VOLUME 4 - SECTION 4

TABLE OF CONTENTS	FISCAL YEAR ENDED	PAGE

Section 4:

CROWN ORGANIZATIONS (CONTINUED):

GOVERNMENT BUSINESS ENTERPRISES:

SPECIAL OPERATING AGENCIES

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

(In thousands)

Financial Statements

Year Ended March 31, 2016

Management's Responsibility for Financial Reporting

The Crown Lands and Property Agency's (the Agency) management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations and its cash flows in accordance with Canadian Public Sector Accounting Standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available through June, 2016.

Management maintains internal controls to properly safeguard the Agency's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Agency's financial statements have been audited by The Exchange chartered accountants LLP, independent external auditors. The auditors' responsibility is to express an independent opinion on whether the financial statements of the Agency are presented fairly, in all material respects, in accordance with Canadian Public Sector Accounting Standards. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of the Agency's management,

Original Document Signed

Mr. Normand Le Neal, Financial Officer

Original Document Signed

Ms Grace DeLong, Chief Operating Officer

Portage la Prairie, MB

CHARTERED PROFESSIONAL ACCOUNTANTS
BUSINESS & TECHNOLOGY CONSULTANTS
EXCHANGE GROUP

INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority of Crown Lands and Property Agency

We have audited the accompanying financial statements of Crown Lands and Property Agency, which comprise the statement of financial position as at March 31, 2016 and the statements of operations, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Crown Lands and Property Agency, as at March 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Exchange

chartered professional accountants, LLP
Winnipeg, Manitoba
June 6, 2016

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

Statement of Financial Position

March 31, 2016

(In thousands)

		2016		2015
FINANCIAL ASSETS				
Accounts receivable *(Note 3)*	**$**	**569**	$	643
Restricted cash *(Note 12)*		**2,110**		1,419
Severance pay benefits, vacation pay and banked time cash in trust *(Note 7)*		**670**		670
Assets held in trust *(Notes 4, 8)*		**3**		3
Surplus land sales *(Note 5)*		**-**		93
	$	**3,352**	$	2,828
LIABILITIES				
Working capital advance *(Note 9)*	**$**	**1,455**	$	4,494
Accounts payable and accrued liabilities *(Note 10)*		**655**		505
Deferred income		**30**		8
Trust fund liability *(Note 8)*		**3**		3
Severance pay liability *(Note 11)*		**330**		352
Client held funds *(Note 12)*		**2,110**		1,419
Deferred leases *(Note 13)*		**95**		82
Surplus land sales *(Note 5)*		**2,297**		-
		6,975		6,863
NET DEBT	**$**	**(3,623)**	$	(4,035)
NON-FINANCIAL ASSETS				
Prepaid expenses *(Note 3)*	**$**	**43**	$	97
Tangible capital assets *(Notes 3, 6)*		**93**		142
		136		239
ACCUMULATED DEFICIT	**$**	**(3,487)**	$	(3,796)

LEASE COMMITMENTS *(Note 14)*

ON BEHALF OF CROWN LANDS AND PROPERTY AGENCY

Original Document Signed *Director*

Original Document Signed *Director*

See notes to financial statements

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

Statement of Operations

Year Ended March 31, 2016

	Budget 2016	2016	2015
REVENUE *(Note 16)*	**$ 6,683**	**$ 4,332**	$ 3,974
EXPENSES			
Advertising	**18**	**17**	17
Amortization	**331**	**64**	74
Bad debt recovery	**-**	**-**	(70)
Computer maintenance costs	**361**	**112**	135
Contributed services	**76**	**31**	13
Desktop operating lease	**218**	**178**	188
Employee training	**59**	**18**	25
Insurance	**4**	**4**	4
Interest on working capital advance	**85**	**67**	67
Meals and accommodations	**7**	**2**	3
Office	**29**	**18**	32
Postage	**50**	**59**	57
Printing	**38**	**19**	30
Professional fees	**270**	**201**	257
Publications	**21**	**13**	11
Relocation expense	**4**	**4**	1
Rental	**302**	**274**	258
Repairs and maintenance	**11**	**28**	13
Salaries and benefits	**3,949**	**2,847**	2,832
Telephone	**41**	**41**	43
Travel	**76**	**26**	52
	5,950	**4,023**	4,042
ANNUAL SURPLUS (DEFICIT)	**733**	**309**	(68)
ACCUMULATED DEFICIT - BEGINNING OF YEAR	**(4,005)**	**(3,796)**	(3,728)
ACCUMULATED DEFICIT - END OF YEAR	**$ (3,272)**	**$ (3,487)**	$ (3,796)

See notes to financial statements

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

Statement of Change in Net Debt

Year Ended March 31, 2016

	Budget 2016	**2016**	2015
ANNUAL SURPLUS (DEFICIT)	$ 733	**$ 309**	$ (68)
Purchase of tangible capital assets	(3,744)	**(15)**	(19)
Amortization of tangible capital assets	-	**64**	73
Decrease (increase) in prepaid expenses	(195)	**54**	(23)
DECREASE (INCREASE) IN NET DEBT	(3,206)	**412**	(37)
NET DEBT - BEGINNING OF YEAR	(5,256)	**(4,035)**	(3,998)
NET DEBT - END OF YEAR	$ (8,462)	**$ (3,623)**	$ (4,035)

See notes to financial statements

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Government of Manitoba)

Statement of Cash Flow

Year Ended March 31, 2016

(In thousands)

	2016	2015
OPERATING ACTIVITIES		
Cash receipts from customers	**$ 4,426**	$ 4,062
Cash paid to suppliers and employees	**(3,685)**	(4,283)
Interest paid	**(67)**	(67)
Increase (decrease) in deferred leases	**13**	(2)
Decrease in severance pay liability	**(22)**	(13)
Change in surplus land sales	**2,390**	(373)
Cash flow from (used by) operating activities	**3,055**	(676)
INVESTING ACTIVITY		
Purchase of tangible capital assets	**(16)**	(19)
INCREASE (DECREASE) IN CASH	**3,039**	(695)
WORKING CAPITAL ADVANCE - BEGINNING OF YEAR	**(4,494)**	(3,799)
WORKING CAPITAL ADVANCE - END OF YEAR	**$ (1,455)**	$ (4,494)

See notes to financial statements

1. NATURE OF ORGANIZATION

Effective April 1, 2006, Crown Lands and Property Agency (the "Agency") was designated as a Special Operating Agency by regulation under The Special Operating Agencies Financing Authority Act made by the Lieutenant Governor in Council.

The Agency has transactional authority for all Crown land sales, leases and permits, as well as land appraisal, acquisition, expropriation and other services for the provincial government. The Agency represents the Manitoba government in its land dealings with the public, striving to ensure that the government's real estate business is conducted in a manner that is fair, open and transparent, timely and professional, and fiscally and environmentally responsible.

The Agency consolidates the services previously provided by the Lands Acquisition Branch, Lands Branch, Agricultural Crown Land Management and Parks Districts Records departments.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. The financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Transportation and Government Services assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

The Agency forms part of the Supply and Services Division of Manitoba Infrastructure and Transportation under the general direction of the Chief Operating Officer and the Assistant Deputy Minister of the Supply and Services Division, and ultimately the policy direction of the Associate Deputy Minister and Minister.

The Agency remains bound by relevant legislation and regulations.

The Agency is economically dependent upon the Province of Manitoba for continued financing and it derives a significant portion of its revenue from the Province. The transactions with the Province of Manitoba are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. BASIS OF ACCOUNTING

The financial statements of the Agency have been prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the public Sector Accounting Board (PSAB).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Land Acquisition Branch: the percentage of completion method of accounting is used, whereby revenue is recognized proportionately with the degree of contracted work completed.

Other branch areas: appropriation funding in Manitoba Agriculture, Food and Rural Development (MAFRD) and Manitoba Conservation is continuing in order to pay the Agency the costs it incurs for providing services to the public (on behalf of MAFRD and Manitoba Conservation).

Financial Assets

1. Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. Bank overdrafts and bank borrowings are considered to be financing activities.

2. Accounts receivable

Receivables are recorded at the lower of cost and net realizable value. Amounts doubtful of collection are recorded when there is uncertainty that the amounts will be realized.

Liabilities

Liabilities present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded in the financial statements when there is an appropriate basis of measurement and a reasonable estimate can be made of the amounts involved.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-financial assets

Non-financial assets do not normally provide resources to discharge liabilities of the Agency. These assets are normally employed to provide future services.

1. Prepaid expenses

Prepaid expenses are payments for goods or services that will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year that the goods or services are consumed.

2. Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs such as freight charges, transportation, insurance costs and duties. Modifications or additions to the original asset are capitalized and recognized at cost.

The values of tangible capital assets are written down when conditions indicate that the values of the future economic benefits associated with the tangible capital assets are less than their book values.

The costs of tangible capital assets, less their estimated residual values, are amortized over their useful lives in the following manner:

Equipment	5 years	straight-line method
Computer equipment	5 years	straight-line method
Computer software	5 years	straight-line method
Furniture and fixtures	5 years	straight-line method

4. FINANCIAL INSTRUMENTS

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records its financial assets at cost or amortized cost. Financial assets include cash and accounts receivable. The Agency also records its financial liabilities at cost. Financial liabilities include working capital advances, accounts payable and accrued liabilities, and borrowings.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as remeasurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

The Agency did not incur any re-measurement gains and losses during the year ended March 31, 2016 (2015 - $nil).

Financial risk management - overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2016 is:

	2016	**2015**
Accounts receivable	**$ 569**	$ 643

Cash: The Agency is not exposed to significant credit risk as these amounts are primarily held by the Province of Manitoba.

Receivables: The Agency is not exposed to significant concentration of credit risk, since the receivables are from a large client base. An allowance for doubtful accounts of $NIL was recorded as of March 31, 2016 (2015 - $NIL).

(continues)

4. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by balancing its cash flow requirements with draw downs from its available working capital advances and its other borrowings from the Province of Manitoba. Regular determinations of the Agency's working capital advances limit and its other debt requirements are reviewed by the Province of Manitoba to ensure that adequate funding is available as required to enable the Agency to meet its obligations as they come due.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income from operations or the fair values of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash, cash equivalents, portfolio investments, working capital advances, and to other borrowings.

The interest rate risk on cash and working capital advances is considered to be low because of their short term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

The Agency manages its interest rate risk on long term borrowings through the exclusive use of fixed rate terms on each amount borrowed.

5. SURPLUS LAND SALES

Surplus land sales consist of properties which are not under the Crown Lands Act but are under the departmental jurisdiction. These properties are being sold on behalf of clients with the net proceeds issued to the consolidated fund or charged back to the client if the sale is not finalized.

6. TANGIBLE CAPITAL ASSETS

2016

	Opening balance	Additions	Disposals	**Closing balance**
Cost				
Equipment	$ 109	$ -	$ -	**$ 109**
Computer equipment	141	9	-	**150**
Computer software	98	-	-	**98**
Furniture and fixtures	170	6	-	**176**
	$ 518	$ 15	$ -	**$ 533**
Accumulated amortization				
Equipment	$ 73	$ 17	$ -	**$ 90**
Computer equipment	100	17	-	**117**
Computer software	64	10	-	**74**
Furniture and fixtures	139	20	-	**159**
	376	64	-	**440**
	$ 142	$ (49)	$ -	**$ 93**

2015

	Opening balance	Additions	Disposals	**Closing balance**
Cost				
Equipment	$ 138	$ -	$ (29)	**$ 109**
Computer equipment	274	16	(149)	**141**
Computer software	176	3	(81)	**98**
Furniture and fixtures	170	-	-	**170**
	$ 758	$ 19	$ (259)	**$ 518**
Accumulated amortization				
Equipment	$ 85	$ 17	$ (29)	**$ 73**
Computer equipment	233	16	(149)	**100**
Computer software	133	12	(81)	**64**
Furniture and fixtures	111	28	-	**139**
	562	73	(259)	**376**
	$ 196	$ (54)	$ -	**$ 142**

7. SEVERANCE PAY BENEFITS, VACATION PAY AND BANKED TIME CASH IN TRUST

The Province has accepted responsibility for the severance benefits, vacation and overtime accumulated by the employees of Lands Branch, Agricultural Crown Land Management and Parks Districts Records departments, transferred to the Agency March 31, 2006, up to March 31, 2006. Additionally, the Province has accepted responsibility for the severance benefits, vacation and overtime accumulated by the employees of Land Acquisition Branch up to March 31, 1998.

Effective March 31, 2010 the Province of Manitoba has paid the receivable balances related to the funding for these liabilities and has placed the amount of $670 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

8. ASSETS HELD IN TRUST

The assets held in trust were pledged to the Agency to complete outstanding projects transferred from the Province of Manitoba. The trust fund liability offsets the assets held in trust until work performed on outstanding projects have been completed.

9. WORKING CAPITAL ADVANCE

The Agency has an authorized line of working capital from the Province of Manitoba of $8,000 of which $1,455 was used as at March 31, 2016 (2015 - $4,494). The advance is unsecured, and interest is charged at Prime less 1% on the daily balance.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade accounts payable	**$ 129**	$ 164
Accrued wages, vacation pay and banked time	**466**	284
Sick pay leave obligation	**57**	57
Goods and services tax	**3**	-
	$ 655	$ 505

11. SEVERANCE PAY LIABILITY

The Agency records accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service by the weekly salary, at date of retirement provided that the employee reaches nine years of service and retires from the Agency. Severance pay for service greater than 15 years to a maximum of 35 years is increased by two weeks for every five years of service. The estimate is based upon the method of calculation set by the Province of Manitoba.

The severance benefit at March 31 included the following components:

	2016	2015
Balance, beginning of year	**$ 260**	$ 289
Actuarial loss (gain)	**-**	(25)
Benefits accrued	**15**	17
Interest on accrued benefits	**16**	16
Severance paid	**(44)**	(37)
Accrued benefit liability	**247**	260
Add: unamortized actuarial gains	**83**	92
Severance benefit liability	**$ 330**	$ 352

12. CLIENT HELD FUNDS

The Agency invoices and collects funds on behalf of other departments. All amounts received for these departments are recorded as a liability and are held in a separate bank account.

13. DEFERRED LEASES

The Agency manages leases on behalf of clients. The Agency remits to the consolidated fund the difference of revenue generated and the costs to manage the leases.

14. LEASE COMMITMENTS

During the year ended March 31, 2016, the Agency incurred costs of $274 for the rental of the facilities located at 25 Tupper Street North, Portage La Prairie, Manitoba. There is no premise lease agreement in place. Occupancy charges for each fiscal year are established annually by the Province of Manitoba.

15. PENSION BENEFITS

Employees of Crown Lands and Property Agency (the "Agency") are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service Superannuation Fund.

The pension liability related to the CSSA's defined benefit plan is included in the Province of Manitoba's financial statements. Accordingly, no provision is required in the Agency's financial statements relating to the effects of participation in the plan by the Agency and its employees.

The Agency is regularly required to pay to the Province an amount equal to the current pension contributions paid by its employees.

16. RELATED PARTY TRANSACTIONS

The Agency provides services various other government departments. These departments make up approximately 98% of the revenue for the Agency. The Agency's ability to continue as a viable operation is dependent upon these transactions.

17. CONTINGENT LIABILITY

As at March 31, 2016, there were two outstanding claims for flooded properties. The claims do not clearly articulate the Agency's involvement, outside of its role in administering compensation. It is unknown at this time if there are any future liabilities related to these claims.

ENTREPRENEURSHIP MANITOBA

FINANCIAL STATEMENTS

MARCH 31, 2016

ENTREPRENEURSHIP
MANITOBA

Companies Office
1010-405 Broadway, Winnipeg, Manitoba, Canada R3C 3L6
T 204-945-2500 F 204-945-1459
www.manitoba.ca/emb

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management of Entrepreneurship Manitoba and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgments regarding all necessary estimates and all other data available as at May 30, 2016.

Management maintains internal controls to properly safeguard the assets of Entrepreneurship Manitoba and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The financial statements of Entrepreneurship Manitoba have been audited by Magnus Chartered Accountants LLP, independent external auditors. The responsibility of the auditor is to express an independent opinion on whether the financial statements of Entrepreneurship Manitoba are fairly represented, in all material respects, in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion on the financial statements.

On behalf of Management of
Entrepreneurship Manitoba

Original Document Signed
Craig Halwachs
Chief Operating Officer

Original Document Signed
David Rudy
Chief Financial Officer

Manitoba

INDEPENDENT AUDITOR'S REPORT

To the Special Operating Agencies Financing Authority
and Entrepreneurship Manitoba

Report on the Financial Statements

We have audited the accompanying financial statements of Entrepreneurship Manitoba, an agency of the Government of Manitoba, which comprise the statements of financial position as at March 31, 2016 and the statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Entrepreneurship Manitoba as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Magnus

May 30, 2016
Winnipeg, Canada

Magnus Chartered Accountants LLP

ENTREPRENEURSHIP MANITOBA
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Financial Position

(in thousands)

March 31, 2016

	2016 Actual	2015 Actual
Financial assets		
Cash and cash equivalents	$ 8,449	$ 6,769
Trade accounts receivable	324	225
Portfolio investments	735	1,445
	9,508	8,439
Liabilities		
Accounts payable and accrued liabilities	951	331
Accrued vacation entitlements	483	401
Provision for loan guarantees (Note 4)	831	783
Employee future benefits (Note 5)	496	430
Borrowings from the Province of Manitoba (Note 6)	1,847	2,177
	4,608	4,122
Net financial assets	4,900	4,317
Non-financial assets		
Tangible capital assets (Note 7)	5,260	4,703
Prepaid expenses	11	12
Inventories of supplies	39	41
	5,310	4,756
Accumulated surplus	$ 10,210	$ 9,073

Designated assets (Note 8)

See accompanying notes to financial statements.

ENTREPRENEURSHIP MANITOBA
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Operations

(in thousands)

Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Revenue:			
Fees and services	$ 9,105	$ 9,801	$ 9,430
Immigration settlement transfer	1,750	1,750	1,750
Investment income	20	43	56
	10,875	11,594	11,236
Expenses:			
Salaries and employee benefits	4,322	4,400	3,931
Operating expenses (Schedule 1)	3,753	3,549	3,483
Amortization of tangible capital assets	10	8	5
	8,085	7,957	7,419
Net income before transfer of funds to the Province of Manitoba	2,790	3,637	3,817
Transfer of funds to the Province of Manitoba (Note 9)	2,500	2,500	2,500
Net income for the year	290	1,137	1,317
Accumulated surplus, beginning of year	8,091	9,073	7,756
Accumulated surplus, end of year	$ 8,381	$ 10,210	$ 9,073

See accompanying notes to financial statements.

ENTREPRENEURSHIP MANITOBA
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Change in Net Financial Assets

(in thousands)

Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Net income for the year	$ 290	$ 1,137	$ 1,317
Tangible capital assets:			
Acquisition of tangible capital assets	(1,440)	(565)	(504)
Amortization of tangible capital assets	10	8	5
Net acquisition of tangible capital assets	(1,430)	(557)	(499)
Other non-financial assets:			
Change in prepaid expenses during the year	-	1	1
Change in inventories of supplies during the year	-	2	(7)
Net acquisition of other non-financial assets	-	3	(6)
(Decrease) increase in net financial assets	(1,140)	583	812
Net financial assets, beginning of year	3,139	4,317	3,505
Net financial assets, end of year	$ 1,999	$ 4,900	$ 4,317

See accompanying notes to financial statements.

ENTREPRENEURSHIP MANITOBA
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Cash Flow
(in thousands)
Year ended March 31, 2016

	2016 Actual	2015 Actual
Cash provided by (applied to)		
Operating activities:		
Net income for the year	$ 1,137	$ 1,317
Adjustment for:		
Amortization of tangible capital assets	8	5
	1,145	1,322
Changes in the following:		
Accounts receivable	(99)	150
Receivable from the Province of Manitoba	-	213
Prepaid expenses	1	1
Inventories of supplies	2	(7)
Accounts payable and accrued liabilities	620	(181)
Provision for loan guarantees	48	139
Accrued vacation entitlements	82	16
Employee future benefits	66	28
Cash provided by operating activities	1,865	1,681
Capital activities:		
Capital asset additions	(565)	(504)
Cash (applied to) capital activities	(565)	(504)
Financing activities:		
Debt repayments to the Province of Manitoba	(330)	(330)
Cash (applied to) financing activities	(330)	(330)
Investing activities:		
Change in portfolio investments	710	610
Cash provided by investing activities	710	610
Change in cash and cash equivalents	1,680	1,457
Cash and cash equivalents, beginning of year	6,769	5,312
Cash and cash equivalents, end of year	$ 8,449	$ 6,769

See accompanying notes to financial statements.

1. Nature of organization

Effective April 1, 2013, Entrepreneurship Manitoba (the "Agency") commenced operations as a Government of Manitoba Special Operating Agency (SOA) under *The Special Operating Agencies Financing Authority Act* (C.C.S.M. cS185) by Order in Council No. 78/2013. The Agency integrates the operations of the former Companies Office and Manitoba Jobs and the Economy's Small Business Development Branch, Competitiveness Initiatives Branch and the Business Settlement Office of the Business Immigration and Investment Branch.

The Agency is in the department of Jobs and the Economy and is under the policy direction of the Minister, the Deputy Minister, and the Assistant Deputy Minister of Manitoba Jobs and the Economy. The Agency remains bound by relevant legislation and regulations. The Agency is also bound by administrative policy except where specific exemptions have been provided for in its operating charter in order to meet business objectives.

2. Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards which are Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Summary of significant accounting policies

(a) Revenue

Fees and services

Fees and services revenue is recognized when the rendering of services is complete or substantially complete and when collection is reasonably assured.

Government transfers

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

Other revenue

Investment income and all other revenue is recognized on an accrual basis.

(b) Expenses

Expenses

All expenses incurred for goods and services are recognized on an accrual basis when the related goods or services are received.

3. Summary of significant accounting policies (continued)

Government transfers

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

(c) Financial assets

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term investments and deposits with original maturities of three months or less.

Accounts receivable

Accounts receivable are recorded at the lower of cost and net realizable value. An allowance for doubtful accounts is recorded when there is uncertainty whether the amounts will be collected.

Portfolio investments

Portfolio investments are deposits or investments with original maturities of greater than three months. These investments are recognized at cost.

(d) Liabilities

Liabilities are present obligations as a result of transactions and events occurring at or prior to the end of the fiscal year the settlement of which will result in the future transfer or use of assets or other form of settlement. Liabilities are recognized when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

(e) Non-financial assets

Non-financial assets do not normally provide resources to discharge existing liabilities of the Agency. These amounts are normally employed to provide future services.

Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs. The costs of tangible capital assets, less any residual value, are amortized over their estimated useful lives as follows:

Computer equipment and software	20% straight line (10% in year of acquisition)
Office equipment	20% straight line (10% in year of acquisition)
Furniture and fixtures	20% straight line (10% in year of acquisition)
Leasehold improvements	20% straight line (10% in year of acquisition)
System development costs	15 years straight line

3. Summary of significant accounting policies (continued)

Prepaid expenses

Prepaid expenses are payments for goods or services that will provide economic benefits in future periods. The prepaid amount is recognized as an expense in the period the goods or services are consumed.

Inventories of supplies

Inventories of supplies are recorded at cost and recognized as an expense in the period the supplies are used or consumed.

(f) Financial instruments - measurement

Financial instruments are classified into one of two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records its financial assets at cost. Financial assets include cash and cash equivalents, trade accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost. Financial liabilities include accounts payable and accrued liabilities and borrowings.

Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs. Gains and losses on financial instruments measured at fair value, if any, are recorded in accumulated surplus as remeasurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations.

(g) Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results may differ from these estimates.

4. Provision for loan guarantees

Effective April 1, 2013, responsibility for the Province's Manitoba Business Start Loan Guarantee Program was transferred to the Agency. Losses on these loan guarantees are recorded in the accounts when it is likely that a payment will be made to honour a guarantee and when the amount of the anticipated loss can be reasonably estimated. The amount of the provision for loan losses is determined by taking into consideration the Program's historical loss experience and current economic conditions. Any increase or decrease in the provision is recognized in operating expenses for the year.

Under *The Loan Act*, the Province guarantees loans up to $30 each made by participating financial institutions to new owner-managed businesses operating in Manitoba. Business Start Loans are five year term loans at prime plus 1% interest with a one year deferral on principal repayment. In the event of a Business Start Loan default within the five year term, the lender can make a claim for the outstanding loan balance and up to 120 days of interest. When the Agency makes a claim payment, the lender will assign the defaulted loan to the Agency, which allows for potential recovery from the borrower by the Agency.

(in thousands)

4. Provision for loan guarantees (continued)

As at March 31, 2016, the following debt has been guaranteed under the Manitoba Business Start Loan Guarantee Program (2015 - principal outstanding of $3,561):

	Revolving authorized limit	Principal outstanding
Business Start Loans under *The Loan Act*	$ 5,000	$ 3,779

As at March 31, 2016, the Agency has recorded a provision of $831 for these loan guarantees (2015 - $783). The increase in the provision of $48 (2015 - $139) represents the loan guarantee losses recognized as an expense during the year. In addition, the Agency made total loan guarantee payments during the year of $222 (2015 - $131) for total loan guarantee losses and payments during the year of $270 (2015 - $270).

As at March 31, 2016, no amounts receivable relating to defaulted loans assigned to the Agency are included in these financial statements due to the uncertainty of recovering any amounts relating to these defaulted loans (2015 - $nil). Recoveries, if any, will be recognized in the period in which payments are received.

5. Employee future benefits

	2016	2015
Severance benefits	$ 437	$ 371
Sick pay benefits	59	59
	$ 496	$ 430

Pension benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the *Civil Service Superannuation Act* (*CSSA*), administered by the Civil Service Superannuation Board. The *CSSA* established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2016 was $256 (2015 - $217). Under this agreement, the Agency has no further pension liability.

Severance benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of the severance benefit obligation is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life (EARSL) of the related employee group.

(in thousands)

5. Employee future benefits (continued)

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2016 is $437 (2015 - $371), with the total actuarial losses of $168 (2015 - $168) based on the completed actuarial reports being amortized over the 15 year EARSL of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2016 present value of the accrued severance benefit obligation, are:

Annual rate of return:	
Inflation component	2.00%
Real rate of return	4.00%
	6.00%
Assumed salary increase rates:	
Annual productivity increase	1.00%
Annual general salary increase	2.75%
	3.75%

The severance benefit liability as at March 31 includes the following components:

	2016	2015
Accrued benefit liability, beginning of year	$ 496	$ 394
Actuarial (gains) losses	-	85
Current period service costs	25	25
Interest on accrued benefits	30	29
Severance benefits paid	-	(37)
Accrued benefit liability, end of year	551	496
Less: unamortized actuarial losses	(114)	(125)
Severance benefit liability, end of year	$ 437	$ 371

The total expense related to severance benefits for the year ended March 31 includes the following components:

	2016	2015
Current period service costs	$ 25	$ 25
Interest on accrued benefits	30	29
Amortization of actuarial losses over EARSL	11	11
Total expense related to severance benefits	$ 66	$ 65

(in thousands)

5. Employee future benefits (continued)

Sick pay benefits

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit liability related to sick leave entitlements earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 6.00% annual return and a 3.75% annual salary increase. The Agency's sick leave benefit liability as at March 31, 2016 based on the valuation model is $59 (2015 - $59). The increase in the sick leave benefit liability of $nil (2015 - $nil) represents the total sick leave benefit expense for the year.

6. Borrowings from the Province of Manitoba

By virtue of the Management Agreement, the Agency is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed below on behalf of the Agency.

Borrowings obtained through the use of available Loan Act Authority are repayable in quarterly instalments of principal and interest as follows:

	2016	2015
4.0% repayable in quarterly instalments of $33 principal plus interest, maturing in 2021	$ 665	$ 798
3.0% repayable in quarterly instalments of $49 principal plus interest, maturing in 2022	1,182	1,379
	$ 1,847	$ 2,177

Interest is measured using the effective interest method. Approximate scheduled principal payments in each of the next five years are as follows:

2017	$ 330
2018	330
2019	330
2020	330
2021	330

(in thousands)

7. Tangible capital assets

	2016			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment and software	$ 119	$ -	$ -	$ 119
Office equipment	16	6	-	22
Furniture and fixtures	145	-	-	145
Leasehold improvements	40	-	-	40
System development costs	4,686	559	-	5,245
	$ 5,006	$ 565	$ -	$ 5,571
Accumulated amortization				
Computer equipment and software	(111)	(4)	-	(115)
Office equipment	(16)	(1)	-	(17)
Furniture and fixtures	(136)	(3)	-	(139)
Leasehold improvements	(40)	-	-	(40)
	$ (303)	$ (8)	$ -	$ (311)
Net book value	$ 4,703	$ 557	$ -	$ 5,260

During the year, system development costs were capitalized in the amount of $559 (2015 - $504). The total cost of tangible capital assets not subject to amortization as at March 31, 2016 is $5,245 (2015 - $4,686). Amortization will commence when development is complete and the system is available for use. During the year ended March 31, 2016, the Government of Manitoba signed a statement of work agreement for the completion of the implementation phase of the new system for a total fixed cost of $860 pursuant to this agreement.

(in thousands)

7. Tangible capital assets (continued)

	2015			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment and software	$ 119	$ -	$ -	$ 119
Office equipment	16	-	-	16
Furniture and fixtures	145	-	-	145
Leasehold improvements	40	-	-	40
System development costs	4,182	504	-	4,686
	$ 4,502	$ 504	$ -	$ 5,006
Accumulated amortization				
Computer equipment and software	(107)	(4)	-	(111)
Office equipment	(16)	-	-	(16)
Furniture and fixtures	(135)	(1)	-	(136)
Leasehold improvements	(40)	-	-	(40)
	$ (298)	$ (5)	$ -	$ (303)
Net book value	$ 4,204	$ 499	$ -	$ 4,703

8. Designated assets

As at March 31, 2016, the Agency has a total of $1,075 (2015 - $1,075) of its cash and cash equivalents and portfolio investments designated for specific purposes as described below.

The Agency has allocated $218 of its portfolio investments as designated assets for cash received from the Province of Manitoba for the vacation entitlements earned by employees of the former Companies Office prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain employees. In addition, $213 was received from the Province of Manitoba for vacation and severance benefits transferred to the Agency relating to the reorganization effective April 1, 2013. These amounts are held in interest bearing trust accounts until the cash is required to discharge the related liabilities for severance and vacation entitlements. Any unused balance is re-invested annually.

Also relating to the reorganization effective April 1, 2013, $644 was received from the Province of Manitoba for the total provision for loan guarantees transferred to the Agency as of this date. This amount is also held in an interest bearing trust account until cash is required to discharge the related liabilities for loan guarantees.

(in thousands)

9. Transfer of funds to the Province of Manitoba

During the year, with Lieutenant-Governor-in-Council approval by Order in Council, the Agency transferred $2,500 (2015 - $2,500) of its surplus funds to the Province of Manitoba. These amounts are recorded as an expense in the statement of operations.

10. Financial instruments and financial risk management

The Agency does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore the Agency did not incur any remeasurement gains or losses during the year (2015 - $nil).

Financial risk management - overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest rate risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and cash equivalents, accounts receivable and portfolio investments.

The maximum exposure of the Agency to credit risk as at March 31 is:

	2016	2015
Cash and cash equivalents	$ 8,449	$ 6,769
Accounts receivable	324	225
Portfolio investments	735	1,445
	$ 9,508	$ 8,439

Cash and cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as the cash and cash equivalents and portfolio investments are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the balance of the accounts receivable is due from a large client base and payment in full is typically collected when it is due. The Agency manages this credit risk through close monitoring of any overdue accounts.

The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

There was no change in the allowance for doubtful accounts during the year and the balance at March 31, 2016 is $nil (2015 - $nil).

(in thousands)

10. Financial instruments and financial risk management (continued)

The aging of accounts receivable and allowance for doubtful accounts at March 31, 2016 is as follows:

	Accounts receivable	Allowance	Net
Current	$ 314	$ -	$ 314
30-60 days past the billing date	3	-	3
61-90 days past the billing date	3	-	3
Over 90 days past the billing date	4	-	4
	$ 324	$ -	$ 324

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet its obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents and portfolio investments.

The interest rate risk on cash and cash equivalents is considered to be low due to their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

The Agency manages its interest rate risk on borrowings through the exclusive use of fixed rate terms for its borrowings.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

11. Comparative information

Certain of the amounts for the year ended March 31, 2015 have been reclassified to conform to the financial statement presentation adopted for the current year.

ENTREPRENEURSHIP MANITOBA
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule of Operating Expenses **Schedule 1**

(in thousands)

Year ended March 31, 2016

	2016	2015
Advertising and brochures	$ 13	$ 20
Audit fees	9	11
Bad debts	1	2
Bank and credit card charges	73	55
Communications and telephone	84	78
Commissioner for Oath and Notary Public fees	135	140
Computer expenses	151	176
Computer programming	243	252
Conference/convention registration fees	1	2
Consulting	25	-
Desktop support costs	232	234
Disaster recovery and electronic storage	55	45
Education and training expenses	29	23
Equipment maintenance and rentals	12	3
Grants and sponsorships	66	18
Hall rentals	17	20
Hospitality	1	2
Insurance expense	14	16
Interest on borrowings	69	80
Legal services	68	47
Library materials	23	21
Loan guarantee losses and payments (Note 4)	270	270
Manitoba Business Links, net of recoveries	169	237
Miscellaneous expenses	136	51
Name search applications	195	161
New system costs - BSI allocation	823	871
Occupancy costs	285	309
Payroll processing	21	21
Postage and courier	79	78
Promotional materials	7	19
Publications	22	25
Seminar hall rental	32	27
Stationery and supplies	101	100
Subscriptions	6	7
Translation services	5	2
Travel and transportation	49	46
Truck	2	-
Website hosting fees	5	1
Workshops	21	13
	$ 3,549	$ 3,483

FOOD DEVELOPMENT CENTRE

FINANCIAL STATEMENTS

MARCH 31, 2016

FOOD DEVELOPMENT CENTRE
Growing Opportunities in Food

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management of Food Development Centre and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgments regarding all necessary estimates and all other data available as at June 22, 2016.

Management maintains internal controls to properly safeguard the assets of Food Development Centre and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The financial statements of Food Development Centre have been audited by Magnus Chartered Accountants LLP, independent external auditors. The responsibility of the auditor is to express an independent opinion on whether the financial statements of Food Development Centre are fairly represented, in all material respects, in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion on the financial statements.

On behalf of Management of Food Development Centre.

Original Document Signed

Guy Van Den Bussche
Controller / Manager of Support Services

Box 1240 • 810 Phillips Street • Portage la Prairie, Manitoba • R1N 3J9
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A Special Operating Agency of Manitoba Agriculture

INDEPENDENT AUDITOR'S REPORT

To the Special Operating Agencies Financing Authority
and Food Development Centre

Report on the Financial Statements

We have audited the accompanying financial statements of Food Development Centre, an agency of the Government of Manitoba, which comprise the statements of financial position as at March 31, 2016 and the statements of operations, change in net (debt) financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Food Development Centre as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Magnus

June 22, 2016
Winnipeg, Canada

Magnus Chartered Accountants LLP

FOOD DEVELOPMENT CENTRE
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Financial Position
(in thousands)
March 31, 2016

	2016 Actual	2015 Actual
Financial assets		
Cash and cash equivalents	$ 203	$ 515
Accounts receivable (Note 4)	1,475	1,010
Portfolio investments	41	41
	1,719	1,566
Liabilities		
Accounts payable and accrued liabilities (Note 5)	523	491
Deferred revenue	201	72
Accrued vacation and overtime entitlements	251	253
Employee future benefits (Note 7)	326	295
Borrowings from the Province of Manitoba (Note 8)	1,506	1,753
	2,807	2,864
Net (debt) financial assets	(1,088)	(1,298)
Non-financial assets		
Tangible capital assets (Note 9)	10,408	11,676
Prepaid expenses	39	54
	10,447	11,730
Accumulated surplus	$ 9,359	$ 10,432

Designated assets (Note 10)

See accompanying notes to financial statements.

FOOD DEVELOPMENT CENTRE
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Operations
(in thousands)
Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Revenue:			
Grants:			
Province of Manitoba operating grant	$ 2,020	$ 2,020	$ 2,003
Other grants	193	193	227
Total grants	2,213	2,213	2,230
Fee for service	942	952	881
Lease revenue	340	329	309
Administration fees (Note 11)	672	751	565
Donations and other	10	46	15
Investment income	5	2	7
	4,182	4,293	4,007
Expenses:			
Salaries and benefits	2,418	2,369	2,250
Lab supplies	150	156	144
Purchased services	65	87	67
Travel and transportation	90	62	64
Marketing	47	23	25
Library	8	1	2
Amortization of tangible capital assets	1,341	1,345	1,341
Write-down of tangible capital assets (Note 9)	-	-	351
Occupancy expenses	472	317	374
Ag Weather Progam (Note 11)	-	69	-
Administrative expenses (Schedule 1)	930	937	890
	5,521	5,366	5,508
Net (loss) for the year	(1,339)	(1,073)	(1,501)
Accumulated surplus, beginning of year	10,716	10,432	11,933
Accumulated surplus, end of year	$ 9,377	$ 9,359	$ 10,432

See accompanying notes to financial statements.

Statement of Change in Net (Debt) Financial Assets

(in thousands)

Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Net (loss) for the year	$ (1,339)	$ (1,073)	$ (1,501)
Tangible capital assets:			
Acquisition of tangible capital assets	-	(77)	(13)
Disposals or write-downs of tangible capital assets	-	-	351
Amortization of tangible capital assets	1,341	1,345	1,341
Net acquisition of tangible capital assets	1,341	1,268	1,679
Other non-financial assets:			
Decrease in prepaid expenses	-	15	7
Decrease in inventories of supplies	-	-	9
Net acquisition of other non-financial assets	-	15	16
Increase in net (debt) financial assets	2	210	194
Net (debt) financial assets, beginning of year	(1,528)	(1,298)	(1,492)
Net (debt) financial assets, end of year	$ (1,526)	$ (1,088)	$ (1,298)

See accompanying notes to financial statements.

FOOD DEVELOPMENT CENTRE
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Cash Flow
(in thousands)
Year ended March 31, 2016

	2016 Actual	2015 Actual
Cash provided by (applied to)		
Operating activities:		
Net (loss) for the year	$ (1,073)	$ (1,501)
Adjustments for:		
Amortization of tangible capital assets	1,345	1,341
Write-down of tangible capital assets	-	351
	272	191
Changes in the following:		
Accounts receivable	(465)	(83)
Accounts payable and accrued liabilities	32	48
Deferred revenue	129	(4)
Accrued vacation and overtime entitlements	(2)	(31)
Employee future benefits	31	51
Prepaid expenses	15	7
Inventories of supplies	-	9
Cash provided by operating activities	12	188
Capital activities:		
Acquisition of tangible capital assets	(77)	(13)
Cash (applied to) capital activities	(77)	(13)
Financing activities:		
Repayment of borrowings from the Province of Manitoba	(247)	(193)
Cash (applied to) financing activities	(247)	(193)
Change in cash and cash equivalents	(312)	(18)
Cash and cash equivalents, beginning of year	515	533
Cash and cash equivalents, end of year	$ 203	$ 515

See accompanying notes to financial statements.

1. Nature of organization

Established in 1978, as part of the Manitoba Research Council, the Food Development Centre (the "Centre") serves the agri-food industry by providing a wide range of services including food product development, research, testing and assistance with technology transfer to enable the industry to efficiently and economically produce high quality foods.

Effective April 1, 1996, the Centre was designated as a Special Operating Agency by regulation under *The Special Operating Agencies Financing Authority Act* made by the Lieutenant Governor in Council.

The Centre is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Centre's operations. The Financing Authority finances the Centre through repayable loans and working capital advances. This financial framework enables the Centre to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Rural Development, being the Minister responsible for the Centre at that time, assigned responsibility to the Centre to manage and account for the Centre related assets and operations on behalf of the Financing Authority.

The Centre is a part of the Department of Agriculture, Food and Rural Development under the general direction of a General Manager/Chief Operating Officer, and ultimately the policy direction of the Deputy Minister and Minister. The Centre remains bound by relevant legislation and regulations.

An Advisory Board with representation from the food industry, clients of the Centre, academia and Government provides direction on policy and operating activities.

2. Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards which are Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Summary of significant accounting policies

(a) Revenue

Government transfers

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

Fee for service

Fee for service revenue is recognized when the services provided are complete or substantially complete and when collection is reasonably assured.

3. Summary of significant accounting policies (continued)

Lease revenue

Lease revenue is recognized on an accrual basis according to the terms of the underlying lease agreement(s).

Administration fees

Administration fees are recognized on an accrual basis in accordance with the terms and conditions of the underlying agreement(s).

Other revenue

Investment income and all other revenue is recognized on an accrual basis.

(b) Expenses

All expenses incurred for goods and services are recorded on an accrual basis when the related goods or services are received.

(c) Financial assets

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term deposits and investments with original maturities of three months or less.

Accounts receivable

Accounts receivable are recorded at the lower of cost and net realizable value. An allowance for doubtful accounts is recorded when there is uncertainty whether the amounts will be collected.

Portfolio investments

Portfolio investments are investments and deposits with original maturities of more than three months. These investments are recognized at cost.

(d) Liabilities

Liabilities are present obligations as a result of transactions and events occurring at or prior to the end of the fiscal year the settlement of which will result in the future transfer or use of assets or other form of settlement. Liabilities are recognized when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

(e) Non-financial assets

Non-financial assets do not normally provide resources to discharge existing liabilities of the Centre. These assets are normally employed to provide future services.

Prepaid expenses

Prepaid expenses are payments for goods or services which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the period the goods or services are consumed.

(in thousands)

3. Summary of significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs. The costs of tangible capital assets, less any residual value, are amortized over their estimated useful lives as follows:

	Method	Rate
Equipment - commercial and product development	Straight-line	10-15 years
Computer hardware and software	Straight-line	5 years
Building improvements	Straight-line	15 years

Inventories of supplies

Inventories of supplies are recorded at cost and recognized as an expense in the period the supplies are used or consumed.

(f) Financial instruments - measurement

Financial instruments are classified into one of two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Centre records its financial assets at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Centre also records its financial liabilities at cost, which include accounts payable and accrued liabilities and borrowings.

Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs. Gains and losses on financial instruments measured at fair value, if any, are recorded in accumulated surplus as remeasurement gains and losses until realized; upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations.

(g) Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results may differ from these estimates.

4. Accounts receivable

Accounts receivable at March 31 is comprised of the following:

	2016	2015
Trade accounts receivable	$ 407	$ 385
Due from the Growing Forward Program (Note 11)	1,147	648
Other receivables	1	45
Allowance for doubtful accounts (Note 12)	(80)	(68)
	$ 1,475	$ 1,010

(in thousands)

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at March 31 is comprised of the following:

	2016	2015
Trade payables and accrued liabilities	$ 510	$ 435
Provincial sales and goods and services taxes payable	13	14
Due to Manitoba Agriculture, Food and Rural Development	-	42
	$ 523	$ 491

Amounts due to Manitoba Agriculture, Food and Rural Development (MAFRD) are non-interest bearing with no specified terms of repayment.

6. Working capital advances

The Special Operating Agencies Financing Authority has provided the Centre with an authorized line of working capital of $1,000 of which $508 was used at March 31, 2016 (2015 - $528).

7. Employee future benefits

	2016	2015
Severance benefits	$ 282	$ 243
Sick pay benefits	44	52
	$ 326	$ 295

Pension benefits

Employees of the Centre are eligible for pension benefits in accordance with the provisions of *The Civil Service Superannuation Act* (*CSSA*), administered by the Civil Service Superannuation Board. The *CSSA* established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Centre, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Centre transferred to the Province the pension liability for its employees. Commencing April 1, 2011, the Centre was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2016 was $231 (2015 - $196). Under this agreement, the Centre has no further pension liability.

Severance benefits

Effective April 1, 1998, the Centre began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life (EARSL) of the related employee group.

(in thousands)

7. Employee future benefits (continued)

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Centre's actuarially determined net liability for accounting purposes as at March 31, 2016 is $282 (2015 - $243), with the total net actuarial losses of $18 (2015 - $18) based on the completed actuarial reports being amortized over the 15 year EARSL of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2016 present value of the accrued severance benefit liability, are:

Annual rate of return:	
Inflation component	2.00%
Real rate of return	4.00%
	6.00%

Assumed salary increase rates:	
Annual productivity increase	1.00%
Annual general salary increase	2.75%
	3.75%

The severance benefit liability at March 31 includes the following components:

	2016	2015
Accrued benefit liability, beginning of year	$ 260	$ 223
Actuarial losses	-	2
Current period service costs	22	21
Interest on accrued severance benefits	16	14
Accrued benefit liability, end of year	298	260
Less: unamortized actuarial losses	(16)	(17)
Severance benefit liability, end of year	$ 282	$ 243

Total severance benefits paid during the year ended March 31, 2016 were $nil (2015 - $nil). The total expense related to severance benefits for the year ended March 31 includes the following components:

	2016	2015
Current period service costs	22	21
Interest on accrued severance benefits	$ 16	$ 14
Amortization of actuarial losses over EARSL	1	1
Total expense related to severance benefits	$ 39	$ 36

(in thousands)

7. Employee future benefits (continued)

Sick pay benefits

The Centre provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlements earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 5.00% (2015 - 5.00%) annual return and a 1.50% (2015 - 3.00%) annual salary increase. The Centre's sick leave benefit liability at March 31, 2016 is $44 (2015 - $52). The (decrease) increase in the sick leave benefit liability of $(8) (2015 - $15) represents the total sick leave benefit (recovery) expense for the year.

8. Borrowings from the Province of Manitoba

By virtue of the Management Agreement between the Financing Authority and the Minister of Rural Development, the Centre is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed below on behalf of the Centre.

Borrowings obtained through the use of the available Loan Act Authority are repayable in annual instalments of principal and interest as follows:

	2016	2015
5.625% repayable in annual instalments of $175 principal plus interest, maturing in May 2019	$ 700	$ 875
5.8% repayable in annual instalments of $18 principal plus interest, maturing in April 2017	35	53
Currently interest only at prime less 0.75% payable quarterly with no scheduled principal repayments, maturing in 2031	771	825
	$ 1,506	$ 1,753

Interest is measured using the effective interest method. During the year ended March 31, 2016, the Centre made principal payments of $54 (2015 - $nil) on the loan with no scheduled principal repayments.

Approximate scheduled principal repayments in each of the next five years, or until maturity, are as follows:

Year	Amount
2017	$ 193
2018	193
2019	175
2020	175

(in thousands)

9. Tangible capital assets

	2016			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Equipment - commercial and product development	$ 6,858	$ 77	$ -	$ 6,935
Computer hardware and software	96	-	-	96
Building improvements	14,061	-	-	14,061
	$ 21,015	$ 77	$ -	$ 21,092
Accumulated Amortization				
Equipment - commercial and product development	$ (3,603)	$ (403)	$ -	$ (4,006)
Computer hardware and software	(96)	-	-	(96)
Building improvements	(5,640)	(942)	-	(6,582)
	$ (9,339)	$ (1,345)	$ -	$ (10,684)
Net book value	$ 11,676	$ (1,268)	$ -	$ 10,408

As at March 31, 2016, the total cost of tangible capital assets not subject to amortization is $802 (2015 - $802).

	2015			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Equipment - commercial and product development	$ 7,196	$ 13	$ (351)	$ 6,858
Computer hardware and software	96	-	-	96
Building improvements	14,061	-	-	14,061
	$ 21,353	$ 13	$ (351)	$ 21,015
Accumulated Amortization				
Equipment - commercial and product development	$ (3,204)	$ (399)	$ -	$ (3,603)
Computer hardware and software	(96)	-	-	(96)
Building improvements	(4,698)	(942)	-	(5,640)
	$ (7,998)	$ (1,341)	$ -	$ (9,339)
Net book value	$ 13,355	$ (1,328)	$ (351)	$ 11,676

During the year ended March 31, 2015, commercial and product development equipment with an original cost of $1,153 was written down to its estimated value of $802 resulting in a write-down of $351 recognized as an expense on the statement of operations.

10. Designated assets

The Centre has allocated $41 (2015 - $41) of its portfolio investments as designated assets for cash received from the Province of Manitoba for vacation entitlements earned by employees of the Centre prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

11. Administration fees

The Centre has total administration fee revenue of $751 (2015 - $565) from administering the following programs during the year:

(a) Growing Forward Program

The Centre has been authorized by Treasury Board to administer the non-business risk management programs under the joint Canada-Manitoba Growing Forward Framework Agreement (the "Growing Forward Program") on behalf of the federal government and to collect an administration fee for these services. The Centre's administration of the Growing Forward 2 Program runs from April 1, 2013 to March 31, 2018.

The administration fee under the current Growing Forward 2 Program is based on recoveries of certain expenses included in a Memorandum of Understanding between the Centre and Manitoba Agri-Food and Rural Development. The recoveries include specified percentages of certain salaries and administrative costs incurred by the Centre as well as full recovery of any direct program costs. The total administration fees received or receivable for the year ended March 31, 2016 pursuant to the Growing Forward 2 Program are $675 (2015 - $565), with $362 (2015 - $224) being recoveries of direct salaries and program costs. Amounts due from the Growing Forward Program are non-interest bearing with no formal terms of repayment. The total amount due from the Growing Forward Program as at March 31, 2016 is $1,147 (2015 - $648).

Although the Growing Forward Program is administered by the Centre, control of the program remains with the Government of Canada, Department of Agriculture and Agri-Food. Therefore, the financial statements of the Growing Forward Program have not been consolidated into the financial statements of the Centre. As at March 31, 2016, the total funds on deposit relating to Growing Forward funding is $13,995 (2015 - $13,900). These funds are not included in the financial statements of the Centre.

(b) Ag Weather Program

Pursuant to a Memorandum of Understanding between Manitoba Agri-Food and Rural Development (MAFRD), Manitoba Infrastructure and Transportation (MIT) and the Centre, the Centre is administering the incremental operating costs incurred by MIT pursuant to a partnership agreement between MAFRD and MIT relating to an enhanced wireless network of weather monitoring stations in Manitoba. Given the strategic relationship between MAFRD and MIT to improve weather information to Manitoba clients, the Centre has been authorized to administer the incremental operating costs incurred by MIT in order to ensure the administration is consistent with the existing Growing Forward 2 initiative (above).

The administration fee under the current Ag Weather Program is based on 10% of all funds administered on behalf of MIT. The Centre's administration of the Ag Weather Program runs from April 28, 2015 to March 31, 2018. For the year ended March 31, 2016, total expenses incurred by the Centre relating to the Ag Weather Program amounted to $69 (2015 - $nil) resulting in total administration fees received or receivable of $76 (2015 - $nil).

(in thousands)

12. Financial instruments and financial risk management

The Centre does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore the Centre did not incur any remeasurement gains or losses during the year (2015 - $nil).

Financial risk management – overview

The Centre has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Centre to credit risk are cash and cash equivalents, accounts receivable and portfolio investments.

The maximum exposure of the Centre to credit risk at March 31 is:

	2016	2015
Cash and cash equivalents	$ 203	$ 515
Accounts receivable	1,475	1,010
Portfolio investments	41	41
	$ 1,719	$ 1,566

Cash and cash equivalents and portfolio investments: The Centre is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: The Centre is not exposed to significant credit risk as the balance is due from a large client base or related entities and payment in full is typically collected when due. The Centre manages this credit risk through close monitoring of any overdue accounts.

The Centre establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The balance in the allowance for doubtful accounts as at March 31, 2016 is $80 (2015 - $68) with changes to the allowance for doubtful accounts during the year as follows:

	2016	2015
Balance, beginning of the year	$ 68	$ 11
Provision for receivable impairment	14	60
Amounts written off during the year	(2)	(3)
Balance, end of the year	$ 80	$ 68

(in thousands)

12. Financial instruments and financial risk management (continued)

The aging of accounts receivable and the related allowance for doubtful accounts as at March 31, 2016 is as follows:

	Accounts Receivable	Allowance	Net
Current	$ 1,320	$ (43)	$ 1,277
30-60 days past the billing date	121	(37)	84
61-90 days past the billing date	-	-	-
Over 90 days past the billing date	114	-	114
Balance, end of the year	$ 1,555	$ (80)	$ 1,475

Liquidity risk

Liquidity risk is the risk that the Centre will not be able to meet its financial obligations as they come due.

The Centre manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Centre's net income (loss) or the fair values of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents and portfolio investments.

The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Centre is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

Schedule of Administrative Expenses — Schedule 1

(in thousands)

Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Accreditation and licensing fees	$ 12	$ 8	$ 8
Advisory committee fees	2	1	2
Bad debt expense	10	14	60
Bank charges	4	4	3
Computer expenses	115	127	100
Equipment rental and repairs	100	168	85
Insurance	84	74	83
Interest on borrowings	83	58	71
Memberships	4	6	4
Postage, courier and telephone	83	62	48
Professional fees	51	32	40
Property taxes	307	312	307
Repairs and maintenance	50	44	53
Research and development	-	-	6
Stationery and office supplies	-	21	13
Training	25	6	7
	$ 930	$ 937	$ 890

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Government of Manitoba)

Financial Statements

(In Thousands)

Year Ended March 31, 2016

GREEN MANITOBA ECO SOLUTIONS
(An Agency of the Government of Manitoba)

Management's Responsibility for Financial Reporting

Green Manitoba Eco Solutions (Green Manitoba) management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of Green Manitoba's financial position and results of operations and its cash flows in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available through June 24, 2016.

Management maintains internal controls to properly safeguard Green Manitoba's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

Green Manitoba's financial statements have been audited by Grant Thornton LLP, independent external auditors. The auditors' responsibility is to express an independent opinion on whether the financial statements of Green Manitoba are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of Green Manitoba's management,

Original Document Signed

Christina McDonald
Chief Operating Officer

Winnipeg, Manitoba
June 24, 2016

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Independent Auditors' Report

To the Special Operating Agencies Financing Authority of
Green Manitoba Eco Solutions

We have audited the accompanying financial statements of Green Manitoba Eco Solutions, which comprise the statement of financial position as at March 31, 2016, the statement of operations, change in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Green Manitoba Eco Solutions as at March 31, 2016 and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Winnipeg, Manitoba
June 24, 2016

Chartered Professional Accountants

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Government of Manitoba)

Statement of Financial Position
(In Thousands)

March 31, 2016

		March 31, 2016		March 31, 2015
FINANCIAL ASSETS				
Cash	$	**2,546**	$	2,192
Accounts receivable *(Note 5)*		**313**		505
		2,859		2,697
LIABILITIES				
Accounts payable and accruals		**213**		132
Accrued severance liability *(Note 6)*		**24**		13
		237		145
NET FINANCIAL ASSETS		**2,622**		2,552
ACCUMULATED SURPLUS	$	**2,622**	$	2,552

See accompanying notes to financial statements.

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Government of Manitoba)

Statement of Operations
(In Thousands)

For the Year Ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
REVENUE			
Government funding	$ -	**$ 340**	$ -
Non- government funding	2,860	**2,379**	1,748
	2,860	**2,719**	1,748
EXPENSES			
Advertising and promotion	25	**37**	15
Computer	40	**49**	37
Contracted services	44	**82**	110
Office	71	**32**	26
Professional fees	10	**13**	17
Program supplies and services	2,700	**1,793**	1,177
Rent	37	**-**	28
Salaries and benefits	700	**608**	537
Training	10	**2**	12
Travel	25	**33**	21
	3,662	**2,649**	1,980
ANNUAL SURPLUS (DEFICIT)	(802)	**70**	(232)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	2,552	**2,552**	2,784
ACCUMULATED SURPLUS, END OF YEAR	$ 1,750	**$ 2,622**	$ 2,552

See accompanying notes to financial statements.

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Government of Manitoba)

Statement of Change in Net Financial Assets

(In Thousands)

For the Year Ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Annual Surplus (Deficit)	$ (802)	**$ 70**	$ (232)
DECREASE IN NET FINANCIAL ASSETS	(802)	**70**	(232)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,552	**2,552**	2,784
NET FINANCIAL ASSETS, END OF YEAR	$ 1,750	**$ 2,622**	$ 2,552

See accompanying notes to financial statements.

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Government of Manitoba)

Statement of Cash Flow
(In Thousands)

For the Year Ended March 31, 2016

	2016 Actual	2015 Actual
Cash provided by (applied to):		
Operating		
Annual Surplus (Deficit)	**$ 70**	$ (232)
Change in:		
Accounts receivable	**192**	557
Accounts payable and accruals	**81**	(67)
Accrued severance liability	**11**	(14)
Cash provided by operating activities	**354**	245
INCREASE IN CASH	**354**	245
CASH - BEGINNING OF YEAR	**2,192**	1,947
CASH - END OF YEAR	**$ 2,546**	$ 2,192

See accompanying notes to financial statements.

1. NATURE OF ORGANIZATION

Effective April 1, 2006, Green Manitoba Eco Solutions (Green Manitoba) was designated as a Special Operating Agency (SOA) pursuant to the Special Operating Agencies Financial Authority Act (C.C.S.M. c.S185). Green Manitoba operates under a charter approved by the Lieutenant Governor in Council.

Green Manitoba promotes sustainability practices by bringing together all partners (government, business and other stakeholder organizations) and in doing so achieves more than if each had acted alone. Green Manitoba serves as the access point for the public to acquire information about provincial sustainability issues. The SOA delivers programs and services related to waste reduction, climate change action, environmental sustainability education and water conservation.

Green Manitoba is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Green Manitoba's operations. It finances Green Manitoba through repayable loans and working capital advances. The financial framework enables Green Manitoba to operate in a business-like manner according to public policy expectations. A management agreement between the Financing Authority and the Minister of Sustainable Development assigns responsibility to Green Manitoba to manage and account for agency-related assets and operations on behalf of the Financing Authority.

Green Manitoba is part of the Department of Sustainable Development and operates under policy direction of the Assistant Deputy Minister, Environmental Stewardship Division. Green Manitoba remains bound by relevant legislation and regulations, as well as by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

Green Manitoba derives its revenue from the Province of Manitoba and external sources. The transactions with the Province are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. BASIS OF ACCOUNTING

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Revenue

(i) Government transfers

Government transfer without eligibility criteria or stipulations is recognized as revenue when the transfer is authorized.

Government transfer with eligibility criteria but without stipulations is recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government transfer with or without eligibility criteria but with stipulations is recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

(ii) Non government funding

Special program funding is taken into income to match the program expenditures. Any remaining program funding is deferred.

(iii) Other revenue

All other revenues are recorded on an accrual basis.

b. Expenses

All expenses are recorded on an accrual basis.

c. Cash

Cash includes cash on hand and the bank balance.

d. Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

e. Non-financial assets

Non-financial assets do not normally provide resources to discharge liabilities of Green Manitoba. These assets are normally employed to provide future services.

f. Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. The accrued severance liability is subject to such estimates and assumptions. Actual results could differ from these estimates.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

Green Manitoba records its financial assets at cost, which include cash and accounts receivable. Green Manitoba also records its financial liabilities at cost, which include accounts payable, and accrued severance liability.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the consolidated statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the consolidated statement of operations in the period the gain or loss occurs.

Green Manitoba did not incur any re-measurement gains and losses during the year (2015 - $0).

Financial risk management – overview

Green Manitoba has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject Green Manitoba to credit risk consist principally of cash, and accounts receivable.

The maximum exposure of Green Manitoba to credit risk at March 31 is:

	2016	2015
Cash	$2,546	$2,192
Accounts receivable	313	505
	$2,859	$2,697

Cash: Green Manitoba is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

(continues)

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Accounts receivable: Green Manitoba is not exposed to significant credit risk as the balance is due from a large client base, and payment in full is typically collected when it is due. Green Manitoba manages this credit risk through close monitoring of overdue accounts.

Green Manitoba establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

There was no change in the allowance for doubtful accounts during the year and the balance at March 31, 2016 was $0 (2015 - $0).

Liquidity risk

Liquidity risk is the risk that Green Manitoba will not be able to meet its financial obligations as they come due.

Green Manitoba manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect Green Manitoba's income or the fair values of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Green Manitoba is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following amounts:

	2016	2015
Waste (HHW)	$ -	$ 16
Sustainability (various)	13	113
WRARS (Waste)	300	376
	$313	$505

6. ACCRUED SEVERANCE LIABILITY

Effective April 1, 2006, Green Manitoba commenced recording accumulated severance pay benefits for its employees. The amount of their severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. Green Manitoba's actuarially determined net liability for accounting purposes as at March 31, 2016 was $24 (2015 - $13). The actuarial loss of $63 (2015 - $63) based on actuarial reports is being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2016 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.00%
real rate of return	4.00%
	6.00%
Assumed salary increase rates	
annual productivity increase	1.00%
annual general salary increase	2.75%
	3.75%

The severance benefit liability at March 31 includes the following components:

	2016	2015
Accrued benefit liability	$66	$60
Less: unamortized actuarial losses	(42)	(47)
Severance benefit liability	$24	$13

(continues)

6. ACCRUED SEVERANCE LIABILITY *(continued)*

During the year no severance benefits were paid (2015 - $25). The total expenses related to severance benefits at March 31 include the following components:

	2016	2015
Interest on obligation	$4	$5
Current period benefit cost	2	2
Amortization of actuarial gain over EARSL	5	4
Total expense related to severance benefit	$11	$11

7. WORKING CAPITAL ASSETS

Green Manitoba has an authorized line of working capital from the Province of Manitoba of $500 of which $0 was used at March 31, 2016 (2015 - $0).

8. PENSION BENEFIT

In accordance with the provisions of The Civil Service Superannuation Act, employees of Green Manitoba are eligible for pension benefits under the Civil Service Superannuation Fund. The pension plan is a defined contribution plan, which requires Green Manitoba to contribute an amount equal to the employee's contribution to the Fund for current services. The amount expensed by Green Manitoba in the current year is $42 (2015 - $36).

Green Manitoba has no further liability associated with the annual cost of pension benefits earned by Green Manitoba's employees.

9. CONTRACTUAL OBLIGATIONS

Green Manitoba currently holds contractual obligations with the following parties, with related expenditures scheduled to occur in the following year:

Description (year authorized)	Amount Authorized	Obligation Mar. 31, 2016
University of Manitoba – CR&D Asphalt Shingles Project (2013)	$ 50	$ 25
Organizations (TBD) – CR&D research and demonstration projects (2012)	50	23
City of Wpg. Capital CR&D Study (2013)	50	50
MIT – Green Building Market Study (2014)	35	34
Parks Propane Bottle Collection System (2013)	25	23
Manitoba Compost – Compost Projects, trainings & incentives (2015)	55	49
Organizations (TBD) – Manitoba Compost Incentive Payment Program (2013)	200	2
Organizations (TBD) – Manitoba Compost Program Develop. Community Proj. (2013)	64	1
Manitoba Compost – CDEM Waste diversion initiative (2015)	100	25
Organizations (TBD) – Manitoba Compost Incentive Payment Program (2014)	474	22
Manitoba Compost - Legislative Compost Project (2014)	20	16
Manitoba Compost - School Organics Project (2014)	10	5
Manitoba Compost - Communities in Bloom (2013)	25	2
Manitoba Compost - National Compost Trials (CCC) 5yr (2013)	75	55
Manitoba Compost - Winnipeg Harvest - Blue Box Garden & Compost System (2014)	25	10
Manitoba Compost – CCC – Agro-economic evaluation of CQA (2015)	75	60
Manitoba Compost - CCC - Compost Training/Compost Matters Conference (2014)	25	10
Organizations (TBD) Northern Remote recycling Support (2011)	50	21
The Pas Regional Waste Management Studies (2013)	25	5
Northern Provincial Trailers (2013)	20	1
MESDWG – Public Education Project (2013)	20	5
WRARS Database Development (Various 2012-13)	60	12
PIN Printer Paper (Green Gov't)(2014)	20	12
CleanFarms Phase II Recycling Project (2014)	50	15
Waste Management Events (Various 2013-15)	90	29
Take Pride Winnipeg - Province-wide Litter Clean-up and Education Program (2014-15)	125	56
Mother Earth Recycling – Mattress Recycling (2015)	250	125
Capital Region Committee – Development of Capital Region Waste Plan (2015)	100	50
Manitoba Association of Regional Recyclers – Base Grant (2015)	25	5
Lake Friendly Waste Management – Waste Management Promotion (2015)	25	5
EECOM – 2016 Conference (2015)	20	4
CBCRA - Recycling enhancement project partnership (2015)	10	2
WRAPP – Moose Lake Waste containers & MER Mattress Recycling (2013-14)	45	6
CCPA Study (Funding received in 2010-2011)	40	40
MPSC (Funding received in 2011-2012)	132	56
Climate Change Branch – Winnipeg Airport Authority Electrification Project (2015)	300	300
	$2,765	$1,161

Industrial Technology Centre

An Agency of the Government of Manitoba

Financial Statements
March 31, 2016

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of the Industrial Technology Centre (ITC) and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to the audit report date.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the external audit is to express an independent opinion on whether the financial statements of ITC are fairly represented in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management
Industrial Technology Centre (ITC)

Original Document Signed
Trevor Cornell
Chief Operating Officer

Original Document Signed
David Olafson
Manager Corporate Services

May 16, 2016

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Independent Auditor's Report

To the Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of the **INDUSTRIAL TECHNOLOGY CENTRE An Agency of the Government of Manitoba,** which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **INDUSTRIAL TECHNOLOGY CENTRE An Agency of the Government of Manitoba** as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 16, 2016

Industrial Technology Centre
An Agency of the Government of Manitoba
Statement of Financial Position
As at March 31, 2016
(In Thousands)

	March 31, 2016	March 31, 2015
Financial Assets		
Cash and cash equivalents	$ 453	$ 608
Accounts receivable	210	227
Portfolio investments	103	103
	766	938
Liabilities		
Accounts payable and accruals	399	555
Unearned revenue	-	-
Employee future benefits (Note 6)	325	303
Borrowings from the Province of Manitoba (Note 7)	-	-
	724	858
Net Debt	42	80
Non-financial Assets		
Prepaid expenses	41	36
Tangible capital assets (Note 8)	769	874
	810	910
Accumulated Surplus	$ 852	$ 990

Designated assets (Note 9)
Commitments (Note 10)

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

Industrial Technology Centre
An Agency of the Government of Manitoba
Statement of Operations
For the Year Ended March 31, 2016
(In Thousands)

	2016 Budget	2016 Actual	2015 Actual
Revenue			
Province of Manitoba	$ 730	$ 730	$ 730
Fee for service	1,948	1,986	2,013
Other	54	58	63
Total revenue	2,732	2,774	2,806
Expense			
Advertising and promotion	56	54	59
Amortization	304	290	261
Audit and legal	12	11	10
Bad debts	2	-	-
Building maintenance	61	57	72
Computer	20	20	14
Equipment	52	60	67
Fees and memberships	26	35	38
Insurance	45	34	43
Interest and service charges	5	5	7
Library	9	20	28
Office	48	53	49
Professional development	25	26	22
Project supplies and subcontract	100	102	135
Purchased services	10	5	4
Rent and property tax	274	274	269
Salaries and benefits	1,609	1,676	1,520
Travel	25	43	22
Utilities	49	47	47
Total expense	2,732	2,812	2,667
Annual surplus, before transfer of funds to the Province of Manitoba	-	(38)	139
Transfer of funds to the Province of Manitoba	100	100	100
Annual surplus	(100)	(138)	39
Accumulated surplus, beginning of year	951	990	951
Accumulated surplus, end of year	$ 851	$ 852	$ 990

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

Industrial Technology Centre
An Agency of the Government of Manitoba
Statement of Change in Net Debt
For the Year Ended March 31, 2016
(In Thousands)

	2016 Budget	2016 Actual	2015 Actual
Annual surplus	$ (100)	$ (138)	$ 39
Tangible capital assets			
Acquisition of tangible capital assets	(250)	(185)	(305)
Amortization of tangible capital assets	304	290	261
Net acquisition of tangible capital assets	54	105	(44)
Other non-financial assets			
Increase in prepaid expense	-	(5)	(8)
Net acquisition of other non-financial assets	-	(5)	(8)
Decrease in net debt	(46)	(38)	(13)
Net debt, beginning of year	63	80	93
Net debt, end of year	$ 17	$ 42	$ 80

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

Industrial Technology Centre
An Agency of the Government of Manitoba
Statement of Cash Flow
For the Year Ended March 31, 2016
(In Thousands)

	2016 Actual	2015 Actual
Cash provided by (applied to):		
Operating		
Annual surplus	$ (138)	$ 39
Amortization of tangible capital assets	290	261
	152	300
Change in:		
Accounts receivable	17	(89)
Accounts payable and accruals	(156)	102
Unearned revenue	-	(122)
Employee future benefits	22	20
Prepaid expenses	(5)	(8)
Cash provided by operating activities	30	203
Capital		
Acquisition of tangible capital assets	(185)	(305)
Cash applied to capital activities	(185)	(305)
Decrease in cash	(155)	(102)
Cash and cash equivalents at beginning of year	608	710
Cash and cash equivalents at end of year	$ 453	$ 608

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

1. Nature of Organization

The Industrial Technology Centre (ITC) was established in 1979 under "Enterprise Manitoba", a joint Federal/Provincial cost-shared funding agreement. ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors.

Effective April 1, 1996, ITC was designated as a Special Operating Agency (SOA) under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of Manitoba Jobs and the Economy under the general direction of the Deputy Minister.

ITC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances ITC through working capital advances. The financial framework allows the Agency to operate in a business-like manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister Jobs and the Economy assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

An Economic Development Contribution Agreement between ITC and Manitoba Jobs and the Economy defines expected public policy benefits generated from ITC's operations.

ITC has full delegated authority for all administrative, financial and operational matters. This delegation is subject to any limitations, restrictions, conditions and requirements imposed by legislation or by the Minister.

2. Basis of Accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Significant Accounting Policies

a. Revenue

(i) Government Transfers

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

(ii) Exchange Transactions

Product revenue is recognized when the goods are shipped or delivered and title and risk of loss pass to the customer. Service revenue is recognized when the rendering of services is completed or substantially completed.

(iii) Other Revenue

All other revenues are recorded on an accrual basis.

b. Expenses

(i) Accrual Accounting

All expenses incurred for goods and services are recorded on an accrual basis.

(ii) Government Transfers

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

c. Financial Assets

(i) Portfolio Investments

Portfolio investments are investments that are capable of reasonably prompt liquidation and are recognized at cost.

3. Significant Accounting Policies (continued)

d. Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

e. Non-financial Assets

Non-financial assets do not normally provide resources to discharge liabilities of the Agency. These assets are normally employed to provide future services.

(i) Prepaid Expenses

Prepaid expenses are payments for goods or services which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

(ii) Tangible Capital Assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs. The costs of tangible capital assets, less any residual value, are amortized over their estimated useful lives as follows:

Furniture and fixtures	20% straight-line
Office and laboratory equipment	20% straight-line
Computer equipment and software	20% straight-line
Leasehold improvements	10% straight-line

f. Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(In Thousands)

4. Financial Instruments and Financial Risk Management

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records its financial assets at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost, which include accounts payable and accruals and borrowings.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the consolidated statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the consolidated statement of operations in the period the gain or loss occurs.

The Agency did not incur any re-measurement gains and losses during the year (Nil in 2015).

Financial Risk Management - Overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and cash equivalents, accounts receivable, and portfolio investments.

The maximum exposure of the Agency to credit risk at March 31 is:

	2016	2015
Cash and cash equivalents	$ 453	$ 608
Accounts receivable	210	227
Portfolio investments	103	103
	$ 766	$ 938

Cash and cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are held by the Minister of Finance or a Chartered Bank.

Accounts receivable: The Agency is not exposed to significant credit risk as the balance is due from a large client base, and payment in full is typically collected when it is due. The Agency manages this credit risk through close monitoring of overdue accounts.

The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management’s estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

There was no change in the allowance for doubtful accounts during the year and the balance at March 31, 2016 was $20.

4. Financial Instruments and Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit, portfolio investments and borrowings.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

The Agency manages its interest rate risk on long-term debt through the exclusive use of fixed rate terms for its long-term debt.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in foreign currency.

5. Working Capital Advances

The Agency has an authorized line of working capital advance up to a maximum of $300. As at March 31, 2016 working capital advances were $Nil ($Nil in 2015). The line bears interest at prime less 1% and is not secured by specific assets.

(In Thousands)

6. Employee Future Benefits

	2016	2015
Severance benefits	$ 296	$ 275
Sick pay benefits	29	28
	$ 325	$ 303

Pension benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including ITC, through the Civil Service Superannuation Fund.

Pursuant to an agreement with the Province of Manitoba, the Agency is required to pay to the Province an amount equal to the current pension contributions of its employees. The amount paid for 2016 is $98 (2015 - $89). Under this agreement, the pension liability is the responsibility of the Province, and the Agency has no further pension liability.

Severance benefits

Effective April 1, 1998 the Agency began recording accumulated severance pay benefits for its employees. The amount of its severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2016 is $296 ($275 in 2015), with an actuarial adjustment being amortized over the 15-year expected average remaining service life (EARSL) of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2016 present value of the accrued severance benefit obligation, were:

Annual rate of return	- inflation component	2.00%
	- real rate of return	4.00%
		6.00%
Assumed salary increase rates	- annual productivity increase	1.00%
	- annual general salary increase	2.75%
		3.75%

(In Thousands)

6. Employee Future Benefits (continued)

The severance benefit liability at March 31 includes the following components:

	2016	2015
Accrued benefit liability		
Balance, beginning of year	$ 259	$ 249
Actuarial gain	-	(13)
Benefits accrued	9	9
Interest on accrued benefits	16	14
Severance paid	-	-
Balance, end of year	284	259
Add: Unamortized actuarial gains	12	16
Severance benefit liability	$ 296	$ 275

The total expenses related to severance benefits at March 31 includes the following components:

	2016	2015
Interest on obligation	$ 16	$ 14
Current period benefit cost	9	9
Amortization of actuarial gains over EARSL	(4)	(3)
Total expense related to severance benefit	$ 21	$ 20

Sick pay benefits

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 6.00% annual return and a 3.75% annual salary increase.

7. Borrowings from the Province of Manitoba

The Minister of Finance has authorized a loan authority of $1,160 (Order in Council #00248 in 2010) for the Industrial Technology Centre. ITC has drawn down $250, which has been repaid, of the $1,160 total loan authority, leaving $910 of loan authority availability unutilized as of March 31, 2016.

(In Thousands)

8. Tangible Capital Assets

				2016
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furniture and fixtures	$ 33	$ -	$ -	$ 33
Office and laboratory equipment	2,501	173	-	2,674
Computer equipment and software	424	12	-	436
Leasehold improvements	280	-	-	280
	3,238	185	-	3,423
Accumulated Amortization				
Furniture and fixtures	26	3	-	29
Office and laboratory equipment	1,791	237	-	2,028
Computer equipment and software	354	28	-	382
Leasehold improvements	193	22	-	215
	2,364	290	-	2,654
Net	$ 874	$ (105)	$ -	$ 769

				2015
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furniture and fixtures	$ 33	$ -	$ -	$ 33
Office and laboratory equipment	2,236	267	2	2,501
Computer equipment and software	422	2	-	424
Leasehold improvements	244	36	-	280
	2,935	305	2	3,238
Accumulated Amortization				
Furniture and fixtures	23	3	-	26
Office and laboratory equipment	1,588	205	2	1,791
Computer equipment and software	327	27	-	354
Leasehold improvements	167	26	-	193
	2,105	261	2	2,364
Net	$ 830	$ 44	$ -	$ 874

(In Thousands)

9. Designated Assets

The Agency has allocated $103 ($103 in 2015) of its portfolio investments as designated assets for severance pay benefits. The Agency has received $103 of cash from the Province of Manitoba for the severance pay benefits accumulated to March 31, 1998 for certain of their employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is reinvested annually.

10. Commitments

The Agency has entered into a lease agreement for the rental of a building at Smartpark, with space of 19,032 square feet.

Estimated minimum lease payments for each of the next five years are as follows:

2017	$194
2018	194
2019	194
2020	194
2021	194

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS
An Agency of the Government of Manitoba

Financial Statements
For the year ended March 31, 2016

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of the Manitoba Education, Research and Learning Information Networks ("MERLIN") and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to the date of the audit report

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the external audit is to express an independent opinion on whether the financial statements of MERLIN are fairly represented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management
MERLIN

Original Document Signed

Kiley Bender, Acting Chief Operating Officer

Original Document Signed

David Olafson, Controller

May 16, 2016

Date

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Independent Auditor's Report

To the Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of **Manitoba Education Research and Learning Information Networks, An Agency of the Government of Manitoba** which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt, and cash flows for the year ended March 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Manitoba Education Research and Learning Information Networks, An Agency of the Government of Manitoba** as at March 31, 2016, and the results of its operations and its cash flows for the year ended March 31, 2016 in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 16, 2016

MANITOBA EDUCATION RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Government of Manitoba
Statement of Financial Position
(In Thousands)

March 31		2016		2015
Financial Assets				
Cash and cash equivalents (Note 6)	**$**	**86**	$	765
Accounts receivable		**131**		321
Portfolio investments		**47**		47
		264		1,133
Liabilities				
Accounts payable and accruals		**331**		593
Unearned revenue		**818**		795
Employee future benefits (Note 7)		**142**		169
		1,291		1,557
Net debt		**(1,027)**		(424)
Non-financial Assets				
Prepaid expenses		**742**		341
Tangible capital assets (Note 8)		**647**		414
		1,389		755
Accumulated surplus	**$**	**362**	$	331

Designated assets (Note 9)
Commitments (Note 10)

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

MANITOBA EDUCATION RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Government of Manitoba

Statement of Operations

(In Thousands)

For the year ended March 31	2016 Budget	2016 Actual	2015 Actual
Revenue			
Province of Manitoba	**$ 346**	**$ 346**	$ 346
Fee for goods and services	**4,463**	**4,841**	4,623
Other	**-**	**3**	7
	4,809	**5,190**	4,976
Expense			
Advertising and promotion	**12**	**21**	14
Amortization	**228**	**223**	165
Audit and legal fees	**11**	**17**	10
Communication and bandwidth	**196**	**193**	205
Cost of purchases for resale	**1,901**	**1,790**	2,046
Course delivery	**10**	**105**	36
Equipment repair and maintenance	**306**	**319**	217
Manitoba Network connections	**376**	**789**	524
Occupancy	**80**	**70**	76
Office and miscellaneous	**30**	**42**	42
Professional development	**13**	**24**	8
Purchased services	**236**	**206**	223
Salaries and benefits	**1,380**	**1,341**	1,295
Travel	**30**	**19**	20
	4,809	**5,159**	4,881
Annual surplus	**-**	**31**	95
Accumulated surplus, beginning of year	**291**	**331**	236
Accumulated surplus, end of year	**$ 291**	**$ 362**	$ 331

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

MANITOBA EDUCATION RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Government of Manitoba
Statement of Change in Net Debt

(In Thousands)

For the year ended March 31	2016 Budget	2016 Actual	2015 Actual
Annual surplus	**$ -**	**$ 31**	$ 95
Tangible Capital Assets			
Acquisition of tangible capital assets	**(450)**	**(456)**	(285)
Amortization of tangible capital assets	**228**	**223**	165
Net acquisition of tangible capital assets	**(222)**	**(233)**	(120)
Other Non-financial Assets			
(Increase) decrease in prepaid expenses	**(327)**	**(401)**	5
Decrease in net debt	**(549)**	**(603)**	(20)
Net debt, beginning of year	**(479)**	**(424)**	(404)
Net debt, end of year	**$ (1,028)**	**$ (1,027)**	$ (424)

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

MANITOBA EDUCATION RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Government of Manitoba

Statement of Cash Flows

(In Thousands)

For the year ended March 31	2016	2015
Cash provided by (applied to):		
Operating Activities		
Annual surplus	$ 31	$ 95
Amortization of tangible capital assets	223	165
	254	260
Changes in:		
Accounts receivable	190	6
Accounts payable and accruals	(262)	162
Unearned revenue	23	(31)
Employee future benefits	(27)	23
Prepaid expenses	(401)	5
Cash provided by operating activities	(223)	425
Capital Activities		
Acquisition of tangible capital assets	(456)	(285)
Cash applied to capital activities	(456)	(285)
Increase (decrease) in cash and cash equivalents	(679)	140
Cash and cash equivalents, beginning of year	765	625
Cash and cash equivalents, end of year	$ 86	$ 765

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

1. Nature of Organization

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks ("MERLIN") was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective April 1, 2015, MERLIN operates as part of Finance under the general direction of the Assistant Deputy Minister.

MERLIN is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from MERLIN operations. It finances MERLIN through repayable loans and working capital advances. This financial framework enables MERLIN to operate in a business like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Finance assigns responsibility to MERLIN to manage and account for MERLIN related assets and operations on behalf of SOAFA.

MERLIN remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

MERLIN is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

2. Basis of Accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Significant Accounting Policies

a. Revenue

(i) Government Transfers

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

(ii) Exchange Transactions

Product revenue is recognized when the goods are shipped or delivered and title and risk of loss pass to the customer. Service revenue is recognized when the rendering of services is completed or substantially completed.

(iii) Other Revenue

All other revenues are recorded on an accrual basis.

b. Expenses

(i) Accrual Accounting

All expenses incurred for goods and services are recorded on an accrual basis.

(ii) Government Transfers

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

3. Significant Accounting Policies (continued)

c. Financial Assets

(i) Portfolio Investments

Portfolio investments are short-term deposits with original maturities of more than three months. These investments are recognized at cost.

d. Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

e. Non-financial Assets

Non-financial assets do not normally provide resources to discharge liabilities of the Agency. These assets are normally employed to provide future services.

(i) Prepaid Expenses

Prepaid expenses are payments of goods or services which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

(ii) Tangible Capital Assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs. The cost of tangible capital assets, less any residual are amortized over their estimated useful lives as follows:

Computer hardware	25%, straight-line
Computer software	25%, straight-line
Equipment and furniture	20%, straight-line
Leaseholds	20%, straight-line

3. Significant Accounting Policies (continued)

f. Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. Financial Instruments and Financial Risk Management

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records its financial assets at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost, which include accounts payable.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the consolidated statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the consolidated statement of operations in the year the gain or loss occurs.

The Agency did not incur any re-measurement gains and losses during the year as at March 31, 2016 and 2015.

Financial Risk Management - Overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

(In Thousands)

4. Financial Instruments and Financial Risk Management (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and cash equivalents, accounts receivable, and portfolio investments.

The maximum exposure of MERLIN to credit risk at March 31 is:

	2016	2015
Cash and cash equivalents	**$ 86**	$ 765
Accounts receivable	**131**	321
Portfolio investments	**47**	47
Maximum exposure to credit risk	**$ 264**	$ 1,133

Cash and cash equivalents, and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the balance is due from a large client base, and payment in full is typically collected when it is due. The Agency manages this credit risk through close monitoring of overdue accounts.

The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The allowance for doubtful accounts was unchanged during the year and the balance at March 31, 2016 was $17.

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

4. Financial Instruments and Financial Risk Management (continued)

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit, and portfolio investments.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Working Capital Advances

MERLIN has an authorized line of working capital advances up to $2.0 million. As at March 31, 2016 working capital advances were $NIL ($NIL in 2015). The line bears interest at prime less 1% and is not secured by specific assets.

6. Cash and Cash Equivalents

The Agency invests all surplus cash in short-term deposits with the province of Manitoba, which are made up of term deposits with maturities of up to three months.

(In Thousands)

7. Employee Future Benefits

		2016		2015
Severance benefits	**$**	**128**	$	152
Sick pay benefits		**14**		17
	$	**142**	$	169

Pension Benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Manitoba Education, Research & Learning Information Network, through the Civil Service Superannuation Fund (CSSF).

Pursuant to an agreement with the Province of Manitoba, the Agency is required to pay to the Province an amount equal to the current pension contributions of their employees. The amount paid for 2016 was $90 ($86 in 2015). Under this agreement, the pension liability is the responsibility of the Province, and the Agency has no further pension liability.

Severance Benefits

Effective April 1, 1998, MERLIN began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

(In Thousands)

7. Employee Future Benefits (continued)

Severance Benefits (continued)

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. MERLIN's actuarially determined net liability for accounting purposes as at March 31, 2016 was $128 ($152 in 2015), with an actuarial adjustment being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2016 present value of the accrued severance benefit obligation were:

Annual rate of return:	
Inflation component	2.00%
Real rate of return	4.00%
	6.00%
Annual salary increase rates:	
Annual productivity increase	1.00%
Annual general salary increase	2.75%
	3.75%

The severance benefit liability at March 31 includes to following components:

	2016	2015
Accrued benefit liability		
Balance, beginning of year	**$ 160**	$ 160
Actuarial gain	**-**	(13)
Benefits accrued	**4**	4
Interest on accrued benefits	**10**	9
Severance paid	**(39)**	-
Balance, end of year	**135**	160
Less unamortized actuarial losses	**(7)**	(8)
Severance benefit liability	**$ 128**	$ 152

7. Employee Future Benefits (continued)

Severance Benefits (continued)

The total expenses related to severance benefits at March 31 includes the following components:

	2016	2015
Interest on obligation	**$ 10**	$ 11
Current period benefit cost	**4**	4
Amortization of actuarial losses over EARSL	**1**	2
Total expense related to severance benefit	**$ 15**	$ 17

Sick Pay Benefits

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 6.00% annual return and a 3.75% annual salary increase.

(In Thousands)

For the year ended March 31, 2016

8. Tangible Capital Assets

2016

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer hardware	$ 1,332	$ 440	$ -	$ 1,772
Computer software	96	14	-	110
Equipment and furniture	46	2	-	48
Leaseholds	20	-	-	20
	1,494	456	-	1,950
Accumulated Amortization				
Computer hardware	923	218	-	1,141
Computer software	96	3	-	99
Equipment and furniture	41	2	-	43
Leaseholds	20	-	-	20
	1,080	223	-	1,303
Net book value	$ 414	$ 233	$ -	$ 647

2015

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer hardware	$ 1,047	$ 285	$ -	$ 1,332
Computer software	96	-	-	96
Equipment and furniture	46	-	-	46
Leaseholds	20	-	-	20
	1,209	285	-	1,494
Accumulated Amortization				
Computer hardware	760	163	-	923
Computer software	95	1	-	96
Equipment and furniture	39	2	-	41
Leaseholds	20	-	-	20
	914	166	-	1,080
Net book value	$ 295	$ 119	$ -	$ 414

(In Thousands)

9. Designated Assets

MERLIN has allocated $47 ($47 in 2015) of its portfolio investments as designated assets for cash received from the Province of Manitoba for the vacation entitlements earned by employees of MERLIN prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of their employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

10. Commitments

MERLIN leases office space under a long-term lease which expires March 31, 2018. The future minimum payments required under this lease are:

2017	$	48
2018		48

MANITOBA FINANCIAL SERVICES AGENCY

Financial Statements
For the year ended March 31, 2016

THE MANITOBA SECURITIES COMMISSION

FINANCIAL INSTITUTIONS REGULATION BRANCH

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of the MANITOBA FINANCIAL SERVICES AGENCY and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to the audit report date.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the external audit is to express an independent opinion on whether the financial statements of the MANITOBA FINANCIAL SERVICES AGENCY are fairly represented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Manitoba Financial Services Agency

Original Signed by Don Murray

Donald G. Murray
CAO, MFSA
Chair and CEO, MSC

Original Signed by Marlene Nemes

Marlene Nemes, CPA, CMA
Deputy Director,
Finance and Administration

May 18, 2016

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BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To The Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of the **MANITOBA FINANCIAL SERVICES AGENCY**, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the **MANITOBA FINANCIAL SERVICES AGENCY** as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter
We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the schedules or exhibits on pages 16 - 17 of the **MANITOBA FINANCIAL SERVICES AGENCY**'s financial statements.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 18, 2016

MANITOBA FINANCIAL SERVICES AGENCY
Statement of Financial Position
(in thousands)

March 31		**2016**		2015
Financial Assets				
Cash and cash equivalents (Note 5)	**$**	**23,058**	$	20,384
Accounts receivable (Note 6)		**26**		41
Portfolio investments		**1,019**		1,019
		24,103		21,444
Liabilities				
Accounts payable and accrued liabilities		**194**		97
Accrued vacation entitlements		**301**		306
Accrued salaries and benefits		**227**		92
Employee future benefits (Note 7)		**454**		400
		1,176		895
Net Financial Assets		**22,927**		20,549
Non-financial Assets				
Tangible capital assets (Note 8)		**98**		125
Prepaid expenses		**166**		54
		264		179
Accumulated surplus	**$**	**23,191**	$	20,728

Designated assets (Note 9)
Commitments (Note 10)

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

MANITOBA FINANCIAL SERVICES AGENCY
Statement of Operations and Accumulated Surplus
(in thousands)

For the year ended March 31	2016 Budget	2016 Actual	2015 Actual
Revenue			
Fees	$ 16,916	$ 19,286	$ 18,537
Interest	84	117	172
Miscellaneous	-	15	18
	17,000	19,418	18,727
Expenses			
Amortization - capital assets	25	27	18
CSA initiatives*	86	71	65
Contract services	352	246	301
Education/Information initiatives	197	73	79
Miscellaneous	28	26	21
Office materials and supplies	123	65	75
Premises	531	536	458
Professional services	143	120	143
Research resources	54	54	43
Salaries and benefits	4,355	3,756	3,661
Staff development and professional dues	100	41	28
Telecommunications	83	77	83
Travel	106	63	61
	6,183	5,155	5,036
Annual operating surplus	10,817	14,263	13,691
Transfer to the Province of Manitoba (Note 11)	11,800	11,800	11,800
Annual surplus (deficit)	(983)	2,463	1,891
Accumulated surplus, beginning of year	17,927	20,728	18,837
Accumulated surplus, end of year	$ 16,944	$ 23,191	$ 20,728

* Canadian Securities Administrators

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

MANITOBA FINANCIAL SERVICES AGENCY
Statement of Change in Net Financial Assets
(in thousands)

For the year ended March 31	2016 Budget	2016 Actual	2015 Actual
Annual surplus (deficit)	**$ (983)**	**$ 2,463**	$ 1,891
Tangible Capital Assets			
Acquisition of tangible capital assets	**-**	**-**	(116)
Amortization of tangible capital assets	**25**	**27**	18
Net change in tangible capital assets	**25**	**27**	(98)
Other Non-financial Assets			
Increase in prepaid expense	**-**	**(112)**	(3)
Net acquisition of other non-financial assets	**-**	**(112)**	(3)
(Decrease) Increase in net financial assets	**(958)**	**2,378**	1,790
Net financial assets, beginning of year	**20,549**	**20,549**	18,759
Net financial assets, end of year	**$ 19,591**	**$ 22,927**	$ 20,549

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

MANITOBA FINANCIAL SERVICES AGENCY
Statement of Cash Flows
(in thousands)

For the year ended March 31	2016	2015
Cash provided by (applied to):		
Cash Flows from Operating Activities		
Annual surplus	**$ 2,463**	$ 1,891
Amortization of tangible capital assets	**27**	18
	2,490	1,909
Changes in non-cash working capital balances		
Accounts receivable	**15**	37
Prepaid expenses	**(112)**	(3)
Accounts payable and accrued liabilities	**97**	7
Accrued vacation entitlements	**(5)**	(28)
Accrued salaries and benefits	**135**	5
Deferred revenue	**-**	(15)
Employee future benefits	**54**	(51)
	2,674	1,861
Cash Flows from Capital Activities		
Acquisition of capital assets	**-**	(116)
Increase in cash and cash equivalents	**2,674**	1,745
Cash and cash equivalents, beginning of year	**20,384**	18,639
Cash and cash equivalents, end of year	**$ 23,058**	$ 20,384

	2016	2015
Supplementary information:		
Interest received	**$ 120**	$ 172

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

1. Nature of Organization

Effective April 1, 1999 the Lieutenant Governor in Council designated the Manitoba Securities Commission ("Commission") as a special operating agency under *The Special Operating Agencies Financing Authority Act* (C.C.S.M. c.S185) by Order in Council No. 144/1999. The Order also gave approval to the Special Operating Agencies Financing Authority and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Commission, at that time, to enter into a management agreement with respect to the Commission.

The Management Agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to the Manitoba Securities Commission in delivering regulated services to clients. The Minister of Finance is responsible for the Agency.

Treasury Board Secretariat issued a Program Portfolio Management Review (PPMR) Minute on September 22, 2012 which approved the transfer of the Financial Institutions Regulation Branch (FIRB) of the Department of Finance to the Manitoba Securities Commission a Special Operating Agency (SOA), effective October 1, 2012. Since that date, the SOA has been operating as the Manitoba Financial Services Agency ("Agency").

This change was subsequently reflected in Regulation 29/2013, which provides an updated listing of the special operating agencies, including the merger of Manitoba Securities Commission and FIRB. As well, it was reflected in the background to the Order in Council 77/2013.

2. Basis of Accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Significant Accounting Policies

<u>Revenue</u>

Fees and cost recoveries are recognized when received. Investment income is recorded in accordance with terms of the related investment.

3. Significant Accounting Policies (continued)

Expenses

(a) All expenses incurred for goods and services are recorded on an accrual basis.

(b) Government transfers are recognized as expenditures in the period in which the transfers are authorized and all eligibility criteria have been met.

Financial Assets

Portfolio Investments are investments that are capable of reasonably prompt liquidation and are recognized at cost.

Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

Non-financial Assets

(a) Prepaid expenses are payments for goods or services which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

(b) Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition cost. Capital assets are recorded at cost and amortized over their useful lives as follows:

Office equipment	20% straight-line
Furniture and fixtures	20% straight-line
Leasehold improvements	10% straight-line
Computer hardware	20% straight-line
Computer software	20% straight-line

The half-year rule is used in the year of acquisition.

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(in thousands)

4. Financial Instruments and Financial Risk Management

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records its financial assets and liabilities at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost, which include working capital advances and accounts payable.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as remeasurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

Financial Risk Management Overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and cash equivalents, portfolio investments, and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31 is:

	2016	2015
Cash and cash equivalents	**$ 23,058**	$ 20,384
Accounts receivable	**26**	41
Portfolio investments	**1,019**	1,019
	$ 24,103	$ 21,444

Cash, cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

4. Financial Instruments and Financial Risk Management (continued)

Accounts receivable: The Agency is not exposed to significant credit risk as receivables consist of accrued interest owing from the Province of Manitoba and trade amounts owed primarily from other entities within the Government of the Province of Manitoba and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Management has determined that no allowance for doubtful accounts is required as at March 31, 2016 (Nil in 2015).

Liquidity Risk

Liquidity can be defined as an organization's ability to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risk the Agency is exposed to is interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Cash and Cash Equivalents

The Agency invests all surplus cash in short-term deposits with the Province of Manitoba, which are made up of ninety day callable term deposits.

(in thousands)

6. Accounts Receivable

		2016		2015
Accrued interest	**$**	**16**	$	19
Trade		**10**		22
	$	**26**	$	41

7. Employee Future Benefits

Pension Benefits

Employees of the Manitoba Financial Services Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province of Manitoba the pension liability for its employees.

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2016 was $222 ($207 in 2015). Under this Agreement, the Agency has no further pension liability.

Severance Benefits

Effective April 1, 1998 or the date of their creation, whichever is later; SOAs began recording accumulated severance pay benefits for their employees. The amount of their severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. The special operating agencies' actuarially determined net liability for accounting purposes as at March 31, 2016 is $454 ($400 in 2015). The actuarial loss of $47 based on actuarial reports is being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.

(in thousands)

7. Employee Future Benefits (continued)

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2016 present value of the accrued severance benefit obligation were:

Annual rate of return:	
Inflation component	2.00 %
Real rate of return	4.00 %
	6.00 %
Assumed salary increase rate:	
Annual productivity increase	1.00 %
Annual general salary increase	2.75 %
	3.75 %

The severance benefit liability at March 31 includes the following components:

	2016	2015
Accrued benefit liability		
Balance, beginning of year	**$ 447**	$ 483
Actuarial loss	**-**	20
Benefits accrued	**23**	23
Interest on accrued benefits	**27**	30
Severance paid	**-**	(109)
Balance, end of year	**497**	447
Less unamortized actuarial losses	**(43)**	(47)
Severance benefit liability	**$ 454**	$ 400

The total expenses related to severance benefits at March 31 include the following components:

	2016	2015
Interest on obligation	**$ 27**	$ 30
Current period benefit cost	**23**	23
Amortization of actuarial losses over EARSL	**4**	4
Total expense related to severance benefit	**$ 54**	$ 57

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The Agency has not recorded an accrued sick pay benefit obligation as it has been determined to be immaterial.

(in thousands)

For the year ended March 31, 2016

8. Tangible Capital Assets

2016

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	$ 61	$ -	$ -	$ 61
Furniture and fixtures	221	-	-	221
Leasehold improvements	74	-	-	74
Computer hardware	143	-	-	143
Computer software	869	-	-	869
	1,368	-	-	1,368
Accumulated Amortization				
Office equipment	43	4	-	47
Furniture and fixtures	160	14	-	174
Leasehold improvements	33	7	-	40
Computer hardware	142	1	-	143
Computer software	865	1	-	866
	1,243	27	-	1,270
Net book value	$ 125	$ (27)	$ -	$ 98

2015

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	$ 42	$ 19	$ -	$ 61
Furniture and fixtures	160	61	-	221
Leasehold improvements	41	33	-	74
Computer hardware	143	-	-	143
Computer software	866	3	-	869
	1,252	116	-	1,368
Accumulated Amortization				
Office equipment	40	3	-	43
Furniture and fixtures	153	7	-	160
Leasehold improvements	27	6	-	33
Computer hardware	141	1	-	142
Computer software	864	1	-	865
	1,225	18	-	1,243
Net book value	$ 27	$ 98	$ -	$ 125

9. Designated Assets

Designated assets are distinct from restricted assets. Unlike restricted assets, the Agency or the Government can readily change its by-law or resolution and use the designated assets for another purpose if the need arises. The Agency has allocated $1,019 ($1,019 in 2015) of its portfolio investments as designated assets for the following purposes:

The Agency maintains separate deposits of $750 ($750 in 2015) to fund expenses which may arise with respect to its reserve fund. The Reserve Fund was established to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature and for changes in market activity that have a negative effect on revenues.

The Agency has received $269 ($269 in 2015) of cash from the Province of Manitoba for the purpose of settling certain of its vacation and severance liabilities in the future. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. The principal of this note is re-invested annually and the interest is deposited in the Agency's trust account.

10. Commitments

The Agency has entered into a lease agreement commencing October 1, 2005 for rental of facilities at 400 St. Mary Avenue, which expires September 30, 2020.

The Agency has entered into a lease agreement as of December 31, 2013 which includes rental of 207 - 400 St. Mary Avenue (FIRB occupancy) and the remainder of the 5th floor for the Manitoba Securities Commission, which expires April 30, 2026.

Minimum annual lease payments for these agreements total $526 per year for each of the next five years.

11. Transfer to the Province of Manitoba

Payments to the Consolidated Revenue Fund of the Province of Manitoba are set annually according to Treasury Board Directives, and paid in quarterly installments. Total transfers for the current year were $11,800 ($11,800 in 2015). The Treasury Board has approved payments of $11,800 for the year ended March 31, 2016.

12. Contingency

The Commission has been named as defendant in one complaint. At the time of preparation of these financial statements, the outcome of this complaint was undeterminable. The cost of a future settlement, if any, will be reflected as an expense in the year paid.

13. Working Capital Advances

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency has an authorized line of working capital advance of $500 which was unutilized at March 31, 2016 ($500 in 2015).

The Agency incurred no interest charges during the year (Nil in 2015).

MANITOBA FINANCIAL SERVICES AGENCY
Schedule of Operating Income
The Manitoba Securities Commission
(Unaudited)
(in thousands)

For the year ended March 31	2016 Budget	2016 Actual	2015 Actual
Revenue			
Fees	$ 15,262	$ 17,548	$ 16,854
Interest	84	117	172
Miscellaneous	-	1	1
	15,346	17,666	17,027
Expenses			
Amortization - capital assets	25	27	18
CSA initiatives*	86	71	65
Contract services	314	215	264
Education/Information initiatives	197	70	79
Miscellaneous	27	23	18
Office materials and supplies	112	57	61
Premises	406	442	376
Professional membership and dues	75	23	15
Professional services	127	51	126
Research resources	53	52	42
Salaries and benefits	3,558	3,060	2,962
Staff development and professional dues	19	16	11
Telecommunications	70	65	70
Travel	95	61	52
	5,164	4,233	4,159
Annual operating surplus	$ 10,182	$ 13,433	12,868

* Canadian Securities Administrators

MANITOBA FINANCIAL SERVICES AGENCY
Schedule of Operating Income
Financial Institutions Regulation Branch
(Unaudited)
(in thousands)

For the year ended March 31	2016 Budget	2016 Actual	2015 Actual
Revenue			
Fees	$ 1,654	$ 1,738	$ 1,683
Miscellaneous	-	14	17
	1,654	1,752	1,700
Expenses			
Contract services	38	31	37
Miscellaneous	1	3	3
Office materials and supplies	11	12	14
Premises	125	94	82
Professional services	16	69	17
Research resources	1	1	1
Salaries and benefits	797	696	699
Staff development and professional dues	6	2	2
Telecommunications	13	12	13
Travel	11	2	9
	1,019	922	877
Annual operating surplus	$ 635	$ 830	$ 823

MANITOBA LEARNING RESOURCE CENTRE
An Agency of the Government of Manitoba
Province of Manitoba

Financial Statements

For the year ended March 31, 2016

Management Report

The accompanying financial statements are the responsibility of the management of the Manitoba Learning Resource Centre and have been prepared in accordance with Canadian public sector accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 28, 2016.

Management maintains internal controls to properly safeguard the Centre's assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the Auditor General is to express an independent opinion on whether the financial statements of the Centre are fairly presented in accordance with Canadian public sector accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Original Document Signed

Brenda McKinny
Chief Operating Officer

Original Document Signed

Rhonda Williams, CPA, CGA
Controller

Original Document Signed

Souris, Manitoba
June 28, 2016

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Manitoba Learning Resource Centre
To the Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of the Manitoba Learning Resource Centre which comprise the statement of financial position as at March 31, 2016, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Manitoba Learning Resource Centre as at March 31, 2016, and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
June 28, 2016
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Manitoba Learning Resource Centre
An Agency of the Government of Manitoba
Statement of Financial Position

(in thousands)

March 31	**2016**	2015
Financial assets		
Cash	**$ 3**	$ 3
Accounts receivable	**845**	874
Portfolio investments	**64**	64
Inventories for resale	**2,374**	2,511
	3,286	3,452
Liabilities		
Working capital advance (Note 5)	**1,934**	2,297
Accounts payable and accruals	**575**	365
Customer deposit accounts	**174**	177
Accrued severance liability (Note 6)	**53**	51
	2,736	2,890
Net financial assets	**550**	562
Non-financial assets		
Prepaid expenses	**4**	9
Tangible capital assets (Note 7)	**35**	27
	39	36
Accumulated surplus	**$ 589**	$ 598

Designated assets (Note 8)

See accompanying notes to the financial statements.

Manitoba Learning Resource Centre
An Agency of the Government of Manitoba
Statement of Operations and Accumulated Surplus

(in thousands)

Year Ended March 31	2016 Budget	**2016 Actual**	2015 Actual
Sales	$ 7,718	**$ 7,215**	$ 7,097
Cost of goods sold			
Inventory, beginning of year	2,779	**2,511**	2,439
Purchases	6,649	**6,035**	6,170
Transportation in	47	**35**	39
Transportation out	96	**91**	99
	9,571	**8,672**	8,747
Inventory, end of year	2,804	**2,374**	2,511
Cost of goods sold	6,767	**6,298**	6,236
Gross profit	951	**917**	861
General and administrative expenses			
Amortization	14	**11**	17
Bad debts	-	**8**	6
Computer expense	83	**60**	65
Employee benefits	70	**73**	70
Interest	41	**30**	30
Marketing	11	**2**	1
Office	21	**15**	18
Office occupancy	50	**49**	50
Postage	3	**2**	2
Professional services	14	**14**	14
Salaries	355	**360**	348
Telephone	7	**6**	7
Training	4	**-**	-
Travel	11	**6**	7
Warehouse occupancy	89	**89**	89
Warehouse service	201	**201**	201
	974	**926**	925
Annual deficit	(23)	**(9)**	(64)
Accumulated surplus, beginning of year	552	**598**	662
Accumulated surplus, end of year	$ 529	**$ 589**	$ 598

Manitoba Learning Resource Centre
An Agency of the Government of Manitoba
Statement of Change in Net Financial Assets

(in thousands)

Year Ended March 31	2016 Budget	**2016 Actual**	2015 Actual
Annual deficit	$ (23)	**$ (9)**	$ (64)
Tangible capital assets			
Acquisition of tangible capital assets	(41)	**(19)**	(16)
Amortization of tangible capital assets	14	**11**	17
Net acquisition of tangible capital assets	(27)	**(8)**	1
Other non-financial assets			
Decrease (increase) in prepaid expense	-	**5**	(1)
Net acquisition of other non-financial assets	-	**5**	(1)
Decrease in net financial assets	(50)	**(12)**	(64)
Net financial assets, beginning of year	552	**562**	626
Net financial assets, end of year	$ 502	**$ 550**	$ 562

See accompanying notes to the financial statements.

Manitoba Learning Resource Centre
An Agency of the Government of Manitoba
Statement of Cash Flows

(in thousands)

Year Ended March 31	2016	2015
Increase (decrease) in cash		
Operating		
Annual deficit	**$ (9)**	$ (64)
Amortization of tangible capital assets	**11**	17
	2	(47)
Changes in		
Accounts receivable	**29**	(318)
Inventories for resale	**137**	(72)
Accounts payable and accruals	**210**	(62)
Customer deposit accounts	**(3)**	(49)
Accrued severance liability	**2**	3
Prepaid expenses	**5**	(1)
	382	(546)
Capital		
Acquisition of tangible capital assets	**(19)**	(16)
Financing		
(Repayment) receipt of working capital advance	**(363)**	562
Increase in cash	**-**	-
Cash, beginning of year	**3**	3
Cash, end of year	**$ 3**	$ 3

Supplemental cash flow information:

	2016	2015
Interest received	**$ 5**	$ 4
Interest paid	**$ 28**	$ 30

1. Nature of operations

In 1931, the Manitoba Text Book Bureau (MTBB) was created as a branch of the Department of Education and Training. It was established to achieve economies of scale and reduce the cost of learning resources for schools in Manitoba. In December 2015, under The Statutes Correction and Minor Amendments Act (Education Act), the name of the entity was officially changed to the Manitoba Learning Resource Centre (LRC).

Effective April 1, 1996, the LRC was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Chapter S 185, C.C.S.M. and operates under a charter approved by the Lieutenant-Governor in Council.

The LRC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the LRC through working capital advances. This financial framework enables the LRC to operate in a business-like manner according to public policy expectations.

A Management Agreement between the SOAFA and the Minister of Education, being the Minister responsible for the Agency at that time, assigns responsibility to the LRC to manage and account for the LRC's related assets and operations on behalf of SOAFA.

The LRC continues to be part of the Department of Education and Training under the general direction of the Assistant Deputy Minister, School Programs Division, and ultimately the policy direction of the Deputy Minister and Minister.

The LRC remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

2. Basis of accounting

The financial statements are prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board.

3. Significant accounting policies

Revenue

Revenue is recognized upon transfer of title to the customer.

Expenses

All expenses incurred for goods and services are recorded on an accrual basis.

Financial assets

Cash
Cash includes cash on hand and bank balance.

Portfolio investments
Portfolio investments are short-term deposits with original maturities of more than three months. These investments are recognized at cost.

Inventories for resale
Inventories for resale are valued using the average unit cost method and are measured using lower of cost and net realizable value.

Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

Non-financial assets

Non-financial assets do not normally provide resources to discharge liabilities of the LRC. These assets are normally employed to provide future services.

Prepaid expenses
Prepaid expenses are payments for goods or services which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

3. Significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs. The costs of tangible capital assets are amortized over their estimated useful lives as follows:

Office equipment, furniture and video recording equipment	- 20% declining balance
Computer equipment	- 20% straight line
Computer software	- 20% straight line

One-half year's amortization is applied in the year of acquisition.

Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. Financial instruments and financial risk management

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value or (b) cost or amortized cost.

The LRC records its financial assets at cost, which include cash, portfolio investments, accounts receivable and inventories for resale. The LRC also records its financial liabilities at cost, which include working capital advance, accounts payable and accruals and customer deposit accounts.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

The LRC did not incur any re-measurement gains and losses during the year (2015 - $nil).

Financial risk management - overview

The LRC has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk, interest risk and foreign currency risk.

(in thousands)

4. Financial instruments and financial risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the LRC to credit risk consist principally of cash, portfolio investments and accounts receivable.

The maximum exposure of the LRC to credit risk at March 31 is:

	2016	2015
Cash	**$ 3**	$ 3
Accounts receivable	**845**	874
Portfolio investments	**64**	64
	$ 912	$ 941

Cash and portfolio investments: The LRC is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: The LRC is not exposed to significant credit risk as the balance is due from a large client base, and payment in full is typically collected when it is due. The LRC manages this credit risk through close monitoring of overdue accounts.

The LRC establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	$ 74
Provision for receivable impairment	8
Amounts written off	-
Balance, end of the year	$ 82

4. Financial instruments and financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the LRC will not be able to meet its financial obligations as they come due.

The LRC manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the LRC's income or the fair values of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit and portfolio investments.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The LRC is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

(in thousands)

5. Working capital advance

The LRC has an authorized line of working capital advances of $3,500, of which $1,934 was used as of March 31, 2016 (2015 - $2,297).

6. Accrued severance liability

Effective April 1, 1998, the LRC began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. The LRC's actuarially determined net liability for accounting purposes as at March 31, 2016 was $53 (2015 - $51), with the actuarial gain of $30 (2015 - $30) being amortized over the 15 year expected average remaining service life of the employee group. Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2016 present value of the accrued severance benefit obligation were:

Annual rate of return	
Inflation component	2.00%
real rate of return	4.00%
	6.00%
Assumed salary increase rates	
annual productivity increase	1.00%
annual general salary increase	2.75%
	3.75%

The severance benefit liability at March 31 includes the following components:

	2016	2015
Accrued benefit liability	**$ 39**	$ 35
Unamortized actuarial gains	**14**	16
Severance benefit liability	**$ 53**	$ 51

(in thousands)

6. Accrued severance liability (continued)

Total expenses related to severance benefits at March 31 include the following components:

	2016	2015
Interest on obligation	**$ 2**	$ 2
Employer service cost	**3**	3
Severance payout	**-**	-
Amortization of actuarial gains over EARSL	**(2)**	(2)
Total expense related to severance benefit	**$ 3**	$ 3

7. Tangible capital assets

	2016				2015
	Opening Balance	Additions	Disposals	Closing Balance	Closing Balance
Cost					
Computer equipment	$ 208	$ -	$ 53	**$ 155**	$ 208
Computer software	109	19	-	**128**	109
Office equipment and furniture	48	-	-	**48**	48
Video recording equipment	51	-	-	**51**	51
Total cost	416	19	53	**382**	416
Accumulated Amortization					
Computer equipment	208	-	53	**155**	208
Computer software	90	10	-	**100**	90
Office equipment and furniture	42	1	-	**43**	42
Video recording equipment	49	-	-	**49**	49
Total accumulated amortization	389	11	53	**347**	389
Net	$ 27	$ 8	$ -	**$ 35**	$ 27

8. Designated assets

The LRC has allocated $64 (2015 - $64) of its portfolio investments as designated assets for cash received from the Province of Manitoba as settlement for the vacation entitlements earned by employees of the LRC prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of the LRC's employees. This amount is held in an interest bearing account. Any unused balance is re-invested annually. Funds are to be used for payments to employees for their outstanding vacation and severance pay amounts.

9. Related party transactions

The LRC is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The LRC enters into transactions with these entities in the normal course of business and the transactions are measured at the exchange amount.

10. Pension benefits

Employees of the LRC are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the LRC, through the Civil Service Superannuation Fund. At December 31, 2014, the Fund had a deficit of $3.8 billion.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the LRC transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the LRC is required to pay annually to the Province an amount equal to its employees' current pension contributions. The amount paid for 2016 was $24 (2015 - $23). Under this agreement, the LRC has no further pension liability.

11. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the management of the LRC.

MATERIALS DISTRIBUTION AGENCY

FINANCIAL STATEMENTS

MARCH 31, 2016

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Government of Manitoba)

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management of Materials Distribution Agency and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgments regarding all necessary estimates and all other data available as at May 19, 2016.

Management maintains internal controls to properly safeguard the assets of Materials Distribution Agency and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The financial statements of Materials Distribution Agency have been audited by Magnus Chartered Accountants LLP, independent external auditors. The responsibility of the auditor is to express an independent opinion on whether the financial statements of Materials Distribution Agency are fairly represented, in all material respects, in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion on the financial statements.

On behalf of Management of
Materials Distribution Agency

Original Document Signed

David Bishop
Chief Operating Officer

Original Document Signed

Joel Hershfield, CPA, CMA
Manager of Finance and Technology

INDEPENDENT AUDITOR'S REPORT

To the Special Operating Agencies Financing Authority
and Materials Distribution Agency

Report on the Financial Statements

We have audited the accompanying financial statements of Materials Distribution Agency, an agency of the Government of Manitoba, which comprise the statements of financial position as at March 31, 2016 and the statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Materials Distribution Agency as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Magnus

May 19, 2016
Winnipeg, Canada

Magnus Chartered Accountants LLP

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Financial Position

(in thousands)

March 31, 2016

	2016 Actual	2015 Actual
Financial assets		
Cash and cash equivalents	$ 504	$ 1,045
Accounts receivable (Note 4)	2,768	1,937
Portfolio investments	512	512
Inventories held for resale (Note 6)	1,651	1,505
	5,435	4,999
Liabilities		
Accounts payable and accrued liabilities	2,910	2,613
Employee future benefits (Note 7)	765	736
	3,675	3,349
Net financial assets	1,760	1,650
Non-financial assets		
Tangible capital assets (Note 8)	2,416	2,313
Prepaid expenses	126	242
	2,542	2,555
Accumulated surplus	$ 4,302	$ 4,205

Designated assets (Note 9)
Commitments (Note 10)

See accompanying notes to financial statements.

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Operations
(in thousands)
Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Revenue:			
Warehouse sales (Schedule 1)	$ 14,730	$ 16,070	$ 14,330
Service revenue (Schedule 1)	12,273	12,698	12,006
Investment income	-	3	5
	27,003	28,771	26,341
Expenses:			
Cost of sales	11,452	12,749	11,365
Salaries and benefits	5,518	5,313	5,084
Occupancy costs	1,078	1,204	980
Operating expenses (Schedule 2)	8,218	8,504	8,020
Administrative expenses (Schedule 2)	624	704	651
	26,890	28,474	26,100
Net income before transfer of funds to the Province of Manitoba	113	297	241
Transfer of funds to the Province of Manitoba (Note 11)	200	200	200
Net income for the year	(87)	97	41
Accumulated surplus, beginning of year	4,173	4,205	4,164
Accumulated surplus, end of year	$ 4,086	$ 4,302	$ 4,205

See accompanying notes to financial statements.

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Change in Net Financial Assets
(in thousands)
Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Net income for the year	$ (87)	$ 97	$ 41
Tangible capital assets			
Acquisition of tangible capital assets	(8)	(1,388)	(1,664)
Disposals of tangible capital assets	-	65	74
Amortization of tangible capital assets	-	1,220	1,062
Net acquisition of tangible capital assets	(8)	(103)	(528)
Other non-financial assets			
Decrease (increase) in prepaid expenses	5	116	(34)
Net acquisition of other non-financial assets	5	116	(34)
Change in net financial assets	(90)	110	(521)
Net financial assets, beginning of year	1,948	1,650	2,171
Net financial assets, end of year	$ 1,858	$ 1,760	$ 1,650

See accompanying notes to financial statements.

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Cash Flow
(in thousands)
Year ended March 31, 2016

	2016 Actual	2015 Actual
Cash provided by (applied to)		
Operating activities:		
Net income for the year	$ 97	$ 41
Adjustments for:		
Amortization	1,220	1,062
Gain on disposal of tangible capital assets (Note 8)	(10)	(11)
	1,307	1,092
Changes in the following:		
Accounts receivable	(831)	375
Inventories held for resale	(146)	(215)
Prepaid expenses	116	(34)
Accounts payable and accrued liabilities	297	288
Employee future benefits	29	23
Cash provided by operating activities	772	1,529
Investing activities:		
Change in portfolio investments	-	(100)
Cash (applied to) investing activities	-	(100)
Capital activities:		
Acquisition of tangible capital assets	(1,388)	(1,664)
Proceeds on disposal of tangible capital assets	75	85
Cash (applied to) capital activities	(1,313)	(1,579)
Change in cash and cash equivalents	(541)	(150)
Cash and cash equivalents, beginning of year	1,045	1,195
Cash and cash equivalents, end of year	$ 504	$ 1,045

See accompanying notes to financial statements.

1. Nature of organization

The Government of Manitoba established a central warehouse operation in 1974. Its mandate is to effectively meet the cost needs of departments and certain boards, commissions and agencies of the Crown, for a variety of commonly used items.

Effective April 1, 1993, Materials Distribution Agency (the "Agency") was designated as a Special Operating Agency pursuant to *The Special Operating Agencies Financing Authority Act*, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

In 1956, Mail Management (Postal Service) was created as a branch of the Manitoba Provincial Government to provide centralized postal services. Effective April 1, 1996 the Postage Service was renamed Mail Management Agency and designated as a Special Operating Agency (SOA) pursuant to *The Special Operating Agencies Financing Authority Act*, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective April 1, 2005 the operations of the Materials Distribution Agency and the Mail Management Agency were amalgamated. The amalgamated operations have been operating as the Materials Distribution Agency.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Agency's operations and finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations. A Management Agreement between the Financing Authority and the Minister of Infrastructure and Transportation assigns responsibility to the Agency to manage and account for Agency-related assets and operations on behalf of the Financing Authority.

The Agency continues to be part of Manitoba Infrastructure and Transportation under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister. The Agency remains bound by relevant legislation and regulations. The Agency is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

Effective April 1, 2012 the Agency is administering the vaccine program on behalf of Manitoba Health.

2. Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards which are Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Summary of significant accounting policies

(a) Revenue

Warehouse sales

Revenue is recognized when the goods are shipped and when collection is reasonably assured.

Service revenue

Service revenue is recognized when the related services are completed or substantially completed pursuant to the underlying contracts, where applicable, and when collection is reasonably assured.

Other revenue

Investment income and all other revenue is recognized on the accrual basis.

(b) Expenses

Accrual basis of accounting

All expenses incurred for goods and services are recognized on an accrual basis.

Government transfers

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

(c) Financial assets

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term investments and deposits with original maturities of three months or less.

Accounts receivable

Accounts receivable are recorded at the lower of cost and net realizable value. An allowance for doubtful accounts is recorded when there is uncertainty whether the amounts will be collected.

Portfolio investments

Portfolio investments are investments and deposits with original maturities of more than three months. These investments are recognized at cost.

Inventories for resale

Inventories for resale are recorded at the lower of cost or net realizable value.

(d) Liabilities

Liabilities are present obligations as a result of transactions and events occurring at or prior to the end of the fiscal year the settlement of which will result in the future transfer or use of assets or other form of settlement. Liabilities are recognized when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

3. Summary of significant accounting policies (continued)

(e) Non-financial assets

Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs. The costs of tangible capital assets, less any residual value, are amortized over their estimated useful lives as follows:

Computer equipment	20% straight line
Furniture and fixtures	20% straight line
Leasehold improvements	10 years straight line
Office equipment	20% straight line
Production equipment	20% declining balance
Rental equipment	2 - 5 years straight line
Warehouse equipment	20% declining balance

Prepaid expenses

Prepaid expenses are payments for goods or services that will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

(f) Financial instruments - measurement

Financial instruments are classified into one of two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records its financial assets at cost. Financial assets include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost. Financial liabilities include accounts payable and accrued liabilities.

Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs. Gains and losses on financial instruments measured at fair value, if any, are recorded in accumulated surplus as remeasurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations.

(g) Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results may differ from these estimates.

(in thousands)

4. Accounts receivable

Accounts receivable at March 31 is comprised of the following:

	2016	2015
Trade accounts receivable	$ 2,833	$ 2,002
Allowance for doubtful accounts	(65)	(65)
	$ 2,768	$ 1,937

5. Working capital advances

The Special Operating Agencies Financing Authority has provided the Agency with an authorized line of working capital of $1,000 of which $nil was used at March 31, 2016 (2015 - $nil).

6. Inventories held for resale

	2016	2015
Medical supplies	$ 775	$ 642
Health equipment	168	148
Stationary	451	508
Janitorial	253	203
Furniture	4	4
	$ 1,651	$ 1,505

7. Employee future benefits

	2016	2015
Severance benefits	$ 695	$ 666
Sick pay benefits	70	70
	$ 765	$ 736

Pension benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the *Civil Service Superannuation Act* (*CSSA*), administered by the Civil Service Superannuation Board. The *CSSA* established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2016 was $318 (2015 - $306). Under this agreement, the Agency has no further pension liability.

(in thousands)

7. Employee future benefits (continued)

Severance benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of the severance pay benefit obligation is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life (EARSL) of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2016 is $695 (2015 - $666), with the total net actuarial losses of $38 (2015 - $38) based on the completed actuarial reports being amortized over the 15 year EARSL of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2016 present value of the accrued severance benefit liability, are:

Annual rate of return:	
Inflation component	2.00%
Real rate of return	4.00%
	6.00%
Assumed salary increase rates:	
Annual productivity increase	1.00%
Annual general salary increase	2.75%
	3.75%

The severance benefit liability at March 31 includes the following components:

	2016	2015
Accrued benefit liability, beginning of year	$ 685	$ 649
Actuarial losses	-	15
Interest on accrued severance benefits	41	40
Current period service costs	30	30
Severance benefits paid during the year	(45)	(49)
Accrued benefit liability, end of year	711	685
Less: unamortized actuarial losses	(16)	(19)
Severance benefit liability, end of year	$ 695	$ 666

(in thousands)

7. Employee future benefits (continued)

The total expense related to severance benefits for the year ended March 31 includes the following components:

	2016	2015
Interest on accrued severance benefits	$ 41	$ 40
Current period service costs	30	30
Amortization of actuarial losses over EARSL	3	3
Total expense related to severance benefits	$ 74	$ 73

Sick pay benefits

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit liability related to sick leave entitlements earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 5.00% annual return and a 3.00% annual salary increase. The Agency's sick leave benefit liability as at March 31, 2016 based on the valuation model is $70 (2015 - $70). The increase (decrease) in the sick leave benefit liability of $nil (2015 - $nil) represents the total sick leave benefit expense (recovery) for the year.

(in thousands)

8. Tangible capital assets

	2016			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment	$ 279	$ -	$ -	$ 279
Furniture and fixtures	165	-	-	165
Leasehold improvements	1,142	5	-	1,147
Office equipment	64	-	-	64
Production equipment	542	-	-	542
Rental equipment	12,411	1,362	(2,127)	11,646
Warehouse equipment	1,302	21	-	1,323
	$ 15,905	$ 1,388	$ (2,127)	$ 15,166
Accumulated amortization				
Computer equipment	$ (245)	$ (8)	$ -	$ (253)
Furniture and fixtures	(162)	(1)	-	(163)
Leasehold improvements	(863)	(37)	-	(900)
Office equipment	(64)	-	-	(64)
Production equipment	(320)	(43)	-	(363)
Rental equipment	(11,033)	(1,051)	2,062	(10,022)
Warehouse equipment	(905)	(80)	-	(985)
	$ (13,592)	$ (1,220)	$ 2,062	$ (12,750)
Net book value	$ 2,313	$ 168	$ (65)	$ 2,416

During the year ended March 31, 2016, rental equipment with a net book value of $65 was sold for proceeds of $75 resulting in a gain on disposal of tangible capital assets of $10 included in total health equipment sales during the year.

(in thousands)

8. Tangible capital assets (continued)

	2015			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment	$ 275	$ 4	$ -	$ 279
Furniture and fixtures	165	-	-	165
Leasehold improvements	882	260	-	1,142
Office equipment	64	-	-	64
Production equipment	323	219	-	542
Rental equipment	11,487	998	(74)	12,411
Warehouse equipment	1,119	183	-	1,302
	$ 14,315	$ 1,664	$ (74)	$ 15,905
Accumulated amortization				
Computer equipment	$ (238)	$ (7)	$ -	$ (245)
Furniture and fixtures	(153)	(9)	-	(162)
Leasehold improvements	(822)	(41)	-	(863)
Office equipment	(64)	-	-	(64)
Production equipment	(293)	(27)	-	(320)
Rental equipment	(10,131)	(902)	-	(11,033)
Warehouse equipment	(829)	(76)	-	(905)
	$ (12,530)	$ (1,062)	$ -	$ (13,592)
Net book value	$ 1,785	$ 602	$ (74)	$ 2,313

During the year ended March 31, 2015, rental equipment with a net book value of $74 was sold for proceeds of $85 resulting in a gain on disposal of tangible capital assets of $11 included in total health equipment sales for the year.

9. Designated assets

The Agency has allocated $412 (2015 - $412) of its portfolio investments as designated assets for cash received from the Province of Manitoba for vacation entitlements earned by employees of the Agency prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

10. Commitments

<u>Rental agreement(s)</u>

The Agency leases space from the Province of Manitoba on a monthly basis for the following locations: 450 Broadway, Winnipeg, MB; 340 - 9th Street, Brandon, MB; and 25 Tupper Street, Portage La Prairie, MB. Occupancy charges for the year ended March 31, 2017 are estimated to be $10 (2016 actual - $10).

(in thousands)

11. Transfer of funds to the Province of Manitoba

During the year ended March 31, 2016, with Lieutenant-Governor approval by Order in Council, the Agency transferred $200 (2015 - $200) of its surplus funds to the Province of Manitoba.

12. Financial instruments and financial risk management

The Agency does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore the Agency did not incur any remeasurement gains or losses during the year (2015 - $nil).

Financial risk management – overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest rate risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and cash equivalents, accounts receivable and portfolio investments.

The maximum exposure of the Agency to credit risk at March 31 is:

	2016	2015
Cash and cash equivalents	$ 504	$ 1,045
Accounts receivable	2,768	1,937
Portfolio investments	512	512
	$ 3,784	$ 3,494

Cash and cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the balance of the accounts receivable are primarily with other government agencies and departments. The balance is due from a large client base and payment in full is typically collected when it is due. The Agency manages this credit risk through close monitoring of overdue accounts.

The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The balance in the allowance for doubtful accounts as at March 31, 2016 is $65 (2015 - $65). The total provision for receivable impairment during the year was $nil (2015 - $nil) and there were no reversals of previously recognized impairments during the current or prior year.

(in thousands)

12. Financial instruments and financial risk management (continued)

The aging of accounts receivable and the related allowance for doubtful accounts at March 31, 2016 is as follows:

	Accounts receivable	Allowance	Net
Current	$ 2,612	$ -	$ 2,612
30-60 days past the billing date	158	(2)	156
61-90 days past the billing date	26	(26)	-
90 days past the billing date	37	(37)	-
Balance, end of the year	$ 2,833	$ (65)	$ 2,768

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet its obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents and portfolio investments.

The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

13. Budget information

The budget information for the year ended March 31, 2016 has been restated to reflect the transfer payment to the Province of Manitoba as an expense for the year in accordance with Canadian public sector accounting standards.

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule of Warehouse Sales and Service Revenue
(in thousands)
Year ended March 31, 2016 Schedule 1

	2016	2015
Warehouse sales:		
Medical supplies	$ 6,828	$ 5,994
Stationery	4,558	4,327
Janitorial	2,184	2,189
Health equipment	1,519	1,072
Furniture	902	618
Special projects	79	130
	$ 16,070	$ 14,330
Service revenue:		
Mail services	$ 6,017	$ 5,541
Home care equipment rentals	3,769	3,583
Manitoba Textbook Bureau	290	290
Freight	935	804
Moving	513	537
Storage	404	408
Vaccine program	546	583
Office equipment - copy centre	8	11
Disposal services	7	36
Other revenue	209	213
	$ 12,698	$ 12,006

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule of Operating and Administrative Expenses
(in thousands)
Year ended March 31, 2016 Schedule 2

	2016	2015
Operating expenses:		
Amortization	$ 1,220	$ 1,062
Copy centre	5	7
Equipment rentals	167	162
Freight	1,869	1,755
Mail services	4,558	4,322
Moving expenses	371	402
Vehicle	146	130
Warehouse supplies	168	180
	$ 8,504	$ 8,020
Administrative expenses:		
Computer	$ 228	$ 193
Miscellaneous	22	14
Office	305	291
Professional fees	12	12
Promotion and marketing	54	50
SOAFA fees	2	2
Telephone	74	78
Training	7	11
	$ 704	$ 651

OFFICE OF THE FIRE COMMISSIONER

FINANCIAL STATEMENTS

MARCH 31, 2016

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management of Office of the Fire Commissioner and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared with reasonable limits of materiality, incorporating management's best judgments regarding all necessary estimates and all other data available as at May 24, 2016.

Management maintains internal control to properly safeguard the assets of the Office of the Fire Commissioner and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The financial statements of the Office of the Fire Commissioner have been audited by Magnus Chartered Accountants LLP, independent external auditors. The responsibility of the auditors is to express an independent opinion on whether the financial statements of the Office of the Fire Commissioner are fairly represented, in all material respects, in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion on the financial statements.

On behalf of Management of
Office of the Fire Commissioner

Original Document Signed	Original Document Signed
David Schafer Fire Commissioner	Cindy Giesbrecht *Director of Support Services*
May 24, 2016	May 24, 2016
Date	Date

INDEPENDENT AUDITOR'S REPORT

To the Special Operating Agencies Financing Authority
and Office of the Fire Commissioner

Report on the Financial Statements

We have audited the accompanying financial statements of Office of the Fire Commissioner, an agency of the Government of Manitoba, which comprise the statement of financial position as at March 31, 2016 and the statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Office of the Fire Commissioner as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Magnus

May 24, 2016
Winnipeg, Canada

Magnus Chartered Accountants LLP

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Financial Position

(in thousands)

March 31, 2016

	2016 Actual	2015 Actual
Financial assets		
Cash and cash equivalents	$ 18,724	$ 16,631
Accounts receivable (Note 4)	608	943
Portfolio investments	787	787
	20,119	18,361
Liabilities		
Accounts payable and accrued liabilities (Note 5)	$ 1,956	$ 2,043
Deferred revenue	549	537
Employee future benefits (Note 6)	984	876
	3,489	3,456
Net financial assets	16,630	14,905
Non-financial assets		
Tangible capital assets (Note 7)	7,102	7,212
Prepaid expenses	120	110
Inventories of supplies	334	268
	7,556	7,590
Accumulated surplus	$ 24,186	$ 22,495

Designated assets (Note 8)
Commitments (Note 9)

See accompanying notes to financial statements.

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Operations
(in thousands)
Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Revenue (Schedule 1):			
Government grants/transfers:			
Province of Manitoba	$ 130	$ 130	$ 201
Federal Government	143	146	78
	273	276	279
Fees and other revenue	15,913	17,571	17,260
Investment income	40	58	79
	16,226	17,905	17,618
Expenses:			
Salaries and employee benefits	10,157	10,354	9,242
Mutual Aid expenses	260	230	207
Transportation (Schedule 2)	790	536	589
Communications (Schedule 3)	360	320	256
Supplies and services (Schedule 4)	1,666	1,997	1,539
Minor capital expenses	80	100	183
Amortization of tangible capital assets	903	731	760
Loss on disposal of tangible capital assets	-	-	13
Other operating expenses (Schedule 5)	1,260	1,196	1,177
	15,476	15,464	13,966
Net income before transfer of funds to the Province of Manitoba	750	2,441	3,652
Transfer of funds to the Province of Manitoba (Note 10)	750	750	750
Net income for the year	-	1,691	2,902
Accumulated surplus, beginning of year	20,816	22,495	19,593
Accumulated surplus, end of year	$ 20,816	$ 24,186	$ 22,495

See accompanying notes to financial statements.

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Change in Net Financial Assets

(in thousands)

Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Net income for the year	$ -	$ 1,691	$ 2,902
Tangible capital assets:			
Acquisitions of tangible capital assets	(1,403)	(621)	(604)
Disposals of tangible capital assets	-	-	13
Amortization of tangible capital assets	903	731	760
Net acquisition of tangible capital assets	(500)	110	169
Other non-financial assets:			
(Increase) decrease in prepaid expenses	-	(10)	8
(Increase) in inventories of supplies	-	(66)	(268)
Net acquisition of other non-financial assets	-	(76)	(260)
Change in net financial assets	152	1,725	2,811
Net financial assets, beginning of year	12,973	14,905	12,094
Net financial assets, end of year	$ 13,125	$ 16,630	$ 14,905

See accompanying notes to financial statements.

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Statement of Cash Flow

(in thousands)

Year ended March 31, 2016

	2016 Actual	2015 Actual
Cash provided by (applied to)		
Operating activities:		
Net income for the year	$ 1,691	$ 2,902
Adjustments for:		
Amortization of tangible capital assets	731	760
Loss on disposal of tangible capital assets	-	13
	2,422	3,675
Changes in the following:		
Accounts receivable	335	(91)
Accounts payable and accrued liabilities	(87)	(901)
Deferred revenue	12	(9)
Employee future benefits	108	104
Prepaid expenses	(10)	8
Inventories of supplies	(66)	(268)
Cash provided by operating activities	2,714	2,518
Capital activities:		
Acquisitions of tangible capital assets	(621)	(604)
Cash (applied to) capital activities	(621)	(604)
Change in cash and cash equivalents	2,093	1,914
Cash and cash equivalents, beginning of year	16,631	14,717
Cash and cash equivalents, end of year	$ 18,724	$ 16,631

See accompanying notes to financial statements.

1. Nature of organization

Effective April 1, 1996, the Office of the Fire Commissioner (the "Agency") was designated as a Special Operating Agency (SOA) pursuant to *The Special Operating Agencies Financing Authority Act*, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 1996, a Transfer Agreement between the Government of Manitoba (Labour) and the Special Operating Agencies Financing Authority (SOAFA), a corporation pursuant to *The Special Operating Agencies Financing Authority Act*, transferred all assets in the Fires Prevention Fund valued at $11,809 to the Financing Authority. A Management Agreement executed between the Financing Authority and the Government of Manitoba (Labour) assigned responsibility for these assets to the Office of the Fire Commissioner to manage and account for the related assets and operations on behalf of the Financing Authority. The Office of the Fire Commissioner does not hold title to the assets. Effective April 1, 1996, the Financing Authority established a fund referred to as the Fires Prevention Fund to hold these assets.

Effective April 1, 2011, the operations and related net liabilities valued at $358 of the former Mechanical and Engineering Branch of the Department of Labour and Immigration were transferred to the Financing Authority to be managed and accounted for by the Office of the Fire Commissioner.

The Office of the Fire Commissioner is part of the Department of Labour and Immigration and is ultimately under the policy direction of the Minister of Labour and Immigration. The Agency is bound by relevant legislation and regulations. The Agency is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

During the year ended March 31, 2013, the Agency's operating charter was updated and an Audit Committee established to oversee the financial reporting and overall operations of the Agency.

2. Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards which are Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Summary of significant accounting policies

(a) Revenue

Government grants/transfers

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

3. Summary of significant accounting policies (continued)

(a) Revenue (continued)

Fees and other revenue

Insurance levy revenue is recognized in accordance with the underlying legislation. *The Fires Prevention and Emergency Response Act* imposes a special assessment on licensed insurers in Manitoba equal to a set percentage of total property insurance premiums. The levy rate is currently set at 1.25% (2015 - 1.25%). The Agency collects this levy based on the value of premiums and assessments relating to property insurance premiums in a calendar year. Levy revenue with respect to the 2015 calendar year is recognized as revenue in the fiscal year ending March 31, 2016 with no amounts recognized in the financial statements for January to March of the current fiscal year due to it not being practicable to determine a reasonable estimate for these amounts.

Inspection technical services revenue including amusement rides, boiler and pressure vessel, gas and oil, electrical, and elevator fees including certificates, design registrations, examinations, inspections, licenses, permits, searches and special acceptances under *The Amusements Act, The Electricians' License Act, The Elevator Act, The Gas and Oil Burner Act, The Power Engineers Act and The Steam and Pressure Plants Act* are recognized on the accrual basis.

Codes and standards revenue including building, mobile home and plumbing code inspections and permits under *The Buildings and Mobile Homes Act* is recognized on the accrual basis.

Fire inspections, investigations and reports under *The Fires Prevention and Emergency Response Act* are recognized on the accrual basis.

Tuition fees, emergency services and other conferences revenue are recognized on the accrual basis.

Amounts received in advance for tuition fees, conferences and inspection technical services are deferred and recognized as revenue during the period the revenue relates to.

Investment income and all other revenue is recognized on the accrual basis.

(b) Expenses

Expenses

Expenses incurred for goods and services are recorded on the accrual basis when the related goods or services are received.

Government transfers

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

3. Summary of significant accounting policies (continued)

(c) Financial assets

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term investments and deposits with original maturities of three months or less.

Accounts receivable

Accounts receivable are recorded at the lower of cost and net realizable value. An allowance for doubtful accounts is recorded when there is uncertainty whether the amounts will be collected.

Portfolio investments

Portfolio investments are investments and deposits with original maturities of more than three months. These investments are recognized at cost.

(d) Liabilities

Liabilities are present obligations as a result of transactions and events occurring at or prior to the end of the fiscal year the settlement of which will result in the future transfer or use of assets or other form of settlement. Liabilities are recognized when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

(e) Non-financial assets

Non-financial assets do not normally provide resources to discharge existing liabilities of the Agency. These assets are normally employed to provide future services.

Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs. The costs of tangible capital assets, less any residual value, are amortized over their estimated useful lives as follows:

Building	5% declining balance
Practical training site	10% declining balance
Equipment	20% declining balance
Fire engines	30% declining balance
Other vehicles	30% declining balance
Air compressors	20% declining balance
Furniture	20% declining balance
Computer equipment and software	30% declining balance
Leasehold improvements	10% declining balance

Prepaid expenses

Prepaid expenses are payments for goods or services which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

Inventories of supplies

Inventories of supplies are recorded at cost and recognized as an expense in the year the supplies are consumed.

(in thousands)

3. Summary of significant accounting policies (continued)

(f) Financial instruments - measurement

Financial instruments are classified into one of two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records its financial assets at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost, which include accounts payable and accrued liabilities.

Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs. Gains and losses on financial instruments measured at fair value, if any, are recorded in accumulated surplus as remeasurement gains and losses until realized; upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations.

(g) Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results may differ from these estimates.

4. Accounts receivable

Accounts receivable at March 31 is comprised of the following:

	2016	2015
Financial Institutions Branch of the Department of Finance - Fire Prevention Levy	$ 102	$ 227
National Search and Rescue Secretariat - New Search and Rescue Initiative	139	54
Trade accounts receivable	601	1,043
Allowance for doubtful accounts (Note 12)	(234)	(381)
	$ 608	$ 943

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at March 31 is comprised of the following:

	2016	2015
Trade payables and accruals	$ 388	$ 913
Vacation and overtime entitlements	866	811
Accrued salaries and benefits	638	258
City of Winnipeg - professional services	53	53
Provincial sales and other taxes payable	11	8
	$ 1,956	$ 2,043

(in thousands)

6. Employee future benefits

	2016	2015
Severance benefits	$ 835	$ 738
Sick pay benefits	149	138
	$ 984	$ 876

Pension benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of *The Civil Service Superannuation Act* (*CSSA*), administered by the Civil Service Superannuation Board. The *CSSA* established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2011, the Agency was required to pay to the Province an amount equal to the current pension contributions of its employees. The amount paid for 2016 was $661 (2015 - $515). Under this agreement, the Agency has no further pension liability.

Severance benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from expected and/or because of changes in the actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life (EARSL) of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2016 is $835 (2015 - $738), with the net actuarial losses of $220 (2015 - $220) based on the completed actuarial reports being amortized over the 15 year EARSL of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2016 present value of the accrued severance benefit liability, are:

Annual rate of return:	
Inflation component	2.00%
Real rate of return	4.00%
	6.00%

Assumed salary increase rates:	
Annual productivity increase	1.00%
Annual general salary increase	2.75%
	3.75%

(in thousands)

6. Employee future benefits (continued)

The severance benefit liability at March 31 includes the following components:

	2016	2015
Accrued benefit liability, beginning of year	$ 887	$ 709
Actuarial losses	-	108
Current period service costs	57	53
Interest on accrued severance benefits	53	49
Severance benefits paid	(28)	(32)
Accrued benefit liability, end of year	969	887
Less: unamortized actuarial losses	(134)	(149)
Severance benefit liability, end of year	$ 835	$ 738

The total expense related to severance benefits for the year ended March 31 includes the following components:

	2016	2015
Current period service costs	$ 57	$ 53
Interest on accrued severance benefits	53	49
Amortization of actuarial losses over EARSL	15	15
Total expense related to severance benefits	$ 125	$ 117

Sick pay benefits

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlements earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 5.00% (2015 - 5.00%) annual return and a 3.00% (2015 - 3.00%) annual salary increase. The Agency's sick leave benefit liability as at March 31, 2016 based on the valuation model is $149 (2015 - $138). The increase in the sick leave benefit liability of $11 (2015 - $19) represents the total sick leave benefit expense for the year.

(in thousands)

7. Tangible capital assets

	2016			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Buildings	$ 7,845	$ 28	$ -	$ 7,873
Practical training site	2,726	122	-	2,848
Equipment	3,640	219	-	3,859
Fire engines	1,707	120	-	1,827
Other vehicles	1,450	-	-	1,450
Air compressors	1,151	118	-	1,269
Furniture	331	14	-	345
Computer equipment and software	588	-	-	588
Leasehold improvements	74	-	-	74
	$ 19,512	$ 621	$ -	$ 20,133
Accumulated amortization				
Buildings	$ (3,271)	$ (229)	$ -	$ (3,500)
Practical training site	(1,816)	(98)	-	(1,914)
Equipment	(2,985)	(144)	-	(3,129)
Fire engines	(1,528)	(57)	-	(1,585)
Other vehicles	(1,243)	(62)	-	(1,305)
Air compressors	(781)	(75)	-	(856)
Furniture	(191)	(47)	-	(238)
Computer equipment and software	(477)	(13)	-	(490)
Leasehold improvements	(8)	(6)	-	(14)
	$ (12,300)	$ (731)	$ -	$ (13,031)
Net book value	$ 7,212	$ (110)	$ -	$ 7,102

(in thousands)

7. Tangible capital assets (continued)

	2015			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Buildings	$ 7,819	$ 26	$ -	$ 7,845
Practical training site	2,630	96	-	2,726
Equipment	3,506	134	-	3,640
Fire engines	1,707	-	-	1,707
Other vehicles	1,429	21	-	1,450
Air compressors	992	159	-	1,151
Furniture	237	94	-	331
Computer equipment and software	629	-	(41)	588
Leasehold improvements	-	74	-	74
	$ 18,949	$ 604	$ (41)	$ 19,512
Accumulated amortization				
Buildings	(3,040)	(231)	-	(3,271)
Practical training site	(1,722)	(94)	-	(1,816)
Equipment	(2,850)	(135)	-	(2,985)
Fire engines	(1,470)	(58)	-	(1,528)
Other vehicles	(1,175)	(68)	-	(1,243)
Air compressors	(699)	(82)	-	(781)
Furniture	(139)	(52)	-	(191)
Computer equipment and software	(473)	(32)	28	(477)
Leasehold improvements	-	(8)	-	(8)
	$ (11,568)	$ (760)	$ 28	$ (12,300)
Net book value	$ 7,381	$ (156)	$ (13)	$ 7,212

8. Designated assets

The Agency has allocated $787 (2015 - $787) of its portfolio investments as designated assets for cash received from the Province of Manitoba for vacation entitlements earned by employees of the Agency prior to its designation as an SOA and for severance pay benefits for certain of its employees. As at March 31, 2016, $559 (2015 - $559) is designated for the vacation entitlements and severance pay benefits accumulated to March 31, 1998 for certain of its employees and $228 (2015 - $228) is designated for the severance pay benefits accumulated to April 1, 2011 for employees transferred from the former Mechanical and Engineering Branch, now Inspection Technical Services. These amounts are held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

(in thousands)

9. Commitments

The Agency has entered into a lease agreement with the City of Brandon for the land on which the practical training facility has been constructed. The term of the lease expires May 31, 2017. Minimum annual rent is $12 due in equal monthly installments, plus all operating costs with respect to the subject land.

Computer and office equipment operating leases exist for 138 machines. The longest lease term expires on December 31, 2017.

The Agency has entered into leases on a fleet of 40 vehicles.

These three categories of leases give rise to lease commitments as follows:

2017	$	219
2018		167
2019		118
2020		74
2021		50

10. Transfer of funds to the Province of Manitoba

During the year, with Lieutenant-Governor-in-Council approval by Order in Council, the Agency transferred $750 (2015 - $750) of its surplus funds to the Province of Manitoba.

11. Professional services - Labour and Immigration

The Agency has a professional services agreement with the Department of Labour and Immigration for the provision of legislation and policy services to the Agency for total fees of $75 for the year ended March 31, 2016. In the prior year, a similar agreement was in place also for legislation and policy services. The amount paid pursuant to this professional services agreement for the year ended March 31, 2016 was $75 (2015 - $75). As at year end, all amounts owing pursuant to this agreement have been paid.

12. Financial instruments and financial risk management

The Agency does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore the Agency did not incur any remeasurement gains or losses during the year (2015 - $nil).

Financial risk management – overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and cash equivalents, accounts receivable and portfolio investments.

(in thousands)

12. Financial instruments and financial risk management (continued)

The maximum exposure of the Agency to credit risk at March 31 is:

	2016	2015
Cash and cash equivalents	$ 18,724	$ 16,631
Accounts receivable	608	943
Portfolio investments	787	787
	$ 20,119	$ 18,361

Cash and cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: The Agency is exposed to credit risk on its trade accounts receivable. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The balance in the allowance for doubtful accounts at March 31, 2016 is $234 (2015 - $381). The change in the allowance for doubtful accounts during the year is as follows:

	2016	2015
Balance, beginning of the year	$ 381	$ 395
Reversals of previously recognized impairments	(147)	(14)
Balance, end of the year	$ 234	$ 381

Bad debt expense (recovery) for the year also includes $21 (2015 - $nil) of adjustments to accounts receivable for a total net (recovery) during the year of ($126) (2015 - ($14)).

The aging of accounts receivable and the related allowance for doubtful accounts at March 31, 2016 is as follows:

	Accounts receivable	Allowance	Net
Current	$ 481	$ -	$ 481
30-60 days past the billing date	106	-	106
61-90 days past the billing date	21	-	21
Over 90 days past the billing date	234	(234)	-
Balance, end of the year	$ 842	$ (234)	$ 608

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

12. Financial instruments and financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents and portfolio investments.

The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in a foreign currency.

13. Comparative information

Certain of the amounts for the year ended March 31, 2015 have been reclassified to conform to the financial statement presentation adopted in the current year.

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule 1 - Revenue

(in thousands)

Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Revenue:			
Government grants/transfers:			
Province of Manitoba:			
Manitoba Local Government - Mutual Aid	$ 130	$ 130	$ 130
Other - Criminal Property Forfeiture	-	-	71
Total Province of Manitoba	130	130	201
Federal Government:			
National Search and Rescue Secretariat - New Search and Rescue Initiative	143	146	78
Total Federal Government	143	146	78
Fees and other revenue:			
Insurance Levy	7,548	8,364	7,868
Inspection technical services	5,100	5,195	5,433
Codes and standards	1,900	2,755	2,797
Tuition fees	1,100	971	999
Fire inspections, investigations and reports	140	211	124
Emergency services and other conferences	75	3	18
Other revenue	50	72	21
Total fees and other revenue	15,913	17,571	17,260
Investment income	40	58	79
	$ 16,226	$ 17,905	$ 17,618

OFFICE OF THE FIRE COMMISSIONER
AN AGENCY OF THE PROVINCIAL GOVERNMENT
PROVINCE OF MANITOBA

Schedule 2 - Transportation Expenses
(in thousands)
Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Transportation expenses:			
Vehicle leases	$ 550	$ 385	$ 456
Travel	210	126	115
Fuel - owned vehicles	25	14	13
Emergency response	-	10	3
Boards and committees	5	1	2
	$ 790	$ 536	$ 589

Schedule 3 - Communications Expenses

(in thousands)

Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Communications expenses:			
Communications	$ 170	$ 172	$ 161
Postage and courier	60	81	55
Marketing	65	16	13
Public education material	65	51	27
	$ 360	$ 320	$ 256

Schedule 4 - Supplies and Services Expenses

(in thousands)

Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Supplies and services expenses:			
Supplies	$ 235	$ 196	$ 219
Repairs and maintenance	200	330	206
Rent	364	394	338
Professional services - Labour and Immigration (Note 11)	75	75	75
Professional fees - contracted services	245	472	367
Professional fees - legal and audit	75	84	53
Mutual Aid - air compressor maintenance	60	138	83
Fuel - training supplies	30	15	18
Utilities	85	92	88
Other	32	20	10
Emergency response	265	181	82
	$ 1,666	$ 1,997	$ 1,539

Schedule 5 - Other Operating Expenses

(in thousands)

Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Other operating expenses:			
Desktop management	$ 500	$ 521	$ 452
Travel	310	316	280
Bad debt expenses (recovery)	20	(126)	(14)
Property taxes	180	165	161
Insurance	134	141	129
Clothing	40	59	70
Publications	20	41	38
Professional development	20	42	37
Boards and committees	6	1	3
Seminar and conference registration	8	8	2
Memberships and subscriptions	9	9	7
Mutual Aid - meetings	5	2	2
Other	8	17	10
	$ 1,260	$ 1,196	$ 1,177

Pineland Forest Nursery
An Agency of the Government of Manitoba
Financial Statements
March 31, 2016

MNP

Management's Responsibility

Pineland Forest Nursery's (the Nursery) management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Nursery's financial position, results of operations, change in net debt, and cash flows, in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. In management's opinion, the financial statements have been properly prepared, within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available through May 17, 2016.

Management maintains internal controls to properly safeguard the Nursery's assets. These controls also provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions in all material respects, and that established policies and procedures are followed.

The Nursery's financial statements have been audited by MNP LLP, independent external auditors. The auditors' responsibility is to express an independent opinion on whether the financial statements of the Nursery are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of the Nursery's management,

Original Document Signed

Trevor Stanley,
General Manager / Chief Operating Officer

Original Document Signed

Donna Shandroski,
Acting Manager of Administration

Winnipeg, Manitoba
May 17, 2016

Independent Auditors' Report

To the Special Operating Agencies Financing Authority of Pineland Forest Nursery:

We have audited the accompanying financial statements of Pineland Forest Nursery, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and accumulated deficit, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pineland Forest Nursery as at March 31, 2016 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba

May 17, 2016

MNP LLP

Chartered Professional Accountants

Pineland Forest Nursery
An Agency of the Government of Manitoba
Statement of Financial Position
As at March 31, 2016

	2016 *(in thousands)*	2015 *(in thousands)*
Financial assets		
Portfolio investments	**187**	187
Accounts receivable *(Note 4)*	**1,344**	931
	1,531	1,118
Liabilities		
Working capital advances (Note 5)	**3,929**	3,465
Accounts payable and accruals	**289**	239
Unearned revenue	**936**	573
Employee future benefits (Note 6)	**357**	349
Borrowings from the Province of Manitoba (Note 7)	**1,027**	1,172
	6,538	5,798
Net Debt	**(5,007)**	(4,680)
Non-financial assets		
Inventories held for use	**312**	238
Prepaid expenses	**9**	23
Tangible capital assets (Note 8)	**1,511**	1,709
	1,832	1,970
Accumulated Deficit	**(3,175)**	(2,710)

Designated assets (Note 9)

Approved by:

Original Document Signed
General Manager / Chief Operating Officer

Original Document Signed
Acting Manager of Administration

The accompanying notes are an integral part of these financial statements

Pineland Forest Nursery
An Agency of the Government of Manitoba
Statement of Operations and Accumulated Deficit
For the year ended March 31, 2016

	2016 Budget (in thousands)	**2016 Actual (in thousands)**	2015 Actual (in thousands)
Revenues - Private Sector			
Overwinter	903	**1,029**	1,038
Current	298	**204**	164
Seed services	50	**76**	54
Other	5	**10**	17
	1,256	**1,319**	1,273
Revenues - Province of Manitoba			
Overwinter	710	**505**	537
Current	1	**41**	109
Seed services	5	**36**	37
Other	73	**182**	103
	789	**764**	786
Total revenues	2,045	**2,083**	2,059
Operating Expenses (Schedule 1)	700	**775**	857
General administrative expenses			
Amortization	267	**249**	287
Interest - operating and capital loan	190	**113**	121
Salaries, wages and benefits	1,378	**1,411**	1,388
	1,835	**1,773**	1,796
Total expenses	2,535	**2,548**	2,653
Net loss	(490)	**(465)**	(594)
Accumulated deficit, beginning of year	(2,710)	**(2,710)**	(2,116)
Accumulated deficit, end of year	(3,200)	**(3,175)**	(2,710)

The accompanying notes are an integral part of these financial statements

Pineland Forest Nursery
An Agency of the Government of Manitoba
Statement of Change in Net Debt
For the year ended March 31, 2016

	2016 Budget (in thousands)	**2016 Actual (in thousands)**	2015 Actual (in thousands)
Net loss	(490)	**(465)**	(594)
Tangible capital assets			
Acquisition of tangible capital assets	(38)	**(51)**	(31)
Amortization of tangible capital assets	267	**249**	287
	229	**198**	256
Other non-financial assets			
Increase in inventories held for use	-	**(74)**	(104)
Decrease in prepaid expense	-	**14**	-
	-	**(60)**	(104)
Increase in net debt	(261)	**(327)**	(442)
Net debt, beginning of year	(4,680)	**(4,680)**	(4,238)
Net debt, end of year	(4,941)	**(5,007)**	(4,680)

The accompanying notes are an integral part of these financial statements

MNP

Pineland Forest Nursery
An Agency of the Government of Manitoba
Statement of Cash Flows
For the year ended March 31, 2016

	2016 Actual (in thousands)	2015 Actual (in thousands)
Cash provided by (applied to):		
Operating		
Net loss	**(465)**	(594)
Amortization of tangible assets	**249**	287
	(216)	(307)
Change in:		
Accounts receivable	**(413)**	(293)
Accounts payable and accruals	**50**	(29)
Unearned revenue	**363**	(66)
Employee future benefits	**8**	11
Inventories	**(74)**	(104)
Prepaid expenses	**14**	-
	(268)	(788)
Capital		
Acquisition of tangible capital assets	**(51)**	(31)
Financing		
Debt repayments to the Province of Manitoba	**(145)**	(145)
Decrease in cash resources	**(464)**	(964)
Working capital advances, beginning of year	**(3,465)**	(2,501)
Working capital advances, end of year	**(3,929)**	(3,465)

The accompanying notes are an integral part of these financial statements

1. Nature of Organization

In 1953, Pineland Provincial Forestry Nursery was established to meet all the forest nursery stock requirements of the Province at one location. Prior to 1953 there were several small nurseries located throughout the Province. Effective April 1, 1995, Pineland Forest Nursery, (the "Nursery") was designated as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. c.S185) and operates under a charter approved by the Lieutenant Governor in Council.

A management agreement between the Financing Authority and the Minister of Conservation and Water Stewardship assigns responsibility to the Nursery to manage and account for the agency related assets and operations on behalf of the Financing Authority. Pineland Forest Nursery continues to be part of Manitoba Conservation and Water Stewardship under the general direction of the Assistant Deputy Minister of Conservation and Water Stewardship Division and ultimately the policy direction of the Deputy Minister and the Minister. Pineland Forest Nursery remains bound by relevant legislation and regulations. It is also bound by administrative policy, except where specific exemptions have been provided for in its charter in order to meet business objectives.

2. Significant Accounting Policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies.

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

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. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Financial Assets

Portfolio investments are investments that are capable of reasonably prompt liquidation and are recognized at fair value.

Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

2. Significant Accounting Policies *(Continued from previous page)*

Net debt

The Nursery's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Nursery is determined by its liabilities less its financial assets. Net debt combined with non-financial assets comprises a second indicator of financial position, accumulated deficit.

Non-financial Assets

Non-financial assets do not normally provide resources to discharge liabilities of the Nursery. These assets are normally employed to provide future services.

Inventories held for use are classified as non-financial assets.

Prepaid expenses are payments for goods or services which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Buildings	10-20%
Equipment	20-30%

Amortization on current year additions is pro-rated on the length of time in use in the current year.

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Nursery performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in operations for the year.

Revenue

Revenue is recognized on a percentage of completion basis. Any excess of revenue recorded on a percentage of completion basis over amounts billed is recorded as unbilled revenue and included in accounts receivable. Any excess of amounts billed over revenue recorded on a percentage of completion basis is recorded as unearned revenue.

2. Significant Accounting Policies *(Continued from previous page)*

Measurement uncertainty

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Unbilled accounts receivable and unearned revenue are based on estimated percentage of completion. Amortization is based on the estimated useful lives of tangible capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Donated materials and services

Donated materials and services are recorded in the accounts at their fair value. Fair value is based on the amounts that would be paid if these materials and services were purchased in the normal course of business. No amount has been included in cases when fair value could not be reasonably estimated.

3. Financial Instruments and Financial Risk Management

Measurement

Amortized cost

The Nursery has classified the following financial assets in the amortized cost category: accounts receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Accounts receivable are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal payments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability.

The Nursery has classified the following liabilities in the amortized cost category: working capital advances, accounts payable and accruals and borrowings from the Province of Manitoba. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Working capital advances, accounts payable and accruals and borrowings from the Province of Manitoba are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to their net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

(In thousands)

3. Financial Instruments and Financial Risk Management *(Continued from previous page)*

Fair value

The Nursery has classified portfolio investments in the fair value category. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Investments are subsequently measured at their fair value. Investments in equity instruments that do not have quoted market prices in an active market are measured at fair value using alternative means of estimation. Gains and losses arising from changes in fair value, except for impairment losses and foreign exchange translation adjustments, are recognized in the statement of remeasurement gains and losses as a remeasurement gain or loss, until the financial asset is sold or otherwise derecognized. Upon derecognition, the cumulative gain or loss previously recognized in the statement of remeasurement gains or losses is transferred to the consolidated statement of operations.

Financial risk management - overview

The Nursery has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Nursery to credit risk consist principally of portfolio investments and accounts receivable.

The maximum exposure of the Nursery to credit risk is:

	2016	*2015*
Portfolio investments	**187**	187
Accounts receivable	**1,344**	931
	1,531	1,118

Portfolio investments: The Nursery is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: Accounts receivable from two customers represents 80% (2015 - 76%) of total accounts receivable as at March 31, 2016. The Nursery believes that there is minimal risk associated with the collection of these amounts. The Nursery manages this credit risk through close monitoring of overdue accounts. The Nursery establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

(In thousands)

3. Financial Instruments and Financial Risk Management *(Continued from previous page)*

The change in the allowance for doubtful accounts was as follows:

	2016	*2015*
Balance, beginning of the year	**43**	43
Provision for (recovery of) receivable impairment	**-**	-
Amounts written off	**-**	-
Balance, end of the year	**43**	43

Liquidity risk

Liquidity risk is the risk that the Nursery will not be able to meet its financial obligations as they come due.

The Nursery manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Nursery's income or the fair values of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to portfolio investments and borrowings.

The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at fixed rates for investments with similar terms and conditions.

The Nursery manages its interest rate risk on borrowings through the exclusive use of fixed rate terms for its borrowings.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Nursery is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

4. Accounts receivable

	2016	*2015*
Trade receivable:		
Province of Manitoba	**666**	310
Other	**406**	343
	1,072	653
Allowance for doubtful accounts	**(43)**	(43)
	1,029	610
Unbilled revenue	**306**	312
Goods and Services Tax receivable	**9**	9
	1,344	931

(In thousands)

5. Working capital advances

The Financing Authority has provided the Nursery with an authorized line of working capital of $5,000 (2015 - $5,000) of which $3,929 was advanced at March 31, 2016 (2015 - $3,465). The indebtedness bears interest at prime less 1% (2015 – prime less 1%).

6. Employee future benefits

	2016	*2015*
Severance benefits	**334**	328
Sick pay benefits	**23**	21
	357	349

Pension benefits

Employees of the Nursery are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Nursery transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Nursery was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2016 was $81 (2015 - $79).

Under this agreement, the Nursery has no further pension liability.

Severance benefits

Effective April 1, 1998, the Nursery began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because changes in actuarial assumptions used. The resulting actual gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2011. The report provides a formula to update the liability on an annual basis. The Nursery's actuarially determined net liability for accounting purposes as at March 31, 2016 was $334 (2015 - $328), with an actuarial loss being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2011 valuation, and in the determination of the March 31, 2016 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.00%
real rate of return	4.00%
	6.00%

Assumed salary increase rates	
annual productivity increase	1.00%
annual general salary increase	2.75%
	3.75%

(In thousands)

6. Employee future benefits *(Continued from previous page)*

Sick pay benefits

The Financing Authority provides sick pay benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick pay entitlement earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick pay usage and actuarial assumptions. These assumptions include a 6.00% annual return and a 3.75% annual salary increase.

7. Borrowings from the Province of Manitoba

	2016	*2015*
Capital purchase loan payable in monthly installments of $6,317, plus interest at 5.125%, due July 2023.	**556**	632
Capital purchase loan payable in monthly installments of $2,727, plus interest at 4.875%, due July 2023.	**240**	273
Capital purchase loan payable in monthly installments of $1,786, plus interest at 4.875%, due July 2023.	**157**	178
Capital purchase loan payable in monthly installments of $1,250, plus interest at 3.875%, due January 2021.	**74**	89
	1,027	1,172

Principal repayments in each of the next five years are estimated as follows:

2017	145
2018	145
2019	145
2020	145
2021	145

(In thousands)

8. Tangible capital assets

2016

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Buildings	6,225	29	-	6,254
Equipment	2,112	22	-	2,134
Total cost	8,337	51	-	8,388
Accumulated Amortization				
Buildings	4,669	208	-	4,877
Equipment	1,959	41	-	2,000
Total accumulated amortization	6,628	249	-	6,877
Net				
Buildings	1,556	(179)	-	1,377
Equipment	153	(19)	-	134
Total	1,709	(198)	-	1,511

2015

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Buildings	6,217	8	-	6,225
Equipment	2,088	23	-	2,112
Total cost	8,305	31	-	8,337
Accumulated Amortization				
Buildings	4,425	243	-	4,669
Equipment	1,915	44	-	1,959
Total accumulated amortization	6,340	287	-	6,628
Net				
Buildings	1,792	(235)	-	1,556
Equipment	173	(21)	-	153
Total	1,965	(256)	-	1,709

9. Designated assets

The Nursery has allocated $187 (2015 - $187) of its portfolio investments as designated assets for cash received from the Province of Manitoba for the vacation entitlements earned by employees of the Nursery prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of their employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

10. Economic dependence

The Nursery is economically dependent on the Province of Manitoba, because it derives a significant portion of its revenue from the Province and all of its financing requirements through the Financing Authority.

The Nursery is also economically dependent on two of its main private sector clients as a significant portion of its private sector revenue is derived from these two clients.

Pineland Forest Nursery
An Agency of the Government of Manitoba
Schedule 1 - Schedule of Operating Expenses
For the Year Ended March 31, 2016

	2016 Budget (In thousands)	**2016 Actual (In thousands)**	2015 Actual (In thousands)
Operating expenses			
Departmental services and professional fees	25	**23**	37
Freight	20	**27**	26
Marketing	5	**11**	5
Natural gas and hydro, Biomass fuel	200	**206**	273
Office	40	**33**	36
Property taxes and insurance	60	**59**	60
Repairs and maintenance	150	**178**	197
Supplies	190	**226**	213
Travel	10	**12**	10
	700	**775**	857

MNP

Special Operating Agencies Financing Authority
Non-consolidated Statement of Financial Position
As at March 31, 2016
(Unaudited)

	March 31, 2016	March 31, 2015
Financial Assets		
Cash and cash equivalents	$ 579,831	$ 1,057,310
Liabilities		
Accounts payable and accruals	144,211	553,594
Accumulated Surplus	$ 435,620	$ 503,716

Special Operating Agencies Financing Authority
Non-consolidated Statement of Operations and Accumulated Surplus
For the Year Ended March 31, 2016
(Unaudited)

	2016	2015
Revenue		
Annual levies	13,326	11,391
Investment income	-	51,954
Total revenue	13,326	63,345
Expense		
Supplies and services	17,799	5,559
Debt servicing	-	84,403
Other operating	63,623	61,729
Total expense	81,422	151,691
Net loss before the transfer of funds to the Province of Manitoba	(68,096)	(88,346)
Transfer of funds to the Province of Manitoba	-	10,000,000
Net loss	(68,096)	(10,088,346)
Accumulated surplus, beginning of year	503,716	10,592,062
Accumulated surplus, end of year	$ 435,620	$ 503,716

Public Guardian and
Trustee of Manitoba

The Public Guardian and Trustee of Manitoba
An Agency of the Province of Manitoba

Financial Statements
March 31, 2016

Public Guardian and
Trustee of Manitoba

155 Carlton St, Suite 500
Winnipeg MB R3C 5R9
CANADA

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian Public Sector Accounting Standards. In Management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to August 4, 2016. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of The Public Guardian and Trustee of Manitoba – An Agency of the Province of Manitoba are properly safeguarded.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with Canadian Public Sector Accounting Standards. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

The Public Guardian and Trustee have reviewed and approved these financial statements and the Annual Report in advance of its release and have approved its content and authorized its release.

Original Document Signed

Douglas R. Brown
Public Guardian and Trustee

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba,
To the Public Guardian and Trustee of Manitoba, and
To the Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of The Public Guardian and Trustee of Manitoba which comprise the statement of financial position as at March 31, 2016, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Public Guardian and Trustee's Responsibility for the Financial Statements
The Public Guardian and Trustee is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as the Public Guardian and Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Public Guardian and Trustee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of The Public Guardian and Trustee of Manitoba as at March 31, 2016, and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
August 4, 2016
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

PUBLIC GUARDIAN AND TRUSTEE OF MANITOBA
An Agency of the Province of Manitoba
Statement of Financial Position
As at March 31, 2016
(In Thousands)

	March 31, 2016	March 31, 2015
Financial assets		
Cash and cash equivalents (Note 5)	$ 5,257	$ 4,998
Portfolio investments (Note 10)	515	515
Accounts receivable (Note 6)	1,002	1,047
	6,774	6,560
Liabilities		
Accounts payable and accrued liabilities (Note 7)	1,073	827
Employee future benefits (Note 8)	657	703
	1,730	1,530
Net financial assets	5,044	5,030
Non-financial assets		
Prepaid expenses	5	7
Tangible capital assets (Note 9)	60	63
	65	70
Accumulated surplus	$ 5,109	$ 5,100

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

PUBLIC GUARDIAN AND TRUSTEE OF MANITOBA
An Agency of the Province of Manitoba
Statement of Operations and Accumulated Surplus
For the Year Ended March 31, 2016
(In Thousands)

	2016 Budget (Note 18)	2016 Actual	2015 Actual
Revenue			
Fees and other revenue (Note 12)	$ 7,030	$ 6,996	$ 7,021
Investment income	51	67	72
Total revenue	7,081	7,063	7,093
Expenses			
Amortization of tangible capital assets (Note 9)	25	21	20
Accommodation costs (Note 11)	411	438	419
Other administration expenses (Note 13)	1,217	1,137	1,152
Salaries and benefits	5,098	5,113	4,938
Pension benefits (Note 14)	330	345	336
Total expenses	7,081	7,054	6,865
Annual surplus	0	9	228
Accumulated surplus, beginning of period	5,100	5,100	4,872
Accumulated surplus, end of period	$ 5,100	$ 5,109	$ 5,100

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

PUBLIC GUARDIAN AND TRUSTEE OF MANITOBA
An Agency of the Province of Manitoba
Statement of Cash Flows
For the Year Ended March 31, 2016
(In Thousands)

	2016 Actual	2015 Actual
Cash provided by (applied to)		
Operating		
Annual surplus	$ 9	$ 228
Amortization of tangible capital assets	21	20
	30	248
Changes in non-cash working capital balances:		
Accounts receivable	45	(44)
Accounts payable and accrued liabilities	246	84
Employee future benefits	(46)	46
Prepaid expenses	2	(1)
Cash provided by operating activities	277	333
Capital		
Acquisition of tangible capital assets	(18)	(1)
Cash applied to capital activities	(18)	(1)
Net increase in cash	259	332
Cash and cash equivalents		
Beginning of year	4,998	4,666
End of year	$ 5,257	$ 4,998
Supplemental cash flow information		
Interest received	$ 67	$ 72

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

PUBLIC GUARDIAN AND TRUSTEE OF MANITOBA
An Agency of the Province of Manitoba
Statement of Changes in Net Financial Assets
For the Year Ended March 31, 2016
(In Thousands)

	2016 Budget (Note18)	2016 Actual	2015 Actual
Annual Surplus	$	$ 9	$ 228
Tangible capital assets			
Acquisition of tangible capital assets	(15)	(18)	(1)
Amortization of tangible capital assets	6	21	20
Net change in tangible capital assets	21	3	19
Other non-financial assets			
Decrease (increase) in prepaid expenses	-	2	(1)
Net change in other non-financial assets	-	2	(1)
Net increase in net financial assets	21	14	246
Net financial assets, beginning of year	4,784	5,030	4,784
Net financial assets, end of year	$ 4,805	$ 5,044	$ 5,030

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

1. Nature of organization

The Public Guardian and Trustee of Manitoba – An Agency of the Special Operating Agencies Financing Authority – Province of Manitoba (the "Agency") protects the interests of Manitobans by providing trust, legal, financial and personal services on a last resort basis to people who are mentally incompetent, under the age of majority, or whose estates would otherwise be unadministered upon their death.

Effective April 1, 1996, the Agency was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective April 1, 2014 The Public Guardian and Trustee's name was changed from The Public Trustee upon the enactment of legislation which updated and clarified the statutory roles of the office.

The Agency is financed through the Special Operating Agencies Financing Authority ("SOAFA"). SOAFA has the mandate to hold and acquire assets required for and resulting from the Agency's operations. It finances the Agency through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigorous planning and reporting requirements afforded by Special Operating Agency status, assists the Agency to sustain the provision of high quality service to its clients.

A Management Agreement between SOAFA and the Minister of Justice assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA.

The Agency continues to be part of Manitoba Justice. The Agency is a corporation sole with perpetual succession. As a corporate entity, the Agency functions separately from government and is capable of suing or being sued on behalf of the clients, trusts and estates which are administered by the Agency.

The Agency remains bound by relevant legislation and regulations. The Agency is also bound by administrative policy except where specific exemptions have been provided for in The Agency charter in order to meet business objectives.

2. Basis of accounting

The financial statements are prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board.

3. Significant accounting policies

a) Revenue recognition

i. Administration fees are charged quarterly as earned to client accounts based on the anniversary date of the account in accordance with the provisions of *The Public Guardian and Trustee Act*. Fees revenue recognized during the year consists of all fees charged.

ii. Other fees are recognized and charged to an account as services are provided.

iii. Statutory legal fees as prescribed in *The Public Guardian and Trustee Act* are recognized as revenue when received.

b) Tangible capital assets

Tangible capital assets are recorded at cost and are amortized annually at the following rates and methods:

Furnishings and equipment	20%, declining balance basis
Computer hardware and software	20%, straight-line basis, 10% in the year of acquisition, software purchases less than $1 are expensed in year of acquisition
Leasehold improvements	20%, straight-line basis

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Agency's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus.

c) Measurement uncertainty

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Significant estimates used in the financial statements include allowance for doubtful accounts, amortization of tangible capital assets, and accrued severance benefits costs.

d) Capital disclosures

The Agency's capital consists of the accumulated surplus from operations.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its accumulated surplus. The Agency has developed risk management strategies, as described in Note 4, to preserve the accumulated surplus. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

e) Cash and cash equivalents

Cash and cash equivalents include cash on hand; demand deposits and short-term highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at the date of acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

f) Prepaid expenses

Prepaid expenses include insurance and deposits and are charged over the periods expected to benefit from it.

g) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

4. Financial instruments and financial risk management

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

Financial instruments including cash and cash equivalents, portfolio investments, accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at amortized cost. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations and accumulated surplus in the period the gain or loss occurs. As at March 31, 2016, the Agency does not have any financial instruments measured at fair value. In the event financial instruments are measured at fair value gains and losses would be recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the statement of operations and accumulated surplus.

(In Thousands)

The Agency did not incur any re-measurement gains and losses during the year ended March 31, 2016 (2015 - $nil).

The Agency has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk which includes interest risk, and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and cash equivalents, portfolio investments and accounts receivable.

The maximum exposure of the Agency to credit risk is as follows:

	2016	2015
Cash and cash equivalents	$5,257	$4,998
Portfolio investments	515	515
Accounts receivable	1,002	1,047
	$6,774	$6,560

Cash and cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as the cash and cash equivalents and portfolio investments are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the receivable is composed of fees due from clients and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses.

The aging of fees receivable and allowance for doubtful accounts on the accrued administration fees as at March 31, 2016 was as follows:

	Net	Allowance
Current (note 6)	$1,002	$ 42
30-60 days past the billing date	-	-
61-90 days past the billing date	-	-
More than 90 days past the billing date	-	-
	$1,002	$ 42

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances. The Agency prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. The Agency continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting. The Agency's accounts payable and accrued liabilities mature within 12 months.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Agency's income or the fair values of its financial instruments. The significant market risk that the Agency is exposed to is interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents and portfolio investments.

The interest rate risk on cash and cash equivalents and portfolio investments is considered to be low because of their short-term nature and because amounts are re-invested annually.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currencies.

5. Cash and cash equivalents

	2016	2015
Cash	$ 3,832	$ 2,673
Demand deposits	1,425	2,325
	$ 5,257	$ 4,998

(In Thousands)

6. Accounts receivable

	2016	2015
Fees receivable	$ 1,012	$ 1,062
Allowance for doubtful accounts	(42)	(45)
	970	1,017
Interest receivable	16	16
Advances to clients	10	8
Cost recoveries	6	6
	$ 1,002	$ 1,047

7. Accounts payable and accrued liabilities

	2016	2015
Operating expenses payable	$ 285	$ 242
Salaries and benefits payable	339	144
Vacation entitlements earned	416	412
GST payable to Canada Revenue Agency	33	29
	$ 1,073	$ 827

8. Employee future benefits

	2016	2015
Severance benefits	$ 562	$ 603
Sick pay benefits	95	100
	$ 657	$ 703

Severance benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis.

The Agency's actuarially determined net liability for accounting purposes as at March 31, 2016 was $679 (2015 - $664). The actuarial loss of $210 based on actuarial reports is being amortized over the 15 year expected average remaining service life ("EARSL") of the employee group. Benefits paid during the year were $117 (2015 – $40)

(In Thousands)

The severance benefit liability at March 31 includes the following components:

	2016	2015
Balance beginning of year	$ 734	$ 634
Actuarial loss		70
Benefits accrued	27	28
Interest on accrued benefits	44	42
Severance paid	(126)	(40)
Accrued benefit liability	679	734
Less: unamortized actuarial losses	(117)	(131)
Severance benefit liability	$ 562	$ 603

The total expense related to severance benefits at March 31 includes the following components:

	2016	2015
Interest on obligation	$ 44	$ 42
Employer service cost	27	28
Amortization of actuarial loss over EARSL	14	14
Total expense related to severance benefits	$ 85	$ 84

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2016 present value of the accrued severance benefit obligation were:

	2016	2011
Annual rate of return		
Inflation component	2.00%	2.00%
Real rate of return	4.00%	4.00%
	6.00%	6.00%
Assumed salary increase rates		
Annual productivity increase	1.00%	1.00%
Annual general salary increase	2.75%	2.75%
	3.75%	3.75%

(In Thousands)

Sick pay benefits

The Agency provides its employees with sick leave benefits that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 5.00% annual return (2015 5.00%) and a 3.00% annual salary increase (2015 3.00%).

9. Tangible capital assets

	2016			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furnishings and equipment	$ 327	$ 16	$ -	$ 343
Computer hardware and software	121	2	-	123
Leasehold improvements	94	-	-	94
Total cost	$ 542	$ 18	$ -	$ 560
Accumulated amortization				
Furnishings and equipment	$ 300	$ 9	$ -	$ 309
Computer hardware and software	120	1	-	121
Leasehold improvements	59	11	-	70
Total accumulated amortization	$ 479	$ 21	$ -	$ 500
Net book value	$ 63	$ 3	$ -	$ 60

	2015			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furnishings and equipment	$ 326	$ 1	$ -	$ 327
Computer hardware and software	121	-	-	121
Leasehold improvements	94	-	-	94
Total cost	$ 541	$ 1	$ -	$ 542
Accumulated amortization				
Furnishings and equipment	$ 293	$ 7	$ -	$ 300
Computer hardware and software	119	1	-	120
Leasehold improvements	47	12	-	59
Total accumulated amortization	$ 459	$ 20	$ -	$ 479
Net book value	$ 82	$ 19	$ -	$ 63

(In Thousands)

10. Designated portfolio investments

Portfolio investments consist of designated assets and non-redeemable investments and guaranteed investment certificates. The Agency has allocated $515 (2015 - $515) of its portfolio investments as designated assets for cash received from the Province of Manitoba as settlement for the severance pay benefits accumulated to March 31, 1998 for certain of its employees. This amount is held in an interest bearing account. Any unused balance is re-invested annually. Funds are to be used for payments to employees for their outstanding severance pay amounts. Interest amounted to $5 (2015 - $6)

11. Commitments

The Agency has an arrangement with the Province of Manitoba, through the Department of Infrastructure and Transportation, for rental of its facilities at 155 Carlton Street in Winnipeg and its facility in the Provincial Building in Brandon. Accommodation costs are estimated to be $438 for the year ended March 31, 2016.

12. Fees and other revenue

	2016	2015
Administration	$ 5,987	$ 6,032
Legal fees	404	414
Income taxes	317	302
Inspection	288	273
	$ 6,996	$ 7,021

(In Thousands)

13. Other administration expenses

	2016	2015
Computer expenses	$ 599	$ 629
Courier charges	8	7
Insurance, loss, damage	21	29
Office supplies	80	99
Other	2	2
Personnel expenses	26	15
Photocopies	0	1
Postage	81	77
Professional fees	156	102
Publications	2	1
Public communications	8	21
Records Centre charges	29	25
Rentals, equipment	3	1
Repairs and maintenance	8	9
SAP costs	0	6
Support services - Department of Justice	21	21
Telephone	52	52
Travel	41	55
	$ 1,137	$ 1,152

14. Pension benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act ("CSSA"), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid at March 31 was $345 (2015 - $336). Under this agreement, the Agency has no further pension liability. As at December 31, 2015 the Civil Service Superannuation Fund had a deficit of $3.9 billion.

15. Related party transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business. The transactions are recorded at the exchange amount.

16. Escheats to the Crown

Escheats to the Crown relate to estates of deceased persons with no heirs. These estates are sent by the Public Guardian and Trustee to the Department of Finance annually. Escheats to the Crown, received by the Agency during the year and remitted to the Minister of Finance, amounted to $37 (2015 - $85). These amounts are not reflected in these financial statements.

17. Estates and trusts under administration

The client assets under administration at March 31, 2016 totaled approximately $244,000 (2015 - $240,000). The trust activities of the Agency are reported in a separate Estates and Trusts under Administration financial statements.

18. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Agency.

19. Comparative Figures

Certain comparative figures have been restated to conform with the current year's presentation.

Management's Responsibility for Financial Reporting

Management's Responsibility for Financial Reporting

The Vehicle and Equipment Management Agency's (the Agency) management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position, results of operations, change in net debt, and cash flows, in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. In management's opinion, the financial statements have been properly prepared, within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available through June 24, 2016.

Management maintains internal controls to properly safeguard the Agency's assets. These controls also provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions in all material respects, and that established policies and procedures are followed.

The Agency's financial statements have been audited by MNP LLP, independent external auditors. The auditors' responsibility is to express an independent opinion on whether the financial statements of the Agency are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of the Agency's management,

Original signed by
Al Franchuk

Al Franchuk
Chief Operating Officer

Original signed by
Kyle Giesbrecht

Kyle Giesbrecht
Manager, Finance and Administration

Winnipeg, Manitoba
June 24, 2016

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An Agency of the Manitoba Government

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Independent Auditors' Report

Independent Auditors' Report

To the Special Operating Agencies Financing Authority of Vehicle and Equipment Management Agency:

We have audited the accompanying financial statements of Vehicle and Equipment Management Agency (an Agency of the Special Operating Agencies Financing Authority Province of Manitoba), which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Vehicle and Equipment Management Agency (an Agency of the Special Operating Agencies Financing Authority Province of Manitoba), as at March 31, 2016, and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Original signed by
MNP LLP

Winnipeg, Manitoba

June 24, 2016

Chartered Professional Accountants

Financial Statements

Statement of Financial Position
March 31, 2016
(In thousands of dollars)

	March 31 2016	March 31 2015
Financial assets		
Cash and cash equivalents	**$ 1,345**	$ 275
Receivables *(Note 5)*	**5,670**	5,891
Portfolio investments *(Notes 6 and 10)*	**1,433**	1,433
Inventory for resale	**4,666**	3,790
	13,114	11,389
Liabilities		
Working capital advances *(Note 7)*	**-**	2,283
Accounts payable and accrued liabilities	**9,788**	4,002
Unearned revenue	**3,966**	2,541
Severance pay liability *(Note 6)*	**1,531**	1,541
Borrowings from the Province of Manitoba *(Note 8)*	**112,521**	100,700
	127,806	111,067
Net debt	**(114,692)**	(99,678)
Non-financial assets		
Prepaid expenses	**2,867**	2,796
Tangible capital assets *(Note 9)*		
Vehicles and equipment	**137,179**	122,854
Office and shop equipment	**432**	418
Computer hardware and software	**1**	4
Leasehold improvements	**161**	166
	137,773	123,442
	140,640	126,238
Accumulated surplus	**$ 25,948**	$ 26,560

Designated assets *(Note 10)*
Commitments *(Note 11)*

See accompanying notes to financial statements.

Financial Statements

Statement of Operations
Year Ended March 31, 2016
(In thousands of dollars)

	2016 Projected	2016 Actual	2015 Actual
Revenues			
Vehicle and equipment utilization	$ 55,680	**$ 55,758**	$ 52,814
Fuel billings	23,485	**18,228**	22,510
Insurance and other billings	4,700	**4,845**	4,589
Other revenue (Page 29)	8,915	**9,742**	10,438
	92,780	**88,573**	90,351
Expenses			
Salaries and wages	9,750	**9,651**	9,212
Vehicle and equipment operating expenses (Page 29)	70,090	**66,636**	68,744
Administrative expenses (Page 29)	6,210	**6,504**	5,938
Community service	40	**27**	27
Interest expense	4,150	**3,867**	3,912
	90,240	**86,685**	87,833
Income from operations	2,540	**1,888**	2,518
Transfers during the year to the Province of Manitoba	2,500	**2,500**	2,500
Net income (loss)	40	**(612)**	18
Accumulated surplus, beginning of year	26,563	**26,560**	26,542
Accumulated surplus, end of year	$ 26,603	**$ 25,948**	$ 26,560

See accompanying notes to financial statements.

Financial Statements

Statement of Change in Net Debt
Year Ended March 31, 2016
(In thousands of dollars)

	2016 Projected	2016 Actual	2015 Actual
Net income (loss)	$ 40	**$ (612)**	$ 18
Tangible capital assets			
Acquisition of tangible capital assets	(36,780)	**(43,686)**	(30,778)
Amortization of tangible capital assets	26,500	**26,437**	23,820
Gain on disposal of tangible capital assets, net	(750)	**(966)**	(838)
Proceeds from disposal of tangible capital assets	4,639	**3,884**	4,015
Net acquisition of tangible capital assets	(6,391)	**(14,331)**	(3,781)
Decrease (increase) in prepaid expenses during the year	-	**(71)**	68
Increase in net debt	(6,351)	**(15,014)**	(3,695)
Net debt, beginning of year	(100,394)	**(99,678)**	(95,983)
Net debt, end of year	$ (106,745)	**$ (114,692)**	$ (99,678)

See accompanying notes to financial statements.

Financial Statements

Statement of Cash Flows
Year Ended March 31, 2016
(In thousands of dollars)

Cash provided by (applied to):

	2016	2015
Operating activities		
Net income (loss)	**$ (612)**	$ 18
Amortization of tangible capital assets	**26,437**	23,820
Gain on disposal of tangible capital assets, net	**(966)**	(838)
Increase in severance pay liability	**126**	116
Payment of severance pay benefits	**(136)**	(102)
	24,849	23,014
Change in:		
Receivables	**221**	1,482
Inventory for resale	**(876)**	(13)
Accounts payable and accrued liabilities	**5,786**	(1,573)
Unearned revenue	**1,425**	237
Prepaid expenses	**(71)**	68
Cash provided by operating activities	**31,334**	23,215
Capital activities		
Proceeds from disposal of tangible capital assets	**3,884**	4,015
Acquisition of vehicles and equipment	**(43,563)**	(30,643)
Acquisition of office and shop equipment	**(98)**	(102)
Acquisition of leasehold improvements	**(25)**	(33)
Cash applied to capital activities	**(39,802)**	(26,763)
Financing activities		
Borrowings from the Province of Manitoba	**29,000**	20,000
Debt repayments to the Province of Manitoba	**(17,179)**	(15,138)
Cash provided by financing activities	**11,821**	4,862
Increase in cash	**3,353**	1,314
Working capital advances, net of cash and cash equivalents, beginning of year	**(2,008)**	(3,322)
Cash and cash equivalents, net of working capital advances (working capital advances, net of cash and cash equivalents), end of year	**$ 1,345**	$ (2,008)

See accompanying notes to financial statements.

Financial Statements

Notes to Financial Statements
Year Ended March 31, 2016
(In thousands of dollars)

1. Nature of organization

In 1934, Fleet Vehicles was created as a branch of the Manitoba provincial government to provide a centralized fleet management program. On April 1, 1992, the branch was approved as a special operating agency, the first such agency at the provincial level in Canada. Since inception, Fleet Vehicles Agency primarily provided light duty vehicles and equipment services, with ambulances becoming a part of the fleet starting in 2001/02. On April 1, 2003, the Agency assumed responsibility for Radio Services, a division that evaluates and supplies the fixed and mobile radio requirements of its provincial and other clients.

Following the advent of engineering-based highway management in the 1960s, the Province established a highways department. The Mechanical Equipment Services branch emerged as an integral and important part of the department, primarily providing heavy duty vehicles and equipment, as well as warehousing services. The provided services support the safe and efficient delivery of the department's construction, maintenance and preservation programs, and its remote airport programs, in a manner that incorporates the principles of sustainable development and environmental awareness.

Effective April 1, 2009, Fleet Vehicles Agency and the Mechanical Equipment Services branch were amalgamated into a new special operating agency named Vehicle and Equipment Management Agency ("VEMA", or the "Agency"). VEMA combines the acquisition, management and disposal of both light duty and heavy duty vehicles and equipment under common management.

VEMA was a part of the Department of Infrastructure and Transportation through March 31, 2015, under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and the Minister. As of April 1, 2015, the Agency was transitioned from Infrastructure and Transportation to the Department of Finance, and is now under the general direction of the Associate Deputy Minister of Finance, Central Services, and ultimately the policy direction of the Secretary to Treasury Board and the Minister of Finance.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables VEMA to operate in a business-like manner according to public policy expectations.

A Management Agreement assigns responsibility to VEMA to manage and account for the Agency-related assets and operations on behalf of SOAFA.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

2. Basis of accounting

The Agency's financial statements are prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board.

Financial Statements

Notes to Financial Statements
Year Ended March 31, 2016
(In thousands of dollars)

3. Summary of significant accounting policies

Revenues

Fixed rate lease revenue is recognized on a straight-line basis over the term of the lease. Variable rate lease revenue is recognized monthly based on equipment usage. Service revenue is recognized when the services have been performed. All revenues are recorded on an accrual basis.

Expenses

All expenses incurred for goods and services are recognized at the gross amount on an accrual basis. Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

Financial assets

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. Bank overdrafts and bank borrowings are considered to be financing activities.

(ii) Receivables

Receivables are recorded at the lower of cost and net realizable value. Amounts doubtful of collection are recorded when there is uncertainty that the amounts will be realized.

(iii) Portfolio investments

Portfolio investments are short-term deposits with original maturities of more than three months. These investments are recognized at cost.

(iv) Inventory for resale

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis.

Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded in the financial statements when there is an appropriate basis of measurement and a reasonable estimate can be made of the amounts involved.

Non-financial assets

Non-financial assets do not normally provide resources to discharge liabilities of the Agency. These assets are normally employed to provide future services.

Financial Statements

Notes to Financial Statements
Year Ended March 31, 2016
(In thousands of dollars)

3. Summary of significant accounting policies (continued)

(i) Prepaid expenses

Prepaid expenses are payments for goods or services that will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year that the goods or services are consumed.

(ii) Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs such as freight charges, transportation, insurance costs and duties. Modifications or additions to the original asset are capitalized and recognized at cost.

The values of tangible capital assets are written down when conditions indicate that the values of the future economic benefits associated with the tangible capital assets are less than their book values.

The costs of tangible capital assets, less their estimated residual values, are amortized over their useful lives in the following manner:

Vehicles and equipment	30%, declining balance method
Vehicles and equipment (signed lease agreement)	Straight-line over term of lease
Office and shop equipment	20%, declining balance method
Computer hardware and software	20%, straight-line method
Leasehold improvements	10%, straight-line method

Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Judgment is required in determining the future economic benefit of all non-financial assets, especially in the estimation of the useful lives of tangible capital assets. Actual results could differ from these estimates.

4. Financial instruments and financial risk management

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records its financial assets at cost. Financial assets include cash and cash equivalents, receivables and portfolio investments. The Agency also records its financial liabilities at cost. Financial liabilities include working capital advances, accounts payable and accrued liabilities, and borrowings from the Province of Manitoba.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative

Financial Statements

Notes to Financial Statements
Year Ended March 31, 2016
(In thousands of dollars)

4. Financial instruments and financial risk management (continued)

re-measurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

As the Agency has no financial instruments measured at fair value, it did not incur any re-measurement gains and losses during the year ended March 31, 2016 (2015 - $nil).

Financial risk management – overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; and interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and cash equivalents, receivables and portfolio investments.

The maximum exposure of the Agency to credit risk as of March 31, 2016, is:

	2016	2015
Cash and cash equivalents	**$ 1,345**	$ 275
Receivables	**5,670**	5,891
Portfolio investments	**1,433**	1,433
	$ 8,448	$ 7,599

Cash and cash equivalents, and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are primarily held by the Province of Manitoba.

Receivables: The Agency is not exposed to significant credit risk since the receivables are with departments, agencies and Crown corporations with the Manitoba provincial government, or are with organizations within the broader public sector that are funded in part by the provincial or federal governments. The receivable balances are from a large client base, and payment in full is typically collected when it is due. An allowance for doubtful accounts was not recorded as of March 31, 2016 (2015 - $nil).

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by balancing its cash flow requirements with draw downs from its available working capital advances and its other borrowings from the Province of Manitoba. Regular determinations of the Agency's working capital advances limit and its other debt requirements are reviewed by the Province of Manitoba to ensure that adequate funding is available as required to enable the Agency to meet its obligations as they come due. The

Financial Statements

Notes to Financial Statements
Year Ended March 31, 2016
(In thousands of dollars)

4. *Financial instruments and financial risk management* (continued)

contractual maturities of the Agency's borrowings from the Province of Manitoba are included in note 8. Working capital advances are due on demand.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income from operations or the fair values of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash, cash equivalents, portfolio investments, working capital advances, and to other borrowings.

The interest rate risk on cash and cash equivalents and working capital advances is considered to be low because of their short term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

The Agency manages its interest rate risk on long term borrowings through the exclusive use of fixed rate terms on each amount borrowed.

5. *Receivables*

	March 31 2016	March 31 2015
Trade	**$ 2,386**	$ 2,551
Accrued trade	**2,534**	2,590
Insurance rebate receivable	**750**	750
	$ 5,670	$ 5,891

6. *Severance pay liability*

The Agency records accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of 15 years, by the weekly salary at date of retirement, provided the employee has reached nine years of service and retires from the Province. There is also additional severance pay for employees with 20 or more years of accumulated service. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees through specific dates. For the Fleet Vehicles Agency employees, that responsibility is reflected through the payment by the Province of $270 on March 31, 2009. For the Mechanical Equipment Services employees, that responsibility is reflected through the payment by the Province of $1,163 on July 31, 2010. The $1,433 in combined payments is held in an interest bearing trust account until the cash is required to discharge the related liability.

Financial Statements

Notes to Financial Statements
Year Ended March 31, 2016
(In thousands of dollars)

6. Severance pay liability (continued)

An actuarial valuation report was completed for the severance pay liability as of December 31, 2013. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's liability is recalculated annually, with payments to retiring employees no longer with the Agency or the Province charged against the liability.

Significant long-term actuarial assumptions used in the December 31, 2013, valuation were:

Annual rate of return	
Inflation component	2.00%
Real rate of return	4.00%
	6.00%
Assumed salary increase rates	
Annual productivity increase	1.00%
Annual general salary increase	2.75%
	3.75%

Actuarial valuation report updates are prepared every three years. Actuarial adjustments that result from the updates are absorbed by VEMA as a part of the benefits and interest accrued during the year in which the adjustment amounts are known.

The severance pay liability as of March 31 included the following components:

	2016	2015
Severance pay liability, beginning of year	**$ 1,541**	$ 1,527
Benefits and interest accrued during the year	**126**	116
Severance benefits paid during the year	**(136)**	(102)
	$ 1,531	$ 1,541

7. Working capital advances

The Agency has an authorized line of working capital advances of $10,000, none of which was used as of March 31, 2016 (2015 - $2,283). Advances bear interest at prime less 1% and are unsecured.

8. Borrowings from the Province of Manitoba

By virtue of the Management Agreement, the Agency is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed in this Note on behalf of Vehicle and Equipment Management Agency.

Borrowings obtained through the use of available Loan Act Authority are repayable in semi-annual instalments of principal and interest, as follows:

Financial Statements

Notes to Financial Statements
Year Ended March 31, 2016
(In thousands of dollars)

8. *Borrowings from the Province of Manitoba* (continued)

Interest rate	Semi-annual payment ($)	Maturity date	2016	2015
4.125%	117	September 30, 2015	**$ -**	$ 115
2.5%	482	September 30, 2015	**-**	476
2.563%	271	September 30, 2016	**268**	793
2.05%	581	September 30, 2016	**576**	1,709
3.45%	186	March 31, 2017	**362**	713
2.375%	213	March 31, 2017	**419**	828
2.25%	269	September 30, 2017	**788**	1,299
2.125%	530	September 30, 2017	**1,556**	2,566
2.125%	212	March 31, 2018	**825**	1,225
2.2%	232	September 30, 2018	**1,125**	1,558
2.75%	754	September 30, 2018	**3,619**	4,999
2.5%	535	September 30, 2019	**3,565**	4,527
2.5%	482	September 30, 2019	**3,208**	4,075
2.625%	272	March 31, 2020	**2,052**	2,532
1.875%	631	September 30, 2020	**5,425**	-
1.8125%	265	March 31, 2021	**2,522**	3,000
2.125%	530	March 31, 2021	**5,000**	-
2%	267	September 30, 2021	**2,763**	-
2.3125%	269	September 30, 2021	**2,766**	-
2.8%	526	September 30, 2022	**6,218**	7,079
4.875%	237	September 30, 2023	**2,947**	3,265
3.4%	102	September 30, 2023	**1,343**	1,498
2.625%	488	September 30, 2023	**6,604**	-
5%	334	March 31, 2024	**4,366**	4,800
4.875%	192	March 31, 2024	**2,519**	2,770
2.625%	349	March 31, 2024	**5,000**	-
4.5%	162	September 30, 2024	**2,263**	2,478
4%	201	September 30, 2025	**3,150**	3,418
3.9%	158	September 30, 2025	**2,484**	2,697
4.55%	162	March 31, 2026	**2,584**	2,784
3.3%	213	September 30, 2027	**4,043**	4,327
3.25%	127	September 30, 2027	**2,424**	2,595
3.375%	86	March 31, 2028	**1,676**	1,788
5%	80	March 31, 2030	**1,591**	1,668
			86,051	71,582
Amount of debt owing in connection with the transfer of Mechanical Equipment Services branch net assets on April 1, 2009				
4.875%	2,018	March 31, 2024	**26,470**	29,118
Amount of borrowings owing to the Province of Manitoba at year-end			**$ 112,521**	$ 100,700

Financial Statements

Notes to Financial Statements
Year Ended March 31, 2016
(In thousands of dollars)

8. *Borrowings from the Province of Manitoba* (continued)

Unused loan authority of $9,000 was available as of March 31, 2015, with that amount drawn down on September 30, 2015. An additional $26,000 of loan authority availability was approved during November 2015 in The Loan Act, 2015, with $10,000 of that availability drawn down on December 29, 2015, and a further $10,000 of that availability drawn down on March 31, 2016. Unused loan authority available as of March 31, 2016, was $6,000.

All borrowings from the Province of Manitoba are payable in instalments of principal and interest on March 31 and September 30 each year. Interest cost is measured using the effective interest method.

As of March 31, 2016, principal repayments in each of the next five years on the combined outstanding balances owing to the Province of Manitoba are as follows:

2017	$ 19,241
2018	17,361
2019	15,687
2020	14,184
2021	12,455

9. *Tangible capital assets*

	2016			
Cost	Opening balance	Additions	Disposals	**Closing balance**
Vehicles and equipment	$ 243,928	$ 43,563	$ (16,984)	**$ 270,507**
Office and shop equipment	1,626	98	-	**1,724**
Computer hardware and software	399	-	-	**399**
Leasehold improvements	894	25	-	**919**
	246,847	43,686	(16,984)	**273,549**
Accumulated amortization				
Vehicles and equipment	121,074	26,320	(14,066)	**133,328**
Office and shop equipment	1,208	84	-	**1,292**
Computer hardware and software	395	3	-	**398**
Leasehold improvements	728	30	-	**758**
	123,405	26,437	(14,066)	**135,776**
Net book value	$ 123,442	$ 17,249	$ (2,918)	**$ 137,773**

Financial Statements

Notes to Financial Statements
Year Ended March 31, 2016
(In thousands of dollars)

9. Tangible capital assets (continued)

	2015			
Cost	Opening balance	Additions	Disposals	Closing balance
Vehicles and equipment	$ 233,602	$ 30,643	$ (20,317)	$ 243,928
Office and shop equipment	1,524	102	-	1,626
Computer hardware and software	410	-	(11)	399
Leasehold improvements	861	33	-	894
	236,397	30,778	(20,328)	246,847
Accumulated amortization				
Vehicles and equipment	114,507	23,707	(17,140)	121,074
Office and shop equipment	1,121	87	-	1,208
Computer hardware and software	403	3	(11)	395
Leasehold improvements	705	23	-	728
	116,736	23,820	(17,151)	123,405
Net book value	$ 119,661	$ 6,958	$ (3,177)	$ 123,442

10. Designated assets

The Agency has allocated $1,433 (2015 - $1,433) of its portfolio investments as designated assets for its severance pay liability.

11. Commitments

(a) VEMA has arrangements with the Government of Manitoba for the rental of facilities in Beausejour, Brandon, Dauphin, The Pas, Thompson and Winnipeg, Manitoba. Occupancy charges for each fiscal year including 2016/17 are established annually based on the approved budget for the Accommodation Services division of Central Services, Finance. Occupancy charges for 2016/17 are estimated at $2,500 for the year, to be paid in quarterly instalments during 2016/17.

(b) VEMA's approved 2016/17 Business Plan calls for $2,500 to be paid to the Consolidated Fund of the Province of Manitoba for the year in quarterly instalments of $625.

12. Pension benefits

Employees of VEMA are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the provincial government, including the Agency, through the Civil Service Superannuation Fund.

Financial Statements

Notes to Financial Statements
Year Ended March 31, 2016
(In thousands of dollars)

12. Pension benefits (continued)

The pension liability related to the CSSA's defined benefit plan is included in the Province of Manitoba's financial statements. Accordingly, no provision is required in the Agency's financial statements relating to the effects of participation in the plan by the Agency and its employees.

The Agency is regularly required to pay to the Province an amount equal to the current pension contributions paid by its employees. The amount paid for 2016 was $730 (2015 - $675).

Financial Statements

Schedule of Other Revenue and Expenses
Year Ended March 31, 2016
(In thousands of dollars)

	2016 Projected	2016 Actual	2015 Actual
Other revenue			
Autopac service	$ 550	**$ 640**	$ 810
Gain on disposal of tangible capital assets, net	750	**966**	838
Garage regular service	4,500	**5,353**	5,068
Insurance premium rebates	1,400	**1,575**	2,125
Interest income	15	**9**	14
Other service revenue	150	**106**	155
Radio Services	1,550	**1,093**	1,428
	$ 8,915	**$ 9,742**	$ 10,438
Vehicle and equipment operating expenses			
Amortization of tangible capital assets	$ 26,400	**$ 26,320**	$ 23,707
Fuel	24,000	**18,222**	22,487
Insurance premiums	4,730	**5,279**	4,878
Licenses	160	**151**	154
Repairs and maintenance	14,800	**16,664**	17,518
	$ 70,090	**$ 66,636**	$ 68,744
Administrative expenses			
Amortization of tangible capital assets	$ 100	**$ 117**	$ 113
Fleet management information system	450	**466**	440
Human resource overhead	2,360	**2,306**	2,226
Occupancy costs	2,400	**2,498**	2,329
Other costs	400	**412**	361
Professional fees	20	**20**	12
SOAFA charges	6	**6**	6
Supplies and materials	300	**453**	274
Telephone and communication	174	**226**	177
	$ 6,210	**$ 6,504**	$ 5,938

VITAL STATISTICS AGENCY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements and all the information in the annual report are the responsibility of the management of Vital Statistics Agency and have been prepared in accordance with Public Sector Accounting Standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to June 14, 2016.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all the transactions and that established policies and procedures are followed.

The responsibility of Bulat & Poustie is to express an independent opinion on whether the financial statements of Vital Statistics Agency are fairly presented in accordance with Public Sector Accounting Standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,
Vital Statistics Agency

Original Document Signed

Denise Koss, Chief Operating Officer
June 14, 2016

BULAT & POUSTIE
CHARTERED ACCOUNTANTS

1700 Ness Avenue
Winnipeg, Manitoba R3J 3Y1
Telephone: (204) 831-1700
Fax: (204) 831-7812

INDEPENDENT AUDITOR'S REPORT

TO THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY

We have audited the accompanying financial statements of Vital Statistics Agency, an Agency of the Government of Manitoba which comprise the statement of financial position as at March 31, 2016 and the statement of operations, statement of change in net debt, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Vital Statistics Agency as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

BULAT & POUSTIE

Bulat & Poustie

CHARTERED ACCOUNTANTS

June 14, 2016
Winnipeg, Manitoba

VITAL STATISTICS AGENCY
AN AGENCY OF THE GOVERNMENT OF MANITOBA

STATEMENT OF FINANCIAL POSITION
(in thousands)
AS AT MARCH 31, 2016

		2016		2015
FINANCIAL ASSETS				
Cash and cash equivalents, note 6	$	**216**	$	-
Accounts receivable, note 7		**114**		173
Portfolio investments		**94**		94
Inventories for resale		**194**		185
		618		452
LIABILITIES				
Bank indebtedness, note 6	$	**-**	$	110
Accounts payable and accruals		**325**		134
Unearned revenue		**132**		135
Accrued unused vacation entitlements		**197**		176
Employee future benefits, note 8		**247**		266
		901		821
NET DEBT		**(283)**		(369)
NON-FINANCIAL ASSETS				
Prepaid expenses		**85**		88
Tangible capital assets, note 9		**579**		725
		664		813
ACCUMULATED SURPLUS	$	**381**	$	444

Designated assets, note 10
Commitments, note 11

The accompanying notes are an integral part of the financial statements

VITAL STATISTICS AGENCY
AN AGENCY OF THE GOVERNMENT OF MANITOBA

STATEMENT OF OPERATIONS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget	**2016 Actual**	2015 Actual
REVENUE			
Net sales	$ 3,802	**$ 3,604**	$ 3,542
Proceeds from government departments	296	**334**	338
Interest	1	**1**	1
	4,099	**3,939**	3,881
EXPENSES			
Salaries and employee benefits	2,341	**2,347**	2,401
Operating expenses, Schedule 1	1,208	**1,125**	1,120
Amortization	168	**150**	185
Funeral Board of Manitoba operating grant	160	**160**	180
	3,877	**3,782**	3,886
Net income (loss) before the transfer of funds to the Province of Manitoba	222	**157**	(5)
Transfer of funds to the Province of Manitoba, note 12	220	**220**	200
NET INCOME (LOSS)	2	**(63)**	(205)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	444	**444**	649
ACCUMULATED SURPLUS, END OF YEAR	$ 446	**$ 381**	$ 444

The accompanying notes are an integral part of the financial statements

VITAL STATISTICS AGENCY
AN AGENCY OF THE GOVERNMENT OF MANITOBA

STATEMENT OF CHANGE IN NET DEBT
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget	**2016 Actual**	2015 Actual
NET INCOME (LOSS)	$ 2	**$ (63)**	$ (205)
TANGIBLE CAPITAL ASSETS			
Acquisition of tangible capital assets	-	**(4)**	(8)
Amortization of tangible capital assets	168	**150**	185
Net acquisition of tangible capital assets	168	**146**	177
OTHER NON-FINANCIAL ASSETS			
Decrease in prepaid expenses	-	**3**	5
DECREASE (INCREASE) IN NET DEBT	170	**86**	(23)
NET DEBT, BEGINNING OF YEAR	(369)	**(369)**	(346)
NET DEBT, END OF YEAR	$ (199)	**$ (283)**	$ (369)

The accompanying notes are an integral part of the financial statements

VITAL STATISTICS AGENCY
AN AGENCY OF THE GOVERNMENT OF MANITOBA

STATEMENT OF CASH FLOWS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2016

	2016 Actual	2015 Actual
CASH PROVIDED BY (APPLIED TO):		
OPERATING		
Net loss	$ (63)	$ (205)
Amortization of tangible capital assets	150	185
	87	(20)
Changes in the following:		
Accounts receivable	59	8
Inventories for resale	(9)	(23)
Accounts payable and accruals	191	(10)
Unearned revenue	(4)	82
Accrued unused vacation entitlements	23	(6)
Employee future benefits	(20)	(5)
Prepaid expenses	3	5
	330	31
CAPITAL		
Acquisition of tangible capital assets	(4)	(8)
INCREASE IN CASH AND CASH EQUIVALENTS	326	23
CASH AND CASH EQUIVALENTS (DEFICIENCY), BEGINNING OF YEAR	(110)	(133)
CASH AND CASH EQUIVALENTS (DEFICIENCY), END OF YEAR	$ 216	$ (110)
Supplementary information:		
Interest paid	$ -	$ -
Interest received	$ 1	$ 1

The accompanying notes are an integral part of the financial statements

1. ENTITY DEFINITION

Effective April 1, 1994, the Lieutenant Governor in Council designated the Vital Statistics Agency (the "Agency") as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. cS185) by Order in Council 232/1994. The Order also gave approval to the Special Operating Agencies Financing Authority (SOAFA) and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Agency at that time, to enter into a Management Agreement with respect to the Agency.

A Management Agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to the Agency in delivering regulated services to clients through administration of three major Acts; The Vital Statistics Act, The Change of Name Act, and The Marriage Act. The Agency also handles disinterments under the Public Health Act. The ownership of the vital events records is excluded from this agreement, as their ownership is considered Crown property and should not be alienated from Government protection in the the public interest.

The Agency is part of the Consumer and Corporate Affairs Division in the Healthy Living, Seniors and Consumer Affairs Department under the general direction of the Minister of Healthy Living, Seniors and Consumer Affairs, the Deputy Minister and Assistant Deputy Minister who is also Chairperson of Vital Statistics Advisory Board.

The Agency remains bound by relevant legislation and regulation. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

2. BASIS OF ACCOUNTING

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. SIGNIFICANT ACCOUNTING POLICIES

Deferred Revenue and Revenue Recognition

Government transfers

Government transfer without eligibility criteria or stipulations is recognized as revenue when the transfer is authorized.

Government transfer with eligibility criteria but without stipulations is recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfer with or without eligibility criteria but with stipulations is recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

Significant Accounting Policies - continued

Exchange transactions

The Agency receives cash payments at the time various certificates are ordered and the cash payments are reflected as deferred revenue. Revenue is recognized at the time the service is completed and the certificate is issued.

Other revenue

All other revenues are recorded on an accrual basis.

Expenses

Accrual accounting

All expenses incurred for goods and services are recorded on an accrual basis.

Government transfers

Government transfer without eligibility criteria or stipulations is recognized as revenue when the transfer is authorized.

Financial Assets

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balance, bank indebtedness, and investments with a maturity of three months or less from the date of acquisition.

Portfolio investments

Portfolio investments are short-term deposits with original maturities of more than three months. The investments are recognized at cost.

Inventories for resale

Inventory of certificates and pre-printed forms are valued at the lower of and net realizable value. Cost is generally determined on a first-in, first-out method.

Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

Non-Financial Assets

Non-financial assets do not normally provide resources to discharge liabilities of the Agency. These assets are normally employed to provide future services.

Prepaid expenses

Prepaid expenses are payments for goods or services which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

Significant Accounting Policies - continued

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes the purchase price as well as other acquisition costs. The costs of tangible capital assets are amortized over their estimated useful lives as follows:

	Rate	Method
Data conversion	20 %	Declining balance
Furniture and fixtures	20 %	Straight line
Information system	20 %	Declining balance
Leasehold improvements	20 %	Straight line
National Routing System - Computer equipment and software	20 %	Declining balance
Office equipment	20 %	Straight line
Security equipment	20 %	Straight line

Measurement Uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records its financial assets at cost, which include cash and cash equivalents, portfolio investments, accounts receivable, and inventories for resale. The Agency also records its financial liabilities at cost, which includes accounts payable and accruals.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

The Agency did not incur any re-measurement gains and losses during the year (2015 - $nil).

Financial Risk Management - overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash, accounts receivable and portfolio investments.

(in thousands)

Financial Instruments and Financial Risk Management - continued

The maximum exposure of the Agency to credit risk at year end is:

	2016	2015
Cash on hand and balances in bank, note 6	$ 216	$ 37
Accounts receivable	114	173
Portfolio investments	94	94
	$ 424	$ 304

Cash and cash equivalents, and portfolio investments: The Agency is not exposed to significant credit risk as these instruments are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as no one party accounts for a significant balance of trade receivables and payment in full is typically collected when it is due. The majority of the other receivables is due from the federal government. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The aging of accounts receivable and allowance for doubtful accounts as of March 31, 2016 was:

	Net	Allowance
Current	$ 114	$ -
Greater than 90 days past the billing date	-	1
Balance, end of the year	$ 114	$ 1

The change in the allowance for doubtful accounts during the year was as follows:

	2016	2015
Balance, beginning of the year	$ 2	$ 1
Provision for receivable impairment	-	4
Amounts recovered	(1)	(3)
Balance, end of the year	$ 1	$ 2

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments.

Financial Instruments and Financial Risk Management - continued

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit and portfolio investments.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered to be low as the original deposits are reinvested at rates for investments with similar terms and conditions.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. WAIVER OF FEES

The Agency charges no fee for services in exchange for services from the following organizations:

(a) The Manitoba Bureau of Statistics.
(b) Vital Statistics Offices in other jurisdictions through agreements to exchange information between jurisdictions as it relates to one another's residency or birthplace.

Services provided under the above agreements are valued at $39 for the year ended March 31, 2016 (2015 - $38).

The Agency provides services without compensation to victims of crimes as follows:

In March of 1998, the Ministers of Justice, Consumer and Corporate Affairs, and Highways and Transportation agreed that the fees for replacement documents should be waived. Representatives of Vital Statistics and the Division of Driver and Vehicle Licensing met to coordinate the process so the public would receive the same program from both agencies.

Effective January 1, 1999, members of the public who have had their birth certificate stolen during a criminal act can request replacement certificates and have the fee waived. This does not apply to members of the public who have lost their identification or individuals who are non-residents of Manitoba. Clients are asked to indicate that they are requesting a waiver of fees as a result of a criminal act and to provide police incident number.

Service provided under the above arrangement are valued at $5 for the year ended March 31, 2016 (2015 - $6).

(in thousands)

6. CASH AND CASH EQUIVALENTS, AND BANK INDEBTEDNESS

		2016		2015
Cash on hand and balances in bank less outstanding cheques	$	**216**	$	37
Working capital advances		**-**		(147)
	$	**216**	$	(110)

Working capital advances and long term financing for significant capital purchases are provided to the Agency through the Special Operating Agencies Financing Authority. The Financing Authority has approved a $212 limit (2015 - $212) for working capital advances and a capital supply of $250 for the Agency. At March 31, 2016 the Agency has accessed working capital advances of $nil (2015 - $147).

7. ACCOUNTS RECEIVABLE

		2016		2015
Trade	$	**115**	$	175
Less: Allowance for doubtful accounts		**1**		2
	$	**114**	$	173

8. EMPLOYEE FUTURE BENEFITS

		2016		2015
Severance benefits	$	**210**	$	229
Sick pay benefits		**37**		37
	$	**247**	$	266

Pension benefits

Employees of the Vital Statistics Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA) administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Vital Statistics Agency, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Vital Statistics Agency transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2016 was $139 (2015 - $144). Under this agreement, the Agency has no further pension liability.

(in thousands)

Employee Future Benefits - continued

Severance benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2011. The report provides a formula to update the liability on an annual basis. The Vital Statistics Agency's actuarially determined net liability for accounting purposes as at March 31, 2016 was $210 (2015 - $229). The actuarial loss of $88 based on actuarial reports is being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2011 valuation, and in the determination of the March 31, 2016 present value of the accrued severance benefit obligation were:

Annual rate of return	
Inflation component	2.00 %
Real rate of return	4.00 %
	6.00 %
Assumed salary increase rates	
Annual productivity increase	1.00 %
Annual general salary increase	2.75 %
	3.75 %

The severance benefit liability at March 31 includes the following components:

	2016	2015
Balance, beginning of year	$ 229	$ 234
Actuarial loss	53	59
Benefits accrued	12	12
Interest on accrued benefits	17	18
Severance paid	(55)	(41)
Accrued benefit liability	256	282
Less: unamortized actuarial losses	(46)	(53)
Severance benefit liability	$ 210	$ 229

The total expenses related to severance benefits at March 31 includes the following components:

	2016	2015
Interest on obligation	$ 17	$ 18
Current period benefit cost	12	12
Amortization of actuarial gain over EARSL	6	6
Total expense related to severance benefits	$ 35	$ 36

(in thousands)

Employee Future Benefits - continued

Sick pay benefits

Vital Statistics Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 6.00% annual return and a 3.75% annual salary increase.

9. TANGIBLE CAPITAL ASSETS

	2016			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Data conversion	$ 2,555	$ -	$ -	$ 2,555
Furniture and fixtures	129	4	-	133
Information system	1,619	-	-	1,619
Leasehold improvements	99	-	-	99
National Routing System	448	-	-	448
Office equipment	218	-	-	218
Security equipment	75	-	-	75
	5,143	4	-	5,147
Accumulated amortization				
Data conversion	2,154	81	-	2,235
Furniture and fixtures	124	1	-	125
Information system	1,411	42	-	1,453
Leasehold improvements	98	1	-	99
National Routing System	348	20	-	368
Office equipment	208	5	-	213
Security equipment	75	-	-	75
	4,418	150	-	4,568
Net book value	$ 725	$ (146)	$ -	$ 579

(in thousands)

Tangible Capital Assets - continued

	2015			
	Opening Balance	**Additions**	**Disposals**	**Closing Balance**
Cost				
Data conversion	$ 2,555	$ -	$ -	$ 2,555
Furniture and fixtures	123	6	-	129
Information system	1,619	-	-	1,619
Leasehold improvements	99	-	-	99
National Routing System	448	-	-	448
Office equipment	216	2	-	218
Security equipment	75	-	-	75
	5,135	8	-	5,143
Accumulated amortization				
Data conversion	2,056	98	-	2,154
Furniture and fixtures	122	2	-	124
Information system	1,358	53	-	1,411
Leasehold improvements	97	1	-	98
National Routing System	322	26	-	348
Office equipment	203	5	-	208
Security equipment	75	-	-	75
	4,233	185	-	4,418
Net book value	$ 902	$ (177)	$ -	$ 725

10. DESIGNATED ASSETS

The Agency has allocated $94 (2015 - $94) of its portfolio investments as designated assets for cash received from the Province of Manitoba for vacation entitlements earned by employees of the Agency prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of their employees. This amount is held by an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

11. COMMITMENTS

The Agency has not entered into a lease agreement with the Province of Manitoba for rental of facilities at 254 Portage Avenue. Occupancy charges for the year ending March 31, 2017 are estimated to be $189 (2016 - $189).

12. TRANSFER OF FUNDS TO THE PROVINCE OF MANITOBA

During the year, with Lieutenant-Governor-in-Council approval by Order in Council, the Agency transferred $220 (2015 - $200) of its surplus funds to the Province of Manitoba.

VITAL STATISTICS AGENCY
AN AGENCY OF THE GOVERNMENT OF MANITOBA

Schedule 1

SCHEDULE OF OPERATING EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget	**2016 Actual**	2015 Actual
Accommodation	$ 189	**$ 189**	$ 179
Bad debts (recovery)	-	**(1)**	1
Central government charges	47	**46**	43
Computer information system	291	**243**	250
Digital imaging	-	**64**	-
Office equipment support	33	**24**	24
Office supplies	28	**21**	28
Other operating expenses	114	**101**	98
Printed material supplies	159	**130**	139
Professional fees	73	**48**	113
Telecommunications	54	**53**	55
Training	7	**2**	4
Transportation and freight	213	**205**	186
	$ 1,208	**$ 1,125**	$ 1,120

Special Operating Agencies Financing Authority
Non-consolidated Statement of Financial Position
As at March 31, 2016
(Unaudited)

	March 31, 2016	March 31, 2015
Financial Assets		
Cash and cash equivalents	$ 579,831	$ 1,057,310
Liabilities		
Accounts payable and accruals	144,211	553,594
Accumulated Surplus	$ 435,620	$ 503,716

Special Operating Agencies Financing Authority
Non-consolidated Statement of Operations and Accumulated Surplus
For the Year Ended March 31, 2016
(Unaudited)

	2016	2015
Revenue		
Annual levies	13,326	11,391
Investment income	-	51,954
Total revenue	13,326	63,345
Expense		
Supplies and services	17,799	5,559
Debt servicing	-	84,403
Other operating	63,623	61,729
Total expense	81,422	151,691
Net loss before the transfer of funds to the Province of Manitoba	(68,096)	(88,346)
Transfer of funds to the Province of Manitoba	-	10,000,000
Net loss	(68,096)	(10,088,346)
Accumulated surplus, beginning of year	503,716	10,592,062
Accumulated surplus, end of year	$ 435,620	$ 503,716

États financiers de
Université de Saint-Boniface

31 mars 2016

Deloitte.

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Bureau 2300
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Rapport de l'auditeur indépendant

À l'Assemblée législative du Manitoba et
au Bureau des gouverneurs de l'Université de Saint-Boniface

Nous avons effectué l'audit des états financiers ci-joints de l'Université de Saint-Boniface, qui comprennent l'état de la situation financière au 31 mars 2016, et l'état des résultats et de l'évolution des soldes de fonds, l'état des gains de réévaluation et l'état des flux de trésorerie pour l'exercice terminé à cette date, ainsi qu'un résumé des principales méthodes comptables et d'autres informations explicatives.

Responsabilité de la direction pour les états financiers

La direction est responsable de la préparation et de la présentation fidèle de ces états financiers conformément aux Normes comptables canadiennes pour le secteur public, ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Responsabilité de l'auditeur

Notre responsabilité consiste à exprimer une opinion sur les états financiers, sur la base de notre audit. Nous avons effectué notre audit selon les normes d'audit généralement reconnues du Canada. Ces normes requièrent que nous nous conformions aux règles de déontologie et que nous planifiions et réalisions l'audit de façon à obtenir l'assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

Un audit implique la mise en œuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les états financiers. Le choix des procédures relève du jugement de l'auditeur, et notamment de son évaluation des risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs. Dans l'évaluation de ces risques, l'auditeur prend en considération le contrôle interne de l'entité portant sur la préparation et la présentation fidèle des états financiers, afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de l'entité. Un audit comporte également l'appréciation du caractère approprié des méthodes comptables retenues et du caractère raisonnable des estimations comptables faites par la direction, de même que l'appréciation de la présentation d'ensemble des états financiers.

Nous estimons que les éléments probants que nous avons obtenus dans le cadre de notre audit sont suffisants et appropriés pour fonder notre opinion d'audit.

Opinion

À notre avis, les états financiers donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière de l'Université de Saint-Boniface au 31 mars 2016, ainsi que de ses activités, de ses gains de réévaluation et de ses flux de trésorerie pour l'exercice terminé à cette date, conformément aux Normes comptables canadiennes pour le secteur public.

Deloitte S.E.N.C.R.L./s.r.l.

Comptables agréés

Le 28 juin 2016

Winnipeg, Manitoba

Université de Saint-Boniface
État de la situation financière
au 31 mars 2016

	Notes	Fonds de fonctionnement général	Fonds affectés	Fonds des immobilisations	Fonds de dotation	2016 Total	2015 Total
		$	$	$	$	$	$
Actif							
À court terme							
Encaisse		1 176 314	—	—	—	1 176 314	438 570
Comptes à recevoir et autres actifs	3	847 357	27 949	325 422	75 000	1 275 728	1 137 302
		2 023 671	27 949	325 422	75 000	2 452 042	1 575 872
Placements	4	22 953 497	—	—	15 619 033	38 572 530	39 249 243
Immobilisations	5	—	—	26 458 380	—	26 458 380	26 210 617
Interfonds		(16 526 380)	16 972 636	(325 422)	(120 834)	—	—
		8 450 788	17 000 585	26 458 380	15 573 199	67 482 952	67 035 732
Passif							
À court terme							
Comptes à payer et frais courus		3 949 481	61 318	—	—	4 010 799	4 015 899
Revenus reportés		310 485	—	—	—	310 485	220 036
Contributions reportées	6	767 500	—	—	—	767 500	591 500
		5 027 466	61 318	—	—	5 088 784	4 827 435
Engagements	8						
Soldes de fonds							
Non grevés d'affectations		2 045 848	—	—	—	2 045 848	2 042 440
Grevés d'affectations	9	—	16 939 267	—	—	16 939 267	15 074 476
Investis en immobilisations		—	—	26 458 380	—	26 458 380	26 210 617
De dotation	10	—	—	—	14 346 551	14 346 551	13 543 982
		2 045 848	16 939 267	26 458 380	14 346 551	59 790 046	56 871 515
Gains de réévaluation cumulés		1 377 474	—	—	1 226 648	2 604 122	5 336 782
		8 450 788	17 000 585	26 458 380	15 573 199	67 482 952	67 035 732

Les notes complémentaires font partie intégrante des états financiers.

Au nom du Bureau des gouverneurs

Original Document Signed ____________________, président

Original Document Signed ____________________, recteur

Université de Saint-Boniface

État des résultats et de l'évolution des soldes de fonds

Exercice terminé le 31 mars 2016

	Notes	Fonds de fonctionnement général	Fonds affectés	Fonds des immobilisations	Fonds de dotation	Total 2016
		$	$	$	$	$
Revenus						
Subventions						
Provinciales		17 551 389	—	749 936	—	18 301 325
Fédérales		3 815 260	589 337	—	—	4 404 597
Droits de scolarité		5 354 722	—	—	—	5 354 722
Autres revenus		1 462 081	112 758	43 422	2 957	1 621 218
Revenus de placement	4	1 380 104	—	—	943 829	2 323 933
Loyers et stationnement		737 088	—	—	—	737 088
Dons		5 475	538 098	—	301 791	845 364
		30 306 119	1 240 193	793 358	1 248 577	33 588 247
Dépenses						
Salaires et avantages sociaux		22 635 139	517 832	—	—	23 152 971
Matériel et autres		4 333 731	92 640	—	135 666	4 562 037
Amortissement des immobilisations		—	—	1 205 543	—	1 205 543
Déplacements et conférences		624 692	71 634	—	—	696 326
Services publics		564 468	—	—	—	564 468
Bourses et prix		37 863	76 450	—	374 058	488 371
		28 195 893	758 556	1 205 543	509 724	30 669 716
Excédent (insuffisance) des revenus sur les dépenses avant les virements		2 110 226	481 637	(412 185)	738 853	2 918 531
Virements						
Intérêts		(169 028)	169 028	—	—	—
Allocations pour projets futurs		(1 604 000)	1 604 000	—	—	—
Financement de projets		75 158	(75 158)	—	—	—
Reclassification de restrictions		—	(63 716)	—	63 716	—
Achats ou virements d'immobilisations		(408 948)	(251 000)	659 948	—	—
		(2 106 818)	1 383 154	659 948	63 716	—
Excédent des revenus sur les dépenses, déduction faite des virements		3 408	1 864 791	247 763	802 569	2 918 531
Solde de fonds au début		2 042 440	15 074 476	26 210 617	13 543 982	56 871 515
Solde de fonds à la fin		2 045 848	16 939 267	26 458 380	14 346 551	59 790 046

Université de Saint-Boniface

État des résultats et de l'évolution des soldes de fonds (suite)

Exercice terminé le 31 mars 2016

	Notes	Fonds de fonctionnement général	Fonds affectés	Fonds des immobilisations	Fonds de dotation	2015 Total
		$	$	$	$	$
Revenus						
Subventions						
Provinciales		16 869 064	—	76 442	—	16 945 506
Fédérales		3 813 583	475 418	165 000	—	4 454 001
Droits de scolarité		5 360 095	—	—	—	5 360 095
Autres revenus		1 661 815	16 925	—	21 315	1 700 055
Revenus de placement	4	1 327 769	—	—	806 721	2 134 490
Loyers et stationnement		856 180	—	—	—	856 180
Dons		31 375	483 131	—	435 803	950 309
		29 919 881	975 474	241 442	1 263 839	32 400 636
Dépenses						
Salaires et avantages sociaux		22 151 731	441 120	—	—	22 592 851
Matériel et autres		4 297 784	125 620	—	129 622	4 553 026
Amortissement des immobilisations		—	—	1 373 967	—	1 373 967
Déplacements et conférences		640 162	44 891	—	—	685 053
Services publics		575 372	—	—	—	575 372
Bourses et prix		48 618	92 976	—	380 396	521 990
		27 713 667	704 607	1 373 967	510 018	30 302 259
Excédent (insuffisance) des revenus sur les dépenses avant les virements		2 206 214	270 867	(1 132 525)	753 821	2 098 377
Virements						
Intérêts		(125 440)	125 440	—	—	—
Allocations pour projets futurs		(1 890 900)	1 890 900	—	—	—
Financement de projets		26 522	(26 522)	—	—	—
Reclassification de restrictions		—	33 279	—	(33 279)	—
Achats ou virements d'immobilisations		(212 347)	(1 248 472)	1 460 819	—	—
		(2 202 165)	774 625	1 460 819	(33 279)	—
Excédent des revenus sur les dépenses, déduction faite des virements		4 049	1 045 492	328 294	720 542	2 098 377
Solde de fonds au début		2 038 391	14 028 984	25 882 323	12 823 440	54 773 138
Solde de fonds à la fin		2 042 440	15 074 476	26 210 617	13 543 982	56 871 515

Les notes complémentaires font partie intégrante des états financiers.

Université de Saint-Boniface

État des gains de réévaluation

Exercice terminé le 31 mars 2016

	2016			2015
	Fonds de fonctionnement général	**Fonds de dotation**	**Total**	Total
	$	**$**	**$**	$
Gains de réévaluation cumulés au début	**2 983 783**	**2 352 999**	**5 336 782**	3 638 579
(Pertes nettes) gains nets non réalisé(e)s sur le portefeuille de placements	**(1 095 732)**	**(712 690)**	**(1 808 422)**	2 701 538
Gains nets réalisés sur le portefeuille de placements, reclassés aux résultats	**(510 577)**	**(413 661)**	**(924 238)**	(1 003 335)
(Pertes nettes) gains nets de réévaluation	**(1 606 309)**	**(1 126 351)**	**(2 732 660)**	1 698 203
Gains de réévaluation cumulés à la fin	**1 377 474**	**1 226 648**	**2 604 122**	5 336 782

Les notes complémentaires font partie intégrante des états financiers.

Université de Saint-Boniface

État des flux de trésorerie

Exercice terminé le 31 mars 2016

	2016	2015
	$	$
Activités d'exploitation		
Excédent des revenus sur les dépenses avant les virements	**2 918 531**	2 098 377
Éléments hors caisse		
Amortissement des immobilisations	**1 205 543**	1 373 967
Contributions reportées comptabilisées aux revenus	**(410 000)**	(265 942)
	3 714 074	3 206 402
Variation des éléments hors caisse du fonds de roulement de fonctionnement		
Comptes à recevoir et autres actifs	**(138 426)**	552 218
Comptes à payer et frais courus	**(5 100)**	(880 399)
Revenus reportés	**90 449**	6 628
	3 660 997	2 884 849
Activités de financement		
Contributions reportées – apports reçus	**586 000**	355 000
Activités d'investissement		
Augmentation nette des placements	**(2 055 947)**	(2 430 334)
Achats d'immobilisations	**(1 453 306)**	(1 702 261)
	(3 509 253)	(4 132 595)
Augmentation (diminution) nette de l'encaisse	**737 744**	(892 746)
Encaisse au début	**438 570**	1 331 316
Encaisse à la fin	**1 176 314**	438 570

Les notes complémentaires font partie intégrante des états financiers.

1. Sommaire des activités et principales méthodes comptables

Autorité et objectifs

L'Université de Saint-Boniface (l'« Université ») est constituée en corporation dans la province du Manitoba depuis 1871. L'Université est régie par son Bureau des gouverneurs sous l'autorité de la *Loi sur l'Université de Saint-Boniface,* C.P.L.M. c. U150.

L'Université est un organisme de bienfaisance enregistré et elle bénéficie à ce titre de l'exonération d'impôt sur le revenu prévue à l'article 149 de la *Loi de l'impôt sur le revenu*.

Le capital de l'Université est composé des fonds suivants : Fonds non grevés d'affectations; Fonds grevés d'affectations; Fonds investis en immobilisations et Fonds de dotation. Il n'y a eu aucun changement à ce que l'Université considère être son capital depuis l'année précédente.

L'Université a pour objectifs de répondre aux besoins éducatifs de la collectivité francophone et de favoriser leur mieux-être sur les plans linguistique, culturel, économique et social. Pour atteindre ces objectifs, elle offre, en français, une vaste gamme de possibilités en matière d'éducation et de recherche.

L'Université gère son capital afin de s'assurer de maintenir les ressources nécessaires pour atteindre ses objectifs. L'Université veille aussi au maintien des ressources nécessaires pour répondre à ses obligations telles que les dépenses générales et administratives, les réparations majeures et l'achat des immobilisations requises.

Comptabilité par fonds

Les états financiers de l'Université ont été préparés conformément aux Normes comptables canadiennes pour le secteur public avec l'option des normes comptables s'appliquant aux organismes sans but lucratif, comme prescrit par le Conseil sur la comptabilité dans le secteur public (chapitre SP 4200).

L'Université a adopté la méthode de la comptabilité par fonds et a comptabilisé les apports selon la méthode de la comptabilité par fonds affectés.

Il existe quatre fonds principaux à l'Université : le Fonds de fonctionnement général, les Fonds affectés, le Fonds des immobilisations et le Fonds de dotation.

Fonds de fonctionnement général

Le Fonds de fonctionnement général couvre la prestation des programmes et les activités administratives. Il est constitué des ressources non affectées et des subventions de fonctionnement affectées. Il s'étend notamment aux opérations et aux activités suivantes :

- secteur universitaire;
- école technique et professionnelle;
- éducation permanente;
- services à l'appui qui comprennent, entre autres, les opérations administratives, financières et informatiques ainsi que les services aux étudiants.

1. Sommaire des activités et principales méthodes comptables (suite)

Comptabilité par fonds (suite)

Fonds affectés

Les Fonds affectés sont composés du Fonds grevé d'affectations d'origine interne, du Fonds grevé d'affectations d'origine externe ainsi que du Fonds de recherche. Le Fonds grevé d'affectations d'origine interne représente des fonds réservés par le Bureau des gouverneurs pour divers besoins futurs. Le Fonds grevé d'affectations d'origine externe est assujetti à des restrictions d'un donateur ou d'autres tiers. Le Fonds de recherche couvre la prestation des projets et des activités affectés à la recherche.

Fonds des immobilisations

Le Fonds des immobilisations représente les actifs nets de l'Université qui ne sont pas disponibles pour d'autres fins parce qu'ils ont été investis en immobilisations.

Fonds de dotation

Le Fonds de dotation est constitué de sommes d'argent ou de valeurs mobilières obtenues par voie de legs, de dotation ou de dons, et dont le capital est maintenu intact selon les directives du testateur ou du donateur.

Constatation des revenus

Les apports affectés au fonctionnement général sont comptabilisés dans le Fonds de fonctionnement général à titre de revenus pour l'exercice financier au cours duquel les dépenses visées ont été engagées ou, selon le cas, au cours duquel l'activité ou le projet visé a pris fin. Les apports affectés dans le Fonds des immobilisations, dans les Fonds affectés et dans le Fonds de dotation, sont comptabilisés à titre de revenus pour l'exercice au cours duquel ils sont reçus.

Les apports non affectés sont comptabilisés dans le Fonds de fonctionnement général à titre de revenus pour l'exercice financier au cours duquel ils ont été reçus.

Les accords de financement qui sont conclus, sous forme de billets à ordre, avec le ministère des Finances du Manitoba pour la construction ou l'acquisition d'immobilisations sont enregistrés comme des subventions d'immobilisations. Ces billets à ordre seront remboursés à partir du financement futur accordé par le ministère de l'Éducation et de l'Enseignement supérieur du Manitoba. Les subventions d'immobilisations, selon la méthode de comptabilité par fonds affectés, sont comptabilisées à titre de revenus à l'état des résultats et de l'évolution des soldes de fonds. Le financement futur reçu du ministère en lien avec les billets à ordre pour couvrir les frais d'intérêts et les paiements du principal est exclu de l'état des résultats et de l'évolution des soldes de fonds.

Les apports destinés à la dotation sont comptabilisés à titre de revenus dans le Fonds de dotation. Quant aux revenus de placement générés par les ressources du Fonds de dotation, puisqu'ils sont tous affectés, ils sont comptabilisés à titre de revenus dans le Fonds de dotation.

Tous les autres revenus de placement qui ne sont pas générés par les ressources du Fonds de dotation sont comptabilisés à titre de revenus dans le Fonds de fonctionnement général.

1. Sommaire des activités et principales méthodes comptables (suite)

Instruments financiers

L'Université classe ses instruments financiers à la juste valeur ou au coût amorti.

Juste valeur

Cette catégorie comprend l'encaisse, les instruments dérivés ainsi que les placements dans les instruments de capitaux propres cotés sur un marché actif. L'Université a fait le choix de comptabiliser ces instruments financiers à la juste valeur.

Ils sont initialement comptabilisés au coût à l'achat puis détenus à la juste valeur. Les gains et les pertes non réalisés sur la juste valeur sont comptabilisés à l'état des gains de réévaluation, jusqu'à ce qu'ils soient réalisés. Lorsqu'ils sont réalisés, ils sont transférés et comptabilisés à l'état des résultats et de l'évolution des soldes de fonds.

Les coûts de transaction liés aux instruments financiers comptabilisés à la juste valeur sont portés aux dépenses à mesure qu'ils sont engagés.

Lorsque la diminution de la juste valeur est déterminée comme étant autre que temporaire, le montant de la perte est retiré des gains et des pertes de réévaluation cumulés et comptabilisé à l'état des résultats et de l'évolution des soldes de fonds. Lorsque l'instrument financier est vendu, le montant accumulé dans les gains et les pertes de réévaluation cumulés associés à cet instrument est retiré de l'actif net et constaté à l'état des résultats et de l'évolution des soldes de fonds.

Au cours de l'exercice, l'Université n'a fait l'acquisition d'aucun produit financier dérivé, que ce soit à titre d'instruments de couverture des risques de change ou de taux d'intérêt ou pour gérer les positions de change.

Coût amorti

Cette catégorie comprend les comptes à recevoir ainsi que les comptes à payer et frais courus.

Ils sont initialement comptabilisés au coût, puis détenus au coût amorti selon la méthode du taux d'intérêt effectif moins la déduction des pertes de valeur sur ces actifs financiers.

La réduction de valeur sur les instruments financiers comptabilisés au coût amorti est constatée lorsque le montant de la perte est connu avec une précision suffisante et qu'il n'y a pas de perspective réaliste de recouvrement. Les instruments financiers sont alors ajustés à leur valeur recouvrable nette, et la réduction de valeur est comptabilisée à l'état des résultats et de l'évolution des soldes de fonds.

Inventaires

Les achats de fournitures sont imputés à l'exercice au cours duquel ces achats ont lieu, et la valeur des inventaires à la fin de l'exercice n'est pas comptabilisée, car elle est jugée négligeable. L'Université n'exploite pas de librairie, et ses services alimentaires sont donnés à contrat au secteur privé.

1. Sommaire des activités et principales méthodes comptables (suite)

Immobilisations

Les immobilisations acquises par l'Université sont comptabilisées au coût après l'amortissement cumulé, alors que celles qui sont reçues à titre de dons sont comptabilisées à leur juste valeur à la date du don. Les immobilisations font l'objet d'un amortissement linéaire en fonction de leur durée de vie utile, laquelle est établie comme suit :

Immeubles et améliorations	25-60 ans
Terrain de stationnement	20 ans
Équipement et ameublement	10 ans
Équipement informatique	5 ans

L'amortissement est comptabilisé dans le Fonds des immobilisations.

Les acquisitions relatives à la bibliothèque (livres, périodiques, vidéodisques numériques, disques compacts, etc.) sont cataloguées et imputées à l'exercice au cours duquel ces acquisitions ont lieu. La collection de livres rares, dont la plupart constituent des dons, est inventoriée et assurée; toutefois, ces livres rares ne sont ni comptabilisés à titre d'immobilisations, ni amortis. Aucune évaluation de la valeur des collections n'est disponible.

Œuvres d'art

L'Université reçoit quelquefois des dons en nature (œuvres d'art) qui sont comptabilisés comme équipement et ameublement à leur juste valeur lorsque celle-ci peut faire l'objet d'une estimation raisonnable. Toutefois, ces dons en nature ne sont pas amortis. La valeur des dons en nature au 31 mars 2016 est de 160 450 $ (160 450 $ au 31 mars 2015).

Main-d'œuvre bénévole

Des bénévoles consacrent chaque année des centaines d'heures à collaborer aux programmes et aux activités de l'Université. Comme ces apports ne peuvent faire l'objet d'une estimation raisonnable, ils ne sont pas constatés dans les états financiers de l'Université.

Utilisation d'estimations

Selon les Normes comptables canadiennes pour le secteur public, la préparation des états financiers exige que la direction établisse des estimations et formule des hypothèses qui affectent la valeur de l'actif et du passif en date des états financiers, et la valeur des revenus et des dépenses de l'exercice en cours. Des estimations ont notamment été faites pour déterminer la juste valeur des placements, le passif relatif aux congés rémunérés, la durée de la vie utile des immobilisations ainsi que la provision pour créances douteuses. Les résultats réels pourraient différer des meilleures estimations faites par la direction, au fur et à mesure que des informations supplémentaires seront disponibles.

Régime de retraite des employés

L'Université offre à ses employés un régime de retraite à cotisations déterminées. Les cotisations que l'Université verse au régime sont passées comme dépenses l'année même des cotisations.

2. Marge de crédit

L'Université dispose d'une marge de crédit d'un montant autorisé de 3 000 000 $ portant intérêt au taux préférentiel de l'institution financière de 3,05 % au 31 mars 2016 (3,15 % au 31 mars 2015) majoré de 0,25 %. La marge de crédit est garantie par un contrat de sûreté général de premier rang sur les actifs de l'Université, sauf l'immobilier. L'Université n'utilisait pas sa marge de crédit en date du 31 mars 2016 ni au 31 mars 2015.

3. Comptes à recevoir et autres actifs

	2016	2015
	$	$
Gouvernement fédéral	**623 743**	515 445
Frais des étudiants	**107 436**	82 782
Divers	**437 360**	438 986
Provision pour créances douteuses	**(72 408)**	(64 323)
	1 096 131	972 890
Frais payés d'avance	**179 597**	164 412
	1 275 728	1 137 302

4. Placements

	2016	2015
	$	$
Encaisse et marché monétaire	**1 539 426**	2 052 959
Titres à revenus fixes	**16 472 456**	16 147 461
Actions canadiennes	**6 831 875**	7 593 504
Actions étrangères – américaines	**5 169 209**	5 096 530
Actions étrangères – autres	**7 362 457**	7 548 704
Placements alternatifs	**1 197 107**	810 085
	38 572 530	39 249 243

Les titres à revenus fixes portent intérêt à des taux variant de 1,95 % à 6,63 % (de 1,95 % à 6,63 % en 2015) et viennent à échéance entre mai 2016 et juin 2108 (janvier 2016 et juin 2108 en 2015).

Bien que l'Université ait des placements qui viennent à échéance dans moins d'un an, la direction a l'intention de réinvestir ces fonds directement. Pour cette raison, les placements sont regroupés dans la catégorie à long terme.

4. Placements (suite)

Les revenus de placement sont composés des intérêts, des dividendes et des gains nets réalisés, comme présenté ci-dessous :

	2016			2015
	Fonds de fonctionnement général	**Fonds de dotation**	**Total**	Total
	$	**$**	**$**	$
Intérêts	**346 164**	**197 758**	**543 922**	567 430
Dividendes	**523 363**	**332 410**	**855 773**	563 725
Gains nets réalisés	**510 577**	**413 661**	**924 238**	1 003 335
	1 380 104	**943 829**	**2 323 933**	2 134 490

5. Immobilisations

	Terrain	Immeubles et améliorations	Terrain de stationnement	Équipement et ameublement	Équipement informatique	Total
	$	$	$	$	$	$
Coût						
Solde au début	**477 528**	**32 676 711**	**952 389**	**6 988 980**	**2 866 680**	**43 962 288**
Ajouts : achats	**2 802**	**1 056 146**	**—**	**347 025**	**47 333**	**1 453 306**
Solde à la fin	**480 330**	**33 732 857**	**952 389**	**7 336 005**	**2 914 013**	**45 415 594**
Amortissement cumulé						
Solde au début	**—**	**9 844 189**	**278 828**	**5 496 779**	**2 131 875**	**17 751 671**
Ajouts : amortissement	**—**	**501 073**	**47 620**	**294 656**	**362 194**	**1 205 543**
Solde à la fin	**—**	**10 345 262**	**326 448**	**5 791 435**	**2 494 069**	**18 957 214**
Valeur comptable nette au 31 mars 2016	**480 330**	**23 387 595**	**625 941**	**1 544 570**	**419 944**	**26 458 380**
Valeur comptable nette au 31 mars 2015	477 528	22 832 522	673 561	1 492 201	734 805	26 210 617

6. Contributions reportées

Les contributions reportées sont constituées des apports de subventions qui ont été reçus aux fins d'activités et de projets particuliers, mais qui n'ont pas encore été dépensés. Le tableau ci-dessous présente sommairement l'évolution des contributions reportées :

	2016	2015
	$	$
Solde au début	**591 500**	502 442
Apports reçus	**586 000**	355 000
Virements aux revenus	**(410 000)**	(265 942)
Changement net	**176 000**	89 058
Solde à la fin	**767 500**	591 500

7. Obligations relatives aux avantages sociaux, aux congés rémunérés et au régime de retraite des employés

Avantages sociaux

Les obligations relatives aux avantages sociaux futurs, sauf le régime de retraite, se rapportent à l'assurance vie et invalidité de longue durée et à l'assurance médicale et dentaire des employés. Il s'agit de régimes d'assurance privés dont les primes sont assumées conjointement par l'Université et ses employés.

Congés rémunérés : jours accumulés de maladie

L'Université administre son propre régime d'assurance invalidité de courte durée, dont elle assume les frais à titre de congés pour cause de maladie ou d'accident. L'Université alloue à certains groupes d'employés un nombre précis de jours chaque année, qui servent de congés rémunérés en cas de maladie ou de blessure, mais ces jours ne sont pas financièrement compensés au départ. Les employés peuvent accumuler leurs jours de maladie non utilisés durant l'année, jusqu'au maximum autorisé dans la convention collective ou le contrat de travail. Les jours de maladie accumulés peuvent être utilisés dans les années à venir dans la mesure où le temps requis par la maladie ou la blessure de l'employé ne dépasse pas l'allocation des jours de maladie accumulés par l'employé, jusqu'à un maximum de 180 jours. Les jours de congé de maladie sont payés au salaire en vigueur lorsqu'ils sont pris. L'obligation liée aux jours de maladie accumulés a été estimée par l'Université en fonction de l'utilisation historique et est comptabilisée dans les comptes à payer et frais courus.

Congés rémunérés : autres

Les dépenses relatives aux congés sabbatiques et aux études du personnel enseignant sont comptabilisées dans l'exercice au cours duquel ces congés sont pris.

Les congés annuels et administratifs des membres du personnel de l'Université sont comptabilisés lorsqu'ils sont dus.

7. Obligations relatives aux avantages sociaux, aux congés rémunérés et au régime de retraite des employés (suite)

Régime de retraite des employés

L'Université offre à ses employés un régime de retraite à cotisations déterminées (le « Régime ») auquel les employés participent. L'Université verse des cotisations patronales, ce qui constitue sa seule obligation, car elle n'endosse aucune responsabilité quant au rendement des placements effectués dans le cadre du Régime.

Le Régime est conforme à la *Loi sur les prestations de pension du Manitoba* et à la *Loi de l'impôt sur le revenu* ainsi qu'aux règlements connexes. Le comité de retraite est responsable de l'administration du Régime. Ce comité est composé d'un membre ayant droit de vote et de deux membres sans droit de vote élus par les participants au Régime ou nommés par le syndicat, selon le cas. L'Université nomme au moins quatre représentants ayant droit de vote.

Le Régime a ses propres états financiers qui ne font pas partie des états financiers de l'Université.

L'actif net disponible pour le service des prestations du Régime au 31 décembre, sa fin d'année financière, a évolué comme suit :

	Au 31 décembre	
	2015	2014
	$	$
Actif net disponible pour le service de prestations au début	**27 799 522**	28 370 076
Cotisations		
Promoteur	**1 319 933**	1 227 793
Participants	**1 319 933**	1 227 793
Autres	**57 534**	34 691
Revenus de placement nets	**1 246 187**	2 480 399
Prestations versées	**(5 109 663)**	(5 541 230)
	(1 166 076)	(570 554)
Actif net disponible pour le service de prestations à la fin	**26 633 446**	27 799 522

Les cotisations patronales pour l'exercice terminé le 31 mars 2016 se sont élevées à 1 334 231 $ (1 285 676 $ en 2015) et sont inscrites à titre de dépenses à l'état des résultats et de l'évolution des soldes de fonds.

8. Engagements

Location d'équipement et contrats d'entretien

L'Université est locataire de pièces d'équipement et de services inhérents à ses activités. Les dates d'expiration des contrats visés s'échelonneront sur les cinq prochains exercices financiers. Les contrats ainsi exigibles s'élèvent à moins de 255 000 $ par année.

Auto-assurance

L'Université est membre du Mécanisme d'assurance réciproque pour les universités canadiennes (CURIE), une coopérative d'auto-assurance qui comprend au-delà de 60 universités et collèges canadiens. CURIE assure les biens, la responsabilité civile et les risques d'erreurs et d'omissions de ses membres. Si les primes perçues et les réserves cumulées sont insuffisantes pour couvrir les dépenses et les réclamations des membres, l'Université pourrait se voir dans l'obligation de payer des sommes additionnelles.

9. Solde des fonds affectés

a) Les soldes des fonds affectés sont composés des fonds suivants :

				2016
	Affectations d'origine interne	Affectations d'origine externe	Recherche	Total
	$	$	$	$
	(note 9 b)	(note 9 c)	(note 9 d)	
Revenus				
Subventions fédérales	—	—	589 337	589 337
Autres revenus	—	—	112 758	112 758
Dons	—	538 098	—	538 098
	—	538 098	702 095	1 240 193
Dépenses				
Salaires et avantages sociaux	—	—	517 832	517 832
Matériel et autres	—	1 100	91 540	92 640
Déplacements et conférences	—	—	71 634	71 634
Bourses et prix	—	76 450	—	76 450
	—	77 550	681 006	758 556
Excédent des revenus sur les dépenses avant les virements	—	460 548	21 089	481 637
Virements				
Intérêts	169 028	—	—	169 028
Allocations pour projets futurs	1 604 000	—	—	1 604 000
Financement de projets	(50 000)	(75 158)	50 000	(75 158)
Reclassification de restrictions	—	(63 716)	—	(63 716)
Achats ou virements d'immobilisations	(251 000)	—	—	(251 000)
	1 472 028	(138 874)	50 000	1 383 154
Excédent des revenus sur les dépenses, déduction faite des virements	1 472 028	321 674	71 089	1 864 791
Solde de fonds au début	14 063 166	599 498	411 812	15 074 476
Solde de fonds à la fin	15 535 194	921 172	482 901	16 939 267

9. Solde des fonds affectés (suite)

				2015
	Affectations d'origine interne	Affectations d'origine externe	Recherche	Total
	$	$	$	$
	(note 9 b)	(note 9 c)	(note 9 d)	
Revenus				
Subventions fédérales	—	—	475 418	475 418
Autres revenus	—	—	16 925	16 925
Dons	—	483 131	—	483 131
	—	483 131	492 343	975 474
Dépenses				
Salaires et avantages sociaux	—	—	441 120	441 120
Matériel et autres	—	16 977	108 643	125 620
Déplacements et conférences	—	—	44 891	44 891
Bourses et prix	—	92 976	—	92 976
	—	109 953	594 654	704 607
Excédent (insuffisance) des revenus sur les dépenses avant les virements	—	373 178	(102 311)	270 867
Virements				
Intérêts	125 440	—	—	125 440
Allocations pour projets futurs	1 890 900	—	—	1 890 900
Financement de projets	—	(26 522)	—	(26 522)
Reclassification de restrictions	—	33 279		33 279
Achats ou virements d'immobilisations	(1 242 622)	(5 850)	—	(1 248 472)
	773 718	907	—	774 625
Excédent (insuffisance) des revenus sur les dépenses, déduction faite des virements	773 718	374 085	(102 311)	1 045 492
Solde de fonds au début	13 289 448	225 413	514 123	14 028 984
Solde de fonds à la fin	14 063 166	599 498	411 812	15 074 476

9. Solde des fonds affectés (suite)

b) Fonds grevé d'affectations d'origine interne

						2016	2015
	Bourses et prix	Campagnes futures/ Appariement de dons	Projets stratégiques	Projets d'immo-bilisations importants	Financement de transition de programmes et de services	Total	Total
	$	$	$	$	$	$	$
Excédent des revenus sur les dépenses avant virements	—	—	—	—	—	—	—
Virements							
Intérêts	31 920	10 712	14 591	81 617	30 188	169 028	125 440
Allocations pour projets futurs	—	—	—	1 604 000	—	1 604 000	1 890 900
Financement de projets	—	—	(50 000)	—	—	(50 000)	—
Achats ou virements d'immobilisations	—	—	—	(251 000)	—	(251 000)	(1 242 622)
Excédent (insuffisance) des revenus sur les dépenses, déduction faite des virements	31 920	10 712	(35 409)	1 434 617	30 188	1 472 028	773 718
Solde au début	2 901 786	973 856	1 376 455	6 066 698	2 744 371	14 063 166	13 289 448
Solde à la fin	2 933 706	984 568	1 341 046	7 501 315	2 774 559	15 535 194	14 063 166

9. Solde des fonds affectés (suite)

b) Fonds grevé d'affectations d'origine interne (suite)

Le Fonds grevé d'affectations d'origine interne comprend des soldes de fonds qui font l'objet d'une affectation d'origine interne par le Bureau des gouverneurs. Ce fonds est issu de provisions établies pour divers besoins, situations et événements connus et imprévus.

Une politique du Bureau des gouverneurs régit la procédure relative à l'établissement, à la majoration et à la suppression de telles provisions et aux retraits qui en résultent. Selon la politique en vigueur, le Fonds grevé d'affectations d'origine interne porte intérêt au taux annuel de l'indice des prix à la consommation de 1,1 % (0,9 % en 2015). Cette mesure vise à protéger les soldes contre les effets de l'inflation.

Les principales catégories et la nature des affectations d'origine interne sont les suivantes :

Bourses et prix – Les produits financiers générés par le solde de ce fonds sont destinés à augmenter le montant annuellement disponible pour l'attribution des bourses étudiantes qui proviennent du Fonds grevé d'affectations d'origine externe, du Fonds de dotation ainsi que des subventions et des dons annuels.

Campagnes futures/Appariement de dons – Ces fonds sont prévus pour suppléer, au besoin, aux ressources disponibles dans le cadre de l'organisation d'une importante campagne de financement et au programme d'appariement de dons et de contributions.

Projets stratégiques – Ces fonds sont destinés à combler la différence entre les montants requis et les ressources disponibles dans le but de réaliser des projets ou d'entamer des projets de nature stratégique mais de courte durée. Quoique non exhaustives, les catégories de projets suivantes ont été retenues :

i. Recherche : les fonds destinés à suppléer au Fonds de fonctionnement général pour effectuer les projets de recherche entrepris par les professeurs;

ii. Bibliothèque : les fonds destinés à suppléer au Fonds de fonctionnement général pour l'achat de matériel documentaire nécessaire dans le but d'appuyer l'enseignement et la recherche;

iii. Recrutement, marketing, encadrement de la clientèle étudiante, soutien linguistique, programme de sécurité et autres projets de fonctionnement : les fonds destinés à suppléer, de façon ponctuelle, aux besoins de base dans une situation où les ressources disponibles sont insuffisantes.

Projets d'immobilisations importants – Ces fonds sont destinés au financement des étapes préliminaires de projets d'agrandissement des espaces physiques de l'Université, à la contribution d'une partie des coûts en capital d'un projet ou à l'acquisition de futures immobilisations.

Financement de transition de programmes et de services – Ces fonds sont destinés au maintien de certains programmes ou services pour une période de courte durée, touchés par une baisse dans le financement accordé par les gouvernements ou un retrait partiel ou total d'un financement donné.

c) Fonds grevé d'affectations d'origine externe

Le Fonds grevé d'affectations d'origine externe comprend les dons reçus qui font l'objet d'une restriction par le donateur quant à leur utilisation, mais pour lesquels le capital n'est pas maintenu à perpétuité. Ce fonds comptabilise les dons reçus pour des projets d'infrastructure, des projets de recherche ou autres objectifs définis.

Dans le cadre de ses responsabilités fiduciaires, l'Université s'assure que tous les dons assujettis à des restrictions sont utilisés aux fins pour lesquelles ils ont été reçus.

9. Solde des fonds affectés (suite)

d) Fonds de recherche

Le Fonds de recherche comprend des subventions destinées ou réservées aux activités de recherche. Les subventions proviennent surtout du gouvernement fédéral, mais aussi d'autres sources publiques.

Conformément aux conditions prévues dans les ententes de financement, l'Université s'assure que toutes les subventions assujetties à des restrictions sont utilisées aux fins pour lesquelles elles ont été reçues.

10. Fonds de dotation

Le Fonds de dotation comprend, entre autres, les fonds de familles, de fondations et de corporations. Il comprend les dons assujettis à des restrictions des donateurs et dont le capital est maintenu à perpétuité. Le revenu de placement généré par ces fonds doit être utilisé en accord avec les diverses intentions exprimées par les donateurs, par exemple pour les bourses et les prix accordés aux étudiants. L'Université a établi une politique visant à préserver la valeur réelle de ces fonds. Le montant du revenu pouvant être dépensé est limité et un montant est ajouté pour la préservation du capital. Le montant ajouté pour la préservation du capital peut varier d'année en année selon la variabilité des rendements annuels du capital investi, mais à long terme, ce montant viendra compenser l'effet cumulatif de l'inflation.

Dans le cadre de ses responsabilités fiduciaires, l'Université s'assure que tous les dons assujettis à des restrictions sont utilisés aux fins pour lesquelles ils ont été reçus.

11. Instruments financiers

	Juste valeur	**Coût amorti**	**2016**	2015
	$	**$**	**$**	$
Encaisse	**1 176 314**	**—**	**1 176 314**	438 570
Comptes à recevoir	**—**	**1 096 131**	**1 096 131**	972 890
Placements	**38 572 530**	**—**	**38 572 530**	39 249 243
Comptes à payer et frais courus	**—**	**(4 010 799)**	**(4 010 799)**	(4 015 899)
	39 748 844	**(2 914 668)**	**36 834 176**	36 644 804

Hiérarchie de la juste valeur

Le tableau suivant fournit une analyse des instruments financiers qui sont évalués après leur comptabilisation initiale à la juste valeur en fonction de la manière dont la juste valeur est observable :

Niveau 1 : Les prix (non rajustés) cotés sur des marchés actifs pour des actifs ou des passifs identiques;

Niveau 2 : Les données autres que les prix cotés visés au niveau 1, qui sont observables pour l'actif ou le passif, directement (à savoir des prix) ou indirectement (à savoir des dérivés de prix);

Niveau 3 : Les données relatives à l'actif ou au passif qui ne sont pas fondées sur des données de marché observables (données non observables).

11. Instruments financiers (suite)

Hiérarchie de la juste valeur (suite)

La hiérarchie de la juste valeur exige l'utilisation de données observables sur le marché chaque fois que de telles données existent. Un instrument financier est classé au niveau le plus bas de la hiérarchie pour lequel une donnée importante a été prise en compte dans la mesure de la juste valeur.

Les instruments financiers comptabilisés à la juste valeur dans l'état de la situation financière sont classés selon la hiérarchie suivante :

				2016
	Niveau 1	**Niveau 2**	**Niveau 3**	**Total**
	$	**$**	**$**	**$**
Encaisse	**1 176 314**	**—**	**—**	**1 176 314**
Placements	**20 902 964**	**17 669 566**	**—**	**38 572 530**
	22 079 278	**17 669 566**	**—**	**39 748 844**

				2015
	Niveau 1	Niveau 2	Niveau 3	Total
	$	$	$	$
Encaisse	438 570	—	—	438 570
Placements	22 695 637	16 553 606	—	39 249 243
	23 134 207	16 553 606	—	39 687 813

Politique de placement

L'Université, dans le cours normal de ses activités, est exposée à différents risques, notamment le risque de crédit, le risque du marché et le risque de change. L'objectif de l'Université en matière de gestion des risques est de favoriser l'optimisation du rapport risque-rendement, à l'intérieur de limites définies, en appliquant des stratégies, des politiques ainsi que des processus de gestion et de contrôle des risques intégrés à l'ensemble de ses activités.

Risque de crédit

Le risque de crédit est le risque de perte couru par l'Université lorsqu'une contrepartie à un instrument financier ne réussit pas à respecter ses obligations contractuelles. L'Université est exposée principalement au risque de crédit en ce qui concerne l'encaisse, les comptes à recevoir et les placements. La valeur comptable des actifs financiers à l'état de la situation financière représente le risque de crédit maximal à la date de l'état de la situation financière.

Le risque de crédit lié à l'encaisse est considéré comme négligeable puisque les contreparties sont des institutions financières reconnues dont la notation externe de crédit est bonne.

Le risque de crédit lié aux comptes à recevoir – subventions est considéré comme négligeable puisque les sommes sont recevables des gouvernements provinciaux et fédéral.

11. Instruments financiers (suite)

Risque de crédit (suite)

Le risque de crédit lié aux comptes à recevoir – droits de scolarité et autres est limité, puisque les sommes viennent d'une grande base de clients et que le paiement est typiquement entièrement acquitté lorsqu'il est dû. L'Université a établi une provision pour créances douteuses qui représente son évaluation des pertes de crédit potentielles. La provision pour créances douteuses est fondée sur les évaluations et les hypothèses de la gestion concernant les conditions de marché courantes, l'analyse des clients et les tendances historiques de paiement.

Il y a concentration du risque en ce qui a trait aux placements lorsqu'une portion importante du portefeuille est constituée de placements dont les valeurs présentent des caractéristiques semblables ou sensibles aux mêmes facteurs économiques, politiques ou autres. Les énoncés de la politique et les procédures de placement de l'Université, qui sont revus chaque année, spécifient les placements admissibles ainsi que les lignes directrices et les restrictions concernant chaque catégorie de placements admissibles, de manière à réduire le risque. L'Université veille à la santé financière de ses placements de manière continue avec l'aide de son comité de finances et d'audit, de son sous-comité de placements et de ses conseillers en placement.

Aux 31 mars, le classement par échéances des comptes à recevoir est le suivant :

	2016	2015
	$	$
Courant	**610 103**	590 573
De 30 à 59 jours	**918**	8 967
De 60 à 89 jours	**261 533**	256 036
90 jours et plus	**295 985**	181 637
	1 168 539	1 037 213

Risque du marché

Le risque du marché correspond au risque de variation de la juste valeur d'instruments financiers découlant d'une fluctuation des paramètres affectant cette valeur, notamment les taux d'intérêt, les taux de change et leur volatilité.

Risque de taux d'intérêt

Le risque de taux d'intérêt découle de la possibilité que les variations des taux d'intérêt aient une incidence sur les flux de trésorerie ou la juste valeur des instruments financiers. L'Université est exposée à ce risque lorsqu'elle investit dans des instruments financiers portant un taux d'intérêt. Les placements sont alors exposés au risque que leur juste valeur fluctue en raison de changements dans les taux d'intérêt du marché.

Les tableaux ci-dessous présentent l'exposition de l'Université au risque de taux d'intérêt lié aux placements comptabilisés à la juste valeur, classés par échéances :

	2016	2015
	$	$
Moins de 90 jours	**384 298**	1 737 411
90 jours à un an	**—**	310 573
Plus de un an à 5 ans	**3 525 777**	3 761 542
Plus de 5 ans à 10 ans	**4 776 045**	4 523 003
Plus de 10 ans	**5 069 353**	5 412 871
Sans échéance	**2 716 983**	402 061
	16 472 456	16 147 461

11. Instruments financiers (suite)

Risque de taux d'intérêt (suite)

	2016	2015
	$	$
Placements associés à un taux d'intérêt	**16 472 456**	16 147 461
Placements non associés à un taux d'intérêt	**22 100 074**	23 101 782
	38 572 530	39 249 243

Au 31 mars 2016, une fluctuation de 0,50 % des taux d'intérêt, avec toutes les autres variables étant restées constantes, aurait un impact estimé sur la juste valeur des instruments à revenu fixe de 620 000 $ (550 000 $ au 31 mars 2015).

Risque de change

Les fluctuations de la valeur du dollar canadien par rapport aux devises étrangères se répercuteront sur la valeur, en dollars canadiens, de tout titre négociable détenu par l'Université. Au 31 mars 2016, l'Université est exposée au risque de change en raison de l'encaisse libellée en dollars américains, ainsi que des placements en dollars américains (voir la note 4 pour le détail des placements). Si le dollar canadien s'était apprécié ou déprécié de 1 % par rapport au dollar américain et que toutes les autres variables étaient demeurées constantes, la juste valeur des actifs aurait diminué ou augmenté, respectivement, d'environ 88 812 $ (87 612 $ au 31 mars 2015). Dans les faits, les résultats seront différents de cette analyse de sensibilité.

Risque de prix autre

Le risque de prix autre représente la perte potentielle qui peut être causée par une variation de la juste valeur de l'instrument financier. Les placements de l'Université sont soumis aux fluctuations normales de marché et aux risques inhérents à l'investissement dans les marchés.

L'Université est exposée au risque de prix autre en raison des titres dans son portefeuille de placements, étant donné que des variations de prix du marché auraient pour effet d'entraîner des variations de la juste valeur de ces instruments.

La majorité des placements sont maintenus à long terme pour soutenir le Fonds de fonctionnement général et le Fonds de dotation. Ces placements sont principalement des actions, des obligations ainsi que des titres du marché monétaire et sont donc exposés au risque de prix autre de par leur nature.

L'Université gère le risque de prix autre au moyen de sa politique de placement, qui précise les lignes directrices et les restrictions concernant chaque catégorie de placements admissibles, de manière à réduire le risque tout en obtenant des rendements d'investissement à long terme qui répondent à ses besoins.

Risque de liquidité

Le risque de liquidité est le risque que l'Université ne soit pas en mesure d'honorer ses obligations de flux de trésorerie lorsqu'elles sont dues. L'Université réduit ce risque grâce à la gestion de ses activités en surveillant les sorties de trésorerie attendues au moyen de son processus de budgétisation, et le maintien de placements qui peuvent être convertis en espèces lorsqu'un flux de trésorerie inattendu survient.

11. Instruments financiers (suite)

Risque de liquidité (suite)

Le tableau suivant présente l'échéance des obligations contractuelles non actualisées des flux de trésorerie liés aux passifs financiers :

	2016	2015
	$	$
De 0 à 12 mois	**3 523 066**	3 170 316
De un an à 5 ans	**487 733**	845 583
Plus de 5 ans	**—**	—
	4 010 799	4 015 899

FINANCIAL STATEMENTS

March 31, 2016

P.O. BOX 3000
THE PAS, MANITOBA, CANADA, R9A 1M7
(204) 627-8500
www.ucn.ca

UNIVERSITY COLLEGE OF THE NORTH

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF RESPONSIBILITY

The accompanying financial statements are the responsibility of the management of University College of the North and have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Governing Council of University College of the North met with management and external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The Office of the Auditor General as University College of the North's appointed external auditors, have audited the financial statements. The Auditors report is addressed to the Lieutenant Governor in Council, the Legislative Assembly of Manitoba and the Governing Council of the University College of the North and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of University College of the North in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards.

Original Document Signed

Harvey Bostrom
Chair, UCN Governing Council

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

Independent Auditor's Report

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Governing Council of the University College of the North

We have audited the accompanying financial statements of the University College of the North, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University College of the North as at March 31, 2016, and the results of its operations, changes in fund balances, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
Winnipeg, Manitoba
August 25, 2016

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 1

STATEMENT OF FINANCIAL POSITION

MARCH 31

	General Fund	Capital Campaign Fund	Student Award Fund	Endowment Fund	March 31, 2016	March 31, 2015
ASSETS						
CURRENT						
Cash and cash equivalents	$ 13,043,555	$ 170,016	$ 109,218	$	$ 13,322,789	$ 9,622,512
Short-term investments *(Note 4)*				870,623	870,623	761,627
Accounts receivable *(Note 5)*	3,536,442	263	1,860	100,000	3,638,565	3,223,528
Due from General Fund						50,000
Due from Province of Manitoba *(Note 7)*	752,589				752,589	752,589
Inventory	245,161				245,161	203,207
Prepaid expenses	484,643				484,643	708,370
	18,062,390	170,279	111,078	970,623	19,314,370	15,321,833
LONG TERM						
Prepaid expenses	591,026				591,026	663,470
Capital assets *(Note 6)*	19,589,920				19,589,920	19,246,754
Due from Province of Manitoba *(Note 7)*	793,500				793,500	793,500
	20,974,446				20,974,446	20,703,724
	$ 39,036,836	$ 170,279	$ 111,078	$ 970,623	$ 40,288,816	$ 36,025,557
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities *(Note 8)*	$ 5,682,703	$	$ 500	$	$ 5,683,203	$ 3,039,350
Due to Endowment Fund						50,000
Deferred revenue	413,425				413,425	687,322
Deferred contributions *(Note 9)*	5,755,666				5,755,666	4,542,618
Accrued vacation benefits	3,023,513				3,023,513	2,995,065
Current portion on long term debt *(Note 10)*	55,666				55,666	53,620
	14,930,973		500		14,931,473	11,367,975
LONG TERM						
Deferred revenue	591,026				591,026	663,470
Deferred contributions related to capital assets *(Note 11)*	9,082,972				9,082,972	9,290,082
Accrued severance benefits *(Note 12)*	3,188,307				3,188,307	2,853,883
Long term debt *(Note 10)*	1,141,389				1,141,389	1,197,055
	14,003,694				14,003,694	14,004,490
FUND BALANCES						
NET ASSETS INVESTED IN CAPITAL ASSETS	9,336,375				9,336,375	8,732,668
NET ASSETS RESTRICTED FOR FUND PURPOSES		170,279	110,578	970,623	1,251,480	1,144,853
NET ASSETS INTERNALLY RESTRICTED *(Note 15)*	2,064,457				2,064,457	2,041,491
UNRESTRICTED NET ASSETS	(1,298,663)				(1,298,663)	(1,265,920)
	10,102,169	170,279	110,578	970,623	11,353,649	10,653,092
	$ 39,036,836	$ 170,279	$ 111,078	$ 970,623	$ 40,288,816	$ 36,025,557

Approved by the Governing Council

Original Document Signed

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UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 2

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31

	General Fund	Capital Campaign Fund	Student Award Fund	Endowment Fund	March 31, 2016	March 31, 2015
REVENUES						
Grants						
Advanced Learning Division	$ 35,723,783	$	$	$	$ 35,723,783	$ 33,619,187
Other Province of Manitoba	605,136				605,136	586,459
Government of Canada	252,915				252,915	364,715
Amortization of deferred contributions related to capital assets	987,479				987,479	922,601
Ancillary sales and services	3,041,530				3,041,530	2,680,713
Donations	11,000	1,279	143,020	108,870	264,169	226,239
Investment income	84,591	1,431	830	126	86,978	116,496
Contract training	615,473				615,473	727,729
Tuition and student fees	4,224,202				4,224,202	3,866,851
Other revenue	1,480,536				1,480,536	866,368
Gain on disposal of capital assets						9,474
	47,026,645	2,710	143,850	108,996	47,282,201	43,986,832
EXPENSES						
Advertising and public relations	658,371				658,371	523,863
Amortization of capital assets	1,277,709				1,277,709	1,185,654
Bad debt (recovery)	134,851				134,851	387,187
Cost of goods sold	1,323,040				1,323,040	1,204,826
Facility costs	2,273,605				2,273,605	1,996,996
Furniture and minor equipment	1,170,526				1,170,526	886,271
Insurance	124,833				124,833	106,984
Interest on long term debt	45,985				45,985	47,955
Library acquisitions	255,666				255,666	197,050
Loss on disposal of capital assets	191				191	
Maintenance and repairs	146,216				146,216	122,005
Operational supplies and services	5,311,967				5,311,967	4,204,812
Property taxes	615,848				615,848	703,216
Rentals and leases	505,755				505,755	633,509
Salaries and employee benefits	29,995,796				29,995,796	28,309,587
Scholarships and bursaries			148,929		148,929	186,433
Telephone and communication	665,215				665,215	630,619
Travel	1,571,316				1,571,316	1,434,144
Utilities	355,825				355,825	401,159
	46,432,715		148,929		46,581,644	43,162,270
EXCESS REVENUES	$ 593,930	$ 2,710	$ (5,079)	$ 108,996	$ 700,557	$ 824,562

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 3

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31

	GENERAL FUND	CAPITAL CAMPAIGN FUND	STUDENT AWARD FUND	ENDOWMENT FUND	TOTAL MARCH 31, 2016	TOTAL MARCH 31, 2015
FUND SURPLUS, *beginning of year*	$ 9,508,239	$ 167,569	$ 115,657	$ 861,627	$ 10,653,092	$ 9,828,530
EXCESS REVENUES	593,930	2,710	(5,079)	108,996	700,557	824,562
FUND SURPLUS, *end of year*	$ 10,102,169	$ 170,279	$ 110,578	$ 970,623	$ 11,353,649	$ 10,653,092

University College of the North

STATEMENT 4

Statement of Cash Flows

	March 31, 2016	March 31, 2015
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Excess Revenues (Expenses)		
General Fund	$ 593,930	$ 775,806
Capital Campaign Fund	2,710	15,313
Student Award Fund	(5,079)	(18,130)
Endowment Fund	108,996	51,573
	700,557	824,562
Add (deduct) items not affecting cash:		
Loss (gain) on disposal of capital assets	191	(9,474)
Amortization of capital assets	1,277,709	1,185,654
Amortization of deferred contributions related to capital assets	(987,479)	(922,601)
	990,978	1,078,141
Add (deduct) changes in non-cash working capital components related to operating activities:		
Accounts receivable	(415,037)	225,098
Inventory	(41,954)	(8,249)
Prepaid expenses	296,171	(55,751)
Accounts payable and accrued liabilities	2,643,853	(829,013)
Deferred revenue	(346,341)	303,540
Deferred contributions	1,212,859	2,026,858
Accrued vacation benefits	28,448	106,920
Accrued severance benefits	334,424	393,044
	4,703,401	3,240,588
FINANCING ACTIVITIES		
Deferred contributions related to capital assets	780,559	650,898
Repayment of long term debt	(53,620)	(51,650)
	726,939	599,248
CAPITAL ACTIVITIES		
Purchase of capital assets	(1,621,067)	(650,900)
Proceeds from disposal of capital assets	-	9,474
	(1,621,067)	(641,426)
INVESTING ACTIVITY		
Increases in short-term investments	(108,996)	(1,573)
	(108,996)	(1,573)
NET INCREASE IN CASH FLOWS DURING THE YEAR	3,700,277	3,196,837
CASH AND CASH EQUIVALENTS, *beginning of year*	9,622,512	6,425,675
CASH AND CASH EQUIVALENTS, *end of year*	$ 13,322,789	$ 9,622,512
Supplemental Cash Flow Information:		
Interest Received	$ 92,640	$ 116,193
Interest Paid	$ 45,985	$ 47,955

1. NATURE OF OPERATIONS

The University College of the North (UCN) operates under the authority of *The University College of the North Act* Chapter U55 of the *Continuing Consolidation of the Statutes of Manitoba*, which came into force July 1, 2004. This Act provides for the continuation of Keewatin Community College, as established under *The Colleges Act* as a board-governed institution on April 1, 1993.

The purpose of UCN is to provide post-secondary education in northern Manitoba. It should be learner and community-centred, be characterized by a culture of openness, inclusiveness and tolerance, and be respectful of Aboriginal and northern values and beliefs.

The educational purposes of UCN are to serve the educational needs of Aboriginal and northern Manitobans and to enhance the economic and social well-being of northern Manitoba.

UCN has a tax-exempt status as a registered charity under *The Income Tax Act.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of UCN have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations (GNFPO), including the PS 4200 series of standards, as issued by the Public Sector Accounting Board. UCN follows the restricted fund method of accounting for contributions.

a) Funds

The transactions of UCN have been segregated into the following funds in accordance with specified activities or objectives:

General Funds

1. UCN Fund

The UCN Fund consists of transactions related to educational and ancillary activities of UCN.

(i) Capital Assets

The Capital Assets Fund consists of capital asset acquisitions, net of amounts financed through deferred contributions.

(ii) Internally Restricted

The Internally Restricted Fund consists of transactions related to appropriations made from (to) the Unrestricted Fund.

(iii) Unrestricted

The Unrestricted Fund consists of all other transactions related to educational and ancillary activities of UCN.

2. Inter-Universities Services Fund (IUS)

The IUS Fund consists of transactions related to the educational programs of the Inter-Universities Services Program which is administered by UCN.

Capital Campaign Fund

The Capital Campaign Fund consists of transactions related to donations received towards the development and capital needs of UCN.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Student Award Fund

The Student Award Fund consists of transactions related to donations for student scholarships and bursaries.

Endowment Fund

The Endowment Fund consists of transactions related to endowments for student scholarships and bursaries.

b) Financial Instruments

The financial instruments at UCN consist of cash and cash equivalents, short-term investments, accounts receivable, due from Province of Manitoba - vacation and severance benefits, accounts payable and accrued liabilities, accrued vacation benefits and long-term debt.

UCN classifies its financial instruments as either fair value or amortized cost. UCN's accounting policy for each category is as follows:

Fair Value

These financial instruments are initially and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. Transactions costs are expensed as incurred.

When a decline in fair value occurs which is determined by UCN to be other than of a temporary nature, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

UCN does not have any remeasurement gains or losses and therefore no statement of remeasurement gains and losses is required.

Amortized Cost

Financial instruments in this category are initially measured at fair value and are subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs are added to the carrying value of the financial instrument.

If an impairment loss is determined by UCN and there is no realistic prospect of recovery the financial asset(s) are written down to net recoverable value with the writedown being recognized in the statement of operations.

c) Revenue Recognition

Tuition and student fees are recognized as revenue in the semester or term earned.

Revenue from Contract Training contracts is recognized during the period at a rate approximating the delivery of the contracted programs and services.

Investment income is recognized as revenue when earned.

Contributions:

UCN follows the restricted fund method of accounting for contributions.

Unrestricted contributions and grants are recognized as revenue when received or receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Restricted contributions for which a corresponding restricted fund is not present are recognized as revenue in the period in which the related expenditures are incurred.

Donations are reported as revenue when received. Donations restricted to disbursement as scholarships and bursaries are restricted to that purpose.

Endowment contributions (and/or investment income thereon) that are held in perpetuity according to restrictions placed by the donors are recognized as revenue in the Endowment Fund.

Contributions (or portions permitted thereof) which are designated for the purchase of capital assets are deferred and amortized to revenue at the same rate as the related capital assets are amortized to expenditures.

d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term investments with maturity dates of less than 90 days when purchased.

e) Inventory

Inventory is recorded at the lower of cost or net realizable value. Cost of goods sold on the Statement of Operations includes inventory expensed during the period.

f) Capital Assets

Amortization of capitalized assets is recorded on a straight line basis, using the half year rule, commencing in the year of acquisition over the following periods:

Automotive equipment	5 years
Computer equipment	5 years
Other equipment	10 years
Buildings	40 years
Building Improvements	10 years

Library holdings are valued using the "base stock" method and accordingly are recorded at the value transferred upon governance at April 1, 1993. No amortization is taken on library holdings, and subsequent library acquisitions are expensed in the year of acquisition.

Construction in progress is not amortized until construction is complete.

g) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates included in the financial statements include allowance for doubtful accounts, net realizable value of inventory, amortization and accrued severance benefits costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h) Severance Benefits

UCN accrues its obligation for employee future benefits relating to severance. The cost of severance benefits earned by employees is actuarially determined using the accrued benefits cost method.

Actuarial gains or losses are amortized on a straight line basis over the expected average remaining service life of the active employees, commencing in the year following the year the respective annual actuarial gains or losses arise.

3. FINANCIAL INSTRUMENT CLASSIFICATION

Financial instruments are classified as follows:

		2016	
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 13,322,789	$	$ 13,322,789
Short-term investments	870,623		870,623
Accounts receivable		3,638,565	3,638,565
Due from Province of Manitoba		1,546,089	1,546,089
Accounts payable and accrued liabilities		5,683,203	5,683,203
Accrued vacation benefits		3,023,513	3,023,513
Long term debt		1,197,055	1,197,055
	$ 14,193,412	$ 15,088,425	$ 29,281,837

Fair Value Hierarchy

PS 3450 – Financial Instruments – requires the disclosure of a three-level hierarchy for the fair value measurements based upon the transparency of inputs to the valuation of financial instruments carried on the Statement of Financial Position at fair value.

The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy of all financial instruments measured at fair value on the statement of financial position are level one. There were no transfers between levels for the years ended March 31, 2016 and 2015.

4. SHORT-TERM INVESTMENTS

Short-term investments mature bewteen April 11, 2016 and November 21, 2016 and bear interest between .52% and .68%.

5. ACCOUNTS RECEIVABLE

	2016	2015
UCN Fund		
Students	$ 2,446,546	$ 1,606,324
Contract Training	593,005	658,393
Due from Advanced Learning Division	156,768	169,968
Other	536,423	835,754
	3,732,742	3,270,439
Less: Allowance for doubtful accounts	(382,581)	(324,579)
	$ 3,350,161	$ 2,945,860
Inter-Universities Services Fund		
Students	$ 196,585	$ 243,760
Other	220	225
	196,805	243,985
Less: Allowance for doubtful accounts	(10,524)	(19,249)
	$ 186,281	$ 224,736
General Fund	$ 3,536,442	$ 3,170,596
Capital Campaign Fund	263	136
Student Award Fund	1,860	2,796
Endowment Fund	100,000	50,000
	$ 3,638,565	$ 3,223,528

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2016
UCN Fund			
Automotive equipment	$ 1,044,907	$ 930,125	$ 114,782
Computer equipment	1,932,616	1,384,808	547,808
Other equipment	4,661,238	2,436,444	2,224,794
Buildings/improvements	17,626,445	2,287,043	15,339,402
Construction in progress	159,098		159,098
Land	446,067		446,067
Library holdings	714,161		714,161
	$ 26,584,532	$ 7,038,420	$ 19,546,112
Inter-Universities Services Fund			
Automotive equipment	$ 84,131	$ 81,164	$ 2,967
Computer equipment	43,427	43,427	
Other equipment	70,984	30,143	40,841
	$ 198,542	$ 154,734	$ 43,808
TOTALS FOR 2016	$ 26,783,074	$ 7,193,154	$ 19,589,920

	Cost	Accumulated Amortization	Net Book Value 2015
UCN Fund			
Automotive equipment	$ 1,044,907	$ 845,214	$ 199,693
Computer equipment	1,639,372	1,197,721	441,651
Other equipment	4,381,094	2,043,419	2,337,675
Buildings/improvements	16,573,870	1,696,637	14,877,233
Construction in progress	190,005		190,005
Land	446,067		446,067
Library holdings	714,161		714,161
	$ 24,989,476	$ 5,782,991	$ 19,206,485
Inter-Universities Services Fund			
Automotive equipment	$ 84,131	$ 75,227	$ 8,904
Computer equipment	60,174	60,174	
Other equipment	62,457	31,092	31,365
	$ 206,762	$ 166,493	$ 40,269
TOTALS FOR 2015	$ 25,196,238	$ 5,949,484	$ 19,246,754

7. DUE FROM PROVINCE OF MANITOBA

The Province of Manitoba has recognized its liability to UCN for the opening balances of accrued employee severance benefits and vacation benefits as at April 1, 1998, when Keewatin Community College (precursor to UCN) assumed responsibility for these expenditures.

The amount recorded as due from Province of Manitoba – vacation benefits was initially based on the estimated value of the corresponding liability as at April 1, 1998. Subsequent to April 1, 1998, the Province has included in its ongoing annual funding to UCN, an amount equal to the current period's expense for vacation pay entitlements.

The amount recorded as due from Province of Manitoba – severance benefits is the value of the corresponding actuarial liability for severance benefits as at April 1, 1998. There has been no change to the value subsequent to April 1, 1998 because the Province has provided, in its ongoing annual funding to UCN, an amount equivalent to the change in the post employment liability including annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related severance benefits.

	2016	2015
Accrued vacation benefits	$ 752,589	$ 752,589
Accrued severance benefits	$ 793,500	$ 793,500

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
UCN Fund		
Accrued liabilities	$ 722,060	$ 634,074
Wages and benefits payable	852,900	1,091,143
Trade accounts payable	3,891,218	1,187,157
Due to Student Associations	26,553	27,846
	$ 5,492,731	$ 2,940,220
Inter-Universities Services Fund		
Trade Accounts Payable	189,972	97,505
General Fund	$ 5,682,703	$ 3,037,725
Student Award Fund	500	1,625
	$ 5,683,203	$ 3,039,350

9. DEFERRED CONTRIBUTIONS

Deferred contributions reported in each fund relate to designated contributions received in the current period that are related to expenditures of a subsequent period. Changes in deferred contributions during the period are as follows:

	Beginning of Year	Increases	Decreases	End of Year
UCN Fund	$ 4,542,618	$ 2,169,561	$ 956,513	$ 5,755,666

10. LONG TERM DEBT

		2016		2015
Mortgage payable to the Province of Manitoba bearing interest at 3.75%, due March 31, 2032, repayable in monthly blended installments of $8,300.	$	1,197,055	$	1,250,675
Less: Current portion		(55,666)		(53,620)
	$	1,141,389	$	1,197,055

Principal repayments in each of the next five years are estimated as follows:

2017	$	55,666
2018		57,790
2019		59,994
2020		62,283
2021		64,660
	$	300,393

11. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

		Beginning of Year		Increases		Decreases		End of Year
UCN Fund	$	9,249,811	$	764,381	$	975,030	$	9,039,162
Inter-Universities Services Fund		40,271		16,178		12,639		43,810
	$	9,290,082	$	780,559	$	987,669	$	9,082,972

12. ACCRUED SEVERANCE BENEFITS

	2016	2015
Severance Benefit Liability:		
UCN Fund		
Balance, beginning of period	$ 2,976,092	$ 2,829,433
Actuarial loss (gain)	(154,396)	(167,244)
Benefits accrued	226,154	231,890
Interest on accrued benefits	169,302	159,731
Severance paid	(121,389)	(77,718)
Balance, end of period	$ 3,095,763	$ 2,976,092
Net unamortized actuarial loss	(74,761)	(270,821)
Severance liability	$ 3,021,002	$ 2,705,271
Inter-Universities Services Fund		
Balance, beginning of period	$ 166,793	$ 160,437
Actuarial loss (gain)	(8,126)	(8,802)
Benefits accrued	6,419	6,060
Interest on accrued benefits	9,520	9,098
Balance, end of period	$ 174,606	$ 166,793
Net unamortized actuarial loss	(7,301)	(18,181)
Severance liability	$ 167,305	$ 148,612
	$ 3,188,307	$ 2,853,883

	2016	2015
Severance Benefit Expense:		
UCN Fund		
Interest on accrued benefits	$ 169,302	$ 159,731
Employer service cost	226,154	231,890
Amortization of net actuarial loss over EARSL	41,665	60,248
Total expense related to severance benefit	$ 437,121	$ 451,869
Inter-Universities Services Fund		
Interest on accrued benefits	$ 9,520	$ 9,098
Employer service cost	6,419	6,060
Amortization of net actuarial loss over EARSL	2,754	3,732
Total expense related to severance benefit	$ 18,693	$ 18,890
	$ 455,814	$ 470,759

12. ACCRUED SEVERANCE BENEFITS *(continued)*

An actuarial valuation of the severance obligations as at December 31, 2014 was conducted by Ellement Consulting Group. The key actuarial assumptions were updated as at March 31, 2015 based on information provided by the actuary. The key actuarial assumptions were a rate of return of 6.0% (2015 - 6.0%), 2.0% inflation (2015 - 2.0%), salary rate increases of 3.75% (2015 - 3.75%). The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to March 31, 2016 using the projection formula provided by the actuary. The expected effective date of the next actuarial valuation will be no later than March 31, 2016.

During the year UCN experienced an actuarial gain of $162,522 (2015 - actuarial gain of $176,046). The amortization on the actuarial net loss in 2016 is $44,419 (UCN $41,665; IUS $2,754) and in 2015 is $63,980 (UCN $60,248; IUS $3,732).

13. PENSION COSTS AND OBLIGATIONS

UCN's employees are contributing members of the provincially operated Civil Service Superannuation Plan or the Teacher's Retirement Allowances Fund defined benefit pension plans. Until March 31, 2009, the accumulated superannuation liabilities were funded directly by the Province of Manitoba, rather than UCN itself for all employees hired prior to October 1, 2002. Employees hired on or after October 1, 2002 were funded directly by UCN. Commencing April 1, 2009, UCN was required to match all their employees' current pension contributions.

The total contributions for the year ending March 31, 2016 was $1,759,842 (2015 - $1,558,202). These contributions represent the total pension obligations of UCN. UCN is not required under present legislation to make any further contributions with respect to any actuarial deficiencies of the plan. As at December 31, 2015, the Civil Service Superannuation Fund had a deficit of $3.9 billion and the Teacher's Retirement Allowances Fund had a deficit of $3.5 billion.

14. CONTRACTUAL OBLIGATIONS

UCN has entered into various contracts to rent office equipment, lease facility space, and for services provided by third parties for security, food services, and snow removal. Contractual obligations over the next five years are as follows:

2017	$981,201
2018	211,476
2019	47,997
2020	2,720
2021	2,015

15. NET ASSETS INTERNALLY RESTRICTED

Appropriations from the Unrestricted Fund are made to provide for future funding for fiscal stabilization, innovations funds, conferences and the establishment of a science lab.

	Opening Balance	Increases	Decreases	Ending Balance
UCN Fund				
Fiscal Stabilization	$ 347,986	$ 35,116	$ 13,615	$ 369,487
Total	$ 347,986	$ 35,116	$ 13,615	$ 369,487
Inter-Universities Services Fund				
Innovations Fund	$ 1,543,505	$ 1,465	$	$ 1,544,970
Conferences	50,000			50,000
Science Lab	100,000			100,000
Total	$ 1,693,505	$ 1,465	$	$ 1,694,970
	$ 2,041,491	$ 36,581	$ 13,615	$ 2,064,457

16. RELATED PARTY TRANSACTIONS

UCN is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown Corporations. UCN enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount. The amount of $2,273,605 (2015 - $1,996,996) in facility costs was paid to Manitoba Infrastructure and Transportation for the rental of buildings in The Pas. The additon of the new Thompson campus was funded by the Province of Manitoba and opened in May 2014. UCN will pay facility costs for both The Pas campus and the new Thompson campus. Funds available for short-term investments are invested with the Province of Manitoba. At March 31, 2016 $12,805,741 (2015 - $8,047,128), included in both cash and cash equivalents and short-term investments, was invested with the Province of Manitoba.

17. RISK MANAGEMENT

Financial instruments are exposed to risk through the normal course of operations. UCN has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk, interest rate risk and foreign currency risk. These risks are managed through the UCN's collection procedures, investment guidelines and other internal policies, guidelines and procedures.

1. Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The carrying amount of financial assets represents that maximum credit exposure. The maximum exposure to credit risk was:

	Carrying Amount 2016	Carrying Amount 2015
Cash and cash equivalents	$ 13,322,789	$ 9,622,512
Short-term investments	870,623	761,627
Accounts receivable	3,638,565	3,223,528
Due from Province of Manitoba - vacation and severance benefits	1,546,089	1,546,089
Totals	$ 19,378,066	$ 15,153,756

17. RISK MANAGEMENT *(continued)*

The investments of UCN are purchases made with excess cash intended to be for short periods of time. The investments held by UCN are not exposed to significant credit risk as they are held by the Province of Manitoba.

The credit risk from accounts receivable is relatively low as the majority of receivables are from students, contract training and from government agencies. Credit risk from student receivables is managed through registration cancellation and by maintaining standard collection procedures. Credit risk for contract training is managed through standard collection procedures. Amounts due from the the Province of Manitoba are typically collected when due.

UCN establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, client analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

	0-30 Days	31-60 Days	61-90 Days	91+ Days	Total
Student receivables	$ 113,347	$ 126,785	$ 580,617	$ 1,172,446	$ 1,993,195
Government receivables	358,233	81,000		-	439,233
Other receivables	1,109,006	14,907	21,089	454,240	1,599,242
Gross receivables	1,580,586	222,692	601,706	1,626,686	4,031,670
Less: Allowance for doubtful accounts		(7,107)	(30,085)	(355,913)	(393,105)
Net receivables	$ 1,580,586	$ 215,585	$ 571,621	$ 1,270,773	$ 3,638,565

Due from Province of Manitoba – vacation benefits are based on the estimated value of the corresponding liability as at April 1, 1998 when Keewatin Community College (precursor to UCN) assumed responsibility for these expenditures.

Due from Province of Manitoba – severance benefits are based on the corresponding actuarial liability for severance benefits as at April 1, 1998. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related vacation and severance benefits.

2. Liquidity Risk

Liquidity risk is the risk that UCN will encounter difficulty in having available sufficient funds to meet its commitments.

The cash flow of operating funds is prepared on a just in time basis. The short term funds of UCN are invested so that maturity dates coincide with cash requirements. Term investments can be withdrawn prior to the maturity date if needed.

The following table sets out the contractual maturities of financial liabilities;

	2016			
	Within 6 Months	6 months to 1 Year	1-5 Years	5 Years +
Accounts payable and accrued liabilities	$ 5,194,203	$ 254,785	$	$ 234,215
Accrued vacation benefits	2,014,278	525,365	361,103	122,767
Long term debt	27,572	28,094	311,853	829,536
	$ 7,236,053	$ 808,244	$ 672,956	$ 1,186,518

3. Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect UCN's income or the fair values of its financial instruments.

17. RISK MANAGEMENT *(continued)*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. UCN is exposed to limited interest risk as all investments held are short-term in nature and are held by the Province of Manitoba and the long term debt is fixed rate.

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. UCN is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in a foreign currency.

18. CAPITAL MANAGEMENT

UCN's capital comprises its fund balances, which include unrestricted funds, internally restricted funds, externally restricted funds, and funds invested in capital assets.

Unrestricted Funds
UCN's objective in managing its operating capital is to maintain sufficient capital to cover its costs of operations. UCN manages its operating capital through an operating budget which is approved by the Governing Council and the Advanced Learning Division.

Restricted Funds
UCN also maintains externally and internally restricted funds and an endowment fund.

The restricted funds are managed with the objective to spend the funds in accordance with the various terms and not spend beyond the resources that have been provided.

The endowment fund is managed with the long term objective of preserving the capital of the individual endowment accounts. The goal is to earn investment returns, adjusted for inflation, which will support the ongoing expenditure and commitment of the fund.

Funds Invested in Capital Assets
Funds invested in capital assets are managed with the long term objective of acquiring and maintaining the capital assets required to facilitate UCN's operations.

As at March 31, 2016, UCN has met its objectives with respect to its capital requirements. There have been no significant changes to UCN's capital management objective, policies and processes in the period.

19. INTER-FUND TRANSFERS

	Unrestricted		Internally Restricted		Student Award	Endowment
	UCN Fund	IUS Fund	UCN Fund	IUS Fund	Fund	Fund
Fiscal Stabilization	$ (21,501)	$	$ 21,501	$	$	$
Innovations		(1,465)		1,465		
March 31, 2016	$ (21,501)	$ (1,465)	$ 21,501	$ 1,465	$	$
March 31, 2015	$ (120,759)	$ (68,709)	$ 70,759	$ 68,709	$	$ 50,000

20. KNOWLEDGE INFRASTRUCTURE PROGRAM FUNDING

UCN entered into a two-year $8.0 million contribution agreement with the Canada-Manitoba Knowledge Infrastructure Program (KIP) to fund repairs and maintenance and infrastructure projects at eight Regional Centres located throughout Northern Manitoba. These centres were funded using capital grants. Regional Centres located on First Nations land were managed, owned and operated by UCN during construction either directly or through contracts with the First Nation. Ownership and facility management may transfer to local First Nations governments in accordance with KIP terms and conditions after completion. If transferred to the First Nation communities, a loss will be recorded for the deficiency between the funded amounts and the total amounts capitalized. As at March 31, 2015, construction on the eight Regional Centres has been completed at a cost of $10,523,630. UCN has deferred the funding and capitalized the expenditures to Building/Improvements and the assets are amortized accordingly.

21. CONTINGENCIES

UCN is named as a defendant in litigations where legal action has commenced or is anticipated. While the ultimate outcomes of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that, either the outcomes will not have a material effect on the financial position of UCN, or the outcomes are not determinable. UCN believes they have made adequate provision in the financial statements in respect of these claims, as of March 31, 2016.

22. LINE OF CREDIT

UCN has an approved borrowing limit of $2,000,000 at an interest rate of 2.55% and is secured by a guarantee from the Province of Manitoba with no fixed terms of repayment. At March 31, 2016 the balance was nil (March 2015 - nil).

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 1A

STATEMENT OF FINANCIAL POSITION - GENERAL

MARCH 31

	UCN FUND	IUS FUND	MARCH 31, 2016	MARCH 31, 2015
ASSETS				
CURRENT				
Cash and cash equivalents	$ 10,603,529	$ 2,440,026	$ 13,043,555	$ 9,340,593
Accounts receivable *(Note 5)*	3,350,161	186,281	3,536,442	3,170,596
Due to/from other funds	448,663	(448,663)		
Due from Province of Manitoba *(Note 7)*	752,589		752,589	752,589
Inventory	245,161		245,161	203,207
Prepaid expenses	478,969	5,674	484,643	708,370
	15,879,072	2,183,318	18,062,390	14,175,355
LONG TERM				
Prepaid expenses	591,026		591,026	663,470
Capital assets *(Note 6)*	19,546,112	43,808	19,589,920	19,246,754
Due from Province of Manitoba *(Note 7)*	788,490	5,010	793,500	793,500
	20,925,628	48,818	20,974,446	20,703,724
	$ 36,804,700	$ 2,232,136	$ 39,036,836	$ 34,879,079
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities *(Note 8)*	$ 5,492,731	$ 189,972	$ 5,682,703	$ 3,037,725
Due to Endowment Fund				50,000
Deferred revenue	413,425		413,425	687,322
Deferred contributions *(Note 9)*	5,755,666		5,755,666	4,542,618
Accrued vacations benefits	2,887,434	136,079	3,023,513	2,995,065
Current portion long term debt *(Note 10)*	55,666		55,666	53,620
	14,604,922	326,051	14,930,973	11,366,350
LONG TERM				
Deferred revenue	591,026		591,026	663,470
Deferred contributions related to capital assets *(Note 11)*	9,039,162	43,810	9,082,972	9,290,082
Accrued severance benefits *(Note 12)*	3,021,002	167,305	3,188,307	2,853,883
Long term debt *(Note 10)*	1,141,389		1,141,389	1,197,055
	13,792,579	211,115	14,003,694	14,004,490
FUND BALANCES				
NET ASSETS INVESTED IN CAPITAL ASSETS	9,336,375		9,336,375	8,732,668
NET ASSETS INTERNALLY RESTRICTED *(Note 15)*	369,487	1,694,970	2,064,457	2,041,491
UNRESTRICTED NET ASSETS	(1,298,663)		(1,298,663)	(1,265,920)
	8,407,199	1,694,970	10,102,169	9,508,239
	$ 36,804,700	$ 2,232,136	$ 39,036,836	$ 34,879,079

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 2A

STATEMENT OF OPERATIONS - GENERAL

YEAR ENDED MARCH 31

	UCN FUND	IUS FUND	MARCH 31, 2016	MARCH 31, 2015
REVENUES				
Grants				
Advanced Learning Division	$ 34,710,270	$ 1,013,513	$ 35,723,783	$ 33,619,187
Other Province of Manitoba	605,136		605,136	586,459
Government of Canada	252,915		252,915	364,715
Amortization of deferred contributions related to capital assets	975,031	12,448	987,479	922,601
Ancillary sales and services	3,041,530		3,041,530	2,680,713
Donations	11,000		11,000	
Investment income	82,011	2,580	84,591	107,546
Contract training	615,473		615,473	727,729
Tuition and student fees	3,699,731	524,471	4,224,202	3,866,851
Other revenue	1,472,670	7,866	1,480,536	866,368
Gain on disposal of capital assets				9,474
	45,465,767	1,560,878	47,026,645	43,751,643
EXPENSES				
Advertising and public relations	639,998	18,373	658,371	523,863
Amortization of capital assets	1,265,261	12,448	1,277,709	1,185,654
Bad debt (recovery)	140,638	(5,787)	134,851	387,187
Cost of goods sold	1,323,040		1,323,040	1,204,826
Facility costs	2,273,605		2,273,605	1,996,996
Furniture and minor equipment	1,140,947	29,579	1,170,526	886,271
Insurance	122,434	2,399	124,833	106,984
Interest on long term debt	45,985		45,985	47,955
Library acquisitions	255,666		255,666	197,050
Loss on dipsosal of capital assets		191	191	
Maintenance and repairs	133,786	12,430	146,216	122,005
Operational supplies and services	5,191,935	120,032	5,311,967	4,204,812
Property taxes	615,848		615,848	703,216
Rentals and leases	505,348	407	505,755	633,509
Salaries and employee benefits	28,924,258	1,071,538	29,995,796	28,309,587
Telephone and communication	663,297	1,918	665,215	630,619
Travel	1,275,431	295,885	1,571,316	1,434,144
Utilities	355,825		355,825	401,159
	44,873,302	1,559,413	46,432,715	42,975,837
EXCESS REVENUES	$ 592,465	$ 1,465	$ 593,930	$ 775,806

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 3A

STATEMENT OF CHANGES IN FUND BALANCES - GENERAL

YEAR ENDED MARCH 31

	UNRESTRICTED			INTERNALLY RESTRICTED			NET ASSETS	TOTAL	
	UCN FUND	IUS FUND	TOTAL	UCN FUND	IUS FUND	TOTAL	INVESTED IN CAPITAL ASSETS	MARCH 31, 2016	MARCH 31, 2015
FUND SURPLUS, *beginning of year*	$ (1,265,920)	$	$ (1,265,920)	$ 347,986	$ 1,693,505	$ 2,041,491	$ 8,732,668	$ 9,508,239	$ 8,782,433
EXCESS REVENUES	592,465	1,465	593,930					593,930	775,806
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS									
Amortization of capital assets	1,265,261	12,448	1,277,709				(1,277,709)		
Amortization of deferred contributions related to capital assets	(975,031)	(12,448)	(987,479)				987,479		
Purchase of capital assets	(1,604,889)	(16,178)	(1,621,067)				1,621,067		
Deferred contributions related to capital assets	764,381	16,178	780,559				(780,559)		
Loss on disposal of capital assets	191		191				(191)		
Long term debt on capital assets	(53,620)		(53,620)				53,620		
INTER-FUND TRANSFERS *(Note 19)*	(21,501)	(1,465)	(22,966)	21,501	1,465	22,966			(50,000)
FUND SURPLUS, *end of year*	$ (1,298,663)	$	$ (1,298,663)	$ 369,487	$ 1,694,970	$ 2,064,457	$ 9,336,375	$ 10,102,169	$ 9,508,239

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 1

SCHEDULE OF OTHER GRANT REVENUE
(UNAUDITED)

	MARCH 31, 2016	MARCH 31, 2015
Province of Manitoba		
Aboriginal and Northern Affairs	$	$ 2,161
Adult Learning Centre - Manitoba Advanced Education and Literacy	405,000	437,000
Children Youth and Opportunities	1,270	
Education and Advanced Learning	273	320
Family Services	78,100	
Housing and Community Development	4,205	
Jobs and The Economy		47,060
Public Library Services	76,288	59,918
Summer Enrichment - Manitoba Education	40,000	40,000
	$ 605,136	$ 586,459

SCHEDULE 2

SCHEDULE OF ANCILLARY SALES AND SERVICES
(UNAUDITED)

	MARCH 31, 2016	MARCH 31, 2015
Bookstore	$ 1,381,779	$ 1,223,884
Cafeteria	674,427	562,161
Residence	985,324	894,668
	$ 3,041,530	$ 2,680,713

SCHEDULE 3

SCHEDULE OF TUITION AND STUDENT FEES
(UNAUDITED)

	MARCH 31, 2016	MARCH 31, 2015
Apprenticeship	$ 1,064,107	$ 905,600
Core-funded programs	2,602,180	2,341,724
Continuing Education	33,444	61,542
	$ 3,699,731	$ 3,308,866

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 4

STATEMENT OF UCN EXPENDITURES BY FUNCTION

(UNAUDITED)

	SALARIES AND BENEFITS	OTHER	TOTAL MARCH 31, 2016	TOTAL MARCH 31, 2015
Academic	$ 13,976,045	$ 2,475,707	**$ 16,451,752**	$ 15,576,844
Administration	5,060,438	3,421,201	**8,481,639**	8,716,829
Ancillary Sales and Services	1,265,774	1,986,892	**3,252,666**	2,907,651
Continuing Education	162,515	1,703	**164,218**	199,751
Library	962,815	671,505	**1,634,320**	1,331,625
Contract Training	699,347	179,780	**879,127**	1,023,151
Insurance Claims		197,314	**197,314**	38,753
Information Technology	962,380	1,121,487	**2,083,867**	1,683,272
Plant	950,308	4,227,771	**5,178,079**	4,577,661
Program Support	4,769,817	1,780,503	**6,550,320**	5,401,221
	$ 28,809,439	$ 16,063,863	**$ 44,873,302**	$ 41,456,758

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The University is responsible for the preparation of the financial statements and has prepared them in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of Chartered Professional Accountants Canada, including the standards for government not for profit organizations. The University believes the financial statements present fairly the University's financial position as at March 31, 2016 and the results of its operations for the years ending March 31, 2016.

The University's Board of Governors is responsible for overseeing the business affairs of the University and also has the responsibility to approve the financial statements. The Board has delegated certain responsibilities to its Audit and Risk Management Committee including the responsibility for reviewing the annual financial statements and meeting with management and the Auditor General of Manitoba on matters relating to the financial reporting. The Auditor General has full access to the Audit and Risk Management Committee with or without the presence of management. The Board has approved the financial statements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from loss and that accounting records are a reliable basis for the preparation of financial statements. The integrity of internal controls is reviewed on an ongoing basis by the Audit and Risk Management Committee and Audit Services.

The financial statements for the year ended March 31, 2016 have been reported on by the Auditor General of Manitoba, the auditor appointed under *The University of Manitoba Act*. The Auditor's Report outlines the scope of his examination and provides his opinion on the fairness of presentation of the financial statements.

Original signed by
David T. Barnard, Ph.D.
President and Vice-Chancellor

Winnipeg, Manitoba
June 22, 2016

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Lieutenant Governor-in-Council
To the Legislative Assembly of Manitoba
To the Board of Governors of the University of Manitoba

We have audited the accompanying financial statements of the University of Manitoba, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and changes in fund balances, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University of Manitoba as at March 31, 2016, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Original document signed by
Norm Ricard

June 22, 2016
Winnipeg, Manitoba

Norm Ricard, CPA, CA
Auditor General

UNIVERSITY OF MANITOBA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016
(in thousands of dollars)

	2016	2015
Assets		
Current Assets		
Cash and Cash Equivalents	$ 273,624	$ 197,401
Accounts Receivable *(Note 3)*	76,379	59,919
Inventories	3,706	3,447
Prepaid Expenses	796	940
Current Portion Loan Receivable *(Note 4)*		1,436
	354,505	**263,143**
Long Term Assets		
Loan Receivable *(Note 4)*	191,364	186,722
Investments *(Note 5)*	697,254	742,315
Capital Assets, Net of Accumulated Amortization *(Note 7)*	1,084,705	1,062,857
	1,973,323	**1,991,894**
	$ 2,327,828	**$ 2,255,037**
Liabilities		
Current Liabilities		
Accounts Payable	$ 60,711	$ 62,442
Unearned Revenue	11,259	11,088
Vacation and Sick Leave Liability	14,638	14,134
Current Portion of Capital Lease Obligations *(Note 8)*		6
Current Portion of Long Term Debt *(Note 9)*	6,015	5,713
	92,623	**93,383**
Long Term Liabilities		
Other Long Term Liabilities *(Note 10)*	6,179	6,633
Long Term Debt *(Note 9)*	384,467	385,840
Employee Future Benefits *(Note 11)*	76,526	76,519
Pension Liability *(Note 14)*	20,572	31,087
	487,744	**500,079**
Fund Balances		
Unrestricted *(Note 21)*	(63,118)	(72,445)
Internally Restricted *(Note 24)*	166,572	164,370
Externally Restricted *(Note 25)*	246,696	234,013
Invested in Capital Assets *(Note 25)*	998,579	939,971
Endowed *(Note 25)*	398,732	395,666
	1,747,461	**1,661,575**
	$ 2,327,828	**$ 2,255,037**

Contractual Obligations and Contingencies *(Note 18)*

Original signed by

Patricia Bovey – Chair　　　　Ted Bock – Vice-Chair

(The accompanying Notes form an integral part of the Financial Statements)

UNIVERSITY OF MANITOBA
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2016
(in thousands of dollars)

	General Funds *(Note 2D)*	Restricted Funds *(Note 2E)*	Endowment Fund *(Note 2F)*	2016 Total Funds	2015 Total Funds
Revenue					
Tuition and Related Fees	$ 159,987	$	$	$ 159,987	$ 148,768
Donations	1,734	11,625	14,007	27,366	23,069
Non-Government Grants	5,344	78,313		83,657	59,310
Net Investment Income *(Note 15)*	4,348	53,689		58,037	56,151
Miscellaneous Income	7,147	7,042		14,189	15,398
Government Grants:					
Education and Advanced Learning	347,105	7,015		354,120	344,412
Other Province of Manitoba	22,493	51,295		73,788	68,555
Government of Canada	10,850	70,971		81,821	79,262
City of Winnipeg	51			51	51
Sales of Goods and Services	32,233	1,011		33,244	33,033
Ancillary Services	38,246			38,246	36,985
	629,538	**280,961**	**14,007**	**924,506**	**864,994**
Expense					
Salaries	356,627	40,471		397,098	381,905
Staff enefits and Pay Levy	59,766	7,088		66,854	76,519
Materials, Supplies and Services	49,109	56,781		105,890	105,860
Amortization of Capital Assets		54,931		54,931	54,075
Student Assistance	14,000	41,619		55,619	51,346
Professional Consulting and Externally Contracted Services	16,010	26,315		42,325	38,315
Travel and Conferences	11,314	11,135		22,449	24,033
Utilities, Municipal Taxes, and Insurance	19,442	24		19,466	20,289
Interest		19,062		19,062	18,682
Maintenance and Repairs	7,652	443		8,095	8,557
	533,920	**257,869**		**791,789**	**779,581**
Net Revenue from Operating Activities	**95,618**	**23,092**	**14,007**	**132,717**	**85,413**
Inter-Fund Transfers *(Note 23)*	(86,501)	84,197	2,304		
Net Increase to Fund Balances from Operating Activities	9,117	107,289	16,311	132,717	85,413
Fund Balances from Operating Activities Beginning of the Year	25,572	1,221,311	281,700	1,528,583	1,443,170
Fund Balances from Operating Activities End of the Year	34,689	1,328,600	298,011	1,661,300	1,528,583
Accumulated Remeasurement Gains End of Year	(139)	(14,421)	100,721	86,161	132,992
Fund Balances End of Year	**$ 34,550**	**$ 1,314,179**	**$ 398,732**	**$ 1,747,461**	**$1,661,575**

(The accompanying Notes form an integral part of the Financial Statements)

UNIVERSITY OF MANITOBA
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2016
(in thousands of dollars)

	General Funds	Restricted Funds	Endowment Fund	2016 Total Funds	2015 Total Funds
Accumulated Remeasurement Gains Beginning of Year	**$ 957**	**$ 18,069**	**$ 113,966**	**$ 132,992**	**$ 101,439**
Unrealized Gains (Losses) Attributed to:					
Derivatives		108		108	(2,060)
Foreign Exchange	(139)	(202)		(341)	2,128
Portfolio Investments		(1,444)	(13,245)	(14,689)	60,396
Amounts Reclassified to the Statement of Operations and Changes in Fund Balances:					
Foreign Exchange	(957)	(1,171)		(2,128)	(550)
Portfolio Investments		(29,781)		(29,781)	(28,361)
Net Remeasurement Gains (Losses) for the Year	(1,096)	(32,490)	(13,245)	(46,831)	31,553
Accumulated Remeasurement Gains (Losses) End of Year	**$ (139)**	**$ (14,421)**	**$ 100,721**	**$ 86,161**	**$ 132,992**

(The accompanying Notes form an integral part of the Financial Statements)

UNIVERSITY OF MANITOBA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016
(in thousands of dollars)

	General Funds	Restricted Funds	Endowment Fund	2016 Total Funds	2015 Total Funds
Operating Activities					
Net Revenue from Operating Activities	$ 95,618	$ 23,092	$ 14,007	$ 132,717	$ 85,413
Amortization of Capital Assets		54,931		54,931	54,075
	95,618	78,023	14,007	187,648	139,488
Net Change in Non-Cash Working Capital Items	18,425	(34,620)		(16,195)	4,751
Net Change in Other Long Term Liabilities	(346)	(108)		(454)	2,060
Net Change in Pension Obligation	(10,515)			(10,515)	(2,794)
Net Change in Employee Future Benefits	(233)	240		7	6,517
Net Cash generated through Operating Activities	102,949	43,535	14,007	160,491	150,022
Investing Activities					
Contractual Interest Added to Loan Receivable		(8,619)		(8,619)	(8,275)
Principal Repayment on Loan Receivable		3,977		3,977	
Increase in Accumulated Remeasurement Gains and (Losses)	(1,096)	(32,490)	(13,245)	(46,831)	31,553
Decrease (Increase) in Long Term Investments	55,000	(6,873)	(3,066)	45,061	(46,016)
Net Cash generated through (used in) Investing Activities	53,904	(44,005)	(16,311)	(6,412)	(22,738)
Capital Activities					
Purchase of Capital Assets		(76,779)		(76,779)	(110,410)
Net Cash used in Capital Activities		(76,779)		(76,779)	(110,410)
Financing Activities					
Proceeds from Long Term Debt					25,000
Contractual Interest Added to Loan Principal		8,619		8,619	8,275
Principal Repayment on Capital Lease Obligations		(6)		(6)	(70)
Principal Repayment on Long Term Debt		(9,690)		(9,690)	(5,123)
Net Cash generated through Financing Activities		(1,077)		(1,077)	28,082
Net Increase (Decrease) in Cash	**156,853**	**(78,326)**	**(2,304)**	**76,223**	**44,956**
Inter-Fund Transfers	(86,501)	84,197	2,304		
Cash and Cash Equivalents Beginning of Year	10,709	186,692		197,401	152,445
Cash and Cash Equivalents End of Year	**$ 81,061**	**$ 192,563**	**$**	**$ 273,624**	**$ 197,401**
Supplementary cash fl w information:					
Interest Received	$ 4,348	$ 3,364	$	$ 7,712	$ 7,542
Interest Paid	$	$ 10,443	$	$ 10,443	$ 10,405

(The accompanying Notes form an integral part of the Financial Statements)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016
(in thousands of dollars)

1. AUTHORITY AND PURPOSE

The University of Manitoba was established in 1877. It is governed by a Board of Governors acting under the authority of *The University of Manitoba Act*, R.S.M. 1987, c. U60. The University of Manitoba is a registered charity and is exempt from income taxes under Section 149 of *The Income Tax Act*.

The University of Manitoba, as the largest and most comprehensive institution of higher learning in Manitoba, plays a distinctive role within the Province. In addition to offering an undergraduate liberal education in arts, science and education, the University of Manitoba provides programs in a broad range of professional studies, applied sciences and the fine and performing arts and is responsible for the vast majority of graduate education and research in Manitoba. The University of Manitoba reaches out to a variety of constituencies in order to enhance the health, cultural, social and economic life of Manitobans and to provide lifelong learning opportunities for them. Through community service, the University makes its expertise available to all Manitobans.

2. SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL

These financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of Chartered Professional Accountants Canada, including the standards for government not-for-profit organizations. The University has adopted the restricted fund method of accounting for contributions.

The University controls Partners for Health and Development in Africa (PHDA) (Note 17), but does not consolidate the accounts for the purposes of these financial statements.

The University has an 8.33% (2015, 9.09%) interest in TRIUMF (Note 16), a joint venture which operates a national laboratory for particle and nuclear physics. The University uses the modified equity method of accounting to record its interest in TRIUMF.

B. FUND ACCOUNTING

The University classifies resources used for various purposes into separate Funds which correspond to its major activities and objectives. The Statement of Financial Position combines the assets and liabilities of all Funds.

The University maintains its Funds under three fund categories: General, Restricted and Endowment Funds. The General Funds include the Funds for General Operating, Specific Provisions and Expenses Funded from Future Revenues. The Restricted Funds include the Capital Asset, Research and Special, Staff Benefits and Trust Funds. The Endowment Fund includes endowed funds of the University.

C. ACCOUNTING ESTIMATES

Accounting estimates are included in financial statements to approximate the effect of past revenue or expense transactions or events, or to approximate the present status of an asset or liability. Examples include accruals for salaries and benefits, the estimated useful life of an asset and certain actuarial assumptions used in determining employee future benefits. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

D. GENERAL FUNDS

General Operating Fund:

The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, investment income, miscellaneous income, sales of goods and services to external parties and ancillary income. As such, this Fund reports unrestricted resources and restricted resources earmarked for general operating purposes.

All funds received or accrued by the University for general operating purposes and for equipment and renovation expenses not meeting the University's capitalization criteria are included in the General Operating Fund. The net cost of operating units is determined by including internal cost allocations for certain centrally administered services, such as the telephone system in the units' expenses, and by deducting these expenses as internal cost recoveries from the total expenses incurred by the unit administering these services.

The University BookStore, Parking, Student Residences, Pharmacy/Post Office, and Smartpark are classified as Ancillary Services and are budgeted on a break even basis. Any surpluses or deficits are transferred to/from the Specific Provisions Fund. Overhead costs have been allocated to all ancillary operations. Amortization of ancillary capital assets and interest expense is recorded in the Capital Asset Fund.

Specific Provisions Fund:

The Specific Provisions Fund records appropriations made from (to) the General Operating, Capital Asset and Research and Special Funds.

These appropriations are made to provide future funding for the replacement, improvement or emergency maintenance of capital assets, unit carryover, a fiscal stabilization provision to offset potential spending in excess of future budgets and other matters. Such appropriations are shown as inter-fund transfers on the Statement of Operations and Changes in Fund Balances and in Note 23.

Expenses Funded From Future Revenues:

Expenses Funded from Future Revenues records the amount of non-vesting sick leave benefits and unpaid vacation pay for staff which will be funded from future revenues. It also records the actuarially determined expense for employee future benefits and change in pension liability.

E. RESTRICTED FUNDS

Capital Asset Fund:

The Capital Asset Fund consists of restricted contributions resulting from capital asset co-funding arrangements with external parties, contributed capital assets and government grants restricted for the purpose of acquiring capital assets and retiring capital advances. Funding agreements, using promissory notes as a vehicle, entered into with the Provincial Government for the construction or acquisition of capital assets, which will be repaid from future funding provided by the Provincial Government through Education and Advancement Learning (EAL), are recorded as capital grants. These capital grants, under the restricted fund method of accounting, are reflected as revenue in the Statement of Operations and Changes in Fund Balances. The interest expense and the related future funding from EAL over the terms of the promissory notes, to offset the interest expense and principal payments, are both excluded from the Statement of Operations and Changes in Fund Balances. Expenses include interest on debt relating to the acquisition or construction of capital assets, amortization and gains or losses on disposal of capital assets, including write-downs resulting from obsolescence.

Research and Special Fund:

The Research and Special Fund consists of contributions specifically restricted for research or other special activities. Contributions are provided from both Federal and Provincial granting agencies and other public and private sources. These funds are spent in accordance with the conditions stipulated in the related governing contracts and agreements.

Staff Benefits Fund:

The Staff Benefits Fund is divided into Fund Accounts for the Pension Reserve, and for each of the Self-Insured Plans, which are the Long Term Disability Income Plan and the Dental Plan.

Trust Fund:

The Trust Fund records gifts and bequests received which may be used in their entirety along with net investment income earned on these funds, according to donor restrictions. The majority of these funds are used for scholarships, bursaries, awards, loans, and other scholarly activities.

F. ENDOWMENT FUND

The Endowment Fund records gifts and bequests received with the stipulation that these funds be invested in perpetuity and investment income earned be utilized for designated purposes. The Fund balance also reflects the change in fair value of Endowment Fund investments, which is recorded in the Statement of Remeasurement Gains and Losses.

G. REVENUE RECOGNITION

Restricted contributions are recognized as revenue of the appropriate Fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions, including sales of goods and services and ancillary revenues, are recognized as revenue of the General Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment purposes are recognized as revenue in the Endowment Fund in the year received. Investment income earned on endowments is recorded in the appropriate Trust Fund depending on the restrictions imposed by the original donor.

Investment income, including realized gains or losses, is recorded in the Statement of Operations and Changes in Fund Balances in the appropriate Fund depending on the restrictions imposed. Unrestricted investment income is recorded as unrestricted income in the General Operating Fund.

The change in fair value (unrealized gains or losses) of investments is recorded in the Statement of Remeasurement Gains and Losses until the investments are sold.

H. CONTRIBUTED MATERIALS AND SERVICES

Gifts-in-kind are recorded in the financial statements to the extent that they are eligible for an official donation receipt, since this results in the capture of the information in the University's financial records.

Because of the difficulty involved in tracking and recording contributed services, the market value of these services is not recognized in the financial statements. Contributed services include activities such as membership on the University's Board of Governors and its various committees, lecturing services and volunteer services at fundraising or sporting events, all of which are performed by staff, students and the community at no charge to the University. These services, although not recognized in the financial statements, are critical to the successful functioning of the University.

I. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of highly liquid investments that are used to meet short term operating needs. They are readily convertible to cash and mature within one year from acquisition. Any cash or other investments maturing within one year that are held by portfolio managers are classified as long term investments. Portfolio managers maintain a cash balance within investment portfolios as part of their overall long term mandate, as well as to facilitate trades and the rebalancing of funds.

J. PLEDGES RECEIVABLE

The University does not record pledges receivable in its financial statements. Revenue from gifts, bequests and donations is recognized on a cash basis because of the uncertainty surrounding collection and in some instances because of the difficulty in determining the valuation of pledges receivable. The University recognizes gifts and donations to be received through the University of Manitoba Foundation U.S.A. Inc. only when the Board of Directors of the Foundation have formalized the transfer with a resolution, collectability is reasonably assured, and the valuation of these gifts and donations can be reasonably determined.

K. INVENTORIES

Inventories have been valued at the lower of cost and net realizable value.

L. INVESTMENTS

The University invests in equity and fixed income financial instruments and a pooled real estate fund. Investments held in restricted funds are carried at fair value except for those held in the Research and Special Fund, which are carried at modified equity. Fair value of investments is determined based on year end quoted market prices.

M. CAPITAL ASSETS

Purchased capital assets are recorded at cost. Capital assets which are constructed by the University are recorded as Construction in Progress until the capital asset is put into use. Contributed capital assets are recorded at market value at the date of contribution. Intangibles such as patents and copyrights are recorded at a nominal amount of one dollar in the year the patent or copyright is obtained.

Amortization is calculated on a straight-line basis over an assets' estimated useful life as follows:

Buildings and Major Renovations	15-50 years
Computer Hardware and Electronics	5-10 years
Furniture and Equipment	10 years
Library Books	10 years
Parking Lots	20 years
Vehicles	5 years

Equipment acquired under a capital lease is amortized over the useful life of the asset. Works of art, treasures, rare books and manuscripts are not amortized.

N. COLLECTIONS

The University holds a number of collections which have been donated to its libraries, faculties and schools over the years. The library, faculty or school receiving the donation assumes responsibility for safeguarding and preserving the collection. The University seldom, if ever, disposes of its collections or of individual pieces in its collections. The University policy is to use proceeds generated from deaccessioned works of art to augment the University art collection.

The University's policy with regard to its collections is to fund maintenance expenses from the General Operating Fund, if monies are not available for such purposes in a Restricted Fund. The cost of maintenance is not tracked and is therefore not determinable.

O. PENSION COSTS

The University sponsors three pension plans for its employees and retirees: The University of Manitoba Pension Plan (1970), The University of Manitoba Pension Plan (1993) and The University of Manitoba GFT Pension Plan (1986). The 1970 Plan and 1986 Plan are defined contribution plans and as a result the pension costs are based on contributions required by those plans.

The Pension Costs for the 1993 Plan are determined actuarially using the projected unit credit actuarial cost method, pro-rated on service and management's best estimate expectations of the discount rate for liabilities, the expected return on assets, salary escalation, retirement ages of employees and member mortality. Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the active employees, commencing in the year following the year the respective annual actuarial gains or losses arise.

The funded position of the 1993 plan is disclosed in Note 14.

P. FINANCIAL INSTRUMENTS

The financial instruments of the University consist of cash and cash equivalents, accounts receivable, loan receivable, investments, accounts payable, vacation and sick leave liability, loans, other long term liabilities, and long term debt.

All financial instruments are recognized at cost or amortized cost, or fair value. Financial instruments recognized at fair value include derivatives, portfolio investments in equity instruments that are quoted in an active market, and financial instruments designated to the fair value category.

Cash and cash equivalents are recognized at cost. Accounts receivable, loan receivable, fixed income investments held in the General Funds, accounts payable, loans, vacation and sick leave liability, other long term liabilities (excluding derivative financial instruments), and long term debt are recognized at amortized cost.

The University's investments include portfolio investments in equity instruments that are quoted in an active market and are recognized at fair value. Pooled funds are valued by the fund managers. The University has designated all other investments except for those held in the General Funds and Research and Special Fund to the fair value category based on the evaluation and management of the portfolio. Derivative financial liabilities are also recognized at fair value. Unrealized gains and losses from the change in fair value of these financial instruments are reflected in the Statement of Remeasurement Gains and Losses until disposition.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations and Changes in Fund Balances. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured at cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

Q. OTHER EMPLOYEE FUTURE BENEFITS

The University accrues its obligations for other employee future benefit plans relating to health, dental, sick leave, long term disability, and group life insurance. The cost of non-vesting sick leave benefits has been determined using management's best estimates. The cost of the long term disability plan for employees and the cost of non-pension and post-retirement benefits for retired employees are actuarially determined using the projected benefit method pro-rated on service, management's best estimates for the discount rate for liabilities, the expected rate of return on assets, retirement ages and expected future cost trends. For current active employees, the cost of other employee future benefit plans relating to health, dental, and group life insurance is the premiums charged under the plans to the University.

The University also accrues its obligations relating to post retirement adjustments to pensions for specifically entitled employees who retired prior to 1993. The cost of such post retirement pension adjustments is actuarially determined using the accrued benefit method and management's best estimate for the discount rate for liabilities and the expected rate of return on assets. Any increase in such adjustments is recognized in the year that it occurs.

Actuarial gains and losses on post retirement adjustments are amortized on a straight-line basis over the life expectancy of the group, commencing in the year following the year the respective annual actuarial gains or losses arise.

Actuarial gains and losses of other benefit plans are amortized on a straight-line basis over the expected average remaining service life of the active employees, commencing in the year following the year the respective annual actuarial gains or losses arise.

R. FOREIGN CURRENCY TRANSLATION

Monetary assets, liabilities and investments at fair value, denominated in foreign currencies, are translated at the year-end exchange rate. The unrealized foreign currency translation gains or losses of these financial instruments are reflected in the Statement of Remeasurement Gains and Losses. Revenues and expenses are translated at exchange rates on the transaction dates. Realized gains or losses arising from these translations are included in the Statement of Operations and Changes in Fund Balances.

S. DERIVATIVE FINANCIAL INSTRUMENTS

From time to time, the University uses derivative financial instruments, including interest rate swap agreements, in its management of exposures to fluctuations in interest rates. An interest rate swap is a derivative financial contract between two parties who agree to exchange fixed rate interest payments for floating rate payments on a predetermined notional amount and term. Derivatives are recorded at fair value and in determining the fair value, the credit risk of both counterparties is considered.

3. ACCOUNTS RECEIVABLE

	2016	2015
Business, Industry and Foundations	$ 30,739	$ 19,267
Provincial Government	25,315	14,294
Federal Government	9,539	10,414
Investment Income and Interest	4,541	5,695
Students	3,211	4,963
Advances	1,997	1,508
External Sales and Cost Recoveries	983	3,715
Miscellaneous	54	63
	$ 76,379	**$ 59,919**

4. LOAN RECEIVABLE

The University has a loan agreement with Triple B Stadium Inc. (Triple B) related to the construction of Investors Group Field at the Fort Garry campus. The loan agreement is divided into a first phase and a second phase for a combined amount not to exceed $160 million. The first phase is not to exceed $75 million while the second phase is not to exceed $85 million. The interest rate on the first phase of the loan is 4.65% and the first phase of the loan receivable is due and payable in full on June 1, 2038. The interest rate on the second phase is 4.65% until June 1, 2053 and is due and payable in full on November 24, 2058.

Any amounts received by Triple B in the form of insurance proceeds entitled to be retained by Triple B by reason of the destruction of all or part of the stadium, where such insurance proceeds are not being applied to restore, reconstruct and repair the stadium in accordance with the ground lease, shall be paid to the University and be applied to the repayment of the loan, firstly to the accrued interest and secondly to principal outstanding, for both phases of the loan, on a pro-rata basis.

Payment terms of the first phase and second phase of the loan receivable are as follows:

FIRST PHASE:

Triple B is required to make payments to the University equivalent to the aggregate of:

- Any amounts received by Triple B in respect of the stadium development from the City of Winnipeg pursuant to *The Community Revitalization Tax Increment Financing Act*.
- Any amounts received by Triple B from any party which were designated by the party for application to the loan.

Payments are applied firstly to accrued interest and secondly to the principal outstanding. Unpaid interest is added to the principal of the first phase of the loan and compounded annually.

SECOND PHASE:

Interest will be calculated annually, and unpaid interest until December 15, 2017 shall be added to the first phase of the loan. Any unpaid interest after December 15, 2017 shall be added to the second phase of the loan and compounded annually. Payments in respect of principal shall be made in amounts determined by Triple B, on or before each of:

i) December 15, 2016; and

ii) December 15, 2017

Annual payments of principal and interest over the remainder of the second phase loan term are to be paid on or before December 15 of each calendar year commencing on December 15, 2018 based on the amortization of the loan following the December 15, 2017 payment.

INVESTORS GROUP FIELD LOAN:

	2016	2015
First Phase interest and principal outstanding	$ 108,364	$ 101,722
Second Phase principal outstanding	83,000	85,000
Loan Receivable		1,436
	191,364	188,158
Less Current Portion		(1,436)
	$ 191,364	**$ 186,722**

The First and Second Phase loans have an equal long term debt loan payable to the Province of Manitoba (Note 9).

5. INVESTMENTS

	2016	2015
General Funds at Amortized Cost		
Corporate Bonds and Other Fixed Income Securities	$ 18,505	$ 93,505
Preferred Shares	35,936	15,936
	54,441	109,441
Trust and Endowment Funds at Fair Value		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	8,566	8,151
Bonds and Other Fixed Income Securities:		
Government of Canada	22,034	22,610
Province of Manitoba	2,546	2,599
Other Provincial	24,064	29,025
Corporate	721	659
Other	21	28
Municipal	7,660	8,893
	57,046	63,814
Equities:		
Canadian Equities	186,564	171,315
US Equities	160,494	159,902
Pooled International Equities	86,907	94,844
	433,965	426,061
Pooled Real Estate Fund	87,376	80,686
	586,953	578,712

Continued on page 38…

…Continued from page 37

Staff Benefits Fund at Fair Value		
Money Market Funds and Cash	3,596	3,150
Pooled Bonds	11,464	10,094
Equities:		
Pooled Canadian Equities	15,808	15,161
Pooled US Equities	5,684	6,515
Pooled International Equities	5,683	6,018
	27,175	27,694
Pooled Real Estate Fund	5,186	5,059
Pooled Mortgage Fund	6,764	6,562
	54,185	52,559
Research and Special Fund at Modified Equity		
Other Investments	1,675	1,603
Total Investments	**$ 697,254**	**$ 742,315**

The University's investment in real estate consists of units of a pooled real estate investment in the Great-West Life Assurance Company Canadian Real Estate Investment Fund No. 1.

The fair value of investments held for General Funds is $47,731 (2015, $110,946).

6. RISK EXPOSURE AND MANAGEMENT

The University uses a disciplined, fundamental approach in its investment selection and management, which consists of an intensive and ongoing research process of investment opportunities across a broad range of investment vehicles in various types of issuers (government, corporate or financial). As a result, the University is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The University, through the work of its investment committees and treasury office, has formal policies and procedures in place governing asset mix, permitted investments, diversification, and minimum credit quality. The most important risks relate to market risk: other price risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. These risks and the related risk management practices employed by the University are detailed below.

OTHER PRICE RISK

Other price risk represents the potential loss that can be caused by a change in the fair value of a financial instrument. The University's investments are subject to normal market fluctuations and the risks inherent in investment in the capital markets. Investments held to meet short term obligations focus on credit quality and liquidity to minimize the effect of other price risk on fair value, however the majority of investments are held for the long term to support the Endowment Fund. These investments are primarily equities, bonds, and pooled funds, and are subject to other price risk given their nature and the long term holding periods. Other price risk is managed through diversification provided by the endowment's asset allocation strategy, which emphasizes the importance of managing other price risk by maintaining appropriate levels of risk required to achieve consistent long term investment returns that meet the objectives of the Endowment Fund.

INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The University is subjected to this risk when it invests in interest-bearing financial instruments, or when it borrows funds using derivative financial instruments. Both investments and financial derivatives are exposed to the risk that their fair value will fluctuate due to changes in the prevailing levels of market interest rates.

The tables below summarize the University's exposure to interest rate risk related to the financial instruments recorded at fair value, categorized by maturity dates.

INTEREST RATE EXPOSURE AS AT MARCH 31, 2016

	Less than 90 days	90 days to 1 year	1 year to 5 years	5 years to 10 years	Greater than 10 years	Total
Investments	4.4%	1.0%	34.6%	52%	8%	100%
Financial Derivatives			30.4%	69.6%		100%

INTEREST RATE EXPOSURE AS AT MARCH 31, 2015

	Less than 90 days	90 days to 1 year	1 year to 5 years	5 years to 10 years	Greater than 10 years	Total
Investments	3.3%	9.1%	60.6%	20.7%	6.3%	100%
Financial Derivatives			29.1%	70.9%		100%

	March 31, 2016		March 31, 2015	
	Interest bearing instruments	Non-interest bearing instruments	Interest bearing instruments	Non-interest bearing instruments
Investments	$ 87,415	$ 553,702	$ 91,743	$ 539,500
Financial Derivatives	$ 6,179	$	$ 6,287	$

As at March 31, 2016, a 0.5% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of fixed income instruments of $2,736 (2015, $3,076) and the interest rate swaps of $1,175 (2015, $1,258).

FOREIGN CURRENCY RISK

The University has cash and cash equivalents, receivables and payables denominated in foreign currencies and holds investments in foreign currency equity markets in both the Trust and Endowment Funds, and the Staff Benefits Fund. The income from these investments is used to meet financial liabilities denominated in Canadian dollars. The University does not actively manage foreign exchange risk.

The University's exposure in cash and investments to foreign currencies reported in Canadian dollars is shown below:

	2016		2015	
	$	%	$	%
Canadian	$ 710,933	73.23	$ 668,410	71.13
US Dollar	171,799	17.70	171,138	18.21
Euro	28,075	2.89	33,165	3.53
Japanese Yen	21,106	2.17	27,246	2.90
British Pound Sterling	18,190	1.87	15,600	1.66
Swiss Franc	9,990	1.03	11,569	1.23
Other	10,785	1.11	12,588	1.34
Total	**$ 970,878**	**100.00**	**$ 939,716**	**100.00**

As at March 31, 2016, a 10% appreciation in the Canadian dollar versus foreign currencies exchange rates would increase investments and net remeasurement gains by approximately $25,230 (2015, $26,502), while a depreciation of 10% would decrease investments and net remeasurement gains by approximately $25,230, (2015, $26,502).

CREDIT RISK

Credit risk represents the potential loss that the University would incur if its counterparties failed to perform in accordance with the terms of their obligations. The University invests in financial assets that have an investment grade as rated primarily by DBRS. Should DBRS not rate an issuer, the University may use Standards & Poor's, followed by the Moody's equivalent. Ratings for securities which subject the University to credit risk are noted below:

% of Total Interest Bearing Investments

Investment Rating	**March 31, 2016**	**March 31, 2015**
R-1High	48.7%	16.4%
R-1Mid	9.2%	0.7%
R-1Low	0.5%	7.9%
AAA	8.4%	12.0%
AA	12.8%	46.4%
A	6.8%	15.1%
BBB	1.0%	1.4%
BB		0.1%
Not Rated	12.6%	
Total	**100.0%**	**100.0%**

The University manages credit risk related to fixed income investments by focusing on high credit quality. Cash and cash equivalents are held in Canadian Chartered banks and Manitoba credit unions. Trust and Endowment and Capital Fund investments are held in diverse portfolios of investments with counterparties considered to be of high quality.

The University also has credit risk related to accounts receivable and loan receivable. A significant portion of the University's accounts receivable is related to Restricted Funds and is from the federal and provincial governments, not-for-profit organizations, corporations, the US government, and other universities. The University also has accounts receivable from students and staff. The credit risk on these receivables is minimal. The remaining accounts receivable are due from a diverse group of customers and are subject to normal credit risks. The credit risk related to the loan receivable is offset by a loan payable to the Province of Manitoba with matching terms of repayment.

LIQUIDITY RISK

The University aims to retain sufficient cash and cash equivalents to maintain liquidity and meet short term obligations. Most of the University's investments are considered readily realizable and liquid, thus liquidity risk is considered minimal. Investments that are not as liquid, such as the investment in the real estate pooled fund, are considered to be held for long term periods in conjunction with the investment objectives, risk tolerance and time horizon of the Endowment Fund.

7. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2016		**2015**	
	Cost	**Accumulated Amortization**	**Cost**	**Accumulated Amortization**
Assets Under Capital Lease	$ 2,855	$ 2,855	$ 3,060	$ 3,060
Buildings and Major Renovations	1,137,691	285,825	1,061,996	262,607
Computer Hardware, Software and Electronics	101,100	92,689	102,828	92,059
Construction in Progress	50,585		76,593	
Furniture and Equipment	273,397	201,465	265,111	188,035
Land	30,705		30,593	
Library Books	211,932	157,951	201,434	149,985

Continued on page 41…

…Continued from page 40

Parking Lots	9,935	4,451	9,666	3,960
Rare Books and Manuscripts	6,677		6,434	
Vehicles	8,617	7,420	8,606	7,308
Works of Art	3,867		3,550	
	1,837,361	752,656	1,769,871	707,014
Less Accumulated Amortization	752,656		707,014	
Net Book Value	**$ 1,084,705**		**$ 1,062,857**	

8. CAPITAL LEASE OBLIGATIONS

	2016	**2015**
Minimum lease payments including principal and interest:	$	$ 6
Less: Current Portion		(6)
	$	$

9. LONG TERM DEBT

	2016	**2015**
Province of Manitoba:		
Promissory Note, 5.23% blended monthly payments $413 due March 1, 2035	$ 59,636	$ 61,425
Promissory Note, 5.55% blended monthly payments $428 due April 1, 2036	62,134	63,774
Promissory Note, 3.75% blended monthly payments $129 due September 30, 2039	24,068	24,695
Promissory Note, 5.35% blended monthly payments $173 due February 1, 2040	27,997	28,560
Loan, First Phase, 4.65% due June 1, 2038	108,364	101,722
Loan, Second Phase, 4.65% until June 1, 2053, due November 24, 2058	83,000	85,000
	365,199	365,176
Term loans (with floating interest rates based on Bankers' Acceptance rates plus stamping fees):		
Multi Tenant Facility, due February 28, 2019	7,679	7,904
Multi Tenant Facility, due November 30, 2022	6,056	6,322
Arthur V. Mauro Student Residence, due October 1, 2023	11,548	12,151
	25,283	26,377
	390,482	391,553
Total Stadium Long Term Debt	191,364	186,722
Total Other Long Term Debt	199,118	204,831
	390,482	391,553
Less Current Portion:		
Province of Manitoba	(4,863)	(4,619)
Term Loans	(1,152)	(1,094)
	(6,015)	(5,713)
	$ 384,467	**$ 385,840**

The effective interest rate on each of the term loans is the fixed interest rate based on an interest rate swap agreement plus a stamping fee (Note 10).

Interest expense on long term debt was $19,062 (2015, $18,523).

The University entered into a loan agreement with the Province of Manitoba related to the construction of Investors Group Field. Any amounts received by the University in the form of insurance proceeds received and entitled to be retained by the University by reason of the destruction of all or part of the stadium, where such insurance proceeds are not being applied to restore, reconstruct and repair the stadium in accordance with the ground lease are also to be applied to the repayment of the loan, firstly to the accrued interest and secondly to the principal outstanding, for both phases of the loan, on a pro-rata basis.

Additional terms of repayment of the loan are as follows:

LOAN, FIRST PHASE:

The amount of the annual payment of principal and interest on the loan is equivalent to the aggregate of:

- any amounts paid by Triple B Stadium Inc. (Triple B) to the University in respect of the Triple B loan receivable;
- any amounts received by the University in respect of the stadium development from The City of Winnipeg pursuant to *The Community Revitalization Tax Increment Financing Act*; and
- any amounts received by the University from any party which were designated by the party for application to the loan.

Payments are applied firstly to accrued interest and secondly to the principal outstanding. Unpaid interest is added to the principal of the First Phase of the loan and compounded annually. Any accrued interest and principal outstanding on the First Phase of the loan as at June 1, 2038 is due and payable in full, subject to receipt of the accrued interest and principal outstanding from Triple B, unless the parties agree otherwise in writing.

LOAN, SECOND PHASE:

Interest will be calculated annually and unpaid interest until December 31, 2017 shall be added to the first phase of the loan. Any unpaid interest after December 31, 2017 shall be added to the second phase of the loan and compounded annually. Payments in respect of principal shall be made in amounts as received from Triple B, on or before each of:

i) December 31, 2016; and
ii) December 31, 2017.

Annual payments of principal and interest over the remainder of the second phase loan term are to be paid on or before December 31 of each calendar year commencing on December 31, 2018, based on the amortization of the loan following the December 31, 2017 payment. Payments are applied firstly to accrued interest after December 31, 2017 and secondly to principal outstanding.

Any accrued interest and principal outstanding on the second phase of the loan as at November 24, 2058 is due and payable in full, subject to receipt of accrued interest and principal outstanding from Triple B, unless the parties agree otherwise in writing.

Principal and interest outstanding at March 31 are:

	2016	2015
Loan, First Phase	$ 75,000	$ 75,000
Loan, First Phase Accrued Interest	17,516	14,801
Loan, Second Phase Accrued Interest	15,848	11,921
	108,364	101,722
Loan, Second Phase	83,000	85,000
	$ 191,364	**$ 186,722**

Principal repayments on long term debt payable over the next five years are as follows:

	Province of Manitoba	Term Loans	Total
2017	$ 4,863	$ 1,152	$ 6,015
2018	5,120	1,217	6,337
2019	5,391	1,282	6,673
2020	5,676	1,355	7,031
2021	5,976	1,429	7,405
Thereafter	338,173	18,848	357,021
	$ 365,199	**$ 25,283**	**$ 390,482**

10. OTHER LONG TERM LIABILITIES

Amounts included in other long term liabilities are as follows:

	2016	2015
Refundable Deposit	$	$ 346
Fair Value of Financial Derivatives	6,179	6,287
	$ 6,179	**$ 6,633**

DERIVATIVE FINANCIAL LIABILITIES

The University has entered into separate interest rate swap agreements for three term loans. Each loan has a stamping fee and a floating interest rate based on Bankers' Acceptance rates. The floating interest rate has been swapped to a fixed rate as follows:

The interest rate swap agreement for the loan for the construction of the Arthur V. Mauro Student Residence has a fixed interest rate of 5.62% that is committed until September 1, 2028. The notional principal underlying this swap agreement was $11,548 as at March 31, 2016 (2015, $12,151).

The interest rate swap agreement for the loan for the development of the multi-tenant facility at 150 Innovation Drive has a fixed interest rate of 4.07% that is committed until February 13, 2032. The notional principal underlying this swap agreement as at March 31, 2016 was $6,056 (2015, $6,322).

The interest rate swap agreement for the loan for the addition to the multi-tenant facility at 900 – One Research Road has a fixed interest rate of 4.4% that is committed until August 5, 2035. The notional principal underlying this swap agreement was $7,679 as at March 31, 2016 (2015, $7,904).

Under the terms of the agreements, the respective monthly interest and principal repayments are required similar to a conventional amortizing loan over a 25 year period.

11. EMPLOYEE FUTURE BENEFITS

The University of Manitoba provides certain health, dental and group life benefits for its retired employees who have met the eligibility criteria and long term disability benefits for current employees. Post retirement pension benefits are also provided for specifically entitled retirees.

Health, dental and group life benefits are provided to employees who retired prior to July 1, 2004 on a non-contributory basis. The group life benefits are indexed post retirement. For eligible employees retiring on or after July 1, 2004, no group life benefit is available, and retired employees share in the cost of the health and dental benefits.

The long term disability income benefit is provided on a contributory basis.

Post retirement pension benefits are provided to specifically entitled employees who retired prior to 1993. The adjustments for a year are determined as the lesser of the amounts that can be provided by a weighted average percentage salary increase at the University, or the excess interest approach provided under the University of Manitoba Pension Plan (1993). One hundred percent of the adjustments are paid by the University.

The University measures the fair value of assets and the accrued benefit obligations for the non-pension and post retirement pension adjustments as of March 31. A firm of consulting actuaries prepared an actuarial valuation for the post-retirement adjustments plan as at March 31, 2016. They also prepared extrapolations to March 31, 2016 of the 2015 actuarial valuations for the non-pension benefit plans. The actuarial gains and losses are amortized over nine years commencing in the year following the year the respective annual actuarial gains or losses arise.

The Accrued Benefit Obligations for the non-pension benefit plans and the post retirement adjustments are reported in the University's Statement of Financial Position under Long Term Liabilities.

Information about the University's non-pension benefit plans and post-retirement adjustments as at March 31 is as follows:

	Non-Pension Benefit Plans		Post-Retirement Adjustments		Total	Total
	2016	2015	2016	2015	2016	2015
Accrued Benefit Obligations	$ 68,975	$ 67,962	$ 2,325	$ 2,615	$ 71,300	$ 70,577
Unamortized Actuarial Gains	5,130	5,770	96	172	5,226	5,942
Employee Future Benefits Liability	**$ 74,105**	**$ 73,732**	**$ 2,421**	**$ 2,787**	**$ 76,526**	**$ 76,519**
Benefit Cost	$ 4,662	$ 4,866	$ 65	$ 86	$ 4,727	$ 4,952
Plan Assets	48,739	47,405	863	1,084	49,602	48,489
Employer Contribution	5,623	6,486			5,623	6,486
Employees' Contributions	3,616	4,425			3,616	4,425
Benefits Paid	7,549	7,077	420	460	7,969	7,537

Plan assets consist of:	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2016	2015	2016	2015
Money Market Funds and Cash	7%	6%	7%	6%
Equities	50%	53%	50%	53%
Fixed Income	21%	19%	21%	19%
Pooled Real Estate	10%	10%	10%	10%
Mortgage Fund	12%	12%	12%	12%
Total	**100%**	**100%**	**100%**	**100%**

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2016	2015	2016	2015
Accrued benefit obligation at March 31:				
Discount rate	5.6%	6.0%	5.6%	6.0%
Benefit Cost for year ended March 31:				
Discount rate	6.0%	6.0%	6.0%	6.0%
Expected rate of return on assets	6.0%	6.0%	6.0%	6.0%
Health Care Cost Trend Rates at March 31:				
Initial rate	7.5%	8.0%		
Ultimate rate	5.0%	6.0%		
Year ultimate rate reached	2027	2024		
Dental Care Cost Trend Rates at March 31:	5.0% to 2018, 4.5% thereafter	4.0%		

12. INTER-FUND ADVANCES AND LOANS

As at March 31, 2016, the General Funds owed the Restricted Funds $18,887 (2015, $2,611).

13. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment, library books and artwork of $925 (2015, $2,170).

14. PENSION PLANS

The University is the sponsor of three pension plans, The University of Manitoba Pension Plan (1970), The University of Manitoba GFT Pension Plan (1986), and The University of Manitoba Pension Plan (1993).

The University has separate Pension Committees to act as Plan Administrator for each of the 1993 and 1986 Plans. The University is the Plan Administrator for the 1970 Plan.

Each of the 1993 Pension Committee and 1986 Pension Committee has the following responsibilities for their respective plans:

- monitor the operation of the plan;
- take responsibility for the plan's administration;
- ensure that the plan is in compliance with all applicable legislation; and
- act in an advisory capacity to the University Board of Governors, making recommendations as required.

All three pension plans issue their own financial statements, none of which form part of the University's financial statements. The University's pension liability for the 1993 Plan is the net of pension obligations less plan assets and adjusted for any unamortized actuarial gains or losses. For the 1986 Plan, the University has no pension liability as pension obligations equal plan assets. The University has no pension liability for the 1970 Plan.

1993 PLAN

The University of Manitoba Pension Plan (1993) is a money purchase plan with a defined benefit minimum. The following is a summary of the Plan:

Staff members of the University of Manitoba, other than those eligible for membership in The University of Manitoba GFT Pension Plan (1986), are eligible for membership in The University of Manitoba Pension Plan (1993). The Plan members contributed at the rate of 9.0% of salary less an adjustment for the Canada Pension Plan during the year. The University matches these contributions. If an actuarial valuation reveals a deficiency in the fund, *The Pension Benefits Act* of the Province of Manitoba requires that the University make additional contributions to fund the deficiency.

The Plan provides for full and immediate vesting on termination of employment, subject to the provisions of *The Pension Benefits Act* of the Province of Manitoba.

At retirement, the Plan provides that the Member's Contribution Account and University Contribution Account are applied to establish retirement income known as a plan annuity. This annuity is determined using a pension factor established by the Actuary and is paid from the Plan. The Plan provides that if the defined benefit pension based on a formula involving the member's years of service and highest average earnings exceeds the plan annuity, the difference (known as a supplementary pension) is paid from the Plan.

The Plan provides for retirement benefits paid from the Plan to be increased using an excess interest approach, provided such increase can be afforded by the Plan as confirmed by the Actuary.

At the December 31, 2015 valuation of the Plan, there were 5,192 active member accounts with an average salary weighted age of 51.8 for academic staff and 47 for support staff, and 1,241 annuitants and other recipients.

The actuarial method used to value the liabilities is the projected unit credit method, prorated on services. An actuarial valuation for accounting purposes was prepared by a firm of consulting actuaries as at December 31, 2013 and extrapolated to December 31, 2015.

The University uses a December 31 measurement date for reporting plan assets and obligations.

	2015	2014
Accrued Benefit Obligations		
Actuarial present value of accrued pension benefits, at the beginning of year	$ 1,110,225	$ 1,077,300
Interest accrued on defined benefits	23,006	23,827
Interest accrued on member accounts	28,988	56,227
Benefits accrued	54,393	53,212
Benefits paid	(99,343)	(89,337)
Plan amendment		1,521
Actuarial gains	3,650	(1,404)
Change in actuarial assumptions	52,749	(11,121)
Actuarial present value of accrued pension benefits, at end of year	$ 1,173,668	$ 1,110,225
Plan Assets		
Fair value, at beginning of year	$ 1,091,432	$ 1,031,244
Actual return on plan assets	47,200	91,154
Employer contributions calendar year	34,280	33,303
Employee contributions	25,595	24,747
Transfer from other plans	284	321
Benefits paid	(99,343)	(89,337)
Fair value, at end of year	$ 1,099,448	$ 1,091,432
Reconciliation of Pension Liability		
Accrued benefit obligation	$ 1,173,668	$ 1,110,225
Plan assets	(1,099,448)	(1,091,432)
Plan deficit	74,220	18,793
Contributions during fiscal year in excess of calendar year	(8,380)	(7,327)
Adjusted plan deficit	65,840	11,466
Unamortized net actuarial gains (losses)	(45,268)	19,621
Pension liability	**$ 20,572**	**$ 31,087**
Net Benefit Plan Expense		
Current service cost, net of employee contributions	$ 28,514	$ 28,144
Interest costs at discount rate	62,794	64,722
Expected return on plan assets	(64,310)	(66,025)
Amortization of net actuarial losses	(2,180)	(1,374)
Prior period cost		1,521
Net benefit plan expense	$ 24,818	$ 26,988
Reconciliation of Unamortized Gains/(Losses)		
Expected average remaining service life	9.00	9.00
Net unamortized gain (loss), beginning of year	$ 19,621	$ (1,327)
New net gain (loss) for current year	(62,709)	22,322
Amortization for current year	(2,180)	147
Immediate recognition to offset prior period cost		(1,521)
Net unamortized gain (loss), end of year	$ (45,268)	$ 19,621

Continued on page 47…

…Continued from page 46

Plan Assets measured at fair value consist of:		
Cash and Other	$ 29,262	$ 27,272
Bonds and debentures	248,350	352,563
Canadian equities	300,379	398,837
Mortgages	134,234	61,758
Real estate	68,205	
Foreign equities	319,018	251,002
	$ 1,099,448	**$ 1,091,432**

Significant Long-term Actuarial Assumptions		
Discount rate	5.60%	6.00%
Expected rate of return on assets	5.60%	6.50%
Rate of general salary increase	2.0% to 2018, 3% thereafter	2.0% to 2018, 3% thereafter
Interest assumption for converting member accumulations to annuities	3.75%	4.25%
Mortality	Canadian Pensioners' Mortality 2014 Public Sector Table, adjusted for plan experience.	Canadian Pensioners' Mortality 2014 Public Sector Table, adjusted for plan experience.
Mortality improvements	Projected generationally from 2014 with CPM Improvement Scale B.	Projected generationally from 2014 with CPM Improvement Scale B.

Pension Fund Assets are valued at market values. The expected rate of return on plan assets net of expenses is 5.6% (2014, 6.5%). The actual return on pension fund assets was 4.4% (2014, 8.97%).

In 2009, the Manitoba Pension Commission advised that the University was required to begin to make additional payments with respect to current service costs in excess of matching contributions of active members and the University. The additional annual current service cost payments required are based on a percentage (changes annually) of employee contributions. This total payment for fiscal 2016 was $3.6 million (2015, $2.6 million).

The unamortized net actuarial gains/(losses) shown above, which were determined on the basis of the 2013 actuarial valuation and the 2015 extrapolation for accounting purposes, are being amortized over a period of nine years (expected average remaining service life) starting in the year following the year the respective annual actuarial gains or losses arise. However, cash funding for the pension plan is based on the going concern funding valuation as described below.

The going concern deficit that results from these and other sources of loss, as they apply to the valuation for funding purposes filed with the pension regulators, is being funded under *The Pension Benefits Act* over the maximum of 15 years. The payments are $5.1 million annually until the going concern deficit is eliminated, based on the December 2013 funding valuation. This total payment for fiscal 2016 was $5.1 million (2015, $3.3 million).

In 2009, as permitted under the University Pension Plans Exemption Regulation, the University filed an election for an exemption to the solvency deficiency funding requirements under *The Pension Benefits Act* for the 1993 Plan. However, the Plan will continue to be subject to the going concern funding provisions of *The Pension Benefits Act* and the funding deficit payments are being paid by the University over the maximum of 15 years as indicated above.

1986 PLAN

For the 1986 Plan, which is a money purchase plan for active members, the University recorded contributions of $2,114 (2015, $2,018) and this is included in the Statement of Operations and Changes in Fund Balances as an expense.

1970 PLAN

There were no university employees earning pension entitlements in 2016 in the 1970 Plan. As a result, the University made no contributions to the Plan during the year.

15. NET INVESTMENT INCOME

	General Funds	Restricted Funds	Total 2016	Total 2015
Non Portfolio Interest Income	$ 2,144	$ 10,096	$ 12,240	$ 10,457
Portfolio Investments:				
Interest	2,204	1,887	4,091	5,360
Dividends		11,925	11,925	11,973
Net gains on sale of investments		29,781	29,781	28,361
	2,204	43,593	45,797	45,694
Total	**$ 4,348**	**$ 53,689**	**$ 58,037**	**$ 56,151**

16. INTEREST IN RELATED ENTITIES

THE UNIVERSITY OF MANITOBA FOUNDATION U.S.A. INC.

The University has an economic interest in the University of Manitoba Foundation U.S.A. Inc. (the Foundation) which is an Illinois Not-For-Profit Corporation incorporated in December 1989. The Foundation's purpose is exclusively charitable, literary, scientific and educational and its activities include the promotion, encouragement, aid and advancement of higher education, research and training in the Province of Manitoba, in Canada and elsewhere. The Foundation is exempt from U.S.A. Federal Income Tax under Subsection 501(c)(3) of the Internal Revenue Code.

The Board of Directors of the Foundation is an independent board whose members direct and guide the Foundation's actions. Members of the Board include, among others, certain senior staff of the University of Manitoba. The University of Manitoba, however, is one of many entities eligible to receive aid from the Foundation. The University must make application to the Foundation's Board of Directors to request funds, which may or may not be granted. The University's economic interest therefore is beneficial, as gifts and donations which are solicited by the Foundation may be transferred to the University of Manitoba from time to time.

TRIUMF

The University has an 8.33% (2015, 9.09%) interest in TRIUMF, a joint venture which operates a national laboratory for particle and nuclear physics. The University uses the modified equity method of accounting to record its interest in TRIUMF.

Available financial information in respect of TRIUMF is disclosed below:

	March 31, 2015	U of M's Proportionate Share	March 31, 2014	U of M's Proportionate Share
Statement of Financial Position:				
Assets	$ 26,369	$ 2,197	$ 25,501	$ 2,318
Liabilities	6,257	522	7,868	715
Net Assets	**$ 20,112**	**$ 1,675**	**$ 17,633**	**$ 1,603**

Continued on page 49…

…Continued from page 48

Statement of Operations:								
Revenue	$	69,133	$	5,758	$	81,032	$	7,366
Expenses		66,654		5,552		82,195		7,472
Surplus (deficit) for the year	**$**	**2,479**	**$**	**206**	**$**	**(1,163)**	**$**	**(106)**
Statement Cash Flows:								
Cash Provided by (used in):								
Operating Activities	$	3,780	$	315	$	(2,988)	$	(272)
Investing Activities		2,783		232		(132)		(12)
Decrease in Cash	**$**	**6,563**	**$**	**547**	**$**	**(3,120)**	**$**	**(284)**

TRIUMF's financial statements have been prepared in accordance with section 11B of the TRIUMF joint venture agreement. TRIUMF has adopted Canadian Public Sector Accounting Standards (PSAS), including accounting standards that apply to government not-for-profit organizations, except that all property, plant and equipment purchased or constructed for use at TRIUMF and related decommissioning costs (if any) are expensed in the period in which the costs are incurred. The financial statements for the year ended March 31, 2016 are not available.

TRIUMF follows the restricted fund method of accounting for contributions.

17. OTHER RELATED PARTY TRANSACTIONS

The University has significant influence in Triple B Stadium Inc. (Triple B). Triple B is a not-for-profit corporation established to develop, own and operate a stadium as a venue for professional and university football and community athletics. The members of Triple B are the City of Winnipeg, the University of Manitoba and the Winnipeg Football Club. Activities of Triple B are managed by the directors comprised of the University, City of Winnipeg, Province of Manitoba and the Winnipeg Football Club. The University has an economic interest in Triple B related to the use of the stadium for university football games and events at nil charge.

As at March 31, 2016 and for year then ended, the related party transactions pertaining to Investors Group Field, with Triple B and the Province of Manitoba are as follows:

		2016		**2015**
Current Loan Receivable	$		$	1,436
Loans Receivable, including accrued interest	$	191,364	$	186,722
Loan Payable, including accrued interest	$	191,364	$	186,722
Loan Guarantee from the Province of Manitoba	$		$	1,436
Revenue and Expenses:				
Investment Income	$	8,661	$	8,286
Interest Expense	$	8,619	$	8,275

The investment income from Triple B and related interest expense of $8,619 (2015 – $8,275) has been included in the statement of operations however these amounts have not been included in statement of cash flow supplementary information as the interest was neither received nor paid during the year. Any related payments received for the loan receivable and payments made on the related debt were applied against the outstanding principal.

The University controls Partners for Health and Development in Africa (PHDA), a non-profit, non-governmental organization registered in Kenya. PHDA has a March 31 year end. Its main purpose is to promote health and economic development in Kenya and Africa, including promotion of health and economic services in HIV/AIDS and population and reproductive health. PHDA uses a modified cash basis of accounting.

The University funds the operations of PHDA by the transfer of research grants. PHDA is not permitted under local government restrictions to transfer any assets back to the University. Available financial information in respect of PHDA is disclosed below. The financial statements for the year ended March 31, 2016 are not available. PHDA operates in Kenyan Schillings and the amounts below have been converted to Canadian dollars.

		March 31, 2015
Statement of Financial Position:		
Assets	$	756
Liabilities		583
Net Assets	**$**	**173**
Statement of Operations:		
Revenue	$	4,475
Expenses		4,301
Surplus (deficit) for the year	**$**	**174**
Statement Cash Flows:		
Cash Provided by (used in):		
Operating Activities	$	251
Investing Activities		(67)
Decrease in Cash	**$**	**184**

Total Transfers to PHDA were $5,795 (2015, $1,370).

18. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The University of Manitoba is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE). CURIE pools the property damage and public liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment in the event members' premiums and reserves are insufficient to cover losses and expenses. No additional assessment was necessary for the current year.

Contractual obligations relating to Construction in Progress amount to $30,197 (2015, $23,094). The contractual obligations relating to service contracts is $24,899 (2015, $16,383).

The University of Manitoba is named as a defendant in litigations where action has commenced or is anticipated. While the ultimate outcome of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that the outcome will not have a material effect on the financial position of the University. No provision has been made in the financial statements in respect of these claims as of March 31, 2016.

The members of the TRIUMF joint venture and the Canadian Nuclear Safety Commission (CNSC) approved a decommissioning plan which requires all members to be severally responsible for their share of the decommissioning costs, which were estimated at $44.2 million as of November 2011, as well as provide financial covenants to the CNSC for the amount of these costs. While there are no current intentions to decommission the facilities, and the facilities are estimated to have an indefinite useful life, the University's share of the unfunded decommissioning costs, as at March 31, 2015 is estimated at $2.8 million (2014, $3.1 million). The March 31, 2016 figures are not available. TRIUMF has put in place a plan for funding the cost of decommissioning which does not require any payments from the joint venture partners.

19. FAIR VALUE DISCLOSURES

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, dealing at arm's length and motivated by normal business considerations. Financial instruments are classified using a fair value hierarchy that reflects the significance of inputs to valuation techniques used to measure fair value. The fair value hierarchy used has the following levels:

Level 1 – Inputs that reflect unadjusted publicly quoted prices in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.

Level 2 – Inputs other than publicly quoted prices that are either directly or indirectly observable for the asset or liability.

Level 3 – Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

The following fair value hierarchy table presents information about the University's financial instruments measured at fair value at March 31:

Financial Assets at fair value as at March 31, 2016

	Level 1	Level 2	Level 3	Total
Investments 2016				
Bankers Acceptances, Guaranteed Investment Certificates and Cash	$	$ 12,162	$	$ 12,162
Canadian Equities	186,564			186,564
US Equities	160,494			160,494
Pooled Bond Fund		11,464		11,464
Pooled Canadian Equities Fund		15,808		15,808
Pooled US Equities Fund		5,684		5,684
Pooled International Equities Fund		92,590		92,590
Pooled Real Estate Fund		92,562		92,562
Pooled Mortgage Fund		6,764		6,764
Bonds and Other Fixed Income Securities		57,025		57,025
Total	**$ 347,058**	**$ 294,059**		**$ 641,117**
Investments 2015				
Bankers Acceptances, Guaranteed Investment Certificates and Cash	$	$ 11,301	$	$ 11,301
Canadian Equities	171,315			171,315
US Equities	159,902			159,902
Pooled Bond Fund		10,094		10,094
Pooled Canadian Equities Fund		15,161		15,161
Pooled US Equities Fund		6,515		6,515
Pooled International Equities Fund		100,862		100,862
Pooled Real Estate Fund		85,745		85,745
Pooled Mortgage Fund		6,562		6,562
Bonds and Other Fixed Income Securities		63,786		63,786
Total	**$ 331,217**	**$ 300,026**	**$**	**$ 631,243**

Financial Liabilities at fair value as at March 31, 2016

	Level 1	Level 2	Level 3	Total
Financial Derivatives 2016	$	$	$ 6,179	$ 6,179
Financial Derivatives 2015	$	$	$ 6,287	$ 6,287

	2016	2015
Fair value of Financial Derivatives Beginning of Year	$ 6,287	$ 4,227
Unrealized (gain) loss reported in the Statement of Remeasurement Gains and Losses	(108)	2,060
Fair Value of Financial Derivatives End of Year	**$ 6,179**	**$ 6,287**

As of March 31, 2016 and March 31, 2015 there were no transfers of investments between levels 1, 2 or 3.

20. EXPENSE BY FUNCTION

	General Funds	Restricted Funds	2016 Total Funds	2015 Total Funds
Expense				
Academic	$ 342,990	$ 124,558	$ 467,548	$ 448,041
Amortization		54,931	54,931	54,075
Student Assistance	14,000	41,619	55,619	51,346
Plant Maintenance	46,027	12	46,039	47,418
Administration and General	27,882	10,505	38,387	41,776
Ancillary Services	27,725		27,725	28,007
Computing and Communications	26,803		26,803	25,609
Other Academic and Research Support	15,413	4,251	19,664	20,366
Student Services	20,328	1	20,329	19,818
Interest		19,062	19,062	18,682
Libraries	18,272	2,930	21,202	17,167
External Relations	12,170		12,170	11,607
Actuarially Determined Employee Future Benefits	7		7	6,517
Change in Pension Liability	(10,515)		(10,515)	(2,794)
Staff Benefits Contra	(7,182)		(7,182)	(8,054)
Total	**$ 533,920**	**$ 257,869**	**$ 791,789**	**$ 779,581**

21. STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES – GENERAL FUNDS

	General Operating Fund	Specific Provisions Fund	Expenses Funded From Future Revenues	2016 Total General Funds	2015 Total General Funds
Revenue					
Tuition and Related Fees	$ 159,987	$	$	$ 159,987	$ 148,768
Donations	1,734			1,734	1,728
Non-Government Grants	5,344			5,344	3,212
Net Investment Income *(Note 15)*	4,348			4,348	4,400
Miscellaneous Income	7,147			7,147	6,618
Government Grants:					
Education and Advanced Learning	347,105			347,105	337,276
Other Province of Manitoba	22,493			22,493	20,512
Government of Canada	10,850			10,850	10,745
City of Winnipeg	51			51	51
Sales of Goods and Services	32,233			32,233	32,031
Ancillary Services	38,246			38,246	36,985
	629,538			**629,538**	**602,326**
Expenses					
Salaries	356,627			356,627	342,967
Staff Benefits and Pay Levy	59,766			59,766	68,961
Materials, Supplies and Services	49,109			49,109	53,585
Student Assistance	14,000			14,000	12,954
Professional Consulting and Externally Contracted Services	16,010			16,010	15,009
Travel and Conferences	11,314			11,314	12,261
Utilities, Municipal Taxes and Insurance	19,442			19,442	20,253
Maintenance and Repairs	7,652			7,652	7,978
	533,920			**533,920**	**533,968**
Net Increase (Decrease) from Operating Activities	95,618			95,618	68,358
Inter-Fund Transfers *(Note 23)*	(95,534)	(1,306)	10,339	(86,501)	(43,860)
Net Increase (Decrease) to Fund Balances from Operating Activities	84	(1,306)	10,339	9,117	24,498
Fund Balances from Operating Activities Beginning of the Year	2,282	98,974	(75,684)	25,572	1,074
Fund Balances from Operating Activities End of the Year	2,366	97,668	(65,345)	34,689	25,572
Accumulated Remeasurements Gains (Losses) End of Year	(139)			(139)	957
Fund Balances End of the Year	**$ 2,227**	**$ 97,668**	**$ (65,345)**	**$ 34,550**	**$ 26,529**
Unrestricted Funds	$ 2,227	$	$ (65,345)	$ (63,118)	$ (72,445)
Internally Restricted Funds *(Note 24)*		97,668		97,668	98,974
	$ 2,227	**$ 97,668**	**$ (65,345)**	**$ 34,550**	**$ 26,529**

22. STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES – RESTRICTED FUNDS

	Capital Asset Fund	Research and Special Fund	Staff Benefits Fund	Trust Fund	2016 Total Restricted Funds	2015 Total Restricted Funds
Revenue						
Donations	$ 5,256	$ 1,630	$	$ 4,739	$ 11,625	$ 11,556
Non-Government Grants	12	78,301			78,313	56,098
Net Investment Income *(Note 15)*	9,100	222	405	43,962	53,689	51,751
Miscellaneous Income	3,066	74	3,902		7,042	8,780
Government Grants:						
Education and Advanced Learning	7,015				7,015	7,136
Other Province of Manitoba	11,681	39,614			51,295	48,043
Government of Canada	4,592	66,379			70,971	68,517
Sales of Goods and Services		1,011			1,011	1,002
	40,722	**187,231**	**4,307**	**48,701**	**280,961**	**252,883**
Expenses						
Salaries		40,471			40,471	38,938
Staff Benefits and Pay Levy		7,088			7,088	7,558
Materials, Supplies and Services		52,448	3,913	420	56,781	52,275
Amortization of Capital Assets	54,931				54,931	54,075
Student Assistance		23,084		18,535	41,619	38,392
Professional Consulting and Externally Contracted Services		22,948	103	3,264	26,315	23,306
Travel and Conferences		11,135			11,135	11,772
Utilities, Municipal Taxes and Insurance		24			24	36
Interest	19,062				19,062	18,682
Maintenance and Repairs		443			443	579
	73,993	**157,641**	**4,016**	**22,219**	**257,869**	**245,613**
Net Increase (Decrease) from Operating Activities	(33,271)	29,590	291	26,482	23,092	7,270
Inter-Fund Transfers *(Note 23)*	91,771	(7,101)	1,807	(2,280)	84,197	42,052
Net Increase (Decrease) to Fund Balances from Operating Activities	58,500	22,489	2,098	24,202	107,289	49,322
Fund Balances from Operating Activities Beginning of the Year	940,748	100,897	1,113	178,553	1,221,311	1,171,989
Fund Balances from Operating Activities End of the Year	999,248	123,386	3,211	202,755	1,328,600	1,221,311
Accumulated Remeasurements Gains (Losses) End of Year	(669)	(202)	3,928	(17,478)	(14,421)	18,069
Fund Balances End of the Year	**$ 998,579**	**$123,184**	**$ 7,139**	**$ 185,277**	**$1,314,179**	**$1,239,380**
Internally Restricted Funds *(Note 24)*	$	$ 7,832	$ 2,569	$ 58,503	$ 68,904	$ 65,396
Externally Restricted Funds *(Note 25)*		115,352	4,570	126,774	246,696	234,013
Invested in Capital Assets *(Note 25)*	998,579				998,579	939,971
	$ 998,579	**$123,184**	**$ 7,139**	**$ 185,277**	**$1,314,179**	**$1,239,380**

23. INTER-FUND TRANSFERS

Inter-Fund Transfers for the years ended March 31 are as follows:

	General Operating	Specific Provisions	Expenses Funded From Future Revenues	Total General Funds	Total Restricted Funds	Endowment Fund
Funding of Capital Asset Additions:						
Current Year Acquisitions	$ (20,686)	$	$	$ (20,686)	$ 20,686	$
Other Funded Projects	(33,955)			(33,955)	33,955	
Faculty and Unit Funded Projects	(9,955)	(7,657)		(17,612)	17,612	
Total Funding of Capital Asset Additions	**(64,596)**	**(7,657)**		**(72,253)**	**72,253**	
Debt Funding:						
Ancillary Services	(4,965)			(4,965)	4,965	
Faculties	(1,542)			(1,542)	1,542	
Unit Capital Development Assessment	(5,134)			(5,134)	5,134	
Student Contributions for Technology	(3,346)			(3,346)	3,346	
Other	(1,300)			(1,300)	1,300	
Total Debt Funding	**(16,287)**			**(16,287)**	**16,287**	
Scholarships, Bursaries & Prizes:						
Faculty and Unit Funded	(2,193)			(2,193)	2,193	
Centrally Funded	(7,565)			(7,565)	7,554	11
Total Scholarships, Bursaries & Prizes	**(9,758)**			**(9,758)**	**9,747**	**11**
Transfers to Provisions for Specific Projects:						
Faculty and Unit Funded	(7,187)	8,384		1,197	(1,197)	
Centrally Funded	(7,338)	7,338				
Total Transfers to Provisions for Specific Projects	**(14,525)**	**15,722**		**1,197**	**(1,197)**	
Benefit Premiums Net of Employer						
Contributions for Staff Benefits	(2,048)			(2,048)	2,048	
Student Contribution to University						
Development Fund	(1,066)			(1,066)	198	868
Overhead Recoveries	6,010			6,010	(6,010)	
Funding of General Operating Expenses	31,215	(19,439)		11,776	(11,776)	
Net Change in Unit Carryover	(10,068)	10,068				
Funding of Research Projects	(4,315)			(4,315)	4,315	
Employee Future Benefits	7		234	241	(241)	
Pension Liability	(10,515)		10,515			
Vacation and Sick Leave Liability	410		(410)			
Other Net Transfers	2			2	(1,427)	1,425
March 31, 2016	**$ (95,534)**	**$ (1,306)**	**$ 10,339**	**$ (86,501)**	**$ 84,197**	**$ 2,304**
March 31, 2015	$ (68,349)	$ 21,937	$ 2,552	$ (43,860)	$ 42,052	$ 1,808

24. INTERNALLY RESTRICTED FUND BALANCES

Internally restricted fund balances represent amounts set aside by the University for specific purposes. Within the Specific Provision Fund is $65.5M (2015, $63.7M) that is set aside at the request of faculties and units while $32.2M (2015, $35.3M) has been set aside at the discretion of senior administration. Included in the $65.5M is faculty and unit carryover of $50.1M (2015, $40M). Although the entire provision balance of $97.7M is deemed internally restricted, senior administration is not able to repurpose the $65.5M as it is bound by certain restrictions including collective agreements.

	2016	2015
General Funds		
Specific Provisions	$ 97,668	$ 98,974
Restricted Funds		
Research and Special	7,832	8,438
Staff Benefits	2,569	2,284
Trust	58,503	54,674
	68,904	65,396
Total Internally Restricted Fund Balances	**$ 166,572**	**$ 164,370**

25. EXTERNALLY RESTRICTED FUND BALANCES

Externally restricted fund balances represent unexpended fund balances to be used in future years. External parties have imposed specific restrictions on how the funds can be used and the terms cannot be altered without explicit permission from these funders. Endowed fund balances represent donations received that must be held in perpetuity. The endowed contributions generate an investment return which is made available for spending in the Trust Fund. Invested in capital assets represents capital assets and the net assets held for capital purchases or debt repayment.

	2016	2015
Endowed	$ 398,732	$ 395,666
Invested in Capital Assets	998,579	939,971
Restricted Funds		
Research and Special	115,352	93,630
Staff Benefits	4,570	3,469
Trust	126,774	136,914
	246,696	234,013
Total Externally Restricted Fund Balances	**$ 1,644,007**	**$ 1,569,650**

26. COMPARATIVE FIGURES

Comparative figures for the year ended March 31, 2015 have been reclassified, where appropriate, to conform with the presentation adopted for the year ended March 31, 2016.

THE UNIVERSITY OF WINNIPEG

WINNIPEG, MANITOBA, CANADA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

THE UNIVERSITY OF WINNIPEG

UNIVERSITY OF WINNIPEG

MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards (PSAS) for government not-for-profit organizations (GNFPOs), including the 4200 series of standards, as issued by the Public Sector Accounting Board.

The University's Board of Regents is responsible for overseeing the business affairs of the University including approving the consolidated financial statements. The Board has delegated the responsibility for reviewing these annual consolidated financial statements and meeting with management and the external auditor on matters relating to the financial reporting to its Audit and Risk Committee. The external auditor has full access to the Audit and Risk Committee with or without the presence of management. The Board of Regents has reviewed and approved these annual consolidated financial statements.

In management's opinion, these annual consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to ensure the assets of the University are properly safeguarded. The integrity of internal controls is reviewed on an on-going basis by the University's Audit Services.

The external auditor, KPMG LLP, is responsible for auditing these annual consolidated financial statements and for issuing a report thereon. The Auditor's Report outlines the scope of his examination and provides his opinion on the fairness of presentation.

On Behalf of Management

(Original signed by Michael Emslie)

Michael Emslie, CPA, CA
(Acting) Vice-President Finance & Administration

(Original signed by Gary Pawlychka)

Gary Pawlychka, CPA, CGA
Executive Director, Financial Reporting

Winnipeg, Manitoba
June 27, 2016

KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Regents of The University of Winnipeg

We have audited the accompanying consolidated financial statements of The University of Winnipeg, which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The University of Winnipeg as at March 31, 2016, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 27, 2016

Winnipeg, Canada

THE UNIVERSITY OF WINNIPEG **Statement I**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2016, with comparative information for 2015
Amounts in Thousands

	2016	2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Notes 3, 7)	$ 27,799	$ 19,823
Short Term Investments (Note 3)	348	1,082
Accounts Receivable (Note 15)	4,240	5,678
Current Portion of Long Term Receivables (Note 5)	38	37
Due from Related Parties (Note 20)	5,940	3,700
Prepaid Expenses and other assets	1,710	1,581
	40,075	31,901
Long Term Investments (Note 4)	2,194	1,996
Long Term Receivables (Note 5)	4,448	4,450
Capital Assets (Note 6)	197,811	201,567
	$ 244,528	$ 239,914
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 14,050	$ 10,730
Deferred Revenue	7,834	6,430
Deferred Contributions (Note 9)	13,490	10,979
Accrued Vacation Pay	2,464	2,398
Current Portion of Obligations Under Capital Leases (Note 10)	152	147
Current Portion of Long Term Debt (Note 12)	1,565	1,670
Due to Related Parties (Note 20)	669	641
	40,224	32,995
Obligations under Capital Leases (Note 10)	221	372
Long Term Liabilities (Note 12)	66,784	67,338
Deferred Capital Contributions (Note 11)	127,083	128,632
Obligations for Compensated Absences (Note 8)	413	383
Pension Obligation (Note 16)	11,303	12,106
	246,028	241,826
Net Assets:		
Unrestricted Net Deficiency	(30,008)	(30,786)
Internally Restricted (Note 13)	2,479	2,163
Externally Restricted (Note 14)	3,590	3,868
Investment in Capital Assets	22,439	22,843
	(1,500)	(1,912)
	$ 244,528	$ 239,914

Special Purpose and Trust Assets (Notes 3, 13)
Contractual Obligations (Notes 10, 17, 18, 19)
Contingencies (Note 22)

Approved by the Board of Regents

(Original signed by Eric Johnstone)
Chair, Board of Regents

(Original signed by Annette Trimbee)
President & Vice Chancellor

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

THE UNIVERSITY OF WINNIPEG **Statement II**
CONSOLIDATED STATEMENT OF OPERATIONS
For The Year Ended March 31, 2016 , with comparative information for 2015
Amounts in Thousands

	2016	2015
REVENUE		
Government Grants:		
Education and Advanced Learning	$ 67,295	$ 66,736
Province of Manitoba, other	765	1,111
Government of Canada	6,118	5,627
Student Academic Fees	43,127	39,472
Gifts, Grants and Bequests	4,294	3,647
Interest Income	585	547
Sales of Services & Products	1,579	1,529
Other Revenues	10,115	8,853
Amortization of Deferred Capital Contributions (Note 11)	4,089	4,107
	137,967	131,629
EXPENSES		
Salaries and Benefits	88,333	85,514
Supplies, Services and Other Expenses	18,724	19,485
Cost of Sales	100	225
Building, Utilities and Related Expenses	12,698	13,486
Interest	3,199	2,755
Provincial and Municipal Taxes	1,795	1,712
Scholarships and Awards	4,469	3,964
Gifts to Related Party (Note 20)	1,367	1,031
Amortization of Capital Assets	6,592	6,519
	137,277	134,691
Excess (Deficiency) of Revenue over Expenses from Operations	$ 690	$ (3,062)
Gain on sale of Capital Assets	$ -	$ 665
Excess (Deficiency) of Revenue over Expenses	$ 690	$ (2,397)

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

THE UNIVERSITY OF WINNIPEG **Statement III**
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31, 2016 , with comparative information for 2015
Amounts in Thousands

2016

	Unrestricted Net Deficiency	Internally Restricted (Note13)	Externally Restricted (Note14)	Investment in Capital Assets	Total
BALANCE, BEGINNING OF YEAR	$ (30,786)	$ 2,163	$ 3,868	$ 22,843	$ (1,912)
Excess (Deficiency) of Revenue over Expenses	690	-	-	-	690
Endowment Contributions	-	-	734	-	734
Transfer to Related Foundation	-	-	(1,000)	-	(1,000)
Endowment Custodial/Management Fees	-	-	(12)	-	(12)
Transfers:					
Capital Asset Additions	(1,606)	-	-	1,606	-
Amortization of Deferred Capital Contributions	(4,089)	-	-	4,089	-
Amortization of Capital Assets	6,592	-	-	(6,592)	-
Disposal of Capital Assets	497	-	-	(497)	-
Repayment of Long Term Debt	(990)	-	-	990	-
Internally Restricted Net Assets	(11)	11	-	-	-
Strategic Provisions - Reductions (Note 13)	114	(114)	-	-	-
Strategic Provisions - Additions (Note 13)	(419)	419	-	-	-
NET CHANGE FOR THE YEAR	778	316	(278)	(404)	412
BALANCE, END OF YEAR	$ (30,008)	$ 2,479	$ 3,590	$ 22,439	$ (1,500)

2015

	Unrestricted Net Deficiency	Internally Restricted (Note13)	Externally Restricted (Note14)	Investment in Capital Assets	Total
BALANCE, BEGINNING OF YEAR	$ (28,414)	$ 2,075	$ 3,547	$ 22,956	$ 164
Excess (Deficiency) of Revenue over Expenses	(2,397)	-	-	-	(2,397)
Endowment Contributions	-	-	327	-	327
Endowment Custodial/Management Fees	-	-	(6)	-	(6)
Transfers:					
Capital Asset Additions	(2,237)	-	-	2,237	-
Amortization of Deferred Capital Contributions	(4,107)	-	-	4,107	-
Amortization of Capital Assets	6,519	-	-	(6,519)	-
Disposal of Capital Assets	757	-	-	(757)	-
Repayment of Long Term Debt	(819)	-	-	819	-
Internally Restricted Net Assets	97	(97)	-	-	-
Strategic Provisions - Reductions (Note 13)	34	(34)	-	-	-
Strategic Provisions - Additions (Note 13)	(219)	219	-	-	-
NET CHANGE FOR THE YEAR	(2,372)	88	321	(113)	(2,076)
BALANCE, END OF YEAR	$ (30,786)	$ 2,163	$ 3,868	$ 22,843	$ (1,912)

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

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2016 , with comparative information for 2015
Amounts in Thousands

Statement IV

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Government Grants	$ 74,778	$ 73,695
Student Academic Fees	43,988	40,813
Gifts, Grants and Bequests	5,831	4,395
Interest Income	585	540
Sales of Services and Products	1,600	1,484
Other Revenues	10,743	10,436
Cash Paid for:		
Salaries and Benefits	(86,441)	(85,707)
Supplies, Services and Other Expenses	(18,582)	(19,828)
Cost of Sales	(122)	(245)
Building, Utilities and Related Expenses	(13,262)	(15,835)
Interest Paid	(3,223)	(2,748)
Provincial and Municipal Taxes	(1,792)	(1,724)
Scholarships and Awards	(4,469)	(3,965)
Gifts to Related Party	(2,533)	(1,168)
	7,101	143
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Acquisition of Capital Assets	(3,763)	(12,051)
Disposal of Capital Assets	-	765
	(3,763)	(11,286)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Long Term Investments	(1,177)	(575)
Proceeds on Maturity of Long Term Investments	980	542
Collections of Long Term Receivables	2	8
Advances (to) from 7049651 Manitoba Association Inc.	1,734	(1,714)
	1,539	(1,739)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment and Retirement of Long Term Debt	(1,809)	(1,855)
Long Term Debt Proceeds	1,150	10,500
Transfer Endowment Fund to UofW Foundation Inc.	(1,000)	-
Deferred Capital Contributions	3,290	3,538
Contributions Received for Endowment	734	327
	2,365	12,510
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	7,242	(372)
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	20,905	21,277
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$ 28,147	$ 20,905
Cash and Short Term Investments consist of:		
Cash and Cash Equivalents	27,799	19,823
Short Term Investments	348	1,082
	$ 28,147	$ 20,905

Excluded from Investing and Financing Activities are equipment acquired under Capital Leases and the related obligations under Capital Leases totalling $nil (2015 - $170).

A Statement of Remeasurement Gains and Losses has been excluded as there have been no remeasurement gains or losses.

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

1. Authority and Purpose

The University of Winnipeg (the University) operates under the authority of the University of Winnipeg Act of the Province of Manitoba. The primary role of the University is to provide post-secondary education, research and service. The University also operates the Collegiate, an independent high school and a number of other education related activities. The University is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. Summary of Significant Accounting Policies

A) Basis of Accounting and Principles of Consolidation

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) for government not-for-profit organizations (GNFPOs), including the 4200 series of standards, as issued by the Public Sector Accounting Board. The consolidated financial statements of the University include the University's investment in the 460 Portage Avenue Joint Venture, (Note 21) a government partnership, which is accounted for using the proportional consolidated method. The University of Winnipeg Foundation (the Foundation) and the University of Winnipeg Community Renewal Corporation (UWCRC), both controlled entities, are not consolidated in these financial statements, but details of their consolidated financial results are included in the notes to the consolidated financial statements (Notes 18 and 19 respectively).

B) Revenue Recognition

The University follows the deferral method of accounting for contributions such that the restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Restricted contributions have external stipulations imposed that specify how resources must be used.

Operating grants are recognized as revenue in the period received or receivable. Tuition fees and sales of goods and services are recognized as revenue in the period in which the services are rendered or goods are sold.

Externally restricted non-capital and non-endowment contributions are recognized as revenue in the period in which the related expenses are incurred. Externally restricted endowment contributions are recorded as direct increases in net assets in the period in which they are received.

Externally restricted contributions for the acquisitions of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received and amortized into revenue at a rate corresponding with the amortization rate for the related capital asset.

Promissory notes payable to the Manitoba Provincial Government, for the construction or purchase of capital assets, which will be repaid from future funding provided by the Manitoba Provincial Government through the Council on Post-Secondary Education (COPSE) are, in substance, capital grants. These capital grants are reflected as deferred capital contributions in the statement of financial position, if the asset acquired has a limited useful life. The interest expense and the related funding from COPSE over the terms of the promissory notes are both excluded from the statement of operations and changes in fund balances.

C) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary money market instruments convertible to cash within three months or less.

D) Long Term Receivables

Long term receivables are carried at amortized cost using the effective interest method. Long term receivables are due from a related joint venture with a non-related partner and are secured by the 460 Portage Avenue property.

E) Tangible Capital Assets

Purchased capital assets and collections of the University are recorded at cost. Donated assets are recorded at estimated fair market value on the date received. Collections which include art work and rare books are recorded at fair value derived by independent appraisal at the time of acquisition or donation. Land, collections of rare books and works of art are not amortized.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building, additions and improvements	60 years
Leasehold improvements	Term of lease
Library acquisitions	10 years
Furnishings and equipment	10 years
Major system computer software	10 years
Computer equipment	5 years
Vehicles	5 years
Equipment under capital lease	Term of lease

F) Accrued Vacation Pay

The University recognizes vacation pay as an expense on the accrual basis.

G) Other Employee Benefits

The University provides health benefits and pension plan contributions to eligible employees in receipt of long term disability benefits. The costs are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are recorded in the financial statements in the year they occur.

University employees appointed to a position expected to last one year or more are entitled to 180 days of sick leave that is non-vesting, non-accumulating and event driven. The benefit expense and liabilities are recorded when the triggering event occurs.

H) Financial Instruments

All currently held financial instruments are reported at cost or amortized cost. The effective interest method is used to recognize interest income or expense. Transaction expenses related to all financial instruments are expensed as incurred.

I) Trusteed Pension Plan

The University contributes to the University of Winnipeg Trusteed Pension Plan for University employees. The Plan has both defined benefit and defined contribution components. The pension expense for the defined benefit component of the pension plan is determined actuarially using the projected unit credit actuarial cost method which incorporates management's best estimates of investment performance, salary escalation, retirement ages of employees and members mortality. Consistent with PS 3250 the University has amortized actuarial gains and losses over the estimated average remaining service life (EARSL) of active members of the defined benefit plan. The amortization amount for a year is determined by dividing the unamortized balance at the end of the previous year by the EARSL.

The pension expense for the defined contribution component of the pension plan equals the contributions made during the year.

Amounts in Thousands

J) **Loan Guarantees**

The University guarantees a condition of a loan on the land and building situated at 491 Portage Avenue (the Property) as part of its relationship with UWCRC. The University takes responsibility for ensuring that the debt service coverage ratio on the Property does not go below 1.0:1.0. In the event the Property falls below that ratio, the University would be required to lease space in the Property at normal commercial rents, or ensure that another tenant is obtained to bring the ratio back to 1.0:1.0 or higher. The unrelated owners in the Property have fully indemnified the University for the guarantee until October 31, 2018, and a share of the guarantee thereafter on the basis of their ownership (75%) in the Property.

K) **Use of Judgments**

The preparation of the University's financial statements in conformity with PSAS for GNFPOs requires management to make judgments, apart from those involving estimations, in applying accounting policies that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as reported amounts of revenue and expenses during the reporting period. Items requiring the use of judgments include the selection of cut-off dates used to determine when to end the processing of transactions received after March 31, the decision to record reconciling and correcting items or not (application of materiality) and the assessment of outstanding legal issues and the need to disclose a resulting contingent liability.

L) **Use of Estimates**

The preparation of the University's financial statements in conformity with PSAS for GNFPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include the useful life of capital and intangible assets, allowance for doubtful accounts, and the actuarial estimation of compensated absences liabilities and pension obligation. Actual results could differ from these estimates.

3. Cash and Cash Equivalents

	2016	2015
Operating Funds	$ 12,422	$ 7,015
Sponsored Research and Designated Funds	5,507	5,125
	17,929	12,140
Special Purpose and Trust Funds	8,820	6,892
Externally Restricted (Endowments)	1,050	791
	$ 27,799	$ 19,823

Short term investments - $348 (2015 - $1,082) consist of fixed income investments.

4. Long Term Investments

	2016	2015
Fixed Income Instruments	$ 1,869	$ 1,333
Equity Investment in properties	325	663
	$ 2,194	$ 1,996

Amounts in Thousands

5. Long Term Receivables

	2016	2015
Receivable from the 460 Portage Avenue Joint Venture		
Promissory Notes Secured by:		
460 Portage Ave (Interest Rate 5.6%, due December 31, 2050)	$ 8,366	$ 8,442
460 Portage Ave (Interest Rate 3.8%, due October 31, 2052)	2,731	2,765
	11,097	11,207
Less: University of Winnipeg component	(7,398)	(7,471)
	3,699	3,736
Receivable from Plug-in ICA		
460 Portage Ave. (Interest Rate 4.65%, due December 31, 2020)	787	751
	4,486	4,487
Less: Current Portion	(38)	(37)
	$ 4,448	$ 4,450

Annual principal payments receivable on the notes during the next five years and thereafter are: 2017 - $38, 2018 - $41, 2019 - $43, 2020 - $45, 2021 - $47, thereafter - $4,272 .

These notes are carried at amortized cost using the effective interest method.

6. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 10,119	$ -	$ 10,606	$ -
Buildings, Additions and Improvements	212,231	38,449	212,030	35,290
Library Acquisitions	14,003	12,977	13,860	12,675
Furnishings and Equipment	42,295	32,836	41,556	31,599
Collections	1,573	-	1,542	-
Major System Computer Software	3,975	2,419	3,776	2,746
Buildings Under Construction	-	-	52	-
Equipment Under Capital Leases	2,336	2,040	2,336	1,881
	286,532	$ 88,721	285,758	$ 84,191
Less Accumulated Amortization	(88,721)		(84,191)	
Net Book Value	$ 197,811		$ 201,567	

Furnishings and Equipment include Vehicles and Computer Equipment.

7. Bank Indebtedness

The University has an operating line of credit with a bank authorized in the amount of $1,500. The line of credit is unsecured and bears interest at prime. It was not utilized at March 31, 2016 or March 31, 2015.

Amounts in Thousands

8. Obligations for Compensated Absences

The University provides health benefits and pension plan contributions to employees receiving long term disability (LTD) benefits.

Health benefit premiums are paid by the University until the earlier of recovery and return to work, death, or attainment of the normal pension commencement date. For health benefits the liability for each current recipient is the actuarial present value of future premiums for each employee based on the current monthly premium, future assumed inflation for health benefits' premiums, the interest discount rate and assumed probabilities of recovery prior to normal pension commencement date. The following assumptions were made in determining the actuarial present value of future premiums:

- A discount rate of 5.90%
- Health benefit premium inflation of 5% per year.
- LTD recovery rates from the 1987 Commissioner's Group Disability Table
- Canada Pension Plan earnings base increase at 3% per year

The University pays the required pension contribution on behalf of employees receiving LTD benefits, into the University of Winnipeg Trusteed Pension Plan in accordance with the provisions of the pension plan (see Note 16). Contributions are calculated based on the salary rate at the time of disability and the current yearly maximum pensionable earnings (YMPE). The liability for each member is the actuarial present value of future contributions based on the salary at disability, the projected future YMPE and yearly maximum contributory earnings (YMCE), the applicable contribution formula, the interest discount rate and assumed probabilities of recovery prior to normal pension commencement date.

9. Deferred Contributions

Deferred contributions represent unspent externally restricted funding received for special purposes such as Sponsored Research and Designated Funds and Special Purpose Trust consisting primarily of scholarships and bursaries, library acquisitions and lecture funds.

		2016		2015
Balance, Beginning of Year	$	10,979	$	9,392
Contributions Received		16,258		13,181
Contributions Expensed		(11,379)		(10,563)
Transferred to Foundation (Note 20)		(2,368)		(1,031)
Balance, End of Year	$	13,490	$	10,979
Balance Consists of:				
Sponsored Research and Designated Funds	$	5,752	$	5,317
Special Purpose Trust		7,573		5,435
Operating Funds		165		227
	$	13,490	$	10,979

10. Obligations under Capital Leases

The following is a schedule of future minimum lease payments for equipment under capital leases expiring between April 30, 2016 and September 30, 2019 together with the balances of the obligations under capital leases:

2016/17	$	162
2017/18		162
2018/19		65
Total minimum lease payments		389
Less: Amount representing interest at approximately 2.5%		(16)
Balance of Obligations under Capital Leases		373
Less: Current Portion of Obligations under Capital Leases		(152)
Obligations under Capital Leases	$	221

Interest expense for the current year on the lease obligations amounted to $15 (2015 - $22).

Amounts in Thousands

11. Deferred Capital Contributions

	2016	2015
Balance, Beginning of Year	$ 128,632	$ 129,206
Contributions Received	1,600	2,580
Contributions from the Foundation	940	953
Less: Amortization of Deferred Capital Contributions	(4,089)	(4,107)
Balance, End of Year	$ 127,083	$ 128,632

Deferred capital contributions represent unamortized external contributions related to the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

12. Long Term Liabilities

	2016	2015
Promissory Notes	$ 67,969	$ 68,588
Supplementary Pensions Payable	380	420
	68,349	69,008
Less: Current Portion of Long Term Liabilities	(1,565)	(1,670)
	$ 66,784	$ 67,338

	2016	2015
Province of Manitoba Promissory Notes Secured by:		
509 Ellice & 433 Young (Interest rate 4.45%, due April 15, 2015)	$ -	$ 8
Duckworth Expansion (Interest rate 5.55%, due October 31, 2047)	1,854	1,876
McFeetors Hall:		
Interest rate 5.25%, due October 31, 2049	10,336	10,446
460 Portage Avenue		
Interest rate 4.65%, due December 31, 2020	1,465	1,735
Interest rate 5.60%, due December 31, 2050	8,845	8,926
Interest rate 2.625%, due October 31, 2016	268	718
Interest rate 3.80%, due October 31, 2052	2,731	2,765
366 Spence & 336 Young (Interest rate 4.95%, due March 31, 2051)	668	675
Richardson College for the Environment & Science Complex		
Interest rate 4.95%, due March 31, 2051 (Parking Lot)	3,724	3,763
Interest rate 2.35%, due January 31, 2020	1,005	1,253
Variable interest rate of prime less 0.75%, due January 31, 2020	15	152
United RecPlex		
Interest rate 4.10%, due October 31, 2054	19,022	19,220
Variable interest rate of prime less 0.75%	3,137	2,000
	53,070	53,537
Province of Manitoba Unsecured Notes:		
491 Portage Annex (Interest rate 5.40%, due July 31, 2050)	2,669	2,695
Pension Settlement (Interest rate 5.35%, due January 31, 2050)	8,317	8,402
Pension Plan Special Payments (Interest rate 4.15%, due May 31, 2053)	1,938	1,959
Pension Plan Special Payments (Interest rate 4.10%, due Dec. 1, 2054)	1,975	1,995
	14,899	15,051
	$ 67,969	$ 68,588

Annual principal payments on the notes during the next five years and thereafter are: 2017 - $1,511; 2018 - $1,297; 2019 - $1,353, 2020 - $1,367; 2021 - $1,109, thereafter - $61,332.

Amounts in Thousands

Supplementary pensions payable represents payments to past Presidents of the University for services performed and is based on an actuarial calculation. The amount due in 2017 is $54 (2016 - $52).

Interest expense during the year on long term liabilities totalled $3,195 (2015 - $2,915) of which $0 (2015 - $191) was capitalized during the year.

The University received capital funding from the Provincial Government as a contribution towards the Richardson College for the Environment and Science Complex building and deferred maintenance expenditures on campus. The funding was financed by promissory notes payable to the Province of Manitoba bearing interest at rates ranging from 3.75% to 5.95%. The notes are repayable over a term of 40 years, due between February 2047 and January 2055. Repayment is funded by dedicated grants from the Province of Manitoba. This funding has been treated as a restricted grant and recorded as deferred capital contributions where it paid for an asset which was capitalized, or recognized as revenue in the period expended, if the expenditure did not meet the definition of a capital asset. The loan payments, off-setting revenues and debt outstanding are not recorded in the University's financial statements. The balance of debt outstanding at March 31, 2016 is $71,992 (2015 - $70,422).

13. Internally Restricted Net Assets

	March 31, 2015	Reductions	Additions	March 31, 2016
Unrestricted Trust Income	$ 1,149	$ -	$ 11	$ 1,160
Strategic Provisions:				
Infrastructure Capital Reserve	350	(44)	-	306
Strategic Development Project Development	664	(70)	419	1,013
	1,014	(114)	419	1,319
	$ 2,163	$ (114)	$ 430	$ 2,479

The cumulative net unrestricted trust income is available to fund Board of Regents Scholarships.

Strategic provisions represent an appropriation from unrestricted net assets to internally restricted assets. These appropriations are made to provide for future funding support of initiatives within the Strategic Plan and the Academic Plàn. Actual expenses related to strategic provisions are charged to operations and are covered with a corresponding transfer of funds from internally restricted net assets (See Statement III).

14. Externally Restricted Net Assets (Endowments)

	2016	2015
Cash and Short Term Investments	$ 1,396	$ 1,872
Long Term Investments (Note 4)	2,194	1,996
	$ 3,590	$ 3,868

Endowments of $2,940 (2015 - $2,418) are held in trust in accordance with the terms of a designated bequest. In 2016, the University has a 10% share in the income distribution from this trust (2015 - 10% share). The majority of the University's Endowment Fund was transferred to the Foundation in 2004 (Note 18).

15. Financial Instrument Risk Management

The University is exposed to credit, interest rate and liquidity risk. Based on the University's small amount of foreign currency denominated assets and liabilities, a change in exchange rates would not have a material effect on its Statement of Operations. The University manages its financial assets in accordance with the Board of Regents Financial Oversight and Budgeting Policy.

Amounts in Thousands

Credit Risk

Credit risk is the risk of financial loss to the University if a counterparty to a financial instrument fails to discharge an obligation.

Accounts receivable are due, for the most part, from various levels of government and students. The carrying amount of accounts receivable has been reduced through the use of an impairment allowance, set up based on the University's historical experience regarding collections.

The aging of accounts receivable at March 31 is as follows:

	2016	2015
Accounts Receivable, gross		
Current	$ 2,930	$ 3,785
Past Due	1,968	2,347
	4,898	6,132
Less: Allowance for Doubtful Accounts	(658)	(454)
Accounts Receivable, net	$ 4,240	$ 5,678

The credit risk on cash and cash equivalents and short and long term fixed income investments is considered low as the counterparties are highly rated financial institutions. The credit risk regarding the equity investment in properties is considered low as the underlying assets are quality commercial properties. The credit risk on long term receivables is considered low as the receivable is from an established not-for-profit organization and secured by the 460 Portage Avenue property therefore no allowance has been provided for.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The University is exposed to this risk through its cash equivalents and long-term liabilities. Generally, the value of cash equivalents increases if interest rates fall and decrease if interest rates rise. Due to the short term nature of the cash equivalents, the University has minimal exposure to risk associated with changes in interest rates. Long-term liabilities are primarily at fixed interest rates and terms and are measured at amortized cost using the effective interest method; therefore have no exposure to risk associated with changes in interest rates.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity Risk

Liquidity risk is the risk that the University will not be able to meet all cash outflow obligations as they come due. The University mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. As cash equivalents are held in a premium money market fund in which at least 90% of the assets must be comprised of liquid investments, the exposure to liquidity risk is not considered material.

Current liabilities include deferred revenue and accrued vacation pay which will not be settled directly with cash. The sum of remaining liabilities is less than the value of current assets as at March 31, 2016.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Amounts in Thousands

16. University of Winnipeg Trusteed Pension Plan (the Plan)

The Plan was established as a contributory defined benefit pension plan effective September 1, 1972 and covers substantially all employees of the University, except those who are members of the United Church of Canada Pension Plan. The Plan is registered under the Income Tax Act and the Manitoba Pension Benefits Act (Registration #309914). The defined benefit segment of the Plan was closed to new members effective January 1, 2001. New plan members effective January 1, 2001 join the defined contribution segment of the Plan.

Prior to July 2008, the University was responsible for the administration of the Plan. An independent Board of Trustees is now responsible for the administration of the Plan and is the trustee of the pension fund. The pension fund assets are invested on the advice of professional investment managers and are held under a Trust Agreement by a trust company.

Contributions are made by the University based on the salary of each active member in accordance with the provisions of the Plan. Members do not contribute if they are in receipt of benefits from the University's LTD plan.

Defined Contribution Obligation

Members of the defined contribution segment contribute 6.2% of their salary not in excess of $105,111 plus 30% of the Canada Pension Plans Year's Maximum Pensionable Earnings (YMPE) to the Plan. The University contributions match member contributions.

The activity in the defined contribution segment of the Plan in the period was:

	Dec. 31, 2015	Dec. 31, 2014
Balance, Beginning of Year	$ 51,773	$ 41,889
Contributions	6,240	5,602
Benefits and Refunds Paid	(1,509)	(690)
Net Investment Return	3,373	4,972
Balance, End of Year	$ 59,877	$ 51,773
Expense recognized for the period ending December 31	$ 3,019	$ 2,768

Defined Benefit Obligation

Pensions are provided on the basis of final average earnings and service. The maximum pension per year of service is $1,722. Inflation protection is provided based on the four year average net investment earnings of the pension fund in excess of 6%, limited to the increase in the CPI. At the December 31, 2014 valuation of the defined benefit segment of the Plan, there were 160 active members with an average age of 58. There were 45 former employees entitled to deferred pension benefits and 267 retirees and survivors receiving pension benefits.

Members contribute 8.0% of salary up to the Canada Pension Plan Year's Basic Exemption (YBE), 6.2% between the YBE and YMPE and 8.0% in excess of the YMPE. Members contribute only on salary not in excess of $86,111 plus 30% of the YMPE.

The University contribution formula rates are 100 basis points higher than the member contribution formula rates. The University also contributes any additional amounts required under the Pension Benefits Act.

In accordance with the Pension Benefits Act, an actuarial valuation of the defined benefit segment of the Plan is required at least every three years. Valuations may be required more frequently depending on the financial position of the Plan. As the Plan is currently under 90% funded on a solvency basis, annual valuations are required.

Actuarial valuations are performed by Eckler Ltd. (Eckler) using the projected benefit method. The latest actuarial valuation of the Plan was prepared and filed with the Manitoba Pension Commission as at December 31, 2014, and the results were extrapolated to December 31, 2015. There is a net unamortized actuarial loss to be amortized on a straight-line basis over the expected average remaining service of the employee group (7.3 years).

Amounts in Thousands

Actuarial valuations are based on a number of assumptions about future events, such as inflation rates, interest rates, salary increases and mortality. The assumptions used reflect the University's best estimates. At December 31, 2015, the expected future inflation rate is 2.00%. Salaries are assumed to increase 3.00% per year, plus a promotion and merit increase for academic members only. Pensions are assumed to increase by 0.75% per year. The discount rate used to determine the accrued benefit obligation and current service cost is 5.90%.

Pension fund assets are valued at market values. The expected rate of return on plan assets net of investment expenses is 5.90%. The actual return on pension fund assets in 2015 was 3.42%.

Change in Accrued Benefit Obligation - Calendar Year Ending December 31

	2015	2014
Accrued Benefit Obligation, Beginning of Year	$ 142,734	$ 144,639
Current Service Cost	2,005	2,080
Interest Cost	8,183	8,335
Experience gains and losses	1,683	(275)
Benefits and Refunds Paid	(10,090)	(13,537)
Actuarial (gain) loss	3,004	1,492
Accrued Benefit Obligation, End of Year	$ 147,519	$ 142,734

Change in Market Value of Plan Assets - Calendar Year Ending December 31

	2015	2014
Market Value of Plan Assets, Beginning of Year	$ 128,501	$ 126,416
University Contributions	3,174	3,486
Member Contributions	831	894
Benefit Payments	(10,090)	(13,537)
Actual Return on Plan Assets	4,288	11,386
Plan Expenses	(118)	(144)
Market Value of Plan Assets, End of Year	126,586	128,501
Expected market value of assets at end of year	129,697	124,421
Gain (loss) on plan assets	$ (3,111)	$ 4,080

The plan assets for the Calendar Year Ending December 31 consist of:

	2015	2014
Domestic fixed income	$ 43,751	$ 44,537
Canadian equity	18,338	21,511
U.S. equity	18,478	18,900
International equity	30,036	28,235
Real Estate	14,525	13,424
Cash and cash equivalents	1,270	1,901
Net accruals	188	(7)
	$ 126,586	$ 128,501

Asset allocation is determined and monitored by the independent Board of Trustees.

Reconciliation of Unamortized Gains/(Losses) - Fiscal Year Ending March 31

	2016	2015
Expected average remaining service life	7.3	7.9
Net unamortized gain (loss), Beginning of year	$ (1,264)	$ (4,725)
New net gain (loss) for current year	(4,794)	2,863
Amortization for current year	171	598
Net unamortized gain (loss), End of year	$ (5,887)	$ (1,264)

Amounts in Thousands

Pension Expense - Fiscal Year Ending March 31

	2016	2015
University service cost	$ 1,174	$ 1,186
Interest cost	8,183	8,335
Expected return on Plan Assets	(7,399)	(7,306)
Amortization of net actuarial gains/(losses)	171	598
Plan expenses	118	144
Net pension expense	$ 2,247	$ 2,957

Reconciliation of Surplus/(Deficit) to Accrued Liability, End of Fiscal Year

	2016	2015
Surplus (deficit), end of year	$ (17,929)	$ (14,233)
University contributions after the measurement date	739	863
Net unamortized amounts	5,887	1,264
Accrued benefit asset (liability), end of year	(11,303)	(12,106)
Valuation allowance, end of year	-	-
Accrued benefit asset (liability), net of valuation allowance, end of year	$ (11,303)	$ (12,106)

Significant Actuarial Assumptions used in the determination of the Pension Expense are:

	%	%
Discount rate	5.90	6.00
Post-retirement indexing	0.75	0.75
Rate of salary increases	3.00	3.00
Expected rate of return on plan assets	5.90	6.00

Significant Actuarial Assumptions used in the determination of the defined benefit obligation at December 31 are:

	%	%
Discount rate	5.90	5.90
Post-retirement indexing	0.75	0.75
Rate of salary increase	3.00	3.00

Funding Obligation

In the event that the actuarial valuation of the Plan for funding purposes determines that the Plan is not fully funded, the University is responsible for providing adequate funding levels in accordance with the *Pension Benefits Act of Manitoba.*

The actuarial valuation at December 31, 2014 confirms that the defined benefit segment of the Plan has a solvency deficiency of $47,196 and a solvency ratio of 0.697 (2013 - 0.758).

The University would normally be required under the *Pension Benefits Act* to make additional contributions to amortize the solvency deficiency over a five year period. However, the Provincial Government has provided universities in Manitoba with an opportunity to be permanently exempted from the usual solvency funding requirements, while the Plan continues on a going-concern basis. The University Pension Plan's Exemption Regulation (Regulation 141/2007) was registered October 15, 2007. The University has complied with all requirements to be entitled to the permanent exemption.

The going-concern deficiency at December 31, 2014 was $15,100 and the annual deficiency funding payments are $1,816, which the University will continue to make until the deficiency is eliminated.

In addition, because of the going-concern deficiency at December 31, 2014, the University was required to make an additional contribution in 2015 of $350 (2014 - $399) in order to fully fund the cost of accruing benefits and administration expenses.

Amounts in Thousands

17. Contractual Obligations

The University has operating lease obligations that cover equipment and building space integral to the University's operations. The lease obligations expire at various dates up to and including August 31, 2029. The above obligations require annual payments over the next five years and thereafter as follows:

		Lease
2016/17	$	3,424
2017/18		2,643
2018/19		2,257
2019/20		1,839
2020/21		1,599
Thereafter		10,367
	$	22,129

18. The University of Winnipeg Foundation Inc.

The University's Board of Regents approved the establishment of the University of Winnipeg Foundation Inc. in March 2003. The Foundation's vision is to strengthen, deepen and advance the University's mission through the creation of a long term income stream. The Foundation is a charitable not-for-profit organization and, as such, is exempt from income taxes under the *Income Tax Act (Canada)*.

The establishment of the Foundation is based upon mutually binding agreements between the University and the Foundation. Endowment Fund agreements formalize management of the Endowment Fund including the annual income allocation to the University from the Endowment Fund and payment of an administration fee from the Endowment Fund to the Foundation. The Coordination, Cooperation and Fund Agreement and the Occupancy and Support Agreement outline support services provided by the University to the Foundation and provide for an operating grant from the University to the Foundation. Details of resulting amounts are shown in the Related Parties Note 20.

As the Foundation is a controlled entity of the University, their financial statements have been prepared in accordance with PSAS for GNFPOs, including the 4200 series of standards, as issued by the Public Sector Accounting Board.

The Foundation follows the restricted fund method of accounting for contributions. The Foundation maintains separate funds within its assets and follows the principles of fund accounting to record the day to day transactions.

The financial position of the Foundation at March 31, which includes the University of Winnipeg Foundation USA Inc., a controlled entity, is summarized as follows:

		2016		2015
Statement of Financial Position				
Assets	$	62,596	$	61,320
Liabilities	$	2,446	$	803
Fund Balances:				
Operating Fund		842		582
Unrestricted Fund		27		57
Investment in Capital Assets		28		29
Building and Program Fund		1,539		608
Funds held pending Terms of Reference		-		19
Endowment Fund		53,723		48,583
Accumulated Remeasurement Gains		3,991		10,639
		60,150		60,517
	$	62,596	$	61,320

Amounts in Thousands

Statement of Operations:	2016	2015
Source of Funds:		
Transfer from University of Winnipeg	$ 2,367	$ 1,031
Investment Income	5,317	4,731
University of Winnipeg support funding	300	340
Endowment administration fee	1,184	1,022
Annual donations	9,190	4,949
	18,358	12,073
Use of Funds:		
Endowment - gifts to the University	1,770	1,628
Gifts to other charities	2,005	5
Endowment - administration fee	1,184	1,022
Endowment - administration expenses	468	175
Operations	1,419	1,398
Donations gifted to the University	5,231	3,402
	12,077	7,630
Increase in funds	$ 6,281	$ 4,443

Statement of Cash Flows:	2016	2015
Operating activities:		
Increase in funds	$ 6,281	$ 4,443
Items not involving a current outlay of cash	6	(330)
Change in non-cash working capital balances	(18)	(8)
Increase in funds from operations	6,269	4,105
Capital activities	(5)	(13)
Investing activities	(5,020)	(4,107)
Financing activities	1,721	175
Increase in cash	2,965	160
Cash, beginning of year	1,120	960
Cash, end of year	$ 4,085	$ 1,120

19. University of Winnipeg Community Renewal Corporation

The University of Winnipeg Community Renewal Corporation (UWCRC) was incorporated on April 6, 2005 as a corporation without share capital. UWCRC is a charitable not-for-profit organization and, as such, is exempt from income taxes under the *Income Tax Act (Canada)*. UWCRC holds ownership interests in for-profit subsidiary entities that are taxable.

UWCRC's mandate is to support the University by developing a sustainable university community that promotes the attractiveness of the University to its faculty, staff, students, and the greater community. UWCRC will manage, as part of its mandate, projects on behalf of the University. This will involve the development of a comprehensive Campus and Community Development Plan, assessment of particular development projects and the development of partnerships with community, private and public sector organizations. Details of resulting amounts are shown in the Related Parties Note 20.

As UWCRC is a controlled entity of the University, their financial statements have been prepared in accordance with PS 4200 series of standards, as issued by the Public Sector Accounting Board.

UWCRC holds a 25% investment in the land and building situation at 491 Portage Avenue ("Property") in Winnipeg, Manitoba. The Property is a commercial complex comprising an office building, retail stores and a parkade adjacent to the University's main campus. The University is leasing office space in the Property.

Amounts in Thousands

The Property is pledged as security for an $18,000 mortgage bearing interest at 5.49% maturing March 2031 and an advance bearing interest of 7.039% maturing June 2029 with Manulife Financial Inc. The funds were advanced to the 491 Portage Avenue Joint Venture. The principal outstanding at March 31, 2016 is $12,055 (2015 - $12,555). The mortgage and advance are secured by an $18,000 debenture registered against the title of the property, share pledge agreements, and the postponement of claims by the joint venturers to a total of $3,000.

UWCRC records its 25% investment in the Property on a modified equity basis as a result of significant influence.

The financial position of UWCRC at March 31 is summarized as follows:

	2016	2015
Statement of Financial Position:		
Assets		
Cash	$ 971	$ 997
Accounts receivable	62	73
Due from related parties	91	215
Capital assets	596	599
Investments, at equity	5,451	5,204
	$ 7,171	$ 7,088
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$ 59	$ 41
Current portion of long term debt	29	28
Due to University of Winnipeg (Note 20)	516	49
Long term debt	772	801
Deferred capital contributions	289	295
Net assets	5,506	5,874
	$ 7,171	$ 7,088
Statement of Operations and Changes in Net Assets		
Revenue		
Share of equity income	$ 80	$ 98
Consulting	1,320	1,489
Other	110	74
	1,510	1,661
Expenses		
Salaries and benefits	995	1,070
Consulting and professional fees	125	75
Supplies, services and other expenses	758	587
	1,878	1,732
Excess (deficiency) of revenue over expenses	(368)	(71)
Net assets, beginning of year	5,874	5,945
Net assets, end of year	$ 5,506	$ 5,874
Statement of Cash Flows		
Increase (decrease) in funds from operations	$ (423)	$ 148
Investing activities	(167)	1
Financing activities	564	498
Increase in cash	(26)	647
Cash, beginning of year	997	350
Cash, end of year	$ 971	$ 997

Amounts in Thousands

20. Related Party Transactions and Balances

The Foundation and UWCRC are controlled entities of the University. The Trusteed Pension Plan, the 460 Portage Avenue Joint Venture and Diversity Food Services (Diversity) are also related parties. Diversity, an unincorporated joint venture, is related to the University by way of UWCRC owning 100% of the issued share capital of a numbered company which jointly controls Diversity.

During the year ending March 31, the University incurred transactions as follows:

		2016		2015
From the University to the Foundation:				
i) Operating grant	$	120	$	160
ii) Gifts of residuals for endowment	$	918	$	448
iii) Gifts of matching funds for endowment	$	449	$	583
iv) Occupancy and Support Agreement	$	180	$	180
v) Transfer of endowment funds	$	1,000	$	-
From the Foundation to the University:				
i) Transfer of annual donations	$	5,231	$	3,402
ii) Income allocation	$	1,770	$	1,628
iii) Occupancy and Support Agreement	$	180	$	180
From the University to UWCRC:				
i) Consulting fees (excluding GST)	$	1,262	$	965
From UWCRC to the University:				
i) Management fees	$	197	$	244
From the University to the Joint Venture:				
i) Lease expense	$	726	$	714
From the Joint Venture to the University:				
i) Service fees	$	96	$	94
From the University to Diversity:				
i) Food services	$	878	$	883
From Diversity to the University:				
i) Rental revenue	$	70	$	70

These transactions are recorded at the exchange amount which is the amount established and agreed to by the related parties. The University's share of the Joint Venture related party transactions has been eliminated upon consolidation of the Joint Venture.

At the end of the year, the amounts due to and from related parties are as follows:

		2016		2015
Due from related parties:				
Foundation	$	1,868	$	280
7049651 Manitoba Association Inc.		3,556		3,357
UWCRC		516		63
		5,940		3,700
Due from 460 Portage Avenue Joint Venture:				
Notes receivable (Note 5)		11,097		11,207
Due to related parties:				
Foundation		449		583
UWCRC		24		-
7049651 Manitoba Association Inc.		79		-
460 Portage Joint Venture		117		58
	$	669	$	641

Amounts in Thousands

In addition to those related transactions disclosed elsewhere in these financial statements, the University is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown Corporations. The University enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

21. 460 Portage Avenue Joint Venture

The University entered into an unincorporated Joint Venture Agreement with the Plug-In Institute of Contemporary Art (Plug-in) in July 2009. The purpose of the joint venture is to construct and operate a building primarily intended to provide space for the operations of the University and Plug-In on a break-even basis. The terms of the operation of the joint venture are defined in the Joint Venture Agreement. Both the University and Plug-In are registered charities, exempt from income taxes under the *Income Tax Act (Canada)*.

The joint venture consists of the bottom three floors of the building known as 460 Portage Avenue as well as the parking lot directly behind the building. Plug-In has one third ownership of the joint venture, with the University owning the remainder. The Joint Venture Agreement provides each party with a veto over significant decisions related to the building. The operations of the joint venture are managed by the University as a trustee of the joint venture. Operating expenses for the entire building are included in the joint venture. Recoveries for expenses related to the 4th floor which is entirely owned by the University are included as recoveries from the University (Note 20).

The joint venture financial statements have been prepared in accordance with Canadian accounting standards for private enterprises. The following is a summary of the University's proportionate share of the financial position, results of operations and cash flows of the joint venture included in the consolidated financial statements for the year ended March 31. There are no significant differences in accounting policies from those followed by the University.

Statement of Financial Position	2016	2015
Assets:		
Accounts receivable and prepaid expenses	$ 151	$ 218
Capital assets	7,809	7,927
Intangible asset	1,158	1,192
	9,118	9,337
Liabilities and Venturer's Equity:		
Accounts payable and accrued liabilities	$ 5	$ 5
Due to Related Parties	7,244	7,352
Deferred capital contributions	394	401
Venturer's equity	1,395	1,515
Capital Reserve	80	64
	$ 9,118	$ 9,337

Statement of Operations	2016	2015
Revenues:		
Rental revenue	$ 109	$ 115
Amortization of deferred capital contributions	7	7
Expense recovery from Venturers	593	588
	709	710
Expenses:		
Building operating	237	216
Interest	384	387
Amortization	118	119
Amortization of intangible asset	33	33
	$ 772	$ 755
Net loss	$ (63)	$ (45)

Amounts in Thousands

Statement of Cash Flows	2016	2015
Cash receipts from tenants and Venturers	$ 728	$ 673
Cash paid to suppliers	(154)	(140)
Interest paid	(384)	(387)
Cash flows from (used by) operating activities	190	146
Repayment of long term debt	(73)	(70)
Other financing activities	(117)	(102)
Cash flows from financing activities	(190)	(172)
Cash flows used in investing activities - purchase of capital assets	-	26
Net change in cash position	$ -	$ -

Some of these balances were netted against balances on the University's accounts on consolidation.

The intangible asset included in the joint venture represents the University's ability to obtain long-term financing and is valued at the amount agreed to in the Joint Venture Agreement. The University's portion of the intangible asset as well as certain other balances were eliminated in the University's accounts on consolidated.

Construction of the building resulted in a number of deficiencies which had to be rectified upon possession. The cost of remedial action is included in the cost of the building. The Joint Venture was able to recover some of these costs from the design team and the issue is now settled.

22. Contingencies

The University is named as a defendant in litigations where legal action has commenced or is anticipated. While the ultimate outcomes of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that, either the outcomes will not have a material effect on the financial position of the University, or the outcomes are not determinable. No provision has been made in the financial statements in respect of these claims.

The University, acting as trustee for the 460 Portage Avenue Joint Venture has entered into an agreement with an unrelated third party to purchase the land known as 460 Portage Avenue. The agreement calls for a final payment equal to the difference between $2,000 and the appraised value of the said land based on vacant unimproved land as at December 31, 2017. No provision has been made in the financial statements for this contingent future payment.

23. Reclassification of Comparative Figures

Certain 2015 comparative numbers have been reclassified to conform with the financial statement presentation adopted for 2016.

Venture Manitoba Tours Ltd.
Financial Statements
March 31, 2016

MNP

Management's Responsibility

To the Shareholder of Venture Manitoba Tours Ltd.:

The accompanying financial statements of Venture Manitoba Tours Ltd. are the responsibility of management and have been approved by the Board of Directors.

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual report is consistent with the financial statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

Original Document Signed

General Manager Chief Executive Officer

Independent Auditors' Report

To the Shareholder of Venture Manitoba Tours Ltd.:

We have audited the accompanying financial statements of Venture Manitoba Tours Ltd., which comprise the statement of financial position as at March 31, 2016 and the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Venture Manitoba Tours Ltd. as at March 31, 2016 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba

June 21, 2016

MNP LLP
Chartered Professional Accountants

	2016	2015
Financial assets		
Cash *(Note 3)*	**232,491**	207,708
Accounts receivable	**10,524**	10,460
Inventory *(Note 4)*	**25,795**	40,635
	268,810	258,803
Liabilities		
Accounts payable and accruals	**66,310**	102,562
Customer deposits	**6,323**	10,225
Advances from the Province of Manitoba *(Note 5)*	**250,000**	250,000
Capital lease obligations *(Note 6)*	**-**	52,800
	322,633	415,587
Net debt	**(53,823)**	(156,784)
Non-financial assets		
Tangible capital assets *(Schedule 1)*	**434,701**	538,212
Prepaid expenses and deposits	**7,467**	39,217
	442,168	577,429
Accumulated surplus *(Note 7)*	**388,345**	420,645

Approved on behalf of the Board

Original Document Signed Director

Original Document Signed Director

The accompanying notes are an integral part of these financial statements

Venture Manitoba Tours Ltd.
Statement of Operations and Accumulated Surplus
For the year ended March 31, 2016

	Budget	*2016*	*2015*
Sales	**1,270,000**	**1,145,821**	1,052,711
Cost of sales	**953,717**	**892,575**	888,212
Gross margin	**316,283**	**253,246**	164,499
Operating expenses *(Schedule 2)*	**179,258**	**182,035**	188,104
Surplus (deficit) from operations	**137,025**	**71,211**	(23,605)
Other income (expense)			
Amortization	**(136,828)**	**(103,511)**	(131,053)
Annual surplus (deficit)	**197**	**(32,300)**	(154,658)
Accumulated surplus, beginning of year	**420,645**	**420,645**	575,303
Accumulated surplus, end of year	**420,842**	**388,245**	420,645

The accompanying notes are an integral part of these financial statements

Venture Manitoba Tours Ltd.
Statement of Change in Net Debt
For the year ended March 31, 2016

	Budget	2016	2015
Annual surplus (deficit)	**197**	**(32,300)**	(154,658)
Amortization of tangible capital assets	**136,828**	**103,511**	131,053
Use of prepaid expenses	**-**	**31,750**	(7,693)
Decrease (increase) in net debt	**137,025**	**102,961**	(31,298)
Net debt, beginning of year	**(156,784)**	**(156,784)**	(125,486)
Net debt, end of year	**(19,759)**	**(53,823)**	(156,784)

Venture Manitoba Tours Ltd.
Statement of Cash Flows
For the year ended March 31, 2016

	2016	*2015*
Cash provided by (used for) the following activities		
Operating activities		
Cash received from customers	**1,141,612**	1,056,599
Cash paid to suppliers and employees	**(1,059,801)**	(1,060,334)
Interest received	**242**	456
Interest paid	**(4,470)**	(6,085)
	77,583	(9,364)
Financing activities		
Repayments of capital lease obligations	**(52,800)**	(51,185)
Increase (decrease) in cash resources	**24,783**	(60,549)
Cash resources, beginning of year	**207,708**	268,257
Cash resources, end of year	**232,491**	207,708

The accompanying notes are an integral part of these financial statements

1. Operations

Venture Manitoba Tours Ltd. (the "Company") was incorporated under the Manitoba Corporations Act. The issued shares are owned by the Province of Manitoba.

The Province of Manitoba owns the Falcon Lake Golf Course and Games Area. The Company operates this facility under a lease agreement with the Province of Manitoba. The Company is responsible for the operating costs of the golf course and games area, and, in return, is authorized to realize the revenue generated by their operations. These facilities are situated in the Whiteshell Provincial Park and are not subject to realty taxes.

The Company is exempt from paying income tax under subsection 149(1)(d) of the Income Tax Act.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Cash

Cash includes balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business.

Tangible capital assets

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at their fair value at the date of contribution.

Amortization

Amortization is provided using the straight-line method at rates intended to amortize the cost of tangible capital assets over their estimated useful lives.

	Rate	
Staff quarters	10 to 25	years
Automotive	3	years
Computer equipment	3	years
Golf course improvements	10 to 40	years
Equipment under capital lease	5	years

These financial statements do not include the property and equipment of the Falcon Lake Golf Course and Games Area which are owned by the Province of Manitoba.

Revenue recognition

Revenues from the golf course, clubhouse and games area are recognized when services are provided and collection is reasonably assured.

2. **Significant accounting policies** *(Continued from previous page)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The Company currently has no allowance for doubtful accounts. Amortization is based on the estimated useful lives of tangible capital assets. Inventory is valued net of slow moving or obsolete inventory based on an estimate using historical sales of slow moving inventory.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized using the declining balance method, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

An arrangement contains a lease where the arrangement conveys a right to use the underlying tangible asset, and whereby its fulfillment is dependent on the use of the specific tangible asset. After the inception of the arrangement, a reassessment of whether the arrangement contains a lease is only made in the event that:

- there is a change in contractual terms;
- a renewal option is exercised or an extension is agreed upon by the parties to the arrangement;
- there is a change in the determination of whether the fulfillment of the arrangement is dependent on the use of the specific tangible asset; or
- there is a substantial physical change to the specified tangible asset.

Net financial assets

The Company's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the Company is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprises a second indicator of financial position which is accumulated surplus.

Non-financial assets

The Company's tangible capital assets and other non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Company unless they are sold.

2. **Significant accounting policies** *(Continued from previous page)*

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Company performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in surplus (deficit) for the year.

Financial instruments

Amortized cost

The Company has classified the following financial assets in the amortized cost category: cash and accounts receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Cash and accounts receivable are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal payments, plus or minus the cumulative amortization using the effective interest method or any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability.

The Company has classified the following liabilities in the amortized cost category: accounts payable and accruals, customer deposits, advances from the Province of Manitoba and capital lease obligations. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Accounts payable and accruals, customer deposits, advances from the Province of Manitoba and capital lease obligations are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to their net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method or any difference between that initial amount and the maturity amount.

3. Cash

The Company has an operating line of credit with a limit of $250,000 (2015 - $250,000), bearing interest at Royal Bank of Canada's prime interest rate of 2.70% (2015 – 2.85%) and secured by the Province of Manitoba. No amount was drawn on the operating line of credit at year-end.

4. Inventory

The cost of inventories recognized as an expense and included in cost of sales amount to $70,731 (2015 - $54,274).

5. Advances from the Province of Manitoba

The Advances from the Province of Manitoba are unsecured, non-interest bearing and due on demand. These advances are related by virtue of the Province being the sole shareholder of the Company.

6. Capital lease obligations

	2016	2015
Golf cart lease payable in monthly instalments of $9,545 from May to October per year, including interest at 6.4%, plus applicable taxes, due October 2015.	**-**	52,800

The Company has extended the golf cart lease on a month to month basis. The Company has the option to transfer the lease to a potential third party, subject to the third party's ability to meet the lessor's credit approval, or extend the lease for a two year period, or buyout the lease for the amount of $83,200, or return the golf carts to the lessor which would give rise to a terminal residual adjustment clause. As of the date of the financial statements, the Company has not exercised any of these options.

7. Accumulated surplus

	2016	2015
Equity in tangible capital assets	**434,701**	485,412
Deficit	**(3,689,856)**	(3,708,267)
Share capital (Note 8)	**3,643,500**	3,643,500
	388,345	420,645

8. Share capital

		2016	2015
Authorized			
Unlimited Common shares			
Issued			
3,643,500	Common shares	**3,643,500**	3,643,500

9. Commitments

The Company operates the Falcon Lake Golf Course, Games Area and the Restaurant/Lounge under lease agreements with the Province of Manitoba for an annual amount of $114,700 (2015 - $114,700). This amount is included in cost of sales for the year. The nature of this related party is described in Note 5.

10. Government reporting entity - related parties

The following information is presented in accordance with a request by the Minister of Finance of The Government of the Province of Manitoba.

As at March 31, 2016, the Company had the following balances with entities in the Government Reporting Entity:

	2016	*2015*
Payable to (receivable from):		
Manitoba Hydro	**1,393**	958
Manitoba Liquor and Lotteries	**-**	300
	1,393	1,258

During the year, the Company had the following transactions with entities in the Government Reporting Entity:

	2016	*2015*
Expenses paid to:		
Department of Conservation	**114,700**	114,700
Manitoba Hydro	**15,425**	17,189
Manitoba Liquor and Lotteries	**150**	10,322
Manitoba Public Insurance	**2,038**	1,981
	132,313	144,192

These transactions were in the normal course of operations and measured at the exchange amount, which is the amount of consideration established by the related parties.

11. Financial instruments

The Company, as part of its operations, carried a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is not exposed to significant interest rate risk.

12. Economic dependence

The Company's primary source of income is derived from the Falcon Lake Golf Course. The Company's ability to continue viable operations is dependent upon securing an operating agreement from the Province of Manitoba. As at the date of these financial statements the Province of Manitoba has issued requests for proposals, the results of which are pending.

Venture Manitoba Tours Ltd.
Schedule 1 - Schedule of Tangible Capital Assets
For the year ended March 31, 2016

	Staff quarters	*Automotive*	*Computer equipment*	*Golf course improvements*	*Equipment under capital lease*	*2016*	*2015*
Cost							
Balance, beginning of year	**102,395**	**1,122,050**	**68,175**	**677,085**	**256,400**	**2,226,105**	2,226,105
Acquisition of tangible capital assets	**-**	**-**	**-**	**-**	**-**	**-**	-
Disposal of tangible capital assets	**-**	**-**	**-**	**-**	**-**	**-**	-
Balance, end of year	**102,395**	**1,122,050**	**68,175**	**677,085**	**256,400**	**2,226,105**	2,226,105
Accumulated amortization							
Balance, beginning of year	**73,705**	**1,087,299**	**68,175**	**253,594**	**205,120**	**1,687,893**	1,556,840
Annual amortization	**4,096**	**29,238**	**-**	**18,897**	**51,280**	**103,511**	131,053
Disposal	**-**	**-**	**-**	**-**	**-**	**-**	-
Balance, end of year	**77,801**	**1,116,537**	**68,175**	**272,491**	**256,400**	**1,791,404**	1,687,893
Net book value of tangible capital assets	**24,594**	**5,513**	**-**	**404,594**	**-**	**434,701**	538,212
2015 net book value of tangible capital assets	28,690	34,751	-	423,491	51,280	538,212	

Venture Manitoba Tours Ltd.
Schedule 2 - Schedule of Operating Expenses
For the year ended March 31, 2016

	Budget	*2016*	*2015*
Computer software	**500**	**1,013**	1,013
Credit card discount	**23,000**	**25,877**	19,933
Directors' fees	**12,000**	**7,586**	8,381
Insurance	**12,100**	**10,648**	9,604
Interest and bank charges	**1,800**	**1,412**	2,559
Membership fees	**360**	**437**	360
Miscellaneous (recovery)	**-**	**(40)**	(323)
Office	**2,000**	**28**	1,169
Printing and stationery	**1,300**	**972**	1,077
Professional fees	**7,200**	**7,200**	12,000
Repairs and maintenance	**5,000**	**1,705**	8,384
Restaurant expenses	**-**	**13,559**	10,889
Salaries, wages and benefits	**81,248**	**82,561**	82,521
Sales office rent	**6,600**	**6,337**	6,372
Tee reservations	**2,400**	**2,324**	2,324
Telephone and postage	**4,800**	**4,618**	4,713
Training and education	**7,450**	**7,459**	7,302
Transportation	**7,500**	**5,989**	4,579
Utilities	**4,000**	**2,350**	5,247
	179,258	**182,035**	188,104

MNP

GOVERNMENT BUSINESS ENTERPRISES

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Board of Directors of Deposit Guarantee Corporation of Manitoba

The accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2015, the summary statement of comprehensive income, the summary statement of changes in equity, the summary statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statement of the Deposit Guarantee Corporation of Manitoba (DGCM) for the year ended December 31, 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 26, 2016.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards as issued by the Accounting Standards Board (ASB). Reading the summary financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of DGCM.

Management's Responsibility for the Summary Financial Statements
Management is responsible for the preparation of a summary of the audited consolidated financial statements on the basis described in Note 1.

Auditor's Responsibility
Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, *Engagements to report on summary financial statements*.

Opinion
In our opinion, the summary financial statements derived from the audited consolidated financial statements of DGCM for the year ended December 31, 2015 are a fair summary of those financial statements, in accordance with Note 1.

Deloitte LLP

Chartered Accountants

February 26, 2016
Winnipeg, Manitoba

SUMMARY STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

As at December 31	2015	2014
ASSETS		
Cash	$ 876	$ 1,015
Investments	262,870	245,626
Assessments receivable	5,015	5,272
Current tax receivable	296	–
Deferred tax assets	48	43
Other assets	362	458
	$ 269,467	$ 252,414
LIABILITIES		
Accounts payable and accrued liabilities	$ 323	$ 302
Defined benefit plan obligation	469	422
Current tax payable	–	86
Deferred tax liability	15	11
Total liabilities	807	821
Contingent liabilities (Note 2)		
CORPORATION EQUITY		
Retained earnings	268,538	251,507
Accumulated other comprehensive income	122	86
Total corporation equity	268,660	251,593
	$ 269,467	$ 252,414

Approved by the Board February 26, 2016

Original Document Signed

Bryan Rempel, CPA, CA
Board Chair

Original Document Signed

Paul Gilmore
Finance & Audit Committee Chair

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

(in thousands of dollars)

Year Ended December 31	2015	2014
REVENUES		
Regular assessments	$ 19,492	$ 20,603
Investment revenue	2,225	5,576
	21,717	26,179
EXPENSES		
Operating expenses	4,988	4,908
INCOME BEFORE INCOME TAXES	16,729	21,271
Income tax (recovery) expense	(302)	73
NET INCOME	17,031	21,198
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to net income		
Unrealized gains on available-for-sale assets	41	8,760
Income tax expense	(4)	(964)
Realized gains on available-for-sale assets	(1)	(1,184)
Income tax expense	–	130
Total items that may be reclassified	36	6,742
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	36	6,742
COMPREHENSIVE INCOME	$ 17,067	$ 27,940

SUMMARY STATEMENT OF CHANGES IN EQUITY

(in thousands of dollars)

	Retained Earnings	Accumulated Other Comprehensive Income (Loss) [Unrealized (Losses) Gains Available-For-Sale Financial Assets]	Total
Balance at January 1, 2014	$ 230,309	$ (6,656)	$ 223,654
Net income	21,198	–	21,198
Other comprehensive income	–	6,742	6,742
Total comprehensive income	21,198	6,742	27,940
Balance at December 31, 2014	$ 251,507	$ 86	$ 251,593
Balance at January 1, 2015	$ 251,507	$ 86	$ 251,593
Net Income	17,031	–	17,031
Other comprehensive income	–	36	36
Total comprehensive income	17,031	36	17,067
Balance at December 31, 2015	$ 268,538	$ 122	$ 268,660

SUMMARY STATEMENT OF CASH FLOWS

(in thousands of dollars)

Year Ended December 31	2015	2014
OPERATING ACTIVITIES		
Net income	$ 17,031	$ 21,198
Non-cash (recovery) expense – deferred income taxes	(1)	822
Non-cash expense – depreciation	144	193
Net decrease in assessments receivable	257	274
Net (increase) decrease in prepaid expenses	(12)	4
Net (decrease) increase in tax payable and receivable	(382)	170
Net increase in accounts payable and accrued liabilities	21	14
Net increase in defined benefit obligation	47	101
Cash flows generated by operating activities	17,105	22,776
INVESTING ACTIVITIES		
Net increase in investments, net of deferred tax liability	(17,208)	(22,430)
Purchase of property and equipment, net of disposal proceeds	(36)	(64)
Cash flows used in investing activities	(17,244)	(22,494)
(DECREASE) INCREASE IN CASH	(139)	282
CASH, BEGINNING OF YEAR	1,015	733
CASH, END OF YEAR	$ 876	$ 1,015
SUPPLEMENTARY CASH FLOW INFORMATION		
Income taxes paid (recovered)	$ 86	$ (85)

NOTES TO SUMMARY FINANCIAL STATEMENTS

1) Basis of Presentation

The summary financial statements are derived from the audited consolidated financial statement, prepared in accordance with International Financial Reporting Standards, as at December 31, 2015 and for the year then ended.

The preparation of these summary financial statements requires management to determine the information that ensures consistency in all material respects with, or represent a fair summary of, the audited consolidated financial statements.

Management prepared these summary financial statements using the following criteria:

- the summary financial statements include a statement for each statement included in the audited consolidated financial statements;
- information in the summary financial statements agrees with the related information in the audited consolidated financial statements;
- major subtotals, totals and comparative information from the audited consolidated financial statements are included; and
- the summary financial statements contain the information from the audited consolidated financial statements dealing with matters having a pervasive or otherwise significant effect on the summarized financial statements.

The audited consolidated financial statements and notes of DGCM are available upon request, or at www.depositguarantee.mb.ca

2) Contingent Liabilities

As at December 31, 2015, DGCM guaranteed $25.2 billion (2014: $23.5 billion) in credit union and caisse deposits. Based on its ongoing monitoring procedures, DGCM has concluded that a provision for such contingencies does not need to be established at this time.

As at December 31, 2015, DGCM has provided a loan indemnification with a maximum exposure of $608 thousand (2014: $670 thousand). DGCM has concluded that a provision for loss does not need to be established at this time.

Readers of the summary financial statements are advised that in order to appropriately interpret the provisions, or lack thereof, for contingent liabilities of DGCM, they must refer to the audited consolidated financial statements and notes for the year ended December 31, 2015, which contains the information describing the estimate.

Deposit Guarantee
Corporation of Manitoba
390-200 Graham Avenue
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Toll Free: 1 800-697-4447
www.depositguarantee.mb.ca

Management Report

For the year ended March 31, 2016

The accompanying consolidated financial statements have been prepared by management of the Manitoba Hydro-Electric Board (the corporation), who are responsible for the integrity, consistency and reliability of the information presented. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

The preparation of the consolidated financial statements necessarily involves the use of estimates and assumptions based on management's judgments, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances. The preparation of the consolidated financial statements includes information regarding the estimated impact of future events and transactions. Actual results in the future may differ from the present assessment of this information because future events and circumstances may not occur as expected. The consolidated financial statements have been prepared within reasonable limits of materiality in light of information available up to July 6, 2016.

In meeting its responsibility for the reliability of financial information, management maintains and relies on a comprehensive system of internal controls, which is designed to provide reasonable assurance that that the corporation's assets are safeguarded and appropriately accounted for, that financial information is relevant, reliable and accurate, and that transactions are properly authorized and executed. The system includes formal policies and procedures as well as the appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function evaluates the effectiveness of these controls and reports its findings to management and the Audit Committee of the Board of Directors.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, which is comprised of outside and unrelated directors, meets periodically with management, the internal auditors and the external auditors to satisfy itself that each group has properly discharged its responsibility with respect to internal controls and financial reporting. The Audit Committee reviews the consolidated financial statements and management's discussion and analysis and recommends their approval to the Board of Directors. The external auditors have full and open access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of the financial reporting and the effectiveness of the system of internal controls.

The consolidated financial statements were reviewed by the Audit Committee, and on their recommendation, were approved by the Board of Directors. The consolidated financial statements have been examined by Ernst & Young LLP, Chartered Professional Accountants, as appointed by the Lieutenant Governor in Council. The external auditors' responsibility is to express their opinion on whether the consolidated financial statements are fairly presented in accordance with International Financial Reporting Standards. The Auditors' Report outlines the scope of their examination and their opinion.

On behalf of management:

Original Document Signed

Kelvin Shepherd, P. Eng
President & Chief Executive Officer
Manitoba Hydro

Original Document Signed

Darren B. Rainkie, CPA, CA, CBV
Vice-President, Finance & Regulatory Affairs
& Chief Financial Officer

Winnipeg, Canada
July 6, 2016

Independent Auditors' Report

To the Board of Directors of Manitoba Hydro-Electric Board

We have audited the accompanying consolidated financial statements of **Manitoba Hydro-Electric Board**, which comprise the consolidated balance sheet as at March 31, 2016 and 2015, and April 1, 2014, and the consolidated statements of income, comprehensive income, accumulated other comprehensive income, retained earnings and cash flows for the years ended March 31, 2016 and 2015, and a summary of signifi ant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial s atements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial s atements.

We believe that the audit evidence we have obtained is sufficie t and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Manitoba Hydro-Electric Board** as at March 31, 2016, and 2015, and April 1, 2014, and the results of its operations and its cash flows for the years ended March 31, 2016 and 2015 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Winnipeg, Canada,
July 6, 2016

Chartered Professional Accountants

Consolidated Statement of Income

For the year ended March 31

millions of Canadian dollars

	Notes	2016	2015
Revenues			
Domestic			
Electric		**1 399**	1 424
Gas		**353**	427
Extraprovincial	7	**415**	384
Other	8	**91**	81
		2 258	2 316
Expenses			
Cost of gas sold		**181**	266
Finance expense	9	**620**	551
Operating and administrative	10	**614**	614
Depreciation and amortization	11	**394**	378
Water rentals and assessments		**126**	125
Fuel and power purchased	12	**117**	129
Capital and other taxes	13	**123**	115
Other expenses	14	**114**	77
Finance income		**(23)**	(26)
		2 266	2 229
Net income (loss) before net movement in regulatory balances		**(8)**	87
Net movement in regulatory balances	22	**47**	38
Net Income		**39**	125
Net income (loss) attributable to:			
Manitoba Hydro		**49**	136
Non-controlling interests	30	(10)	(11)
		39	125

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

Consolidated Statement of Financial Position

millions of Canadian dollars

As at	Notes	**March 31, 2016**	March 31, 2015	April 1, 2014
Assets				
Current Assets				
Cash and cash equivalents	15	**956**	494	142
Accounts receivable and accrued revenue	16	**372**	427	478
Prepaid expenses		**40**	47	47
Inventory	17	**117**	99	81
		1 485	1 067	748
Property, Plant and Equipment	18	**17 208**	15 222	13 629
Non-Current Assets				
Sinking fund investments	19	**-**	114	111
Goodwill		**107**	107	107
Intangible assets	20	**194**	183	174
Loans and other receivables	21	**300**	464	411
		601	868	803
Total assets before regulatory deferral balance		**19 294**	17 157	15 180
Regulatory deferral balance	22	**486**	410	371
Total assets and regulatory deferral balance		**19 780**	17 567	15 551

On behalf of the Board of Directors:

Original Document Signed

H. Sanford Riley
Chair of the Board

Original Document Signed

Michael C. Pyle, MBA
Chair of the Audit Committee

As at	Notes	**March 31, 2016**	March 31, 2015	April 1, 2014
Liabilities and Equity				
Current Liabilities				
Current portion of long-term debt	23	**326**	377	408
Accounts payable and accrued liabilities	24	**723**	529	537
Other liabilities	25	**88**	94	84
Accrued interest		**104**	96	93
		1 241	1 096	1 122
Long-Term Debt	23	**14 201**	12 303	10 460
Non-Current Liabilities				
Other long-term liabilities	26	**670**	686	530
Employee future benefit	27	**859**	804	618
Deferred revenue	28	**535**	459	398
Provisions	29	**30**	17	21
		2 094	1 966	1 567
Total liabilities		**17 536**	15 365	13 149
Equity				
Retained earnings		**2 828**	2 779	2 643
Accumulated other comprehensive loss		**(776)**	(720)	(336)
Equity attributable to Manitoba Hydro		**2 052**	2 059	2 307
Non-controlling interests	30	**140**	120	73
Total equity		**2 192**	2 179	2 380
Total liabilities and equity before regulatory deferral balance		**19 728**	17 544	15 529
Regulatory deferral balance	22	**52**	23	22
Total liabilities, equity and regulatory deferral balance		**19 780**	17 567	15 551

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

Consolidated Statement of Cash Flows

For the year ended March 31

millions of Canadian dollars

	Notes	2016	2015
Operating Activities			
Cash receipts from customers		**2 298**	2 359
Cash paid to suppliers and employees		**(950)**	(1 203)
Interest received		**23**	26
Interest paid		**(580)**	(517)
Cash provided by operating activities		**791**	665
Investing Activities			
Additions to property, plant and equipment	18	**(2 372)**	(1 802)
Contributions received	28	**92**	72
Cash paid to the City of Winnipeg	26	**(16)**	(16)
Cash paid for mitigation obligations	26	**(33)**	(13)
Cash paid for major development obligations	26	**(22)**	(9)
Other		**(89)**	(105)
Cash used for investing activities		**(2 440)**	(1 873)
Financing Activities			
Proceeds from long-term debt	23	**2 165**	2 210
Retirement of long-term debt	23	**(362)**	(654)
Repayment from/(advances to) external entities	21	**164**	(51)
Proceeds from partnership issuances	30	**30**	58
Sinking fund investment withdrawals	19	**246**	111
Sinking fund investment purchases	19	**(132)**	(114)
Cash provided by financing activitie		**2 111**	1 560
Net increase in cash and cash equivalents		**462**	352
Cash and cash equivalents, beginning of year		**494**	142
Cash and cash equivalents, end of year		**956**	494

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

Consolidated Statement of Comprehensive Loss

For the year ended March 31

millions of Canadian dollars

	Notes	2016	2015
Net Income		**39**	125
Other comprehensive loss			
Items that will not be reclassified to income			
Net experience losses on pensions	6	**(8)**	(127)
Items that will be reclassified to income			
Cash flow hedges - unrealized foreign exchange losses on debt		**(47)**	(249)
Items that have been reclassified to income			
Cash flow hedges - realized foreign exchange gains on debt	9	**(1)**	(8)
		(56)	(384)
Comprehensive Loss		**(17)**	(259)
Comprehensive loss attributable to:			
Manitoba Hydro		**(7)**	(248)
Non-controlling interests		(10)	(11)
		(17)	(259)

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

Consolidated Statement of Changes in Equity

For the year ended

millions of Canadian dollars

	Notes	Retained Earnings	Accumulated Other Comprehensive Income/ (Loss)	**Manitoba Hydro**	Non-Controlling Interests	Total Equity
Balance as at April 1, 2014		2 643	(336)	**2 307**	73	2 380
Net income (loss)		136	-	**136**	(11)	125
Other comprehensive loss		-	(384)	**(384)**	-	(384)
Comprehensive income (loss)		136	(384)	**(248)**	(11)	(259)
Change in ownership interest	30	-	-	**-**	58	58
Balance as at March 31, 2015		2 779	(720)	**2 059**	120	2 179
Net income (loss)		49	-	**49**	(10)	39
Other comprehensive loss		-	(56)	**(56)**	-	(56)
Comprehensive income (loss)		49	(56)	**(7)**	(10)	(17)
Change in ownership interest	30	-	-	**-**	30	30
Balance as at March 31, 2016		**2 828**	**(776)**	**2 052**	**140**	**2 192**

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

Note 1 Reporting entity

The Manitoba Hydro-Electric Board and the Manitoba Power Commission were amalgamated in 1961 by enactment of *The Manitoba Hydro Act* to form a Crown corporation in the Province of Manitoba named Manitoba Hydro (the corporation). Manitoba Hydro's mandate is to provide for the continuance of a supply of energy adequate for the needs of the Province and to engage in and to promote economy and efficiency in the development, generation, transmission, distribution, supply and end-use of energy. The head office of the corporation is located at 360 Portage Avenue, Winnipeg, Manitoba.

These consolidated financial statements include the accounts of Manitoba Hydro and its wholly-owned subsidiaries including Centra Gas Manitoba Inc. (Centra), Minell Pipelines Ltd. (Minell), Manitoba Hydro International Ltd. (MHI), Manitoba Hydro Utility Services Ltd. (MHUS), Teshmont LP Holdings Ltd. (which has a 40% ownership interest in the Teshmont Consultants Limited Partnership) and 6690271 Manitoba Ltd. (a subsidiary which was formed to participate in the development of a new transmission line in the U.S.). These consolidated financial statements also include Manitoba Hydro's 67% ownership interest in the WPLP and its 75% ownership interest in the KHLP. For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

Note 2 Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). IFRS 1 *First-time Adoption of IFRS* has been applied as at April 1, 2014, the corporation's transition date to IFRS. For all periods up to and including the year ended March 31, 2015, Manitoba Hydro prepared its consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (CGAAP). These consolidated financial statements for the year ended March 31, 2016 are the first Manitoba Hydro has prepared in accordance with IFRS.

An explanation of the application of IFRS 1 is included in Note 5 – Transition to IFRS and an explanation of how the transition to IFRS from CGAAP affected the corporation's previously reported financial position, financial performance and cash flows is included in Note 6 – Reconciliations of CGAAP to IFRS.

These consolidated financial statements were approved for issue by the Manitoba Hydro-Electric Board on July 6, 2016.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the following material items in the consolidated statement of financial position

- Financial instruments accounted for in accordance with the financial instruments categories defined in Note 3(n)
- Employee future benefits defined in Note 3(k)
- Provisions defined in Note 3(l)

(c) Functional and presentation currency

The consolidated financial statements are presented in millions of Canadian dollars, the functional currency of the corporation.

(d) Use of estimates and judgment

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect amounts reported as assets, liabilities, income and expenses.

Areas of significant management estimates are outlined in the following summary and significant accounting policies included in Note 3:

- Accrued revenue for domestic electricity and natural gas deliveries not yet billed at year-end and allowance for doubtful accounts (Note 3(b))
- Useful life estimates for depreciable assets (Notes 3(g), 18 and 20)
- Measurement of accrued liabilities (Note 24)
- Measurement of other long-term liabilities and underlying estimates of future cash flows (Note 26)
- Measurement of employee future benefits and underlying actuarial assumptions (Notes 3(k) and 27)
- Measurement of provisions and underlying estimates of future cash flows (Notes 3(l) and 29)
- Fair value measurement of financial instruments (Notes 3(n) and 31)

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual amounts could differ from those estimates, but differences are not expected to be material.

(in millions of Canadian dollars)

Note 3 Significant accounting policies

(a) Regulatory deferral accounts

In January 2014, the International Accounting Standards Board (IASB) issued an interim standard, IFRS 14 *Regulatory Deferral Accounts*, which provides guidance on accounting for the effects of rate regulation under IFRS. This guidance allows entities that conduct rate-regulated activities to continue to recognize regulatory deferral accounts. This interim standard is effective for financial reporting periods beginning on or after January 1, 2016, and is available to first-time adopters only. As early adoption is permitted, the corporation has elected to adopt IFRS 14 in its first consolidated financial statements under IFRS. The interim standard is only intended to provide temporary guidance until the IASB completes its comprehensive project on rate-regulated activities. IFRS 14 remains in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB.

Regulatory deferral account balances usually represent timing differences between the recognition of items of income or expenses for regulatory purposes and the recognition of those items for financia reporting purposes. Regulatory deferral account balances arising from rate-regulated activities are recognized and measured separately if they do not meet the criteria to be recognized as an asset or liability in accordance with other standards. The balances recorded as regulatory deferral balances will be recovered or refunded in future rates, based on approvals by the Public Utilities Board of Manitoba (PUB). These amounts would otherwise have been included in the determination of net income in the year they are incurred.

Under rate regulation, the prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the PUB. The rate-setting process is designed such that rates charged to electricity and natural gas customers recover costs incurred by Manitoba Hydro in providing electricity and natural gas service plus a sufficient contribution to retained earnings

The following regulatory deferral account balances are initially recorded at cost and amortized on a straight-line basis using the specified periods

Power Smart programs	10	years*
Site restoration costs	15	years
Deferred taxes	30	years
Acquisition costs	30	years
Regulatory costs	up to 5	years

*The Power Smart regulatory deferral debit balance includes the differences between actual and planned spending on electric and gas demand side management (DSM) for the 2013 to 2016 fiscal years with a corresponding regulatory deferral credit balance. The disposition of these balances will be determined by the PUB at a future regulatory proceeding.

The Affordable Energy Fund is amortized to the consolidated statement of income at the same rate as the obligation is drawn down. The purchased gas variance account (PGVA) is recovered or refunded over a period determined by the PUB.

The amortization of the loss on disposal of assets, change in depreciation methodologies from average service life (ASL) to equal life group (ELG), deferred ineligible overhead and the impact of the 2014 depreciation study will be determined by the PUB at a future regulatory proceeding.

(b) Revenue recognition

Domestic electricity and natural gas revenues are recognized upon delivery to the customer and charged in accordance with rates approved by the PUB. Unbilled revenues are recorded based on an estimated amount of electricity and natural gas delivered and not yet billed at year-end.

Extraprovincial electricity revenue is recorded upon the delivery of energy or settlement of the financia transaction.

Consulting, technology and maintenance services and other miscellaneous revenue is recognized when services are provided or goods are shipped to the customer. Revenue from fixed price contracts is recognized under the percentage-of-completion method. The percentage of completion is determined by comparing the costs incurred at the consolidated statement of financial position date to the total estimated costs, which include costs incurred plus anticipated costs for completing a contract.

Deferred revenue related to customer contributions is recognized over the life of the related asset for which the contribution was received.

(c) Cost of gas

Natural gas is recorded at purchased cost upon delivery to gas customers.

(d) Finance expense and finance income

Finance expense includes interest on short and long-term borrowings and the provincial debt guarantee fee paid to the Province of Manitoba, foreign exchange gains and losses, accretion expense on provisions and other long-term liabilities, offset by interest capitalized for those qualifying assets under construction. Allborrowing costs are recognized using the effective interest rate method. Finance income includes interest earned on loans and advances to external parties and temporary investments.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(f) Inventory

Materials and supplies, fuel and natural gas inventories are valued at the lower of average cost and net realizable value. Replacement cost is used as management's best estimate of the net realizable value for materials and supplies and fuel inventory.

Materials, supplies, fuel and natural gas are charged to inventory when purchased and not immediately required for use. These inventories are expensed or capitalized when used. Those materials, supplies and fuel purchased for immediate use are expensed directly.

(g) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, contracted services, direct labour and interest applied at the weighted average cost of debt outstanding during the period. Interest is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, interest allocated to construction ceases and depreciation and interest charged to operations commences.

Depreciation is calculated on a straight-line remaining life basis using the ELG procedure. The major components of generating stations are depreciated over the lesser of the remaining life of the major components or the remaining life of the associated generating station.

Generation	4 – 125 years
Transmission lines	10 – 85 years
Substations	15 – 65 years
Distribution systems	10 – 75 years
Other	5 – 100 years

The estimated service lives of the assets are based upon depreciation studies conducted periodically by the corporation. A depreciation study was last completed in 2015.

The net gain or loss on retirement of these assets is charged to depreciation in the period incurred and then removed through net movement in regulatory balances to a regulatory debit balance. When the costs of removing an asset from service are incurred to facilitate the installation of a new asset, the costs to remove the asset from service are added to the costs of the new asset. When an asset is retired from service and not replaced with a similar asset, the costs of removing the asset from service are treated similarly to the net gain or loss on retirement of assets.

A reasonable estimate of the present value of the future cash flows required to retire an asset from service is recorded when the recognition criteria for a provision (Note 3(l)(i))are met. An equivalent amount is added to the carrying cost of the related asset and is amortized over the asset's remaining service life. The discount rate used to measure the cash flows reflects current market assessments of the time value of money and the risks specific to the obligation

(h) Goodwill

Goodwill represents the amount of the corporation's investments in Centra and Winnipeg Hydro over and above the fair market value of the identified net assets acquired. The goodwill balance is evaluated annually to determine whether any impairment has occurred.

(i) Intangible assets

Intangible assets include computer application development costs, land easements and transmission rights. Intangible assets are recorded at cost less accumulated amortization. The cost of computer application development includes software, direct charges for labour, materials, contracted services and interest during development applied at the weighted average cost of debt outstanding during the period. The corporation's intangible assets have finite useful lives and are amortized over their useful lives on a straight-line basis with the amortization included in depreciation and amortization expense. The expected useful lives are as follows:

Computer application development	5 - 11 years
Land easements	75 years
Transmission rights	1 - 12 years

Transmission rights are amortized over the contractual period of the right plus a one-term renewal. The estimated service lives of computer application development and land easements are based upon depreciation studies conducted periodically by the corporation. A depreciation study was last completed in 2015.

(j) Impairment of non-financial assets

Non-financial assets subject to impairment testing include goodwill, intangible assets and property, plant and equipment. The corporation tests goodwill and material intangible assets under construction at least annually for impairment. Assets subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment test is performed by comparing the carrying amount of the asset or cash generating unit (CGU)to its recoverable amount. The recoverable amount is calculated as the higher of the fair value less costs to sell and the present value of the future cash flows from an asset or CGU. The corporation has determined its CGUs to be at the segment level. This is the lowest level for which there are separately identifiable cash flows as rates for electricity and natural gas revenue are set by the PUB at the segment level. An impairment would be recognized as a charge against operations in the year of impairment if the carrying amount exceeds the recoverable amount.

(k) Employee future benefits

Manitoba Hydro provides future benefits, including pension and other benefits, to both existing and retired employees.

The costs and obligations of defined benefit pension plans and other benefits are determined by an independent actuary using the accrued benefit actuarial cost method and reflect management's best estimate of future compensation increases, service lives and inflation. Pension expense is comprised of the cost of pension benefits earned during the year and net interest income or expense. Interest income on plan assets is determined by multiplying the fair value of the plan assets by the discount rate used to determine the accrued benefit obligation at the start of the annual reporting period. This considers any changes in the plan assets held during the period as a result of contributions and benefit payments. Interest expense on the accrued benefit obligation is determined by multiplying the accrued benefi obligation by the discount rate used at the start of the annual reporting period.

Experience gains or losses on the asset and actuarial gains or losses on the obligation are recognized in other comprehensive income (OCI)in the period in which they occur. Past service costs, which arise when a change is made to plan benefits, are recognized immediately in profit or los

Other future benefits earned by employees include vacation, vested sick leave, severance and retirement health plans. Where applicable, the future costs of these benefits are determined by an independent actuary and reflect management's best estimates

(l) Provisions

In accordance with International Accounting Standards (IAS) 37 *Provisions, Contingent Liabilities and Contingent Assets*, a provision is required to be recognized where there is a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits willbe required to settle the obligation, the timing or amount of which are uncertain.

(i) Asset retirement obligations

Asset retirement obligations are estimated by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specifi to the obligation. The increase in the provision due to the passage of time is recognized as a finance expense

(ii) Affordable Energy Fund

The Affordable Energy Fund was determined based on Provincial Legislation. The timing of disbursements is uncertain due to the unpredictability of future customer participation.

(m) Government grants

Government grants are recognized when there is reasonable assurance they will be received and the corporation will comply with the conditions associated with the grant. Government grants that compensate the corporation for expenses incurred are recognized in profit or loss in the same period in which the expenses are recognized. Grants that compensate the corporation for the cost of an asset are recorded as deferred revenue and recognized in other revenue over the service life of the related asset.

(n) Financial instruments

All financial instruments are measured at fair value on initial recognition as of the trade date. Transaction costs are included in the initial carrying amount of financial instruments except for those financia instruments measured at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial instruments classified as fair value through profit or loss are expensed as incurred. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following categories: loans and receivables, fair value through profit or loss, available-for-sale, or other financial liabilitie

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are subsequently measured at fair value with unrealized gains and losses recorded in OCI until the instrument is derecognized or impaired. Financial instruments classified as fair value through profit or loss are subsequently measured at fair value with changes in fair value recognized in the consolidated statement of income in the period in which they arise.

Financial assets classified as loans and receivables are subject to impairment testing at the end of each reporting period. Impairment losses are recorded when there is objective evidence that impairment has occurred due to one or more events such as default or delinquency in interest or principal payments, or significant financial difficulty experienced by the counterparty. Trade receivables that are not assessed for impairment individually are assessed for impairment on a collective basis. Objective evidence of impairment includes the corporation’s past historical loss rates applied to groups for which the historical loss rates were observed.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or it expires. When an existing financial liability is replaced with substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability is recorded at fair value. The differences in the respective carrying amounts are recognized as gains or losses in net income.

(o) Foreign currency translation

Revenues and expenses resulting from transactions in foreign currencies are translated to Canadian dollar equivalents at exchange rates approximating those in effect at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the reporting date. Translation gains and losses are credited or charged to finance expense in the current period except for long-term debt obligations in hedging relationships with future export revenues. Translation gains and losses for long-term debt obligations in hedging relationships with future export revenues are recorded in OCI until such time that the hedged export revenues are realized, at which time accumulated exchange gains and losses are credited or charged to finance expense

(p) Derivatives

The corporation does not engage in derivative trading or speculative activities. All derivative instruments are carried at fair value on the consolidated statement of financial position with the exception of those that were entered into for the purpose of physical receipt or delivery in accordance with the corporation's expected normal purchases and sales. Changes in the fair value of derivatives that are not designated in a hedging relationship and do not qualify for the normal purchase and sale exemption are recorded in the consolidated statement of income.

(q) Hedges

The corporation has designated cash flow hedges linking financial instruments to specific assets and forecasted transactions. Long-term cash flow hedges have been established between U.S. long-term debt balances and future U.S. export revenues as well as between U.S. interest payments on dual currency bonds and future U.S. export revenues. The corporation documents the relationship between the hedging instrument and the hedged item and assesses at inception, and on an ongoing basis, the effectiveness of the hedging relationship.

(r) Non-controlling interests

Non-controlling interests represent the outstanding ownership interests attributable to third parties in the corporation's limited partnerships. The portion of the equity not owned by the corporation is reflected as non-controlling interests within the equity section of the consolidated statement of financia position. The portion of the net income or net loss attributable to the parent and non-controlling interests is reported on the consolidated statement of income.

Note 4 Future accounting pronouncements

The following new standards and amendments are not yet effective for the year ended March 31, 2016, and have not been applied in preparing these consolidated financial statements. The corporation does not have any plans to early adopt the new or amended standards and the extent of the impact on adoption of the following standards is not known at this time:

IFRS 9 – *Financial Instruments*

IFRS 9 *Financial Instruments* was finalized in July 2014 and replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance for the classification and measurement of financial assets and liabilities, a new expected credit loss model to measure impairment of financial assets and significant improvements in hedge accounting. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. This new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 – *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 and replaces IAS 18 *Revenue* and IFRS Interpretations Committee (IFRIC) 18 *Transfers of Assets from Customers*. The standard provides a single five-step model to be applied to all contracts with customers to determine when to recognize revenue and at what amount. The underlying principle of IFRS 15 is that an entity recognizes revenue that shows the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16 – *Leases*

IFRS 16 *Leases* was issued in January 2016 and replaces current lease accounting requirements under IFRS. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

Disclosure Initiative

In December 2014, the IASB issued *Disclosure Initiative* (Amendments to IAS 1 *Presentation of Financial Statements*). These amendments improve the existing presentation and disclosure requirements and encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements. These amendments are effective for annual periods beginning on or after January 1, 2016.

Note 5 Transition to IFRS

IFRS Exemptions under IFRS 1 *First-time Adoption of IFRS*

Manitoba Hydro adopted IFRS on April 1, 2015 and applied IFRS 1 for the preparation of these first annual IFRS consolidated financial statements. As IFRS require comparative financial information, the corporation has applied IFRS 1 on the transition date of April 1, 2014.

IFRS 1 provides optional and mandatory exemptions to the requirement for full retrospective application of IFRS. The corporation has applied the following relevant mandatory and optional exemptions in the opening IFRS consolidated statement of financial position

IFRS mandatory exemptions:

(a) Significant estimates

IFRS 1 stipulates that estimates made in accordance with IFRS at the date of transition should be consistent with those estimates under previous generally accepted accounting principles (GAAP). As such, the estimates made under CGAAP were not revised at the transition date except where necessary to reflect differences in accounting policies.

(b) Non-controlling interests

IFRS 1 requires that certain components of IFRS 10 *Consolidated Financial Statements* be applied prospectively from the IFRS transition date. The foundation of consolidation under IFRS is a control model whereas CGAAP consolidation is based on a controlling financial interest model. The resulting difference is that some subsidiaries that were not consolidated under CGAAP may be consolidated under IFRS. This exemption allows any such subsidiaries to be consolidated prospectively. For Manitoba Hydro, there are no differences in consolidation as the corporation consolidated all subsidiaries since inception.

Presentation differences also exist between CGAAP and IFRS 10 for the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of comprehensive loss as follows:

Consolidated statement of financial position

Non-controlling interests are presented as a component of equity separate from the equity attributable to the owners of the parent on the statement of financial position under IFRS. This varies from the CGAAP balance sheet presentation where non-controlling interests are presented outside of liabilities and equity.

Consolidated statement of income and statement of comprehensive loss:

Non-controlling interests are presented below net income, indicating the net income attributable to the non-controlling interests and the net income attributable to the parent. This varies from the CGAAP presentation of non-controlling interests being a component of net income.

As required under this IFRS 1 exemption, the changes in presentation between CGAAP and IFRS have been applied prospectively.

IFRS optional exemptions:

(a) Business combinations

Under IFRS 1, entities may elect not to apply the requirements of IFRS 3 *Business Combinations* retrospectively for business combinations occurring before the transition date. Manitoba Hydro has applied this exemption.

(b) Deemed cost

IFRS 1 provides entities with rate-regulated activities the option to use the carrying amount of property, plant and equipment and intangible asset balances from their previous GAAP as deemed cost upon transition. Carrying amounts under CGAAP were based on cost. Manitoba Hydro has applied this exemption.

(c) Decommissioning liabilities included in the cost of property, plant and equipment

IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates. IFRS 1 provides first-time adopters the option not to retroactively restate these liabilities upon transition to IFRS. Manitoba Hydro has applied this exemption.

(d) Borrowing costs

IFRS 1 provides first-time adopters the option of applying the requirements of IAS 23 *Borrowing Costs* prospectively from the transition date or from an earlier date. IAS 23 requires the interest capitalization rate to be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period. Manitoba Hydro applied the requirements of IAS 23 effective April 1, 2010.

(e) Transfers of assets from customers

Under IFRS 1, entities have the option to apply the requirements of IFRIC 18 *Transfers of Assets from*

(in millions of Canadian dollars)

Customers prospectively from the transition date or from an earlier date. Manitoba Hydro applied these requirements at the transition date. As a result, contributions in aid of construction were reclassified to deferred revenue and are subsequently recognized in other revenue over the lives of the related assets.

Adjustments to Equity upon Adoption of IFRS

The transition to IFRS generally requires retrospective application of changes in accounting policies resulting from differences from existing GAAP. The following table summarizes the consolidated comparative adjustments as at April 1, 2014:

	Note	Retained earnings	AOCI
CGAAP as at April 1, 2014		2 716	96
Restatement of employee pensions	(a)	(41)	(432)
Restatement of employee benefit	(b)	(32)	-
Total IFRS adjustments		(73)	(432)
IFRS as at April 1, 2014		2 643	(336)

(a) Restatement of employee pensions

In accordance with IAS 19 *Employee Benefits*, opening retained earnings recognizes the retrospective re-measurement of the interest on the pension assets by applying the discount rate used to measure the pension obligation, in addition to the elimination of the corridor amortization and amortization of plan amendments. IAS 19 also requires all cumulative actuarial gains and losses to be recognized in the opening balance of accumulated other comprehensive income (AOCI).

(b) Restatement of employee benefit

Under CGAAP, only legally vested obligations were recorded whereas under IAS 19, employee service gives rise to an obligation regardless of whether the benefits are vested or unvested. As a result, upon transition to IFRS the sick leave vesting and severance obligations required re-measurement. These adjustments have been reflected in retained earnings.

Under IAS 19, re-measurements for employee benefits can no longer be deferred and amortized. Deferrals related to other employee future benefits were adjusted to retained earnings on transition to IFRS.

(in millions of Canadian dollars)

Note 6 Reconciliations of CGAAP to IFRS

Consolidated Statement of Financial Position

As at April 1, 2014	Notes	CGAAP	Adjustments	Reclassifications	IFRS
Assets					
Current Assets					
Cash and cash equivalents		**142**	-	-	**142**
Accounts receivable and accrued revenue	(i), (ii)	**520**	-	(42)	**478**
Prepaid expenses	(i)	**-**	-	47	**47**
Inventory		**81**	-	-	**81**
		743	-	5	**748**
Property, Plant and Equipment	A	**13 627**	2	-	**13 629**
Non-Current Assets					
Sinking fund investments		**111**	-	-	**111**
Goodwill		**107**	-	-	**107**
Intangible assets		**174**	-	-	**174**
Regulated assets	(iii)	**360**	-	(360)	**-**
Loans and other receivables	(ii), (iv), (v)	**517**	-	(106)	**411**
		1 269	-	(466)	**803**
Total assets before regulatory deferral balance		**15 639**	2	(461)	**15 180**
Regulatory deferral balance	(iii), (iv)	**-**	-	371	**371**
		15 639	2	(90)	**15 551**
Liabilities and Equity					
Current Liabilities					
Current portion of long-term debt		**408**	-	-	**408**
Accounts payable and accrued liabilities	(v)	**561**	-	(24)	**537**
Other liabilities	A, (viii)	**-**	5	79	**84**
Accrued interest		**100**	-	(7)	**93**
		1 069	5	48	**1 122**
Long-Term Debt		**10 460**	-	-	**10 460**
Non-Current Liabilities					
Regulated liabilities	(iii)	**22**	-	(22)	**-**
Other long-term liabilities	A, (iv), (v), (vi), (viii), (x)	**615**	(13)	(72)	**530**
Asset purchase obligation	(vi)	**207**	-	(207)	**-**
Employee future benefit	E, (v)	**-**	505	113	**618**
Deferred revenue	(x)	**381**	-	17	**398**
Provisions	A, (iv)	**-**	10	11	**21**
		1 225	502	(160)	**1 567**
Total liabilities		**12 754**	507	(112)	**13 149**
Equity					
Retained earnings	E	**2 716**	(73)	-	**2 643**
Accumulated other comprehensive income (loss)	E	**96**	(432)	-	**(336)**
		2 812	(505)	-	**2 307**
Non-controlling interests		**73**	-	-	**73**
		2 885	(505)	-	**2 380**
Total liabilities and equity before regulatory deferral balance		**15 639**	2	(112)	**15 529**
Regulatory deferral balance	(iii)	**-**	-	22	**22**
		15 639	2	(90)	**15 551**

(in millions of Canadian dollars)

Consolidated Statement of Financial Position

As at March 31, 2015	Notes	CGAAP	Adjustments	Reclassifications	IFRS
Assets					
Current Assets					
Cash and cash equivalents		**494**	-	-	**494**
Accounts receivable and accrued revenue	(i), (ii)	**470**	-	(43)	**427**
Prepaid expenses	(i)	**-**	-	47	**47**
Inventory		**99**	-	-	**99**
		1 063	-	4	**1 067**
Property, Plant and Equipment	A, B, C, D, F	**15 250**	(28)	-	**15 222**
Non-Current Assets					
Sinking fund investments		**114**	-	-	**114**
Goodwill		**107**	-	-	**107**
Intangible assets	C	**186**	(3)	-	**183**
Regulated assets	(iii)	**346**	-	(346)	**-**
Loans and other receivables	(ii), (iv), (v)	**528**	-	(64)	**464**
		1 281	(3)	(410)	**868**
Total assets before regulatory deferral balance		**17 594**	(31)	(406)	**17 157**
Regulatory deferral balance	C, F, (iii), (iv)	**-**	58	352	**410**
		17 594	27	(54)	**17 567**
Liabilities and Equity					
Current Liabilities					
Current portion of long-term debt		**377**	-	-	**377**
Accounts payable and accrued liabilities	(v)	**560**	-	(31)	**529**
Other liabilities	A, (viii)	**-**	4	90	**94**
Accrued interest		**95**	-	1	**96**
		1 032	4	60	**1 096**
Long-Term Debt		**12 303**	-	-	**12 303**
Non-Current Liabilities					
Regulated liabilities	(iii)	**22**	-	(22)	**-**
Other long-term liabilities	A, (iv), (v), (vi), (viii), (x)	**808**	(12)	(110)	**686**
Asset purchase obligation	(vi)	**199**	-	(199)	**-**
Employee future benefit	E, (v)	**-**	634	170	**804**
Deferred revenue	C, (x)	**441**	(1)	19	**459**
Provisions	A, (iv)	**-**	11	6	**17**
		1 470	632	(136)	**1 966**
Total liabilities		**14 805**	636	(76)	**15 365**
Equity					
Retained earnings	E	**2 830**	(51)	-	**2 779**
Accumulated other comprehensive loss	E	**(161)**	(559)	-	**(720)**
		2 669	(610)	-	**2 059**
Non-controlling interests		**120**	-	-	**120**
		2 789	(610)	-	**2 179**
Total liabilities and equity before regulatory deferral balance		**17 594**	26	(76)	**17 544**
Regulatory deferral balance	F, (iii)	**-**	1	22	**23**
		17 594	27	(54)	**17 567**

(in millions of Canadian dollars)

Consolidated Statement of Income

For the year ended March 31, 2015	Notes	CGAAP	Adjustments	Reclassifications	IFRS
Revenues					
Domestic					
Electric		**1 424**	-	-	**1 424**
Gas		**428**	(1)	-	**427**
Extraprovincial	(xi)	**400**	-	(16)	**384**
Other	C, (vii)	**68**	2	11	**81**
		2 320	1	(5)	**2 316**
Expenses					
Cost of gas sold	F	**274**	(8)	-	**266**
Finance expense	F, (ix)	**527**	(3)	27	**551**
Operating and administrative	B, C, E	**559**	55	-	**614**
Depreciation and amortization	D, F, (vii)	**436**	(68)	10	**378**
Water rentals and assessments		**125**	-	-	**125**
Fuel and power purchased	(xi)	**145**	-	(16)	**129**
Capital and other taxes	F	**120**	(5)	-	**115**
Other expenses	F	**31**	46	-	**77**
Finance income	(ix)	**-**	-	(26)	**(26)**
		2 217	17	(5)	**2 229**
Net income before net movement in regulatory balances		**103**	(16)	-	**87**
Net loss attributable to non-controlling interests	G	**11**	(11)	-	**-**
Net movement in regulatory balances	F	**-**	38	-	**38**
Net Income		**114**	11	-	**125**
Net income (loss) attributable to:					
Manitoba Hydro		**114**	22	-	**136**
Non-controlling interests	G	**-**	(11)	-	**(11)**
		114	11	-	**125**

Consolidated Statement of Comprehensive Loss

For the year ended March 31, 2015	Notes	CGAAP	Adjustments	Reclassifications	IFRS
Net Income		**114**	11	-	**125**
Other Comprehensive Loss					
Pension valuation loss	E	**-**	(127)	-	**(127)**
Unrealized foreign exchange losses on debt in cash flow hedge		**(249)**	-	-	**(249)**
Realized foreign exchange gains on debt in cash flow hedges eclassified o income		**(8)**	-	-	**(8)**
		(257)	(127)	-	**(384)**
Comprehensive Loss		**(143)**	(116)	-	**(259)**
Comprehensive Loss attributable to:					
Manitoba Hydro		**(143)**	(105)	-	**(248)**
Non-controlling interest		**-**	(11)	-	**(11)**
		(143)	(116)	-	**(259)**

Adjustments

A. Asset retirement obligation

There were several changes to the asset retirement obligation (ARO) as a result of the adoption of IFRS. The ARO balance was reclassified, revalued and split between current and non-current portions.

As the ARO meets the definition of a provision under IFRS, the long-term portion of this balance was reclassified from other long-term liabilities to provisions. This resulted in an increase to provisions of $13 million as at April 1, 2014 and $12 million as at March 31, 2015 and a corresponding decrease to other long-term liabilities.

IFRIC1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires an ARO to be revalued for changes in the discount rate used to measure the obligation. This resulted in an increase of $2 million as at April 1, 2014 and $3 million as at March 31, 2015 to provisions and property, plant and equipment.

The current portion of the ARO was reclassified to other liabilities in the current liabilities section of the consolidated statement of financial position. This reclassifiation resulted in an increase to other liabilities of $5 million as at April 1, 2014 and $4 million as at March 31, 2015 with a corresponding decrease to provisions.

B. Meter exchanges

Under CGAAP, Manitoba Hydro's electric operations capitalized the cost of removing a meter from service with the costs to install the replacement meter. Manitoba Hydro's natural gas operations (Centra) expensed the cost of removing a meter from service when it was replaced with a new meter. IFRS 10 *Consolidated Financial Statements* requires that a parent company prepare consolidated financial statements using uniform accounting policies for like transactions. As such, upon its transition to IFRS, Centra's meter exchange costs have been capitalized on consolidation. For the year ended March 31, 2015, the impact of this change is to increase property, plant and equipment by $5 million with a corresponding decrease to operating and administrative expense.

C. Overhead not eligible for capitalization (ineligible overhead)

IFRS is more explicit than CGAAP with respect to the costs that may be included in the cost of a capital project. IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* do not permit the capitalization of overhead and administrative costs that are not directly attributable to a capital project. Consequently, Manitoba Hydro no longer capitalizes these costs.

In addition, under CGAAP, ineligible overhead recovered from customers was included in contributions in aid of construction and subsequently recognized over the service life of the related asset. Under IFRS, the ineligible overhead recovered from customers has been reclassified to other revenue.

(in millions of Canadian dollars)

For the year ended March 31, 2015, these changes had the following impacts on the consolidated statement of financial position

Decrease to property, plant and equipment	$55 million
Decrease to intangible assets	$ 3 million
Decrease to regulatory deferral debit balance	$ 2 million
Decrease to deferred revenue	$ 2 million

For the year ended March 31, 2015, these changes had the following impacts on the consolidated statement of income:

Increase to other revenue	$ 2 million
Increase to operating and administrative expense	$59 million*

* $21 million of this increase to operating and administrative expense has been deferred as a regulatory deferral debit balance (Note 6, section F).

D. Depreciation valuation

IFRS is more specific than CGAAP with respect to the level of componentization by which assets can be grouped for determining depreciation. In order to comply with the componentization requirements of IAS 16, Manitoba Hydro changed from the ASL method of depreciation to the ELG method. The ELG method calculates depreciation with consideration of the different service lives for each of the assets within a component group. In addition to the change to the ELG method, Manitoba Hydro also eliminated the provision for asset decommissioning costs (negative salvage) that was previously included in depreciation rates under CGAAP. The provision represented a high level estimate of the costs to decommission an asset and was utilized to promote intergenerational equity in customer rate setting. The inclusion of this provision in depreciation rates is not permitted under IFRS. For the year ended March 31, 2015, these changes had the following impacts:

Decrease to depreciation and amortization for the following:

Removal of negative salvage value	$56 million
Depreciation valuation from ASL to ELG	($31) million**
Increase to property, plant and equipment	$25 million

** This impact to depreciation and amortization expense has been deferred as a regulatory deferral debit balance (Note 6, section F).

(in millions of Canadian dollars)

E. Pensions and benefits

Pension adjustment

IAS 19 *Employee Benefits* requires all cumulative actuarial gains and losses to be recognized in the opening balance of OCI. Under CGAAP these amounts were presented in loans and other receivables (previously other long-term assets).

Under CGAAP, the corporation utilized the corridor method of amortization for actuarial gains and losses for the Manitoba Hydro Plan, Enhanced Hydro Benefit Plan and Centra Gas pension plans. The corridor approach has been eliminated under IAS 19 requiring immediate recognition of actuarial gains and losses in OCI in the period in which they occur.

Under IFRS, the expected return on plan assets is replaced by interest income calculated using the fair value of plan assets with the same discount rate used to measure the pension obligations. Under CGAAP, market-related values were used to estimate the expected return on plan assets and to apply experience gains and losses in the corridor calculation. This adjustment is reflected in retained earnings.

Under IAS 19, past service costs arise when an entity introduces a new defined benefit plan or change to the benefits payable. These improvements are recognized immediately in profit or loss whereas under CGAAP, these costs were deferred and amortized. The requirements of IAS 19 were applied retrospectively with the adjustment reflected in retained earnings.

The impacts at April 1, 2014 and March 31, 2015 from this change were:

Impact to consolidated statement of financial position

	March 31, 2015	April 1, 2014
Increase to employee future benefits liability	$592	$473
Decrease to accumulated other comprehensive income	$559	$432
Decrease to retained earnings	$ 41	$ 41

Impact to consolidated statement of income and consolidated statement of comprehensive loss:

	March 31, 2015	April 1, 2014
Decrease to operating and administrative expense	$ 8	-
Increase to other comprehensive loss	$127	-

(in millions of Canadian dollars)

Benefits adjustment

There are some measurement differences for some of the post-employment benefit liabilities. Under IAS 19, employee service gives rise to an obligation regardless of whether the benefits are vested or unvested for the sick leave vesting and severance liabilities whereas under CGAAP, only legally vested liabilities are recorded. For the retiree health spending and long-term disability liabilities, actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are deferred and amortized under CGAAP whereas under IFRS, they are expensed as they occur. The impacts at April 1, 2014 and March 31, 2015 from this change were:

Impact to consolidated statement of financial position

	March 31, 2015	April 1, 2014
Increase to employee future benefits liabilit	$42	$32
Decrease to retained earnings	$32	$32

Impact to consolidated statement of income:

	March 31, 2015	April 1, 2014
Increase to operating and administrative expense	$10	-

F. Regulatory deferral account balances

IFRS 14 *Regulatory Deferral Accounts* specifies the financial reporting requirements for regulatory deferral account balances that arise from rate-regulation. This standard requires the consolidated statement of income above net movement in regulatory balances to be presented in a manner that does not include the impacts of rate-regulation. As a result, additions to regulatory deferral balances have been expensed in the line items above net movement in regulatory balances and amortization has been removed. Consequently, the additions are ultimately deferred and amortization is recognized through net movement in regulatory balances. This presentation is intended to isolate the movement of regulatory deferral accounts to allow comparability with those entities not applying IFRS 14.

The following adjustments were made to the consolidated statement of income and consolidated statement of financial position

Additions

Additions to regulatory deferral balances relating to carrying costs have been presented in finan e expense. Finance expense also includes the derecognition of the deferred accretion on the perpetual obligation. These impacts resulted in a decrease to finan e expense under IFRS of $5 million for the year ended March 31, 2015.

Additions to regulatory deferral debit balances relating to deferred ineligible overhead resulted in an increase to the regulatory deferral debit balance of $21 million as at March 31, 2015.

Additions to regulatory deferral debit balances relating to the change in depreciation method resulted in an increase to the regulatory deferral debit balance of $31 million as at March 31, 2015.

Additions to regulatory deferral debit balances relating to the loss on disposal of assets originally recorded in property, plant and equipment resulted in a decrease to property, plant and equipment, and increases to depreciation and amortization and regulatory deferral debit balances of $9 million as at and for the year ended March 31, 2015.

Additions to Power Smart programs, site restoration and regulatory costs have been presented in other expenses resulting in an increase to other expenses of $45 million for the year ended March 31, 2015.

Additions to regulatory deferral credit balances relating to the impact of the 2014 depreciation study have been presented in depreciation and amortization resulting in a decrease in depreciation and amortization and an increase in regulatory deferral credit balances of $1 million as at and for the year ended March 31, 2015.

Amortization

Amortization of regulatory deferral balances have been removed from depreciation and amortization under IFRS resulting in a decrease for the year ended March 31, 2015 of $51 million.

Amortization of deferred taxes has been removed from capital and other taxes under IFRS resulting in a decrease of $4 million for the year ended March 31, 2015.

Recovery or reversal of the PGVA

Cost of gas sold under CGAAP was calculated based on rates approved by the PUB. IFRS 14 requires the regulatory impacts on cost of gas sold to be removed to reflect actual commodity costs. The March 31, 2015 impact of removing regulatory impacts from cost of gas sold is a reduction in cost of gas sold of $8 million. Carrying costs have been presented in finance expense resulting in an increase to finance expense under IFRS of $1 million for the year ended March 31, 2015.

(in millions of Canadian dollars)

Net movement in regulatory deferral balances was impacted by these required changes for the year ended March 31, 2015 as follows:

Additions	
Finance expense	(5)
Operating and administrative expenses	21
Depreciation and amortization expense	39
Other expenses	45
	100
Amortization	
Depreciation and amortization	(51)
Capital and other taxes	(4)
	(55)
Recovery or reversal of the PGVA	
Cost of gas sold	(8)
Finance expense	1
	(7)
Net impact to net movement in regulatory deferral balances	**38**

G. Net loss attributable to non-controlling interest

IAS 1 requires the parent's consolidated statement of income to include 100% of the amounts relating to the subsidiaries under the parent's control. A separate table is presented to allocate net income between Manitoba Hydro and non-controlling interests. This presentation difference results in the removal of the net loss attributable to non-controlling interests on the consolidated statement of income.

Reclassifications

i. Prepaid expenses

Under CGAAP, prepaid expenses were included in accounts receivable and accrued revenue. Under IFRS, prepaid expenses are presented separately. The impact as at April 1, 2014 and March 31, 2015 was a decrease to accounts receivable and accrued revenue of $47 million and $47 million, respectively, and an increase to prepaid expenses of $47 million and $47 million, respectively.

ii. Assets held for sale

IAS 1 requires that the statement of financial position separately presents the total of assets classified as held for sale if material. Amounts previously included in loans and other receivables under CGAAP have been reclassified resulting in a reduction to loans and other receivables of $5 million and $4 million as at April 1, 2014 and March 31, 2015, respectively. As these assets held for sale are not signifi antly material, they have been classified as a current asset in accounts receivable and accrued revenue, resulting in an increase of $5 million and $4 million as at April 1, 2014 and March 31, 2015, respectively.

iii. Presentation of regulatory deferral balances

IFRS 14 requires separate disclosure in the statement of financial position for the total of all regulatory deferral debit balances and the total of all regulatory deferral credit balances. As such, amounts presented as regulated assets and regulated liabilities under CGAAP have been reclassified to regulatory deferral debit and regulatory deferral credit balances respectively on the consolidated statement of financial position. This resulted in decreases in the regulated assets balance of $360 million and $346 million as at April 1, 2014 and March 31, 2015 respectively, with corresponding increases to the regulatory deferral debit balance. Regulated liabilities decreased by $22 million and $22 million as at April 1, 2014 and March 31, 2015 respectively with a corresponding increase to the regulatory deferral credit balance.

iv. Classification of regulatory deferral balances

IFRS 14 requires that an item that would not be recognized as an asset or a liability in accordance with another Standard, but that qualifies for deferral because it is included, or is expected to be included, by the regulator in establishing the rates that can be charged to customers to be presented as a regulatory deferral account balance.

Affordable Energy Fund

Under CGAAP, the Affordable Energy Fund had an asset balance included in other long-term assets and a liability balance included in other long-term liabilities.

The asset balance was reclassified under IFRS to regulatory deferral debit balances, resulting in a decrease to loans and other receivables of $11 million and $6 million as at April 1, 2014 and March 31, 2015, respectively.

The liability balance was reclassified under IFRS to provisions as it meets the definition of a provision outlined in IAS 37. The impact as at April 1, 2014 and March 31, 2015 was a decrease to other long-term liabilities of $11 million and $6 million, respectively, with a corresponding increase to provisions.

v. Employee future benefits

In advance of the IFRS opening balance sheet adjustments discussed in E above, the following reclassifications were made:

The accrued benefit asset was reclassified to employee future benefits. The impact as at April 1, 2014 and March 31, 2015 was a decrease to loans and other receivables (previously other long-term assets) of $90 million and $54 million respectively, and an increase to the employee future benefits liability in the same amounts.

Under CGAAP, the accrued benefit liability was included in other long-term liabilities. As the total employee future benefit liability increased significantly with the adjustments to transition to IFRS, this balance was removed from other long-term liabilities and reflected in its own line. This reclassification resulted in a decrease to other long-term liabilities of $188 million as at April 1, 2014 and $211 million as at March 31, 2015, with corresponding increases to the employee future benefit liability.

Under CGAAP, the workers' compensation reserve was included in accounts payable and accrued liabilities. As the nature of this item is similar to accrued benefits, it has been reclassified to the employee future benefit liability under IFRS. This reclassification resulted in a decrease to accounts payable and accrued liabilities of $14 million as at April 1, 2014 and $13 million as at March 31, 2015, with a corresponding increase to the employee future benefit liability.

vi. Perpetual obligation

For consistency with other liabilities of a similar nature, the long-term portion of the perpetual obligation to the City of Winnipeg has been reclassified from its own line item in CGAAP to other long-term liabilities. This reclassification resulted in an increase to other long-term liabilities of $207 million as at April 1, 2014 and $199 million as at March 31, 2015 with corresponding decreases to the asset purchase obligation line item under CGAAP.

vii. Deferred revenue

Under IFRIC 18, contributions in aid of construction are initially recorded as deferred revenue and subsequently recognized in other revenue over the life of the related asset. Under CGAAP, amortization of contributions was recognized in depreciation and amortization. This reclassification resulted in an increase in other revenue of $10 million for the year ended March 31, 2015 with a corresponding increase to depreciation and amortization.

(in millions of Canadian dollars)

viii. Classification of liabilities

Under CGAAP, the obligations related to refundable contributions, mitigation and major development were classified as long-term liabilities. Under IFRS, the current portion has been reclassified to other liabilities in the current liabilities section of the consolidated statement of financial position. This reclassification resulted in an increase to other liabilities of $61 million as at April 1, 2014 and $71 million as at March 31, 2015, with a corresponding decrease to other long-term liabilities.

ix. Finance expense

IAS 1 requires material items of income or expenses to be separately disclosed. Due to materiality, finance income and expense have been presented separately. This reclassification resulted in an increase in finance expense and a corresponding increase in finance income at March 31, 2015 of $26 million.

x. Reclassification of customer contributions

Refundable contributions expected to be non-refundable have been reclassified to deferred revenue to be consistent with the presentation of non-refundable contributions. This reclassification resulted in an increase in deferred revenue of $15 million as at April 1, 2014 and $17 million as at March 31, 2015, with a corresponding decrease to other long-term liabilities.

xi. Arbitrage opportunities between wholesale energy markets

Arbitrage activities are presented in extraprovincial revenue to better reflect the substance of the transaction. This reclassification resulted in decreases in fuel and power purchased and extraprovincial revenue of $15 million at March 31, 2015.

The following table provides the impact on the consolidated statement of cash flows

Consolidated Statement of Cash Flows

For the year ended March 31, 2015	CGAAP	Effect of transition	IFRS
Cash provided by operating activities	651	14	665
Cash used for investing activities	(1 973)	100	(1 873)
Cash provided by financing activities	1 674	(114)	1 560

(in millions of Canadian dollars)

The changes in classification of cash flows under IFRS are primarily due to:

- the reclassification of sinking fund investment purchases of $114 million from investing to financing activities. Manitoba Hydro is legislated under *The Manitoba Hydro Act* to make sinking fund payments to the Province of Manitoba. Sinking fund withdrawals are applied towards the repayment of advances made to, and moneys borrowed by, the corporation, and

- the reclassification of adjustments relating to regulatory balances within operating activities and investing activities related to ineligible overhead, change in depreciation method from ASL to ELG, meter exchanges and loss on disposal of assets.

Note 7 Extraprovincial revenue

	2016	2015
Dependable sales	**206**	183
Opportunity sales	**197**	193
Other	**12**	8
	415	384

Dependable sales are sourced from Manitoba Hydro's hydraulic energy available during lowest water conditions and typically with a duration of greater than six months. Opportunity sales are based on excess energy, are generally over shorter periods and are transacted primarily in markets operated by an independent system operator such as the Midcontinent Independent System Operator (MISO).

The majority of extraprovincial revenue is from sales to the U.S. The average effective exchange rate for the year was $1.00 U.S. = $1.30 Canadian (2015 - $1.00 U.S. = $1.13 Canadian).

Note 8 Other revenue

	2016	2015
Consulting, technology and maintenance services	**57**	49
Customer contributions	**15**	16
Miscellaneous revenue	**19**	16
	91	81

Consulting, technology and maintenance services are comprised of professional consulting, operations, maintenance and project management services provided to energy sectors world-wide.

(in millions of Canadian dollars)

Customer contributions are the recognition of deferred revenue related to contributions in aid of construction (Note 28) and the recovery of period costs from customers.

Note 9 Finance expense

	2016	2015
Interest on debt	654	581
Provincial debt guarantee fee	122	109
Accretion	33	30
Interest capitalized	(177)	(145)
Foreign exchange gain	(12)	(17)
Other	-	(7)
	620	551

The Provincial debt guarantee fee during the year was 1.00% of the corporation's total outstanding debt guaranteed by the Province of Manitoba (2015 - 1.00%). Interest was capitalized for the year at 5.03% (2015 – 5.35%).

Note 10 Operating and administrative

	2016	2015
Salaries and benefit	461	463
External services	99	99
Materials, motor vehicles and supplies	35	34
Other	19	18
	614	614

Additional salaries and benefits are included in other expenses (Note 14) in the amount of $16 million (2015 - $13 million).

(in millions of Canadian dollars)

Note 11 Depreciation and amortization

	2016	2015
Depreciation of property, plant and equipment (Note 18)	366	349
Amortization of intangible assets (Note 20)	22	20
Loss on disposal of property, plant and equipment	6	9
	394	378

Note 12 Fuel and power purchased

	2016	2015
Wind purchases	63	70
Transmission charges	43	34
Thermal fuel purchases	8	10
Power purchases	3	15
	117	129

Note 13 Capital and other taxes

	2016	2015
Corporate capital tax	73	65
Property tax and grants in lieu of tax	37	37
Payroll tax	13	13
	123	115

Note 14 Other expenses

	2016	2015
Power Smart expenses	64	41
Consulting, technology and maintenance expenses	38	29
Miscellaneous	12	7
	114	77

Of the total other expenses, $72 million (2015 - $45 million) are subsequently deferred in regulatory deferral balances through net movement in regulatory balances (Note 22).

(in millions of Canadian dollars)

Note 15 Cash and cash equivalents

	March 31, 2016	March 31, 2015	April 1, 2014
Temporary investments	**820**	416	115
Cash	**133**	71	23
Restricted cash	**3**	7	4
	956	494	142

Temporary investments are comprised of cash invested with the Province of Manitoba and have a maturity of less than 30 days. Restricted cash is comprised of deposits held for letters of guarantees for customer contracts, callable at any time.

Note 16 Accounts receivable and accrued revenue

	March 31, 2016	March 31, 2015	April 1, 2014
Trade accounts receivable	**241**	282	304
Accrued revenue	**79**	83	112
Current portion of loans and other receivables (Note 21)	**22**	33	32
Other receivables	**22**	21	28
Taxes receivable	**18**	17	11
Allowance for doubtful accounts	**(10)**	(9)	(9)
	372	427	478

Note 17 Inventory

	March 31, 2016	March 31, 2015	April 1, 2014
Materials and supplies	**66**	64	60
Natural gas	**32**	17	-
Fuel	**19**	18	21
	117	99	81

Inventory recognized as an expense during the year was $39 million (2015 - $69 million). The write-down of inventory during 2016 was nil (2015 - nil). No reversals of write-downs occurred during the year (2015 - nil).

(in millions of Canadian dollars)

Note 18 Property, plant and equipment

	Generation	Transmission lines	Substations	Distribution systems	Other	Construction in progress	Total
Cost or deemed cost							
Balance, April 1, 2014	5 138	717	1 648	2 347	836	2 943	13 629
Additions	454	11	102	189	61	1 144	1 961
Disposals and/or retirements	(5)	(1)	(7)	(19)	(7)	-	(39)
Assets placed in service*	239	10	444	88	27	(808)	-
Transfers to (from) PP&E	1	-	-	-	-	(1)	-
Balance, March 31, 2015	5 827	737	2 187	2 605	917	3 278	15 551
Additions	135	13	82	196	47	1 889	2 362
Disposals and/or retirements	(10)	-	(4)	(14)	(4)	-	(32)
Assets placed in service*	154	12	105	37	22	(330)	-
Transfers to (from) PP&E	-	1	2	-	(3)	-	-
Balance, March 31, 2016	**6 106**	**763**	**2 372**	**2 824**	**979**	**4 837**	**17 881**
Accumulated depreciation							
Balance, April 1, 2014	-	-	-	-	-	-	-
Depreciation expense	123	13	79	79	55	-	349
Disposals and/or retirements	(4)	-	(4)	(8)	(4)	-	(20)
Balance, March 31, 2015	119	13	75	71	51	-	329
Depreciation expense	128	13	85	84	56	-	366
Disposals and/or retirements	(8)	-	(5)	(7)	(2)	-	(22)
Balance, March 31, 2016	**239**	**26**	**155**	**148**	**105**	**-**	**673**
Net book value							
Balance, April 1, 2014	5 138	717	1 648	2 347	836	2 943	13 629
Balance, March 31, 2015	5 708	724	2 112	2 534	866	3 278	15 222
Balance, March 31, 2016	**5 867**	**737**	**2 217**	**2 676**	**874**	**4 837**	**17 208**

*Represents projects that were in "Construction in progress" at the beginning of the year.

At April 1, 2014, the corporation applied the deemed cost exemption that is available under IFRS 1. This exemption allows rate-regulated entities that are first-time adopters of IFRS the option to use the carrying amount of property, plant and equipment from their previous GAAP as deemed cost upon transition. The application of this exemption to these balances resulted in an opening accumulated depreciation balance of zero for property, plant and equipment as at April 1, 2014.

Included in additions is interest capitalized during construction of $174 million (2015 - $143 million).

(in millions of Canadian dollars)

Note 19 Sinking fund investments

Manitoba Hydro is legislated under *The Manitoba Hydro Act* to make annual sinking fund payments to the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31 and 4% of the balance in the sinking fund at such date. Payments to the sinking fund during the year were $132 million (2015 - $114 million). Interest earned on sinking fund investments is recognized in finan e expense.

	March 31, 2016	March 31, 2015	April 1, 2014
Canadian investments	-	114	-
U.S. investments	-	-	111
	-	114	111

Canadian investments have a weighted average term to maturity of 0 days (2015 - 1 day) and an effective yield to maturity of 0.00% (2015 - 0.75%).

(in millions of Canadian dollars)

Note 20 Intangible assets

	Computer application development	Land easements	Transmission rights	Under development	Total
Cost or deemed cost					
Balance, April 1, 2014	80	57	5	32	174
Additions	11	8	5	7	31
Assets placed into service*	21	6	-	(27)	-
Balance, March 31, 2015	112	71	10	12	205
Additions	7	13	-	15	35
Retirements	(2)	-	-	-	(2)
Assets placed into service*	3	3	-	(6)	-
Balance, March 31, 2016	**120**	**87**	**10**	**21**	**238**
Accumulated amortization					
Balance, April 1, 2014	-	-	-	-	-
Amortization	19	1	3	-	23
Retirements	(1)	-	-	-	(1)
Balance, March 31, 2015	18	1	3	-	22
Amortization	20	1	2	-	23
Retirements	(1)	-	-	-	(1)
Balance, March 31, 2016	**37**	**2**	**5**	**-**	**44**
Net book value					
Balance, April 1, 2014	80	57	5	32	174
Balance, March 31, 2015	94	70	7	12	183
Balance, March 31, 2016	**83**	**85**	**5**	**21**	**194**

*Represents projects that were in "Under development" at the beginning of the year.

The corporation applied the deemed cost exemption available under IFRS 1 as at April 1, 2014 which allows firs-time adopters of IFRS subject to rate regulation the option to use the carrying amount of intangible asset balances from their previous GAAP as deemed cost upon transition. Applying this exemption resulted in an opening accumulated amortization balance of zero for intangible assets as at April 1, 2014.

Computer application development is a combination of internally developed and externally acquired intangible assets.

(in millions of Canadian dollars)

Note 21 Loans and other receivables

	March 31, 2016	March 31, 2015	April 1, 2014
Loan to Wuskwatim investment entity (Note 30)	**128**	116	112
Contract receivables and other	**104**	106	104
Loans to Keeyask investment entities (Note 30)	**90**	57	-
Loan to St. Joseph Windfarm Inc.	**-**	218	227
	322	497	443
Less: current portion (Note 16)	**(22)**	(33)	(32)
	300	464	411

The St. Joseph wind farm is owned by Pattern Energy and operated by St. Joseph Windfarm Inc. Financing for the wind farm was provided partly by Manitoba Hydro. In accordance with the loan agreement, Manitoba Hydro provided advances totaling $250 million, which were fully repaid in the current year.

Accrued interest related to loans receivable is included in the loan balances above and is recognized in finance income.

(in millions of Canadian dollars)

Note 22 Regulatory deferral balances

	March 31, 2015	Balances arising in the year	Recovery / reversal	**March 31, 2016**	Remaining recovery / reversal period
					(years)
Regulatory deferral debit balances					
Electric					
Power Smart programs[1]	184	81	(33)	**232**	1 - 10
Site restoration	31	3	(3)	**31**	1 - 15
Change in depreciation method	29	31	-	**60**	*
Deferred ineligible overhead	20	20	-	**40**	*
Acquisition costs	11	-	(1)	**10**	15 - 18
Affordable Energy Fund	6	-	(2)	**4**	**
Loss on disposal of assets	6	3	-	**9**	*
Regulatory costs	1	4	(1)	**4**	1 - 5
Gas					
Power Smart programs[1]	55	10	(8)	**57**	1 - 10
PGVA	32	181	(213)	**-**	***
Deferred taxes	25	2	(4)	**23**	1 - 30
Site restoration	3	-	-	**3**	1 - 15
Loss on disposal of assets	3	3	-	**6**	*
Change in depreciation method	2	2	-	**4**	*
Regulatory costs	1	1	(1)	**1**	1 - 5
Deferred ineligible overhead	1	1	-	**2**	*
	410	342	(266)	**486**	
Regulatory deferral credit balances					
Electric					
DSM deferral	16	27	-	**43**	*
Gas					
DSM deferral	6	-	-	**6**	*
PGVA	-	-	1	**1**	***
Impact of 2014 depreciation study	1	1	-	**2**	*
	23	28	1	**52**	
Net movement in regulatory balances		314	(267)	**47**	

[1] Included in Power Smart programs is the difference between actual and planned expenditures for electric and gas DSM programs.

* The amortization periods for these accounts will be determined by the PUB as part of a future regulatory proceeding.

** The Affordable Energy Fund is amortized to the consolidated statement of income at the same rate as the provision (Note 29) is drawn down.

*** The PGVA is recovered or refunded in future rates.

(in millions of Canadian dollars)

	April 1, 2014	Balances arising in the year	Recovery / reversal	March 31, 2015	Remaining recovery / reversal period
					(years)
Regulatory deferral debit balances					
Electric					
Power Smart programs[1]	184	32	(32)	184	1 - 10
Site restoration	33	2	(4)	31	1 - 15
Change in depreciation method	-	29	-	29	*
Deferred ineligible overhead	-	20	-	20	*
Acquisition costs	19	(7)	(1)	11	15 - 18
Affordable Energy Fund	11	-	(5)	6	**
Loss on disposal of assets	-	6	-	6	*
Regulatory costs	-	1	-	1	1 - 5
Gas					
Power Smart programs[1]	54	9	(8)	55	1 - 10
PGVA	39	266	(273)	32	***
Deferred taxes	27	2	(4)	25	1 - 30
Site restoration	3	-	-	3	1 - 15
Loss on disposal of assets	-	3	-	3	*
Change in depreciation method	-	2	-	2	*
Regulatory costs	1	1	(1)	1	1 - 5
Deferred ineligible overhead	-	1	-	1	*
	371	367	(328)	410	
Regulatory deferral credit balances					
Electric					
DSM deferral	16	-	-	16	*
Gas					
DSM deferral	6	-	-	6	*
Impact of 2014 depreciation study	-	1	-	1	*
	22	1	-	23	
Net movement in regulatory balances		366	(328)	38	

[1] Included in Power Smart programs is the difference between actual and planned expenditures for electric and gas DSM programs.

* The amortization periods for these accounts will be determined by the PUB as part of a future regulatory proceeding.

** The Affordable Energy Fund is amortized to the consolidated statement of income at the same rate as the provision (Note 29) is drawn down.

*** The PGVA is recovered or refunded in future rates.

The balances arising in the year consist of additions to regulatory deferral balances. The recovery/reversal consists of amounts recovered from customers through the amortization of existing regulatory balances or rate riders. The net impact of these transactions results in the net movement in regulatory deferral balances on the consolidated statement of income.

Balances arising in the year include $2 million (2015 - $3 million) for carrying costs on deferred taxes, the Affordable Energy Fund and the PGVA.

The regulatory deferral debit balances of the corporation consist of the following:

Power Smart program expenditures are incurred for energy conservation programs to encourage residential, commercial and industrial customers to use energy more efficiently.

Site restoration expenditures are incurred for the remediation of contaminated corporate facilities and diesel generating sites.

Change in depreciation method represents the cumulative annual difference in depreciation expense between the ASL method of depreciation as applied by Manitoba Hydro prior to its transition to IFRS and the ELG method as applied by Manitoba Hydro under IFRS.

Deferred ineligible overhead is the cumulative annual difference in overhead capitalized for financial reporting purposes under IFRS and overhead capitalized for rate setting purposes.

Acquisition costs relate to costs associated with the acquisition of Centra and Minell (July 1999) and Winnipeg Hydro (September 2002).

The Affordable Energy Fund relates to future DSM expenditures in connection with *The Winter Heating Cost Control Act*. The intent of the Affordable Energy Fund is to provide funding for projects that would not otherwise be funded by Power Smart programs.

Loss on disposal of assets is the net asset retirement losses for those assets retired prior to or subsequent to reaching their expected service life as determined under the ELG method of depreciation.

Regulatory costs are those incurred as a result of electric and gas regulatory hearings.

Deferred taxes are the taxes paid by Centra (July 1999) as a result of its change to non-taxable status upon acquisition by Manitoba Hydro.

The regulatory deferral credit balances of the corporation consist of the following:

Purchased gas variance accounts are maintained to recover/refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. Purchased gas variance accounts are reflected as a regulatory debit or credit depending if the amounts represent a recovery from or a refund to the customers, respectively.

Impact of 2014 depreciation study represents the cumulative unamortized difference in depreciation between the ASL method based on the 2010 depreciation study and the ASL method based on the 2014 depreciation study. The PUB requires the use of 2010 ASL depreciation rates for Centra for rate setting purposes pending review at the next gas regulatory proceeding.

DSM deferral - In Orders 43/13 and 85/13, the PUB directed that the differences between actual and planned spending on electric and gas Power Smart programs for the 2012-13 and 2013-14 fiscal years be recognized as a liability. In Order 73/15, the PUB further directed that the difference in fiscal 2014-15 and 2015-16 spending be added to this deferral. The cumulative differences have been recorded as a regulatory deferral account credit balance with an offsetting balance recorded as a regulatory deferral debit balance. The disposition of these balances will be determined by the PUB at a future regulatory proceeding.

(in millions of Canadian dollars)

Note 23 Long-term debt

	Advances from the Province	Manitoba HydroBonds	Manitoba Hydro-Electric Board Bonds	Other*	Total
Balance, April 1, 2014	10 683	169	158	(142)	10 868
Issues	2 127	-	-	83	2 210
Maturities	(561)	(93)	-	-	(654)
Foreign exchange adjustments	236	-	-	18	254
Amortization of net premiums and transaction costs	-	-	(1)	3	2
Balance, March 31, 2015	12 485	76	157	(38)	12 680
Issues	2 208	-	-	(43)	2 165
Maturities	(300)	(50)	(12)	-	(362)
Foreign exchange adjustments	44	-	-	(2)	42
Amortization of net premiums and transaction costs	-	-	-	2	2
	14 437	26	145	(81)	14 527
Less: current portion	(301)	(25)	-	-	(326)
Balance, March 31, 2016	**14 136**	**1**	**145**	**(81)**	**14 201**

*Other includes adjustments to carrying value of dual currency bonds, transaction costs and debt discounts and premiums.

During the year, the corporation arranged long-term financing of $2 165 million (2015 - $2 210 million). The current year financing as in the form of provincial advances with the majority at fi ed interest rates.

Included in the current portion of long-term debt are $301 million (2015 - $312 million) of debt maturities and $25 million (2015 - $65 million) of flo ting-rate Manitoba HydroBonds with maturity dates in 2016 and 2018. Floating rate Manitoba HydroBonds are redeemable at the option of the holder.

Long-term debt is guaranteed by the Province of Manitoba, with the exception of Manitoba Hydro-Electric Board Bonds in the amount of $65 million (2015 - $65 million) issued for mitigation projects.

(in millions of Canadian dollars)

Debt principal amounts (excluding adjustments to the carrying value of dual currency bonds, transaction costs, debt discounts and premiums) and related yields are summarized by fiscal years of maturity in the following table:

Years of maturity	Canadian	Cdn. yields	U.S.	U.S. yields	**2016 Total**	2015 Total
2017	326	3.5%	-	-	**326**	311
2018	331	6.7%	-	-	**331**	331
2019	936	6.6%	60	10.4%	**996**	987
2020	150	4.2%	195	8.8%	**345**	340
2021	975	3.1%	324	9.6%	**1 299**	892
	2 718	4.5%	579	9.4%	**3 297**	2 861
2022-2026	1 857	3.7%	1 038	6.9%	**2 895**	2 476
2027-2031	1 020	8.4%	-	-	**1 020**	870
2032-2036	325	5.1%	-	-	**325**	325
2037-2041	1 885	4.7%	-	-	**1 885**	1 885
2042-2046	2 300	3.9%	-	-	**2 300**	2 300
2047-2064	2 886	3.6%	-	-	**2 886**	1 624
	12 991	4.2%	1 617	7.6%	**14 608**	12 341

Included in the above Canadian maturity amounts are six dual currency bonds with the principal amount repayable in Canadian currency and interest payments denominated in U.S. currency. Five dual currency bonds mature in the 2018-19 fiscal year in the amount of $430 million Canadian while the sixth matures in the 2025-26 fiscal year in the amount of $130 million Canadian. U.S. debt is translated into Canadian dollars at the exchange rate prevailing at the consolidated statement of financial position date, $1.00 U.S. = $1.30 Canadian (2015 - $1.00 U.S. = $1.27 Canadian).

(in millions of Canadian dollars)

Note 24 Accounts payable and accrued liabilities

	March 31, 2016	March 31, 2015	April 1, 2014
Trade and other payables	**602**	416	427
Employee payroll and benefit accruals	**77**	71	67
Taxes payable	**33**	32	33
Water rentals and assessments	**11**	10	10
	723	529	537

Included in accounts payable and accrued liabilities are accruals based on an estimated amount of services completed or goods and materials received but not invoiced.

Note 25 Other liabilities

	March 31, 2016	March 31, 2015	April 1, 2014
Current portion of other long-term liabilities (Note 26)	**85**	87	78
Current portion of deferred revenue (Note 28)	**2**	3	1
Current portion of provisions (Note 29)	**1**	4	5
	88	94	84

The current portion of other long-term liabilities is comprised of the current portion of mitigation liability of $38 million (2015 - $32 million), major development liability of $26 million (2015 - $35 million), perpetual obligation to the City of Winnipeg for the acquisition of Winnipeg Hydro of $16 million (2015 - $16 million) and refundable advances from customers of $5 million (2015 - $4 million).

The current portion of provisions represents the asset retirement obligation for the removal and disposal of polychlorinated biphenyl (PCB) contaminated fluid in equipment bushings at transmission and distribution stations. Prior year current portion of provisions related to the decommissioning of the Pointe du Bois Generating Station spillway, which was completed in the current year.

The current portion of deferred revenue represents advance payments from customers for software maintenance and international consulting work.

(in millions of Canadian dollars)

Note 26 Other long-term liabilities

	March 31, 2016	March 31, 2015	April 1, 2014
Mitigation liability	**238**	254	229
Major development liability	**219**	218	67
Perpetual obligation	**215**	215	223
Refundable advances from customers	**80**	82	87
Other	**3**	4	2
	755	773	608
Less: current portion (Note 25)	**(85)**	(87)	(78)
	670	686	530

Mitigation

Manitoba Hydro's mitigation program addresses past, present and ongoing adverse effects of historical hydro-electric development. The mitigation program, established in the late 1970s to address project impacts through alleviation of adverse effects, remedial works and residual compensation, grew out of the experience of planning and development of the Lake Winnipeg Regulation and Churchill River Diversion Projects. The Northern Flood Agreement, signed December 16, 1977, created a process that addressed ongoing mitigation and compensation for adverse effects of hydro-electric development in five signatory First Nation communities. The mitigation program was expanded to address impacts arising from all past hydro-electric developments (prior to the Wuskwatim generating station), particularly for Indigenous people residing or engaged in resource harvesting in the project areas, and it is essential for operating and future development purposes.

Expenditures recorded or settlements reached to mitigate the impacts of historical hydro-electric development amounted to $31 million during the year (2015 - $56 million). In recognition of future mitigation payments, the corporation has recorded a liability of $238 million (2015 - $254 million). To March 31, 2016, $1 088 million (2015 - $1 057 million) has been recorded to mitigate and compensate for all project-related impacts. These expenditures are included in the costs of the associated projects and amortized over the respective remaining lives. There are other mitigation issues, the outcomes of which are not determinable at this time.

Included in mitigation liabilities are obligations assumed on behalf of the Province of Manitoba with respect to certain northern development projects. The corporation has assumed obligations totaling $146 million for which water power rental charges were fi ed until March 31, 2001. The obligation outstanding as at March 31, 2016 totaled $9 million (2015 - $11 million).

The discount rates used to determine the present value of mitigation obligations range from 4.15% to 8.50%.

(in millions of Canadian dollars)

Major development

Beginning with the development of the Wuskwatim generating station, project-related adverse effects are identified and addressed during project planning (including the environmental assessment process), which is done in advance of project construction. As such, mitigation measures are built into project design where possible. The costs for these mitigation measures, as well as any residual compensation requirements, are therefore accounted for in the capital cost estimates for each individual project.

Programs and adverse effects agreements have been negotiated to mitigate and compensate for all anticipated project-related impacts for major new generation and transmission development projects including Wuskwatim, Keeyask and Bipole III.The corporation has recorded a liability of $219 million (2015 - $218 million) to reflect these agreements. These expenditures are included in the costs of the associated projects and amortized over the life of the assets.

The discount rates used to determine the present value of the major development obligation range from 4.50% to 5.05%.

Perpetual obligation

Effective September 3, 2002, the corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The obligation represents the net present value of payments to the City of Winnipeg of $16 million per annum in perpetuity.

The discount rate used to determine the present value of the perpetual obligation was 7.45%.

Note 27 Employee future benefits

	March 31, 2016	March 31, 2015	April 1, 2014
Net pension liability	**588**	538	383
Other employee future benefits liabilit	**271**	266	235
	859	804	618

Pension plans

Manitoba Hydro and its employees are participating members of the Civil Service Superannuation Plan (the Plan) established under *The Civil Service Superannuation Act* (CSSA). Manitoba Hydro employees are eligible for pension benefits based on years of service and on the average earnings of the five best years. As a non-matching employer, the provisions of the CSSA require the corporation to contribute approximately 50% of the pension disbursements made to retired employees. Manitoba Hydro provides its portion of pension benefits through a separately administered fund, the Manitoba Hydro Pension Fund (MHPF).

The employee and employer contribution rates have been increasing since 2012 with the latest increase of 0.50% occurring in January 2015. These increased contributions were necessary to fund the pension benefits in the future and ensure the ongoing financial health of the lan.

Manitoba Hydro employees with pensionable service after June 1, 2006 are eligible for an additional pension benefit under the Enhanced Hydro Benefit Plan (EHBP). The EHBP improves the pension formula used to calculate pension benefits. Manitoba Hydro funds the enhanced pension benefit through contributions based on 0.50% of pensionable earnings to a separate trust account that is managed by the Civil Service Superannuation Board (CSSB). The EHBP funds are co-mingled with the Civil Service Superannuation Fund (CSSF) assets for investment purposes.

The former employees of Centra are entitled to pension benefits earned under the Centra curtailed pension plans. The Centra curtailed pension plans are Registered Pension Trusts as defined in the *Income Tax Act (Canada)*. The Master Trust is made up of three individual plans including the Centra Gas Manitoba Inc. Pension Plan for Salaried Employees, the Centra Gas Manitoba Inc. Union Employees' Pension Plan and the Centra Gas Manitoba Inc. (Rural) Local 681 Pension Plan. Centra is required to make special payments to the plans at amounts considered necessary to ensure that the benefits will be fully provided for at retirement as determined in the actuarial valuation dated December 31, 2014. The plans are registered with the Pension Commission of Manitoba and subject to the rules and regulations of *The Pension Benefits Act of Manitoba*. The Master Trust assets are held in trust with State Street Trust Company of Canada. The CSSB acts as the investment manager.

MHUS employees are eligible for pension benefits under the Plan. As a matching employer under the CSSA, MHUS is required to match employee contributions at a prescribed rate. MHUS' pension expense is recognized at the time contributions are made. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial s atements related to MHUS.

The former employees of Winnipeg Hydro continue to earn benefits under the Winnipeg Civic Employee Benefits Program (WCEBP), which upon the acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. The WCEBP is a defined benefit plan that provides pension benefits based on years of service and on the average earnings of the five best years. Manitoba Hydro does not carry a pension asset or obligation on its consolidated statements related to the former employees of Winnipeg Hydro. The WCEBP is governed by an independent board of trustees and a trust agreement that limits Manitoba Hydro's contribution rates. The structure of the trust agreement also limits Manitoba Hydro's exposure to future unfunded liabilities. Contributions to the plan are accounted for similar to a defined ontribution plan.

MHI sponsors a defined contribution group registered retirement plan. MHI matches 100% of the employee contributions at prescribed contribution rates. The cost of the pension benefits is charged to pension expense as services are rendered. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial s atements for the MHI defined ontribution plan.

(in millions of Canadian dollars)

An independent actuary calculates the liability for pension expense purposes as at December 31 each year with the most recent actuarial valuations being completed as at December 31, 2015. The next actuarial valuations for all plans will occur as at December 2016.

These valuations incorporate management's assumptions and take into consideration the long-term nature of the pension plans. The actuary selects the demographic assumptions. The corporation's management in consultation with the actuary determines the economic assumptions such as discount rate. The accrued benefit actuarial cost method with salary projection is used to determine the pension benefit obligation and current service cost.

The following table presents information pertaining to the Manitoba Hydro Plan, the EHBP and the Centra curtailed plans that are recognized in the consolidated financial statements:

	Manitoba Hydro Plan		EHBP		Centra curtailed pension plans		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Plan assets at fair value								
Balance at beginning of year	**974**	883	**21**	17	**126**	115	**1 121**	1 015
Return (loss) on assets	**(13)**	107	**1**	2	**(2)**	15	**(14)**	124
Employer contributions	**36**	33	**2**	2	**2**	2	**40**	37
Benefit payments and refunds	**(59)**	(49)	**-**	-	**(5)**	(6)	**(64)**	(55)
	938	974	**24**	21	**121**	126	**1 083**	1 121
Pension obligation								
Balance at beginning of year	**1 503**	1 265	**32**	22	**124**	111	**1 659**	1 398
Interest cost	**55**	57	**1**	1	**5**	5	**61**	63
Current service cost	**59**	45	**4**	3	**-**	-	**63**	48
Benefit payments and refunds	**(60)**	(50)	**-**	-	**(5)**	(5)	**(65)**	(55)
Actuarial losses (gains) arising from changes in financial assumptions	**(42)**	186	**(2)**	6	**(3)**	13	**(47)**	205
	1 515	1 503	**35**	32	**121**	124	**1 671**	1 659
Net pension (liability) asset	**(577)**	(529)	**(11)**	(11)	**-**	2	**(588)**	(538)

The loss on pension fund assets for the MHPF for the fisal year ended March 31, 2016 was 0.97% (2015 - 12.80% return). The loss for the Centra curtailed plan fund assets for the year ended March 31, 2016 was 1.39% (2015 - 12.80% return). The weighted average term to maturity on fied income investments is 9.8 years (2015 - 9.4 years).

The investment income earned on the EHBP funds is based on the market rate of return that is earned by the CSSF. For the year ended December 31, 2015, the CSSF earned a rate of return of 7.63% (2015 - 9.20%) on fund assets.

(in millions of Canadian dollars)

The most recent actuarial valuations for the pension plans for going concern funding purposes were prepared as at December 31, 2015, at which date the Manitoba Hydro Plan was 87% and the EHBP was 103% funded. The Manitoba Hydro Plan is exempt from the funding and solvency test funding requirements of *The Pension Benefits Act*. The Centra curtailed pension plans are subject to a solvency valuation for funding purposes with the latest valuation taking place as at December 31, 2015. The Centra Salaried, Union and Rural plans were 92%, 106% and 91% funded, respectively, at that date.

The corporation's pension expense related to each of the pension benefit plans is as ollows:

	Manitoba Hydro Plan		EHBP		Centra curtailed pension plans	
	2016	2015	**2016**	2015	**2016**	2015
Current service cost	**59**	45	**4**	3		
Interest on assets	**(38)**	(42)	**(1)**	(1)	**-**	-
Interest on obligation	**55**	57	**1**	1	**(5)**	(5)
Administrative fees	**3**	3	**-**	-	**5**	5
	79	63	**4**	3	**-**	-

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the WCEBP. Total contributions to the WCEBP during the year amounted to $1 million (2015 - $1 million) and reflect an employer contribution rate approximating 5.50% of pensionable earnings as of January 2, 2016. Pension expense for MHUS and MHI is equal to the employer contributions and is expensed during the year. The amounts are not material.

Assumptions

The signifi ant actuarial assumptions adopted in measuring the corporation's pension and other employee benefit oblig tions are as follows:

	2016	2015	2014
Discount rate - pensions	**3.90%**	3.70%	4.50%
Discount rate - other benefit	**3.90%**	3.70%	3.70%
Rate of compensation increase, including merit and promotions	**1.50 - 2.00%**	1.50 - 2.00%	1.50 - 2.00%
Long-term infl tion rate	**2.00%**	2.00%	2.00%

(in millions of Canadian dollars)

Sensitivity of assumptions

The sensitivities of the principle assumptions used to measure the defined benefit obligations are set out below:

Assumption	Change in assumption	Impact on Manitoba Hydro Plan	Impact on EHBP	Impact on Centra curtailed pension plans
Discount rate	+/-0.50%	125	4	8
Inflation rate	+/-0.10%	3	-	-
Wage rate	+/-0.10%	3	-	-

The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another.

Benefit plan asset allocation

The following is a summary of the asset mix of the plans' investments at fair value:

	MHPF			Centra curtailed pension plans		
	March 31, 2016	March 31, 2015	April 1, 2014	**March 31, 2016**	March 31, 2015	April 1, 2014
Equities	**62%**	64%	65%	**61%**	65%	66%
Bonds and debentures	**21%**	20%	20%	**22%**	21%	20%
Real estate	**11%**	10%	10%	**11%**	10%	9%
Infrastructure	**5%**	4%	3%	**4%**	3%	3%
Short-term investments	**1%**	2%	2%	**2%**	1%	2%
	100%	100%	100%	**100%**	100%	100%

(in millions of Canadian dollars)

Other employee future benefits

Manitoba Hydro also provides some unfunded non-pension employee future benefits including banked incidental days, vacation days, long-term disability, workers compensation, retiree health spending, sick leave vesting and severance. The following table presents information concerning other employee future benefits

	2016	2015
Balance at beginning of year	266	235
Interest cost	7	7
Current service cost	22	27
Benefit payme ts	(24)	(23)
Actuarial loss from changes in financial a sumptions	-	18
Actuarial loss from changes in demographic assumptions	-	2
Benefits liabilit	271	266

Key management personnel

The key management personnel of the corporation have been defined as members of the Manitoba Hydro-Electric Board and Manitoba Hydro's executives. The directors' fees are authorized by the Lieutenant Governor in Council. Manitoba Hydro's executives receive a base salary, in addition to non-cash benefits, employer contributions to the corporation's post-employment defined pension plan and other post-employment benefits

Key management personnel compensation is as follows:

	2016	2015
Salaries and other short-term employee benefit	3	3
Post-employment benefits	-	-
	3	3

*Amounts round to less than $1 million.

(in millions of Canadian dollars)

Note 28 Deferred revenue

	March 31, 2016	March 31, 2015	April 1, 2014
Contributions in aid of construction	**434**	408	377
Bipole III contribution	**100**	49	19
Deferred revenue	**3**	5	3
	537	462	399
Less: current portion (Note 25)	**(2)**	(3)	(1)
	535	459	398

Contributions in aid of construction are required from customers whenever the costs of extending service exceed specified construction allowances. These contributions include government grants. Contributions are initially recorded as deferred revenue and are subsequently recognized as revenue over the lives of the related assets.

The PUB has directed that the following percentages of approved rate increases be set aside as a Bipole III contribution to be utilized to mitigate the required rate increases when Bipole III is placed in-service:

- Order 43/13 1.50% of the approved 3.50%
- Order 49/14 0.75% of the approved 2.75%
- Order 73/15 2.15% of the approved 3.95%

During the year, $51 million (2015 - $30 million) was set aside for this purpose. The period over which this balance will be recognized into net income will be determined by the PUB at a future regulatory proceeding.

(in millions of Canadian dollars)

Note 29 Provisions

	Asset retirement obligation	Affordable Energy Fund	Total
Balance, April 1, 2014	15	11	26
Provisions made	2	-	2
Provisions used	(2)	(5)	(7)
Balance, March 31, 2015	15	6	21
Provisions made	15	-	15
Provisions used	-	(2)	(2)
Gain on derecognition	(3)	-	(3)
Balance, March 31, 2016	**27**	**4**	**31**

	March 31, 2016	March 31, 2015	April 1, 2014
Analyzed as:			
Current (Note 25)	**1**	4	5
Non-current	**30**	17	21
	31	21	26

Asset retirement obligations

An asset retirement obligation continues to be recognized for the future decommissioning of the Brandon Thermal Generating Station. The corporation estimates the undiscounted cash flows required to settle the asset retirement obligations are approximately $15 million (2015 - $15 million), which is expected to be incurred in 2024.

The corporation established a new asset retirement obligation in 2015-16 for the removal and disposal of PCB contaminated fluid in equipment bushings at transmission and distribution stations. The estimated undiscounted cash flows required to settle the asset retirement obligation are approximately $19 million, which is expected to be incurred by 2024.

The asset retirement obligation related to the partial decommissioning of the Pointe du Bois Generating Station spillway was fully extinguished in 2015-16.

No funds are being set aside to settle the asset retirement obligations. The discount rates used to determine the fair market value of asset retirement obligations range from 3.88% to 3.92% (2015 - 2.10% to 6.75%).

(in millions of Canadian dollars)

Affordable Energy Fund

In accordance with the requirements of *The Winter Heating Cost Control Act*, Manitoba Hydro established an Affordable Energy Fund in the initial amount of $35 million for the purpose of providing funding for projects that would not otherwise be funded by Power Smart programs. Expenditures of $2 million (2015 - $5 million) during the year were charged to operations with the regulatory deferral balance and the provision reduced accordingly.

Note 30 Non-controlling interests

	March 31, 2016	March 31, 2015	April 1, 2014
Wuskwatim Power Limited Partnership			
Taskinigahp Power Corporation	**52**	62	73
Keeyask Hydropower Limited Partnership			
Cree Nation Partners Limited Partnership	**52**	34	-
Fox Lake Cree Nation Keeyask Investments Inc.	**18**	12	-
York Factory First Nation Limited Partnership	**18**	12	-
	88	58	-
	140	120	73

Manitoba Hydro has entered into the Wuskwatim Power Limited Partnership (WPLP) with Taskinigahp Power Corporation (TPC) to carry on the business of developing, owning and operating the Wuskwatim Generating Station. TPC is owned beneficially by Nisichawayasihk Cree Nation (NCN). The generating station and associated transmission assets were placed into service during the 2012-13 year.

The 33% ownership interest of TPC in the WPLP of $52 million (2015 - $62 million) is represented as a non-controlling interest within the equity section of the consolidated statement of financial position. TPC's portion of the net loss of the WPLP during 2015-16 is $10 million (2015 - $11 million).

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to TPC for investment in WPLP. As at March 31, 2016, Manitoba Hydro has provided advances to TPC of $88 million (2015 - $88 million). In addition, Manitoba Hydro provides advances on future WPLP distributions to NCN. As at March 31, 2016, Manitoba Hydro has provided advances to NCN of $6 million (2015 - $3 million). The advances plus interest are repayable by TPC through distributions from the WPLP.

(in millions of Canadian dollars)

Manitoba Hydro has also entered into the Keeyask Hydropower Limited Partnership (KHLP) with Tataskweyak Cree Nation (TCN) and War Lake First Nation (War Lake) operating as Cree Nation Partners (CNP), York Factory First Nation (York Factory) and Fox Lake Cree Nation (Fox Lake) to carry on the business of developing, owning and operating the Keeyask Generating Station. Cree Nation Partners Limited Partnership (CNPLP) is owned beneficially by TCN and War Lake through CNP, FLCN Keeyask Investments Inc. (FLCNKII) is owned beneficially by Fox Lake and York Factory First Nation Limited Partnership (YFFNLP) is owned beneficially by York Factory. The generating station is currently under construction and projected to be placed into service in 2019.

The 15% ownership interest of CNPLP, the 5% ownership interest of FLCNKII and the 5% ownership interest of YFFNLP in the KHLP totaling $88 million (2015 – $58 million) is represented as a non-controlling interest within the equity section of the consolidated statement of financial position

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to CNPLP, FLCNKII and YFFNLP. As at March 31, 2016, Manitoba Hydro has provided advances to CNPLP of $52 million (2015 - $33 million), FLCNKII of $17 million (2015 - $11 million) and YFFNLP of $17 million (2015 - $11 million). The advances plus interest are repayable by CNPLP, FLCNKII and YFFNLP through distributions from the KHLP.

Summarized financial information before intercompany eliminations for WPLP and KHLP are as follows:

	March 31, 2016	March 31, 2015	April 1, 2014
WPLP			
Current assets	**16**	48	10
Non-current assets	**1 548**	1 572	1 601
Current liabilities	**23**	25	39
Non-current liabilities	**1 383**	1 406	1 350
Revenue	**86**	84	
Net loss	**(31)**	(34)	
KHLP			
Current assets	**8**	19	-
Non-current assets	**2 303**	1 600	-
Current liabilities	**156**	172	-
Non-current liabilities	**1 651**	1 117	-

(in millions of Canadian dollars)

Note 31 Financial instruments

The carrying amounts and fair values of the corporation's non-derivative financial instruments were as follows:

		March 31, 2016		March 31, 2015		April 1,2014	
	Level	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Fair value through profit and loss							
Cash and cash equivalents	1	**956**	**956**	494	494	142	142
Loans and receivables							
Accounts receivable and accrued revenue	*	**350**	**350**	394	394	446	446
Loans and other receivables (including current portion)	2	**322**	**347**	497	618	443	512
Available-for-sale							
Sinking fund investments	1	**-**	**-**	114	114	111	111
Other financial liabilities							
Accounts payable and accrued liabilities	*	**723**	**723**	529	529	537	537
Long-term debt (including current portion)	2	**14 527**	**16 948**	12 680	15 903	10 868	12 592
Mitigation liability (including current portion)	2	**238**	**282**	254	311	229	277
Major development liability (including current portion)	2	**219**	**240**	218	252	67	68
Perpetual obligation (including current portion)	2	**215**	**375**	215	410	223	327

*carried at values that approximate fair value

The fair value measurement of financial instruments is classified in accordance with a hierarchy of three levels, based on the type of inputs used in making these measurements:

Level 1 - Quoted prices in active markets for identical assets and liabilities;
Level 2 - Inputs other than quoted prices that are observable in active markets for the asset or liability;and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Fair value Level 2 measurements are derived from quoted market yields at the close of business on the consolidated statement of financial position date for similar instruments available in the capital market. There are nominal amounts measured at Level 3 which are based on internally developed valuation models, and are consistent with valuation models developed by other market participants in the wholesale power markets. The carrying values of all other financial assets and liabilities approximate their fair values.

Financial risks

During the normal course of business, Manitoba Hydro is exposed to a number of financial risks including credit and liquidity risks and market risk resulting from fluctuations in foreign currency, interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by the corporation and its subsidiaries, to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed and reviewed by the Manitoba Hydro-Electric Board to ensure the adequacy of the risk management framework in relation to the risks faced by the corporation. The nature of the financial risks and Manitoba Hydro's strategy for managing these risks has not changed significantly from the prior year.

(in millions of Canadian dollars)

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Manitoba Hydro is exposed to credit risk related to sinking fund investments, temporary investments and pension fund investments. The corporation limits its exposure to credit risk by only investing in government-guaranteed bonds, highly rated investments and well-diversified investment portfolios.

The corporation is also exposed to credit risk related to domestic and export energy sales. Credit risk related to domestic sales is mitigated by the large and diversified electric and gas customer base. Customers participating in residential financing programs are subject to credit reviews and must meet specific criteria before they are approved for a residential loan or financing. Equity loans advanced to Indigenous partners are secured by their ownership investment units in the Wuskwatim and Keeyask Generating Stations. Credit risk in the export power market is mitigated by establishing credit requirements, conducting standard credit reviews of all counterparties and setting and monitoring exposure limits for each of these counterparties. Letters of credit and netting provisions are also in place to further mitigate credit risk. The maximum exposure to credit risk related to domestic and export energy sales is its fair value.

The values of the corporation's aged accounts receivable and related allowance for doubtful accounts are presented in the following table:

	Manitoba	Extraprovincial	**March 31, 2016**	March 31, 2015	April 1, 2014
Under 30 days	172	21	**193**	228	247
31 to 60 days	15	-	**15**	19	25
61 to 90 days	8	-	**8**	9	9
Over 90 days	25	-	**25**	26	23
	220	21	**241**	282	304
Allowance for doubtful accounts	(10)	-	**(10)**	(9)	(9)
Total accounts receivable	210	21	**231**	273	295

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged receivables that are considered uncollectible.

(in millions of Canadian dollars)

b) Liquidity risk

Liquidity risk refers to the risk that Manitoba Hydro will not be able to meet its financial obligations as they come due. The corporation meets its financial obligations when due through cash generated from operations, short-term borrowings, long-term borrowings advanced from the Province of Manitoba and sinking fund withdrawals.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities as at the consolidated statement of financial position date:

	Carrying value	2017	2018	2019	2020	2021	2022 and thereafter
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	723	723					
Long-term debt**	14 631	1 139	1 156	1 769	1 061	1 984	21 492
Mitigation liability	238	38	18	29	18	65	424
Major development liability	219	26	15	14	15	15	648
Perpetual obligation	215	16	16	16	16	16	16 *
	16 026	1 942	1 205	1 828	1 110	2 080	22 580

*per year in perpetuity

**includes current portion and interest payments

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Manitoba Hydro is exposed to three types of market risk: foreign exchange risk, interest rate risk and commodity price risk associated with the price of electricity and natural gas. Manitoba Hydro continually monitors its exposure to these risks and may use hedges or derivative contracts to manage these risks.

(i) Foreign exchange risk

Manitoba Hydro has exposure to U.S. dollar foreign exchange rate fluctuations primarily through the sale and purchase of electricity in the U.S. and through borrowing in U.S. markets. This exposure is managed through a long-term natural hedge between U.S. dollar cash inflows from export revenues and U.S. dollar cash outflows or long-term coupon and principal payments.

To mitigate annual net income impacts due to foreign exchange rate fluctuations, long-term cash flow hedges have been established between U.S. long-term debt balances and future U.S. export revenues as well as between U.S. interest payments on dual currency bonds and future U.S. export revenues. Accordingly, translation gains and losses for U.S. long-term debt obligations in effective hedging relationships with future export revenues, are recognized in OCI until future hedged U.S.

export revenues are realized, at which time the associated gains or losses in AOCI are recognized in net income. For the year ended March 31, 2016, unrealized foreign exchange translation losses of $47 million (2015 - $249 million losses) were recognized in OCI and net gains of $1 million (2015 - $8 million) were reclassified from OCI into net income.

In addition to natural hedging relationships, cross currency swap arrangements transacted by the Province of Manitoba on the corporation's behalf are utilized to manage exchange rate exposures and as a means to capitalize on favourable financing terms in either U.S. or Canadian capital markets. Cross currency agreements represent an exchange of principal and/or interest flows denominated in one currency for principal and/or interest flows denominated in another. Such transactions effectively amend the terms of the original debt obligation with the Province of Manitoba with the swapped debt arrangement.

As at March 31, 2016, a change in the Canadian dollar of plus (minus) $0.10 relative to the U.S. dollar would increase (decrease) net income by nil (2015 - decrease (increase) net income by $2.8 million), while OCI would increase (decrease) by $125 million (2015 - $140 million).

(ii) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Manitoba Hydro is exposed to interest rate risk associated with temporary investments, floating rate short-term and long-term debt, fixed rate long-term debt maturing within 12 months, less sinking fund withdrawals, offset by the change in interest capitalization. As at March 31, 2016, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $4 million (2015 - $10 million), with no impact to OCI.

Interest rate swap agreements transacted by the Province of Manitoba on the corporation's behalf are utilized to manage the fixed and floating interest rate mix of the total debt portfolio, interest rate exposure and related overall cost of borrowing. Interest rate swap agreements represent an agreement between two parties to periodically exchange payments of interest without the exchange of the principal amount upon which payments are based. The Province of Manitoba may also enter into forward start interest rate swap arrangements where the agreement to exchange interest payments commences at some future date. In either swap arrangement, the terms of the debt advanced by the Province of Manitoba to the corporation are amended by the swap.

(iii) Commodity price risk

The corporation is exposed to electricity price risk that results from volatility of market prices and natural gas price risk through its purchase of gas for delivery to customers throughout Manitoba. The corporation mitigates commodity price risk through its limited use of derivative financial instruments. Manitoba Hydro does not use derivative contracts for trading or speculative purposes.

(in millions of Canadian dollars)

The corporation has open financial transmission rights as at March 31, 2016. These rights are reported as derivatives and carried at fair value on the consolidated statement of financial position in accounts receivable and accrued revenue. The unrealized fair value gains of $1 million (2015 - $2 million) are classified as Level 3 fair value measurements based on a valuation model that was internally developed for the wholesale power markets.

Note 32 Capital management

Manitoba Hydro manages its capital structure to ensure that there is sufficient equity to absorb the financial effects of adverse circumstances and to ensure continued access to stable low-cost funding for capital projects and ongoing operational requirements.

The corporation monitors its capital structure on the basis of its equity ratio. Manitoba Hydro's long-term target is to achieve a minimum equity ratio of 25%.

The corporation's equity ratio was as follows:

	March 31, 2016	March 31, 2015	April 1, 2014
Long-term debt	**14 201**	12 303	10 460
Current portion of long-term debt	**326**	377	408
Less: Cash and cash equivalents (Note 15)	**(956)**	(494)	(142)
Sinking fund investments (Note 19)	**-**	(114)	(111)
Net debt	**13 571**	12 072	10 615
Retained earnings	**2 828**	2 779	2 643
Accumulated other comprehensive loss	**(776)**	(720)	(336)
Contributions in aid of construction (Note 28)	**434**	408	377
Bipole III contribution (Note 28)	**100**	49	19
Non-controlling interest (Note 30)	**140**	120	73
Total equity	**2 726**	2 636	2 776
Equity ratio	**17%**	18%	21%

Manitoba Hydro issues debt for its capital requirements under the authority of *The Manitoba Hydro Act*, *The Loan Act* and *The Financial Administration Act*. *The Manitoba Hydro Act* grants the corporation the power to issue up to $500 million of short-term promissory notes. Manitoba Hydro submits annual requests under *The Loan Act* for the necessary borrowing authority for new capital requirements. Authority to refinance any maturing long-term debt is provided through *The Financial Administration Act*. The majority of Manitoba Hydro's long-term debt is obtained through advances from the Province of Manitoba.

Note 33 Related parties

Manitoba Hydro is a Crown corporation controlled by the Province of Manitoba. As a result, the corporation has a related party relationship with all entities that are controlled, jointly controlled or significantly influenced by the Province of Manitoba. However, as permitted by IAS 24 *Related Party Disclosures*, the corporation is exempt from disclosure requirements relating to transactions with the Province of Manitoba and any other entity that is a related party because the Province of Manitoba has control, joint control or significant influence over both the corporation and the other entity.

Significant transactions with the Province of Manitoba and other related provincial entities are comprised of:

- Long-term debt – the corporation obtains the majority of its long-term debt through advances from the Province of Manitoba (Note 23),

- Provincial Debt Guarantee Fee – the corporation pays the Province of Manitoba an annual fee on the outstanding debt. The Provincial Debt Guarantee Fee of $122 million(2015 - $109 million)for the year was 1.00% (2015 – 1.00%) of the corporation's total outstanding debt guaranteed by the Province of Manitoba,

- Sale of electricity and natural gas – energy sales to related parties,

- Water rentals – amounts are paid to the Province of Manitoba for the use of water resources in the operation of the corporation's hydroelectric generating stations. Water rental rates during the year were $3.34 per MWh (2015 - $3.34 per MWh) totaling $117 million (2015 - $117 million), and

- Taxes – amounts are paid to the Province of Manitoba for corporate capital tax, payroll tax (Note 13) and provincial sales tax all of which are incurred in the normal course of business.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Note 34 Commitments and contingencies

Manitoba Hydro has energy purchase commitments of $1 454 million (2015 - $1 499 million) that relate to future purchases of wind, natural gas (including transportation and storage contracts), coal and electricity. Commitments are primarily for wind, which expire in 2038, and natural gas purchases, which expire in 2020. In addition, other outstanding commitments principally for construction are approximately $3 511 million (2015 - $3 567 million).

The corporation will incur future costs associated with the assessment and remediation of contaminated lands and facilities and for the phase-out and destruction of PCB mineral oil from electrical equipment. Although these costs cannot be reasonably determined at this time (except for items already recognized as asset retirement obligations), a contingent liability exists.

Due to the size, complexity and nature of Manitoba Hydro's operations, various legal and operational matters are pending. Management believes that any settlements related to these matters will not have an adverse effect on Manitoba Hydro's consolidated financial position or results of operations.

Manitoba Hydro provides guarantees to counterparties as part of its use of natural gas derivative commodity contracts. Guarantees issued as at March 31, 2016 totaled $368 million (2015 - $361 million) and do not have specific maturity dates. Letters of credit in the amount of $68 million (2015 - $67 million) have been issued for construction and energy related transactions with maturities until 2049.

Note 35 Segmented information

Operating segments are reported consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operations, has been identified as the President and Chief Executive Officer. The corporation is managed as three segments, electricity operations, natural gas operations and all other segments, based on how financial information is produced internally for the purposes of making operating decisions.

Segment descriptions

Electric Operations

Electric operations derives its revenue from the sale of electricity in both Manitoba and to the export markets. Manitoba Hydro's electric operations also includes subsidiaries WPLP, KHLP and 6690271 Manitoba Ltd. Electricity is sold in Manitoba to residential, commercial and industrial customers while extraprovincial sales of electricity are to the U.S. and Canadian markets. Domestic electricity sales are regulated by the PUB.

Natural Gas Operations

The operations of Centra make up the entire natural gas operations segment. Centra is regulated by the PUB and generates revenue through the sale and distribution of natural gas to residential, commercial and industrial customers throughout Manitoba.

All Other Segments

All other segments includes the operations of all other subsidiaries of the corporation, including MHI, MHUS, Minell and Teshmont.

MHI derives its revenue by providing professional consulting, operations, maintenance and project management services to energy sectors world-wide, either exclusively or through partnerships. MHI also provides research and development services and products to the electrical power system industry.

MHUS generates revenue by providing meter reading, interactive voice response systems and contracted services primarily to Manitoba Hydro and Centra.

Minell operates a pipeline transmission system extending from Moosomin, Saskatchewan to Russell, Manitoba and is regulated by the National Energy Board. Revenues are derived through the rentals of Minell's gas transmission facilities to Centra as they are used solely for the transportation of natural gas on behalf of Centra.

Teshmont is a holding company established to acquire a 40% ownership of Teshmont Consultants Limited Partnership, which carries on a high voltage engineering and consulting practice.

(in millions of Canadian dollars)

Segmented results

Results by operating segment for the years ended March 31, 2016 and 2015 are shown below. Intersegment eliminations are presented to reconcile segment results to the corporation's consolidated totals. Eliminations have been made for intersegment transactions and balances.

	Electric operations		Natural gas operations		All other segments		Eliminations		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Revenues										
External revenue	**1 845**	1 838	**355**	428	**58**	50	**-**	-	**2 258**	2 316
Intersegment revenue	**-**	-	**1**	1	**9**	8	**(10)**	(9)	**-**	-
	1845	1 838	**356**	429	**67**	58	**(10)**	(9)	**2 258**	2 316
Expenses										
Cost of gas sold	**-**	-	**181**	266	**-**	-	**-**	-	**181**	266
Finance expense	**582**	515	**20**	19	**-**	(2)	**18**	19	**620**	551
Operating and administrative	**543**	538	**67**	70	**16**	17	**(12)**	(11)	**614**	614
Depreciation and amortization	**367**	352	**23**	22	**1**	2	**3**	2	**394**	378
Water rentals and assessments	**126**	125	**-**	-	**-**	-	**-**	-	**126**	125
Fuel and power purchased	**117**	129	**-**	-	**-**	-	**-**	-	**117**	129
Capital and other taxes	**107**	100	**16**	16	**-**	(1)	**-**	-	**123**	115
Other expenses	**65**	37	**10**	10	**42**	33	**(3)**	(3)	**114**	77
Finance income	**(22)**	(26)	**-**	-	**(1)**	-	**-**	-	**(23)**	(26)
Corporate allocation	**8**	9	**12**	12	**-**	-	**(20)**	(21)	**-**	-
	1 893	1 779	**329**	415	**58**	49	**(14)**	(14)	**2 266**	2 229
Net income (loss) before net movement in regulatory deferral balances	**(48)**	59	**27**	14	**9**	9	**4**	5	**(8)**	87
Net movement in regulatory deferral balances	**75**	41	**(28)**	(3)	**-**	-	**-**	-	**47**	38
Net Income (Loss)	**27**	100	**(1)**	11	**9**	9	**4**	5	**39**	125
Net income (loss) attributable to:										
Manitoba Hydro	**37**	111	**(1)**	11	**9**	9	**4**	5	**49**	136
Non-controlling interests	(10)	(11)	-	-	-	-	-	-	(10)	(11)
	27	100	**(1)**	11	**9**	9	**4**	5	**39**	125

(in millions of Canadian dollars)

	Electric operations			Natural gas operations			All other segments			Eliminations			Total		
	March 31, 2016	March 31, 2015	April 1, 2014	**March 31, 2016**	March 31, 2015	April 1, 2014	**March 31, 2016**	March 31, 2015	April 1, 2014	**March 31, 2016**	March 31, 2015	April 1, 2014	**March 31, 2016**	March 31, 2015	April 1, 2014
Total assets	**18 840**	16 766	14 761	**581**	570	565	**71**	61	50	**(198)**	(240)	(196)	**19 294**	17 157	15 180
Total regulatory deferral debit balances	**390**	288	247	**96**	122	124	**-**	-	-	**-**	-	-	**486**	410	371
Total liabilities	**17 126**	14 979	12 707	**482**	498	507	**13**	12	9	**(85)**	(124)	(74)	**17 536**	15 365	13 149
Total regulatory deferral credit balances	**43**	16	16	**9**	7	6	**-**	-	-	**-**	-	-	**52**	23	22
Retained earnings	**2 696**	2 659	2 548	**65**	66	55	**57**	48	39	**10**	6	1	**2 828**	2 779	2 643

Management Report

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the consolidated financial statements. Management has prepared the consolidated financial statements in accordance with International Financial Reporting Standards. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements unless otherwise stated.

Management is responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for Manitoba Liquor and Lotteries Corporation. Management designed such internal controls, or caused them to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of Manitoba Liquor and Lotteries Corporation are properly safeguarded. As part of the financial statement audit performed by Ernst & Young LLP, they reviewed the corporation's internal controls to the extent that they considered necessary and reported their findings to management and the Board of Directors.

The responsibility of Ernst & Young LLP is to express an independent opinion on whether the consolidated financial statements are fairly stated in accordance with International Financial Reporting Standards. The Independent Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

The Board meets with management and Ernst & Young LLP to satisfy itself that each group has properly discharged its respective responsibilities and to review the consolidated financial statements before approving them. The Board has reviewed and approved the consolidated financial statements for the fiscal year ended March 31, 2016.

Original signed by
John Stinson
Chief Executive Officer

Original signed by
Peter Hak
Acting Chief Financial Officer

Independent Auditors' Report

To the Board of Directors of
Manitoba Liquor and Lotteries Corporation

We have audited the accompanying consolidated financial statements of **Manitoba Liquor and Lotteries Corporation**, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of net income, comprehensive income and equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Manitoba Liquor and Lotteries Corporation** as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants

Winnipeg, Canada
June 24, 2016

Consolidated Statement of Financial Position

AS AT MARCH 31 (in thousands of Canadian dollars)

	Notes	2016	2015
ASSETS			
Current Assets			
Cash		**$ 38,053**	$ 41,448
Trade and other receivables	5	**45,922**	51,792
Inventories	6	**49,870**	49,982
Prepayments	7	**5,235**	4,535
		139,080	147,757
Non-Current Assets			
Property and equipment, net	8	**385,604**	374,956
Intangible assets, net	9	**14,760**	16,457
		400,364	391,413
TOTAL ASSETS		**$ 539,444**	$ 539,170
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	**$ 108,997**	$ 121,750
Payable to the Province of Manitoba		**55,671**	69,978
Current portion of long-term debt	11	**48,286**	41,871
		212,954	233,599
Non-Current Liabilities			
Long-term debt	11	**320,968**	300,216
Provision for employee pension benefits	13	**522**	355
		321,490	300,571
Commitments and contingencies	17		
Equity			
Retained Earnings		**5,000**	5,000
		5,000	5,000
TOTAL LIABILITIES AND EQUITY		**$ 539,444**	$ 539,170

(see accompanying notes to the consolidated financial statements)

On behalf of the Board

Original signed by Polly Craik
Director & Chair of the Board of Directors

Original signed by Gary Timlick
Director & Chair of the Audit, Technology & Risk Management Committee

Consolidated Statement of Net Income, Comprehensive Income and Equity

FOR THE YEAR ENDED MARCH 31 (in thousands of Canadian dollars)

	Notes	2016	2015
Revenue	14	**$ 1,327,352**	$ 1,276,126
Cost of Sales	14	**414,890**	395,465
		912,462	880,661
Operating expenses	14	**241,151**	221,912
Depreciation and amortization		**50,760**	47,216
Goods and Services Tax		**3,726**	3,385
		295,637	272,513
Operating Income		**616,825**	608,148
Share of profit of Western Canada Lottery Corporation	15	**69,266**	57,270
Interest expense on long-term debt		**(11,419)**	(10,074)
Interest income		**890**	832
Income Before Allocations and Payments		**675,562**	656,176
Allocations and payments	16	**92,332**	85,636
Net Income Before Settlement of Pension Liability		**583,230**	570,540
Settlement of pension liability	12	**-**	26,121
Net Income		**583,230**	596,661
Other comprehensive loss	13	**59**	683
Total Comprehensive Income		**583,171**	595,978
Equity, beginning of the year		**5,000**	5,000
Allocation to the Province of Manitoba		**(583,171)**	(595,978)
Equity, end of the year		**$ 5,000**	$ 5,000

(see accompanying notes to the consolidated financial statements)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31 (in thousands of Canadian dollars)

	2016	2015
Operating activities		
Net income and comprehensive income	**$ 583,171**	$ 595,978
Add (deduct) items not involving cash:		
Depreciation related to property and equipment	**45,569**	43,331
Depreciation on assets related to Conduct and Management agreements	**4,138**	3,349
Amortization related to intangible assets	**5,191**	3,885
Loss (gain) on disposal of property and equipment	**2,389**	(191)
Provision for (recovery of) employee pension benefits	**167**	(16,927)
	640,625	629,425
Net change in non-cash working capital items:		
Decrease (increase) in trade and other receivables	**5,870**	(5,656)
Decrease (increase) in inventories	**112**	(7,787)
Increase in prepayments	**(700)**	(495)
Decrease in trade and other payables	**(12,753)**	(12,863)
Cash provided by operating activities	**633,154**	602,624
Investing activities		
Purchase of property and equipment	**(62,807)**	(57,007)
Purchase of intangible assets	**(3,494)**	(2,242)
Proceeds from disposal of property and equipment	**63**	713
Cash used in investing activities	**(66,238)**	(58,536)
Financing activities		
Cash distributions to the Province of Manitoba:		
Current year	**(592,500)**	(541,000)
Prior year	**(4,978)**	(60,145)
Proceeds from long-term debt	**69,300**	92,894
Repayment of long-term debt	**(42,133)**	(34,270)
Cash used in financing activities	**(570,311)**	(542,521)
Net increase (decrease) in cash during the year	**(3,395)**	1,567
Cash, beginning of the year	**41,448**	39,881
Cash, end of the year	**$ 38,053**	$ 41,448
Supplemental cash flow information		
Interest paid	**$ 11,566**	$ 10,261

(see accompanying notes to the consolidated financial statements)

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2016 (in thousands of Canadian dollars)

1. Background

By consent of the Legislative Assembly of Manitoba, *The Manitoba Liquor and Lotteries Corporation Act* was enacted on December 5, 2013 and came into force on April 1, 2014. Under *The Manitoba Liquor and Lotteries Corporation Act*, Manitoba Lotteries Corporation (Manitoba Lotteries) and The Liquor Control Commission (MLCC) were amalgamated and continued operations as a Crown corporation under the name Manitoba Liquor and Lotteries Corporation (Manitoba Liquor & Lotteries).

The registered office of Manitoba Liquor & Lotteries is located at 830 Empress Street, Winnipeg, Manitoba.

2. Significant Accounting Policies

(a) Basis of presentation

The consolidated financial statements of Manitoba Liquor & Lotteries for the year ended March 31, 2016 were authorized for issue by the Board of Directors on June 24, 2016.

These consolidated financial statements were prepared on a going concern basis, using historical cost except for certain financial instruments which are reported at fair value. The consolidated financial statements are presented in Canadian dollars, the functional currency of Manitoba Liquor & Lotteries, and all values are rounded to the nearest thousand dollars ($000) except where otherwise indicated.

(b) Statement of compliance

The consolidated financial statements of Manitoba Liquor & Lotteries have been prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB).

(c) Basis of consolidation

The consolidated financial statements combine the accounts of Manitoba Liquor & Lotteries and MLC Holdings Inc. This controlled entity was established to purchase capital assets, which are leased to Manitoba Liquor & Lotteries at cost.

MLC Holdings Inc. has been fully consolidated since the date of inception and will continue to be consolidated until the date when control ceases. The financial statements of MLC Holdings Inc. are prepared for the same reporting period as Manitoba Liquor & Lotteries using consistent accounting policies. All intercompany transactions and accounts have been eliminated on consolidation.

(d) Western Canada Lottery Corporation

The Western Canada Lottery Corporation (WCLC) was incorporated without share capital under Part II of the *Canada Corporations Act* on May 13, 1974. The provincial governments of Manitoba, Saskatchewan and Alberta are members in the WCLC, and the Yukon Territory, the Northwest Territories and Nunavut participate with the provinces as associate members in the sale of gaming products. Each province and territory has appointed a lottery organization to assist the WCLC with the distribution of gaming products in its jurisdiction (Manitoba Liquor & Lotteries for the Province of Manitoba).

Manitoba Liquor & Lotteries has significant influence, but not control, over the financial and operating policies of the WCLC and therefore accounts for its share of the results of the operations of the WCLC (considered an associate) using the equity method. The financial statements of the WCLC are prepared for the same reporting period and Manitoba Liquor & Lotteries' share of the profits calculated based on relative sales levels by jurisdiction is disclosed in note 15.

(e) First Nations Casinos and Shark Club Gaming Centre

The Government of Manitoba has overall control over gaming in Manitoba in accordance with the requirements of the Criminal Code of Canada, and has appointed Manitoba Liquor & Lotteries to act as its agent in the Conduct and Management (C&M) of the gaming regime.

Through a selection process, the Government has provided certain First Nations the opportunity to operate casinos, with Manitoba Liquor & Lotteries maintaining the C&M authority over these casinos. Effective December 1, 2005, Manitoba Liquor & Lotteries received approval from its Board of Directors to discontinue the recovery of general administrative and compliance costs from First Nations Casinos and to provide these services only upon request on a fee for service basis. Manitoba Liquor & Lotteries will continue to recover all direct and/or gaming related expenses.

The Government has provided the TN Arena Limited Partnership the opportunity to establish the Shark Club Gaming Centre, with Manitoba Liquor & Lotteries maintaining the C&M authority over this gaming centre. As part of this authority, Manitoba Liquor & Lotteries recovers all direct gaming related expenses. In addition, Manitoba Liquor & Lotteries has entered into an agreement with the owner to perform management services on their behalf with respect to the gaming activity of the gaming centre.

(f) Foreign currency translation

The functional currency is the currency of the primary economic environment in which Manitoba Liquor & Lotteries operates and is normally the currency in which Manitoba Liquor & Lotteries generates and expends cash. Each entity determines its own functional currency and items included in the financial statements are measured using that functional currency. The functional currency and presentation currency of Manitoba Liquor & Lotteries is the Canadian dollar (CAD).

Foreign currency transactions are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate at the reporting date and all differences are recorded in the consolidated statement of net income, comprehensive income and equity. Non-monetary assets and liabilities and revenue and expenses that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date the fair value is determined.

(g) Financial instruments

Financial instruments are recognized in the statement of financial position when Manitoba Liquor & Lotteries becomes a party to the contractual terms of the instrument, which represents its trade date. Upon initial recognition Manitoba Liquor & Lotteries designates its financial assets as fair value through profit and loss or loans and receivables and its financial liabilities as other financial liabilities. All financial instruments are initially measured at fair value plus directly attributable transaction costs.

The financial assets of Manitoba Liquor & Lotteries include cash and trade and other receivables. The financial liabilities of Manitoba Liquor & Lotteries include trade and other payables, payable to the Province of Manitoba and long-term debt.

(i) Fair value through profit and loss

Cash is classified as fair value through profit and loss and is measured at fair value. Any gains or losses arising on the revaluation to fair value are recorded in the consolidated statement of net income, comprehensive income and equity.

(ii) Loans and receivables

Trade and other receivables are classified as loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these financial assets are subsequently measured at amortized cost

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2016 (in thousands of Canadian dollars)

using the effective interest rate method, less impairment. Any gains or losses and any losses arising from impairment are recognized in the consolidated statement of net income, comprehensive income and equity.

(iii) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Any gains or losses are recognized in the consolidated statement of net income, comprehensive income and equity.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or Manitoba Liquor & Lotteries has transferred its rights to receive cash flows from the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. Any difference in the respective carrying amounts of the financial liability is recognized in the consolidated statement of net income, comprehensive income and equity.

(h) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and any accumulated impairment losses. Cost includes expenditures directly attributable to the acquisition of the assets. Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Manitoba Liquor & Lotteries and the cost can be reliably measured. If the costs of a certain component of property and equipment are significant in relation to the total cost of the asset, these are accounted for and depreciated separately. All other repairs and maintenance costs are charged to the consolidated statement of net income, comprehensive income and equity as incurred.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs associated with the borrowing of funds.

Depreciation is charged to the consolidated statement of net income, comprehensive income and equity based on cost, less estimated residual value, on a straight-line basis over the estimated useful life of the asset as follows:

Furniture and equipment	3-40 years
Gaming equipment	5-8 years
Assets related to C&M agreements	5-7 years
Parking lots and roads	15-25 years
Leasehold improvements	Straight-line basis over the remaining term of the lease
Major building components	10-50 years
Building structures	40-50 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each fiscal year-end and are adjusted prospectively, if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of net income, comprehensive income and equity when the asset is derecognized.

(i) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date based on whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases which transfer to Manitoba Liquor & Lotteries substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statement of net income, comprehensive income and equity.

Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the estimated useful life and the lease term.

Property leases are analyzed into separate components for land and buildings and tested to establish whether the components are operating leases or finance leases. Premiums paid for land are treated as a prepayment of an operating lease rental and recognized on a straight-line basis over the life of the lease.

Other leases are classified as operating leases and the leased assets are not recognized on the consolidated statement of financial position. Operating lease payments are recognized as an expense in the consolidated statement of net income, comprehensive income and equity on a straight-line basis over the term of the lease. Any predetermined, fixed rental increases contained in a lease are recognized over the life of the lease.

(j) Intangible assets

Acquired intangible assets of Manitoba Liquor & Lotteries consist of finite life computer software. Intangible assets acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is charged to the consolidated statement of net income, comprehensive income and equity on a straight-line basis over the estimated useful life of the asset as follows:

Computer software	3-15 years

The assets' useful lives and methods of amortization are reviewed at each fiscal year-end and adjusted prospectively, if appropriate.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of net income, comprehensive income and equity when the asset is derecognized.

(k) Inventories

Inventories consist of goods for resale and consumable supplies and are valued at the lower of average cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as the purchase cost assigned on a weighted average basis and are comprised of the purchase price, import duties and freight. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Inventory write-downs are reversed if the estimated calculations of the recoverable amount change. Write-downs are reversed only to the extent that the carrying value does not exceed the carrying value that would have been determined if no write-down had been recognized.

(l) Impairment

(i) Financial assets

Manitoba Liquor & Lotteries assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have occurred after initial recognition that have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2016 (in thousands of Canadian dollars)

If there is objective evidence that an impairment loss has occurred, the amount of the loss measured at amortized cost is calculated as the difference between the financial asset's carrying amount and the present value of the estimated future cash flows discounted at the current effective interest rate.

(ii) Non-financial assets

Manitoba Liquor & Lotteries assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the asset's recoverable amount is estimated. For the purposes of impairment testing, non-financial assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, the cash-generating unit (CGU).

The recoverable amount of a non-financial asset or CGU is the greater of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses, if applicable, are recognized in the consolidated statement of net income, comprehensive income and equity.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment loss reversals are recognized in the consolidated statement of net income, comprehensive income and equity in a manner consistent with the originally recognized impairment loss.

(m)Provisions

A provision is recognized if, as a result of a past event, Manitoba Liquor & Lotteries has a present legal or constructive obligation that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. The expense relating to any provision is presented in the consolidated statement of net income, comprehensive income and equity net of any reimbursement and, if the effect of the time value of money is material, is discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase to the provision due to the passage of time is recognized as a finance cost.

(n) Pension plans

In accordance with the provisions of the *Civil Service Superannuation Act* (CSSA), employees of Manitoba Liquor & Lotteries are eligible for pension benefits. Plan members are required to contribute to the multi-employer Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. Manitoba Liquor & Lotteries is required to match contributions contributed to the Fund by the employees at prescribed rates, which is recorded as an operating expense. Under the CSSA, Manitoba Liquor & Lotteries has no further pension liability. Based on limited information available from the Fund, Manitoba Liquor & Lotteries has judged this information to be insufficient to properly allocate any potential pension plan deficits and is therefore not able to reliably determine its participation in any potential future deficit. As a result, Manitoba Liquor & Lotteries expenses contributions made to the pension plan as if the plan was a defined contribution plan.

For employees whose annual earnings exceed the limit under the Fund, a pension liability is established. This liability is determined actuarially on an annual basis. Actuarial gains and losses are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to other comprehensive income (loss) in the period in which they occur.

Manitoba Liquor & Lotteries also makes contributions for certain employees and officers to a money purchase pension plan at prescribed rates, which are recorded as an operating expense.

(o) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Manitoba Liquor & Lotteries and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes.

Manitoba Liquor & Lotteries assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent and has concluded that it is acting as principal in all of its revenue arrangements, with the exception of the third-party AIR MILES® program in which Manitoba Liquor & Lotteries participates. The AIR MILES® program allows customers to earn AIR MILES® points when they purchase products in Manitoba Liquor & Lotteries' retail liquor stores. The redemption of points by customers is the responsibility of the third-party AIR MILES® program. Consideration received is recorded net of related expenses as Manitoba Liquor & Lotteries is acting as an agent for the AIR MILES® program.

Revenue from product sales is recognized when the significant rewards of ownership of the products have passed to the buyer, usually on the delivery of products. Lottery revenue is recognized as of the date of the draw with the exception of instant game revenue which is recorded at the time the ticket is activated by the retailer via the online accounting system for sale to customers. Video lottery and other gaming revenue are recognized at the time of play, net of prizes paid.

(p) Promotional allowances

Promotional allowances include the value of food, beverages and other items provided on a complimentary basis to casino patrons. The value of these complimentary items is included in gross revenue and then deducted as a promotional allowance to arrive at net revenue.

Manitoba Liquor & Lotteries also operates a loyalty points program whereby patrons can earn points based upon their level of play on certain casino games. Points can be redeemed for certain goods and services provided by the casinos. Where a revenue transaction includes points awarded under the program, the revenue allocated to the points is deferred based on the fair value of the awards, which is assigned as $0.01 per point earned, and recognized as revenue when the points are redeemed and Manitoba Liquor & Lotteries fulfills its obligation to supply the awards.

(q) Goods and Services Tax

In lieu of Goods and Services Tax (GST) on lottery and gaming revenue, Manitoba Liquor & Lotteries foregoes claiming input tax credits and pays an additional 5% GST on gaming expenditures, including retailer commissions. This additional 5% is reported as GST expense in the consolidated statement of net income, comprehensive income and equity.

Manitoba Liquor & Lotteries collects GST on liquor sales and an input tax credit is claimed for GST paid on non-gaming expenditures.

3. Significant Accounting Estimates and Assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements. Actual results could differ from those estimates.

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2016 (in thousands of Canadian dollars)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts recognized in the consolidated financial statements of Manitoba Liquor & Lotteries are discussed below.

(a) Determination of useful lives for tangible and intangible assets

Manitoba Liquor & Lotteries has based the determination of the useful lives of tangible and intangible assets on a detailed review of all empirical data for the different asset classes. Manitoba Liquor & Lotteries annually reviews the validity of the useful lives applied to the different asset classes based on current circumstances and considers the impact of any external or internal changes in Manitoba Liquor & Lotteries' environment which may indicate the requirement to reconsider these useful lives.

(b) Loyalty points program

Manitoba Liquor & Lotteries operates a program whereby patrons can earn points based upon their level of play on certain casino games. Points can be redeemed for certain goods and services provided by the casinos.

The future redemption liability of $3,541 (2015 - $3,510) is included in trade and other payables and is based on an assessment of anticipated point redemptions and point value. Manitoba Liquor & Lotteries adjusts the estimated liability based on redemption experience and additional points earned and any adjustments will be recorded in the consolidated statement of net income, comprehensive income and equity.

4. Standards Issued But Not Yet Effective

The following standards, which are reasonably expected to be applicable to Manitoba Liquor & Lotteries, have been issued but were not yet effective at the date of issuance of the consolidated financial statements.

(i) IAS 1 – *Presentation of Financial Statements* was amended in December 2014 as part of the IASB's major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016 and Manitoba Liquor & Lotteries is currently evaluating the impact of adoption of the amended standard.

(ii) IAS 7 – *Statement of Cash Flows* was amended in January 2016 as part of the IASB's major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2017 and Manitoba Liquor & Lotteries is currently evaluating the impact of adoption of the amended standard.

(iii) IFRS 9 – *Financial Instruments* introduces new requirements for the classification and measurement of financial instruments. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 – *Financial Instruments: Recognition and Measurement*, to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Requirements for the classification and measurement of financial liabilities are largely carried forward from existing IAS 39 requirements with the exception that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 also includes guidance on hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with certain exemptions. Manitoba Liquor & Lotteries is currently evaluating the impact of adoption of the new standard.

(iv) IFRS 15 – *Revenue from Contracts with Customers* was issued in May 2014 and supersedes existing standards and related interpretations including IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes*. IFRS 15 introduces a single model for recognizing revenue from contracts with customers in a manner that depicts the transfer of goods or services to customers in amounts that reflect the consideration to which the entity is expected to be entitled in exchange for those goods or services. The new standard is intended to enhance disclosures about revenue, provide guidance for transactions not previously addressed and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and Manitoba Liquor & Lotteries is currently evaluating the impact of adoption of the new standard.

FOR THE YEAR ENDED MARCH 31, 2016 (in thousands of Canadian dollars)

(v) IFRS 16 – *Leases* was issued in January 2016 and supersedes existing standard IAS 17 – *Leases* and related interpretations. IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, referred to as the customer (lessee) and the supplier (lessor). IFRS 16 introduces a single lessee accounting model, eliminating the classification of leases as either finance or operating and will require lessees to recognize assets and liabilities for most leases. The new standard does not substantially change lessor accounting requirements therefore lessors will continue to classify leases as operating or finance. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and Manitoba Liquor & Lotteries is currently evaluating the impact of adoption of the new standard.

5. Trade and Other Receivables

		2016		2015
Trade	$	40,274	$	44,579
Goods and Services Tax		4,169		4,151
Western Canada Lottery Corporation		1,479		3,062
	$	45,922	$	51,792

Manitoba Liquor & Lotteries' exposure to credit risk related to trade and other receivables is disclosed in note 18 (d).

6. Inventories

		2016		2015
Warehouse	$	33,301	$	34,174
Retail locations		16,398		15,640
Consumable supplies		171		168
	$	49,870	$	49,982

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $4,501 at the end of the 2016 fiscal year (2015 - $5,114).

7. Prepayments

		2016		2015
Maintenance contracts	$	2,824	$	2,361
Rent		963		928
Deposits and other		1,113		682
Insurance		335		564
	$	5,235	$	4,535

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2016 (in thousands of Canadian dollars)

8. Property and Equipment

	Land	Buildings, parking lots and roads	Leasehold improvements	Gaming equipment	Furniture and equipment	Assets related to C&M agreements	Work in progress (WIP)	Total
Cost								
April 1, 2014	$ 25,427	$ 222,925	$ 22,580	$ 201,156	$ 129,142	$ 24,606	$ 77,305	$ 703,141
Additions	-	17,943	2,702	8,629	6,720	9,757	11,256	57,007
Transfers from WIP	-	41,768	-	-	8,757	52	(50,577)	-
Disposals	-	(3,285)	(6)	(5,529)	(3,705)	(656)	-	(13,181)
March 31, 2015	25,427	279,351	25,276	204,256	140,914	33,759	37,984	746,967
Additions	845	9,811	2,797	23,032	6,099	329	19,894	62,807
Transfers from WIP	-	3,313	76	5,884	3,010	1,091	(13,374)	-
Disposals	-	(64)	(2,446)	(16,050)	(13,897)	(172)	-	(32,629)
March 31, 2016	**$ 26,272**	**$ 292,411**	**$ 25,703**	**$ 217,122**	**$ 136,126**	**$ 35,007**	**$ 44,504**	**$ 777,145**
Depreciation								
April 1, 2014	$ -	$ 105,295	$ 9,447	$ 100,387	$ 105,535	$ 17,326	$ -	$ 337,990
Depreciation	-	10,354	1,921	21,227	9,829	3,349	-	46,680
Disposals	-	(3,498)	(3)	(5,170)	(3,332)	(656)	-	(12,659)
March 31, 2015	-	112,151	11,365	116,444	112,032	20,019	-	372,011
Depreciation	-	8,916	2,342	24,256	10,055	4,138	-	49,707
Disposals	-	(64)	(2,446)	(13,599)	(13,896)	(172)	-	(30,177)
March 31, 2016	**$ -**	**$ 121,003**	**$ 11,261**	**$ 127,101**	**$ 108,191**	**$ 23,985**	**$ -**	**$ 391,541**
Net book value								
March 31, 2016	**$ 26,272**	**$ 171,408**	**$ 14,442**	**$ 90,021**	**$ 27,935**	**$ 11,022**	**$ 44,504**	**$ 385,604**
March 31, 2015	25,427	167,200	13,911	87,812	28,882	13,740	37,984	374,956

Capital assets related to C&M agreements consist primarily of the cost of the gaming equipment and related computer equipment for the First Nations Casinos and Shark Club Gaming Centre.

Property and equipment not yet in use is classified as work in progress and is stated at cost. No depreciation is recorded for these assets.

The amount of borrowing costs capitalized during the 2016 fiscal year was $143 (2015 - $180). The rate used to determine the amount of borrowing costs eligible for capitalization was 1.950%, the effective interest rate of the specific borrowing.

The net book value of buildings and parking lots held under finance leases at the end of the 2016 fiscal year is $3,355 (2015 - $3,634) and consists of land being used for parking facilities at the McPhillips Station Casino and the Video Lotto office building located in Morris, Manitoba.

FOR THE YEAR ENDED MARCH 31, 2016 (in thousands of Canadian dollars)

9. Intangible Assets

		Computer software - acquired
Cost		
April 1, 2014	$	37,926
Additions		2,242
Disposals		-
March 31, 2015		40,168
Additions		3,494
Disposals		(756)
March 31, 2016	**$**	**42,906**
Amortization		
April 1, 2014	$	19,826
Amortization		3,885
Disposals		-
March 31, 2015		23,711
Amortization		5,191
Disposals		(756)
March 31, 2016	**$**	**28,146**
Net book value		
March 31, 2016	**$**	**14,760**
March 31, 2015		16,457

10. Trade and Other Payables

		2016		2015
Trade	**$**	**71,015**	$	89,064
Employee benefits		**31,602**		27,067
Province of Manitoba taxes		**3,726**		3,115
Jackpot liability		**2,654**		2,504
	$	**108,997**	$	121,750

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2016 (in thousands of Canadian dollars)

11. Long-term Debt

		2016		2015
Province of Manitoba, bearing interest at rates ranging from 1.750% to 5.050%, repayable in monthly principal installments ranging from $6 to $685 plus interest with maturity dates ranging from August 31, 2016 to November 30, 2035.	$	**369,213**	$	330,889
Province of Manitoba, bearing interest at the prevailing Canadian Dealer Offered Rate plus 0.90%, repayable in quarterly principal installments of $550 plus interest until August 31, 2015.		**-**		1,100
Province of Manitoba, bearing interest at the prevailing Royal Bank Prime Rate less 0.75%, interest only payable quarterly. No fixed repayment schedule and maturity date.		**-**		10,000
Finance lease obligation to the Province of Manitoba, with a 7.630% implicit interest rate and annual minimum lease payments of $64 until January 1, 2017.		**41**		98
		369,254		342,087
Less current portion of long-term debt		**48,286**		41,871
	$	**320,968**	$	300,216

All long-term debt is unsecured and the fair market value at March 31, 2016 is $381,331.

Manitoba Liquor & Lotteries' exposure to liquidity risk related to long-term debt is disclosed in note 18 (c).

12. Settlement of Pension Liability

The predecessor entities Manitoba Lotteries and MLCC each maintained a defined benefit pension plan in accordance with the provisions of the CSSA administered by the Civil Service Superannuation Board. While Manitoba Lotteries was required to match contributions contributed to the Civil Service Superannuation Fund at prescribed rates, MLCC did not have a similar requirement. MLCC calculated the net defined benefit asset or liability as the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds) less the fair value of plan assets out of which obligations were to be settled. The cost of providing benefits under the MLCC defined benefit plan was actuarially determined on an annual basis using the projected unit credit method. Actuarial and experience gains and losses and the return on plan assets (excluding net interest) were recognized immediately in the statement of financial position with a corresponding debit or credit to other comprehensive income (loss) in the period in which they occurred.

Upon amalgamation, Manitoba Liquor & Lotteries has been designated as a matching employer for the purposes of the CSSA.

In accordance with the CSSA, Manitoba Liquor & Lotteries and the Civil Service Superannuation Board were given approval to settle the MLCC defined benefit obligation. The settlement was based on the actuarial valuation as at March 31, 2014 of the MLCC's share of benefits in respect of service during the period the MLCC was not required to make matching contributions. The payment of this actuarially measured liability deems the MLCC to have made matching contributions in respect of its employees for that period.

FOR THE YEAR ENDED MARCH 31, 2016 (in thousands of Canadian dollars)

The gain on settlement of the defined benefit obligation that occurred October 1, 2014 is calculated as follows:

MLCC defined benefit obligation, April 1, 2014	$	86,556
Net interest to date of settlement		317
Actuarially measured amount of plan assets required to settle pension liability		(59,649)
Pension liability remaining, October 1, 2014		(1,103)
Gain on settlement of pension liability	$	26,121

The pension liability remaining upon settlement represents the amount established for MLCC employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund.

The fair value of plan assets as at October 1, 2014 was $73,147.

Of this amount, $59,649 was used to settle the MLCC defined benefit obligation and the remaining $13,498 was transferred to Manitoba Liquor & Lotteries for its exclusive use.

Manitoba Liquor & Lotteries' provision for employee pension benefits as at March 31, 2016 is disclosed in note 13.

13.Provision for Employee Pension Benefits

Manitoba Liquor & Lotteries has a defined contribution money purchase pension plan and is a member of the multi-employer Civil Service Superannuation Fund. These two pension plans cover substantially all employees and both require contributions to be made to separately administered funds.

The pension expense related to Manitoba Liquor & Lotteries' contributions to the money purchase plan is $315 (2015 - $334) and is recorded in operating expenses.

The pension expense related to Manitoba Liquor & Lotteries' contributions to the multi-employer Civil Service Superannuation Fund is $8,143 (2015 - $7,942). Based on limited information available from the Civil Service Superannuation Fund, Manitoba Liquor & Lotteries has judged this information to be insufficient to properly allocate any potential pension plan deficits and is therefore not able to reliably determine its participation in any potential future deficit. As a result, Manitoba Liquor & Lotteries' contribution to the Civil Service Superannuation Fund is recorded in operating expenses.

Expected contributions for the 2017 fiscal year are $9,441.

Manitoba Liquor & Lotteries' share of the multi-employer plan accrued benefit obligation has been actuarially measured for accounting purposes as at March 31, 2016 using the accumulated benefit cost method prorated based on service, a discount rate of 3.80% (2015 - 3.60%) and management's best estimate of expected plan performance, salary escalation and retirement ages of employees.

A net pension liability of $522 comprised of the accrued benefit obligation of $5,174, net of the fair value of assets of $4,652, (2015 - $355 comprised of the accrued benefit obligation of $5,030, net of the fair value of assets of $4,675) has been established for employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund. A loss of $59 (2015 - $683) was experienced in the current year based on the most recently available actuarial assessment of pension obligations as at March 31, 2016 and is recognized in other comprehensive income (loss).

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2016 (in thousands of Canadian dollars)

14. Revenue, Cost of Sales and Expenses By Nature

Manitoba Liquor & Lotteries' revenue consists of the following:

	2016	2015
Liquor sales	**$ 752,882**	$ 719,773
VLT	**334,606**	320,881
Casino and online gaming	**217,278**	211,468
Non-gaming revenue	**22,586**	24,004
	$ 1,327,352	$ 1,276,126

Manitoba Liquor & Lotteries' cost of sales consists of the following:

	2016	2015
Liquor cost of sales	**$ 365,233**	$ 347,702
VLT commissions	**32,477**	31,401
Gaming direct expenses	**9,203**	7,529
Non-gaming cost of sales	**7,977**	8,833
	$ 414,890	$ 395,465

Gaming direct expenses consist primarily of costs associated with the operation and maintenance of the Manitoba Liquor & Lotteries electronic gaming equipment, table games equipment and online gaming site.

Non-gaming revenue and cost of sales consists primarily of revenue and costs associated with Manitoba Liquor & Lotteries' entertainment, food & beverage and casino retail store operations.

Manitoba Liquor & Lotteries' operating expenses by their nature are as follows:

	2016	2015
Employee benefits	**$ 159,796**	$ 147,435
Bank charges	**3,430**	3,540
Community support	**4,158**	3,808
Consultant and professional fees	**4,162**	3,388
Freight and delivery	**3,430**	3,343
Grants in lieu of taxes	**6,345**	5,488
Maintenance	**23,767**	19,235
Marketing and public awareness	**11,730**	12,154
Rents	**7,808**	7,306
Sundry	**2,642**	2,044
Supplies and equipment	**4,964**	5,369
Telecommunications	**3,624**	3,397
Transportation and vehicles	**1,587**	1,793
Utilities	**3,708**	3,612
	$ 241,151	$ 221,912

FOR THE YEAR ENDED MARCH 31, 2016 (in thousands of Canadian dollars)

15. Share of Profit of WCLC

	2016	2015
Revenue	**$ 248,698**	$ 214,411
Prizes, commissions and other cost of sales	**172,783**	150,230
WCLC partner equalization	**4,372**	4,605
Payment to Government of Canada	**2,277**	2,306
Profit	**$ 69,266**	$ 57,270

The WCLC earned revenue in the 2016 fiscal year in the amount of $1,480,442 (2015 - $1,233,842), of which Manitoba Liquor & Lotteries' share calculated based on relative sales levels by jurisdiction is 17% (2015 - 17%). The WCLC's total profit for the 2016 fiscal year was $506,582 (2015 - $410,096) of which Manitoba Liquor & Lotteries' share is 14% (2015 - 14%).

The Province of Manitoba is a member in the WCLC. An agreement is in place with the Provinces of Alberta and Saskatchewan where Manitoba Liquor & Lotteries provides economic benefit equalization specific to salary costs of head office employees residing in Manitoba.

Effective January 1, 1980 the Government of Canada terminated its involvement in lotteries. In return, the ten provinces are to contribute an annual sum of $24,000, adjusted for inflation, to the federal government.

16. Allocations and Payments

	2016	2015
LGA funding and Crown Corporations Council levy	**$ 5,218**	$ 4,552
First Nations allocation	**48,627**	43,825
Tourism contribution	**24,016**	23,436
Social responsibility funding	**9,834**	9,770
Casino bingo volunteer program and other community funding	**4,637**	4,053
	$ 92,332	$ 85,636

Manitoba Liquor & Lotteries provides funding to the Liquor and Gaming Authority of Manitoba (LGA) through the payment of annual licence fees for employees, electronic gaming devices and retail liquor locations; as well as additional amounts directed to be paid under *The Liquor and Gaming Control Act*. Manitoba Liquor & Lotteries also provides funding to the Crown Corporations Council through the payment of an annual levy.

First Nations VLT siteholders receive an allocation of VLT revenue to provide sustainable social and economic benefits and opportunities within the siteholders' communities in Manitoba.

Manitoba Liquor & Lotteries provides contributions towards supporting tourism in Manitoba through the VLT program.

Social responsibility funding includes amounts paid to the Addictions Foundation of Manitoba and other organizations for their research and programming that promote responsible gaming and responsible liquor consumption. Manitoba Liquor & Lotteries is required to allocate 2% of annual anticipated consolidated net income and comprehensive income to social

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2016 (in thousands of Canadian dollars)

responsibility initiatives. Any liability associated with this funding is included in trade and other payables.

Manitoba Liquor & Lotteries provides charitable and community organizations the opportunity to raise funds for their organizations by assisting in the bingo events held at its casinos and by providing funding to various community groups throughout Manitoba.

17. Commitments and Contingencies

(a) Lease obligations

Manitoba Liquor & Lotteries has entered into commercial leases on certain buildings and parking lots which have an average remaining term of 1 to 18 years. In addition, Manitoba Liquor & Lotteries has entered into commercial leases on certain motor vehicles which have a remaining term ranging between 1 to 3 years. The future minimum rental payments relating to operating leases are as follows:

2017	$	7,289
2018		6,565
2019		6,017
2020		5,806
2021		5,354
Subsequent years		31,061
	$	62,092

(b) Legal claims

Incidental to the nature of its business, Manitoba Liquor & Lotteries is defending various pending legal actions and claims. While the outcome of these claims cannot be determined, management is of the opinion that the appropriate adjustments have been made in the accounts, and the ultimate outcome will not have a material adverse effect on the financial position of Manitoba Liquor & Lotteries.

(c) Purchase commitments

At the end of the 2016 fiscal year, Manitoba Liquor & Lotteries had purchase commitments of $20,973 related to head office relocation, and casino and retail liquor store construction projects.

18. Financial Instruments

Manitoba Liquor & Lotteries is exposed to interest rate, currency, liquidity and credit risks arising from financial assets and liabilities. Manitoba Liquor & Lotteries' objectives in managing these risks are to protect from volatility and to minimize exposure from fluctuations in market rates and does so through a combination of a system of internal and disclosure controls, effective cash management strategies and sound business practices.

Risk management policies have been established to identify and analyze the risks faced by Manitoba Liquor & Lotteries, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Manitoba Liquor & Lotteries' management oversees the management of these risks in accordance with the risk management policies and framework approved by the Board of Directors.

(a) Interest rate risk

Interest rate risk is the risk to Manitoba Liquor & Lotteries' income that arises from fluctuations in interest rates and the degree of volatility of these rates. Manitoba Liquor & Lotteries does not use derivative instruments to reduce its exposure to interest rate risk, though risks associated with interest rate fluctuations are mitigated based on 100% (2015 - 97%) of long-term debt having a fixed interest rate.

FOR THE YEAR ENDED MARCH 31, 2016 (in thousands of Canadian dollars)

(b) Currency risk

Manitoba Liquor & Lotteries is exposed to currency risk through liquor inventory purchase transactions that require settlement in foreign currencies. Exposure to fluctuations in exchange rates is mitigated by the policy of adjusting purchase or selling prices to maintain approved liquor profit margins. Purchases denominated in foreign currencies during the 2016 fiscal year were $9,933 (2015 - $10,826). Accordingly, a 10% increase or decrease in the exchange rate between the Canadian dollar and other foreign currencies would result in a total increase or decrease of $993 (2015 - $1,083) assuming the inventory purchased had been sold by the end of the year.

(c) Liquidity risk

Liquidity risk is the risk that Manitoba Liquor & Lotteries will encounter difficulties in meeting its financial liability obligations. Manitoba Liquor & Lotteries manages this risk through effective cash and long-term debt management. Trade and other payables are due within one year and a significant portion of the long-term debt is repayable in either quarterly or monthly installments. Liquidity risk is further mitigated by collection terms on trade and other receivables being set at less than or equal to the payment terms of trade and other payables.

The table below summarizes the maturity profile of Manitoba Liquor & Lotteries' financial liabilities as at year-end based on contractual undiscounted payments.

2016	**On demand**	**Less than 1 year**	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**> 5 years**
Trade and other payables	**$ 2,654**	**$ 106,343**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Payable to the Province of Manitoba	**-**	**55,671**	**-**	**-**	**-**	**-**	**-**	**-**
Long-term debt	**-**	**48,286**	**46,068**	**44,004**	**41,084**	**29,915**	**29,875**	**130,022**
	$ 2,654	**$ 210,300**	**$ 46,068**	**$ 44,004**	**$ 41,084**	**$ 29,915**	**$ 29,875**	**$ 130,022**

2015	On demand	Less than 1 year	1 year	2 years	3 years	4 years	5 years	> 5 years
Trade and other payables	$ 2,504	$ 119,246	$ -	$ -	$ -	$ -	$ -	$ -
Payable to the Province of Manitoba	-	69,978	-	-	-	-	-	-
Long-term debt	-	41,871	40,701	38,483	36,419	33,499	22,450	128,664
	$ 2,504	$ 231,095	$ 40,701	$ 38,483	$ 36,419	$ 33,499	$ 22,450	$ 128,664

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2016 (in thousands of Canadian dollars)

(d) Credit risk

Credit risk is the risk to Manitoba Liquor & Lotteries that a counterparty will fail to perform its obligations or pay amounts due causing a financial loss. Manitoba Liquor & Lotteries mitigates this risk through centralized credit management and collection practices and, where applicable, the establishment of a reasonable allowance for non-collectible amounts which is netted against trade and other receivables. Trade and other receivables are non-interest bearing and generally have 30 day terms. The requirement for impairment is analyzed at each reporting date for every customer on an individual basis and trade and other receivables are written off when management determines that they cannot be collected. The maximum credit risk exposure is the carrying value of each class of financial asset disclosed in note 5 and it is management's opinion that Manitoba Liquor & Lotteries does not have significant concentration risk.

The aging of trade and other receivables at the end of the 2016 fiscal year is as follows:

Neither impaired nor past due	$	45,446
Not impaired and past due as follows:		
Within 30 days		136
31 to 60 days		89
61 to 90 days		86
Over 90 days		165
Allowance for doubtful accounts		-
	$	45,922

(e) Capital management

Manitoba Liquor & Lotteries' capital is comprised of long-term debt and equity. Manitoba Liquor & Lotteries' objectives when managing its capital structure are to continue its ability to meet its financial obligations and to finance growth and capital expenditures. These objectives are considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget and have remained unchanged over the fiscal years presented.

Manitoba Liquor & Lotteries is subject to capital growth restrictions as the result of the requirement to allocate 100% of annual consolidated net income and comprehensive income to the Province of Manitoba.

(f) Fair value

The fair value of Manitoba Liquor & Lotteries' financial instruments on initial recognition is the transaction price, which is the value of the consideration given or received.

Financial instruments recognized at fair value must be classified in one of the following three fair value hierarchy levels:

Level 1 - measurement based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - measurement based on inputs other than quoted prices included in level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - measurement based on inputs that are not observable (supported by little or no market activity) and that are significant to the fair value of the assets or liabilities.

FOR THE YEAR ENDED MARCH 31, 2016 (in thousands of Canadian dollars)

Manitoba Liquor & Lotteries' financial instruments consist of cash, trade and other receivables, trade and other payables, payable to the Province of Manitoba and long-term debt. Unless otherwise stated, the fair value of Manitoba Liquor & Lotteries' financial instruments approximates their carrying value.

Financial instruments recorded at fair value, classified using the fair value hierarchy, are as follows:

2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	**$ 38,053**	**$ -**	**$ -**	**$ 38,053**
	$ 38,053	**$ -**	**$ -**	**$ 38,053**

2015	Level 1	Level 2	Level 3	Total
Cash	$ 41,448	$ -	$ -	$ 41,448
	$ 41,448	$ -	$ -	$ 41,448

19. Related Party Disclosures

Manitoba Liquor & Lotteries is related to various other government agencies, ministries and Crown corporations under the common control of the Government of Manitoba. All transactions with these related parties are in the normal course of operations and are measured at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year-end are unsecured and settlement occurs in cash.

These transactions include long-term debt with the Province of Manitoba as disclosed in note 11 of these consolidated financial statements.

Compensation of key management personnel of Manitoba Liquor & Lotteries, which is recognized as an operating expense during the year, is as follows:

	2016	2015
Short-term employee benefits	**$ 2,477**	$ 2,264
Post-employment pension and medical benefits	**159**	136
Termination benefits	**189**	100
	$ 2,825	$ 2,500

20. Comparative Figures

Comparative figures are presented where available. The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year's consolidated financial statements.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements are the responsibility of management and are prepared in accordance with International Financial Reporting Standards. The financial information contained elsewhere in the annual report is consistent with that in the financial statements. The financial statements necessarily include amounts that are based on management's best estimate and judgments which have been reached based on careful assessment of data available through the Corporation's information systems. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the Corporation.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by the Internal Audit Department.

The financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit, Finance and Risk Committee (the "Committee"), which consists primarily of Directors not involved in the daily operations of the Corporation.

The general responsibilities of the Committee are categorized into the following: review of financial reporting, review of internal controls and processes, review of actuarial functions, monitoring of corporate integrity, compliance with authorities and review of performance reporting. The Committee's role is that of oversight in these areas in order to ensure management processes are in place and functioning so as to identify and minimize risks to the business operations.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Corporation's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

The Committee is responsible for the review of the actuarial function. As well, the Committee recommends, for approval, the appointment of the external actuary and their fee arrangements to the Board of Directors. The Appointed Actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy and claims liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. In addition, the Appointed Actuary provides an opinion regarding the valuation of policy and claims liabilities at the balance sheet date to meet all policyholder obligations of the Corporation. Examination of supporting data for accuracy and completeness of assets and their ability to meet the policy and claims liabilities are important elements in forming the Appointed Actuary's opinion.

PricewaterhouseCoopers LLP, the Corporation's appointed external auditors, have audited the financial statements. Their Independent Auditors' Report is included herein. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position of the Corporation in accordance with International Financial Reporting Standards.

Original Document Signed

Dan Guimond
President and Chief Executive Officer

Original Document Signed

H. D. Reichert, FCPA, FCA
Vice-President, Finance and Chief Financial Officer

May 26, 2016

May 26, 2016

Independent Auditor's Report

To the Directors of
Manitoba Public Insurance Corporation

We have audited the accompanying financial statements of Manitoba Public Insurance Corporation which comprise the statement of financial position as at February 29, 2016 and the statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Public Insurance Corporation as at February 29, 2016 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

PricewaterhouseCoopers LLP
Richardson Building, One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 (204) 926 2400, F: +1 (204) 944 1020

J. S. CHENG & PARTNERS INC.
JSCP
ACTUARIES Who Care™

ACTUARY'S REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities and reinsurance recoverables of Manitoba Public Insurance Corporation for its statements of financial position at February 29, 2016 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice in Canada including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance recoverables makes appropriate provision for all policy obligations and the financial statements fairly present the results of the valuation.

Original Document Signed

Joe S. Cheng
Fellow, Canadian Institute of Actuaries

Toronto, Ontario

May 26, 2016

Financial Statements

Statement of Financial Position

As At February 29/28 (in thousands of Canadian dollars)	Notes	2016	2015
Assets			
Cash and cash equivalents	4	**37,322**	68,882
Investments	4	**2,455,622**	2,491,176
Investment property	4&5	**42,206**	42,417
Due from other insurance companies	6	**45**	443
Accounts receivable	28	**423,918**	387,909
Prepaid expenses		**2,318**	537
Deferred policy acquisition costs	7	**28,844**	24,014
Reinsurers' share of unearned premiums	14&17	**115**	79
Reinsurers' share of unpaid claims	17&18	**6,445**	8,118
Property and equipment	8	**115,652**	122,385
Deferred development costs	9	**78,430**	69,089
		3,190,917	3,215,049
Liabilities			
Due to other insurance companies	10	**178**	1
Accounts payable and accrued liabilities	11	**66,035**	62,287
Financing lease obligation	12	**4,281**	4,364
Unearned premiums and fees	14	**560,548**	527,121
Provision for employee current benefits	15	**22,685**	22,164
Provision for employee future benefits	16	**378,117**	391,119
Provision for unpaid claims	17&18	**1,769,110**	1,786,566
		2,800,954	2,793,622
Equity			
Retained Earnings	20	**346,736**	378,050
Accumulated Other Comprehensive Income	21	**43,227**	43,377
Total Equity		**389,963**	421,427
		3,190,917	3,215,049

Contingent Liabilities (note 32)

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

Approved by the Board of Directors:

Original Document Signed

Brent VanKoughnet
Chairperson

Original Document Signed

Domenic Grestoni, CPA, CGA
Chair Audit, Finance and Risk Committee

Statement of Operations

For the years ended February 29/28 (in thousands of Canadian dollars)	Notes	2016	2015
Earned Revenues			
Gross premiums written		**1,119,774**	1,044,356
Premiums ceded to reinsurers		**(16,588)**	(17,801)
Net premiums written		**1,103,186**	1,026,555
(Increase) decrease in gross unearned premiums		**(33,040)**	(24,803)
Increase (decrease) in reinsurers' share of unearned premiums		**36**	18
Net premiums earned		**1,070,182**	1,001,770
Service fees & other revenue	22	**30,980**	28,097
The Drivers and Vehicles Act operations recovery	23	**27,900**	27,900
Total Earned Revenues		**1,129,062**	1,057,767
Claims Costs			
Direct claims incurred - gross		**771,691**	843,632
Claims (recovered) incurred ceded to reinsurers		**(1,066)**	1,243
Net claims incurred		**770,625**	844,875
Claims expense		**134,511**	134,247
Loss prevention/Road safety		**15,316**	13,775
Total Claims Costs		**920,452**	992,897
Expenses			
Operating		**121,821**	121,791
Commissions		**77,076**	77,109
Premium taxes		**32,602**	30,587
Regulatory/Appeal		**3,694**	3,955
Total Expenses		**235,193**	233,442
Underwriting loss		**(26,583)**	(168,572)
Investment income (loss)	4	**(4,731)**	226,150
Net income (loss) from operations	24	**(31,314)**	57,578

Statement of Comprehensive Income (Loss)

For the years ended February 29/28 (in thousands of Canadian dollars)	Notes	2016	2015
Net income (loss) from operations	24	**(31,314)**	57,578
Other Comprehensive Income (Loss)	16&21		
Items that will not be reclassified to income			
Remeasurement of Employee Future Benefits		**32,395**	(40,099)
Items that will be reclassified to income			
Unrealized gains (losses) on Available for Sale assets		**(66,316)**	34,689
Reclassification of net realized (gains) losses related to Available for Sale assets		**33,771**	(28,064)
Net unrealized gains (losses) on Available for Sale assets		**(32,545)**	6,625
Other Comprehensive Loss for the year		**(150)**	(33,474)
Total Comprehensive Income (Loss)		**(31,464)**	24,104

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

Statement of Changes in Equity

(in thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Income	Equity
Balance as at March 1, 2014	320,472	76,851	397,323
Net income from operations for the year	57,578	-	57,578
Other comprehensive loss for the year	-	(33,474)	(33,474)
Balance as at February 28, 2015	378,050	43,377	421,427
Net loss from operations for the year	(31,314)	-	(31,314)
Other comprehensive loss for the year	-	(150)	(150)
Balance as at February 29, 2016	**346,736**	**43,227**	**389,963**

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

Statement of Cash Flows

For the years ended February 29/28 (in thousands of Canadian dollars)	Notes	2016	2015
Cash Flows from (to) Operating Activities:			
Net income (loss) from operations		**(31,314)**	57,578
Non-cash items:			
Depreciation of property and equipment		**5,670**	6,534
Amortization of deferred development costs		**11,506**	16,575
Amortization of bond discount and premium		**3,754**	1,807
Gain on sale of investments		**(14,778)**	(55,984)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		**76,744**	(75,691)
Unrealized gain on pooled real estate		**(12,713)**	(11,927)
Unrealized gain on investment in infrastructure		**(6,375)**	(5,562)
Impairment of available for sale investments		**33,375**	830
		65,869	(65,840)
Net change in non-cash balances:			
Due from other insurance companies		**398**	3,637
Accounts receivable and prepaid expenses		**(37,790)**	(53,260)
Deferred policy acquisition costs		**(4,830)**	728
Reinsurers' share of unearned premiums and unpaid claims		**1,637**	16,605
Due to other insurance companies		**177**	(1,933)
Accounts payable and accrued liabilities		**3,748**	(739)
Unearned premiums and fees		**33,427**	29,310
Provision for employee current benefits		**521**	364
Provision for employee future benefits		**19,393**	17,882
Provision for unpaid claims		**(17,456)**	77,852
		(775)	90,446
		65,094	24,606
Cash Flows from (to) Investing Activities:			
Purchase of investments		**(1,055,166)**	(1,023,478)
Proceeds from sale of investments		**981,785**	996,755
Acquisition of property and equipment net of proceeds from disposals		**(2,343)**	(5,069)
Financing lease obligation		**(83)**	(61)
Deferred development costs incurred		**(20,847)**	(17,079)
		(96,654)	(48,932)
Decrease in Cash and Cash Equivalents		**(31,560)**	(24,326)
Cash and cash equivalents beginning of year		**68,882**	93,208
Cash and Cash Equivalents end of year	*4*	**37,322**	68,882
Supplemental cash flow information:			
Interest received		**50,052**	49,120
Dividends received		**16,963**	29,581

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

Notes to Financial Statements

February 29, 2016

1. STATUS OF CORPORATION

The Manitoba Public Insurance Corporation (the "Corporation") was incorporated as a Crown Corporation under *The Automobile Insurance Act* in 1970. The Corporation is owned by the Province of Manitoba and the financial results of the Corporation are included in the consolidated financial statements of the Province of Manitoba. In 1974, *The Automobile Insurance Act* was revised and became *The Manitoba Public Insurance Corporation Act* (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba. The address of the Corporation's registered office is 234 Donald Street, Winnipeg, Manitoba.

Under the provisions of its Act and regulations, the Corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for basic universal compulsory automobile insurance, extension and special risk coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies. For financial reporting purposes, due to the immateriality of the financial results of the discontinued general insurance operations, the operations are reported as part of the Special Risk Extension line of business. The basic universal compulsory automobile insurance line of business rates are approved by the Public Utilities Board of Manitoba.

Under *The Drivers and Vehicles Act* (DVA), the Corporation is responsible for DVA operations pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services.

2. BASIS OF REPORTING

Statement of Compliance

The financial statements of the Corporation are in such form as prescribed by Section 43(1) of *The Manitoba Public Insurance Corporation Act* and are presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements were authorized for issue by the Board of Directors on May 26, 2016.

The external actuary is appointed by the Board of Directors of the Corporation. With respect to preparation of these financial statements, the Appointed Actuary is required to carry out a valuation of the insurance contract liabilities and to report thereon to the Corporation's Board of Directors. Insurance contract liabilities include unearned premiums and unpaid claims and adjustment expenses.

The Appointed Actuary also uses the work of the external auditors in their verification of the information prepared by the Corporation used in the valuation of the insurance contract liabilities.

The external auditors are appointed by the Lieutenant Governor in Council to conduct an independent and objective audit of the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors also make use of the work of the Appointed Actuary and their report on the Corporation's insurance contract liabilities. The external auditors' report outlines the scope of their audit and their opinion.

Basis of Presentation

The Corporation presents its Statement of Financial Position broadly in order of liquidity.

The following balances are generally classified as current: cash and cash equivalents, investments, due to/from other insurance companies, accounts receivable, prepaid expenses, deferred policy acquisition costs, reinsurers' share of unearned premiums and unpaid claims, accounts payable and accrued liabilities, unearned premiums and provision for employee current benefits.

The following balances are generally classified as non-current: investment property, property and equipment, deferred development costs, financing lease obligation, provision for employee future benefits and provision for unpaid claims.

These statements are presented in thousands of Canadian dollars which is the Corporation's functional and presentational currency except as otherwise specified.

Seasonality

The automobile insurance business, which reflects the primary business of the Corporation, is seasonal in nature. While net premiums earned are generally stable from quarter to quarter, underwriting income is typically highest in the first and second quarter of each year and lowest in the fourth quarter of each year. This is driven mainly by weather conditions which may vary significantly between quarters.

Basis of Measurement

The Corporation prepares its financial statements as a going concern, using the historical cost basis, except for financial instruments and insurance contract liabilities and reinsurers' share of unpaid claims. Measurement of the financial instruments is detailed in Note 3. Insurance contract liabilities and reinsurers' share of unpaid claims are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy for fair value) as explained in Note 3.

Estimates and Judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary outlines those accounting policies followed by the Corporation that have a significant effect on the financial statements.

Changes in Accounting Policies

IAS 19R - Employee Benefits

In November 2013, the IASB issued a narrow scope amendment to IAS 19R. The amendment applies to contributions from employees or third parties to defined benefit plans. The amendment allows contributions independent of the number of years of service to be recognized as a reduction in the service cost in the period in which the related service is rendered instead of attributed to period of service using the same attribution method as used for the gross benefit. The Corporation has determined that there is no material impact on its financial statements.

Annual Improvement Cycles

The annual improvement cycles for 2010-2012 and 2011-2013 were issued by the IASB and included minor amendments to IFRS 1 - *First-time Adoption of International Financial Reporting Standards*, IFRS 3 - *Business Combinations*, IFRS 8 - *Operating Segments*, IFRS 13 - *Fair Value Measurement*, IAS 16 - *Property, Plant and Equipment*, IAS 24 - *Related Party Disclosures*, IAS 38 - *Intangible Assets* and IAS 40 - *Investment Property*. The Corporation has determined that there is no material impact on its financial statements.

Investments

Funds available for investments are managed by the Department of Finance, on behalf of the Corporation, in accordance with Section 12(1) of *The Manitoba Public Insurance Corporation Act*.

The Corporation's directly held real estate investments are recorded at cost and are being depreciated over their estimated useful life.

The Corporation has classified or designated its financial assets and liabilities in the following categories:

- available for sale (AFS)
- held to maturity (HTM)
- financial assets and liabilities at fair value through profit or loss (FVTPL)
- loans and receivables
- other financial liabilities

The Corporation accounts for the purchase and sale of securities using settlement date accounting.

i) AFS Financial Assets

AFS financial assets are initially measured at fair value on the Statement of Financial Position starting on the settlement date. Subsequent to initial recognition, AFS assets are carried at fair value with changes in fair value recorded in Other Comprehensive Income (OCI) until the asset is disposed of, or has become impaired. As long as an AFS asset is held and not impaired, the gains and losses are not recognized in the Statement of Operations. When the asset is disposed of, or has become impaired, the gain or loss is recognized in the Statement of Operations and the amount is deducted from OCI.

Transaction costs related to AFS financial assets are capitalized on initial recognition.

ii) HTM Financial Assets

HTM financial assets are carried at amortized cost on the Statement of Financial Position starting on the settlement date.

Transaction costs related to financial assets and liabilities classified as HTM are capitalized on initial recognition, when applicable.

iii) FVTPL Financial Assets

FVTPL financial assets are carried at fair value on the Statement of Financial Position starting on the settlement date and the changes in fair value are recorded in the Statement of Operations.

The fair values of FVTPL bonds including federal, provincial, certain municipal, certain hospitals, other provinces and corporations are estimated based on bid prices of these or similar investments.

Transaction costs related to FVTPL financial assets are recognized in the Statement of Operations on initial recognition.

Loans and Receivables

Accounts receivable and due from other insurance companies are designated as loans and receivables and are carried at amortized cost using the effective interest method. These receivables include financing plans for customers using interest rates set at the prime rate of the Corporation's principal banker plus 2.0% and updated at each fiscal quarter. The interest rate for a customer remains unchanged throughout the term of the policy.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash, current operating accounts, provincial short term deposits (less than 90 days at the time of purchase) and funds held in trust on behalf of other insurance companies and are designated as AFS.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- It is becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

When an AFS asset is considered to be impaired, cumulative gains or losses previously recognized in OCI are reclassified to profit or loss in the period. Subsequent declines in value continue to be recorded through profit and loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in OCI.

Derecognition of Financial Assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial Liabilities

All financial liabilities are designated as other financial liabilities and are recorded in the Statement of Financial Position at amortized cost. Financial liabilities include:

- Due to other insurance companies and Accounts payable and accrued liabilities which are all current liabilities; and
- Financing lease obligation which is a non-current liability, payable over the life of the lease.

The carrying value of the Corporation's financial liabilities approximates their fair value.

Derivatives

The Corporation uses currency swaps to manage the currency risk on specific foreign exchange denominated assets. Any gains or losses are recorded in the Statement of Operations under the heading "Investment income," on a fair value basis.

A currency swap is a contractual agreement for specified parties to exchange the cash flow of one currency for a fixed cash flow of another currency.

Fair Value Determination

The fair values of financial instruments are obtained from external pricing services and are based on bid prices for financial assets. Cash equivalent investments comprise investments due to mature within 90 days from the date of purchase and are carried at fair value. Refer to Note 4 for further information on the fair value of financial instruments.

Deferred Policy Acquisition Costs

To the extent premium acquisition costs such as commissions and premium taxes are recoverable from unearned premiums, they are deferred and amortized to income over the term of the related policies.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Replacement costs are capitalized when incurred and if it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All repairs and maintenance costs are recognized in net income (loss) during the period in which they occur.

Depreciation is provided on a straight-line basis which will depreciate the cost of each asset to its residual value over its estimated useful life:

Land & Building

• HVAC systems	20 years
• land improvements	25 years
• roofing systems	30 years
• elevators/escalators	30 years
• buildings	40 years

Furniture & Equipment

• computer equipment	3 years
• vehicles	5 years
• furniture and equipment	10 years

Buildings held under a long-term lease arrangement are depreciated on a straight-line basis over 40 years. Leasehold improvements are carried at cost and are depreciated over the term of the lease plus the first renewal period. Depreciation of construction in progress will begin, in accordance with the above policy, when construction has been completed. Land is not subject to depreciation and is carried at cost.

Investment Property

In the determination of what constitutes investment property relative to property and equipment, the Corporation has considered the intended use of the property, the ability to sell the property, and the ability of the Corporation to lease the property or a portion of the property under a finance lease.

The Corporation's investment property, which is property held to earn rentals and/or capital appreciation, is measured initially at its cost, including transaction costs. The Corporation has elected to use the cost model to subsequently value its investment property. Therefore, the investment property's carrying amount is valued at cost less accumulated depreciation and impairment losses. Depreciation is based on the useful life of each component of the investment property along with the property's residual value. The Corporation assesses its investment property for impairment on an annual basis in accordance with the impairment test guidance set forth in IAS 36, *Impairment of Assets*.

Depreciation is provided on a straight-line basis which will depreciate the cost of each asset to its residual value over its estimated useful life:

• HVAC systems	20 years
• roofing systems	30 years
• elevators/escalators	30 years
• buildings	40 years

Tenant improvements are carried at cost and are depreciated over the term of the lease plus the first renewal period. Depreciation of construction in progress will begin, in accordance with the above policy, when construction has been completed and the investment property is deemed available for use. Land is not subject to depreciation and is carried at cost.

Deferred Development Costs (Intangible Assets)

The costs of developing major information systems that are expected to provide an economic benefit to the Corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and accumulated impairment losses and are amortized on a straight-line basis over five years.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditures are recognized in income or loss in the period in which they are incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

Impairment of Tangible and Intangible Assets (Other Than Financial Assets)

When specific events or circumstances arise, the Corporation reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Manitoba Public Insurance as a Lessee

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the commencement of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease liability.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Manitoba Public Insurance as a Lessor

Manitoba Public Insurance leases retail, office and parking space in cityplace properties, a building and parking facilities owned by Manitoba Public Insurance. All of these leases are considered operating leases.

Revenue

Premiums

Written premiums comprise the premiums on contracts commencing in the fiscal year. Earned premiums represent the portion of written premiums earned through the year on a prorata basis by way of insurance coverage. Written and earned premiums are stated gross of commissions and premium taxes payable and are reported on a gross basis and net of amounts ceded to reinsurance companies.

Unearned Premiums

The liability for unearned premiums is the portion of premiums that relate to the unexpired term of each insurance contract.

Interest Revenue

Interest revenue is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment Income

Investment income is recorded as it accrues. Dividend income from investments is recognized when the Corporation's rights to receive payments is established. Dividend income on common and preferred shares is recorded on the ex-dividend date. Distributions on pooled funds are recorded on the income distribution date. Gains and losses are determined and recorded as at the trade date, and are calculated on the basis of average cost. The effective interest rate method is used to amortize premiums or discounts on the purchase of bonds.

Realized Gains and Losses

The realized gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortized cost as appropriate.

The realized gain or loss on disposal of property and equipment is the difference between the proceeds received, net of transaction costs, and its original cost or depreciated cost as appropriate.

Unrealized Gains and Losses

Unrealized gains or losses represent the difference between the carrying value at the year-end and the carrying value at the previous year-end or purchase value during the year, less the reversal of previously recognized unrealized gains or losses in respect of disposals during the year.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for Employee Current Benefits

The provision for employee current benefits includes accruals for vacation pay and sick pay determined in accordance with the Collective Agreement.

Provision for Employee Future Benefits

Included in the provision for employee future benefits are the pension benefit plan and other benefit plans.

i. Pension Benefit Plan

The employees of the Corporation are members of a defined benefit pension plan administered under *The Civil Service Superannuation Act.* Included in the accounts is a provision for the employer's future pension liability calculated on an indexed basis. The provision for pension is actuarially determined on an annual basis using the projected benefit method prorated on services. The actuarial present value of the accrued pension benefits is measured using the Corporation's best estimates based on assumptions relating to market interest rates at the measurement date based on high quality debt instruments, salary changes, withdrawals and mortality rates. Changes in experience gains and losses are recognized in the current period. Current service costs and interest costs are recognized in net income in the current period. Actuarial gains and losses are recognized in OCI in the current period.

The Corporation values its pension benefit plan annually, the most recent valuation is at December 31, 2015. Roll-forward procedures are performed to ensure that the December 31, 2015 valuation is a reliable estimate of the valuation at February 29, 2016.

ii. Other Benefit Plans

Other benefit plans consist of two post-retirement extended health plans and severance pay benefits.

The provision for post-retirement extended health benefits is actuarially determined on an annual basis using the projected benefit method prorated on services, which includes the Corporation's best estimates based on assumptions relating to retirement ages of employees and expected health costs. Changes in experience gains and losses are recognized in the current period. Current service costs and interest costs are recognized in net income in the current period. Actuarial gains and losses are recognized in OCI in the current period.

Employees of the Corporation are entitled to severance pay in accordance with the Collective Agreement and Corporate policy. The provision for severance pay is actuarially determined on an annual basis using the projected benefit method prorated on services, without salary projection, which includes the Corporation's best estimates based on assumptions relating to the proportion of employees that will ultimately retire.

Provision for Unpaid Claims

IFRS 4, *Insurance Contracts* permits the continued use of insurance liability valuation methods previously used under pre-IFRS Canadian Generally Accepted Accounting Principles (GAAP). The Corporation establishes reserves for payment of claims and adjustment expenses that arise from the Corporation's insurance products. The reserve balance represents the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the reporting date. There are two categories of loss reserves: (1) reserves for reported losses and (2) reserves for incurred but not yet reported (IBNR) losses. In addition, reserves are set up for internal loss adjustment expenses, which include estimated internal costs and other expenses that are expected to be incurred to finalize the settlement of the losses. The Corporation discounts its liabilities for unpaid claims and includes a provision for adverse deviations. Liabilities for unpaid claims are estimated using the input of assessment for individual cases reported to the Corporation and statistical analyses for the claims incurred but not reported. Claims and adjustment expenses are charged to income as incurred.

All of the Corporation's insurance policies meet the definition of an insurance contract and have been accounted for in accordance with IFRS 4.

Reinsurers' share of unpaid claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant reinsurance contracts.

Liability Adequacy Test

At each reporting period, insurance liability adequacy tests are performed to ensure the adequacy of the contract liabilities, net of related Deferred Policy Acquisition Costs (DPAC) and Reinsurers' Share of Unpaid Claims. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. A premium deficiency exists when estimated future claims and related expenses exceed unearned premiums. Any resulting deficiency is recognized first by writing down the DPAC with any remainder recognized as a premium deficiency in unpaid claims.

Salvage and Subrogation

Recoveries from salvage and subrogation are recorded as an offset to claims costs. Expected future subrogation recoveries are included in the provision for unpaid claims.

Structured Settlements

In the normal course of tort claims adjudication, the Corporation settles certain long-term claims losses through the purchase of annuities under structured settlement arrangements with life insurance companies. As the Corporation does not retain any interest in the related insurance contract and obtains a legal release from the claimant, any gain or loss on the purchase of the annuity is recognized in the Statement of Operations at the date of purchase and the related claims liabilities are derecognized. While, the Corporation remains exposed to the credit risk that the life insurance companies may fail to fulfill their obligations, management believes this risk to be remote.

Allocation of Revenue, Claims Incurred and Expenses

Premiums written, premiums earned and claims incurred are allocated directly to the division writing the insurance risk.

Service fees and other revenue are allocated to the automobile insurance division lines of business and *The Drivers and Vehicles Act* operations on the following basis:

i. Identifiable direct service fees and other revenue are allocated to each line of business.

ii. Where direct allocation is not possible, service fees and other revenue are prorated to each line of business based mainly on factors such as premiums written ratios, expense allocation ratios and investment income allocation ratios. The formulas developed for the allocation of service fees and other revenue are approved by the Board of Directors.

Investment income is allocated to the automobile insurance division lines of business, *The Drivers and Vehicles Act* operations and the discontinued general insurance division based on a monthly averaging of the funds available within each division.

Expenses, including claims expense, are allocated to the automobile insurance division lines of business and *The Drivers and Vehicles Act* operations on the following basis:

i. Identifiable direct expenses are charged to each line of business.

ii. Where direct allocation is not possible, expenses are prorated to each line of business based mainly on factors such as space, number of employees, time usage, Contact Centre statistics, premiums written ratios and net claims incurred ratios. The basis for allocation of indirect shared expenses is approved by the Board of Directors.

iii. The allocation of improvement initiative costs is based on a review of each project to determine which line of business will benefit from the project. The allocation basis for each project is approved by the Board of Directors.

Reinsurance Ceded

Premiums, claims and expenses are reported gross and net of amounts due to and recoverable from reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable to policyholders.

The reinsurers' share of unearned premiums is recognized as an asset in a manner which is consistent with the method used in determining the unearned premium liability.

Foreign Currency

Monetary items denominated in foreign currencies are adjusted to reflect the exchange rate in effect at the year-end. Revenue and expense items in foreign currencies are translated at the exchange rate in effect at the transaction date. Unrealized gains or losses arising on translation are charged to operations in the current year.

Changes in unrealized foreign exchange currency translation amounts for AFS equity investments are recorded in OCI, and included in accumulated other comprehensive income (AOCI) until recognized in the Statement of Operations.

Comprehensive Income

Comprehensive income consists of net income (loss) from operations and other comprehensive income (loss). Changes in unrealized gains and losses on financial assets classified as AFS are recorded in OCI, and included in AOCI until recognized in the Statement of Operations. Actuarial gains and losses on employee future benefits amounts are recorded in OCI and included in AOCI. AOCI is included on the Statement of Financial Position as a separate component.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods.

Allowance for Doubtful Accounts

The Corporation must make an assessment of whether accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment of accounts receivable.

Deferred Development Costs (Intangible Assets)

Deferred development costs represent a significant portion of ongoing expenditures related to information systems development. Management estimates the expected period of benefit over which capitalized costs will be amortized. The considerations which form the basis of the assumptions for these estimated useful lives include the timing of technological obsolescence and customer service requirements, as well as historical experience and internal plans for the projected use of the information systems.

Provision for Unpaid Claims

With respect to preparation of these financial statements, the Appointed Actuary is required to carry out a valuation of the insurance contract liabilities and to provide an opinion to the Corporation's Board of Directors regarding their appropriateness at the reporting date. The factors and techniques used in the valuation are in accordance with accepted actuarial practice, applicable legislation and associated regulations.

Provisions for unpaid claims and adjustment expenses are valued based on Canadian accepted actuarial practice, which are designed to ensure the Corporation establishes an appropriate reserve on the Statement of Financial Position to cover insured losses with respect to the reported and unreported claims incurred as of the end of each accounting period. The insurance contract liabilities include a provision for unpaid claims and adjustment expenses on the expired portion of policies and of future obligations on the unexpired portion of policies. In performing the valuation of the liabilities for these contingent future events, the Appointed Actuary makes assumptions as to future loss ratios, trends, reinsurance recoveries, investment rates of return, expenses and other contingencies, taking into consideration the circumstances of the Corporation and the nature of the insurance policies.

The assumptions underlying the valuation of provisions for unpaid claims and adjustment expenses are reviewed and updated by the Corporation on an ongoing basis to reflect recent and emerging trends in experience. Sensitivity of these assumptions and the impact on net insurance contract liabilities and equity are fully disclosed in Note 18.

Provision for Employee Future Benefits

The Corporation has a defined benefit pension plan, severance benefit plan and post retirement extended health benefit plans. The determination of expenses and liabilities associated with employee future benefits requires the use of critical assumptions such as discount rates, expected mortality rate, inflation rates, expected salary increases and expected health care cost increases. Due to the nature of the estimates used in the valuation process there is inherent measurement uncertainty within the employee future benefit assumptions. See Note 16 for further details of the significant estimates and changes impacting the current period financial statements.

Fair Value of Level Three AFS and FVTPL Investments

Level 3 assets and liabilities would include financial instruments whose values are determined using internal pricing models, discounted cash flow methodologies, or similar techniques that are not based on observable market data, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation. See Note 4 for further details of valuation methods and assumptions.

Future Changes in Accounting Policy and Disclosure

Certain new standards, interpretations, amendments and improvements to existing standards were issued by The International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual reporting periods beginning on January 1, 2016 or later periods. The standards that may have an impact to the Corporation are:

IAS 1 – Presentation of Financial Statements

In December 2014, IAS 1 was amended to clarify that materiality applies to all parts of the consolidated financial statements and provides examples of how to clarify understandability and comparability in the ordering of note disclosures. These amendments are effective for annual periods beginning on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the financial statements.

IFRS 4 – Insurance Contracts

In July 2014, the IASB published a revised exposure draft (2014 ED) on the accounting for insurance contracts which builds on the previous consultations undertaken. The 2014 ED is the result of deliberations at the IASB using comments received from constituents. The 2014 ED continues to propose a new standard on accounting for insurance contracts, which would replace IFRS 4. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers.

A final standard is expected in 2016 with implementation not anticipated before 2019. The Corporation continues to monitor developments in this area.

In September 2015, the IASB amended the existing IFRS 4 to mitigate accounting mismatches from the adoption of IFRS 9, *Financial Instruments* before the new insurance contracts standard is issued. Insurers who meet certain criteria will be permitted to exclude from profit (loss) and recognize in other comprehensive income the difference between the amounts that would be recognized in profit (loss) in accordance with IFRS 9 and the amounts recognized in profit (loss) in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 7 – Financial Instruments: Disclosures

IFRS 7 was amended in December 2011 to require additional financial instrument disclosures upon transition from IAS 39, *Financial Instruments: Recognition and Measurement* to IFRS 9, *Financial Instruments*. The amendments are effective on adoption of IFRS 9. The amendments issued are permitted to be early adopted where IFRS 9 is also early adopted. The Office of the Superintendent of Financial Institutions (OSFI) has indicated that it will not allow early adoption of IFRS 9 for federally regulated financial institutions. While the Corporation is not federally regulated, it generally follows OSFI's guidance on such matters. The Corporation is evaluating the impact this amendment will have on the financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments*, as part of its plan to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

The new standard requires financial assets to be measured at either fair value or amortized cost, on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset that is held by an entity for the purpose of collecting contractual cash flows on specified dates per contractual terms should be measured at amortized cost. All other financial assets should be measured at fair value.

For equity instruments, management has an option on initial recognition to irrevocably designate on an instrument-by-instrument basis to present the changes in their fair value directly in equity. There is no subsequent recycling of fair value gains and losses from equity to the Statement of Operations; however, dividends from such equity investments will continue to be recognized in profit or loss.

The standard includes introduction of a fair value through other comprehensive income (FVOCI) measurement category for simple debt instruments. In this measurement category, the Statement of Financial Position will reflect the fair value carrying amount while amortized cost information is presented in the Statement of Operations. The difference between the fair value and amortized cost information will be recognized in other comprehensive income.

This standard is effective for annual periods beginning on or after January 1, 2018. While early adoption is permitted under the standard, OSFI has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters. The IASB has proposed temporary deferral and overlay approaches for insurers, as detailed in their December 2015 Exposure Draft *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Proposed amendments to IFRS 4)*. Proposed changes would allow reporting entities, where the liabilities are predominantly arising from insurance contracts, to defer IFRS 9 until the new insurance contracts standard is issued, or 2021 at the latest.

The Corporation is in the process of assessing the impact of the new standard.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and is intended to replace IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related IFRICs. The standard was issued as a result of an ongoing project to align revenue recognition between IFRS and U.S. Generally Accepted Accounting Principles, and applies to revenue arising from contracts with customers, including service contracts. IFRS 15 contains a scope exception which excludes insurance contracts within the scope of IFRS 4 and revenue arising from financial instruments, therefore this standard will have a limited impact on the Corporation. This standard is effective for annual periods beginning on or after January 1, 2018. Early application is permitted.

IFRS 16 – Leases

IFRS 16 was issued in January, 2016 and is intended to replace IAS 17, *Leases*. This standard was issued as a result of a joint project with the U.S. Financial Accounting Standards Board. This standard will include a single lessee accounting model whereby a lessee recognizes a right-of-use asset and a lease liability. A lessee may elect to apply an exemption to the standard for: leases with a term of 12 months or less that contain no purchase options; or leases where the underlying asset has low value when new. This standard is effective for annual periods beginning on or after January 1, 2019. Early application is permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

Annual Improvement Cycles

The annual improvements process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects.

Annual improvement 2012–2014 cycle was issued in September 2014 by the IASB, and included minor amendments to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations,* IFRS 7 and IAS 19R. These amendments are effective for annual periods beginning on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

4. INVESTMENTS

Cash consists of cash net of cheques issued in excess of amounts on deposit.

Cash equivalent investments have a total principal amount of $25.3 million (February 28, 2015 – $66.4 million) comprised of provincial short-term deposits with effective interest rates of 0.52% (February 28, 2015 - 0.60% to 0.68%), with interest receivable at varying dates.

The Corporation has an unsecured operating line of credit with its principal banker in the amount of $5.0 million (February 28, 2015 - $5.0 million). There were no drawdowns against this line of credit at February 29, 2016 (February 28, 2015 – nil).

Cash and Investments

(in thousands of Canadian dollars)	Financial Instruments				
As at February 29, 2016	**Classified as Available for Sale**	**Classified as Held to Maturity**	**Classified as Fair Value Through Profit or Loss**	**Non-Financial Instruments**	**Total Fair Value**
Cash and cash equivalents	**37,322**	**-**	**-**	**-**	**37,322**
Bonds					
Federal	**-**	**-**	**124,272**	**-**	**124,272**
Manitoba:					
Provincial	**-**	**-**	**186,044**	**-**	**186,044**
Municipal	**-**	**8,538**	**26,611**	**-**	**35,149**
Hospitals	**-**	**-**	**10,167**	**-**	**10,167**
Schools	**-**	**614,860**	**-**	**-**	**614,860**
Other provinces:					
Provincial	**-**	**-**	**548,854**	**-**	**548,854**
Municipal	**-**	**-**	**105,262**	**-**	**105,262**
Corporations	**-**	**-**	**54,474**	**-**	**54,474**
	-	**623,398**	**1,055,684**	**-**	**1,679,082**
Other investments	**2,115**	**-**	**-**	**-**	**2,115**
Infrastructure	**-**	**-**	**83,227**	**-**	**83,227**
Equity investments	**468,991**	**-**	**-**	**-**	**468,991**
Pooled Real Estate Fund	**-**	**-**	**222,207**	**-**	**222,207**
Investments	**471,106**	**623,398**	**1,361,118**	**-**	**2,455,622**
Investment property	**-**	**-**	**-**	**42,206**	**42,206**
	508,428	**623,398**	**1,361,118**	**42,206**	**2,535,150**

(in thousands of Canadian dollars)	Financial Instruments				
As at February 28, 2015	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss	Non-Financial Instruments	Total Fair Value
Cash and cash equivalents	68,882	-	-	-	68,882
Bonds					
Federal	-	-	114,774	-	114,774
Manitoba:					
Provincial	-	-	244,640	-	244,640
Municipal	-	10,552	27,179	-	37,731
Hospitals	-	-	10,867	-	10,867
Schools	-	596,239	-	-	596,239
Other provinces:					
Provincial	-	-	513,008	-	513,008
Municipal	-	-	128,815	-	128,815
Corporations	-	-	61,077	-	61,077
	-	606,791	1,100,360	-	1,707,151
Other investments	2,446	-	-	-	2,446
Infrastructure	-	-	55,930	-	55,930
Equity investments	520,802	-	-	-	520,802
Pooled Real Estate Fund	-	-	204,847	-	204,847
Investments	523,248	606,791	1,361,137	-	2,491,176
Investment property	-	-	-	42,417	42,417
	592,130	606,791	1,361,137	42,417	2,602,475

Gross unrealized gains and gross unrealized losses included in AOCI on available for sale equity and other investments are comprised as follows:

As at February 29, 2016

(in thousands of Canadian dollars)	**Book Value**	**Unrealized Gains/(Losses)**	**Fair Value**
Equity Investments			
With unrealized gains	**306,361**	**82,552**	**388,913**
With unrealized (losses)	**89,580**	**(9,502)**	**80,078**
Subtotal – Equity Investments	**395,941**	**73,050**	**468,991**
Other Investments			
With unrealized gains	**554**	**1,561**	**2,115**
Subtotal – Other Investments	**554**	**1,561**	**2,115**
Total AFS Equity and Other Investments	**396,495**	**74,611**	**471,106**

As at February 28, 2015

(in thousands of Canadian dollars)	Book Value	Unrealized Gains/(Losses)	Fair Value
Equity Investments			
With unrealized gains	324,639	119,922	444,561
With unrealized (losses)	90,498	(14,257)	76,241
Subtotal – Equity Investments	415,137	105,665	520,802
Other Investments			
With unrealized gains	790	1,562	2,352
With unrealized (losses)	165	(71)	94
Subtotal – Other Investments	955	1,491	2,446
Total AFS Equity and Other Investments	416,092	107,156	523,248

AFS financial assets where the investment's underlying cost is greater than the fair value, the loss has not been recognized in net income either because:

- there is not objective evidence of impairment, or
- the loss is not considered to be significant or prolonged.

Fair Value Measurement

Financial assets that are measured at fair value are classified by their level within the fair value hierarchy. The fair value hierarchy consists of three levels that are defined on the basis of the type of inputs used to measure fair value. The classification cannot be higher than the lowest level of input that is significant to the measurement:

Level 1 – Fair value is determined based on unadjusted quoted prices of identical assets in active markets. Inputs include prices from exchanges where equity and debt securities are actively traded.

Level 2 – Level 2 valuations utilize inputs other than quoted market prices included in Level 1 that are observable, directly or indirectly, for the asset. These inputs include quoted prices for similar assets in active markets and observable inputs other than quoted prices, such as interest rates and yield curves. The fair values for some Level 2 securities were obtained from a pricing service. Pricing service inputs may include benchmark yields, reported trades, broker/dealer quotes and bid/ask spreads.

Level 3 – Fair value measurements using significant inputs that are not based on observable market data are Level 3. This mainly consists of derivatives and private equity investments. In these cases prices may be determined by internal pricing models utilizing all available financial information, including direct comparison and industry sector data. For some investments, valuations are obtained annually. For periods between valuations, management assesses the validity of the valuation for current reporting purposes.

No investments were transferred between levels in 2016 or 2015.

The following table presents financial instruments measured at fair value in the Statement of Financial Position, classified by level within the fair value hierarchy.

As at February 29, 2016 (in thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	**87,315**	**953,607**	**14,762**
Infrastructure	**-**	**-**	**83,227**
Pooled real estate	**-**	**217,559**	**4,648**
Total FVTPL financial assets	**87,315**	**1,171,166**	**102,637**
AFS financial assets			
Cash and cash equivalents	**37,322**	**-**	**-**
Other investments	**-**	**-**	**2,115**
Equity investments	**468,991**	**-**	**-**
Total AFS financial assets	**506,313**	**-**	**2,115**
Total assets measured at fair value	**593,628**	**1,171,166**	**104,752**

As at February 28, 2015 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	70,914	1,013,966	15,480
Infrastructure	-	-	55,930
Pooled real estate	-	204,847	-
Total FVTPL financial assets	70,914	1,218,813	71,410
AFS financial assets			
Cash and cash equivalents	68,882	-	-
Other investments	-	-	2,446
Equity investments	520,802	-	-
Total AFS financial assets	589,684	-	2,446
Total assets measured at fair value	660,598	1,218,813	73,856

Fair value measurement of instruments included in Level 3	FVTPL		AFS	
(in thousands of Canadian dollars)	**2016**	2015	**2016**	2015
Balance at March 1	**71,410**	63,469	**2,446**	3,885
Total gains/(losses)				
Included in net income	**5,657**	5,621	**(401)**	(830)
Included in OCI	**-**	-	**70**	(545)
Purchases	**25,570**	2,320	**-**	-
Sales	**-**	-	**-**	(64)
Balance at February 29/28	**102,637**	71,410	**2,115**	2,446

The fair value of HTM bonds, which include schools and certain municipalities, is based on their carrying value, which approximates fair value. As of February 29, 2016 the fair value of municipal, utilities, schools and hospital bonds held to maturity is $623.4 million (February 28, 2015 - $606.8 million).

Impairment

Impairment losses were based on management's best estimate of whether objective evidence of impairment exists, using available market data and other observable data. Impaired investments included in the Corporation's portfolio include the following:

As at February 29, 2016

(in thousands of Canadian dollars)	**Gross**	**Impaired**	**Net**
By investment type			
Available for sale	**67,097**	**(33,375)**	**33,722**
	67,097	**(33,375)**	**33,722**

As at February 28, 2015

(in thousands of Canadian dollars)	Gross	Impaired	Net
By investment type			
Available for sale	1,439	(830)	609
	1,439	(830)	609

Investment Income (Loss)

(in thousands of Canadian dollars)	**2016**	2015
Interest income	**51,278**	50,514
Gain on sale of FVTPL bonds	**15,174**	27,090
Unrealized gain (loss) on FVTPL bonds	**(76,744)**	75,691
Unrealized gain on pooled real estate	**12,713**	11,927
Dividends on infrastructure investments	**1,364**	985
Unrealized gain on infrastructure investments	**6,375**	5,562
Dividend income	**15,529**	28,468
Gain (loss) on sale of equities and other investments	**(396)**	28,935
Gain on foreign exchange	**13**	82
Gain on sale of investment property	**4,412**	-
Income from investment property	**3,206**	1,848
Impairment of AFS investments	**(33,375)**	(830)
Investment management fees	**(4,280)**	(4,122)
Total	**(4,731)**	226,150

Investment income is net of investment management fees paid to the Department of Finance in the amount of $4.3 million (February 28, 2015 – $4.1 million). This includes $2.8 million (February 28, 2015 – $2.4 million) of fees the Province paid to outside managers on the Corporation's behalf.

5. INVESTMENT PROPERTY – NON-FINANCIAL INSTRUMENTS

(in thousands of Canadian dollars)	cityplace Building*	Surface Parking Lots	Parkade	Investment Property Under Construction	Total
Cost					
Balance at March 1, 2014	26,873	4,578	10,822	-	42,273
Additions	5,423	-	-	-	5,423
Balance at February 28, 2015	32,296	4,578	10,822	-	47,696
Additions	-	-	-	1,105	1,105
Disposals	-	(3,538)	-	-	(3,538)
Transfers from Property Under Construction (Note 8)	-	-	-	3,406	3,406
Balance at February 29, 2016	**32,296**	**1,040**	**10,822**	**4,511**	**48,669**
Accumulated Depreciation					
Balance at March 1, 2014	2,883	-	1,078	-	3,961
Depreciation	1,096	-	222	-	1,318
Balance at February 28, 2015	3,979	-	1,300	-	5,279
Depreciation	961	-	223	-	1,184
Balance at February 29, 2016	**4,940**	-	**1,523**	**-**	**6,463**
Carrying Amounts					
At February 28, 2015	28,317	4,578	9,522	-	42,417
At February 29, 2016	**27,356**	**1,040**	**9,299**	**4,511**	**42,206**
Fair Value at February 29, 2016	**41,000**	**4,000**	**21,000**	**4,511**	**70,511**

* Includes the portion of the cityplace building not used for administrative purposes as well as tenant improvements.

6. DUE FROM OTHER INSURANCE COMPANIES

(in thousands of Canadian dollars)	**2016**	2015
Balance at March 1	**443**	4,080
Claims paid ceded to reinsurers	**2,739**	30,947
Less: recovery from reinsurers	**(3,137)**	(34,584)
Balance at February 29/28	**45**	443

7. DEFERRED POLICY ACQUISITION COSTS

(in thousands of Canadian dollars)	**2016**	2015
Balance at March 1	**24,014**	24,742
Deferred during the year	**112,491**	104,694
Expensed during the year	**(110,733)**	(104,169)
Recovery (Write-down)	**3,072**	(1,253)
Balance at February 29/28	**28,844**	24,014

Premium deficiencies are recognized first by writing down deferred policy acquisition costs with any remainder recognized as a liability. Refer to Note 3 for more information.

8. PROPERTY AND EQUIPMENT

(in thousands of Canadian dollars)	Land & Buildings (1)	Furniture & Equipment (2)	Buildings under Finance Lease (3)	Property under Construction (4)	Total
Cost					
Balance at March 1, 2014	127,790	69,529	13,451	4,191	214,961
Additions	-	1,617	-	3,602	5,219
Disposals	-	(5,377)	-	-	(5,377)
Transfer from (out of) Property under construction(5)	3,068	42	-	(3,114)	(4)
Balance at February 28, 2015	130,858	65,811	13,451	4,679	214,799
Additions	-	1,888	-	712	2,600
Disposals	-	(35,864)	-	-	(35,864)
Transfer from (out of) Property under construction (Note 5)	1,441	-	-	(4,847)	(3,406)
Balance at February 29, 2016	**132,299**	**31,835**	**13,451**	**544**	**178,129**
Accumulated Depreciation					
Balance at March 1, 2014	27,135	62,661	1,315	-	91,111
Disposals	-	(5,231)	-	-	(5,231)
Depreciation	3,176	3,022	336	-	6,534
Balance at February 28, 2015	30,311	60,452	1,651	-	92,414
Disposals	-	(35,607)	-	-	(35,607)
Depreciation	3,094	2,240	336	-	5,670
Balance at February 29, 2016	**33,405**	**27,085**	**1,987**	-	**62,477**
Carrying Amounts					
At February 28, 2015	100,547	5,359	11,800	4,679	122,385
At February 29, 2016	**98,894**	**4,750**	**11,464**	**544**	**115,652**

(1) Includes land, land improvements, leasehold improvements, buildings and building components: elevators, escalators, HVAC systems, roofing systems.
(2) Includes furniture, equipment, computer equipment and vehicles.
(3) Includes property located at 1284 Main Street in Winnipeg held under a financing lease. Refer to Note 12 for financing lease obligations.
(4) The Corporation is in the process of modifying Plessis Road, Pembina and Brandon locations. In 2014/15, the Corporation was restoring the parkade in cityplace.
(5) Portions of the property under construction relate to the investment property portion of cityplace.

9. DEFERRED DEVELOPMENT COSTS

(in thousands of Canadian dollars)	Internally Developed Intangible Assets
Cost	
Balance at March 1, 2014	132,743
Additions	17,079
Balance at February 28, 2015	149,822
Additions	20,847
Balance at February 29, 2016	**170,669**
Accumulated Amortization	
Balance at March 1, 2014	64,158
Amortization	16,575
Balance at February 28, 2015	80,733
Amortization	11,506
Balance at February 29, 2016	**92,239**
Carrying Amounts	
At February 28, 2015	69,089
At February 29, 2016	**78,430**

Deferred development costs of $52.6 million (February 28, 2015 - $33.4 million) have not yet been put into use and are currently not being amortized. No impairments were recognized during the year (February 28, 2015 – nil).

10. DUE TO OTHER INSURANCE COMPANIES

(in thousands of Canadian dollars)	**2016**	2015
Balance at March 1	**1**	1,934
Change in reinsurance ceded premiums written less installment payments	**5**	(415)
Change in amounts received as collateral for reinsurers' share of unpaid claims	**172**	(1,518)
Balance at February 29/28	**178**	1

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

(in thousands of Canadian dollars)	**2016**	2015
Due to the Province of Manitoba	**9,265**	11,160
Payroll	**3,222**	3,467
Broker commissions	**6,845**	8,119
Provision for fleet rebates	**14,896**	14,333
International Registration Program payable to other jurisdictions	**4,895**	5,717
Other payables and accrued liabilities	**26,912**	19,491
Balance at February 29/28	**66,035**	62,287

12. FINANCING LEASE OBLIGATION

The Service Centre built on land in Winnipeg at 1284 Main Street and the land on which it is built are owned by a third-party and are leased to the Corporation. The provisions of the lease include an initial term of 25 years and, at the Corporation's option, three further terms of five years each. In accordance with IAS 17, *Leases*, the land portion has been recorded as an operating lease and the building portion as a financing lease. The details of the financing lease are as follows:

(in thousands of Canadian dollars with the exception of interest rates)	**2016**	2015
Interest rate	**6.70%**	6.70%
Interest expense for the year	**290**	295
Financing lease obligation at February 29/28	**4,281**	4,364

The minimum lease payments are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
(in thousands of Canadian dollars)	**2016**	2015	**2016**	2015
Not later than one year	**375**	373	**362**	360
Later than one year and not later than five years	**1,518**	1,500	**1,326**	1,313
Later than five years	**5,842**	6,235	**3,740**	3,877
Total	**7,735**	8,108	**5,428**	5,550

13. OPERATING LEASES

As A Lessee:

The Corporation leases offices in Winnipeg and Brandon. These leases are classified as operating leases in accordance with IAS 17, *Leases*. The lease terms for the offices are all under ten years and the lease terms of the vehicles are all under five years. Also classified as an operating lease is the land portion of the Service Centre located at 1284 Main Street in Winnipeg. None of the leases are subleased and no contingent rent is payable for any of the lease arrangements.

Non-cancellable operating lease rentals are payable as follows:

(in thousands of Canadian dollars)	**2016**	2015
Not later than one year	**741**	801
Later than one year and not later than five years	**1,803**	2,559
Later than five years	**1,512**	1,614
Total	**4,056**	4,974

During the year ended February 29, 2016, $754 thousand was recognized as an expense for operating leases (February 28, 2015 - $857 thousand) in the Statement of Operations.

As A Lessor:

The Corporation owns the cityplace property located in downtown Winnipeg including the cityplace building, one adjacent parking lots and one adjacent parkade. The cityplace building includes five floors of office space, three floors of parking and two floors of retail space. The Corporation uses approximately 60% of the building for administrative purposes and leases out the remaining 40%. Tenant improvements are 100% investment property and therefore do not factor into the calculation. The leases are all classified as operating leases.

Future minimum lease payments under non-cancellable leases to be received are:

(in thousands of Canadian dollars)	**2016**	2015
Not later than one year	**3,647**	3,530
Later than one year and not later than five years	**8,313**	9,934
Later than five years	**7,154**	7,317
Total	**19,114**	20,781

During the year ended February 29, 2016, income from investment property includes gross rental income from operating leases of $14.3 million (February 28, 2015 - $13.2 million) and gross rental expenses pertaining to operating leases of $11.4 million (February 28, 2015 - $11.4 million). Included in rental income is income contingent on retail sales of $165 thousand (February 28, 2015 - $205 thousand).

14. UNEARNED PREMIUMS AND FEES

		2016	
(in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	**Net**
Unearned premiums			
Balance at March 1	**481,916**	**79**	**481,837**
Premiums written	**1,119,774**	**16,588**	**1,103,186**
Premiums earned	**(1,086,734)**	**(16,552)**	**(1,070,182)**
Balance at February 29	**514,956**	**115**	**514,841**
Prepaid premiums	**37,849**	**-**	**37,849**
Unearned fees	**7,743**	**-**	**7,743**
Balance at February 29	**560,548**	**115**	**560,433**

		2015	
(in thousands of Canadian dollars)	Gross	Reinsurers' Share	Net
Unearned premiums			
Balance at March 1	457,113	61	457,052
Premiums written	1,044,356	17,801	1,026,555
Premiums earned	(1,019,553)	(17,783)	(1,001,770)
Balance at February 28	481,916	79	481,837
Prepaid premiums	38,151	-	38,151
Unearned fees	7,054	-	7,054
Balance at February 28	527,121	79	527,042

15. PROVISION FOR EMPLOYEE CURRENT BENEFITS

The provision for employee current benefits includes accrued vacation and sick leave liabilities.

(in thousands of Canadian dollars)	**2016**	2015
Balance at March 1	**22,164**	21,800
Provisions incurred	**15,160**	14,690
Payments	**(14,639)**	(14,326)
Balance at February 29/28	**22,685**	22,164

16. PROVISION FOR EMPLOYEE FUTURE BENEFITS

The Corporation has a defined benefit pension plan, severance benefit plan and post-retirement extended health benefit plan available to eligible employees. The defined benefit pension plan is based on years of service and final average salary whereas the severance benefit plan is based on years of service and final salary.

The Corporation uses an actuarial valuation, on an annual basis, to measure the accrued provision for its benefit plans. The most recent actuarial valuation was conducted by an external actuary as at December 31, 2015, with the next scheduled actuarial valuation being December 31, 2016.

The actuarial valuation is based on the Corporation's best estimate of various economic assumptions. With respect to the demographic assumptions, the Corporation relies on and uses the assumptions adopted by the Civil Service Superannuation Board. The weighted average duration of the defined benefit obligation is 16.29 years (February 28, 2015 – 17.15 years). Results from the most recent actuarial valuations, projected to February 29, 2016 and the corresponding economic assumptions are as follows:

Assumptions:	Pension Benefit Plan		Other Benefit Plans	
	2016	2015	**2016**	2015
Discount rate	**4.05%**	3.60%	**4.05%**	3.60%
Inflation rate	**2.00%**	2.00%		
Expected salary increase	**2.75%**	2.75%		
Expected health care cost increase (out of scope)			**4.90%**	5.50%
Expected health care cost increase (in scope)			**2.00%**	2.00%

Change in benefit obligations:

(in thousands of Canadian dollars)	Pension Benefit Plan		Other Benefit Plans	
	2016	2015	**2016**	2015
Balance at March 1	**339,334**	285,326	**51,785**	47,812
Current service cost	**14,103**	12,054	**5,414**	5,059
Interest cost	**12,760**	12,349	**931**	780
Benefits paid	**(10,832)**	(9,659)	**(2,983)**	(2,701)
Remeasurement (gains) losses recognized in OCI	**(26,975)**	39,264	**(5,420)**	835
Balance at February 29/28	**328,390**	339,334	**49,727**	51,785
Employee contribution for the year	**9,679**	8,909	**-**	-

Plan Assets

The Corporation has not segregated investment assets to fund the benefit plans. Funding occurs as benefits are paid. The Corporation has established a provision against general assets, which is being increased to match the increase in its benefit plan liabilities. The interest cost associated with the various benefit plans is based on market interest rates at the most recent valuation date.

Benefit Plan Expenses

(in thousands of Canadian dollars)	Pension Benefit Plan		Other Benefit Plans	
	2016	2015	**2016**	2015
Current service cost	**14,103**	12,054	**5,414**	5,059
Interest cost	**12,760**	12,349	**931**	780
	26,863	24,403	**6,345**	5,839

Sensitivity analysis

Based on the December 31, 2015 actuarial valuation, changes to the actuarial assumptions would change the benefit obligation as follows:

Pension Benefit Plan

Gain due to discount rate increasing from 4.05% to 5.05% (plus 1.00%)	(50,907)
Loss due to discount rate decreasing from 4.05% to 3.05% (minus 1.00%)	66,596
Loss due to mortality life expectancy at age 65 up one year	4,461
Loss due to inflation indexing (2/3rd COLA) increasing from 2.00% to 3.00% (plus 1.00%)	28,624
Gain due to inflation indexing (2/3rd COLA) decreasing from 2.00% to 1.00% (minus 1.00%)	(25,027)

Other Benefit Plans

Gain due to discount rate increasing from 4.05% to 5.05% (plus 1.00%)	(3,724)
Loss due to discount rate decreasing from 4.05% to 3.05% (minus 1.00%)	4,926
Loss due to mortality life expectancy at age 65 up one year	1,090
Loss due to health care cost inflation indexing increasing 1.00%	4,849
Gain due to health care cost inflation indexing decreasing 1.00%	(3,741)

Expected maturity analysis of undiscounted pension benefit and other benefit plans:

(in thousands of Canadian dollars)	**Less than a year**	**Between 1 & 2 years**	**Between 2 & 5 years**	**Over 5 years**	**Total**
Pension benefit plan	**9,360**	**10,339**	**36,890**	**642,309**	**698,898**
Other benefit plans	**438**	**497**	**1,850**	**45,411**	**48,196**
At December 31, 2015	**9,798**	**10,836**	**38,740**	**687,720**	**747,094**

(in thousands of Canadian dollars)	Less than a year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years	Total
Pension benefit plan	8,513	9,392	33,443	629,936	681,284
Other benefit plans	409	469	1,769	43,157	45,804
At December 31, 2014	8,922	9,861	35,212	673,093	727,088

17. INSURANCE CONTRACTS

The following is a summary of the insurance contract provisions and related reinsurance assets as at February 29/28, 2016 and 2015.

(in thousands of Canadian dollars)		**2016**	
	Gross	**Reinsurance Ceded**	**Net**
Insurance Contract Provisions			
Outstanding case reserves	**1,159,902**	**4,657**	**1,155,245**
Provision for incurred but not reported claims	**398,478**	**1,486**	**396,992**
Provision for internal loss adjusting expenses	**173,752**	**-**	**173,752**
Effect of discounting	**(204,276)**	**(175)**	**(204,101)**
Provision for adverse deviation	**241,254**	**477**	**240,777**
Provision for Unpaid Claims	**1,769,110**	**6,445**	**1,762,665**
Provision for Unearned Premiums (Note 14)	**514,956**	**115**	**514,841**
Insurance Contract Provisions	**2,284,066**	**6,560**	**2,277,506**

(in thousands of Canadian dollars)		2015	
	Gross	Reinsurance Ceded	Net
Insurance Contract Provisions			
Outstanding case reserves	1,132,334	6,092	1,126,242
Provision for incurred but not reported claims	329,775	1,578	328,197
Provision for internal loss adjusting expenses	175,057	-	175,057
Effect of discounting	(143,066)	(155)	(142,911)
Provision for adverse deviation	280,516	603	279,913
Premium deficiency	11,950	-	11,950
Provision for Unpaid Claims	1,786,566	8,118	1,778,448
Provision for Unearned Premiums (Note 14)	481,916	79	481,837
Insurance Contract Provisions	2,268,482	8,197	2,260,285

The following is a summary of the insurance contract provisions and related reinsurance assets by line of business as at February 29/28, 2016 and 2015.

(in thousands of Canadian dollars)		**2016**	
	Gross	**Reinsurance Ceded**	**Net**
Basic	**2,042,963**	**665**	**2,042,298**
Extension	**101,399**	**(568)**	**101,967**
Special Risk Extension	**102,726**	**6,161**	**96,565**
Total undiscounted	**2,247,088**	**6,258**	**2,240,830**
Discounting with Provision for Adverse Deviation and premium deficiency	**36,978**	**302**	**36,676**
Total Insurance Contract Provisions	**2,284,066**	**6,560**	**2,277,506**

(in thousands of Canadian dollars)		2015	
	Gross	Reinsurance Ceded	Net
Basic	1,917,396	2,122	1,915,274
Extension	96,603	(604)	97,207
Special Risk Extension	105,083	6,231	98,852
Total undiscounted	2,119,082	7,749	2,111,333
Discounting with Provision for Adverse Deviation and premium deficiency	149,400	448	148,952
Total Insurance Contract Provisions	2,268,482	8,197	2,260,285

18. CLAIMS LIABILITIES

Methodology and Assumptions

The best estimates of claim liabilities are determined based on a review of the projected ultimate claim liabilities using various standard actuarial techniques. In particular, the techniques used to project ultimate claim liabilities include the incurred loss development method, the paid loss development method, the incurred Bornheutter-Ferguson method, and the paid Bornheutter-Ferguson method. The projected ultimate claim liabilities are then determined by selection of the most appropriate technique by line of business, coverage, and maturity of the accident year.

Loss Development Method

The loss development method projects ultimate claims for each accident year using the reported/paid losses as at the valuation date, and assuming that future development on these losses is similar to prior accident years' development. The underlying assumption of the method is that the reported/paid-to-date losses will continue to develop in a similar manner in the future.

Bornheutter-Ferguson Method

The Bornheutter-Ferguson Method projects ultimate claims for each accident year by adding the expected unreported/unpaid losses to the reported/paid losses as at the valuation date. The expected unreported/unpaid losses are determined as the product of the expected loss ratio and the percent unreported/unpaid, the latter based on the maturity of the accident year. An implicit assumption of this method is that the reported/paid-to-date losses contain no informational value as to the amount of losses yet to be reported/paid.

Claim liabilities are initially determined on an undiscounted gross basis. Ceded claim liabilities are then deducted to determine the claim liabilities on an undiscounted net basis.

By line of business and coverage, losses paid and incurred for the last 19 accident years, on a gross basis, are organized in a triangular form by accident year and development period. Adjustments are made to the triangles for comprehensive coverage and indexed coverages:

- For comprehensive coverage, catastrophic losses are removed from the triangles. For the purpose of the valuation, catastrophic losses are defined as losses from a single catastrophic event whereby the incurred losses from the event exceed the Corporation's catastrophe retention level for the applicable accident year. The claim liabilities for these catastrophic losses are evaluated separately.
- For indexed coverages, prior years' losses are brought to current benefit levels so that the loss development factors are unaffected by indexation.

Ratios of loss amounts at successive development years are calculated to build loss development factor triangles. Loss development factors are selected based on observed historical development pattern. Judgment is used whenever there is significant variability in the observed historical development pattern, which happens with coverages with a small number of claims. Judgment is also used, in the absence of available supporting data, to determine tail factors for long-tailed coverages.

The loss data does not include internal loss adjustment expenses (ILAE). As such, a provision for ILAE is determined based on the observed historical ratios of paid ILAE to paid losses. The method assumes that half of the ILAE is paid when the claim is first set up, with the remaining half being paid to maintain the claim. An ILAE ratio is selected based on the observed historical ratios. Half of the selected ratio is applied to case reserves. The full ratio is applied to incurred but not reported (IBNR) losses.

The loss data includes salvage and subrogation. As such, a separate analysis is not performed.

Ceded claim liabilities and net claim liabilities are determined as follows:

- For catastrophe reinsurance, estimates of gross claim liabilities are determined for each catastrophic loss. The net claim liabilities are then determined as the gross claim liabilities less the applicable recovery. The ceded claim liabilities are the applicable recovery.
- For casualty reinsurance, aggregate ceded claim liabilities by insurance year are determined taking into consideration discounting, retention levels, and other contract provisions. These liabilities are deducted from gross claim liabilities to determine net claim liabilities.

The undiscounted claim liabilities are adjusted to determine the discounted claim liabilities on an actuarial present value basis. Two adjustments are made to conform to the Actuarial Standards of Practice of the Canadian Institute of Actuaries:

- The undiscounted claim liabilities are discounted based on a selected discount rate, which is determined based on the average duration weighted yield for the Corporation's bond portfolio as at the end of the fiscal year; and
- Provisions for adverse deviation are added to the discounted claim liabilities to obtain the discounted claim liabilities on an actuarial present value basis.

The estimates for unearned premium liabilities are also tested to ensure that they are sufficient to pay for future claims and expenses in servicing the unexpired policies as of the valuation date.

Changes in Assumptions

Change in Discount Rate

The selected discount rate, determined based on the average duration weighted yield for the Corporation's bond portfolio, increased by 42 basis points, from 2.92% to 3.34%, between the February 28, 2015 valuation and the February 29, 2016 valuation. The increase in the selected discount rate decreased the discounted net claim liabilities by $69.9 million and ILAE provision by $7.5 million.

Interest Rate Margin for Adverse Deviation

The interest rate margin for adverse deviation (MFAD) decreased from 75 basis points to 50 basis points i.e. a decrease of 25 basis points. The decrease is to reflect changes to the Corporation's asset-liability management, specifically the matching of the duration of the assets supporting policy liabilities to the duration of those liabilities. This matching of duration reduces the mismatch risk. The decrease in the interest rate MFAD decreased the discounted net claim liabilities by $35.5 million and ILAE provision by $3.8 million.

Change in Loss Development Factors

The selected loss development factors for all coverages are reviewed and revised to reflect an additional year of actual losses. The aggregate effect of all revisions to the selected loss development factors is an increase in the discounted net claim liabilities of $49.1 million and ILAE provision of $9.6 million.

Change in Selected ILAE Ratio

The selected ILAE loss ratios for all coverages are reviewed and revised to reflect recent indications. The aggregate effect of all revisions to the selected ILAE ratios is a decrease in the ILAE provision of $5.8 million.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

Balance at February 29, 2016 (in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	**Net**
Automobile Insurance Division			
Liability	**1,579,419**	**6,047**	**1,573,372**
Physical Damage	**187,220**	**398**	**186,822**
	1,766,639	**6,445**	**1,760,194**
Discontinued Operations - Personal/Commercial Lines	**2,471**	**-**	**2,471**
	1,769,110	**6,445**	**1,762,665**

Balance at February 28, 2015 (in thousands of Canadian dollars)	Gross	Reinsurers' Share	Net
Automobile Insurance Division			
Liability	1,628,459	8,118	1,620,341
Physical Damage	155,771	-	155,771
	1,784,230	8,118	1,776,112
Discontinued Operations - Personal/Commercial Lines	2,336	-	2,336
	1,786,566	8,118	1,778,448

Changes in Unpaid Claims and ILAE Provision

Gross

(in thousands of Canadian dollars)	**2016**	2015
Discounted unpaid claims at March 1	**1,599,559**	1,519,735
Effect of discounting and Provision for Adverse Deviation	**(137,450)**	(48,697)
Undiscounted unpaid claims at March 1	**1,462,109**	1,471,038
Ultimate claims for current accident year	**797,587**	695,156
Payment on current accident year claims	**(495,405)**	(416,666)
Change in ultimate claims from prior accident years	**54,699**	25,374
Payments on prior accident years claims	**(260,610)**	(312,793)
Undiscounted unpaid claims at February 29/28	**1,558,380**	1,462,109
Effect of discounting and Provision for Adverse Deviation	**36,978**	137,450
Premium deficiency	**-**	11,950
Discounted unpaid claims at February 29/28	**1,595,358**	1,611,509
ILAE provision	**173,752**	175,057
Total unpaid claims provision	**1,769,110**	1,786,566

Reinsurance Ceded

(in thousands of Canadian dollars)	**2016**	2015
Discounted unpaid claims at March 1	**8,118**	24,741
Effect of discounting and Provision for Adverse Deviation	**(448)**	(1,526)
Undiscounted unpaid claims at March 1	**7,670**	23,215
Ultimate claims for current accident year	**425**	447
Change in ultimate claims from prior accident years	**786**	(477)
Payments on prior accident years claims	**(2,738)**	(15,515)
Undiscounted unpaid claims at February 29/28	**6,143**	7,670
Effect of discounting and Provision for Adverse Deviation	**302**	448
Discounted unpaid claims at February 29/28	**6,445**	8,118
Total unpaid claims provision	**6,445**	8,118

Net of Reinsurance Ceded

(in thousands of Canadian dollars)	**2016**	2015
Discounted unpaid claims at March 1	**1,591,441**	1,494,994
Effect of discounting and Provision for Adverse Deviation	**(137,002)**	(47,171)
Undiscounted unpaid claims at March 1	**1,454,439**	1,447,823
Ultimate claims for current accident year	**797,162**	694,709
Payment on current accident year claims	**(495,405)**	(416,666)
Change in ultimate claims from prior accident years	**53,913**	25,851
Payments on prior accident years claims	**(257,872)**	(297,278)
Undiscounted unpaid claims at February 29/28	**1,552,237**	1,454,439
Effect of discounting and Provision for Adverse Deviation	**36,676**	137,002
Premium deficiency	**-**	11,950
Discounted unpaid claims at February 29/28	**1,588,913**	1,603,391
ILAE provision	**173,752**	175,057
Total unpaid claims provision	**1,762,665**	1,778,448

According to accepted actuarial practice, the discounted net claim liabilities include a provision for adverse deviation (PfAD) of $240.8 million (February 28, 2015 – $280.0 million). This is comprised of a claims development PfAD of $172.5 million (February 28, 2015 – $169.9 million), an interest rate PfAD of $68.0 million (February 28, 2015 – $109.7 million), and a reinsurance PfAD of $0.3 million (February 28, 2015 - $0.4 million).

Net claims incurred and adjustment expenses included no losses from catastrophes in the current fiscal year (February 28, 2015 – nil). Catastrophes are an inherent risk to the Corporation and may contribute materially to the year-to-year fluctuations in the Corporation's results of operations and financial condition when they occur.

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 29, 2016 are a decrease of $0.3 million (February 28, 2015 – $1.1 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

Unpaid claim liabilities are carried at values that reflect their remaining estimated ultimate costs for all accident years.

Development of Ultimate Claims

The following table represents the development of claims on the gross basis as of February 29, 2016.

Gross (in thousands of Canadian dollars)	Accident Year 2008	2009	2010	2011	2012	2013	2014	2015	2016	9 Year Total
Estimate of ultimate claims costs for the most recent nine years:										
At end of accident year	691,105	605,403	641,528	633,831	624,935	662,672	747,160	695,156	797,589	
One year later	672,846	591,749	611,577	627,341	628,331	688,939	749,198	702,512		
Two years later	669,780	576,027	608,583	635,392	648,565	693,249	757,375			
Three years later	638,322	556,757	610,837	633,448	641,615	686,140				
Four years later	636,848	576,287	604,017	643,939	650,484					
Five years later	642,221	578,040	606,305	649,095						
Six years later	647,992	580,572	606,027							
Seven years later	648,971	580,306								
Eight years later	651,256									
Current estimate of cumulative claims cost	651,256	580,306	606,027	649,095	650,484	686,140	757,375	702,512	797,589	6,080,784
Cumulative payments to date	583,367	517,200	541,169	576,692	568,821	608,010	649,278	566,935	495,405	5,106,877
Effect of discounting and PfAD on above	1,216	1,260	1,241	1,366	1,463	1,534	2,346	3,721	13,671	27,818
Discounted gross unpaid claims in respect of years prior to 2008										591,232
Gross claims relating to Discontinued General Insurance										2,401
ILAE provision										173,752
Total gross unpaid claims										1,769,110
Current estimate of surplus (deficiency)	39,849	25,097	35,501	(15,264)	(25,549)	(23,468)	(10,215)	(7,356)	-	

The following table represents the development of claims on the net of reinsurance basis as of February 29, 2016.

Net of Reinsurance Ceded

(in thousands of Canadian dollars)	Accident Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	9 Year Total
Estimate of ultimate claims costs for the most recent nine years:										
At end of accident year	649,685	604,932	618,906	633,302	624,467	662,195	744,364	694,710	797,164	
One year later	632,233	591,300	590,027	626,998	628,030	688,605	746,019	702,227		
Two years later	629,452	575,765	586,460	635,164	648,282	693,029	754,034			
Three years later	598,087	556,562	590,448	633,271	641,356	685,992				
Four years later	595,360	576,148	583,748	643,834	649,573					
Five years later	601,993	577,951	585,925	649,020						
Six years later	607,862	580,511	585,671							
Seven years later	608,808	580,261								
Eight years later	611,109									
Current estimate of cumulative claims cost	611,109	580,261	585,671	649,020	649,573	685,992	754,034	702,227	797,164	6,015,051
Cumulative payments to date	543,262	517,200	520,870	576,692	568,644	608,010	646,463	566,935	495,404	5,043,480
Effect of discounting and PfAD on above	1,216	1,261	1,242	1,367	1,455	1,536	2,321	3,730	13,679	27,807
Discounted net unpaid claims in respect of years prior to 2008										587,134
Net claims relating to Discontinued General Insurance										2,401
ILAE provision										173,752
Total net unpaid claims										1,762,665
Current estimate of surplus (deficiency)	38,576	24,671	33,235	(15,718)	(25,106)	(23,797)	(9,670)	(7,517)	-	

There is uncertainty inherent in the estimation process. The actual amount of ultimate claims can only be ascertained once all claims are closed. The unpaid claim liabilities for Personal Injury Protection Plan (PIPP) benefits represent the majority of the Corporations claim liabilities. PIPP claim liabilities are also the most uncertain because of the long term nature of these benefits. A 5.00% increase in net PIPP claim liabilities is equal to approximately $54.0 million. Such a change could occur if the actual future development of lifetime PIPP claimants was higher than expected.

A 1.00% decrease in the interest rate would increase PIPP claim liabilities by approximately $140.7 million. However, this impact would be largely offset by gains on the Corporation's fixed income portfolio. Changes to the assumptions for other coverages or lines of business are considered to be less material.

19. REINSURANCE

The Corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 29, 2016, these reinsurance agreements limit the Corporation's exposure on a casualty basis to a maximum amount of $5.0 million (February 28, 2015 – $5.0 million) on any one occurrence.

The reinsurance arrangements also limit the Corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $15.0 million (February 28, 2015 – $15.0 million). These arrangements protect the Corporation against losses up to $251.7 million (February 28, 2015 – $251.7 million).

Certain lines of insurance carry maximum limits lower than these amounts. While these arrangements are made to protect against large losses, the primary liability to the policyholders remains with the Corporation.

20. CAPITAL MANAGEMENT

The Corporation's Board of Directors has approved risk-based capital adequacy target levels by line of business to maintain financial stability. In addition, specific levels of retained earnings have been appropriated to support one corporate initiative:

- The Personal Identification Card Fund (PICF) is an appropriation from the non-Basic lines of business Retained Earnings. The PICF was established to defray costs of the project to create a personal identification card that incorporates Manitoba Health card information. The Corporation initially transferred $3.0 million from the non-Basic lines of business Retained Earnings and has committed to transfer an additional $17.0 million.

Retained earnings are comprised of the accumulation of net income or losses for the Basic and non-Basic lines of business. Non-Basic lines of business consist of Extension and Special Risk Extension (SRE) lines of business and *The Drivers and Vehicles Act* operations.

The Basic Rate Stabilization Reserve (RSR) relates to the basic universal compulsory automobile insurance and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors.

The Corporation's Board of Directors current target for total equity (which includes Basic retained earnings and the Basic portion of AOCI) is $231.0 million (February 28, 2015 - $213.0 million) based on the 2015 Basic Insurance Dynamic Capital Adequacy Test (DCAT) report. In his report, the Corporation's Chief Actuary concluded that a minimum total equity level of $231.0 million would be required for Basic to achieve a satisfactory future financial condition. A total equity level lower than $231.0 million would result in a "not satisfactory" opinion because there are plausible adverse scenarios identified where liabilities exceed assets.

In Order No. 128.15, the Public Utilities Board accepted the DCAT methodology for the minimum Basic RSR target level based on total equity for the 2016 fiscal year; therefore the Public Utilities

Board minimum Basic RSR target based on total equity is $231.0 million. Previous to this, the Corporation used the maximum of the Public Utilities Board RSR target which was based on 10.0% to 20.0% of written premiums (February 28, 2015 - $82.5 million to $165.0 million).

The Corporation's Board of Directors' current target level for Extension total equity (Retained Earnings and Extension's portion of AOCI) is $71.0 million (February 28, 2015 - $72.0 million) based on the 2015 Extension Minimum Capital Test (MCT) report. Based on this target the Corporation's Chief Actuary has concluded that the future financial condition of this line of business is satisfactory. The Corporation is in compliance with this target.

The Corporation's Board of Directors' current target level of $50.0 million (February 28, 2015 - $45.0 million) for SRE total equity (Retained Earnings and SRE's portion of AOCI) is based on the 2015 SRE MCT report. The Corporation's Chief Actuary has concluded that, based on this target, the future financial condition of this line of business is satisfactory. The Corporation is in compliance with this target.

The below chart depicts the components of Retained Earnings.

(in thousands of Canadian dollars)	Basic		Non-Basic			Total
	Rate Stabilization Reserve (RSR)	Retained Earnings (B-RE)	Capital Reserve (NB-CR)	Retained Earnings (NB-RE)	Personal Identification Card Fund (PICF)	Retained Earnings
Balance as at March 1, 2014	99,878	-	114,000	106,594	-	320,472
Net income (loss) from operations for the year	-	2,440	-	55,138	-	57,578
Transfer between RSR & B-RE	2,440	(2,440)	-	-	-	-
Transfer between NB-CR & NB-RE	-	-	3,000	(3,000)	-	-
Transfer between NB-RE & RSR	75,500	-	-	(75,500)	-	-
Balance as at February 28, 2015	177,818	-	117,000	83,232	-	378,050
Net income (loss) from operations for the year	-	(56,050)	-	24,736	-	(31,314)
Transfer between RSR & B-RE	(56,050)	56,050	-	-	-	-
Transfer between NB-CR & NB-RE	-	-	4,000	(4,000)	-	-
Transfer between NB-RE & RSR	72,729	-	-	(72,729)	-	-
Transfer between NB-RE & PICF	-	-	-	(1,896)	1,896	-
Balance as at February 29, 2016	**194,497**	**-**	**121,000**	**29,343**	**1,896**	**346,736**

(in thousands of Canadian dollars)	**2016**	2015
RSR before transfer from Non-Basic Retained Earnings (NB-RE)	**121,768**	102,318
AOCI-Basic (Note 21)	**36,503**	35,262
	158,271	137,580
Transfer from NB-RE to RSR	**72,729**	75,500
Basic Target based on total equity	**231,000**	213,000

21. ACCUMULATED OTHER COMPREHENSIVE INCOME

AOCI reflects the net unrealized gain or loss on financial assets classified as AFS and net actuarial gain (loss) on employee future benefits. Changes in AOCI by type of asset are presented below.

(in thousands of Canadian dollars)	Equity Investments	Other Investments	Total AOCI
Balance at March 1, 2014	98,495	(21,644)	76,851
Items that will not be reclassified to income			
Remeasurement of employee future benefits	-	(40,099)	(40,099)
Items that will be reclassified to income			
Unrealized gains (losses) on AFS assets	35,978	(1,289)	34,689
Reclassification of net realized (gains) losses related to AFS assets	(28,808)	744	(28,064)
Balance at February 28, 2015	105,665	(62,288)	43,377
Items that will not be reclassified to income			
Remeasurement of employee future benefits	-	32,395	32,395
Items that will be reclassified to income			
Unrealized losses on AFS assets	(65,985)	(331)	(66,316)
Reclassification of net realized losses related to AFS assets	33,370	401	33,771
Balance at February 29, 2016	**73,050**	**(29,823)**	**43,227**

(in thousands of Canadian dollars)	**2016**	2015
Basic AOCI at February 29/28	**36,503**	35,262
Non-Basic AOCI at February 29/28	**6,724**	8,115
Total AOCI at February 29/28	**43,227**	43,377

22. SERVICE FEES AND OTHER REVENUE

(in thousands of Canadian dollars)	**2016**	2015
Transaction fees	**8,141**	8,022
Time payment fees	**2,883**	2,796
Time payment interest	**16,084**	14,172
Late payment fees	**1,066**	1,079
Dishonoured payment fees	**992**	861
Identity card/Enhanced identity card fees	**401**	348
Other miscellaneous revenue	**1,413**	819
	30,980	28,097

23. THE *DRIVERS AND VEHICLES ACT* OPERATIONS RECOVERY

Under *The Drivers and Vehicles Act* (DVA), the Corporation is responsible for DVA operations pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services.

The Province of Manitoba provides funding to the Corporation to defray the cost borne by the Corporation for DVA operations. The annual Province of Manitoba payments to the Corporation are $27.9 million per year. Beginning April 1, 2016, the government will increase its payments to the Corporation to $29.4 million per year. Additionally, an annual indexing provision will be applied to the yearly funding for *The Drivers and Vehicles Act* administration.

The Corporation, on behalf of the Province of Manitoba, collects and transfers motor vehicle registration fees and driver licensing fees to the Province of Manitoba.

Fees collected on behalf of and transferred to the Province of Manitoba include:

(in thousands of Canadian dollars)	**2016**	2015
Vehicle registration fees	**182,818**	180,295
Driver licensing fees	**24,075**	23,918
	206,893	204,213

24. NET INCOME (LOSS) FROM OPERATIONS

The lines of business reported net income (loss) from operations is as follows:

(in thousands of Canadian dollars)	**2016**	2015
Basic insurance	**(56,050)**	2,440
Extension insurance	**26,644**	43,134
Special risk extension insurance	**4,650**	10,768
The *Drivers and Vehicles Act* operations	**(6,558)**	1,236
	24,736	55,138
Net income (loss) from operations	**(31,314)**	57,578

25. DISCONTINUED GENERAL INSURANCE OPERATIONS

The Corporation discontinued writing reinsurance assumed business effective November 18, 1987, and personal and commercial insurance policies effective October 1, 1990.

As of February 28, 2001, the Corporation accepted a third-party offer to purchase the reinsurance assumed business from the Corporation. Under the terms of the agreement, the Corporation transferred and assigned to the third party the title, interest and all of the obligations resulting from the un-commuted reinsurance assumed treaties written by the Corporation for the period July 1, 1975 to November 18, 1987, including retrocessional treaties. The obligations include all known or unknown liabilities. The primary liability to the treaty holders remains with the Corporation in the event of the third party's insolvency.

Claims costs and expenses on personal and commercial policies will be incurred until all claims on existing policies are settled.

Discontinued operations resulted in a net loss of $0.1 million (February 28, 2015 – $1.6 million net income) which is reported as part of the Special Risk Extension line of business (Note 24). Included in the provision for unpaid claims is $2.5 million (February 28, 2015 – $2.3 million) relating to discontinued operations.

26. COMMITMENTS

As of February 29, 2016, the Corporation has no material commitments.

27. RELATED-PARTY TRANSACTIONS

Key Management Personnel

Key management personnel are comprised of all members of the Board of Directors and the named Executive management team. The summary of compensation of key management personnel for the year is as follows:

(in thousands of Canadian dollars)	**2016**	2015
Short term benefits	**1,867**	1,606
Post-employment benefits	**121**	251
Other long-term benefits	**30**	24
Termination benefits	**338**	-
	2,356	1,881

Key management personnel and their close relatives may have insurance policies with the Corporation as required by *The Manitoba Public Insurance Corporation Act*. The terms and conditions of such transactions are the same as those available to clients and employees of the Corporation.

Province of Manitoba

Investment management fees paid to the Department of Finance are disclosed in Note 4.

Accounts Payable and Accrued Liabilities includes $9.3 million (February 28, 2015 - $11.2 million) due to the Province of Manitoba.

28. INSURANCE AND FINANCIAL RISK MANAGEMENT

Insurance Risk

The Corporation is exposed to insurance risk in that the risk under any one insurance contract creates the possibility that the insured event occurs and there is uncertainty regarding the amounts of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore, unpredictable.

Financial Risk

Investments carry certain financial risks including market risk, credit risk and liquidity risk. In accordance with Section 12(1) of *The Manitoba Public Insurance Corporation Act,* the Minister of Finance is responsible for the investments of the Corporation. The Minister has charged the Department of Finance with the operational management of the fund. The Corporation, through the Investment Committee of the Board, and the Department jointly determine appropriate policies and strategies to mitigate risk. The investment objectives and goals of the Corporation are embodied in an Investment Policy document, which sets target asset allocation and portfolio concentration limits as well as defining the credit quality of the counterparties and the percentage of highly liquid investments required to meet cash flow needs.

Market Risk

Market risk is the risk that changes in foreign exchange rates, market interest rates and other changes in market prices will result in fluctuation of the fair value or future cash flows of a financial instrument.

Currency Risk

Currency risk is the risk that changes in foreign exchange rates will result in fluctuation of the fair value or future cash flows of a financial instrument. The Corporation has low exposure to currency risk because the Corporation has limited non-Canadian financial instruments. At February 29, 2016, total foreign denominated financial instruments had a carry value of $139.1 million U.S. ($188.2 million Cdn) and £6.3 million GBP ($11.8 million Cdn) which is approximately 8.1% of the Corporation's investment portfolio.

The Corporation has entered into a currency swap relating to a Province of Quebec provincial bond denominated in U.S. dollars for $10.0 million. The currency swap provides a fixed 5.76% return in Canadian dollars. The agreement also provides that at predetermined future dates, the Corporation pays a fixed 7.5% rate based on the U.S. $10.0 million par value of the bond and receives 5.76% return based on a Canadian dollar notional value of $13.4 million. As of February 29, 2016 the fair value of the swap was $14.8 million (February 28, 2015 - $15.4 million). The maturity date of the currency swap and the bond is July 15, 2023.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will result in fluctuation of the fair value or future cash flows of a financial instrument.

The market valuation of the Corporation’s fixed income portfolio is directly impacted by fluctuations in interest rates and will have a larger impact on instruments with a long duration.

Bonds	Average Effective Rate - %	
	2016	2015
Federal	**1.89**	1.96
Provincial	**3.01**	2.25
Municipal	**3.19**	2.81
Hospitals	**2.01**	1.68
Schools	**4.73**	4.91
Corporations	**2.77**	2.52

As at February 29, 2016, a 100 basis point increase in interest rates would result in a decrease in the fair value of the Corporation's fixed income portfolio of approximately $147.7 million (February 28, 2015 - $107.2 million), whereas a 100 basis point decrease in interest rates would result in an increase in the fair value of the Corporation’s fixed income portfolio of approximately $120.2 million (February 28, 2015 - $131.0 million). As all of the Corporation’s marketable fixed income assets are now classified as FVTPL, all changes would affect net income.

Fluctuations in interest rates would also have an impact on the Corporation's unpaid claims. The Corporation's duration of its fixed income portfolio approximates the duration of its unpaid claims liability and therefore, any change in interest rates related to these investments is largely mitigated by an offsetting impact on the unpaid claims liability.

Equity Price Risk

The fair value of equity securities held by the Corporation can be affected by changes in market prices, other than currency and interest rate risks, which may be caused by factors specific to the individual financial instrument or factors affecting all similar financial instruments. General economic conditions, political conditions and other factors affect the equity market. As at February 29, 2016, a 10.0% change in the fair value of the Corporation's equity portfolio would result in a $46.7 million (February 28, 2015 - $52.3 million) change in OCI.

As all equities are classified as AFS, all changes in prices are recorded as OCI and do not directly impact the Statement of Operations until such time as an investment is sold or has become impaired (Refer to Note 3). The Corporation has policies in place to limit and monitor its exposure to individual issuers and classes of issuers of equity securities.

Credit Risk

Credit risk is the potential for the Corporation to incur a financial loss due to the failure of the other party to discharge an obligation. Financial instruments that give rise to potential credit risk for the Corporation include fixed income securities, accounts receivable, reinsurance receivables and structured settlements.

The following table summarizes the Corporation's maximum exposure to credit risk on the Statement of Financial Position. The maximum credit exposure is the carrying value of the asset net of any allowance for loss.

(in thousands of Canadian dollars)	**2016**	2015
Cash and cash equivalents	**37,322**	68,882
Bonds	**1,679,082**	1,707,151
Due from other insurance companies	**45**	443
Accounts receivable	**423,918**	387,909
Reinsurance receivable	**6,273**	8,118
Maximum credit risk exposure on the Statement of Financial Position	**2,146,640**	2,172,503

Fixed Income Securities Credit Risk

The Corporation mitigates its exposure to credit risk by placing fixed income securities with high-quality institutions with investment grade ratings. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. The following table highlights the fixed income securities by credit quality according primarily to Moody's Investors Service at February 29/28. All Manitoba municipal, schools and hospitals bonds are backed by the Province of Manitoba and, as such, have been assigned the credit rating of the Province of Manitoba Bonds.

	2016		2015	
	Carrying Value (in thousands of dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of dollars)	Percentage of Portfolio
AAA	**26,298**	**1.6%**	211,548	12.4%
AA	**1,335,847**	**79.5%**	1,471,257	86.2%
A	**316,937**	**18.9%**	24,346	1.4%
	1,679,082	**100.0%**	1,707,151	100.0%

Accounts Receivable Credit Risk

The Corporation's accounts receivable are comprised of customers with varying financial conditions as the Corporation is required to provide basic insurance to all vehicle owners and drivers in the Province of Manitoba. All significant past due receivables, including subrogation receivables, are fully provided for due to the uncertainty of collection. Substantially all remaining receivables are deemed to be collectible within 12 months. The credit risk pertaining to premiums receivable is mitigated as a customer's policy may be cancelled for default of payment.

The following table highlights the Corporation's accounts receivable by major category.

(in thousands of Canadian dollars)	**2016**	2015
Policy and time payments	**379,383**	350,269
Accrued interest	**26,824**	25,684
Subrogation and other receivables	**41,581**	33,885
Allowance for doubtful accounts	**(23,870)**	(21,929)
Balance at February 29/28	**423,918**	387,909

Details of the allowance for doubtful accounts are as follows:

(in thousands of Canadian dollars)	**2016**	2015
Balance at March 1	**21,929**	19,735
Accounts written off	**(4,737)**	(2,031)
Current period provision	**6,678**	4,225
Balance at February 29/28	**23,870**	21,929

Reinsurance Receivable Credit Risk

The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency. The Corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of which there were $0.2 million outstanding as of February 29, 2016 (February 28, 2015 – nil). Furthermore, a corporate guideline requiring reinsurers to have a minimum credit rating of A- from A.M. Best and BBB+ credit rating from Standard & Poors is in place.

For the 2015/2016 fiscal year, ten reinsurers share the Corporation's casualty reinsurance coverage, ranging from 2.5% to 35.0% on any one layer. The reinsurer exposed to 35.0% of the losses is licensed in Canada by the Office of the Superintendent of Financial Institutions and, therefore, subject to minimum capital requirements.

For the 2015/2016 fiscal year, 18 reinsurers share the Corporation's catastrophe reinsurance coverage, none holding more than 27.5% of the reinsurance exposure on any one layer.

No amount due from reinsurers was considered uncollectible during 2015/2016 and no allowance for doubtful accounts has been established as at February 29, 2016.

Structured Settlements Credit Risk

The Corporation has settled some insurance claims by purchasing structured settlements from life insurers. As of the Statement of Financial Position date, the present value of expected payments totals $142.0 million (February 28, 2015 – $158.1 million) based on various dates of purchase. The Corporation guarantees the future annuity payments to claimants and is thus exposed to a credit risk to the extent any of the life insurers fail to fulfill their obligations. The net risk to the Corporation is the credit risk related to the life insurance companies that the annuities are purchased from. This risk is reduced to the extent of coverage provided by Assuris, the life insurance compensation insurance plan.

Liquidity Risk

A significant risk of the insurance industry is the ability to match the cash inflows of the investment portfolio with the cash requirements of the policy liabilities and operating expenses. The Corporation has taken the overall historical liability settlement pattern as a basis to define diversification and duration characteristics of the investment portfolio. To meet the cash requirements for claims and operating expenses, the Corporation has policies to ensure that assets and liabilities are broadly matched in terms of their duration.

Cash and cash equivalents are essential components of the Corporation's financial liquidity management. Cash flows are monitored to ensure sufficient resources are available to meet our current operating requirements. Excess funds not needed to meet current operating requirements are invested in long-term instruments to generate additional revenue for future obligations.

Bonds - maturity profile

	2016			
(in thousands of Canadian dollars)	**Within One Year**	**One Year to Five Years**	**After Five Years**	**Total Fair Value**
Federal	**-**	**5,019**	**119,253**	**124,272**
Manitoba				
Provincial	**10,015**	**10,356**	**165,673**	**186,044**
Municipal	**92**	**5,266**	**29,791**	**35,149**
Hospitals	**10,167**	**-**	**-**	**10,167**
Schools	**-**	**23,490**	**591,370**	**614,860**
Other Provinces				
Provincial	**11,047**	**34,207**	**503,600**	**548,854**
Municipal	**-**	**7,750**	**97,512**	**105,262**
Corporations	**-**	**12,828**	**41,646**	**54,474**
	31,321	**98,916**	**1,548,845**	**1,679,082**

	2015			
(in thousands of Canadian dollars)	Within One Year	One Year to Five Years	After Five Years	Total Fair Value
Federal	-	-	114,774	114,774
Manitoba				
Provincial	5,000	22,969	216,671	244,640
Municipal	205	6,348	31,178	37,731
Hospitals	-	10,867	-	10,867
Schools	1,018	17,003	578,218	596,239
Other Provinces				
Provincial	5,561	96,402	411,045	513,008
Municipal	-	8,051	120,764	128,815
Corporations	-	14,118	46,959	61,077
	11,784	175,758	1,519,609	1,707,151

Liability Liquidity

	2016			
(in thousands of Canadian dollars)	**Within One Year**	**One Year To Five Years**	**After Five Years**	**Total Value**
Provision for unpaid claims Cash Flows - non-discounted, non-indexed	**310,406**	**289,176**	**1,114,203**	**1,713,785**

	2015			
(in thousands of Canadian dollars)	Within One Year	One Year To Five Years	After Five Years	Total Value
Provision for unpaid claims Cash Flows - non-discounted, non-indexed	285,573	270,090	1,051,722	1,607,385

29. NON-CURRENT ASSETS AND LIABILITIES

The following table presents financial assets and liabilities the Corporation expects to recover or settle in 12 months or greater at February 29, 2016 and February 28, 2015.

(in thousands of Canadian dollars)	**2016**	2015
Assets:		
Bonds	**1,647,761**	1,695,367
Equity investments	**468,991**	520,753
Pooled real estate	**222,207**	204,847
Infrastructure and other investments	**85,342**	58,376
Reinsurers' share of unpaid claims	**5,640**	7,665
Total assets	**2,429,941**	2,487,008
Liabilities:		
Financing lease obligation	**4,189**	4,281
Provision for unpaid claims	**1,458,294**	1,500,458
Total liabilities	**1,462,483**	1,504,739
Net assets due after one year	**967,458**	982,269

30. RATE REGULATION

Under the provisions of *The Crown Corporations Public Review and Accountability Act,* the Public Utilities Board has the authority to review and approve Basic Insurance rates, premiums and service fees charged with respect to compulsory driver and vehicle insurance provided by the Corporation. No new rates or fees for services can be introduced without the approval of the Public Utilities Board. This business comprises approximately 86% (February 28, 2015 - 88%) of the total business based on net claims incurred.

Annually the Corporation prepares its Basic Insurance general rate application and files it with the Public Utilities Board in the month of June for implementation the following fiscal year commencing on March 1. The general rate application includes the prospective rate requirements based on historical and forecasted financial and other information as well as the application of actuarial, accounting and statistical principles and practices.

The Corporation is required to pay a portion of the Public Utilities Board's operating costs relating to the Corporation's share of the overall Public Utilities Board budget. In addition, the Public Utilities Board can also order the Corporation to reimburse other proceeding participants for specified costs such as their time, legal and expert witness fees.

31. SUBSEQUENT EVENTS

No subsequent events have occurred after February 29, 2016.

32. CONTINGENT LIABILITIES

The Corporation is subject to litigation arising in the normal course of conducting its insurance business. The Corporation is of the opinion that this litigation will not have a significant effect on the financial position, financial performance or cash flows of the Corporation.

Management's Responsibility for Financial Information

The consolidated financial statements of the WCB were prepared by management, who are responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with International Financial Reporting Standards. Financial information contained elsewhere in this annual report conforms to these financial statements.

Management believes the system of internal controls, review procedures and established policies provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. Management also believes that the WCB's operations are conducted in conformity with the law and with a high standard of business conduct. The internal auditor performs periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and approved the financial statements and other financial information included in this annual report on April 19, 2016.

The Audit Committee assists the Board of Directors in its responsibilities. This Committee reviews and recommends approval of the consolidated financial statements and annual report. Internal and external auditors and actuaries have unlimited access to the Audit Committee. The Committee reviews the financial statements and other content of the annual report with management and the external auditors, and reports to the Board of Directors prior to their approval for publication.

The Chief Actuary of the WCB completed an actuarial valuation of the benefit liabilities included in the financial statements of the WCB and reported thereon in accordance with accepted actuarial practices. The firm of Eckler Ltd. has been appointed as a peer reviewer to the WCB. The Chief Actuary's opinion on the valuation of the benefit liabilities is provided on page 33. Eckler Ltd.'s actuarial review is provided on page 34.

Grant Thornton LLP, independent auditors appointed as a sub-agent to the Provincial Auditor General, has performed an independent audit of the consolidated financial statements of the WCB in accordance with Canadian generally accepted auditing standards. Their Auditor's Report, on page 35, outlines the scope of this independent audit and includes their opinion expressed on the 2015 consolidated financial statements.

Original Document Signed

Winston Maharaj
President and CEO

Original Document Signed

Lorena B. Trann, FCPA, FCMA
Chief Financial Officer

April 19, 2016

Actuarial Opinion

with respect to Future Benefit Liabilities of the Workers Compensation Board of Manitoba
based on an actuarial valuation as at December 31, 2015

I have completed an actuarial valuation as at December 31, 2015 of the benefit liabilities for insured and self insured employers under *The Workers Compensation Act* of Manitoba as amended to the valuation date. The purpose of this valuation was to estimate the liabilities of the WCB with respect to injuries that occurred on or before the valuation date for inclusion in the 2015 financial statements which are prepared in accordance with International Financial Reporting Standards.

My estimate of the liabilities as at December 31, 2015 is $1,120.5 million. This includes provisions for claims arising from specific long latent occupational diseases including Post-Traumatic Stress Disorder.

I reviewed the data and have performed tests to confirm their reasonableness and consistency with that used in the prior valuation.

The economic assumptions used have changed since the prior valuation. The discount rate used is 5.75 per cent (6.0 per cent in prior valuation). The inflation assumptions are 2.75 per cent (3.0 per cent in prior valuation) for inflation linked benefits, 3.75 per cent (4.0 per cent in prior valuation) for wage linked benefits and 5.25 per cent (6.5 per cent in prior valuation) for healthcare benefits.

The mortality assumption for disability and survivor benefits is the generational table created from the Manitoba Life Table 2009-2011 projected from 2010 using the CPM-B projection scale. The mortality assumption for life insurance benefits is the static table created from the Manitoba Life Table 2009-2011 projected to 2015 using the CPM-B projection scale. The mortality assumptions are unchanged from the prior valuation.

The assumptions and methods used in the valuation, as described in my report, are based on the current practices and administrative procedures of the WCB and on historical claims experience.

In my opinion, the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.

In my opinion, the assumptions are appropriate for the purpose of the valuation.

In my opinion, the methods employed in the valuation are appropriate for the purpose of the valuation.

In my opinion, the amount of the benefit liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly present the results of the valuation.

This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.

Respectfully submitted,

Original Document Signed

Michael Williams, Fellow, Canadian Institute of Actuaries
Chief Actuary, WCB

March 2, 2016

Actuarial Review

with respect to the Valuation of the Future Benefit Liabilities of the Workers Compensation Board of Manitoba
as at December 31, 2015

We have reviewed the actuarial valuation as at December 31, 2015 of the benefit liabilities for insured and self insured employers under *The Workers Compensation Act* of Manitoba as amended to the valuation date. The valuation was performed by the Chief Actuary of the Workers Compensation Board of Manitoba. The purpose of the valuation was to estimate the liabilities of the WCB with respect to injuries that occurred on or before the valuation date for inclusion in the 2015 financial statements.

We have performed such tests of the data used, the assumptions made and the calculation models underlying the valuation as we considered necessary.

The valuation determined benefit liabilities as at December 31, 2015 to be $1,120.5 million. This includes provisions for claims arising from specific long latent occupational diseases and for the future cost of administering claims. In our opinion, this amount constitutes an appropriate provision for benefit liabilities as at December 31, 2015.

Our review has been conducted, and our opinions given, in accordance with accepted actuarial practice in Canada.

Respectfully submitted,
Eckler Ltd.

Original Document Signed

Andrew Kulyk
Fellow, Canadian Institute of Actuaries

March 2, 2016

Original Document Signed

Richard Border
Fellow, Canadian Institute of Actuaries

March 2, 2016

Independent Auditor's Report

To the Workers Compensation Board of Manitoba

We have audited the accompanying consolidated financial statements of the Workers Compensation Board of Manitoba (WCB), which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of operations and comprehensive income, consolidated statement of changes in funded position and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the consolidated financial position of WCB as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Grant Thornton LLP, Chartered Professional Accountants
Winnipeg, Manitoba
April 19, 2016

Consolidated Statement of Financial Position

December 31
(in thousands of dollars)

	Note	2015	2014
Assets			
Cash	3	$ 13,837	$ 11,275
Receivables and other	4	6,947	5,982
Investment portfolio	5	1,681,181	1,572,732
Deferred assessments	7	137,335	106,273
Property, plant and equipment	8	26,864	25,913
Intangible assets	9	4,111	3,504
		$ 1,870,275	$ 1,725,679
Liabilities and funded position			
Payables and accruals	10	$ 12,460	$ 11,776
Workers' retirement annuity fund	11	29,814	27,514
Employee benefits	12	84,789	89,271
Mortgages payable on investment properties	5	57,492	59,306
Benefit liabilities	13	1,120,525	1,080,682
Total liabilities		1,305,080	1,268,549
Accident fund reserve		621,402	526,644
Accumulated other comprehensive loss		(56,207)	(69,514)
Funded position		565,195	457,130
		$ 1,870,275	$ 1,725,679

Authorized for issue on April 19, 2016 on behalf of the Board of Directors,

Original Document Signed

Michael D. Werier
Chairperson, Board of Directors

Original Document Signed

Jane MacKay
Audit Committee of the Board of Directors

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

Consolidated Statement of Operations and Comprehensive Income

Year Ended December 31
(in thousands of dollars)

	Note	2015	2014
Revenue			
Premium revenue	15	$ 285,400	$ 286,400
Investment and real estate income	5	111,520	127,286
Total revenue		396,920	413,686
Expenses			
Claim costs incurred	13	211,550	222,100
Operating expenses	16	90,612	81,323
Total expenses		302,162	303,423
Operating surplus		94,758	110,263
Other comprehensive income (loss)			
Defined benefit plan remeasurements	12	13,307	(34,807)
Total comprehensive income		$ 108,065	$ 75,456

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

Consolidated Statement of Changes in Funded Position

Year Ended December 31
(in thousands of dollars)

	Note	2015	2014
Funded position			
Accident fund reserve			
Balance at beginning of year		$ 526,644	$ 416,381
Operating surplus		94,758	110,263
		621,402	526,644
Accumulated other comprehensive loss			
Balance at beginning of year		$ (69,514)	$ (34,707)
Other comprehensive income (loss)		13,307	(34,807)
		(56,207)	(69,514)
Funded position, end of year		$ 565,195	$ 457,130

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

Consolidated Statement of Cash Flows

Year Ended December 31
(in thousands of dollars)

	Note	2015	2014
Operating cash flows			
Premiums from employers		$ 253,761	$ 307,575
Receipt (refund) of prior years pension losses (gains)	7	949	(29,632)
Investment income		59,576	44,586
Claim payments	13	(171,707)	(178,383)
Purchases of goods and services		(85,194)	(78,111)
Net operating cash flows		57,385	66,035
Investing cash flows			
Purchases of investments		(1,169,250)	(726,499)
Proceeds on disposal of investments		1,118,842	667,383
Asset acquisitions		(4,415)	(3,644)
Net investing cash flows		(54,823)	(62,760)
Net increase in cash		2,562	3,275
Cash at beginning of year		11,275	8,000
Cash at end of year		$ 13,837	$ 11,275

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2015
($ amounts in thousands of dollars unless otherwise noted)

1. NATURE OF OPERATIONS

Reporting Entity

The Workers Compensation Board of Manitoba (the WCB) is a statutory corporation created by the Manitoba Legislature. The WCB is a government agency of the Province of Manitoba that operates at arm's-length from government.

The WCB was created in 1917 under the authority of *The Workers Compensation Act (*the *Act)* of Manitoba. In accordance with the provisions of the *Act,* the WCB is responsible for:

- prevention of workplace injuries and illnesses
- administering payments to injured workers and suppliers of services to injured workers
- levying and collecting premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims
- investing funds set aside for the future costs of claims as well as surplus funds.

SAFE Work Manitoba operates as a separate arm of the WCB and is responsible for the delivery of prevention-related services mandated under the *Act.*

An independent Workers Compensation Appeal Commission operates under the *Act* to make final rulings on any appeals pertaining to the WCB's assessment or benefits decisions.

The WCB's vision is *a trusted partner, insuring today and building a safer tomorrow.* The organization's mission is to insure and support safe and healthy workplaces. We put workers and employers at the centre of all we do. We provide them with valued services for injury prevention, compensation, and return to health and work while maintaining system integrity.

The WCB has its corporate head office in Winnipeg, Manitoba.

Funding Policy and Capital Management

The workers compensation system is funded through premiums collected from employers. The WCB does not receive government funding or assistance. Available funds are invested and are used to protect the WCB and its ratepayers from general business risks and catastrophic events in areas such as investment returns or extraordinary claim costs. To that end, an accident fund reserve attributable to Class E employers exists.

The target balance for the accident fund reserve is calculated based on a targeted funding ratio of 130 per cent. The funding ratio of 130 per cent includes amounts to reflect potential downturns in the financial markets and other risks and uncertainties. The calculation moves in tandem with changes in the size of the WCB's assets and liabilities, thereby calculating a reserve target that reduces risk to the organization. The target balance for the reserves was $447.7 million at the end of 2015 ($450.1 million in 2014).

The WCB's Funding Policy is intended to ensure that fiduciary responsibilities are carried out in accordance with the *Act* and that annual influences do not unduly distort the funding process. The WCB is committed to operating on a fully funded basis to a level funding standard. Full funding requires that current employers pay for the current and future cost of existing compensable injuries and their administration, rather than future generations of employers paying for those injuries. Under level funding, the cost of claims with lengthy latency periods is funded in a level manner over the workers' periods of exposure to the elements that led to the injuries or illnesses.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements of the WCB are prepared in accordance with International Financial Reporting Standards (IFRS) in effect as at December 31, 2015, which have been adopted by the Accounting Standards Board of Canada (AcSB) as Canadian generally accepted accounting principles for public interest entities. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of Measurement

The consolidated financial statements of the WCB have been prepared on a historic cost basis except for investment properties and those financial assets and financial liabilities that have been measured at fair value. The WCB's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the WCB operates, which is also the presentation currency of the consolidated financial statements. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise stated.

Basis of Consolidation

These consolidated financial statements include the accounts of the WCB and its wholly owned real estate investment subsidiary WCB Realty Limited. Intercompany balances and transactions are eliminated on consolidation.

Use of Estimates and Measurement Uncertainty and Critical Judgements

These financial statements have been prepared in accordance with IFRS, which requires the WCB to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. As a result, some of the reported amounts are subject to measurement uncertainty. Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Assumptions and estimates are reviewed on an ongoing basis, and any related revisions are recorded in the period in which they are adjusted. Consequently, actual results could differ from these estimates by significant amounts. Level 3 portfolio investments (Note 5), employee benefits (Note 12) and benefit liabilities (Note 13) are the most significant items based on accounting estimates.

Certain investment properties have been determined as joint operations as the WCB has joint control over the assets with other parties through contractual arrangements and the WCB has rights to the specific assets and obligations for the liabilities.

Changes in Accounting Policies

Future Accounting and Reporting Changes

The International Accounting Standards Board (IASB) is working towards continual improvement through the development of new accounting standards and the annual improvements process. The IASB will issue a number of exposure drafts of new or revised standards over the next several years. The WCB monitors the IASB work plans and publications to address any developments that may impact the organization.

The IASB published a revised exposure draft, IFRS 4, *Insurance Contracts,* in 2013. This revision aims to provide a consistent basis for accounting for insurance contracts. While the final standard has not been published, the proposed standard represents a major change in accounting for insurance contracts and is expected to have a significant impact on the financial reporting of entities such as the WCB. This standard has an anticipated effective date of January 1, 2020.

Specific Accounting Policies

Cash

Cash includes cash on hand and balances with banks, net of any outstanding cheques. Cash and short term investments held by investment managers and custodians for investment purposes are included in the investment portfolio.

Receivables and Other

Receivables are mainly assessed premiums due from employers, recorded at the estimated premium payable net of a provision for doubtful accounts. Sundry receivables consist of claim related overpayments, payroll related items and prepaid maintenance contracts.

Investment Portfolio and Mortgages Payable on Investment Properties

The investment portfolio is managed according to the objectives and policies established by the Statement of Investment Policies and Objectives. The statement acknowledges that there is no single asset class that directly matches the obligations and objectives of the WCB, and that a portfolio diversified across a number of distinct asset classes represents the optimal means of meeting the WCB's investment objectives. The investment portfolio is comprised of portfolio investments consisting of financial assets accounted for in accordance with IFRS 9 *Financial Instruments,* and investment properties consisting of real estate assets accounted for in accordance with International Accounting Standard 40 (IAS 40) *Investment Properties.* Mortgages payable on investment properties are accounted for in accordance with IFRS 9 *Financial Instruments.*

Portfolio Investments

The WCB's investments have been designated at fair value through profit or loss (FVTPL). As such, all investments are reported at fair value, which is the market value.

- Publicly traded investments are stated at year end market prices as listed on the appropriate stock exchange, or as provided by the custodian from independent sources.
- Pooled fund investments are valued at the most recent unit values supplied by the pooled fund administrator at year end.
- Investments denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the statement of financial position date. Foreign currency exchange gains and losses are recorded in the period in which they arise.

Investment Properties

The WCB owns real estate investment properties directly or by joint arrangement through its wholly owned real estate investment subsidiary WCB Realty Limited. These properties are held to earn rentals or for capital appreciation or both, and are intended to be long term assets. The WCB views the investment properties as an integral component of the diversified investment portfolio with the same value and purpose as all other investment holdings.

- Investment property assets are recognized at fair value.
- Fair value of the investment properties is determined by annual appraisal conducted by independent qualified appraisers. A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises.
- Investment properties which are determined to be joint operations are recorded in relation to the interest held in the joint operations.

Mortgages Payable on Investment Properties

Mortgages payable on investment properties are initially recognized at fair value less transaction costs. Mortgages payable on investment properties are subsequently measured at amortized cost using the effective interest method.

Joint Arrangements
A joint arrangement is an arrangement of which two or more parties have joint control. In a joint arrangement the parties are bound by a contractual arrangement and the contractual arrangement gives two or more of those parties joint control of the arrangement. A joint arrangement is either a joint operation or a joint venture.

The WCB is a joint operator through the wholly owned subsidiary WCB Realty Limited, and as such recognizes in relation to its interest in a joint operation its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

Deferred Assessments
Deferred assessments represent the WCB's estimate of the present value of premiums which will be received in the future from self insured employers to fund the future costs of existing claims that have arisen from their employees. As such, the fair value for deferred assessments is not readily determinable.

The deferred assessments may be secured by irrevocable letters of credit or other suitable forms of guarantee.

Property, Plant and Equipment
Property, plant and equipment are valued at cost, less accumulated amortization and any accumulated impairment loss. Amortization is calculated on a straight line basis over the estimated useful life of the asset, as follows:

Building	40 years
Land	not amortized
Building renovations and leasehold improvements	2 to 10 years
Computer equipment	3 to 5 years
Furniture, fixtures and equipment	5 years

An item of property, plant and equipment is derecognized upon disposal or when no further economic benefits are expected from its use. Any gain or loss arising on derecognition is included in operating expenses.

The carrying amounts of the WCB's non-financial assets are reviewed at each reporting date to ensure that assets are not carried in excess of the recoverable amount.

Intangible Assets
Acquired intangible assets, primarily computer software, are valued at cost less accumulated amortization. Amortization is calculated on a straight line basis over the estimated useful life, and included in operating expenses.

Internally generated intangible assets, primarily software and systems development, including professional fees incurred to implement these assets, are valued at cost and amortized over their useful lives. Amortization is calculated on a straight line basis over the estimated useful life, as follows:

Computer software	3 years
Internally generated systems development	10 years

The carrying amounts of the WCB's non-financial assets are reviewed at each reporting date to ensure that assets are not carried in excess of the recoverable amount.

Payables and Accruals

Payables and accruals are obligations to pay for goods and services acquired in the normal course of operations. The WCB records a liability and an expense for goods upon receipt or transfer of control, and for services when they are performed. Other payables include various payroll-related liabilities and deposits from self insured employers. The timing and amount of payables and accruals are readily determinable. These amounts are normally settled before the end of the next reporting period.

Workers' Retirement Annuity Fund

In accordance with Section 42(2) of *The Workers Compensation Act,* where wage loss benefits are paid to a worker after a qualifying period, the WCB is required to invest on a worker's behalf an amount equal to a percentage between five per cent and seven per cent, to provide an annuity for the worker at retirement. In addition, the worker may contribute an amount of not more than the amount contributed by the WCB. This annuity fund is part of the WCB investment portfolio and is intended to establish or replace lost pension entitlement resulting from a work-related injury or illness.

Employee Benefits

The WCB has several employee benefit plans:

Short Term Benefits

Short term employee benefits are measured on an undiscounted basis and are expensed when the services are rendered. These benefits include wages, salary, vacation entitlements and group health plans.

Other Benefit Plans

The WCB sick leave plan is a multi-faceted benefit plan. Sick leave credits are earned and payable in the form of sick leave in the current year. Unused sick leave credits are accumulated and carried forward to future periods, and are available to be taken as sick leave when the current year entitlement is exhausted. For employees that meet established criteria upon termination or retirement, the sick leave plan represents a post-employment benefit plan that provides for payment of sick leave credits. For accounting purposes, it is treated as a defined benefit plan and the liability is valued on the basis of discount rates and other estimates that are consistent with the estimates used for defined benefit obligations. For this unfunded plan, where the WCB funds the obligation directly from its own resources, employee contributions are not required.

The WCB Retiree Healthcare Spending Account (the RHCSA) was introduced March 1, 2014. Eligible retirees receive a predetermined annual credit amount which may be used to cover healthcare expenses not covered by other plans. The RHCSA is a defined benefit plan. The WCB funds this plan directly via the plan administrator.

Pensions

The pension plan, comprised of the WCB Retirement Plan and the Supplementary Employee Retirement Plan, is funded by employee and employer contributions. The WCB Retirement Plan is a defined benefit pension plan that provides indexed pensions (two-thirds of the Consumer Price Index for Canada) based on years of service and the best five consecutive years average earnings in the last 12 years of employment. The Supplementary Employee Retirement Plan provides that the employees of the WCB, whose pension benefits exceed the maximum pension benefit permitted under the federal *Income Tax Act,* will receive pension benefits based on their total pensionable earnings.

The WCB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year, using actuarial assumptions that are unbiased and mutually compatible. The assumptions represent management's best estimates of the variables that will determine the ultimate cost of post-employment benefits. Actuarial assumptions are comprised of demographic assumptions on matters such as mortality and employee turnover, and financial assumptions on matters such as salary and benefit levels, interest rates and return on investments. Given the long term nature of the plan and the use of these assumptions, the resulting estimates are subject to significant uncertainty.

The Projected Unit Credit Method is used to calculate the defined benefit obligations and current service costs. This method reflects service rendered by employees to the date of valuation and incorporates actuarial assumptions regarding discount rates used to determine the present value of benefits, projected rates of salary growth and long term expected rate of return on plan assets.

Discount rates are based on the market yields of high-quality corporate bonds.

In accordance with IAS 19, the net interest approach is used to disaggregate the costs of the pension plan. The change in the net defined benefit liability is disaggregated into the following components:

- Service cost, or the additional liability that arises from employees providing service during the period
- Net interest or the interest expense on the net defined benefit liability calculated using the discount rate
- Remeasurements, which are other changes in the value of the defined benefit obligation such as changes in estimates and other changes in the value of plan assets.

Service cost and net interest are recognized in operating surplus whereas remeasurements are recognized in other comprehensive income. Employee contributions, which are independent of the number of years of service, are treated as a reduction of service cost.

When past service costs arise they are recognized immediately.

Benefit Liabilities
Under the provisions of the *Act,* the WCB has a legislated obligation to accept insurance risk from employers in exchange for premiums paid for WCB coverage.

The WCB's Chief Actuary prepares a valuation of the benefit liabilities of the WCB at each year-end. This valuation is conducted in accordance with accepted actuarial practice in Canada, and is subject to peer review by the WCB's consulting external actuary. The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims or injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provisions for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims, plus provisions for the future expenses of administering the existing claims. Differences arising from actual claims experience and assumptions used for the previous valuation, as well as the impacts of changes in legislation, policy, administrative practice or actuarial methods and assumptions, are recognized in the period that they occur.

The benefit liabilities also include an estimated liability for certain long latent occupational diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information currently available, this liability is more uncertain by its nature than other benefit liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision.

Fair Value of Other Financial Assets and Liabilities

Other financial assets and liabilities consist of cash, receivables and other, and payables and accruals. The carrying value of these items approximates their fair value, consistent with the short term nature of these items.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss is a subsection of the funded position. It is comprised of cumulative remeasurements arising from changes in the value of defined benefit obligations that in accordance with IFRS are recognized in other comprehensive income but excluded from the operating surplus.

Revenue Recognition

Premium Revenue

The operations of the WCB are categorized, in accordance with the *Act,* into Class E (general employers pool) and several classes of self insured employers.

General Employers Pool

Employers registered within Class E are subject to collective liability and premium revenue is estimated by applying applicable industry assessment rates to the employers' reported assessable payrolls for the current year. Any difference between the estimated premium revenue and the actual premium revenue is credited or charged to income in the year the determination is made.

Premium revenue is fully earned and recognized over the period that coverage is provided. Premium revenue reported in the period is recorded net of uncollectable account write-offs, interest and penalties on overdue amounts and adjustments of premiums for prior periods.

Self Insured Employers

Self insured employers – principally government bodies and railways and their subsidiaries – are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of self insured employers. As such, premium revenue from self insured employers is recognized as these costs are incurred. Current costs are collected as billed while future costs are recorded as deferred assessments.

The Government of Canada and its agencies are self insured based on the *Government Employees Compensation Act.* Under this *Act,* the administration of this program is delegated to the WCB which acts as agent of the Government of Canada for the payment of compensation to federal employees in this province.

Investment and Real Estate Income

Income from interest and dividends is recognized in the period earned, and changes in fair value are presented in the period in which they arise. Gross lease revenue for operating leases is recorded on the straight-line revenue basis.

Foreign Currency Translation

Transactions in foreign currency are converted to Canadian dollars at the exchange rate in effect at the time of the transaction. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date.

3. CASH AND LINES OF CREDIT

Cash reported in the consolidated statement of financial position is comprised of:

	2015	2014
Cash in transit and in banks	$ 18,572	$ 14,717
Cheques issued and outstanding	(4,735)	(3,442)
Net operating cash flows	$ 13,837	$ 11,275

In addition, the WCB has established an operating line of credit with its principal banker in the amount of $3 million. Advances on the line of credit bear interest at the bank's prime interest rate. The WCB has also established a revolving credit facility with the Province of Manitoba in the amount of $40 million. Advances on the revolving credit facility bear interest at the Province's preferred lending rate. Both credit facilities are unsecured.

The WCB did not utilize the credit facilities in 2015 or 2014.

4. RECEIVABLES AND OTHER

Receivables and other reported in the consolidated statement of financial position is comprised of:

	2015	2014
Premiums - Class E employers	$ 3,722	$ 2,446
Provision for doubtful accounts	(1,004)	(957)
	2,718	1,489
Current assessments - Self insured employers	413	2,781
Sundry	3,816	1,712
	$ 6,947	$ 5,982

5. INVESTMENT PORTFOLIO AND MORTGAGES PAYABLE ON INVESTMENT PROPERTIES

The total investments of the WCB are comprised of the investment portfolio net of mortgages payable on investment properties. The investments are reported in the comprehensive statement of financial position as:

	2015	2014
Portfolio investments	$ 1,504,890	$ 1,388,893
Investment properties	176,291	183,839
Investment portfolio	1,681,181	1,572,732
Mortgages payable on investment properties	(57,492)	(59,306)
Total investments	$ 1,623,689	$ 1,513,426

Investment Portfolio Holdings

The following table presents the value of the WCB's investments, together with their classification under the fair value hierarchy:

	2015				2014
	Level 1	Level 2	Level 3	Total	Total
Fixed Income					
Bonds	$ 475,794	$ -	$ -	$ 475,794	$ 412,964
Mortgages	-	121,701	-	121,701	126,685
Cash and short term	81,780	-	-	81,780	97,969
	557,574	121,701	-	679,275	637,618
Equities					
Canadian	228,486	-	-	228,486	229,834
U.S.	242,488	-	-	242,488	251,949
Europe, Australasia & Far East	149,305	-	-	149,305	124,923
Emerging markets	40,797	-	-	40,797	37,372
Private placements	-	-	4,823	4,823	4,689
	661,076	-	4,823	665,899	648,767
Real estate					
Portfolio investments	-	-	62,232	62,232	60,725
Investment properties*	-	-	176,291	176,291	183,839
	-	-	238,523	238,523	244,564
Infrastructure	-	-	97,484	97,484	41,783
	$ 1,218,650	$ 121,701	$ 340,830	$ 1,681,181	$ 1,572,732

*Investment properties include the commercial real estate properties consolidated from WCB Realty Limited, which includes directly owned properties and properties owned through joint arrangements.

The fair value of the WCB's portfolio investments and investment properties are categorized into three levels comprising the fair value hierarchy. Valuations are provided by investment managers for financial reporting purposes. Valuation techniques are selected based on the characteristics of the investment, with the overall objective of maximizing the use of market-based information. Management is responsible for ensuring that the chosen valuation technique is appropriate in the circumstances.

The three levels of the fair value hierarchy are:

Level 1 – The fair value is based on quoted prices in active markets for identical assets.

Level 2 – The fair value is based on inputs other than quoted prices that are observable for the asset either directly or indirectly. The following technique is used:

- The fair value of fixed income investments is determined using an income approach, calculating the present value of the future cash flows based on observable yield curves.

Level 3 – The fair value is based on inputs that are not based on observable market data. The following techniques are used to determine the fair value of investments categorized as Level 3:

- The fair value of private placement equity investments is determined by management based on financial information provided by individual capital fund managers, adjusted if deemed appropriate.
- The fair value of infrastructure is determined based on the underlying assets in the pooled fund using the most up-to-date information available provided by the pooled fund manager and adjusted by management for any other information available.
- The fair value of real estate investments is determined using an income approach based on estimated rental income of the properties. Properties are valued annually by independent appraisals. The most significant assumptions, all of which are unobservable, are estimated rental income, capitalization rates, discount rates and estimated vacancy rates. The estimated fair value of the real estate portfolio is sensitive to changes in these assumptions, and the fair value increases if estimated rental income increases, or the capitalization rate decreases. As the WCB is invested in a diversified real estate portfolio, assumptions are appropriate to the underlying asset, asset type and location. The following table illustrates the significant inputs and range of assumptions used in the valuation of real estate investments:

Estimated rental income	From $5.00/ sq. ft. to $25.88 / sq. ft.
Capitalization rates	From 6.1% to 7.5%

The following table reconciles the changes in the WCB's Level 3 fair value measurements to December 31:

	2015	2014
Balance at January 1	$ 290,941	$ 246,928
Market gains (losses):		
Unrealized	13,229	(4,663)
Purchases	56,720	55,421
Sales	(20,060)	(6,745)
Balance at December 31	$ 340,830	$ 290,941

Mortgages Payable on Investment Properties

The mortgages payable on investment properties are recorded at amortized cost as follows:

	2015	2014
Mortgages payable on investment properties	$ 57,492	$ 59,306

The following information represents key facts related to mortgages payable on rental properties. Mortgages are secured by the underlying investment property.

Interest rates	From 2.41% to 5.26%
Interest terms	Variable and fixed
Maturity dates	From 2016 to 2024

The fair value of mortgages payable on investment properties is determined annually. Fair value is impacted by changes in market yields which can result in differences between the carrying value and the fair value of the instruments. The fair value of the mortgages payable has been estimated based on the current market rates for mortgages of similar terms and conditions. The fair value of these mortgages was $59.4 million as at December 31, 2015 ($61.1 million in 2014) determined using the following:

Interest rates	From 2.39% to 3.72%
Term to maturity	8 months to 102 months

These mortgages are categorized as Level 2 of the fair value hierarchy.

For 2016, scheduled principal and interest payments on these mortgages total $18.3 million. The scheduled amounts of principal repayments in each of the next five years are as follows:

2016	2017	2018	2019	2020	Thereafter	Total
$ 16,448	$ 1,600	$ 2,039	$ 9,801	$ 1,440	$ 26,164	$ 57,492

Investment Income

Investment income, including net rental income and changes in fair value, was derived from the following sources:

	2015			2014
	Income	Net gains (losses)	Total	Total
Fixed Income				
Bonds	$ 17,125	$ (1,537)	$ 15,588	$ 39,697
Mortgages	5,274	(829)	4,445	5,889
Cash and short term	369	2,271	2,640	1,516
	22,768	(95)	22,673	47,102
Equities				
Canadian	7,587	(10,558)	(2,971)	25,618
U.S.	6,464	37,249	43,713	43,996
Europe, Australasia & Far East	3,680	20,702	24,382	4,424
Emerging markets	1,020	2,452	3,472	4,742
Private placements	-	176	176	(1,613)
	18,751	50,021	68,772	77,167
Real estate				
Portfolio investments	2,783	1,507	4,290	5,721
Investment properties *	9,126	(2,336)	6,790	2,369
	11,909	(829)	11,080	8,090
Infrastructure	3,011	13,395	16,406	1,035
Investment income	$ 56,439	$ 62,492	118,931	133,394
Less: Portfolio management expenses			7,411	6,108
Net investment income			$ 111,520	$ 127,286

*Investment properties income includes gross rental income of $19.5 million net of operating expenses of $7.9 million and mortgage interest of $2.5 million.

Commitments

The WCB has contractual agreements to contribute further funding to a maximum of $13.1 million ($42.6 million in 2014) to specific investment projects to be financed from the existing portfolio or from available cash.

6. INVESTMENT RISK MANAGEMENT

In accordance with the Statement of Investment Policy and Objectives, the investment objective of the WCB is to generate a consistent, positive, real rate of return on invested assets. Recognizing the need to achieve a balance between risk and return, investment risk is managed through a portfolio that is diversified across a number of distinct asset classes, as well as geographic region and investment style.

The following sections describe the nature and extent of financial risk exposure and the related risk mitigation strategies.

Market Risk

The WCB invests in publicly and privately traded equities and fixed income instruments available on domestic and foreign exchanges. As these securities are affected by market changes and fluctuations, the WCB is exposed to market risk as a result of price changes due to economic fluctuations in capital markets.

The following table presents the effect of a material change in the key risk variable – the sector benchmark – for each of the equity mandates in the WCB investment portfolio:

	2015		2014	
	5 year annualized		5 year annualized	
Equities	+/- 1 standard deviation	+/- 2 standard deviations	+/- 1 standard deviation	+/- 2 standard deviations
% change in benchmark	11.1%	22.2%	11.9%	23.8%
Canadian	$25.6 million	$51.2 million	$27.7 million	$55.4 million
% change in benchmark	11.2%	22.4%	11.6%	23.2%
U.S.	$28.7 million	$57.4 million	$31.3 million	$62.6 million
% change in benchmark	12.5%	25.0%	13.0%	26.0%
Europe, Australasia & Far East	$18.7 million	$37.4 million	$16.2 million	$32.4 million
% change in benchmark	13.9%	27.8%	13.4%	26.8%
Emerging markets	$5.7 million	$11.4 million	$5.0 million	$10.0 million

Credit Risk Management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. To mitigate the risk of credit default, the minimum quality standard for individual bonds and debentures at time of purchase is BBB, as rated by an established bond rating service. To further mitigate this risk, bonds with a BBB rating are limited to a maximum of 15 per cent of the bond portfolio. The balance of the portfolio should be invested in bonds with a minimum rating of A or higher.

In addition to directly owned fixed income securities, the WCB is invested in a pooled bond fund. The pooled fund guidelines require that the average credit quality of the pooled fund's assets must be BBB- or higher, and that non-investment grade securities shall not exceed 25 per cent of the pooled fund's assets on a market value basis.

Of the fixed income assets in the investment portfolio, 80 per cent (89 per cent in 2014) have at least an A credit rating. The WCB does not anticipate that any borrowers will fail to meet their obligations.

Securities Lending

The WCB may lend, for fee income, any of its securities to third parties, provided the loans are secured by cash or readily marketable securities having a market value of at least 105 per cent of the market amount of the asset borrowed. As at December 31, 2015, these loans amounted to $109.2 million ($100.2 million in 2014). As at December 31, 2015, total collateral pledged to the WCB amounted to $114.7 million ($105.2 million in 2014).

Foreign Exchange Risk Management

The WCB has certain investments denominated in foreign currencies, which exposes the WCB to foreign currency risk. During 2015, the WCB did not undertake hedging strategies for the currency risk of foreign investments. While currency fluctuations influenced short term returns, these fluctuations are not expected to affect the long term position of the investment portfolio.

The WCB has exposure to the U.S. dollar, with USD-denominated holdings of $348.0 million CAD ($348.9 million CAD in 2014) or 23.0 per cent of the portfolio (23.1 per cent in 2014).

The table below presents the effects of a material change in the Canadian/U.S. dollar exchange rates:

	CAD/USD	
	2015	2014
10% appreciation in the Canadian dollar	$ (31.6 million)	$ (31.7 million)

Interest Rate Risk Management

The WCB is exposed to interest rate risk to the extent that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates. These fluctuations are managed by actively controlling the duration of the fixed income portfolio. As at December 31, 2015, the duration of the WCB's bond portfolio was 7.2 years (8.7 years in 2014).

The following table shows the effects of a negative 50 and 100 basis point (where one basis point equals 1/100 of one per cent and 50 basis points equals 0.5 per cent) change in interest rates on the bond portfolio:

	2015		2014	
+/- basis point change	50 basis points	100 basis points	50 basis points	100 basis points
Bonds	$17.3 million	$34.6 million	$18.1 million	$36.2 million

The WCB is also subject to interest rate risk through the wholly owned subsidiary WCB Realty Limited. The mortgages payable on investment properties are primarily fixed rate mortgages which do not create cash flow risk.

Liquidity Risk Management

Liquidity risk is the risk that the WCB will be unable to meet its financial obligations. To manage this risk, and avoid liquidation of portfolio assets under unfavourable conditions, the WCB maintains two credit facilities as discussed in Note 3.

7. DEFERRED ASSESSMENTS

The changes in deferred assessments were as follows:

	2015	2014
Balance at beginning of year	$ 106,273	$ 70,136
Increase in future cost liability	31,191	6,596
(Decrease) increase in pension-related transactions	(2,148)	1,941
Interest allocation	(12)	(1,083)
Net change in deferred assessments (note 15)	29,031	7,454
Refund of accumulated excess pension income	-	29,632
Current pension surplus (deficit) included in receivables and other	2,031	(949)
Balance at end of year	$ 137,335	$ 106,273

8. PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment were as follows:

	2015					2014
	Building and land	**Building renovations and leaseholds**	**Computer equipment**	**Furniture, fixtures and equipment**	**Total**	**Total**
Cost						
As at January 1	$ 23,574	$ 4,713	$ 6,557	$ 3,103	$ 37,947	$ 35,528
Additions	-	1,274	1,249	515	3,038	2,732
Disposals	-	-	(152)	-	(152)	(313)
As at December 31	23,574	5,987	7,654	3,618	40,833	37,947
Amortization						
As at January 1	(1,791)	(2,462)	(5,240)	(2,541)	(12,034)	(10,614)
Amortization charge	(666)	(487)	(728)	(206)	(2,087)	(1,733)
Disposals	-	-	152	-	152	313
As at December 31	(2,457)	(2,949)	(5,816)	(2,747)	(13,969)	(12,034)
Net book value, as at December 31	$ 21,117	$ 3,038	$ 1,838	$ 871	$ 26,864	$ 25,913

9. INTANGIBLE ASSETS

The changes in intangible assets were as follows:

	2015			2014
	Computer software	Internally developed systems and software	Total	Total
Cost				
As at January 1	$ 3,945	$ 14,411	$ 18,356	$ 19,246
Additions	220	1,157	1,377	913
Disposals	(119)	-	(119)	(1,803)
As at December 31	4,046	15,568	19,614	18,356
Amortization				
As at January 1	(3,579)	(11,273)	(14,852)	(15,841)
Amortization charge	(213)	(557)	(770)	(814)
Disposals	119	-	119	1,803
As at December 31	(3,673)	(11,830)	(15,503)	(14,852)
Net book value, as at December 31	$ 373	$ 3,738	$ 4,111	$ 3,504

10. PAYABLES AND ACCRUALS

Payables and accruals are comprised of:

	2015	2014
Accounts payable and accrued liabilities	$ 4,241	$ 3,538
Research and Workplace Innovation Program	1,779	1,972
Deposits from self insured employers	5,104	4,932
Other payables	1,336	1,334
Balance at end of year	$ 12,460	$ 11,776

11. WORKERS' RETIREMENT ANNUITY FUND

The changes in the workers' retirement annuity fund were as follows:

	2015	2014
Balance as at January 1	$ 27,514	$ 24,666
Investment income	2,036	2,344
WCB contributions	1,512	1,450
Workers' contributions	433	426
Benefits paid	(1,681)	(1,372)
Balance as at December 31	$ 29,814	$ 27,514

12. EMPLOYEE BENEFITS

Components of the employee benefits liability are as follows:

	2015	2014
Employee pension plan	$ 66,566	$ 71,642
Sick leave plan	11,588	11,331
Employee vacation entitlements	4,467	3,983
Retiree healthcare spending account	1,930	1,853
Other	238	462
As at December 31	$ 84,789	$ 89,271

The WCB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the Retirement Plan for funding purposes, to be filed with the pension regulators, was as at December 31, 2015. This funding valuation showed a funding deficit of $6.2 million (2014 valuation, surplus of $1.0 million). The solvency deficit as at December 31, 2015 was $71.6 million (2014 valuation, deficit of $50.0 million). The WCB is not required to fund this deficiency as the WCB is exempt from the solvency and transfer deficiency provisions of the *Pension Benefits Act*.

Total cash payments for employee future benefits for 2015, consisting of cash contributed by the WCB to the funded pension plan and cash payments directly to beneficiaries for unfunded plans, were $4.9 million ($4.5 million in 2014). Based on historical experience and expected salary expense, the WCB expects to fund $6.1 million in 2016.

The key actuarial assumptions used to value the employee benefit liabilities for accounting purposes are as follows:

	Pension Plan		Sick Leave Plan	
	2015	2014	2015	2014
Discount rate	4.25%	4.00%	4.25%	4.00%
Rate of compensation increase	3.50%	3.75%	3.50%	3.75%

The rates shown in the 2015 column were effective as of December 31, 2015. The rates were applied in determining the benefit plan balances at December 31, 2015. The rates shown in the 2014 column were effective at December 31, 2014 and were applied in determining the 2015 benefit plan expense.

The actuarial present value of the defined benefit obligation is sensitive to changes in actuarial assumptions, the most significant assumption being the discount rate. The following table illustrates the sensitivity of the defined benefit obligations to a one per cent change in the discount rate:

	2015		2014	
	+1.0%	**-1.0%**	**+1.0%**	**-1.0%**
Pension plan	$ (37,765)	$ 49,090	$ (39,196)	$ 52,186
Sick leave plan	(875)	1,012	(953)	2,060

The WCB's defined benefit plan expenses are as follows:

	Pension Plan		Sick Leave Plan	
	2015	2014	2015	2014
Current service cost	$ 9,643	$ 6,027	$ 526	$ 462
Net interest expense	2,709	1,550	450	487
Remeasurements	(12,667)	33,814	(552)	829
Total benefit plan expenses	$ (315)	$ 41,391	$ 424	$ 1,778

As at December 31, the funding status of the defined benefit plans is as follows:

	Pension Plan		Sick Leave Plan	
	2015	2014	2015	2014
Fair value of plan assets	$ 172,692	$ 163,454	$ -	$ -
Defined benefit obligation	(239,258)	(235,096)	(11,588)	(11,331)
Net defined benefit liability	$ (66,566)	$ (71,642)	$ (11,588)	$ (11,331)

Details of the WCB's net defined benefit liability are as follows:

	Pension Plan		Sick Leave Plan	
	2015	2014	2015	2014
Balance at January 1	$ (71,642)	$ (34,355)	$ (11,331)	$ (9,910)
Benefit cost recognized in income	(12,352)	(7,577)	(976)	(949)
Remeasurements recognized in other comprehensive income (loss)	12,667	(33,814)	552	(829)
Employer contributions	4,761	4,104	167	357
Net change in net defined benefit liability	5,076	(37,287)	(257)	(1,421)
Net defined benefit liability at December 31	$ (66,566)	$ (71,642)	$ (11,588)	$ (11,331)

Details of the WCB's defined benefit obligations are as follows:

	Pension Plan		Sick Leave Plan	
	2015	2014	2015	2014
Balance at January 1	$ (235,096)	$ (181,557)	$ (11,331)	$ (9,910)
Current service cost	(12,683)	(8,627)	(526)	(462)
Interest expense	(9,394)	(8,994)	(450)	(487)
Transfers to the plan	(3,267)	(122)	-	-
Remeasurements consisting of:				
Actuarial gains (losses)	17,442	(39,253)	552	(829)
Benefits paid	3,740	3,457	167	357
Net change in defined benefit obligation	(4,162)	(53,539)	(257)	(1,421)
Defined benefit obligation at December 31	$ (239,258)	$ (235,096)	$ (11,588)	$ (11,331)

Details of the WCB's defined benefit plan assets are as follows:

	Pension Plan	
	2015	2014
Balance at January 1	$ 163,454	$ 147,202
Interest income	6,685	7,444
Employer contributions	4,761	4,104
Employee contributions	3,040	2,600
Transfers to the plan	3,267	122
Remeasurements consisting of:		
Actuarial (loss) gain	(4,775)	5,439
Benefits paid	(3,740)	(3,457)
Net change in plan assets	9,238	16,252
Plan assets at December 31	$ 172,692	$ 163,454

The fair value of the pension plan assets as at December 31 is:

	Pension Plan	
	2015	2014
Equity		
Canadian	$ 54,208	$ 51,167
Foreign (including U.S.)	54,381	44,648
	108,589	95,815
Fixed income	61,693	59,261
Cash and short term	2,410	8,378
	$ 172,692	$ 163,454

The Plan assets are wholly invested in pooled funds. Therefore, at December 31, 2015 and 2014 the Plan held financial instruments valued using inputs that are observable for the asset either directly or indirectly (Level 2).

WCB Retiree Healthcare Spending Account (RHCSA)
Details of the WCB RHCSA are as follows:

	2015	2014
Balance at January 1	$ (1,853)	$ (736)
Benefit cost recognized in income	(168)	(953)
Remeasurements recognized in other comprehensive income (loss)	88	(164)
Employer contributions	3	-
Net change in net defined benefit liability	(77)	(1,117)
Defined benefit liability at December 31	$ (1,930)	$ (1,853)

Related Party Transactions - Pension Plan
By definition, the WCB pension plan is a related party to the WCB. Transactions between the related parties are detailed below:

	2015	2014
Transactions:		
Contributions from employees	$ 3,040	$ 2,600
Contributions from employer	4,761	4,104

There were no amounts outstanding as at December 31, 2015 or December 31, 2014.

13. BENEFIT LIABILITIES FOR ALL EMPLOYERS

Benefit liabilities are determined in accordance with standards established by the Actuarial Standards Board (Canada). The actuarial present value of future benefit payments reflects management's long term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of the future payments. The fair value for benefit liabilities is not readily determinable.

The key actuarial assumptions used to value the benefit liabilities as at December 31 are as follows:

	2015	2014
Discount rate	5.75%	6.0%
Inflation for CPI-indexed benefits	2.25%	3.0%
Inflation for wage-related benefits	3.25%	4.0%
Inflation for healthcare benefits	5.25%	6.5%

An analysis of the components of and changes in benefit liabilities is as follows:

	2015						2014
	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 164,438	$ 478,351	$ 139,401	$ 289,888	$ 8,604	$ 1,080,682	$ 1,036,965
Add: Claim costs incurred							
Current year	52,125	51,425	3,897	51,985	1,290	160,722	183,612
Prior years	(16,797)	59,741	3,114	8,501	(3,731)	50,828	38,488
	35,328	111,166	7,011	60,486	(2,441)	211,550	222,100
Less: Claim payments made							
Current year	27,417	706	180	20,240	1	48,544	48,408
Prior years	26,052	51,919	13,034	31,969	189	123,163	129,975
	53,469	52,625	13,214	52,209	190	171,707	178,383
Balance at end of year	$ 146,297	$ 536,892	$ 133,198	$ 298,165	$ 5,973	$ 1,120,525	$ 1,080,682

The liability for short term disability claims is an estimate of future wage loss payments for claims that have yet to medically plateau or stabilize. The long term disability liability includes estimated future wage loss payments for those claims that have medically plateaued and stabilized, estimated future pension payments, and estimated future cost of claims relating to certain long latent occupational diseases. The liability for survivor benefits is composed of estimated future pension payments and other services provided to survivors of those who have lost their lives as a result of workplace injuries or illnesses. Healthcare liabilities are the estimated future medical costs for existing claims. The liability for rehabilitation services is composed of the estimated cost of future rehabilitation services which are externally supplied to the WCB.

Included in the benefit liabilities balance is $103.7 million ($55.1 million in 2014) for the estimated long latent occupational disease liability. *The Workers Compensation Act* of Manitoba lists specific illnesses and injuries presumed to be caused by firefighting, unless the contrary is proven. Effective January 1, 2016, the *Act* was amended to include a presumption for Post-Traumatic Stress Disorder, regardless of occupation.

Also included in the benefit liability is $93.7 million ($90.9 million in 2014) for the future cost of administering existing claims.

Sensitivity of Actuarial Assumptions

The most significant assumption in the determination of the benefit liabilities is the discount rate.

The following table shows the sensitivity of the benefit liabilities to an immediate one per cent increase or decrease in the key assumptions used to determine the liabilities:

Change in liability in millions

	2015		2014	
+/- % change on assumed rates	**+1%**	**-1%**	**+1%**	**-1%**
Discount rate	$ (87)	$ 103	$ (78)	$ 92
Wage inflation rate	54	(47)	41	(36)
General inflation rate	10	(9)	14	(12)
Healthcare inflation rate	35	(28)	35	(28)

An increase in the discount rate results in a decrease to the benefit liabilities and vice versa.

An increase to any of the inflation rates results in an increase to the benefit liabilities. Each inflation rate affects only those benefits that are directly impacted by that type of inflation. For example, healthcare inflation only affects healthcare liabilities.

Liability Adequacy Test

IFRS 4 *Insurance Contracts* requires an insurer to apply a liability adequacy test that meets specified minimum requirements, as follows:

a. the test considers current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees; and

b. if the test shows that the liability is inadequate, the entire deficiency is recognised in profit or loss.

If these minimum requirements are met, there are no further requirements.

The current claim benefit liability valuation meets the liability adequacy testing requirements of IFRS 4. Accordingly, a separate annual liability adequacy test is not required.

Claims Development

The table below compares actual claim liabilities to previous estimates back to the earliest period for which there is material uncertainty about the estimate and timing of claim payments.

Estimate of ultimate claims	Injury Year 2006 & Prior	2007	2008	2009	2010	2011	2012	2013	2014	2015
End of injury year	$ 1,458,654	182,168	203,916	184,494	181,728	196,690	202,359	211,487	219,081	195,485
1 year later	1,516,628	191,645	187,514	165,260	171,672	182,934	204,976	203,221	187,526	-
2 years later	1,531,656	189,544	175,901	172,820	170,445	193,678	200,459	180,672	-	-
3 years later	1,540,794	187,199	185,187	173,058	183,276	190,184	184,729	-	-	-
4 years later	1,591,397	190,159	184,284	184,782	181,488	175,290	-	-	-	-
5 years later	1,672,185	190,595	199,761	183,809	169,155	-	-	-	-	-
6 years later	1,692,401	198,086	198,546	173,308	-	-	-	-	-	-
7 years later	1,786,175	197,405	188,664	-	-	-	-	-	-	-
8 years later	1,848,853	189,258	-	-	-	-	-	-	-	-
9 years later	1,754,856	-	-	-	-	-	-	-	-	-

Cumulative claims paid	Injury Year 2006 & Prior	2007	2008	2009	2010	2011	2012	2013	2014	2015
End of injury year	$ 158,624	46,859	50,599	48,096	46,249	47,401	47,263	47,333	47,500	46,895
1 year later	285,510	82,221	84,294	77,860	74,123	76,708	78,400	74,773	72,567	-
2 years later	383,157	96,974	96,378	87,285	84,207	86,321	88,071	83,002	-	-
3 years later	467,653	106,870	104,554	94,078	90,830	92,230	95,167	-	-	-
4 years later	547,097	113,748	110,788	99,426	95,642	96,519	-	-	-	-
5 years later	620,003	119,384	115,963	103,890	99,645	-	-	-	-	-
6 years later	688,743	123,961	120,129	107,590	-	-	-	-	-	-
7 years later	752,415	127,565	123,619	-	-	-	-	-	-	-
8 years later	811,184	130,844	-	-	-	-	-	-	-	-
9 years later	866,090	-	-	-	-	-	-	-	-	-

	Injury Year 2006 & Prior	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Cumulative estimate of ultimate claims	$ 1,754,856	189,258	188,664	173,308	169,155	175,290	184,729	180,672	187,526	195,485	$ 3,398,943
Less: Cumulative claims paid	866,090	130,844	123,619	107,590	99,645	96,519	95,167	83,002	72,567	46,895	1,721,937
Current year unpaid and unreported claims	888,766	58,414	65,046	65,718	69,510	78,772	89,561	97,670	114,959	148,590	1,677,006
Effect of discounting											(753,845)
Administration cost within benefit liabilities											93,699
Future dated long latency liability											103,665
Total benefit liabilities											$ 1,120,525

14. BENEFIT LIABILITIES FOR SELF INSURED EMPLOYERS

Note 13 contains a complete description of the components of the benefit liabilities for all employers. An analysis of the portion relating to self insured employers is as follows:

	2015						2014
	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 15,249	$ 55,108	$ 24,060	$ 44,594	$ 620	$ 139,631	$ 132,494
Add: Claim costs incurred							
Current year	5,620	6,312	553	6,772	49	19,306	21,578
Prior years	2,591	19,780	165	9,293	(337)	31,492	8,843
	8,211	26,092	718	16,065	(288)	50,798	30,421
Less: Claim payments made							
Current year	3,825	197	12	2,481	-	6,515	6,388
Prior years	3,672	4,276	2,502	5,309	(28)	15,731	16,896
	7,497	4,473	2,514	7,790	(28)	22,246	23,284
Balance at end of year	$ 15,963	$ 76,727	$ 22,264	$ 52,869	$ 360	$ 168,183	$ 139,631

Included in premiums and claim costs for self insured employers are payments in the amount of $3.8 million ($3.5 million in 2014) made by self insured employers directly to injured workers on the WCB's behalf. These amounts are reported to the WCB for inclusion in these financial statements.

Included in the benefit liabilities balance is $42.2 million ($20.4 million in 2014) for self insured employers' share of the long latent occupational disease liability and $12.7 million ($10.0 million in 2014) for the future cost of administering existing claims.

15. PREMIUM REVENUE

	2015	2014
Premiums - Class E employers	$ 230,059	$ 253,733
Assessments - Self insured employers	26,310	25,213
Increase in deferred assessments (Note 7)	29,031	7,454
Total premium revenue	$ 285,400	$ 286,400

16. OPERATING EXPENSES

	2015	2014
Salaries, employee benefits and training	$ 62,380	$ 54,689
Information technology service fees	1,579	1,600
Occupancy costs	3,090	2,792
Office supplies, services and projects	1,784	1,533
Communications	1,395	1,369
Professional fees	3,268	3,158
Donations	108	102
Amortization of capital assets	2,857	2,546
	76,461	67,789
Appeal Commission	1,347	1,307
Research and Workplace Innovation Program grants	903	974
Recoveries from the Government of Canada	(1,834)	(1,651)
SAFE Work Manitoba	4,846	3,938
Province of Manitoba Workplace Safety and Health Department funding (Note 17)	8,889	8,966
Total operating expenses	$ 90,612	$ 81,323

Of the total operating expenses, $7.1 million ($6.3 million in 2014) was allocated to self insured employers based on the current year's transaction volumes.

The WCB administers the *Government Employees Compensation Act* program for the Government of Canada. The operation of this program is reflected only to the extent of the recoveries of operating expenses.

17. RELATED PARTY TRANSACTIONS

The WCB is a statutory corporation created by the Manitoba Legislature. The WCB is a government agency of the Province of Manitoba that operates at arm's-length from government. As an agency of the Province of Manitoba, the WCB applies the exemption for government-related entities in IAS 24 *Related Party Disclosures.*

Pursuant to *The Workplace Safety and Health Act* of Manitoba, the Province may pay the expenses incurred in the administration of that *Act* out of the consolidated fund and may, subsequently, recover such portion as it may determine from the WCB under *The Workers Compensation Act* of Manitoba. For 2015, the amount charged to operations under this provision was $8.4 million ($9.1 million in 2014).

Also, under Section 84.(1) of *The Workers Compensation Act* of Manitoba, the Province may pay the costs incurred in respect of worker advisors and may recover them from the WCB. For 2015, the amount charged to operations under this provision was $0.7 million ($0.8 million in 2014).

In addition to the legislated obligations referred to above, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various provincial government controlled ministries, agencies and Crown corporations with which the WCB may be considered related. This includes the provision of assistance, in the form of medical opinions and appeal services, for the Province of Manitoba relating to criminal injury claims. The provincial government is also a self insured employer under *The Workers Compensation Act* of Manitoba. Accordingly, the Province of Manitoba was allocated $2.5 million ($2.4 million in 2014) of the total operating expenses (Note 16) based on their transaction volume. Balances resulting from transactions with the Province of Manitoba are included in these financial statements and are settled on normal trade terms.

Included in the WCB's investment portfolio as at December 31, 2015 are guaranteed debentures issued by the Province of Manitoba in the amount of $4.0 million ($3.5 million in 2014).

Other Related Party Disclosures

In addition to the related government entities above, the key management personnel of the WCB (comprised of the WCB executive personnel and the Board of Directors) are deemed related parties. By definition, close family members of the key management personnel are also related parties of the WCB. Any transactions or business relationships are incidental, and carried out at normal trade terms.

The WCB has a pension plan for the benefit of WCB employees, which is a related party by definition of IAS 24 *Related Party Disclosure.* Detailed information on transactions with the pension plan can be found in Note 12.

Key Management Compensation

The following table shows total compensation for the executive personnel of the WCB:

	2015	2014
Short term employee benefits	$ 1,625	$ 1,498
Post-employment benefits	383	322
	$ 2,008	$ 1,820

Short term employee benefits include salary, vacation, car allowances, group health and dental benefits, group life insurance, and the employer's share of contributions to the Canada Pension Plan and employment insurance. Post-employment benefits include the estimated current service cost accrued for pension and other post-employment benefits.

The following table shows the total compensation for the Board of Directors of the WCB:

	2015	2014
Fees	$ 165	$ 160
Benefits	2	2
	$ 167	$ 162

The Board of Directors is comprised of 10 members appointed by the Government of Manitoba. Members' remuneration is set out in Order in Council passed by Lieutenant Governor in Council.

18. COMMITMENTS

The WCB has signed operating leases for office premises and office equipment expiring at various times until October 30, 2025. The minimum lease obligations over the next five years are:

2016	2017	2018	2019	2020	Thereafter	Total
$ 1,695	$ 1,672	$ 1,624	$ 1,291	$ 1,147	$ 4,896	$ 12,325

19. CONTINGENCIES

The WCB is party to various claims and lawsuits related to the normal course of business that are currently being contested. In the opinion of management, the outcome of such claims and lawsuits are not determinable. However, based on the total amount of all such actions, the WCB has concluded that their outcomes, either individually or in aggregate, will not have a material effect on the results of operations or financial position.

20. AUDITOR INDEPENDENCE

Grant Thornton LLP did not provide non-audit services to the WCB in 2015 or 2014.

21. COMPARATIVE FIGURES

Certain comparative figures and disclosures have been reclassified to conform to the financial statement presentation adopted in the current year.