

Province of Newfoundland and Labrador



Public Accounts Consolidated Summary Financial Statements

FOR THE YEAR ENDED
MARCH 31, 2024



Province of Newfoundland and Labrador

Public Accounts

Consolidated Summary Financial Statements

**For The Year Ended
31 March 2024**

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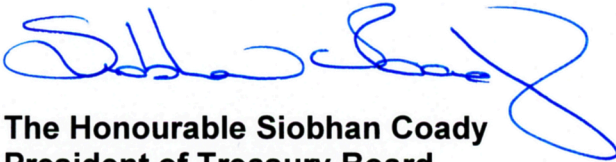
**MESSAGE FROM THE MINISTER OF FINANCE AND
PRESIDENT OF TREASURY BOARD**

I am presenting the public accounts of the Government of Newfoundland and Labrador for the 2023-24 fiscal year. These audited financial statements are preceded by a discussion and analysis which highlights the fiscal health of the province.

In Budget 2024, the deficit for the 2023-24 fiscal year was revised and has now been confirmed at \$459.0 million through public accounts.

Compared to the original estimate, the revised deficit confirmed in public accounts reflects a decrease in revenues of \$59.1 million, primarily due to lower than anticipated federal revenues and offshore royalties; and an increase in expenses of \$240 million, mainly attributed to higher interest rates, investments in health care community supports and mental health and addictions, and recruitment and retention of health care professionals.

Continued focus and diligence are required as we implement our strategic plan for strong financial management, continued transformation and modernization, and effective treasury management. This, together with an increased population and economic growth, will ensure Newfoundland and Labrador has a vibrant future.



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

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Understanding the Financial Health of the Province of Newfoundland and Labrador

For the Fiscal Year Ended 31 March 2024

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.

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 2024 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 48 for definitions and explanations of key terms that have been bolded throughout the document.

FINANCIAL HIGHLIGHTS

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

- Presents **financial assets**, liabilities and **non-financial assets** at a point in time. The statement calculates **net debt**, the difference between financial assets and liabilities, and **accumulated deficit**, the net financial position of government from all years of operations at a point in time. The statement discloses separately the two components comprising the accumulated deficit: the accumulated operating deficit and the accumulated remeasurement gains and (losses).
- Net debt for the 2023-24 fiscal year is \$17.7 billion. The accumulated deficit is \$11.9 billion, consisting of an accumulated operating deficit of \$12.0 billion and an accumulated remeasurement gain of \$98.4 million.
- As at 31 March 2024, both net debt and accumulated deficit are greater than they were at the end of the previous fiscal year. This is due to an increase in liabilities, primarily related to borrowings, which increased \$1.2 billion, as well as a \$337.6 million increase in payables, accrued and other liabilities and a \$170.5 million increase in deferred revenue; offset by an increase in financial assets of \$418.0 million and a decrease in unfunded pension liability of \$220.2 million, which includes the change in promissory notes. Non-financial assets increased by \$719.4 million compared to fiscal 2022-23 which had a positive impact on the accumulated deficit, resulting in the increase in the accumulated deficit being less than the increase in net debt.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

- Highlights the changes in Net Debt from the previous fiscal year and provides a comparison to Original Budget figures. The statement also discloses the impact of net remeasurement gains and (losses) on net debt.
- This statement shows that net debt totaled \$17.7 billion in the 2023-24 fiscal year and increased 7.3% in comparison to the prior year (31 March 2023 - \$16.5 billion).
- The assets and liabilities contributing to the change in net debt are presented in the Consolidated Statement of Financial Position. The intent of this statement is to report the extent the operating surplus/deficit and net remeasurement gains and (losses) have impacted net debt after removing the effects of changes to non-financial assets (i.e. **tangible capital assets**) from the operating surplus/deficit. As well, any changes in accounting policy or restatements of prior year's results are also reflected on this statement.

CONSOLIDATED STATEMENT OF OPERATIONS

- Reports the revenues and expenses from operations in a fiscal year, the resulting operating surplus or deficit and provides a comparison to Original Budget figures and previous year actuals.
- The **annual deficit** of \$459.0 million represents an increase of \$299.1 million compared to the \$159.9 million deficit originally budgeted for the 2023-24 fiscal year. Furthermore, the annual deficit in 2023-24 decreased by \$780.4 million from the prior year (31 March 2023 - \$321.4 million surplus).
- For the fiscal year ended 31 March 2024, total revenue was \$9.6 billion (31 March 2023 - \$10.2 billion) and total expenses were \$10.1 billion (31 March 2023 - \$9.9 billion).
- Revenues decreased by 5.5% from the prior year, primarily due to a decrease in corporate income taxes, and decreased by 0.6% from the Original Budget. Expenses increased by 2.2% from the prior year and increased from the Original Budget by 2.4%.
- The decrease in revenues and increase in expenses compared to the prior year has resulted in a deficit for 2023-24, a substantial deterioration compared to the prior year surplus. In terms of Original Budget, revenues decreased slightly and expenses increased, resulting in the deficit for 2023-24 being more than double the Original Budget deficit.

CONSOLIDATED STATEMENT OF CHANGE IN ACCUMULATED DEFICIT

- Highlights the changes in accumulated deficit from the Original Budget and the previous fiscal year. The statement also distinguishes the accumulated deficit components, the accumulated operating deficit and the accumulated remeasurement gains and (losses), disclosing both.
- The main increase in accumulated deficit in 2023-24 is due to the deficit for the current year.
- The accumulated deficit of \$11.9 billion for 2023-24 increased by \$0.5 billion in comparison to 2022-23 of \$11.4 billion.

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

- Reports unrealized changes in the value of certain financial assets and financial liabilities arising from their remeasurement at current exchange rates and/or fair value.
- The government's proportionate share of other comprehensive income of the government business enterprises and partnership is also reported in the statement of remeasurement gains and losses.
- There was a net remeasurement gain for fiscal year 2023-24 of \$22.3 million (31 March 2023 - \$45.4 million), resulting in an accumulated remeasurement gain of \$98.4 million at March 31, 2024 (31 March 2023 - \$76.1 million).

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 35.5% from the previous fiscal year. Cash flows decreased due to expenditures exceeding revenues as represented in the annual deficit and \$1.2 billion in capital acquisitions during fiscal year 2023-24. However, this was offset by an increase in cashflows from financing transactions of \$1.3 billion, primarily due to the issuance of long-term debt.

KEY FINANCIAL HIGHLIGHTS

For the fiscal year ended 31 March 2024
(In \$ millions)

	Original Budget 2023-24 ¹	Actual Results 2023-24	Actual Results 2022-23 ²	Change from Original Budget			Change from Prior Year Actual Results		
				\$	%	↕	\$	%	↕
REVENUE									
Provincial									
Taxation	4,405.0	4,466.2	5,241.2	61.2	1.4	↑	(775.0)	(14.8)	↓
Investment	77.6	239.2	177.7	161.6	208.2	↑	61.5	34.6	↑
Fees and fines	400.5	677.5	459.8	277.0	69.2	↑	217.7	47.3	↑
Offshore royalties	1,100.4	904.5	1,166.1	(195.9)	(17.8)	↓	(261.6)	(22.4)	↓
Other	470.2	545.1	514.1	74.9	15.9	↑	31.0	6.0	↑
Total Provincial	6,453.7	6,832.5	7,558.9	378.8	5.9	↑	(726.4)	(9.6)	↓
Federal	2,229.2	1,828.8	1,705.2	(400.4)	(18.0)	↓	123.6	7.2	↑
Net income of government business enterprises and partnership	1,006.4	968.9	926.1	(37.5)	(3.7)	↓	42.8	4.6	↑
Total Revenue	9,689.3	9,630.2	10,190.2	(59.1)	(0.6)	↓	(560.0)	(5.5)	↓
EXPENSE									
Salaries and employee benefits	3,889.1	4,500.6	3,646.7	611.5	15.7	↑	853.9	23.4	↑
Grants and subsidies	2,184.7	1,534.7	2,558.3	(650.0)	(29.8)	↓	(1,023.6)	(40.0)	↓
Operating costs	1,706.5	1,706.6	1,479.2	0.1	0.007	↑	227.4	15.4	↑
Debt expenses	1,053.1	1,148.6	1,087.2	95.5	9.1	↑	61.4	5.6	↑
Professional services	595.9	629.4	588.9	33.5	5.6	↑	40.5	6.9	↑
Other	419.9	569.3	508.5	149.4	35.6	↑	60.8	12.0	↑
Total Expense	9,849.2	10,089.2	9,868.8	240.0	2.4	↑	220.4	2.2	↑
ANNUAL OPERATING (DEFICIT) SURPLUS	(159.9)	(459.0)	321.4	(299.1)	187.1	↑	(780.4)	(242.8)	↓

¹ The Budget figures are from pages ii and vii of the Budget 2023 Speech Statements and Schedules and certain figures have been restated as consistent with the Public Accounts.

² Prior year actual results for 2022-23 amounts have been restated as consistent with the Public Accounts 31 March 2024 presentation.

HISTORICAL DATA

For the past 5 fiscal years
(\$ thousands)

	2020	2021	2022	2023	2024	5 Year Trend
Total Revenue	9,583,631	7,328,109	8,589,429	10,190,199	9,630,208	↑
Total Expense	8,466,450	8,819,930	8,866,699	9,868,832	10,089,182	↑
(Deficit) Surplus	1,117,181	(1,491,821)	(277,270)	321,367	(458,974)	↓
Financial Assets	13,173,451	13,088,762	13,446,264	13,818,747	14,236,770	↑
Liabilities:						
Borrowings	16,375,361	17,323,129	18,345,310	18,107,086	19,341,169	↑
Group Health/ Life Insurance	3,149,114	3,247,979	3,353,621	3,461,738	3,520,700	↑
Pension	4,889,959	4,904,687	4,629,673	4,371,159	4,150,931	↓
Other Liabilities	3,193,877	3,629,148	4,032,715	4,382,481	4,890,490	↑
Net Debt	14,434,860	16,016,181	16,915,055	16,503,717	17,666,520	↑
Non-Financial Assets	4,759,974	4,850,403	5,027,638	5,060,712	5,780,112	↑
Accumulated Deficit	9,674,886	11,165,778	11,887,417	11,443,005	11,886,408	↑

¹ Prior year amounts have been restated as consistent with the Public Accounts 31 March 2024 presentation.

CONSOLIDATED FINANCIAL RESULTS

The largest revenue variance between actual results and the Original Budget figures relates to fees and fines revenues. Fees and fines revenue was \$277.0 million higher than the Original Budget due to increases in offshore revenue fund not budgeted.

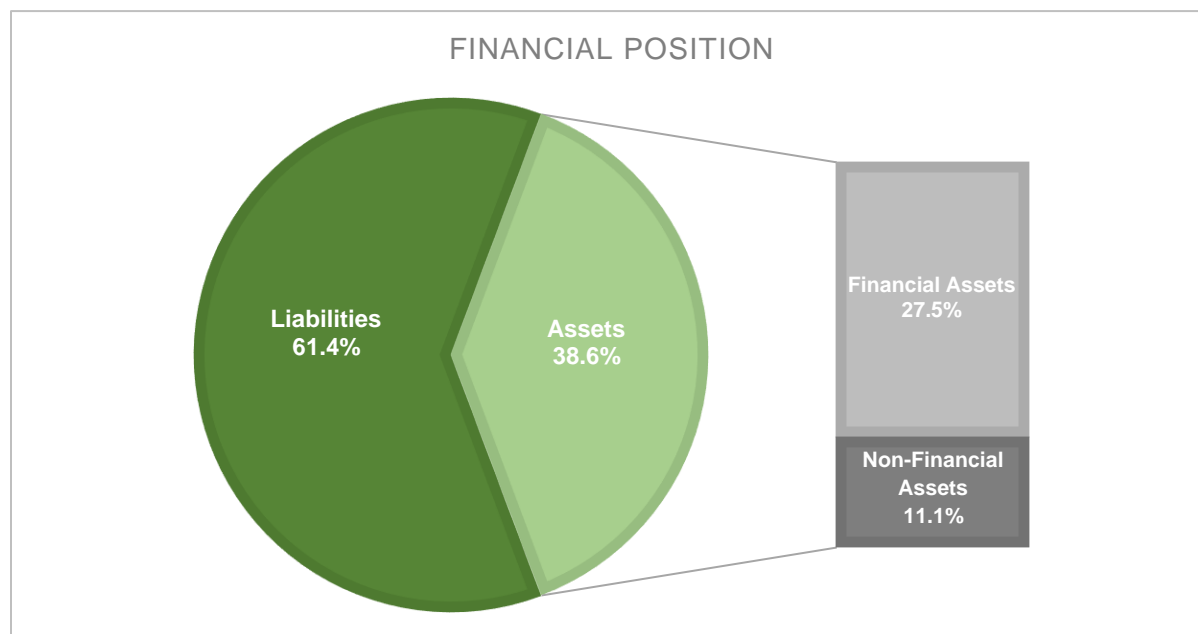
Taxation revenue was the largest revenue variance between 2023-24 actuals and 2022-23 actuals, with 2023-24 actuals being \$775.0 million lower than the prior year actuals, mainly due to a decrease in corporate income taxes.

Grants and subsidies expense was the largest expense variance between both the 2022-23 actuals and the Original Budget, with a decrease of \$650.0 million from the Original Budget and a decrease of \$1,023.6 million from 2022-23, mainly due to the integration of NLESD into the Department of Education.

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, including assisting residents with the high cost of living; achieve better outcomes for our investments; manage debt responsibly; and create an environment that supports economic development, job creation, and other opportunities for residents.



The Province's accumulated deficit position and net debt as at 31 March 2024 is presented in the following chart. The Province's net debt totals \$17.7 billion and represents the amount needed to be funded from future generations to pay for past activities.

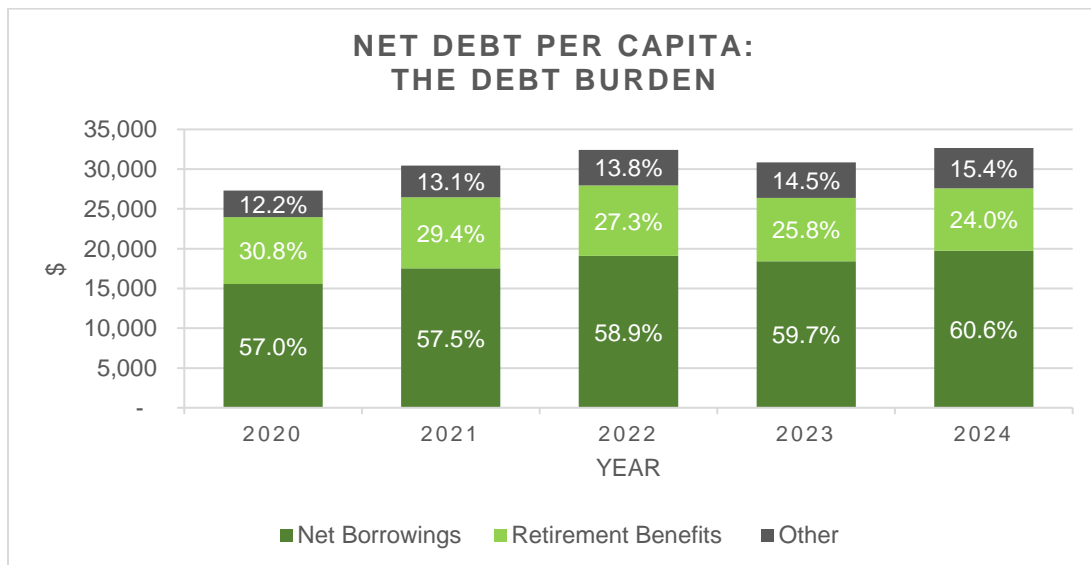
Net debt increased by \$1.2 billion and accumulated deficit increased by \$0.5 billion from the previous year mainly due to the annual deficit. Details of the annual deficit will be discussed later in this report.



¹ Prior year actual results for 2022-23 have been restated as consistent with the Public Accounts 31 March 2024 presentation.

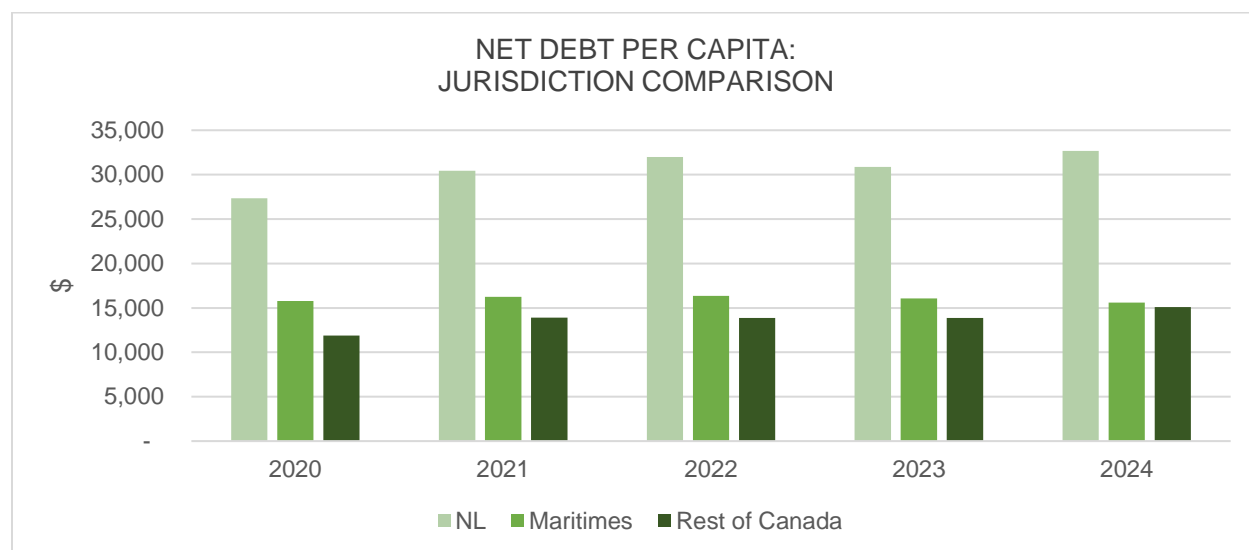
NET DEBT PER CAPITA

Net debt per capita indicates the average amount of the Province's net debt attributed to each citizen of the Province and is calculated by dividing the net debt by the Province's population. Each citizen's share of the net debt increased in 2023-24. As presented in the chart that follows, net debt per capita increased from \$30,863 in 2022-23 to \$32,694 in 2023-24. This increase of \$1,831 per person is primarily the result of the increase in the Province's net debt and is partially offset by a population growth of 5,588 individuals between Q1 of 2023 and Q1 of 2024. The following graph also indicates the portion of each type of debt that makes up the net debt per capita.



¹ Prior year actual results for 2022-23 have been restated as consistent with the Public Accounts 31 March 2024 presentation.

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.

¹ Prior year actual results for 2022-23 have been restated as consistent with the Public Accounts 31 March 2024 presentation.

Newfoundland and Labrador's net debt per capita has been greater than the average of the other jurisdictions for the past five years and is greater than it was in 2019-20. The Maritimes' net debt per capita has decreased slightly from 2022-23. Net debt per capita for the rest of Canada has increased from 2022-23, 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 grown steadily.

Average Population per jurisdiction (in 000's)	2020	2021	2022	2023	2024 ^[1]	5 Year Change
NL	528.2	525.9	529.0	535.0	540.6	12.4
Maritimes	640.9	644.7	657.8	677.0	697.2	56.3
Rest of Canada	3,941.9	3,955.4	4,007.3	4,103.6	4,237.5	295.6

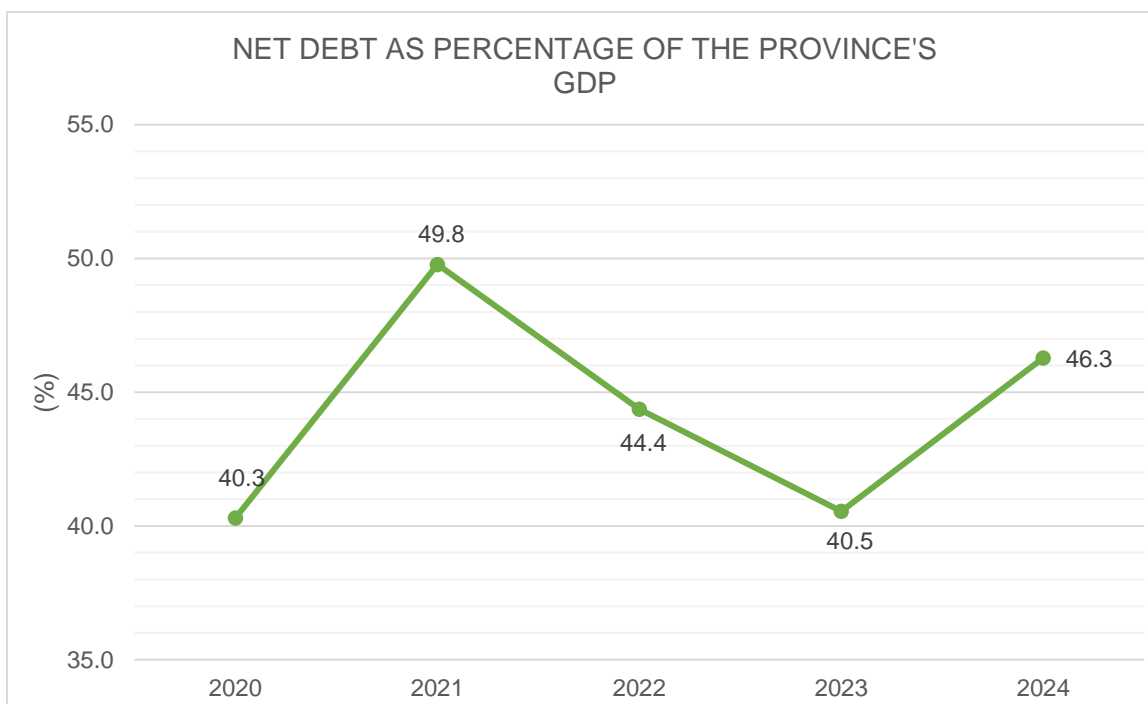
^[1] Source: Statistics Canada, Centre for Demography

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 given the increase in net debt. The ratio reached its peak in 2020-21, which can be attributed to the decrease in GDP due to the economic impacts of the COVID-19 pandemic, and the lower ratio in 2022-23 was a result the subsequent economic recovery. On a five-year basis, the relationship implies that the rate of increase in GDP has been lower than the rate of increase in net debt and as such, it indicates that Government has increased its demands on the provincial economy during this time.

The 2023-24 ratio is 46.3%, an increase of 5.8 percentage points from 2022-23 and at the second highest point of the last five years. The average of this ratio over the past five years is 44.3%. Since 2020, the ratio has increased by 6.0 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 2014-2028f published as of March 21, 2024). The GDP figures have been restated based on the real GDP for 2020-2023.

NET DEBT AND ACCUMULATED DEFICIT

For the fiscal year ended 31 March 2024, net debt of \$17.7 billion included borrowings of \$19.3 billion. Net debt for the fiscal year ended 31 March 2024 increased from the previous year by \$1.2 billion or 7.3% and borrowings increased by \$1.2 billion which represents a 6.6% increase.

The net debt is the difference between total financial assets of \$14.2 billion and liabilities of \$31.9 billion. The Province's net debt, less non-financial assets of \$5.8 billion, results in an accumulated deficit of approximately \$11.9 billion.

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

(\$ billions)	2020	2021	2022	2023	2024
Borrowings	16.4	17.3	18.3	18.1	19.3
Unfunded Pension Liability	4.9	4.9	4.6	4.3	4.2
Group Health and Life Insurance Retirement Benefits	3.1	3.2	3.4	3.5	3.5
Other Liabilities	3.2	3.7	4.0	4.4	4.9
Less: Total Financial Assets	(13.2)	(13.1)	(13.4)	(13.8)	(14.2)
Net Debt	14.4	16.0	16.9	16.5	17.7
Less: Tangible Capital Assets	(4.6)	(4.7)	(4.8)	(4.8)	(5.6)
Less: Other Non-financial Assets	(0.1)	(0.1)	(0.2)	(0.3)	(0.2)
Accumulated Deficit	9.7	11.2	11.9	11.4	11.9

¹ Prior year amounts have been restated as consistent with the Public Accounts 31 March 2024 presentation.

As shown in the above table, accumulated deficit and net debt increased from 2020 to 2022. This can be attributed primarily due to additional borrowings of \$1.9 billion obtained by the Province during this period; this is an increase of 11.6% over the borrowings of \$16.4 billion in 2020. In 2022-23, both net debt and accumulated deficit decreased compared to 2021-22 with financial assets increasing. In 2023-24, accumulated deficit and net debt increased compared to 2022-23. While financial and non-financial assets increased \$1.1 billion, liabilities increased more by \$1.6 billion, with borrowings increasing by \$1.2 billion from 2022-23.

BORROWINGS

For the fiscal year ended 31 March 2024, net borrowings totaled \$18.4 billion and increased by \$1.4 billion from 2022-23.

DEBT RELATED RISK

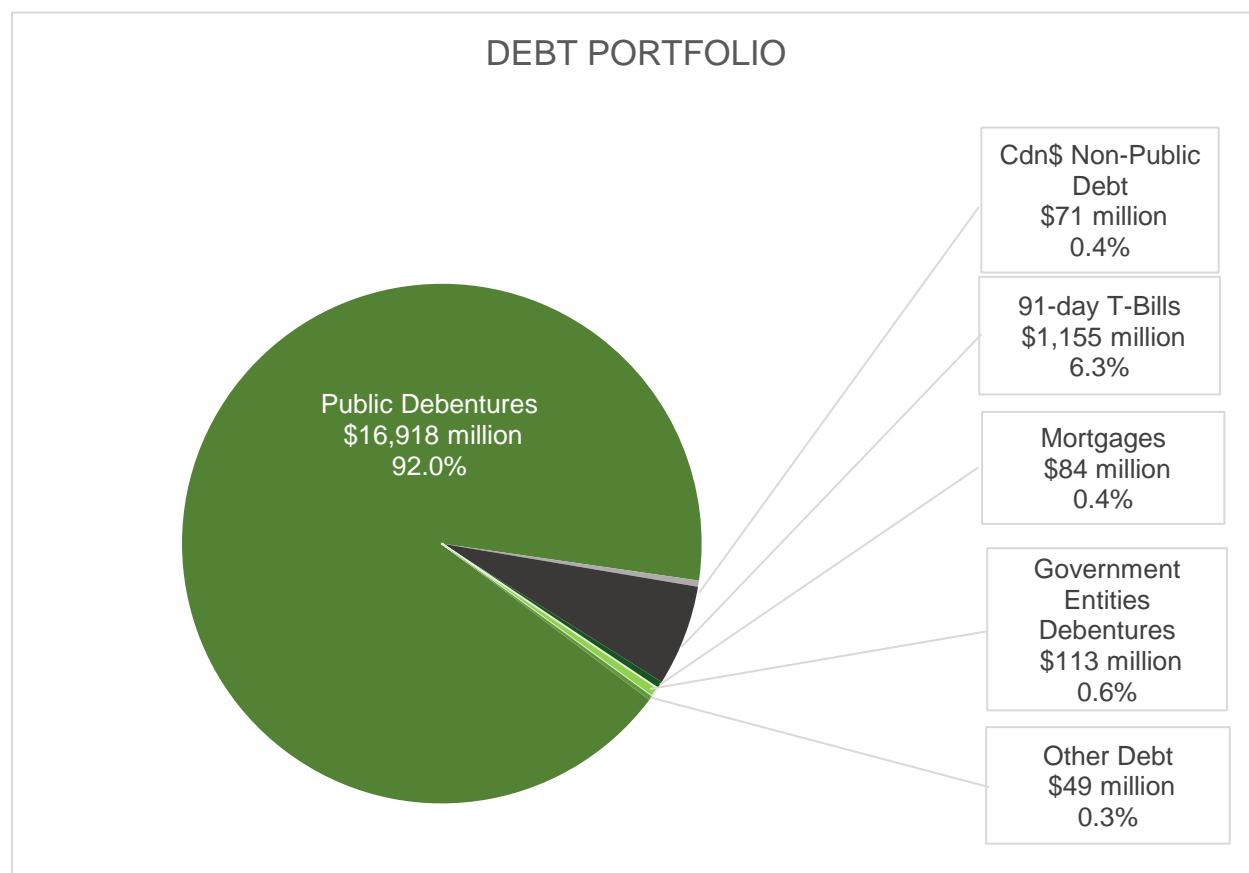
The practice of borrowing in both domestic and foreign currencies may potentially give rise to a number of risks including foreign exchange risk, liquidity risk, interest rate risk, and credit risk.

- **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). At March 31, 2024, all of the Province's debt is domestic in nature, so there is no exposure to foreign exchange risk in relation to debt as of March 31, 2024. An increase/decrease of one cent in the foreign exchange rates at 31 March 2024 would result in an increase/decrease in foreign borrowings of nil relative to the Canadian Dollar (31 March 2023 - \$2.0 million).
- **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, based on cash flow monitoring and forecasting, holding adequate cash reserves or short-term borrowings as contingent sources of liquidity.
- **Interest rate and credit risk:** Interest rate risk is the risk that debt-servicing costs will increase due to changes in interest rates. Credit risk is the risk that a loss may occur from the failure of another party to meet its obligations under a financial instrument contract. To mitigate these risks, the Province's debt portfolio is structured such that a high degree of its debt is long-term with fixed interest rates and fixed repayment terms. When appropriate and the option is available, debt with high interest rates has been called and refinanced with new lower interest rate debt. Otherwise, debt is generally held until maturity. Additionally, the Province attempts to manage its exposure to these risks and minimize volatility in its debt expenses by following a conservative debt and risk management strategy.

DEBT PORTFOLIO

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

- \$16.9 billion in public debentures, net of \$1.3 billion in sinking fund assets, of which 12% are due in 25 years or more, pertaining to the Consolidated Revenue Fund. 100% is Canadian debt.
- \$1.2 billion of 91-day T-bills (floating-rate revolving debt).
- \$71.1 million of Canadian non-public debentures; Canadian Pension Plan (CPP) related debt.
- \$83.8 million in various mortgages and debt assumed relating to electricity generating assets. Mortgages pertaining to Canada Mortgage and Housing Corporation (CMHC) represents 68% of total mortgages.
- \$112.7 million in debenture debt, net of \$31.5 million in sinking fund assets, held by government entities.
- \$49.0 million in various other debt.



CREDIT RATING

The Province’s credit rating has remained the same for S&P Global Ratings (S&P), Moody’s Investors Service’s (Moody’s) and DBRS Morningstar, which demonstrates that the Province’s financial situation is moving steadily in the right direction.

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

Moody’s has rated the Province’s long-term debt at A1 (stable). The outlook has remained stable in July 2024.

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

DBRS Morningstar has maintained the Province’s long-term debt at A, and the trend on all long-term ratings stayed stable. Factors included rate mitigation, a consistent fiscal outlook, and an expected improvement in real GDP growth, primarily because of increased mineral production and higher capital investment.

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

	Long-Term	Short-Term	Outlook	Date
S&P	A	A-1	Stable	July 23, 2024
Moody’s	A1	Not rated	Stable	July 23, 2024
DBRS Morningstar	A	R-1 (low)	Stable	July 23, 2024

NON-FINANCIAL ASSETS

The total non-financial assets of \$5.8 billion in 2023-24 included prepaid and deferred charges of \$88.6 million; inventory of supplies of \$106.6 million; purchased intangibles of \$36.5 million; and tangible capital assets of \$5.5 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.

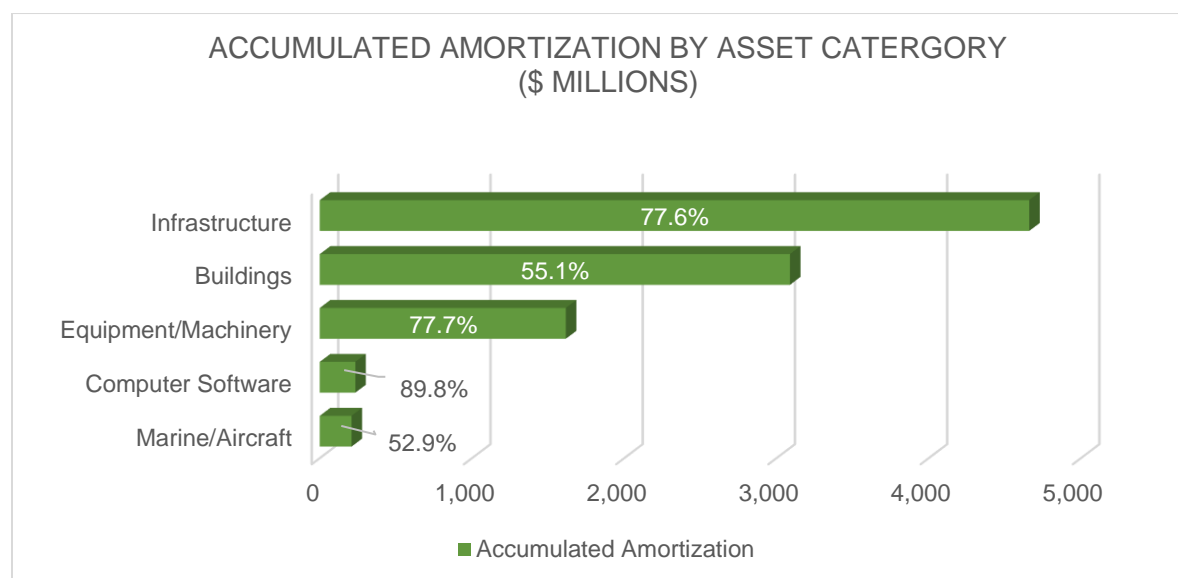
Accumulated Amortization

Total accumulated amortization of tangible capital assets (excluding work in progress assets) represents 68.3% of the cost of tangible capital assets. The most significant of the asset categories that are amortized are computer software, equipment and machinery, and infrastructure where 89.8%, 77.7% and 77.6% 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 \$1.0 billion as at 31 March 2024 which is a \$638.5 million or a 174.0% increase from 2022-23. 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.

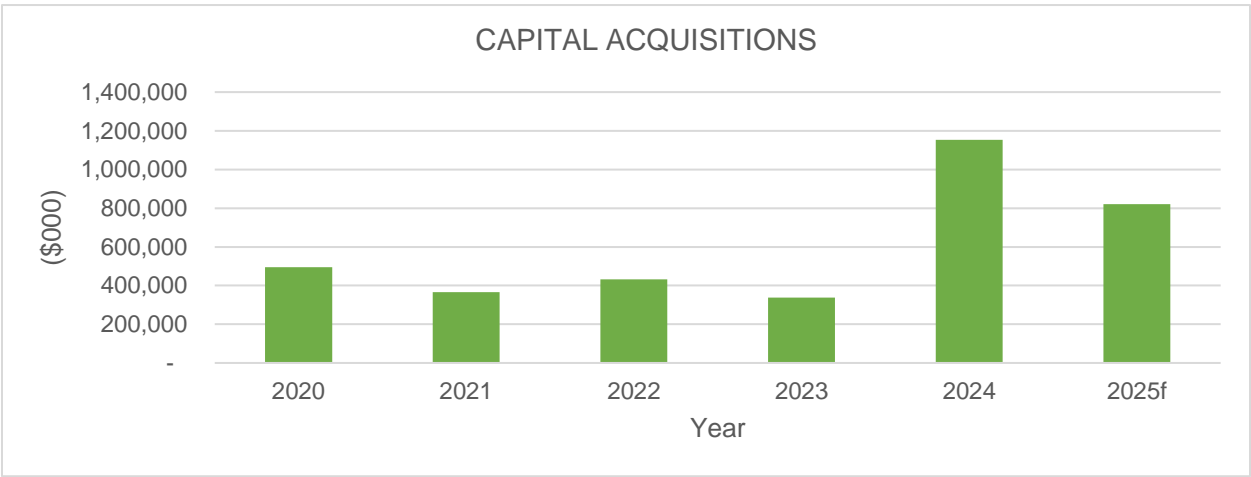
The following chart presents the tangible capital asset cost (excluding work in progress) and accumulated amortization by category at 31 March 2024.



Capital Acquisitions

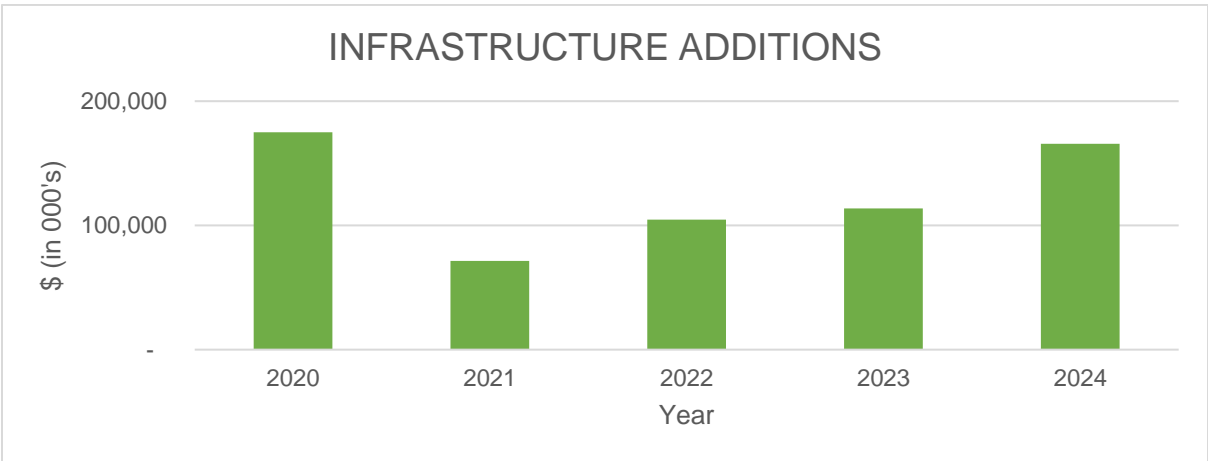
Capital acquisitions in the current year totaled approximately \$1.2 billion and includes capital additions of \$469.8 million and net additions to work in progress assets of \$910.9 million, less \$227.7 million of work in progress assets capitalized in the year. Acquisitions increased in 2023-24 by \$815.4 million from 2022-23 (\$338.0 million). The Province continues to invest in capital assets and is forecasting capital acquisitions of \$820.1 million in 2024-25.

Original Budget for fiscal 2024-25 invests more than \$1.1 billion (both capital acquisitions and repairs and maintenance costs) in key infrastructure projects, including \$394 million in transportation infrastructure improvements as part of the 5-year \$1.4 billion roads and highways initiative announced in the prior year, \$91 million for early learning and education infrastructure, and \$46 million in health care facility improvements. Acquisitions to tangible capital assets for the past five years were reported as follows:



Infrastructure Additions

Although infrastructure is reported as 77.6% 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.



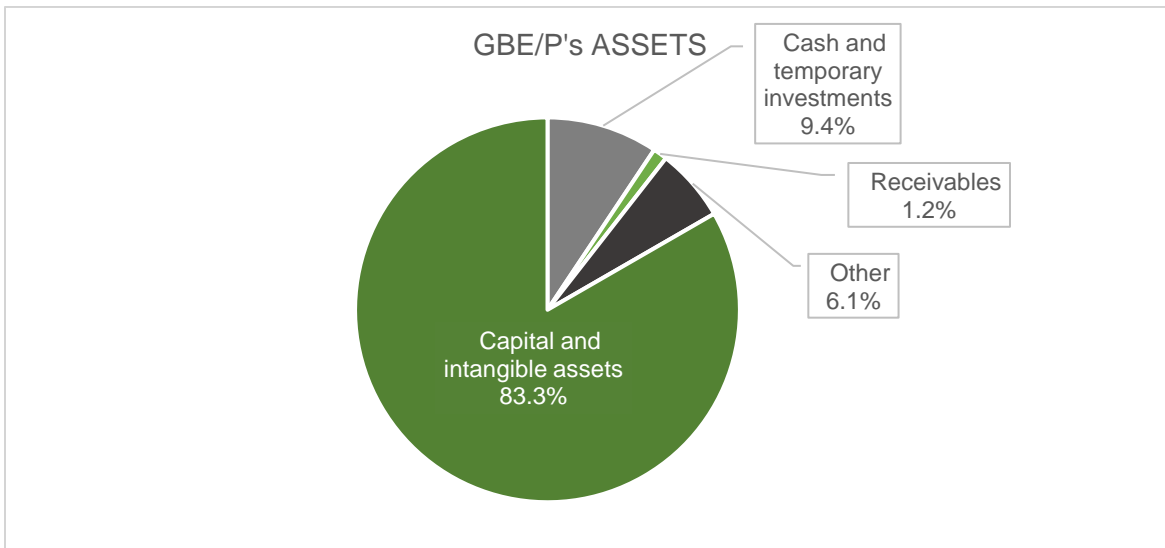
GOVERNMENT BUSINESS ENTERPRISES AND PARTNERSHIP

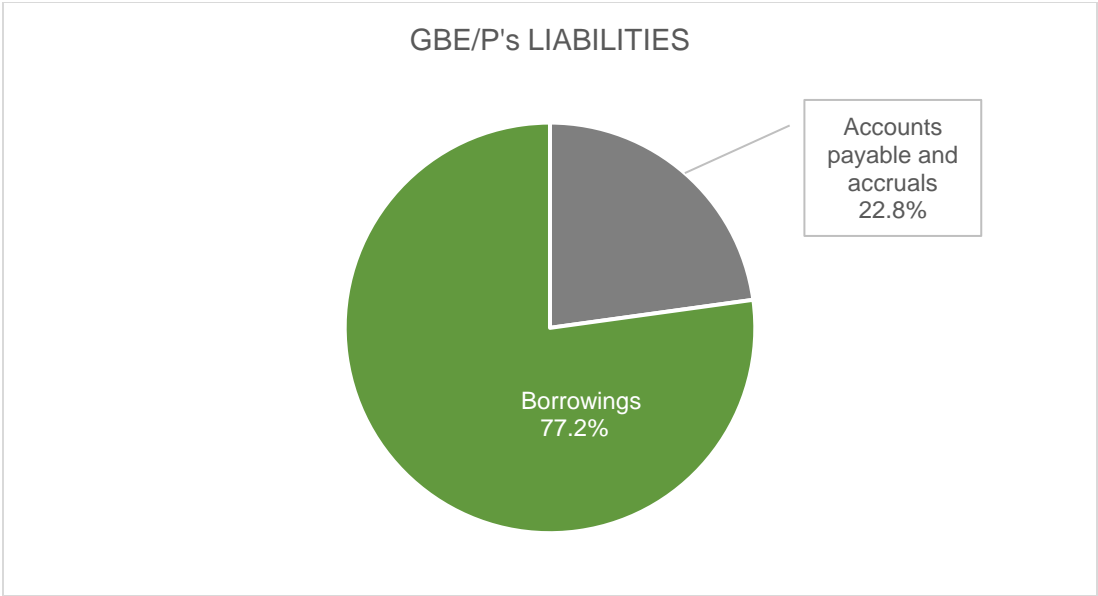
The Province has two Government Business Enterprises (GBEs), Newfoundland and Labrador Liquor Corporation (NLC) and Nalcor Energy (Nalcor); and one Government Business Partnership (GBP), Atlantic Lottery Corporation Inc. (ALC). NLC is a provincial crown corporation responsible for managing the importation,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

Equity In Government Business Enterprises and Partnership

Equity in GBEs and GBP accounts for more than half of the Province's consolidated financial assets in 2023-24. Financial figures for ALC, NLC, and Nalcor can be found in Schedules 3 and 4 of the Consolidated Summary Financial Statements.

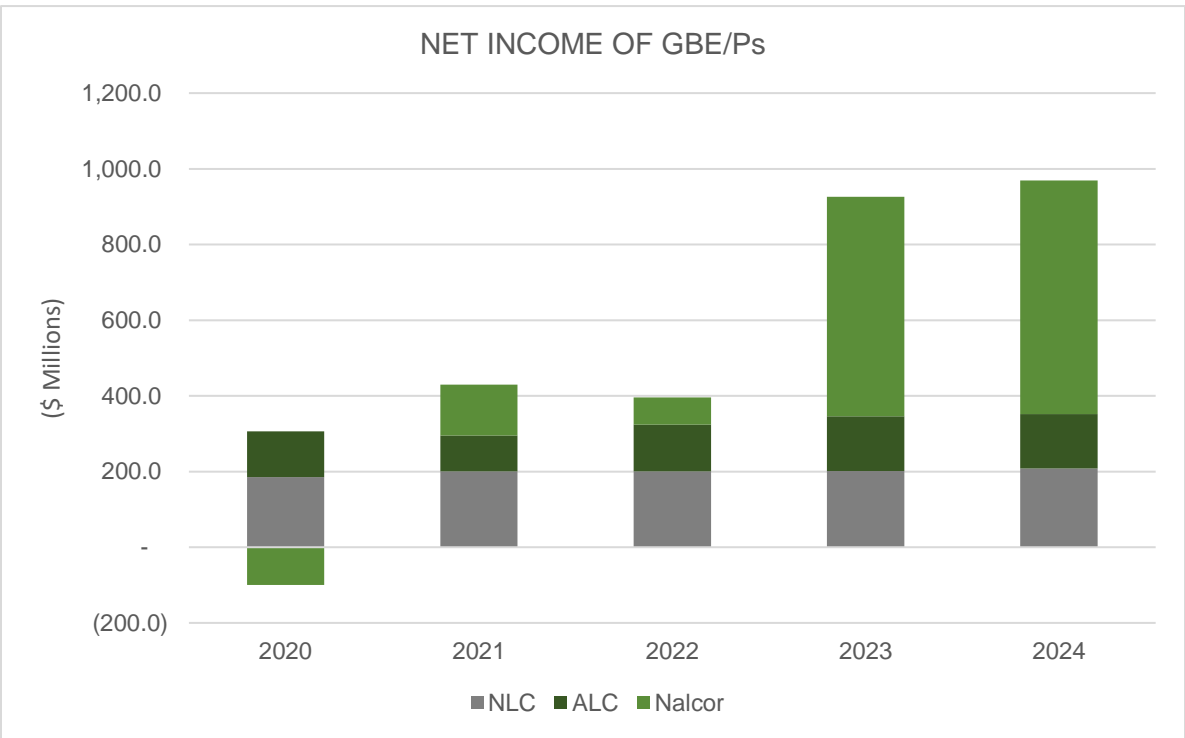
GBEs and GBP are considered investments therefore their assets and liabilities are not combined with the assets and liabilities of other government entities; they are recorded in one line as 'Equity in government business enterprises and partnership' on the Consolidated Statement of Financial Position. To provide further information on the financial position of these organizations the following provides an overview of their asset and liability components. A significant portion of these components pertain to Nalcor. In fact, 99.8% of GBE/GBP borrowings relate to Nalcor as does 99.6% of the GBE/GBP capital and intangible assets.





Net Income of Government Business Enterprises and Partnership

The following graph shows the five-year trend in GBEs and GBP net income. Total net income for the current year from GBE/GBPs was \$968.9 million. This is an increase of \$42.8 million and 4.6% from 2022-23 (\$926.1 million). The increase in net income was mainly due to the financial results from Nalcor, reporting net income of \$617.3 million in the fiscal year, which was an increase in profit of \$37.0 million from 2022-23.



Key drivers relating to the increase of \$37.0 million in net income for Nalcor relate to the following:

- Revenue increased by approximately \$163.0 million primarily due to:
 - \$190.0 million increase in government grants, relating to support provided by the Province for the purpose of repaying the balance of the supply cost variance deferral account.
 - \$66.0 million increase in electricity sales relating to higher consumption and energy prices.
 - \$19.0 million increase due to a decrease in royalty expense netted against revenue as a result of favourable foreign exchange.
 - \$14.0 million increase in greenhouse gas performance credit sales.
 - \$1.0 million increase in lease revenue.
 - \$127.0 million decrease in petroleum and natural gas sales.
- Expenses increased by approximately \$126.0 million primarily relating to:
 - \$91.0 million increase in depreciation, depletion, amortization and impairment, primarily due to Muskrat Falls depreciation expenses.
 - \$74.0 million increase in net finance expenses relating to lower interest capitalization due to the completion of the Muskrat Falls project, offset by higher interest income earned.
 - \$46.0 million increase in operating costs, primarily due to increases in salaries and benefits and maintenance and material expenses.
 - \$16.0 million increase in transmission rental.
 - \$10.0 million increase due to unfavourable regulatory adjustments related to Nalcor's regulatory assets and liabilities established through the rate setting process, which are expected to be reflected in customer rates in future periods.
 - \$2.0 million increase in production, marketing, and transportation costs.
 - \$109.0 million decrease in other income expenses, primarily due to a decrease in the net impact of Hibernia South Extension Redetermination and the settlement of commodity price swap contracts.
 - \$3.0 million decrease in power purchased.
 - \$1.0 million decrease in fuel costs.

Investment in Government Business Enterprises and Partnership

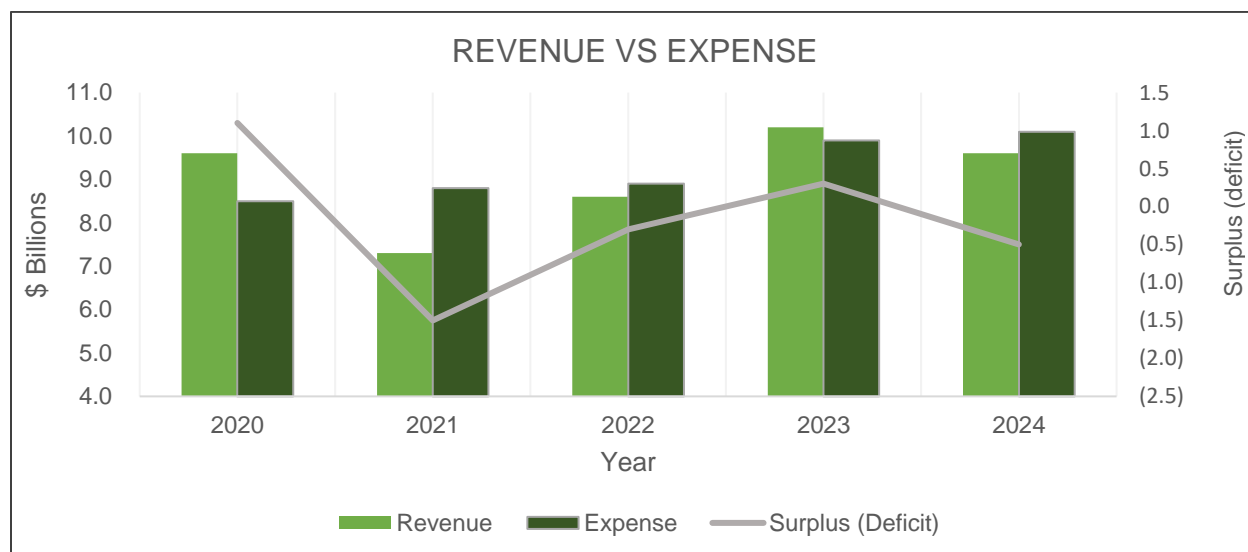
ALC, Nalcor, and NLC transferred a combined total of \$646.5 million in dividends to the Province. Equity contributions to Nalcor have generally decreased over the last 5 years. For 2023-24, capital transfers from the Province to Nalcor were nil.

Capital Transactions

	2020	2021	2022	2023	2024
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Equity Contributions from the Province:					
Nalcor	379,200	1,000	250,000	-	-
NLC	-	-	-	-	-
ALC	-	-	-	-	-
Total	379,200	1,000	250,000	-	-
Dividends Received by the Province:					
Nalcor	-	-	-	-	300,000
NLC	168,500	195,000	210,000	208,000	203,000
ALC	118,666	94,392	123,111	144,590	143,485
Total	287,166	289,392	333,111	352,590	646,485

FINANCIAL OPERATIONS

For the fiscal year ended 31 March 2024, total revenue was \$9.6 billion (31 March 2023 - \$10.2 billion) and total expenses were \$10.1 billion (31 March 2023 - \$9.9 billion), resulting in a provincial deficit of \$0.5 billion (31 March 2023 – \$0.3 billion surplus). The Province reported revenues and expenses for the previous five years as follows:



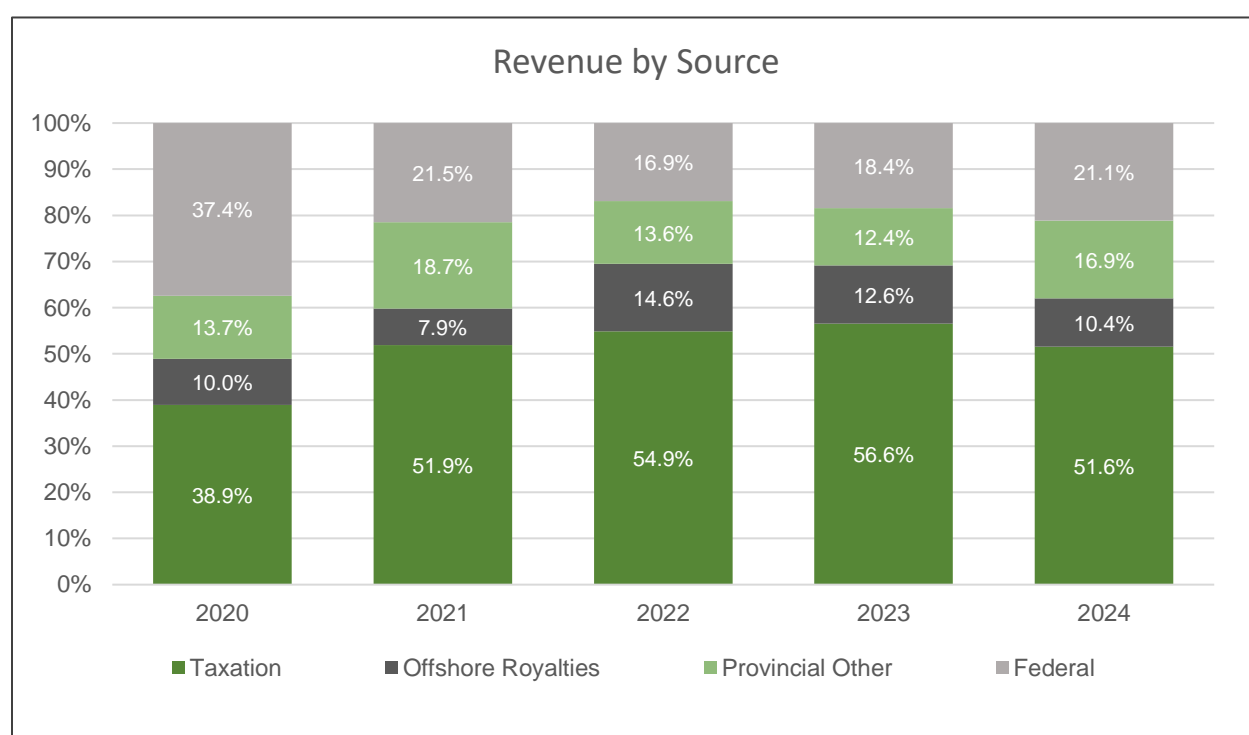
In the graph above, the five-year trend in (deficit) surplus is shown in relation to revenues and expenses. The Province has incurred deficits in three of the last five years with the highest deficit in 2020-21 reaching \$1.5 billion. There has been a reduction in deficit since 2020-21, including a surplus of \$0.3 billion in 2022-23, with a deficit of \$0.5 billion in 2023-24. 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 \$9.6 billion for 2023-24 were \$59.1 million lower than the Original Budget of \$9.7 billion, largely due to decreases in federal revenue and offshore royalties, partially offset by an increase in fines and fees and investment revenue. Reported revenues in 2022-23 were \$10.2 billion. Compared to the prior year, revenues decreased \$560.0 million primarily due to a decrease in taxation revenues, mainly corporate and personal income taxes, and offshore royalties; offset by increases in fees and fines and federal revenue.

Revenues by Source – Five Year Trend

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



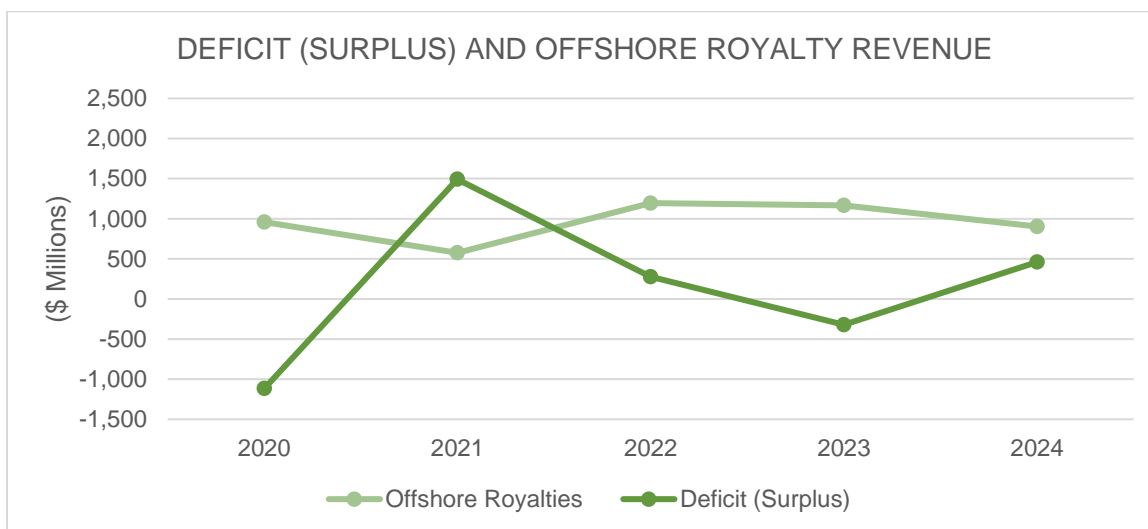
Offshore Royalties

Oil royalties, which were forecasted at Original Budget to be \$1.1 billion, resulted in actuals of \$0.9 billion. There was a \$0.2 billion decrease in offshore royalties compared to Original Budget mainly due to lower oil prices and lower White Rose, Terra Nova, and Hibernia production than budgeted. This was partially offset by higher Hebron production than budgeted and marginally lower CAD/USD exchange rates than budgeted.

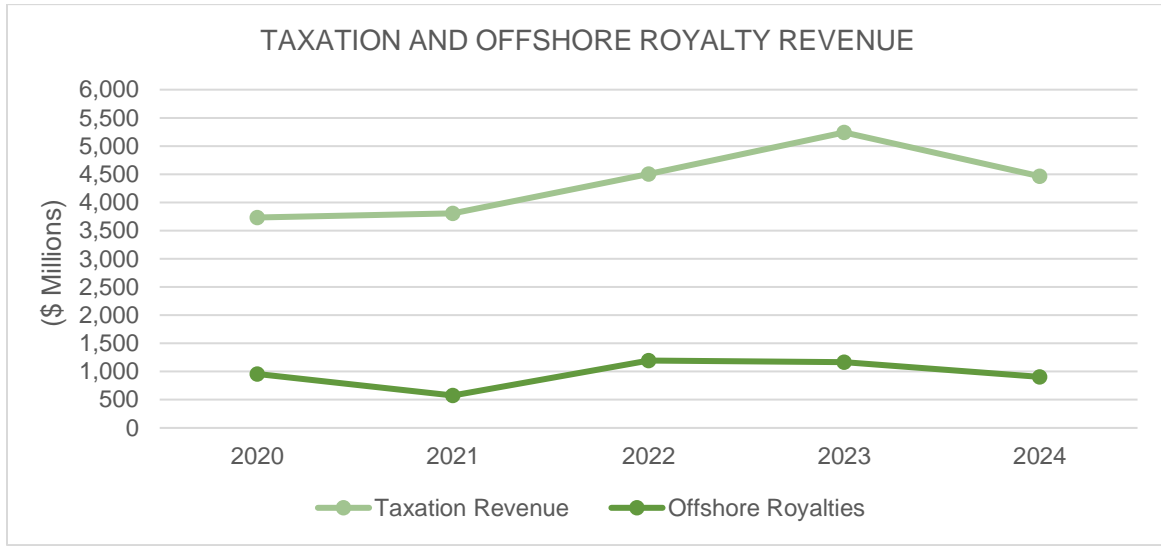
Total oil production was 14.3 million barrels lower than projected due to lower White Rose, Terra Nova, and Hibernia production than forecasted, offset by higher Hebron output.

Offshore Oil Royalties, Actuals and Original Budget For Fiscal year ended 31 March 2024			
	Actuals	Budget	Variance
Royalties (\$M)	\$904.5	\$1,100.4	\$(195.9)
Average oil price per barrel (\$US)	\$82.97	\$86.00	\$(3.03)
Average exchange rate (\$US/\$CA)	0.742	0.757	(0.015)
Production (millions of barrels):			
Hibernia	24.0	29.5	(5.5)
Terra Nova	2.4	9.6	(7.2)
White Rose	3.5	5.3	(1.8)
Hebron	42.1	41.9	0.2
Total Oil Production	72.0	86.3	(14.3)

Notes: Figures shown are for fiscal year 2023-24 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 2023-24 in comparison to the prior year resulted in decreased revenues of \$775.0 million attributed to:
 - \$640.4 million decrease in corporate income tax primarily due to a large positive prior year adjustment in 2022-23 attributed to taxation year 2021 and negative adjustments in 2023-24.
 - \$205.1 million decrease in personal income tax primarily due to a positive prior year adjustment in 2022-23 attributed to taxation year 2021.
 - \$74.4 million decrease in carbon tax substantially due to the repeal of the provincial carbon tax, effective July 1, 2023.
 - \$44.9 million decrease in mining and mineral rights tax primarily due to lower iron ore prices and production volumes.
 - \$15.9 million net decrease in other taxation revenue sources, primarily attributed to decreased tobacco consumption and lower financial corporation capital tax, partially offset by increased health and post-secondary education tax and sugar sweetened beverage tax.
 - \$205.7 million increase in sales tax primarily due to large positive prior year adjustments, related to taxation years 2022 and 2023, associated with Finance Canada's 2024 entitlement booklets.
- Actual results for fiscal 2023-24 in comparison to the Original Budget resulted in an increase of \$61.2 million relating to:
 - \$226.7 million increase in sales tax primarily due to large positive prior year adjustments, related to taxation years 2022 and 2023, based on Finance Canada's 2024 entitlement booklets.
 - \$18.4 million increase in personal income tax due to higher final assessments of taxation year 2022.

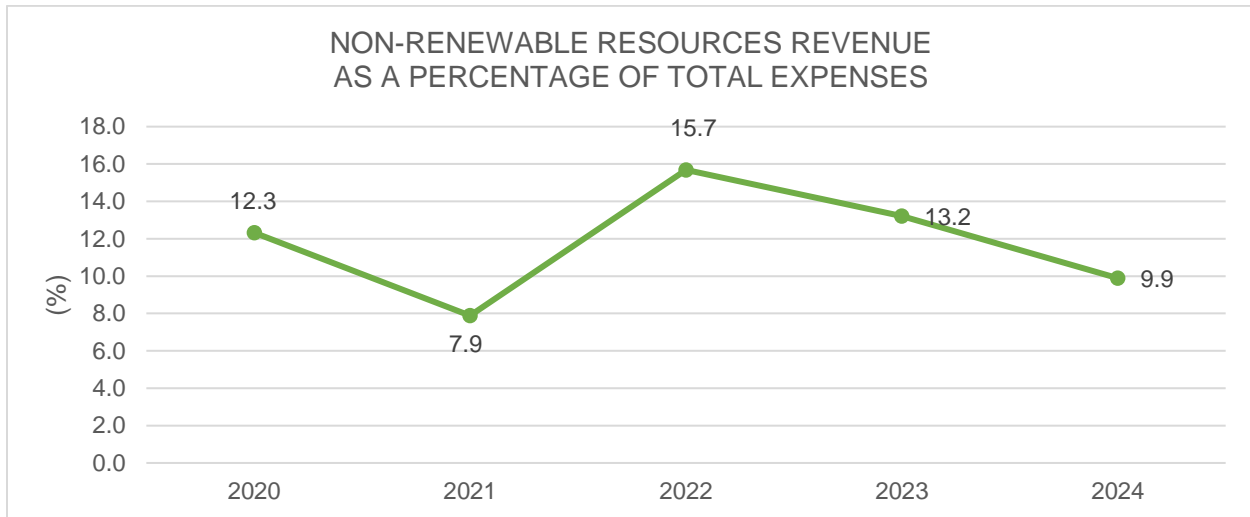
- \$143.7 million decrease in corporate income tax due to downward revisions to the national corporate taxable income forecast from Finance Canada.
- \$29.3 million net decrease in other taxation revenue sources, primarily attributed to lower tobacco tax revenues due to lower consumption and lower financial corporation capital tax returns than budgeted.
- \$10.9 million decrease in mining and mineral rights tax due lower iron ore prices and production volumes than originally forecasted.

Federal Source Revenue

- There was an increase of \$123.6 million in 2023-24 federal source revenue in comparison to the prior year, primarily related to an increase in net profits interests of \$88.6 million and an increase in health and social transfers of \$66.9 million, substantially due to growth in the Canada health transfer and social transfer revenue pools.
- Actual results from federal sources for fiscal year 2023-24 in comparison to the Original Budget resulted in a decrease of \$400.4 million. This is mainly related to a decrease in revenues from cost-shared programs of \$211.9 million. This decrease in cost-shared programs is largely due to infrastructure project delays and lower funding related to the Canada Wide Early Learning and Childcare Agreement, the Disaster Assistance Program, the Low Carbon Economy Fund and the health care sector compared to the Original Budget.

NON-RENEWABLE RESOURCES REVENUE AS A PERCENTAGE OF TOTAL EXPENSES

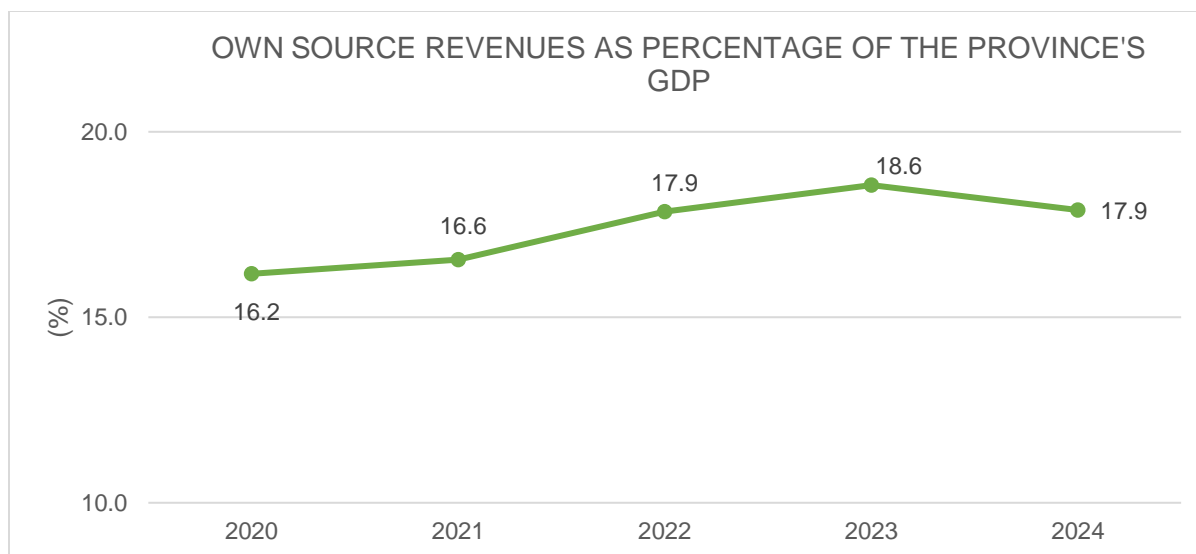
- Non-renewable resources revenue is affected by price, sales and other factors that are often beyond the Province's direct control. Non-renewable resources revenue as a percentage of total expenses is an indicator of how vulnerable the Province is as a result of its dependence on non-renewable resources revenue to fund its expenses.
- The following graph indicates that the Province's non-renewable resources revenue as a percentage of total expenses has decreased from 12.3% in 2020 to 9.9% in 2024.



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

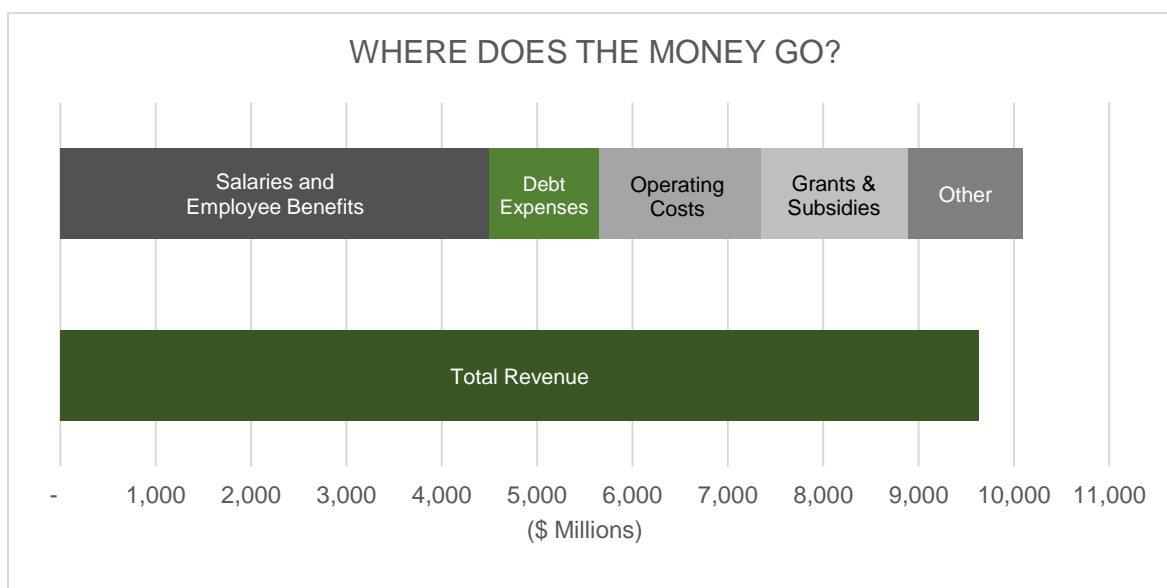
- The purpose of this indicator is to show the extent to which a government is taking income out of the economy in its jurisdiction, through both taxation and user charges.
- The following graph indicates that provincial revenues as a percentage of GDP in the current year decreased from 2022-23. The Province's GDP decreased in 2023-24 which coincided with a decrease in provincial source revenue.
- The 2023-24 own source revenues as percentage of the Province's GDP ratio is 17.9%. The percentage decreased 0.7 percentage points from 18.6% in 2022-23. This ratio is higher than the five-year average of 17.4%.



Note: Figures shown in the above graph use the GDP figures from Newfoundland and Labrador Statistics Agency's website (Selected Economic Indicators Forecast 2014-2028f published as of March 21, 2024). The GDP figures have been restated based on the real GDP for 2020 to 2023.

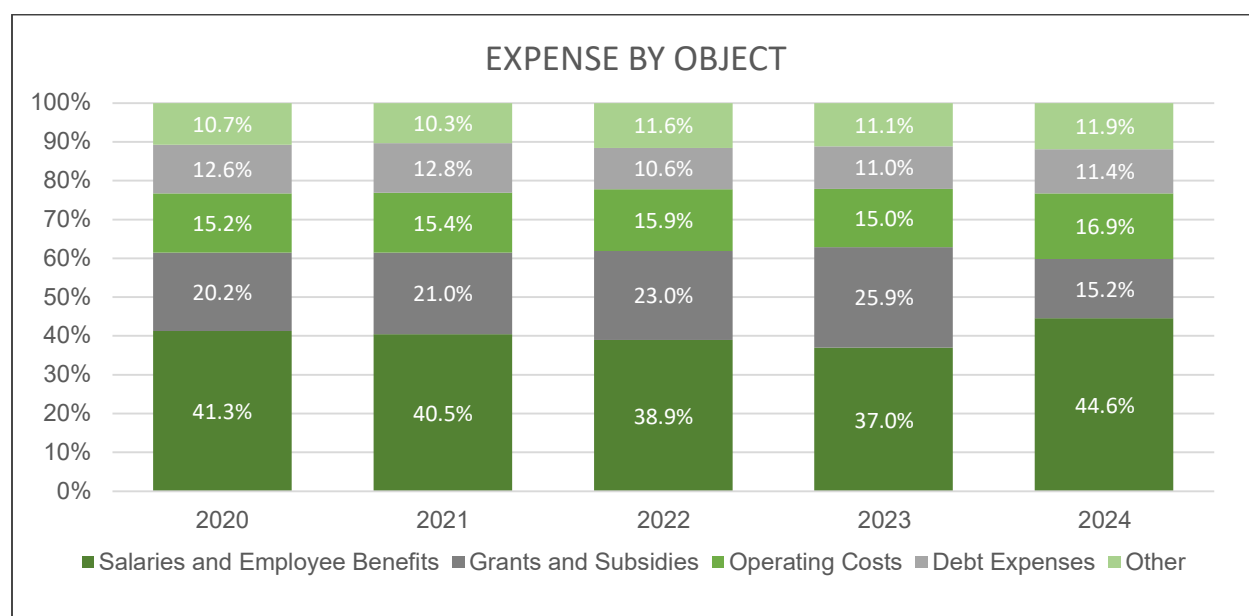
EXPENSE HIGHLIGHTS

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 \$10.1 billion were \$240.0 million higher than the Original Budget (\$9.8 billion) and increased by \$220.4 million from the previous year.



Expenses by Object

The following graph presents the percentage of expenses by object for the previous 5-year period. The most significant expense type in 2023-24 was salaries and employee benefits, reflecting the nature of government in providing services to the Province. Salaries and employee benefits expense as a percentage of total expenses has increased 7.6 percentage points over the prior year, despite decreases in each of the previous three years. Salaries and employee benefits was the Province's largest expense in each of the last five years. This is largely due to the integration of NLESD into the Department of Education, offset by a decrease in grants and subsidies.

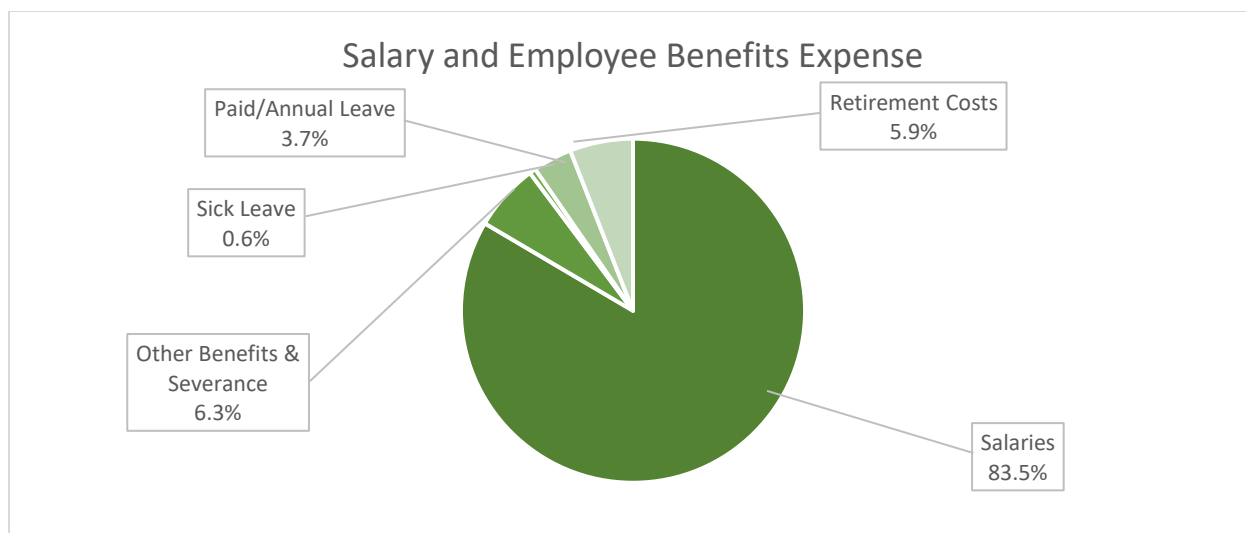


Salaries and Employee Benefits

Salaries and employee benefits consists of the following:

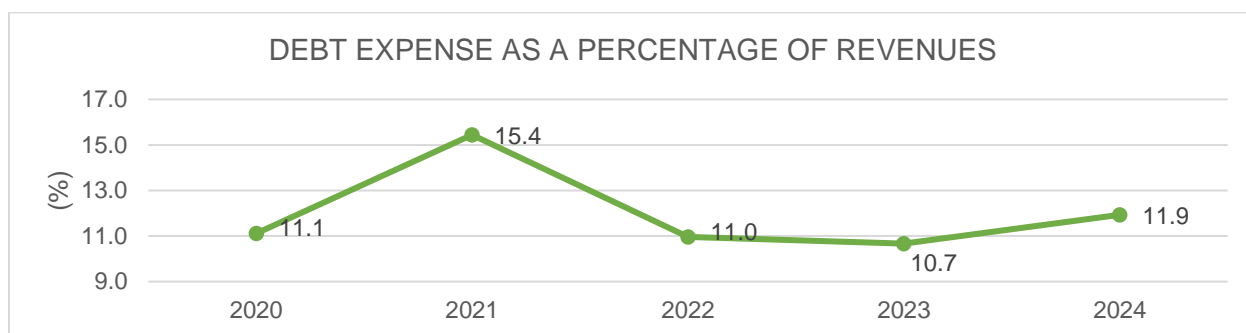
	2023 (\$mil)	2024 (\$mil)
Salaries	3,008.3	3,756.9
Retirement costs	238.0	267.4
Other benefits	229.5	280.4
Paid and annual leave	123.0	165.4
Sick leave	38.0	27.4
Severance	9.9	3.1
Total	3,646.7	4,500.6

¹ Prior year amounts have been restated as consistent with the Public Accounts 31 March 2024 presentation.



Debt Expense

The following graph presents the percentages of revenue used to pay debt expenses for the past five years. In 2023-24, the Province spent 11.9 cents of each revenue dollar on interest (10.7 cents in 2022-23). This ratio has increased 7.2% over the five-year period. The increase in this ratio for 2023-24 is primarily driven by higher debt expenses and lower revenue compared to the prior year.



¹ Prior year amounts have been restated as consistent with the Public Accounts 31 March 2024 presentation.

Compared to Previous Year

The increase in total expenses of \$220.4 million from 2022-2023 to 2023-2024 can be attributed to the following:

- Increase of \$853.9 million in salaries and employee benefits, primarily due to increased salary expenses from the integration of Newfoundland and Labrador English School District (NLESD) into core government. Additionally, there was an increase in salaries and employee benefits, primarily due to the recruitment and retention of health care professionals.

- Increase of \$227.4 million in operating expenses is mainly due to the integration of NLESD into core government. Further, there was an increase in operational costs in the health care sector as compared to the prior year, as well as an increase in provincial road work compared to the prior period.
- Increase of \$61.4 million in debt expenses primarily due to an increase in borrowings and borrowing rates as a result of Bank of Canada interest rate increases.
- Increase of \$40.5 million in professional services mainly due to increased spending for provincial policing services; greater demand for health care provider services; and an increase in technical support services for the provincial road program.
- \$60.8 million net increase in other expenses, primarily relating to greater amortization as a result of the integration of NLESD into core government.
- Decrease of \$1,023.6 million in grants and subsidies is mainly due to the integration of NLESD into core government. Further decreases relate to the conclusion of the oil and gas industry support program, the winding down of the Cost-of-Living Program, and no grant funding to NL Hydro in 2023-24. This was partially offset by increased funding for health care community support and mental health and addiction programs.

Compared to Original Budget

The increase in total expenses of \$240.0 million for 2023-24 compared to Original Budget can be attributed to the following:

- Increase of \$611.5 million in salaries and employee benefits, primarily due to increased salary expenses from the integration of NLESD into core government. This was offset by a decrease in grants and subsidies as a result of integration as noted below. Additionally, there was a higher increase than anticipated in salaries and employee benefits, primarily due to the recruitment and retention of health care professionals.
- \$149.4 million net increase in various other expenses, primarily related to property, furnishings, and equipment, largely due to a higher than expected costs relating to the health care sector, and greater than budgeted amortization expense as a result of the integration of NLESD into core government.
- Increase of \$95.5 million in debt expenses, mainly due to discounts and premiums and higher than anticipated borrowings and interest rates set by the Bank of Canada.
- Increase of \$33.5 million in professional services mainly due to greater than expected spending for provincial policing services; greater demand for health care provider services; increased professional services incurred by Memorial University; and increased technical support services for the provincial road program.
- Decrease of \$650.0 million in grants and subsidies largely caused by the integration of NLESD into core government, offset by increased funding for health care community support and mental health and addiction programs.

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 23 – 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 13, of this publication.

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

OPPORTUNITIES

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

Oil and Gas

- Hibernia oil production resumed in 2022 following drill rig upgrades. These upgrades will unlock resources currently not reachable and enable an additional 10+ years of future drilling. As of June 30, 2024, Hibernia has an estimated 536 million barrels of recoverable reserves remaining.
- The Hebron Project continues to produce at around 120,000 barrels per day. In December 2023, ExxonMobil received approval to expand the Hebron field, with additional fields in the Jeanne D'Arc formation increasing the project's oil recoverable reserves by 113 million barrels.
- Both Hibernia and Hebron have substantial remaining undeveloped potential, including 2.3 trillion cubic feet of gas for Hibernia and 276 million barrels of oil for Hebron. Both these fields are anticipated to continue producing beyond 2040.
- The Terra Nova Floating Production, Storage and Offloading (FPSO) vessel restarted production on November 23, 2023. The Terra Nova project has an estimated 81 million barrels of recoverable reserves remaining.
- The White Rose's SeaRose FPSO vessel is currently undergoing an asset life extension in Northern Ireland. Once completed, production at the White Rose field is expected to resume in the fourth quarter of 2024.
- Construction of the West White Rose platform resumed in 2023. The work includes the completion of a concrete gravity structure and topsides, which will serve as the drilling platform for the project. First oil is expected in 2026 with peak production anticipated to reach 80,000 barrels per day by 2029. The

project is expected to add an additional 14 years of production. As of June 2024, there were 1,305 Newfoundland and Labrador residents working on the West White Rose Project.

- Equinor's Bay du Nord project received environmental approval from the Government of Canada in April 2022. This project is also expected to generate significant economic benefits for the Province. Initial reserve estimates 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. Recent discoveries of oil resources have brought the total estimate to be greater than 500 million barrels of recoverable oil. In May 2023, Equinor announced that it would be postponing the Bay du Nord offshore oil and gas project for up to three years. The company indicated that they would utilize this postponement to continue to actively mature Bay du Nord towards a successful development. Currently Equinor is planning a delineation well at Cappahayden following the abandonment of the Sitka well. According to Equinor, the exploration program will support Equinor's continued optimization of the Bay du Nord project development. In September 2023, Equinor stated publicly that they are more optimistic that the project will proceed. In October 2023, Equinor established a new Bay du Nord project team to oversee the Project's execution strategy. During Q2 2024 Equinor contracted several studies related to progressing the Bay du Nord design concept, including the FPSO, subsea exploration, drilling, and operations research. A final investment decision could occur over the next couple of years with first oil before the end of the decade.
- Exploration drilling programs have potential to create significant activity in the Newfoundland and Labrador offshore area and bode well for the future of the industry in the Province. In 2024 two exploration wells have been drilled by Equinor and ExxonMobil on the Sitka and Persephone prospects. As noted, a further delineation well is planned by Equinor for Cappahayden. In April 2024 the Canada – Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) announced a call for bids for exploration licenses in the eastern Newfoundland region.

Wind to Hydrogen Energy

- The Province's consistently strong wind resources can be used to generate electricity, including to power the production of green hydrogen. As an energy carrier, green hydrogen is being pursued globally to decarbonize hard to abate sectors, thus creating economic development opportunities for the province. As such, a Crown land nomination and bid process for wind energy projects was announced by Government in July 2022. This fair and transparent, multi-stage process will enable industrial customers to self-generate wind energy for their own consumption, and industrial customers or retailers to generate wind energy for export. On August 30, 2023, the Province announced the completion of the call for bids for wind-hydrogen development on Crown land. Of the 24 proposals that were submitted, four companies received wind application recommendation letters, granting them the exclusive right to pursue the development of their projects through the Crown land application and environmental assessment processes: EverWind NL Company; Exploits Valley Renewable Energy Corporation; Toqlukuti'k Wind and Hydrogen Ltd. (ABO); and World Energy GH2 Inc.
- Following the Call for Bids and in keeping with its commitment to work with the companies interested in wind-hydrogen development, the Province has been engaging internal and external subject matter experts in assessing further projects on a case-by-case basis, while undertaking the necessary levels of scrutiny and oversight that characterized the call for bids process. On April 1, 2024, a wind energy contingency land reserve was established for Pattern Energy, enabling the company to apply for Crown land within the reserve for the possible placement of contingent wind turbines that may be needed to maintain the company's 300-megawatt wind energy project on port of Argentia land. On July 23, 2024, a wind hydrogen hub land reserve was established for North Atlantic Refining Limited, and the company received a wind hydrogen hub application recommendation letter granting it the

exclusive right to pursue the development of its project through the Crown land application and environmental assessment processes.

- In April 2022, the Province and the Government of Canada announced that the mandate of the C-NLOPB would be expanded to include the regulation of offshore renewables. To implement these changes, the Government of Canada intends to amend the **Canada–Newfoundland and Labrador Atlantic Accord Implementation Act**, and the Province has committed to introducing mirroring legislative amendments. The amendments passed third reading in the House of Commons in May 2024 and are currently before the Senate. In March 2023, the Government of Canada and the Province launched an 18-month regional assessment of the Newfoundland and Labrador offshore area for wind development. The assessment will help inform future decisions about specific offshore wind projects. In December 2023, the Government of Canada and the Province signed a memorandum of understanding to enable the Province to solely regulate offshore wind projects within its inland bays.
- On August 23, 2022, a declaration of intent was signed to form a Canada-Germany Hydrogen Alliance between the Governments of Canada and Germany in Stephenville. On September 27, 2022, the Province signed a declaration of intent with the Free and Hanseatic City of Hamburg, on cooperation in the field of green hydrogen and hydrogen technologies. On May 9, 2023, the Province signed a memorandum of understanding with the Port of Rotterdam to cooperate on green hydrogen opportunities.

Mining

- Mineral exploration continues to be a key economic driver for Newfoundland and Labrador. To date in 2024, the Province has over 151,733 active exploration claims and approved over 400 mineral exploration applications. Natural Resources Canada reported that 2023 exploration spending was \$218.5 million and estimate expenditures to be \$223.2 million for 2024. Mineral exploration expenditures hit a 10 year high in 2022, reaching an estimated \$266.7 million due to an initial spike in exploration at the onset of the gold rush.
- Gold exploration in central Newfoundland continues to attract investment, driven by higher gold prices and the discovery of new deposits. Uranium and lithium exploration is advancing in 2024 and has garnered attention due to favorable geology making the Province an attractive area for continued exploration investment.
- Iron ore shipments in 2023 were close to 22 million tonnes. In 2024, shipments of iron ore are estimated to be over 24 million tonnes, as the Iron Ore Company of Canada (IOC) guidance for saleable production remains unchanged.
- Tacora Resources Inc. (Tacora) faced liquidity challenges citing capital constraints requiring them to file for creditor protection under **Companies' Creditors Arrangement Act (CCAA)** in October 2023. The company has not been able to ramp up to full production levels of 6.0 million tonnes per year (estimating 65% in 2023 and to date in 2024). On July 22, 2024, investor group Millstreet Capital Management LLC and Cargill emerged as the successful bidder through a transaction that provides an equity injection of US \$253 million, allowing Tacora to exit CCAA proceedings with a fully funded capital plan. This agreement includes a new 10-year offtake agreement with Cargill, that will result in higher cash flow, and new capital to upgrade and modernize the Scully Mine to achieve nameplate capacity of 6.0 million tonnes per year. Tacora has resources for a 27-year mine life and invested in manganese reduction technology. The company was investigating the technical and economic viability of manganese as it is a critical mineral used in battery technologies.

- Since acquiring Marathon Gold including the Valentine Gold project on January 24, 2024, Calibre Mining Corporation (Calibre) has significantly progressed construction activities. As of August 2024, construction was 77% complete and first gold production is on track for the second quarter of 2025. The mine is expected to produce 195,000 ounces of gold annually over 14.3 years as production commences. Calibre received federal environmental approval in August 2024 for the development of the Berry Pit expansion. With this approval, all major approvals required for the three-pit mine plan included in the 2022 feasibility study have been acquired.
- Expansion of Vale Newfoundland and Labrador's underground nickel mine is continuing at Voisey's Bay, which produced its first ore from the Reid Brook deposit in June 2021. The construction of the underground mine continues to progress with 92% financial completion and 96% physical completion. The company employed approximately 3,882 person years in 2024. At full capacity this project is expected to produce approximately 45,000 tonnes of nickel, 20,000 tonnes of copper and 2,600 tonnes of cobalt annually.

Aquaculture

- Aquaculture is an expanding industry that is becoming an increasingly important economic contributor to rural areas of the Province. The aquaculture sector is anticipated to grow over the next decade. While a strategic push towards innovative technology of marine sites and processing plants is expected to continue, diversification is also being considered as the Province is licensing new species that have potential commercial value. There is an increased interest in marine plant aquaculture in the Province.
- Risks to aquaculture include the potential for production scale backs due to mortality events caused by diseases and climate change impacts such as warming water temperatures and storms. The aquaculture industry is well positioned to mitigate such events with investments in fish welfare measures, biophysical monitoring technology and third party engineered sea cage infrastructure.
- In 2023, the aquaculture sectors salmonid production reached 15,645 tonnes with a value of \$206 million. Shellfish reached 4,297 tonnes with a value of \$26 million. There was a 54% total increase from 2022.

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

- The Province's technology sector is seeing growth and increasing international recognition and trade in a number of industries including health tech, ocean tech, clean tech, aerospace and defense, information technology and software as a service. In response, the department of industry, energy and technology (IET) is increasing both trade promotion and investment attraction efforts to help these industries capitalize upon opportunities.

Manufacturing

- Cresta Fund Management purchased a controlling equity in the idled Come By Chance oil refinery in late 2021 and have renamed the company to Braya Renewable Fuels. The company is converting the refinery to make renewable diesel and sustainable aviation fuel. Construction began in 2021 on a conversion project, with a commitment to maintain employment at no less than 200 full time equivalent positions. The bio-fuel refinery began operations in February 2024, with projections to supply 18,000 barrels per day of low carbon renewable fuel into the foreseeable future. Expansion plans to increase capacity, enhance production of sustainable aviation fuel and explore green hydrogen production are in progress.
- Corvus Tactical Aircraft Corporation is an aircraft manufacturer based in Mount Pearl that is seeking to manufacture a line of dual-purpose, best-in-class agricultural and firefighting aircraft in the Province. The company acquired intellectual property and global rights for the aircraft from Airbus and in September 2024 closed a multi-million-dollar funding round with investors from Synerjet Corporation, based in Latin America.

RISKS

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

Market Conditions

- The Consumer Price Index rose 6.4 per cent in 2022, representing the highest annual inflation rate since 1983. A large portion of the constant increase in global inflation was due to a rebound from deflated energy prices in 2020 and other impacts from the COVID-19 pandemic, including pent-up demand, higher savings and increased government spending. Businesses in all sectors have since been struggling with cost increases. The state of inflation was further aggravated by Russia's invasion of Ukraine in early 2022. Interest rate increases have resulted to control global inflation, but in 2024, central banks have begun to lower interest rates as inflation rates have begun to return closer to normal. While this will bring some relief to businesses, rates will need to continue to drop to have significant impact on prices and costs.
- Tight credit conditions created by high interest rates, over time, will tend to suppress economic activity within and across jurisdictions and sectors. This can impact businesses of all sizes and lead to delayed or cancelled investment as well as hiring. For businesses facing more challenging circumstances, this can lead to layoffs and downsized operations, as well as loan defaults and bankruptcies. Borrowing costs are beginning to decline as interest rates drop, but they remain at a significantly elevated level.

- Labour and skill shortages are being reported across jurisdictions and sectors and presenting increasing challenges to the ability of businesses to maintain or expand operations. The Province is forecasting a shortage of 79,000 workers within the next decade. In particular, this can significantly impact the ability of companies to launch and complete large, complex investment and infrastructure projects of the kind the Province is depending upon to drive future economic growth and development. The Province has increased efforts to attract and retain skilled workers.
- Economic conditions have also caused investors to become more conservative, which has made it more difficult for startups and smaller companies to access capital to establish and/or expand.

Demographic Factors

- Aging of the population is one of the most important demographic challenges confronting the Province because of its significant implications for program delivery of many public services, in particular, health care. On July 1, 2024, the Province had the highest median age of 47.8 years and highest average age of 45.7 years across Canada.
- Overall, the Canadian population grew by 1,205,115 individuals from July 2023 to July 2024 to a total of 41,288,599 individuals, an increase of 3.0% from the prior year population of 40,083,484 individuals. The Province saw a much lower population growth rate at 1.3% over the same period, predominantly due to net gains in international and interprovincial migration. This was offset by a negative natural population change resulting from the lowest birth to death ratio in Canada, with 0.5 births per death.

Muskrat Falls Project

- On March 31, 2023, as one of the steps to implement rate mitigation, the Province announced the provision of \$190 million of rate mitigation funding to offset increases in supply costs primarily associated with the Lower Churchill Project (LCP) which have accumulated in the Supply Cost Variance Deferral Account (SCVDA). The SCVDA was established through the Public Utilities Board in Fall 2021 in order to defer payments under the Muskrat Falls Project agreements, rate mitigation funding, project cost recovery from customers and supply cost variances primarily associated with the LCP.
- In July 2023, LIL (2021) Limited Partnership (LIL (2021) LP) and the Government of Canada executed an agreement which allows LIL (2021) LP access to a \$1.0 billion unsecured convertible debenture with compounding interest at 3.03%, maturing on December 31, 2071, with payments of principal and accrued interest starting in January 2042. Under the terms of the agreement, the debenture is convertible into Class B Limited partnership units of LIL (2021) LP at the option of the holder at the earlier of the date in which the debentures are fully drawn and December 31, 2041. In August 2023, the first drawing on the convertible debenture of \$145 million was received by LIL (2021) LP, and the funds were transferred to Hydro Regulated for the purpose of rate mitigation in order to pay down the balance that has accumulated in the SCVDA.
- During 2023, rate mitigation funding has reduced the balance due from customers in the SCVDA by \$335 million. As at December 31, 2023, the balance of the SCVDA was \$271 million and as at March 31, 2024, the balance in the SCVDA was \$382.6 million.
- As of March 31, 2024, the net amount of debt remaining outstanding on the Lower Churchill Project is \$9.5 billion, having been reduced by both principal repayments to bond holders and funds held in escrow for future principal repayments.

- In May 2024, the Province finalized its rate mitigation plan, formalizing the Province's plan to maintain Hydro's increase in domestic electricity rates at an annual target of 2.25% through to 2030. The plan will ensure domestic residential rate increases, for customers subject to Island Interconnected System rates, attributable to Hydro's costs are targeted at 2.25% annually up to and including 2030. The rate mitigation plan also requires that any additional funding required to reduce the balance in the SCVDA and achieve the 2.25% targeted rate increase come from Hydro's and Nalcor's own sources, to the extent possible, and for Hydro and Nalcor to retire the 2023 ending SCVDA balance of \$271 million over the 2024–2026 period.

Oil and Gas

- On March 17, 2023, the Province announced that it is proceeding with Phase II of the review of the Province's current offshore oil and gas interests, which are held by Nalcor Energy Oil and Gas Inc.
- On January 9, 2024, the Government of Newfoundland and Labrador initiated Phase III of the review of the Province's current offshore oil and gas interests. Specific focus will be on the Province's 4.9% equity position in Hebron, 8.7% equity position in the Hibernia South Extension and 5% equity position in the White Rose Extension project, which are held by Nalcor Energy Oil and Gas Inc., and the asset and exploration teams and intellectual property, held within the Oil and Gas Corporation of Newfoundland and Labrador. As part of Phase III, Rothschild & Co. will present the Province's portfolio of oil and gas assets to potential buyers in order to gauge interest. This exercise does not bind the Province to any subsequent action but enables an informed decision on whether to proceed to detailed negotiations to sell those assets.

Other

- On December 15, 2023, the Lieutenant-Governor in Council issued Order in Council OC2023-272 to increase the level of short-term borrowings permitted by Hydro to \$700 million, effective until January 1, 2026, at which time the level will be \$500 million. Nalcor's borrowings are also restricted by legislation that limits its short-term borrowings to \$300 million and total borrowings of Nalcor and its subsidiaries, excluding Hydro and the Muskrat Falls Project, to \$600 million.
- In December 2023, Nalcor paid \$300 million of dividends to the Province. This is the first dividend payment the company has paid to the Province since 2006.

ECONOMIC OUTLOOK AND OVERVIEW

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

The following discussion provides an overview of the economic and demographic performance of Newfoundland and Labrador in 2023, as well as an estimate on the expected performance for 2024. Given the use of estimates and Statistics Canada revisions, 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 2023

The Newfoundland and Labrador economy was resilient in 2023, despite a challenging economic environment due to higher interest rates and persistent high rates of inflation. While the labour market and most indicators of consumer spending posted growth for the majority of the year, growth in employment and retail sales slowed in the later months as high interest rates dampened economic activity. Population growth continued with record-high international in-migration, which contributed positively to the local labour supply, but also contributed to tightness in the housing market in conjunction with historically low housing starts.

On an industry basis, the oil and gas industry advanced construction on the West White Rose oil project and the Terra Nova FPSO vessel returned to production in November 2023. In the mining industry, lower production and prices for some of the province's key mineral exports had a negative impact on the value of mining exports, while work continued to ramp up to full production at the underground Voisey's Bay Mine Expansion project. In the fishery and aquaculture sector, the wild fishery was impacted by significantly lower prices for key species, while the aquaculture industry experienced considerable growth. Additionally, the tourism industry continued to rebound from the pandemic and there were several positive developments in the emerging wind-hydrogen sector.

Overall, provincial real GDP decreased by 2.5 per cent in 2023, mainly due to lower oil and nickel production and a decline in residential investment.

The nominal value of Newfoundland and Labrador international exports totaled \$12.5 billion in 2023, a decrease of 21.7% from 2022. The decline in export value can be largely attributed to lower production and/or prices for many of the province's key export products, particularly crude oil, nickel, and snow crab.

Capital investment in Newfoundland and Labrador is estimated to have declined to \$9.3 billion in 2023, a decrease of 1.5 per cent from 2022, primarily due to lower residential spending, particularly in relation to a decline in housing starts (down 29.1 per cent in 2023). This was partially offset by higher non-residential spending and strong levels of capital infrastructure investment. Non-residential spending was supported by investment growth in the oil and gas sector in 2023, most notably due to construction activity related to the West White Rose wellhead platform ramping up, as well as strong levels of infrastructure spending.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

Economic Indicators

Newfoundland and Labrador

	<u>2022</u>	<u>2023</u>	<u>2024f</u>
GDP at Market Prices (\$ Millions)	40,720	38,192	40,396
% Change	6.8	-6.2	5.8
% Change, Real	-1.7	-2.5	5.1
Final Domestic Demand (\$ Millions)	38,634	40,283	41,493
% Change	7.2	4.3	3.0
% Change, Real	1.6	0.3	0.3
Household Income (\$ Millions)	29,168	30,441	31,942
% Change	2.3	4.4	4.9
% Change, Real	-3.8	1.0	2.2
Household Disposable Income (\$ Millions)	19,598	20,373	21,385
% Change	-1.2	4.0	5.0
% Change, Real	-7.1	0.6	2.3
Retail Sales (\$ Millions)	11,221	11,423	11,743
% Change	7.7	1.8	2.8
% Change, Real	0.6	-0.7	0.8
Consumer Price Index (2002=100)	153.9	159.0	163.2
% Change	6.4	3.3	2.6
Investment, Gross Fixed Capital Formation (\$ Millions)	9,424	9,283	9,563
% Change	11.4	-1.5	3.0
% Change Real	2.4	-3.4	1.5
Housing Starts	1,379	978.0	1,300
% Change	35.1	-29.1	32.9
Employment ('000s)	232.5	236.7	238.8
% Change	4.4	1.8	0.9
Labour Force ('000s)	262.0	262.9	265.2
% Change	2.2	0.3	0.9
Unemployment Rate (%)	11.3	10.0	10.0
Participation Rate (%)	58.4	57.8	57.7
Population ('000s)	531.6	538.6	543.1
% Change	0.9	1.3	0.8

Updated May 17, 2024

f: forecast

Source: Economics Division, Department of Finance

Consumer spending consists of expenditures on all goods and services within an economy. Most indicators of consumer spending in the province started the year strong, with measures of retail sales, new motor vehicle sales, and food service and drinking places sales all posting solid gains through the first two quarters. However, as the year progressed, higher interest rates began to restrain spending.

Despite the slower second half, total consumer spending for all of 2023 increased by 4.9 per cent to \$20.4 billion.

Retail trade sales typically account for around 55 per cent of total consumer spending. Retail sales in the province totaled \$11.4 billion in 2023, an increase of 1.8 per cent compared to 2022. Growth was strong through the first half of the year but slowed significantly in the second half, as the effect of higher interest rates worked through the economy. In 2023, retail sales growth was mainly concentrated in 'Motor vehicle and parts dealers,' which increased by 11.5 per cent compared to 2022. Notable growth was also seen in 'General merchandise retailers' (+5.1 per cent) and 'Food and beverage retailers' (+3.2 per cent), partly due to higher prices for goods in those categories. 'Cannabis retailers' also posted significant growth in 2023, at 22.8 per cent. This growth was offset by lower sales for 'Gasoline stations and fuel vendors' (-13.3 per cent) and 'Building material and garden equipment and supplies dealers' (-4.5 per cent). The lower value of sales at gasoline stations is consistent with lower prices for gasoline in 2023 compared to 2022, while prices for building materials were also lower in 2023 after increasing significantly in 2021 and 2022.

Overall, the Newfoundland and Labrador labour market performed well in 2023, recording employment gains on a year-over-year basis in all but one month and reaching a historically low annual unemployment rate. Year-over-year employment gains were particularly strong in the first quarter of the year, averaging 4.0 per cent growth, before slowing to an average of 1.2 per cent and 1.7 per cent over the second and third quarters, respectively. Employment growth slowed further to 0.7 per cent in the fourth quarter, as the impact of higher interest rates continued to materialize. For the year as whole, employment in the province averaged 236,700 in 2023, up by 4,200 persons, or 1.8 per cent, compared to 2022. This marked the highest annual employment level in the province since 2015. Employment gains were recorded in both the services-producing sector (+2,800 persons) and goods-producing sector (+1,400 persons) in 2023. The largest employment gains were recorded in the 'Transportation and warehousing' (+1,700 persons), 'Health care and social assistance' (+900 persons), and 'Construction' (+900 persons) industries. These gains were partly offset by employment losses in the 'Wholesale and retail trade' (-1,400 persons) and 'Manufacturing' (-600 persons) industries.

The province's labour force increased by 0.3 per cent in 2023, mainly due to an increase in the working-age population (those aged 15 years of age and older), which more than offset a decrease in the participation rate. The working-age population increased by 1.5 per cent, while the participation rate decreased by 0.6 percentage points to 57.8 per cent. The province's unemployment rate decreased to 10.0 per cent in 2023, down 1.3 percentage points over 2022, marking the lowest annual unemployment rate in the province since consistent records began in 1976.

Low levels of unemployment, combined with high levels of inflation, two increases to the minimum wage and salary increases in both the public and private sectors, put upward pressure on wages in 2023. Average weekly earnings in the province were \$1,197.48 in 2023, representing an increase of 4.2 per cent over 2022. Average weekly earnings for Canada were \$1,205.01, up 3.4 per cent from 2022.

Total labour compensation increased 5.6 per cent in 2023 compared to 2022, reflecting higher wages and increased employment. Similarly, household income is estimated to have increased by 4.4 per cent, mainly due to higher labour compensation.

Newfoundland and Labrador's population stood at 545,247 as of July 1, 2024, an increase of 6,340 persons, or 1.2 per cent, compared to July 1, 2023. This marked the second largest annual increase in the province's population since 1975, behind the increase of 7,599 persons in 2023. The annual population increase was driven mainly by gains in international in-migration and mitigated by losses in natural population change (i.e., fewer births than deaths).

Net international migration reached the second highest level (9,219 persons) since consistent records began in 1972, largely due to a record number of immigrants (5,353 persons) and close to a record

number of net non-permanent residents (3,973), plus modest positive net emigration (+107). Net interprovincial migration was positive for a fourth consecutive year (548 persons) and was dominated by net gains from Ontario (1,108 persons). The largest net loss was to Alberta (-517 persons). Losses from natural population change have been accelerating in the province for the last eight years, reflecting an aging population. The births-to-deaths ratio for Newfoundland and Labrador (0.5) was the lowest of all provinces. Other provinces with a ratio at or below 1.0 included: British Columbia (1.0), Prince Edward Island (0.8), Nova Scotia (0.6) and New Brunswick (0.6).

On a quarterly basis, there has been population growth in Newfoundland and Labrador in each of the last 14 quarters. The population of Newfoundland and Labrador increased by 2,106 persons, or 0.4%, from April 1, 2024 to July 1, 2024.

ECONOMIC OUTLOOK

At the time of Budget 2024, real GDP was forecast to increase by 5.1 per cent in 2024. However, given the year-to-date performance of oil production, this estimate is likely to be revised downward in the 2024 Fall Update. Similarly, the value of real exports was forecast to increase by 16.7 per cent—this estimate will also be likely revised downward due to lower-than-expected oil production. Most other economic indicators are on track to meet Budget 2024 expectations, as indicated below.

Total employment was forecast to increase by 0.9 per cent in 2024, partly due to increased construction activity associated with increased housing starts and the West White Rose project. However, year-to-date performance has been much stronger than expected with employment growth from January to August 2024 up 3.3% compared to the same period in 2023. The unemployment rate is expected to remain on par with the record low in 2023 at 10.0 per cent in 2024.

Household income is expected to increase by 4.9 per cent in 2024 due to continued wage growth and increased government transfers. This income growth is anticipated to continue to support retail sales, which are forecast to increase by 2.8 per cent in 2024. The rate of consumer inflation is expected to moderate in the second half of the year as the effects of the Bank of Canada's interest rate increases continue to dampen price gains. However, some uncertainty remains as a rebound in energy prices or disruptions caused by world events could add to inflationary pressures. Overall, inflation is forecast to be 2.6 per cent in 2024.

Capital investment is expected to increase by 3.0 per cent to \$9.6 billion in 2024, as construction activity associated with the West White Rose project continues and residential construction rebounds from the declines seen in 2023.

There are prospects for growth in the long term, with opportunities in the green energy, oil and gas, mining and aquaculture industries boosting economic activity.

The wind-hydrogen sector continues to evolve. The Province announced on August 30, 2023, that four companies have been granted the exclusive right to pursue the development of their projects through the Crown land application and approval process, which includes a referral to environmental assessment. A fifth project was granted a land reserve on July 23, 2024, and a sixth is anticipated to be developed on private land. If they proceed, the spending associated with these projects could contribute significantly to capital investment and GDP growth in the coming years.

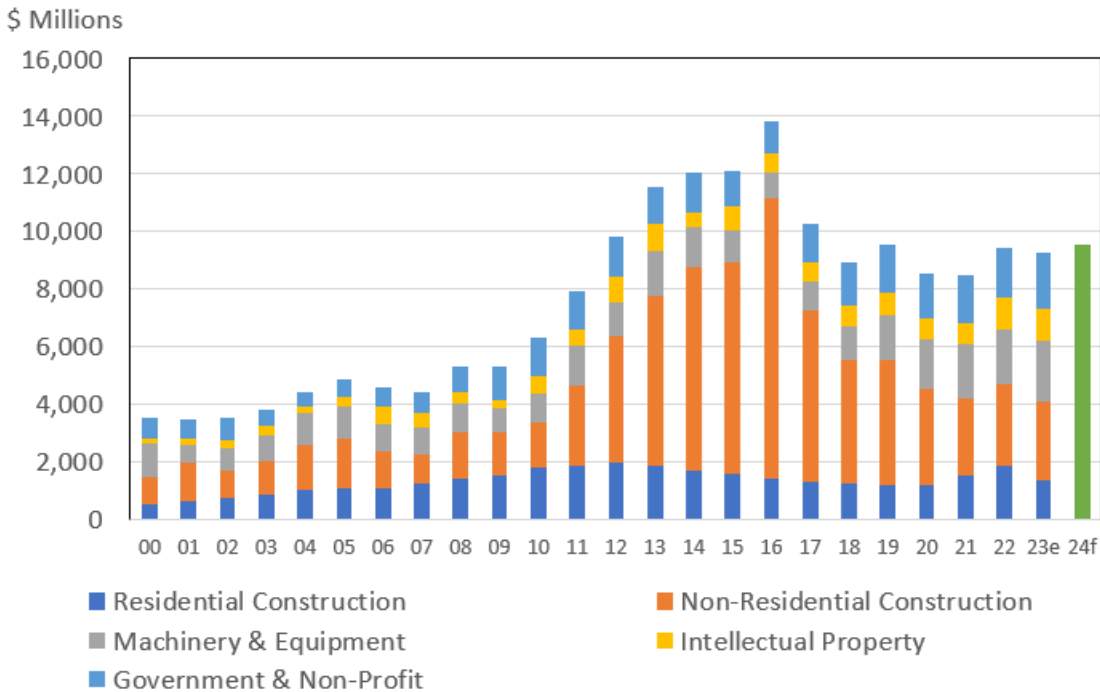
Equinor continues engineering and design work associated with the deepwater Bay du Nord offshore oil project. In January 2024, Equinor announced that the company is investigating alternatives to develop the Bay du Nord oil field to improve the logistics and strengthen the business case associated with the project. There is also substantial oil and gas exploration potential for new discoveries in addition to tieback opportunities for existing projects in Newfoundland and Labrador's offshore.

In the mining sector, mineral exploration expenditures in the province reached the second highest level in 20 years in 2023, a very positive sign for the future of the industry. Construction at Calibre Mining Corporation’s Valentine Gold project is ongoing, construction activities associated with the Hammerdown gold mine, owned by Maritime Resources Corporation, are expected to start in 2024 and Champion Iron Ltd. continues to advance the Kami iron ore project in Labrador.

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

The Province continues to support and build on the momentum being experienced in the Province’s thriving film and television industry and will continue to foster this industry in the year ahead. In addition, the Province is working proactively with the technology sector to support investment and growth within the sector.

Capital Investment, NL, 2000-2024f



E: estimate; f: forecast
Source: Statistics Canada; Department of Finance

RISKS AND ADJUSTMENTS

At the time of Budget 2024, real GDP was forecast to increase by 5.1 per cent in 2024. However, given the year-to-date performance Although these economic indicators for 2023 and 2024 form the basis for the final revenues presented in the 2023-24 Public Accounts, they are still projections and are subject to change. Further economic and administrative data relating to 2023 and 2024 are expected in the future. New data may result in adjusted revenues with respect to the taxation years reported in this document. Such differences will be reflected in subsequent fiscal years as prior year adjustments. As a result, differences may arise between estimated and actual revenues reported in these Public Accounts.

GLOSSARY OF TERMS

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

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

<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>Purchased Intangibles:</i>	Non-financial assets which are non-physical assets acquired through an arm's length exchange transaction.
<i>Remeasurement Gains (Losses):</i>	Unrealized gains (losses) in relation to fair market value changes in investments and foreign exchange which are recognized in the Statement of Remeasurement Gains and Losses until realized.
<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 2024**

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21 October 2024

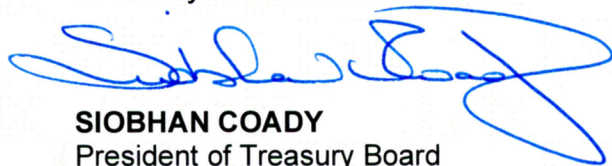
STATEMENT OF RESPONSIBILITY

Responsibility for the integrity, objectivity and fair presentation of the consolidated summary financial statements of the Province of Newfoundland and Labrador rests with the Government. As required under Section 59 of the **Financial Administration Act**, these consolidated summary financial statements are prepared by the Comptroller General, Office of the Executive Council in accordance with the applicable legislation and in accordance with the accounting policies as disclosed in Note 1 to these consolidated summary financial statements. These consolidated summary financial statements are prepared based upon information provided by the various Government departments and the noted Crown corporations, boards and authorities pursuant to Section 19 of the **Transparency and Accountability Act** and Section 20 of the **Financial Administration Act**.

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

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

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



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



Brendan Hanlon, CPA, CMA, MBA
Comptroller General
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, 2024, and the consolidated statements of change in net debt, operations, change in accumulated deficit, remeasurement gains and losses and cash flows for the year then ended, and notes to the consolidated summary financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated summary financial statements present fairly, in all material respects, the consolidated financial position of the Province of Newfoundland and Labrador as at March 31, 2024, and its consolidated results of operations, change in its net debt, change in its accumulated deficit, remeasurement gains and losses and its 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.

Emphasis of Matter

Without modifying my opinion, I draw attention to Note 24 to the consolidated summary financial statements which discloses certain details of government's rate mitigation plan.

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.

Independent Auditor's Report (cont.)

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 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.

A handwritten signature in blue ink, appearing to read "D Hanrahan", with a long horizontal flourish extending to the right.

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

October 23, 2024
St. John's, Newfoundland and Labrador

SUMMARY FINANCIAL STATEMENTS

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Financial Position
As at 31 March 2024
with comparative figures for 2023

		Actuals 2024 (\$000)	Actuals 2023 (Note 18, 27) (\$000)
FINANCIAL ASSETS			
	Cash and temporary investments - note 2	886,659	1,375,131
Sch. 1	Receivables (net of valuation allowances)	3,783,984	3,401,784
	Inventories held for resale - note 3	3,016	4,708
Sch. 2	Loans, advances and investments (net of valuation allowances) - note 4	663,740	429,263
Sch. 6	Sinking fund assets	1,363,383	1,383,955
Sch. 3	Equity in government business enterprises and partnership - note 1(b)	7,535,988	7,223,906
	Total Financial Assets	<u>14,236,770</u>	<u>13,818,747</u>
LIABILITIES			
Sch. 5	Payables, accrued and other liabilities - note 5,13 and 14	4,369,867	4,032,312
	Deferred revenue - note 6	520,623	350,169
Sch. 6	Borrowings	19,753,667	18,419,338
	Plus: Unamortized premiums (discounts) and issuance fees - note 7	<u>(412,498)</u>	<u>(312,252)</u>
		19,341,169	18,107,086
	Group health and life insurance retirement benefits - note 8	3,520,700	3,461,738
	Unfunded pension liability - note 9	275,060	405,761
	Plus: Promissory notes - note 9	<u>3,875,871</u>	<u>3,965,398</u>
		4,150,931	4,371,159
	Total Liabilities	<u>31,903,290</u>	<u>30,322,464</u>
NET DEBT		<u>17,666,520</u>	<u>16,503,717</u>
NON-FINANCIAL ASSETS			
Sch. 10	Tangible capital assets	5,548,356	4,844,173
	Prepaid and deferred charges - note 10	88,640	77,226
	Inventories of supplies - note 3	106,600	95,231
	Purchased intangibles - note 11	<u>36,516</u>	<u>44,082</u>
	Total Non-Financial Assets	<u>5,780,112</u>	<u>5,060,712</u>
ACCUMULATED DEFICIT		<u>11,886,408</u>	<u>11,443,005</u>
Accumulated deficit is comprised of:			
	Accumulated operating deficit	11,984,854	11,519,146
	Accumulated remeasurement gains and (losses)	<u>98,446</u>	<u>76,141</u>
		<u>11,886,408</u>	<u>11,443,005</u>
	Contractual Rights - note 20	Contingent Assets - note 21	
	Externally Restricted Assets - note 16	Contingent Liabilities - note 12	
Sch. 7	Guaranteed Debt - notes 12(a) and 17	Contractual Obligations - note 15	
Sch. 9	Trust Accounts - note 12(c)(i)		

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Net Debt For the year ended 31 March 2024 with comparative figures for 2023

	Actuals 2024 (\$000)	Original Budget 2024 Unaudited (Note 25) (\$000)	Actuals 2023 (Note 18, 27) (\$000)
NET DEBT - beginning of period	16,503,717	15,699,448	16,915,055
Add (Deduct):			
Adjustments - note 18			
Government organization changes	6,734	-	(1,053)
ADJUSTED NET DEBT - beginning of period	<u>16,510,451</u>	<u>15,699,448</u>	<u>16,914,002</u>
Operating (Deficit) Surplus for the period	<u>(458,974)</u>	<u>(159,923)</u>	<u>321,367</u>
Changes in tangible capital assets			
Acquisition of tangible capital assets	1,153,381	725,743	337,961
Net book value of tangible capital asset disposals/adjustments	(65,819)	-	(3,734)
Amortization of tangible capital assets	<u>(383,379)</u>	<u>(358,940)</u>	<u>(340,318)</u>
Increase (Decrease) in net book value of tangible capital assets	<u>704,183</u>	<u>366,803</u>	<u>(6,091)</u>
Changes in other non-financial assets			
Acquisition of purchased intangibles	1,370	-	5,211
Amortization of purchased intangibles	(8,936)	-	(6,980)
Acquisition of prepaid and deferred charges (net of usage)	11,414	-	9,900
Acquisition of inventories of supplies (net of consumption)	<u>11,369</u>	<u>-</u>	<u>(14,817)</u>
Increase (Decrease) in other non-financial assets	<u>15,217</u>	<u>-</u>	<u>(6,686)</u>
Increase (Decrease) in net debt excluding net remeasurement gains and (losses)	<u>1,178,374</u>	<u>526,726</u>	<u>(334,144)</u>
Net remeasurement gains and (losses)			
Opening balance adjustment	-	-	30,782
Net remeasurement gains and (losses) for the year	<u>22,305</u>	<u>-</u>	<u>45,359</u>
Increase (Decrease) in net debt	<u>1,156,069</u>	<u>526,726</u>	<u>(410,285)</u>
NET DEBT - end of period	<u>17,666,520</u>	<u>16,226,174</u>	<u>16,503,717</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 2024 with comparative figures for 2023

	Actuals 2024	Original Budget 2024 Unaudited (Note 25)	Actuals 2023 (Note 18, 27)
	(\$000)	(\$000)	(\$000)
REVENUE			
Sch. 11 Provincial			
Sch. 11 Taxation	4,466,240	4,404,988	5,241,218
Sch. 11 Investment	239,146	77,631	177,698
Sch. 11 Fees and fines	677,495	400,459	459,802
Sch. 11 Offshore royalties	904,510	1,100,367	1,166,095
Sch. 11 Miscellaneous	545,138	470,259	514,132
Sch. 11 Federal	1,828,788	2,229,166	1,705,158
	8,661,317	8,682,870	9,264,103
Sch. 4 Net income of government business enterprises and partnership	968,891	1,006,424	926,096
Total Revenue	<u>9,630,208</u>	<u>9,689,294</u>	<u>10,190,199</u>
EXPENSE			
Sch. 12 General Government Sector and Legislative Branch	2,298,214	2,285,178	2,344,967
Sch. 12 Resource Sector	672,670	739,413	995,033
Sch. 12 Social Sector	7,118,298	6,824,626	6,528,832
Sch. 13 Total Expense	<u>10,089,182</u>	<u>9,849,217</u>	<u>9,868,832</u>
ANNUAL OPERATING (DEFICIT) SURPLUS	<u>(458,974)</u>	<u>(159,923)</u>	<u>321,367</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 2024 with comparative figures for 2023

	Actuals 2024 (\$000)	Original Budget 2024 Unaudited (Note 25) (\$000)	Actuals 2023 (Note 18, 27) (\$000)
ACCUMULATED OPERATING DEFICIT - beginning of period	11,519,146		11,887,417
Add (Deduct):			
Adjustments - note 18			
Government organization changes	6,734		(1,053)
Purchased intangibles	-		(45,851)
ADJUSTED ACCUMULATED OPERATING DEFICIT - beginning of period	11,525,880		11,840,513
Operating (Deficit) Surplus for the period	(458,974)	(159,923)	321,367
Accumulated operating deficit – end of period	11,984,854		11,519,146
Accumulated remeasurement gains and (losses) – end of period	98,446		76,141
ACCUMULATED DEFICIT - end of period	<u>11,886,408</u>		<u>11,443,005</u>

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Remeasurement Gains and Losses For the year ended 31 March 2024 with comparative figures for 2023

	Actuals 2024 (\$000)	Actuals 2023 (\$000)
ACCUMULATED REMEASUREMENT GAINS AND (LOSSES) - beginning of period	76,141	-
Opening Adjustments - note 18	-	30,782
ADJUSTED ACCUMULATED REMEASUREMENT GAINS AND (LOSSES) - beginning of period	<u>76,141</u>	<u>30,782</u>
UNREALIZED GAINS (LOSSES) ATTRIBUTABLE TO:		
Foreign exchange	632	(22,630)
Derivatives	36	(100)
Portfolio investments	25,778	(894)
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS:		
Foreign exchange	6,177	8,687
Portfolio investments	6	291
Sch.3 Other comprehensive income (loss)	(10,324)	60,005
Net remeasurement gains and (losses) for the period	<u>22,305</u>	<u>45,359</u>
ACCUMULATED REMEASUREMENT GAINS AND (LOSSES) – end of period	<u><u>98,446</u></u>	<u><u>76,141</u></u>
Accumulated remeasurement gains and (losses) is comprised of:		
Foreign exchange	(24)	(6,833)
Derivatives	122	86
Portfolio investments	44,967	19,183
Sch.3 Accumulated other comprehensive income	<u>53,381</u>	<u>63,705</u>
Total accumulated remeasurement gains and (losses)	<u><u>98,446</u></u>	<u><u>76,141</u></u>

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Cash Flows For the year ended 31 March 2024 with comparative figures for 2023

	Actuals 2024 (\$000)	Actuals 2023 (Note 18, 27) (\$000)
Funds provided from (applied to):		
OPERATIONS		
Annual operating (deficit) surplus	(458,974)	321,367
Add (Deduct) non-cash items:		
Accounts receivable	(392,350)	72,388
Accounts payable	337,555	472,031
Amortization of (premiums)/discounts and issuance fees	16,208	11,008
Amortization of tangible capital assets	383,379	340,318
Retirement costs	(70,290)	(64,355)
Valuation allowances	16,225	18,385
Unremitted net income of government business enterprises and partnership	(322,406)	(573,506)
Sinking fund earnings	(70,897)	(49,278)
Deferred revenue	170,454	(122,265)
Other	(73,504)	(43,930)
Special purpose funds/contractors' holdback funds	17,475	7,125
Net cash provided from (applied to) operating transactions	<u>(447,125)</u>	<u>389,288</u>
CAPITAL		
Acquisitions	(1,153,381)	(337,961)
Disposals	829	1,617
Net cash provided from (applied to) capital transactions	<u>(1,152,552)</u>	<u>(336,344)</u>
FINANCING		
Debt issued	2,117,267	1,705,230
Debt retirement	(767,426)	(1,902,394)
Retirement of pension liabilities	(1,169)	(1,900)
Retirement of promissory note	(89,527)	(84,460)
Sinking fund contributions	(65,000)	(41,312)
Sinking fund proceeds	154,786	103,483
Treasury bills purchased	8,418,808	8,855,995
Treasury bills redeemed	(8,420,175)	(8,867,449)
Net cash provided from (applied to) financing transactions	<u>1,347,564</u>	<u>(232,807)</u>
INVESTING		
Loan repayments	43,916	33,504
Loan advances	(39,716)	(28,061)
Investments	(240,559)	(45,479)
Net cash provided from (applied to) investing transactions	<u>(236,359)</u>	<u>(40,036)</u>
Net cash provided (applied)	<u>(488,472)</u>	<u>(219,899)</u>
Cash and temporary investments - beginning of period	1,375,131	1,595,030
CASH AND TEMPORARY INVESTMENTS - end of period - note 2	<u>886,659</u>	<u>1,375,131</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 2024

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.

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. Revenue from transactions with no performance obligations is recognized at their realizable value when the authority to claim or retain an inflow of economic resources exists, and the transactions or events giving rise to the revenue have occurred. Revenue from transactions with performance obligations, such as fees or sales of goods, services, licenses, or permits is recognized when those performance obligations have been satisfied. Typical revenue streams and performance obligations of the Province are as follows: (i) licenses or permits revenue are recognized at the point of sale upon issuance of the licenses or permits when the right is provided, (ii) tuition fees are recognized as instruction is provided, and (iii) fines do not have performance obligations and are recognized when collectible under the applicable legislation.

There is no significant revenue from non-recurring activities presented in these financial statements.

(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.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Loans, advances, and mortgages receivable are recorded at cost, less any concessionary terms. Concessionary terms represent the difference between the face value and the present value of the loan and are accounted as expenses on the Consolidated Statement of Operations. Valuation allowances are recorded to reflect assets at the lower of cost or net recoverable value. If recovery of a loan is subsequently assessed as likely, the valuation allowance is reduced. When a loss is known with significant precision, and there is no feasible prospect of recovery, the loan is written down to reflect that loss. Once all or part of a loan has been written off, the write-off is not reversed. Write-downs and write-offs are approved by an authorized official. Loans made by the Province that are expected to be recovered from future appropriations are accounted for as expenses by providing valuation allowances. Interest revenue on loans receivable is recognized when earned and ceases when collection is not reasonably assured.

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

Derivative financial instruments are recorded at fair value.

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

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

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

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

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

Risk Disclosure

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

Credit Risk

Credit risk is the risk of financial loss caused by one party to another party by failing to meet contractual obligations. This risk arises most frequently in relation to cash and temporary investments, receivables, and loans, investments, and advances held by the Province. This risk is

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

mitigated by the fact that a significant portion of amounts receivable are associated with the Government of Canada; therefore collection of these amounts is reasonably assured. Other receivables held by the Province are associated with services provided to a large and diversified cross-section of residents, customers, and other entities. This diversification minimizes the concentration of credit risk exposure associated with any particular individual, company, or other entity.

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

Liquidity Risk

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

Market Risk

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

Foreign Exchange Risk

Foreign exchange rate risk is the risk of unfavorable changes in fair value or future cash flows due to fluctuations in foreign exchange rates on foreign currency denominated assets held by the Province. At March 31, 2024, the Province held no investments in foreign currencies and sets strict limits on the proportion of foreign currency denominated assets that can be held relative to total assets in order to manage exposure to foreign exchange risk. An increase/decrease of one cent in United States (US) dollar foreign exchange rates at March 31, 2024 relative to the Canadian Dollar would result in a nil (2023 - \$2.0 million) increase/decrease in foreign investments. Additionally, the Province has historically issued debentures in US dollars, which entail repayment obligations in US dollars that are subject to foreign exchange risk. At present, all of the Province's current debt is domestic in nature, so no exposure to foreign exchange risk in relation to debt exists at March 31, 2024. 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.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk of unfavorable changes in fair value or future cash flows due to fluctuations in market interest rates. The Province manages this risk by setting asset mix guidelines and monitoring assets to limit (1) the total proportion of funds invested in fixed income instruments that are subject to interest rate risk, and (2) the extent to which fixed income assets need to be sold prior to maturity to meet ongoing obligations, which could potentially trigger a capital loss to the Province. At March 31, 2024, \$43.7 million of the sinking fund assets and \$43.8 million of the future fund assets were held in floating rate investments. The Province's outstanding debt is structured such that a high degree of its debt is long-term with fixed interest rates and fixed repayment terms with limited exposure to floating rate debt obligations. When appropriate and the option is available, debt with high interest rates has been called and refinanced with new lower interest rate debt. Otherwise, debt is generally held until maturity. A 1% increase/decrease in interest rates would increase/decrease annual interest expense by \$0.5 million (2023 - \$7.5 million) based upon the impact of refinancing the current portion only. At March 31, 2024, there were no borrowings held in floating rate notes.

Other Price Risk

Other price risk is the risk of unfavorable changes in fair value or future cash flows due to fluctuations in market prices that do not arise from foreign exchange risk, or interest rate risk. The Province is exposed to other price risk through its investments traded in an active market, however such risk is minimal given limited holdings and investment concentration. At March 31, 2024, a 1% increase/decrease in the fair value of equity investments held in sinking funds and the future fund would result in a \$1.8 million (2023 - \$0.5 million) increase/decrease in the value of the investment assets.

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

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

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

Purchased intangibles, which are non-physical assets acquired through an arm's length exchange transaction, are recognized as non-financial assets. This excludes software which is recognized as a tangible capital asset. Purchased intangibles with finite lives are recorded at cost less accumulated amortization with amortization recorded on a straight-line basis over the estimated useful lives of the purchased intangibles. Purchased intangibles with indefinite lives are valued at cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(v) *Liabilities*

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

A liability for asset retirement obligations is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be required to be given up, and a reasonable estimate of the amount can be made. These liabilities include the costs directly attributable to asset retirement activities and are measured based on the best estimate of expenditures required to complete the retirement activities as at year-end. Asset retirement costs are capitalized by increasing the carrying value of the related tangible capital assets by the same amount as the liability and amortized on the same basis as the related tangible capital assets. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed. The carrying value of asset retirement obligations are reviewed at each financial reporting date for any new information and the appropriateness of assumptions used with any changes recognized as an increase or decrease to the carrying value of the related tangible capital assets.

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

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

Deferred revenue represents amounts received but not earned.

Borrowings, except treasury bills, are recorded at amortized cost using the effective interest method. Treasury bills are recorded at net proceeds. The Province records foreign-denominated debt in Canadian dollars translated at the exchange rate on the transaction date which is considered to be the issue date; except for the proceeds of hedged transactions which are recorded at the rate as established by the terms of that hedge. Foreign-denominated sinking fund assets are also recorded in Canadian dollars and transactions are translated at the exchange rate used in recording the related debt. At 31 March, foreign debt and sinking funds are adjusted to reflect the exchange rate in effect at that date and the amount is recognized as unrealized foreign exchange gains and losses in the Consolidated Statement of Remeasurement Gains and Losses. Premiums and discounts relating to the issuance of debentures as well as issuance fees are measured using the effective interest method and are deferred and amortized over the term of the related debt. Amortization and realized foreign exchange gains and losses, premiums and discounts and issuance fees are charged to debt expense.

(vi) *Government Transfers*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(vii) *Loan Guarantees*

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

(d) **Generally Accepted Accounting Principles**

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

(e) **Changes in Accounting Policies**

The Province has adopted the following new and amended accounting standards issued by the Public Sector Accounting Standard Board of the Chartered Professional Accountants of Canada, effective April 1, 2023:

(i) *PS 3400 - Revenue*

Establishes guidance on how to account for and report on revenue, including revenue from exchange and non-exchange transactions. The Province adopted this new standard on a prospective basis and the prior periods, including comparative information, have not been restated. There has been no impact to the consolidated financial statements as a result of adopting this standard.

(ii) *PS 3160 - Public Private Partnerships*

Establishes guidance for the accounting, measurement, and disclosure of tangible assets and related liabilities acquired through public private partnerships between public and private sector entities. The private sector partner's obligations include requirements to design, build, acquire or better new or existing infrastructure; finance the transaction past the point where it is ready for use; and operate and/or maintain the infrastructure. The Province adopted this new standard on a retroactive without restatement basis and the prior periods, including comparative information, have not been restated. There has been no impact to the consolidated financial statements as a result of adopting this standard.

(iii) *PSG-8 - Purchased Intangibles*

Allows the recognition of intangible assets purchased through an exchange transaction. The Province adopted this new standard on a retroactive with restatement basis and the prior periods, including comparative information, have been restated. Prior to adoption, purchased intangibles were expensed and included in the Consolidated Statement of Operations. As a result of adoption, opening non-financial assets increased by \$45.9 million in 2023 and the opening 2023 accumulated operating deficit decreased by \$45.9 million. Operating costs decreased \$5.2 million in 2023, amortization increased \$7.0 million in 2023, and as a result the 2023 operating surplus decreased by \$1.8 million.

(f) **Future Changes in Accounting Policies**

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

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Effective 1 April 2026:

The Conceptual Framework of Financial Reporting in the Public Sector

A new framework establishing the concepts underlying the accounting and financial reporting standards and prescribing the nature, function and limits of financial accounting and reporting. This new standard will replace the existing conceptual framework contained in *PS 1000 Financial Statement Concepts* and *PS 1100 Financial Statement Objectives*.

PS 1202 Financial Statement Presentation

A new standard establishing the general and specific requirements for the presentation of information in public sector financial statements, based on the concepts within the Conceptual Framework. This new standard will replace the existing *PS 1201 – Financial Statement Presentation standard*.

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

2. Cash and Temporary Investments

Cash and temporary investments consist of:

	31 March 2024 (\$mil)	31 March 2023 (\$mil)
Cash and temporary investments – Consolidated Revenue Fund (CRF):		
Cash balance (overdraft)	1,091.2	1,002.2
Temporary investments	0.3	300.0
Total cash and temporary investments – CRF	1,091.5	1,302.2
Cash and temporary investments – Other Entities:		
Cash balance (overdraft)	(272.9)	4.1
Temporary investments	68.1	68.8
Total cash and temporary investments – Other Entities	(204.8)	72.9
Total: Cash and Temporary Investments (CRF and Other Entities)	886.7	1,375.1

Cash includes \$87.2 million (31 March 2023 - \$157.1 million) for the Newfoundland and Labrador Future Fund established under the **Future Fund Act**. Withdrawals from this fund can only be used to service public debt, pay certain expenses related to the sale of Crown assets, pay amounts related to abandonment and decommissioning activities under an oil lease or license, fund strategic priorities, or pay amounts due to extraordinary circumstances. Withdrawals are also subject to approvals and additional restrictions as outlined in the **Future Fund Act**.

Temporary investments consist of investments with financial institutions. As at 31 March 2024, these investments are on call or have maturity dates ranging from 18 May 2024 to 27 March 2025 at an interest rate ranging from 3.25% to 5.40%.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Inventories

Inventories consist of:

	31 March 2024	31 March 2023
	(\$mil)	(\$mil)
Inventories Held for Resale		
University and college textbooks, stockroom and food supplies	2.6	2.8
Other miscellaneous inventories	0.4	1.9
Total: Inventories Held for Resale	<u>3.0</u>	<u>4.7</u>
Inventories of Supplies		
Medical and drug supplies	53.6	50.3
Textbooks and stockroom supplies held within the CRF	51.7	43.3
Other miscellaneous supplies	1.3	1.6
Total: Inventories of Supplies	<u>106.6</u>	<u>95.2</u>

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. The Province held 142,455 doses in inventory at 31 March 2024 (31 March 2023 - nil).

4. Financial Instrument Classification

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following table presents the fair value of financial instruments recorded at fair value at 31 March 2024 classified using the fair value hierarchy described in Note 1(c)(iv).

	Level 1	Level 2	Level 3	Fair Value Total	Cost/ Amortized Cost	31 March 2024	31 March 2023 (Note 18,27)
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Publicly traded equity investments	310.7	-	-	310.7	-	310.7	151.4
Other investments	-	61.5	36.1	97.6	1,199.0	1,296.6	1,282.0
Total	<u>310.7</u>	<u>61.5</u>	<u>36.1</u>	<u>408.3</u>	<u>1,199.0</u>	<u>1,607.3</u>	<u>1,433.4</u>

During the year, there have been no transfers of amounts between Level 1, Level 2, and Level 3.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The reconciliation of investments classified as Level 3 is as follows:

	31 March 2024	31 March 2023
	(\$mil)	(\$mil)
Balance at beginning of year	35.5	33.2
Adjustment for adoption of financial instrument related standards	-	-
Purchases	-	-
Cost of investments sold	-	-
Realized gains (losses)	-	-
Unrealized gains (losses)	0.6	2.3
Balance at end of year	36.1	35.5

5. Payables - Sick Leave

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

Actuarial Valuations

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

Sick Leave Plan	Valuation Date	Discount Rate
Consolidated Revenue Fund	31 March 2023	4.47%
NL English School District	30 June 2021	2.75%
Newfoundland and Labrador Health Services	31 March 2021	4.71%
College of the North Atlantic	31 March 2022	4.71%
Conseil scolaire francophone provincial de Terre-Neuve et Labrador	30 June 2021	2.75%
Newfoundland and Labrador Housing Corporation	31 March 2024	4.75%
Provincial Information and Library Resources Board	31 March 2021	4.71%

The sick leave liability and expenses for the Consolidated Revenue Fund include amounts from the actuarial valuation prepared for NL English School District.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Sick Leave Liability

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

Sick Leave Plan	Estimated Accrued Benefit Obligation	Unamortized Experience Gains (Losses)	Net Liability 2024	Net Liability 2023	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Consolidated Revenue Fund	103.7	1.8	105.5	47.0	58.5
Other	127.7	3.2	130.9	198.7	(67.8)
Total	231.4	5.0	236.4	245.7	(9.3)

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	Interest Expense on the Liability	Actuarial Value of Benefits Provided	Current Period Amortization of Experience Changes	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Consolidated Revenue Fund	4.3	2.4	(13.0)	0.4	(5.9)
Other	17.6	7.6	(28.8)	0.2	(3.4)
Total	21.9	10.0	(41.8)	0.6	(9.3)

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Deferred Revenue

Deferred revenue consists of:

	31 March 2024	31 March 2023	Change
	(\$mil)	(\$mil)	(\$mil)
Entities in the education sector relating to the provision of various educational services including contract training and special projects	190.6	191.6	(1.0)
Federal initiatives in support of His Majesty's Penitentiary	150.0	-	150.0
Gas tax initiatives	101.9	91.3	10.6
Federal-Provincial initiatives in support of housing and home repair programs	43.5	30.7	12.8
Entities in the health sector relating to the provision of various health care services including research and other contracts	18.1	19.4	(1.3)
Agriculture and Agrifoods Canada grant	5.1	-	5.1
Federal initiatives in support of the oil and gas sector	1.0	8.7	(7.7)
Other miscellaneous programs including recycling programs, social and economic development and cultural heritage	10.4	8.5	1.9
Total: Deferred Revenue	520.6	350.2	170.4

The balance as of 31 March 2024 will be recognized as revenue in the periods in which the revenue recognition criteria are met.

7. Unamortized Premiums (Discounts) and Issuance Fees

Foreign currency debt and sinking funds are translated to Canadian dollars at the exchange rate at 31 March 2024 or the exchange rate at maturity for those debt and sinking funds retired during the fiscal year. Foreign exchange gains and losses are recognized on the Statement of Remeasurement Gains and Losses until realized. Premiums (discounts) and issuance fees relating to the issuance of debentures are measured using the effective interest method and are deferred and amortized over the term of the related debt. See Schedule 6 - Borrowings.

The foreign exchange loss which has been recognized on the Statement of Operations is \$6.2 million which represents a debit adjustment (31 March 2023 - \$8.7 million - debit adjustment). The net amortization expense on premiums (discounts) and issuance fees is \$16.2 million which represents a debit adjustment (31 March 2023 - \$11.0 million - debit adjustment).

The total unamortized discounts and issuance fees as at 31 March 2024 is \$412.5 million (31 March 2023 - \$312.3 million).

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Retirement Benefits - Group Health and Life Insurance

All retired employees of the Government of Newfoundland and Labrador who are receiving a pension from the Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan or the Provincial Court Judges' Pension Plan are eligible to participate in the group insurance program sponsored by Government. All retired employees of the Government of Newfoundland and Labrador who (i) retired under the Public Service Pension Plan (PSPP) prior to 01 January 2015 or (ii) retire under the PSPP after 31 December 2014 and meet the eligibility criteria outlined below are eligible to participate in the group insurance program sponsored by Government. All retired teachers who are receiving a pension from the Teachers' Pension Plan are eligible for coverage under the group insurance program sponsored by the Newfoundland and Labrador Teachers' Association (NLTA) and cost shared by Government. All retired employees of the Newfoundland and Labrador Housing Corporation (NLHC) are eligible to participate in the group insurance programs, including dental benefits, sponsored by NLHC. All retired employees of Memorial University of Newfoundland (MUN) who are receiving a pension from the Memorial University Pension Plan or another retirement benefit to which MUN contributed are eligible to participate in the group insurance programs, including dental benefits, sponsored by MUN. These programs provide both group health and group life benefits to enrolled retirees, including their spouses and dependents.

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

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

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

Under the remaining plans sponsored by the Province, NLTA and NLHC the employer contributes 50% towards group health and group life premiums for both employees and eligible retirees. During 2021-22, the Province signed extension agreements to collective agreements pertaining to employees represented by the Canadian Union of Public Employees and the NLTA. For eligible employees hired after March 31, 2020, the employer will contribute 40% towards group health and group life premiums. Plans sponsored by the NLTA are subject to the maximum rates under the PSPP's program. NLHC contributes 100% of the retirees' group life premiums after age 65. For plans sponsored by MUN, the employer contributes a range of 15% to 50% of the total premium charged towards the benefits of both employees and retirees, based on the years of service at retirement with the exception of certain retirees whose health benefits are 70% or fully funded by MUN. Group life benefits cease at age 72 for MUN retirees and at age 65 for the Province and NLTA retirees. As at 31 March 2024, the programs have 69,626 participants who contributed total contributions of \$89.2 million. The total of all the plans provided benefits of \$47.4 million to 40,090 retirees, their spouses and dependents.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Actuarial Valuations

An actuarial extrapolation was prepared to 31 March 2024 by the Province's actuaries based on the latest actuarial valuations (Public Service valuation date of 31 December 2023 and Teachers' valuation date of 31 August 2021) for the programs sponsored by the Province and the NLTA. The actuarial extrapolation was based on a number of assumptions about future events including an interest rate of 4.71%, 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 extrapolation was prepared to 31 March 2024 by NLHC's actuaries based on the latest actuarial valuation (31 March 2024) for the programs sponsored by NLHC. The actuarial extrapolation was based on a number of assumptions about future events including an interest rate of 4.75%, CPI of 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 NLHC's best estimates of expected long-term rates and short-term forecasts.

An actuarial extrapolation was prepared to 31 March 2024 by MUN's actuaries based on the latest actuarial valuation (valuation date of 31 December 2020) for the programs sponsored by MUN. The extrapolation was based on a number of assumptions about future events including an interest rate of 4.95%, 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 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 2024 (\$mil)	Net Liability 2023 (\$mil)	Change (\$mil)
Group health retirement benefits					
Consolidated Revenue Fund	2,148.8	940.7	3,089.5	3,050.1	39.4
Memorial University of Newfoundland	193.7	52.5	246.2	234.5	11.7
Newfoundland and Labrador Housing Corporation	23.6	(4.0)	19.6	19.3	0.3
Sub-total	2,366.1	989.2	3,355.3	3,303.9	51.4
Group life insurance retirement benefits					
Consolidated Revenue Fund	119.4	42.1	161.5	153.8	7.7
Memorial University of Newfoundland	1.0	0.4	1.4	1.6	(0.2)
Newfoundland and Labrador Housing Corporation	2.3	0.2	2.5	2.4	0.1
Sub-total	122.7	42.7	165.4	157.8	7.6
Total	2,488.8	1,031.9	3,520.7	3,461.7	59.0

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	63.3	106.7	(40.7)	(89.9)	39.4
Memorial University of Newfoundland	5.0	9.2	(4.8)	2.3	11.7
Newfoundland and Labrador Housing Corporation	-	1.0	(0.6)	(0.1)	0.3
Sub-total	68.3	116.9	(46.1)	(87.7)	51.4
Group life insurance retirement benefits					
Consolidated Revenue Fund	2.6	6.0	(1.2)	0.3	7.7
Memorial University of Newfoundland	-	-	(0.1)	(0.1)	(0.2)
Newfoundland and Labrador Housing Corporation	-	0.1	-	-	0.1
Sub-total	2.6	6.1	(1.3)	0.2	7.6
Total	70.9	123.0	(47.4)	(87.5)	59.0

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 2023 amounted to \$112.4 million.

Experience Gains or Losses

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

The opening unamortized experience gain of \$737.4 million was increased by \$294.5 million during the year resulting in a closing unamortized experience gain of \$1,031.9 million. This increase consists of \$382.0 million for new experience gains and amortization of \$87.5 million.

The expected average remaining service life (EARS�) of programs sponsored NLHC and MUN is 13 years, while the EARS� for the Province and the NLTA sponsored programs are 14 and 11 years, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

Public Service Pension Plan Fund

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

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

The joint agreement and the subsequent amendments to the **Public Service Pensions Act, 2019** require the Province to deliver a fully enforceable non-marketable and non-transferrable promissory note to the PSPP Corporation (Provident¹⁰), effective 31 March 2015. The promissory note amortizes \$2.685 billion over 30 years at a discount rate of 6%. The payments under this agreement are fixed and shall be made regardless of the funded status of the PSPP. Payments of \$47.0 million are made on a quarterly basis, which equates to equal annual payments of \$195.0 million due to the time value of money. As at 31 March 2024, the balance of the promissory note is \$2,247.0 million. The promissory note is included as part of the total net pension liability on the statement of financial position.

As at 31 March 2024, the PSPP has 30,219 participants who contributed \$200.9 million. The plan provided benefits of \$629.1 million to 24,084 pensioners.

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

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

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

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Teachers' Pension Plan Fund

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

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

The joint agreement and the subsequent amendments to the **Teachers' Pensions Act, 2018** require the Province to deliver a fully enforceable non-marketable and non-transferrable promissory note to the TPP Corporation, effective 31 August 2016 with interest accruing as of 1 September 2015. The promissory note amortizes \$1.862 billion over 30 years at a discount rate of 6%. The payments under this agreement are fixed and shall be made regardless of the funded status of the TPP. Equal annual payments of \$135.3 million began on 31 August 2016. As at 31 March 2024, the balance of the promissory note is \$1,628.9 million. The promissory note is included as part of the total net pension liability on the statement of financial position.

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

As at 31 March 2024, the TPP has 6,098 participants who contributed \$63.7 million. The plan provided benefits of \$332.7 million to 9,884 pensioners. Inflation protection is not extended to pensioners of the Teachers' Pension Plan who retired prior to 1 September 1998.

Contribution and Benefit Formulae

Teachers' Pension Plan

Employee contributions are 11.35% of pensionable salary. A pension benefit is available based on the number of years of pensionable service prior to 1 January 1991 times 1/45th of the employee's best eight years average salary, plus 2% of the employee's best eight years average salary times years of pensionable service after that date, reduced by a formulated amount representing CPP pension benefits for each year since 1967. The CPP reduction only applies to pensioners who retired after 31 August 1998.

During 2006-07 the **Teachers' Pensions Act** was enacted consistent with the two components of the Plan. The Registered component will be administered in the Teachers' Pension Plan Corporation. The Supplementary component is administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

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 3,664 participants who contributed \$34.2 million as at 31 March 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 2024, the MUNPP provided benefits of \$108.1 million to the registered component of the plan and MUN provided benefits of \$1.8 million to the supplemental component to a total of 2,803 pensioners.

In 1970, the Memorial University Pension Fund was established by the **Memorial University Pensions Act**. This Fund administers all financial activity, including the collection of all contributions and the payment of pensions and the investment of funds for the MUNPP. The financial activity of the MUNPP is administered by MUN. The Consolidated Revenue Fund guarantees any deficiency in the event assets of a plan are insufficient to meet benefit payments or administration costs.

Contribution and Benefit Formulae**Memorial University of Newfoundland Pension Plan**

Employee contributions are 11.4% of pensionable salary, less a formulated amount representing contributions to the CPP. A pension benefit is available based on the number of years of pensionable service times 2% of the employee's best five years average salary, reduced at age 65 by a formulated amount representing integration with the CPP.

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

Province of Newfoundland and Labrador Pooled Pension Fund

The Government of Newfoundland and Labrador guarantees defined benefit pension plans for a number of its full time employees and for members of its Legislature. The plans are – the Uniformed Services Pension Plan, the Members of the House of Assembly Pension Plan, and the Provincial Court Judges' Pension Plan. Combined, the plans have 707 participants who contributed \$6.5 million as at 31 March 2024 as follows: Uniformed Services - \$5.7 million, Members of the House of Assembly - \$0.4 million and Provincial Court Judges' - \$0.4 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 2024, the plans provided benefits of \$41.6 million to 1,135 pensioners as follows: Uniformed Services - \$33.2 million, Members of the House of Assembly - \$7.3 million and Provincial Court Judges' - \$1.1 million. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan nor the Members of the House of Assembly Pension Plan.

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

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Contribution and Benefit Formulae

Uniformed Services Pension Plan

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

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

Members of the House of Assembly Pension Plan

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

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

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

Provincial Court Judges' Pension Plan

Effective 1 April 2002 (pursuant to the **Provincial Court Judges' Pension Plan Act** enacted 8 June 2004) the Provincial Court Judges' Pension Plan (PCJPP) was established with then-existing judges being given the one-time option of transferring from the Public Service Pension Plan. All judges appointed subsequent to 1 April 2002 are required to join the PCJPP. Employee contributions are 9% of pensionable salary. A pension benefit is available based on the number of years pensionable service times 3.33% of the judge's annual salary. The Registered component of the PCJPP, administered within the Province of Newfoundland and Labrador Pooled Pension Fund, provides benefits based on limits set out in the federal **Income Tax Act** with the remainder of the benefit provided by the Supplementary component. The Supplementary component will be administered in the accounts of the Consolidated Revenue Fund.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Actuarial Valuations

The actuarial valuations which are prepared by the Province's and MUN's actuaries were based on a number of assumptions about future events, such as interest rates, wage and salary increases, inflation rates and rates of employee turnover, disability and mortality rates. The assumptions used reflect the Province's and MUN's best estimates of expected long-term rates and short-term forecasts. The expected interest and inflation rates follow:

Expected Interest Rates

<u>Pension Plan</u>	<u>Expected Average Interest Rate</u>
Public Service Pension Plan	
RPP	6.60%
SERP	4.71%
Teachers'	6.60%
Memorial University of Newfoundland	
RPP	5.80%
Supplemental Retirement Income Plan	4.95%
Voluntary Early Retirement Income Plan	4.50%
Uniformed Services	5.90%
Members of the House of Assembly	
RPP	5.80%
SERP	4.71%
Provincial Court Judges'	
RPP	5.80%
SERP	4.71%

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 PSPP, TPP, MUNPP, USPP, MHAPP and PCJPP is 2.00%.

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

<u>Pension Plan</u>	<u>Valuation Date</u>
Public Service	31 December 2021
Teachers'	31 August 2023
Memorial University of Newfoundland	31 December 2022
Uniformed Services	31 December 2023
Members of the House of Assembly	31 December 2021
Provincial Court Judges'	31 December 2022

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

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Pension Liability

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

Pension Plan	Estimated Accrued Benefit Obligation	Fund Assets	Unamortized Experience Gains (Losses)	Net Unfunded Liability 2024	Net Unfunded Liability 2023	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	6,392.8	4,751.5	494.8	2,136.1	2,224.5	(88.4)
Teachers'	3,312.9	2,440.3	387.5	1,260.1	1,381.1	(121.0)
Memorial University of Newfoundland	2,133.5	2,195.7	296.3	234.1	260.0	(25.9)
Uniformed Services	533.6	139.7	28.2	422.1	400.9	21.2
Members of the House of Assembly	99.0	45.4	16.3	69.9	76.6	(6.7)
Provincial Court Judges'	40.0	20.0	8.6	28.6	28.1	0.5
Total	12,511.8	9,592.6	1,231.7	4,150.9	4,371.2	(220.3)

Pension Fund Assets are valued at the market value at 31 March 2024 (31 March 2023 – \$8,849.4 million).

As at 31 March 2024, the net unfunded liability of \$ 4,150.9 million is comprised of the \$3,875.9 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 (\$2,247.0 million) and the Teachers' Pension Plan (\$1,628.9 million).

Special Payments

MUN has requested that the exemptions relating to the minimum contributions required under the **Pension Benefits Act Regulations** established under the **Pensions Benefits Act, 1997** based on a solvency valuation be extended. Without further exemptions, significant special payments will be required over five years relating to the solvency valuation to address the above net unfunded liability. Exemptions have been put in place up to 31 March 2024. 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 2023-24, MUN made a special payment of \$1.2 million (31 March 2023 - \$1.9 million) towards the balance of the unfunded liability for the MUNPP.

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.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Pension Plan	Province's Share of Pension Benefits Earned for the Period	Pension Interest Expense (Earned) on the Unfunded Liability	Province's Current Period Pension Contributions	Current Period Amortization of Experience Changes	Unfunded Portion of Current Period Pension Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	144.1	60.2	(308.1)	15.4	(88.4)
Teachers'	39.8	11.5	(145.3)	(27.0)	(121.0)
Memorial University of Newfoundland	25.1	3.6	(35.4)	(19.2)	(25.9)
Uniformed Services	4.7	22.9	(5.2)	(1.2)	21.2
Members of the House of Assembly	0.7	2.5	(6.0)	(3.9)	(6.7)
Provincial Court Judges'	1.9	0.9	(0.6)	(1.7)	0.5
Total	216.3	101.6	(500.6)	(37.6)	(220.3)

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 2024	Interest Earned on Fund Assets 2024	Net Interest Expense (Earned) 2024
	(\$mil)	(\$mil)	(\$mil)
Public Service	323.0	(262.8)	60.2
Teachers'	161.0	(149.5)	11.5
Memorial University of Newfoundland	118.1	(114.5)	3.6
Uniformed Services	31.1	(8.2)	22.9
Members of the House of Assembly	4.9	(2.4)	2.5
Provincial Court Judges'	1.9	(1.0)	0.9
Total	640.0	(538.4)	101.6

Pension interest expense for 31 March 2024 amounted to \$101.6 million (31 March 2023 - \$97.3 million). Also included in debt expenses is an additional interest expense of \$116.9 million (31 March 2023 - \$119.4 million) relating to the interest on the promissory notes.

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.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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	(139.1)	369.3	44.2	274.4
Teachers'	222.2	21.4	(1.3)	242.3
Memorial University of Newfoundland	47.7	(0.2)	(4.2)	43.3
Uniformed Services	3.6	(19.4)	2.3	(13.5)
Members of the House of Assembly	10.2	(0.1)	(2.5)	7.6
Provincial Court Judges'	5.9	0.2	(1.3)	4.8
Total	150.5	371.2	37.2	558.9

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	124.9	124.3	(28.8)	220.4
Teachers'	109.8	61.1	(25.7)	145.2
Memorial University of Newfoundland	140.9	127.1	(15.0)	253.0
Uniformed Services	33.5	11.7	(3.5)	41.7
Members of the House of Assembly	5.0	5.1	(1.4)	8.7
Provincial Court Judges'	1.9	2.3	(0.4)	3.8
Total	416.0	331.6	(74.8)	672.8

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

Other Pension Plan

The **Government Money Purchase Pension Plan Act** established the Government Money Purchase Pension Plan for employees whose employment status does not qualify them for participation in another of their employer's pension plans. This plan has 40,199 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 2024 assets had a market value of \$449.0 million (31 March 2023 - \$412.9 million). The expense recognized for 31 March 2024 amounted to \$14.7 million (31 March 2023 - \$14.9 million).

10. Prepaid and Deferred Charges

Prepaid and deferred charges consist of:

	31 March 2024 (\$mil)	31 March 2023 (\$mil)
Software licenses	15.6	12.2
Workers' compensation fees	14.7	13.7
Property taxes and other municipal fees	9.9	7.9
Insurance costs	9.1	11.4
Maintenance contracts	6.6	7.2
Library operating supplies	4.0	4.0
Computer network and accessories	2.2	0.7
Ambulance services	1.9	1.9
Membership fees and subscriptions	1.2	2.3
Rent	0.6	1.2
Other prepaid and deferred charges	22.8	14.7
Total: Prepaid and Deferred Charges	88.6	77.2

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Purchased Intangibles

Purchased intangibles held by the Province include fishing rights and vessel licenses acquired by Newfoundland and Labrador Industrial Development Corporation (NLIDC) and exploration assets purchased by the Oil and Gas Corporation of Newfoundland and Labrador (Oilco).

The fishing and vessel rights held by NLIDC were purchased at a nominal amount of \$1 and are recorded as a purchased intangible at a cost of \$1.

The exploration assets held by Oilco relate to 2D and 3D seismic data, geoscientific studies and a resource assessment, which are amortized over their expected useful lives of six years, and consist of:

	31 March 2024	31 March 2023 (Note 18,27)
	(\$mil)	(\$mil)
Cost		
Cost, beginning of the year	53.6	48.4
Additions	1.3	5.2
Cost, end of the year	54.9	53.6
Accumulated Amortization		
Accumulated amortization, beginning of the year	9.5	2.5
Amortization	8.9	7.0
Accumulated amortization, end of the year	18.4	9.5
Net book value, end of the year	36.5	44.1

12. Contingent Liabilities**(a) Guaranteed Debt**

Guarantees made by the Province as at 31 March 2024 amounted to \$1,168.4 million (31 March 2023 - \$1,021.9 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(c) Other

(i) *Trust Accounts*

a) Office of the Public Trustee

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

b) Supreme Court of Newfoundland and Labrador

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

c) Other Trust Accounts

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

(ii) *Canadian Salt Fish Corporation*

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

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

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 2024. Under the debt reduction component of the Program, the Province is contingently liable for possible grants totaling \$10.1 million, of which \$3.5 million (31 March 2023 - \$3.9 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 206 sites for which environmental liabilities or contamination may exist for assessment, remediation or monitoring. See note 14 – Contaminated Sites for further details.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

(vi) *Offshore Royalty Decommissioning Carry Back*

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

For all current projects except Hibernia, Part VII of the **Royalty Regulations, 2003** provides for the carryback of actual decommissioning costs incurred, net of decommissioning revenue, against earlier net revenue, commencing in the period of substantial completion of the decommissioning. This requires project operator(s) to submit to the Province for approval not less than one year before decommissioning, a decommissioning proposal. Regulatory approval of decommissioning by the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) and other government bodies and agencies as required must also be received prior to the approval of the decommissioning proposal. Upon substantial completion of the decommissioning, where decommissioning costs exceed decommissioning revenues, the operator(s) must submit a decommissioning carry back statement to the Province. This carryback of net decommissioning costs may result in an amount being owed to the project interest holders by the Province. As of 31 March 2024, 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 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

13. Asset Retirement Obligation

The Province owns and operates various assets that are subject to asset retirement obligations (AROs). As at March 31, 2024, a total liability for asset retirement obligations of \$516.5 million (31 March 2023 - \$518.1 million) has been recorded (See Schedule 5 – Payables, Accrued, and Other Liabilities). Amounts have been estimated based on internal expert assessments and third-party reports that estimate the costs of remediation and have been measured on an undiscounted basis.

The Province's existing AROs relate mainly to asbestos, lead, refrigerants, mercury, polychlorinated biphenyls (PCBs), etc. in its buildings. The liability has been established using an estimate process which recognizes that the average cost to remove these materials per square meter varies significantly based on the date of building construction. As a result, buildings have been grouped and costs applied based on nature of usage and year of construction. Asset retirement obligations have not been escalated or discounted given significant uncertainty around the retirement dates of these buildings and Province's long history of sustaining buildings beyond their amortized lives.

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

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

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

The asset retirement obligations are as follows:

	31 March 2024 (\$mil)	31 March 2023 (\$mil)
Balance, beginning of the year	518.1	518.6
Liabilities incurred	-	-
Liabilities settled	(2.2)	(0.5)
Cost recoveries	-	-
Changes in estimated costs	0.6	-
Balance, end of the year	516.5	518.1

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. 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 206 sites for which environmental liabilities may exist for assessment, remediation or monitoring. Of these, 22 were identified as sites where action is possible and for which a liability was recorded. As at 31 March 2024, a total liability for contaminated sites of \$250.7 million (31 March 2023 – \$222.8 million) has been recorded (see Schedule 5 – Payables, Accrued and Other Liabilities). Of this, \$218.9 million (31 March 2023 - \$192.1 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 \$31.8 million (31 March 2023 - \$30.7 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 \$652.9 million (31 March 2023 - \$635.3 million) present valued at a discount rate of 3.22% (31 March 2023 - 3.71%).

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

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Contractual Obligations

Contractual obligations consist of:

	31 March 2024 (\$mil)	31 March 2023 (Note 18,27) (\$mil)
Public-private partnerships	976.5	1,790.1
Provincial policing agreement	741.8	834.4
Capital projects	489.4	472.0
Ferry services	318.9	328.5
Power purchase agreements	245.0	200.8
Information technology services	188.0	218.6
Lease payments	156.8	147.4
Transmission service agreements	106.5	28.9
Economic development	86.0	105.0
Letters of credit	52.3	33.9
Oil and gas	39.7	49.4
Lower Churchill Project	22.7	15.8
Telephone services	18.3	24.4
Residential services	9.6	8.6
Early learning and child care	2.3	0.2
Road maintenance	1.7	7.6
Energy savings	0.4	0.3
Forestry and wildlife management	-	1.8
Other agreements	132.7	83.7
Total: Contractual Obligations	<u>3,588.6</u>	<u>4,351.4</u>

Contractual obligations are those to outside organizations in respect of contracts entered into before 31 March 2024. 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 2024, the Province had entered into a number of agreements pertaining to the acquisition of P3 assets. All P3 contracts have a capital component contract with fixed lifetime payment plans, which are not impacted by inflation or interest rate changes. Each agreement is for 30 years, with no renewal option, with remaining repayment schedules ranging from 26 to 30 years. Each P3 also has a separate Life Cycle and Facility Management contract with a built-in annual inflation factor of 2%. These contracts also stipulate that the fiscal year payments be adjusted annually to the Statistics Canada published CPI rate.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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 \$73.9 million (31 March 2023 - \$72.8 million) relating to the operating component of the agreement, such as facility maintenance payments.

During 2022, the Province acquired control and placed into service two P3 assets pertaining to the Gander and Grand Falls-Windsor Long Term Care Facilities. The contractual obligations associated with this P3 arrangement consists of \$64.8 million (31 March 2023 - \$64.4 million) relating to the operating component of the agreement.

During 2022, the Province also acquired control and placed into service the P3 asset pertaining to the Parking Structure for the New Adult and Mental Health Addictions Facility. The contractual obligations associated with this portion of the P3 arrangements consists of \$3.5 million (31 March 2023 - \$3.4 million) relating to the operating component of the agreement.

During 2024, the Province also acquired control of the P3 asset pertaining to the Corner Brook Acute Care Hospital. The contractual obligations associated with this P3 arrangement consists of \$315.9 million (31 March 2023 - \$308.1 million) relating to the operating component and nil (31 March 2023 - \$835.3 million) relating to the capital component. This asset was not in service at March 31, 2024, but was placed into service in June 2024.

In addition to the P3 assets acquired and placed in service, the Province has an agreement for the acquisition of another P3 asset that is under construction. This asset consists of the New Adult Mental Health and Addictions Facility with an anticipated in-service date of Spring 2025. The contractual obligations associated with this P3 agreement consists of \$187.3 million (31 March 2023 - \$175.0 million) relating to the operating component and \$331.1 million (31 March 2023 - \$331.1 million) relating to the capital component.

The above table includes contractual obligations of \$0.6 billion (31 March 2023 - \$0.4 billion) for government business enterprises and \$14.9 million (31 March 2023 - \$10.6 million) for government business partnership.

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

Fiscal Year	Contractual Obligations (\$mil)
2024-25	909.8
2025-26	469.4
2026-27	372.3
2027-28	292.0
2028-29	252.7
Thereafter	1,292.4
Total	3,588.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Externally Restricted Assets

Externally restricted assets amount to \$177.1 million (31 March 2023 - \$168.3 million) of which \$175.6 million relates to Memorial University of Newfoundland which consists primarily of assets held for endowment purposes whereby the principal is not expendable. Income earned on these assets is required to be used for the purpose specified by the donors and hence cannot be used for other operating purposes. The externally restricted assets consist of donations and investments which are to be used for scholarships, assistance, professional recruitment and development, equipment and other external endowments. Externally restricted assets of other entities amount to \$1.5 million which relate to various donations designated for specified purposes.

17. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt (see note 12(a)) is nil (31 March 2023 - nil).

18. Adjustments to Beginning Balances**(a) Government Organization Changes**

Net Debt and Accumulated Operating Deficit increased by \$6.7 million (31 March 2023 - \$1.1 million decrease) relating to the government organization changes. There was a nil impact on the Annual Deficit (31 March 2023 - nil). These changes have been applied retroactively without restatement.

(b) Accumulated Remeasurement Gains and (Losses)

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

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

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

(c) Purchased Intangibles

There was no change in Net Debt for the fiscal year 31 March 2024 (31 March 2023 - nil) and Accumulated Operating Deficit for the fiscal year 31 March 2024 (31 March 2023 - \$45.9 million decrease) as a result of the Province adopting the new accounting standard *PSG-8 - Purchased Intangibles* on retroactive basis with restatement.

19. Related Party Disclosures

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

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

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

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Contractual Rights

Contractual Rights consist of:

	31 March 2024	31 March 2023
	(\$mil)	(\$mil)
Cost sharing agreements	1,105.9	1,062.6
Other agreements	<u>13.5</u>	<u>15.2</u>
Total: Contractual Rights	<u><u>1,119.4</u></u>	<u><u>1,077.8</u></u>

Contractual rights are rights to economic resources arising from contracts or agreements entered into before 31 March 2024. These contractual rights will become assets when the transaction or event triggering recognition occurs.

21. Contingent Assets

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

A number of legal actions have been filed for the Province that have the potential to result in damages being awarded to the Province. The outcome of the legal actions is not determinable. Contingent assets are nil (31 March 2023 - nil).

22. Atlantic Accord (2019)

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

23. Measurement Uncertainty

Measurement uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available. While best estimates are used for reporting items subject to measurement uncertainty, it is reasonably possible that changes in the future conditions could require change in the amounts recognized or disclosed.

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.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

24. Subsequent Events

In May 2024, the Minister of Industry, Energy, and Technology announced the finalization of the rate mitigation plan with NL Hydro, to come into effect in July 2024, where domestic residential power rate increases associated with the Muskrat Falls cost recovery are capped at 2.25% per annum. The total projected investment required from NL Hydro to fund this stage of the rate mitigation plan is expected to exceed \$2 billion, which includes retiring the 2023 Supply Cost Variance Deferral Account balance of \$271.3 million over three years.

25. Original Budget

Certain amounts in the statements and exhibits of the 2023-24 Budget Speech shown for comparative purposes were prepared on the accrual basis as described under note 1(c)(i). To be consistent with the format of the financial statements, presentation changes have been applied as necessary. Budgeted figures included in the financial statements are not audited.

26. Additional Notes

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

27. Comparatives

Certain amounts of the 31 March 2023 financial statement figures and related schedules have been restated to be consistent with the 31 March 2024 statement presentation. See note 18 – Adjustments to Beginning Balances for further details.

Schedule 1

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Receivables As at 31 March 2024 with comparative figures for 2023

	2024 (\$000)	2023 (\$000)
Due from Government of Canada - note 1	2,995,104	2,818,944
Accounts receivable	454,742	346,634
Taxes receivable	386,014	265,642
Offshore royalties	89,926	104,622
Accrued interest receivable	4,026	1,620
	<u>3,929,812</u>	<u>3,537,462</u>
Less: Allowance for doubtful accounts	145,828	135,678
Total: Receivables	<u><u>3,783,984</u></u>	<u><u>3,401,784</u></u>

NOTES

1. Due from Government of Canada includes a receivable of \$2.5 billion (31 March 2023 \$2.6 billion) related to the Atlantic Accord (2019).

2. A receivable is considered past due when a counterparty has not made payment by the invoice due date or contractual due date. The following table presents the carrying value of receivables past due but not classified as impaired because they have not met the aging threshold for impairment, or other factors such as credit rating, security, or collection efforts are expected to result in repayment. Receivables that are past due but not impaired are as follows:

	1-30 Days (\$mil)	31-60 Days (\$mil)	61-90 Days (\$mil)	91+ Days (\$mil)	Total 2024 (\$mil)	Total 2023 (\$mil)
Consolidated Revenue Fund	39.5	2.8	1.0	70.6	113.9	90.7
Other	26.3	5.0	5.4	5.8	42.5	22.2
Total	<u><u>65.8</u></u>	<u><u>7.8</u></u>	<u><u>6.4</u></u>	<u><u>76.4</u></u>	<u><u>156.4</u></u>	<u><u>112.9</u></u>

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Investments As at 31 March 2024 with comparative figures for 2023

	2024	2023
	(Note 18, 27)	
	(\$000)	(\$000)
Loans and Advances - notes 1, 2		
Commercial - note 3	176,796	178,534
Housing	69,242	73,352
Student loans	57,426	57,833
Municipalities	547	615
Other	11,341	9,218
Total: Loans and Advances	315,352	319,552
Less: Discounts due to concessionary terms on loans - note 4	83,736	84,649
Allowance for doubtful loans and advances	53,746	60,620
Provision for loan repayments through future appropriations	3,549	3,921
	174,321	170,362
Investments		
Equity Investments:		
Administered by Memorial University of Newfoundland	127,109	105,820
Administered by Newfoundland and Labrador Film Development Corporation	86,703	77,527
Administered by Future Fund	29,260	-
Cold Ocean Salmon Inc.	10,000	10,000
Administered by Innovation and Business Investment Corporation	6,052	6,336
Gray Aqua Group Ltd.	4,827	4,827
Country Ribbon Inc.	4,500	4,500
ACF Equity Atlantic Inc.	2,203	2,203
Newfoundland Aqua Services Ltd. - redeemable	1,181	1,389
Blue Line Innovations Inc.	500	500
Consilient Technologies Corporation	500	500
Marine Industrial Lighting Systems	500	500
NavSim Technologies	500	500
Pixecur Technologies Inc. - redeemable	400	400
Hurley Slate Works Company Inc.	400	400
Icewater Seafoods Inc.	266	441
Burton's Cove Logging and Lumber	166	166
Grieg Seafood Newfoundland Ltd.	-	5,000
Other	3,077	3,577
	278,144	224,586

LOANS, ADVANCES AND INVESTMENTS (continued)

	2024	2023
	(Note 18, 27)	
	(\$000)	(\$000)
Other Investments:		
Administered by Future Fund	181,851	-
Administered by Memorial University of Newfoundland - note 5	97,638	94,131
Administered by Multi-Materials Stewardship Board	12,912	13,024
Newfoundland and Labrador Venture Capital Fund	9,359	9,094
Atlantic Canada Regional Venture Fund LP	8,364	8,320
Pelorus Venture Capital General	4,906	3,546
Sandpiper Ventures Fund LP	543	457
	<u>315,573</u>	<u>128,572</u>
Total: Investments	<u>593,717</u>	<u>353,158</u>
Less: Discounts due to concessionary terms on investments - note 6	86,703	77,527
Allowance for write-down of investments	<u>17,595</u>	<u>16,730</u>
	<u>489,419</u>	<u>258,901</u>
Total: Loans, Advances and Investments	<u>663,740</u>	<u>429,263</u>

NOTES

1. Interest Rates and Loan Terms

Interest rates for all loans range from non-interest bearing to 10.5% and are payable over terms not exceeding 30 years.

2. Loan Receivable

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

3. Security

Security exists for certain loans that can be accessed in the event of default. Refer to note 12 (c) (v) 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 \$97.6 million of which \$36.1 million pertain to real estate. The remaining balance relates to mortgages and 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.

7. Aging of Loans Receivables and Investments

A loans receivable or investment are considered past due when a counterparty has not made payment by the contractual due date. The following table presents the carrying value of loans receivables and investments past due but not classified as impaired because they have not met the aging threshold for impairment, or other factors such as credit rating, loan security, or collection efforts are expected to result in repayment.

Loans receivables that are past due but not impaired are as follows:

Investments that are past due but not impaired are as follows:

				Total	Total
	<u>1-30 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>2024</u>	<u>2023</u>
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Consolidated Revenue Fund	-	-	-	-	1.0
Other	-	-	-	-	-
Total	-	-	-	-	1.0

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Equity in Government Business Enterprises and Partnership As at 31 March 2024 with comparative figures for 2023

	Atlantic Lottery Corporation 31 Mar 2024	NL Liquor Corporation 6 Apr 2024	Nalcor Energy 31 Dec 2023	Total 2024	Total 2023 (Note 18, 27)
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Equity - beginning of year	29,656	48,420	7,145,830	7,223,906	6,590,395
Net income for year	143,491	208,075	617,325	968,891	926,096
Other comprehensive (loss) income - note 1	676	-	(11,000)	(10,324)	60,005
Capital transactions:					
Transfers to government	(143,485)	(203,000)	(300,000)	(646,485)	(352,590)
Equity - end of year	<u>30,338</u>	<u>53,495</u>	<u>7,452,155</u>	<u>7,535,988</u>	<u>7,223,906</u>
Equity represented by:					
Assets					
Cash and temporary investments	8,646	24,783	1,980,000	2,013,429	1,964,595
Receivables	50,779	21,425	184,000	256,204	235,154
Inventories	3,597	32,401	139,000	174,998	167,386
Prepaid and deferred charges	1,781	510	849,000	851,291	504,163
Investments	-	-	241,000	241,000	290,000
Reserve fund	-	-	50,000	50,000	49,000
Capital and intangible assets	<u>37,020</u>	<u>26,471</u>	<u>17,855,000</u>	<u>17,918,491</u>	<u>17,881,997</u>
Total Assets	<u>101,823</u>	<u>105,590</u>	<u>21,298,000</u>	<u>21,505,413</u>	<u>21,092,295</u>
Liabilities					
Accounts payable and accruals	45,540	52,095	3,092,969	3,190,604	3,200,567
Deferred government assistance	-	-	321	321	321
Borrowings - note 2	<u>25,945</u>	<u>-</u>	<u>10,752,555</u>	<u>10,778,500</u>	<u>10,667,501</u>
Total Liabilities	<u>71,485</u>	<u>52,095</u>	<u>13,845,845</u>	<u>13,969,425</u>	<u>13,868,389</u>
Equity	<u>30,338</u>	<u>53,495</u>	<u>7,452,155</u>	<u>7,535,988</u>	<u>7,223,906</u>

NOTES

1. Other Comprehensive (Loss) Income

Other comprehensive (loss) income includes certain unrealized gains and losses of government business enterprises and partnership that are not reported in the statement of operations but are reported in the statement of financial position. Unrealized gains and losses are recognized in the statement of operations when they become realized gains and losses. Accumulated other comprehensive income (loss) as at 31 March 2024 amounted to \$53.4 million (31 March 2023 - \$63.7 million). The other comprehensive (loss) income recognized during the year was \$(10.3) million (31 March 2023 - \$60.0 million).

EQUITY IN GOVERNMENT BUSINESS ENTERPRISES AND PARTNERSHIP (continued)

2. Contributions and Repayment Requirements

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

	Total
	(\$000)
2024-2025	299,444
2025-2026	70,321
2026-2027	304,736
2027-2028	67,679
2028-2029	68,800
2029-2057	10,302,964
	<u>11,113,944</u>
Less: Sinking Fund Contributions	(335,444)
	<u><u>10,778,500</u></u>

PROVINCE OF NEWFOUNDLAND AND LABRADOR**Net Income of Government Business Enterprises and Partnership****As at 31 March 2024****with comparative figures for 2023**

	Atlantic Lottery Corporation 31 Mar 2024 (\$000)	NL Liquor Corporation 6 Apr 2024 (\$000)	Nalcor Energy 31 Dec 2023 (\$000)	Total 2024 (\$000)	Total 2023 (\$000)
Revenue					
Revenue from operations	240,508	432,298	1,522,325	2,195,131	2,007,378
Expense					
Expenses from operations	97,017	224,223	905,000	1,226,240	1,081,282
Net Income	143,491	208,075	617,325	968,891	926,096

NOTE**Related Party Transactions**

Nalcor Energy earned related party revenues regarding funding to support both new and current offshore petroleum exploration, funding for wind feasibility studies in Labrador, for a total amount of \$2.5 million (31 December 2022 - \$2.4 million). Nalcor Energy incurred related party expenses in relation to power purchase agreements, cost of application hearings, operation of Exploits assets, various rentals and royalties, and a debt guarantee fee. Netted against these expenses is the funding received from the Province related to Nalcor's obligation under the Upper Churchill Redress Agreement resulting in total expenses of \$31.6 million (31 December 2022 - \$33.6 million). During the year there was a \$0.4 million expense related to the sale of Muskrat Falls equipment to the Province.

In relation to the above listed related party transactions for Nalcor Energy, there exists accounts receivable and accounts payable. Accounts receivable includes \$40.9 million (31 December 2022 - \$35.2 million); accounts payable include \$26.3 million (31 December 2022 - \$28.1 million). In addition, Nalcor Energy invested \$53.0 million (31 December 2022 - \$52.5 million) in Provincial bonds. Refer to Schedule 2, note 2 for further details regarding Nalcor Energy's loan payable to the Province.

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

Atlantic Lottery Corporation Inc.'s related party profit earnings totaled \$147.3 million (31 March 2023 - \$148.6 million). In relation to profit earnings, there exists an accounts payable of \$3.8 million (31 March 2023 - \$4.0 million)

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Payables, Accrued and Other Liabilities As at 31 March 2024 with comparative figures for 2023

	2024 (\$000)	2023 (\$000)
Due to Government of Canada- note 1	1,114,065	1,122,183
Accrued salaries and employee benefits - note 2	760,886	767,873
Accounts payable	489,077	522,619
Asset retirement obligation	516,478	518,098
Taxes payable - note 3	486,952	466,853
Public private partnerships - note 4	437,759	135,625
Accrued interest payable	266,826	241,359
Contaminated sites	250,696	222,803
Capital leases - note 5	11,134	14,966
Due to municipalities	995	784
Other	34,999	19,149
Total: Payables, Accrued and Other Liabilities	<u>4,369,867</u>	<u>4,032,312</u>

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 2023 - \$800 million), \$220.0 million for an Equalization loan (31 March 2023 - \$246.7 million), \$22.2 million for an RCMP policing service contract (31 March 2023 - \$23.7 million) and \$71.9 million for other Federal programs (31 March 2023 - \$51.8 million).

2. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of the following.

	2024 (\$mil)	2023 (Note 18, 27) (\$mil)
Paid and annual leave	239.6	225.9
Sick leave	236.4	245.7
Salaries	171.2	187.2
Self-insured workers' compensation benefits	61.0	61.0
Severance	10.9	22.2
Other benefits	41.8	25.9
	<u>760.9</u>	<u>767.9</u>

During the 2022-23 fiscal year, an actuarial valuation as of 31 December 2022, with disclosures as at 31 March 2024, was obtained for the Province's self-insured workers' compensation benefits. During the 2022-23 fiscal year an actuarial valuation as of 31 March 2023, with disclosures as at 31 March 2024, was obtained for the Province's sick leave benefits. Accrued severance and sick leave balances have been determined using a combination of actuarial valuations and internal methodologies. Refer to note 5 of the Notes to the Financial Statements for further details on sick leave.

PAYABLES, ACCRUED AND OTHER LIABILITIES (continued)

3. Taxes Payable

Taxes payable is comprised of \$466.8 million for corporate income tax (31 March 2023 - \$429.9 million), nil for HST (31 March 2023 - \$21.0 million) and \$20.2 million for other taxes (31 March 2023 - \$16.0 million).

4. Public Private Partnerships

The liability for public private partnerships (P3s) represents the Province's outstanding obligation for the discounted, capitalized cost of acquired P3 assets. The P3 liability has interest rates which vary from 3.55% to 3.85% and has repayment schedules with durations ranging from 26 to 30 years.

5. Capital Leases

Interest rates for all capital leases range from 2.34% to 6.00% and have repayment schedules ranging in duration from 9 months to 4 years.

SUMMARY FINANCIAL STATEMENTS

Schedule 6

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Borrowings
As at 31 March 2024
with comparative figures for 2023

	2024				2023
	Total Borrowings	Sinking Fund Balance	Net Borrowings	Interest Rate Range	Net Borrowings
	(\$000)	(\$000)	(\$000)	(%)	(\$000)
Consolidated Revenue Fund					
Treasury bill borrowings	1,155,461	-	1,155,461	4.95 - 5.13	1,156,828
General debentures	18,250,000	1,331,866	16,918,134	1.25 - 9.15	15,491,160
Sun Life Assurance Company of Canada	23,311	-	23,311	7.55 - 9.20	27,703
NLSchools	14,241	-	14,241	1.35 - prime	-
Government of Canada	71,133	-	71,133	4.91 - 5.92	121,871
	19,514,146	1,331,866	18,182,280		16,797,562
Newfoundland and Labrador Health Services	134,273	31,517	102,756	1.81 - 10.50	108,797
Newfoundland and Labrador Housing Corporation	56,307	-	56,307	0 - 19.75	61,861
Memorial University of Newfoundland	48,320	-	48,320	3.69 - 4.18	49,882
School Districts	14	-	14	1.35 - prime	17,063
Other	607	-	607	2.89 - prime	218
Total: Borrowings	19,753,667	1,363,383	18,390,284		17,035,383

NOTES

1. General Debentures

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

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

BORROWINGS (continued)

2. Borrowings

Borrowings, sinking funds and unamortized premiums, discounts and issuance fees as at 31 March 2024 are noted below. Refer to note 7 of the Notes to the Financial Statements for further details.

	Canadian	Unamortized Premiums/ (Discounts) and Issuance Fees	Net
	(\$000)	(\$000)	(\$000)
Borrowings	19,753,667	-	19,753,667
Canadian sinking funds	(1,363,383)	-	(1,363,383)
Sub-total	<u>18,390,284</u>	-	18,390,284
Unamortized premiums (discounts) and issuance fees		(412,498)	(412,498)
Total		<u>(412,498)</u>	<u>17,977,786</u>

3. Contributions and Repayment Requirements

Sinking fund contributions and long term debt repayments in Canadian dollars are as follows.

	Total
	(\$000)
2024-2025	1,304,938
2025-2026	1,296,018
2026-2027	1,101,044
2027-2028	1,895,956
2028-2029	1,474,848
2029-2055	<u>9,910,203</u>
	16,983,007
Plus: Sinking Fund Values at Maturity	3,746,368
Less: Sinking Fund Contributions	<u>(975,708)</u>
	<u>19,753,667</u>

BORROWINGS (continued)

4. Interest Expense

The gross interest expense associated with borrowings, recognized for 31 March 2024, amounted to \$807.9 million (31 March 2023 - \$756.4 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 \$6.2 million which represents a debit adjustment (31 March 2023 - \$8.7 million - debit adjustment). The net amortization expense on premiums (discounts) and issuance fees is \$16.2 million which represents a debit adjustment (31 March 2023 - \$11.0 million - debit adjustment).

6. Related Sinking Fund Investments

At year end, the Province held \$401.0 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2023 - \$617.3 million) which are reflected in the sinking fund balances disclosed in note 2 above. These were comprised of \$401.0 million in Canadian investments and nil in US investments.

Schedule 7

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Guaranteed Debt
As at 31 March 2024
with comparative figures for 2023**

	2024 (\$000)	2023 (\$000)
Guaranteed Debentures		
Newfoundland and Labrador Hydro	1,154,525	1,002,985
Newfoundland and Labrador Housing Projects - note 4	8,462	11,884
Municipalities	693	677
	<u>1,163,680</u>	<u>1,015,546</u>
Guaranteed Bank Loans		
Fisheries	4,719	5,540
Other corporations	-	820
	<u>4,719</u>	<u>6,360</u>
Total: Guaranteed Debt	<u><u>1,168,399</u></u>	<u><u>1,021,906</u></u>

NOTES**1. Limit of Loan Guarantees**

The limit of loan guarantees for guaranteed debentures is \$1,164.1 million and \$15.6 million for guaranteed bank loans.

2. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt is nil (31 March 2023 - nil).

3. General Terms and Conditions

Guaranteed debentures for Newfoundland and Labrador Hydro have maturity dates ranging from February 2026 to December 2045 at interest rates varying from 3.6% to 8.4%. Other guaranteed debentures and guaranteed bank loans have maturity dates ranging from July 2024 to December 2034 at interest rates varying from 0.57% to 10.50%.

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

For the year ended 31 March 2024

with comparative figures for 2023

Department	2024 (\$000)	2023 (\$000)
Finance:		
Remissions	332	917
Industry, Energy and Technology:		
Uncollectible accounts	4,946	-
Education:		
Uncollectible accounts	1,709	2,364
Children, Seniors and Social Development:		
Uncollectible accounts	67	1,113
Fisheries, Forestry and Agriculture:		
Uncollectible accounts	37	-
Tourism, Culture, Arts and Recreation:		
Uncollectible accounts	17	-
Environment and Climate Change:		
Uncollectible accounts	1	-
Municipal and Provincial Affairs:		
Uncollectible accounts	1	-
Digital Government and Service Newfoundland and Labrador:		
Uncollectible accounts	-	2
Immigration, Population Growth and Skills:		
Uncollectible accounts	-	84
Total: Losses, Uncollectible Accounts and Other Amounts Written Off	<u>7,110</u>	<u>4,480</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 2024 with comparative figures for 2023

	2024	2023
	(\$000)	(\$000)
Office of the Public Trustee	36,652	34,121
Supreme Court of Newfoundland and Labrador	15,261	25,244
Refund Deposit Account (formerly known as Rate Stabilization Fund)	8,262	8,565
Scholarships and Awards	6,784	7,085
Teachers' Accrued Salary Trust Account	5,033	5,283
Patients' Funds Held in Trust	4,636	4,381
Consolidated Tender Account	3,490	3,143
Replacement Reserve Funds	3,206	3,699
Support Enforcement	1,292	1,405
Contractors' Security Account - Transportation and Infrastructure	1,077	1,132
Provincial Courts Trust Account	481	456
High Sheriff of Newfoundland	179	206
Federal/Provincial Contractors' Security Account	-	2,910
Other Trust Accounts	4,775	4,714
Total: Trust Accounts	<u>91,128</u>	<u>102,344</u>

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 2023, the Commission reported a net fund surplus of \$215.0 million (31 December 2022 - net fund surplus of \$201.3 million) and an accumulated operating surplus of \$210.5 million (31 December 2022 - accumulated operating surplus of \$197.2 million). Figures for 2022 have been restated. Under legislation, no liability on behalf of the Province has been established.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Tangible Capital Assets As at 31 March 2024 with comparative figures for 2023

Category	Original Cost			Accumulated Amortization				Net Book Value 31 March 2024	Net Book Value 31 March 2023
	Balance 31 March 2023 (\$mil)	Additions 2024 (\$mil)	Disposals 2024 (\$mil)	Balance 31 March 2024 (\$mil)	Balance 31 March 2023 (\$mil)	Amort. Net of Disposals 2024 (\$mil)	Balance 31 March 2024 (\$mil)		
Buildings	5,501.5	123.5	15.7	5,609.3	2,911.1	177.5	3,088.6	2,520.7	2,590.4
Marine vessels & aircraft	394.6	-	-	394.6	190.9	17.7	208.6	186.0	203.7
Equipment & machinery	1,948.0	144.5	11.7	2,080.8	1,568.5	47.7	1,616.2	464.6	379.5
Infrastructure	5,840.2	165.5	0.5	6,005.2	4,558.3	101.9	4,660.2	1,345.0	1,281.9
Computer software	237.9	36.3	14.1	260.1	216.2	17.3	233.5	26.6	21.7
Sub-total	<u>13,922.2</u>	<u>469.8</u>	<u>42.0</u>	<u>14,350.0</u>	<u>9,445.0</u>	<u>362.1</u>	<u>9,807.1</u>	<u>4,542.9</u>	<u>4,477.2</u>
Work in progress				<u>1,005.5</u>				<u>1,005.5</u>	<u>367.0</u>
Total				<u>15,355.5</u>				<u>5,548.4</u>	<u>4,844.2</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 2024 of \$1,005.5 million (31 March 2023 - \$367.0 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 \$469.8 million include \$227.7 million of work in progress assets that have been capitalized in the year. Net additions to work in progress assets include additions of \$910.9 million less disposals of \$44.7 million for 2023-24.

TANGIBLE CAPITAL ASSETS (continued)

3. Accumulated Amortization

The \$362.1 million change in accumulated amortization from the prior year, as reported in the Tangible Capital Asset schedule, consists of amortization expense of \$383.4 million less accumulated amortization on assets disposed of in the year in the amount of \$21.3 million.

The \$308.6 million change in accumulated amortization as at 31 March 2023 consisted of amortization expense of \$340.3 million less accumulated amortization on assets disposed of in the year in the amount of \$31.7 million.

4. Estimated Useful Life

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

Asset	Estimated Useful Life
Buildings	25-40 years
Marine vessels & aircraft	
Marine vessels	20 years
Aircraft	20 years
Equipment & machinery	
Heavy machinery and equipment	20 years
Buses	12 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. Non-Purchased Intangible and Inherited Assets

Non-purchased 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 \$53.7 million (31 March 2023 - \$61.6 million), amortization expense is \$2.7 million (31 March 2023 - \$3.0 million) and accumulated amortization is \$30.5 million (31 March 2023 - \$34.8 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. \$102.4 million, (net) has been recorded as the cost of the electricity generating assets for the fiscal year ended 31 March 2024 and are included in the infrastructure category. As the value of the non-electricity generating assets expropriated, and their ultimate future use have not been determined, they have been recorded as tangible capital assets at a nominal amount.

9. Public Private Partnerships

The cost of tangible capital assets includes \$194.0 million (31 March 2023 - \$194.0 million) related to public private partnership assets, of which \$5.3 million (31 March 2023 - \$3.6 million) has been recorded as amortization expense and accumulated amortization is \$14.8 million (31 March 2023 - \$9.5 million). These amounts are included in the appropriate category in the schedule. In addition, \$741.6 million (31 March 2023 - \$91.5 million) is included in work in progress related to public private partnerships.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue by Source For the year ended 31 March 2024 with comparative figures for 2023

	Actuals 2024 (\$000)	Original Budget 2024 Unaudited (Note 25) (\$000)	Actuals 2023 (\$000)
Provincial Sources			
Taxation			
Personal income tax	1,861,745	1,843,318	2,066,863
Sales tax	1,658,095	1,431,373	1,452,435
Corporate income tax	352,732	496,407	993,095
Mining and mineral rights tax	92,796	103,659	137,666
Gasoline tax	88,991	84,589	90,741
Carbon tax	35,100	35,026	109,537
Cannabis tax	13,482	10,110	10,522
Other	363,299	400,506	380,359
	<u>4,466,240</u>	<u>4,404,988</u>	<u>5,241,218</u>
Investment			
Interest	167,728	10,191	104,343
Sinking fund earnings	70,897	67,440	48,896
Other	521	-	24,459
	<u>239,146</u>	<u>77,631</u>	<u>177,698</u>
Fees and fines			
Fees	664,334	390,456	426,288
Fines	13,161	10,003	33,514
	<u>677,495</u>	<u>400,459</u>	<u>459,802</u>
Offshore royalties	904,510	1,100,367	1,166,095
Miscellaneous			
Sales and rentals	48,938	99,616	111,900
Cost recoveries	30,005	40,760	45,716
Other	466,195	329,883	356,516
	<u>545,138</u>	<u>470,259</u>	<u>514,132</u>
Total Provincial Sources	<u>6,832,529</u>	<u>6,453,704</u>	<u>7,558,945</u>
Federal Sources			
Health and social transfers	921,602	911,284	854,694
Cost-shared programs	584,843	796,731	623,236
Net profits interest	280,166	435,568	191,586
Atlantic Accord (2019)	(16,908)	-	(25,489)
Other	59,085	85,583	61,131
Total Federal Sources	<u>1,828,788</u>	<u>2,229,166</u>	<u>1,705,158</u>
Net income of government business enterprises and partnership - see note	968,891	1,006,424	926,096
Total: Revenue by Source	<u><u>9,630,208</u></u>	<u><u>9,689,294</u></u>	<u><u>10,190,199</u></u>

NOTE

See Schedule 4 for a breakdown by entity.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Department For the year ended 31 March 2024 with comparative figures 2023

	Actuals 2024 (\$000)	Original Budget 2024 Unaudited (Note 25) (\$000)	Actuals 2023 (Note 18, 27) (\$000)
General Government Sector and Legislative Branch			
General Government Sector			
Consolidated Fund Services	993,017	907,296	1,008,345
Executive Council	176,832	219,022	176,556
Finance	269,436	344,446	423,746
Public Procurement Agency	1,968	2,047	1,828
Public Service Commission	10,821	11,819	11,016
Digital Government and Service Newfoundland and Labrador	36,188	37,768	36,029
Transportation and Infrastructure	761,205	710,508	645,062
Labrador Affairs	18,449	19,413	17,894
Legislative Branch			
Legislature	30,298	32,859	24,491
	<u>2,298,214</u>	<u>2,285,178</u>	<u>2,344,967</u>
Resource Sector			
Environment and Climate Change	90,274	114,635	75,049
Industry, Energy and Technology	217,186	217,086	471,963
Tourism, Culture, Arts and Recreation	88,629	76,770	110,297
Fisheries, Forestry and Agriculture	92,666	148,365	152,616
Immigration, Population Growth and Skills	183,915	182,557	185,108
	<u>672,670</u>	<u>739,413</u>	<u>995,033</u>
Social Sector			
Children, Seniors and Social Development	439,141	417,020	418,977
Education	1,918,575	1,852,676	1,821,023
Health and Community Services	4,158,274	3,877,271	3,710,718
Justice and Public Safety	367,532	357,610	366,601
Newfoundland and Labrador Housing Corporation	159,337	150,213	133,081
Municipal and Provincial Affairs	75,439	169,836	78,432
	<u>7,118,298</u>	<u>6,824,626</u>	<u>6,528,832</u>
Total: Expenses by Department	<u>10,089,182</u>	<u>9,849,217</u>	<u>9,868,832</u>

NOTE

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

Schedule 13

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Object For the year ended 31 March 2024 with comparative figures for 2023

	Actuals 2024 (\$000)	Original Budget 2024 Unaudited (Note 25) (\$000)	Actuals 2023 (Note 18, 27) (\$000)
Salaries and employee benefits - note 1	4,500,611	3,889,092	3,646,747
Operating costs	1,706,622	1,706,503	1,479,201
Grants and subsidies	1,534,720	2,184,710	2,558,330
Debt expenses	1,148,644	1,053,062	1,087,176
Professional services	629,439	595,962	588,853
Amortization and (gain)/loss on the sale of tangible capital assets	397,124	358,940	349,493
Property, furnishings and equipment - note 2	155,797	56,338	140,647
Valuation allowances (recovery)	16,225	4,610	18,385
Total: Expenses by Object	<u>10,089,182</u>	<u>9,849,217</u>	<u>9,868,832</u>

NOTES

1. Salaries and employee benefits

Salaries and employee benefits consists of the following.

	2024 (\$mil)	2023 (Note 18, 27) (\$mil)
Salaries	3,756.9	3,008.3
Retirement costs	267.4	238.0
Other benefits	280.4	229.5
Paid and annual leave	165.4	123.0
Sick leave	27.4	38.0
Severance	3.1	9.9
	<u>4,500.6</u>	<u>3,646.7</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 2024

	General Government Sector and Legislative Branch (\$000)	Resource Sector (\$000)	Social Sector (\$000)	Total (\$000)
REVENUE				
Provincial				
Taxation	4,510,241	1,862	5,553	4,517,656
Investment	197,431	13,232	28,483	239,146
Fees and Fines	327,776	81,441	268,278	677,495
Offshore Royalties	209	904,301	-	904,510
Other	62,109	104,800	416,813	583,722
Federal sources	<u>1,251,126</u>	<u>183,938</u>	<u>393,724</u>	<u>1,828,788</u>
	6,348,892	1,289,574	1,112,851	8,751,317
Net income of government business enterprises and partnership	<u>351,566</u>	<u>617,325</u>	<u>-</u>	<u>968,891</u>
Total Sector Revenue - note 2	<u>6,700,458</u>	<u>1,906,899</u>	<u>1,112,851</u>	<u>9,720,208</u>
EXPENSE				
Salaries and employee benefits	272,902	133,923	4,189,880	4,596,705
Operating costs	394,972	150,165	1,172,190	1,717,327
Grants and subsidies	315,625	373,346	828,950	1,517,921
Debt expenses	1,091,176	1,696	55,772	1,148,644
Professional services	26,071	12,664	590,704	629,439
Amortization and (gain)/loss on sale of tangible capital assets	183,226	36,714	177,184	397,124
Property, furnishings, and equipment	25,361	5,430	125,006	155,797
Valuation allowances (recovery)	<u>(414)</u>	<u>(2,684)</u>	<u>19,323</u>	<u>16,225</u>
Total Sector Expense - note 3	<u>2,308,919</u>	<u>711,254</u>	<u>7,159,009</u>	<u>10,179,182</u>
Sector Results - before adjustments	4,391,539	1,195,645	(6,046,158)	(458,974)
Inter-Sector Eliminations	<u>40,711</u>	<u>(38,584)</u>	<u>(2,127)</u>	<u>-</u>
Annual (Deficit) Surplus	<u>4,432,250</u>	<u>1,157,061</u>	<u>(6,048,285)</u>	<u>(458,974)</u>

NOTES

NOTES TO THE SCHEDULE OF REVENUE AND EXPENSE BY SECTOR
For the year ended 31 March 2024

1. Sectors

The sectors identified above are consistent with the presentation of the Consolidated Statement of Operations, the 2023-24 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 \$90.0 million resulting in total revenue of \$9,630.2 million as per the Consolidated Statement of Operations.

3. Sector Expense

Sector expenses include expenses incurred from within the Government reporting entity. These inter-sector transactions are eliminated upon consolidation. Total eliminations pertaining to expenses amount to \$90.0 million resulting in total expense of \$10,089.2 million as per the Consolidated Statement of Operations.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Government Reporting Entity For the year ended 31 March 2024

GOVERNMENT ORGANIZATIONS

	Board of Commissioners of Public Utilities
	C.A. Pippy Park Commission
	Celebrate NL Inc.
D	Chicken Farmers of Newfoundland and Labrador
	College of the North Atlantic
J	Conseil scolaire francophone provincial de Terre-Neuve et Labrador
	Consolidated Revenue Fund
	Credit Union Deposit Guarantee Corporation
JU	Dairy Farmers of Newfoundland and Labrador
D	Egg Farmers of Newfoundland and Labrador
	Heritage Foundation of Newfoundland and Labrador
	Innovation and Business Investment Corporation
	Livestock Owners Compensation Board
A	Marble Mountain Development Corporation
	Memorial University of Newfoundland
	Multi-Materials Stewardship Board
	Municipal Assessment Agency Inc.
	Newfoundland and Labrador Arts Council
	Newfoundland and Labrador Crop Insurance Agency
D - note 2	Newfoundland and Labrador Education Foundation Inc.
J - note 2	Newfoundland and Labrador English School District
note 3	Newfoundland and Labrador Farm Products Corporation
	Newfoundland and Labrador Film Development Corporation
note 1	Newfoundland and Labrador Health Services
	Newfoundland and Labrador Housing Corporation
	Newfoundland and Labrador Immigrant Investor Fund Limited
	Newfoundland and Labrador Industrial Development Corporation
J - note 2	Newfoundland and Labrador International Student Education Inc.
	Newfoundland and Labrador Legal Aid Commission
	Newfoundland and Labrador Municipal Financing Corporation
	Newfoundland and Labrador Sports Centre Inc.
	Newfoundland Hardwoods Limited
D	Oil and Gas Corporation of Newfoundland and Labrador
	Provincial Advisory Council on the Status of Women - Newfoundland and Labrador
	Provincial Information and Library Resources Board

GOVERNMENT REPORTING ENTITY (continued)

GOVERNMENT ORGANIZATIONS

The Rooms Corporation of Newfoundland and Labrador

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

- Effective April 1, 2023, the Provincial Health Authority was established through the **Provincial Health Authority Act**. All title to property and assets as well as interests to real property and obligations and liabilities of the former regional health authorities (Eastern Health, Central Health, Western Health, Labrador-Grenfell Health) and Newfoundland and Labrador Centre for Health Information were transferred to the Provincial Health Authority trading as Newfoundland and Labrador Health Services.

The net effect of the restructuring transactions was eliminated and there was no substantive impact of the restructuring to the consolidated financial statements.
- Effective December 31, 2023, Newfoundland and Labrador English School District (NLESD) was dissolved, and became part of the Consolidated Revenue Fund with its operations integrating into the Department of Education, operating as NLSchools. As a result of this restructuring, 21 months of operation of former NLESD and NLSchools are included in the 2024 consolidated financial statement results, with three months from January 1, 2024 to March 31, 2024 included in the Consolidated Revenue Fund financial results. Newfoundland and Labrador Education Foundation Inc. and Newfoundland and Labrador International Student Education Inc. were formerly consolidated by NLESD.
- Effective November 16, 2023, Newfoundland and Labrador Farm Products Corporation dissolved.

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Province of Newfoundland and Labrador

Consolidated Revenue Fund Financial Information (Unaudited)

**For The Year Ended
31 March 2024**

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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 Executive Council website.

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PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Financial Position As at 31 March 2024 with comparative figures for 2023

		Actuals 2024 (\$000)	Actuals 2023 (\$000)
FINANCIAL ASSETS			
	Cash and temporary investments at cost	1,091,452	1,302,222
	Government of Canada - claims in process	449,896	122,819
Sch. A	Accounts and taxes receivable	3,319,440	3,306,469
	Less: Allowance for doubtful accounts	132,246	122,163
		3,187,194	3,184,306
Sch. B	Loans, advances and mortgages receivable	370,421	379,231
	Less: Allowance for doubtful accounts	41,875	49,446
		328,546	329,785
Sch. E	Sinking fund assets	1,331,866	1,354,500
Sch. C	Investments	5,174,967	4,967,449
	Less: Allowance for investment writedowns	11,310	10,361
		5,163,657	4,957,088
	Total Financial Assets	11,552,611	11,250,720
LIABILITIES			
Sch. D	Other liabilities	3,524,708	2,917,819
	Deferred revenue	261,980	102,553
Sch. E	Debenture and other debt	19,514,146	18,152,062
	Plus: Unamortized premiums (discounts) and issuance fees	(412,498)	(312,252)
		19,101,648	17,839,810
	Group health and life insurance retirement benefits	3,251,088	3,203,885
	Unfunded pension liability	40,972	145,534
	Plus: Promissory notes	3,875,871	3,965,398
		3,916,843	4,110,932
	Total Liabilities	30,056,267	28,174,999
	NET DEBT	18,503,656	16,924,279
NON-FINANCIAL ASSETS			
	Tangible capital assets	4,033,890	2,591,316
	Prepaid expenses	33,191	13,903
	Inventories of supplies	54,836	45,085
	Total Non-Financial Assets	4,121,917	2,650,304
	ACCUMULATED DEFICIT	14,381,739	14,273,975
	Accumulated deficit is comprised of:		
	Accumulated operating deficit	14,389,626	14,267,358
	Accumulated remeasurement gains and (losses)	7,887	(6,617)
		14,381,739	14,273,975
Sch. F	Guaranteed Debt		

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

Certain amounts of the 31 March 2023 financial statement figures and related schedules have been restated.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Change in Net Debt For the year ended 31 March 2024 with comparative figures for 2023

	Actuals 2024 (\$000)	Original Budget 2024 (\$000)	Actuals 2023 (\$000)
NET DEBT - beginning of period	16,924,279	25,242,359	16,718,543
Add (Deduct):			
Adjustments			
Government organization changes	322,597	-	-
ADJUSTED NET DEBT - beginning of period	<u>17,246,876</u>	<u>25,242,359</u>	<u>16,718,543</u>
Operating Deficit for the period	<u>(586,256)</u>	<u>(1,368,175)</u>	<u>(209,072)</u>
Changes in tangible capital assets			
Acquisition of tangible capital assets	912,371	407,526	189,390
Net book value of tangible capital asset disposals	(36,157)	-	(4,805)
Amortization of tangible capital assets	<u>(204,932)</u>	<u>(187,901)</u>	<u>(185,185)</u>
Increase (Decrease) in net book value of tangible capital assets	<u>671,282</u>	<u>219,625</u>	<u>(600)</u>
Changes in other non-financial assets			
Acquisition of prepaid expenses (net of usage)	3,995	-	4,411
Acquisition of inventories of supplies (net of usage)	<u>9,751</u>	<u>-</u>	<u>(13,764)</u>
Increase (Decrease) in other non-financial assets	<u>13,746</u>	<u>-</u>	<u>(9,353)</u>
Increase (Decrease) in net debt excluding net remeasurement gains and (losses)	<u>1,271,284</u>	<u>1,587,800</u>	<u>199,119</u>
Net remeasurement gains and (losses)			
Opening balance adjustment	-	-	7,110
Net remeasurement gains and (losses) for the year	<u>14,504</u>	<u>-</u>	<u>(13,727)</u>
Increase (Decrease) in net debt	<u>1,256,780</u>	<u>1,587,800</u>	<u>205,736</u>
NET DEBT - end of period	<u><u>18,503,656</u></u>	<u><u>26,830,159</u></u>	<u><u>16,924,279</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 2024
with comparative figures for 2023

	Actuals 2024 (\$000)	Original Budget 2024 (\$000)	Actuals 2023 (\$000)
REVENUE			
Provincial			
Tax Revenue			
Sales	1,658,095	1,431,373	1,452,435
Personal income	1,861,745	1,843,318	2,066,863
Gasoline	88,991	84,589	90,741
Corporate income	352,732	496,407	993,095
Mining and mineral rights	92,796	103,659	137,666
Cannabis tax	13,482	10,110	10,522
Carbon tax	35,100	35,026	109,537
Other	414,715	400,506	426,251
Non-Tax Revenue			
Offshore royalties	904,510	1,100,367	1,166,095
Investment	670,660	426,522	351,912
Fees and fines	393,713	154,248	237,573
Other	46,369	-	35,238
Provincial related revenue	374,377	186,271	248,665
Federal			
Atlantic Accord (2019)	(16,908)	-	(25,489)
Net profits interest	280,166	435,568	191,586
Health and social transfers	921,602	911,284	854,694
Other	11,224	9,710	4,337
Federal related revenue	524,969	757,198	568,617
Total Revenue	8,628,338	8,386,156	8,920,338
EXPENSE			
Salaries and employee benefits	886,842	980,288	668,743
Transportation and communications	33,248	41,236	31,948
Supplies	131,089	120,930	151,824
Professional services	584,784	558,979	553,066
Purchased services	444,522	364,925	316,878
Property, furnishings and equipment	45,205	16,898	19,201
Allowances and assistance	813,654	652,364	997,473
Grants and subsidies	4,963,028	5,803,721	5,149,902
Debt expenses	1,094,404	1,027,089	1,041,584
Amortization and (gain)/loss on the sale of tangible capital assets	209,341	187,901	185,296
Valuation allowances (recovery)	8,477	-	13,495
Total Expense	9,214,594	9,754,331	9,129,410
ANNUAL OPERATING DEFICIT	(586,256)	(1,368,175)	(209,072)

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 2024 with comparative figures for 2023

	Actuals 2024 (\$000)	Original Budget 2024 (\$000)	Actuals 2023 (\$000)
ACCUMULATED OPERATING DEFICIT - beginning of period	14,267,358		14,058,286
Add (Deduct):			
Adjustments			
Government organization changes	(463,988)		-
ADJUSTED ACCUMULATED OPERATING DEFICIT - beginning of period	13,803,370		14,058,286
Operating Deficit for the period	(586,256)	(1,368,175)	(209,072)
ACCUMULATED OPERATING DEFICIT – end of period	14,389,626		14,267,358
ACCUMULATED REMEASUREMENT GAINS AND (LOSSES) - end of period	7,887	-	(6,617)
ACCUMULATED DEFICIT - end of period	<u>14,381,739</u>		<u>14,273,975</u>

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Statement of Remeasurement Gains and Losses
For the year ended 31 March 2024
with comparative figures for 2023**

	Actuals 2024 (\$000)	Actuals 2023 (\$000)
ACCUMULATED REMEASUREMENT GAINS AND (LOSSES) - beginning of period	(6,617)	-
Opening Adjustments	-	7,110
ADJUSTED ACCUMULATED REMEASUREMENT GAINS AND (LOSSES) - beginning of period	<u>(6,617)</u>	<u>7,110</u>
UNREALIZED GAINS (LOSSES) ATTRIBUTABLE TO:		
Foreign exchange	839	(22,823)
Portfolio investments	7,505	382
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS:		
Foreign exchange	6,160	8,714
Net remeasurement gains and (losses) for the period	<u>14,504</u>	<u>(13,727)</u>
ACCUMULATED REMEASUREMENT GAINS AND (LOSSES) – end of period	<u><u>7,887</u></u>	<u><u>(6,617)</u></u>
Accumulated remeasurement gains and (losses) is comprised of:		
Foreign exchange	-	(6,999)
Portfolio investments	7,887	382
Total accumulated remeasurement gains and (losses)	<u><u>7,887</u></u>	<u><u>(6,617)</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 2024 with comparative figures for 2023

	Actuals 2024 (\$000)	Actuals 2023 (\$000)
Funds provided from (applied to):		
OPERATIONS		
Annual operating deficit	(586,256)	(209,072)
Add (Deduct) non-cash items:		
Accounts payable	372,690	430,502
Accounts receivable	(91,690)	189,941
Amortization of (premiums)/discounts and issuance fees	16,208	11,008
Amortization of tangible capital assets	204,932	185,185
April writebacks	(338,682)	16,764
Deferred revenue	159,427	(132,337)
Other	(81,690)	(103,160)
Retirement costs	(57,359)	(39,055)
Sinking funds	(69,581)	(48,145)
Special purpose funds/contractors' holdback funds	17,475	7,125
Valuation allowances	8,477	13,495
Net cash provided from (applied to) operating transactions	(446,049)	322,251
CAPITAL		
Acquisitions	(912,371)	(189,390)
Disposals	27	981
Net cash provided from (applied to) capital transactions	(912,344)	(188,409)
FINANCING		
Debt issued	2,100,000	1,700,000
Debt retirement	(752,619)	(1,885,378)
Retirement of promissory note	(89,527)	(84,460)
Sinking fund contributions	(62,938)	(39,431)
Sinking fund proceeds	154,786	103,483
Treasury bills purchased	8,418,808	8,855,995
Treasury bills redeemed	(8,420,175)	(8,867,449)
Net cash provided from (applied to) financing transactions	1,348,335	(217,240)
INVESTING		
Loan advances and investments	(240,591)	(29,990)
Loan repayments	39,879	28,870
Net cash provided from (applied to) investing transactions	(200,712)	(1,120)
Net cash provided (applied)	(210,770)	(84,518)
Cash and temporary investments - beginning of period	1,302,222	1,386,740
CASH AND TEMPORARY INVESTMENTS - end of period	1,091,452	1,302,222

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

Certain amounts of the 31 March 2023 financial statement figures and related schedules have been restated.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Accounts and Taxes Receivable As at 31 March 2024 with comparative figures for 2023

	2024 (\$000)	2023 (\$000)
Accounts Receivable:		
Due from Government of Canada - note 1	2,496,935	2,651,250
Income support overpayments	111,644	95,881
Offshore royalties	89,926	104,622
Court fines	55,955	55,116
Newfoundland Labrador Liquor Corporation	48,950	48,420
Innovation and Business Development Fund	24,000	30,000
Miscellaneous/other receivables	20,112	17,663
Due from Nalcor Energy	20,033	14,032
Fees and licences	12,367	566
Newfoundland and Labrador Prescription Drug Program rebate	10,758	1,610
Land expropriations	10,403	-
Rent and other royalties/permits to occupy	5,930	5,744
Accident recovery claims	5,879	663
Atlantic Lottery Corporation Incorporated	5,171	1,938
Reciprocal billings - medical services	4,163	4,575
Medical care plan audit recoveries	2,835	2,525
Amounts due as a result of Constituency Allowance review	2,488	2,488
Accrued interest	2,242	-
Workplace, Health, Safety and Compensation Commission	1,819	1,692
Due from municipalities	1,679	1,903
Province of Newfoundland and Labrador Pooled Pension Fund	110	116
Travel advances	27	23
Total: Accounts Receivable	2,933,426	3,040,827
Taxes Receivable:		
Sales tax	153,118	32,427
Personal income tax	102,664	74,880
Mining and mineral rights tax	60,888	88,358
Health and post secondary education tax	20,275	21,251
Gasoline tax	11,311	5,978
School tax	8,802	8,830
Insurance companies tax	8,658	8,806
Cannabis tax	6,526	4,733
Tobacco tax	5,451	7,435
Forest management tax	3,246	1,557
Miscellaneous/other taxes	2,995	3,063
Carbon tax	2,062	8,324
Corporate income tax	18	-
Total: Taxes Receivable	386,014	265,642
Total: Accounts and Taxes Receivable	3,319,440	3,306,469

NOTES

1. Due from Government of Canada includes a receivable of \$2.5 billion for 31 March 2024 (31 March 2023 - \$2.6 billion) related to the Atlantic Accord (2019).

2. The allowance for doubtful accounts for 31 March 2024 is \$132.2 million (31 March 2023 - \$122.2 million).

3. Certain amounts of the 31 March 2023 financial statement figures and related schedules have been restated.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Mortgages Receivable

As at 31 March 2024

with comparative figures for 2023

	2024	2023
	(\$000)	(\$000)
Crown Agencies - note 4:		
Memorial University of Newfoundland	175,010	179,385
Newfoundland and Labrador Film Development Corporation	6,819	6,819
Total: Crown Agencies	181,829	186,204
Commercial Loans		
6574262 Canada Inc.	-	500
Afinin Lab Inc.	-	30
Canada Fluorspar (NL) Inc.	18,044	21,294
Corner Brook Pulp and Paper Limited	122,666	117,225
D.F. Barnes Fabrication Limited	200	200
Doyle, James & Sons Ltd.	771	771
Garrison Guitars	-	171
Holson Forest Products Ltd.	7,319	7,319
Hughes, Vincent	-	50
IC Spa Products Inc.	183	183
Icewater Harvesting Inc.	-	188
Island Seafoods Products Limited	125	125
Keats, Eric	-	102
Koby Seat Inc.	-	9
Mike Butland Fisheries	-	134
MyTechSupport.com Limited	-	20
MyTelescope.com Inc.	-	315
Newfoundland and Labrador Mobile Shelters Limited	367	394
Other Ocean Group Inc.	781	781
PAL Aerospace Ltd.	-	2,250
Phocalux International Inc.	886	863
Pumphrey, Gerry	537	537
Saunders, Ralph	-	61
Seacraft Limited	-	68
Seaward, Alphonsus	-	99
Shell-Ex (formerly known as Eastern Star Group Canada Inc.)	145	145

LOANS, ADVANCES AND MORTGAGES RECEIVABLE (continued)

	<u>2024</u>	<u>2023</u>
	(\$000)	(\$000)
Commercial Loans:		
Short, William	262	262
Superior Waterproof Coating NF & LB Inc.	-	154
Sweet, Roy	-	59
Uncle Phil's Think Tank Inc.	75	75
Wilson, Ronald & Curtis, Kevin	<u>354</u>	<u>354</u>
Total: Commercial Loans	<u>152,715</u>	<u>154,738</u>
Other Loans:		
Municipalities	630	630
Student loans	<u>57,426</u>	<u>57,833</u>
Total: Other Loans	<u>58,056</u>	<u>58,463</u>
Sub-Total: Loans, Advances and Mortgages Receivable	392,600	399,405
Less: Discounts due to concessionary terms - note 5	(18,630)	(16,253)
Provision for loan repayments through future appropriations	<u>(3,549)</u>	<u>(3,921)</u>
Total: Loans, Advances and Mortgages Receivable	<u><u>370,421</u></u>	<u><u>379,231</u></u>

NOTES

1. Interest Rates and Loan Terms

Interest rates on loans range from non-interest bearing to 5% and are repayable over terms not exceeding 26 years.

2. Allowance for Doubtful Accounts

The allowance for doubtful accounts for 31 March 2024 is \$41.9 million (31 March 2023 - \$49.4 million).

3. Security

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

4. Loan Receivable

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

5. Discounts Due to Concessionary Terms on Loans

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

6. Comparative

Certain amounts of the 31 March 2023 financial statement figures and related schedules have been restated.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Investments As at 31 March 2024 with comparative figures for 2023

Description of Investment	Net Additions (Disposals)	Balance 31 March 2024		2023
		No. of Shares		
	(\$000)		(\$000)	(\$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	-	4	166	166
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
Newfoundland Aqua Services Ltd. - redeemable	(208)	1,181,035	1,181	1,389
Pixecur Technologies Inc. - redeemable	-	4,000	400	400
Shell-Ex - Class A	-	350	350	350
Total: Preferred Shares Investments	(5,208)		22,214	27,422
Common Shares:				
ACF Equity Atlantic Inc.	-	2,390,000	2,203	2,203
ACZEN Innovations Inc. - Class A	-	1,763	176	176
Administered by Future Fund	29,260	-	29,260	-
Celebrate NL Inc.	-	500	-	-
Clear Risk Inc.	-	168,675	420	420
Consilient Technologies Corporation - Class B	-	568,182	500	500
First Choice Vision Centre Limited - Class B	-	2,277	228	228
Hurley Slate Works Company Inc. - Class B	-	400	400	400
Jackman Brand Marketing Inc. - Class B	-	1,250	125	125
Marble Mountain Development Corporation	-	500	-	-
Marine Industrial Lighting Systems	-	5,000	500	500
Nalcor Energy Corporation	-	122,500,018	110,187	110,187
NavSim Technologies	-	5,000	500	500
Newfoundland and Labrador Film Development Corporation	-	600	-	-
Newfoundland and Labrador Immigrant Investor Fund Ltd.	-	3	-	-
Newfoundland Hardwoods Limited	-	253	25	25
Northern Radar Inc. - Class C	-	3,749	375	375
Rooms Corporation of Newfoundland and Labrador Inc.	-	500	-	-
Solace Power Inc. - Class D	(140)	-	-	140
Trans Ocean Gas Inc.	-	18,000	90	90
Virtual Marine Technology Inc.	-	305,921	991	991
Total: Common Shares Investments	29,120		145,980	116,860

INVESTMENTS (continued)

	Balance 31 March 2024			2023
Description of Investment	Net Additions (Disposals)	No. of Shares	Cost	Cost
	(\$000)		(\$000)	(\$000)
Non-Share Equity:				
Administered by Future Fund	181,851	-	181,851	-
Nalcor Energy Corporation	-	-	4,738,898	4,738,898
Newfoundland and Labrador Housing Corporation	-	-	62,852	62,852
Newfoundland and Labrador Venture Capital Fund	265	-	9,359	9,094
Atlantic Canada Regional Venture Fund LP	44	-	8,364	8,320
Sandpiper Ventures Fund LP	86	-	543	457
Pelorus Venture Capital General	1,360	-	4,906	3,546
Total: Non-Share Equity Investments	183,606	-	5,006,773	4,823,167
Sub-Total: Investments	207,518		5,174,967	4,967,449
Less: Discounts due to concessionary terms - note 2	-		-	-
Total: Investments	207,518		5,174,967	4,967,449

NOTES

1. Allowance for Investment Write-downs

The allowance for investment write-downs for 31 March 2024 is \$11.3 million (31 March 2023 - \$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 agreements.

3. Comparative

Certain amounts of the 31 March 2023 financial statement figures and related schedules have been restated.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Other Liabilities As at 31 March 2024 with comparative figures for 2023

	2024 (\$000)	2023 (\$000)
Due to Government of Canada - note 1	1,079,671	1,107,605
Taxes payable - note 2	486,952	466,853
Public private partnerships - note 3	437,759	135,625
Asset retirement obligation	319,646	119,779
Accrued salaries and employee benefits - note 4	278,529	128,280
Accrued interest	266,200	240,691
Contaminated sites	249,819	221,926
Accounts payable write-backs	185,241	298,719
Self-insured workers' compensation benefits - note 5	60,965	61,054
Special purpose funds - note 6	48,914	42,252
Accounts payable - other	25,863	12,180
Contractors' holdbacks	22,069	11,256
Offshore royalties	21,841	26,996
Physician services	20,521	19,842
Reciprocal billing-hospital services payable	11,586	10,497
Capital leases - note 7	9,132	14,255
Due to municipalities	-	9
Total: Other Liabilities	<u>3,524,708</u>	<u>2,917,819</u>

NOTES

1. Due to Government of Canada

This amount is comprised of \$800.0 million for the Atlantic Accord (2019) (31 March 2023 - \$800.0 million), \$220.0 million for an Equalization loan (31 March 2023 - \$246.7 million), \$22.2 million for a RCMP policing service contract (31 March 2023 - \$23.7 million) and \$37.5 million for other Federal programs (31 March 2023 - \$37.2 million).

2. Taxes Payable

Taxes payable is comprised of \$466.8 million for corporate income tax (31 March 2023 - \$429.9 million), nil for HST (31 March 2023 - \$21.0 million) and \$20.2 million for other taxes (31 March 2023 - \$16.0 million).

3. Public Private Partnerships

Interest rates for public private partnerships range from 3.55% to 3.85% and have repayment schedules with durations of 26 to 30 years.

OTHER LIABILITIES (continued)

4. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of \$5.4 million for severance (31 March 2023 - \$4.8 million), \$73.2 million for paid/annual leave (31 March 2023 - \$63.0 million), \$90.5 million for salaries (31 March 2023 - \$12.1 million), \$105.5 million for sick leave (31 March 2023 - \$47.0 million), and \$3.9 million for other benefits (31 March 2023 - \$1.4 million).

5. Self-Insured Workers' Compensation Benefits

The amount of \$61.0 million relates to the self-insured workers' compensation benefits liability as at 31 March 2024 (31 March 2023 - \$61.1 million). During the 2022-23 fiscal year, an actuarial valuation as of 31 December 2022, with disclosures as at 31 March 2024, was obtained for the Province's self-insured workers' compensation benefits.

6. Special Purpose Funds

Included in this schedule are funds totalling \$48.9 million (31 March 2023 - \$42.3 million) considered to be special purpose funds whereby payments are made specifically for these purposes. Pursuant to Section 22(a) of the Financial Administration Act, appropriations are not required for these payments.

7. Capital Leases

Interest rates for all capital leases range from 2.34% to 6.00% and have repayment schedules ranging from 1 to 3 years.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Debenture and Other Debt As at 31 March 2024 with comparative figures for 2023

Series	Date of Issue	Date of Maturity	Interest Rate %	Amount in Foreign Currency	Sinking Fund Balance	Amount Issued or Outstanding		Notes
						2024	2023	
				(\$000)	(\$000)	(\$000)	(\$000)	
General Debentures:								
AN	13 Oct. 1993	13 Oct. 2023	7.32	(200,000U.S.)	-	-	270,660	1(a)
6B	07 Jul. 1995	07 Jul. 2025	9.15		48,348	100,000	100,000	1(a)
6C	05 Feb. 1996	05 Feb. 2026	8.45		69,723	150,000	150,000	1(a)
6F	17 Apr. 1998	17 Apr. 2028	6.15		229,575	450,000	450,000	1(a)
6H	27 Jul. 1999	17 Oct. 2029	6.50		102,639	200,000	200,000	1(a)
6K	30 Jun. 2000	17 Oct. 2030	6.55		212,788	450,000	450,000	1(a)
6R	12 Jun. 2003	17 Oct. 2033	5.60		122,824	300,000	300,000	1(a)
6T	21 Sep. 2004	17 Oct. 2035	5.70		112,967	300,000	300,000	1(a)
6U	28 Nov. 2006	17 Apr. 2037	4.50		136,406	350,000	350,000	1(a)
6V	15 May 2007	17 Oct. 2040	4.65		226,119	650,000	650,000	1(a)
6Q	16 Aug. 2002	17 Oct. 2042	6.24		44,500	250,000	250,000	1(a)
6W	18 Mar. 2015	02 Jun. 2025	2.30		-	1,050,000	1,050,000	1(a)
6X	24 Jul. 2015	17 Oct. 2046	3.30		-	2,050,000	2,050,000	1(a)
6Z	18 Mar. 2016	02 Jun. 2026	3.00		-	1,000,000	1,000,000	1(a)
7C	7 Dec. 2016	17 Oct. 2048	3.70		-	750,000	750,000	1(b)
7D	24 Nov. 2017	02 Jun. 2028	2.85		-	1,250,000	1,250,000	1(a)
7F	17 Dec. 2018	17 Mar. 2024			-	-	425,000	1(a,f)
7G	4 Mar. 2019	2 Jun. 2029	2.85		-	1,000,000	1,000,000	1(a)
7H	12 Sep. 2019	17 Oct. 2050	2.65		-	1,900,000	1,900,000	1(a)
7I	18 Aug. 2020	2 Jun. 2030	1.75		-	700,000	700,000	1(b)
7J	9 Dec. 2020	2 Jun. 2030	1.25		-	500,000	500,000	1(a)
7K	21 Sep. 2021	2 Jun. 2031	2.05		-	900,000	900,000	1(a)
7L	19 Oct. 2021	2 Dec. 2052	3.15		-	750,000	750,000	1(a)
7M	8 Nov. 2022	17 Oct. 2027	3.85		12,287	1,400,000	800,000	1(a)
7N	19 Dec. 2022	17 Oct. 2054	4.10		4,607	900,000	300,000	1(a)
7O	9 Jun. 2023	2 Jun. 2033	4.15		9,083	900,000	-	1(a)
Total: General Debentures					1,331,866	18,250,000	16,845,660	
Other:								
Treasury bill borrowings					-	1,155,461	1,156,828	1(c)
Total: Other					-	1,155,461	1,156,828	

DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance	Amount Issued or Outstanding	
					2024	2023
				(\$000)	(\$000)	(\$000)
Government of Canada and Other:						
Canada Pension Plan Investment Fund						
Debentures - note 1(d)						
3A-338 to 3A-05 Apr. 2003 to 01	05 Apr. 2023 to	5.41 to				
347 Mar. 2004 01 Mar. 2024		6.15	-	-	50,738	
3A-348 to 3A-02 Apr. 2004 to 02	02 Apr. 2024 to	5.36 to				
356 Jan. 2005 02 Jan. 2025		5.92	-	47,146	47,146	
3A-357 to 3A-01 Apr. 2005 to 03	01 Apr. 2025 to	4.91 to				
359 Jun. 2005 03 Jun. 2025		5.34	-	23,987	23,987	
Total: Canada Pension Plan Investment						
Fund Debentures			-	71,133	121,871	
Sun Life Assurance Company of Canada - see note 1(e)				-	23,311	27,703
NLSchools 1.35 to prime			-	14,241	-	
Total: Other			-	37,552	27,703	
Total: Government of Canada and Other			-	108,685	149,574	
Total: Debenture and Other Debt				1,331,866	19,514,146	18,152,062
Current portion of Debenture and Other Debt					1,206,851	1,907,618
Long-term portion of Debenture and Other Debt					18,307,295	16,244,444
					19,514,146	18,152,062

DEBENTURE AND OTHER DEBT (continued)

NOTES

1. Details of Debt Issues

- a) Non-callable.
- b) Non-callable. General debenture 7C was reopened and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. General Debenture 7I was reopened and issued \$300.0 million on 13 April 2021, on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest expense on the debenture debt totaling \$27.5 million is netted against the offsetting interest revenue on the loan receivable.
- c) This amount represents the net proceeds from the sale of \$1.155 billion discounted treasury bills with maturity dates ranging from 4 April 2024 to 27 June 2024 and interest rates ranging from 4.950% to 5.131%.
- 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%. This loan was repaid 1 April 2023.
- f) General debenture 7F had a floating interest rate equal to the three month Canadian Dollar Bankers Acceptance Rate plus 21 basis points.

DEBENTURE AND OTHER DEBT (continued)

2. Sinking Fund Balance

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

The Sinking Fund Assets consist of:

	31 March 2024	31 March 2023
	(\$mil)	(\$mil)
Investments	952.9	908.5
Amortization of bond discount	183.0	145.9
Investments	1,135.9	1,054.4
Cash and receivables less accounts payable	196.0	300.1
Net Sinking Fund Assets - translated at 31 March	1,331.9	1,354.5

The net sinking fund assets balance of \$1,331.9 million Canadian dollars as at 31 March 2024 includes nil U.S. dollar assets.

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

CONSOLIDATED REVENUE FUND (UNAUDITED)**DEBENTURE AND OTHER DEBT (continued)****3. Borrowings**

Borrowings, sinking funds and unamortized premiums (discounts) and issuance fees as at 31 March 2024 are noted below.

	Canadian	Unamortized Premiums/ (Discounts) and Issuance Fees	Net
	(\$000)	(\$000)	(\$000)
Debenture and other debt	19,514,146	-	19,514,146
Sinking funds	<u>(1,331,866)</u>	-	<u>(1,331,866)</u>
Sub-total	<u>18,182,280</u>	-	<u>18,182,280</u>
Unamortized premiums (discounts) and issuance fees		<u>(412,498)</u>	<u>(412,498)</u>
Total		<u>(412,498)</u>	<u>17,769,782</u>

4. Contributions and Repayment Requirements

Sinking fund contributions and long term debt repayments 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, and projected adjustments for sinking fund values at maturity.

	Total (\$000)
2024-2025	1,293,540
2025-2026	1,285,269
2026-2027	1,090,403
2027-2028	1,885,529
2028-2029	1,465,415
2029-2055	<u>9,754,847</u>
	16,775,003
Plus: Sinking Fund Values at Maturity	3,702,143
Less: Sinking Fund Contributions	<u>(963,000)</u>
	<u>19,514,146</u>

The foreign exchange loss which has been recognized on the Statement of Operations is \$6.2 million.

DEBENTURE AND OTHER DEBT (continued)

5. Interest Expense

The gross interest expense associated with debenture and other debt, recognized for 31 March 2024, amounted to \$766.8 million (31 March 2023 - \$725.6 million).

6. Related Sinking Fund Investments

At year end, the Province held \$401.0 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2023 - \$617.3 million) which are reflected in the sinking fund balances disclosed in note 3 above. These were comprised of \$401.0 million in Canadian investments and nil in US investments.

7. Risk Disclosure

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

Credit Risk

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

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

Liquidity Risk

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

DEBENTURE AND OTHER DEBT (continued)

Market Risk

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

Foreign Exchange Risk

Foreign exchange rate risk is the risk of unfavorable changes in fair value or future cash flows due to fluctuations in foreign exchange rates on foreign currency denominated assets held by the Province. At March 31, 2024, the Province held no investments in foreign currencies and sets strict limits on the proportion of foreign currency denominated assets that can be held relative to total assets in order to manage exposure to foreign exchange risk. An increase/decrease of one cent in United States (US) dollar foreign exchange rates at March 31, 2024 relative to the Canadian Dollar would result in a nil (2023 - \$2.0 million) increase/decrease in foreign investments. Additionally, the Province has historically issued debentures in US dollars, which entail repayment obligations in US dollars that are subject to foreign exchange risk. At present, all of the Province's current debt is domestic in nature, so no exposure to foreign exchange risk in relation to debt exists at 31 March 2024. 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.

Interest Rate Risk

Interest rate risk is the risk of unfavorable changes in fair value or future cash flows due to fluctuations in market interest rates. The Province manages this risk by setting asset mix guidelines and monitoring assets to limit (1) the total proportion of funds invested in fixed income instruments that are subject to interest rate risk, and (2) the extent to which fixed income assets need to be sold prior to maturity to meet ongoing obligations, which could potentially trigger a capital loss to the Province. At March 31, 2024, \$43.7 million of the sinking fund assets and \$43.8 million of the future fund assets were held in floating rate investments. The Province's outstanding debt is structured such that a high degree of its debt is long-term with fixed interest rates and fixed repayment terms with limited exposure to floating rate debt obligations. When appropriate and the option is available, debt with high interest rates has been called and refinanced with new lower interest rate debt. Otherwise, debt is generally held until maturity. A 1% increase/decrease in interest rates would increase/decrease annual interest expense by \$0.5 million (2023 - \$7.5 million) based upon the impact of refinancing the current portion only. At March 31, 2024, there were no borrowings held in floating rate notes.

Other Price Risk

Other price risk is the risk of unfavorable changes in fair value or future cash flows due to fluctuations in market prices that do not arise from foreign exchange risk, or interest rate risk. The Province is exposed to other price risk through its investments traded in an active market, however such risk is minimal given limited holdings and investment concentration. At March 31, 2024, a 1% increase/decrease in the fair value of equity investments held in sinking funds and the future fund would result in a \$1.8 million (2023 - \$0.5 million) increase/decrease in the value of the investment assets.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Guaranteed Debt As at 31 March 2024 with comparative figures for 2023

	Limit of Guarantee	Contingent Liability	
		2024	2023
	(\$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	113	110
Harbour Breton	334	268	261
Harbour Grace	178	178	175
Placentia	405	105	103
Wabana	56	29	28
	<u>1,095</u>	<u>693</u>	<u>677</u>
Crown Corporations - note 2:			
Newfoundland and Labrador Health Services	101,092	101,092	103,130
Newfoundland and Labrador Hydro Electric Corporation	1,154,525	1,154,525	1,002,985
	<u>1,255,617</u>	<u>1,255,617</u>	<u>1,106,115</u>
Guaranteed Bank Loans - note 7:			
Crown Corporations:			
Newfoundland and Labrador Health Services	20,000	20,000	20,000
Marble Mountain Development Corporation	2,087	1,714	1,396
	<u>22,087</u>	<u>21,714</u>	<u>21,396</u>
Fisheries - note 3:			
A.J. Rodgers & Sons Limited	-	-	3
Anchor Point Enterprises Limited	1,288	609	680
Atlantic Providence Inc.	2,805	748	935
Atlantic Retriever Limited	700	233	292
Bears Cove Fisheries Limited	1,125	150	150
Cecil Ward Limited	-	-	78
Dempster's Fisheries Limited	1,148	170	227
Frazer Scanlon	-	-	6
G & L Fisheries Incorporated	-	-	150
Garrett Mulrooney	531	170	211

CONSOLIDATED REVENUE FUND (UNAUDITED)

GUARANTEED DEBT (continued)

	Limit of Guarantee (\$000)	Contingent Liability	
		2024 (\$000)	2023 (\$000)
Guaranteed Bank Loans:			
Fisheries - note 3:			
Janica II Enterprise Limited	920	58	57
John W. Brazil	276	93	111
Keith Bowen	996	315	306
Northern Auk Fisheries Limited	638	170	213
P & G Sea Harvestors Limited	1,190	642	701
RB Fisheries Limited	1,050	348	420
Sam Tooktoshina Kraken Catches Ltd.	935	889	851
TPJH Fisheries Limited	323	124	149
	<u>13,925</u>	<u>4,719</u>	<u>5,540</u>
Corporate:			
Fogo Island Co-operative Society Limited	1,500	-	-
Stephenville Airport Corporation	-	-	820
	<u>1,500</u>	<u>-</u>	<u>820</u>
Other Bank Loans:			
Consumer Protection Fund for Prepaid Funeral Services	200	-	-
	<u>200</u>	<u>-</u>	<u>-</u>
Other Guarantees:			
Crown Corporations:			
Newfoundland and Labrador Immigrant Investor			
Fund Limited - note 4	-	-	54
	<u>-</u>	<u>-</u>	<u>54</u>
	<u>1,294,424</u>	<u>1,282,743</u>	<u>1,134,602</u>

GUARANTEED DEBT (continued)

NOTES

1. Definitions

The headings used in this Schedule are defined as follows:

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

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

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

2. Debenture Issues with Crown Corporations

	Principal Amount of Debentures Outstanding	Accrued Interest	Value of Sinking Fund	Contingent Liability
	(\$000)	(\$000)	(\$000)	(\$000)
Newfoundland and Labrador Health Services				
- Canadian Funds	<u>130,000</u>	<u>2,605</u>	<u>31,513</u>	<u>101,092</u>
Newfoundland and Labrador Hydro Electric Corporation				
- Canadian Funds	1,225,000	11,814	382,289	854,525
- Promissory Notes	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
	<u>1,525,000</u>	<u>11,814</u>	<u>382,289</u>	<u>1,154,525</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 2024, the Province's contingent liability with respect to these guarantees is \$4.7 million (31 March 2023 - \$5.5 million).

4. Newfoundland and Labrador Immigrant Investor Fund Limited

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

GUARANTEED DEBT (continued)

5. Payments under Guarantee

Payments under guarantee for 31 March 2024 is nil (31 March 2023 - nil).

6. Valuation Allowance

The provision for guaranteed debt for 31 March 2024 is nil (31 March 2023 - nil).

7. General Terms and Conditions

Guaranteed debentures and guaranteed bank loans have maturity dates ranging from February 2026 to December 2045 at interest rates varying from 3.3% to 9.7%.