



## The Province of New Brunswick

### 0.125% Debentures 2019 – 2032 of CHF 100,000,000 ("Tranche A") 0.250% Debentures 2019 – 2039 of CHF 125,000,000 ("Tranche B") (Tranche A and Tranche B together the "Debentures")

<b>Issuer's Name and registered office:</b>	The Province of New Brunswick, Government of New Brunswick, Chancery Place, 675 King Street, 4 <sup>th</sup> Floor, Fredericton, New Brunswick E3B 5H1, Canada
<b>Interest Rate:</b>	Tranche A: 0.125% p.a., payable annually in arrears on 6 December, for the first time on 6 December 2020 Tranche B: 0.250% p.a., payable annually in arrears on 6 December, for the first time on 6 December 2020
<b>Issue Price:</b>	The Joint-Lead Managers (as defined below) have purchased the Debentures ( <i>Obligationen</i> ) at 101.559% for Tranche A and at 100.930% for Tranche B of the nominal amount (before commission).
<b>Placement Price:</b>	The Placement Price of the Debentures will be fixed in accordance with supply and demand.
<b>Payment Date:</b>	6 December 2019
<b>Maturity Date / Redemption:</b>	Tranche A: 6 December 2032, redemption at par Tranche B: 6 December 2039, redemption at par
<b>Early Redemption:</b>	For tax reasons only, at par in accordance with the terms and conditions of the Debentures.
<b>Reopening of the Issue:</b>	The Issuer reserves the right to reopen this issue according to the terms and conditions of the Debentures.
<b>Denominations:</b>	CHF 5,000 nominal and multiples thereof.
<b>Form of the Debentures:</b>	The Debentures will be documented by a Permanent Global Certificate and registered as intermediated securities ( <i>Bucheffekten</i> ) in the main register ( <i>Hauptregister</i> ) with SIX SIS Ltd. Investors do not have the right to request the printing and delivery of definitive Debentures.
<b>Covenants:</b>	Pari Passu Clause
<b>Listing and Trading:</b>	Listing will be applied for in accordance with the standard for Debentures of the SIX Swiss Exchange. The Debentures have been provisionally admitted to trading on the SIX Swiss Exchange on 4 December 2019. The last trading day of the Debentures is expected to be the second business day prior to the Maturity Date.
<b>Governing Law and Jurisdiction:</b>	The Debentures are governed by, and construed in accordance with the laws of Province of New Brunswick and the laws of Canada applicable therein. Place of jurisdiction for the Debentures and all related contractual documentation shall be Fredericton.
<b>Selling Restrictions:</b>	In particular U.S.A., U.S. persons, United Kingdom and European Economic Area.
<b>Debentures Rating:</b>	The Debentures are expected to be rated "Aa2" by Moody's and "A+" by Standard and Poor's
<b>Security Numbers / ISINs / Common Codes:</b>	Tranche A: 46.123.900 / CH0461239003 / 208764527 Tranche B: 46.123.901 / CH0461239011 / 208764543

UBS Investment Bank

CIBC Capital Markets

together the "Joint-Lead Managers"  
or the "Syndicate Banks"

## SELLING RESTRICTIONS

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Each of the Issuer and the Syndicate Banks warrants and agrees that it will comply with the following selling restrictions:

### *General*

Save for having listed the Debentures at the SIX Swiss Exchange, no action has been or will be taken in any jurisdiction by the Issuer or the Syndicate Banks that would permit a public offering of the Debentures, or possession or distribution of any offering material in relation thereto, in or from any country or jurisdiction where action for that purpose is required. In addition to the specific selling restrictions set out below, the Issuer and the Syndicate Banks undertake to comply with all applicable laws and regulations in each country or jurisdiction in which it purchases or in or from which it offers, sells or delivers the Debentures or has in its possession or distributes any offering material in respect of the Debentures.

### *United States of America and United States Persons*

A) The Debentures have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States of America or to or for the account or benefit of U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Issuer and the Syndicate Banks have offered or sold the Debentures, and will offer and sell the Debentures (i) as part of their distribution at any time and (ii) acquired otherwise until 15 January 2020 (40 days after the Payment Date) (the "**Restricted Period**"), only in accordance with Rule 903 of Regulation S under the Securities Act.

Accordingly, neither the Issuer, the Syndicate Banks and their affiliates nor any persons acting on their behalf have engaged or will engage in any selling efforts directed to the United States with respect to the Debentures, and they have complied and will comply with the offering restrictions requirement of Regulation S. The said Syndicate Bank has agreed that, at or prior to confirmation of sale of the Debentures, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Debentures from them during the Restricted Period, a notice to substantially the following effect:

"The Debentures covered hereby have not been registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States of America or to, or for the account or benefit of U.S. persons (i) as part of their distribution at any time and (ii) otherwise acquired until 15 January 2020 except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used in this paragraph (A) have the meanings given to them by Regulation S under the Securities Act.

B) Each of the Syndicate Banks represents, warrants and agrees that it has not entered and will not enter into any contractual arrangement (other than this Agreement) with respect to the distribution or delivery of the Debentures, except with their affiliates or with the prior written consent of the Issuer.

C) In addition, each of the Syndicate Banks:

(1) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**"), (a) has neither offered to sell nor sold, and during the restricted period will neither offer to sell nor sell, the Debentures to a person who is within the United States or its possessions or to a U.S. person, and (b) has not delivered and will not deliver, within the United States or its possessions, any Debentures in definitive bearer form that may be sold during the Restricted Period;

(2) represents and agrees that it has, and throughout the Restricted Period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling the Debentures are aware that such Debentures may not be offered or sold during the restricted period to a person who is within the United States or its possessions, or to a U.S. person, except as permitted by the D Rules;

(3) if the Syndicate Bank is a U.S. person, it represents that it is acquiring the Debentures for the purposes of resale in connection with the original issuance of the Debentures and if it retains the Debentures for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6);

(4) represents and agrees that the Debentures will be offered and sold in accordance with practices and documentation customary in Switzerland;

(5) will use reasonable efforts to sell the Debentures within Switzerland;

(6) represents and agrees that more than 80% by value of the Debentures will be offered and sold to persons who are not distributors by distributors maintaining an office located in Switzerland;

(7) has not applied, and will not apply, for listing of the Debentures on any exchange outside Switzerland; and  
(8) with respect to each affiliate that acquires from the Syndicate Banks the Debentures in bearer form for the purpose of offering or selling such Debentures during the Restricted Period, such Syndicate Bank repeats and confirms the representations and agreements contained in clauses (1) through (7) on behalf of such affiliate.

Terms used in this paragraph (C) have the meanings given to them by the U.S. Internal Revenue Code and the regulations thereunder, including the D Rules.

Each of the Syndicate Banks agrees that all offering materials and documents used in connection with offers and sales of the Debentures prior to the expiration of the Restricted Period shall include the following language:

"The Debentures have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act."

#### *European Economic Area*

In relation to each Member State of the European Economic Area, each of the Syndicate Banks represents and agrees, that it has not made and will not make an offer of Debentures which are the subject of the offering contemplated by the Prospectus to the public in that Member State except that it may make an offer of such Debentures to the public in that Member State:

- a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Syndicate Banks nominated by the Issuer for any such offer; or
- c) at any time in any other circumstances falling within Article 1 (4) of the Prospectus Regulation,

provided that no such offer of Debentures referred to in (a) to (c) above shall require the Issuer or the Syndicate Banks to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

#### *United Kingdom*

Each of the Issuer and the Syndicate Banks represents and agrees that:

- (i) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") with respect to anything done by it in relation to the Debentures in, from or otherwise involving the United Kingdom; and
- (ii) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Debentures in circumstances in which section 21(1) of the FSMA would not, if the Issuer was not an authorized person, apply to the Issuer.

## **FORWARD LOOKING STATEMENTS**

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This Prospectus (as defined below) contains certain forward-looking statements and information relating to the Province of New Brunswick that are based on the current expectations, estimates, plans, strategic aims, vision statements, and projections of their management and information currently available to the Province of New Brunswick.

These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results of operations, financial condition, performance or achievements of the Issuer to be materially different from any future results, financial condition, performance or achievements expressed or implied by such forward-looking statements. Terms and phrases such as "will", "believe", "expect", "anticipate", "intend", "plan", "predict", "estimate", "project", "target", "assume", "may" and "could", and variations of these words and similar expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Neither the Issuer, nor the Joint-Lead Managers undertake an obligation to update any forward-looking statement, even if new information, future events or other circumstances have made them incorrect or misleading.

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## GENERAL INFORMATION

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### Notice to Investors

This Swiss listing prospectus (the "**Prospectus**") shall be read and construed on the basis that the annexes hereto are deemed to be incorporated in, and to form part of, this Prospectus.

The financial institutions involved in the issuance and offering of the Debentures are banks, which directly or indirectly have participated, or may participate, in financing transactions and/or other banking business with the Issuer, which are not disclosed herein.

Investors are advised to familiarise themselves with the entire content of this Prospectus.

### Auditor / Auditor Supervision

The Consolidated financial statements of this Issuer have been audited by the Auditor General of New Brunswick, Kim MavPherson, CPA, CA Canada. P.O. Box 758, 6<sup>th</sup> Floor, Suite 650, 520 King Street, Fredericton, N.B. E3B 5B4 (the Auditor General). Potential Investors are informed that the Auditor General conducted the audit of the consolidated financial statements in accordance with Canadian Generally Accepted Auditing Standards.

Potential Investors are informed that the Auditor is not supervised by a home supervisory body and is therefore not recognised by the Swiss Federal Council.

### Documents Available

Copies of this Prospectus (or of the documents incorporated by reference see section below) are available at UBS AG, Investment Bank, Swiss Prospectus Switzerland, P.O. Box, 8098 Zurich, Switzerland, or can be ordered by telephone +41-44-239 47 03 (voicemail), fax +41-44-239 69 14 or by e-mail [swiss-prospectus@ubs.com](mailto:swiss-prospectus@ubs.com).

### Prospectus

This Prospectus is available in English language only and provides information about the Issuer and the Debentures. This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Debentures.

No person has been authorized to give any information or make any representation in connection with the offering of the Debentures other than as stated herein and any other information or representation if given or made should not be relied upon as having been authorised by the Issuer or the Joint-Lead Managers. Neither the delivery of this Prospectus, nor the issue of the Debentures nor any sale thereof shall, in any circumstances, create any implication that there has been no material adverse change in the affairs of the Issuer since the date hereof.

# INFORMATION ON THE DEBENTURES

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## Authorisation

Pursuant to an authorisation by Order in Council 2019-27 dated the 14<sup>th</sup> day of February 2019 and Order in Council 2019-28 dated the 14<sup>th</sup> day of February 2019 and a Debentures Purchase and Paying Agency Agreement dated 4 December 2019 between the Issuer on one side and UBS AG, acting through its business division UBS Investment Bank ("**UBS AG**") and CIBC World Markets plc (together with UBS AG the "**Joint-Lead Managers**") on the other side, the Issuer has decided to issue the Debentures of CHF 100,000,000 to be paid on 6 December 2019 and maturing on 6 December 2032 for Tranche A and Debentures of CHF 125,000,000 to be paid on 6 December 2019 and maturing on 6 December 2039 for Tranche B.

## Use of Net Proceeds

The net proceeds of the Debentures, being the amount of CHF 101,259,000 for Tranche A and of 125,662,500 for Tranche B (the "**Net Proceeds**") will be utilized by the Issuer for its general governmental purposes and to refinance debt of the New Brunswick Power Corporation. None of the Joint-Lead Managers shall have any responsibility for, or be obliged to concern itself with, the application of the Net Proceeds of the Debentures.

## Notices

All notices in relation to the Debentures will be published in electronic form on the internet site of the SIX Swiss Exchange under the section headed Official Notices (currently: [http://www.six-swiss-exchange.com/news/official\\_notices/search\\_en.html](http://www.six-swiss-exchange.com/news/official_notices/search_en.html)).

## Representation

In accordance with Article 58a of the Listing Rules of the SIX Swiss Exchange, UBS AG has been appointed by the Issuer as representative to lodge the listing application with the SIX Swiss Exchange.

## INFORMATION ON THE ISSUER

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New Brunswick (the Province) is located on the eastern seaboard of Canada and is one of the four Atlantic provinces. New Brunswick has a total area of 28,355 square miles of which about 12,877 square miles is Crown land owned by the Province. The St. John River flows for a distance of over 300 miles through the Province to its mouth on the Bay of Fundy. The Province's population is concentrated principally in the valleys of the St. John and other rivers.

A large part of New Brunswick is covered by forests which constitute a major natural resource. Other natural resources include fish and shellfish, farmland and base metals, coal, potash, limestone and other minerals. The location of the Province provides the advantage of cost effective water transportation for its products to export markets in the eastern U.S., Great Britain and Western Europe. Saint John, New Brunswick's largest city, located at the mouth of the St. John River on the Bay of Fundy, is home to one of North America's largest oil refineries and is one of the two principal seaports in eastern Canada that remain open throughout the year. Consequently, some Canadian shipping, which would otherwise pass through the St. Lawrence River, is diverted to the Saint John port during the winter months.

According to Statistics Canada, the population of the Province on July 1, 2019 was estimated at 776,827. The three largest urban areas of New Brunswick and their respective populations (as of July 1, 2018) are Moncton (152,604), Saint John (130,107) and Fredericton (108,054) the capital of the Province.

### Government

Canada consists of a federation of provinces and Federal territories with a constitutional division of powers between the Federal and provincial governments established by a Constitution Act, 1867 and the Constitution Act, 1982. Under these Acts the provinces are assigned jurisdiction over health, social services, education, municipal institutions, property and civil rights, natural resources and other matters of purely private or local concern. The Parliament of Canada has jurisdiction over all areas not assigned exclusively to the provincial legislatures, including such matters as the Federal public debt and property, the regulation of trade and commerce, currency and coinage, banks and banking, national defense, the postal services, railways and navigation, and employment insurance.

The Constitution Act, 1982 provides for enlarged provincial jurisdiction over, and taxation of, certain natural resources and electrical energy, a Charter of Rights and Freedoms, including language rights, the principles of the reduction of regional economic disparities and the making of fiscal equalization payments to certain provinces by the Government of Canada, and for the amendment of the constitution in Canada. Each province owns mineral and other resources on its provincial Crown Lands and its own sub-surface resources on its other lands.

The execution power in New Brunswick is vested in the Lieutenant-Governor acting on the advice of the Executive Council. The Executive Council is responsible to the Legislative Assembly. The Lieutenant-Governor, who is the representative of the Queen, is appointed by the Governor-General of Canada in Council on the recommendation of the Prime Minister of Canada. The current Lieutenant-Governor is the Honourable Brenda Murphy. Members of the Executive Council are appointed by the Lieutenant-Governor on the nomination of the Premier from members of the Legislative Assembly.

Legislative power is exercised by the Legislative Assembly and legislation becomes effective upon the assent of the Lieutenant-Governor unless otherwise specified in the legislation. The Legislative Assembly is elected for a term of four years and may be dissolved at any time by the Lieutenant-Governor.

The 58<sup>th</sup> Legislature was dissolved on August 23, 2018. On September 24, 2018, a general election was held in New Brunswick which resulted in a minority government with 49 seats distributed as follows: 21 Liberal Party, 22 Progressive Conservative Party, 3 Green Party, and 3 People's Alliance Party.

The First Session of the 59<sup>th</sup> Legislature opened on October 23, 2018, when the Lieutenant-Governor delivered the Speech from the Throne on behalf of the Liberal Government. On November 2, 2018, the Legislative Assembly passed a motion of non-confidence in the government, following which Premier Brian Gallant resigned. The Lieutenant-Governor then called upon the Progressive Conservatives and their leader, Blaine Higgs, to form government. The Legislative Assembly opened for a Second Session on November 20, 2018, at which time the Lieutenant-Governor delivered the Speech from the Throne on behalf of the newly formed Progressive Conservative Government.



## Members of the Executive Council (List of Ministers)

Hon.		Cabinet
Blaine Higgs	Premier	Office of the Premier
Blaine Higgs	President	Executive Council
Blaine Higgs	Minister	Intergovernmental Affairs
Robert Gauvin	Deputy Premier	Office of the Deputy Premier
Robert Gauvin	Minister	Tourism, Heritage and Culture
Robert Gauvin	Minister responsible	Francophonie
Trevor Holder	Minister	Post-secondary Education, Training and Labour
Carl Urquhart	Minister	Public Safety
Dorothy Shephard	Minister	Social Development
Dorothy Shephard	Minister responsible	Economic and Social Inclusion Corporation
Jake Stewart	Minister	Aboriginal Affairs
Ross Wetmore	Minister	Agriculture, Aquaculture and Fisheries
Sherry Wilson	Minister	Service New Brunswick
Sherry Wilson	Minister responsible	Women's Equality
Hugh J. A. (Ted) Flemming, Q.C.	Minister	Health
Jeff Carr	Minister	Environment and Local Government
Bill Oliver	Minister	Transportation and Infrastructure
Ernie Steeves	Minister	Finance and Treasury Board
Andrea Anderson-Mason	Minister	Justice and Office of the Attorney General
Andrea Anderson-Mason	Attorney General	Justice and Office of the Attorney General
Andrea Anderson-Mason	Minister responsible	Regional Development Corporation
Dominic Cardy	Minister	Education and Early Childhood Development
Mike Holland	Minister	Energy and Resource Development
Mary Wilson	Minister	Economic Development and Small Business
Mary Wilson	Minister responsible	Opportunities New Brunswick

### Legal proceedings

Except as disclosed herein, the Issuer is not involved in any court, arbitration, governmental or administrative proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the past 12 months a significant effect on the financial position of the Issuer.

The Province of New Brunswick is involved in various legal proceeding. Of the proceedings outlined below none have been quantified and depending on the outcome thereof might be material hereto. The probability of success of any of the claims is not determinable at this time.

1. Clifford Kennedy et al.

The plaintiffs, being four civil service retirees, commenced an action against PNB seeking to be representatives of all pensioners in connection with certain pension reform legislation. The plaintiffs' lawyer has resigned from the case and to date it remains unclear if the plaintiffs will retain new counsel and proceed with the action.

2. Guy Levesque

The plaintiff, a civil service retiree, commenced an action against PNB and certain unions seeking to be the representative of all pensioners in connection with the pension reform legislation referred to immediately above.

The action seeks unspecified damages for breach of contract and breach of trust due to the changes introduced by pension plan reform. Mr. Levesque's counsel was disqualified by order of the Court as a result of a conflict of interest and he unsuccessfully appealed that order. Mr. Levesque has not confirmed if he has retained a new lawyer, therefore, the matter remains on standby for now. Should he wish to proceed with the action, it is anticipated that either this action, or the action referred to immediately above (*Clifford Kennedy et al.*), will be stayed, or that they will be consolidated and dealt with together.

3. Professional Institute of the Public Service of Canada et al.

The plaintiff, a union representing approximately 350 provincial government employees, commenced an action against PNB in connection with the pension reform legislation referenced above. The action seeks various unspecified damages due to the changes introduced by pension plan reform.

4. Schneider & McGinnis

In this class action lawsuit, the plaintiffs allege that, while residents of a provincial institution, they were victims of improper, tortious conduct by a police officer as a result of negligence by the institution.

5. Arren Sock and Kenneth Francis o.b.o. Elsipogtog First Nation and other members of the Mi'kmaq Nation

The plaintiffs have sued for a declaration of Aboriginal title, founded in breach of constitutional obligations, breach of fiduciary duty, trespass and nuisance. Pleadings are now closed and the parties' lawyers have met twice, in Halifax and Fredericton, to determine negotiation and/or litigation priorities and timetables. The plaintiffs have indicated an interest in joining the litigation referenced below at #7 (*Chief Ann Mary Steele et al.*) to which the plaintiffs in that matter are not opposed.

6. Eel River Bar First Nation

In relation to a dam built in the 1960s, the plaintiff alleges breach of fiduciary duty on the part of the federal government for allowing the transfer of reserve land to PNB, which is alleged to have caused the destruction of their culture and breach of constitutionally protected Aboriginal fishing rights.

7. Chief Ann Mary Steele et al.

This is a claim brought by several First Nations alleging that the Crown failed to consult in the face of obvious infringements to Aboriginal and Treaty rights, in circumstances where the Crown's Forest Strategy is unsustainable and will negatively impact on flora and fauna in the New Brunswick forests. The litigation is being held in abeyance pending the outcome of negotiations and further consultation on the Forest Strategy. They are ongoing.

8. Caisse Populaire de Shippagan Ltée

The bonding company for the Caisse Populaire is suing certain auditors to recover losses paid out to PNB as a result of the auditors' negligence. The main Defendant, Grant Thornton, and some others have filed and served Third Party Claims against the Superintendent of Credit Unions, representing the Province.

9. Executive Council Office Re Property Assessment Class Action

PNB has been served pursuant to the Proceedings Against the Crown Act with a Notice of Intention to commence a class action against PNB and Service New Brunswick, a Crown Corporation (SNB). PNB has to date not been served with a filed Notice of Action with Statement of Claim Attached and, accordingly, the claim could be statute-barred. Should the plaintiffs attempt to proceed, the claim will be for damages allegedly caused by irregularities in SNB's system for assessment of real property.

10. Mark Scott v. Province of New Brunswick

PNB has been served notice of an intended class action pursuant to the *Proceedings Against the Crown Act*, regarding PNB's actions during the "Sixties Scoop", which refers to the removal of Indigenous and Metis children from their families and placing them in foster or adoptive care with non-Indigenous families. The claim will be for damages, aggravated damages and punitive damages.

11. Darren Tidd et al. v. Province of New Brunswick and Vitalité Health Network

The representative plaintiffs are seeking certification of a class action proceeding in which they allege a failure to provide adequate mental health services at the Restigouche Hospital Centre (mental health facility) including negligence, breach of fiduciary duty and various *Charter* breaches.

### **Annual financial statements and Audit thereof**

Please refer to Annex A attached to this Prospectus.

### **Recent developments**

On November 15, 2019 the provincial government released its economic and fiscal update.

The Department of Finance projects real GDP for New Brunswick of 0.6 per cent for 2019. This is unchanged from 2019-2020 Budget forecast.

Based on second quarter information, there is a projected surplus of \$88.1 million compared to the budgeted surplus of \$23.1 million.

Revenue is projected to be \$101.6 million higher than budgeted. Total expenses are projected to be \$36.6 million higher than budgeted.

Net debt is projected to decrease by \$232.7 million from budget. Net debt is projected at \$13.8 billion by March 31, 2020.

The 2019-2020 second quarter economic and fiscal update is available online.

<https://www2.gnb.ca/content/dam/gnb/Departments/fin/pdf/Publications/2019-2020SecondQuarterReport.pdf>.

**Material changes since the most recent annual financial statements**

Save as disclosed herein, there has been no material change, nor any event involving a prospective material adverse change, in the assets and liabilities, financial position or prospects of the Issuer since 31 March 2019.

## TAXATION

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The following is a summary of certain tax implications under the laws of Switzerland as they may affect investors. It applies only to persons who are beneficial owners of Debentures and may not apply to certain classes of persons. The Issuer makes no representations as to the completeness of the information nor undertakes any liability of whatsoever nature for the tax implications for investors. Potential investors are strongly advised to consult their own professional advisers in light of their particular circumstances.

### Swiss Federal Withholding Tax

At present, payment of interest on the Debentures and repayment of principal of the Debenture are not subject to Swiss federal withholding tax, provided that the Issuer is at all times resident and managed outside Switzerland for Swiss tax purposes.

On 4 November 2015 the Swiss Federal Council announced a mandate to the Swiss Federal Finance Department to institute a group of experts tasked with the preparation of a new proposal for a reform of the Swiss withholding tax system. The new proposal is expected to include in respect of interest payments the replacement of the existing debtor-based regime by a paying agent-based regime for Swiss withholding tax similar to the one published on 17 December 2014 by the Swiss Federal Council and repealed on 24 June 2015 following the negative outcome of the legislative consultation with Swiss official and private bodies. Under such a new paying agent-based regime, if enacted, a paying agent in Switzerland may be required to deduct Swiss withholding tax on any payments or any securing of payments of interest in respect of a Debenture for the benefit of the beneficial owner of the payment unless certain procedures are complied with to establish that the owner of the Debenture is not an individual resident in Switzerland.

### Swiss Federal Securities Turnover Tax

The issue and the sale of a Debenture on the issuance day (primary market transaction) are not subject to Swiss federal securities turnover tax (*Umsatzabgabe*). Secondary market dealings in Debentures may be subject to the Swiss federal securities turnover tax at a rate of up to 0.30% of the purchase price of the Debentures, however, only if a securities dealer in Switzerland or Liechtenstein, as defined in the Swiss federal stamp duty act (*Bundesgesetz über die Stempelabgaben*), is a party or acts as an intermediary to the transaction and no exemption applies.

### Income Taxation on Principal or Interest

#### a) *Debentures Held by Non-Swiss Holders*

Payments of interest and repayment of principal by the Issuer to, and gain realized on the sale or redemption of Debentures by, a holder of Debentures who is not a resident of Switzerland and who during the current taxation year has not engaged in a trade or business through a permanent establishment in Switzerland to which such Debenture is attributable will not be subject to any Swiss federal, cantonal or communal income tax in respect of such Debenture.

For the potential new Swiss withholding tax legislation replacing the current issuer-based withholding tax system for a paying-agent based system, see above "*Swiss Federal Withholding Tax*".

#### b) *Debentures Held as Private Assets by a Swiss Resident Holder*

Individuals who are resident in Switzerland and who hold Debentures as private assets are required to include all payments of interest on such Debentures in their personal income tax return for the relevant tax period and will be taxable on any net taxable income for such tax period.

A capital gain, including a gain relating interest accrued realized on the sale or redemption of Debentures by such a Swiss resident holder, is a tax-free private capital gain, and, conversely, a respective loss on the Debenture is a non-tax-deductible private capital loss.

*Debentures without a "predominant one-time interest payment"*: Holders of Debentures without a predominant onetime interest payment (the yield-to-maturity predominantly derives from periodic interest payments and not from a onetime interest payment) who are individuals receive payments of interest on Debentures (either in the form of periodic interest payments or as a one-time-interest-payment such as an issue discount or a repayment premium) are required to include such payments in their personal income tax return and will be taxable on any net taxable income (including the payments of interest on the Debentures) for the relevant tax period.

*Debentures with a "predominant one-time interest payment"*: In the case of Debentures with a "predominant one-time interest payment" (the yield-to-maturity predominantly derives from a one-time-interest-payment such as an original issue discount or a repayment premium and not from periodic interest payments), the positive difference (including any capital and foreign exchange gain) between the amount received upon sale or redemption and the

issue price (if the Debentures were purchased thereafter) will be classified as a taxable interest payment, as opposed to a tax-free capital gain (differential taxation method). Losses realized on the sale of Debentures with a "predominant onetime interest payment" may be offset against gains realized within the same tax period on the sale of any notes with a "predominant one-time interest payment".

*c) Debentures Held as Swiss Business Assets and by Private Persons Classified as Professional Securities Dealers*

Individuals who hold Debentures as part of a business in Switzerland and Swiss resident corporate taxpayers and corporate taxpayers resident abroad holding Debentures as part of a permanent establishment in Switzerland, are required to recognize the payments of interest and any gain realized on the sale or redemption of such Debentures (including a gain relating to interest accrued) and any loss on such Debentures in their income statement for the respective tax period and will be taxable on any net taxable earnings for such period. The same taxation treatment also applies to Swiss resident individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, inter alia, frequent dealings and leveraged investments in securities.

**Automatic Exchange of Information in Tax Matters**

The Automatic Exchange of Information in Tax Matters ("AEI") is a global initiative led by the Organization of Economic Co-Operation and Development ("OECD"). It aims to establish a universal standard for automatic exchange of tax information and to increase tax transparency. Jurisdictions that are committed to implement or have implemented the AEI (such as Switzerland, the EU member countries and many other jurisdictions worldwide) require their Reporting Financial Institutions in accordance with the respective local implementing law to determine the tax residence(s) of their account holders and controlling persons (as applicable) and, in case of reportable accounts, report certain identification information, account information and financial information (including the account balance and related payments such as interest, dividends, other income and gross proceeds) to the local tax authority which will then exchange the information received with the tax authorities in the relevant reportable jurisdictions.

More specifically, Switzerland has concluded a multilateral AEI agreement with the EU (replacing the EU savings tax agreement) and has concluded bilateral AEI agreements with several non-EU countries. In accordance with such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland has begun exchange data so collected, and such data may include data about payments made in respect of the Debentures.

## RESPONSIBILITY STATEMENT

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The Issuer accepts responsibility for all information contained in this Prospectus and has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading, whether of fact or opinion.

Fredericton, 4 December 2019



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**The Province of New Brunswick**

# **TERMS AND CONDITIONS OF THE DEBENTURES FOR TRANCHE A**

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The terms and conditions of the debentures (each a "**Condition**", and together the "**Terms of the Debentures**"), issued by The Province of New Brunswick, are established pursuant to the Debenture Purchase and Paying Agency Agreement. The Terms of the Debentures govern the rights and obligations of the Issuer and the Debentureholders (as defined below) in relation to the Debentures (as defined below) and are as follows:

**A. Form, Denomination, Certification, Printing and Delivery of the Debentures**

The aggregate principal amount of the issue of CHF 100'000'000 (hundred million Swiss francs) is divided into debentures with denominations of CHF 5,000 (five thousand Swiss francs) (each, a "**Debenture**", together the "**Debentures**").

The Province of New Brunswick (the "**Issuer**") reserves the right to reopen this issue and increase the aggregate principal amount at any time and without prior consent of or permission of the Debentureholders (as defined below) through the issue of further debentures which will be fungible with the Debentures (i.e. identical especially in respect of the Terms of the Debentures, security number, final maturity and interest rate) (the "**Reopening**").

The Debentures will be issued in the form of a Permanent Global Certificate (*Globalurkunde*) in accordance with Article 973b of the Swiss Code of Obligations.

Each holder of such Debentures (the "**Debentureholders**" and each a "**Debentureholders**") shall have a quotal co-ownership interest (*Miteigentumsanteil*) in the Permanent Global Certificate to the extent of his claim against the Issuer, provided that for so long as the Permanent Global Certificate remains deposited with the SIX SIS AG or any other intermediary (*Verwahrungsstelle*) recognized by the SIX Swiss Exchange for the settlement of transactions in debentures listed on such exchange (the "**Intermediary**"). Once the Permanent Global Certificate is deposited with the Intermediary and entered into the securities accounts of one or more participants of the Intermediary, the Debentures will constitute intermediated securities (*Bucheffekten*, the "**Intermediated Securities**") in accordance with the provisions of the Swiss Federal Act on Intermediated Securities (*Bucheffektengesetz*). The co-ownership interest shall be suspended and so long as the Debentures are Intermediated Securities, the Debentures may only be transferred by the entry of the transferred Debentures in a securities account of the transferee.

The records of the Intermediary will determine the number of Debentures held through each participant in that Intermediary. In respect of the Debentures held in the form of Intermediated Securities, the Debentureholders will be the persons holding the Debentures in a securities account or, in the case of intermediaries, the intermediaries holding the Debentures for their own account in a securities account which is in their name.

Neither the Issuer nor the Debentureholders but only the Principal Paying Agent (as defined below), in circumstances, where the Principal Paying Agent deems the printing and delivery of Definitive Debentures (as defined below) necessary or useful, shall at any time have the right to effect or demand the conversion of the Permanent Global Certificate into, or the delivery of, uncertificated securities (*Wertrechte*) or individually certificated securities (*Wertpapiere*) ("**Definitive Debentures**").

Individually certificated securities (*Wertpapiere*) may only be printed, in whole but not in part, if the Principal Paying Agent determines, in its sole discretion, that the printing of such individually certificated securities (*Wertpapiere*) is necessary or useful. Should the Principal Paying Agent so determine, it shall provide for the printing of the individually certificated securities (*Wertpapiere*) without cost to the Debentureholders.

If printed, the Debentures shall be documented individually certificated securities (*Wertpapiere*) with coupons appertaining thereto in the principal amount of CHF 5,000, CHF 100,000 and / or CHF



1,000,000 and shall be executed by affixing thereon the facsimile signatures of two authorized offices of the Issuer.

In the case individually certificated securities (*Wertpapiere*) are printed, the Permanent Global Certificate (*Globalurkunde auf Dauer*) will immediately be cancelled by the Principal Paying Agent and the individually certificated securities (*Wertpapiere*) shall be delivered to the Debentureholders against cancellation of the respective intermediated securities (*Bucheffekten*) in their respective securities accounts.

## **B. Status of the Debentures**

The Debentures constitute direct, unsubordinated, unsecured obligations of the Issuer and among themselves rank *pari passu* and will be payable rateably without any preference or priority. The Debentures will rank equally with all of the Issuer's other unsecured and unsubordinated indebtedness and obligations from time to time outstanding. Payment of principal and interest on the Debentures will be a charge on and payable out of the Consolidated Fund of New Brunswick.

## **C. Interest**

### **1.1 Interest Rate**

The Debentures bear interest from 6 December 2019 (the "**Issue Date**") at the rate of 0.125 per cent per annum of the principal amount thereof payable annually in arrear on 6 December (the "**Interest Payment Date**") commencing on 6 December 2020 and unless redeemed earlier, ending on 6 December 2032 (the "**Maturity Date**").

The period beginning on the Issue Date and ending on the day preceding the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the day preceding the next Interest Payment Date is called an "**Interest Period**".

Interest is computed on the basis of twelve 30-day months of a 360-day year.

If an Interest Payment Date (other than the Maturity Date (as defined in Condition C.1.1 above) falls on a day that is not a Business Day, such Interest Payment Date will be the next succeeding day that is a Business Day (modified business day convention). If the Maturity Date falls on a day that is not a Business Day, the payment of principal and interest will be made on the next Business Day, and no interest shall accrue for the period from and after the Maturity Date until such next Business Day.

"**Business Day**" means any day (other than Saturday or Sunday) on which banks are open the whole day for business in Zurich and Toronto.

### **1.2 Accrual of Interest**

Each Debentures will cease to bear interest where such Debentures is to be redeemed or repaid pursuant to Conditions D.1.1, D.1.2, D.1.3 and D.1.4 from and including the due date for redemption or repayment unless, upon due presentation, payment of principal is improperly withheld or refused; in such event such Debentures shall continue to bear interest at the aforesaid rate (both before and after judgment) until but excluding the day on which all sums due in respect of such Debentures up to that day are received by the Principal Paying Agent on behalf of the Debentureholders.

## **D. Redemption and Purchase**

### **1.1 Redemption at Maturity**

Unless previously purchased and cancelled or redeemed as herein provided, the Debentures will be redeemed by the Issuer at their principal amount (together with unpaid accrued interest to that date) on the Maturity Date.

### **1.2 Redemption for Tax Reasons**

The Debentures may be redeemed for tax reasons prior to the Maturity Date as provided in Condition E below.

### **1.3 Redemption at the Option of the Issuer**

Subject to a period of not less than thirty (30) nor more than sixty (60) days' prior notice to the Principal Paying Agent, the Issuer may redeem the Debentures at any time after the Issue Date and prior to the Maturity Date, in whole, but not in part only, at par of their aggregate principal amount plus accrued interest, if any, on the date determined by the Issuer for early redemption, if eighty-five (85) per cent. or more of the aggregate principal amount of the Debentures have been redeemed or purchased and cancelled at the time of such notice.

### **1.4 Purchases**

The Issuer may at any time purchase Debentures in the open market or otherwise at any price and for any purposes (including for cancellation purposes). Any purchases shall be made in accordance with applicable laws or regulations, including applicable stock exchange regulations. Such Debentures may be held, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation as set out below.

If purchases are made by public tender, such tender must be available to all Debentureholders alike.

### **1.5 Cancellation**

All Debentures which are redeemed or surrendered to the Principal Paying Agent shall immediately be cancelled. All Debentures so cancelled cannot be reissued or resold.

### **1.6 Notice**

Where the provisions of this Condition D provide for the giving of notice by the Issuer to the Principal Paying Agent, such notice shall be deemed to be validly given if made in writing with all required information to the Principal Paying Agent within the prescribed time limit. Such notices shall be announced to the Debentureholders as soon as practicable pursuant to Condition O. Such notices shall be irrevocable.

## **E. Payment / Taxation**

### **1.1 Payment**

The amounts required for the payment of interest on the Debentures, the principal amount of the Debentures and any other payments in cash to be made under these Conditions will be made available in good time in freely disposable Swiss francs, which will be placed at the free disposal of the Principal Paying Agent in Switzerland. If the due date for any payment by the Issuer does not fall on a Business Day, the Issuer undertakes to effect payment for value the Business Day immediately following such due date and the Debentureholders will not be entitled to any additional sum in relation thereto.

Upon receipt of the funds in Switzerland, the Principal Paying Agent will arrange for payment to the Debentureholders.

The Issuer undertakes that payments to be made under these Conditions shall be made in freely disposable Swiss francs without collection cost to the Debentureholders, and unless provided for by applicable law, without any restrictions, and whatever the circumstances may be, irrespective of nationality, residence or domicile of the Debentureholders and without requiring any affidavit or the fulfilment of any other formality, at the counters of UBS (the "**Principal Paying Agent**").

The receipt by the Principal Paying Agent of the funds in Swiss francs in Switzerland shall release the Issuer of its obligations under the Debentures to the extent of amounts paid by the Issuer.

In the case the Debentures will be printed and documented in the form of individually certificated securities (*Wertpapiere*) in accordance with Conditions A above

- (i) all payments of interest will be made only against presentation of the coupons appertaining thereto, and all payments of principal will be made only against presentation and surrender of the individually certificated securities (*Wertpapiere*), in each case at any office or counter of the Principal Paying Agent in Switzerland, and
- (ii) upon the individually certificated securities (*Wertpapiere*) becoming due and repayable prior to the Maturity Date, all unmatured coupons (if any) appertaining thereto will become void.

If the Debentures are not redeemed when due, interest shall continue to accrue until (and including) the day when the Debentures are redeemed.

If, at any time during the life of the Debentures, the Principal Paying Agent shall resign or become incapable of acting as Principal Paying Agent as contemplated by these Terms of the Debentures or shall be adjudged bankrupt or insolvent, the Principal Paying Agent may be substituted by a duly licensed Swiss bank or branch of a foreign bank in Switzerland chosen by the Issuer, being a member of SIX SIS. In the event of such replacement of the Principal Paying Agent, all references to the Principal Paying Agent shall be deemed to refer to such replacement.

Notice of such a replacement shall be published in accordance with Condition O.

## 1.2 Taxation

### a) Payment of Additional Amounts

All payments of principal and interest on the Debentures by the Issuer to the Principal Paying Agent will be made without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in or on behalf of the government of Canada, or by or on behalf of any province or political subdivision, any authority or agency therein having power to tax (hereinafter together called (the **Withholding Taxes**), unless such deduction or withholding is required by law.

In the event that any Withholding Taxes on any such payments to the Principal Paying Agent must be withheld at source by the Issuer, the Issuer shall pay such additional amounts (the **Additional Amounts**) as may be necessary in order that the net amounts received by the Holders after such deduction or withholding shall equal the respective amounts of principal and interest which would have been receivable in respect of the relevant Debentures and/or Coupons in the absence of such deduction or withholding. No such Additional Amounts shall, however, be payable on account of any taxes, duties or governmental charges which:

- (i) are payable otherwise than by deduction or withholding from payments of principal or interest under these Terms of the Debentures ; or
  - (ii) are payable by reason of the Holder having, or having had, some personal or business connection with Canada and not merely by reason of the holding of the Debenture or Coupon; or
  - (iii) are payable by reason of a change in law that becomes effective more than thirty (30) days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with Condition 9, whichever occurs later; or
  - (iv) would have been avoided if the Debentureholder had made a declaration of non-residence or similar claim for exemption or reduction of the applicable deduction or withholding but fails to do so; or
  - (v) are required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation proposed by the Swiss Federal Council on December 17, 2014, in particular the principle to have a person other than the Issuer withhold or deduct the tax, such as, without limitation, any paying agent; or
  - (vi) are payable by or on behalf of a Debentureholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
  - (vii) are required to be withheld or deducted pursuant to an agreement between Switzerland and other countries on final withholding taxes (*internationale Quellensteuern*) levied by a bank in Switzerland in respect of an individual resident in the other country on interest or capital gain paid, or credited to an account, relating to the Debentures ; or
  - (viii) are required to be withheld or deducted on any payment by reason of the signing into law on March 18, 2010 of the United States of America's Hiring Incentives to Restore Employment Act (the 'HIRE Act' also referred to as 'FACTA'); or
  - (ix) are any combination of the above.
- (b) Early Redemption for Tax Reasons

If, as a result of any change in, or amendment to, the laws or regulations prevailing in the Province of New Brunswick or in Canada, which change or amendment becomes effective on or after the Closing Date, or as a result of any application or official interpretation of such laws or regulations not generally known before that date, Withholding Taxes are or will be due on payments by the Issuer to the Principal Paying Agent of principal or interest in respect of the Debentures which cannot be avoided and, by reason of the obligation to pay Additional Amounts as provided in Condition 1.2 (a) above, such Withholding Taxes are to be borne by the Issuer, the Issuer may redeem the Debentures in whole, but not in part, at any time, on giving not less than sixty (60) days notice, at 100% of their principal amount, together with interest accrued to the date fixed for redemption. No such notice of redemption shall be given earlier than ninety (90) days prior to the earliest date on which the Issuer would be obliged to withhold or pay Withholding Taxes were a payment in respect of the Debentures or Coupons then made.

Any such notice shall be given by publication in accordance with Condition O hereof. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

## F. Undertakings

For as long as any Debenture remains outstanding, the Issuer will inform the Principal Paying Agent of any event, circumstance or other matter that may be relevant for the Principal Paying Agent in connection with its functions set forth in these Conditions, and in particular of any event that constitutes an Event of Default.

## G. Events of Default

If any of the following events (each event as **Event of Default**) shall occur, UBS in its capacity as Debentureholders' representative (the **Debentureholders' Representative**) has the right but not the obligation, on behalf of the Holders, to declare all outstanding Debentures immediately due and repayable at par plus accrued interest:

- (a) default by the Issuer in its obligation hereunder to make payment of the principal of, or redemption price of, any of the Debentures as and when the same shall become due and payable in accordance with the Terms of the Debentures, whether at maturity, upon redemption, or otherwise; or
- (b) default by the Issuer in its obligation hereunder to make payment of any installment of interest on, or any Additional Amounts with respect to, any of the Debentures as and when the same shall become due and payable in accordance with the Terms of the Debentures, and such default shall continue for a period of thirty (30) days; or
- (c) failure on the part of the Issuer to duly observe or perform in any material respect any other of the covenants or agreements on the part of the Issuer in the Terms of the Debentures or in the Agreement for a period of sixty (60) days after the date on which written notice of such failure, requiring the Issuer to remedy the same, shall have been given to the Issuer by the Principal Paying Agent on behalf of the Debentureholders; or
- (d) a general moratorium is declared by the Issuer in respect of its indebtedness or the Issuer stops payment generally or announces its inability to meet its financial obligations as they become due.

The Issuer undertakes to inform the Principal Paying Agent in its capacity as Debentureholders' representative (the "**Debentureholders' Representative**") without delay if any event mentioned under para. (a) through (d) has occurred and to provide the Debentureholders' Representative with all necessary documents and information in connection therewith.

If an Event of Default occurs, the Debentureholders' Representative has the right but not the obligation to serve a written notice of default ("**Default Notice**"), such notice having the effect that the Debentures shall become immediately due and payable at par plus accrued interest, if any, on the day the Default Notice is given.

Upon the occurrence of an Event of Default, the Debentureholders' Representative may invite the Debentureholders in accordance with Condition J to a Debentureholders' meeting for the taking of a resolution on the serving of a Default Notice, provided the Debentureholders' Representative has not served such Default Notice itself. The legally valid resolution of the Debentureholders' meeting to serve a Default Notice, shall replace the right reserved by the Debentureholders' Representative according to these Terms of the Debentures to serve a Default Notice on behalf of the Debentureholders. If the Debentureholders' meeting votes against the serving of a Default Notice, the right to serve such Default Notice shall revert to the Debentureholders' Representative whereby the Debentureholders' Representative shall not be bound by the resolution of the Debentureholders' meeting if and to the extent that new circumstances arise or become known which require a revised assessment of the facts.

## H. Prescription

The Debentures and Coupons will become void unless presented for payment within two (2) years after the due date for payment.

## I. Enforcement of Rights

The Debentureholders shall not be entitled to exercise any right or option, if these Conditions provide that such right or option shall be exercised by the Principal Paying Agent on behalf of the Debentureholders.

## J. Meetings of Debentureholders; Modifications; Waivers

- a) The Debentureholders' Representative, the Issuer may at any time convene a meeting of the Debentureholders (a **Debentureholders' Meeting**).

If an Event of Default has occurred and is continuing and as long as the Debentureholders' Representative has not exercised its rights under Condition G with respect thereto, the Debentureholders who wish that a Debentureholders' Meeting should be convened and who represent at least ten (10) percent of the Aggregate Principal Amount then outstanding and who are entitled to participate and to vote in accordance with para. (f) and (h) of this Condition J may at any time require the Issuer to convene a Debentureholders' Meeting which shall convene such a meeting as soon as commercially possible upon receipt of such request.

- (b) The costs for such Debentureholders' Meeting shall be borne by the Issuer or, in the case the Issuer is prohibited by law to pay these costs, by the Debentureholders convening such meeting (each of these Debentureholders shall bear such costs in relation to its respective holding of Debentures at the time of such Debentureholders' request to the Issuer to convene a Debentureholders' Meeting).
- (c) A Debentureholders' Meeting may consider any matter affecting the interests of the Debentureholders' Meeting (other than matters on which the Debentureholders' Representative has previously exercised its rights contained in Condition G above and Condition K below), including any modification of, or arrangement in respect of the Terms of the Debentures.
- (d) Notice convening a Debentureholders' Meeting shall be given at least twenty (20) days prior to the proposed date thereof. Such notice shall be given in accordance with Condition O. It shall state generally the nature of the business to be transacted at such Debentureholders' Meeting. If an Extraordinary Resolution (as defined below) is being proposed, the wording of the proposed resolution or resolutions shall be indicated. The notice shall specify the day, hour and place of the Debentureholders' Meeting and also the formal requirements referred to in para. (f) of this Condition J. The Issuer (at its head office) and the Principal Paying Agent (at the Specified Office) will make a copy of such notice available for inspection by the Debentureholders during normal business hours.
- (e) All Debentureholders' Meetings shall be held in Zurich, Switzerland. A chairman (the **Chairman**) shall be nominated by the Issuer after consultation with the Debentureholders' Representative in writing. If no person has been so nominated or if the nominated person is not present at the Debentureholders' Meeting within thirty (30) minutes after the time fixed for holding the Debentureholders' Meeting, the Debentureholders present shall choose the Chairman instead.

The Chairman shall lead and preside over the Debentureholders' Meeting. Among others, it shall be his duty to determine the presence of persons entitled to vote and to inquire if the necessary quorum (as set forth below) is present. He shall instruct the Debentureholders as to the procedure of the Debentureholders' Meeting and the resolutions to be considered. He shall sign the minutes referred to in para. (l) of this Condition J.

In the case of any equality of votes, the Chairman shall have a casting vote.

A declaration by the Chairman that a resolution has been supported or supported by a particular majority in accordance with para. (g) and (i) of this Condition J. or not supported or not supported by a particular majority in accordance with para. (g) and (i) of this Condition J shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

- (f) Each person who produces a certificate by a bank in respect of such Debenture relating to that Debentureholders' Meeting is entitled to attend and to vote on the resolutions proposed at such Debentureholders' Meeting. Bank certificates shall be dated before the date of the Debentureholders'-Meeting and confirm that the respective Debentures are deposited in a securities account (*Effektenkonto*) with that bank and will remain so deposited with such bank until and including the date of the Debentureholders' Meeting and that the bank has not issued any other such certificate with respect to such Debentures.
- (g) The presence quorum necessary in order to vote on resolutions proposed at a Debentureholders' Meeting shall be persons entitled under para. (f) and (h) of this Condition J holding or representing persons holding in the aggregate at least the following percentages of the Aggregate Principal Amount of all Debentures then outstanding:

Each Ordinary Resolution:.....twenty-five (25) percent  
Each Extraordinary Resolution:..... sixty-six (66) percent

The terms Ordinary Resolution and Extraordinary Resolution are defined below.

If within thirty (30) minutes after the time fixed for any Debentureholders' Meeting a sufficient quorum is not present, the Debentureholders' Meeting shall be dissolved.

- (h) Debentureholders' voting rights shall be determined according to the principal amount of outstanding Debentures held, with each of CHF 5,000 in nominal amount being entitled to one vote.

Debentures held by or on behalf of the Issuer or any other natural person or legal entity,

- (i) which directly or indirectly owns or controls more than fifty (50) percent of the equity share capital of the Issuer, or
- (ii) of which, in the case of a legal entity, more than fifty (50) percent of the equity share capital is controlled by the Issuer directly or indirectly, or
- (iii) where the Issuer is in a position to exercise, directly or indirectly, a control over the decisions or actions of such natural person or legal entity or representative thereof, irrespective of whether or not the latter is affiliated to the Issuer,

shall not be entitled to vote at a Debentureholders' Meeting.

- (i) A resolution shall be validly passed if approved by at least the following percentages of votes cast at a duly convened Debentureholders' Meeting held in accordance with this Condition J:

Each Ordinary Resolution:.....fifty-one (51) percent

Each Extraordinary Resolution:..... sixty-six (66) percent

Every proposal submitted to a Debentureholders' Meeting shall be decided upon a poll.

- (j) Any resolution which is not an Extraordinary Resolution in accordance with para. (k) of this Condition J shall be deemed to be an Ordinary Resolution.

- (k) An Extraordinary Resolution shall be necessary to decide on the following matters at a Debentureholders' Meeting:

- to postpone the maturity beyond the stated maturity of the principal of any Debentures , or
- to reduce the amount of principal payable on any Debentures , or
- to change the date of interest payment on any Debentures , or
- to change the rate of interest, or the method of computation of interest, on any Debentures , or
- to change any provision for payment contained in the Terms of the Debentures or the place or the currency of repayment of the principal of any Debentures or interest on any Debentures , or
- to amend or modify or waive the whole or any parts of Condition 8 (??) or para. (f), (g), (h), (i) or (k) of this Condition J, or
  - to create unequal treatment between Debentureholders of the same class, or
  - to convert the Debentures into equity, or
  - to change the choice of law and the jurisdiction clause contained in Condition 13 (??).

The above-mentioned list of issues for which an Extraordinary Resolution shall be necessary is exclusive.

- (l) Any resolution approved at a Debentureholders' Meeting held in accordance with this Condition J shall be conclusive and binding on the Issuer and on all present or future Debentureholders, whether present or not at the Debentureholders' Meeting, regardless of whether such Debentureholders have approved such resolution. The Debentureholders shall not be entitled to any improvement of their position vis-à-vis the Issuer pursuant to resolution approved at a Debentureholders' Meeting without prior written approval of the Issuer. Any resolution approved at a Debentureholders' Meeting, which increased the obligations of the Issuer under the Terms of the Debentures shall become effective only after written approval of the Issuer.

Minutes of all resolutions and proceedings at a Debentureholders' Meeting shall be made and signed by the Chairman pursuant to para. (e) of this Condition J.



- (m) If no Debentureholders or an insufficient number of Debentureholders attend a Debentureholders' Meeting, the right to decide on the redemption of the Debentures or any other measures to protect the interests of the Debentureholders available to the Debentureholders' Representative according to the Terms of the Debentures shall revert to the absolute discretion of the Debentureholders' Representative. Any such decision of the Debentureholders' Representative shall be final and binding upon the Issuer and the Debentureholders.

#### **K. Amendment to the Terms of the Debentures**

The Terms of the Debentures may be amended by agreement between the Issuer and the Debentureholders' Representative on behalf of the Debentureholders, provided that such amendment is of a formal, minor or technical nature, is made to correct a manifest error and is not materially prejudicial to the interests of the Debentureholders. Notice of any such amendment shall be published in accordance with Condition O.

#### **L. Replacement of Issuer**

The Issuer may be replaced by another Issuer (the "**New Issuer**") at a later date as the direct debtor of the Debentures, provided that the Issuer shall request prior approval from the Principal Paying Agent on behalf of the Debentureholders. Such approval shall not be unreasonably withheld if, in the sole opinion of the Principal Paying Agent:

- (a) the interests of the Debentureholders are satisfactorily protected, in particular with regard to their status under applicable tax law;
- (b) the New Issuer is able to fulfil all payment obligations arising from or in connection with the Debentures and coupons in Swiss Francs and with the right to transfer without restriction all amounts required to be paid under the Debentures and Coupons; and
- (c) the New Issuer has obtained any necessary governmental authorizations of the country of its domicile or its deemed residence.
- (d) the Issuer has issued an irrevocable and unconditional guarantee as per art. 111 of the Swiss Code of Obligations in respect to the obligations of the New Issuer under the Debentures in form and content satisfactory to the Debentureholders' Representative.

The Principal Paying Agent is entitled to appoint one or more experts at the expenses of the Issuer for the assistance of the Principal Paying Agent in making its assessments.

Any substitution shall be published in accordance with Condition O. In the event of such substitution, any reference to the Issuer in these Conditions shall be deemed to refer to the New Issuer.

By subscribing to or otherwise acquiring, any of the Debentures or coupons, the Debentureholders expressly consent to the Issuer substituting for itself as principal debtor under the Debentures or the coupons the New Issuer subject to the provisions of this Condition L.

#### **M. Listing**

The Issuer will use its reasonable efforts to procure that the Debentures are listed on SIX Swiss Exchange and to maintain such listing during the whole life of the Debentures.

## **N. Severability**

If at any time any or more of the provisions of the Conditions is or becomes unlawful, invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby.

## **O. Notices**

All notices to Debentureholders regarding the Debentures shall be published by the Principal Paying Agent in accordance with the applicable regulations of the SIX Swiss Exchange and the directions by or after consultation with and at the expense of the Issuer in due time and shall be valid as soon as published electronically on the internet website of SIX Swiss Exchange under the section headed "Official Notices" ([www.six-swiss-exchange.com](http://www.six-swiss-exchange.com), where notices are currently published under the address "[www.six-swiss-exchange.com/news/official\\_notices/search\\_en.html](http://www.six-swiss-exchange.com/news/official_notices/search_en.html)").

## **P. Replacement of Debentures in the form of individually certificated securities (*Wertpapiere*)**

If individually certificated securities (*Wertpapiere*) have been printed, any individually certificated securities (*Wertpapiere*) which are mutilated, stolen, lost or destroyed may be replaced at the Principal Paying Agent against payment of such costs as may be incurred in connection therewith and on such terms as to evidence (including, in the case of stolen, lost or destroyed individually certificated securities (*Wertpapiere*), surrender of a copy (certified in a manner satisfactory to the Issuer and the Principal Paying Agent of the final and conclusive judgement of nullification from the competent courts as specified in Condition Q) and such guarantee as the Issuer and the Principal Paying Agent may require and, in the case of mutilation upon surrender of the mutilated individually certificated securities (*Wertpapiere*).

## **Q. Governing Law and Jurisdiction**

The Debentures and Coupons are governed by the laws of the Province of New Brunswick and the laws of Canada applicable therein.

Each party irrevocably attorns and submits to the non-exclusive jurisdiction of the New Brunswick courts situated in the Province of New Brunswick, and waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

## **R. Interest Act (Canada)**

For the purposes of disclosure pursuant to the *Interest Act (Canada)* and for that purpose only, the yearly rate of interest which is equivalent to the rate of interest for any period of less than one year computed as provided in the Debentures, is the rate of interest for such period multiplied by a fraction the numerator of which is the actual number of days in the 12-month period constituting such year and commencing on the same day as such period and the denominator of which is the actual number of days in such period.

## **S. Definitions**

**Business Day** means any day (other than Saturday or Sunday) on which banks are open the whole day for business in Zurich and Toronto.

**UBS** means UBS AG, Bahnhofstrasse 45, CH-8001 Zurich, Switzerland.

**Intermediary** means SIX SIS Ltd, the swiss clearing and settlement organization, Baslerstrasse 100, CH-4600 Olten, Switzerland, or any successor organization accepted by SIX Swiss Exchange.

**Issuer** means The Province of New Brunswick, Canada.

**Listing Agent** means UBS, appointed as recognized representative pursuant to art. 43 of the listing rules of SIX Swiss Exchange to file the listing application (including the application for provisional admission to trading) for the Debentures to SIX Swiss Exchange.

**Principal Paying Agent** means UBS AG, Bahnhofstrasse 45, CH-8001 Zurich, Switzerland.

**SIX Swiss Exchange** means SIX Swiss Exchange Ltd., Selnaustrasse 30, CH-8001 Zurich, Switzerland (P.O. Box 1758, CH-8021 Zurich, Switzerland or any successor exchange).

**Specified Office** means the office of the Principal Paying Agent at Bahnhofstrasse 45, CH-8001 Zurich, Switzerland.

## **TERMS AND CONDITIONS OF THE DEBENTURES FOR TRANCHE B**

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The terms and conditions of the debentures (each a "**Condition**", and together the "**Terms of the Debentures**"), issued by The Province of New Brunswick, are established pursuant to the Debenture Purchase and Paying Agency Agreement. The Terms of the Debentures govern the rights and obligations of the Issuer and the Debentureholders (as defined below) in relation to the Debentures (as defined below) and are as follows:

**A. Form, Denomination, Certification, Printing and Delivery of the Debentures**

The aggregate principal amount of the issue of CHF 125'000'000 (hundred and twenty-five million Swiss francs) is divided into debentures with denominations of CHF 5,000 (five thousand Swiss francs) (each, a "**Debenture**", together the "**Debentures**").

The Province of New Brunswick (the "**Issuer**") reserves the right to reopen this issue and increase the aggregate principal amount at any time and without prior consent of or permission of the Debentureholders (as defined below) through the issue of further debentures which will be fungible with the Debentures (i.e. identical especially in respect of the Terms of the Debentures, security number, final maturity and interest rate) (the "**Reopening**").

The Debentures will be issued in the form of a Permanent Global Certificate (*Globalurkunde*) in accordance with Article 973b of the Swiss Code of Obligations.

Each holder of such Debentures (the "**Debentureholders**" and each a "**Debentureholder**") shall have a quotal co-ownership interest (*Miteigentumsanteil*) in the Permanent Global Certificate to the extent of his claim against the Issuer, provided that for so long as the Permanent Global Certificate remains deposited with the SIX SIS AG or any other intermediary (*Verwahrungsstelle*) recognized by the SIX Swiss Exchange for the settlement of transactions in debentures listed on such exchange (the "**Intermediary**"). Once the Permanent Global Certificate is deposited with the Intermediary and entered into the securities accounts of one or more participants of the Intermediary, the Debentures will constitute intermediated securities (*Bucheffekten*, the "**Intermediated Securities**") in accordance with the provisions of the Swiss Federal Act on Intermediated Securities (*Bucheffektengesetz*). The co-ownership interest shall be suspended and so long as the Debentures are Intermediated Securities, the Debentures may only be transferred by the entry of the transferred Debentures in a securities account of the transferee.

The records of the Intermediary will determine the number of Debentures held through each participant in that Intermediary. In respect of the Debentures held in the form of Intermediated Securities, the Debentureholders will be the persons holding the Debentures in a securities account or, in the case of intermediaries, the intermediaries holding the Debentures for their own account in a securities account which is in their name.

Neither the Issuer nor the Debentureholders but only the Principal Paying Agent (as defined below), in circumstances, where the Principal Paying Agent deems the printing and delivery of Definitive Debentures (as defined below) necessary or useful, shall at any time have the right to effect or demand the conversion of the Permanent Global Certificate into, or the delivery of, uncertificated securities (*Wertrechte*) or individually certificated securities (*Wertpapiere*) ("**Definitive Debentures**").

Individually certificated securities (*Wertpapiere*) may only be printed, in whole but not in part, if the Principal Paying Agent determines, in its sole discretion, that the printing of such individually certificated securities (*Wertpapiere*) is necessary or useful. Should the Principal Paying Agent so determine, it shall provide for the printing of the individually certificated securities (*Wertpapiere*) without cost to the Debentureholders.

If printed, the Debentures shall be documented individually certificated securities (*Wertpapiere*) with coupons appertaining thereto in the principal amount of CHF 5,000, CHF 100,000 and / or CHF

1,000,000 and shall be executed by affixing thereon the facsimile signatures of two authorized offices of the Issuer.

In the case individually certificated securities (*Wertpapiere*) are printed, the Permanent Global Certificate (*Globalurkunde auf Dauer*) will immediately be cancelled by the Principal Paying Agent and the individually certificated securities (*Wertpapiere*) shall be delivered to the Debentureholders against cancellation of the respective intermediated securities (*Bucheffekten*) in their respective securities accounts.

## **B. Status of the Debentures**

The Debentures constitute direct, unsubordinated, unsecured obligations of the Issuer and among themselves rank *pari passu* and will be payable rateably without any preference or priority. The Debentures will rank equally with all of the Issuer's other unsecured and unsubordinated indebtedness and obligations from time to time outstanding. Payment of principal and interest on the Debentures will be a charge on and payable out of the Consolidated Fund of New Brunswick.

## **C. Interest**

### **1.1 Interest Rate**

The Debentures bear interest from 6 December 2019 (the "**Issue Date**") at the rate of 0.250 per cent per annum of the principal amount thereof payable annually in arrear on 6 December (the "**Interest Payment Date**") commencing on 6 December 2020 and unless redeemed earlier, ending on 6 December 2039 (the "**Maturity Date**").

The period beginning on the Issue Date and ending on the day preceding the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the day preceding the next Interest Payment Date is called an "**Interest Period**".

Interest is computed on the basis of twelve 30-day months of a 360-day year.

If an Interest Payment Date (other than the Maturity Date (as defined in Condition C.1.1 above) falls on a day that is not a Business Day, such Interest Payment Date will be the next succeeding day that is a Business Day (modified business day convention). If the Maturity Date falls on a day that is not a Business Day, the payment of principal and interest will be made on the next Business Day, and no interest shall accrue for the period from and after the Maturity Date until such next Business Day.

"**Business Day**" means any day (other than Saturday or Sunday) on which banks are open the whole day for business in Zurich and Toronto.

### **1.2 Accrual of Interest**

Each Debenture will cease to bear interest where such Debenture is to be redeemed or repaid pursuant to Conditions D.1.1, D.1.2, D.1.3 and D.1.4 from and including the due date for redemption or repayment unless, upon due presentation, payment of principal is improperly withheld or refused; in such event such Debenture shall continue to bear interest at the aforesaid rate (both before and after judgment) until but excluding the day on which all sums due in respect of such Debenture up to that day are received by the Principal Paying Agent on behalf of the Debentureholders.

## **D. Redemption and Purchase**

### 1.1 Redemption at Maturity

Unless previously purchased and cancelled or redeemed as herein provided, the Debentures will be redeemed by the Issuer at their principal amount (together with unpaid accrued interest to that date) on the Maturity Date.

### 1.2 Redemption for Tax Reasons

The Debentures may be redeemed for tax reasons prior to the Maturity Date as provided in Condition E below.

### 1.3 Redemption at the Option of the Issuer

Subject to a period of not less than thirty (30) nor more than sixty (60) days' prior notice to the Principal Paying Agent, the Issuer may redeem the Debentures at any time after the Issue Date and prior to the Maturity Date, in whole, but not in part only, at par of their aggregate principal amount plus accrued interest, if any, on the date determined by the Issuer for early redemption, if eighty-five (85) per cent. or more of the aggregate principal amount of the Debentures have been redeemed or purchased and cancelled at the time of such notice.

### 1.4 Purchases

The Issuer may, either directly or indirectly at any time purchase Debentures in the open market or otherwise at any price and for any purposes (including for cancellation purposes). Any purchases shall be made in accordance with applicable laws or regulations, including applicable stock exchange regulations. Such Debentures may be held, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation as set out below.

If purchases are made by public tender, such tender must be available to all Debentureholders alike.

### 1.5 Cancellation

All Debentures which are redeemed or surrendered to the Principal Paying Agent shall immediately be cancelled. All Debentures so cancelled cannot be reissued or resold.

### 1.6 Notice

Where the provisions of this Condition D provide for the giving of notice by the Issuer to the Principal Paying Agent, such notice shall be deemed to be validly given if made in writing with all required information to the Principal Paying Agent within the prescribed time limit. Such notices shall be announced to the Debentureholders as soon as practicable pursuant to Condition O. Such notices shall be irrevocable.

## **E. Payment / Taxation**

### 1.1 Payment

The amounts required for the payment of interest on the Debentures, the principal amount of the Debentures and any other payments in cash to be made under these Conditions will be made available in good time in freely disposable Swiss francs, which will be placed at the free disposal of the Principal Paying Agent in Switzerland. If the due date for any payment by the Issuer does not fall on a Business Day, the Issuer undertakes to effect payment for value the Business Day immediately following such due date and the Debentureholders will not be entitled to any additional sum in relation thereto.

Upon receipt of the funds in Switzerland, the Principal Paying Agent will arrange for payment to the Debentureholders.

The Issuer undertakes that payments to be made under these Conditions shall be made in freely disposable Swiss francs without collection cost to the Debentureholders, and unless provided for by applicable law, without any restrictions, and whatever the circumstances may be, irrespective of nationality, residence or domicile of the Debentureholders and without requiring any affidavit or the fulfilment of any other formality, at the counters of UBS (the "**Principal Paying Agent**").

The receipt by the Principal Paying Agent of the funds in Swiss francs in Switzerland shall release the Issuer of its obligations under the Debentures to the extent of amounts paid by the Issuer.

In the case the Debentures will be printed and documented in the form of individually certificated securities (*Wertpapiere*) in accordance with Conditions A above

- (i) all payments of interest will be made only against presentation of the coupons appertaining thereto, and all payments of principal will be made only against presentation and surrender of the individually certificated securities (*Wertpapiere*), in each case at any office or counter of the Principal Paying Agent in Switzerland, and
- (ii) upon the individually certificated securities (*Wertpapiere*) becoming due and repayable prior to the Maturity Date, all unmatured coupons (if any) appertaining thereto will become void.

If the Debentures are not redeemed when due, interest shall continue to accrue until (and including) the day when the Debentures are redeemed.

If, at any time during the life of the Debentures, the Principal Paying Agent shall resign or become incapable of acting as Principal Paying Agent as contemplated by these Terms of the Debentures or shall be adjudged bankrupt or insolvent, the Principal Paying Agent may be substituted by a duly licensed Swiss bank or branch of a foreign bank in Switzerland chosen by the Issuer, being a member of SIX SIS. In the event of such replacement of the Principal Paying Agent, all references to the Principal Paying Agent shall be deemed to refer to such replacement.

Notice of such a replacement shall be published in accordance with Condition O.

## 1.2 Taxation

### a) Payment of Additional Amounts

All payments of principal and interest on the Debentures by the Issuer to the Principal Paying Agent will be made without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in or on behalf of the government of Canada, or by or on behalf of any province or political subdivision, any authority or agency therein having power to tax (hereinafter together called (the **Withholding Taxes**), unless such deduction or withholding is required by law.

In the event that any Withholding Taxes on any such payments to the Principal Paying Agent must be withheld at source by the Issuer, the Issuer shall pay such additional amounts (the **Additional Amounts**) as may be necessary in order that the net amounts received by the Holders after such deduction or withholding shall equal the respective amounts of principal and interest which would have been receivable in respect of the relevant Debentures and/or Coupons in the absence of such deduction or withholding. No such Additional Amounts shall, however, be payable on account of any taxes, duties or governmental charges which:



- (i) are payable otherwise than by deduction or withholding from payments of principal or interest under these Terms of the Debentures ; or
  - (ii) are payable by reason of the Debentureholder having, or having had, some personal or business connection with Canada and not merely by reason of the holding of the Debentures or Coupon; or
  - (iii) are payable by reason of a change in law that becomes effective more than thirty (30) days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with Condition 9, whichever occurs later; or
  - (iv) would have been avoided if the Debentureholder had made a declaration of non-residence or similar claim for exemption or reduction of the applicable deduction or withholding but fails to do so; or
  - (v) are required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation proposed by the Swiss Federal Council on December 17, 2014, in particular the principle to have a person other than the Issuer withhold or deduct the tax, such as, without limitation, any paying agent; or
  - (vi) are payable by or on behalf of a Debentureholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
  - (vii) are required to be withheld or deducted pursuant to an agreement between Switzerland and other countries on final withholding taxes (*internationale Quellensteuern*) levied by a bank in Switzerland in respect of an individual resident in the other country on interest or capital gain paid, or credited to an account, relating to the Debentures ; or
  - (viii) are required to be withheld or deducted on any payment by reason of the signing into law on March 18, 2010 of the United States of America's Hiring Incentives to Restore Employment Act (the 'HIRE Act' also referred to as 'FACTA'); or
  - (ix) are any combination of the above.
- (b) Early Redemption for Tax Reasons

If, as a result of any change in, or amendment to, the laws or regulations prevailing in the Province of New Brunswick or in Canada, which change or amendment becomes effective on or after the Closing Date, or as a result of any application or official interpretation of such laws or regulations not generally known before that date, Withholding Taxes are or will be due on payments by the Issuer to the Principal Paying Agent of principal or interest in respect of the Debentures which cannot be avoided and, by reason of the obligation to pay Additional Amounts as provided in Condition 1.2 (a) above, such Withholding Taxes are to be borne by the Issuer, the Issuer may redeem the Debentures in whole, but not in part, at any time, on giving not less than sixty (60) days' notice, at 100% of their principal amount, together with interest accrued to the date fixed for redemption. No such notice of redemption shall be given earlier than ninety (90) days prior to the earliest date on which the Issuer would be obliged to withhold or pay Withholding Taxes were a payment in respect of the Debentures or Coupons then made.

Any such notice shall be given by publication in accordance with Condition O hereof. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

## F. Undertakings

For as long as any Debentures remains outstanding, the Issuer will inform the Principal Paying Agent of any event, circumstance or other matter that may be relevant for the Principal Paying Agent in connection with its functions set forth in these Conditions, and in particular of any event that constitutes an Event of Default.

## G. Events of Default

If any of the following events (each event as **Event of Default**) shall occur, UBS in its capacity as Debentureholders' representative (the **Debentureholders' Representative**) has the right but not the obligation, on behalf of the Debentureholders, to declare all outstanding Debentures immediately due and repayable at par plus accrued interest:

- (a) default by the Issuer in its obligation hereunder to make payment of the principal of, or redemption price of, any of the Debentures as and when the same shall become due and payable in accordance with the Terms of the Debentures, whether at maturity, upon redemption, or otherwise; or
- (b) default by the Issuer in its obligation hereunder to make payment of any installment of interest on, or any Additional Amounts with respect to, any of the Debentures as and when the same shall become due and payable in accordance with the Terms of the Debentures, and such default shall continue for a period of thirty (30) days; or
- (c) failure on the part of the Issuer to duly observe or perform in any material respect any other of the covenants or agreements on the part of the Issuer in the Terms of the Debentures or in the Agreement for a period of sixty (60) days after the date on which written notice of such failure, requiring the Issuer to remedy the same, shall have been given to the Issuer by the Principal Paying Agent on behalf of the Debentureholders; or
- (d) a general moratorium is declared by the Issuer in respect of its indebtedness or the Issuer stops payment generally or announces its inability to meet its financial obligations as they become due.

The Issuer undertakes to inform the Principal Paying Agent in its capacity as Debentureholders' representative (the "**Debentureholders' Representative**") without delay if any event mentioned under para. (a) through (d) has occurred and to provide the Debentureholders' Representative with all necessary documents and information in connection therewith.

If an Event of Default occurs, the Debentureholders' Representative has the right but not the obligation to serve a written notice of default ("**Default Notice**"), such notice having the effect that the Debentures shall become immediately due and payable at par plus accrued interest, if any, on the day the Default Notice is given.

Upon the occurrence of an Event of Default, the Debentureholders' Representative may invite the Debentureholders' in accordance with Condition J to a Debentureholders' meeting for the taking of a resolution on the serving of a Default Notice, provided the Debentureholders' Representative has not served such Default Notice itself. The legally valid resolution of the Debentureholders' meeting to serve a Default Notice, shall replace the right reserved by the Debentureholders' Representative according to these Terms of the Debentures to serve a Default Notice on behalf of the Debentureholders'. If the Debentureholders' meeting votes against the serving of a Default Notice, the right to serve such Default Notice shall revert to the Debentureholders' Representative whereby

the Debentureholders' Representative shall not be bound by the resolution of the Debentureholders' meeting if and to the extent that new circumstances arise or become known which require a revised assessment of the facts.

#### H. Prescription

The Debentures and Coupons will become void unless presented for payment within two (2) years after the due date for payment.

#### I. Enforcement of Rights

The Debentureholders' shall not be entitled to exercise any right or option, if these Conditions provide that such right or option shall be exercised by the Principal Paying Agent on behalf of the Debentureholders.

#### J. Meetings of Debentureholders'; Modifications; Waivers

- a) The Debentureholders' Representative, the Issuer may at any time convene a meeting of the Debentureholders (a **Debentureholders' Meeting**).

If an Event of Default has occurred and is continuing and as long as the Debentureholders' Representative has not exercised its rights under Condition G with respect thereto, the Debentureholders who wish that a Debentureholders' Meeting should be convened and who represent at least ten (10) percent of the Aggregate Principal Amount then outstanding and who are entitled to participate and to vote in accordance with para. (f) and (h) of this Condition J may at any time require the Issuer to convene a Debentureholders' Meeting which shall convene such a meeting as soon as commercially possible upon receipt of such request.

- (b) The costs for such Debentureholders' Meeting shall be borne by the Issuer or, in the case the Issuer is prohibited by law to pay these costs, by the Debentureholders convening such meeting (each of these Debentureholders shall bear such costs in relation to its respective holding of Debentures at the time of such Debentureholders' request to the Issuer to convene a Debentureholders' Meeting).
- (c) A Debentureholders' Meeting may consider any matter affecting the interests of the Debentureholders' Meeting (other than matters on which the Debentureholders' Representative has previously exercised its rights contained in Condition G above and Condition K below), including any modification of, or arrangement in respect of the Terms of the Debentures .
- (d) Notice convening a Debentureholders' Meeting shall be given at least twenty (20) days prior to the proposed date thereof. Such notice shall be given in accordance with Condition O. It shall state generally the nature of the business to be transacted at such Debentureholders' Meeting. If an Extraordinary Resolution (as defined below) is being proposed, the wording of the proposed resolution or resolutions shall be indicated. The notice shall specify the day, hour and place of the Debentureholders' Meeting and also the formal requirements referred to in para. (f) of this Condition J. The Issuer (at its head office) and the Principal Paying Agent (at the Specified Office) will make a copy of such notice available for inspection by the Debentureholders during normal business hours.
- (e) All Debentureholders' Meetings shall be held in Zurich, Switzerland. A chairman (the **Chairman**) shall be nominated by the Issuer after consultation with the Debentureholders' Representative in writing. If no person has been so nominated or if the nominated person is not be present at the Debentureholders' Meeting within thirty (30) minutes after the time

fixed for holding the Debentureholders' Meeting, the Debentureholders present shall choose the Chairman instead.

The Chairman shall lead and preside over the Debentureholders' Meeting. Among others, it shall be his duty to determine the presence of persons entitled to vote and to inquire if the necessary quorum (as set forth below) is present. He shall instruct the Debentureholders as to the procedure of the Debentureholders' Meeting and the resolutions to be considered. He shall sign the minutes referred to in para. (l) of this Condition J.

In the case of any equality of votes, the Chairman shall have a casting vote.

A declaration by the Chairman that a resolution has been supported or supported by a particular majority in accordance with para. (g) and (i) of this Condition J. or not supported or not supported by a particular majority in accordance with para. (g) and (i) of this Condition J shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

- (f) Each person who produces a certificate by a bank in respect of such Debenture relating to that Debentureholders' Meeting is entitled to attend and to vote on the resolutions proposed at such Debentureholders' Meeting. Bank certificates shall be dated before the date of the Debentureholders' Meeting and confirm that the respective Debentures are deposited in a securities account (*Effektenkonto*) with that bank and will remain so deposited with such bank until and including the date of the Debentureholders' Meeting and that the bank has not issued any other such certificate with respect to such Debentures.
- (g) The presence quorum necessary in order to vote on resolutions proposed at a Debentureholders' Meeting shall be persons entitled under para. (f) and (h) of this Condition J holding or representing persons holding in the aggregate at least the following percentages of the Aggregate Principal Amount of all Debentures then outstanding:

Each Ordinary Resolution: .....twenty-five (25) percent  
Each Extraordinary Resolution: ..... sixty-six (66) percent

The terms Ordinary Resolution and Extraordinary Resolution are defined below.

If within thirty (30) minutes after the time fixed for any Debentureholders' Meeting a sufficient quorum is not present, the Debentureholders' Meeting shall be dissolved.

- (h) Debentureholders' voting rights shall be determined according to the principal amount of outstanding Debentures held, with each of CHF 5,000 in nominal amount being entitled to one vote.

Debentures held by or on behalf of the Issuer or any other natural person or legal entity,

- (i) which directly or indirectly owns or controls more than fifty (50) percent of the equity share capital of the Issuer, or
- (ii) of which, in the case of a legal entity, more than fifty (50) percent of the equity share capital is controlled by the Issuer directly or indirectly, or
- (iii) where the Issuer is in a position to exercise, directly or indirectly, a control over the decisions or actions of such natural person or legal entity or representative thereof, irrespective of whether or not the latter is affiliated to the Issuer,

shall not be entitled to vote at a Debentureholders' Meeting.

- (i) A resolution shall be validly passed if approved by at least the following percentages of votes cast at a duly convened Debentureholders' Meeting held in accordance with this Condition J:

Each Ordinary Resolution: ..... fifty-one (51) percent

Each Extraordinary Resolution: ..... sixty-six (66) percent

Every proposal submitted to a Debentureholders' Meeting shall be decided upon a poll.

- (j) Any resolution which is not an Extraordinary Resolution in accordance with para. (k) of this Condition J shall be deemed to be an Ordinary Resolution.

- (k) An Extraordinary Resolution shall be necessary to decide on the following matters at a Debentureholders' Meeting:

- to postpone the maturity beyond the stated maturity of the principal of any Debentures , or
- to reduce the amount of principal payable on any Debentures , or
- to change the date of interest payment on any Debentures , or
- to change the rate of interest, or the method of computation of interest, on any Debentures , or
- to change any provision for payment contained in the Terms of the Debentures or the place or the currency of repayment of the principal of any Debentures or interest on any Debentures , or
- to amend or modify or waive the whole or any parts of Condition 8 or para. (f), (g), (h), (i) or (k) of this Condition 14, or
- to create unequal treatment between Debentureholders of the same class, or
- to convert the Debentures into equity, or
- to change the choice of law and the jurisdiction clause contained in Condition 13.

The above-mentioned list of issues for which an Extraordinary Resolution shall be necessary is exclusive.

- (l) Any resolution approved at a Debentureholders' Meeting held in accordance with this Condition J shall be conclusive and binding on the Issuer and on all present or future Debentureholders, whether present or not at the Debentureholders' Meeting, regardless of whether such Debentureholders have approved such resolution. The Debentureholders shall not be entitled to any improvement of their position vis-à-vis the Issuer pursuant to resolution approved at a Debentureholders' Meeting without prior written approval of the Issuer. Any resolution approved at a Debentureholders' Meeting, which increased the obligations of the Issuer under the Terms of the Debentures shall become effective only after written approval of the Issuer.

Minutes of all resolutions and proceedings at a Debentureholders' Meeting shall be made and signed by the Chairman pursuant to para. (e) of this Condition J.

- (m) If no Debentureholders or an insufficient number of Debentureholders attend a Debentureholders' Meeting, the right to decide on the redemption of the Debenture or any other measures to protect the interests of the Debentureholders available to the Debentureholders' Representative according to the Terms of the Debentures shall revert to the absolute discretion of the Debentureholders' Representative. Any such decision of the Debentureholders' Representative shall be final and binding upon the Issuer and the Debentureholders.

#### **K. Amendment to the Terms of the Debentures**

The Terms of the Debentures may be amended by agreement between the Issuer and the Debentureholders' Representative on behalf of the Debentureholders, provided that such amendment is of a formal, minor or technical nature, is made to correct a manifest error and is not materially prejudicial to the interests of the Debentureholders. Notice of any such amendment shall be published in accordance with Condition O.

#### **L. Replacement of Issuer**

The Issuer may be replaced by another Issuer (the "**New Issuer**") at a later date as the direct debtor of the Debentures, provided that the Issuer shall request prior approval from the Principal Paying Agent on behalf of the Debentureholders. Such approval shall not be unreasonably withheld if, in the sole opinion of the Principal Paying Agent:

- (a) the interests of the Debentureholders are satisfactorily protected, in particular with regard to their status under applicable tax law;
- (b) the New Issuer is able to fulfil all payment obligations arising from or in connection with the Debentures and coupons in Swiss Francs and with the right to transfer without restriction all amounts required to be paid under the Debentures and Coupons; and
- (c) the New Issuer has obtained any necessary governmental authorizations of the country of its domicile or its deemed residence.
- (d) the Issuer has issued an irrevocable and unconditional guarantee as per art. 111 of the Swiss Code of Obligations in respect to the obligations of the New Issuer under the Debentures in form and content satisfactory to the Debentureholders' Representative.

The Principal Paying Agent is entitled to appoint one or more experts at the expenses of the Issuer for the assistance of the Principal Paying Agent in making its assessments.

Any substitution shall be published in accordance with Condition O. In the event of such substitution, any reference to the Issuer in these Conditions shall be deemed to refer to the New Issuer.

By subscribing to or otherwise acquiring, any of the Debentures or coupons, the Debentureholders' expressly consent to the Issuer substituting for itself as principal debtor under the Debentures or the coupons the New Issuer subject to the provisions of this Condition L.

#### **M. Listing**

The Issuer will use its reasonable efforts to procure that the Debentures are listed on SIX Swiss Exchange and to maintain such listing during the whole life of the Debentures.

- (m) If no Debentureholders or an insufficient number of Debentureholders attend a Debentureholders' Meeting, the right to decide on the redemption of the Debenture or any other measures to protect the interests of the Debentureholders available to the Debentureholders' Representative according to the Terms of the Debentures shall revert to the absolute discretion of the Debentureholders' Representative. Any such decision of the Debentureholders' Representative shall be final and binding upon the Issuer and the Debentureholders.

#### **K. Amendment to the Terms of the Debentures**

The Terms of the Debentures may be amended by agreement between the Issuer and the Debentureholders' Representative on behalf of the Debentureholders, provided that such amendment is of a formal, minor or technical nature, is made to correct a manifest error and is not materially prejudicial to the interests of the Debentureholders. Notice of any such amendment shall be published in accordance with Condition O.

#### **L. Replacement of Issuer**

The Issuer may be replaced by another Issuer (the "**New Issuer**") at a later date as the direct debtor of the Debentures, provided that the Issuer shall request prior approval from the Principal Paying Agent on behalf of the Debentureholders. Such approval shall not be unreasonably withheld if, in the sole opinion of the Principal Paying Agent:

- (a) the interests of the Debentureholders are satisfactorily protected, in particular with regard to their status under applicable tax law;
- (b) the New Issuer is able to fulfil all payment obligations arising from or in connection with the Debentures and coupons in Swiss Francs and with the right to transfer without restriction all amounts required to be paid under the Debentures and Coupons; and
- (c) the New Issuer has obtained any necessary governmental authorizations of the country of its domicile or its deemed residence.
- (d) the Issuer has issued an irrevocable and unconditional guarantee as per art. 111 of the Swiss Code of Obligations in respect to the obligations of the New Issuer under the Debentures in form and content satisfactory to the Debentureholders' Representative.

The Principal Paying Agent is entitled to appoint one or more experts at the expenses of the Issuer for the assistance of the Principal Paying Agent in making its assessments.

Any substitution shall be published in accordance with Condition O. In the event of such substitution, any reference to the Issuer in these Conditions shall be deemed to refer to the New Issuer.

By subscribing to or otherwise acquiring, any of the Debentures or coupons, the Debentureholders' expressly consent to the Issuer substituting for itself as principal debtor under the Debentures or the coupons the New Issuer subject to the provisions of this Condition L.

#### **M. Listing**

The Issuer will use its reasonable efforts to procure that the Debentures are listed on SIX Swiss Exchange and to maintain such listing during the whole life of the Debentures.

#### **N. Severability**

If at any time any or more of the provisions of the Conditions is or becomes unlawful, invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby.

#### **O. Notices**

All notices to Debentureholders regarding the Debentures shall be published by the Principal Paying Agent in accordance with the applicable regulations of the SIX Swiss Exchange and the directions by or after consultation with and at the expense of the Issuer in due time and shall be valid as soon as published electronically on the internet website of SIX Swiss Exchange under the section headed "Official Notices" ([www.six-swiss-exchange.com](http://www.six-swiss-exchange.com), where notices are currently published under the address "[www.six-swiss-exchange.com/news/official\\_notices/search\\_en.html](http://www.six-swiss-exchange.com/news/official_notices/search_en.html)").

#### **P. Replacement of Debentures in the form of individually certificated securities (*Wertpapiere*)**

If individually certificated securities (*Wertpapiere*) have been printed, any individually certificated securities (*Wertpapiere*) which are mutilated, stolen, lost or destroyed may be replaced at the Principal Paying Agent against payment of such costs as may be incurred in connection therewith and on such terms as to evidence (including, in the case of stolen, lost or destroyed individually certificated securities (*Wertpapiere*), surrender of a copy (certified in a manner satisfactory to the Issuer and the Principal Paying Agent of the final and conclusive judgement of nullification from the competent courts as specified in Condition Q) and such guarantee as the Issuer and the Principal Paying Agent may require and, in the case of mutilation upon surrender of the mutilated individually certificated securities (*Wertpapiere*).

#### **Q. Governing Law and Jurisdiction**

The Debentures and Coupons are governed by the laws of the Province of New Brunswick and the laws of Canada applicable therein.

Each party irrevocably attorns and submits to the non-exclusive jurisdiction of the New Brunswick courts situated in the Province of New Brunswick, and waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

#### **R. Interest Act (Canada)**

For the purposes of disclosure pursuant to the *Interest Act (Canada)* and for that purpose only, the yearly rate of interest which is equivalent to the rate of interest for any period of less than one year computed as provided in the Debentures, is the rate of interest for such period multiplied by a fraction the numerator of which is the actual number of days in the 12-month period constituting such year and commencing on the same day as such period and the denominator of which is the actual number of days in such period.

#### **S. Definitions**

**Business Day** means any day (other than Saturday or Sunday) on which banks are open the whole day for business in Zurich and Toronto.

**UBS** means UBS AG, Bahnhofstrasse 45, CH-8001 Zurich, Switzerland.



**Intermediary** means SIX SIS Ltd, the swiss clearing and settlement organization, Baslerstrasse 100, CH-4600 Olten, Switzerland, or any successor organization accepted by SIX Swiss Exchange.

**Issuer** means the Province of New Brunswick, Canada.

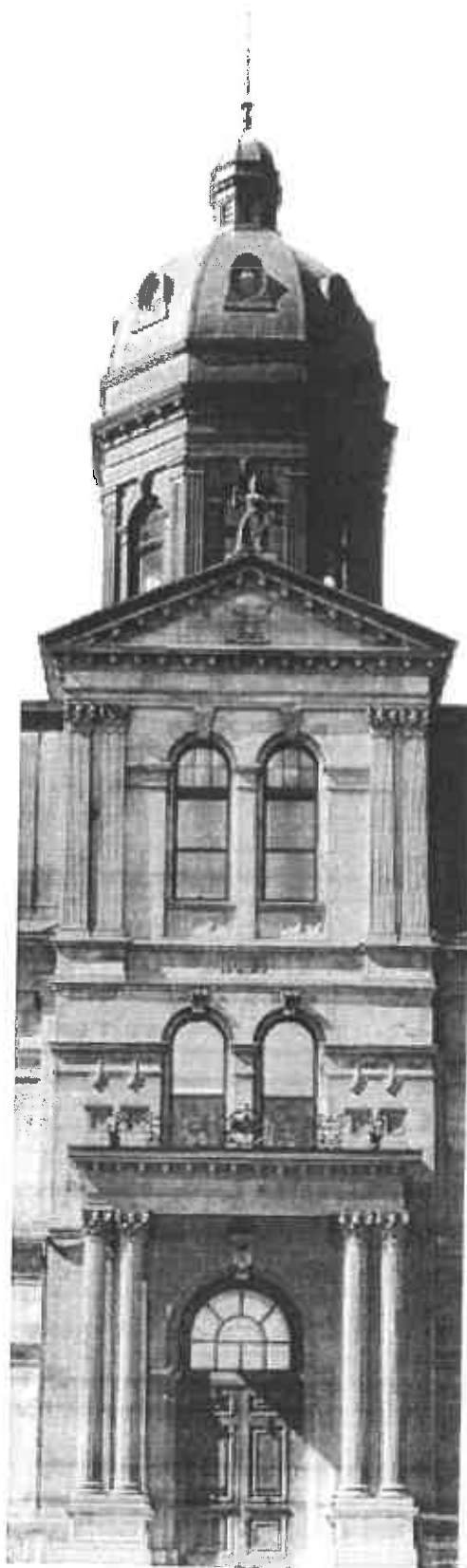
**Listing Agent** means UBS, appointed as recognized representative pursuant to art. 43 of the listing rules of SIX Swiss Exchange to file the listing application (including the application for provisional admission to trading) for the Debentures to SIX Swiss Exchange.

**Principal Paying Agent** means UBS AG, Bahnhofstrasse 45, CH-8001 Zurich, SIX SIS Ltd, the swiss clearing and settlement organization, Baslerstrasse 100, CH-4600 Olten, Switzerland, or any successor organization accepted by SIX Swiss Exchange.

**SIX Swiss Exchange** means SIX Swiss Exchange Ltd., Selnaustrasse 30, CH-8001 Zurich, Switzerland (P.O. Box 1758, CH-8021 Zurich, Switzerland or any successor exchange).

**Specified Office** means the office of the Principal Paying Agent at Bahnhofstrasse 45, CH-8001 Zurich, Switzerland.





Volume 1

# Consolidated Financial Statements

**PUBLIC  
ACCOUNTS**

**for the fiscal year ended  
31 March 2019**

Printed by Authority of the Legislature  
Fredericton, N.B.

New  Nouveau  
**Brunswick**

**Volume 1**

# **Consolidated Financial Statements**

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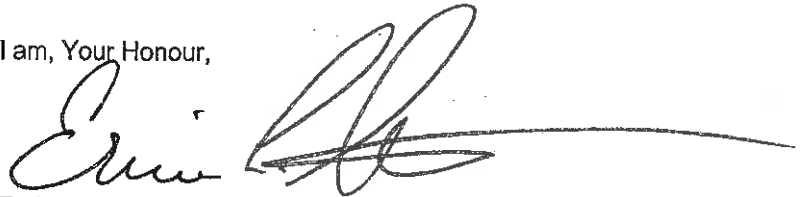


To Her Honour,

**The Honourable Brenda Murphy**  
Lieutenant-Governor of the Province of New Brunswick

The undersigned has the honour to submit the Public Accounts of the Province of New Brunswick for the fiscal year ended 31 March 2019.

I am, Your Honour,



Ernie L. Steeves  
Minister of Finance and Treasury Board

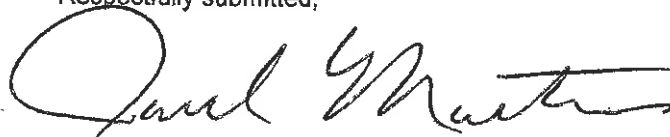
Fredericton, New Brunswick  
September 2019

**The Honourable Ernie L. Steeves**  
Minister of Finance and Treasury Board

Madam:

The undersigned has the honour to present to you the Public Accounts of the Province of New Brunswick for the fiscal year ended 31 March 2019.

Respectfully submitted,



Paul Martin, FCPA, FCA  
Comptroller

Fredericton, New Brunswick  
September 2019



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## INTRODUCTION VOLUME I

The Public Accounts of the Province of New Brunswick are presented in two volumes.

**This volume contains the audited consolidated financial statements of the Provincial Reporting Entity as described in Note 1 to the consolidated financial statements. They include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations, a Consolidated Statement of Cash Flow, a Consolidated Statement of Change in Net Debt and a Consolidated Statement of Change in Accumulated Deficit. This volume also contains the Independent Auditor's Report, Statement of Responsibility, management's comments on the Results for the Year, Major Variance Analysis and a discussion of the Indicators of Financial Health of the Province.**

Volume II contains unaudited supplementary information to the consolidated financial statements presented in Volume I. It presents summary statements for revenue and expenditure as well as five-year comparative statements. This volume also contains detailed information on Supplementary Appropriations, Funded Debt, statements of the General Sinking Fund and revenue and expenditure by department.

In addition, the Province includes the following lists on the Office of the Comptroller web site at <https://www2.gnb.ca/content/gnb/en/departments/finance/comptroller.html>:

- Salary information of government employees and employees of certain government organizations in excess of \$60,000. Salary information is for the calendar year and is reported under the department where the employee worked at 31 December;
- Travel and other employee expenses in excess of \$12,000 paid during the year to government employees, presented by department;
- Payments attributed to medical practitioners in excess of \$50,000 for the fiscal year ended 31 March;
- Payments made to suppliers and grant payments made during the year in excess of \$25,000 presented by department as well as a global listing including payments made by all departments;
- Loans disbursed to recipients during the year in excess of \$25,000 presented by department.



## STATEMENT OF RESPONSIBILITY

The consolidated financial statements of the Province of New Brunswick are prepared each year by the Comptroller as required under section 14 of the *Financial Administration Act*. The Results for the Year, Major Variance Analysis and Indicators of Financial Health commentaries are prepared jointly by the Department of Finance and Treasury Board and the Office of the Comptroller. The consolidated financial statements include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations, a Consolidated Statement of Cash Flow, a Consolidated Statement of Change in Net Debt and a Consolidated Statement of Change in Accumulated Deficit.

Financial statement integrity and objectivity are the responsibility of the Province. To help fulfil this responsibility, systems of internal control have been established to provide reasonable assurance that transactions are properly authorized, executed and reported. The statements are prepared in accordance with the accounting policies described in Note 1 to the Consolidated Financial Statements.

On behalf of the Province:

A handwritten signature in black ink, appearing to read "Ernie L. Steeves", followed by a long horizontal line extending to the right.

Ernie L. Steeves  
Minister of Finance and Treasury Board

September 2019

## RESULTS FOR THE YEAR

### General Comments

The Province's summary financial statements, contained in this volume of Public Accounts, report a surplus for the fiscal year ended 31 March 2019 of \$72.6 million. This represents an improvement of \$261.3 million from the budgeted deficit of \$188.7 million. The difference is the result of higher than budgeted revenues of \$269.8 million and higher than budgeted expenses of \$8.5 million.

Revenues were \$269.8 million higher than budget. Taxes were up \$213.4 million largely as a result of higher Corporate Income Tax and Personal Income Tax revenue, partially offset by lower Harmonized Sales Tax revenue and Tobacco Tax revenue. Other Provincial Revenue was up \$51.4 million mainly due to increased revenue from nursing homes and higher interest revenue, partially offset by a net loss from Cannabis NB. Unconditional Grants were up \$29.8 million due to a higher Canada Health Transfer and Canada Social Transfer. Income from Government Business Enterprises was lower than budgeted by \$45.5 million mainly due to lower revenue from the New Brunswick Power Corporation.

Overall expenses were \$8.5 million higher than budget. There were additional expenses in Protection Services, Social Development, Transportation and Infrastructure, Education and Training, and Health. Protection Services was up \$70.8 million mainly due to increased expenditures under the Disaster Financial Assistance program. Social Development expenses were up \$43.7 million mainly due to increased expense associated with the Child Welfare and Disability Support Services program as well as additional expenses in Nursing Homes. Under-expenditures occurred in Central Government, Economic Development, and Service of the Debt. Central Government expenses were \$71.9 million lower than budget mainly due to lower expenditures in Service New Brunswick, Local Government, and in General Government. Economic Development was \$ 57.0 million lower than budget mainly due to the timing of several multi-year projects funded by the Regional Development Corporation.

A more detailed discussion of major variances can be found in the major variance section that follows.

### Summary Financial Information

(millions)

<i>Consolidated Statement of Financial Position</i>		
	<b>2019</b>	<b>2018</b>
Financial Assets	\$ 10,717.0	\$ 9,984.2
Liabilities	(24,675.8)	(23,910.3)
<b>Net Debt</b>	<b>(13,958.8)</b>	<b>(13,926.1)</b>
Tangible Capital Assets	9,198.0	9,045.5
Other Non Financial Assets	196.6	224.6
Total Non Financial Assets	9,394.6	9,270.1
<b>Accumulated Deficit</b>	<b>\$ (4,564.2)</b>	<b>\$ (4,656.0)</b>

<i>Consolidated Statement of Operations</i>		
	<b>2019</b>	<b>2018</b>
Revenue – Provincial Sources	\$ 6,266.1	\$ 6,099.9
Revenue – Federal Sources	3,431.0	3,239.1
Total Revenue	9,697.1	9,339.0
Expenses	9,624.5	9,272.0
<b>Surplus (Deficit)</b>	<b>\$ 72.6</b>	<b>\$ 67.0</b>

<i>Consolidated Statement of Change in Net Debt</i>		
	<b>2019</b>	<b>2018</b>
Opening Net Debt	\$ (13,926.1)	\$ (13,820.2)
Increase in Net Debt From Operations	(32.7)	(105.9)
<b>Ending Net Debt</b>	<b>\$ (13,958.8)</b>	<b>\$ (13,926.1)</b>

## Revenue

Revenues of the Province for the past ten years, as restated, are shown in the table below. The consolidation of nursing homes was accounted for retroactively to opening 2015 net debt and accumulated deficit balances. As such, the impact is only reflected for 2015 and future years.

	(\$ millions)									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Provincial Sources	4,188.6	4,619.8	4,939.0	4,794.9	4,905.9	5,439.4	5,443.9	5,772.0	6,099.9	6,266.1
Federal Sources	2,940.8	2,930.3	2,874.2	3,000.5	2,877.9	3,009.8	2,952.7	3,130.2	3,239.1	3,431.0
Total Revenue	7,129.4	7,550.1	7,813.2	7,795.4	7,783.8	8,449.2	8,396.6	8,902.2	9,339.0	9,697.1

Average annual revenue growth over the ten-year period is 3.5%, with stronger growth over the latter half of the period. In 2019, year-over-year revenue increased by 3.8%. The increase was attributable to increasing federal revenue, growth in the tax base and prior-year adjustments.

## Expense

Expenses of the Province for the past ten years, as restated, are shown in the table below. The consolidation of nursing homes and the change in accounting policy for pensions were accounted for retroactively to opening 2015 net debt and accumulated deficit balances. As such, the impacts of the accounting changes are reflected in 2015 and future years.

	(\$ millions)									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Expense	7,824.6	8,167.1	8,057.5	8,328.1	8,384.1	8,810.6	8,657.1	9,019.2	9,272.0	9,624.5

Average annual expense growth over the ten-year period is 2.4%. In 2019, expenses increased by \$352.5 million year-over-year, a 3.8% increase. This was mainly due to increased expenses in Education and Training, Health, Protection Services, Social Development and Transportation and Infrastructure.

## Surplus / (Deficit)

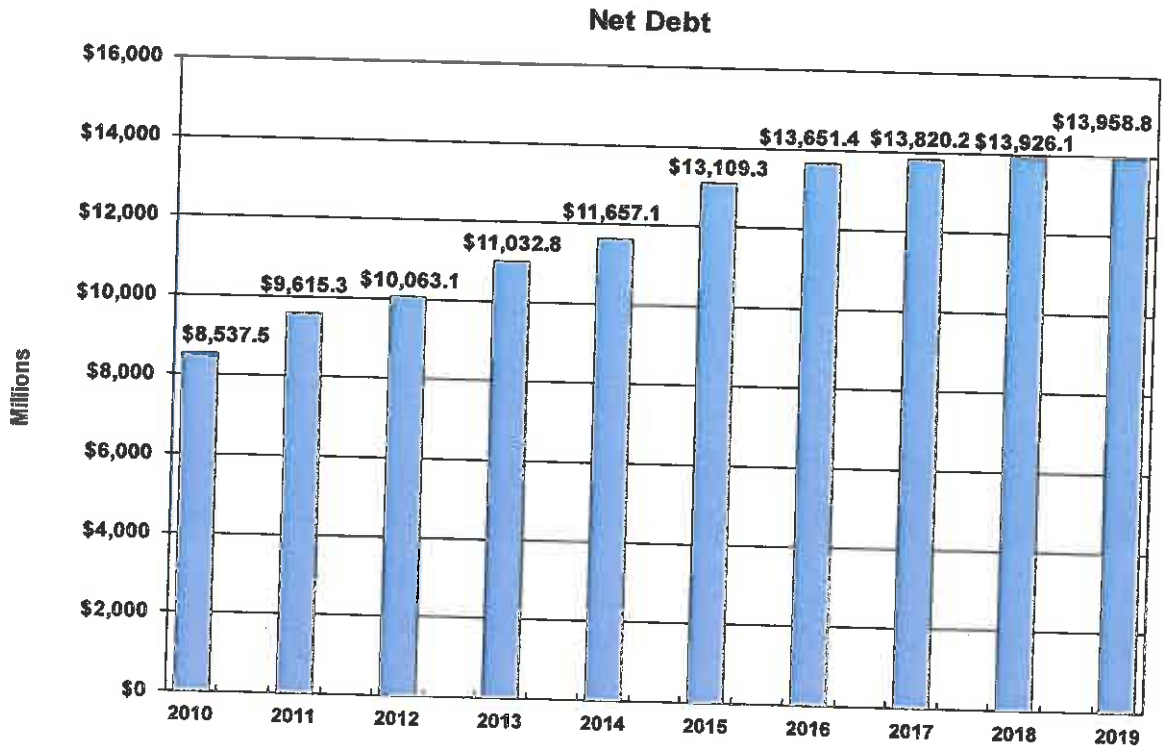
Surpluses (or Deficits) of the Province for the past ten years, as restated, are shown in the table below.

	(\$ millions)									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Surplus/(Deficit)	(695.2)	(617.0)	(244.3)	(532.7)	(600.3)	(361.4)	(260.5)	(117.0)	67.0	72.6

The surplus for the year ended 31 March 2019 was \$72.6 million, which is an improvement over the budgeted deficit of \$188.7 million. Revenue was \$269.8 million higher than budgeted. Taxes were up largely as a result of higher Corporate Income Tax revenue and Personal Income Tax revenue. Other Provincial Revenue was up mainly due to increased revenue from nursing homes and higher interest revenue. Unconditional Grants were up due to a higher Canada Health Transfer and Canada Social Transfer. These increases are partially offset by lower than budgeted Income from Government Business Enterprises mainly due to lower revenue from the New Brunswick Power Corporation. Expenses were higher than budgeted by \$8.5 million, mainly due to higher than budgeted expense in Protection Services, Social Development, Transportation and Infrastructure, Education and Training, and Health. This was partially offset by lower expenses for Central Government, Economic Development and Service of the Public Debt.

## Net Debt

Net debt increased by \$32.7 million during the year ended 31 March 2019, an improvement of \$339.6 million from the budgeted increase of \$372.3 million. The improvement from budget is mainly due to stronger fiscal results, including higher-than-anticipated revenue and expenditure management.

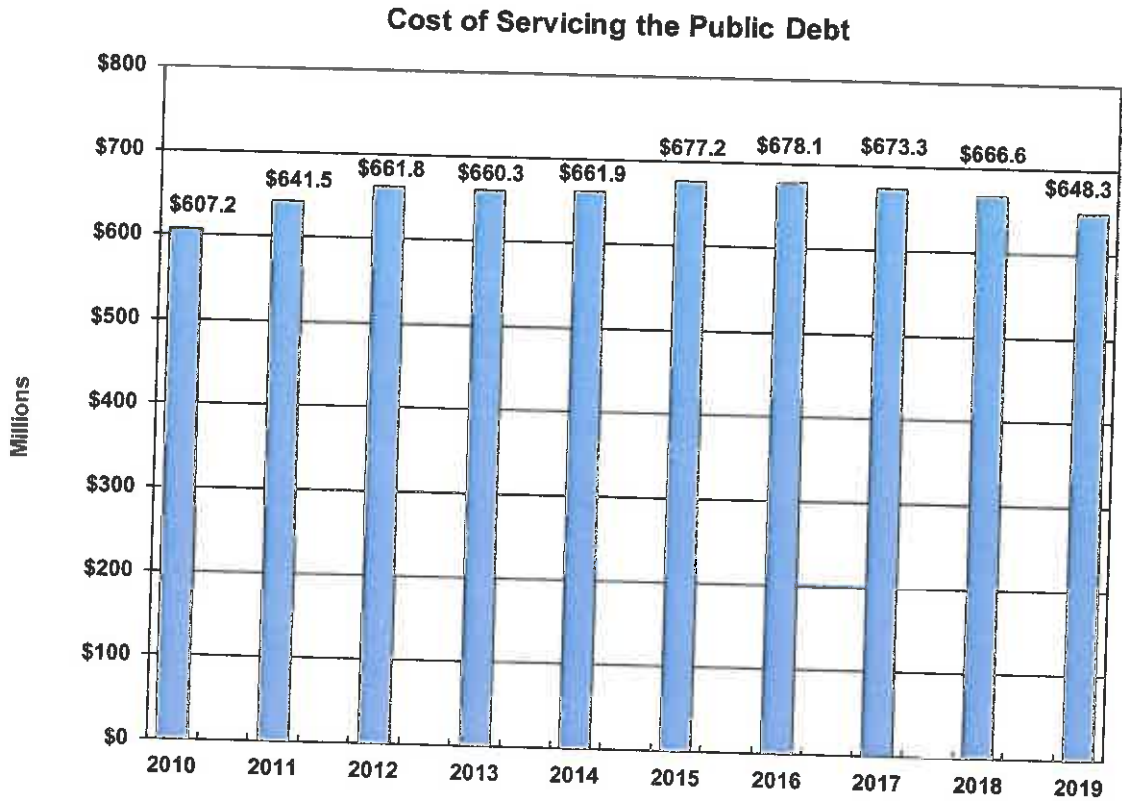


(\$ millions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Debt	8,537.5	9,615.3	10,063.1	11,032.8	11,657.1	13,109.3	13,651.4	13,820.2	13,926.1	13,958.8

### Cost of Servicing the Public Debt

The Province's cost of servicing the Public Debt totaled \$648.3 million for the year ended 31 March 2019. This represents a decrease of \$18.3 million from 2018. This was due to several factors including higher interest income earned, which was partially offset by interest payments on recently issued debt.



	(\$ millions)									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Cost of Servicing the Public Debt	607.2	641.5	661.8	660.3	661.9	677.2	678.1	673.3	666.6	648.3

### MAJOR VARIANCE ANALYSIS

Explanations of major variances are described below. In this analysis, comparisons are made between the actual results for 2019 and either the 2019 budget or the actual results for 2018.

#### REVENUE

##### Budget 2019 to Actual 2019 Comparison

2019 Budget to Actual				
(\$ millions)				
Item	Budget	Actual	Variance	% Variance
<b>Provincial Sources</b>				
Taxes	4,528.6	4,742.0	213.4	4.7
Licenses and Permits	163.7	165.6	1.9	1.2
Royalties	69.7	76.5	6.8	9.8
Income from Government Business Enterprises	240.2	194.7	(45.5)	(18.9)
Other Provincial Revenue	840.4	891.8	51.4	6.1
Sinking Fund Earnings	191.2	195.5	4.3	2.2
<b>Revenue from Provincial Sources</b>	<b>6,033.8</b>	<b>6,266.1</b>	<b>232.3</b>	<b>3.8</b>
<b>Federal Sources</b>				
Fiscal Equalization	1,873.9	1,873.9	—	—
Unconditional Grants	1,084.4	1,114.2	29.8	2.7
Conditional Grants	435.2	442.9	7.7	1.8
<b>Revenue from Federal Sources</b>	<b>3,393.5</b>	<b>3,431.0</b>	<b>37.5</b>	<b>1.1</b>
<b>Total Revenues</b>	<b>9,427.3</b>	<b>9,697.1</b>	<b>269.8</b>	<b>2.9</b>

#### Taxes

Taxes are up \$213.4 million from budget, primarily due to:

- Corporate Income Tax is up \$130.9 million due to the improvement to both prior-year and in-year revenue reflecting stronger than expected 2017 assessments and a higher forecast of national corporate taxable income.
- Personal Income Tax is up \$104.7 million due to a significant positive prior-year adjustment related to the 2017 taxation year and a strengthened forecast base.
- Provincial Real Property Tax is up \$9.7 million due to an increase in the tax base.
- Harmonized Sales Tax is down \$25.0 million reflecting official federal estimates.
- Tobacco Tax is down \$16.4 million due to a higher-than-anticipated decrease in sales volume.

#### Royalties

Royalties are up \$6.8 million from budget mainly due to higher than anticipated revenue from timber royalties.

#### Income from Government Business Enterprises

Income from Government Business Enterprises is down \$45.5 million mainly due to lower net income for the New Brunswick Power Corporation. Net income for the New Brunswick Power Corporation is down \$42.0 million due to a lower-than-planned rate increase, a delay in the implementation of this increase, as well as higher in-and-out-of-province fuel and purchased power costs. This was partially offset by greater than expected gains on investments and reductions in operations, maintenance and administration spending.



### Other Provincial Revenue

Other Provincial Revenue is up \$51.4 million from budget. The major variances include: higher revenue from nursing homes; higher-than-budgeted interest on student loans; increased revenues in school district special purpose funds; recoveries related to HST; and higher-than-anticipated Department of Health recovery levy. This is partially offset by a net loss from Cannabis NB and lower revenue from the Regional Health Authorities. In addition, there are other miscellaneous revenue increases and decreases across various departments and agencies.

### Sinking Fund Earnings

Sinking Fund Earnings are up \$4.3 million from budget due to a growing asset base and a higher return on investment.

### Unconditional Grants

Unconditional Grants are up \$29.8 million from budget reflecting official federal estimates for the Canada Health Transfer and the Canada Social Transfer, including the positive impact of revised population estimates based upon the 2016 Census.

### Conditional Grants

Conditional grants are up \$7.7 million mainly due to higher federal recoveries under the Disaster Financial Assistance program. This is partially offset by lower funding under the Clean Water and Wastewater Fund and the New Building Canada Fund, as well as lower than anticipated recoveries for the Affordable Housing Agreement Phase VI and the Social Infrastructure Fund Agreement.

### **Actual 2018 to Actual 2019 Comparison**

2018 Actual to 2019 Actual (\$ millions)				
Item	2018 Actual	2019 Actual	Change	% Change
<b>Provincial Sources</b>				
Taxes	4,586.3	4,742.0	155.7	3.4
Licenses and Permits	163.6	165.6	2.0	1.2
Royalties	75.7	76.5	0.8	1.1
Income from Government Business Enterprises	197.0	194.7	(2.3)	(1.2)
Other Provincial Revenue	887.5	891.8	4.3	0.5
Sinking Fund Earnings	189.8	195.5	5.7	3.0
<b>Revenue from Provincial Sources</b>	<b>6,099.9</b>	<b>6,266.1</b>	<b>166.2</b>	<b>2.7</b>
<b>Federal Sources</b>				
Fiscal Equalization Payments	1,760.3	1,873.9	113.6	6.5
Unconditional Grants	1,057.5	1,114.2	56.7	5.4
Conditional Grants	421.3	442.9	21.6	5.1
<b>Revenue from Federal Sources</b>	<b>3,239.1</b>	<b>3,431.0</b>	<b>191.9</b>	<b>5.9</b>
<b>Total Revenues</b>	<b>9,339.0</b>	<b>9,697.1</b>	<b>358.1</b>	<b>3.8</b>

### Taxes

Taxes are up \$155.7 million over the previous fiscal year, mainly due to:

- Personal Income Tax is up \$179.1 million due to higher in-year payments and a positive impact related to prior-year adjustments.
- Harmonized Sales Tax is up \$15.9 million reflecting growth in the tax base that was offset by the impact of prior-year adjustments.
- Provincial Real Property Tax is up \$6.6 million due to an increase in the tax base.

- Gasoline and Motive Fuels Tax is down \$34.6 million due to a portion of this tax revenue being transferred to the Climate Change Fund in 2018-2019.
- Tobacco Tax is down \$13.1 million due to a decrease in sales volume.

#### Other Provincial Revenue

Other Provincial Revenue is up \$4.3 million mainly due to revenue transferred to the Climate Change Fund in 2018-2019 and higher revenue from nursing homes, partially offset by lower HST recoveries, a net loss from Cannabis NB in 2018-2019, lower revenue from the Regional Health Authorities and lower prior-year recoveries from universities. In addition, there are other miscellaneous revenue increases and decreases across various departments and agencies.

#### Sinking Fund Earnings

Sinking Fund Earnings are up \$5.7 million from the previous year due to a growing asset base and a higher return on investment.

#### Fiscal Equalization Payments

Fiscal Equalization Payments are up \$113.6 million from the previous year due to the widening of fiscal disparities as per official federal estimates.

#### Unconditional Grants

Unconditional Grants are up \$56.7 million due to the legislated growth for the Canada Health Transfer and the Canada Social Transfer, as well as the positive impact of revised population estimates based upon the 2016 Census.

#### Conditional Grants

Conditional Grants are up \$21.6 million from the previous year mainly due to higher federal recoveries under the Disaster Financial Assistance program, the Home and Community Care and Mental Health and Addictions Services Funding Agreement and the Multilateral Early Learning and Child Care Framework Funding Agreement. This is partially offset by lower funding under the Clean Water and Wastewater Fund and the Post-Secondary Institutions Strategic Investment Fund, as well as a decrease in Social Infrastructure Fund Agreement revenue.

**EXPENSES****Budget 2019 to Actual 2019 Comparison**

2019 Budget to Actual (\$ millions)				
Item	Budget	Actual	Variance	% Variance
Education and Training	2,019.6	2,049.3	29.7	1.5
Health	3,079.9	3,089.3	9.4	0.3
Social Development	1,295.5	1,339.2	43.7	3.4
Protection Services	276.1	346.9	70.8	25.6
Economic Development	414.2	357.2	(57.0)	(13.8)
Labour and Employment	154.8	144.3	(10.5)	(6.8)
Resources	200.0	184.8	(15.2)	(7.6)
Transportation and Infrastructure	700.6	736.8	36.2	5.2
Central Government	800.3	728.4	(71.9)	(9.0)
Service of the Public Debt	675.0	648.3	(26.7)	(4.0)
<b>Total Expenses</b>	<b>9,616.0</b>	<b>9,624.5</b>	<b>8.5</b>	<b>0.1</b>

*Items in the table are reported by functional area. See the related schedule in the consolidated financial statements for additional details.*

**Education and Training**

Education and Training expenses were \$29.7 million higher mainly due to higher than anticipated expenses related to student financial assistance, pension expense and school district expenditures, partially offset by lower than anticipated expenses in Early Childhood Development programs.

**Health**

Health expenses were \$9.4 million higher than budget mainly due to higher than expected expenses in the Regional Health Authorities and the Medicare program.

**Social Development**

Social Development expenses were \$43.7 million higher than budget mainly due to increased expense associated with the Child Welfare and Disability Support Services program as well as additional expenses in Nursing Homes.

**Protection Services**

Protection Services expenses were \$70.8 million higher than budget mainly due to increased Disaster Financial Assistance expenses within the department of Public Safety.

**Economic Development**

Economic Development expenses were \$57.0 million lower than budget mainly due to lower expenses by the Regional Development Corporation related to several programs being underspent due to projects not advancing as anticipated and the winding down of some agreements; and lower provision expense at Opportunities New Brunswick.

**Labour and Employment**

Labour and Employment expenses were \$10.5 million lower than budget mainly due to lower client participation in various employment programs.

**Resources**

Resources expenses were \$15.2 million less than budget mainly due to lower expenses in Energy and Resource Development, as well as lower provision expense for Agriculture, Aquaculture & Fisheries.

### Transportation and Infrastructure

Transportation and Infrastructure expenses were over budget by \$36.2 million mainly due to higher Winter Maintenance costs due to the severity of the winter and additional expense associated with the cancellation of capital projects.

### Central Government

Central Government expenses were \$71.9 million less than budget mainly due to lower than anticipated expenses in Service New Brunswick, Local Government and the injured workers liability within General Government.

### Service of the Public Debt

The Service of the Public Debt was \$26.7 million lower than budget due to several factors including higher interest income earned, lower than budgeted interest rates on newly issued funded debt and the timing of cash flows.

## Actual 2018 to Actual 2019 Comparison

2018 Actual to 2019 Actual (\$ millions)				
Item	2018 Actual	2019 Actual	Change	% Change
Education and Training	1,951.9	2,049.3	97.4	5.0
Health	3,032.1	3,089.3	57.2	1.9
Social Development	1,268.4	1,339.2	70.8	5.6
Protection Services	279.4	346.9	67.5	24.2
Economic Development	388.4	357.2	(31.2)	(8.0)
Labour and Employment	134.5	144.3	9.8	7.3
Resources	184.2	184.8	0.6	0.3
Transportation and Infrastructure	668.0	736.8	68.8	10.3
Central Government	698.5	728.4	29.9	4.3
Service of the Public Debt	666.6	648.3	(18.3)	(2.7)
<b>Total Expenses</b>	<b>9,272.0</b>	<b>9,624.5</b>	<b>352.5</b>	<b>3.8</b>

*Items in the table are reported by functional area. See the related schedule in the consolidated financial statements for additional details.*

### Education and Training

Education and Training expenses were \$97.4 million higher than the previous fiscal year mainly due to increases in expenses associated with: general wage increases; funding for additional teachers, increased expenses in the Early Childhood Development programs; additional operating assistance to universities and colleges and increased funding to students under student financial assistance.

### Health

Health expenses were \$57.2 million higher than the previous fiscal year mainly due an increase in expenses in the Regional Health Authorities associated with wages and inflation as well as an increase in payments under the Medicare program.

### Social Development

Social Development expenses were \$70.8 million higher than the previous fiscal year mainly due to increased service delivery costs for the Child Welfare and Disability Support Program and higher Seniors and Long-Term Care expenses related to human service worker wage increases and Nursing Homes.

Protection Services

Protection Services were \$67.5 million higher than the previous fiscal year primarily due to higher expenses in the Department of Public Safety resulting from Disaster Financial Assistance funding associated with various storm and flood events.

Economic Development

Economic Development expenses were \$31.2 million lower than the previous fiscal year mainly due to decreased expenses under various programs of the Regional Development Corporation and the winding down of some agreements, partially offset by higher expense in Opportunities New Brunswick.

Labour and Employment

Labour and Employment expenses were \$9.8 million higher than the previous fiscal year mainly due to increased provincial and federal expenditures in various employment programs.

Resources

Resources expenses were \$0.6 million higher than the previous fiscal year mainly due to higher expenses in Agriculture, Aquaculture and Fisheries offset by lower expenses in Energy and Resource Development.

Transportation and Infrastructure

Transportation and Infrastructure expenses were \$68.8 million higher than the previous year mainly due to higher capital expense, Winter Maintenance costs and Amortization Expense resulting from the acquisition of tangible capital assets.

Central Government

Central Government expenses were \$29.9 million higher than the previous year mainly due to higher expenditures in Service New Brunswick and Legislative Assembly, partially offset by lower expenditures in General Government.

Service of the Public Debt

The Service of the Public Debt was \$18.3 million lower than the previous fiscal year due to several factors. Short-term investment interest income earned was higher, partially offset by increased interest costs on short-term borrowing. Interest costs on long-term funded debt is lower due to debt maturing in 2017-2018 being refinanced at lower interest rates.

## INDICATORS OF FINANCIAL HEALTH

This section provides indicators of progress in the Province's financial condition using information provided in the Province's consolidated financial statements as well as other standard socio-economic indicators such as nominal Gross Domestic Product (GDP) data from Statistics Canada.

The analysis of financial indicators is a reporting practice recommended by the Public Sector Accounting Board, and provides results in a manner that improves transparency and provides a clearer understanding of recent trends in the Province's financial health. Trends over the last ten years (2010 to 2019) are evaluated using the criteria of sustainability, flexibility and vulnerability. Though many potential indicators are available, those found to be the most relevant, measurable and transparent to users of government financial information are included. Similar data series are also widely used by banks and other financial institutions, investors and credit-rating agencies.

In evaluating a government's financial health, it should be acknowledged that governments have exposure to a number of variables that are beyond their direct scope of control but can still exert major influences on financial results and indicators. These include but are not limited to:

- Changing global economic conditions such as energy prices, commodity prices, investment valuation and inflation;
- Changes to international financial conditions that impact interest rates, currency fluctuations or availability of credit;
- Changes to federal transfers or programs;
- Emergencies such as floods, forest fires and pandemics;
- Developments affecting agencies such as the New Brunswick Power Corporation that are reflected in the Province's financial statements and;
- Changes in public sector accounting standards.

### Sustainability

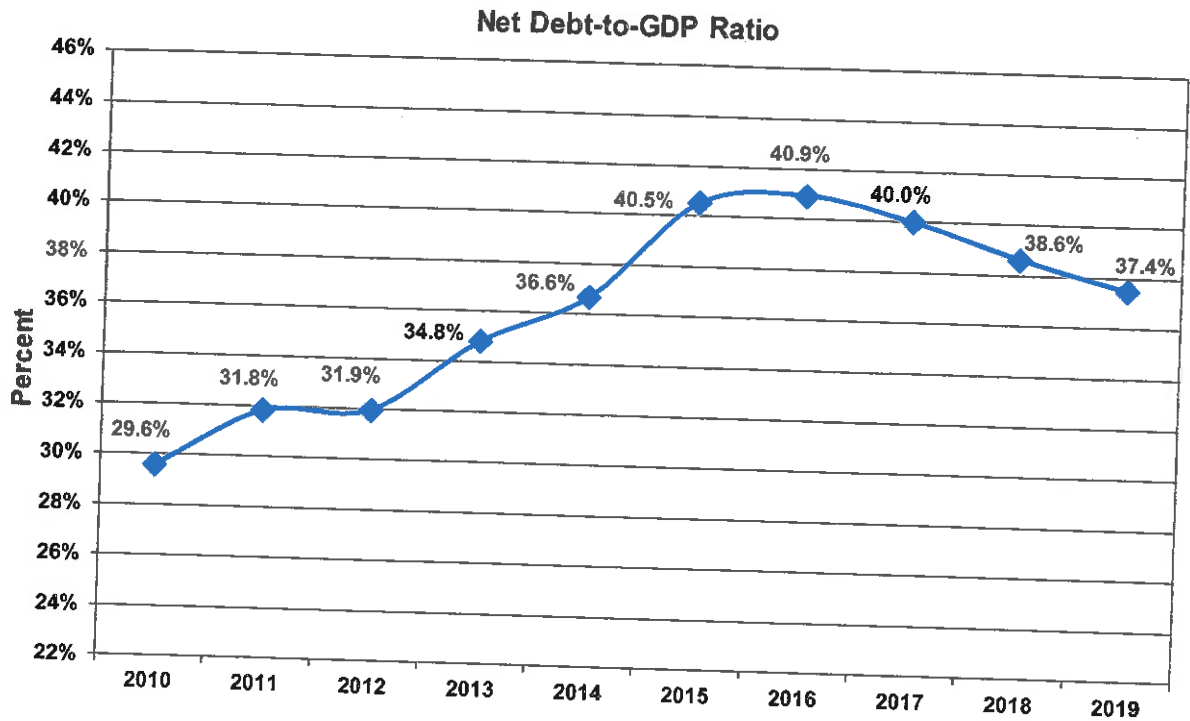
Sustainability is the degree to which a government can maintain its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others without increasing the debt or tax burden relative to the economy within which it operates. It is measured in this analysis by:

- Net debt as a proportion of GDP;
- Net debt per capita.

### Net Debt as a Proportion of GDP:

Net debt is an indication of the extent to which Provincial government liabilities exceed financial assets. The net debt-to-GDP ratio shows the relationship between net debt and the economy. If the ratio is declining, growth in the economy is exceeding growth in net debt, resulting in improved sustainability. Conversely, an increasing net debt-to-GDP ratio indicates net debt is increasing faster than growth in the economy and serving to reduce the provincial government's financial sustainability.

Over the last ten years the Province's ratio of net debt-to-GDP increased from 29.6% to a high of 40.9% in 2016. The ratio trended upwards due to weakened economic circumstances, operating deficits, capital spending, and other factors. The inclusion of nursing homes within the provincial reporting entity and a change in accounting policy related to pensions were both implemented retroactively to the opening 2015 net debt balance and as such there was a major impact on the ratio commencing in 2015. Over the past three years, however, the ratio has fallen annually to 37.4% due to improved economic and fiscal results, trending in a positive direction.



Net Debt-to-GDP Ratio			
Fiscal Year Ending	Net Debt (\$ millions)	GDP (\$ millions)	Net Debt/GDP (%)
2010	8,537.5	28,858	29.6
2011	9,615.3	30,213	31.8
2012	10,063.1	31,501	31.9
2013	11,032.8	31,722	34.8
2014	11,657.1	31,810	36.6
2015	13,109.3	32,388	40.5
2016	13,651.4	33,377	40.9
2017	13,820.2	34,593	40.0
2018	13,926.1	36,088	38.6
2019	<b>13,958.8</b>	<b>37,279</b>	<b>37.4</b>

#### Net Debt per Capita:

Net debt per capita is a statement of the net debt attributable to each New Brunswick resident. A decrease in net debt per capita suggests the debt burden has improved while an increase implies the debt burden has increased. Over the past ten years the net debt per capita has been trending upwards reflecting weakened economic circumstances, operating deficits, capital spending and other factors. The inclusion of nursing homes within the provincial reporting entity and a change in accounting policy related to pensions were both implemented retroactively to the opening 2015 net debt balance. As such, the net debt numbers were restated for 2015 forward, having a major impact on net debt per capita commencing in 2015. Net debt per capita declined slightly in 2019 following recent years of moderate growth, reflecting improved fiscal results and modest population growth.

### Net Debt per Capita



Net Debt per Capita			
Fiscal Year Ending	Net Debt (\$ millions)	Population (July 1)	Net Debt per Capita (\$)
2010	8,537.5	749,956	11,384
2011	9,615.3	753,035	12,769
2012	10,063.1	755,705	13,316
2013	11,032.8	758,378	14,548
2014	11,657.1	758,544	15,368
2015	13,109.3	758,976	17,272
2016	13,651.4	758,842	17,990
2017	13,820.2	763,350	18,105
2018	13,926.1	766,852	18,160
2019	<b>13,958.8</b>	<b>770,633</b>	<b>18,113</b>

### Flexibility

Flexibility is the degree to which a government can change its debt or tax burden on the economy within which it operates to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others. It is measured in this analysis by:

- Own-source revenue as a proportion of GDP;
- Cost of servicing the public debt as a proportion of total revenue.



### Own-source Revenue as a Proportion of GDP:

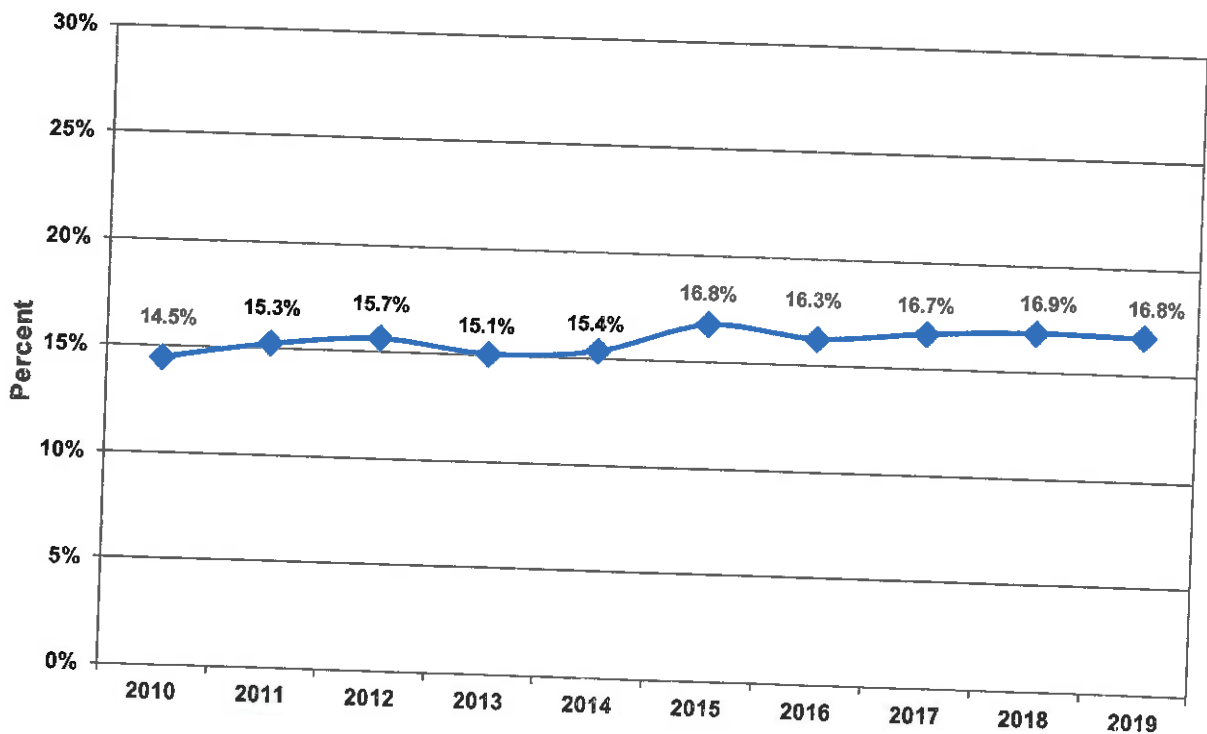
This ratio measures own-source revenues of the Provincial government as a percentage of the economy, as measured by nominal GDP. An increase in this ratio indicates that government own-source revenues are growing faster than the economy as a whole, reducing government's flexibility to increase revenues without slowing growth in the economy. A decrease in the ratio is indicative of the government taking less revenue out of the economy on a relative basis, which increases its flexibility.

Own-source revenue includes revenues from taxation, natural resources, fees, return on investment, lotteries, fines and penalties, etc., and is essentially all revenue minus federal transfers. While more controllable than federal transfers, as the Province can influence revenues through its own tax rates and fiscal policy, own-source revenue is vulnerable to, among other factors:

- Health of the economy;
- Net income or revenue of outside agencies whose revenue can fluctuate significantly due to price, volume, accounting changes, weather, etc. (e.g. the New Brunswick Power Corporation);
- Variability in provincial revenues that are collected or estimated by the federal government such as personal and corporate income taxes and the harmonized sales tax;
- Commodity tax revenues that are vulnerable to world prices.

Own-source revenue as a proportion of GDP is generally relatively stable, with an increase in this ratio since 2015 reflecting government revenue measures. This reduces government's flexibility to extract revenue from the economy.

Own-source Revenue as a Proportion of GDP



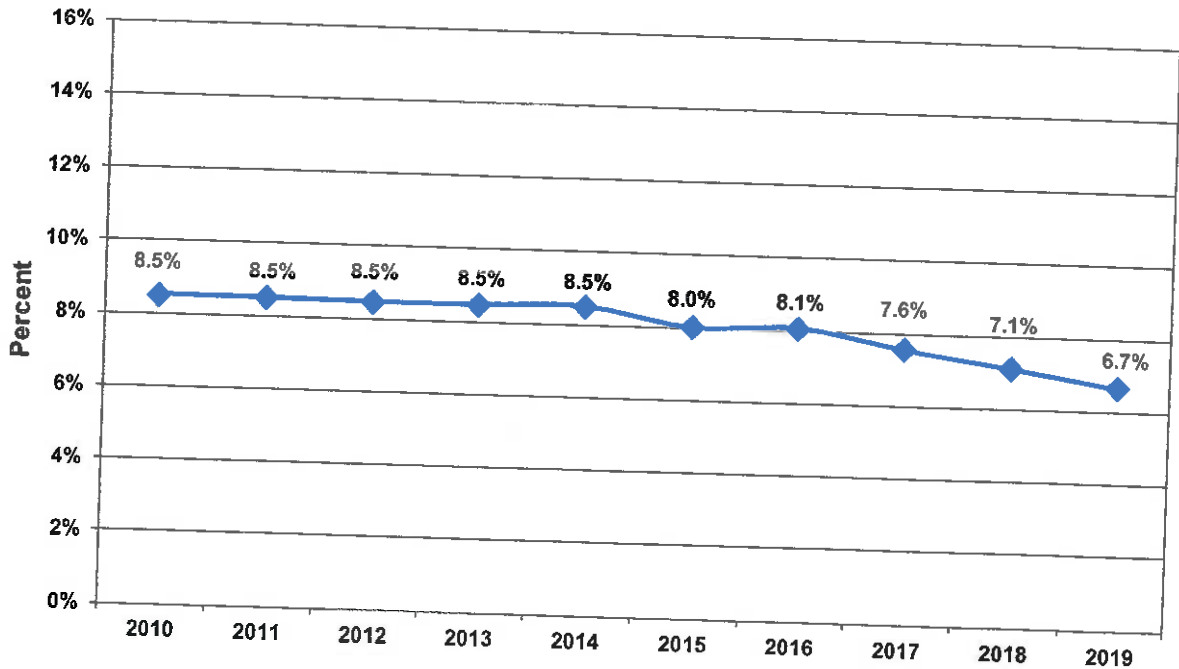
Own-source Revenue as a Proportion of GDP			
Fiscal Year Ending	Own-source Revenue (\$ millions)	GDP (\$ millions)	Own-source Revenue as a Proportion of GDP (%)
2010	4,188.6	28,858	14.5
2011	4,619.8	30,213	15.3
2012	4,939.0	31,501	15.7
2013	4,794.9	31,722	15.1
2014	4,905.9	31,810	15.4
2015	5,439.4	32,388	16.8
2016	5,443.9	33,377	16.3
2017	5,772.0	34,593	16.7
2018	6,099.9	36,088	16.9
2019	6,266.1	37,279	16.8

**Cost of Servicing the Public Debt as a Proportion of Total Revenue:**

Debt service costs as a proportion of total revenue is an indicator of the Province's ability to satisfy existing credit requirements in the context of the government's overall revenue. Debt service costs can be impacted by variables outside the direct control of government, such as credit ratings, interest rates, financial markets and currency fluctuations. Investment in public infrastructure resulting in a change in the stock of debt can also influence borrowing requirements.

The Province's proportion of debt service costs to revenue has been relatively stable with declines since 2014. In 2019 the ratio has dropped to a lower level signifying that debt service costs are a smaller proportion of Provincial revenues overall, allowing the Province more financial resources to provide essential programs and services.

**Cost of Servicing the Public Debt as a Proportion of Total Revenue**



Cost of Servicing the Public Debt as a Proportion of Total Revenue			
Fiscal Year Ending	Cost of Servicing the Public Debt	Total Revenue	Cost of Servicing the Public Debt as a Proportion of Total Revenue
	(\$ millions)	(\$ millions)	(%)
2010	607.2	7,129.4	8.5
2011	641.5	7,550.1	8.5
2012	661.8	7,813.2	8.5
2013	660.3	7,795.4	8.5
2014	661.9	7,783.8	8.5
2015	677.2	8,449.2	8.0
2016	678.1	8,396.6	8.1
2017	673.3	8,902.2	7.6
2018	666.6	9,339.0	7.1
2019	648.3	9,697.1	6.7

### Vulnerability

Vulnerability is the degree to which a government is dependent on sources of funding outside its control or influence or is exposed to risks that could impair its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others. A common measurement of vulnerability is federal government transfers as a proportion of revenue.

#### Federal Government Transfers as a Proportion of Total Revenue:

Revenue from federal sources is comprised of conditional and unconditional grants from the federal government, including:

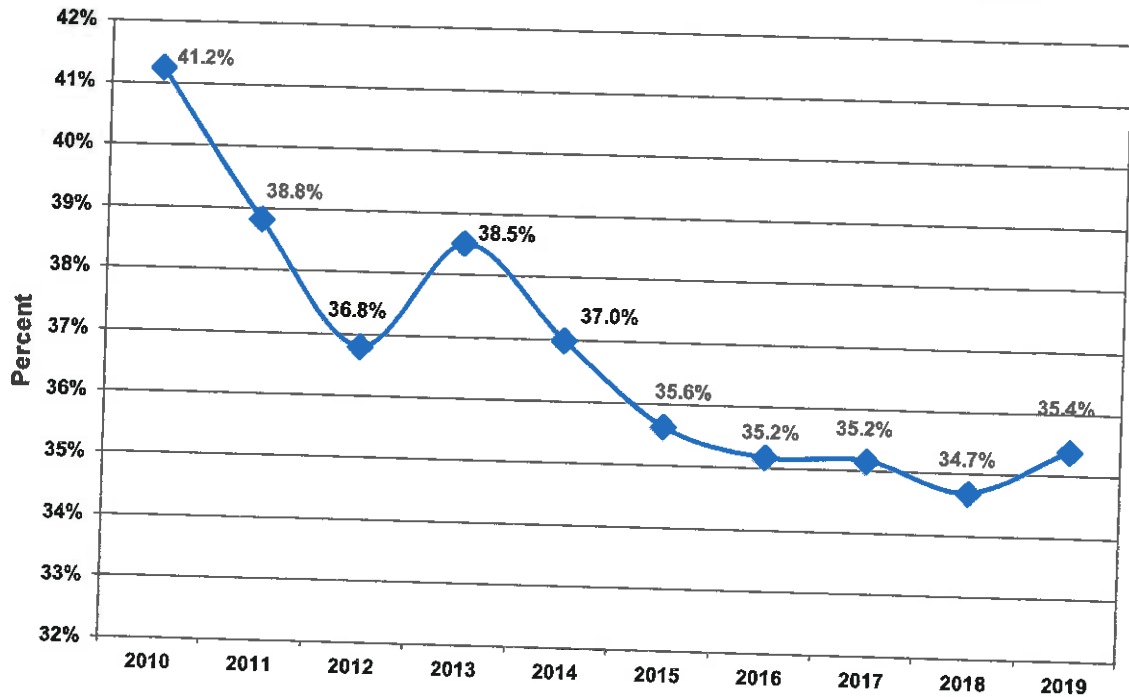
- Fiscal Equalization Program payments;
- The Canada Health Transfer and the Canada Social Transfer;
- Conditional grants or capital revenue in support of economic development, infrastructure, education and labour training and other areas.

Federal transfer payments can be affected by federal fiscal policy decisions, the normal annual estimate process that guides federal payments under the Equalization Program and Canada Health and Social Transfers, as well as timing and conditions related to conditional grants.

Comparing the level of federal transfers to total revenue provides an indication of the vulnerability of the Province. Generally, if the ratio is increasing, the Province is increasingly reliant on federal transfers, resulting in increased vulnerability. If the ratio is declining, vulnerability is diminished.

Over the last ten-year period, federal government transfers as a proportion of total revenue reached a high of 41.2% in 2010. In that year, provincial-source revenues contracted while federal stimulus funding supported federal-source revenue growth. Since then the ratio has trended downward to 35.4% in 2019 and has been relatively stable over the past several years.

Federal Government Transfers as a Proportion of Total Revenue



Federal Government Transfers as a Proportion of Total Revenue			
Fiscal Year Ending	Federal Government Transfers (\$ millions)	Total Revenue (\$ millions)	Federal Government Transfers as a Proportion of Total Revenue (%)
2010	2,940.8	7,129.4	41.2
2011	2,930.3	7,550.1	38.8
2012	2,874.2	7,813.2	36.8
2013	3,000.5	7,795.4	38.5
2014	2,877.9	7,783.8	37.0
2015	3,009.8	8,449.2	35.6
2016	2,952.7	8,396.6	35.2
2017	3,130.2	8,902.2	35.2
2018	3,239.1	9,339.0	34.7
2019	3,431.0	9,697.1	35.4



## INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly  
Province of New Brunswick

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

I have audited the consolidated financial statements of the Province of New Brunswick, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, change in net debt, change in accumulated deficit, and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province of New Brunswick as at March 31, 2019, and the consolidated results of its operations, changes in its net debt, changes in its accumulated deficit 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 Financial Statements* section of my report. I am independent of the Province of New Brunswick in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information in Volume I of the Public Accounts of New Brunswick for the fiscal year ended March 31, 2019 but does not include the consolidated financial statements and my auditor's report thereon.

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

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, 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 Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Province of New Brunswick'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 liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Province of New Brunswick's financial reporting process.

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

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will 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 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 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 New Brunswick'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 New Brunswick'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 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 New Brunswick to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the consolidated financial statements, to express an opinion on the consolidated 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

*Kim MacPherson*

Kim MacPherson, FCPA, CA, ICD.D  
Auditor General

*Fredericton, New Brunswick, Canada*  
September 12, 2019

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at 31 March

Schedule	(millions)	
	2019	2018
<b>FINANCIAL ASSETS</b>		
1 Cash and Short Term Investments	\$ 3,309.7	\$ 2,970.1
2 Receivables and Advances	406.2	455.9
3 Taxes Receivable	1,254.5	1,217.8
4 Inventories for Resale	0.3	0.3
5 Loans	568.4	577.4
6 Investment in Government Business Enterprises (Note 6)	321.3	255.6
Sinking Fund Equity (Note 9)	4,776.4	4,418.5
6 Other Investments	80.2	88.6
Total Financial Assets	<u>10,717.0</u>	<u>9,984.2</u>
<b>LIABILITIES</b>		
Short Term Borrowing (Note 4)	1,557.7	1,660.9
7 Accounts Payable and Accrued Expenses	3,016.2	2,996.8
8 Allowance for Losses	10.5	14.6
9 Deferred Revenue	638.6	549.6
10 Deposits Held in Trust	227.0	281.3
11 Obligations under Capital Leases (Note 5)	586.0	630.1
Net Pension Liability (Note 11)	714.9	687.4
	<u>6,750.9</u>	<u>6,820.7</u>
Funded Debt (Note 9)	22,610.7	21,572.7
Borrowing for New Brunswick Power Corporation (Note 9)	(4,624.0)	(4,412.3)
Funded Debt for Provincial Purposes (Note 9)	17,986.7	17,160.4
Unamortized Premiums and Discounts	(69.0)	(81.0)
Unrealized Foreign Exchange Gains	7.2	10.2
	<u>17,924.9</u>	<u>17,089.6</u>
Total Liabilities	<u>24,675.8</u>	<u>23,910.3</u>
<b>NET DEBT</b>	<u>(13,958.8)</u>	<u>(13,926.1)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible Capital Assets (Note 7)	9,198.0	9,045.5
12 Inventories of Supplies	51.7	48.1
13 Prepaid and Deferred Charges	144.9	176.5
Total Non-Financial Assets	<u>9,394.6</u>	<u>9,270.1</u>
<b>ACCUMULATED DEFICIT</b>	<u>\$ (4,564.2)</u>	<u>\$ (4,656.0)</u>
Contingencies - Note 13		
Commitments - Note 14		
Contractual Rights - Note 16		

The accompanying notes are an integral part of these consolidated financial statements.



Paul Martin, FCPA, FCA  
Comptroller



**CONSOLIDATED STATEMENT OF OPERATIONS**  
for the fiscal year ended 31 March

Schedule	(millions)			
	2019 Budget	2019 Actual	2018 Actual	
<b>REVENUE</b>				
Provincial Sources				
14	Taxes	\$ 4,528.6	\$ 4,742.0	\$ 4,586.3
15	Licenses and Permits	163.7	165.6	163.6
16	Royalties	69.7	76.5	75.7
17	Income from Government Business Enterprises	240.2	194.7	197.0
18	Other Provincial Revenue	840.4	891.8	887.5
	Sinking Fund Earnings	191.2	195.5	189.8
		<u>6,033.8</u>	<u>6,266.1</u>	<u>6,099.9</u>
Federal Sources				
	Fiscal Equalization Payments	1,873.9	1,873.9	1,760.3
19	Unconditional Grants	1,084.4	1,114.2	1,057.5
20	Conditional Grants	435.2	442.9	421.3
		<u>3,393.5</u>	<u>3,431.0</u>	<u>3,239.1</u>
		<u>9,427.3</u>	<u>9,697.1</u>	<u>9,339.0</u>
<b>EXPENSE</b>				
21	Education and Training	2,019.6	2,049.3	1,951.9
22	Health	3,079.9	3,089.3	3,032.1
23	Social Development	1,295.5	1,339.2	1,268.4
24	Protection Services	276.1	346.9	279.4
25	Economic Development	414.2	357.2	388.4
26	Labour and Employment	154.8	144.3	134.5
27	Resources	200.0	184.8	184.2
28	Transportation and Infrastructure	700.6	736.8	668.0
29	Central Government	800.3	728.4	698.5
	Service of the Public Debt (Note 10)	675.0	648.3	666.6
		<u>9,616.0</u>	<u>9,624.5</u>	<u>9,272.0</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>		<u>\$ (188.7)</u>	<u>\$ 72.6</u>	<u>\$ 67.0</u>

The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOW**  
for the fiscal year ended 31 March

	(millions)	
	2019	2018
<b>OPERATING ACTIVITIES</b>		
Surplus	\$ 72.6	\$ 67.0
<b>Non Cash Items</b>		
Amortization of Premiums, Discounts and Issue Expenses	8.6	7.6
Foreign Exchange Expense	(5.0)	(6.0)
Increase in Provision for Losses	11.3	11.4
Amortization of Tangible Capital Assets	496.1	473.5
Loss on Disposal or Impairment of Tangible Capital Assets	22.8	9.3
Sinking Fund Earnings	(195.5)	(189.8)
Losses on Foreign Exchange Settlements	2.0	2.9
Increase in Net Pension Liability (Note 11)	27.5	10.3
Increase in Deferred Revenue	89.0	19.4
<b>Changes in Working Capital</b>		
Decrease (Increase) in Accounts Receivable	44.6	(97.5)
Increase in Taxes Receivable	(40.2)	(18.1)
(Increase) Decrease in Inventories	(3.6)	0.2
Decrease (Increase) in Prepaid and Deferred Charges	31.6	(5.9)
Increase in Accounts Payable and Accrued Expenses	19.4	131.9
Decrease in Deposits Held in Trust	(54.3)	(34.6)
Net Cash From Operating Activities	526.9	381.6
<b>INVESTING ACTIVITIES</b>		
Increase in Investments and Loans	(54.7)	(26.1)
Other Comprehensive Gain (Loss)	19.2	(8.3)
Net Cash Used in Investing Activities	(35.5)	(34.4)
<b>CAPITAL TRANSACTIONS</b>		
Acquisition of Capital Assets (Note 7)	(671.4)	(641.7)
<b>FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Funded Debt	2,121.5	2,169.6
Purchase of NB Power Debentures	(600.4)	(408.3)
Received from Sinking Fund for Redemption of Debentures and Payment of Exchange	---	150.0
Decrease in Obligations under Capital Leases	(44.1)	(81.1)
Sinking Fund Installments	(162.4)	(166.0)
Decrease in Short Term Borrowing	(103.2)	(19.6)
Funded Debt Matured	(691.8)	(1,114.6)
Net Cash from Financing Activities	519.6	530.0
<b>INCREASE IN CASH DURING YEAR</b>	339.6	235.5
<b>CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR</b>	2,970.1	2,734.6
<b>CASH AND SHORT TERM INVESTMENTS - END OF YEAR</b>	\$ 3,309.7	\$ 2,970.1

The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**  
for the fiscal year ended 31 March

	(millions)		
	2019 Budget	2019 Actual	2018 Actual
<b>NET DEBT - BEGINNING OF YEAR</b>	\$(13,926.1)	<b>\$ (13,926.1)</b>	\$(13,820.2)
<b>CHANGES IN YEAR</b>			
Annual Surplus (Deficit)	(188.7)	72.6	67.0
Other Comprehensive Gain (Loss)	---	19.2	(8.3)
Acquisition of Tangible Capital Assets (Note 7)	(669.0)	(671.4)	(641.7)
Amortization of Tangible Capital Assets (Note 7)	485.4	496.1	473.5
Loss on Disposal or Impairment of Tangible Capital Assets	---	22.8	9.3
Net Change in Inventories of Supplies	---	(3.6)	0.2
Net Change in Prepaid and Deferred Charges	---	31.6	(5.9)
<b>INCREASE IN NET DEBT</b>	<u>(372.3)</u>	<u>(32.7)</u>	<u>(105.9)</u>
<b>NET DEBT - END OF YEAR</b>	<u><b>\$(14,298.4)</b></u>	<u><b>\$ (13,958.8)</b></u>	<u><b>\$(13,926.1)</b></u>

**CONSOLIDATED STATEMENT OF CHANGE IN ACCUMULATED DEFICIT**  
for the fiscal year ended 31 March

	(millions)		
	2019 Budget	2019 Actual	2018 Actual
<b>ACCUMULATED DEFICIT - BEGINNING OF YEAR</b>	\$ (4,656.0)	<b>\$ (4,656.0)</b>	\$ (4,714.7)
Annual Surplus (Deficit)	(188.7)	72.6	67.0
Other Comprehensive Gain (Loss)	---	19.2	(8.3)
<b>ACCUMULATED DEFICIT - END OF YEAR</b>	<u><b>\$(4,844.7)</b></u>	<u><b>\$ (4,564.2)</b></u>	<u><b>\$(4,656.0)</b></u>

The accompanying notes are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 March 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of Accounting**

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards.

**b) Provincial Reporting Entity**

These consolidated financial statements include the accounts of organizations that are controlled by the Province. A complete listing of the organizations within the Province's government reporting entity is provided in Schedule 30.

The not-for-profit nursing homes are individual corporations operated by their own boards of directors. The nursing homes are subject to legislation, regulation and government directives; and receive resident subsidies and other funding from government. The nature of the relationship between the Province and not-for-profit nursing homes is such that control has been determined to exist for accounting purposes only and not for legal purposes.

Legally established trust funds which the Province administers but does not control are not included as Provincial assets or liabilities. These consolidated financial statements disclose the equity balances of the trust funds administered by the Province in Note 17.

The Workplace Health, Safety and Compensation Commission (operating as WorksafeNB) is not included in the Province's government reporting entity. As at 31 December 2018, WorksafeNB had assets of \$1,739.5 million (\$1,734.0 million 2017) and liabilities of \$1,943.3 million (\$1,671.1 million 2017). WorksafeNB has the authority through legislation to establish premium rates sufficient to meet its financial obligations.

**c) Principles of Consolidation**

The accounts of organizations within the Province's government reporting entity are included in these consolidated financial statements through one of the following accounting methods:

Consolidation Method

This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. The Province does not adjust the tangible capital asset policies of organizations that are consolidated using this method to those of the Province in cases where the adjustment would be immaterial. Inter-organizational balances and transactions are eliminated under this method. This method reports the organizations as if they were one organization.

Modified Equity Method

This method is used for government business enterprises (GBEs). GBEs are defined in Note 6 to these consolidated financial statements. The modified equity method reports a GBE's net assets as an investment on the Province's Consolidated Statement of Financial Position. The net income of the GBE is reported as income from government business enterprises on the Province's Consolidated Statement of Operations. Inter-organizational transactions and balances are not eliminated. All gains or losses arising from inter-organizational transactions between GBEs and other government organizations are eliminated. The accounting policies of GBEs are not adjusted to conform with those of other government organizations.

Transaction Method

This method records only transactions between the Province and the other organizations. The transaction method is used when the appropriate methods would not produce a materially different result.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 March 2019**

**d) Changes in Accounting Policy**

Effective 1 April 2018, the Province prospectively adopted Public Sector Accounting Standard PS 3430 – Restructuring Transactions. No additional recognition or disclosures were required as a result of the adoption of this standard.

**e) Future Changes in Accounting Policy**

*PS 3280 – Asset Retirement Obligation*

The Public Sector Accounting Board issued section PS 3280 - Asset Retirement Obligation with an effective date of 1 April 2021. This new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets.

The Province plans to adopt this standard on the effective date and is currently analyzing the impact of the standard on its consolidated financial statements.

*PS 3450 - Financial Instruments*

The Public Sector Accounting Board issued section PS 3450 - Financial Instruments with an effective date of 1 April 2021. Under this new standard, financial instruments will be assigned a measurement category of either fair value, cost or amortized cost. Until a financial instrument is derecognized, any gains or losses that arise due to fair value remeasurement will be reported on the Statement of Remeasurement Gains and Losses. Adoption of this standard requires the adoption of PS 2601 - Foreign Currency Translation, PS 1201 - Financial Statement Presentation and PS 3041 - Portfolio Investments in the same fiscal year.

*PS 3400 - Revenue*

The Public Sector Accounting Board issued Section PS 3400 – Revenue with an effective date of 1 April 2022. Under this new standard, the method of accounting and reporting revenue is determined based upon whether or not the transaction includes a performance obligation.

The Province plans to adopt this standard on the effective date and is currently analyzing the impact of the standard on its consolidated financial statements.

**f) Specific Accounting Policies**

Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not to be consumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid and deferred charges, and inventories of supplies.

**Financial Assets**

Cash and Short Term Investments

Cash and short term investments are recorded at cost, which approximates market value. Short term investments include highly liquid investments that are readily convertible to known amounts of cash, with maturity dates of six months or less. Cash and short term investments include \$897.4 million (\$870.9 million 2018) in short term investments issued by the New Brunswick Power Corporation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 March 2019**

Inventories for Resale

Inventories for resale are recorded at the lower of cost or net realizable value. Properties held for resale are reported as a financial asset and include land and fixtures acquired or constructed for the purpose of sale. Properties held for resale also include properties acquired through foreclosure.

Accounts Receivable, Loans and Loan Guarantees Receivable

Accounts receivable, loans and loan guarantees receivable are initially recorded at cost, and reported at the lower of cost and net recoverable value through a valuation allowance. Changes in the valuation allowance are recognized in expense. Amounts due to the Province but deemed uncollectible are written off from the accounts of the Province once the write-off has been approved by either Treasury Board or the Secretary to Treasury Board depending on the dollar value involved.

Interest revenue is recognized on a loan when earned, and ceases to be accrued when the collectability of either the principal or interest is not reasonably assured.

Loans issued under the *Opportunities New Brunswick Act*, *Agricultural Development Act*, and *Fisheries and Aquaculture Development Act* facilitate the establishment, development, or maintenance of industry in a variety of areas. Loans issued under the *Opportunities New Brunswick Act* have terms of up to 25 years and interest rates ranging from 0% to 12%. These loans may be secured by life insurance, company assets, or personal guarantees. Loans issued under the *Agricultural Development Act* and *Fisheries and Aquaculture Development Act* have terms of up to 25 years, and interest rates set by regulation to be equal to the provincial borrowing rate or based on the prime rate. These loans may be secured by land, buildings, livestock, quota, and fishing vessels. All loans issued under these categories are in Canadian currency.

Loans to students are to be repaid 10 years after the end of study date, with interest rates based on the prime rate. These loans are unsecured. Loans issued under the *New Brunswick Housing Act* have terms of up to 25 years, and interest rates ranging from 0% up to the provincial borrowing rate. These loans are backed by a mortgage or promissory note. All loans issued under these categories are in Canadian currency.

Other Investments

Other investments are recorded at cost, which approximates market value. Where there has been a loss in the value of an investment that is other than a temporary decline, the investment is written down to recognize this loss.

The Atlantic Lottery Corporation is accounted for by the New Brunswick Lotteries and Gaming Corporation (NBLGC) using the modified equity method. NBLGC is consolidated in the Province's financial statements using the consolidation method.

Cannabis NB Ltd. is accounted for by the Cannabis Management Corporation (CMC) using the modified equity method. CMC is consolidated in the Province's financial statements using the consolidation method.

Sinking Funds

The General Sinking Fund is maintained by the Minister of Finance under the authority of section 14 of the *Provincial Loans Act* ("Act"). This Act provides that the Minister shall maintain one or more sinking funds for the payment of funded debt either at maturity or upon redemption in advance of maturity. Typically, redemptions are only made after the related Provincial purpose portion of the debt has been outstanding a minimum of twenty years.

Sinking fund installments are paid into the General Sinking Fund on or before the anniversary date of each issue of funded debt, at the prescribed rate of a minimum of 1% of the outstanding principal.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 March 2019**

Sinking fund investments in bonds and debentures are reported at par value less unamortized discounts less premiums and the unamortized balance of unrealized foreign exchange gains or losses. Short-term deposits are reported at cost. The Province's sinking fund may be invested in eligible securities as defined in the Act.

New Brunswick Power Corporation (NB Power) is contractually obligated to pay to the Province the amount of the sinking fund installment required each year in respect of the debentures issued by the Province on behalf of the New Brunswick Power Corporation.

### **Liabilities**

#### Loan Guarantees

Obligations resulting from guaranteed loans are recorded as liabilities when management determines that a loss is probable with changes in this obligation recorded annually.

Each outstanding loan guarantee under the *Opportunities New Brunswick Act* is reviewed on a quarterly basis. An allowance for loss on loan guarantees is established when management determines that a loss is probable. A loss is considered probable when one or more of the following factors is present:

- a decline in the financial position of the borrower;
- economic conditions in which the borrower operates indicate the borrower's inability to repay the loan;
- collection experience for the loan.

Losses on guaranteed loans under the *Agriculture Development Act* and *Livestock Incentives Act* for classes that have similar standards are calculated using an average rate based on past experience and trends.

#### Retirement Benefits

Retirement benefits include various retirement benefit plans and other employee future benefit plans where the Province has an obligation to provide benefits to employees. Liabilities for the *Provincial Court Act* and *Provincial Court Judges' Pension Act*, *Members' Superannuation Act* and *Members' Pension Act*, Pension Plan for Management Employees of New Brunswick School Districts, Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts, Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts, Pension Plan for Management Employees of New Brunswick Nursing Homes, Pension Plan for General and Service Employees of New Brunswick Nursing Homes, Pension Plan for Nursing and Paramedical Employees of New Brunswick Nursing Homes, Supplementary Retirement Plan, and the Retirement Allowance program are calculated using the projected benefit method prorated on service, using various assumptions based on management's best estimate. Pension fund assets are valued at market-related values. The cost of benefits earned is attributed to the period that the employee provides service. Changes in the liability resulting from experience gains or losses and changes in actuarial assumptions are amortized over the expected average remaining service life of the related plan. Gains and losses arising from plan amendments are recognized in the period of the plan amendment.

The New Brunswick Public Service Pension Plan, the New Brunswick Teachers' Pension Plan, the Shared Risk Plan for CUPE Employees of New Brunswick Hospitals, and the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals are Target Benefit Pension Plans. The liabilities for these plans are calculated using the projected benefit method prorated on service, using various assumptions based on management's best estimate. Pension fund assets are valued at market-related values. The cost of benefits earned is attributed to the period that the employee provides service. Changes in the liability resulting from experience gains or losses and changes in actuarial assumptions are amortized over the expected average remaining service life of the related plan. Gains and losses arising from plan amendments are recognized in the period of the plan amendment. These plans are governed by an Agreement and Declaration of Trust which restricts access to the plan assets. On this basis, the Province records the value of the plan net assets as nil when these plans are in a net asset position. When these plans are in a net obligation position, the Province records a liability for its portion of the obligation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 March 2019**

The Province also contributes to the Pension Plan for Part-Time and Seasonal Employees. For this plan, the Board of Trustees has the obligation to provide benefits to its members. As such, no liability is recorded by the Province. The cost recorded by the Province for this plan equals the amount of the Province's required contribution for the period.

Sick Leave

The cost of accumulating, non-vesting sick leave benefits for government departments and agencies, school districts and other agencies are determined by an actuarial valuation, using management's best estimate of salary escalation, accumulated sick days at retirement, long term inflation rates and discount rates. The sick leave liability for nursing homes has been estimated using summarized data of nursing home employees, and experience of employees in the Province's health care sector. The cost of sick leave usage exceeding an employee's annual allotment is expensed by each department and reported in the functional expense area related to the program in which the employee worked. The change in the net liability, excluding the cost of the sick leave usage exceeding the annual allotment, is reported under central government.

Liability for Injured Workers

The Province provides workers' compensation benefits on a self-insured basis. WorkSafeNB administers the claims on the Province's behalf and charges a fee for this service. The liability for injured workers is determined using a number of methods to estimate future payments including: the annuity method, the loss development method, and the aggregate claims method. Future payments are then discounted to determine the present value. Annual claim payments are expensed by each department and are reported in the functional expense area related to the program in which the employee worked. The net change in the liability, excluding actual claims costs, is reported under central government.

Liabilities for Contaminated Sites

A liability for the remediation of contaminated sites is recognized when: an existing environmental standard has been exceeded, the Province has a legal or assumed responsibility, the Province expects remediation to occur and a reasonable estimate of the cost of remediation can be made. The liability for remediation is estimated based on information available at the financial statement date, and reflects costs directly attributable to remediation activities, less expected net recoveries. The carrying amount of the liability for remediation is reviewed at each financial reporting date, and any revisions to the amount previously recognized are accounted for in the period in which revisions are made.

Borrowing on Behalf of New Brunswick Power Corporation

The Province, as represented by the Consolidated Fund, has issued long term debt securities on behalf of the New Brunswick Power Corporation in exchange for debentures with like terms and conditions. This financing arrangement was used to obtain more favourable debt servicing costs.

The New Brunswick Power Corporation debentures received by the Province are reported in the Statement of Financial Position of these consolidated financial statements as a reduction of Funded Debt. The transactions involving these securities, including the debt servicing costs, are not part of the budget plan of the Province's Consolidated Fund.

**Non-Financial Assets**

Tangible Capital Assets

Tangible capital assets are assets of the Province which have useful lives greater than one year. Certain dollar thresholds for capitalization have been established for practical purposes. Intangible assets and items inherited by right of the Crown, such as a forest, water, and mineral resources, are not recognized in the consolidated financial statements.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 March 2019**

Tangible capital asset policies of government entities which are consolidated in these consolidated financial statements are not adjusted to conform to Provincial policies in cases where the differences are not material. The areas in which tangible capital asset policies could differ include amortization rate, estimated useful life and capitalization threshold.

Capital Leases

Long term leases, under which the Province, as lessee, assumes substantially all the benefits and risks of ownership of leased property, are classified as capital leases although certain minimum dollar thresholds are in place for practical reasons. The present value of a capital lease is accounted for as a tangible capital asset and an obligation at the inception of the lease.

Inventories of Supplies

Inventories of supplies for use are recorded at the lower of cost or net realizable value. Inventories of supplies are reported as a non-financial asset.

Prepaid and Deferred Charges

Prepaid and deferred charges are cash disbursements, other than tangible capital assets and inventories of supplies, that are expected to yield economic benefits over one or more future periods. Prepaid and deferred charges are recorded as an asset at the time of incurrence and amortized to expenses over the periods expected to benefit from it.

**Revenues**

Tax Revenue

Official estimates received from the federal government are used as the basis for determining corporate and personal tax revenue. Corporate and personal tax revenue amounts for the current year reflect prior year adjustments based on returns or more recent economic data.

Provincial real property tax is recognized based on the calculation of applying the relevant provincial and local service district tax rates to the assessed property value. Adjustments are made to current year revenue for changes in prior year assessed property values.

Consumption taxes (Harmonized Sales Tax, Gasoline and Motive Fuels Tax, Tobacco Tax and Pari-mutuel Tax) are recognized based on the self-assessed returns of tax payers and tax collectors (e.g. retailers and wholesalers). Consumption tax revenue is also recognized from direct payments made by tax payers in completing certain types of transactions.

Government Transfers

Government transfers are recognized as revenue in the period during which the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives 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 transfer stipulations are met. Capital projects for which the stipulation of project completion had not been met as at 31 March 2019 have been recorded as deferred capital contributions in Schedule 9. Major transfers recognized during the period include fiscal equalization payments and other transfers disclosed in Schedule 19.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 March 2019**

## **Expenses**

### Government Transfers

Grants, entitlements and other government transfers are recognized as expense in the period during which the event giving rise to the transfer has occurred, provided that the transfer has been authorized and all eligibility criteria have been met by the recipient. Major government transfers during the period include: grants to universities, grants to municipalities, funding provided through social and employment programs, and transfers via revenue sharing agreements.

### Debt Charges

Interest and other debt service charges are reported in the Consolidated Statement of Operations as Service of the Public Debt except as described below:

As government business enterprises are included in the Provincial Reporting Entity through modified equity accounting, the cost of servicing their debt is not included in the Service of the Public Debt expense. The cost of servicing the debt of government business enterprises is an expense included in the calculation of their net profit or loss for the year.

Interest costs imputed on the Province's Net Pension Liability are recorded as part of pension expense, which is included in various expense functions.

Interest on debt to finance the Student Loan Portfolio is recorded as part of the Education and Training expense function.

Interest on CMHC debentures and Nursing Home debt is recorded as part of the Social Development expense function.

Interest earned on the assets of the General Sinking Fund and on other provincial assets is reported as revenue.

Note 10 to these consolidated financial statements reports the components of the Service of the Public Debt Expense function and total debt charges.

### Operating Leases

All leases under which the Province does not assume substantially all the benefits and risks of ownership related to the leased property are classified as operating leases. Each rental payment required by an operating lease is recorded as an expense when it is due.

### Concessionary Loans

There are two situations in which the Province charges loan disbursements entirely as expenses. These are:

- Loan agreements which commit the Province to provide future grants to the debtor to be used to repay the loan.
- Loan agreements which include forgiveness provisions if the forgiveness is considered likely.

In both these situations, the loan is charged to expense when it is disbursed.

Loans that are significantly concessionary because they earn a low rate of return are originally recorded as assets at the net present value of the expected future cash flows. The net present value is calculated using the Province's borrowing rate at the time the loan was issued. The difference between the nominal value of the loan and its net present value is recorded as an expense.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 March 2019**

**g) Foreign Currency Translation and Risk Management**

The Province's assets, liabilities and contingent liabilities denominated in foreign currencies are translated to Canadian dollars at the year-end rates of exchange, except where such items have been hedged or are subject to interest rate and currency swap agreements. In such cases, the rates established by the hedge or the agreements are used in the translation. Exchange gains and losses are included in the Consolidated Statement of Operations except for the unrealized exchange gains and losses arising on the translation of long term items, which are deferred and amortized on a straight line basis over the remaining life of the related assets or liabilities. Revenue and expense items are translated at the rates of exchange in effect at the respective transaction dates.

The Province borrows funds in both domestic and foreign capital markets and manages its existing debt portfolio to achieve the lowest debt costs within specified risk parameters. As a result, the Province may be exposed to foreign exchange risk. Foreign exchange or currency risk is the risk that the principal and interest payments on foreign debt will fluctuate in Canadian dollar terms due to fluctuations in foreign exchange rates.

In accordance with risk management policy guidelines, the Province uses various financial instruments and techniques to manage exposure to foreign currency risk. These financial instruments may include currency forwards, cross-currency swaps and purchases of foreign denominated assets into the Province's sinking fund. The Province performs an annual assessment of the effectiveness of its financial instruments in managing exposure to foreign currency risk by comparing the cash flows of both the hedged and hedging items.

As at 31 March 2019, the full amount of the Province's outstanding foreign denominated debt (1,150.0 million USD, 700.0 million CHF, and 105.0 EUR) has been hedged by entering into cross-currency swaps, which convert the interest and principal payable from the original currency to Canadian dollars. As the entire foreign denominated debt portfolio has been hedged, the Province has no foreign currency exposure.

**h) Measurement Uncertainty**

Measurement uncertainty exists when there is uncertainty in the determination of the amount at which an item is recorded in the financial statements. Such uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Many items are measured using management's best estimate, based on assumptions that reflect the most probable set of economic conditions and planned courses of action at the time of financial statement preparation. Estimates are updated to reflect new information as it becomes available. Actual results could differ from these estimates.

Significant estimates used in these consolidated financial statements include:

- Uncertainty relating to the determination of corporate income tax revenue arising from variances between the estimated and actual amount of New Brunswick's allocation of national taxable income. A sensitivity analysis on the impact of a change in the allocation of national taxable income indicated that a +/- 0.1% change in New Brunswick's allocation would impact the revenue by +/- \$3.6 million. Uncertainty also exists in relation to the determination of corporate and personal tax revenue arising from possible revisions of tax revenue as a result of reassessments of prior tax periods or the timing of instalment payments. Due to their nature, the extent to which these items will impact the estimates cannot be reasonably determined.
- Uncertainty relating to the determination of harmonized sales tax revenue arising from variances between the estimated and actual amount of New Brunswick's allocation of the national revenue pool. A sensitivity analysis indicated that a +/- 1% change in New Brunswick's allocation would impact the revenue by +/- \$15.9 million. Uncertainty also exists in relation to the determination of harmonized sales tax revenue arising from possible revisions of tax revenue as a result of reassessments of prior tax periods or the timing of instalment payments. Due to their nature, the extent to which these items will impact the estimates cannot be reasonably determined.
- Uncertainty in the determination of revenue from Canada Health Transfers and Canada Social Transfers arising from variances between the estimated and actual provincial share of national population figures.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 March 2019**

A sensitivity analysis on the impact of a change in the estimated population figures indicated that a +/- 1% change in New Brunswick's estimated population figures would impact the revenue for the Canada Health Transfer and Canada Social Transfer by +/- \$3.9 million and \$1.4 million, respectively.

- Uncertainty related to the determination of the obligation or expense for pensions and other employee future benefits arising because actual results may differ from the Province's assumptions used to estimate the amount of benefits that employees will receive and the investment return on plan assets. Due to the numerous factors that could impact the assumptions used, the extent to which their variability will impact the estimate cannot be reasonably determined.
- Uncertainty in the estimation of the liability for injured workers arising because actual results may differ from the Province's assumptions used to estimate the liability. A sensitivity analysis on exposure to changes in key variables used to estimate the liability indicated that a 1% decrease in the discount rate would increase the liability by \$40.7 million, and a 1% increase in the rate of inflation would increase the liability by \$36.1 million.
- Uncertainty relating to the allocation of payments for public private partnership road contracts arising because amortization of the capital improvement work commences in the year the rehabilitation work is expected to be performed, which may not reflect when the work is actually completed by the contractors. This may impact the timing of amortization expense and the classification of payments as a prepaid expense, accrued expenditure, or tangible capital asset. Due to the unpredictability of future events, the extent of the measurement uncertainty cannot be reasonably estimated.
- Uncertainty relating to the determination of the amount of accruals for the remediation of contaminated sites, amounts recorded as contingent liabilities, valuation allowances for loans, investments and accounts receivable, and the estimated useful lives of tangible capital assets arising because these amounts are based on probable outcomes and the use of estimates. Due to the unpredictability of future events, the extent of the measurement uncertainty cannot be reasonably estimated.
- Uncertainty relating to the consolidation of not-for-profit nursing homes operating in the Province arising because audited financial statements were not available for all nursing homes at the time of consolidation, because some nursing homes use accounting frameworks and accounting policies that differ from those of the Province, and because the estimates for sick leave and retirement allowance have been calculated using summarized data of nursing home employees and the estimate for sick leave has been calculated using experience of employees in the Province's health care sector. The extent of these differences is not expected to be material.
- Uncertainty related to the determination of property tax revenue, expense, assets and liabilities attributable to assessment appeals, uncollectible amounts and write-offs. The extent to which a change in the assessment amounts or collectability will impact the financial statements cannot be reasonably determined.

**NOTE 2 BUDGET**

The budget figures included in these consolidated financial statements are the amounts published in the Main Estimates, adjusted for transfers from the Supplementary Funding Provision Program. The Supplementary Funding Provision Program is an appropriation which provides funding to other programs for costs associated with contract settlements and other requirements not budgeted in a specific program.

Budget figures for the year ending 31 March 2019 reflect the acquisition of tangible capital assets and amortization expense. These amounts are disclosed in the Main Estimates as a separate schedule.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 March 2019

**NOTE 3 SPECIAL PURPOSE ACCOUNTS**

Special Purpose Account revenue earned but not spent accumulates as a surplus in that account and may be spent in future years for the purposes specified. At 31 March 2019, the accumulated surplus in all Special Purpose Accounts totaled \$120.6 million (\$113.4 million 2018). This total is a component of net debt and accumulated deficit.

**Descriptions of Major Special Purpose Accounts**

Climate Change Fund

The Climate Change Fund was established under the *Climate Change Act* on 1 April 2018 to receive a specified allocation of gasoline and diesel fuel tax revenue, and to provide funding for eligible climate change related expenditures. The Act was amended during the 2018-19 fiscal year to require that the balance of the fund as at 31 March 2019 be credited to the Consolidated Fund.

CMHC

CMHC funding is used to provide funding for the operation of the programs that fall under the administration of the Social Housing Agreement. Fund revenues include interest earned on the fund, interest earned from second mortgages, and the cumulative excess of funding for social housing not spent to date. Expenditures from the fund are for approved CMHC program funding, any annual excess of which may be carried over for future program expenditures until the agreement expiration date in 2034. The accumulated surplus in CMHC funding at 31 March 2019 was \$19.4 million (\$18.6 million 2018).

Environmental Trust Fund

The Environmental Trust Fund provides financial assistance for eligible projects that are within the following categories: protection, restoration, sustainable development, conservation, education and beautification. Actual costs are reimbursed by the Environmental Trust Fund for eligible activities. The accumulated surplus as at 31 March 2019 was \$27.6 million (\$26.1 million 2018).

School District Self-Sustaining Accounts

Self-Sustaining Accounts record school district revenue and expenses for non-educational services such as the rental of school facilities, cafeteria operations and foreign student tuition fees. These special purpose accounts also record partnership activities with third parties to provide resources, services or grants to students. The accumulated surplus in school district self-sustaining accounts at 31 March 2019 was \$48.6 million (\$44.7 million 2018).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 March 2019

The following table summarizes the change in the accumulated Special Purpose Account surplus:

	(millions)			
	2018	2019		
	Accumulated Surplus	Revenue	Expense	Accumulated Surplus
Archives Trust Account	\$ 0.1	\$ ---	\$ ---	\$ 0.1
Arts Development Trust Fund	---	0.7	0.7	---
Cannabis Education and Awareness Fund	---	0.3	---	0.3
Climate Change Fund	---	38.4	38.4	---
CMHC	18.6	7.1	6.3	19.4
Energy and Resources Development Recoverable Projects	---	0.1	0.1	---
Environmental Trust Fund	26.1	11.2	9.7	27.6
Fish Stocking Fund	1.4	0.3	0.4	1.3
Fred Magee Account	0.4	---	---	0.4
GO NB!	0.2	0.4	0.3	0.3
Health Services Liability Protection Plan	---	6.9	6.9	---
International Projects	---	0.6	0.6	---
Land Management Account	7.0	2.3	1.7	7.6
Library Account	0.4	0.5	0.4	0.5
Medical Research Assistance Account	0.4	---	0.4	---
Municipal Police Assistance	4.1	1.5	1.8	3.8
National Safety Code Agreement	---	0.2	0.2	---
NB 911 Service Fund	2.6	5.4	5.4	2.6
Provincial Parks	0.3	0.1	---	0.4
Provincial Proceeds of Crime	0.9	0.2	0.2	0.9
Public/Private Partnership Projects	0.2	---	---	0.2
Renovation of Old Government House	0.3	---	---	0.3
School District Scholarship and Trusts	0.1	0.1	0.2	---
School District Self-Sustaining Accounts	44.7	53.0	49.1	48.6
Sport Development Trust Fund	---	0.5	0.5	---
Strait Crossing Finance Inc.	---	0.1	0.1	---
Suspended Driver - Alcohol Re-Education	0.3	0.3	0.3	0.3
Trail Management Trust Fund	1.3	1.7	1.7	1.3
Training Recoverable Projects	2.6	2.3	2.3	2.6
Victim Services Account	---	3.7	3.0	0.7
Wildlife Trust Fund	1.4	1.3	1.3	1.4
	<u>\$ 113.4</u>	<u>\$ 139.2</u>	<u>\$ 132.0</u>	<u>\$ 120.6</u>

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**NOTE 4 SHORT TERM BORROWING**

Short term borrowing is recorded at cost, which approximates market value. Short term borrowing consists of \$1,542.8 million (\$1,645.4 million 2018) in treasury bills with interest rates ranging from 1.75% - 2.26%, maturing between 2 April and 5 December 2019 and \$14.9 million (\$15.5 million 2018) of bank indebtedness with interest rates ranging from 3.45% - 7.45%.

**NOTE 5 OBLIGATIONS UNDER CAPITAL LEASES**

The total future principal and interest payments for capital leases amount to \$868.0 million (\$956.7 million 2018). That amount includes \$586.0 million (\$630.1 million 2018) in principal and \$282.0 million (\$326.6 million 2018) in interest.

The lease agreements have terms of 10 to 30 years, with interest rates ranging from 4.4% to 8.8%. The most significant capital lease obligation relates to the Fredericton-Moncton Highway, with an obligation of \$468.1 million, an interest rate of 6.4%, and a maturity date of November 2027.

Minimum annual principal and interest payments in each of the next five years are as follows:

<u>Fiscal Year</u>	<u>(millions)</u>
2019-2020	\$ 91.1
2020-2021	\$ 90.5
2021-2022	\$ 89.7
2022-2023	\$ 88.5
2023-2024	\$ 87.1

**NOTE 6 GOVERNMENT BUSINESS ENTERPRISES**

A Government Business Enterprise is an organization accountable to the Legislative Assembly that has the power to contract in its own name, has the financial and operating authority to carry on a business, sells goods and services to customers outside the Provincial Reporting Entity as its principal activity, and that can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside the Provincial Reporting Entity.

The following is a list of Government Business Enterprises, and their fiscal year ends, which are included in the Provincial Reporting Entity as listed in Schedule 30 to these consolidated financial statements.

New Brunswick Liquor Corporation (Liquor)	31-03-19
New Brunswick Municipal Finance Corporation (Municipal Finance)	31-12-18
New Brunswick Power Corporation (Power)	31-03-19

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The following table presents condensed financial information for these Government Business Enterprises.

	(millions)			
	<u>Liquor</u>	<u>Municipal Finance</u>	<u>Power</u>	<u>Total</u>
<b><u>Assets</u></b>				
Cash and Equivalents	\$ 4.2	\$ 0.9	\$ 4.0	\$ 9.1
Receivables	26.8	2.9	305.0	334.7
Prepays	1.1	---	20.0	21.1
Inventories	35.0	---	212.0	247.0
Derivative Assets	---	---	14.0	14.0
Fixed Assets	13.4	---	4,495.0	4,508.4
Long Term Assets	---	---	776.0	776.0
Regulatory Assets	---	---	884.0	884.0
Long Term Notes Receivable	---	942.4	---	942.4
Sinking Fund Receivable	---	---	562.0	562.0
Intangible Assets	4.8	---	55.0	59.8
<b>Total Assets</b>	<b>\$ 85.3</b>	<b>\$ 946.2</b>	<b>\$ 7,327.0</b>	<b>\$ 8,358.5</b>
<b><u>Liabilities</u></b>				
Payables	\$ ---	\$ 3.1	\$ 340.0	\$ 343.1
Current Liabilities	22.4	---	1,362.0	1,384.4
Deferred Liabilities	---	---	1,089.0	1,089.0
Other Long Term Liabilities	2.3	---	---	2.3
Long Term Debt	---	942.4	4,159.0	5,101.4
<b>Total Liabilities</b>	<b>24.7</b>	<b>945.5</b>	<b>6,950.0</b>	<b>7,920.2</b>
<b><u>Equity</u></b>				
Retained Earnings	60.6	0.7	490.0	551.3
Accumulated Other Comprehensive Income (Loss)	---	---	(113.0)	(113.0)
<b>Total Equity</b>	<b>60.6</b>	<b>0.7</b>	<b>377.0</b>	<b>438.3</b>
<b>Total Liabilities and Equity</b>	<b>\$ 85.3</b>	<b>\$ 946.2</b>	<b>\$ 7,327.0</b>	<b>\$ 8,358.5</b>
<b><u>Net Income</u></b>				
Revenue	\$ 438.0	\$ 31.1	\$ 1,796.0	\$ 2,265.1
Expenses	(269.0)	(0.3)	(1,570.0)	(1,839.3)
Interest and Related Expense	---	(30.8)	(206.0)	(236.8)
<b>Net Income</b>	<b>\$ 169.0</b>	<b>\$ ---</b>	<b>\$ 20.0</b>	<b>\$ 189.0</b>
<b><u>Accumulated Other Comprehensive Loss</u></b>				
Accumulated Other Comprehensive Loss, Beginning of Year	\$ ---	\$ ---	\$ (132.0)	\$ (132.0)
Other Comprehensive Income, For the Year	---	---	19.0	19.0
<b>Accumulated Other Comprehensive Loss, End of Year</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ (113.0)</b>	<b>\$ (113.0)</b>



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The financial information of Government Business Enterprises is prepared according to the accounting standards applicable to each reporting entity, using accounting policies that are appropriate for the industry segment in which they operate. These accounting policies may not be consistent with accounting policies used by other organizations under the Provincial Reporting Entity.

**New Brunswick Liquor Corporation**

The New Brunswick Liquor Corporation was established under the *New Brunswick Liquor Corporation Act*. Its business activity is the purchase, distribution and sale of alcoholic beverages throughout the Province of New Brunswick. Transactions between the Corporation and the Province in the normal course of operations were deemed insignificant to the financial statements. The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards.

**New Brunswick Municipal Finance Corporation**

The Municipal Finance Corporation was established under the *New Brunswick Municipal Finance Corporation Act*. Its purpose is to provide financing for municipalities and municipal enterprises through a central borrowing authority. The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards.

As at 31 December 2018, funds administered by the Province held \$568.1 million (\$458.0 million 2017) of the Corporation's outstanding debt. Of that total, \$554.0 million (\$443.9 million 2017) was sold directly to the funds. The Province is guarantor of all debt issued by the Corporation. The corporation paid the Province an administration fee of \$0.3 million in 2018 (\$0.3 million 2017) to administer funds on its behalf.

The Corporation's principal payments on the total outstanding debenture debt are as follows:

<u>Year Ending</u>	<u>(millions) Principal Repayment</u>
December 31, 2019	\$ 150.7
December 31, 2020	125.9
December 31, 2021	130.9
December 31, 2022	67.4
December 31, 2023 and thereafter	475.0
Unamortized discount	(7.5)
<u>Total Debenture Debt</u>	<u>\$ 942.4</u>

**New Brunswick Power Corporation**

The New Brunswick Power Corporation was established as a Crown Corporation of the Province of New Brunswick in 1920 by enactment of the *New Brunswick Electric Power Act*. In 2004, the New Brunswick Power Corporation continued as the New Brunswick Power Holding Corporation with new subsidiary operating companies (collectively the NB Power Group of Companies). On 1 October 2013, by enactment of the *Electricity Act*, the New Brunswick Power Group of Companies became a single, integrated Crown Corporation.

The amount of \$562.0 million shown as sinking fund receivable on the Corporation's financial statements is due from the Province of New Brunswick. The amount of \$4,159.0 million shown as long-term debt has been borrowed by the Province. For 2019, The New Brunswick Power Corporation made payments to the Province for property taxes, utility taxes and right of way taxes totaling \$45.0 million (\$44.0 million 2018). The Corporation's financial statements were prepared in accordance with International Financial Reporting Standards.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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Prior to the above noted amalgamation on 1 October 2013, the financial results of the New Brunswick Power Group of Companies were recorded in the New Brunswick Electric Finance Corporation (NBEFC) using the modified equity method, with any unrealized intercompany gains or losses being eliminated upon consolidation. NBEFC's financial results were then consolidated with those of the Province, also using the modified equity method.

Over the period 2009 – 2013, NBEFC's net income was reduced by \$153.1 million of unrealized intercompany gains related to expenses deferred under the rate regulatory accounting practice used by the New Brunswick Power Group of Companies. Due to the subsequent amalgamation of the New Brunswick Power Group of Companies and NBEFC, the Province is recognizing the total amount of \$153.1 million in net income over the 27 year estimated useful life of Point Lepreau. For the fiscal year ended 31 March 2019, \$5.7 million was amortized into the Province's income. On the consolidated statement of financial position, the Province's investment in the New Brunswick Power Corporation has been reduced by the remaining amount of the regulatory deferral (\$117.0 million).

The New Brunswick Power Corporation's current liabilities include \$450.0 million for the current portion of long term debt. The Corporation's long-term debt principal repayment schedule is as follows:

<u>Year Ending</u>	<u>(millions) Principal Repayment</u>
March 31, 2021	\$ 365.0
March 31, 2022	400.0
March 31, 2023	234.0
March 31, 2024	300.0
March 31, 2025 and thereafter	2,875.0
Unamortized premiums	(15.0)
<u>Total Long-term portion</u>	<u>\$ 4,159.0</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 7 TANGIBLE CAPITAL ASSETS**

Tangible capital assets include acquired, built, developed and improved tangible assets, whose useful life extends beyond the fiscal year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts are not recognized as tangible capital assets. Land used as a site for a historical collection has been valued at \$1. Intangibles and items inherited by right of the Crown, such as inherited Crown lands, forests and mineral resources, are not recognized in the consolidated financial statements because the costs, benefits and economic value of such items cannot be reasonably and verifiably quantified. Assets under construction are not amortized until the asset is available to be put into service.

Calculation of opening balances include, where available, acquisition totals reported in Public Accounts from 1973 to 2004. Surfacing costs have been segregated starting in 2005. Prior to 2005, these costs were included in roads, highways and bridges.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as noted in the table that follows. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Included in the closing costs of the various asset classes as of 31 March 2019 are costs for assets under construction, which are not amortized. These costs are: buildings and land improvements (\$282.4 million); roads, bridges, and highways (\$142.5 million); ferries (\$9.8 million), water management systems (\$7.8 million); computer hardware (\$1.1 million) and computer software (\$30.7 million). Also included in the closing costs are capital lease amounts as follows: buildings and land improvements – cost \$228.0 million, accumulated amortization of \$49.5 million; roads, bridges and highways – cost \$843.0 million, accumulated amortization \$295.1 million; and vehicles and equipment - cost \$35.3 million, accumulated amortization \$13.1 million. Contributed roads totaling \$2.7 million were acquired during the year and have been included in the closing cost of roads, bridges, and highways as of 31 March 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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		(millions)							2018		
		2019									
Estimated Useful Life (Years)		20-40	5-15	40-50	5-20	20-50	20-50	5-15	Total		
	Land	Buildings and Land Improvements	Machinery and Equipment	Ferries	Vehicles and Mobile Heavy Equipment	Roads, Bridges and Highways	Dams and Water Management Systems	Computer Hardware and Software	Total		
	Indefinite	\$ 377.7	\$ 5,005.4	\$ 835.7	\$ 136.7	\$ 257.1	\$ 9,336.4	\$ 57.7	\$ 216.7	\$ 16,223.4	\$ 15,609.1
<b>Cost</b>		6.0	227.3	44.0	7.2	20.0	344.2	8.0	14.7	671.4	641.7
Opening Costs		--	(0.3)	(28.9)	--	(15.2)	(10.3)	(7.5)	(4.6)	(66.8)	(27.4)
Additions		--	1.8	(29.6)	--	0.5	--	--	--	(27.3)	--
Disposals		--	(4.1)	--	--	--	(8.6)	--	--	(12.7)	--
Adjustments		--	--	--	--	--	--	--	--	--	--
Impairments		--	--	--	--	--	--	--	--	--	--
<b>Closing Costs</b>		383.7	5,230.1	821.2	143.9	262.4	9,661.7	58.2	226.8	16,788.0	16,223.4
<b>Accumulated Amortization</b>											
Opening		--	--	--	--	--	--	--	--	--	--
Accumulated		--	2,241.8	636.4	25.8	158.3	3,970.3	8.5	136.8	7,177.9	6,722.5
Amortization		--	134.5	40.0	3.2	17.3	280.5	1.3	19.3	496.1	473.5
Disposals		--	(1.8)	(28.6)	--	(15.2)	(5.9)	(0.5)	(4.6)	(56.6)	(18.1)
Adjustments		--	0.8	(28.6)	--	0.4	--	--	--	(27.4)	--
<b>Closing Accumulated Amortization</b>		--	2,375.3	619.2	29.0	160.8	4,244.9	9.3	151.5	7,590.0	7,177.9
<b>Net Book Value</b>		\$ 383.7	\$ 2,854.8	\$ 202.0	\$ 114.9	\$ 101.6	\$ 5,416.8	\$ 48.9	\$ 75.3	\$ 9,198.0	\$ 9,045.5

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 8 BORROWING AUTHORITY**

**a) Balance of Borrowing Authority under the *Provincial Loans Act***

The balance of borrowing authority granted under the *Provincial Loans Act* is as follows:

	(millions)			
	Balance 2018	Authority Granted During the Year	Borrowing During the Year	Balance 2019
<i>Loan Act 2012</i>	\$ 25.3	\$ ---	\$ ---	\$ 25.3
<i>Loan Act 2016</i>	10.2	---	---	10.2
<i>Loan Act 2017</i>	280.8	---	280.8	---
<i>Loan Act 2018</i>	---	775.0	519.8	255.2
	<u>\$ 316.3</u>	<u>\$ 775.0</u>	<u>\$ 800.6</u>	<u>\$ 290.7</u>

Under the authority of section 2 of the *Provincial Loans Act*, the maximum temporary indebtedness of the Province is \$3,000.0 million. At 31 March 2019, the short term borrowing of the Province was \$1,542.8 million (\$1,645.4 million 2018).

Under the authority of subsection 3(1) of the *Provincial Loans Act*, the Province may borrow sums required for the repayment, refinancing or renewal of securities issued or for the payment of any loan or liability, repayment of which is guaranteed by the Province. This authority is in addition to the authorities listed above.

**b) Borrowing by the Municipal Finance Corporation**

The New Brunswick Municipal Finance Corporation has authority under the *New Brunswick Municipal Finance Corporation Act* to provide financing for municipalities and municipal enterprises. The Province guarantees the debt of the corporation. As at 31 December 2018, long term debt owed by the corporation was \$942.4 million (\$883.1 million 2017).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 9 FUNDED DEBT**

The following is a maturity schedule for the total amount of the Province's Funded Debt.

(millions)						
Fiscal Year of Maturity	Interest Rate (%) Range	Currency	Amount	Total Funded Debt	NB Power	Funded Debt for Provincial Purposes
2019-2020	Floating	CAD	350.0	\$ 350.0	\$ ---	\$ 350.0
	0.0 - 6.8	CAD	964.0	964.0	(450.0)	514.0
				<u>1,314.0</u>	<u>(450.0)</u>	<u>864.0</u>
2020-2021	0.0 - 6.8	CAD	1,418.1	1,418.1	(165.0)	1,253.1
	9.8	USD	200.0	249.4	(200.4)	49.0
				<u>1,667.5</u>	<u>(365.4)</u>	<u>1,302.1</u>
2021-2022	3.0 - 6.7	CAD	1,061.4	1,061.4	(400.0)	661.4
2022-2023	1.6 - 6.5	CAD	973.2	973.2	(100.0)	873.2
	2.5 - 8.8	USD	700.0	865.4	(133.6)	731.8
				<u>1,838.6</u>	<u>(233.6)</u>	<u>1,605.0</u>
2023-2024 & beyond	2.4 - 6.3	CAD	14,274.9	14,274.9	(3,175.0)	11,099.9
	Floating	CAD	250.0	250.0	---	250.0
	3.6	USD	500.0	641.0	---	641.0
	0.2 - 0.3	CHF	700.0	942.1	---	942.1
	1.8	EUR	105.0	157.5	---	157.5
				<u>16,265.5</u>	<u>(3,175.0)</u>	<u>13,090.5</u>
Total Funded Debt				<u>22,147.0</u>	<u>(4,624.0)</u>	<u>17,523.0</u>
Add: CMHC Debentures (Interest rate: 0.9% - 11.0%; Maturity date: 2019 - 2030)				50.2	---	50.2
Add: Nursing Home Mortgages (Interest rate: 0.5% - 10.0%; Maturity date: 2019 - 2038)				430.7	---	430.7
Less: Debt Issued to the New Brunswick Immigrant Investor Fund (2009) Ltd.				17.2	---	17.2
Funded Debt Before Sinking Fund				<u>22,610.7</u>	<u>(4,624.0)</u>	<u>17,986.7</u>
Less: Sinking Fund Equity				5,338.3	(561.9)	4,776.4
Funded Debt Net of Sinking Fund Equity				<u>\$ 17,272.4</u>	<u>\$ (4,062.1)</u>	<u>\$ 13,210.3</u>

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Pursuant to section 14 of the *Provincial Loans Act*, the Minister of Finance maintains a General Sinking Fund for the repayment of funded debt either at maturity or upon redemption in advance of maturity. At 31 March 2019, the equity of the General Sinking Fund accumulated for the repayment of Provincial Debt was \$4,776.4 million (\$4,418.5 million 2018). The market value of General Sinking Fund is \$5,414.2 million (\$4,947.1 million 2018). The market value is based on quoted market prices in active markets. Where quoted prices in active markets not available, valuation techniques based on observable inputs are used. Some of the assets of this Fund are bonds and debentures issued or guaranteed by the Province of New Brunswick. The provincial net book value of these investments at 31 March 2019 was \$1,672.3 million (\$1,522.5 million 2018).

The following table shows the components of the Sinking Fund:

	(millions)		
	Consolidated Fund	NB Power	Total
Fund Equity, beginning of year	\$ 4,418.5	\$ 505.1	\$ 4,923.6
Sinking Fund Earnings	195.5	33.9	229.4
Installments	162.4	41.6	204.0
Paid for Debt Retirement	---	(18.7)	(18.7)
	<u>\$ 4,776.4</u>	<u>\$ 561.9</u>	<u>\$ 5,338.3</u>

Because government business enterprises are included in the reporting entity through modified equity accounting, long term debt issued directly by those enterprises is not included in the amount of Funded Debt Outstanding. Note 6 to these consolidated financial statements discloses the long term debt obligations of government business enterprises.

The following amounts, which are payable swap agreements, have been included in the preceding funded debt maturity schedule. They have been reflected in that schedule in the currency payable per each financial swap agreement.

<u>Fiscal Year of Maturity</u>	(millions)		
	Amount Payable in Original Currency	Amount Payable Per Financial Swap Agreement	Canadian Dollar Equivalent
2020-2021	USD 50.0	CAD 48.9	\$ 48.9
2022-2023	USD 600.0	CAD 731.8	731.8
2027-2028	USD 500.0	CAD 641.0	641.0
2028-2029	CHF 300.0	CAD 394.1	394.1
2031-2032	CHF 400.0	CAD 548.0	548.0
2047-2048	EUR 105.0	CAD 157.5	157.5
			<u>\$ 2,521.3</u>

The swap agreements are interest rate and currency swap agreements.

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The CMHC Debenture principal repayment schedule is as follows:

<u>Fiscal Year</u>	<u>(millions) Principal Repayment</u>
2019-2020	\$ 10.0
2020-2021	\$ 9.0
2021-2022	\$ 7.0
2022-2023	\$ 6.1
2023-2024 and thereafter	\$ 18.1

Nursing Home Mortgages

<u>Fiscal Year</u>	<u>(millions) Principal Repayment</u>
2019-2020	\$ 40.4
2020-2021	\$ 36.0
2021-2022	\$ 30.3
2022-2023	\$ 22.7
2023-2024 and thereafter	\$ 301.3

The following estimated payments are required in each of the next five years to meet the sinking fund provisions of existing debt:

<u>Fiscal Year</u>	<u>(millions)</u>		
	<u>Total Installments on Debt</u>	<u>NB Power</u>	<u>Installments on Provincial Purpose Debt</u>
2019-2020	\$ 221.3	\$ (46.2)	\$ 175.1
2020-2021	\$ 206.1	\$ (39.7)	\$ 166.4
2021-2022	\$ 190.1	\$ (38.0)	\$ 152.1
2022-2023	\$ 162.5	\$ (31.8)	\$ 130.7
2023-2024	\$ 149.3	\$ (29.8)	\$ 119.5



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**NOTE 10 DEBT CHARGES**

The total cost of interest, exchange, amortization and related expenses is \$498.0 million (\$526.6 million 2018), which consists of:

	(millions)	
	<u>2019</u>	<u>2018</u>
Interest on Funded Debt	\$ 814.9	\$ 826.4
Interest on Short-Term Borrowing	23.4	11.2
Short-term Investment Income	(50.8)	(30.5)
Interest on Fredericton – Moncton Highway Capital Lease	33.7	36.3
Interest on Other Capital Leases	6.6	9.4
Foreign Exchange Expense	(5.0)	(6.0)
Amortization of Discounts and Premiums	8.6	7.6
Other Expenses	0.9	0.8
	<u>832.3</u>	<u>855.2</u>
Interest Recovery for Debt Incurred for the New Brunswick Power Corporation	<u>(184.0)</u>	<u>(188.6)</u>
Service of the Public Debt	648.3	666.6
Sinking Fund Earnings	<u>(195.5)</u>	<u>(189.8)</u>
	452.8	476.8
Pension Interest	14.6	21.8
Interest on Debt to Finance Student Loan Portfolio	10.0	6.6
Interest on CMHC Debentures	3.0	2.0
Interest on Nursing Home Debt	17.6	19.4
	<u>\$ 498.0</u>	<u>\$ 526.6</u>

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**NOTE 11 RETIREMENT BENEFITS**

**a) Description**

Employees of the Province and certain other entities, as well as members of the Legislative Assembly, are entitled to receive retirement benefits under a number of plans. The following is a summary of the funding and member benefits. Complete plan descriptions are contained in the specific plan documentation.

Defined Benefit Pension Plans

Eligible non-teaching employees of school districts participate in the Pension Plan for Management Employees of New Brunswick School Districts (Sch-Mgt), the Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts (GLTS), or the Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts (CUPE 2745). Each plan provides a basic pension benefit based on years of service and salary, along with capped annual inflation protection. Employees contribute up to 6.5% of earnings to the CUPE 2745 plan and up to 7.0% of earnings to the GLTS plan. There are no current contributors to the Sch-Mgt plan as it has been curtailed. The Province contributes an amount as determined by the actuary to fund the benefits of the GLTS plan. The Province contributes 142.4% of employee contributions for the CUPE 2745 plan, in accordance with the Collective Agreement. Pension trust funds, distinct from the Consolidated Fund, exist for each plan. The GLTS and CUPE 2745 trust funds invest in fixed income securities and equities. The Sch-Mgt trust fund invests in various fixed income, equity, inflation linked, and alternative investment pooled funds.

Provincial Court Judges receive pension benefits under the *Provincial Court Act* and the *Provincial Court Judges' Pension Act* (Judge). The basic pension benefit is based on years of service and salary, along with capped annual inflation protection. Judges contribute 8.0% of earnings, and the Province contributes an amount as determined by the actuary to fund the benefits. A pension trust fund, distinct from the Consolidated Fund, exists to fund a portion of the benefits. The remaining portion of the benefits payable to the Judges is paid from the Consolidated Fund. The trust fund invests in various fixed income, equity, inflation linked, and alternative investment pooled funds.

Members of the Legislative Assembly previously earned pension benefits under the *Members' Superannuation Act* and *Members' Pension Act* (Member). These plans have been curtailed. The Plans provide a pension benefit based on salary and number of years of service as a Minister, and average indemnity and number of sessions served as an MLA plus additional supplementary allowances. There is no segregated pension trust fund for these plans. The Province pays benefits as they become due out of the Consolidated Fund.

Certain pension benefits relating to early retirement initiatives, enhanced provisions for Deputy Ministers and Ministers, and benefits on salary in excess of the maximum salary covered under the New Brunswick Public Service Pension Plan are provided for under the Supplementary Retirement Plan (SERP). The excess employer and employee contributions relating to the New Brunswick Public Service Pension Plan are deposited into a Retirement Compensation Arrangement, which was established in 2015 to receive contributions and pay benefits. As at 31 March, \$30.4 million has been deposited into the account. Benefit payments are currently being paid out of the Consolidated Fund.

Certain eligible employees of nursing homes participate in either the Pension Plan for Management Employees' of New Brunswick Nursing Homes (NH-Mgt) or the Pension Plan for Nursing and Paramedical Employees' of New Brunswick Nursing Homes (NH-N&P). The Plans provide a pension benefit based on years of service and salary, along with capped annual inflation protection. Employees contribute 5.8% of earnings up to YMPE and 7.5% of earnings in excess of YMPE to the NH-Mgt plan, and 5.3% of earnings up to YMPE and 7.0% of earnings in excess of YMPE to the NH-N&P plan. The nursing homes contribute an amount required, as determined by the actuary, to fund the benefits. Pension trust funds, distinct from the Consolidated Fund, exist for each plan. The trust funds invest in fixed income securities, equities, and alternative investments.

Certain eligible employees of nursing homes participate in the Pension Plan for General and Service Employees' of New Brunswick Nursing Homes (NH-G&S). A future annual pension benefit accrues to employees as they provide service based on a percentage of salary, and is subject to capped inflation protection from the time it is earned. Employees contribute 6.5% of earnings up to YMPE and 9.03% of earnings in excess of YMPE toward current service,

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and the nursing homes are required to match this contribution. If special payments are required, regulations specify that they are to be shared equally by employees and employers, and that the amount cannot exceed 25% of the current service cost contribution. Additional amortization payments related to an unfunded liability that existed at 30 June 2008 are currently being paid by the employer. A pension trust fund, distinct from the Consolidated Fund, exists for the plan. The trust fund invests in fixed income securities, equities, and alternative investments.

Defined Contribution Pension Plans

Eligible part-time, seasonal and contract employees of the Province may participate in the Pension Plan for Part-Time and Seasonal Employees (Part-time). Employees may contribute 2.0%, 3.25%, or 4.5% of earnings. The Province matches the employee contribution, and has no further benefit obligation. The contributions, along with earnings, are attributed to separate member accounts which are used to fund the future retirement benefit.

Target Benefit Pension Plans

The Shared Risk Plan for CUPE Employees of New Brunswick Hospital (H-CUPE), Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals (H-CBE), New Brunswick Public Service Pension Plan (NBPSPP), and the New Brunswick Teachers' Pension Plan (NBTPP) are target benefit pension plans providing pension benefits to employees of the Province and certain other entities.

Each plan is governed by a Board of Trustees to which the Province has appointed one-half of the members. Once appointed, the Province does not have the right to remove a trustee. The boards are fully responsible for the management of the plans, including investment of the assets and administration of the plan. Each plan has a funding policy which outlines actions the Board of Trustees must take in the event the plan is not fully funded based on actuarial valuations. The required actions and timing differ from plan to plan and include adjustment of ancillary benefits including CPI adjustments, adjustment of employer and employee contributions and adjustment of base pension benefits. The funding policy also prescribes the required actions when these plans return to a funded position. The Plans are jointly funded by employees and the Province. Contribution rates are prescribed by the pension plan Board of Trustees in accordance with the plan documents, which establish the maximum amounts by which the rates can be increased or decreased from the following contribution rates:

	<u>Employee</u>	<u>Employer</u>
NBPSPP	7.5% below YMPE, 10.7% above YMPE	12.5%* (Includes temporary contribution of 1.25%)
NBTPP	10.0% below YMPE, 11.7% above YMPE	11.5% below YMPE, 13.2% above YMPE
H-CUPE	9.0%	10.1%
H-CBE	7.8%	7.8%

\*12.0% as of January 1<sup>st</sup>, 2019  
(YMPE – year's maximum pensionable earnings)

A targeted pension benefit, based on a percentage of salary, accrues to employees as they provide service. Subject to the terms of the funding policy, the benefit may be adjusted for inflation from the time it is earned. Future benefits and benefits already earned may be adjusted by the plans' boards of trustees, based on the funding status of each plan and in accordance with specified steps outlined in the funding policy.

The Province has guaranteed that retirement benefits for members of the NBPSPP will never be less than the base benefit level at the time of conversion. On conversion, the primary obligation for paying retirement benefits to the members of the former Public Service Superannuation Plan and the assets of this plan were transferred to the trustees of the NBPSPP. While the assets and primary obligation to pay benefits were transferred, should the NBPSPP Board of Trustees reduce benefits below base benefit level at conversion, the Province would have an obligation as a result of the guarantee. No guarantee has been provided to members of any other converted pension plan.

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Separate pension trust funds exist for each of the plans. The NBPSPP and NBTPP trust funds invest in various fixed income, equity, inflation linked, and alternative investment pooled funds. The H-CUPE and H-CBE trust fund investment policies allow for investment in fixed income securities, equities, real estate and infrastructure.

Retirement Allowance Plan

The Province provides other employee future benefits in the form of a lump sum payment to eligible bargaining and non-bargaining employees at retirement. The payment is based on years of service to a maximum of 25 years and salary at retirement. This is an unfunded program, with no segregated assets to pay benefits. Effective 1 April 2011, the program has been discontinued for new entrants to the non-bargaining group of employees. For management and non-union employees with a continuous service date before 1 April 2011, the accumulation of retirement allowance credits was discontinued as of 31 March 2013. Eligible employees were provided with the option of a payout in lieu of retirement allowance or to defer their retirement allowance until retirement based on accumulated credits as of 31 March 2013 and salary upon retirement. For certain bargaining groups, the accumulation of retirement allowance credits will be discontinued with effective dates ranging from 31 March 2016 to 31 March 2019, depending on the bargaining group. Eligible employees have been provided with the option of a payout in lieu of retirement allowance, with some bargaining groups allowing employees to voluntarily receive their payout in lieu before the date of discontinuance.

**b) Net Retirement Benefit Liability**

For the defined benefit pension plans, the Province is liable for any excess of accrued pension benefits over pension fund assets, with the exception of NH-G&S which is accounted for as a joint defined benefit plan. The Province records only its share which is assessed at 50%. The target benefit plans are governed by an Agreement and Declaration of Trust, which restricts access to the plan assets. The Province records the value of plan net assets as nil when the plans are in a net asset position. When the plans are in a net obligation position, the Province records a liability for its share (100% for the New Brunswick Public Service Pension Plan due to the pre-conversion base benefit guarantee, and 50% for the remaining three plans). Settlement of the obligation will occur in future periods as contributions maintain a fully funded plan status over time. For the defined contribution plan, the Province's obligation is limited to the contribution required for the period. A liability would only be recorded if the Province had not paid the required annual contribution. For the Retirement Allowance Plan, the Province is liable for the accrued benefit obligation.

As at 31 March 2019, the value of accrued benefits for all defined benefit pension plans exceeded the value of plan assets resulting in an actuarial benefit liability of \$588.2 million (\$505.1 million 2018). The calculation of this liability includes estimates of future events and market values of assets which can be volatile. Actual results may differ from the estimates used, creating a need for future adjustments. These adjustments are amortized into expense over the estimated remaining service life of employees, due to their tentative nature and the fact that further adjustments are likely to occur in the future. Currently, unamortized adjustments total \$(113.8) million (\$(57.3) million 2018). A valuation adjustment of \$14.6 million (\$12.2 million 2018) has been recorded to reflect the portion of the adjusted benefit asset of individual plans that exceeds the expected future economic benefit. The net pension liability after considering unamortized adjustments and valuation allowance is \$489.0 million (\$460.0 million 2018). This net balance, which is included in the amount reported on the Consolidated Statement of Financial Position, reflects the accounting methodology of deferring and amortizing the adjustments. This balance does not represent the actuarial pension liability.

The Province accounts for the NH-G&S plan as a joint defined benefit plan, where only the Province's portion of the net benefit liability is included in the amount reported on the Consolidated Financial Statement of Financial Position. The Province has also recorded an accrued benefit obligation for a schedule of amortization payments relating to an unfunded liability that existed as at 30 June 2008. Since the participating nursing homes and plan members share current service cost and special payments not related to the 30 June 2008 amortization schedule, the Province records 50% of the plan's accrued benefit obligation, net of the present value of the amortization payments, and 50% of total plan assets. As at 31 March 2019, the Plan had an actuarial benefit liability of \$60.5 million (\$49.1 million 2018). Included in the amounts reported under defined benefit plans above is \$34.6 million (\$30.0 million 2018) for the Province's share of the plan's actuarial benefit liability, and \$23.0 million (\$23.3 million 2018) for the Province's share of the plan's net benefit liability after unamortized adjustments of \$(11.6) million (\$(6.7) million 2018).

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As at 31 March 2019, the value of the Province's share of plan assets for all target benefit pension plans exceeded the value of the accrued benefits resulting in an actuarial benefit liability of \$(114.4) million (\$(27.7) million 2018). The calculation of this liability includes estimates of future events and market values of assets which can be volatile. Actual results may differ from the estimates used, creating a need for future adjustments. These adjustments are amortized into expense over the estimated remaining service life of employees, due to their tentative nature and the fact that further adjustments are likely to occur in the future. Currently, unamortized adjustments total \$(230.2) million (\$(289.5) million 2018). A valuation adjustment of \$570.5 million (\$544.6 million 2018) has been recorded to reflect the portion of the adjusted benefit asset of individual plans that exceeds the expected future economic benefit. The net pension liability after considering unamortized adjustments and valuation allowance is \$225.9 million (\$227.4 million 2018). This net balance, which is included in the amount reported on the Consolidated Statement of Financial Position, reflects the accounting methodology of deferring and amortizing the adjustments. This balance does not represent the actuarial pension liability.

The value of accrued benefits in the Retirement Allowance Plan totals \$402.1 million (\$399.5 million 2018). The calculation of this liability includes estimates of future events which can be volatile. Actual results may differ from the estimates used, creating a need for future adjustments. These adjustments are amortized into expense over the estimated remaining service life of employees, due to their tentative nature and the fact that further adjustments are likely to occur in the future. Currently, unamortized adjustments total \$8.2 million (\$8.0 million 2018). The net benefit liability after considering unamortized adjustments is \$410.3 million (\$407.5 million 2018).

The estimate of the Province's obligation for net pension and other employee future benefits is based on actuarial valuations for accounting purposes using the projected unit credit method, calculated as at the dates listed in Section d). This method estimates the present value of retirement benefits associated with the period of employee service to the valuation date. In the years that accounting valuations are not prepared, the obligation is calculated by an extrapolation from the previous valuation. These actuarial valuations were based on a number of assumptions about future events, such as rates of return on assets, wage and salary increases and employee turnover and mortality disclosed in sections d) and e). Pension assets are measured at fair value. The obligation and assets of H-CUPE, H-CBE and the non-teaching school district plans (Sch-Mgt, GLTS, CUPE 2745) have been measured at 31 December. All other plans are measured at 31 March.

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c) Summary of Retirement Benefits Information

Retirement Benefit Liability and Expense (millions)

	Pension Plans										Other Benefit Plans					
	2019										2018		2019		2018	
	NBPSPP	NBTPP	Hospital Plans	School District Plans	Nursing Home Plans	SERP	Judges	Member	Part-Time	Ombud	Total	Total	Retirement Allowance	Retirement Allowance		
Accrued benefit obligation beginning of year	\$ 7,637.2	\$ 2,650.2	\$ 1,669.2	\$ 591.0	\$ 514.8	\$ 315.0	\$ 87.8	\$ 62.5	\$ —	\$ —	\$ 13,527.7	\$ 13,143.1	\$ 399.5	\$ 398.2		
Actuarial losses (gains)	76.0	—	5.5	21.5	(3.2)	4.3	1.6	(0.1)	—	—	105.6	(62.8)	2.0	3.5		
Benefits accrued	186.3	52.8	65.3	16.0	21.5	11.8	4.2	—	—	—	357.9	347.6	33.8	33.0		
Interest	444.4	157.4	94.9	33.5	31.2	10.2	4.1	1.9	—	—	777.6	754.7	13.0	12.6		
Benefit payments	(395.1)	(147.1)	(62.0)	(28.0)	(29.4)	(14.8)	(2.9)	(3.3)	—	—	(682.6)	(655.1)	(46.2)	(47.8)		
Accrued benefit obligation end of year	7,948.8	2,713.3	1,772.9	634.0	534.9	326.5	94.8	61.0	—	—	14,086.2	13,527.7	402.1	399.5		
Plan assets beginning of year	7,618.6	2,887.7	1,478.0	493.4	500.5	23.3	48.8	—	—	—	13,050.3	12,543.7	—	—		
Actuarial gains (losses)	85.3	32.0	(50.3)	(46.2)	(9.4)	—	0.9	—	—	—	12.3	(41.5)	—	—		
Expected return on plan assets	445.2	172.5	84.6	27.5	30.4	—	2.9	—	—	—	763.1	732.8	—	—		
Employer contributions	149.4	37.7	39.4	11.1	16.2	18.3	1.7	—	—	—	273.8	281.2	—	—		
Employee contributions	101.1	32.9	39.5	5.2	9.3	3.6	0.6	—	—	—	192.2	186.0	—	—		
Benefit payments	(395.1)	(147.1)	(62.0)	(28.0)	(29.4)	(14.8)	(2.9)	—	—	—	(679.3)	(651.9)	—	—		
Plan assets end of year	8,004.5	3,015.7	1,529.2	463.0	517.6	30.4	52.0	—	—	—	13,612.4	13,050.3	—	—		
Actuarial Benefit Liability	(55.7)	(302.4)	243.7	171.0	17.3	296.1	42.8	61.0	—	—	473.8	477.4	402.1	399.5		
Unamortized Adjustments	(205.5)	(6.9)	(17.8)	(77.3)	(8.9)	(28.1)	1.4	(0.9)	—	—	(344.0)	(346.8)	8.2	8.0		
Valuation Adjustment	261.2	309.3	—	—	14.6	—	—	—	—	—	585.1	556.8	—	—		
Net Benefit Liability	\$ —	\$ —	\$ 225.9	\$ 93.7	\$ 23.0	\$ 268.0	\$ 44.2	\$ 60.1	\$ —	\$ —	\$ 714.9	\$ 687.4	\$ 410.3	\$ 407.5		
Expense																
Employers' share of benefits earned	\$ 43.3	\$ 57.5	\$ 64.9	\$ 10.9	\$ 19.9	\$ 7.9	\$ 3.6	\$ —	\$ 2.6	\$ 0.2	\$ 210.8	\$ 204.9	\$ 33.8	\$ 33.0		
Net interest	(0.8)	(15.0)	10.3	6.0	0.8	10.2	1.2	1.9	—	—	14.6	21.8	13.0	12.6		
Amortization of adjustments	71.5	0.5	1.8	18.8	0.5	3.0	—	(0.1)	—	—	96.0	41.8	2.2	2.1		
Change in valuation adjustment	(6.5)	32.4	—	—	2.4	—	—	—	—	—	28.3	69.2	—	—		
Total retirement benefit expense	\$ 107.5	\$ 75.4	\$ 77.0	\$ 35.7	\$ 23.6	\$ 21.1	\$ 4.8	\$ 1.8	\$ 2.6	\$ 0.2	\$ 349.7	\$ 337.7	\$ 49.0	\$ 47.7		

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The defined benefit pension plans and target benefit pension plans have a combined actuarial pension liability of \$714.9 million (\$687.4 million 2018). This total includes plans that have assets in excess of the accrued benefit obligation. The plans with assets in excess of accrued benefit obligations have assets totaling \$11,020.2 million (\$2,887.7 million 2018) and an accrued benefit obligation totaling \$10,662.1 million (\$2,650.2 million 2018), resulting in net actuarial pension liability of \$(358.1) million (\$(237.5) million 2018).

The pension fund one-year rate of return as at 31 March 2019 for Judge is 7.53% (5.88% 2018), NH-Mgt 4.01% (6.52% 2018), NH-N&P 4.22% (6.65% 2018), NH-G&S 4.31% (6.80% 2018), NBPSPP is 7.19% (5.21% 2018), and NBTPP 7.38% (5.74% 2018).

The one-year rate of return as at 31 December 2018 for Sch-Mgt is (0.39)% (8.23% 2017), GLTS (3.49)% (7.30% 2017), CUPE 2745 (3.29)% (6.75% 2017), H-CUPE 1.40% (8.90% 2017) and H-CBE 3.18% (8.80% 2017).

As at 31 March 2019, NBPSPP, NBTPP, Sch-Mgt and Judge plans held a total of \$63.3 million (\$63.3 million 2018) in securities issued or guaranteed by the Province. These are measured at fair value.

As at 31 December 2018, H-CUPE, H-CBE, GLTS and CUPE 2745 plans held a total of \$23.4 million (\$24.3 million 2017) in securities issued or guaranteed by the Province. These are measured at fair value.

**d) Actuarial Assumptions**

Calculation of the Province's pension and other employee future benefit obligations and related expense is based on long term actuarial assumptions. Salary increase assumptions have been refined to include the short term.

The table below discloses the assumptions used in the actuarial valuations.

Plan	Date of Latest Actuarial Valuation	Discount Rate and Expected Rate of Return (%)		Rate of Pension Escalation after Retirement (%)	Annual Wage and Salary Increase (%) *	
		Return (%)	Inflation (%)		Short-Term	Long-Term
NBPSPP	01 Jan 2018	5.90	2.25	1.94	1.50	2.75
NBTPP	31 Aug 2016	6.05	2.25	1.69	1.50	2.75
H-CBE	31 Dec 2017	5.85	2.25	1.88	1.50	3.00
H-CUPE	31 Dec 2017	5.45	2.25	2.07	1.50	2.75
GLTS	01 Jan 2018	5.20	2.25	2.00	1.50	2.75
CUPE 2745	01 Jan 2018	5.20	2.25	2.00	5.00	2.75
Sch-Mgt	01 Jan 2017	3.70	2.25	1.95	1.50	2.75
NH-G&S	31 Dec 2017	6.10	2.25	2.00	1.50	2.75
NH-N&P	31 Dec 2017	6.10	2.25	2.25	1.50	2.75
NH-Mgt	31 Dec 2017	6.10	2.25	2.25	1.50	2.75
SERP	01 Jan 2017	2.93	1.45	1.25	1.50	1.95
Judge Member Retirement Allowance	01 Apr 2016	6.05	2.25	2.15 to 2.20	3.50	3.50
	31 Mar 2019	2.93	1.45	1.25	n/a	n/a
	31 Mar 2015	2.93	1.45	n/a	1.50	1.95

\* excludes promotional scale

These assumptions, which are based on management's best estimate, have been used to determine the amount of the Province's obligation for pension and other employee future benefits outstanding and the value of benefits earned by employees during the fiscal year. Different assumptions have been used to determine the appropriate level of employee and employer contributions needed to fund the estimated cost of the plans.

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**e) Member Data**

The following table lists data about the members of each plan.

Plan	Estimated Average Remaining Service Life (Years)	Number of Active Contributors	Number of Pensioners	Average Annual Salary of Contributors	Average Annual Pension
NBPSPP	15	18,010	16,099	\$ 69,633	\$ 21,239
NBTPP	16	9,852	9,357	\$ 69,210	\$ 30,917
H-CBE	15	8,665	3,026	\$ 67,091	\$ 19,322
H-CUPE	12	7,967	3,892	\$ 41,258	\$ 10,170
GLTS	8	2,147	1,775	\$ 35,964	\$ 11,755
CUPE 2745	10	1,036	525	\$ 34,898	\$ 8,341
Sch – Mgt	---	---	105	n/a	\$ 12,599
NH-G&S	11	4,588	2,462	\$ 32,547	\$ 6,624
NH-N&P	9	568	366	\$ 56,343	\$ 10,772
NH-Mgt	8	213	253	\$ 76,300	\$ 13,000
SERP	13	395	3,194	\$ 83,091	\$ 4,493
Judge	6	31	31	\$ 259,096	\$ 54,449
Member	---	---	91	n/a	\$ 27,017
Member	---	---	53	n/a	\$ 5,849
Minister	---	---	53	n/a	\$ 5,849

The Members' Pension Plan provides for a benefit based on years of service and salary as a Member and a benefit based on years of service and salary as a Minister. All Ministers are also included as a Member.

The average annual salary of contributors under the SERP relates to the amount in excess of the maximum salary covered under the NBPSPP.

**NOTE 12 SICK LEAVE LIABILITY**

The Province of New Brunswick's employees working full-time and part-time hours in government departments and agencies, school districts and other agencies receive sick leave that is earned at varying amounts per group. Unused hours can be carried forward for future paid leave, up to predetermined maximum amounts. This is an unfunded program with no specific assets segregated to meet the obligations when they come due. Actuarial estimates for this future liability have been completed and form the basis for the estimated liability reported in these consolidated financial statements. The latest actuarial valuation was calculated as at 31 March 2018 for government departments and agencies and school district employees. The latest actuarial valuations were completed between 1 January 2017 and 31 March 2018 for employees of other agencies. The sick leave liability for nursing homes has been estimated using summarized data of nursing home employees, and experience of employees in the Province's health care sector.

For the year ended 31 March 2019, the total expense related to sick leave benefits was \$34.5 million (\$32.5 million 2018).

Significant economic and demographic assumptions used in the actuarial valuations are:

Discount Rate:	Equal to the Province's long term borrowing rate of 2.93% as at 31 March 2019, and 3.19% as at 31 March 2018.	
Expected Average Remaining Service Lifetime (Years):	8.5 to 14.0	
Salary Growth Rate:	<u>Short term</u>	<u>Long term</u>
	1.5%	2.0 % to 3.5%



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The following table presents the liability at 31 March:

	(millions)					2018
	2019					
	Government Departments and Agencies	School Districts	Nursing Homes	Other Agencies	Total	Total
Accrued benefit obligation beginning of year	\$ 53.1	\$ 88.2	\$ 19.3	\$ 106.6	\$ 267.2	\$ 250.7
Actuarial losses	---	0.4	0.9	0.1	1.4	17.5
Benefits accrued	5.5	7.2	1.7	10.0	24.4	24.1
Interest	1.7	2.8	0.6	3.1	8.2	7.9
Benefit payments	(7.1)	(10.1)	(3.4)	(14.2)	(34.8)	(33.0)
<b>Accrued benefit obligation end of year</b>	<b>53.2</b>	<b>88.5</b>	<b>19.1</b>	<b>105.6</b>	<b>266.4</b>	<b>267.2</b>
Unamortized adjustments						
Opening balance	5.6	(23.3)	(1.5)	(2.4)	(21.6)	(4.6)
New adjustments	---	(0.4)	(0.9)	(0.1)	(1.4)	(17.5)
Amortization	(0.4)	1.8	0.2	0.3	1.9	0.5
<b>Unamortized Adjustments ending balance</b>	<b>5.2</b>	<b>(21.9)</b>	<b>(2.2)</b>	<b>(2.2)</b>	<b>(21.1)</b>	<b>(21.6)</b>
<b>Total Benefit Liability</b>	<b>\$ 58.4</b>	<b>\$ 66.6</b>	<b>\$ 16.9</b>	<b>\$ 103.4</b>	<b>\$ 245.3</b>	<b>\$ 245.6</b>

Government Departments and Agencies include Opportunities New Brunswick and Service New Brunswick. Other agencies include Collège communautaire du Nouveau-Brunswick, EM/ANB Inc., Financial and Consumer Services Commission, Horizon Health Network, New Brunswick Community College, New Brunswick Legal Aid Services Commission, New Brunswick Research and Productivity Council, Recycle New Brunswick and Vitalité Health Network.

**NOTE 13 GUARANTEES, LIABILITIES FOR CONTAMINATED SITES AND CONTINGENCIES**

**a) Guarantees**

Loan Guarantees

The Province has guaranteed certain debt of entities external to the Provincial Reporting Entity under the authority of various statutes. Guarantees issued under the *Agriculture Development Act*, *Opportunities New Brunswick Act*, *Livestock Incentives Act* and the *Regional Development Corporation Act* are issued to facilitate the establishment, development or maintenance of industry in a variety of areas. Loans guaranteed under these acts have guarantee fees ranging from 0% to 1.5%, maturity dates ranging from 2010 to 2028, and security pledged by the loan recipient includes accounts receivable, inventory, other assets, general security agreements, shareholder loan postponements, and personal and corporate guarantees.

At 31 March 2019, the total contingent liability in respect of these guarantees was \$30.8 million (\$36.6 million 2018), of which the Province has recognized \$8.9 million as a liability on the consolidated statement of financial position (\$13.4 million 2018).

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	(millions)		
	Authorized Limit	Principal Guaranteed	Allowance for Loss (Schedule 8)
<i>Agricultural Development Act</i>	\$ 1.6	\$ 1.6	\$ 1.6
<i>Opportunities New Brunswick Act</i>	\$ 34.6	28.9	7.3
<i>Livestock Incentives Act</i>	\$ 0.2	0.1	—
<i>Regional Development Corporation Act</i>	\$ 0.8	0.2	—
		\$ 30.8	\$ 8.9

Other Guarantees

The New Brunswick Municipal Finance Corporation (NBMFC) is included in the Province's reporting entity as described in Schedule 30. The Province guarantees the payment of principal and interest of any borrowing by NBMFC. In the event of a defaulted payment, the Province shall recover such amounts from the defaulting municipality or from the defaulting municipality that has guaranteed the payment due to the Corporation from the defaulting municipal enterprise. As of 31 December 2018, total debenture debt outstanding was \$942.4 million (\$883.1 million 2017).

The New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC) provides deposit insurance to members of credit unions in New Brunswick to a maximum of \$250,000 for each member. NBCUDIC is included in the Province's reporting entity as described in Schedule 30. As of 31 December 2018, deposits of the credit unions totalled \$1,004.0 million (\$960.0 million 2017). In addition, NBCUDIC has guaranteed specific losses up to \$2.0 million.

One nursing home has guaranteed the debt of a related party. As at 31 March 2018, the guarantee totalled \$0.7 million (\$0.9 million 2017).

**b) Contaminated Sites**

The Province recognizes a liability for the remediation of a contaminated site when the Province is responsible for remediation of the site and the cost of remediation can be reasonably estimated. In 2019, a liability of \$44.0 million (\$43.4 million 2018) has been accrued for the remediation of contaminated sites. This liability includes the net present value of \$0.9 million of remediation costs to be incurred over the next five years. The net present value was calculated using a discount rate equal to the Province's five-year borrowing rate of 2.18% as at 31 March 2019. The liability is based on management's best estimate of the cost of remediation, using environmental assessment information available as at 31 March 2019. No liability has been recognized in relation to sites in which the Province does not expect to give up any future economic benefit, or where there is no basis for a reasonable estimate of the cost of remediation. The estimated liability will be updated in future periods as new information becomes available.

The liability for contaminated sites is recognized in the consolidated statement of financial position under accounts payable and accrued expenses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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The following table discloses the total liability by nature and source:

Types of Sites	Nature of Contaminate	Source of Contamination	Number of Sites	(millions)	
				Liability	Estimated Recovery
Office/ Commercial/ Industrial	Metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, etc.	Activities associated with the operations of the office, commercial or industrial facility could result in contamination from fuel storage or handling, waste sites, use of metal-based paint, etc. Sites often have multiple sources of contamination.	17	\$ 5.7	\$ ---
Mineral Exploration Sites	Heavy metals, petroleum hydrocarbons, etc.	Mining activities; activities associated with mine operations e.g., fuel storage tanks, fuel handling, waste sites, etc. Sites often have multiple sources of contamination.	3	37.2	---
Fuel Related Practices	Petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, etc.	Activities associated with fuel storage and handling, e.g., aboveground storage tanks, underground storage tanks, fuel handling areas, pipelines, fueling stations, etc.	59	1.1	---
<b>TOTAL</b>			<b>79</b>	<b>\$44.0</b>	<b>\$ ---</b>

An additional environmental liability of \$13.0 million has been accrued by the New Brunswick Power Corporation. The liability is included in the investment balance of the New Brunswick Power Corporation.

### c) Contingencies

#### Insurance

The Province does not carry general liability insurance or property insurance on its assets except in a few limited instances. Any successful liability claims against the Province and any replacement of lost or damaged property are charged to expense in the year of settlement or replacement.

#### Legal Actions

The Province of New Brunswick is involved in various legal proceedings arising from government activities. Amounts totalling \$31.2 million (\$25.5 million 2018) have been accrued in these consolidated financial statements which represents management's best estimate of the likely losses due to legal actions. The Province of New Brunswick is also involved in various legal actions, some of which may be significant, the outcome of which is not determinable.

The Province of New Brunswick has made claims against several companies in the tobacco industry pursuant to the *Tobacco Damages and Health Care Costs Recovery Act*. The amount of the potential recovery cannot be estimated.

The New Brunswick Credit Union Deposit Insurance Corporation is involved in a legal action. Management estimates that contingent gains are likely to accrue to the Province, but these cannot be reasonably estimated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 14 COMMITMENTS**

**a) Operating Leases**

The total future minimum payments under various operating lease agreements, including those of government business enterprises for the rental of space and equipment, amounts to \$377.8 million (\$362.8 million 2018). Minimum annual lease payments in each of the next five years are as follows:

<u>Fiscal Year</u>	<u>(millions)</u>
2019-2020	\$ 77.6
2020-2021	\$ 59.9
2021-2022	\$ 51.3
2022-2023	\$ 42.3
2023-2024	\$ 29.3

The New Brunswick Power Corporation has also entered into various agreements related to the purchase and transmission of electricity.

**b) Contractual Obligations**

Contractual obligations represent a legal obligation of the Province to others and will become liabilities in the future when the terms of the contract are met.

The nature of the Province's activities results in significant multi-year contracts and obligations. The Province currently has outstanding contractual commitments of \$5,467.6 million. Significant commitments and agreements are as follows:

	<u>(millions)</u>
Departments	\$ 3,162.2
Other Government Entities	\$ 2,027.9
Government Business Enterprises	\$ 277.5

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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Significant commitments and agreements include:

Departments

	(millions)					Totals
	2020	2021	2022	2023	2024+	
<b>Agriculture, Aquaculture &amp; Fisheries</b>						
Canadian Agricultural Partnership	\$ 6.8	\$ 6.8	\$ 6.8	\$ 6.8	\$ ---	\$ 27.2
Atlantic Fisheries Fund	6.1	6.1	6.1	6.1	6.1	30.5
Various agreements	0.1	0.1	---	---	---	0.2
<b>Education and Early Childhood Development</b>						
Various agreements	10.1	4.9	1.6	0.8	0.8	18.2
<b>Energy and Resource Development</b>						
Various agreements	1.9	1.3	0.7	---	---	3.9
<b>Environment and Local Government</b>						
Financial Assistance	8.9	10.4	---	---	---	19.3
Animal Control Services for Local Service Districts	0.4	---	---	---	---	0.4
<b>Health</b>						
Various Health Care Services	22.3	8.7	2.9	1.5	1.5	36.9
<b>Public Safety</b>						
Public Police Service Agreement (PPSA)	86.1	86.1	86.1	86.1	775.1	1,119.5
Various agreements	4.7	4.8	4.8	4.8	4.9	24.0
<b>Post-Secondary Education Training and Labour</b>						
Maritime Provinces Higher Education Commission Agreements	247.8	246.1	24.7	24.9	25.1	568.6
Employment and Continuous Learning Services - Various	12.7	---	---	---	---	12.7
<b>Social Development</b>						
Nursing Home Services	34.3	56.4	49.5	50.5	758.6	949.3
Adult Developmental Activities, Programs & Training	1.3	1.3	1.3	---	---	3.9
<b>Tourism, Heritage and Culture</b>						
Various agreements	5.3	0.6	0.1	---	---	6.0
<b>Transportation and Infrastructure</b>						
Various Capital Projects	120.1	13.1	4.3	2.4	2.2	142.1
Fundy Islands Ferry Services Project Operations Agreement	20.4	20.9	21.4	21.9	93.3	177.9
Permanent Bridges and Highways	21.6	---	---	---	---	21.6
<b>Total</b>	<b>\$ 610.9</b>	<b>\$ 467.6</b>	<b>\$ 210.3</b>	<b>\$ 205.8</b>	<b>\$ 1,667.6</b>	<b>\$ 3,162.2</b>

Through the Department of Agriculture, Aquaculture and Fisheries, the Province has commitments to the Government of Canada under the Canadian Agricultural Partnership, where the Province provides 40% of program payments to clients.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**Other Government Entities**

	(millions)					Totals
	2020	2021	2022	2023	2024+	
<b>Collège communautaire du Nouveau-Brunswick</b>						
Various agreements	\$ 0.6	\$ 0.1	\$ 0.1	\$ —	\$ —	0.8
<b>EM/ANB Inc.</b>						
Management of Ambulance Services	31.2	31.2	31.2	31.2	124.7	249.5
Extra-Mural Program in New Brunswick	2.8	2.8	2.8	2.8	13.3	24.5
<b>New Brunswick Highway Corporation</b>						
Maintenance and Rehabilitation of the Fredericton to Moncton Highway	10.8	10.8	10.8	10.8	52.3	95.5
Maintenance and Rehabilitation of the Trans-Canada Highway from the Quebec border to Longs Creek	24.1	24.4	24.9	25.5	302.5	401.4
Maintenance and Rehabilitation of the Route 1 Gateway	22.9	23.4	23.9	24.4	516.7	611.3
<b>Opportunities NB</b>						
Financial Assistance	31.3	11.2	10.6	5.1	2.1	60.3
<b>Regional Development Corporation</b>						
Canada - New Brunswick Agreements	114.1	51.4	58.6	42.8	39.4	306.3
Fund Management and Administration	44.9	34.5	30.2	18.2	—	127.8
Regional Development Initiatives	36.6	14.1	1.4	0.3	—	52.4
Community Development Initiatives	12.0	2.2	1.7	1.7	—	17.6
<b>Service New Brunswick</b>						
Enterprise Licenses	7.3	7.3	7.3	0.6	—	22.5
<b>Regional Health Authorities</b>						
Various agreements	21.3	16.7	12.5	6.2	1.3	58.0
<b>Total</b>	<b>\$ 359.9</b>	<b>\$ 230.1</b>	<b>\$ 216.0</b>	<b>\$ 169.6</b>	<b>\$ 1,052.3</b>	<b>\$ 2,027.9</b>

**Government Business Enterprises**

<b>Cannabis NB</b>						
Call Center Services	\$ 1.3	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.8	\$ 4.5
<b>NB Power</b>						
Fuel Contracts	77.0	58.0	—	—	—	135.0
Committed Capital	98.0	19.0	1.0	—	—	118.0
Other Commitments	12.0	5.0	3.0	—	—	20.0
<b>Total</b>	<b>\$ 188.3</b>	<b>\$ 82.8</b>	<b>\$ 4.8</b>	<b>\$ 0.8</b>	<b>\$ 0.8</b>	<b>\$ 277.5</b>

<sup>1</sup> As part of the 30-year agreement for the OMM of the F-MH with MRDC Operations Corporation, the parties established a 20 year fixed OMM price which ended on January 22, 2018. The renewal process to establish a fixed-price for the final 10 years as outlined in the OMM agreement commenced in fiscal 2017-18 and formal arbitration commenced in fiscal 2018-19. The financial impact of formal arbitration was not determinable at 31 March 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 15 SEGMENT REPORTING**

Note 15 is intended to provide supplementary information on the Province's revenue and expenses by segment. The segments have been defined based on the accountability and control relationships between the Government and the various organizations within the reporting entity. Although the government controls all the entities included, there are varying levels of accountability. The segments are defined as: Government Departments and Some Agencies; Regional Health Authorities; and Other Consolidated Entities. An Interaccount Eliminations column is added to eliminate double counting between columns and to reconcile to the Consolidated Statement of Operations. The extent of these items was \$45.2 million in 2019 (\$5.0 million 2018). Eliminations between the Province and entities impact asset and liability accounts with respect to tangible capital assets and deferred contributions from the Province. Transactions between segments are recorded at cost.

The Government Departments and Some Agencies segment represents the group most directly accountable to Treasury Board and Cabinet. The segment includes all line departments such as Health, Education and Early Childhood Development and Transportation and Infrastructure as well as the following agencies: Arts Development Trust Fund, Atlantic Education International Inc., Economic and Social Inclusion Corporation, Environmental Trust Fund, New Brunswick Agricultural Insurance Commission, New Brunswick Highway Corporation, New Brunswick Housing Corporation, New Brunswick Lotteries and Gaming Corporation, Premier's Council on Disabilities, Regional Development Corporation, and Sport Development Trust Fund.

The Regional Health Authorities (RHA's) are disclosed separately due to the magnitude of their operations and the fact they are somewhat removed from day to day control of Treasury Board and Cabinet.

Other Consolidated Entities are also somewhat removed and independent with respect to day to day operations yet still controlled by government under the Public Sector Accounting Board's criteria for control. The organizations included in this segment are: New Brunswick Liquor Corporation, New Brunswick Municipal Finance Corporation, and New Brunswick Power Corporation. Also included with other agencies are the following entities which are consolidated in the Province's financial statements: Cannabis Management Corporation, Collège communautaire du Nouveau-Brunswick, EM/ANB Inc., Financial and Consumer Services Commission, Forest Protection Limited, Kings Landing Corporation, New Brunswick Community College, New Brunswick Credit Union Deposit Insurance Corporation, New Brunswick Energy Solutions Corporation, New Brunswick Energy and Utilities Board, New Brunswick Health Council, New Brunswick Immigrant Investor Fund (2009) Ltd., New Brunswick Legal Aid Services Commission, New Brunswick Research and Productivity Council, Opportunities New Brunswick, Provincial Holdings Ltd., Recycle New Brunswick, Service New Brunswick and not-for-profit nursing homes operating in New Brunswick.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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	(millions)									
	Government Departments and Some Agencies		Regional Health Authorities		Other Consolidated Entities		Interaccount Eliminations		Consolidated Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Revenue</b>										
Tax Revenue	\$ 4,742.0	\$ 4,586.3	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 4,742.0	\$ 4,586.3
Non Tax Revenue	939.8	930.4	118.6	128.3	271.0	257.9	---	---	1,329.4	1,316.6
Government Business Enterprises	---	---	---	---	194.7	197.0	---	---	194.7	197.0
Transfers Between Entities	5.2	5.0	1,790.4	1,819.0	934.6	844.3	(2,730.2)	(2,668.3)	---	---
Conditional Federal Grants	409.8	390.0	24.0	23.6	9.1	7.7	---	---	442.9	421.3
Unconditional Federal Grants	2,988.1	2,817.8	---	---	---	---	---	---	2,988.1	2,817.8
	<b>9,084.9</b>	<b>8,729.5</b>	<b>1,933.0</b>	<b>1,970.9</b>	<b>1,409.4</b>	<b>1,306.9</b>	<b>(2,730.2)</b>	<b>(2,668.3)</b>	<b>9,697.1</b>	<b>9,339.0</b>
<b>Expenses</b>										
Employee Benefits	2,021.9	1,946.5	1,410.1	1,444.9	741.3	665.5	(24.6)	(23.4)	4,148.7	4,033.5
Other Services	1,426.9	1,372.8	103.1	107.0	234.7	212.4	(62.6)	(64.4)	1,702.1	1,627.8
Materials and Supplies	237.2	219.2	389.4	367.2	64.8	53.1	(2.6)	(2.4)	688.8	637.1
Property and Equipment	117.0	47.2	---	---	23.5	22.6	(120.9)	(60.1)	19.6	9.7
Grants and Subsidies	1,737.0	1,710.5	---	---	41.2	21.9	---	---	1,778.2	1,732.4
Transfers Between Entities	2,564.7	2,513.0	---	---	---	---	(2,564.7)	(2,513.0)	---	---
Debt and Other Charges	768.9	714.8	4.9	7.2	17.2	36.0	---	---	791.0	758.0
Amortization	397.8	380.4	63.5	63.5	34.8	29.6	---	---	496.1	473.5
	<b>9,271.4</b>	<b>8,904.4</b>	<b>1,971.0</b>	<b>1,989.8</b>	<b>1,157.5</b>	<b>1,041.1</b>	<b>(2,775.4)</b>	<b>(2,663.3)</b>	<b>9,624.5</b>	<b>9,272.0</b>
Surplus (Deficit)	\$ (186.5)	\$ (174.9)	\$ (38.0)	\$ (18.9)	\$ 251.9	\$ 265.8	\$ 45.2	\$ (5.0)	\$ 72.6	\$ 67.0



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 16 CONTRACTUAL RIGHTS**

Contractual rights are rights of the Province to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

The nature of the government's activities results in significant multi-year contracts and rights. The Province currently has outstanding contractual rights of \$2,080.3 million. Significant agreements are as follows:

	(millions)
Departments	\$ 1,084.5
Other Government Entities	\$ 995.8

Significant contracts and agreements include:

Departments

	(millions)					Totals
	2020	2021	2022	2023	2024+	
<b>Agriculture, Aquaculture &amp; Fisheries</b>						
Canadian Agricultural Partnership: Multilateral Framework Agreement	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8	\$ —	\$ 15.2
<b>Education and Early Childhood Development</b>						
Canada-New Brunswick Early Learning and Childcare Agreement	10.7	9.8	—	—	—	20.5
Native Student	6.9	—	—	—	—	6.9
Non-Resident Students	0.7	—	—	—	—	0.7
<b>Health</b>						
Health Canada	24.9	26.1	31.2	—	—	82.2
Canada Health Infoway	2.9	0.8	—	—	—	3.7
Various Agreements	0.7	0.1	—	—	—	0.8
<b>Justice</b>						
Legal Aid in Criminal Law, Youth Criminal Justice Act and Immigration and Refugee Matters	2.6	2.8	2.7	—	—	8.1
For Sake of the Children Program	0.4	0.4	0.4	0.4	0.4	2.0
<b>Public Safety</b>						
Youth Justice Services	3.9	3.9	3.9	3.9	—	15.6
Various Agreements	2.7	2.7	1.1	0.9	—	7.4
<b>Post Secondary Education, Training and Labour</b>						
Labour Market Development Agreement	110.0	111.2	113.8	114.5	97.9	547.4
Workforce Development Agreement	18.9	19.1	19.1	19.1	15.0	91.2
Virtual Learning Strategist Model	0.8	0.7	0.8	0.3	—	2.6
<b>Social Development</b>						
Bilateral Agreement	9.9	10.0	11.6	13.4	104.7	149.6
<b>Tourism, Heritage and Culture</b>						
Various Agreements	0.5	0.4	0.4	—	—	1.3
<b>Transportation &amp; Infrastructure</b>						
Provincial Territorial Infrastructure Component Agreement	16.7	25.8	23.2	17.1	36.3	119.1 <sup>2</sup>
French First Language Education and Second Language Instruction	2.9	2.9	2.8	—	—	8.6
Various Agreements	1.0	0.2	0.2	0.2	—	1.6
<b>Total</b>	<b>\$ 220.9</b>	<b>\$ 220.7</b>	<b>\$ 215.0</b>	<b>\$ 173.6</b>	<b>\$ 254.3</b>	<b>\$ 1,084.5</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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- <sup>1</sup> The Bilateral Agreement is claim based. The maximum amount of eligible future costs that could be claimed through this agreement is \$149.6 million.
- <sup>2</sup> The Provincial Territorial Infrastructure Component Agreement is claim based. The maximum amount of eligible future costs that could be claimed through this agreement is \$119.1 million.

Through the department of Health, the Province is party to several agreements which entitle the Province to rebates based on the volume of eligible goods purchased.

Through the departments of Agriculture, Aquaculture and Fisheries and Energy and Resource Development, the Province is party to numerous crown land lease and right of way agreements, which entitle the Province to revenue over the term of the agreements.

Through the department of Social Development, the Province is party to numerous housing and residential unit leases, which entitle the Province to revenue over the term of the agreements.

The department of Energy and Resource Development is also entitled to royalty revenue, the most significant of which is timber royalty revenue, which is based on cubic meters of wood harvested, and varies according to the species and product being harvested.

**Other Government Entities**

	(millions)					Totals
	2020	2021	2022	2023	2024+	
<b>Provincial Holdings Ltd.</b>						
Various Agreements	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.4	\$ 0.9	\$ 2.8
<b>Regional Development Corporation</b>						
Federal/Provincial Agreements	82.7	82.0	84.0	72.7	670.9	992.3 <sup>1</sup>
Other	0.1	0.1	0.1	0.1	0.3	0.7
<b>Total</b>	<b>\$ 83.3</b>	<b>\$ 82.6</b>	<b>\$ 84.6</b>	<b>\$ 73.2</b>	<b>\$ 672.1</b>	<b>\$ 995.8</b>

<sup>1</sup> The Federal/Provincial Agreements includes claim based agreements. The maximum amount of eligible future costs that could be claimed through these agreements is \$757.0 million.

Through the New Brunswick Agriculture Insurance Commission, the Province is party to a Canada-NB Insurance Program where the Province receives 60% of all Premiums for catastrophic Production Loss Coverage, 36% of all Premiums for Comprehensive Production Loss Coverage, 20% of all Premiums for High-Cost Production Loss Coverage and 60% of costs for Wildlife Compensation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 17 TRUST FUNDS**

The Province is trustee for various trust funds outside the Provincial Reporting Entity.

The following is a summary of the trust fund equities calculated using the method indicated below to value investment assets:

	(millions)	
	<u>2019</u>	<u>2018</u>
<u>Cost Method:</u>		
Margaret R. Lynds Bequest	\$ 0.1	\$ 0.1
Mental Health Trust Fund	1.5	1.5
Viscount Bennett Bequest	0.2	0.2
Training Completions Fund	5.9	5.7
	<u>\$ 7.7</u>	<u>\$ 7.5</u>
 <u>Market Value Method:</u>		
Judges' Superannuation Fund	\$ 49.4	\$ 48.5
Office of the Public Trustee Trust Fund	13.0	12.2
Pension Plan for the Management Employees of New Brunswick School Districts	3.5	4.8
Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts	370.9	394.9
Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts	88.3	93.4
	<u>\$ 525.1</u>	<u>\$ 553.8</u>

The Margaret R. Lynds Bequest awards three annual scholarships of equal value to students pursuing the study of communications at specified universities. The Mental Health Trust Fund is used to pay for psychoanalysis treatment of deserving New Brunswick residents. The income from the Viscount Bennett Bequest is used to develop the Province's historic resources. The Training Completions Fund is used to protect students from risk of financial loss resulting from the unexpected closure of a Private Occupational Training Organization. The Public Trustee of New Brunswick protects the financial and personal interests of the elderly, the mentally challenged, children, missing or deceased persons, when there is no one else able and willing to do so.

**NOTE 18 INTER-ENTITY TRANSACTIONS AND RELATED PARTY DISCLOSURES**

Included in these consolidated financial statements are insignificant transactions with various organizations that, due to common control or ownership by the Province, are deemed to be related parties. These organizations include provincial crown corporations, agencies, boards, commissions and government not-for-profit organizations. Significant inter-entity transactions have been offset and eliminated for purposes of consolidated reporting, with the exception of transactions described in Note 6.

Related parties also include key management personnel and their close family members, and any entities affiliated with them. Key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Province, and have been identified as the Premier, senior staff of Executive Council Office, Ministers,

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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Deputy Ministers, Executive Assistants to Ministers, and the equivalent positions within the Province's controlled entities. For the year ended 31 March 2019, there were no material transactions that occurred at a value other than fair market value between the Province and key management personnel, their close family members, or any entities with which they are affiliated.

**NOTE 19    COMPARATIVE FIGURES**

Certain of the 2018 figures have been reclassified to conform with the presentation adopted for 2019.

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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	(millions)	
	2019	2018
<b>SCHEDULE 1</b>		
<b>CASH AND SHORT TERM INVESTMENTS</b>		
Cash	\$ 2,346.6	\$ 2,020.1
Short Term Investments	963.1	950.0
	<b>\$ 3,309.7</b>	<b>\$ 2,970.1</b>
<b>SCHEDULE 2</b>		
<b>RECEIVABLES AND ADVANCES</b>		
Accounts Receivable		
General Receivables of Government Departments	\$ 237.6	\$ 235.7
General Receivables of Government Entities	82.6	97.1
	320.2	332.8
Less: Allowance for Doubtful Accounts	110.9	107.2
	<b>209.3</b>	<b>225.6</b>
Due from Federal Government		
Central Government Services	92.3	92.4
Harmonized Sales Tax Rebate	29.1	26.2
Education	25.2	34.0
Economic Development	18.9	46.4
Transportation	6.8	7.2
Health	---	0.2
Other	2.6	2.8
	174.9	209.2
Guarantee Payouts	126.5	126.7
Less: Allowance for Doubtful Accounts	125.8	125.9
	0.7	0.8
Advances		
Working Capital Advances	7.4	7.3
Other	3.7	4.2
	11.1	11.5
Less: Allowance for Doubtful Accounts	4.2	4.2
	<b>6.9</b>	<b>7.3</b>
Interest Receivable		
Student Loans	28.1	25.5
<i>Fisheries and Aquaculture Development Act</i>	6.5	6.5
<i>Opportunities New Brunswick Act</i>	3.7	3.7
<i>Agricultural Development Act</i>	0.4	0.4
Other	20.5	20.2
	59.2	56.3
Less: Allowance for Doubtful Accounts	44.8	43.3
	14.4	13.0
	<b>\$ 406.2</b>	<b>\$ 455.9</b>

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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	(millions)	
	2019	2018
<b>SCHEDULE 3</b>		
<b>TAXES RECEIVABLE</b>		
Real Property Tax	\$ 1,218.6	\$ 1,181.8
Gasoline and Motive Fuels Tax	25.8	25.0
Royalties and Stumpage on Timber	24.8	23.0
Tobacco Tax	12.0	12.6
Metallic Minerals Tax	0.2	0.9
Other	6.4	6.5
	1,287.8	1,249.8
Less: Allowance for Doubtful Accounts	33.3	32.0
	\$ 1,254.5	\$ 1,217.8
 <b>SCHEDULE 4</b>		
<b>INVENTORIES FOR RESALE</b>		
Inventories for Resale		
Properties Held for Sale	\$ 0.3	\$ 0.3

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 March 2019

	(millions)					
	2019			2018		
	Amount	Valuation Allowance	Net	Amount	Valuation Allowance	Net
<b>SCHEDULE 5</b>						
<b>LOANS</b>						
Loans to Students	\$ 521.8	\$ 120.1	\$ 401.7	\$ 498.7	\$ 114.2	\$ 384.5
<i>Opportunities New Brunswick Act</i>	228.2	125.9	102.3	231.8	124.0	107.8
<i>New Brunswick Housing Act</i>	61.5	11.3	50.2	75.1	8.3	66.8
Fundy Trail Endowment Fund	4.8	---	4.8	4.7	---	4.7
<i>Fisheries and Aquaculture Development Act</i>	21.6	17.6	4.0	24.4	20.3	4.1
<i>Agricultural Development Act</i>	6.3	2.8	3.5	8.4	3.1	5.3
Unsatisfied Judgements	9.4	9.4	---	9.4	9.4	---
La Fondation du quotidien francophone	4.0	4.0	---	4.0	4.0	---
Other Loans	5.7	3.8	1.9	9.1	4.9	4.2
	<u>\$ 863.3</u>	<u>\$ 294.9</u>	<u>\$ 568.4</u>	<u>\$ 865.6</u>	<u>\$ 288.2</u>	<u>\$ 577.4</u>

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 March 2019

	(millions)	
	<u>2019</u>	<u>2018</u>
<b>SCHEDULE 6</b>		
<b>INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES</b>		
New Brunswick Power Corporation	\$ 377.0	\$ 338.0
less: regulatory deferral adjustment (Note 6)	(117.0)	(122.7)
New Brunswick Liquor Corporation	60.6	39.6
New Brunswick Municipal Finance Corporation	0.7	0.7
	<u>\$ 321.3</u>	<u>\$ 255.6</u>
<b>OTHER INVESTMENTS</b>		
Other Investments	\$ 80.6	\$ 79.8
Cannabis NB	(12.5)	\$ ---
Atlantic Lottery Corporation	12.1	8.8
	<u>\$ 80.2</u>	<u>\$ 88.6</u>
<b>SCHEDULE 7</b>		
<b>ACCOUNTS PAYABLE AND ACCRUED EXPENSES</b>		
Accounts Payable	\$ 599.8	\$ 674.9
Due to Canada		
Equalization and Canada Health and Social Transfer	0.9	0.9
Other Agreements	67.7	88.7
	<u>68.6</u>	<u>89.6</u>
Accrued Interest		
Funded Debt	148.1	148.2
Other	55.7	57.2
	<u>203.8</u>	<u>205.4</u>
Employee Benefits		
Retirement Allowances (Note 11)	410.3	407.5
Liability for Injured Workers	380.4	333.9
Accrued Salaries Payable	358.3	324.3
Sick Leave (Note 12)	245.3	245.6
	<u>1,394.3</u>	<u>1,311.3</u>
Municipal Property Taxes Due to Municipalities	503.4	486.2
Medicare and Out of Province Payments	52.0	53.6
Liability for Contaminated Sites (Note 13)	44.0	43.4
Holdbacks on Contracts	23.8	19.6
Health Services Liability Protection Plan	13.1	9.8
Other	113.4	103.0
	<u>749.7</u>	<u>715.6</u>
	<u>\$ 3,016.2</u>	<u>\$ 2,996.8</u>



**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 March 2019

	(millions)	
	2019	2018
<b>SCHEDULE 8</b>		
<b>ALLOWANCE FOR LOSSES</b>		
Economic Development	\$ 7.3	\$ 11.8
Agriculture, Aquaculture and Fisheries	1.6	1.6
Contingent Liabilities - Guaranteed Loan Provision (Note 13)	8.9	13.4
Property Tax Appeals	1.3	0.9
Post-Secondary Education, Training and Labour	0.3	0.3
	1.6	1.2
	\$ 10.5	\$ 14.6
 <b>SCHEDULE 9</b>		
<b>DEFERRED REVENUE</b>		
Real Property Taxes	\$ 413.8	\$ 402.1
Motor Vehicle and Operators' Licenses	66.6	65.3
Capital Contributions	21.6	22.0
Other	136.6	60.2
	\$ 638.6	\$ 549.6
 <b>SCHEDULE 10</b>		
<b>DEPOSITS HELD IN TRUST</b>		
Retention Fund for Fee for Service Physicians	\$ 63.5	\$ 60.4
Tenants' Security Deposits	31.0	28.1
New Brunswick Immigrant Investor Fund (2009) Ltd.	17.9	74.6
Court of Queen's Bench	8.4	8.6
Mining Licenses - Non-Performance Renewal Fees	6.6	6.9
Scholarship Trusts	3.8	3.9
Contractors' Deposits	2.5	2.9
Family Support Order Services	2.2	1.7
Sale of Property for Taxes	0.9	0.5
Metallic Minerals Tax	0.5	0.6
Other	89.7	93.1
	\$ 227.0	\$ 281.3

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 March 2019

	(millions)	
	2019	2018
<b>SCHEDULE 11</b>		
<b>OBLIGATIONS UNDER CAPITAL LEASES</b>		
Highways	\$ 468.1	\$ 507.4
Health	89.4	91.8
Protection	13.7	14.6
Education	2.8	3.0
Other	12.0	13.3
	\$ 586.0	\$ 630.1
 <b>SCHEDULE 12</b>		
<b>INVENTORIES OF SUPPLIES</b>		
Health Supplies and Vaccines	\$ 21.9	\$ 20.8
Construction and Maintenance Materials	11.8	11.7
Machine Repair Parts	6.0	6.4
Veterinary Supplies	1.0	0.9
Educational Textbooks	0.7	0.7
Stationery and Supplies	0.4	0.3
Other Supplies	9.9	7.3
	\$ 51.7	\$ 48.1
 <b>SCHEDULE 13</b>		
<b>PREPAID AND DEFERRED CHARGES</b>		
Public Private Partnership Contracts	\$ 89.3	\$ 99.6
Deferred Financing Charges	0.1	0.6
Other	55.5	76.3
	\$ 144.9	\$ 176.5

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 March 2019

	(millions)		
	2019 Budget	2019 Actual	2018 Actual
<b>SCHEDULE 14</b>			
<b>TAXES</b>			
Personal Income Tax	\$ 1,682.0	\$ 1,786.7	\$ 1,607.6
Corporate Income Tax	311.8	442.7	439.1
Metallic Minerals Tax	1.9	1.8	3.0
	<u>1,995.7</u>	<u>2,231.2</u>	<u>2,049.7</u>
Provincial Real Property Tax	506.7	516.4	509.8
Harmonized Sales Tax	1,492.5	1,467.5	1,451.6
Gasoline and Motive Fuels Tax	248.6	254.9	289.5
Tobacco Tax	156.0	139.6	152.7
Pari-mutuel Tax	0.5	0.5	0.5
	<u>1,897.6</u>	<u>1,862.5</u>	<u>1,894.3</u>
Insurance Premium Tax	57.6	62.0	61.2
Real Property Transfer Tax	25.0	28.2	29.7
Financial Corporation Capital Tax	27.0	25.3	27.6
Penalties and Interest	13.0	13.9	14.0
Cannabis Duty	6.0	2.5	---
	<u>128.6</u>	<u>131.9</u>	<u>132.5</u>
	<u>\$ 4,528.6</u>	<u>\$ 4,742.0</u>	<u>\$ 4,586.3</u>
<b>SCHEDULE 15</b>			
<b>LICENSES AND PERMITS</b>			
Motor Vehicle	\$ 140.9	\$ 144.5	\$ 143.0
Fish and Wildlife	5.7	5.6	5.7
Mines	1.1	1.4	1.3
Liquor Licenses	1.0	1.0	1.1
Other	15.0	13.1	12.5
	<u>\$ 163.7</u>	<u>\$ 165.6</u>	<u>\$ 163.6</u>
<b>SCHEDULE 16</b>			
<b>ROYALTIES</b>			
Forest	\$ 68.1	\$ 72.4	\$ 73.3
Mines	1.6	4.1	2.4
	<u>\$ 69.7</u>	<u>\$ 76.5</u>	<u>\$ 75.7</u>

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 March 2019

	(millions)		
	2019 Budget	2019 Actual	2018 Actual
<b>SCHEDULE 17</b>			
<b>INCOME FROM GOVERNMENT BUSINESS ENTERPRISES</b>			
New Brunswick Liquor Corporation	\$ 172.5	\$ 169.0	\$ 168.4
New Brunswick Power Corporation	67.7	20.0	23.0
add: regulatory deferral adjustment (Note 6)	---	5.7	5.7
Other Entities	---	---	(0.1)
	<u>\$ 240.2</u>	<u>\$ 194.7</u>	<u>\$ 197.0</u>
<b>SCHEDULE 18</b>			
<b>OTHER PROVINCIAL REVENUE</b>			
Sales of Goods and Services			
General	\$ 290.0	\$ 283.6	\$ 282.8
Leases and Rentals	109.8	114.2	112.4
Institutional	36.9	50.8	40.3
Intergovernmental	26.9	40.8	40.0
Provincial Parks	6.8	6.8	6.9
Lotteries and Gaming	160.9	161.8	161.8
Investment Income	25.6	44.2	39.1
Fines and Penalties	10.1	13.3	15.2
Cannabis Management Corporation	1.2	(12.5)	---
Other Revenue	172.2	188.8	189.0
	<u>\$ 840.4</u>	<u>\$ 891.8</u>	<u>\$ 887.5</u>
<b>SCHEDULE 19</b>			
<b>UNCONDITIONAL GRANTS</b>			
Canada Health Transfer	\$ 791.9	\$ 813.7	\$ 770.5
Canada Social Transfer	290.6	298.7	285.1
Statutory Subsidies	1.9	1.8	1.9
	<u>\$ 1,084.4</u>	<u>\$ 1,114.2</u>	<u>\$ 1,057.5</u>

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 March 2019

	(millions)		
	2019 Budget	2019 Actual	2018 Actual
<b>SCHEDULE 20</b>			
<b>CONDITIONAL GRANTS</b>			
Education	\$ 169.1	\$ 170.7	\$ 156.5
Economic Development	113.2	85.9	117.7
Health	40.5	45.3	30.2
Central Government Services	46.0	35.8	50.7
Transportation	41.9	25.6	24.1
Social Services	3.9	3.9	3.9
Other	20.6	75.7	38.2
	<u>\$ 435.2</u>	<u>\$ 442.9</u>	<u>\$ 421.3</u>
<b>SCHEDULE 21</b>			
<b>EDUCATION AND TRAINING</b>			
Education	\$ 1,310.5	\$ 1,315.8	\$ 1,253.1
Post-Secondary Education Services	525.9	540.4	524.7
Pension Expense	104.5	111.0	103.4
Amortization Expense	60.7	56.7	53.2
Public Works and Infrastructure	9.6	12.3	8.9
Provision Expense	7.6	7.4	7.0
General Government	0.8	5.7	1.6
	<u>\$ 2,019.6</u>	<u>\$ 2,049.3</u>	<u>\$ 1,951.9</u>
<b>SCHEDULE 22</b>			
<b>HEALTH</b>			
Health Services	\$ 2,922.3	\$ 2,936.8	\$ 2,870.8
Pension Expense	82.2	77.2	78.0
Amortization Expense	74.4	74.8	74.3
Public Works and Infrastructure	1.0	0.5	9.0
	<u>\$ 3,079.9</u>	<u>\$ 3,089.3</u>	<u>\$ 3,032.1</u>

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 March 2019

	(millions)		
	2019 Budget	2019 Actual	2018 Actual
<b>SCHEDULE 23</b>			
<b>SOCIAL DEVELOPMENT</b>			
Social Development	\$ 1,245.9	\$ 1,290.8	\$ 1,228.5
Pension Expense	23.6	23.6	22.9
Amortization Expense	21.7	19.6	15.3
Provision Expense	4.0	4.9	1.6
General Government	0.3	0.3	0.1
	<u>\$ 1,295.5</u>	<u>\$ 1,339.2</u>	<u>\$ 1,268.4</u>
<b>SCHEDULE 24</b>			
<b>PROTECTION SERVICES</b>			
Public Safety	\$ 211.0	\$ 282.6	\$ 213.1
Justice and Attorney General	55.0	54.4	53.9
Pension Expense	6.7	5.4	5.7
Provision Expense	0.6	1.8	2.4
General Government	0.4	0.4	0.5
New Brunswick Credit Union Deposit Insurance Corporation	0.4	0.4	0.2
Amortization Expense	2.0	1.9	3.6
	<u>\$ 276.1</u>	<u>\$ 346.9</u>	<u>\$ 279.4</u>
<b>SCHEDULE 25</b>			
<b>ECONOMIC DEVELOPMENT</b>			
Regional Development Corporation	\$ 255.8	\$ 204.9	\$ 249.0
Tourism, Heritage and Culture	74.0	67.6	66.6
Opportunities NB	42.5	48.9	32.8
Research and Productivity Council	13.7	14.8	12.6
Post-Secondary Education, Training and Labour	8.3	8.0	7.7
Amortization Expense	6.0	6.1	5.4
Kings Landing Corporation	3.9	3.9	3.7
Public Works and Infrastructure	---	2.2	---
Provincial Holdings Ltd.	3.5	1.7	3.4
Pension Expense	---	1.4	1.2
New Brunswick Immigrant Investor Fund (2009) Ltd.	---	0.5	1.1
Provision Expense	6.5	(2.8)	4.9
	<u>\$ 414.2</u>	<u>\$ 357.2</u>	<u>\$ 388.4</u>

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 March 2019

	(millions)		
	2019 Budget	2019 Actual	2018 Actual
<b>SCHEDULE 26</b>			
<b>LABOUR AND EMPLOYMENT</b>			
Post-Secondary Education, Training and Labour	\$ 154.2	\$ 143.8	\$ 133.7
General Government	0.6	0.5	0.6
Amortization Expense	---	---	0.2
	<u>\$ 154.8</u>	<u>\$ 144.3</u>	<u>\$ 134.5</u>
<b>SCHEDULE 27</b>			
<b>RESOURCES</b>			
Energy and Resource Development	\$ 109.1	\$ 100.8	\$ 104.0
Agriculture and Aquaculture and Fisheries	35.9	35.3	31.7
Environment	18.2	19.7	21.6
Forest Protection Limited	13.0	14.4	12.1
Recycle New Brunswick	5.8	6.0	5.5
New Brunswick Agricultural Insurance Commission	8.0	3.6	5.5
Energy and Utilities Board	5.0	3.6	3.8
Amortization Expense	1.4	1.6	1.4
Pension Expense	---	0.3	0.2
Transportation and Infrastructure	0.3	---	0.3
Provision Expense	3.3	(0.5)	(1.9)
	<u>\$ 200.0</u>	<u>\$ 184.8</u>	<u>\$ 184.2</u>
<b>SCHEDULE 28</b>			
<b>TRANSPORTATION AND INFRASTRUCTURE</b>			
Transportation and Infrastructure	\$ 375.5	\$ 408.1	\$ 357.7
Amortization Expense	324.8	324.7	309.9
Provision Expense	0.3	4.0	0.4
	<u>\$ 700.6</u>	<u>\$ 736.8</u>	<u>\$ 668.0</u>

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
31 March 2019

	(millions)		
	2019 Budget	2019 Actual	2018 Actual
<b>SCHEDULE 29</b>			
<b>CENTRAL GOVERNMENT</b>			
General Government	\$ 216.6	\$ 184.4	\$ 199.5
Service New Brunswick	199.1	175.1	157.5
Pension Expense	132.6	130.8	126.3
Local Government	134.3	126.1	113.7
Legislative Assembly	34.8	33.5	23.8
Treasury Board	16.4	15.8	20.0
Executive Council	14.8	14.6	12.8
Financial and Consumer Services Commission	13.4	10.7	10.2
Amortization Expense	12.0	10.7	10.2
Finance	11.9	10.6	10.6
Provision Expense	4.0	6.3	4.3
New Brunswick Lotteries and Gaming Corporation	5.0	4.8	4.7
Office of the Premier	2.2	2.2	1.6
Office of the Clerk and Head of the Public Service	2.1	1.9	2.1
Jobs Board Secretariat	1.0	0.8	1.0
Public Works and Infrastructure	0.1	0.1	0.2
	<u>\$ 800.3</u>	<u>\$ 728.4</u>	<u>\$ 698.5</u>



**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 2019**

**SCHEDULE 30  
PROVINCIAL REPORTING ENTITY**

The Provincial Reporting Entity is comprised of certain organizations that are controlled by the government. These organizations are the Consolidated Fund, the General Sinking Fund and the agencies, commissions and corporations listed below. Further information regarding the accounting methods used to consolidate these organizations can be found in Note 1.

**Organizations using the Consolidation Method:**

Arts Development Trust Fund	New Brunswick Energy Solutions Corporation
Atlantic Education International Inc.	New Brunswick Health Council
Cannabis Management Corporation	New Brunswick Highway Corporation
Collège communautaire du Nouveau-Brunswick	New Brunswick Housing Corporation
Economic and Social Inclusion Corporation	New Brunswick Immigrant Investor Fund (2009) Ltd.
EM/ANB Inc.	New Brunswick Legal Aid Services Commission
Environmental Trust Fund	New Brunswick Lotteries and Gaming Corporation
Financial and Consumer Services Commission	New Brunswick Research and Productivity Council
Forest Protection Limited	Opportunities New Brunswick
Horizon Health Network	Premier's Council on Disabilities
Kings Landing Corporation	Provincial Holdings Ltd.
New Brunswick Agricultural Insurance	Recycle New Brunswick
Commission	Regional Development Corporation
New Brunswick Community College	Service New Brunswick
New Brunswick Credit Union Deposit	Sport Development Trust Fund
Insurance Corporation	Vitalité Health Network
New Brunswick Energy and Utilities Board	

**Nursing Homes using the Consolidation Method:**

Campbellton Nursing Home Inc.	Kiwanis Nursing Home Inc.
Campobello Lodge Inc.	La Villa Sormany Inc.
Carleton Manor Inc.	Le Foyer St Thomas de la Vallée de
Carleton-Kirk Lodge	Memramcook Inc. – Dr. Camille E. Gaudet
Central Carleton Nursing Home Inc.	Les Résidences Inkerman Inc.
Central New Brunswick Nursing Home Inc.	Les Résidences Jodin Inc.
Complexe Rendez-vous Inc.	Les Résidences Lucien Saindon Inc.
Dalhousie Nursing Home Inc.	Les Résidences Mgr Chiasson Inc.
Dr. V. A. Snow Centre Inc.	Lincourt Manor Inc.
Drew Nursing Home	Loch Lomond Villa Inc.
Forest Dale Home Inc.	Manoir Édith B. Pinet Inc.
Foyer Assomption	Manoir Saint-Jean Baptiste Inc.
Foyer Notre-Dame-de-Lourdes Inc.	Mill Cove Nursing Home Inc.
Foyer Notre-Dame de Saint-Léonard Inc.	Miramichi Senior Citizens Home Inc.
Foyer Saint-Antoine	Mount St. Joseph of Chatham, N.B.
Foyer Ste-Élisabeth Inc.	Nashwaak Villa Inc.
Fredericton South Nursing Home Inc. (Pine Grove	Passamaquoddy Lodge Inc.
Nursing Home)	Résidence Mgr Melanson Inc.
Fundy Nursing Home	Rexton Lions Nursing Home Inc.
Grand Manan Nursing Home Inc.	River View Manor Inc.
Jordan Lifecare Centre Inc.	Rocmaura Inc.
Kennebec Manor Inc.	Tabusintac Nursing Home Inc.
Kenneth E. Spencer Memorial Home Inc	The Church of St. John and St. Stephen
Kings Way Care Centre Inc.	Home Inc.

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 2019**

The Salvation Army - Lakeview Manor  
Tobique Valley Manor Inc.  
Turnbull Nursing Home Inc.  
Victoria Glen Manor Inc.  
Villa Beauséjour Inc.  
Villa des Chutes / Falls Villa  
Villa du Repos Inc.  
Villa Maria Inc.  
Villa Providence Shédiac Inc.

Villa St-Joseph Inc.  
W. G. Bishop Nursing Home  
Wauklehegan Manor Inc.  
Westford Nursing Home  
White Rapids Manor Inc.  
Woolastook Long Term Care Facility Inc. (Orchard  
View)  
York Manor Inc.

**Organizations using the Modified Equity Method:**

New Brunswick Liquor Corporation  
New Brunswick Municipal Finance Corporation

New Brunswick Power Corporation

**Organizations using the Transaction Method:**

New Brunswick Arts Board  
New Brunswick Combat Sport Commission  
New Brunswick Insurance Board

New Brunswick Museum  
New Brunswick Public Libraries Foundation  
Strait Crossing Finance Inc.





# Department of Finance and Treasury Board

Fiscal and Economic Update  
Second Quarter 2019–2020



**Fiscal and Economic Update  
Second Quarter 2019–2020**

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Think Recycling!

## 2019–2020 Fiscal Update

Projections for the 2019–2020 fiscal year show a surplus of \$88.1 million compared to the budgeted surplus of \$23.1 million.

Revenue is projected to be \$101.6 million higher than budget, largely due to a \$72.0 million increase in Personal Income Tax revenue and a \$44.6 million increase in Special Operating Agencies revenue related to new federal funding.

Total expenses are projected to be higher than budget by \$36.6 million, largely due to \$38.7 million in additional expense in Special Operating Agencies.

The net debt is projected to decrease by \$232.7 million from budget. This includes an improvement of \$146.0 million due to 2018–2019 year-end results and an \$86.7 million improvement in 2019–2020.

**TABLE 1**  
**SECOND QUARTER FISCAL SUMMARY**  
**(\$ Millions)**

	2019–2020			2019–2020		
	Full Year to March 31, 2020			Year-to-date to September 30, 2019		
	Budget	Projection	Variance	Budget	Actual	Variance
Revenue.....	9,845.7	9,947.3	101.6	4,864.5	4,906.7	42.2
Expense.....	9,822.6	9,859.2	36.6	4,775.1	4,819.4	44.3
<b>Surplus (Deficit).....</b>	<b>23.1</b>	<b>88.1</b>	<b>65.0</b>	<b>89.4</b>	<b>87.3</b>	<b>(2.1)</b>
<b>Net Debt - End of Year.....</b>	<b>(14,055.6)</b>	<b>(13,822.9)</b>	<b>232.7</b>	<b>(13,975.8)</b>	<b>(13,812.8)</b>	<b>163.0</b>

**NOTICE TO READER:**

The financial statements and forecasts have been compiled from information provided by management. Since a financial forecast is based on assumptions regarding future events, actual results will vary from the information presented. This financial information has not been subject to review or audit.

Numbers may not add due to rounding.

## Revenue Outlook

Revenue is projected to be \$101.6 million higher than budget. The major variances include:

- Personal Income Tax revenue is up \$72.0 million from budget due to an anticipated positive prior-year adjustment related to the 2018 taxation year, a strengthened base and stronger income growth.
- Special Operating Agencies revenue is up \$44.6 million, mainly due to additional federal funding under the Building Canada Fund - Gas Tax Transfer.
- Sale of Goods and Services is up \$9.7 million due to adjustments across various departments and agencies, including the New Brunswick Community College and the Collège communautaire du Nouveau-Brunswick.
- Return on Investment is up \$8.0 million, largely due to higher net income being projected by the New Brunswick Power Corporation. Net income for the New Brunswick Power Corporation is up, mainly due to an increase in out-of-province sales volumes and new out-of-province contracts.
- Gasoline and Motive Fuels Tax revenue is up \$7.0 million due to higher than anticipated volumes.
- Capital Revenue is up \$4.1 million, mainly due to increased federal recoveries related to various capital projects.
- Corporate Income Tax revenue is down \$30.7 million due to an anticipated negative prior-year adjustment related to the 2018 taxation year and a lower forecast of national corporate taxable income.
- Cannabis-related revenue is down \$14.2 million due to reductions in the projected cannabis duty, the Cannabis Management Corporation and the Cannabis Education and Awareness Fund.
- Tobacco Tax revenue is down \$12.0 million due to lower than projected volumes.

## Expense Outlook

Total expenses are projected to be over budget by \$36.6 million. The major variances include the following:

- Special Operating Agencies are over budget by \$38.7 million, mainly due to increased project expenses resulting from the receipt of additional funding under the Building Canada Fund - Gas Tax Transfer.

- Health is \$23.3 million over budget, mainly due to higher enrolment in the NB Drug Plan, as well as higher costs in Medicare related to additional physicians and contractual increases.
- Other Agencies are \$8.2 million over budget, mainly due to increased expenditures associated with several consolidated entities.
- Education and Early Childhood Development is over budget by \$1.9 million, mainly due to a projected over-expenditure in a school district.
- Transportation and Infrastructure is \$1.3 million over budget, mainly due to higher cost in the striping program and higher workplace costs.
- The Regional Development Corporation is \$5.0 million under budget, mainly due to projects not proceeding as anticipated.
- General Government is under budget by \$10.4 million, mainly due to lower than expected expenses in Supplementary Funding Provision and Pension and Employee Benefits.
- The Service of the Public Debt is \$19.0 million lower than budgeted due to higher net earnings on short-term investments and lower forecasted long-term borrowing costs than anticipated at the time of the 2019–2020 Budget.



## Second Quarter Actual Results

Second quarter actuals show a surplus of \$87.3 million compared to a quarterly budgeted surplus of \$89.4 million.

- On a year-to-date actual basis, revenue is \$42.2 million higher than the second quarter budget, largely due to a \$41.1 million increase in Special Operating Agencies revenue. This is in part attributable to new, unbudgeted funding under the Building Canada Fund - Gas Tax Transfer.
- Total actual expenses for the quarter are \$44.3 million higher than the second quarter budget, largely due to Special Operating Agencies and Ordinary Account expenses. Special Operating Agencies are \$31.5 million higher, related to expenditures under the Building Canada Fund - Gas Tax Transfer. Ordinary Account expenses are \$8.2 million higher, largely due to over-expenditures in Health and Transportation and Infrastructure, partially offset by lower expenses in Service of the Public Debt.
- The majority of the variances outlined in the Revenue Outlook and Expense Outlook sections also apply to the second quarter results.
- The difference between the second quarter actual surplus and the projected surplus reflects factors including seasonal patterns for revenues and expenses as well as the timing of when revenue and expenses are recognized.

**TABLE 2**  
**PROVINCE OF NEW BRUNSWICK FISCAL UPDATE**  
**(\$ Millions)**

	2019-2020			2019-2020		
	Full Year to March 31, 2020			Year-to-date to September 30, 2019		
	Budget	Projection	Variance	Budget	Actual	Variance
<b>Revenue</b>						
Ordinary Account.....	9,453.0	9,503.5	50.5	4,667.5	4,665.3	(2.2)
Capital Account.....	22.5	26.7	4.1	6.1	7.3	1.2
Special Purpose Account.....	74.7	77.1	2.4	25.6	28.5	2.9
Special Operating Agencies.....	90.0	134.6	44.6	62.6	103.7	41.1
Sinking Fund Earnings.....	205.5	205.5	0.0	102.7	101.9	(0.8)
<b>Total Revenue.....</b>	<b>9,845.7</b>	<b>9,947.3</b>	<b>101.6</b>	<b>4,864.5</b>	<b>4,906.7</b>	<b>42.2</b>
<b>Expense</b>						
Ordinary Account.....	9,011.1	9,011.2	0.1	4,415.5	4,423.7	8.2
Capital Account.....	129.8	124.5	(5.2)	63.6	64.2	0.6
Special Purpose Account.....	80.9	85.2	4.3	25.7	28.6	2.9
Special Operating Agencies.....	96.2	135.0	38.7	28.1	59.6	31.5
Amortization of Tangible Capital Assets...	504.5	503.3	(1.3)	242.2	243.3	1.1
<b>Total Expense.....</b>	<b>9,822.6</b>	<b>9,859.2</b>	<b>36.6</b>	<b>4,775.1</b>	<b>4,819.4</b>	<b>44.3</b>
<b>Surplus (Deficit).....</b>	<b>23.1</b>	<b>88.1</b>	<b>65.0</b>	<b>89.4</b>	<b>87.3</b>	<b>(2.1)</b>

**TABLE 3**  
**CHANGE IN NET DEBT**  
**(\$ Millions)**

	2019-2020			2019-2020		
	Full Year to March 31, 2020			Year-to-date to September 30, 2019		
	Budget	Projection	Variance	Budget	Actual	Variance
<b>Net Debt - Beginning of Year.....</b>	<b>(14,104.8)</b>	<b>(13,958.8)</b>	<b>146.0</b>	<b>(14,104.8)</b>	<b>(13,958.8)</b>	<b>146.0</b>
<b>Changes in Year</b>						
Surplus (Deficit).....	23.1	88.1	65.0	89.4	87.3	(2.1)
Investments in Tangible Capital Assets...	(478.5)	(455.5)	23.0	(202.6)	(184.6)	18.0
Amortization of Tangible Capital Assets...	504.5	503.3	(1.3)	242.2	243.3	1.1
<b>(Increase) Decrease in Net Debt.....</b>	<b>49.2</b>	<b>135.9</b>	<b>86.7</b>	<b>129.0</b>	<b>146.0</b>	<b>17.0</b>
<b>Net Debt - End of Year.....</b>	<b>(14,055.6)</b>	<b>(13,822.9)</b>	<b>232.7</b>	<b>(13,975.8)</b>	<b>(13,812.8)</b>	<b>163.0</b>

At second quarter, Net Debt - Beginning of Year has been updated to reflect the ending net debt that was published in the 2018-2019 Consolidated Financial Statements (Public Accounts Volume I).

**TABLE 4**  
**ORDINARY ACCOUNT REVENUE BY SOURCE**  
(\$ Millions)

Taxes	2019-2020 Full Year to March 31, 2020			2019-2020 Year-to-date to September 30, 2019		
	Budget	Projection	Variance	Budget	Actual	Variance
Personal Income Tax.....	1,773.0	1,845.0	72.0	882.0	916.8	34.8
Corporate Income Tax.....	381.0	350.3	(30.7)	192.0	162.8	(29.2)
Metallic Minerals Tax.....	1.9	1.9	0.0	1.0	0.8	(0.2)
Provincial Real Property Tax.....	538.0	538.0	0.0	274.5	268.7	(5.8)
Harmonized Sales Tax net of credit.....	1,539.1	1,539.1	0.0	762.6	740.4	(22.2)
Gasoline and Motive Fuels Tax.....	282.0	289.0	7.0	144.2	147.4	3.2
Tobacco Tax.....	141.0	129.0	(12.0)	72.0	67.5	(4.5)
Pari-Mutuel Tax.....	0.5	0.5	0.0	0.3	0.3	0.0
Insurance Premium Tax.....	60.2	60.7	0.4	30.1	27.2	(2.9)
Real Property Transfer Tax.....	28.0	30.5	2.5	16.5	18.9	2.4
Financial Corporation Capital Tax.....	25.0	25.0	0.0	12.5	12.5	0.0
Cannabis Duty.....	8.3	3.1	(5.2)	4.1	1.6	(2.5)
Penalties and Interest.....	13.0	13.0	0.0	7.5	9.0	1.5
	<b>4,791.0</b>	<b>4,825.1</b>	<b>34.1</b>	<b>2,399.3</b>	<b>2,373.9</b>	<b>(25.4)</b>
Return on Investment.....	245.7	253.6	8.0	99.8	114.9	15.1
Licences and Permits.....	163.9	164.3	0.3	89.5	90.5	1.0
Sale of Goods and Services.....	457.9	467.5	9.7	228.3	242.0	13.7
Royalties.....	69.7	70.5	0.8	21.4	23.7	2.3
Agency Revenues.....	164.0	154.4	(9.6)	82.2	77.1	(5.1)
Fines and Penalties.....	6.6	6.6	(0.0)	3.3	2.8	(0.5)
Miscellaneous.....	84.6	87.4	2.8	40.4	61.3	20.9
<b>Total - Own Source Revenue.....</b>	<b>5,983.4</b>	<b>6,029.5</b>	<b>46.1</b>	<b>2,964.2</b>	<b>2,986.2</b>	<b>22.0</b>
<b>Unconditional Grants - Canada</b>						
Fiscal Equalization Payments.....	2,023.2	2,023.2	0.0	1,011.6	1,011.6	0.0
Canada Health Transfer.....	832.7	835.2	2.4	416.4	417.7	1.3
Canada Social Transfer.....	300.9	301.7	0.9	150.4	150.9	0.5
Other.....	1.9	1.9	0.0	0.9	0.9	0.0
	<b>3,158.7</b>	<b>3,161.9</b>	<b>3.3</b>	<b>1,579.3</b>	<b>1,581.1</b>	<b>1.8</b>
<b>Conditional Grants - Canada.....</b>	<b>326.0</b>	<b>327.0</b>	<b>1.0</b>	<b>131.6</b>	<b>106.3</b>	<b>(25.3)</b>
<b>Total - Grants from Canada.....</b>	<b>3,484.7</b>	<b>3,489.0</b>	<b>4.3</b>	<b>1,710.9</b>	<b>1,687.4</b>	<b>(23.5)</b>
<b>Subtotal.....</b>	<b>9,468.1</b>	<b>9,518.4</b>	<b>50.3</b>	<b>4,675.1</b>	<b>4,673.6</b>	<b>(1.5)</b>
Inter-account Transactions.....	(15.1)	(14.9)	0.2	(7.6)	(8.3)	(0.7)
<b>Ordinary Account Revenue.....</b>	<b>9,453.0</b>	<b>9,503.5</b>	<b>50.5</b>	<b>4,667.5</b>	<b>4,665.3</b>	<b>(2.2)</b>

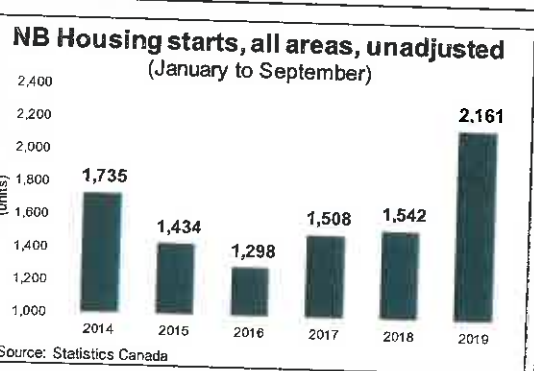
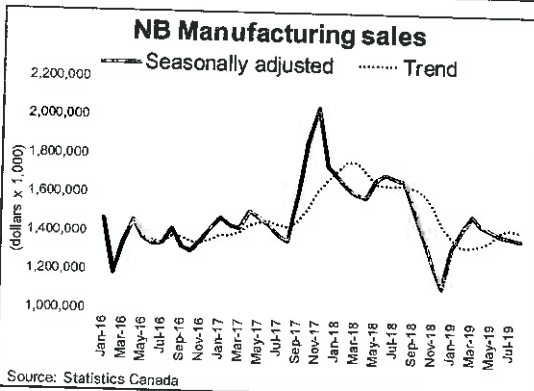
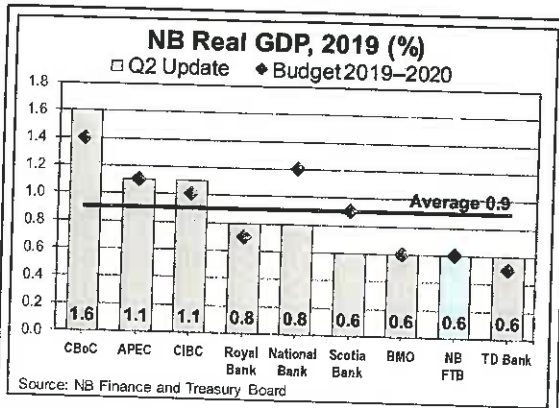
**TABLE 5**  
**ORDINARY ACCOUNT EXPENSE**  
**(\$ Millions)**

<u>DEPARTMENT</u>	2019-2020			2019-2020		
	Full Year to March 31, 2020			Year-to-date to September 30, 2019		
	Budget	Projection	Variance	Budget	Actual	Variance
Agriculture, Aquaculture and Fisheries.....	40.2	40.2	0.0	14.5	15.5	1.0
Education and Early Childhood						
Development.....	1,294.7	1,296.6	1.9	613.5	613.1	(0.4)
Environment and Local Government.....	152.6	153.5	0.8	81.6	80.0	(1.6)
Executive Council Office.....	13.2	13.2	0.0	7.1	7.1	0.0
Finance and Treasury Board.....	35.9	35.0	(0.9)	18.0	16.8	(1.2)
General Government.....	857.7	847.3	(10.4)	400.6	398.0	(2.6)
Health.....	2,803.4	2,826.7	23.3	1,390.9	1,402.7	11.8
Justice and Office of the						
Attorney General.....	55.7	55.7	0.0	27.6	28.0	0.4
Legislative Assembly.....	29.2	29.2	0.0	14.5	11.9	(2.6)
Natural Resources and Energy						
Development.....	96.6	97.5	0.9	47.3	48.7	1.4
Office of the Premier.....	1.5	1.5	0.0	0.7	0.7	0.0
Opportunities New Brunswick.....	40.0	40.2	0.2	12.9	16.4	3.5
Other Agencies.....	403.5	411.7	8.2	202.3	206.2	3.9
Post-Secondary Education, Training						
and Labour.....	636.1	636.9	0.9	334.5	336.5	2.0
Public Safety.....	227.5	228.4	1.0	115.3	116.4	1.1
Regional Development Corporation.....	70.1	65.1	(5.0)	22.1	21.2	(0.9)
Service of the Public Debt.....	677.0	658.0	(19.0)	335.8	321.4	(14.4)
Social Development.....	1,235.2	1,235.2	0.0	617.6	619.4	1.8
Tourism, Heritage and Culture.....	53.7	53.9	0.1	38.3	36.0	(2.3)
Transportation and Infrastructure.....	311.5	312.8	1.3	131.8	138.5	6.7
<b>Subtotal.....</b>	<b>9,035.3</b>	<b>9,038.6</b>	<b>3.3</b>	<b>4,426.9</b>	<b>4,434.5</b>	<b>7.6</b>
Investment in Tangible						
Capital Assets.....	(7.7)	(11.0)	(3.3)	(3.8)	(1.5)	2.3
Inter-account Transactions.....	(16.5)	(16.3)	0.2	(7.6)	(9.3)	(1.7)
<b>Ordinary Account Expense.....</b>	<b>9,011.1</b>	<b>9,011.2</b>	<b>0.1</b>	<b>4,415.5</b>	<b>4,423.7</b>	<b>8.2</b>

**TABLE 6  
CAPITAL EXPENDITURES  
(\$ Millions)**

<b>DEPARTMENT</b>	<b>2019-2020 Full Year to March 31, 2020</b>			<b>2019-2020 Year-to-date to September 30, 2019</b>		
	<b>Budget</b>	<b>Projection</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Agriculture, Aquaculture and Fisheries.....	0.3	0.3	0.0	0.3	0.1	(0.2)
Education and Early Childhood Development.....	1.6	1.6	0.0	0.4	0.2	(0.2)
Environment and Local Government.....	1.0	1.0	0.0	0.5	0.1	(0.4)
Health.....	23.0	23.0	0.0	0.0	0.0	0.0
Natural Resources and Energy Development.....	6.6	1.6	(5.0)	1.7	0.1	(1.6)
Post-Secondary Education, Training and Labour.....	2.0	2.0	0.0	1.6	1.0	(0.6)
Regional Development Corporation.....	47.8	47.8	0.0	26.0	26.8	0.8
Social Development.....	12.0	12.0	0.0	6.0	2.8	(3.2)
Tourism, Heritage and Culture.....	12.9	11.9	(1.0)	7.7	4.9	(2.8)
Transportation and Infrastructure.....	493.4	467.8	(25.6)	218.2	211.3	(6.9)
<b>Subtotal.....</b>	<b>600.6</b>	<b>569.0</b>	<b>(31.6)</b>	<b>262.4</b>	<b>247.3</b>	<b>(15.1)</b>
Investment in Tangible Capital Assets.....	(470.8)	(444.5)	26.3	(198.8)	(183.1)	15.7
<b>Capital Account Expense.....</b>	<b>129.8</b>	<b>124.5</b>	<b>(5.2)</b>	<b>63.6</b>	<b>64.2</b>	<b>0.6</b>

# 2019 Economic Update



	2017	2018	2019 F
Real GDP	1.8	0.1	0.6
Household Final Consumption Expenditures	4.0	2.7	2.3
Primary Household Income	3.2	3.4	3.0
Employment	0.4	0.3	0.6
Unemployment Rate (%)	8.1	8.0	7.9
Consumer Price Index	2.3	2.1	1.8

Sources: Statistics Canada, NB Finance and Treasury Board  
F = Forecast  
% change unless otherwise indicated

Based on data available as of October 31, 2019

- Consumer inflation in the province has averaged 1.6 per cent on a year-to-date basis, lower than the national growth rate of 1.9 per cent.

- The International Monetary Fund (IMF) is projecting global economic growth of 3.0 per cent in 2019, its slowest pace since 2008-2009 due to weakening manufacturing activity and rising trade and geopolitical tensions.
- Despite sluggish investment, the IMF is anticipating U.S. real Gross Domestic Product (GDP) to grow by 2.4 per cent in 2019, supported mainly by employment and consumption.
- The Bank of Canada anticipates Canada's real GDP to expand by 1.5 per cent in 2019. While exports supported the economy in the second quarter, global trade conflicts and geopolitical tensions are expected to weigh down business investment and exports in the second half of 2019.
- The Department of Finance and Treasury Board projects real GDP growth for New Brunswick of 0.6 per cent for 2019, unchanged from the forecast in the 2019-2020 Budget. The average of private sector forecasts is now 0.9 per cent.
- Total employment increased by 0.9 per cent year-to-date, with gains in part-time employment (+7.3%) more than offsetting the declines observed in full-time employment (-0.2%). Both the goods- and services-producing sectors recorded job gains.
- Average weekly earnings are up by 2.9 per cent, higher than the national growth rate of 2.4 per cent.
- For the eight-month period ending in August, retail trade is up by 2.2 per cent, surpassing the national growth rate of 1.8 per cent.
- Growth in manufacturing sales (-14.3%) and international trade (-9.8%) continues to be restrained due to the decline in production at the Saint John refinery. Furthermore, wood product manufacturing is also down by 10.9 per cent on a year-to-date basis.
- Housing starts are up by 40.1 per cent on a year-to-date basis due to strong gains in multi-unit construction (+90.2%).

**TABLE 7**  
**NEW BRUNSWICK ECONOMIC INDICATORS**  
(as of 31-Oct-2019)

Indicators	2018	Year-to-date		Reference period from January to:
		2019	% Change	
Labour force (x 1,000).....	385.9	389.5	0.9%	September
Employment (x 1,000).....	354.2	357.3	0.9%	September
Unemployment (x 1,000).....	31.7	32.2	1.6%	September
Participation Rate (%).....	61.5	61.8	...	September
Employment Rate (%).....	56.5	56.7	...	September
Unemployment Rate (%).....	8.2	8.3	...	September
Average weekly earnings (\$)... ..	905.77	931.91	2.9%	August
Retail trade (\$M).....	8,502.8	8,688.9	2.2%	August
Consumer Price Index (2002=100).....	133.9	136.1	1.6%	September
Housing starts (units).....	1,542	2,161	40.1%	September
Investment in residential building construction (\$ x 1,000).....	844,119	812,533	-3.7%	August
Investment in non-residential building construction (\$ x 1,000).....	600,044	593,627	-1.1%	August
Manufacturing sales (\$M).....	13,781.7	11,811.4	-14.3%	August
International exports (\$M).....	9,674.9	8,725.0	-9.8%	August

... Not applicable

Source: Statistics Canada

