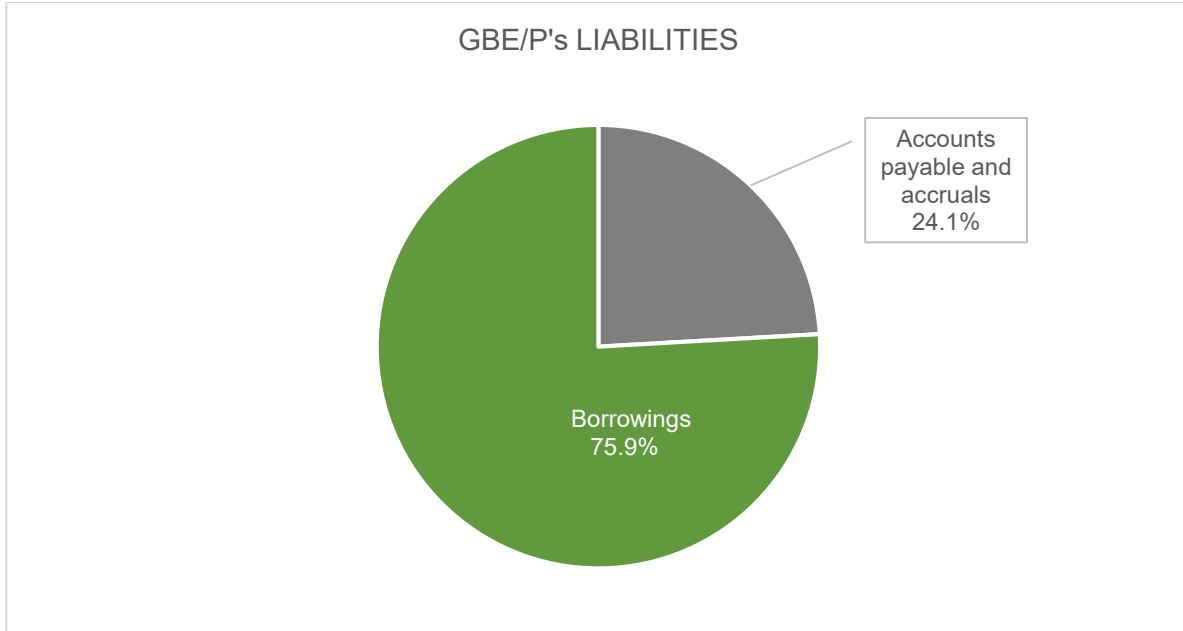
The Province has two Government Business Enterprises (GBEs) including Newfoundland Labrador Liquor Corporation (NLC), and Nalcor Energy (Nalcor); and one Government Business Partnership (GBP), Atlantic Lottery Corporation Inc. (ALC). NLC is a provincial crown corporation responsible for managing the 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 GBPs account for more than half of the Province's consolidated financial assets in 2020-21. Financial figures for ALC, NLC, and Nalcor can be found in Schedules 3 and 4 of the Consolidated Summary Financial Statements.

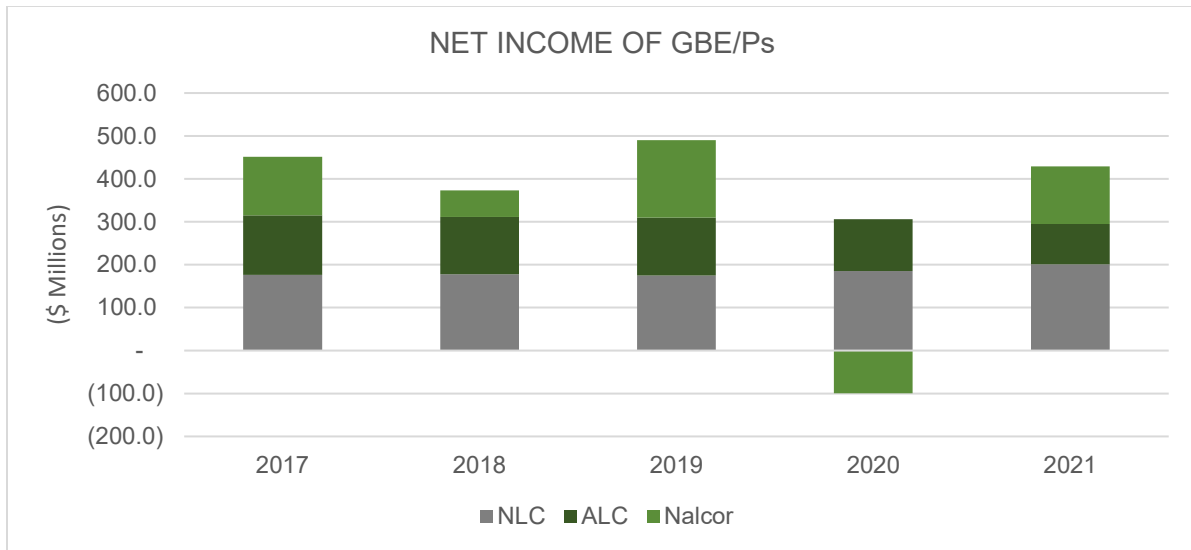
GBEs and GBPs are considered investments therefore their assets and liabilities are not combined with the assets and liabilities of other government entities; they are recorded in one line as 'Equity in government business enterprises and partnership' on the Consolidated Statement of Financial Position. 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, 99.8% 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 GBPs net income. Total net income for the current year from GBE/GBPs was \$429.4 million. This is an increase of \$223.0 million and 108.0% from 2019-20 (\$206.4 million). The increase in net income was mainly due to the financial results from Nalcor, reporting net income of \$134.5 million in the fiscal year, which was an increase in profit of \$234.4 million from 2019-20.



Key drivers relating to the increase of \$234.4 million in net income for Nalcor relate to the following:

- Expenses decreased by approximately \$342.0 million primarily relating to:
 - \$210.0 million decrease in impairment expense primarily due to impairment of White Rose and Hibernia South Extension assets recognized in the prior year as a result of the significant decrease in crude oil prices.
 - \$59.0 million decrease in fuel costs due to reduced consumption and price of fuel.
 - \$33.0 million decrease due to the transition of the exploration program to the Oil and Gas Corporation of Newfoundland and Labrador effective January 1, 2020.
 - \$11.0 million decrease due to the lower cost of power purchases over the Maritime Link.
 - \$29.0 million net decrease in various other sources.
- Although, net income increased in comparison to the previous fiscal year, revenue decreased by approximately \$107.6 million primarily due to:
 - \$52.0 million decrease in revenue as a result of lower than anticipated oil prices.
 - \$50.0 million decrease in revenue attributed to reduced energy sales.
 - \$7.0 million decrease in revenue due to lower average export electricity prices.
 - \$1.4 million net increase in various other sources.

Investment in Government Business Enterprises and Partnership

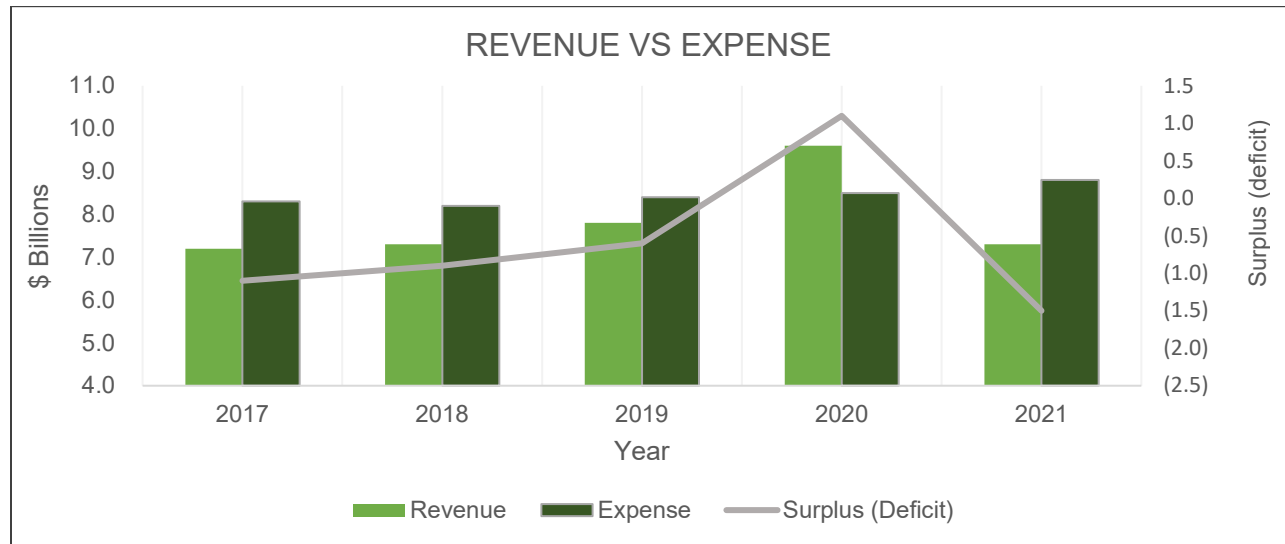
ALC and NLC transferred a combined total of \$289.4 million in dividends to the Province. Equity contributions to Nalcor have steadily decreased over the past five years. Capital transfers from the Province include \$1.0 million for oil and gas development and the Lower Churchill Project.

Capital Transactions

	2017	2018	2019	2020	2021
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Equity Contributions from the Province:					
Nalcor	836,002	589,885	533,658	379,200	1,000
NLC	-	-	-	-	-
ALC	-	-	-	-	-
Total	836,002	589,885	533,658	379,200	1,000
Dividends Received by the Province:					
Nalcor	-	-	-	-	-
NLC	198,000	180,000	183,600	168,500	195,000
ALC	135,193	130,084	131,705	118,666	94,392
Total	333,193	310,084	315,305	287,166	289,392

FINANCIAL OPERATIONS

For the fiscal year ended 31 March 2021, total revenue was \$7.3 billion (31 March 2020 - \$9.6 billion) and total expenses were \$8.8 billion (31 March 2020 - \$8.5 billion), resulting in a provincial deficit of \$1.5 billion (31 March 2020 - \$1.1 billion surplus). The Province reported revenues and expenses for the previous five years as follows:



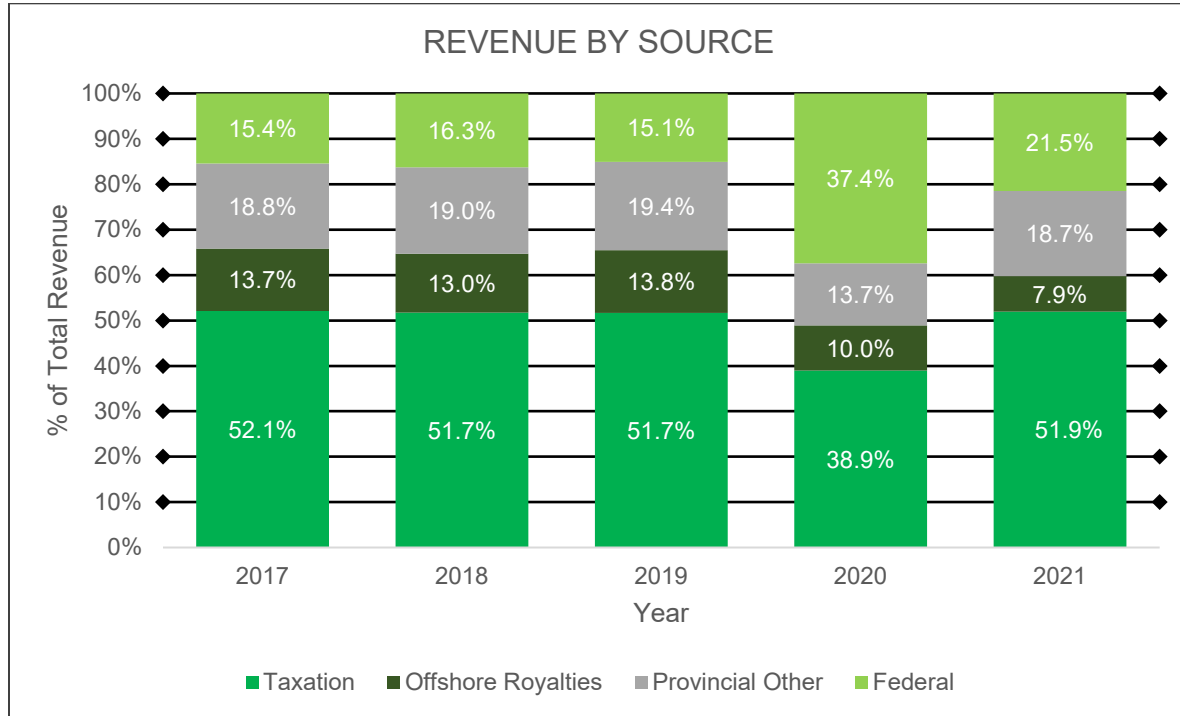
In the previous graph, the five-year trend in surplus (deficit) is shown in relation to revenues and expenses. The Province has incurred deficits in four of the last five years with the highest deficit in 2020-21 reaching \$1.5 billion. Fiscal 2019-20 experienced a surplus of \$1.1 billion mainly due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

Revenue Highlights

Revenues of \$7.3 billion for 2020-21 were \$0.2 billion higher than the Original Budget of \$7.1 billion. Reported revenues in 2019-20 were \$9.6 billion. Compared to the prior year, revenues decreased by \$2.3 billion primarily due to the federal source revenue from the Atlantic Accord (2019).

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.



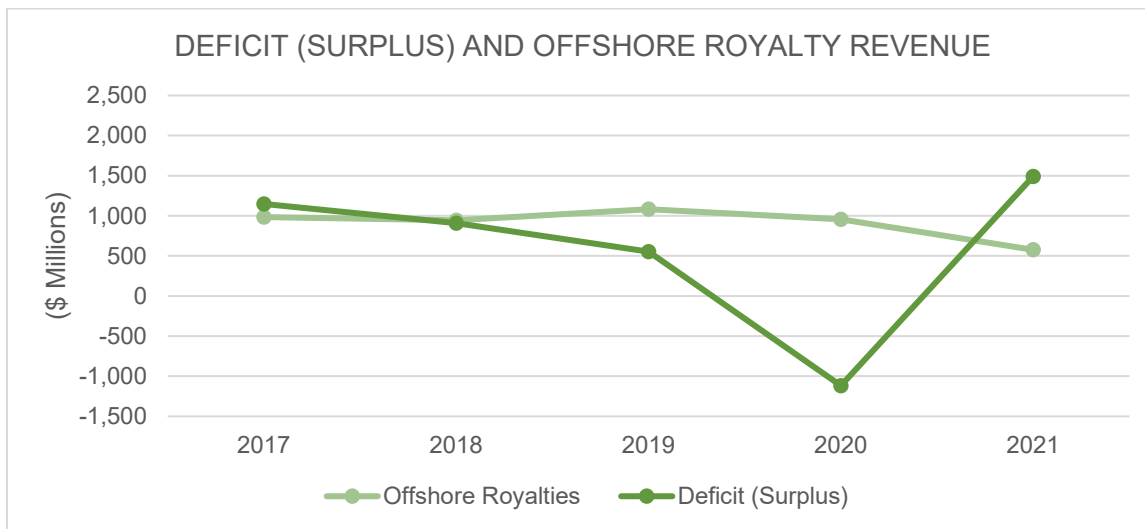
Offshore Royalties

Oil royalties, which were forecasted at Original Budget to be \$532.7 billion, resulted in actuals of \$576.4 million. Offshore oil royalty revenue was \$43.7 million higher than projected primarily due to higher oil prices and higher Hibernia and White Rose production, partially offset by higher exchange rates and lower Hebron production. The average oil price for the year was \$44.59 US, \$5.59 higher than the \$39.00 US forecasted at original budget time. Compared to previous year, offshore royalties were \$380.7 million lower in 2020-21. This decrease is mainly attributed to significantly lower oil prices and the shutdown of Terra Nova, partially offset by higher Hibernia and Hebron production.

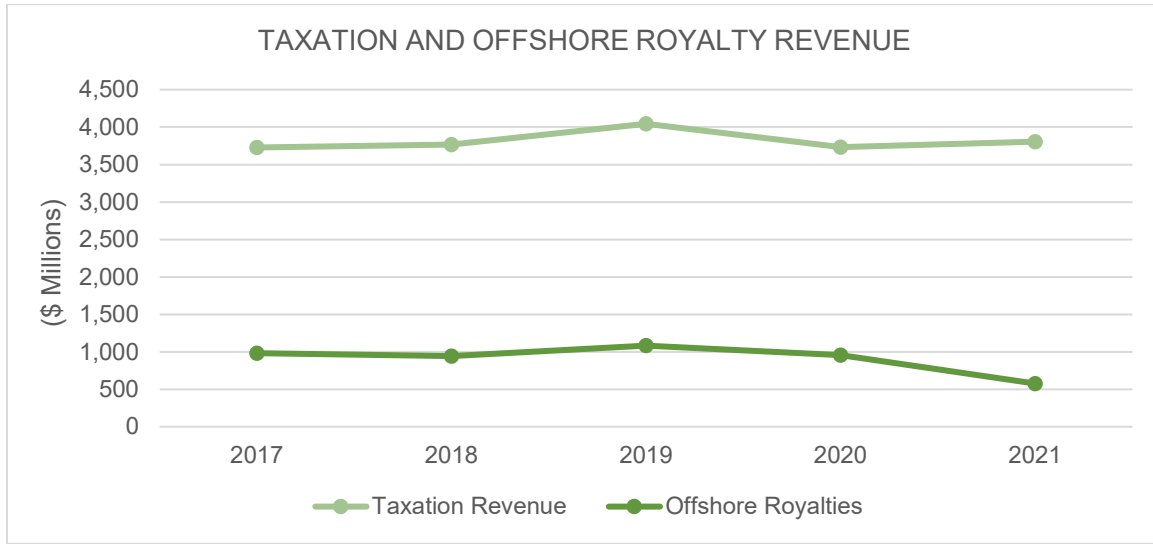
Total oil production was 1.3 million barrels higher than projected due to higher Hibernia and White Rose production than forecasted offset by lower Hebron output.

Offshore Oil Royalties, Actuals and Original Budget For Fiscal year ended 31 March 2021			
	Actuals	Budget	Variance
Royalties (\$M)	\$576.4	\$532.7	\$43.7
Average oil price per barrel (\$US)	\$44.59	\$39.00	\$5.59
Average exchange rate (\$US/\$CA)	0.757	0.738	0.019
Production (millions of barrels):			
Hibernia	41.4	38.8	2.6
Terra Nova	-	-	-
White Rose	8.6	7.5	1.1
Hebron	51.6	54.0	(2.4)
Total Oil Production	101.6	100.3	1.3

Notes: Figures shown are for fiscal year 2020-21, 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 2020-21 in comparison to the prior year resulted in increased revenues of \$71.6 million attributed to:
 - \$191.9 million increase in corporate income tax primarily due to higher Finance Canada Estimates and a large positive prior year adjustment for the 2019 tax year.
 - \$33.4 million increase in mining and mineral rights tax primarily due to higher iron ore prices.
 - Partially offset by decreases in the following revenues:
 - \$87.4 million decrease in sales tax primarily due to an estimated decrease in consumer expenditure by Finance Canada from 2019 to 2020 impacting harmonized sales tax entitlements.
 - \$66.9 million decrease in personal income tax revenue mainly due to lower Finance Canada Estimates and a lower positive prior year adjustment than the previous year.
 - \$0.6 million net increases in various other taxes.

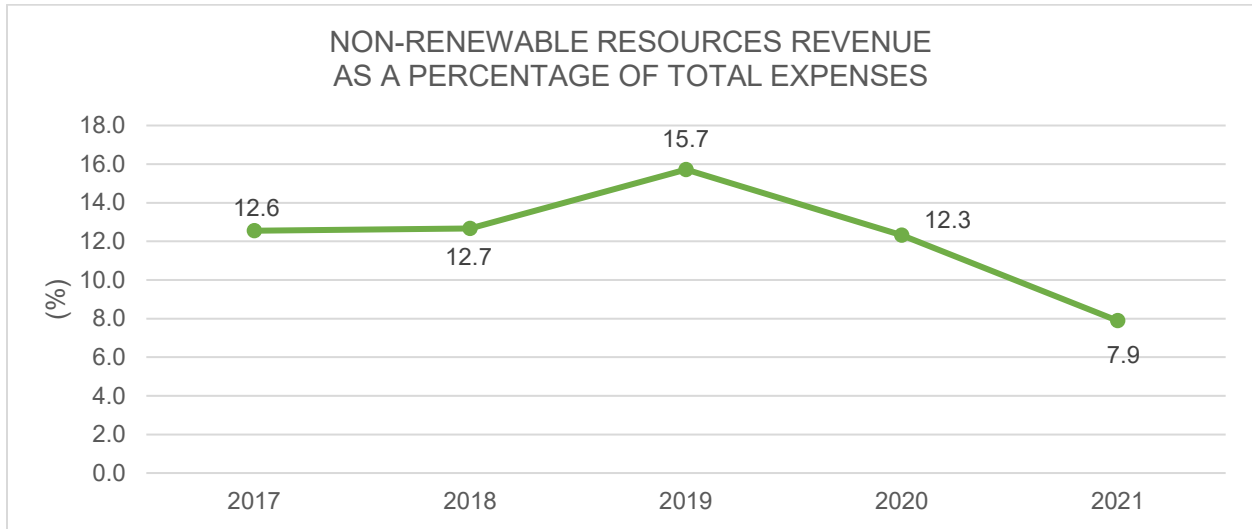
- Actual results for fiscal 2020-21 in comparison to the Original Budget resulted in an increase of \$71.8 million relating to:
 - \$28.6 million increase in tobacco and vapour product tax as COVID-19 impacts on consumption were less than expected.
 - \$25.6 million increase in sales tax primarily due to lower than anticipated impacts of the elimination of the retail sales tax on auto insurance premiums and higher than anticipated provincial entitlements for the 2020-21 tax year.
 - \$24.6 million increase in mining and mineral rights tax primarily due to higher iron ore prices.
 - \$23.1 million increase in gasoline tax mainly due to lower than anticipated COVID-19 impacts on consumption.
 - Partially offset by a \$60.2 million decrease in personal income tax revenue due to lower Finance Canada Estimates.
 - \$30.1 million in net increases in various other taxes.

Federal Source Revenue

- There was a significant decrease of \$2.0 billion in 2020-21 federal source revenue in comparison to the prior year, primarily related to Atlantic Accord revenue recognized in 2019-20. In accordance with *Canadian Public Sector Accounting Standards*, the Province recorded the full Hibernia Dividend Backed Annuity Agreement revenue stream in fiscal 2019-20, totaling \$2.4 billion (\$3.3 billion guaranteed revenue stream over 38 years less the \$800 million payment to the Government of Canada and the estimated Canada Hibernia Holding Corporation provincial taxes pertaining to this Agreement). In addition, cost-shared revenues increased by \$307.6 million from the prior year, mainly attributed to pandemic related funding for health care and education, and funding for the Essential Worker Support Program.
- Actual Results 2020-21 in comparison to Original Budget resulted in an increase of \$114.4 million, mainly related to higher than anticipated revenue in cost-shared programs (\$69.4 million) and Atlantic Accord revenue (\$17.1 million). The increased federal cost-shared revenues can be attributed to funding to alleviate the strain on health care systems. Furthermore, federal funding was received for COVID-19 immunization rollout costs such as recruitment and training, enhanced data and reporting capacity, and vaccine delivery. Atlantic Accord revenues were higher than anticipated as a result of a revised estimate for Canada Hibernia Holding Corporation taxes.

NON-RENEWABLE RESOURCES REVENUE AS A PERCENTAGE OF TOTAL EXPENSES

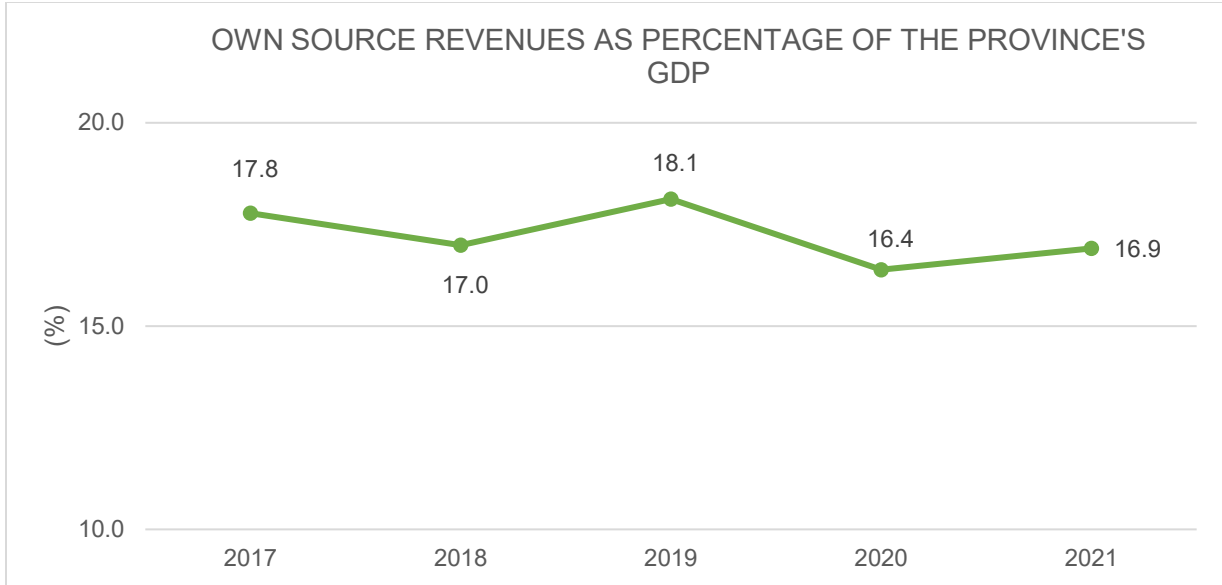
- Non-renewable resources revenue is affected by price, sales and other factors that are often beyond the Province’s direct control. Non-renewable resources revenue as a percentage of total expenses is an indicator of how vulnerable the Province is as a result of its dependence on non-renewable resources 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 12.6% in 2017 to 7.9% in 2021.



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

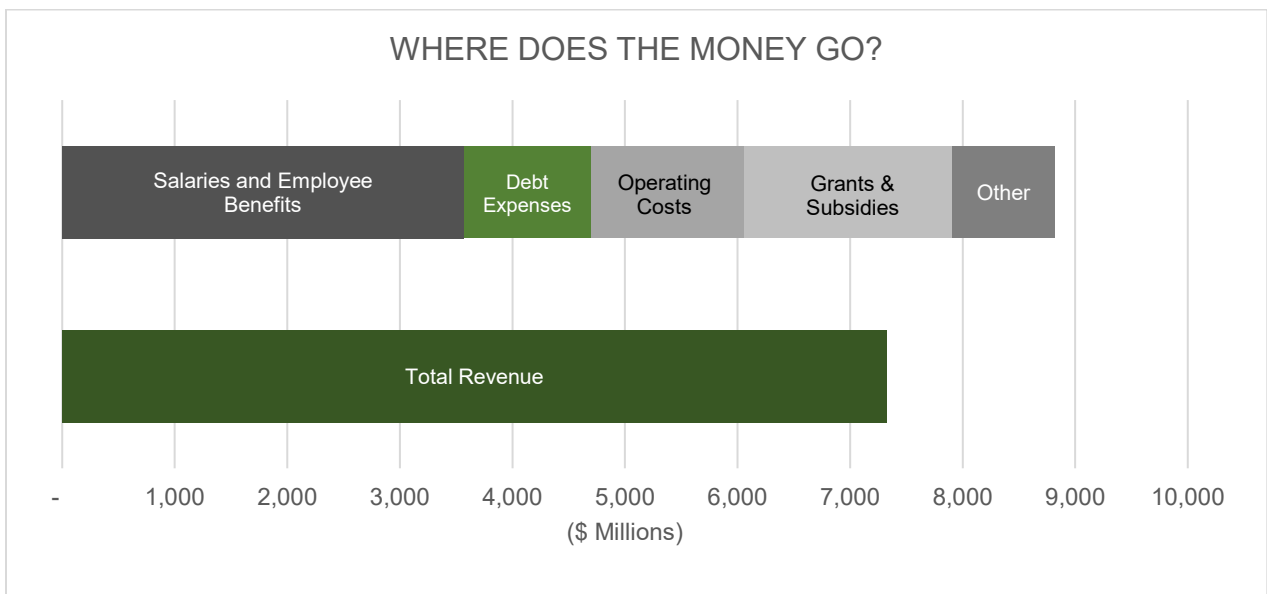
- The purpose of this indicator is to show the extent to which a government is taking income out of the economy in its jurisdiction, through both taxation and user charges.
- The following graph indicates that provincial revenues as a percentage of GDP in the current year increased slightly from 2019-20. The Province’s GDP decreased in 2020-21 which coincided with a decrease in revenue.
- The 2020-21 own source revenues as percentage of the Province's GDP ratio is 16.9%. The percentage increased 0.5 percentage points from 16.4% in 2019-20. This ratio is lower than the five-year average of 17.2%.



Note: Figures shown in the above graph use the GDP figures from Newfoundland and Labrador Statistics Agency's website (Selected Economic Indicators Forecast 2007-2025f). The GDP figures have been restated based on the real GDP for 2017 to 2020.

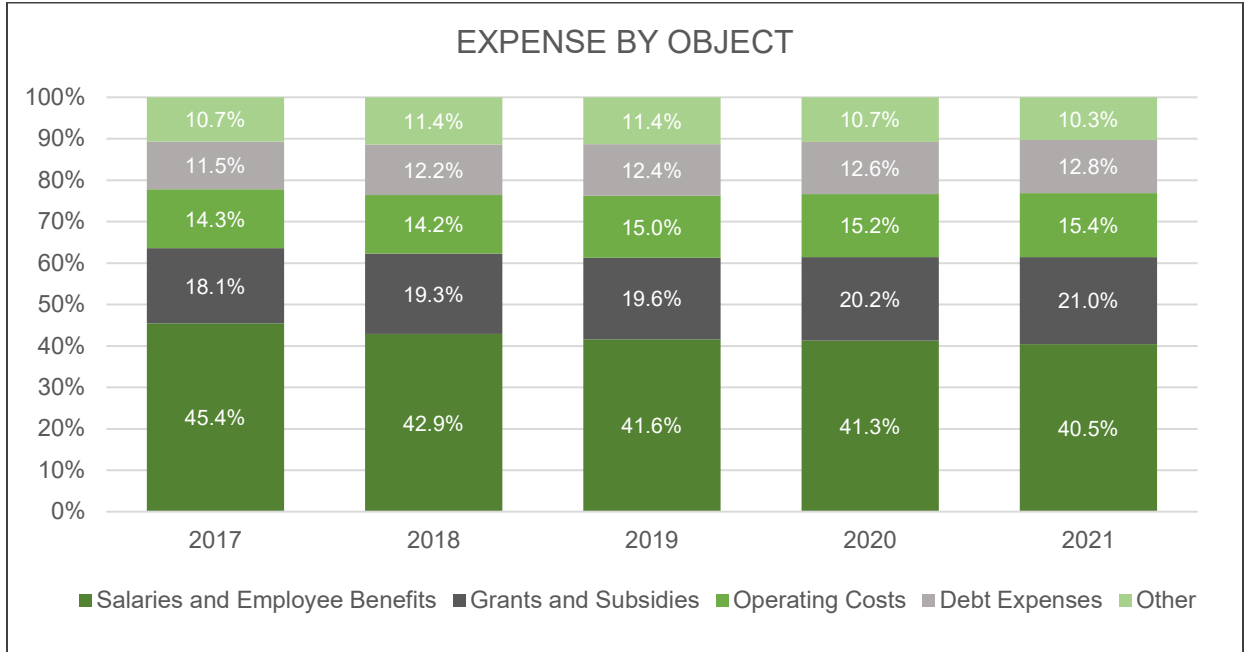
EXPENSE HIGHLIGHTS

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 \$8.8 billion were \$147.4 million lower than the Original Budget (\$9.0 billion) and increased by \$353.5 million from the previous year. Salaries and employee benefits was the Province's largest expense in each of the last five years.



Expenses by Object

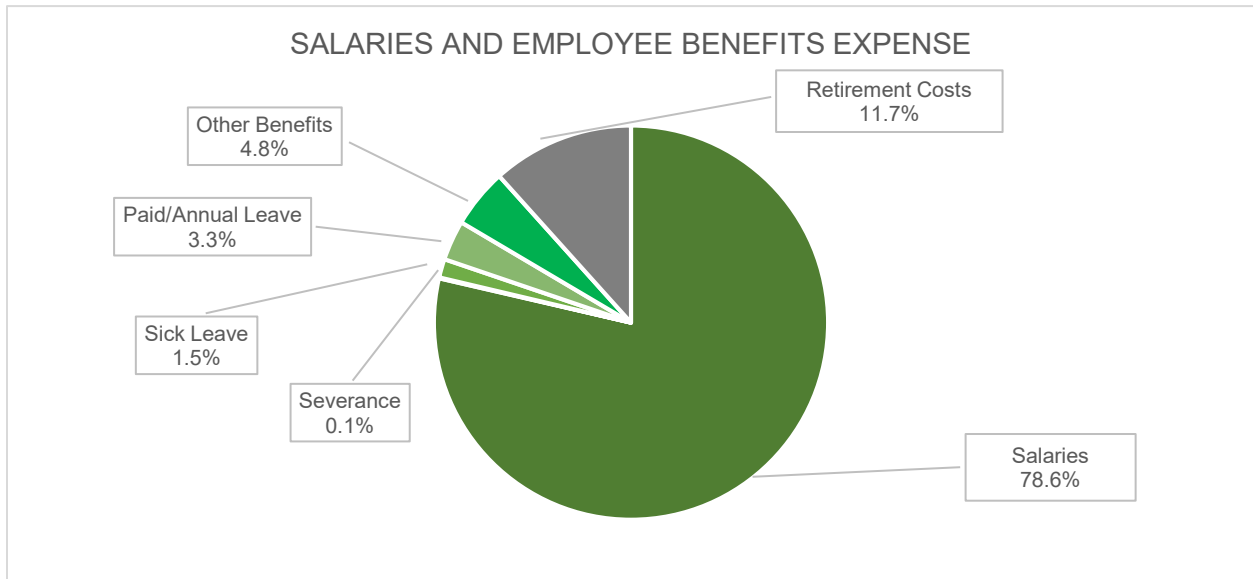
The following graph presents the percentage of expenses by object for the previous five-year period. The most significant expense type in 2020-21 was salaries and employee benefits, reflecting the nature of government in providing services to the Province. However, salaries and employee benefits expense as a percentage of total expenses has decreased 4.9 percentage points over the five year period.



Salaries and Employee Benefits

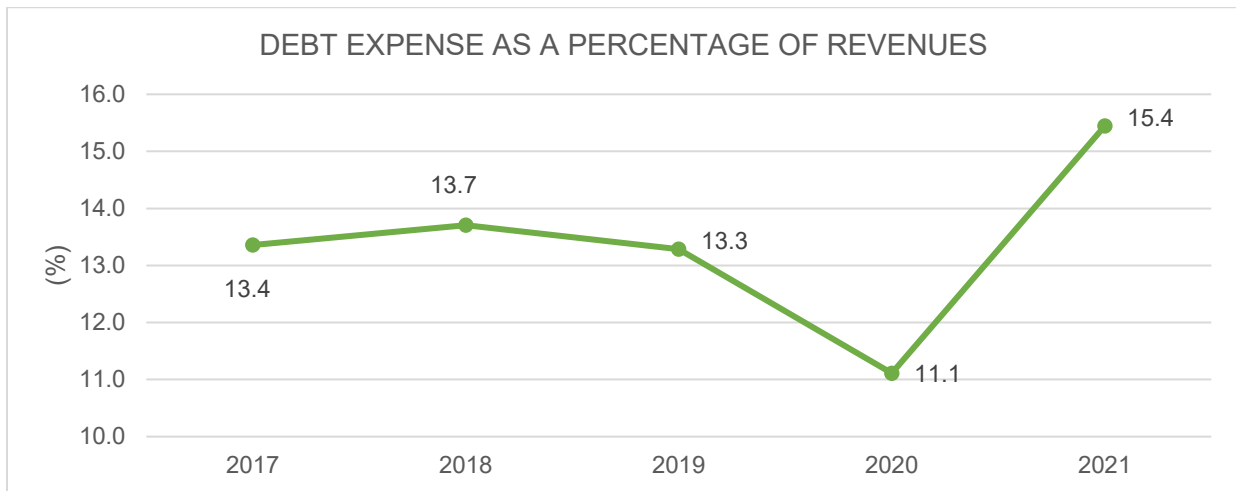
Salaries and employee benefits consists of the following:

	2021 (\$mil)	2020 (\$mil)
Salaries	2,805.5	2,761.7
Retirement costs	415.9	405.3
Other benefits	173.0	149.7
Paid and annual leave	117.0	115.2
Severance	2.7	30.9
Sick leave	54.6	30.9
Total	3,568.7	3,493.7



Debt Expense

The following graph presents the percentages of revenues used to pay debt expenses for the past five years. In 2020-21, the Province spent 15.4 cents of each revenue dollar on interest (11.1 cents in 2019-20). This ratio has increased 14.9% over the five year period. The increase in this ratio for 2020-21 is primarily driven by increased debt expenses and lower revenues compared to the prior year. In fiscal 2019-20, significant one-time revenue was recognized from the Federal Government pertaining to the Atlantic Accord (2019). The increasing ratio over the five-year period indicates that a higher percentage of revenues are used to service the Province's debt.



Compared to Previous Year

The increase in total expenses of \$353.5 million from 2019-20 to 2020-21 can be attributed to the following:

- Increase of \$143.4 million in grants and subsidies mainly attributed to program expenses related to restarting the provincial economy as a result of the COVID-19 pandemic.
- Increase of \$75.0 million in salaries and employee benefits, primarily due to pandemic impacts on the health care sector, such as increased staffing resources and overtime.
- Increase of \$70.5 million in operating costs, mainly related to increased regional health authority community support costs due to the COVID-19 pandemic. Additionally, the higher operating costs can be attributed to a full year of operations for Oil and Gas Corporation of Newfoundland and Labrador.
- Increase of \$66.9 million in debt expenses primarily due to additional net borrowings of \$1.0 billion.
- \$2.3 million net decreases in various other expenses.

Compared to Original Budget

Actual expenses for 2020-21 resulted in a \$147.4 million decrease compared to the Original Budget (\$9.0 billion). The decrease in expenses can be primarily attributed to the following:

- Decrease of \$306.4 million in grants and subsidies mainly attributed to less than anticipated use of contingency funds related to unforeseen expenditures. In addition, the decrease can be associated with lower municipal infrastructure program costs due to program delays and lower than anticipated program demand; and lower than anticipated disaster assistance claims received.
- Increase of \$97.8 million in salaries and employee benefits primarily related to greater than anticipated expenses in the health care sector related to the pandemic.
- Increase of \$58.7 million in debt expenses mainly attributed to higher than anticipated discount and commission costs related to servicing public debt; and revised actuarial calculations for various employee benefits plan obligations; partially offset by decreases in treasury bill and debenture interest.
- \$2.5 million in 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 20 – 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.

For over a year, the global COVID-19 pandemic has caused significant disruption to social and economic practices. Emergence of variants of concern across the globe continues to create uncertainty.

OPPORTUNITIES

While there is a greater degree of uncertainty than usual regarding the medium-term economic outlook for the Province due to the global pandemic, there is reason to be optimistic in the longer term. Various opportunities in the economic forecast exist for oil and gas, mining, aquaculture, technology and manufacturing industries.

Oil and Gas

- After a period of uncertainty, Suncor Energy reached an agreement for moving ahead with the Terra Nova Asset Life Extension (ALE) project which is expected to extend production life by approximately ten years and produce an additional 70 million barrels of oil.
- Suncor Energy recently entered into a conditional agreement to increase its interest in the West White Rose project subject to restart evaluation. The evaluation is expected to be completed by mid-2022 and there is anticipation that the project may recommence in 2023.
- While a final decision regarding Equinor's Bay du Nord project has yet to be made, the development is expected to generate significant economic benefits for the Province. Initial reserve estimates totaled 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. However, there were major discoveries after additional wells were drilled last year and Equinor has indicated the new discoveries have changed the approach to the project. The project will now encompass 6 fields combined into one hub and utilize a larger than planned production facility with peak production capacity of 200,000 barrels per day.
- 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.

Mining

- In the mining industry, high iron ore prices and increased iron ore production by Tacora Resources Inc. at the reopened Wabush Mines site are boosting mineral exports.
- Mineral exploration expenditures are anticipated to increase approximately 24% to \$82.6 million in 2021. Anaconda Mining Inc. announced the initiation of a diamond drill program in the Baie Verte Mining District in 2021.
- Marathon Gold is advancing its Valentine Lake gold mine project with a potential production date of October 2023.
- Expansion of Vale Newfoundland and Labrador's underground nickel mine is continuing at Voisey's Bay which will extend the mine life to at least 2035 and increase production employment at the mine to near 1,500.

Aquaculture

- Aquaculture is an expanding industry that is becoming an increasingly important economic contributor to rural areas of the Province. Aquaculture production is expected to increase as development continues at newly licensed marine sites including those being developed by Grieg NL Ltd. and MOWI Canada East. In addition, Marbase is adding an aquaculture service hub to support the Province's aquaculture industry at the site of the former Marystown Shipyard.

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. The Province has committed to support TechNL's new Innovation Centre, and will continue to engage with investors around the world to market the potential of the sector in Newfoundland and Labrador.

Manufacturing

- Recently, a controlling stake of the idled Come By Chance oil refinery was bought by Cresta Fund Management. The company has plans to convert the refinery to make renewable aviation fuel and diesel which could result in employment opportunities.
- The emerging cannabis industry presents growth opportunities for the Province. Several Newfoundland and Labrador firms currently hold Health Canada licenses to cultivate and/or process cannabis in the Province.

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 global COVID-19 pandemic, as well as market and demographic factors.

Global Pandemic

- Full costs related to the global pandemic, including impacts on the health care system, remain uncertain as currently a fourth wave of COVID-19 has hit the country. On May 31, 2021, the Province tabled its Budget for the 2021-22 fiscal year and allocated \$100 million in expenses for COVID-19 related health care spending. With the rollout of vaccines and a high vaccine uptake, the outlook for the Province for 2021 improved relative to 2020. As the response to the COVID-19 pandemic continues to evolve, the full extent of COVID-19 impacts remain unknown at this time.
- The economic disruption caused by the pandemic has had an impact on the construction and development of some major projects, such as suspension of construction activity on the West White Rose project.
- Tourism activity in the Province has been severely impacted as the pandemic in early 2020 led to a virtual stop of all travel activity globally, with non-essential travel strongly discouraged or prohibited. However, recovery in the tourism sector and other private sector industries is expected with the further rollout of vaccines and as travel and public health restrictions ease.
- Aquaculture production volume in 2020 fell by 40.0% from the preceding year and its corresponding market value decreased by 43.2% to \$96 million due to market impacts resulting from the pandemic.
- To help combat some of the above risks, the Government of Canada along with the Province introduced a number of programs including the Offshore Oil and Gas Recovery Fund, the Essential Worker Support program, and the Residential Construction Rebate program.

Market and Demographic Factors

- Rapid 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, 2021, the Province had the highest proportion of people aged 65 and older (23.1%) and the lowest proportion of children aged 0 to 14 (13.2%) across Canada. The Province's population declined by 0.2% to 520,553 due to continued natural losses (deaths greater than births) as a small positive net migration could not completely offset natural losses.
- The global trading environment continued to recover with the assistance of accelerating vaccination programs. However, the outlook remains uncertain as countries re-evaluate existing trading relationships. Currently, trade tensions between China and Australia could impact the demand for iron ore.

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. However, on July 28, 2021, an agreement-in-principle (AIP) between the Province and the Government of Canada was announced for the financial restructuring of the Lower Churchill Projects.
- The AIP provides for \$5.2 billion in various forms of financial support to mitigate the impact of project costs on electricity rates to achieve rate mitigation. The AIP provides \$2.0 billion in federal financing, including a \$1.0 billion investment in the Province's portion of the Projects' Labrador-Island Link and a federal loan guarantee of \$1.0 billion for the Project's Muskrat Falls and Labrador Transmission Assets. Additionally, it was announced that there would be annual transfers to the Province from the Government of Canada equivalent to Canada's yearly net revenue from Hibernia offshore oil project net profit interest and incidental net profit interest, which is currently estimated to total \$3.2 billion by the end of the Hibernia project's life. The Province and the Government of Canada are finalizing the specific terms of the agreements.

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 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 2020 as well as an estimate on the performance for 2021. 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 2020

Similar to other provinces in Canada, Newfoundland and Labrador faced a very challenging year in 2020 due to the global impacts of the COVID-19 pandemic. Most major economic indicators declined because of the mandated shutdown of large portions of the economy put in place to slow the spread of COVID-19. Private sector service industries, such as some retail outlets, hotels, bars, restaurants and recreation facilities, were severely impacted, particularly those tied to the tourism industry. Additionally, the decline in global economic activity resulted in a sharp drop in oil demand and prices, negatively influencing the Province's oil industry. The Province did, however, show some signs of recovery in the second half of the year. Overall, Newfoundland and Labrador's real GDP decreased by 5.3% in 2020.

Real exports fell by an estimated 3.6% in 2020, mainly due to the shutdown of the Come by Chance oil refinery in March and the subsequent loss of refined petroleum exports, in addition to lower exports of fish products, resulting from lower global demand. Increased real exports of crude oil and mineral products helped offset some of these losses, growing by 22.9% and 9.0%, respectively. Higher oil production was due to the continued ramp up of production from Hebron and modest increases in output from Hibernia and White Rose. This was enough to offset no production from Terra Nova, which has been shut down since December of 2019. Higher mineral exports resulted from increased iron ore output from both the Iron Ore Company of Canada and Tacora Resources Inc.

Capital investment in Newfoundland and Labrador was \$7.2 billion in 2020, down 21.3% from the previous year. Both residential and non-residential spending were down as construction activity was brought to a standstill early on in the pandemic due to containment measures. Residential spending was up 14.0% as fewer housing starts (-19.3%) were offset by increased spending on renovations. Non-residential spending declined by 26.5% as the status of several major projects were affected by the COVID-19 pandemic, resulting in either the suspension or deferral of investment spending on projects such as the West White Rose project and the Terra Nova ALE project, as well as the delay of plans for the development of the Bay du Nord deep-water oil project. The Muskrat Falls hydroelectric project and the Voisey's Bay underground mine project were also adversely affected in the early stages of the pandemic; however, work resumed on these projects in subsequent months.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Economic Indicators
Newfoundland and Labrador**

	<u>2019</u>	<u>2020</u>	<u>2021f</u>
GDP at Market Prices (\$ Millions)	35,349	31,494	36,584
% Change	4.1	-10.9	16.2
% Change, Real	4.0	-5.3	5.6
Final Domestic Demand (\$ Millions)	35,385	32,400	34,035
% Change	2.3	-8.4	5.0
% Change, Real	1.7	-9.5	3.2
Household Income (\$ Millions)	26,405	27,177	27,956
% Change	2.6	2.9	2.9
% Change, Real	1.5	2.7	0.4
Household Disposable Income (\$ Millions)	17,293	17,821	18,258
% Change	1.3	3.1	2.5
% Change, Real	0.3	2.8	0.0
Retail Sales (\$ Millions)	8,995	9,124	9,639
% Change	-0.2	1.4	5.6
% Change, Real	-0.3	1.1	4.5
Consumer Price Index (2002=100)	139.3	139.6	143.0
% Change	1.0	0.2	2.4
Investment, Gross Fixed Capital Formation (\$ Millions)	9,167	7,216	7,019
% Change	3.8	-21.3	-2.7
% Change Real	2.5	-22.8	-5.4
Housing Starts	945	763	912
% Change	-13.8	-19.3	19.5
Employment ('000s)	227.0	214.0	219.6
% Change	1.2	-5.7	2.6
Labour Force ('000s)	258.8	249.1	254.4
% Change	-1.0	-3.7	2.1
Unemployment Rate (%)	12.3	14.1	13.7
Participation Rate (%)	58.1	55.9	57.1
Population ('000s)	523.5	522.1	520.7
% Change	-0.4	-0.3	-0.3

Final domestic demand measures demand in the local economy by summing consumption, investment and government expenditures; it excludes net exports.

f: forecast, Department of Finance, May 13, 2021

Retail sales (which only includes spending on goods and typically account for about 55% of consumer spending) totaled \$9.1 billion last year, up 1.4% from 2019, as the rebound in sales from June to December was enough to offset the large year-over-year decreases experienced in March through May that resulted from the initial pandemic shutdowns. Sales at general merchandise stores, many of which were deemed essential at the start of the pandemic, increased 13.6% in 2020. Sales at food and beverage stores – also deemed essential – increased 5.6%. Conversely, sales at clothing and clothing accessories stores declined by 22.4% in 2020, while sporting goods, hobby, book and music stores were down 9.7%. Much of these declines were attributed to public health restrictions placed on in-store shopping. Sales at gasoline stations were down 8.0% mainly due to lower prices. Motor vehicle and parts dealers, typically the largest component of retail sales, remained on par, as large increases in recreational vehicle sales in the second half of the year were almost enough to offset declines in sales of new and used vehicles. The number of new motor vehicles sold in the Province was 27,324 in 2020, a decrease of 10.4% compared to 2019.

Growth in the Consumer Price Index (CPI), a measure of inflation, was nearly unchanged (+0.2%) in 2020 (see chart). By comparison, Canada's inflation rate was 0.7%. Price increases for goods and services in the Province such as electricity, alcohol, tobacco and cannabis, health and personal care, and food offset declining energy prices. Electricity prices were up 4.5% as an increase in the residential power rate of 6.4% was approved by the Public Utilities Board, effective October 1, 2019. Alcohol, tobacco and cannabis prices increased by 3.9% in 2020, while health and personal care and food prices increased by 2.4% and 1.8%, respectively. The energy index declined by 6.8%, with fuel oil and other fuels down 23.6% and gasoline down 12.8%, largely due to a substantial drop in crude oil prices (down 35.1% in 2020). Excluding energy, inflation remained relatively low at 1.1%.

The COVID-19 pandemic had a significant impact on the labour market in Newfoundland and Labrador. As the virus began to spread around the world in early 2020, both the federal and provincial governments began to implement public health measures, which included travel restrictions, closure of businesses deemed non-essential, and social distancing policies. The Newfoundland and Labrador government announced its first presumptive case on March 14, 2020 and declared a public health emergency on March 18. While the number of cases in the Province remained relatively low throughout most of the year, there was a significant shock to the labour market. By April 2020, employment in the Province was over 39,000 lower than April of 2019, a year-over-year decline of 17.5%. As restrictions began to ease in May, allowing some non-essential businesses to re-open, employment began to improve each month, returning to the previous year's level by November 2020.

For the year as a whole, total employment decreased 5.7% to 214,000 in 2020. Employment losses were concentrated in full-time employment, which declined 6.7%. Part-time employment increased modestly (+0.3%). On an industry basis, employment in the goods-producing sector declined by 5,900 or 12.5%, while the services-producing sector declined by 7,000 or 3.9%. The most impacted industries were real estate and rental and leasing (-31.0%), information, culture and recreation (-19.2%) and construction (-17.9%). Notable employment gains were seen in finance and insurance (33.3%).

Wages increased at a solid pace during 2020. Many of the jobs lost because of the pandemic were lower paying jobs, which in turn increased the overall average weekly wage for the Province. Average weekly earnings (including overtime) were \$1,096 in 2020, an increase of 3.5% compared to 2019. Newfoundland and Labrador's wages were the third highest among provinces, after Alberta and Ontario. Despite the significant loss of jobs, household income actually increased 2.9% in 2020 as federal COVID-19 related transfers to persons more than offset lost wages overall. Special COVID-19 federal support programs such as the Canada Emergency Response Benefit, Canada Recovery Benefit and others increased government transfers to Newfoundland and Labrador households by roughly \$1.2 billion last year.

Newfoundland and Labrador's population stood at 522,103 as of July 1, 2020, a decrease of 1,373 persons or 0.3% compared to July 1, 2019. The population decrease was the result of losses from net interprovincial migration (-1,469) and natural population change (-1,608), which were partly offset by gains from net international migration (+1,704). Net interprovincial out-migration occurred to the Maritime Provinces, Québec and Alberta. The pace of net interprovincial out-migration slowed relative to the 2,600 in each of the previous two years. Losses from natural population change increased for the fifth consecutive year, reflecting the Province's low fertility rates and aging population. The births to deaths ratio for Newfoundland and Labrador (0.7) is the lowest of all provinces. The median age of the Province is the highest of all provinces and increased from 47.0 in 2019 to 47.4 in 2020.

Economic Outlook

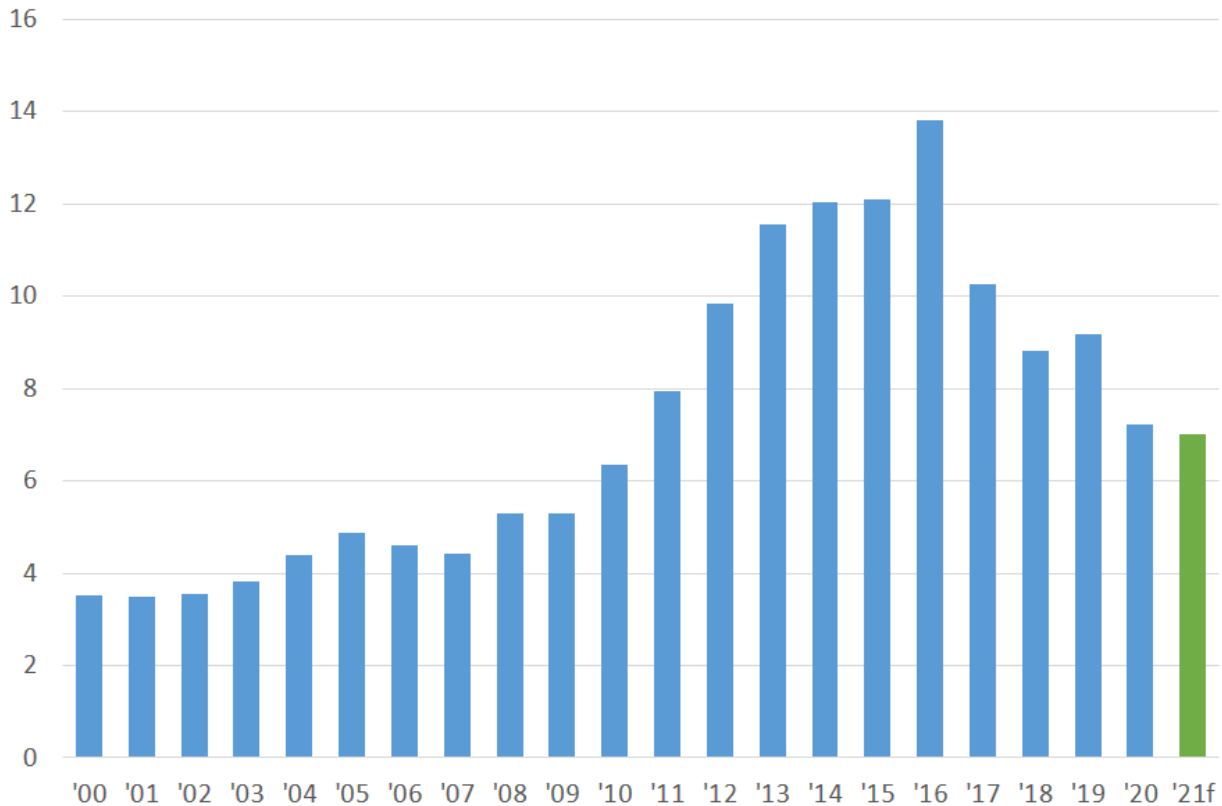
The Newfoundland and Labrador economy is forecast to continue to adjust over the next few years as the global economy recovers from the COVID-19 pandemic, local service industries rebound and major project investment timelines remain uncertain. With the rollout of vaccines, the outlook for 2021 is positive relative to 2020 as the tourism sector and other private sector industries are expected to partly recover in the second half of the year as travel and public health restrictions ease. Increased iron ore production by Tacora Resources Inc. at the re-opened Wabush Mines site is expected to boost mineral exports. In addition, higher oil and mineral prices will boost the value of provincial nominal exports and profitability in both these industries. All of these factors are expected to result in a 5.6% increase in real GDP and a 2.6% increase in employment in 2021. Employment gains are expected to help reduce the unemployment rate from 14.1% in 2020 to 13.7% in 2021.

Household income is expected to increase by 2.9%, as lower federal COVID-19 related transfers to persons are offset by higher wages and salaries from the rebound in employment levels. This will help boost retail sales, which are expected to increase by 5.6% due to pent-up demand from 2020. The rate of consumer inflation is expected to return to a more normal 2.4%, boosted by higher gasoline and heating fuel prices. Housing starts are forecast to increase by 19.5% as near record low interest rates spur further increases to already pent-up demand.

Finally, capital investment is expected to remain weak in 2021 (down 2.7%) as construction activity on Muskrat Falls is completed and work on the West White Rose and Terra Nova ALE projects is deferred to later years (see chart). Capital investment is expected to rebound in 2022 when West White Rose re-starts and further recovery in tourism and private sector services leads to real GDP and employment growth of 2.6% and 3.7%, respectively.

Capital Investment

\$ Billions



f: forecast

Source: Statistics Canada; Department of Finance

The medium-term outlook beyond 2022 is expected to remain challenging as government fiscal restraint and weak major project construction activity negatively impact growth. In the longer term, however, there is reason for optimism. While plans to proceed with the construction on the Province's fifth oil project, Bay du Nord, are currently on hold, development is expected to begin in the medium-term. Additionally, there is substantial oil and gas exploration potential for new discoveries and tieback opportunities for existing projects in offshore Newfoundland and Labrador. In the mining sector, Tacora Resources Inc. is continuing to ramp up iron ore production at its recently re-opened Scully mine in western Labrador, while Marathon Gold is progressing with its Valentine Lake gold project in central Newfoundland. Additionally, development of Vale Newfoundland and Labrador's underground nickel mine is continuing in Voisey's Bay, Labrador. In the aquaculture sector, MOWI Canada East and Grieg NL Ltd. continue to pursue aquaculture development opportunities that should lead to a considerable expansion in production over the next five years, and increase the total value of the seafood sector. Finally, government will continue to work proactively with industry to continue to accelerate growth opportunities in the technology sector.

Risks and Adjustments

These economic indicators for 2020 and 2021 are still projections and are subject to change. Further economic and administrative data relating to 2020 and 2021 are expected in the future. New data may result in adjusted revenues in 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.

<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.

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Province of Newfoundland and Labrador

Consolidated Summary Financial Statements

**For The Year Ended
31 March 2021**

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20 October 2021

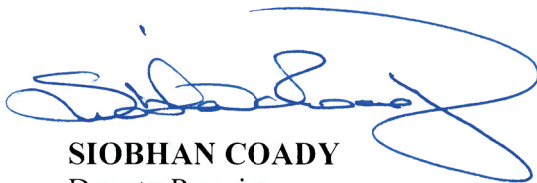
STATEMENT OF RESPONSIBILITY

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 and notes. Other schedules and notes that are included also form an integral part of these statements.

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



SIOBHAN COADY
Deputy Premier
Minister of Finance
President of Treasury Board



DAVID DROVER, CPA, CGA
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, 2021, and the consolidated statements of change in net debt, operations, change in accumulated deficit 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, 2021, and its consolidated results of operations, consolidated change in its net debt, consolidated change in its accumulated deficit, 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.

Report on Other Legal and Regulatory Requirements

As required under Section 11 of the Auditor General Act, I also report that in my opinion, these consolidated summary financial statements present fairly, in all material respects, the consolidated financial position of the Province as at March 31, 2021, and its consolidated results of operations, consolidated change in its net debt, consolidated change in its accumulated deficit, and its consolidated cash flows for the year then ended in accordance with the accounting policies as disclosed in Note 1 to these consolidated summary financial statements applied on a basis consistent with that of the preceding year.



SANDRA RUSSELL, CPA, CA
Deputy Auditor General

October 22, 2021
St. John's, Newfoundland and Labrador

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Financial Position As at 31 March 2021 with comparative figures for 2020

	Actuals 2021 (\$000)	Actuals 2020 (Note 15) (\$000)
FINANCIAL ASSETS		
	1,505,165	1,560,237
Sch. 1	3,541,992	3,615,158
	4,803	4,787
Sch. 2	417,389	395,987
Sch. 3	6,251,793	6,101,543
	<u>11,721,142</u>	<u>11,677,712</u>
LIABILITIES		
Sch. 5	3,057,287	2,997,661
	571,861	196,216
Sch. 6	16,111,800	15,079,462
	(156,291)	(199,840)
	<u>15,955,509</u>	<u>14,879,622</u>
	3,247,979	3,149,114
	775,151	685,254
	4,129,536	4,204,705
	<u>4,904,687</u>	<u>4,889,959</u>
	<u>27,737,323</u>	<u>26,112,572</u>
	<u>16,016,181</u>	<u>14,434,860</u>
NET DEBT		
NON-FINANCIAL ASSETS		
Sch. 10	4,683,398	4,631,729
	66,087	50,704
	100,918	77,541
	<u>4,850,403</u>	<u>4,759,974</u>
	<u>11,165,778</u>	<u>9,674,886</u>
ACCUMULATED DEFICIT		
Sch. 7		
Sch. 9		

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 2021 with comparative figures for 2020

	Actuals 2021 (\$000)	Original Budget 2021 (Note 22) (\$000)	Actuals 2020 (Note 15) (\$000)
NET DEBT - beginning of period	14,434,860	14,400,376	15,378,082
Add (Deduct):			
Adjustments - note 15			
Government organization changes	8,274	-	(11,967)
ADJUSTED NET DEBT - beginning of period	<u>14,443,134</u>	<u>14,400,376</u>	<u>15,366,115</u>
Surplus (Deficit) for the period	<u>(1,491,821)</u>	<u>(1,838,099)</u>	<u>1,117,181</u>
Changes in tangible capital assets			
Acquisition of tangible capital assets	366,558	535,189	494,639
Net book value of tangible capital asset disposals/adjustments	(3,304)	-	(2,871)
Amortization of tangible capital assets	<u>(311,585)</u>	<u>(332,948)</u>	<u>(326,076)</u>
Increase (Decrease) in net book value of tangible capital assets	<u>51,669</u>	<u>202,241</u>	<u>165,692</u>
Changes in other non-financial assets			
Acquisition of prepaid and deferred charges (net of usage)	15,383	-	5,112
Acquisition of inventories of supplies (net of consumption)	<u>23,377</u>	<u>-</u>	<u>6,393</u>
Increase (Decrease) in other non-financial assets	<u>38,760</u>	<u>-</u>	<u>11,505</u>
Changes in net debt from operations			
Sch. 3 Other comprehensive (income) loss	<u>(9,203)</u>	<u>-</u>	<u>8,729</u>
Increase (Decrease) from operations	<u>(9,203)</u>	<u>-</u>	<u>8,729</u>
Increase (Decrease) in net debt	<u>1,573,047</u>	<u>2,040,340</u>	<u>(931,255)</u>
NET DEBT - end of period	<u><u>16,016,181</u></u>	<u><u>16,440,716</u></u>	<u><u>14,434,860</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 2021 with comparative figures for 2020

	Actuals 2021	Original Budget 2021 (Note 22)	Actuals 2020 (Note 15)
	(\$000)	(\$000)	(\$000)
REVENUE			
Sch. 11 Provincial			
Sch. 11 Taxation	3,804,315	3,732,540	3,732,736
Sch. 11 Investment	93,042	73,272	114,738
Sch. 11 Fees and fines	357,534	331,596	404,885
Sch. 11 Offshore royalties	576,355	532,690	957,054
Sch. 11 Miscellaneous	494,880	530,333	583,282
Sch. 11 Federal	<u>1,572,544</u>	<u>1,458,045</u>	<u>3,584,578</u>
	6,898,670	6,658,476	9,377,273
Sch. 4 Net income of government business enterprises and partnership	<u>429,439</u>	<u>470,721</u>	<u>206,358</u>
Total Revenue	<u><u>7,328,109</u></u>	<u><u>7,129,197</u></u>	<u><u>9,583,631</u></u>
EXPENSE			
Sch. 12 General Government Sector and Legislative Branch	2,437,303	2,602,112	2,290,773
Sch. 12 Resource Sector	825,569	733,784	794,938
Sch. 12 Social Sector	<u>5,557,058</u>	<u>5,631,400</u>	<u>5,380,739</u>
Sch. 13 Total Expense	<u><u>8,819,930</u></u>	<u><u>8,967,296</u></u>	<u><u>8,466,450</u></u>
ANNUAL SURPLUS (DEFICIT)	<u><u>(1,491,821)</u></u>	<u><u>(1,838,099)</u></u>	<u><u>1,117,181</u></u>

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Accumulated Deficit For the year ended 31 March 2021 with comparative figures for 2020

	Actuals 2021 (\$000)	Original Budget 2021 (Note 22) (\$000)	Actuals 2020 (Note 15) (\$000)
ACCUMULATED DEFICIT - beginning of period	9,674,886		10,795,305
Add (Deduct):			
Adjustments - note 15			
Government organization changes	8,274		(11,967)
ADJUSTED ACCUMULATED DEFICIT - beginning of period	9,683,160		10,783,338
Surplus (Deficit) for the period	(1,491,821)	(1,838,099)	1,117,181
Sch. 3 Other comprehensive (income) loss	(9,203)		8,729
ACCUMULATED DEFICIT - end of period	11,165,778		9,674,886

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 2021 with comparative figures for 2020

	Actuals 2021 (\$000)	Actuals 2020 (Note 15) (\$000)
Funds provided from (applied to):		
OPERATIONS		
Annual surplus (deficit)	(1,491,821)	1,117,181
Add (Deduct) non-cash items:		
Accounts receivable	65,689	(3,023,881)
Accounts payable	59,626	487,524
Amortization of foreign exchange (gains)/losses, (premiums)/discounts and issuance fees	31,988	23,389
Amortization of tangible capital assets	311,585	326,076
Retirement costs	192,171	149,800
Valuation allowances	17,258	17,159
Unremitted net income of government business enterprises and partnership	(141,047)	80,808
Sinking fund earnings	(48,506)	(70,747)
Deferred revenue	375,645	22,776
Other	(127,419)	6,258
Special purpose funds/contractors' holdback funds	9,880	(32,290)
Net cash provided from (applied to) operating transactions	<u>(744,951)</u>	<u>(895,947)</u>
CAPITAL		
Acquisitions	(366,558)	(494,639)
Disposals	214	3,681
Net cash provided from (applied to) capital transactions	<u>(366,344)</u>	<u>(490,958)</u>
FINANCING		
Debt issued	2,803,887	1,213,282
Debt retirement	(963,953)	(265,752)
Retirement of pension liabilities	(3,359)	(3,716)
Retirement of promissory note	(75,169)	(70,914)
Sinking fund contributions	(43,377)	(45,224)
Sinking fund proceeds	169,630	202,437
Treasury bills purchased	6,032,811	6,940,107
Treasury bills redeemed	(6,846,009)	(5,927,900)
Net cash provided from (applied to) financing transactions	<u>1,074,461</u>	<u>2,042,320</u>
INVESTING		
Loan repayments	20,609	24,327
Investment in government business enterprises	-	(379,200)
Loan advances	(10,419)	(2,823)
Investments	(28,428)	(8,490)
Net cash provided from (applied to) investing transactions	<u>(18,238)</u>	<u>(366,186)</u>
Net cash provided (applied)	(55,072)	289,229
Cash and temporary investments - beginning of period	1,560,237	1,271,008
CASH AND TEMPORARY INVESTMENTS - end of period - note 2	<u>1,505,165</u>	<u>1,560,237</u>

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Notes to the Consolidated Financial Statements For the year ended 31 March 2021

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 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 are recorded at cost, less any concessionary terms. Concessionary terms represent the difference between the face value and the present value of the investment and are accounted as expenses on the Statement of Operations. Investments are written down when there is a loss in value that is other than a temporary decline.

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

Tangible capital assets held by the Province are recorded at cost or estimated cost less accumulated amortization. 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 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 face value and are reported net of sinking funds. Treasury bills are recorded at net proceeds. The Province records foreign-denominated debt in Canadian dollars translated at the exchange rate on the transaction date which is considered to be the issue date; except for the proceeds of hedged transactions which are recorded at the rate as established by the terms of that hedge. Foreign-denominated sinking fund assets are also recorded in Canadian dollars and transactions are translated at the exchange rate used in recording the related debt. At 31 March, foreign debt and sinking funds are adjusted to reflect the exchange rate in effect on that date. Premiums and discounts relating to the issuance of debentures as well as issuance fees 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.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(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.

(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) 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 2022:

PS 3450 Financial Instruments – a new standard establishing guidance on how to account for and report all types of financial instruments including derivatives.

PS 2601 Foreign Currency Translation – replaces *PS 2600* with revised standards on how to account for and report transactions that are denominated in a foreign currency.

PS 1201 Financial Statement Presentation – effective in the period *PS 2601* and *PS 3450* are adopted, replaces *PS 1200* with revised general reporting principles and standards for disclosure of information.

PS 3041 Portfolio Investments – effective in the period *PS 1201*, *PS 2601* and *PS 3450* are adopted, replaces *PS 3040* with revised standards on how to account for and report portfolio investments.

PS 3280 Asset Retirement Obligations – replaces *PS 3270 Solid Waste Landfill Closure and Post-Closure Liability*, with revised guidance on how to account for and report the legal obligations associated with the retirement of tangible capital assets.

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.

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.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Cash and Temporary Investments

Cash and temporary investments consist of:

	<u>31 March 2021</u>	<u>31 March 2020</u>
	(\$mil)	(\$mil)
Cash and temporary investments – Consolidated Revenue Fund (CRF):		
Cash balance (overdraft)	<u>1,250.0</u>	<u>1,241.4</u>
Total cash and temporary investments – CRF	<u>1,250.0</u>	<u>1,241.4</u>
Cash and temporary investments – Other Entities:		
Cash balance (overdraft)	180.4	219.5
Temporary investments	<u>74.8</u>	<u>99.3</u>
Total cash and temporary investments – Other Entities	<u>255.2</u>	<u>318.8</u>
Total: Cash and Temporary Investments (CRF and Other Entities)	<u>1,505.2</u>	<u>1,560.2</u>

Temporary investments consist of investments with financial institutions. As at 31 March 2021, these investments are on call or have maturity dates ranging from 26 April 2021 to 30 August 2021 at interest rates which vary from 1.1% to 7.0%.

3. Inventories

Inventories consist of:

	<u>31 March 2021</u>	<u>31 March 2020</u>
	(\$mil)	(\$mil)
Inventories Held for Resale		
University and college textbooks, stockroom and food supplies	3.0	3.1
Other miscellaneous inventories	<u>1.8</u>	<u>1.7</u>
Total: Inventories Held for Resale	<u>4.8</u>	<u>4.8</u>
Inventories of Supplies		
Textbooks and stockroom supplies held within the CRF	47.1	42.6
Medical and drug supplies	52.3	33.5
Other miscellaneous supplies	<u>1.5</u>	<u>1.4</u>
Total: Inventories of Supplies	<u>100.9</u>	<u>77.5</u>

The personal protective equipment (PPE) received from the federal government at no cost that has been estimated and reflected in these financial statements using the average costs for similar materials. The recorded value of this PPE is \$14.8 million and has been entirely expensed during the year.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Province received COVID-19 vaccines at no cost from the federal government in support of the vaccination roll-out plans. Due to confidentiality clauses embedded in contracts between the federal government and the various COVID-19 vaccine manufacturers, the federal government was not in a position to share information related to the price per dose of vaccines. COVID-19 vaccines received from the federal government at no cost have not been reflected in these financial statements due to the difficulty in determining fair value. During the year, the Province received 133,000 COVID-19 vaccines and held 29,376 in inventory at 31 March 2021.

4. 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 2020	3.26%
Eastern Regional Health Authority	31 March 2018	3.11%
NL English School District	30 June 2018	2.65%
Western Regional Health Authority	31 March 2018	3.11%
Central Regional Health Authority	31 March 2018	3.11%
College of the North Atlantic	31 March 2018	3.11%
Labrador-Grenfell Regional Health Authority	31 March 2018	3.11%

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 2021 (\$mil)	Net Liability 2020 (\$mil)	Change (\$mil)
Consolidated Revenue Fund	40.0	0.5	40.5	14.6	25.9
Other	212.2	(7.7)	204.5	210.8	(6.3)
Total	252.2	(7.2)	245.0	225.4	19.6

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:

Sick Leave Plan	Current Period Benefit Costs (\$mil)	Interest Expense on the Liability (\$mil)	Actuarial Value of Benefits Provided (\$mil)	Current Period Amortization of Experience Changes (\$mil)	Other Adjustment (\$mil)	Change (\$mil)
Consolidated Revenue Fund	2.8	1.3	(4.6)	-	26.4	25.9
Other	16.4	6.7	(32.3)	2.9	-	(6.3)
Total	19.2	8.0	(36.9)	2.9	26.4	19.6

Other Adjustment

During the year, an actuarial valuation was completed to determine the current sick leave liability for the Consolidated Revenue Fund. As this is the first year an actuarial valuation was used to determine the sick leave liability for the Consolidated Revenue Fund, a beginning balance adjustment of the estimated accrued benefit obligation was recorded during the year.

5. Deferred Revenue

Deferred revenue consists of:

	31 March 2021 (\$mil)	31 March 2020 (\$mil)	Change (\$mil)
Federal initiatives in support of the Oil and Gas Sector	317.9	-	317.9
Entities in the education sector relating to the provision of various educational services including contract training and special projects	171.7	128.0	43.7
Gas tax initiatives	52.2	47.3	4.9
Federal-Provincial initiatives in support of housing and home repair programs	13.2	10.9	2.3
Entities in the health sector relating to the provision of various health care services including research and other contracts	9.2	4.7	4.5
Other miscellaneous programs including recycling programs, social and economic development and cultural heritage	7.7	5.3	2.4
Total: Deferred Revenue	571.9	196.2	375.7

The balance as of 31 March 2021 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)

6. Unamortized Unrealized Foreign Exchange Gains (Losses) and Unamortized Premiums (Discounts) and Issuance Fees

Foreign currency debt and sinking funds are translated to Canadian dollars at the exchange rate at 31 March 2021 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 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 net amortization expense on foreign exchange is \$25.2 million which represents a debit adjustment (31 March 2020 - \$19.3 million - debit adjustment). The net amortization expense on premiums (discounts) and issuance fees is \$6.8 million which represents a debit adjustment (31 March 2020 - \$8.3 million - debit adjustment).

	31 March 2021	31 March 2020
	(\$mil)	(\$mil)
Foreign exchange gain (loss):		
Debt	(14.0)	(186.0)
Sinking funds	3.9	73.6
Net	(10.1)	(112.4)
Accumulated amortization on foreign exchange	37.8	41.9
Net unamortized unrealized foreign exchange gains (losses)	27.7	(70.5)
Unamortized premiums (discounts) and issuance fees	(184.0)	(129.3)
Total unamortized unrealized foreign exchange gains (losses), premiums (discounts) and issuance fees	(156.3)	(199.8)

7. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Following proclamation of the *Other Post-Employment Benefits Eligibility Modification Act* (OPEB Act) on 01 January 2015 new criteria related to the eligibility for post-employment group health and group life insurance benefits (i.e., OPEBs) were established for PSPP members. Effective 01 January 2015, new employees and those who do not meet the eligibility criteria applicable during the five-year transitional period ended December 31, 2019 under the OPEB Act will require 10 years of pensionable service instead of five and must immediately retire under the PSPP upon termination of employment to be eligible for OPEBs. During the five year transitional period certain employees and deferred pensioners, as defined in the OPEB Act, may be eligible for OPEBs in accordance with the OPEB Act.

On 31 May 2018, the Province introduced amendments to the 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. As well, the Act institutes a sliding scale to calculate premiums at retirement. 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 represented by the Newfoundland and Labrador Association of Public and Private Employees and the Registered Nurses' Union Newfoundland and Labrador. 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.

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. 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 2021, the programs have 68,135 participants who contributed total contributions of \$78.7 million. The total of all the plans provided benefits of \$39.8 million to 38,917 retirees, their spouses and dependents.

Actuarial Valuations

An actuarial extrapolation was prepared to 31 March 2021 by the Province's actuaries based on the latest actuarial valuations (Public Service valuation date of 31 December 2017 and Teachers' valuation date of 31 August 2018) for the programs sponsored by the Province and the NLTA. The actuarial extrapolation was based on a number of assumptions about future events including an interest rate of 3.11%, Consumer Price Index (CPI) of 2.00%, 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 valuation was prepared to 31 March 2021 by NLHC's actuaries for the programs sponsored by NLHC. The actuarial valuation 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.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

An actuarial extrapolation was prepared to 31 March 2021 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 3.65%, 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.

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 2021 (\$mil)	Net Liability 2020 (\$mil)	Change (\$mil)
Group health retirement benefits					
Consolidated Revenue Fund	2,697.4	175.2	2,872.6	2,797.4	75.2
Memorial University of Newfoundland	215.9	(1.1)	214.8	199.3	15.5
Newfoundland and Labrador Housing Corporation	17.2	3.5	20.7	21.1	(0.4)
Sub-total	2,930.5	177.6	3,108.1	3,017.8	90.3
Group life insurance retirement benefits					
Consolidated Revenue Fund	161.6	(25.7)	135.9	127.3	8.6
Memorial University of Newfoundland	1.1	0.6	1.7	1.8	(0.1)
Newfoundland and Labrador Housing Corporation	2.1	0.2	2.3	2.2	0.1
Sub-total	164.8	(24.9)	139.9	131.3	8.6
Total	3,095.3	152.7	3,248.0	3,149.1	98.9

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	75.3	81.8	(33.2)	(48.7)	75.2
Memorial University of Newfoundland	8.5	8.0	(3.6)	2.6	15.5
Newfoundland and Labrador Housing Corporation	-	0.9	(0.5)	(0.8)	(0.4)
Sub-total	83.8	90.7	(37.3)	(46.9)	90.3
Group life insurance retirement benefits					
Consolidated Revenue Fund	3.2	4.9	(2.4)	2.9	8.6
Memorial University of Newfoundland	-	-	(0.1)	-	(0.1)
Newfoundland and Labrador Housing Corporation	-	0.1	-	-	0.1
Sub-total	3.2	5.0	(2.5)	2.9	8.6
Total	87.0	95.7	(39.8)	(44.0)	98.9

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 2020 amounted to \$90.5 million.

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 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 \$189.8 million was decreased by \$37.1 million during the year resulting in a closing unamortized experience gain of \$152.7 million. This decrease consists of \$64.5 million for new experience losses and amortization of \$44.0 million. The remaining difference is due to a net gain of \$71.4 million for the new Teacher's valuation.

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

8. 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 2021, the balance of the promissory note is \$2.4 billion. The promissory note is included as part of the total net pension liability on the statement of financial position.

As at 31 March 2021, the PSPP has 27,867 participants who contributed \$204.6 million. The plan provided benefits of \$646.1 million to 22,348 pensioners.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 PSCP 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.

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 2021, the balance of the promissory note is \$1.7 billion. 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 2021, the TPP has 6,167 participants who contributed \$59.2 million. The plan provided benefits of \$319.0 million to 9,502 pensioners. Inflation protection is not extended to pensioners of the Teachers' Pension Plan who retired prior to 1 September 1998.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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 3,529 participants who contributed \$31.9 million as at 31 March 2021.

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 2021, the MUNPP provided benefits of \$100.2 million to the registered component of the plan and MUN provided benefits of \$1.7 million to the supplemental component to a total of 2,531 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 11.8% 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 708 participants who contributed \$6.4 million as at 31 March 2021 as follows: Uniformed Services - \$5.6 million, Members of the House of Assembly - \$0.5 million and Provincial Court Judges' - \$0.3 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 2021, the plans provided benefits of \$39.8 million to 1,020 pensioners as follows: Uniformed Services - \$31.3 million, Members of the House of Assembly - \$7.5 million and Provincial Court Judges' - \$1.0 million. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan nor the Members of the House of Assembly Pension Plan who retired prior to 1 September 1998.

In 1980, the Province of Newfoundland and Labrador Pooled Pension Fund was established by the *Pensions Funding Act*, with the Minister of Finance as Trustee. This Fund administers all financial activity, 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.

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 Plan. The Registered component will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund and will provide benefits based on limits set out in the federal *Income Tax Act*. The Supplementary component will be administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

Members of the House of Assembly Pension Plan

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

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 was established with then-existing judges being given the one-time option of transferring from the Public Service Pension Plan. All judges appointed subsequent to 1 April 2002 are required to join this Plan. Employee contributions are 9% of pensionable salary. A pension benefit is available based on the number of years pensionable service times 3.33% of the judge's annual salary. The Registered component of the Plan, administered within the Province of Newfoundland and Labrador Pooled Pension Fund, provides benefits based on limits set out in the federal *Income Tax Act* with the remainder of the benefit provided by the Supplementary component. The Supplementary component will be administered in the accounts of the Consolidated Revenue Fund.

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	3.11%
Teachers'	6.00%
Memorial University of Newfoundland	
RPP	5.60%
Supplemental Retirement Income Plan	3.60%
Voluntary Early Retirement Income Plan	2.70%
Uniformed Services	6.00%
Members of the House of Assembly	
RPP	5.90%
SERP	3.11%
Provincial Court Judges'	
RPP	5.90%
SERP	3.11%

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 all pension plans is 2.0%.

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 2018
Teachers'	31 August 2020
Memorial University of Newfoundland	31 December 2020
Uniformed Services	31 December 2017
Members of the House of Assembly	31 December 2018
Provincial Court Judges'	31 December 2019

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Pension Liability

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

Pension Plan	Estimated Accrued Benefit Obligation (\$mil)	Fund Assets (\$mil)	Unamortized Experience Gains (Losses) (\$mil)	Net Unfunded Liability 2021 (\$mil)	Net Unfunded Liability 2020 (\$mil)	Change (\$mil)
Public Service	6,300.4	4,231.3	414.0	2,483.1	2,504.7	(21.6)
Teachers'	3,476.2	2,147.3	292.6	1,621.5	1,638.2	(16.7)
Memorial University of Newfoundland	1,999.0	1,957.8	280.1	321.3	291.3	30.0
Uniformed Services	513.3	177.4	28.1	364.0	340.9	23.1
Members of the House of Assembly	114.2	36.7	10.1	87.6	89.5	(1.9)
Provincial Court Judges'	40.2	16.6	3.6	27.2	25.3	1.9
Total	12,443.3	8,567.1	1,028.5	4,904.7	4,889.9	14.8

Pension Fund Assets are valued at the market value at 31 March 2021 (31 March 2020 – \$7,087.8 million).

As at 31 March 2021, the net unfunded liability of \$4,904.7 million is comprised of the \$4,129.5 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 (\$2,400.3 million) and the Teachers' Pension Plan (\$1,729.2 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 going concern valuation and a solvency valuation be extended. Without further exemptions, significant special payments will be required over 15 years related to the going concern valuation and five years related to the solvency valuation to address the above net unfunded liability. Previous exemptions have been in place up to 31 March 2020. 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 2020-21, MUN made a special payment of \$3.4 million (31 March 2020 - \$3.7 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	129.9	82.7	(289.3)	55.1	(21.6)
Teachers'	42.5	47.6	(138.7)	31.9	(16.7)
Memorial University of Newfoundland	25.6	19.1	(35.2)	20.5	30.0
Uniformed Services	5.9	21.5	(5.1)	0.8	23.1
Members of the House of Assembly	0.9	2.9	(6.3)	0.6	(1.9)
Provincial Court Judges'	1.9	0.8	(0.5)	(0.3)	1.9
Total	206.7	174.6	(475.1)	108.6	14.8

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 2021 (\$mil)	Interest Earned on Fund Assets 2021 (\$mil)	Net Interest Expense (Earned) 2021 (\$mil)
Public Service	292.0	(209.3)	82.7
Teachers'	153.2	(105.6)	47.6
Memorial University of Newfoundland	108.7	(89.6)	19.1
Uniformed Services	29.7	(8.2)	21.5
Members of the House of Assembly	4.4	(1.5)	2.9
Provincial Court Judges'	1.5	(0.7)	0.8
Total	589.5	(414.9)	174.6

Pension interest expense for 31 March 2020 amounted to \$149.5 million. Also included in debt expenses is an additional interest expense of \$124.1 million (31 March 2020 - \$126.2 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	(84.5)	(1.3)	35.3	(50.5)
Teachers'	(54.7)	37.4	23.7	6.4
Memorial University of Newfoundland	(69.9)	22.3	16.8	(30.8)
Uniformed Services	(27.7)	1.0	3.7	(23.0)
Members of the House of Assembly	0.4	(1.3)	1.2	0.3
Provincial Court Judges'	1.4	(1.5)	(0.1)	(0.2)
Total	(235.0)	56.6	80.6	(97.8)

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	(108.5)	553.2	19.8	464.5
Teachers'	(20.3)	298.3	8.2	286.2
Memorial University of Newfoundland	21.1	286.1	3.7	310.9
Uniformed Services	11.1	42.9	(2.9)	51.1
Members of the House of Assembly	0.2	10.2	(0.6)	9.8
Provincial Court Judges'	-	4.0	(0.2)	3.8
Total	(96.4)	1,194.7	28.0	1,126.3

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	11 years
Public Service – SERP	9 years
Teachers'	11 years
Memorial University of Newfoundland	11 years
Uniformed Services	15 years
Members of the House of Assembly	6 years
Provincial Court Judges'	8 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 approximately 35,475 participants. Employees contribute 5% of their salary to the Plan and the Province generally matches this contribution. Each employee will receive an annuity at retirement, the value of which is determined by their accumulated contributions plus investment earnings. This Plan is administered by The Canada Life Assurance Company and at 31 March 2021 assets had a market value of \$405.4 million (31 March 2020 - \$359.6 million). The expense recognized for 31 March 2021 amounted to \$14.2 million (31 March 2020 - \$15.6 million).

9. Prepaid and Deferred Charges

Prepaid and deferred charges consist of:

	<u>31 March 2021 (\$mil)</u>	<u>31 March 2020 (\$mil)</u>
Workers' compensation fees	12.2	1.0
Personal protective equipment	9.3	-
Maintenance contracts	9.2	9.1
Property taxes and other municipal fees	7.7	8.5
Software licenses	7.4	10.2
Insurance costs	7.2	8.2
Library operating supplies	3.0	2.0
Membership fees and subscriptions	2.0	2.3
Rent	1.1	1.0
Ambulance services	0.6	1.8
Computer network and accessories	-	0.6
Other prepaid and deferred charges	<u>6.4</u>	<u>6.0</u>
Total: Prepaid and Deferred Charges	<u><u>66.1</u></u>	<u><u>50.7</u></u>

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Contingent Liabilities

(a) Guaranteed Debt

Guarantees made by the Province as at 31 March 2021 amounted to \$1,124.1 million (31 March 2020 - \$1,158.5 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*). 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 2021. Under the debt reduction component of the Program, the Province is contingently liable for possible grants totaling \$9.2 million, of which \$3.9 million (31 March 2020 - \$6.3 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 186 sites for which environmental liabilities or contamination may exist for assessment, remediation or monitoring. See note 11 – 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 to be completed by NARL. The environmental site assessment includes Phase I, II and III assessments and a remediation plan. The environmental site assessment process has not yet been completed. Phase I, which included a review of historical activities associated with oil refinery, has been completed. The Phase II report, which includes the collection and analysis of samples to identify contamination at the site, has been completed and the Province's review is ongoing in conjunction with further discussion with NARL. As well, the Province has received a draft Phase III report which is also under review. While Phase III (further site sampling, delineation and analysis) and a remediation plan have not been completed, a preliminary estimate indicates a range of \$34 - \$269 million.

(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 project is expected to cost \$13.1 billion, including interest during construction and other capitalized/pre-funded financing costs of \$2.9 billion. The Province had a total equity investment in the project of \$3.9 billion as at 31 March 2021. The project is being financed through the issuance of bonds in the amount of \$7.9 billion and equity contributions of \$5.2 billion.

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 relation to the loan agreement with CBPPL. 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 expected end of production dates currently forecasted for these projects range from 2032 to 2050.

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 royalty 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 a reimbursement being owed to the operators(s) by the Province. As of 31 March 2021, 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 2021.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. 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 186 sites for which environmental liabilities may exist for assessment, remediation or monitoring. Of these, 21 were identified as sites where action is possible and for which a liability was recorded. As at 31 March 2021, a total liability for contaminated sites of \$192.7 million (31 March 2020 – \$168.7 million) has been recorded (see Schedule 5 – Payables, Accrued and Other Liabilities). Of this, \$170.8 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 \$21.9 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 \$568.9 million present valued at a discount rate of 3.80%.

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)

12. Contractual Obligations

Contractual obligations consist of:

	31 March 2021 (\$mil)	31 March 2020 (\$mil)
Public-private partnerships	1,927.1	1,418.3
Provincial policing agreement	833.4	909.0
Capital projects	458.5	365.7
Ferry services	392.5	387.9
Lower Churchill Project	347.9	169.0
Economic development	173.8	208.8
Lease payments	153.6	163.1
Power purchase agreements	116.1	131.4
Oil and gas	87.6	43.0
Transmission service agreements	75.8	105.8
Information technology services	36.7	46.4
Letters of credit	33.7	34.1
Road maintenance	29.6	42.0
Residential services	8.1	12.0
Forestry and wildlife management	5.1	8.5
Telephone services	2.9	3.1
Energy savings	0.4	1.9
Other agreements	<u>88.5</u>	<u>72.6</u>
Total: Contractual Obligations	<u><u>4,771.3</u></u>	<u><u>4,122.6</u></u>

Contractual obligations are those to outside organizations in respect of contracts entered into before 31 March 2021. 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 2021, 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 \$77.0 million (31 March 2020 - \$78.5 million) relating to the operating component of the agreement, such as facility maintenance payments.

In addition to the P3 asset placed in service, the Province also entered into agreements for the acquisition of four other P3 assets that are under construction. These assets consist of two Central Long-term Care Facilities, the Corner Brook Acute Care Hospital, as well as the New Adult Mental Health and Addictions Facility with anticipated in-service dates of August 2021, November 2023, and October 2024 respectively. The contractual obligations for the operating and capital components of these agreements total \$1.9 billion (31 March 2020 - \$1.3 billion).

The above table includes contractual obligations of \$0.8 billion (31 March 2020 - \$0.5 billion) for government business enterprises and \$6.0 million (31 March 2020 - \$4.7 million) for government business partnership.

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

Fiscal Year	Contractual Obligations (\$mil)
2021-22	594.9
2022-23	337.8
2023-24	593.0
2024-25	343.8
2025-26	451.5
Thereafter	2,450.3
Total	4,771.3

13. Externally Restricted Assets

Externally restricted assets amount to \$149.6 million (31 March 2020 - \$146.3 million) of which \$145.4 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 \$4.2 million which relate to various donations designated for specified purposes.

14. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt (see note 10(a)) is nil (31 March 2020 - nil).

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Adjustments to Beginning Balances - Government Organization Changes

Net Debt and Accumulated Deficit increased by \$8.3 million (31 March 2020 - \$12.0 million decrease) relating to the government organization changes. There was a nil impact on the Annual Deficit (31 March 2020 - nil). These changes have been applied retroactively without restatement.

16. 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.

17. Contractual Rights

Contractual Rights consist of:

	31 March 2021	31 March 2020
	(\$mil)	(\$mil)
Cost sharing agreements	947.1	540.4
Other agreements	13.2	8.7
Total: Contractual Rights	960.3	549.1

Contractual rights are rights to economic resources arising from contracts or agreements entered into before 31 March 2021. These contractual rights will become assets when the transaction or event triggering recognition occurs.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Contingent Assets

Contingent assets consist of:	31 March 2021	31 March 2020
	(\$mil)	(\$mil)
Terra Nova Project	11.1	11.1
Insurance Claims	11.4	17.2
Total: Contingent Assets	<u>22.5</u>	<u>28.3</u>

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.

19. Atlantic Accord (2019)

During the previous year 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 31 March 2020.

20. 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. The impact of the COVID-19 pandemic adds an additional level of uncertainty for the measurement of certain assets and liabilities recorded in these financial statements. 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.

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.

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

- (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.

21. Subsequent Event

On July 28, 2021, the Province and the Government of Canada announced an agreement in principle (AIP) for the financial restructuring of the Lower Churchill Projects. The AIP provides \$2.0 billion in federal financing, including a \$1.0 billion investment in the Province's portion of the Projects' Labrador-Island Link and a federal loan guarantee of \$1.0 billion for the Project's Muskrat Falls and Labrador Transmission Assets. Additionally, it was announced that there would be annual transfers to the Province from the Government of Canada equivalent to Canada's yearly net revenue from Hibernia offshore oil project net profit interest (NPI) and incidental net profit interest (INPI), which is currently estimated to total \$3.2 billion by the end of the Hibernia project's life.

22. Original Budget

Certain amounts in the statements and exhibits of the 2020-21 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.

23. Change in Government Structure

Under sections 5 and 17 of the *Executive Council Act*, government departments were reorganized during the 2020-21 fiscal year. The comparative figures have been restated to reflect this new departmental structure.

24. Additional Notes

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Receivables As at 31 March 2021 with comparative figures for 2020

	2021 (\$000)	2020 (\$000)
Due from Government of Canada - note 1	3,084,494	3,200,013
Accounts receivable	320,874	312,537
Taxes receivable	161,313	134,544
Offshore royalties	88,868	73,276
Accrued interest receivable	304	1,172
	3,655,853	3,721,542
Less: Allowance for doubtful accounts	113,861	106,384
Total: Receivables	3,541,992	3,615,158

NOTE

1. Due from Government of Canada includes a receivable of \$2.9 billion (31 March 2020 \$3.0 billion) related to the Atlantic Accord (2019).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Investments As at 31 March 2021 with comparative figures for 2020

	2021	2020
	(\$000)	(\$000)
Loans and Advances - notes 1, 2		
Commercial - note 3	180,929	184,036
Housing	86,816	93,885
Student loans	66,266	66,580
Municipalities	753	832
Other	7,268	6,889
Total: Loans and Advances	342,032	352,222
Less: Discounts due to concessionary terms on loans - note 4	91,035	97,501
Allowance for doubtful loans and advances	50,534	47,732
Provision for loan repayments through future appropriations	3,927	6,308
	196,536	200,681
Investments		
Equity Investments:		
Administered by Memorial University of Newfoundland	80,819	76,055
Administered by Newfoundland and Labrador Film Development Corporation	59,689	56,104
Cold Ocean Salmon Inc.	10,000	10,000
Administered by Innovation and Business Investment Corporation	7,729	7,994
Administered by Janeway Children's Hospital Foundation	7,139	6,278
Grieg Seafood Newfoundland Ltd.	5,000	-
Gray Aqua Group Ltd.	4,827	4,827
Country Ribbon Inc.	4,500	4,500
Burton's Cove Logging and Lumber	2,703	3,021
ACF Equity Atlantic Inc.	2,203	2,203
Newfoundland Aqua Services Ltd. - redeemable	1,768	2,000
Icewater Seafoods Inc.	791	966
Blue Line Innovations Inc.	500	500
Consilient Technologies Corporation	500	500
Marine Industrial Lighting Systems	500	500
NavSim Technologies	500	500
Sexton Lumber Co. Ltd.	500	500
Hurley Slate Works Company Inc.	400	400
Pixecur Technologies Inc. - redeemable	400	400
Other	1,991	1,959
	192,459	179,207

SUMMARY FINANCIAL STATEMENTS

LOANS, ADVANCES AND INVESTMENTS (continued)

	2021	2020
	(\$000)	(\$000)
Other Investments:		
Administered by Memorial University of Newfoundland - note 5	82,895	80,701
Newfoundland and Labrador Venture Capital Fund	8,454	7,894
Atlantic Canada Regional Venture Fund LP	7,896	-
Administered by Multi-Materials Stewardship Board	4,399	386
Dr. H. Bliss Murphy Cancer Care Foundation - Endowment Funds investments	1,473	1,223
Administered by Janeway Children's Hospital Foundation	518	255
	<u>105,635</u>	<u>90,459</u>
Total: Investments	<u>298,094</u>	<u>269,666</u>
Less: Discounts due to concessionary terms on investments - note 6	59,689	56,104
Allowance for write-down of investments	<u>17,552</u>	<u>18,256</u>
	<u>220,853</u>	<u>195,306</u>
Total: Loans, Advances and Investments	<u><u>417,389</u></u>	<u><u>395,987</u></u>

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 23 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. 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 \$22.2 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 10 (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 \$86.9 million of which \$27.1 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 2021 with comparative figures for 2020

	Atlantic Lottery Corporation 31 Mar 2021	NL Liquor Corporation 3 Apr 2021	Nalcor Energy 31 Dec 2020	Total 2021	Total 2020
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Equity - beginning of year	16,359	58,734	6,026,450	6,101,543	5,811,880
Net income for year	94,298	200,599	134,542	429,439	206,358
Other comprehensive income (loss) - note 1	6,203	-	3,000	9,203	(8,729)
Capital transactions:					
Transfers from government - note 2	-	-	1,000	1,000	379,200
Transfers to government	(94,392)	(195,000)	-	(289,392)	(287,166)
Equity - end of year	<u>22,468</u>	<u>64,333</u>	<u>6,164,992</u>	<u>6,251,793</u>	<u>6,101,543</u>
Equity represented by:					
Assets					
Cash and temporary investments	9,010	38,647	1,189,000	1,236,657	1,667,856
Receivables	2,870	16,323	157,900	177,093	258,768
Inventories	2,298	30,071	122,000	154,369	167,205
Prepaid and deferred charges	1,884	943	199,000	201,827	152,613
Investments	-	-	105,000	105,000	106,000
Reserve fund	-	-	39,000	39,000	25,000
Capital and intangible assets	32,191	27,422	17,121,000	17,180,613	16,553,528
Total Assets	<u>48,253</u>	<u>113,406</u>	<u>18,932,900</u>	<u>19,094,559</u>	<u>18,930,970</u>
Liabilities					
Accounts payable and accruals	1,567	49,073	3,044,021	3,094,661	3,061,680
Deferred government assistance	-	-	1,000	1,000	1,000
Borrowings - note 3	24,218	-	9,722,887	9,747,105	9,766,747
Total Liabilities	<u>25,785</u>	<u>49,073</u>	<u>12,767,908</u>	<u>12,842,766</u>	<u>12,829,427</u>
Equity	<u>22,468</u>	<u>64,333</u>	<u>6,164,992</u>	<u>6,251,793</u>	<u>6,101,543</u>

NOTES

1. Other Comprehensive Income (Loss)

Other comprehensive income (loss) 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 (loss) as at 31 March 2021 amounted to \$(22.5) million (31 March 2020 - \$(31.7) million). The other comprehensive income (loss) recognized during the year was \$9.2 million (31 March 2020 - \$(8.7) million).

2. Transfers from Government

Capital transfers from the Province include \$1.0 million (31 March 2020 - \$379.2 million) for the Oil and Gas Development and Lower Churchill Project.

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.

	<u>Total</u>
	(\$000)
2021-2022	327,392
2022-2023	65,960
2023-2024	66,628
2024-2025	67,398
2025-2026	68,170
2026-2057	<u>9,336,188</u>
	9,931,736
Less: Sinking Fund Contributions	<u>(184,631)</u>
	<u><u>9,747,105</u></u>

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Net Income of Government Business Enterprises and Partnership As at 31 March 2021 with comparative figures for 2020

	Atlantic Lottery Corporation 31 Mar 2021 (\$000)	NL Liquor Corporation 3 Apr 2021 (\$000)	Nalcor Energy 31 Dec 2020 (\$000)	Total 2021 (\$000)	Total 2020 (\$000)
Revenue					
Revenue from operations	<u>166,976</u>	<u>369,136</u>	<u>929,542</u>	<u>1,465,654</u>	<u>1,589,542</u>
Expense					
Expenses from operations	<u>72,678</u>	<u>168,537</u>	<u>795,000</u>	<u>1,036,215</u>	<u>1,383,184</u>
Net Income	<u><u>94,298</u></u>	<u><u>200,599</u></u>	<u><u>134,542</u></u>	<u><u>429,439</u></u>	<u><u>206,358</u></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, as well as Churchill Falls Trust contributions, for a total amount of \$2.3 million (31 December 2019 - \$10.8 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 \$35.7 million (31 December 2019 - \$22.1 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 \$42.1 million (31 December 2019 - \$37.0 million); accounts payable include \$37.6 million (31 December 2019 - \$7.6 million) and deferred credits include \$1.1 million (31 December 2019 - \$1.1 million). In addition, Nalcor Energy invested \$47.1 million (31 December 2019 - \$43.4 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 \$94.4 million (31 March 2020 - \$121.1 million). In relation to profit earnings, there exists an accounts payable of \$4.9 million (31 March 2020 - \$0.4 million).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Payables, Accrued and Other Liabilities As at 31 March 2021 with comparative figures for 2020

	2021	2020
	(\$000)	(\$000)
Due to Government of Canada - note 1	1,098,578	1,093,208
Accrued salaries and employee benefits - note 2	793,043	761,528
Accounts payable	438,367	354,092
Accrued interest payable	232,007	220,633
Contaminated sites	192,743	168,665
Taxes payable - note 3	191,166	303,647
Public private partnerships - note 4	70,831	74,971
Other	28,388	1,933
Capital leases - note 5	9,575	13,432
Due to municipalities	2,589	5,552
Total: Payables, Accrued and Other Liabilities	3,057,287	2,997,661

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 2020 - \$800 million), \$266.7 million for an Equalization loan (31 March 2020 - \$266.7 million), \$18.3 million for an RCMP policing service contract (31 March 2020 - \$19.5 million) and \$13.6 million for other Federal programs (31 March 2020 - \$7.0 million).

2. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of the following.

	2021	2020
	(\$mil)	(\$mil)
Paid and annual leave	302.9	270.0
Sick leave	245.0	225.4
Severance	50.0	61.2
Salaries	115.9	134.7
Self-insured workers' compensation benefits	53.5	53.5
Other benefits	25.7	16.7
	793.0	761.5

During the 2019-20 fiscal year, an actuarial valuation as of 31 December 2019, with disclosures as at 31 March 2021, was obtained for the Province's self-insured workers' compensation benefits. During the 2020-21 fiscal year an actuarial valuation as of 31 March 2020, with disclosures as at 31 March 2021, 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 4 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 \$130.4 million for corporate income tax (31 March 2020 - \$203.1 million), \$48.0 million for HST (31 March 2020 - \$35.2 million), nil for personal income tax (31 March 2020 - \$53.8 million) and \$12.8 million for other taxes (31 March 2020 - \$11.5 million).

4. Public Private Partnership

The liability for public private partnerships (P3s) represents the Province's outstanding obligation for the discounted, capitalized cost of acquired P3 assets. The interest rate for the P3 liability is 3.85% with repayment to occur over 29 years.

5. Capital Leases

Interest rates for all capital leases range from non-interest bearing to 9.41% and have repayment schedules ranging in duration from 1 to 3 years.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Borrowings As at 31 March 2021 with comparative figures for 2020

	2021			Interest Rate Range (%)	2020
	Total Borrowings (\$000)	Sinking Fund Balance (\$000)	Net Borrowings (\$000)		Net Borrowings (\$000)
Consolidated Revenue Fund					
Treasury bill borrowings	1,169,653	-	1,169,653	0.06 - 0.19	1,982,851
General debentures	15,777,392	1,367,620	14,409,772	1.25 - 10.95	12,503,983
Sun Life Assurance Company of Canada	44,655	-	44,655	7.55 - 9.20	52,115
Government of Canada	<u>226,351</u>	<u>-</u>	<u>226,351</u>	4.91 - 6.85	<u>268,996</u>
	17,218,051	1,367,620	15,850,431		14,807,945
Health care organizations	142,384	25,991	116,393	0.99 - 10.50	120,401
Newfoundland and Labrador Housing Corporation	71,542	-	71,542	0.35 - 19.75	76,719
Memorial University of Newfoundland	55,785	-	55,785	2.72 - 4.18	58,640
School Districts	17,549	-	17,549	prime-1 - 3.66	15,757
Other	<u>100</u>	<u>-</u>	<u>100</u>	prime - 5.0	<u>-</u>
Total: Borrowings	<u>17,505,411</u>	<u>1,393,611</u>	<u>16,111,800</u>		<u>15,079,462</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. 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 \$22.2 million is netted against the offsetting interest revenue on the loan receivable.

General debenture 7E has 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 and unamortized foreign exchange losses, by major currency, sinking funds and unamortized premiums, discounts and issuance fees as at 31 March 2021 are noted below. Refer to note 6 of the Notes to the Financial Statements for further details.

Major Currencies	Foreign Borrowings (\$000)	Exchange Rate	Canadian (\$000)	Unamortized Foreign Exchange Gains/(Losses) and Unamortized Premiums/ (Discounts) and Issuance Fees (\$000)	Net (\$000)
U.S.	600,000	1.2575	754,500	46,719	801,219
Canadian			16,750,911	-	16,750,911
		Sub-total	17,505,411	46,719	17,552,130
		Foreign sinking funds	(314,257)	(18,980)	(333,237)
		Canadian sinking funds	(1,079,354)	-	(1,079,354)
		Sub-total	16,111,800	27,739	16,139,539
		Unamortized premiums/(discounts) and issuance fees		(184,030)	(184,030)
		Total		(156,291)	15,955,509

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)
2021-2022	153,496	1,431,569	1,585,065
2022-2023	155,253	1,665,074	1,820,327
2023-2024	107,467	535,324	642,791
2024-2025	-	106,510	106,510
2025-2026	-	1,249,581	1,249,581
2026-2050	-	9,659,905	9,659,905
	416,216	14,647,963	15,064,179
Plus: Sinking Fund Values at Maturity			2,946,278
Less: Sinking Fund Contributions			(505,046)
			17,505,411

BORROWINGS (continued)

4. Interest Expense

The gross interest expense associated with borrowings, recognized for 31 March 2021, amounted to \$729.4 million (31 March 2020 - \$692.4 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 \$25.2 million which represents a debit adjustment (31 March 2020 - \$19.3 million - debit adjustment). The net amortization expense on premiums (discounts) and issuance fees is \$6.8 million which represents a debit adjustment (31 March 2020 - \$8.3 million - debit adjustment).

6. Sensitivity Analysis

An increase/decrease of one cent in the foreign exchange rates at 31 March 2021 would result in an increase/decrease in foreign borrowings of \$6.0 million (31 March 2020 - \$9.0 million).

7. Related Sinking Fund Investments

At year end, the Province held \$865.7 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2020 - \$875.1 million) which are reflected in the sinking fund balances disclosed in note 2 above. These were comprised of \$779.3 million in Canadian investments and \$86.4 million in US investments.

8. Debt Related Risk

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

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

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

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

Atlantic Lottery Corporation Inc. and Nalcor Energy operate in environments 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. Net borrowings of Atlantic Lottery Corporation Inc. and Nalcor Energy are reflected in the Equity in government business enterprises and partnership on the Consolidated Statement of Financial Position.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Guaranteed Debt As at 31 March 2021 with comparative figures for 2020

	2021	2020
	(\$000)	(\$000)
Guaranteed Debentures		
Newfoundland and Labrador Hydro	1,086,662	1,115,330
Newfoundland and Labrador Housing Projects - note 4	19,799	24,376
Municipalities	643	626
	<u>1,107,104</u>	<u>1,140,332</u>
Guaranteed Bank Loans		
Fisheries	16,173	17,342
Other corporations	840	805
	<u>17,013</u>	<u>18,147</u>
Total: Guaranteed Debt	<u>1,124,117</u>	<u>1,158,479</u>

NOTES

1. Limit of Loan Guarantees

The limit of loan guarantees for guaranteed debentures is \$1,107.5 million and \$32.7 million for guaranteed bank loans.

2. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt is nil (31 March 2020 - nil).

3. General Terms and Conditions

Guaranteed debentures for Newfoundland and Labrador Hydro have maturity dates ranging from February 2026 to October 2048 at interest rates varying from 3.6% to 8.4%. Other guaranteed debentures and guaranteed bank loans have maturity dates ranging from April 2021 to December 2035 at interest rates varying from 0.39% 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 2021 with comparative figures for 2020

Department	2021 (\$000)	2020 (\$000)
Finance:		
Remissions	25,278	293
Immigration, Skills and Labour:		
Uncollectible accounts	862	15,503
Fisheries, Forestry and Agriculture:		
Tax forgiveness	-	1,629
Health and Community Services:		
Uncollectible accounts	44	-
Environment, Climate Change and Municipalities:		
Uncollectible accounts	16	1
Industry, Energy and Technology:		
Uncollectible accounts	-	268
Digital Government and Service Newfoundland and Labrador:		
Uncollectible accounts	4	7
Tourism, Culture, Arts and Recreation:		
Uncollectible accounts	5	-
Transportation and Infrastructure:		
Uncollectible accounts	16	6
Total: Losses, Uncollectible Accounts and Other Amounts Written Off	<u>26,225</u>	<u>17,707</u>

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 2021 with comparative figures for 2020

	2021	2020
	(\$000)	(\$000)
Office of the Public Trustee	37,650	36,240
Supreme Court of Newfoundland and Labrador	30,861	34,913
Refund Deposit Account (formerly known as Rate Stabilization Fund)	9,071	8,011
Scholarships and Awards	7,245	7,335
Teachers' Accrued Salary Trust Account	6,249	7,460
Patients' Funds Held in Trust	4,455	4,017
Federal/Provincial Contractors' Security Account	4,210	2,373
Replacement Reserve Funds	3,658	3,740
Consolidated Tender Account	2,459	2,459
Support Enforcement	1,464	1,391
Contractors' Security Account - Transportation and Works	734	1,062
Provincial Courts Trust Account	387	444
High Sheriff of Newfoundland	305	396
Other Trust Accounts	4,487	5,181
Total: Trust Accounts	113,235	115,022

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 2020, the Commission reported a net fund surplus of \$333.6 million (31 December 2019 - net fund surplus of \$301.8 million) and an accumulated operating surplus of \$331.4 million (31 December 2019 - accumulated operating surplus of \$300.8 million). Under legislation, no liability on behalf of the Province has been established.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Tangible Capital Assets As at 31 March 2021 with comparative figures for 2020

Category	Original Cost			Accumulated Amortization			Net Book Value 31 March 2021 (\$mil)	Net Book Value 31 March 2020 (\$mil)	
	Balance 31 March 2020 (\$mil)	Additions 2021 (\$mil)	Disposals 2021 (\$mil)	Balance 31 March 2021 (\$mil)	Balance 31 March 2020 (\$mil)	Amort. Net of Disposals 2021 (\$mil)			Balance 31 March 2021 (\$mil)
	Buildings	4,329.0	112.2	4.9	4,436.3	2,150.1			96.4
Marine vessels & aircraft	393.3	-	-	393.3	136.6	19.0	155.6	237.7	256.7
Equipment & machinery	1,768.3	78.9	24.1	1,823.1	1,417.7	47.8	1,465.5	357.6	350.6
Infrastructure	5,506.9	71.4	1.5	5,576.8	4,238.9	108.6	4,347.5	1,229.3	1,268.0
Computer software	238.5	7.8	13.9	232.4	198.0	(1.4)	196.6	35.8	40.5
Sub-total	<u>12,236.0</u>	<u>270.3</u>	<u>44.4</u>	<u>12,461.9</u>	<u>8,141.3</u>	<u>270.4</u>	<u>8,411.7</u>	<u>4,050.2</u>	<u>4,094.7</u>
Work in progress				<u>633.2</u>				<u>633.2</u>	<u>537.0</u>
Total				<u>13,095.1</u>				<u>4,683.4</u>	<u>4,631.7</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 2021 of \$633.2 million (31 March 2020 - \$537.0 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 \$270.3 million include \$60.5 million of work in progress assets that have been capitalized in the year. Net additions to work in progress assets include additions of \$156.8 million less disposals of \$0.1 million for 2020-21.

TANGIBLE CAPITAL ASSETS (continued)

3. Accumulated Amortization

The \$270.4 million change in accumulated amortization from the prior year, as reported in the Tangible Capital Asset schedule, consists of amortization expense of \$311.6 million less accumulated amortization on assets disposed of in the year in the amount of \$41.2 million.

The \$265.1 million change in accumulated amortization as at 31 March 2020 consisted of amortization expense of \$326.1 million less accumulated amortization on assets disposed of in the year in the amount of \$61.0 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 \$36.4 million (31 March 2020 - \$36.7 million), amortization expense is \$1 million (31 March 2020 - \$2.6 million) and accumulated amortization is \$27.8 million (31 March 2020 - \$26.8 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. \$141.7 million, (net) has been recorded as the cost of the electricity generating assets for the fiscal year ended 31 March 2021 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 \$85.6 million (31 March 2020 - \$86.4 million) related to public private partnership assets, of which \$2.1 million (31 March 2020 - \$0.2 million) has been recorded as amortization expense and accumulated amortization is \$2.3 million (31 March 2020 - \$0.2 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 2021 with comparative figures for 2020

	Actuals 2021 (\$000)	Original Budget 2021 (Note 22) (\$000)	Actuals 2020 (\$000)
Provincial Sources			
Taxation			
Personal income tax	1,534,374	1,594,528	1,601,226
Sales tax	1,130,530	1,104,927	1,217,974
Corporate income tax	416,632	408,184	224,686
Gasoline tax	153,311	130,190	175,648
Mining and mineral rights tax	119,211	94,591	85,814
Carbon tax	55,739	59,531	52,967
Cannabis tax	5,946	4,169	3,661
Other	388,572	336,420	370,760
	<u>3,804,315</u>	<u>3,732,540</u>	<u>3,732,736</u>
Investment			
Sinking fund earnings	48,506	61,877	70,745
Interest	37,608	11,395	38,725
Other	6,928	-	5,268
	<u>93,042</u>	<u>73,272</u>	<u>114,738</u>
Fees and fines			
Fees	346,867	321,553	394,329
Fines	10,667	10,043	10,556
	<u>357,534</u>	<u>331,596</u>	<u>404,885</u>
Offshore royalties	576,355	532,690	957,054
Miscellaneous			
Sales and rentals	92,178	27,837	105,431
Cost recoveries	34,342	15,200	34,578
Other	368,360	487,296	443,273
	<u>494,880</u>	<u>530,333</u>	<u>583,282</u>
Total Provincial Sources	<u>5,326,126</u>	<u>5,200,431</u>	<u>5,792,695</u>
Federal Sources			
Health and social transfers	784,980	777,621	771,180
Cost-shared programs	694,100	624,652	386,459
Atlantic Accord (2019)	17,130	-	2,355,732
Other	76,334	55,772	71,207
Total Federal Sources	<u>1,572,544</u>	<u>1,458,045</u>	<u>3,584,578</u>
Net income of government business enterprises and partnership - see note	429,439	470,721	206,358
Total: Revenue by Source	<u>7,328,109</u>	<u>7,129,197</u>	<u>9,583,631</u>

NOTE

See Schedule 4 for a breakdown by entity.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Department For the year ended 31 March 2021 with comparative figures for 2020

	Actuals 2021 (\$000)	Original Budget 2021 (Note 22) (\$000)	Actuals 2020 (\$000)
General Government Sector and Legislative Branch			
General Government Sector			
Consolidated Fund Services	835,493	1,215,705	804,126
Executive Council	191,372	233,985	91,696
Finance	709,140	511,157	581,205
Public Procurement Agency	1,232	2,037	1,821
Public Service Commission	11,563	11,969	36,126
Digital Government and Service Newfoundland and Labrador	32,065	33,330	32,613
Transportation and Infrastructure	626,915	568,969	716,839
Legislative Branch			
Legislature	29,523	24,960	26,347
	<u>2,437,303</u>	<u>2,602,112</u>	<u>2,290,773</u>
Resource Sector			
Immigration, Skills and Labour	431,924	409,052	497,437
Industry, Energy and Technology	133,722	131,885	102,227
Tourism, Culture, Arts and Recreation	117,392	63,877	64,939
Fisheries, Forestry and Agriculture	142,531	128,970	130,335
	<u>825,569</u>	<u>733,784</u>	<u>794,938</u>
Social Sector			
Children, Seniors and Social Development	160,121	158,677	167,627
Education	1,623,310	1,539,804	1,555,277
Health and Community Services	3,275,165	3,352,751	3,127,191
Justice and Public Safety	272,736	281,323	276,540
Environment, Climate Change and Municipalities	118,300	170,695	135,481
Newfoundland and Labrador Housing Corporation	107,426	128,150	118,623
	<u>5,557,058</u>	<u>5,631,400</u>	<u>5,380,739</u>
Total: Expenses by Department	<u>8,819,930</u>	<u>8,967,296</u>	<u>8,466,450</u>

NOTE

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Object For the year ended 31 March 2021 with comparative figures for 2020

	<u>Actuals</u> 2021 (\$000)	<u>Original</u> <u>Budget</u> 2021 (Note 22) (\$000)	<u>Actuals</u> 2020 (\$000)
Salaries and employee benefits - note 1	3,568,687	3,470,927	3,493,734
Grants and subsidies	1,852,487	2,158,895	1,709,120
Operating costs	1,357,616	1,346,622	1,287,070
Debt expenses	1,131,759	1,073,134	1,064,899
Professional services	499,644	517,832	508,328
Amortization and (gain)/loss on the sale of tangible capital assets	313,584	332,948	324,313
Property, furnishings and equipment - note 2	78,895	62,279	61,827
Valuation allowances (recovery)	17,258	4,659	17,159
Total: Expenses by Object	<u>8,819,930</u>	<u>8,967,296</u>	<u>8,466,450</u>

NOTES

1. Salaries and employee benefits

Salaries and employee benefits consists of the following.

	<u>2021</u> (\$mil)	<u>2020</u> (\$mil)
Salaries	2,805.5	2,761.7
Retirement costs	415.9	405.3
Other benefits	173.0	149.7
Paid and annual leave	117.0	115.2
Severance	2.7	30.9
Sick leave	54.6	30.9
	<u>3,568.7</u>	<u>3,493.7</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.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue and Expense by Sector For the year ended 31 March 2021

	General Government Sector and Legislative Branch (\$000)	Resource Sector (\$000)	Social Sector (\$000)	Total (\$000)
REVENUE				
Provincial				
Taxation	3,849,384	60	-	3,849,444
Investment	74,862	6,251	11,929	93,042
Fees and Fines	137,206	30,099	190,229	357,534
Offshore Royalties	264	576,091	-	576,355
Other	98,478	117,382	283,879	499,739
Federal sources	<u>1,081,646</u>	<u>226,723</u>	<u>264,175</u>	<u>1,572,544</u>
	5,241,840	956,606	750,212	6,948,658
Net income of government business enterprises and partnership	<u>294,897</u>	<u>134,542</u>	<u>-</u>	<u>429,439</u>
Total Sector Revenue - note 2	<u>5,536,737</u>	<u>1,091,148</u>	<u>750,212</u>	<u>7,378,097</u>
EXPENSE				
Salaries and employee benefits	449,696	128,343	3,035,742	3,613,781
Operating costs	290,918	152,415	914,283	1,357,616
Grants and subsidies	470,852	502,325	884,204	1,857,381
Debt expenses	1,073,230	4,080	54,449	1,131,759
Professional services	8,311	4,401	486,932	499,644
Amortization and (gain)/loss on sale of tangible capital assets	138,114	26,937	148,533	313,584
Property, furnishings, and equipment	5,007	6,418	67,470	78,895
Valuation allowances (recovery)	<u>1,175</u>	<u>5,548</u>	<u>10,535</u>	<u>17,258</u>
Total Sector Expense - note 3	<u>2,437,303</u>	<u>830,467</u>	<u>5,602,148</u>	<u>8,869,918</u>
Sector Results - before adjustments	3,099,434	260,681	(4,851,936)	(1,491,821)
Inter-Sector Eliminations	<u>(45,129)</u>	<u>4,899</u>	<u>40,230</u>	<u>-</u>
Annual Surplus (Deficit)	<u>3,054,305</u>	<u>265,580</u>	<u>(4,811,706)</u>	<u>(1,491,821)</u>

See accompanying notes.

NOTES TO THE SCHEDULE OF REVENUE AND EXPENSE BY SECTOR
For the year ended 31 March 2021

1. Sectors

The sectors identified above are consistent with the presentation of the Consolidated Statement of Operations, the 2020-21 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 \$50.0 million resulting in total revenue of \$7,328.1 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 \$50.0 million resulting in total expense of \$8,819.9 million as per the Consolidated Statement of Operations.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Government Reporting Entity For the year ended 31 March 2021

GOVERNMENT ORGANIZATIONS

	Board of Commissioners of Public Utilities
	C.A. Pippy Park Commission
	Central Regional Health Authority
D	Chicken Farmers of Newfoundland and Labrador
D - 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
D	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.
	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 - note 4	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

GOVERNMENT REPORTING ENTITY (continued)

GOVERNMENT ORGANIZATIONS

note 5	Student Loan Corporation of Newfoundland and Labrador The Rooms Corporation of Newfoundland and Labrador Western Regional Health Authority
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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 is included in the Government reporting entity for consolidation since, in substance, it is closely held and controlled by the Province and is administered by senior Government officials.
- 2 Eastern Regional Health Authority controls a number of foundations/associations which have not been consolidated within their financial statements in 2020-21. In accordance with Public Sector Accounting Standards, these organizations have been included within the Province's 2020-21 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 2020-21. These entities are as follows: 1) Newfoundland and Labrador Education Foundation Inc.; and 2) Newfoundland and Labrador International Student Education Inc.
- 4 Oil and Gas Corporation of Newfoundland and Labrador was established effective January 1, 2020 with a financial year-end of 31 December. Oil and Gas Corporation of Newfoundland and Labrador is a crown corporation, which reports directly to Department of Industry, Energy and Technology.
- 5 During the previous year, the Student Loan Corporation of Newfoundland and Labrador was dissolved and the operations of its programs were transferred to the Consolidated Revenue Fund.

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Province of Newfoundland and Labrador

Consolidated Revenue Fund Financial Information (Unaudited)

**For The Year Ended
31 March 2021**

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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/publications/public-accounts/>

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PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Financial Position
As at 31 March 2021
with comparative figures for 2020

	Actuals 2021 (\$000)	Actuals 2020 (\$000)
FINANCIAL ASSETS		
	1,249,981	1,241,385
	38,875	135,996
Sch. A	3,563,575	3,520,447
	<u>104,362</u>	<u>98,273</u>
	3,459,213	3,422,174
Sch. B	388,334	363,947
	<u>37,862</u>	<u>34,259</u>
	350,472	329,688
Sch. C	4,713,453	4,700,547
	<u>10,361</u>	<u>10,361</u>
	<u>4,703,092</u>	<u>4,690,186</u>
	<u>9,801,633</u>	<u>9,819,429</u>
LIABILITIES		
Sch. D	2,310,353	2,290,242
	372,324	49,698
Sch. E	17,218,051	16,303,684
	1,367,620	1,495,739
	<u>(156,291)</u>	<u>(199,840)</u>
	15,694,140	14,608,105
	3,008,448	2,924,594
	453,990	394,034
	<u>4,129,536</u>	<u>4,204,705</u>
	4,583,526	4,598,739
	<u>25,968,791</u>	<u>24,471,378</u>
	<u>16,167,158</u>	<u>14,651,949</u>
NON-FINANCIAL ASSETS		
	2,540,800	2,582,425
	6,593	7,644
	<u>47,072</u>	<u>42,554</u>
	<u>2,594,465</u>	<u>2,632,623</u>
	<u>13,572,693</u>	<u>12,019,326</u>
Sch. F		

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Change in Net Debt For the year ended 31 March 2021 with comparative figures for 2020

	Actuals 2021 (\$000)	Original Budget 2021 (\$000)	Actuals 2020 (\$000)
NET DEBT - beginning of period	14,651,949	20,111,057	15,656,255
Surplus (Deficit) for the period	<u>(1,553,367)</u>	<u>(1,774,606)</u>	<u>1,104,075</u>
Changes in tangible capital assets			
Acquisition of tangible capital assets	138,351	253,076	295,405
Net book value of tangible capital asset disposals	(2,313)	-	(273)
Amortization of tangible capital assets	<u>(177,663)</u>	<u>(177,197)</u>	<u>(193,219)</u>
<i>Increase (Decrease) in net book value of tangible capital assets</i>	<u>(41,625)</u>	<u>75,879</u>	<u>101,913</u>
Changes in other non-financial assets			
Acquisition of prepaid expenses (net of usage)	(1,051)		(806)
Acquisition of inventories of supplies (net of usage)	<u>4,518</u>		<u>(1,338)</u>
<i>Increase (Decrease) in other non-financial assets</i>	<u>3,467</u>		<u>(2,144)</u>
<i>Increase (Decrease) in net debt</i>	<u>1,515,209</u>	<u>1,850,485</u>	<u>(1,004,306)</u>
NET DEBT - end of period	<u><u>16,167,158</u></u>	<u><u>21,961,542</u></u>	<u><u>14,651,949</u></u>

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Operations
For the year ended 31 March 2021
with comparative figures for 2020

	Actuals 2021 (\$000)	Original Budget 2021 (\$000)	Actuals 2020 (\$000)
REVENUE			
Provincial			
Tax Revenue			
Sales	1,130,530	1,104,927	1,217,974
Personal income	1,534,374	1,594,528	1,601,226
Gasoline	153,311	130,190	175,648
Corporate income	416,632	408,184	224,686
Mining and mineral rights	119,211	94,591	85,814
Cannabis tax	5,946	4,169	3,661
Carbon tax	55,739	59,531	52,967
Other	433,701	336,420	416,754
Non-Tax Revenue			
Offshore royalties	576,355	532,690	957,054
Investment	300,237	317,666	306,574
Fees and fines	175,223	160,781	222,478
Other	48,265	-	35,877
Provincial related revenue	222,037	236,482	310,510
Federal			
Atlantic Accord (2019)	17,130	-	2,355,732
Health and social transfers	784,980	777,621	771,180
Other (repayment)	10,881	9,710	31,521
Federal related revenue	646,367	537,028	333,572
Total Revenue	6,630,919	6,304,518	9,103,228
EXPENSE			
Salaries and employee benefits	789,612	755,910	765,690
Transportation and communications	22,313	34,768	27,610
Supplies	94,910	108,914	101,938
Professional services	468,842	495,045	478,185
Purchased services	348,926	232,891	284,408
Property, furnishings and equipment	9,282	2,871	3,301
Allowances and assistance	700,641	598,982	745,413
Grants and subsidies	4,479,725	4,634,309	4,372,349
Debt expenses	1,078,011	1,038,237	1,017,808
Amortization and (gain)/loss on the sale of tangible capital assets	179,862	177,197	192,235
Valuation allowances (recovery)	12,162	-	10,216
Total Expense	8,184,286	8,079,124	7,999,153
ANNUAL SURPLUS (DEFICIT)	(1,553,367)	(1,774,606)	1,104,075

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Change in Accumulated Deficit For the year ended 31 March 2021 with comparative figures for 2020

	Actuals 2021 (\$000)	Original Budget 2021 (\$000)	Actuals 2020 (\$000)
ACCUMULATED DEFICIT - beginning of period	12,019,326		13,123,401
Surplus (Deficit) for the period	<u>(1,553,367)</u>	<u>(1,774,606)</u>	<u>1,104,075</u>
ACCUMULATED DEFICIT - end of period	<u><u>13,572,693</u></u>		<u><u>12,019,326</u></u>

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR
**Statement of Cash Flows
For the year ended 31 March 2021
with comparative figures for 2020**

	Actuals 2021	Actuals 2020
	(\$000)	(\$000)
Funds provided from (applied to):		
OPERATIONS		
Annual surplus (deficit)	(1,553,367)	1,104,075
Add (Deduct) non-cash items:		
Accounts payable	(59,822)	802,369
Accounts receivable	(43,128)	(3,012,205)
Amortization of foreign exchange (gains)/losses, (premiums)/discounts and issuance fees	31,988	23,389
Amortization of tangible capital assets	177,663	193,219
April writebacks	155,354	(104,337)
Deferred revenue	322,626	26,456
Other	(56,074)	(58,637)
Retirement costs	143,812	113,784
Sinking funds	(47,681)	(69,828)
Special purpose funds/contractors' holdback funds	9,880	(32,290)
Valuation allowances	12,162	10,216
Net cash provided from (applied to) operating transactions	<u>(906,587)</u>	<u>(1,003,789)</u>
CAPITAL		
Acquisitions	(138,351)	(295,405)
Disposals	86	1,257
Net cash provided from (applied to) capital transactions	<u>(138,265)</u>	<u>(294,148)</u>
FINANCING		
Debt issued	2,800,000	1,200,000
Debt retirement	(951,390)	(244,574)
Retirement of promissory note	(75,169)	(70,914)
Sinking fund contributions	(41,805)	(43,556)
Sinking fund proceeds	169,630	202,437
Treasury bills purchased	6,032,811	6,940,107
Treasury bills redeemed	(6,846,009)	(5,927,900)
Net cash provided from (applied to) financing transactions	<u>1,088,068</u>	<u>2,055,600</u>
INVESTING		
Loan advances and investments	(52,578)	(441,684)
Loan repayments	17,958	19,595
Net cash provided from (applied to) investing transactions	<u>(34,620)</u>	<u>(422,089)</u>
Net cash provided (applied)	8,596	335,574
Cash and temporary investments - beginning of period	1,241,385	905,811
CASH AND TEMPORARY INVESTMENTS - end of period	<u>1,249,981</u>	<u>1,241,385</u>

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Accounts and Taxes Receivable As at 31 March 2021 with comparative figures for 2020

	2021	2020
	(\$000)	(\$000)
Accounts Receivable:		
Due from Government of Canada - note 1	3,014,579	3,031,103
Offshore royalties	88,868	73,276
Income support overpayments	77,515	70,128
Newfoundland Labrador Liquor Corporation	64,333	58,734
Court fines	50,272	46,998
Innovation and Business Development Fund Receivable	48,000	48,000
Miscellaneous/other receivables	28,576	28,943
Due from Nalcor Energy	7,770	4,547
Reciprocal billings - medical services	7,009	6,210
Rent and other royalties/permits to occupy	5,665	5,148
Medical care plan audit recoveries	2,555	2,307
Amounts due as a result of Constituency Allowance review	2,524	2,548
Due from municipalities	1,419	2,678
Accident recovery claims	1,304	2,890
Workplace, Health, Safety and Compensation Commission	1,072	1,317
Fees and licences	676	505
Province of Newfoundland and Labrador Pooled Pension Fund	112	155
Travel advances	13	15
Atlantic Lottery Corporation Incorporated	-	401
Total: Accounts Receivable	3,402,262	3,385,903
Taxes Receivable:		
Mining and mineral rights tax	82,803	61,908
Health and post secondary education tax	16,515	15,917
Gasoline tax	13,474	13,594
Insurance companies tax	12,579	8,103
Tobacco tax	10,765	10,359
School tax	8,416	8,928
Sales tax	6,177	8,529
Carbon tax	6,042	4,469
Cannabis tax	2,965	1,531
Miscellaneous/other taxes	1,577	1,206
Total: Taxes Receivable	161,313	134,544
Total: Accounts and Taxes Receivable	3,563,575	3,520,447

NOTES

1. Due from Government of Canada includes a receivable of \$2.9 billion for 31 March 2021 (31 March 2020 - \$3.0 billion) related to the Atlantic Accord (2019).

2. The allowance for doubtful accounts for 31 March 2021 is \$104.4 million (31 March 2020 - \$98.3 million).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Mortgages Receivable

As at 31 March 2021

with comparative figures for 2020

	<u>2021</u>	<u>2020</u>
	(\$000)	(\$000)
Crown Agencies - note 4:		
Memorial University of Newfoundland	178,087	152,328
Newfoundland and Labrador Film Development Corporation	<u>6,819</u>	<u>6,819</u>
Total: Crown Agencies	<u>184,906</u>	<u>159,147</u>
Commercial Loans		
6574262 Canada Inc.	500	500
Afinin Lab Inc.	30	30
Atlantic Canada Regional Adventure Fund Limited Partnership	-	7,780
Canada Fluorspar (NL) Inc.	17,500	17,000
Clear Risk Inc.	420	420
Corner Brook Pulp and Paper Limited	109,300	105,348
D.F. Barnes Fabrication Limited	200	200
Doyle, James & Sons Ltd.	771	771
Eastern Composite Services Inc.	399	399
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.	693	750
Island Seafoods Products Limited	125	125
Keats, Eric	102	102
Koby Seat Inc.	9	9
Marwood Ltd.	160	259
Mike Butland Fisheries	134	134
MyTechSupport.com Limited	20	20
MyTelescope.com Inc.	315	315
Newfoundland and Labrador Mobile Shelters Limited	400	400
Other Ocean Group Inc.	781	781
PAL Aerospace Ltd.	2,250	2,250
Phocalux International Inc.	781	734
Procom Data Services	106	107
Pumphrey, Gerry	537	537
Quorum Information Systems Inc.	500	500
ROINS Financial Services Limited	6,500	6,500
Saunders, Ralph	61	61
Seacraft Limited	68	68
Seaward, Alphonsus	99	99
Sexton Lumber Ltd.	-	293
Shell-Ex (formerly known as Eastern Star Group Canada Inc.)	145	145

CONSOLIDATED REVENUE FUND (UNAUDITED)**LOANS, ADVANCES AND MORTGAGES RECEIVABLE (continued)**

	2021	2020
	(\$000)	(\$000)
Commercial Loans:		
Short, William	262	262
Superior Waterproof Coatings 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	354	354
Total: Commercial Loans	<u>152,524</u>	<u>156,255</u>
Other Loans:		
Municipalities	630	630
Student loans	66,266	66,580
Total: Other Loans	<u>66,896</u>	<u>67,210</u>
Sub-Total: Loans, Advances and Mortgages Receivable	404,326	382,612
Less: Discounts due to concessionary terms - note 5	(12,088)	(12,380)
Provision for loan repayments through future appropriations	<u>(3,904)</u>	<u>(6,285)</u>
Total: Loans, Advances and Mortgages Receivable	<u><u>388,334</u></u>	<u><u>363,947</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 2021 is \$37.9 million (31 March 2020 - \$34.3 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. 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 \$22.2 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 2021
with comparative figures for 2020**

Description of Investment	Net Additions (Disposals) (\$000)	Balance 31 March 2021		2020
		No. of Shares	Cost (\$000)	Cost (\$000)
Preferred Shares:				
Atlantic Ocean Farms Limited - Class A, redeemable	-	289,655	290	290
Blue Line Innovations Inc. - Class B	-	5,000	500	500
Burton's Cove Logging and Lumber	(318)	47	2,703	3,021
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	5,000,000	5,000	-
Newfoundland Aqua Services Ltd. - redeemable	(232)	1,768,226	1,768	2,000
Pixecur Technologies Inc. - redeemable	-	4,000	400	400
Sexton Lumber Co. Ltd.	-	5,000	500	500
Shell-Ex - Class A	-	350	350	350
Total: Preferred Shares Investments	<u>4,450</u>		<u>30,838</u>	<u>26,388</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	-	4,537	294	294
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	-	-

CONSOLIDATED REVENUE FUND (UNAUDITED)

INVESTMENTS (continued)

Description of Investment	Net Additions (Disposals) (\$000)	No. of Shares	Balance 31 March 2021	2020
			Cost (\$000)	Cost (\$000)
Common Shares:				
Newfoundland Hardwoods Limited	-	253	25	25
Northern Radar Inc. - Class C	-	3,749	375	375
Rooms Corporation of Newfoundland and Labrador Inc.	-	500	-	-
Solace Power Inc. - Class D	-	1,401	140	140
Trans Ocean Gas Inc.	-	18,000	90	90
Total: Common Shares Investments	-		115,515	115,515
Non-Share Equity:				
Nalcor Energy Corporation	-	-	4,487,898	4,487,898
Newfoundland and Labrador Housing Corporation	-	-	62,852	62,852
Newfoundland and Labrador Venture Capital Fund	560	-	8,454	7,894
Atlantic Canada Regional Venture Fund LP	116	-	7,896	-
Total: Non-Share Equity Investments	676		4,567,100	4,558,644
Sub-Total: Investments	5,126		4,713,453	4,700,547
Less: Discounts due to concessionary terms - note 2	-		-	-
Total: Investments	5,126		4,713,453	4,700,547

NOTES

1. Allowance for Investment Write-downs

The allowance for investment write-downs for 31 March 2021 is \$10.4 million (31 March 2020 - \$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 2021
with comparative figures for 2020**

	2021 (\$000)	2020 (\$000)
Due to Government of Canada - note 1	1,093,795	1,087,308
Accrued interest	231,119	219,709
Accounts payable write-backs	213,540	143,487
Contaminated sites	192,605	168,510
Taxes payable - note 2	191,166	303,647
Accrued salaries and employee benefits - note 3	122,413	118,644
Public private partnership - note 4	70,831	74,971
Self-insured workers' compensation benefits - note 5	53,518	53,493
Special purpose funds - note 6	31,869	25,628
Accounts payable - other	26,383	7,095
Offshore royalties	23,301	29,334
Physician services	17,537	18,423
Contractors' holdbacks	13,834	10,195
Reciprocal billing - hospital services payable	13,565	12,992
Capital leases - note 7	8,904	12,339
Atlantic Lottery Corporation Incorporated	4,689	-
Due to municipalities	1,284	4,467
Total: Other Liabilities	<u>2,310,353</u>	<u>2,290,242</u>

NOTES

1. Due to Government of Canada

This amount is comprised of \$800.0 million for the Atlantic Accord (2019) (31 March 2020 - \$800.0 million), \$266.7 million for an Equalization loan (31 March 2020 - \$266.7 million), \$18.3 million for a RCMP policing service contract (31 March 2020 - \$19.5 million) and \$8.8 million for other Federal programs (31 March 2020 - \$1.1 million).

2. Taxes Payable

Taxes payable is comprised of \$130.4 million for corporate income tax (31 March 2020 - \$203.1 million), \$48.0 million for HST (31 March 2020 - \$35.2 million), a nil amount for personal income tax (31 March 2020 - \$53.8 million) and \$12.8 million for other taxes (31 March 2020 - \$11.5 million).

3. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of \$5.0 million for severance (31 March 2020 - \$5.9 million), \$63.3 million for paid/annual leave (31 March 2020 - \$56.7 million), \$11.4 million for salaries (31 March 2020 - \$37.5 million), \$40.5 million for sick leave (31 March 2020 - \$14.6 million), and \$2.2 million for other benefits (31 March 2020 - \$3.9 million).

OTHER LIABILITIES (continued)

4. Public Private Partnership

Interest rate for the public private partnership is 3.85% and has a repayment schedule with a duration of 29 years.

5. Self-Insured Workers' Compensation Benefits

The amount of \$53.5 million relates to the self-insured workers' compensation benefits liability as at 31 March 2021 (31 March 2020 - \$53.5 million). During the 2019-20 fiscal year, an actuarial valuation as of 31 December 2019, with disclosures as at 31 March 2021, was obtained for the Province's self-insured workers' compensation benefits.

6. Special Purpose Funds

Included in this schedule are funds totalling \$31.9 million (31 March 2020 - \$25.6 million) considered to be special purpose funds whereby payments are made specifically for these purposes. Pursuant to Section 22(a) of the Financial Administration Act, appropriations are not required for these payments.

7. Capital Leases

Interest rates for all capital leases are 9.41% and have repayment schedules for 3 years.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Debenture and Other Debt
As at 31 March 2021
with comparative figures for 2020**

Series	Date of Issue	Date of Maturity	Interest Rate %	Amount in Foreign Currency (\$000)	Sinking Fund Balance (\$000)	Amount Issued or Outstanding		Notes
						2021 (\$000)	2020 (\$000)	
General Debentures:								
AH	01 Jun. 1990	01 Jun. 2020	9.88	(150,000U.S.)	-	-	212,805	1(a)
AJ	29 Nov. 1990	01 Dec. 2020	10.00	(150,000U.S.)	-	-	212,805	1(a)
5X	15 Apr. 1991	15 Apr. 2021	10.95		-	147,892	147,892	1(a)
AK	17 Oct. 1991	15 Oct. 2021	9.00	(200,000U.S.)	98,728	251,500	283,740	1(a)
AM	22 Oct. 1992	22 Oct. 2022	8.65	(200,000U.S.)	90,357	251,500	283,740	1(a)
AN	13 Oct. 1993	13 Oct. 2023	7.32	(200,000U.S.)	125,172	251,500	283,740	1(a)
6B	07 Jul. 1995	07 Jul. 2025	9.15		40,804	100,000	100,000	1(a)
6C	05 Feb. 1996	05 Feb. 2026	8.45		58,793	150,000	150,000	1(a)
6F	17 Apr. 1998	17 Apr. 2028	6.15		190,945	450,000	450,000	1(a)
6H	27 Jul. 1999	17 Oct. 2029	6.50		84,803	200,000	200,000	1(a)
6K	30 Jun. 2000	17 Oct. 2030	6.55		174,679	450,000	450,000	1(a)
6R	12 Jun. 2003	17 Oct. 2033	5.60		98,472	300,000	300,000	1(a)
6T	21 Sep. 2004	17 Oct. 2035	5.70		89,713	300,000	300,000	1(a)
6U	28 Nov. 2006	17 Apr. 2037	4.50		105,979	350,000	350,000	1(a)
6V	15 May 2007	17 Oct. 2040	4.65		173,189	650,000	650,000	1(a)
6Q	16 Aug. 2002	17 Oct. 2042	6.24		35,986	250,000	250,000	1(a)
6W	18 Mar. 2015	02 Jun. 2025	2.30		-	1,050,000	850,000	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)
7A	24 Mar. 2016	24 Mar. 2021	1.75		-	-	500,000	1(a)
7B	2 Jun. 2016	2 Jun. 2022	1.95		-	875,000	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		-	950,000	950,000	1(a)
7E	27 Feb. 2018	27 Feb. 2023			-	675,000	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	700,000	1(a)
7H	12 Sep. 2019	17 Oct. 2050	2.65		-	1,700,000	600,000	1(a)
7I	18 Aug. 2020	2 Jun. 2030	1.75		-	700,000	-	1(a)
7J	9 Dec. 2020	2 Jun. 2030	1.25		-	500,000	-	1(a)
Total: General Debentures					<u>1,367,620</u>	<u>15,777,392</u>	<u>13,999,722</u>	
Other:								
Treasury bill borrowings					-	1,169,653	1,982,851	1(c)
Total: Other					-	<u>1,169,653</u>	<u>1,982,851</u>	

CONSOLIDATED REVENUE FUND (UNAUDITED)

DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance (\$000)	Amount Issued or Outstanding	
					2021 (\$000)	2020 (\$000)
Government of Canada and Other:						
Canada Pension Plan Investment Fund						
Debentures - note 1(d)						
3A-304 to 3A-01 314	Apr. 2000 to 02 Mar. 2001	01 Apr. 2020 to 02 Mar. 2021	6.41 to 6.90	-	-	42,645
3A-315 to 3A-01 326	Apr. 2001 to 01 Mar. 2002	01 Apr. 2021 to 01 Mar. 2022	6.38 to 6.85	-	52,376	52,376
3A-327 to 3A-01 337	Apr. 2002 to 01 Mar. 2003	01 Apr. 2022 to 01 Mar. 2023	5.88 to 6.61	-	52,104	52,104
3A-338 to 3A-05 347	Apr. 2003 to 01 Mar. 2004	05 Apr. 2023 to 01 Mar. 2024	5.41 to 6.15	-	50,738	50,738
3A-348 to 3A-02 356	Apr. 2004 to 02 Jan. 2005	02 Apr. 2024 to 02 Jan. 2025	5.36 to 5.92	-	47,146	47,146
3A-357 to 3A-01 359	Apr. 2005 to 03 Jun. 2005	01 Apr. 2025 to 03 Jun. 2025	4.91 to 5.34	-	23,987	23,987
Total: Canada Pension Plan Investment Fund Debentures				-	226,351	268,996
Sun Life Assurance Company of Canada - see note 1(e)				-	44,655	52,115
Total: Other				-	44,655	52,115
Total: Government of Canada and Other				-	271,006	321,111
Total: Debenture and Other Debt				<u>1,367,620</u>	<u>17,218,051</u>	<u>16,303,684</u>
Current portion of Debenture and Other Debt					1,629,539	2,958,566
Long-term portion of Debenture and Other Debt					<u>15,588,512</u>	<u>13,345,118</u>
					<u>17,218,051</u>	<u>16,303,684</u>

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. 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 \$22.2 million is netted against the offsetting interest revenue on the loan receivable.
- c) This amount represents the net proceeds from the sale of \$1.170 billion discounted treasury bills with maturity dates ranging from 1 April 2021 to 24 June 2021 and interest rates ranging from 0.064% to 0.189%.
- 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 has 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.

CONSOLIDATED REVENUE FUND (UNAUDITED)

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 2021	31 March 2020
	(\$mil)	(\$mil)
Investments at cost	1,105.9	1,171.7
Amortization of bond discount	106.7	78.8
Investments at amortized cost	1,212.6	1,250.5
Cash and receivables less accounts payable	155.0	245.2
Net Sinking Fund Assets - translated at 31 March	<u>1,367.6</u>	<u>1,495.7</u>

The net sinking fund assets balance of \$1,367.6 million Canadian dollars as at 31 March 2021 includes \$249.9 million U.S. dollars translated to \$314.3 million Canadian dollars in accordance with current practice.

The net sinking fund assets balance of \$1,495.7 million Canadian dollars as at 31 March 2020 includes \$362.8 million U.S. dollars translated to \$514.7 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.

DEBENTURE AND OTHER DEBT (continued)

3. Borrowings

Borrowings and unamortized foreign exchange losses, by major currency, sinking funds and unamortized premiums (discounts) and issuance fees as at 31 March 2021 are noted below.

Major Currencies	Foreign Borrowings (\$000)	Exchange Rate	Canadian (\$000)	Unamortized Foreign Exchange Gains/(Losses) and Unamortized Premiums/ (Discounts) and Issuance Fees (\$000)	Net (\$000)
U.S.	600,000	1.2575	754,500	46,719	801,219
Canadian			16,463,551	-	16,463,551
			Sub-total	46,719	17,264,770
			Foreign sinking funds	(18,980)	(333,237)
			Canadian sinking funds	-	(1,053,363)
			Sub-total	27,739	15,878,170
			Unamortized premiums (discounts) and issuance fees	(184,030)	(184,030)
			Total	(156,291)	15,694,140

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 2021 and the maturity dates, and projected adjustments for sinking fund values at maturity.

	U.S. (\$000)	Canadian (\$000)	Total (\$000)
2021-2022	153,496	1,415,476	1,568,972
2022-2023	155,253	1,648,377	1,803,630
2023-2024	107,467	517,568	625,035
2024-2025	-	88,828	88,828
2025-2026	-	1,233,824	1,233,824
2026-2050	-	9,482,521	9,482,521
	<u>416,216</u>	<u>14,386,594</u>	14,802,810
Plus: Sinking Fund Values at Maturity			2,906,084
Less: Sinking Fund Contributions			(490,843)
			<u>17,218,051</u>

The foreign exchange loss which has been recognized on the Statement of Operations is \$25.2 million.

DEBENTURE AND OTHER DEBT (continued)**5. Interest Expense**

The gross interest expense associated with debenture and other debt, recognized for 31 March 2021, amounted to \$711.7 million (31 March 2020 - \$675.0 million).

6. Sensitivity Analysis

An increase/decrease of one cent in the foreign exchange rates at 31 March 2021 would result in an increase/decrease in foreign borrowings of \$6.0 million (31 March 2020 - \$9.0 million).

7. Related Sinking Fund Investments

At year end, the Province held \$865.7 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2020 - \$875.1 million) which are reflected in the sinking fund balances disclosed in note 3 above. These were comprised of \$779.3 million in Canadian investments and \$86.4 million in US investments.

8. Debt Related Risk

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

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

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

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Guaranteed Debt
As at 31 March 2021
with comparative figures for 2020**

	Limit of	Contingent Liability	
	Guarantee	2021	2020
	(\$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	104	101
Harbour Breton	334	247	241
Harbour Grace	84	167	163
Placentia	404	98	95
Wabana	56	27	26
	<u>1,000</u>	<u>643</u>	<u>626</u>
Crown Corporations - note 2:			
Eastern Regional Health Authority	106,592	106,592	108,186
Newfoundland and Labrador Hydro Electric Corporation	1,086,662	1,086,662	1,115,330
	<u>1,193,254</u>	<u>1,193,254</u>	<u>1,223,516</u>
Guaranteed Bank Loans - note 7:			
Crown Corporations:			
Labrador-Grenfell Regional Health Authority	20,000	14,415	5,565
Marble Mountain Development Corporation	2,087	1,245	2,091
	<u>22,087</u>	<u>15,660</u>	<u>7,656</u>
Fisheries - note 3:			
A.J. Rodgers & Sons Limited	407	71	105
Adam Crocker	208	120	134
Aiden Power and Leonard Mooney	175	-	88
Anchor Point Enterprises Limited	1,288	787	859
Ashley Enterprises Limited	225	38	56
Atlantic Providence Inc.	2,803	1,307	1,496
Atlantic Retriever Limited	700	408	467

CONSOLIDATED REVENUE FUND (UNAUDITED)

GUARANTEED DEBT (continued)

	Limit of Guarantee	Contingent Liability	
		2021	2020
	(\$000)	(\$000)	(\$000)
Guaranteed Bank Loans:			
Fisheries: - note 3			
Bears Cove Fisheries Limited	1,125	600	600
Cecil Ward Limited	595	157	197
Colcor Fisheries Limited	260	131	156
D & A Fisheries Limited	900	600	600
Dempster's Fisheries Limited	1,148	344	459
E & E Fisheries Limited	1,226	2	86
Frazer Scanlon	70	18	24
G & L Fisheries Incorporated	850	510	567
Garrett Mulrooney	531	324	364
Janica II Enterprise Limited	920	179	241
John W. Brazil	276	148	148
Keith Bowen	996	394	438
Noonan Enterprise Limited	2,610	1,697	1,827
North Queen Limited	1,105	553	608
Northern Auk Fisheries Limited	638	298	340
Ocean Surfer Limited	1,225	368	490
P & G Sea Harvestors Limited	1,190	821	880
RB Fisheries Limited	1,050	564	636
Rainbow Venture Inc.	247	131	148
Sam Tooktoshina Kraken Catches Ltd.	935	859	-

GUARANTEED DEBT (continued)

	Limit of Guarantee (\$000)	Contingent Liability	
		2021 (\$000)	2020 (\$000)
Guaranteed Bank Loans:			
Fisheries - note 3:			
Shannon & Trevor Fisheries Limited	1,800	760	880
Shelco Fisheries Limited	1,000	160	240
Straits Venture Inc.	-	-	37
TJL Enterprises Limited	1,441	2,773	2,940
TPJH Fisheries Limited	323	199	224
Vince Petten	786	199	299
ZHL Fisheries Limited	1,000	653	708
	<u>30,053</u>	<u>16,173</u>	<u>17,342</u>
Aggregate Limit & Contingent Amount	<u>30,053</u>	<u>16,173</u>	<u>17,342</u>
Corporate:			
Fogo Island Co-operative Society Limited	1,500	-	-
Stephenville Airport Corporation	900	840	805
	<u>2,400</u>	<u>840</u>	<u>805</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	777	777	2,400
	<u>777</u>	<u>777</u>	<u>2,400</u>
	<u>1,249,771</u>	<u>1,227,347</u>	<u>1,252,345</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

Corporations for which guarantees are presented net of sinking funds values:

	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	2,581	25,989	<u>106,592</u>
Newfoundland and Labrador Hydro Electric Corporation				
- Canadian Funds	1,225,000	11,815	353,153	883,662
- Promissory Notes	<u>203,000</u>	-	-	<u>203,000</u>
	<u>1,428,000</u>	<u>11,815</u>	<u>353,153</u>	<u>1,086,662</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 2021, the Province's contingent liability with respect to these guarantees is \$16.2 million (31 March 2020 - \$17.3 million).

4. Newfoundland and Labrador Immigrant Investor Fund Limited

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

GUARANTEED DEBT (continued)

5. Payments under Guarantee

Payments under guarantee for 31 March 2021 is nil (31 March 2020 - nil).

6. Valuation Allowance

The provision for guaranteed debt for 31 March 2021 is nil (31 March 2020 - nil).

7. General Terms and Conditions

Guaranteed debentures and guaranteed bank loans have maturity dates ranging from June 2040 to October 2048 at interest rates varying from 2.2% to 5.6%.

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